Central Bedfordshire Council Local Plan (2015-2035)

Central Bedfordshire & Luton Strategic Housing Market Assessment (SHMA)

(January 2018)

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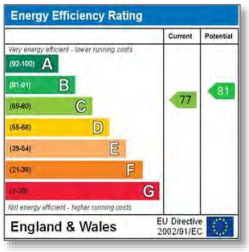

Luton & Central Bedfordshire Strategic Housing Market Assessment

Report of Findings

December 2017

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This report of the Luton & Central Bedfordshire Strategic Housing Market Assessment (December 2017) was reissued in February 2018 to incorporate minor revisions in Chapter 1 to ensure accuracy about the commissioning process. The report is otherwise unchanged from the version originally published by Central Bedfordshire Council in January 2018.

Contents

1. Introducing the Study

Background to the project and wider policy context

1.1 Opinion Research Services (ORS) was commissioned by Central Bedfordshire Council to further develop the new Strategic Housing Market Assessment (SHMA) for Luton and Central Bedfordshire as part of the evidence base for their Local Plan. Luton Borough Council were engaged with the project and considered the approach to be consistent with the previous SHMA (that informed the Luton Local Plan) and provided an appropriate basis for plan preparation in Central Bedfordshire.[1]

1.2 The new SHMA incorporates the initial SHMA findings,[2] which identified the Objectively Assessed Need (OAN) for housing over the Central Bedfordshire Local Plan period 2015-35 for the two local authorities; and also the OAN for Luton borough over the period to 2036, to inform a potential early review of the Luton Local Plan (though Luton BC has yet to determine the plan period for any review). The new SHMA also sets out the evidence about the functional Housing Market Area (HMA), based on findings from a study jointly commissioned by a partnership of seven local authorities (including Central Bedfordshire and Luton),[3] and updates information from the previous SHMA about the housing needs of different groups.

1.3 This SHMA is based on the same methodology as used for the previous SHMA, which the Inspector examining the Luton Local Plan concluded to be reasonable.[4] It adheres to the requirements of the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) and is mindful of Planning Inspector Decisions and Judgements and good practice, including the technical advice note about Objectively Assessed Need (OAN) and Housing Targets published by the Planning Advisory Service (PAS).

Government Policy

1.4 The NPPF has a presumption in favour of sustainable development, and states that Local Plans should meet the full, objectively assessed needs for market and affordable housing in the housing market area. The responsibility for establishing the housing need rests with the local planning authority.

> *At the heart of the National Planning Policy Framework is a **presumption in favour of sustainable development**, which should be seen as a golden thread running through both plan-making and decision-taking.*
>
> *Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole.*
>
> *To boost significantly the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area.*
>
> **National Planning Policy Framework (NPPF), paragraphs 14 and 47**

[1] The SHMA Update was reissued in February 2018 in order to revise paragraphs 1.1-1.2 and 1.15-1.16 to ensure accuracy about the commission
[2] Initial Strategic Housing Market Assessment for Luton & Central Bedfordshire, May 2017 (ORS)
[3] Identifying Housing Market Areas in Bedfordshire and Surrounding Areas, December 2015 (ORS)
[4] Luton Local Plan, Inspector's Report August 2017, para 96

1.5 Given this context, Strategic Housing Market Assessments (SHMAs) primarily inform the production of the Local Plan (which sets out the spatial policy for a local area). Their key objective is to provide the robust and strategic evidence base required to establish the Objectively Assessed Need (OAN) for housing in the HMA and provide information on the appropriate mix of housing and range of tenures needed.

> *Local planning authorities should have a clear understanding of housing needs in their area.*
>
> *They should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:*
>
> » *meets household and population projections, taking account of migration and demographic change;*
>
> » *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and*
>
> » *caters for housing demand and the scale of housing supply necessary to meet this demand;*
>
> **National Planning Policy Framework (NPPF), paragraph 159**

1.6 The Department for Communities and Local Government (CLG) Planning Practice Guidance (PPG) is a web-based resource that was launched in March 2014 to bring together planning practice guidance for England in an accessible and usable way. Previous SHMA Guidance was rescinded at that time, so the approach taken in preparation of this report is focused on meeting the requirements of PPG. The PPG relating to the assessment of housing and economic development needs is of particular relevance to SHMA studies.

Duty to Co-operate

1.7 The Duty to Co-operate was introduced in the 2011 Localism Act and is a legal obligation. The NPPF sets out an expectation that public bodies will co-operate with others on issues with any cross-boundary impact, in particular in relation to strategic priorities such as *"the homes and jobs needed in the area"*.

> *Public bodies have a duty to cooperate on planning issues that cross administrative boundaries, particularly those which relate to the **strategic priorities** set out in paragraph 156. The Government expects joint working on areas of common interest to be diligently undertaken for the mutual benefit of neighbouring authorities.*
>
> *Local planning authorities should work collaboratively with other bodies to ensure that strategic priorities across local boundaries are properly coordinated and clearly reflected in individual Local Plans. Joint working should enable local planning authorities to work together to meet development requirements which cannot wholly be met within their own areas – for instance, because of a lack of physical capacity or because to do so would cause significant harm to the principles and policies of this Framework. As part of this process, they should consider producing joint planning policies on strategic matters and informal strategies such as joint infrastructure and investment plans.*
>
> **National Planning Policy Framework (NPPF), paragraphs 178-179**

1.8 This co-operation will need to be demonstrated as sound when plans are submitted for examination. One key issue is how any unmet development and infrastructure requirements can be provided by co-operating with adjoining authorities (subject to tests of reasonableness and sustainability). The NPPF sets out that co-operation should be "*a continuous process of engagement" from "thinking through to implementation*".

> *Local planning authorities will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examination. This could be by way of plans or policies prepared as part of a joint committee, a memorandum of understanding or a jointly prepared strategy which is presented as evidence of an agreed position. Cooperation should be a continuous process of engagement from initial thinking through to implementation, resulting in a final position where plans are in place to provide the land and infrastructure necessary to support current and projected future levels of development.*
>
> **National Planning Policy Framework (NPPF), paragraph 181**

1.9 Under the Duty-to-Cooperate, the emerging SHMA outputs have been discussed with officers and members at neighbouring local authorities and their feedback has been taken into account. The councils are continuing dialogue with neighbouring authorities.

Overview of the SHMA

1.10 The objective of this SHMA was to bring together the evidence already published about the functional HMA and the OAN for housing (both market and affordable). The SHMA also updates the information about the needs for different types of housing; including family housing, the private rented sector, service families, people wishing to build their own home, housing for older people and households with specific needs.

1.11 The NPPF refers to Local Plans meeting the *"full objectively assessed needs for market and affordable housing* ***in the housing market area****"* (paragraph 47, emphasis added). It is important to agree the definitions for Housing Market Areas (HMAs) with neighbouring councils to ensure consistency as far as possible; therefore, it is helpful to undertake the required analysis across a wider geographical area. ORS was commissioned by a partnership of seven local authorities (including Central Bedfordshire and Luton) to identify HMAs for Bedfordshire and surrounding areas.[5]

1.12 Whilst the study used the latest commuting flows, house prices and Broad Rental Market Area (BRMA) data available, detailed migration flows from the 2011 Census has not been published as public data, so migration data from the 2001 Census was used instead. ORS has since been granted access to the safeguarded migration flow data from the 2011 Census through the ONS Virtual Microdata Laboratory; so to ensure that the evidence that informed the analysis of HMAs remains as up-to-date as possible, this SHMA takes account of updated analysis of migration flows using data from the 2011 Census.

1.13 The *"Initial SHMA for Luton & Central Bedfordshire"* (ORS, May 2017) established the OAN for both market housing and affordable housing for the 20-year period 2015-35. This was based on the most up-to-date information at that time, including the ONS 2014-based sub-national population projections and the CLG 2014-based household projections. These 2014-based projections were still the most up-to-date figures when this new SHMA was prepared, so the OAN identified for both market housing and affordable housing remains identical to that published in May 2017.

[5] Identifying Housing Market Areas in Bedfordshire and Surrounding Areas, December 2015 (ORS)

1.14 The methodology for the SHMA continues to be based on secondary data, and seeks to:

- Review the housing market area;
- Provide evidence of the need and demand for housing based on demographic projections;
- Consider market signals about the balance between demand for and supply of dwellings;
- Establish the Objectively Assessed Need for housing;
- Identify the appropriate balance between market and affordable housing; and
- Address the needs for all types of housing, including family housing, the private rented sector, service families, people wishing to build their own home, housing for older people and households with specific needs.

1.15 The new SHMA continues to provide a consistent evidence base for housing across the Luton HMA for both Central Bedfordshire and Luton Councils.

1.16 As part of the development of the previous SHMA (which covered the Luton Plan period 2011-31), representatives from neighbouring authorities were invited to join a Steering Group for the project. The neighbouring authorities who were part of this process were:

- Aylesbury Vale District Council
- Bedford Borough Council
- Dacorum Borough Council
- Milton Keynes District Council
- North Hertfordshire District Council
- St Albans City & District Council
- Stevenage Borough Council

1.17 Central Bedfordshire and Luton Councils are continuing their dialogue with this established Steering Group as part of their ongoing discussions with neighbouring authorities under the Duty to Cooperate.

1.18 Finally, it is important to recognise that the information from this document should not be considered in isolation, but forms part of a wider evidence base to inform the development of housing and planning policies. This document does not seek to determine rigid policy conclusions, but instead provides a key component of the evidence base required to develop and support a sound policy framework.

2. Defining the Housing Market Area

An evidence base to identify functional housing markets

2.1 The NPPF refers to Local Plans meeting the *"full objectively assessed needs for market and affordable housing **in the housing market area**"* (paragraph 47, emphasis added).

2.2 It is important to agree the definitions for Housing Market Areas (HMAs) with neighbouring councils to ensure consistency as far as possible; therefore it is helpful to undertake the required analysis across a wider geographical area. Central Bedfordshire Council and Luton Borough Council together with a partnership of five other local authorities (Aylesbury Vale, Bedford, Milton Keynes, North Hertfordshire and Stevenage) commissioned ORS to identify HMAs for Bedfordshire and surrounding areas. A separate report has been published for that joint study; however the Luton and Central Bedfordshire SHMA was informed by the analysis undertaken.

2.3 The joint HMA study used the latest commuting flows, house prices and Broad Rental Market Area (BRMA) data currently available, including commuting data from the 2011 Census. Nevertheless, detailed migration flows from the 2011 Census has not been published as public data, so migration data from the 2001 Census was used instead. ORS has now been granted access to the safeguarded migration flow data from the 2011 Census through the ONS Virtual Microdata Laboratory (VML); so to ensure that the evidence that informed the analysis of Housing Market Areas (HMAs) remains as up-to-date as possible, the SHMA has updated the analysis of migration flows using data from the 2011 Census.

Functional Housing Market Areas

2.4 The definition of a functional housing market area is well-established as being *"...the geographical area in which a substantial majority of the employed population both live and work and where those moving house without changing employment choose to stay"* (Maclennan et al, 1998)[6].

Planning Practice Guidance

2.5 Planning Practice Guidance (PPG)[7] on the Assessment of housing and economic development needs (March 2014) reflects this existing concept, confirming that the underlying principles for defining housing markets are concerned with the functional areas in which people both live and work:

> *A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It might be the case that housing market areas overlap.*
>
> *The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the duty to cooperate.*
>
> **Planning Practice Guidance (March 2014), ID 2a-010**

[6] Local Housing Systems Analysis: Best Practice Guide. Edinburgh: Scottish Homes
[7] http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/

2.6 Therefore, PPG requires an understanding of the housing market area and says this can be defined using three different sources of information:

- House prices and rates of change in house prices
- Household migration and search patterns
- Contextual data (e.g. travel to work area boundaries, retail and school catchment areas)

2.7 These sources are consistent with those identified in the CLG advice note *"Identifying sub–regional housing market areas"* published in 2007[8].

Geography of Housing Market Areas (NHPAU/CURDS)

2.8 CLG also published a report on the *"Geography of Housing Market Areas"* in 2010[9] which was commissioned by the former National Housing and Planning Advice Unit (NHPAU) and undertaken by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University. This study explored a range of potential methods for calculating housing market areas for England and applied these methods to the whole country to show the range of housing markets which would be generated. The report also proposed three overlapping tiers of geography for housing markets:

- **Tier 1:** framework housing market areas defined by long distance commuting flows and the long-term spatial framework with which housing markets operate;
- **Tier 2:** local housing market areas defined by migration patterns that determine the limits of short term spatial house price arbitrage;
- **Tier 3:** sub-markets defined in terms of neighbourhoods or house type price premiums.

2.9 The report recognised that migration patterns and commuting flows were the most relevant information sources for identifying the upper tier housing market areas, with house prices only becoming relevant at a more local level and when establishing housing sub-markets. The report also outlined that no one single approach (nor one single data source) will provide a definitive solution to identifying local housing markets; but by using a range of available data, judgements on appropriate geography can be made.

2.10 Advice published in the PAS OAN technical advice note[10] also suggests that the main indicators will be migration and commuting (second edition, paragraph 5.4).

> *"The PPG provides a long list of possible indicators, comprising house prices, migration and search patterns and contextual data including travel-to-work areas, retail and school catchments. In practice, the main indicators used are migration and commuting."*

2.11 The PAS OAN technical advice note also suggests that analysis reported in the CLG report *"Geography of Housing Market Areas"* (CLG, November 2010) should provide a starting point for drawing HMAs (Figure 1). This suggests that Luton forms part of the London HMA and Central Bedfordshire is split between the London, Cambridge and Milton Keynes HMAs. Nevertheless, the PAS OAN technical advice note also notes (second edition, paragraph 5.9):

> *"for some areas, including many close to London, the single-tier silver standard geography looks unconvincing; in that plan-makers should look for guidance to other levels in the NHPAU analysis."*

[8] Identifying sub–regional housing market areas (CLG, March 2007); paragraph 1.6
[9] Geography of Housing Market Areas (CLG, November 2010); paragraph 1.6
[10] http://www.pas.gov.uk/documents/332612/6549918/OANupdatedadvicenote/f1bfb748-11fc-4d93-834c-a32c0d2c984d

2.12 Figure 2 illustrates the output for the proposed two-tier geography based on 50% migration containment within 77.5% commuting containment. This analysis also suggests that the study area sits within the London HMA, although the boundary for this area is fundamentally different to the London HMA shown on the "starting point" map. This analysis suggests that Luton and Central Bedfordshire mainly form part of the Milton Keynes HMA; however, on balance, these geographies also look *"unconvincing"*.

2.13 It is important to note that the analysis of migration and commuting for the "starting point" CLG study was based on data from the 2001 Census. Given this context, the PAS OAN technical advice note recognises that "*more recent data should always 'trump' this geography*" (first edition, paragraph 4.9). Due to the complexities of the geographies in this area, a more fundamental analysis of the data is needed.

Figure 1: NHPAU Study - PAS OAN technical advice note "Starting Point"

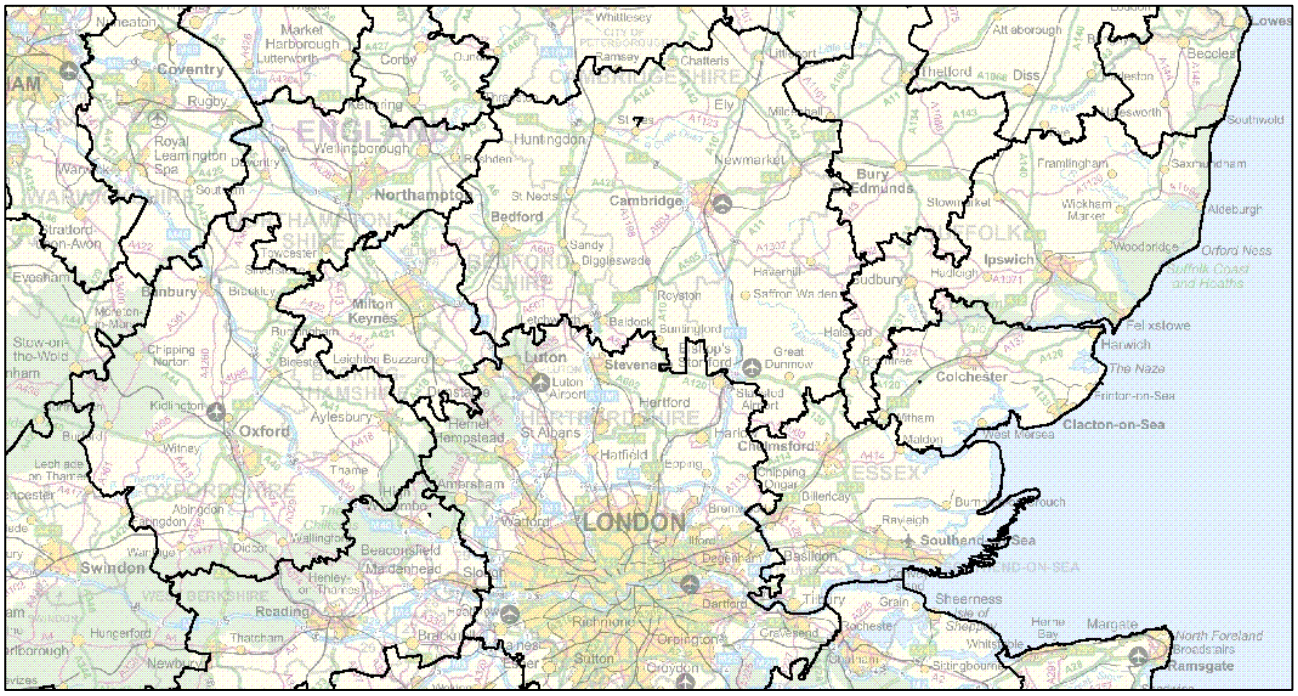
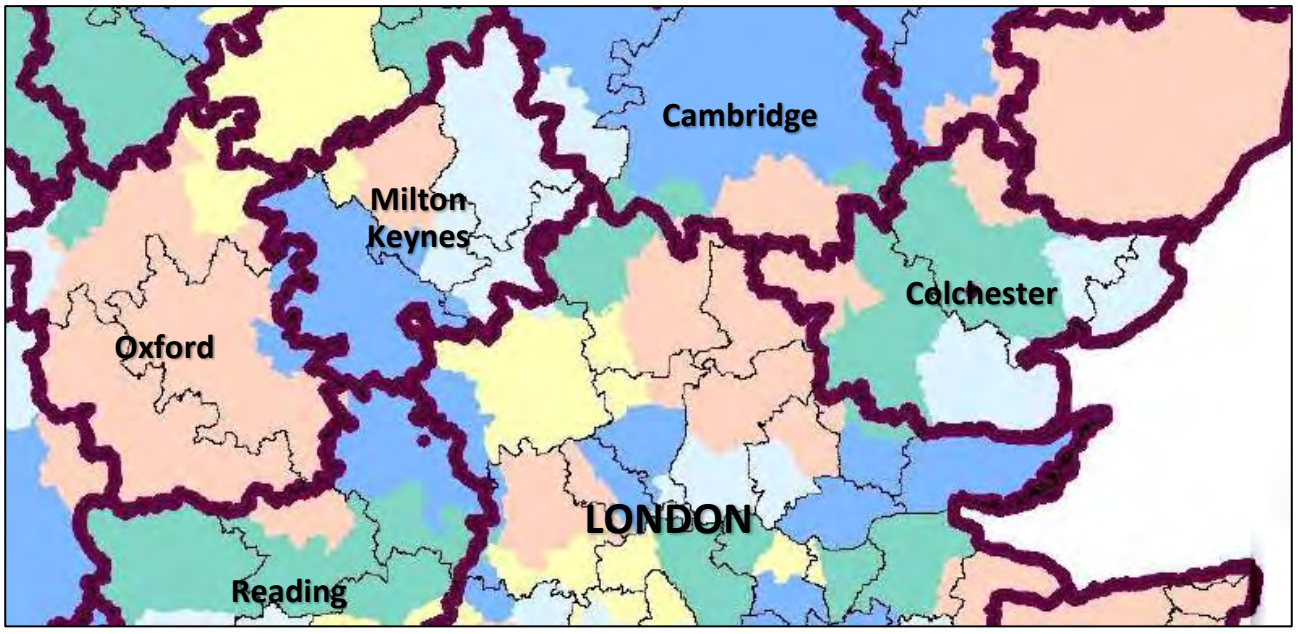


Figure 2: NHPAU Study - Lower tier based on migration (50%) within commuting-based upper tier (77.5%)



Identifying Travel to Work Areas

2.14 Housing market areas reflect *"the key functional linkages between places where people live and work"* (PPG March 2014, ID 2a-010) and therefore it is important to consider travel to work patterns within the identified area alongside the migration patterns. PPG states:

> *Travel to work areas can provide information about commuting flows and the spatial structure of the labour market, which will influence household price and location. They can also provide information about the areas within which people move without changing other aspects of their lives (e.g. work or service use).*
>
> **Planning Practice Guidance (March 2014), ID 2a-011**

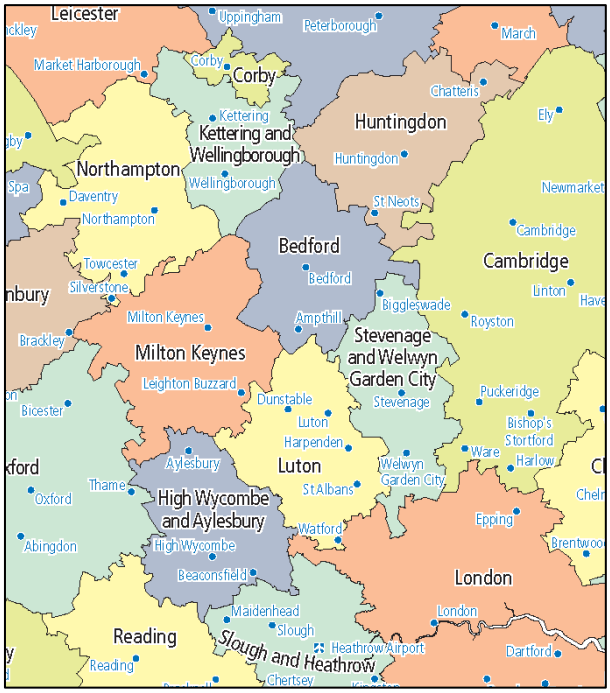
2.15 One of the PPG suggested data sources is the Office for National Statistics travel to work areas (TTWAs). Figure 3 shows the ONS TTWAs based on the origin-destination data from the 2001 Census (published in 2007) and TTWAs based on commuting flow data from the 2011 Census (published in 2015).

2.16 The TTWAs based on 2001 Census data identified a Travel to Work Area for Luton & Watford; surrounded by Bedford, Stevenage, London, Wycombe & Slough and Milton Keynes & Aylesbury. Based on 2011 Census data, the TTWA has been retained and the boundary has not changed significantly, although the area is now called Luton TTWA. There have also been revisions to the surrounding areas, most notably Aylesbury no longer forms part of the Milton Keynes TTWA but instead forms a TTWA with High Wycombe; and a new TTWA has been formed which covers Slough & Heathrow.

Figure 3: ONS Travel To Work Areas (Source: ONS 2007; ONS 2015)

ONS TTWAs based on 2001 Census data

ONS TTWAs based on 2011 Census data



Commuting Flow Analysis Based on 2011 Census Data

2.17 The ONS has published detailed commuting flow data from the 2011 Census. This data enables us to further understand the relationships that exist between where people live and work, which is a key element of the housing market area definition. When defining housing market areas, it is important that functional housing markets are not constrained to local authority boundaries. Further, there is a need to use evidence to build up the housing market area from a lower level of geography; essentially, to use smaller geographic areas as the basic "building block".

2.18 In considering HMAs for Bedfordshire and the surrounding area, our initial analysis was based on commuting patterns across the geographic area from Corby in the north to Staines in the south, and from Oxford in the west to Ipswich in the east. This approach ensures that functional relationships are properly identified without unduly focussing on Luton and Central Bedfordshire. Nevertheless, the analysis only seeks to identify the full extent of those HMAs situated entirely within this area; neighbouring areas will only be identified as far as is necessary to establish the most appropriate boundary between them and the HMAs being identified within the study area.

2.19 Given that our analysis initially focuses on commuting flows, the areas established will be travel to work areas rather than HMAs. Nevertheless, as previously outlined, the *"key functional linkages between places where people live and work"* is a critical part of the PPG definition of housing market areas and therefore travel to work areas will form an important part of the evidence needed for establishing the most appropriate functional HMAs.

Analysis Method and Framework

2.20 The key steps in the initial analysis are:

- **Step 1:** Each Middle Layer Super Output Area (MSOA) within the geographic area was identified where all of the constituent Census Output Areas have been classified as being "urban" under the 2011 Rural Urban Classification[11]. The 2011 Rural Urban Classification is used to distinguish between rural and urban areas; an area is classified as rural if it falls outside of a settlement with more than 10,000 residents.
- **Step 2:** We grouped together any contiguous urban MSOAs and each formed a single seed point, except for the contiguous urban area for London (Figure 4). Note that the London urban area is excluded from step 2 as this would create a single seed point covering the whole of London at the outset of the analysis process. Whilst London will clearly be an important housing market, this cannot be based simply on it being a contiguous urban area. London MSOAs are introduced into the process from step 3 onwards.
- **Step 3:** MSOAs within the geographic area (including those in the London contiguous urban area) were identified where the commuting ratio that was less than 1.0; i.e. those MSOAs where the workplace population is larger than the resident population (Figure 5).
- **Step 4:** These MSOAs with concentrations of employment are associated with the existing seed point with which they have the strongest relationship. Where these MSOAs are not contiguous with an urban area (including all MSOAs in Greater London) and have only weak relationships with the existing seed points, employment MSOAs form a new independent seed point (Figure 6).

[11] Department for Environment, Food and Rural Affairs, Rural Urban Classification ; www.gov.uk, 2014; paragraph 3.3

Figure 4: Urban Areas based on DEFRA Classification

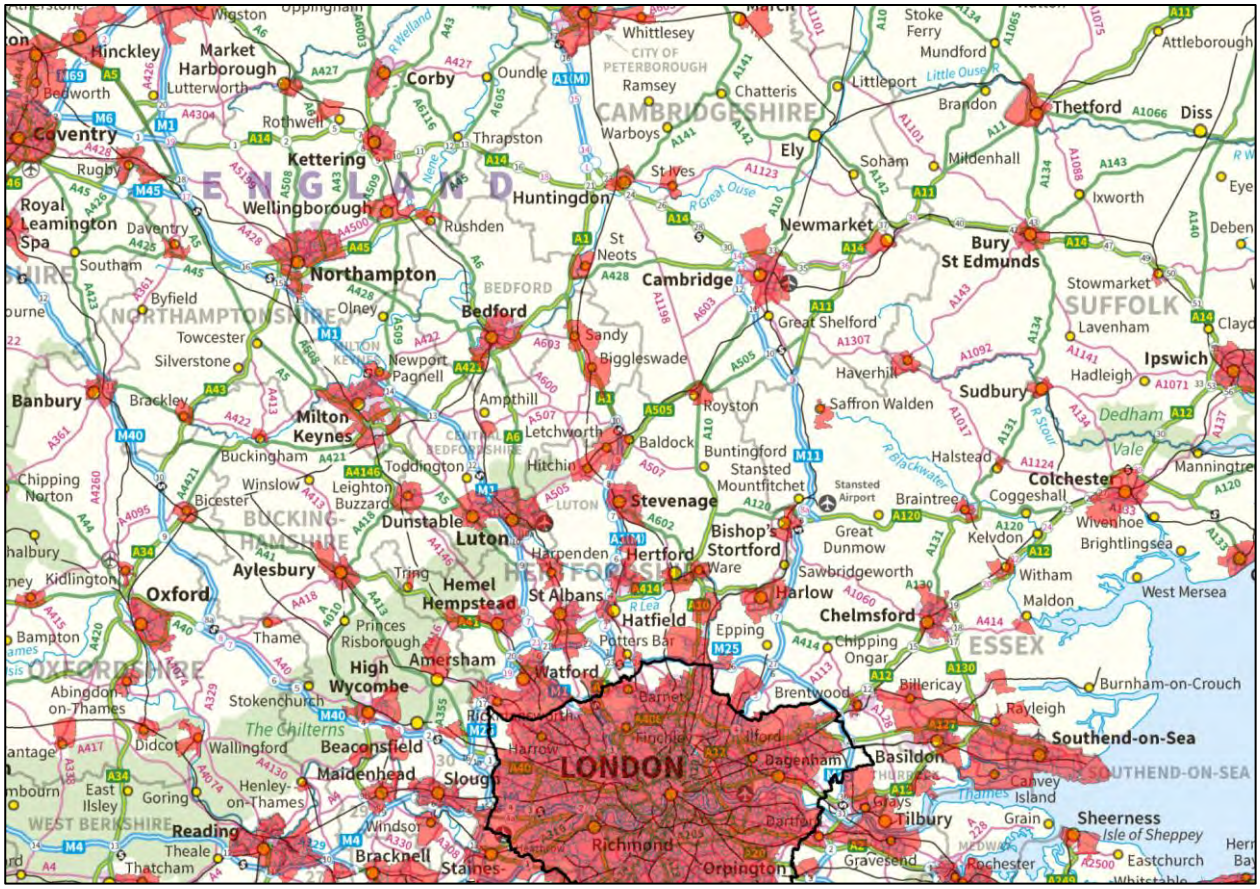


Figure 5: Areas with Commuting Ratio less than 1.0

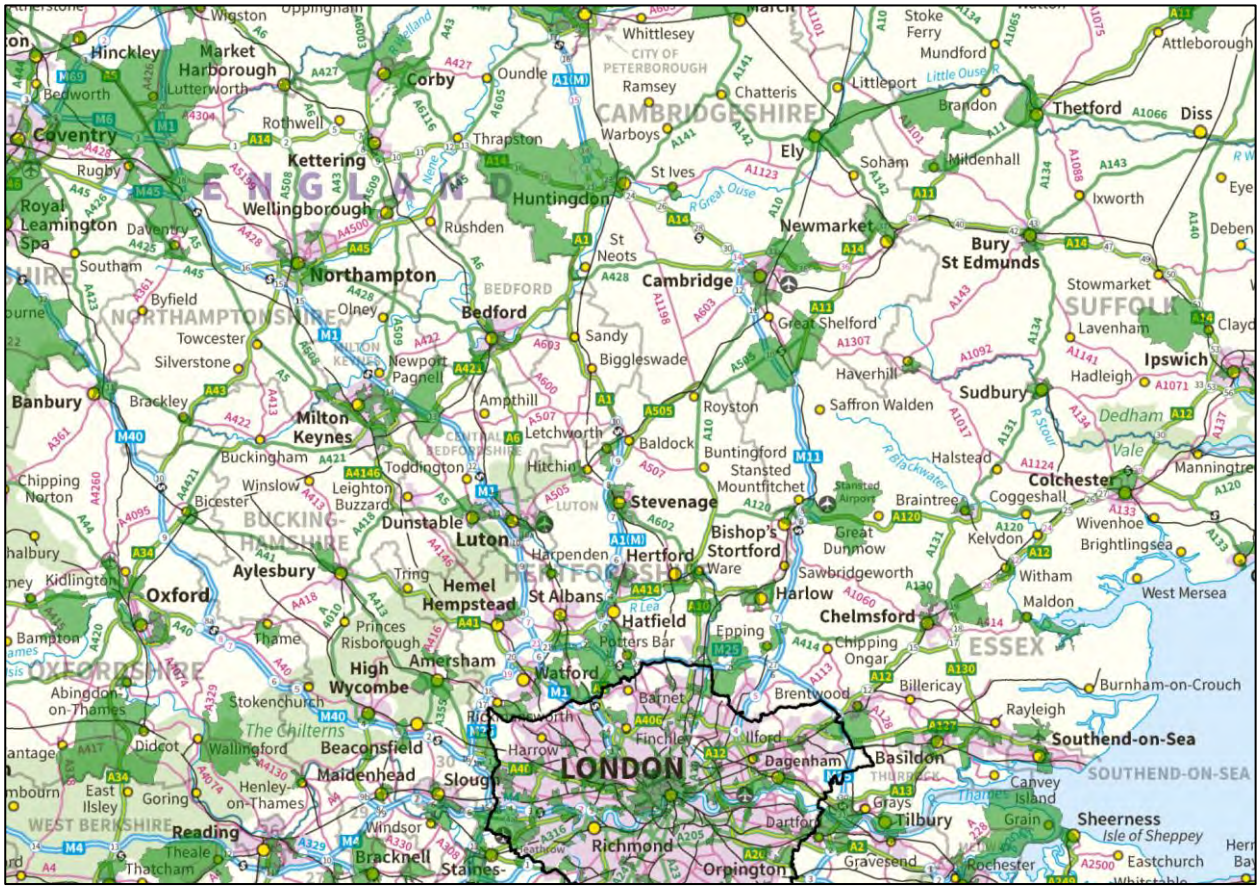


Figure 6: Urban Areas outside London and Employment Areas

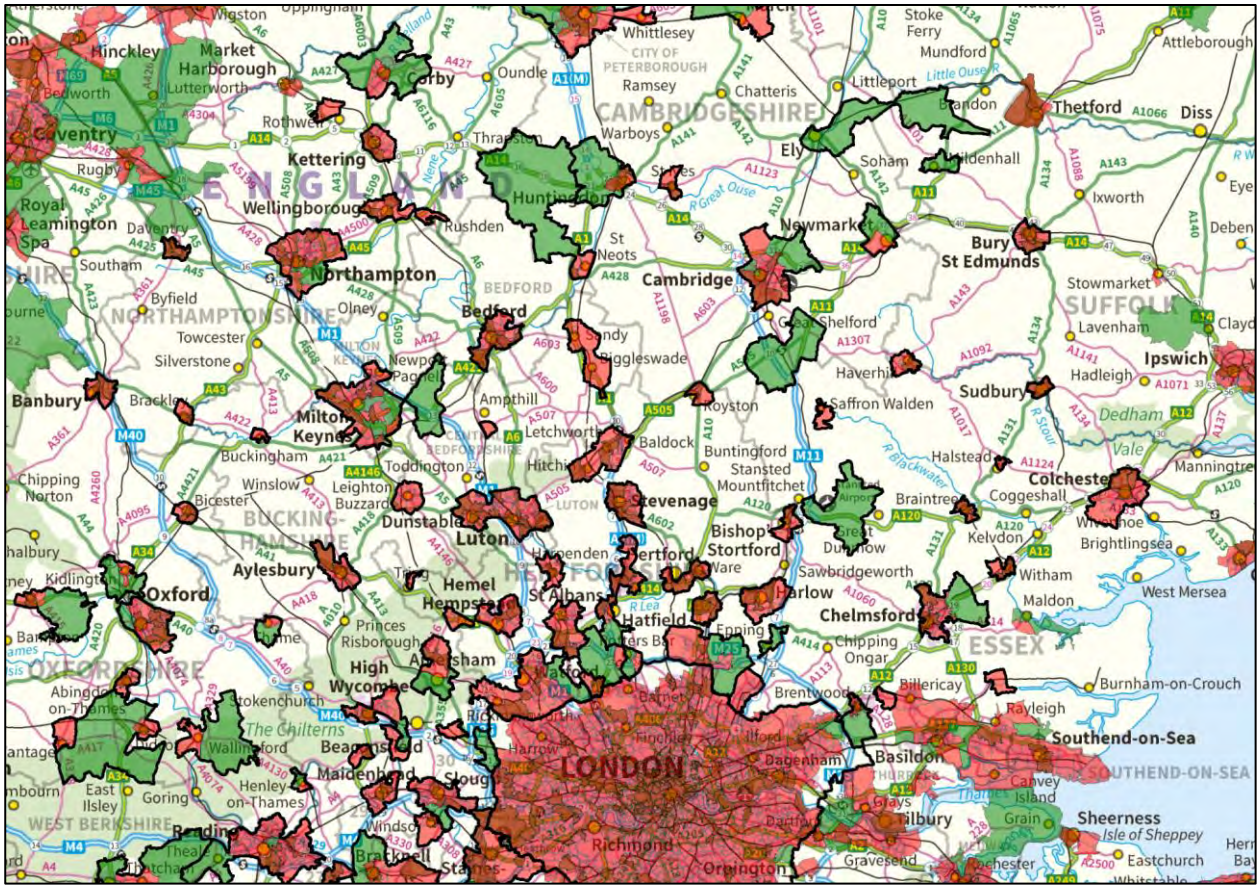
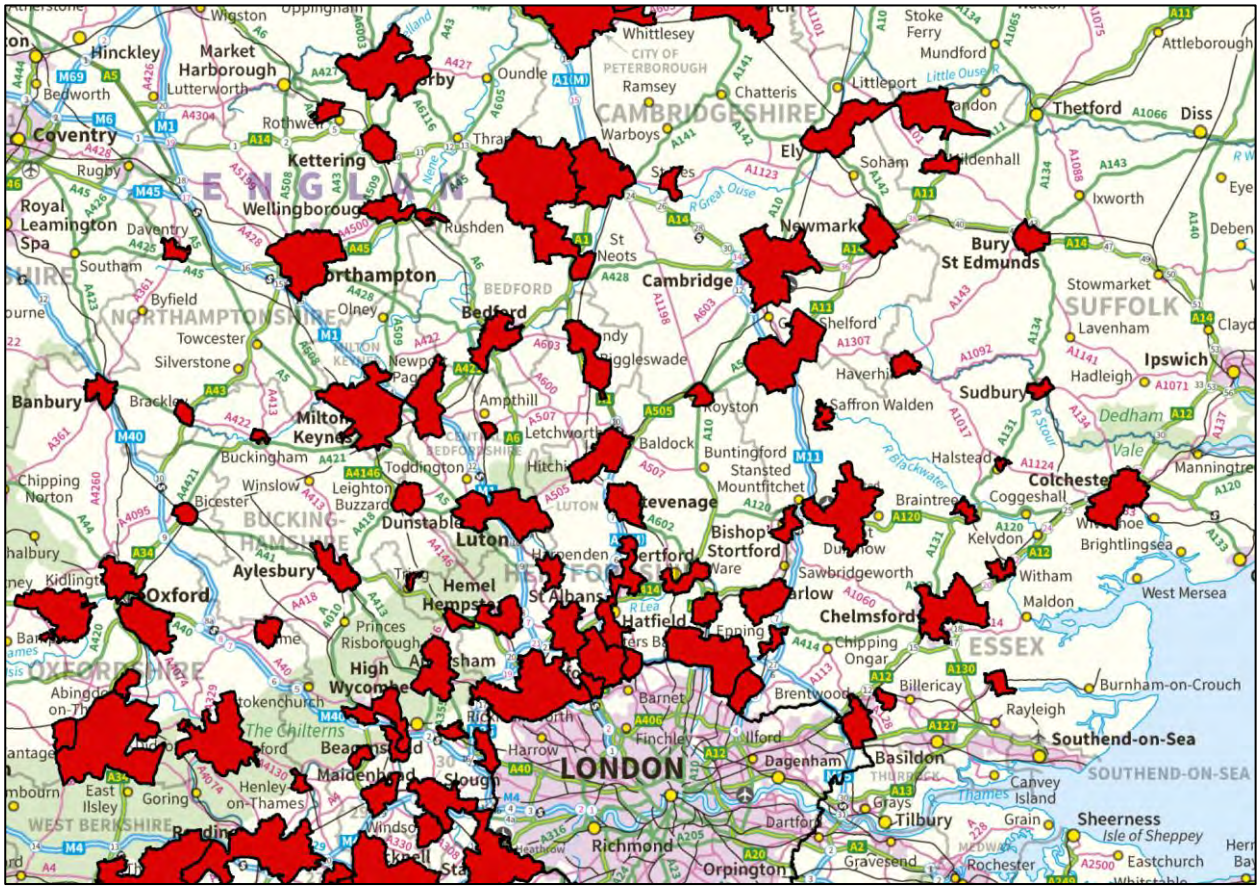


Figure 7: 'Seeds' for Housing Market Areas



2.21 Figure 7 shows the final seeds that were then used for the subsequent stages of the analysis process:

- **Step 5:** For every MSOA in the geographic area, we associate it with the seed point (or seed point cluster) that has the largest number of workers resident in that MSOA.
- **Step 6:** Based on the MSOAs associated with each seed point (or seed point cluster) at Step 5, we calculate the proportion of the resident population that work in the area and the proportion of the workplace population that live in the area to establish a self-containment ratio.
- **Step 7:** If all seed points (or seed point clusters) had an acceptable self-containment ratio, the process stops; otherwise for the seed point with the lowest self-containment ratio, the seed point with which it has the strongest relationship (based on the commuting flows and distance between the two seed points) is identified and the two seed points are clustered together. Where the seed point with the lowest self-containment ratio is already formed of a cluster of seed points, the cluster is separated and the strongest relationship identified for each of the original seed points before new clusters are formed.

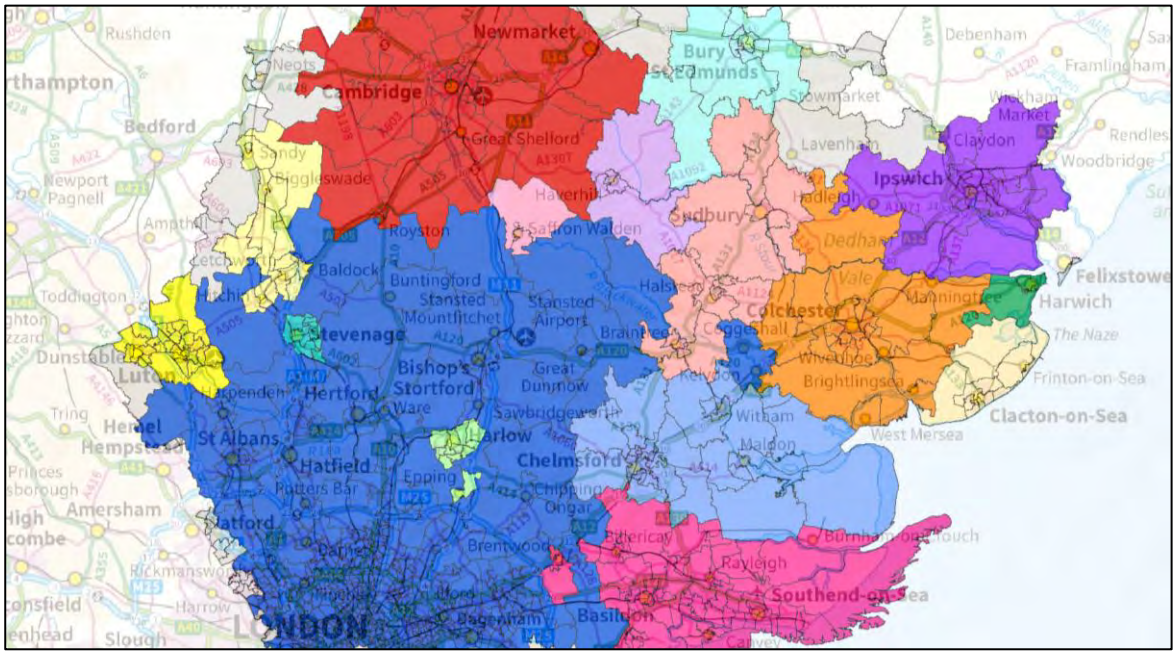
2.22 The process from Step 5 to Step 7 was then repeated to achieve increasing levels of self-containment across all seed points (or seed point clusters).

2.23 The final distribution of areas depends on the level at which the self-containment ratio is considered to be acceptable. The higher that the self-containment ratio is required to be, the larger (and more strategic) the identified areas will become – as smaller areas will tend to have lower levels of self-containment. The ONS have a **75% target for Travel to Work areas**, but it is worth noting that **their threshold is 66.7%** (for areas that have a working population in excess of 25,000 workers) and this provides a useful framework.

Analysis Outcomes based on 2011 Census Data

2.24 Figure 8 shows the outcome of this process at the 50% self-containment stage. At the 50% level of self-containment, the London HMA has rapidly grown to include much of the wider study area (broadly similar to the NHPAU map in Figure 1) – so it is evident that some control of London's growth is necessary if we are to properly understand the housing market interactions across the surrounding areas.

Figure 8: Initial model outputs at 50% containment threshold



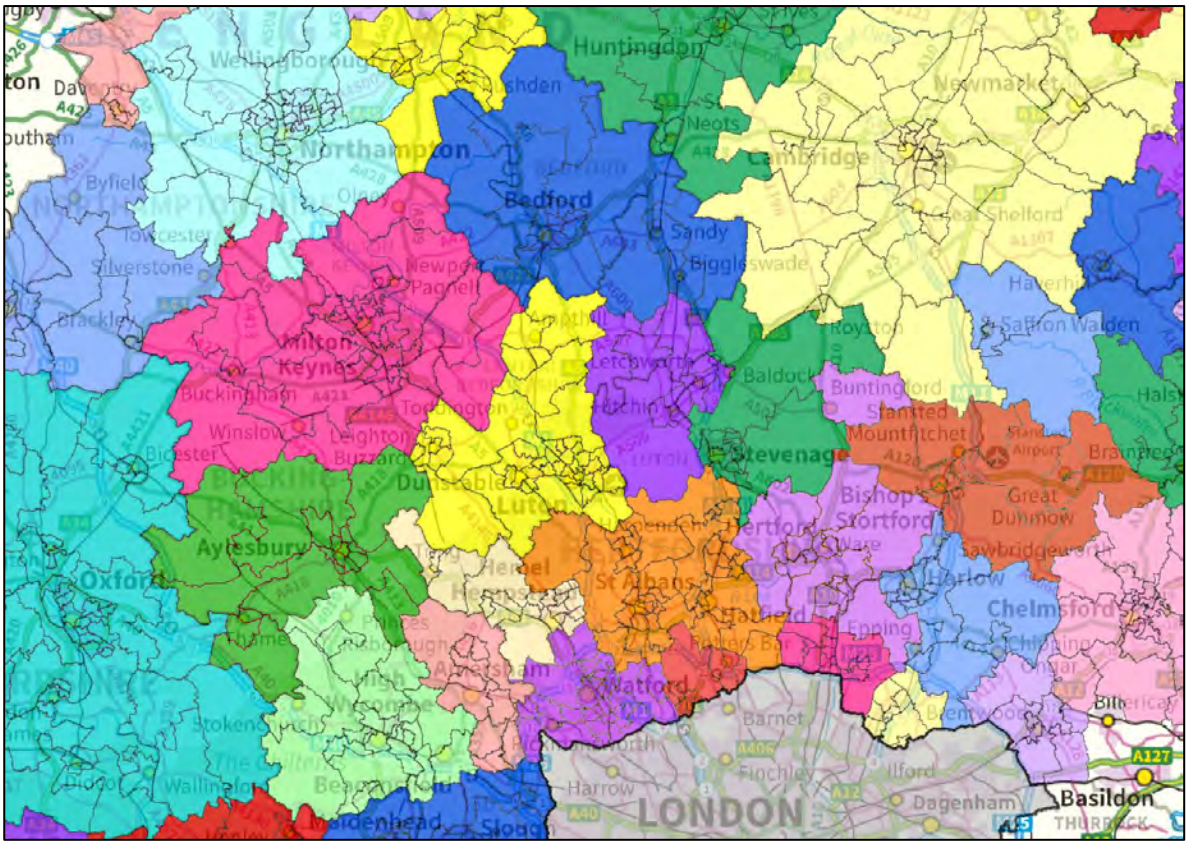
Further Modelling restricting the growth of Greater London

2.25 The importance of London must be recognised when considering housing markets areas across the wider South East, given the number of workers that commute to London and the number of people that move from London to these areas each year. However, it is also useful to gain an understanding of other housing market areas at a more local level. The PPG recognises that *"it might be the case that housing market areas overlap"*; so whilst acknowledging that London is an important housing market area, it is also possible that London overlaps with other housing market areas.

2.26 Given this context, the latter part of the analysis (steps 5-7) was repeated; however this time when the seed (or seed cluster point) with the weakest self-containment was joined to the seed to which it had the strongest links, seed point within the Greater London region were excluded from the process. In other words, London could not "grow".

2.27 At 60% self-containment (Figure 9), various local travel to work areas are starting to emerge – including Bedford, Bishop's Stortford, Brentwood, Cambridge, Chelmsford, Epping, Harlow, Hertford, Letchworth, Potters Bar, Saffron Walden, St Albans, Stevenage and Watford.

Figure 9: Model outputs with restricted growth of Greater London at 60% containment threshold



2.28 At 70% self-containment (Figure 10), a number of realignments have occurred where some of the smaller seeds have merged with other seeds to which they have the strongest link. Notably, Letchworth has now merged with Stevenage, the Epping and Stansted areas have merged with Harlow, and Potters Bar has joined with of St Albans and Hatfield.

2.29 At 72% self-containment (Figure 11), the smaller seeds have all merged with larger areas, and it is evident that some of these larger areas have merged too. For example, Aylesbury has merged with High Wycombe; Hemel Hempstead, Watford and St Albans have combined together; and Hertford has joined with Harlow.

Figure 10: Model outputs with restricted growth of Greater London at 70% containment threshold

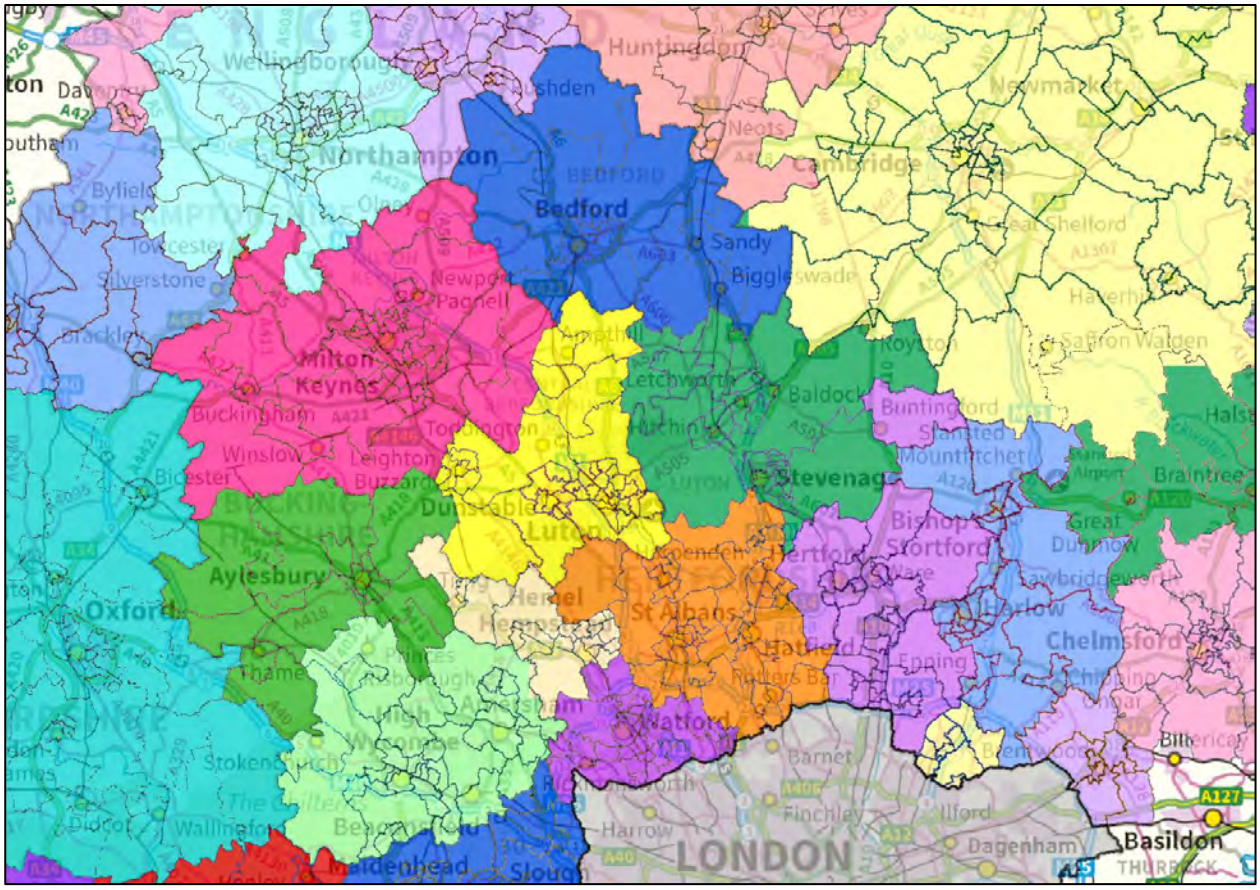
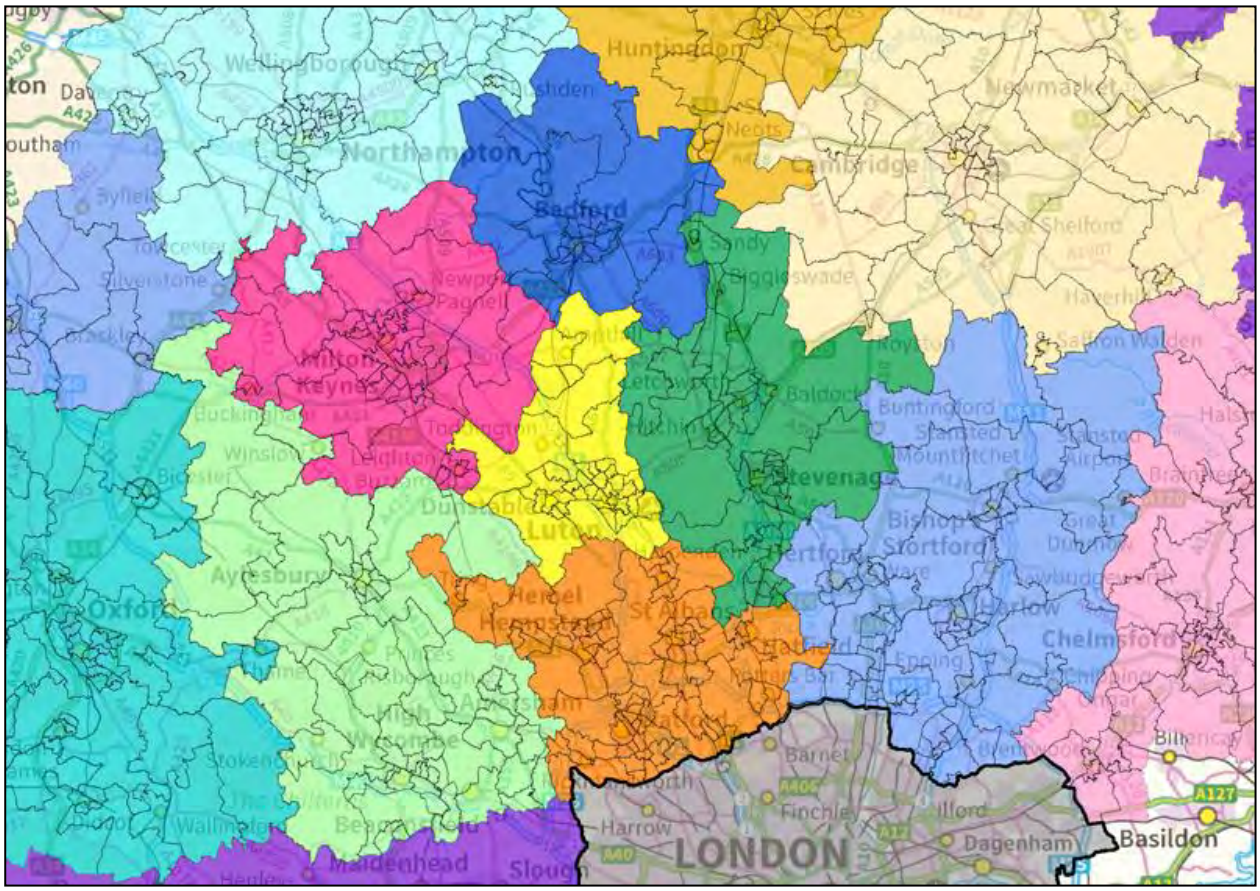


Figure 11: Model outputs with restricted growth of Greater London at 72% containment threshold



Reviewing the preliminary outputs

2.30 The preliminary outputs were discussed at a stakeholder workshop with officers from the commissioning local authorities together with representatives from neighbouring areas as part of the Duty to Cooperate process.

2.31 A number of points were raised from the discussion where further analysis would be of benefit. The first related to the order in which seeds were processed and clustered, and whether or not the final clusters represented the strongest linkages between seeds. For example, Sandy and Biggleswade were clustered with Bedford, which represented the strongest link at the time they were processed; however, this was prior to Stevenage and Letchworth being clustered together – and the relationship that exists with Stevenage and Letchworth combined is stronger than the relationship with Bedford. Similar concerns were raised about other smaller settlements, such as Leighton Buzzard, which raised the question as to whether or not the final outputs could be further developed to reflect this.

2.32 Another point raised concerned the relationship between Hatfield, Welwyn Garden City and the Stevenage commuting zone. A review of the original seeds identified that Hatfield and Welwyn Garden City formed a continuous urban area (based on the statistical geographies used) and therefore had been defined as a single seed. The purpose of creating seed points was to enable separate places to be identified, and part of the reason for varying the approach in relation to London was to avoid predetermining the outputs. In a similar way, it was agreed at the workshop that it was not appropriate to presume that Hatfield and Welwyn Garden City should inevitably fall into the same area given the different functional relationships of the two places. On this basis, it was agreed to split the seed point into two distinct areas based on their individual MSOA boundaries.

2.33 The process for reviewing the cluster groupings was undertaken systematically to ensure a fair approach across the entire area. In each of the identified seed clusters, any individual seeds that represented less than 20% of the size of the largest seed in the seed cluster were considered to be “weak” and were therefore “unseeded”; that is, those areas were no longer considered to be a seed and treated in the same way as all other areas that had not originally been part of a seed.

2.34 Figure 12 shows the outcome of this process, identifying the original seeds which are “unseeded” in yellow. The areas in red form the seed clusters for the revised analysis.

2.35 Figure 13 the impact of the “unseeding” process on the identified areas.

2.36 The most notable changes include Sandy and Biggleswade moving from the Bedford to the Stevenage area, Leighton Buzzard moving from the Luton to the Milton Keynes area, and the area north of Tring moving from the Watford to the Aylesbury area.

2.37 Furthermore, following the separation of Hatfield and Welwyn Garden City into separate seeds, it is evident that whilst the strongest relationship for Welwyn Garden City continues to be with the Stevenage area, the strongest relationship for Hatfield is with the Watford area.

2.38 The outputs from this further process were discussed collectively with officers from the commissioning authorities, who accepted that this output provided an appropriate basis for developing the final commuting zones which, together with information on migration and house prices, would inform the functional housing market area definition.

Figure 12: Original seeds that have become 'unseeded'

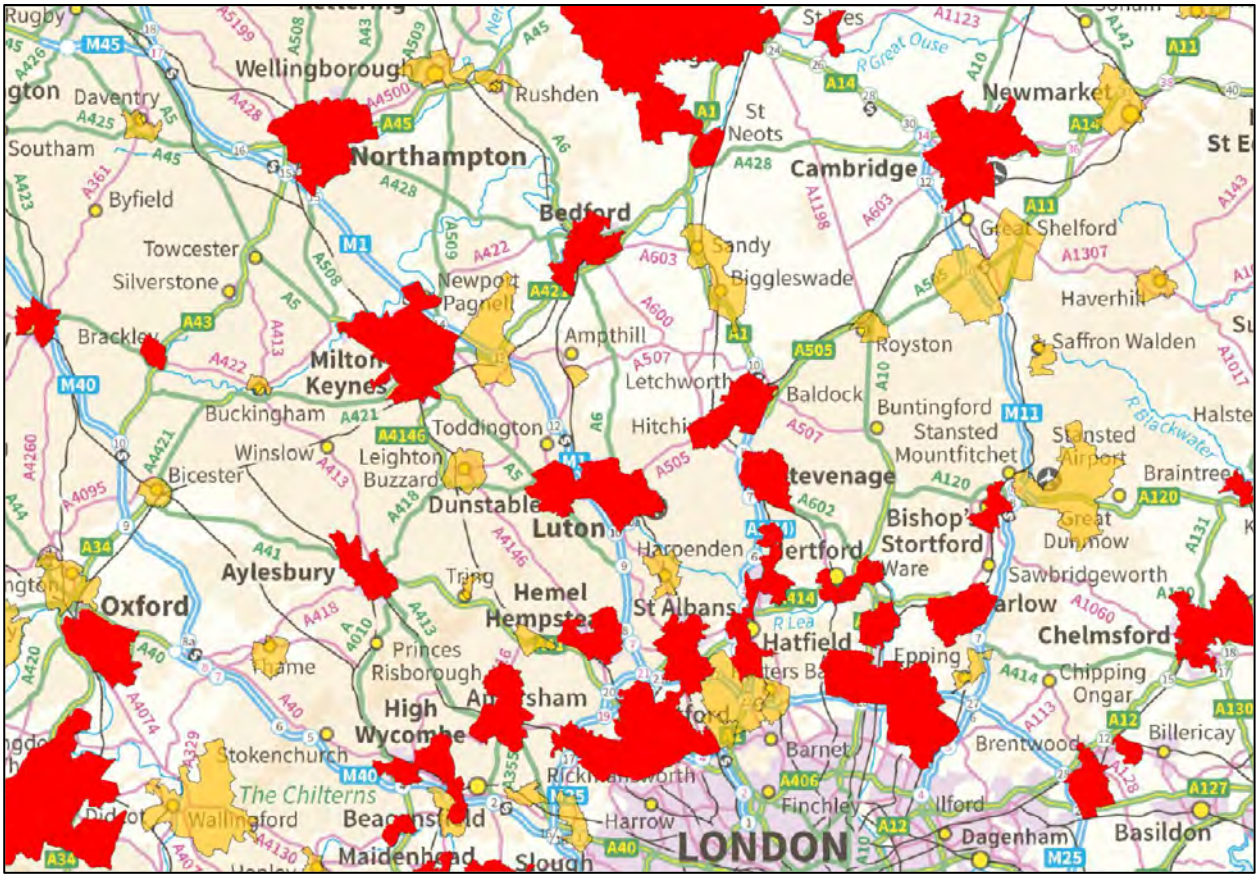
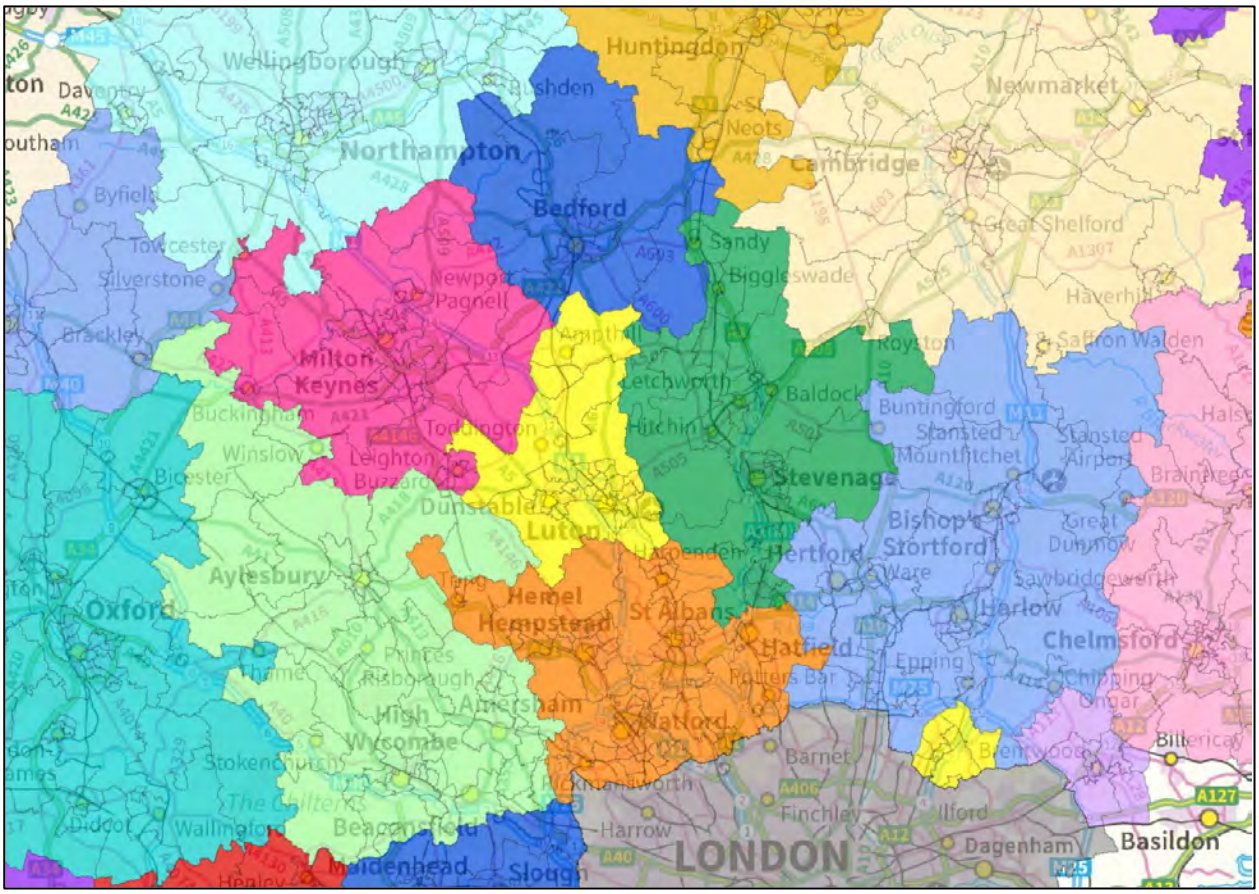


Figure 13: The impact of "unseeding" smaller settlements; model outputs at 72% containment of seed clusters



Further Modelling based on Finer Grain Geographies

2.39 The analysis to define the commuting zone clusters was developed using the MSOA statistical geography. Whilst these areas are smaller than local authority areas, they each cover a relatively large population: a minimum of 2,000 households and an average of 3,000 households in each MSOA. Therefore, some MSOAs cover relatively large geographic areas, in particular those outside urban centres. This means that the boundaries that have been identified for the commuting zones are likely to be relatively imprecise, especially in areas that are currently less populated.

2.40 To refine the identified boundaries, the modelling was re-run using Census Output Areas (COA): the smallest statistical geographies available, covering a minimum of 40 households with a target of 125 households in each COA. In considering this finer grained geography, the modelling is revised using COA based on the final seed clusters (excluding those smaller settlements that had been "unseeded").

2.41 The following maps show the strongest relationship for each COA. Figure 14 shows the areas where an absolute majority of workers (that is over 50%) travel to or from the COA to the identified area. At 50% absolute self-containment, the "core" of each travel to work area can be identified.

2.42 Figure 15 shows the outcome of the same analysis based on a simple majority of workers (that is the largest number) excluding the flows to Greater London, whereas Figure 16 also shows those COAs where the greatest flow is to Greater London. This identifies very few parts of Luton and Central Bedfordshire where the largest flows are to Greater London.

Figure 14: COAs with absolute majorities (over 50%) of workers travelling to and from the area

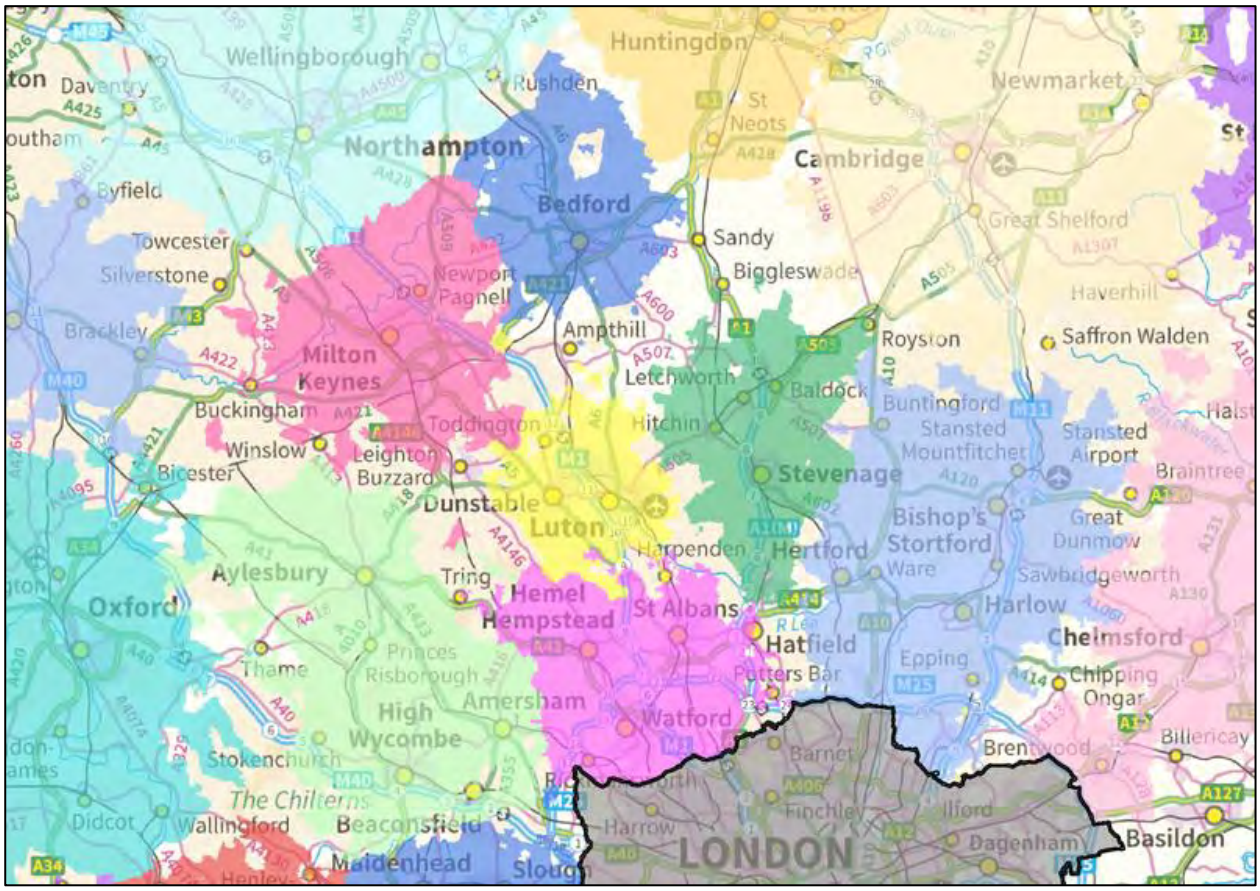


Figure 15: COAs based on simple majorities of workers travelling to or from the area

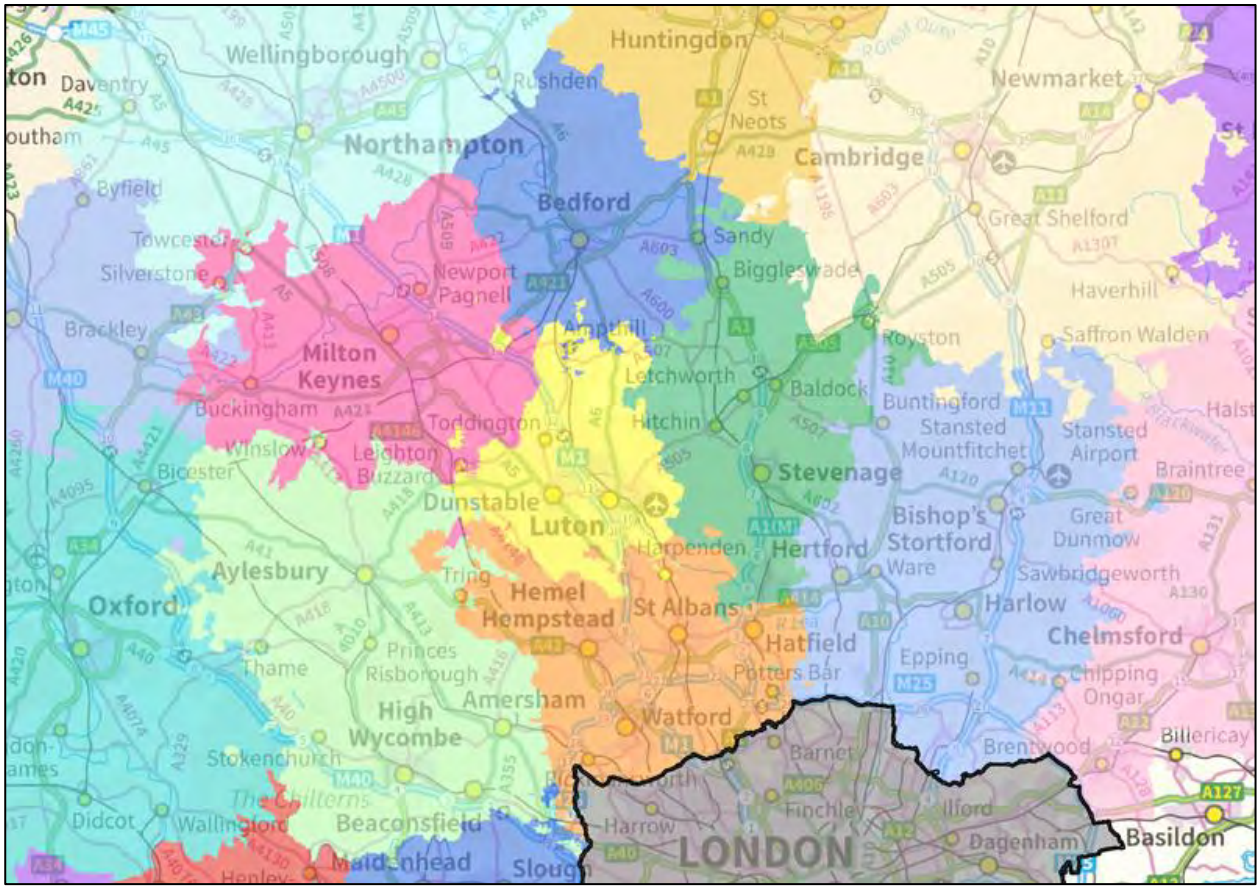
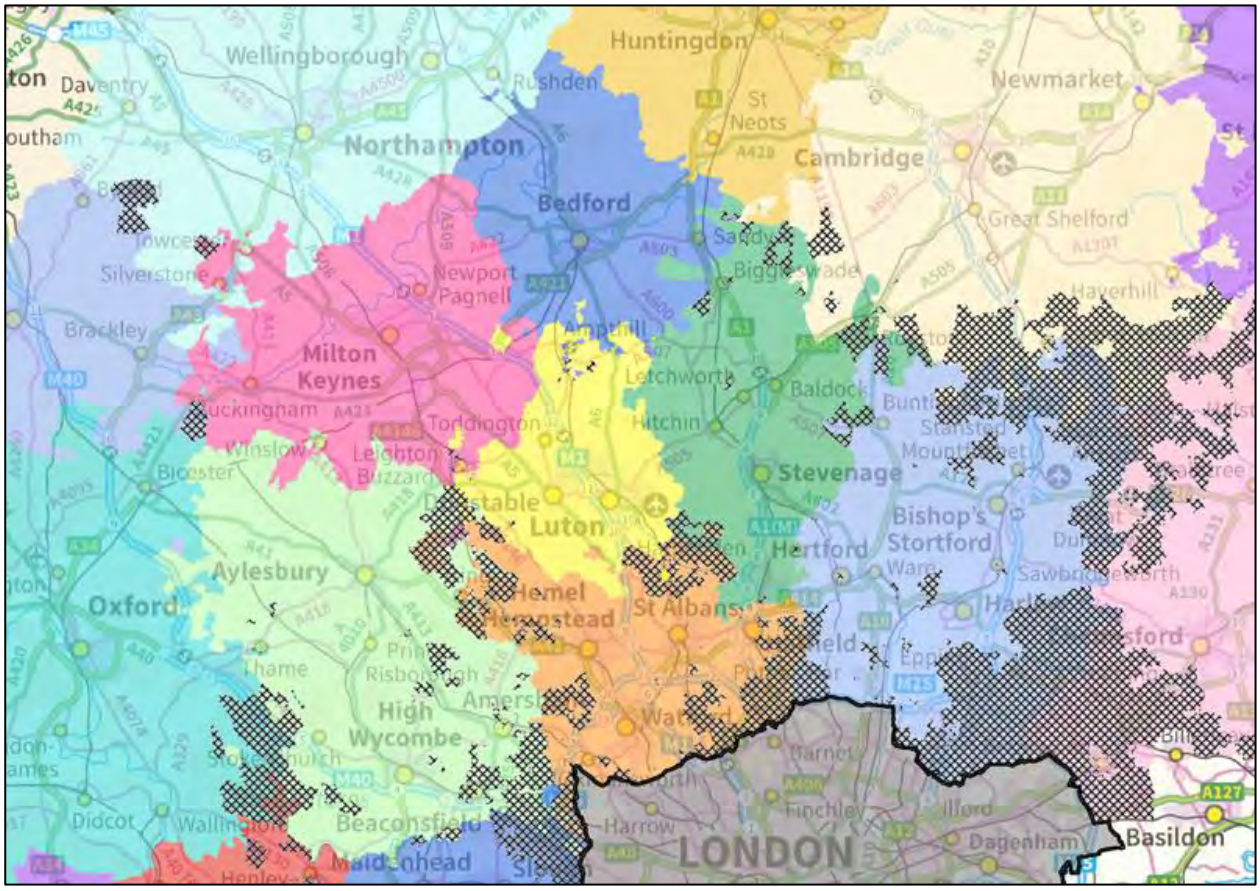


Figure 16: COAs based on simple majorities of workers travelling to or from the area, including Greater London (hatched)



2.43 Greater London is evidently important when considering HMAs in this wider area. The modelling analysis has clearly shown that the commuting "pull" from Central London is often stronger than from more local employment centres, and it would be possible to define a Greater London travel to work area that included many areas outside the region boundary.

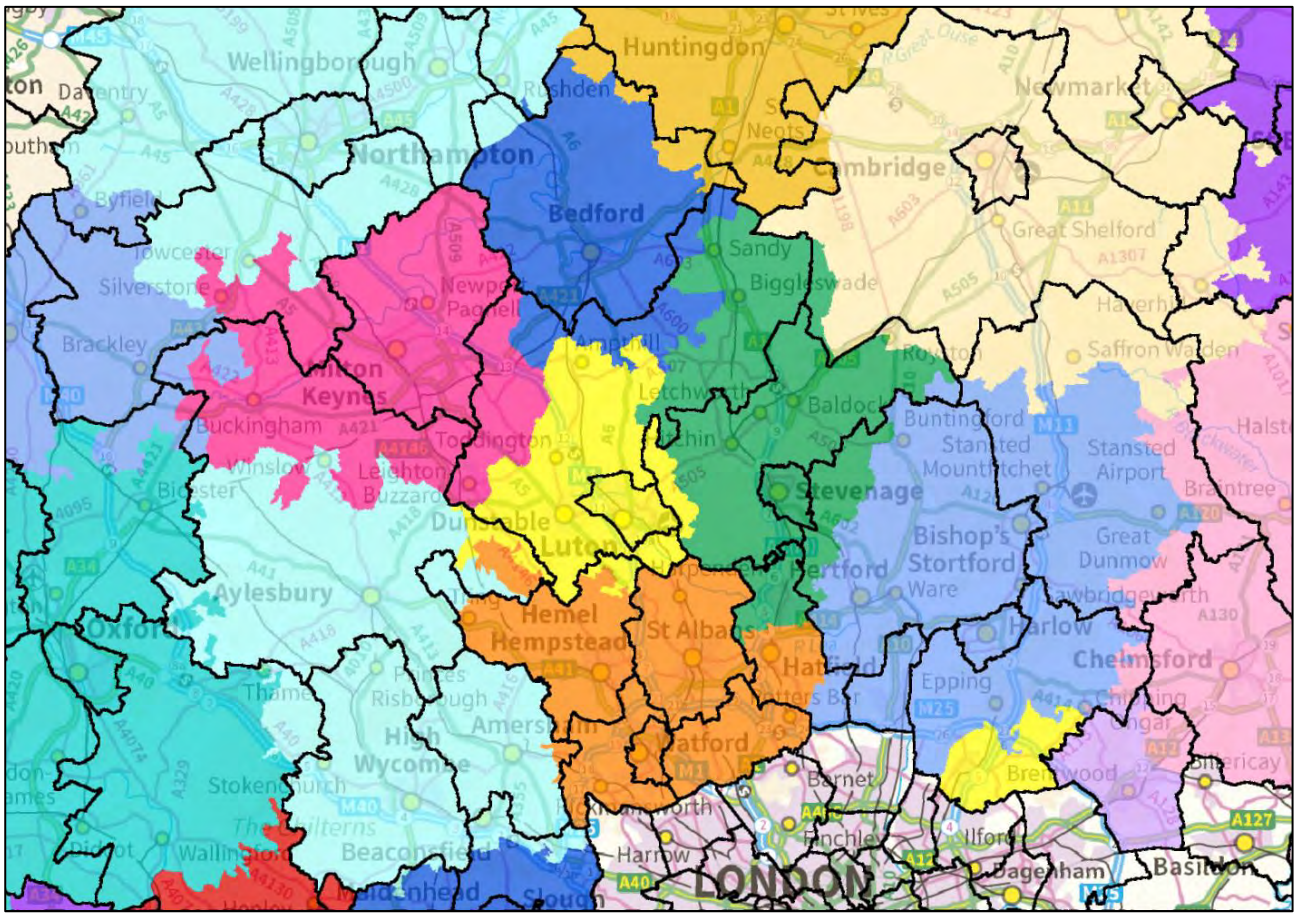
2.44 Whilst the functional relationships with London are important, the Mayor of London and the Greater London Authority are responsible for the London Plan and this is based on the administrative boundary for the region. Therefore, on balance, it is pragmatic and appropriate to define Greater London using the administrative boundary and then separately consider the commuting flows outside the region.

2.45 On this basis, our proposed commuting zones are based on the final iteration of the modelling analysis that excluded Greater London.

Proposed Commuting Zones

2.46 Figure 17 shows the proposed commuting zones together with the local authority administrative boundaries. While this study has clearly defined the boundaries for these commuting zones inside the study area, the boundaries outside of this area should be treated with caution given the geographic area that was included within the modelling analysis. This would not affect the boundaries or distribution within the area which is the focus of the study.

Figure 17: Proposed Commuting Zones showing Local Authority administrative boundaries



2.47 Figure 18 sets out the key statistics for these final commuting zones, presented in descending order of containment score. The table also shows the overall commuting flows (including flows to and from Greater London) and highlights those that reach the ONS target of 75% and the ONS threshold of 66.7% in green

(dark green and light green respectively), with the remaining flows (that fail to reach the ONS threshold of 66.7%) highlighted in red.

2.48 In terms of workplace population, the data shows that the commuting zone centred on Luton has 74.4% of workers resident inside the commuting zone, with 66.7% of the zone's working residents having jobs within the area (increasing to 72.0% when those that work in London are excluded.

Figure 18: Statistics for Proposed Commuting Zones (Source: 2011 Census; Note: Dark green cells meet the ONS TTWA target of 75%; light green cells meet the ONS TTWA threshold of 66.7%, red cells do not meet the ONS TTWA threshold)

Commuting Zone	Living and Working in area	Workplace Population		Resident Population				Containment Score	
				All workers		Exc. London			
		Total workers	% living in area	Total workers	% working in area	Total workers	% working in area	Overall	Exc. Central London
Cambridge	195,200	242,000	80.6%	235,300	83.0%	226,700	86.1%	81.8%	83.3%
Milton Keynes	135,900	183,400	74.1%	177,300	76.7%	168,500	80.7%	75.4%	77.3%
Bedford	57,700	79,300	72.8%	82,400	70.0%	78,800	73.3%	71.4%	73.0%
Luton	100,500	135,100	74.4%	150,700	66.7%	139,600	72.0%	70.3%	73.2%
Stevenage	111,900	153,400	72.9%	172,700	64.8%	154,100	72.6%	68.6%	72.8%

2.49 Figure 19 details the distribution of the resident population for these commuting zones by local authority area. It is evident that the Luton commuting zones covers the entire population of Luton Borough, with 203,200 residents living within the Luton commuting zone and the local authority area. The total population for the commuting zone is around 323,100 persons, with almost all of those that live outside Luton Borough resident in Central Bedfordshire (114,900 persons).

Figure 19: Proposed Commuting Zones Resident Population by Local Authority Area (Source: 2011 Census. Note: Population rounded to nearest 100. Figures may not sum due to rounding)

Local Authority Area	Proposed Commuting Zone									
	Milton Keynes		Bedford		Luton		Stevenage		Elsewhere	
	N	%	N	%	N	%	N	%	N	%
Bedford	-	-	154,700	98.2%	-	-	-	-	2,800	1.8%
Central Beds	49,700	19.5%	14,100	5.5%	114,900	45.2%	75,700	29.8%	-	-
Luton	-	-	-	-	203,200	100.0%	-	-	-	-
Milton Keynes	248,800	100.0%	-	-	-	-	-	-	-	-
North Herts	-	-	-	-	1,700	1.3%	109,200	85.9%	16,300	12.8%
Stevenage	-	-	-	-	-	-	84,000	100.0%	-	-
Elsewhere	43,700	-	200	-	700	-	66,900	-	-	-
TOTAL	**342,300**	-	**169,000**	-	**323,100**	-	**335,700**	-	**9,500**	-

Migration

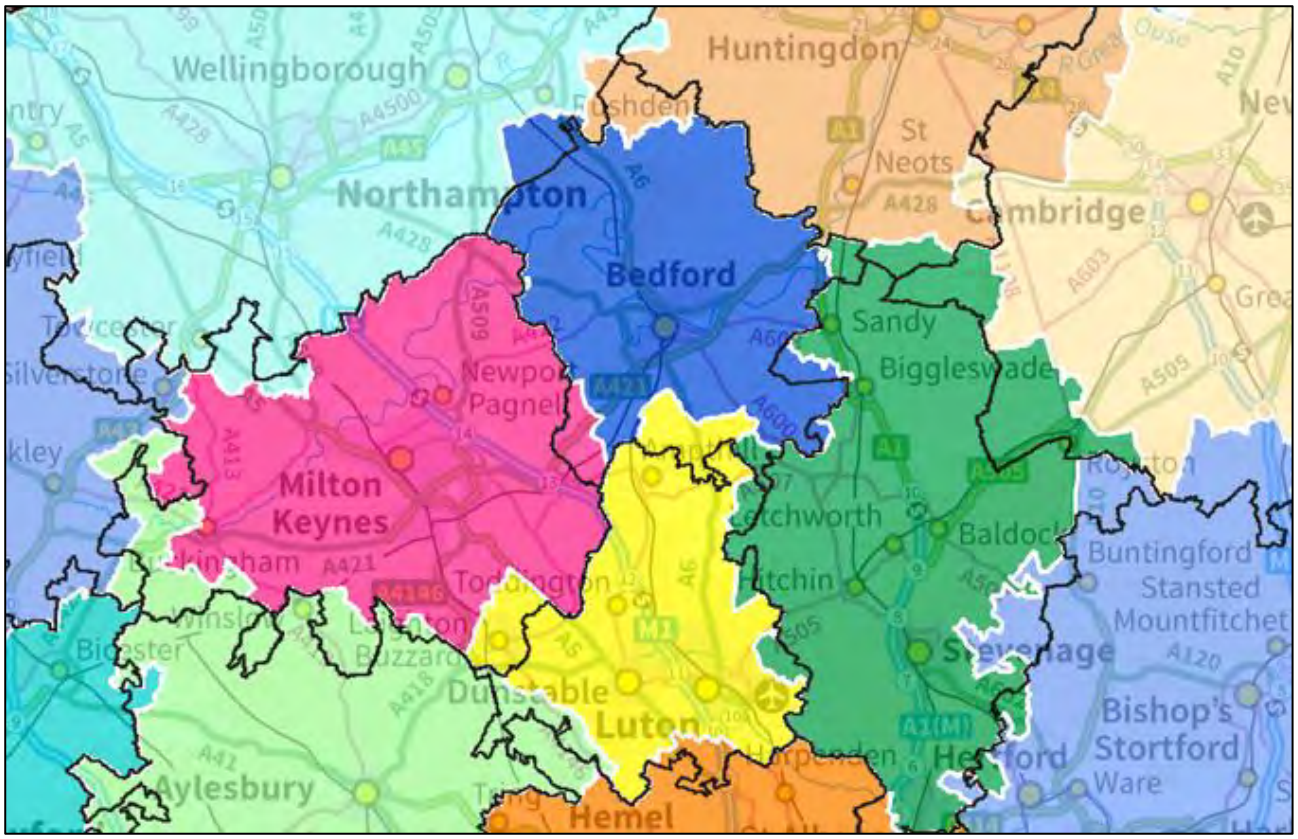
2.50 Whilst commuting flow data helps identify *"the key functional linkages between places where people live and work"*, PPG also suggests that migration patterns should be considered when defining functional housing market areas:

> *Migration flows and housing search patterns reflect preferences and the trade-offs made when choosing housing with different characteristics. Analysis of migration flow patterns can help to identify these relationships and the extent to which people move house within an area. The findings can identify the areas within which a relatively high proportion of household moves (typically 70 per cent) are contained. This excludes long distance moves (eg those due to a change of lifestyle or retirement), reflecting the fact that most people move relatively short distances due to connections to families, friends, jobs, and schools.*
>
> **Planning Practice Guidance (March 2014), ID 2a-011**

2.51 Analysis of Census migration flow data shows the strongest relationships in terms of migration flows mirror exactly the strongest relationships in terms of commuting flow data.

2.52 Figure 20 shows the strongest relationships in terms of migration flows between each MSOA and the identified seed clusters. It is evident that the migration patterns largely reflect the travel to work patterns previously illustrated by the commuting zone analysis, although there are some notable differences. In particular, the Luton migration zone extends into the south of the Bedford commuting zone and the south east of the Milton Keynes commuting zone.

Figure 20: MSOAs with the strongest migration links to the final seed clusters based on data from the 2011 Census, showing commuting zone boundaries (Source: ONS. Note: Solid black lines denote final commuting zone boundaries)

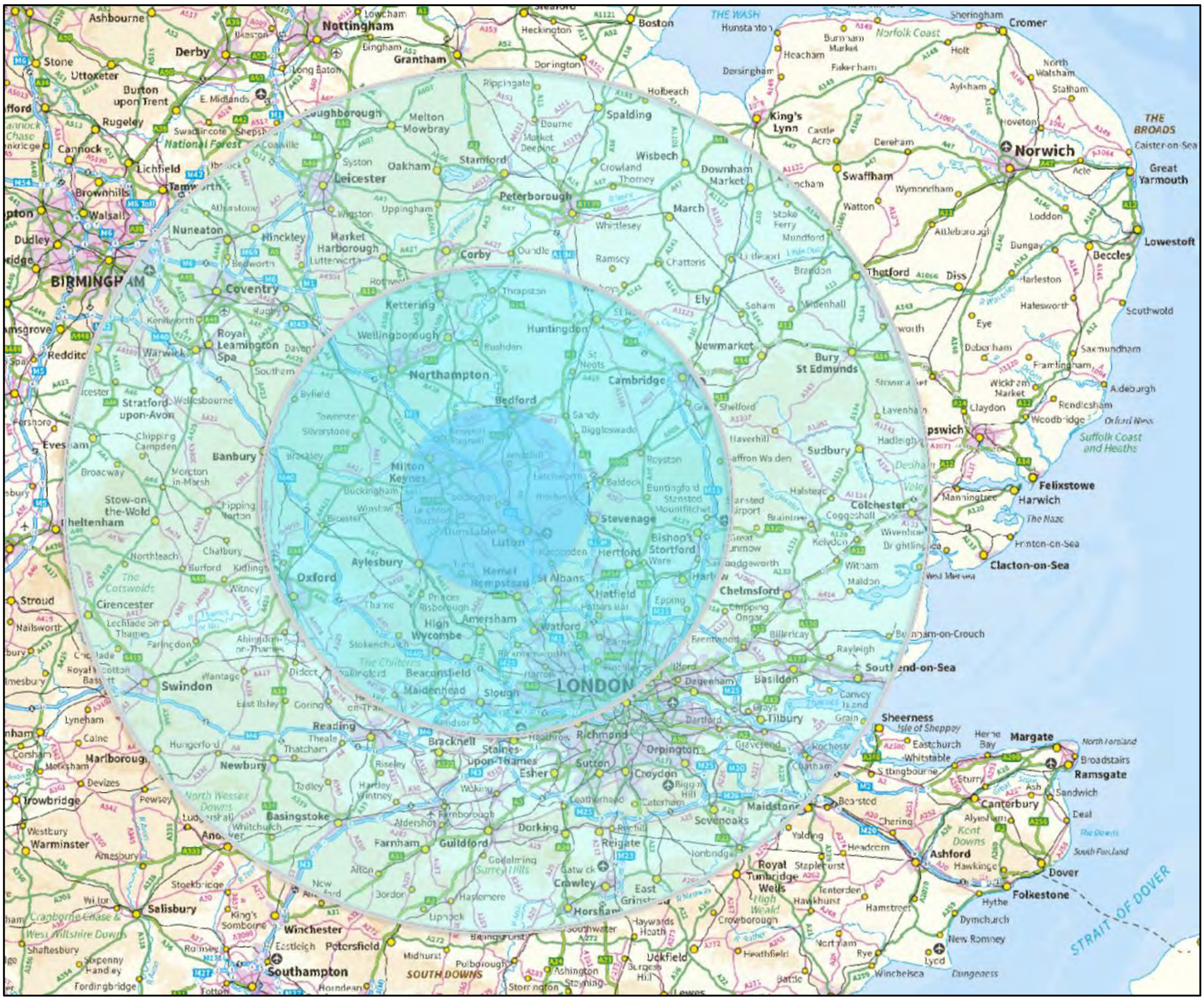


2.53 PPG identifies that a *"relatively high proportion of household moves"* will be contained within a housing market area, and suggests that this will be *"typically 70%"* or more; however this *"excludes long-distance moves"* (ID 2a-011).

2.54 As the PAS OAN technical advice note confirms, *"what counts as a long-distance move is a matter of judgment"* (second edition, paragraph 5.16). Data from the English Housing Survey 2013-14 household report[12] (figure 6.4) shows that over 7 in every 8 moves in the UK involved distances of less than 50 miles, with almost 5 in every 6 involving distances of less than 20 miles. It would therefore seem appropriate for long-distance moves to include all moves of at least 50 miles, and for moves of 20 miles or more to also be considered.

2.55 Figure 21 illustrates the relevant catchment areas based on distances of both 50 miles and 20 miles beyond the Luton migration zone. It is evident that the 20 mile zone covers numerous settlements in the surrounding area such as Aylesbury, Bedford, Cambridge, Hemel Hempstead, Huntingdon, Milton Keynes, North and West London, Northampton and Stevenage. The 50 mile zone covers the rest of Greater London together with most of the wider East of England and East Midlands.

Figure 21: Catchment area for moves to and from Luton migration zone, excluding long-distance moves (Note: Inner circle based on moves of up to 20 miles; outer circle based on moves of up to 50 miles)



2.56 The concept of excluding *"long-distance moves"* relates back to the early definition of a functional housing market area that was set out at the start of this chapter. That definition focused on *"those moving house without changing employment"*, and long-distance moves will generally involve a change of job or other change of lifestyle (such as retirement). On balance, it seems unlikely that many people would move more than 20 miles in this part of the country without a change of job; so it would seem reasonable to consider moves of over 20 miles as being *"long-distance"* in the context of this specific area.

2.57 Figure 22 sets out these key statistics for the Luton migration zone based on the two migration containment ratios set out in the PAS OAN technical advice note (second edition, paragraph 5.15):

> *"Supply side (origin); moves within the area divided by all moves whose origin is in the area, excluding long-distance moves*
>
> *Demand side (destination): moves within the area divided by all moves whose destination is in the area, excluding long-distance moves."*

Figure 22: Statistics for Luton Migration Zone (Source: ONS, 2011 Census)

		Supply side (origin)	Demand side (destination)
Moved within area		24,264	24,264
Moved from elsewhere	Moves of up to 20 miles	4,321	3,728
	Moves of between 20 and 50 miles	3,158	3,734
	Moves of at least 50 miles	4,558	3,199
Total moves		**36,301**	**34,925**
Moves within area as…	% of all moves	66.8%	69.5%
	% of moves up to 50 miles	**76.4%**	**76.5%**
	% of moves up to 20 miles	**84.9%**	**86.7%**

2.58 On both the supply side (i.e. moves originating in the area) and the demand side (i.e. moves whose destination is in the area) over 75% of migrants moving within the wider area (moves of up to 50 miles) stayed within the identified area, and around 5-in-6 moves of up to 20 miles were within the identified area.

2.59 Based on the statistics, it is reasonable to conclude that a *"relatively high proportion of household moves"* are contained within the migration zone identified for Luton, and therefore this functional area meets the requirements of PPG in this regard.

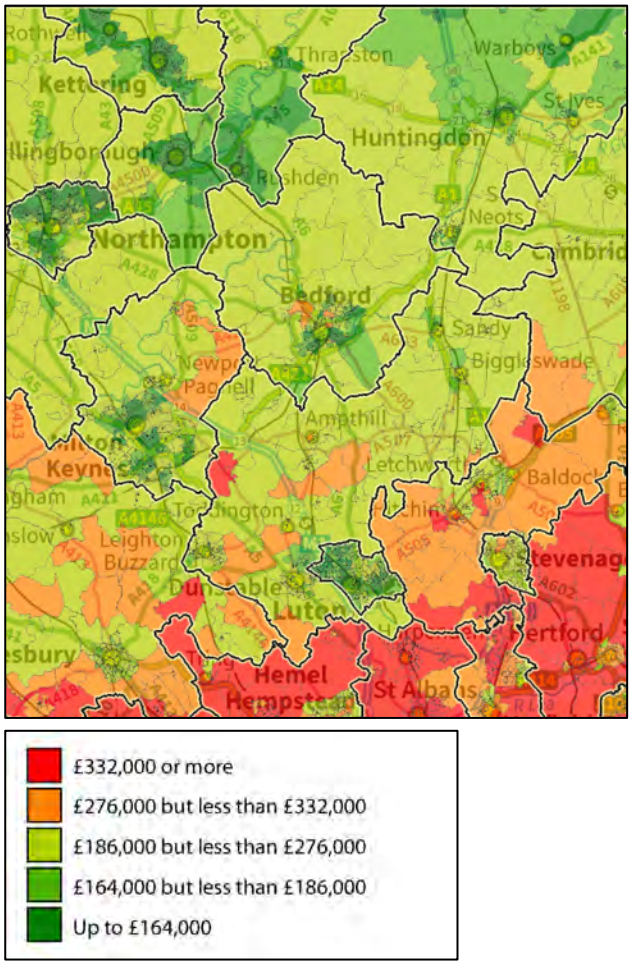
House Prices

2.60 As previously noted, CLG research and the PAS OAN technical advice note have both suggested that house prices are less relevant when defining upper-tier housing market areas but can provide a useful context for identifying housing sub-markets. Figure 23 shows current shows mix-adjusted average house prices relative to the average for the overall area, alongside the relative change in average house prices over the last 10 years.

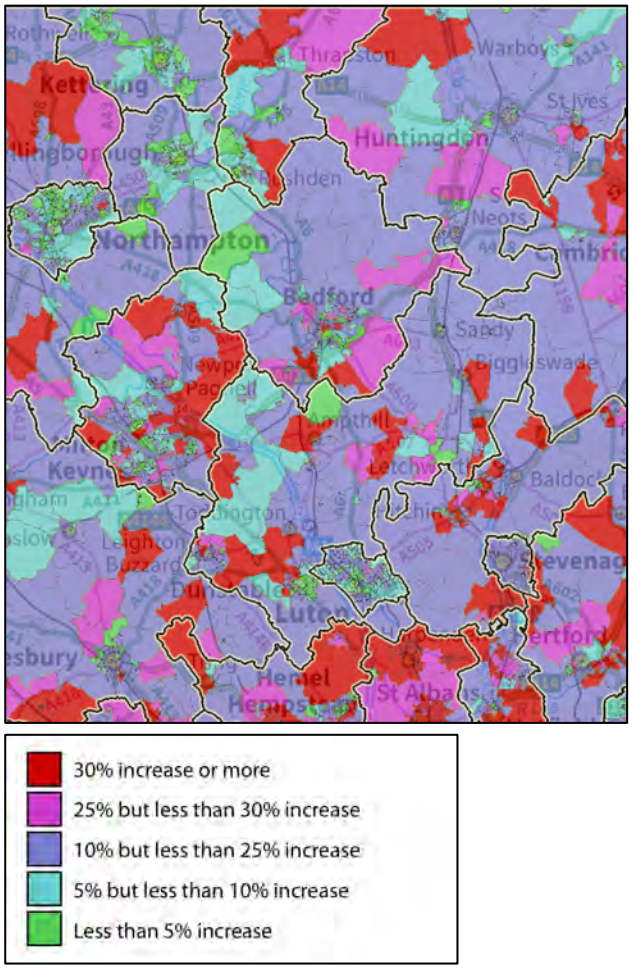
2.61 House prices are generally higher to the south and lower to the north of the area, but there are pockets of higher and lower prices in contrast to this trend.

Figure 23: Mix adjusted average house prices and 10-year change by MSOA (Source: HM Land Registry)

Current average house prices



10-year change in average house prices



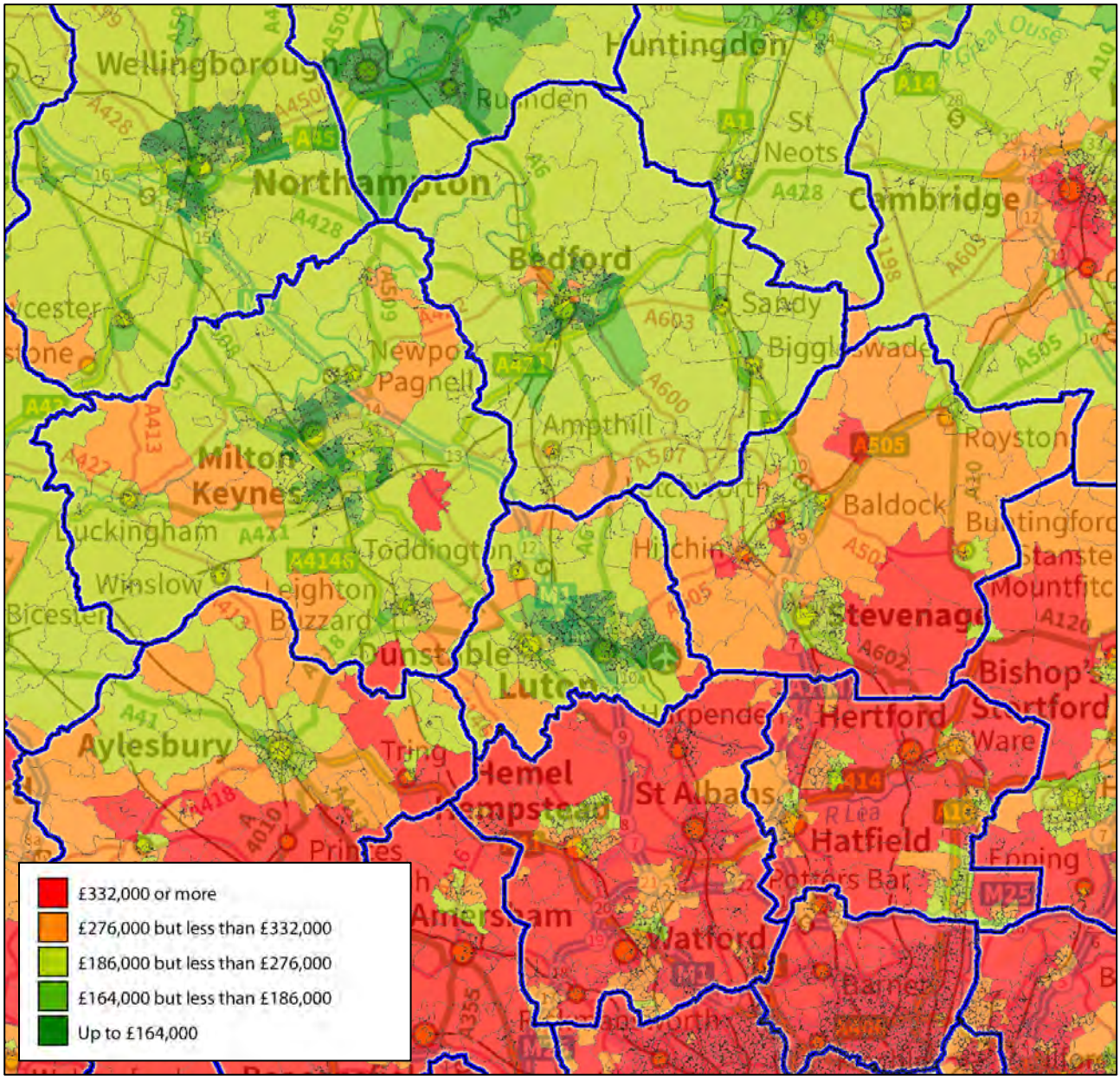
2.62 Neither the geographic spread of areas with higher and lower house prices nor the geographic spread of average house price changes would appear to provide a clear basis on which to define housing market areas. However, when this information is considered within the framework of the Valuation Office Agency (VOA) Broad Rental Market Area (BRMA) boundaries, some patterns do emerge (Figure 24).

2.63 BRMAs are the geographical area used by the Valuation Office Agency (VOA) to determine the Local Housing Allowance (LHA), the allowance paid to Housing Benefit applicants. The BRMA area takes into account local house prices and rents, and is based on where a person could reasonably be expected to live taking into account access to facilities and services.

2.64 Figure 24 clearly shows that mix-adjusted average house prices (and consequently market rents) are highest in and around North London:

- South East Herts BRMA and South West Herts BRMA generally cover areas in the highest price band outside London, in particular those MSOAs covering areas outside the main urban centres;
- There is a greater mix of areas in the top two bands covering Stevenage & North Herts BRMA;
- Bedford BRMA, Luton BRMA and Milton Keynes BRMA generally cover areas with lower house prices, with some more expensive areas particularly in rural locations;
- Huntingdon BRMA, Northampton BRMA and Northants Central BRMA generally cover the areas with the lowest house prices, especially in the more urban areas; however
- The situation in the Cambridge BRMA differs from the BRMAs surrounding London: the highest house prices tend to be in the main urban centre with most other areas in the middle price band.

Figure 24: Mix adjusted average house prices by MSOA with Valuation Office Agency Broad Rental Market Area Boundaries (Source: HM Land Registry)



2.65 The Rent Officer Handbook: Broad Rental Market Areas (Local Reference Rent)[13] identifies that:

> *"**A BRMA (LRR) is an area:** within which a tenant of the dwelling could reasonably be expected to live having regard to facilities and services for the purposes of health, education, recreation, personal banking and shopping, taking account of the distance of travel, by public and private transport, to and from those facilities and services*
>
> *The BRMA (LRR) is subject to two conditions.*
>
> > *Firstly it must contain: residential premises of a variety of types, including such premises held on a variety of tenures.*
> >
> > *Secondly, a BRMA (LRR) must contain sufficient privately rented residential premises, to ensure that, in the rent officer's opinion, the local reference rents for tenancies in the area are representative of the rents that a landlord might reasonably be expected to obtain in that area."*

2.66 The boundaries of a BRMA do not have to match the boundaries of a local authority and BRMAs will often fall across more than one local authority area. Housing Market Areas (HMAs) and Broad Rental Market Areas (BRMAs) therefore both define areas based on housing along with the need to travel for work or to access services.

2.67 Bringing this together, it can be seen that HMAs are defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work; while BRMAs are areas within which a tenant of the dwelling could reasonably be expected to live having regard to facilities and services. Given that BRMAs should include residential premises of a variety of types, including such premises held on a variety of tenures, it is evident that the two definitions will tend to identify similar geographic areas in that they will be large enough to contain sufficient properties to be a market area, but limited in size by the need to travel for work or to access services. Travel, either for work or to access services is a key element of both definitions.

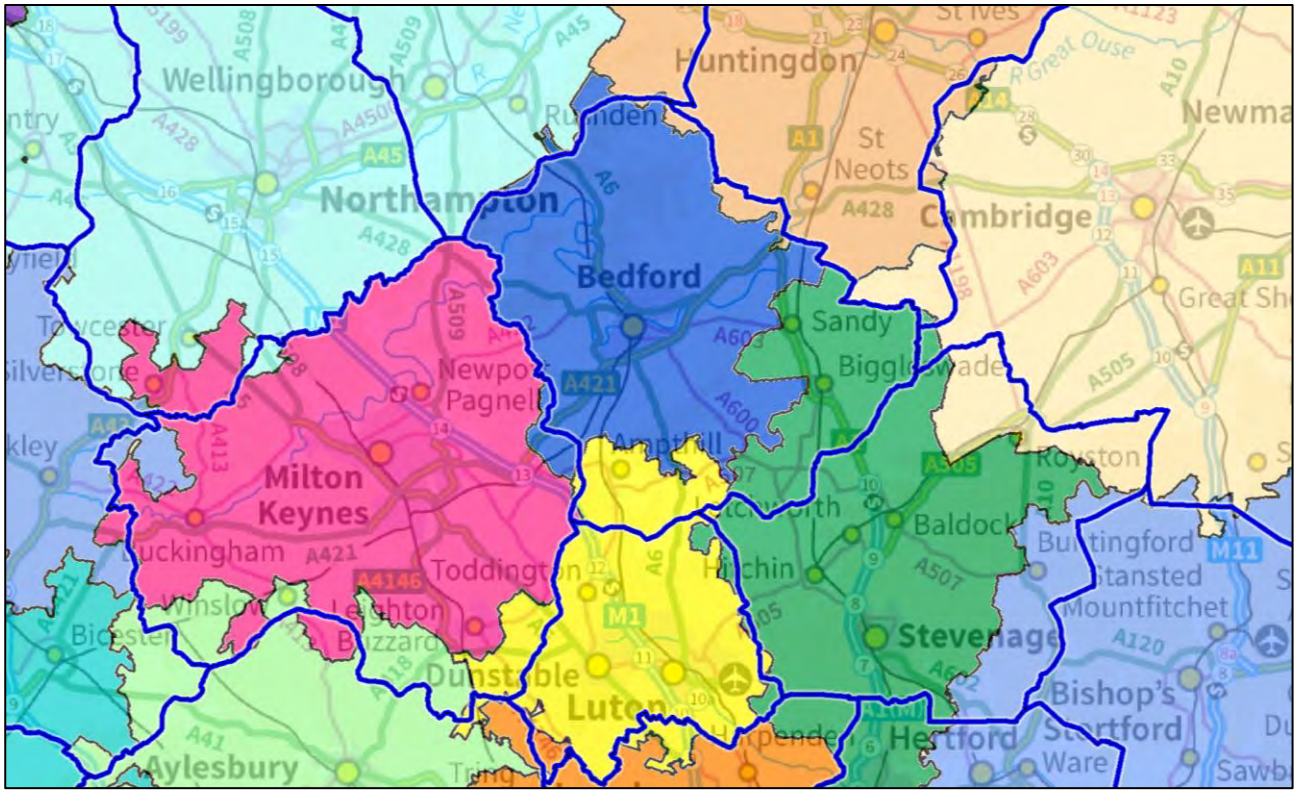
2.68 Both HMAs and BRMAs are based on *functional linkages* between where people live and work or where they live and access services. Places of work and services such as *health, education, recreation, personal banking and shopping* are predominantly based in larger settlements, becoming increasingly less common in smaller settlements and rural areas. Because of this, the definitions of HMAs and BRMAs in any area will tend to be centred around those urban centres, or on collections of settlements in rural areas without a major urban centre.

2.69 On this basis, it is helpful to review the previously identified commuting zones and migration zones (which both showed very similar patterns) with the BRMAs to understand the ways in which they are consistent and where they may differ.

2.70 Figure 25 shows the BRMA boundaries overlaid on the commuting zones previously identified. It is evident that there are many similarities between the two geographies. Whilst the precise boundaries may differ, each of the commuting zones generally corresponds with an equivalent BRMA: Bedford, Cambridge, Chelmsford, Harlow, Luton, Stevenage and Watford were all identified as commuting zones and there is a BRMA equivalent for each. Nevertheless, the South East Herts BRMA (covering Broxbourne, Hatfield, Hertford, and Welwyn Garden City) does not have an equivalent commuting zone.

[13] http://manuals.voa.gov.uk/corporate/publications/Manuals/RentOfficerHandbook/HousingBenefitReferral/Determination/b-roh-broad-rental-market-areas-LRR.html

Figure 25: Final commuting zones with VOA Broad Rental Market Area Boundaries



2.71 It is evident that the Luton BRMA covers a smaller area than the identified commuting zone, and most notably excludes Amptill (which falls in the Bedford BRMA). However, the BRMA boundary is largely the same as the commuting zone boundary between Luton and Stevenage to the east, and between Luton and South West Hertfordshire to the south.

Administrative Boundaries and Housing Market Areas

2.72 The NPPF recognises that housing market areas may cross administrative boundaries, and PPG emphasises that housing market areas reflect functional linkages between places where people live and work. The previous 2007 CLG advice note[14] also established that functional housing market areas should not be constrained by administrative boundaries, nevertheless it suggested the need for a "best fit" approximation to local authority areas for developing evidence and policy (paragraph 9):

> *"The extent of sub-regional functional housing market areas identified will vary and many will in practice cut across local authority administrative boundaries. For these reasons, regions and local authorities will want to consider, for the purposes of developing evidence bases and policy, using a pragmatic approach that groups local authority administrative areas together as an approximation for functional sub-regional housing market areas."*

2.73 This "best fit" approximation has also been suggested by the PAS OAN technical advice note, which suggests (second edition, paragraph 5.9):

> *"boundaries that straddle local authority areas are usually impractical, given that planning policy is mostly made at the local authority level, and many kinds of data are unavailable for smaller areas."*

[14] Identifying sub-regional housing market areas (CLG, March 2007)

2.74 This means there is a need for balance in methodological approach:

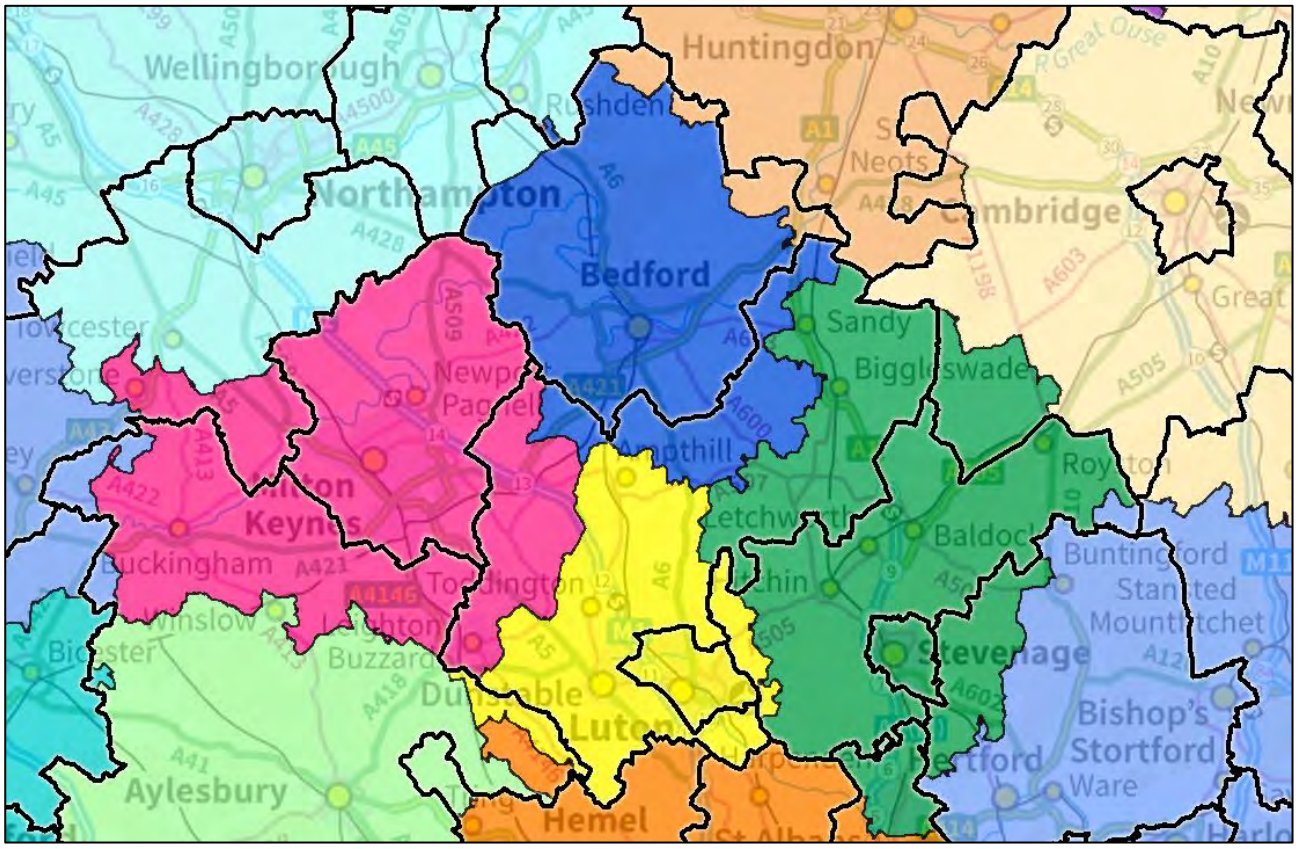
- On the one hand, it is important that the process of **analysis and identification of the functional housing market areas should not be constrained by local authority boundaries**. This allows the full extent of each functional housing market to be properly understood and ensures that all of the constituent local planning authorities can work together under the duty to cooperate, as set out in Guidance (PPG, paragraph 10).
- On the other hand, and as suggested by the PAS OAN technical advice note (and the previous CLG advice note), **it is also necessary to identify a "best fit" for each functional housing market area that is based on local planning authority boundaries**. This "best fit" area provides an appropriate basis for analysing evidence and drafting policy, and would normally represent the group of authorities that would take responsibility for undertaking a Strategic Housing Market Assessment.

2.75 **In summary, therefore, the approach to defining housing market areas needs to balance robust analysis with pragmatic administrative requirements.**

2.76 In establishing the most appropriate functional housing market areas, it is necessary to consider all of the evidence based on commuting zones, migration zones and house prices (based on Broad Rental Market Areas). We have previously identified clear similarities between the commuting zones and migration zones, albeit that the direction of travel is reversed (net commuting flows tend to be towards London, whilst net migration flows tend to be away from London). Furthermore, we have demonstrated that these zones generally reflect the BRMA boundaries.

2.77 Given this context, Figure 26 illustrates the proposed functional housing market areas, which are based on majority agreement between these three geographies.

Figure 26: Functional Housing Market Areas with Local Authority Boundaries



2.78 Figure 27 details the distribution of the resident population for these functional housing market areas by local authority. Around two thirds of the Luton functional housing market area residents live in Luton borough (201,500 out of 318,600, equivalent to 63.2%), and all of the borough's population live in the HMA. Most of the remaining HMA residents live in Central Bedfordshire (112,900 persons, equivalent to 35.4% of the HMA) with a small number in Aylesbury Vale and North Hertfordshire (3,100 and 1,700 respectively, equivalent to 1.0% and 0.5% of the HMA).

2.79 Central Bedfordshire is split between four different functional housing market areas; and whilst just under half of its population lives in the Luton functional HMA (44.8%) this is by far the largest proportion, and comparable to the sum of the next two largest: Stevenage and Milton Keynes functional HMAs at 29.2% and 19.9% of the local authority population respectively.

Figure 27: Proposed Functional Housing Market Areas Resident Population by Local Authority Area (Source: 2011 Census. Note: Population rounded to nearest 100. Figures may not sum due to rounding)

Local Authority Area	Functional Housing Market Area									
	Bedford		Luton		Milton Keynes		Stevenage		Elsewhere	
	N	%	N	%	N	%	N	%	N	%
Aylesbury Vale	-	-	2,800	1.6%	28,000	16.4%	-	-	139,900	82.0%
Bedford	151,800	98.2%	-	-	-	-	-	-	2,700	1.8%
Central Beds	15,400	6.1%	112,900	44.8%	50,200	19.9%	73,600	29.2%	-	-
Luton	-	-	201,500	100.0%	-	-	-	-	-	-
Milton Keynes	-	-	-	-	246,700	100.0%	-	-	-	-
North Herts	-	-	1,400	1.1%	-	-	124,300	98.8%	100	0.1%
Stevenage	-	-	-	-	-	-	83,400	100.0%	-	-
Elsewhere	200	-	-	-	40,400	-	72,200	-	-	-
TOTAL	167,400	-	318,600	-	337,400	-	353,500	-	-	-

Conclusions

2.80 PPG defines housing market areas as *"reflecting the key functional linkages between places where people live and work"* (ID 2a-010). Given this context, it is appropriate to place substantial weight on commuting patterns when establishing housing market areas.

2.81 The ONS identify Luton as an official Travel to Work Area and the modelling analysis undertaken for this study confirms that Luton forms the core of a separate commuting zone. The Luton commuting zone has 74.4% of workers resident inside the commuting zone, with 66.7% of the zone's working residents having jobs within the area (increasing to 72.0% when those that work in London are excluded). The area clearly reflects the *"key functional linkages between places where people live and work"*.

2.82 The SHMA has also identified an equivalent migration zone. Whilst migration patterns largely reflect the travel to work patterns illustrated by the commuting zone analysis, there are some notable differences. In particular, the Luton migration zone extends into the south of the Bedford commuting zone and the south east of the Milton Keynes commuting zone. However, the area demonstrates *"a relatively high proportion of household moves"*; at least 70% on each of the identified measures that exclude long distance moves.

2.83 When considering house prices and rents, it is important to note that the Valuation Office Agency has identified Luton as its own Broad Rental Market Area. The BRMA boundaries broadly align with the commuting and migration zones that the SHMA has identified.

2.84 Using all of the evidence available it is reasonable to conclude in line with PPG and PAS OAN technical advice note that Luton forms a functional housing market area. This conclusion was tested at the examination of the Luton Local Plan, and the Inspector endorsed the overall extent of the Luton HMA:[15]

> *Housing market area*
>
> *79. The SHMA explains that the extent of the functional Luton HMA is based on migration, travel to work, house moves and house price data. Beyond the administrative area of Luton, this primarily includes the adjoining urban areas of Dunstable and Houghton Regis which have strong functional links with Luton. The overall extent of this HMA is justified.*

2.85 The Luton Inspector acknowledged that the Inspector examining the Central Bedfordshire Development Strategy in 2015 also concluded that the approach taken in defining the appropriate HMA (based on an earlier study) accorded with the PPG's advice on this. However, he noted that *"decisions regarding the definition of the precise Luton HMA boundary within Central Bedfordshire"* (para 81) would need to be considered by the Local Plan in Central Bedfordshire.

2.86 The SHMA analysis identified that almost all of the residents living in Luton functional HMA live in either Luton or Central Bedfordshire (99%). All of Luton borough's residents live in the HMA, however the HMA represents just under half (45%) of Central Bedfordshire's population. Nevertheless, Central Bedfordshire is split across four functional HMAs; and the population living in the Luton functional HMA is by far the largest. On this basis, the HMA study concluded that the combined area of **Luton borough and Central Bedfordshire represents the most appropriate "best fit" for Luton functional HMA.**

2.87 This approach was again endorsed by the Luton Inspector:

> *80. It is inevitable that the boundaries between housing market areas will rarely conform precisely to local authority administrative boundaries. However, given that plan making is carried out on the basis of administrative boundaries, it is pragmatic and sensible to look for a 'best fit' HMA which conforms to them, where this can reasonably be achieved. In this case the degree of containment is sufficient to justify the 'best fit' approach taken here. There is nothing in the SHMA to suggest that there is any significantly better 'best fit' or that it would be clearly preferable, at this stage, to establish a much wider HMA, for example on a sub-regional basis, including Milton Keynes. The Inspector examining the Central Bedfordshire Development Strategy in 2015 also concluded that the approach taken in defining the appropriate HMA accorded with the PPG's advice on this.*

2.88 However, it is important to recognise that this "best fit" does not change the actual geography of the functional housing market areas that have been identified – it simply provides a pragmatic arrangement for the purposes of establishing the evidence required and developing local policies, as suggested by the CLG advice note and reaffirmed by the PAS technical advice note.

2.89 Whilst we have concluded that Luton borough and Central Bedfordshire provide the overall "best fit" for the functional housing market area on the basis of all of the available evidence, the more important issue is the need for both authorities to maintain dialogue with Milton Keynes, Bedford, North Hertfordshire, St Albans, Hemel Hempstead and Aylesbury Vale, and other local authorities in the surrounding area, as well as with the Mayor of London through the Greater London Authority.

[15] Luton Local Plan, Inspector's Report August 2017

3. Demographic Projections

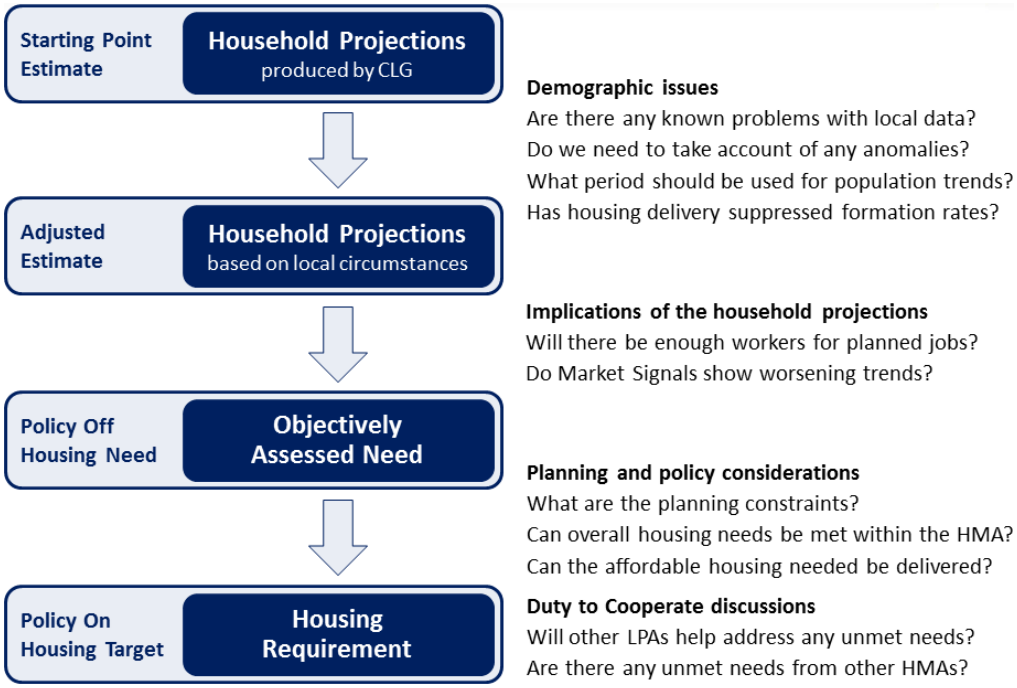
The starting point for Objectively Assessed Need

Process for Establishing Objectively Assessed Need

3.1 The Objective Assessment of Need (OAN) identifies the total amount of housing needed in the Housing Market Area (HMA). This evidence assists with the production of the Local Plan (which sets out the spatial policy for a local area).

3.2 The process for developing OAN is now a demographic process to derive housing need from a consideration of population and household projections. To this, external market and macro-economic constraints are applied ('Market Signals') in order to embed the need in the real world.

Figure 28: Process for establishing a Housing Number for the HMA (Source: ORS based on NPPF and PPG)



3.3 It is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors will be subsequently considered by the Council before establishing the final Housing Requirement.

> *The assessment of development needs is an objective assessment of need based on facts and unbiased evidence. Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans.*
>
> **Planning Practice Guidance (March 2014), ID 2a-004**

Official Population and Household Projections

3.4 Planning Practice Guidance places emphasis on the role of **CLG Household Projections** as the appropriate starting point in determining objectively assessed need. PPG was updated in February 2015 following the publication of the 2012-based Household Projections, but has yet to be updated to reflect the publication of the 2014-based Household Projections.

> *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.*
>
> **Planning Practice Guidance (March 2014), ID 2a-015**

> *The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth.*
>
> **Planning Practice Guidance (March 2015), ID 2a-016**

3.5 Given this context, Figure 29 sets out the 2014-based and 2012-based **household** projections that CLG has produced for the HMA. It is clear that the projections have varied, with the projected increase in households in Luton and Central Bedfordshire ranging from 2,590 up to 3,110 additional households each year. Each set of household projections will be influenced by a wide range of underlying data and trend-based assumptions, and it is important to consider the range of projected growth and not simply defer to the most recent data.

Figure 29: CLG Household Projections for Luton and Central Bedfordshire: annual average growth (Source: CLG Household Projections)

	2014-based		2012-based	
	10 years 2014-24	25 years 2014-39	10 years 2012-22	25 years 2012-37
Luton	1,220	1,140	1,120	1,070
Central Bedfordshire	1,890	1,690	1,650	1,510
TOTAL	**3,110**	**2,830**	**2,770**	**2,590**

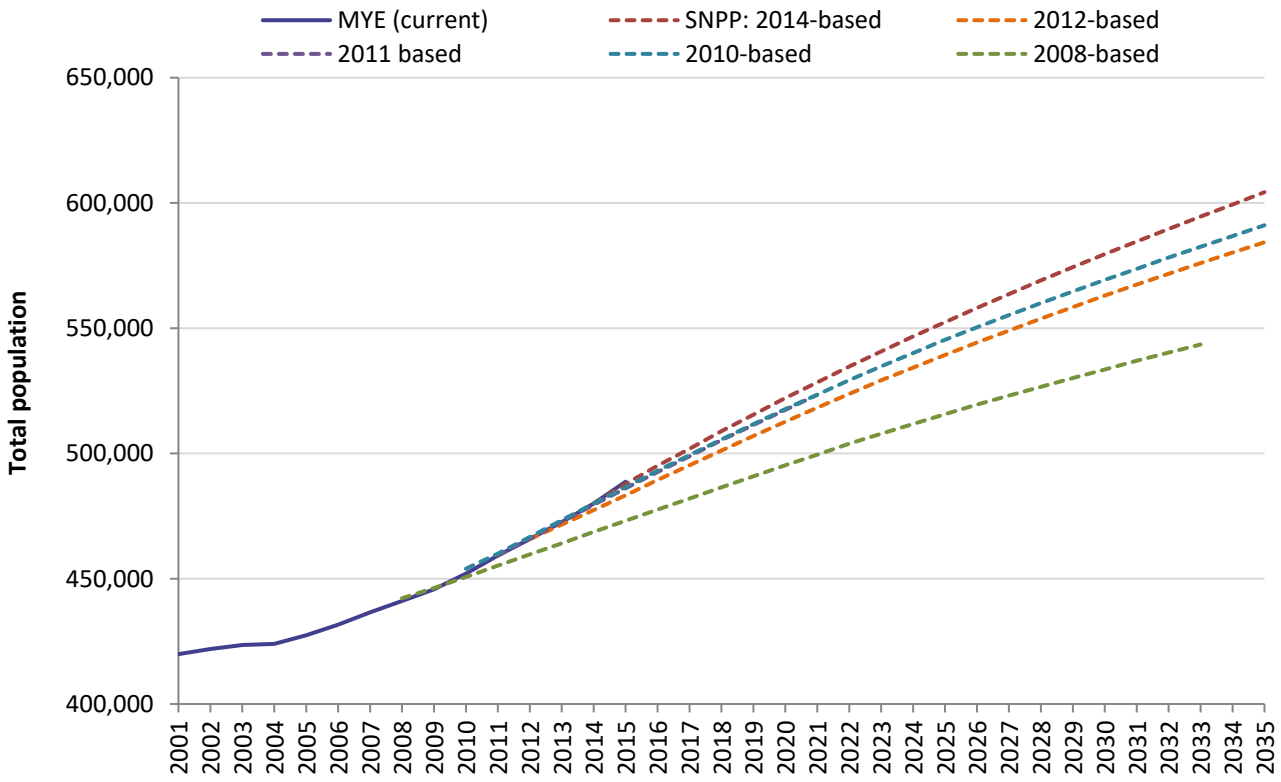
3.6 The CLG 2014-based household projections show an increase of 2,830 households each year over the 25-year period 2014-39, with a higher rate (3,110 p.a.) in the initial 10-year period. These figures project forward over the normal 25-year period and supersede the 2012-based household projections (which projected a household growth of 2,590 per year from 2012-37). The differences are largely due to changes in the ONS population projections (Figure 30) on which the CLG household projections are based; although there have also been changes to household representative rates (considered later in this chapter).

3.7 Given that the 2014-based household projections show an increase from 192,174 to 249,710 households in Luton and Central Bedfordshire over the 20-year Plan period 2015-35, we can establish that the *"starting point estimate of overall housing need"* should be based on an overall growth of 57,536 households (comprised of 22,948 households in Luton and 34,587 households in Central Bedfordshire), equivalent to an average of 2,877 households per year.

Official Population Projections

3.8 Figure 30 shows the outputs from the latest (2014-based) ONS Sub National **Population** Projections together with the previous projections that have informed the various CLG household projections (though note that CLG did not produce household projections based on the 2010-based SNPP). It is evident that the 2014-based projections follow a steeper trajectory than the previous 2012-based and 2010-based projections.

Figure 30: ONS Mid-Year Estimates and Sub-National Population Projections for Luton and Central Bedfordshire (Source: ONS. Note: Household projections were not produced for the 2010-based SNPP)



3.9 Differences in the projected increase in population between the different projections are largely associated with the **assumed migration rates**, which are based on recent trends using 5-year averages – so short-term changes in migration patterns can significantly affect the projected population growth. There were also methodological changes to the migration assumptions between the 2008-based and 2010-based figures.

Population Trends

3.10 Whilst PPG identifies CLG household projections as the starting point for establishing housing need, it also recognises the need to consider sensitivity testing this data and take account of local evidence.

> *Plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates … Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.*
>
> **Planning Practice Guidance (March 2014), ID 2a-017**

Population Trends for Luton borough

3.11 Figure 31 shows the current and historic mid-year **population** estimates and Census estimates for Luton over the period since 1981. The data suggests that the borough's population increased rapidly over the period 1987-1994 and again over the period since 2004; but suggests much slower growth was experienced before 1987 and from 1994-2001, and that the population actually reduced from 2001-2004 (Figure 32).

3.12 It is evident that natural change has remained relatively consistent over the period, averaging an additional 1,700 persons each year. Nevertheless, it is worth noting that recently rates have consistently exceeded 2,000 persons annually; with a higher number of births and fewer deaths recorded. Migration and other changes vary much more – ranging from a net loss of more than 3,000 persons recorded for 2003-04 up to a net gain of more than 2,000 persons recorded for 2009-10.

Figure 31: Official population estimates for the period 1981-2015 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded)

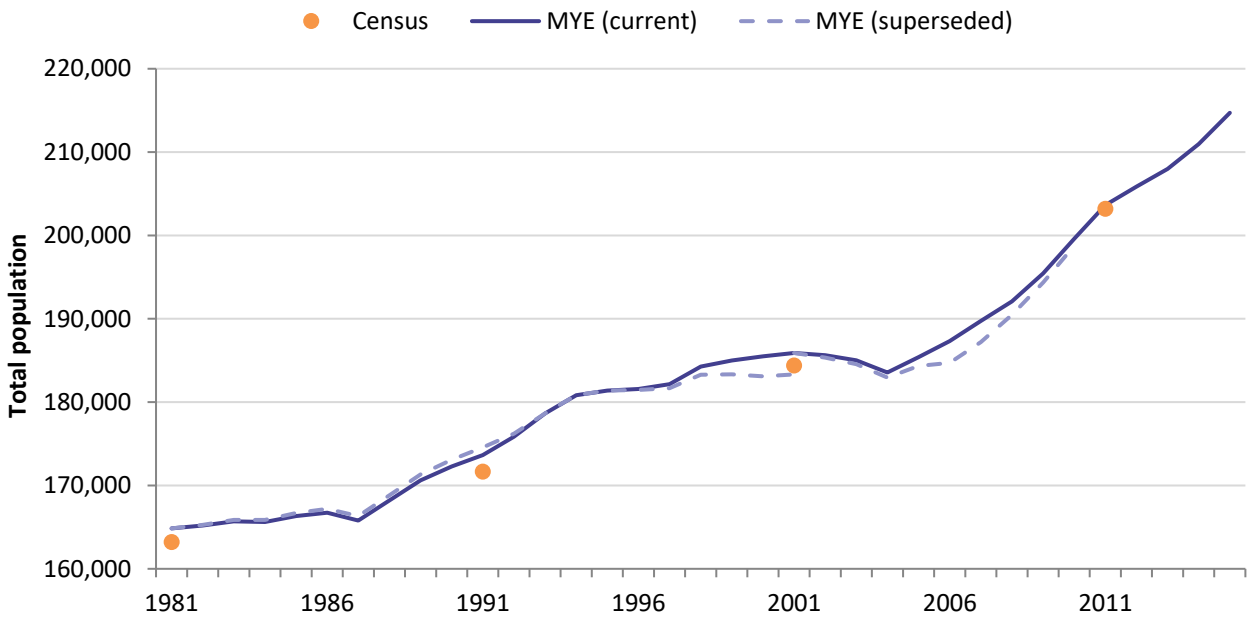
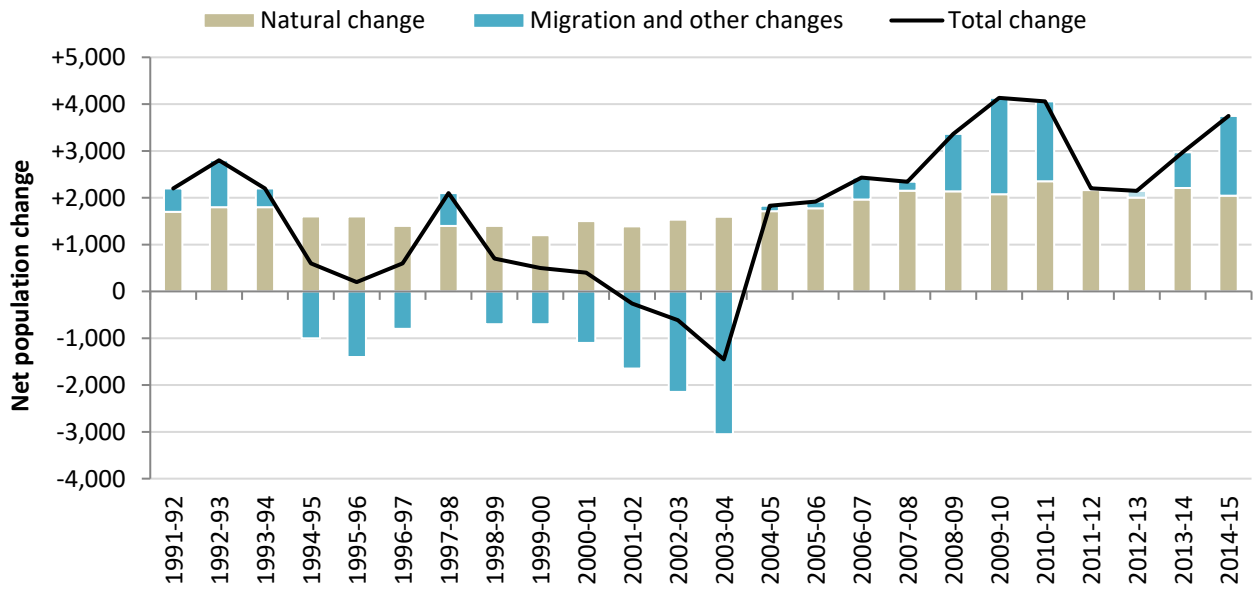


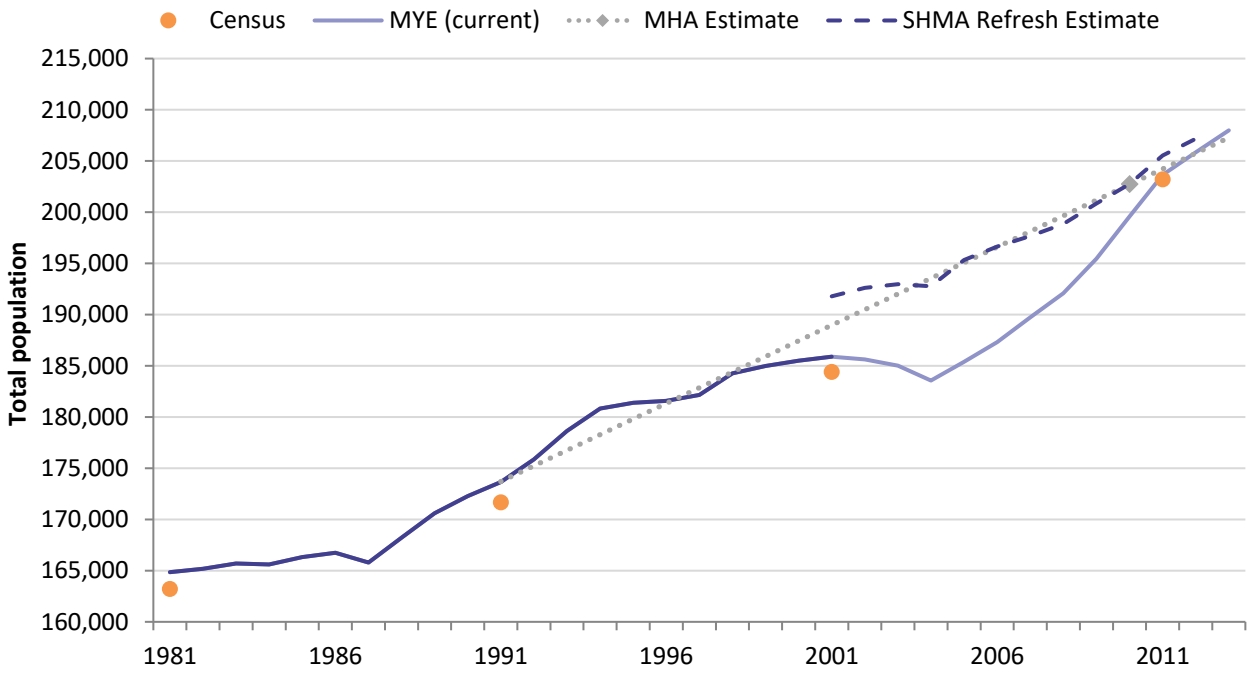
Figure 32: Components of population change (Source: ONS Mid-Year Population Estimates, revised)



3.13 The original mid-2001 population estimate of 183,300 people was revised upward to 185,900 people following the 2001 Census, which represented an increase of 2,600 on the original estimate; but on the basis of the administrative data available at the time, Luton Council considered that the underestimate was more significant than suggested by the 2001 Census. Whilst the Council did not produce an official alternative population estimate for 2001, they believed that the resident population was likely to be at least 190,000 people at that time.

3.14 An analysis undertaken by Mayhew Harper Associates (MHA) identified a minimum confirmed population of 202,700 people in 2010; and Figure 33 shows a simple linear trend based on the official mid-year population estimate for 1991 and the MHA estimate for 2010. The previous SHMA Refresh considered the full range of population information available for Luton and established best estimates of the population for the period 2001-12 (also shown in Figure 33).

Figure 33: Official population estimates for the period 1981-2012 with the SHMA Refresh population estimate for the period 2001-12 (Source: Luton SHMA Refresh 2014)



3.15 The SHMA Refresh identified that the population for mid-2011 was 205,500 people, which was broadly consistent with the Council's internal estimate of 205,300 for that year based on a range of administrative data. The population had increased to 207,200 people in mid-2012, which was marginally higher than the ONS estimate of 205,800 people. Nevertheless, the SHMA Refresh showed a population of 191,800 people for mid-2001; and whilst this is broadly consistent with the Luton Council estimate of around 190,000 people at that time, it strongly supports that the Census and official mid-year estimates were too low at the time (184,400 people and 185,900 people respectively).

Components of Population Change

3.16 Changes in the population can be broadly classified into two categories:

- natural change in the population (in terms of births and deaths) and,
- changes due to migration, both in terms of international migration and also moves within the UK.

3.17 Figure 34 summarises the annual components of population change based on the SHMA Refresh population estimates which corrected for errors identified in the ONS Mid-Year Estimate data over the period 2001 to 2012. On the basis of this information, annual net migration ranged from a loss of almost 1,800 persons (in 2003-04) to a gain of over 800 persons the following year (2004-05). Figure 34 also summarises the annual components of population change based on the ONS Mid-Year Estimates for the period 2012 to 2015.

Figure 34: SHMA Refresh components of population change, based on data from the ONS Mid-Year Estimates with adjustments based on secondary data and other administrative data sources (Source: Luton SHMA Refresh 2014. Figures presented unrounded for transparency, but should only be treated as accurate to the nearest 100)

Period	Natural Change			UK Migration		International Migration		Other change	Net migration and other change	Total change
	Births	Deaths	Net	In	Out	In	Out			
SHMA Refresh Estimates										
2001-02	2,953	1,565	**1,388**	7,574	10,055	3,499	1,575	-	**-557**	+831
2002-03	3,089	1,557	**1,532**	7,263	10,767	3,724	1,404	-	**-1,185**	+347
2003-04	3,098	1,503	**1,595**	6,644	10,661	3,717	1,487	-	**-1,787**	-192
2004-05	3,210	1,498	**1,712**	7,167	10,541	5,650	1,431	-	**+844**	+2,556
2005-06	3,219	1,443	**1,776**	6,999	11,061	5,064	1,462	-	**-461**	+1,315
2006-07	3,368	1,406	**1,962**	6,988	11,571	5,135	1,478	-	**-926**	+1,036
2007-08	3,611	1,461	**2,150**	7,012	10,707	4,271	1,563	-	**-987**	+1,163
2008-09	3,522	1,385	**2,137**	7,095	10,363	4,595	1,461	-	**-134**	+2,003
2009-10	3,473	1,396	**2,077**	7,474	10,943	4,755	1,458	-	**-173**	+1,904
2010-11	3,642	1,291	**2,351**	7,469	10,719	5,153	1,473	-	**+430**	+2,781
2011-12	3,544	1,379	**2,165**	8,201	11,596	4,210	1,341	-	**-526**	+1,639
ONS Mid-Year Estimates										
2012-13	3,451	1,448	**2,003**	8,227	10,158	3,107	1,044	+11	**+143**	+2,146
2013-14	3,538	1,329	**2,209**	8,927	10,849	3,638	955	+3	**+764**	+2,973
2014-15	3,504	1,458	**2,046**	9,019	10,615	4,192	887	-7	**+1,702**	+3,748

3.18 Migration over the intercensal period 2001-2011 led to a net loss of 4,900 persons, equivalent to an average net out-migrant flow of 490 persons each year; however, migration over the more recent 10-year period 2005-2015 was in balance, with an average net out-migrant flow of just under 20 persons each year.

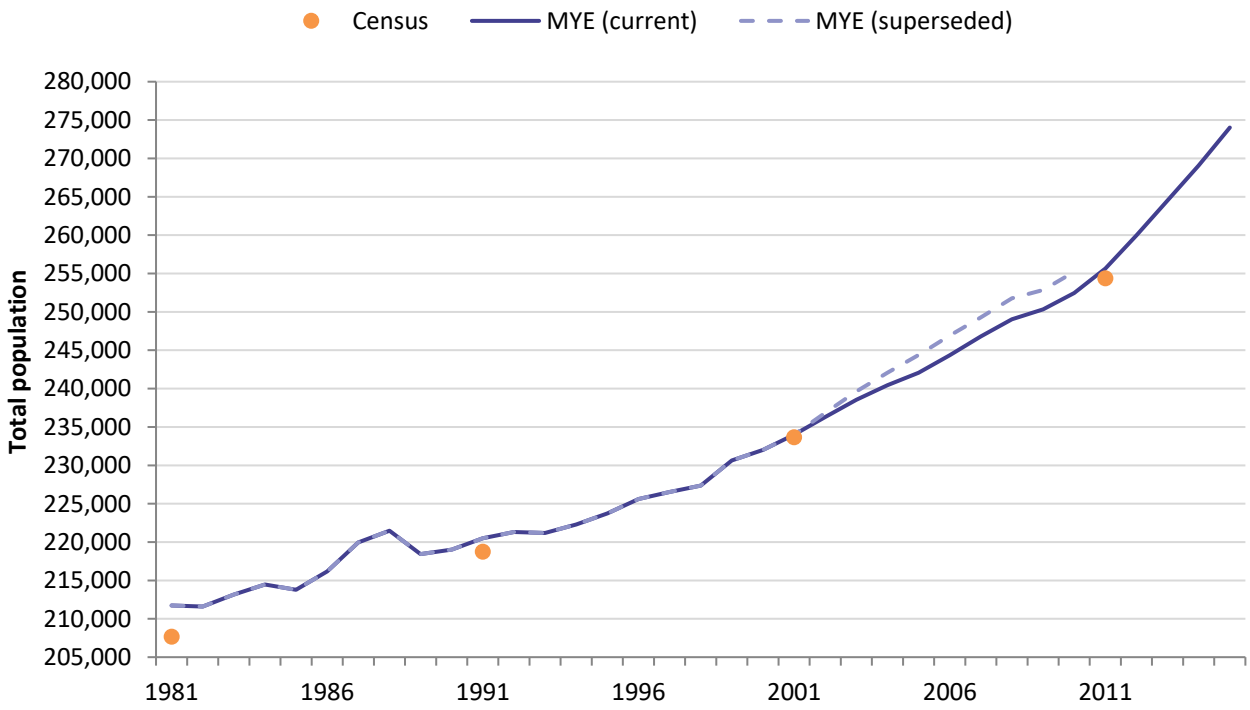
3.19 Data from the ONS quality assurance pack published alongside the Mid-Year Estimates provides a range of comparative data from administrative sources. Whilst this administrative data does not provide a direct estimate of population, it provides a useful triangulation point. This data identifies that for the period 2011 to 2015 there was a 7.2% increase in the Patient Register (a total of 15,500 additional patients), which is higher than the 5.4% increase identified by the Mid-Year Estimates (based on 11,100 additional residents). This suggests that population growth since 2011 may be under-enumerated to some extent.

3.20 As previously noted, the SHMA Refresh identified a higher population for mid-2012 than the ONS estimate (207,200 cf. 205,800 persons) and based on the administrative data it seems likely that this gap has widened. Taking account of all of the evidence, the SHMA concludes that Luton's population had increased to around 217,100 persons by mid-2015, compared to the ONS estimate of 214,700 persons. This implies that net migration was also marginally higher over the period 2005-15, with an average net in-migrant flow of around 90 persons each year.

Population Trends for Central Bedfordshire

3.21 Figure 35 shows the official population estimates for Central Bedfordshire for the period since 1981, based on Census data and ONS Mid-Year Population Estimates. It is evident that the 2011 Census was broadly consistent with the previous Mid-Year Estimates, and there no substantial change was required to the overall population.

Figure 35: Official population estimates for Central Bedfordshire for the period 1981-2015 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded. Note: For the period before Central Bedfordshire being established, data for Mid Bedfordshire and South Bedfordshire has been combined)

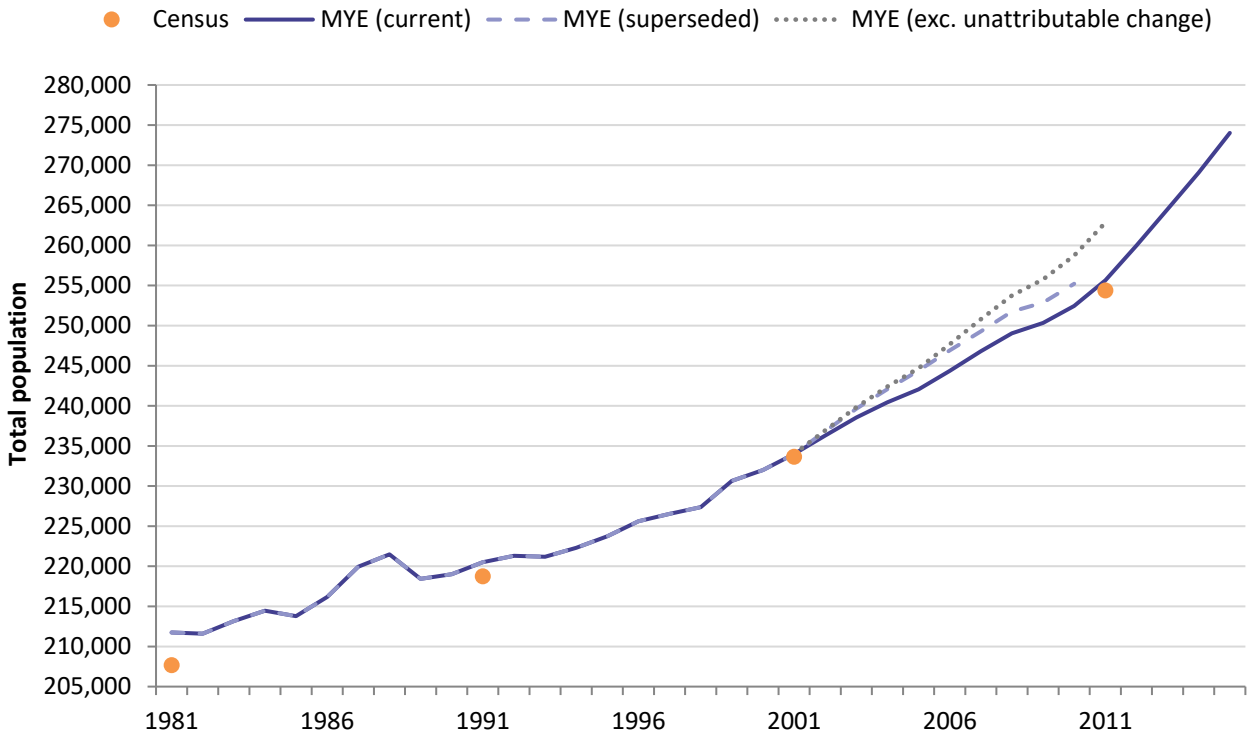


3.22 Whilst the overall population estimates did not significantly change, the ONS also incorporated other changes to the underlying components of population change. Most changes were only marginal, but the estimate for international in migrants increased by an average of 418 persons each year (Figure 36). Incorporating this increase in net international migration meant that the original estimates for total population changed from being marginally too high to being markedly higher than was suggested by the 2011 Census.

Figure 36: Components of population change, revised in the light of the 2011 Census (Source: ONS Mid-Year Estimates, original and revised. Note: "Other Changes" includes adjustments for prisoners, armed forces and other unattributable changes. Figures presented unrounded for transparency, but should only be treated as accurate to the nearest 100)

Annual Average 2002-10	Births	Deaths	UK Migration (Net)	International Migration		Asylum Seekers (Net)	Other Changes (Net)	Unattributable Change
				In	Out			
Original estimate	2,999	1,940	+943	1,109	818	+4	+8	-
Revised estimate	2,999	1,940	+940	1,527	799	+4	-6	-705
Net change	**0**	**0**	**-3**	**+418**	**-19**	**0**	**-14**	**-705**

Figure 37: Official population estimates for Central Bedfordshire for the period 1981-2015 showing the impact of the adjustments to international migration (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded. Note: For the period before Central Bedfordshire being established, data for Mid Bedfordshire and South Bedfordshire has been combined)



3.23 After incorporating the adjustments to migration, the component of population change data identified a net gain of 28,800 people in Central Bedfordshire over the 10-year period 2001-11. This was based on a natural growth of 10,700 people, a net gain of 18,200 migrants, and a net loss of 100 persons due to changes in the prison and armed forces populations and other technical adjustments. **Nevertheless, the population of Central Bedfordshire did not actually increase by 28,800 people; in fact, the population increase was only 21,600 people over this period – a difference of 7,200 persons.**

3.24 Given that the population estimates in 2001 and 2011 are far more accurate and robust than the component of change data from year-to-year, the ONS factor in an "accountancy" adjustment to the components of change to correct the data and ensure that it reconciles with the more accurate estimates for the total population in the two Census years. Therefore, in addition to the known population flows, an element of "unattributable change" is included in the figures. This averages to be a net annual reduction of 718 persons each year from 2001-02 to 2010-11 in the figures for Central Bedfordshire.

Components of Population Change

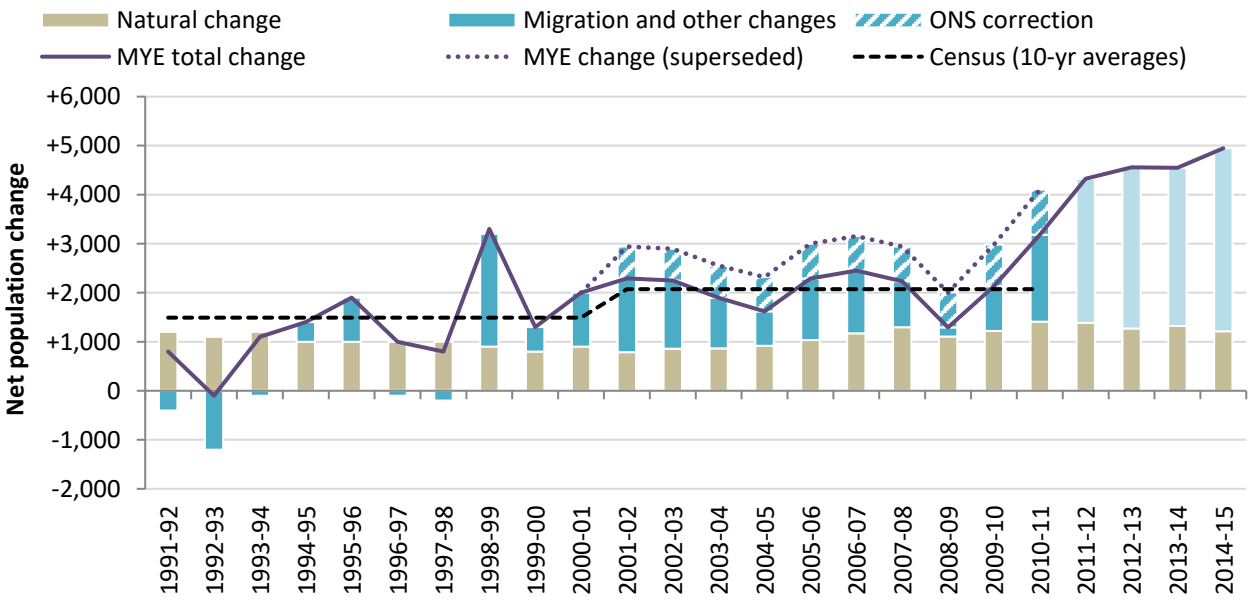
3.25 Figure 38 presents a full breakdown of the most recent data published by the ONS, detailing the components of population change for Central Bedfordshire area over the period since 1991. It is clear that the correction for "other changes" (which is dominated by unattributable change) has become more important in the estimates for later years; increasing year-on-year from a reduction of around 650 persons in 2001-02 to a reduction of more than 900 persons in 2010-11.

3.26 Figure 39 shows the trends for natural change and migration based on the corrected MYE data, however the correction is also shown.

Figure 38: Components of population change, revised in the light of the 2011 Census (Source: ONS Mid-Year Estimates, revised. Note: "Other Changes" includes adjustments for asylum seekers, prisoners, armed forces and other unattributable changes. Figures for 2001-02 onward presented unrounded for transparency, but should only be treated as accurate to the nearest 100. Figures for earlier years rounded to the nearest 100)

Year	Births	Deaths	Natural Change	UK Migration		International Migration		UPC	Other Changes	Migration and Other Changes	Total Change
				In	Out	In	Out				
1991-92	3,200	1,900	**+1,200**	-	-	-	-	-	-	**-400**	+800
1992-93	3,000	1,900	**+1,100**	-	-	-	-	-	-	**-1,200**	-100
1993-94	3,100	1,900	**+1,200**	-	-	-	-	-	-	**-100**	+1,100
1994-95	3,000	1,900	**+1,000**	-	-	-	-	-	-	**+400**	+1,400
1995-96	2,900	1,900	**+1,000**	-	-	-	-	-	-	**+900**	+1,900
1996-97	2,900	2,000	**+1,000**	-	-	-	-	-	-	**-100**	+1,000
1997-98	2,800	1,900	**+1,000**	-	-	-	-	-	-	**-200**	+800
1998-99	2,900	2,000	**+900**	-	-	-	-	-	-	**+2,300**	+3,300
1999-00	2,900	2,000	**+800**	-	-	-	-	-	-	**+500**	+1,300
2000-01	2,800	1,900	**+900**	-	-	-	-	-	-	**+1,100**	+2,000
2001-02	2,756	1,970	**+786**	13,839	12,824	1,974	838	-637	-9	**+1,505**	+2,291
2002-03	2,784	1,924	**+860**	13,601	12,537	1,672	701	-640	-5	**+1,390**	+2,250
2003-04	2,811	1,947	**+864**	13,309	12,252	1,397	763	-676	+18	**+1,033**	+1,897
2004-05	2,899	1,980	**+919**	12,949	11,837	791	503	-673	-28	**+699**	+1,618
2005-06	3,004	1,969	**+1,035**	13,298	12,056	1,527	805	-682	-28	**+1,254**	+2,289
2006-07	3,051	1,880	**+1,171**	13,721	12,428	1,579	891	-688	-12	**+1,281**	+2,452
2007-08	3,218	1,921	**+1,297**	12,727	11,659	1,549	975	-711	+4	**+935**	+2,232
2008-09	3,101	1,993	**+1,108**	10,930	10,752	1,766	1,049	-728	+19	**+186**	+1,294
2009-10	3,127	1,905	**+1,222**	12,048	11,540	1,982	732	-836	-13	**+909**	+2,131
2010-11	3,291	1,881	**+1,410**	12,518	11,203	2,150	772	-908	-11	**+1,774**	+3,184
2011-12	3,275	1,890	**+1,385**	14,022	12,033	1,496	551	-	+6	**+2,940**	+4,325
2012-13	3,313	2,042	**+1,271**	14,144	11,913	1,601	563	-	+19	**+3,288**	+4,559
2013-14	3,190	1,869	**+1,321**	14,773	12,941	1,718	327	-	+4	**+3,227**	+4,548
2014-15	3,251	2,038	**+1,213**	14,968	12,621	1,841	334	-	-121	**+3,733**	+4,946

Figure 39: Components of population change (Source: ONS Mid-Year Population Estimates, revised; Census data 1991-2011. Note: Data for periods up to 2011 has been corrected based on Census data; data since 2011 is not corrected)



3.27 Also shown is the total population change from the MYE (both original and corrected figures) and annual average population change between the 1991, 2001 and 2011 Census. More recent data from the ONS mid-2012, mid-2013, mid-2014 and mid-2015 population estimates has also been included on the chart (including the breakdown between natural change and migration).

3.28 It is evident that the net population change for mid-2012 estimates onwards are notably higher than previous years. It is important to recognise that "unattributable change" isn't factored in for these periods, as this would only be incorporated once data is published from the 2021 Census – but given the scale of adjustment required post the 2011 Census, it is important to recognise that the flow data that is recorded for the period may be overstating the actual level of population increase.

3.29 Alongside the Mid-Year Estimates published in mid-2015, the ONS published a quality assurance pack which provided a range of comparative data from administrative sources. Whilst this administrative data does not provide a direct estimate of population, they provide a useful triangulation point. Figure 40 shows the mid-2011 and mid-2015 population estimates together with the administrative data for the same years across the relevant age cohorts.

Figure 40: Mid-Year Population Estimates and Administrative Data 2011 and 2015 for Central Bedfordshire (Source: ONS, DfE)

Age	Mid-Year Estimate		Patient Register		School Census		State pensions Aged 65+	
	2011	2015	2011	2015	2011	2015	2011	2015
Age 0	3,270	3,300	3,210	3,270	-	-	-	-
Aged 1-4	12,840	14,280	13,060	14,150	-	-	-	-
Aged 5 – 9	15,000	17,300	15,110	17,260	14,460	16,500	-	-
Aged 10 – 14	15,430	15,400	15,570	15,340	14,450	13,960	-	-
Aged 15 – 19	15,570	14,980	15,620	15,070	-	-	-	-
Aged 20 – 24	13,660	14,030	14,360	15,000	-	-	-	-
Aged 25 – 29	14,600	17,250	15,080	16,800	-	-	-	-
Aged 30 – 34	15,770	17,810	16,080	17,640	-	-	-	-
Aged 35 – 39	17,700	18,220	18,060	18,010	-	-	-	-
Aged 40 – 44	20,140	19,600	20,920	19,780	-	-	-	-
Aged 45 – 49	21,170	20,930	21,880	21,530	-	-	-	-
Aged 50 – 54	18,350	21,020	18,760	21,650	-	-	-	-
Aged 55 – 59	15,540	17,560	15,990	18,130	-	-	-	-
Aged 60 – 64	16,340	15,230	16,620	15,510	-	-	-	-
Aged 65 – 69	12,690	15,640	12,630	15,800	-	-	12,530	14,910
Aged 70 – 74	9,480	11,400	9,710	11,490	-	-	9,470	11,390
Aged 75 – 79	7,840	8,590	7,730	8,680	-	-	7,690	8,550
Aged 80 – 84	5,510	6,090	5,320	6,000	-	-	5,380	5,960
Aged 85+	4,770	5,390	4,610	5,220	-	-	4,690	5,270
TOTAL	**255,670**	**274,020**	**260,320**	**276,330**	**28,910**	**30,460**	**39,760**	**46,080**
Increase 2011-15		**+18,350**		**+16,010**		**+1,550**		**+6,320**
MYE Total for same age cohorts	**255,670**	**274,020**	**255,670**	**274,020**	**30,430**	**32,700**	**40,290**	**47,110**
Increase 2011-15		**+18,350**		**+18,350**		**+2,270**		**+6,820**
Difference between MYE and admin data		**-**		**+15%**		**+46%**		**+8%**

3.30 In summary, over the 4-year period:

- The mid-year estimates suggest a population increase of 18,350 persons, which is 15% higher than the 16,010 increase recorded on the NHS patient register;
- The mid-year estimates suggest an increase of 2,270 children aged 5-14, which is 46% higher than the 1,550 increase on the school census; and
- The mid-year estimates suggest an increase of 6,820 people aged 65+, which is 8% higher than the 6,320 increase in people aged 65+ receiving state pension.

3.31 It is evident that all of the administrative data sources that ONS identified for validating the population estimates suggest that the population is increasing slower than suggested by the estimates for the period mid-2011 to mid-2015.[16] It therefore isn't appropriate to adopt this data uncritically.

3.32 It is important to recognise that there has been no change in the ONS methodology for establishing the MYE since the mid-2011 estimates were produced – so any systematic error that existed at that time will continue to impact on more recent estimates, and therefore cannot be ignored. Whilst it is unlikely that the ONS will have a robust basis for correcting this data until the results of the 2021 Census are available (and therefore no correction is likely to be made in the short-term), it is apparent that corrections made to the mid-2011 estimates for Central Bedfordshire should continue to be applied to the data for more recent years until the underlying issues can be addressed through changes to the methodology.

3.33 Given this context, it is evident that the ONS Mid-Year Estimate data for Central Bedfordshire must be treated cautiously. The administrative data clearly justifies the continued need for an adjustment, and the growth in the patient register would suggest that the overall population in mid-2015 was around 271,500 persons, which is 2,500 fewer than estimated by the ONS. On this basis, it would appear that the ONS Mid-Year Estimates have continued to overstate population growth in Central Bedfordshire by an average of around 620 persons each year. As previously noted, the population estimates in 2001 and 2011 are far more accurate and robust than the component of change data from year-to-year; and this correction is broadly consistent with the average UPC adjustment of 720 persons each year that the ONS deemed necessary for the period 2001 to 2011 based on Census data.

3.34 Taking account of all of the evidence, the SHMA concludes that Central Bedfordshire's population has increased to around 271,500 persons by mid-2015, compared to the ONS estimate of 274,000 persons. This implies that net migration was marginally lower than identified by the ONS components of population change over the period 2005-15, with an average net in-migrant flow of around 1,700 persons each year over the decade.

[16] The ONS issued the mid-2016 population estimates in June 2017, after the Initial SHMA was published; but the administrative data sources continue to suggest that the population is being over-estimated

Population Projections Based on Local Circumstances

3.35 Whilst PPG identifies CLG household projections as the starting point for establishing housing need, it also recognises the need to consider sensitivity testing this data and take account of local evidence.

> *Plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates … Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.*
>
> **Planning Practice Guidance (March 2014), ID 2a-017**

3.36 Whilst it is relatively straightforward to measure natural population change, it is much more difficult to measure migration. Furthermore, the number of migrants can vary substantially from year-to-year; and relatively small changes in gross flows can have a significant impact on overall net migration. In establishing future population projections, it is important to recognise the importance of migration and other changes.

3.37 Given that the demographic projections are trend-based, one of the most critical factors is the period over which those trends are based. The PAS OAN technical advice note considers this issue in relation to the ONS population projections (first edition, paragraphs 5.12-5.13):

> *"To predict migration between local authorities within the UK, the ONS population projections carry forward the trends of the previous five years. This choice of base period can be critical to the projection, because for many areas migration has varied greatly over time. … The results of a demographic projection for (say) 2011-31 will be highly sensitive to the reference period that the projection carries forward."*

3.38 This issue has also been reinforced in PAS advice to Local Authorities,[17] where it has been emphasised that whilst the CLG household projections provide the starting point, these official projections can be very unstable given that they are based on migration trends covering only five years:

> *"For migration the base period is only five years:*
> - *Makes the official projections very unstable*
> - *And recent projections lock in the recession"*

3.39 The second version of the PAS OAN technical advice note (July 2015)[18] has also strengthened the recommendation on the relevant period for assessing migration (second edition, paragraph 6.24):

> *"In assessing housing need it is generally advisable to test alternative scenarios based on a longer reference period, probably starting with the 2001 Census (further back in history data may be unreliable). Other things being equal, a 10-to-15 year base period should provide more stable and more robust projections than the ONS's five years."*

3.40 The relevant period for assessing migration trends was considered by an article by Ludi Simpson (Professor of Population Studies at the University of Manchester) and Neil MacDonald (previously Chief Executive of the National Housing and Planning Advice Unit) published in Town and Country Planning (April 2015).[19]

[17] "SHLAA, SHMA and OAN aka 'Pobody's Nerfect'", PAS presentation at Urban Design London (July 2015) http://learningspace.urbandesignlondon.com/course/view.php?id=339
[18] http://www.pas.gov.uk/documents/332612/6549918/OANupdatedadvicenote/f1bfb748-11fc-4d93-834c-a32c0d2c984d

> *"The argument for using a five-year period rather than a longer one is that the shorter the period, the more quickly changes in trends are picked up. The counter-argument is that a shorter period is more susceptible to cyclical trends, an argument that has particular force when the five-year period in question – 2007-12 – neatly brackets the deepest and longest economic downturn for more than a generation. … A large number of local authority areas are affected by this issue. For 60% of authorities the net flow of migrants within the UK in 2007-12 was different by more than 50% from the period 2002-07. While this is comparing a boom period with a recession, it serves to indicate the impact of the choice of reference period for trend projections."*

3.41 This issue has also been referenced by Inspectors examining numerous Local Plans, for example the following comments provided by the Cornwall Inspector in the letter setting out his preliminary findings (June 2015):[20]

> *"3.6 Migration. The demographic model used in the SHMNA and the more recent ONS projection uses migration flows from the previous 5 years only. Given the significance of migration as a component of change for Cornwall and to even-out the likely effect of the recent recession on migration between 2008-2012 a longer period than 5 years would give a more realistic basis for projecting this component. A period of 10-12 years was suggested at the hearing and I consider that this would be reasonable, rather than the 17 year period used in ID.01.CC.3.3. I also consider that the ONS' Unattributable Population Change component should be assigned to international migration for the reasons given by Edge Analytics in ID.01.CC3.3. This approach was not disputed at the hearing."*

3.42 Whilst migration estimates can vary from year-to-year, it is also important to recognise that although these differences will often be due to changes in the underlying trends, changes can also be associated with uncertainties in measuring the flows. It is recognised that the impact of international migration is particularly difficult to measure; and although current estimates have been improved, data can still be unreliable at a local level. Considering migration trends averaged over longer periods of time ensures that the impact of any errors in the measurements will be minimised. The appropriate period will vary depending on the purpose of the projection – but longer-term projections typically benefit from longer-term trends.

3.43 On balance, we consider that:

- 5-year trend migration scenarios are less reliable: they have the potential to roll-forward short-term trends that are unduly high or low and therefore are unlikely to provide a robust basis for long-term planning.
- 10-year trend migration scenarios are more likely to capture both highs and lows and are not as dependent on trends that may be unlikely to be repeated. **Therefore, we favour using 10-year migration trends as the basis for our analysis.**

3.44 This SHMA has, therefore, produced additional projections based on long-term migration trends as part of the analysis. Whilst no one scenario will provide a definitive assessment of the future population; considering demographic projections where migration is based on long-term trends provides a more appropriate basis on which to consider future housing need.

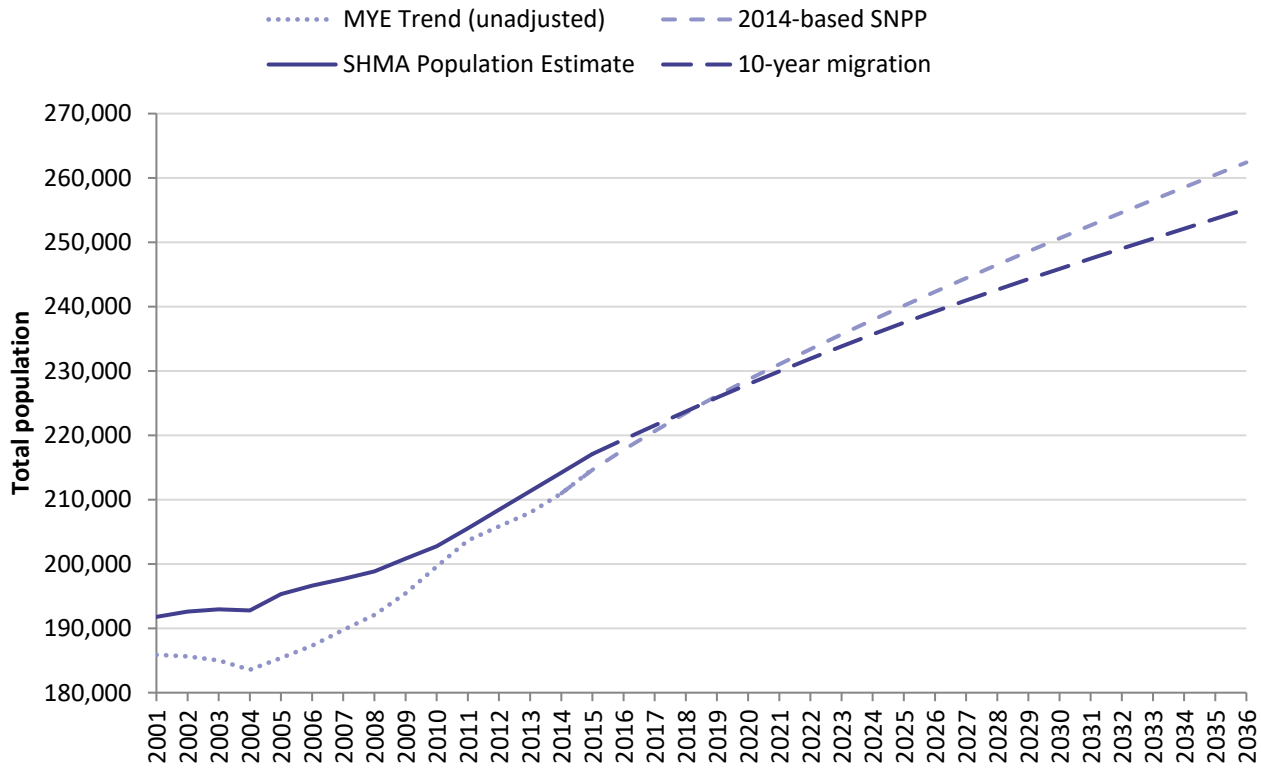
[19] "Making sense of the new English household projections", Town and Country Planning (April 2015)
[20] https://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf

Establishing Population Projections for Luton Borough

3.45 The SHMA has developed population projections for Luton using migration trends based on the 10-year period 2005-2015. However, as previously noted, the SHMA Refresh identified that the 2001 Census under-enumerated the population at that time. We have therefore based the 10-year migration trends on the SHMA population estimates for mid-2005 and mid-2015, which identified an average net in-migrant flow of around 90 persons each year.

3.46 Figure 41 compares the 2014-based sub national population projections (based on short-term migration trends) with the projections based on longer-term 10-year migration trends over the period to 2036. The SNPP projections suggest that the population will increase from 214,600 to 260,500 persons over the period 2015 to 2035 (a 20-year increase of 45,900 persons, an average of 2,290 per year) and will reach 262,400 persons by 2036. For the same period, the SHMA projection based on 10-year migration trends suggest that the population will increase from 217,100 to 253,700 persons (a 20-year increase of 36,600 persons, an average of 1,830 per year) and will reach 255,200 persons by 2036.

Figure 41: Luton population projection based on migration trends



3.47 It is evident that the differences between the projections are due to differences in the population trends. As previously noted, the ONS Mid-Year Estimates suggested a period of population decline to 2004, before a rapid population growth over the period to 2011. This steep trajectory in the population trends has influenced the projected future population, but as annual growth has moderated during the period since 2011, the ONS projection is lower than it might otherwise have been.

3.48 The detailed analysis undertaken by the SHMA Refresh concluded that the population for Luton was notably higher than officially estimated in 2001, but only marginally higher than official estimates for 2011 and 2012. On this basis, annual growth over the period 2005-15 has been more moderate than suggested by the ONS trends; and the more moderate trajectory from the corrected population trends yields a lower projected future population, as growth patterns over the period 2005-15 are assumed to continue.

3.49 Figure 42 provides a detailed breakdown of the projected population by gender and 5-year age cohort for 2015 and 2035 based on the 2014-based sub-national population projection and the SHMA 10-year migration trend scenario.

Figure 42: Luton population projections 2015-35 by gender and 5-year age cohort based on 2014-based SNPP and SHMA 10-year migration trend scenario (Note: All figures presented unrounded for transparency)

Age	2014-based SNPP						SHMA 10-year migration trend					
	2015			2035			2015			2035		
	M	F	Total	M	F	Total	M	F	Total	M	F	Total
Aged 0-4	9,055	8,549	**17,607**	9,560	9,085	**18,646**	9,359	8,825	**18,184**	8,886	8,453	**17,339**
Aged 5-9	8,334	7,766	**16,101**	9,168	8,700	**17,870**	8,575	7,894	**16,469**	8,790	8,414	**17,204**
Aged 10-14	7,053	6,631	**13,687**	8,878	8,526	**17,407**	7,195	6,729	**13,924**	8,676	8,384	**17,060**
Aged 15-19	6,852	6,730	**13,587**	8,619	8,354	**16,974**	6,747	6,683	**13,431**	8,588	8,288	**16,876**
Aged 20-24	8,405	7,866	**16,272**	10,212	9,483	**19,698**	7,941	7,557	**15,498**	9,490	8,657	**18,148**
Aged 25-29	9,825	8,818	**18,644**	11,242	9,492	**20,735**	9,858	9,083	**18,941**	10,179	8,145	**18,324**
Aged 30-34	9,604	8,998	**18,605**	10,326	8,484	**18,814**	9,805	9,273	**19,078**	9,761	7,782	**17,543**
Aged 35-39	7,864	7,431	**15,296**	9,877	8,207	**18,086**	8,076	7,601	**15,676**	9,053	7,457	**16,510**
Aged 40-44	7,001	6,581	**13,583**	9,394	7,915	**17,313**	7,085	6,711	**13,796**	8,064	6,995	**15,059**
Aged 45-49	6,603	6,764	**13,368**	8,535	7,682	**16,219**	6,663	6,844	**13,507**	7,216	6,818	**14,035**
Aged 50-54	6,503	6,485	**12,990**	7,787	7,408	**15,195**	6,616	6,564	**13,180**	6,221	6,109	**12,330**
Aged 55-59	5,319	5,181	**10,502**	6,561	6,260	**12,825**	5,387	5,249	**10,636**	5,493	5,401	**10,894**
Aged 60-64	4,222	4,270	**8,496**	5,746	5,547	**11,296**	4,291	4,349	**8,640**	5,231	5,286	**10,517**
Aged 65-69	3,650	3,824	**7,478**	5,158	5,303	**10,462**	3,698	3,881	**7,578**	4,829	4,996	**9,826**
Aged 70-74	2,713	3,020	**5,736**	4,520	4,835	**9,359**	2,756	3,049	**5,805**	3,821	3,920	**7,741**
Aged 75-79	2,503	2,875	**5,381**	3,444	3,717	**7,165**	2,538	2,930	**5,468**	2,937	3,144	**6,081**
Aged 80-84	1,727	2,182	**3,910**	2,473	2,853	**5,329**	1,737	2,163	**3,900**	2,311	2,639	**4,950**
Aged 85+	1,251	2,078	**3,332**	2,985	4,055	**7,045**	1,272	2,113	**3,385**	2,368	3,301	**5,669**
Total	**108,523**	**106,095**	**214,619**	**134,529**	**125,952**	**260,482**	**109,600**	**107,496**	**217,096**	**121,916**	**114,190**	**236,105**

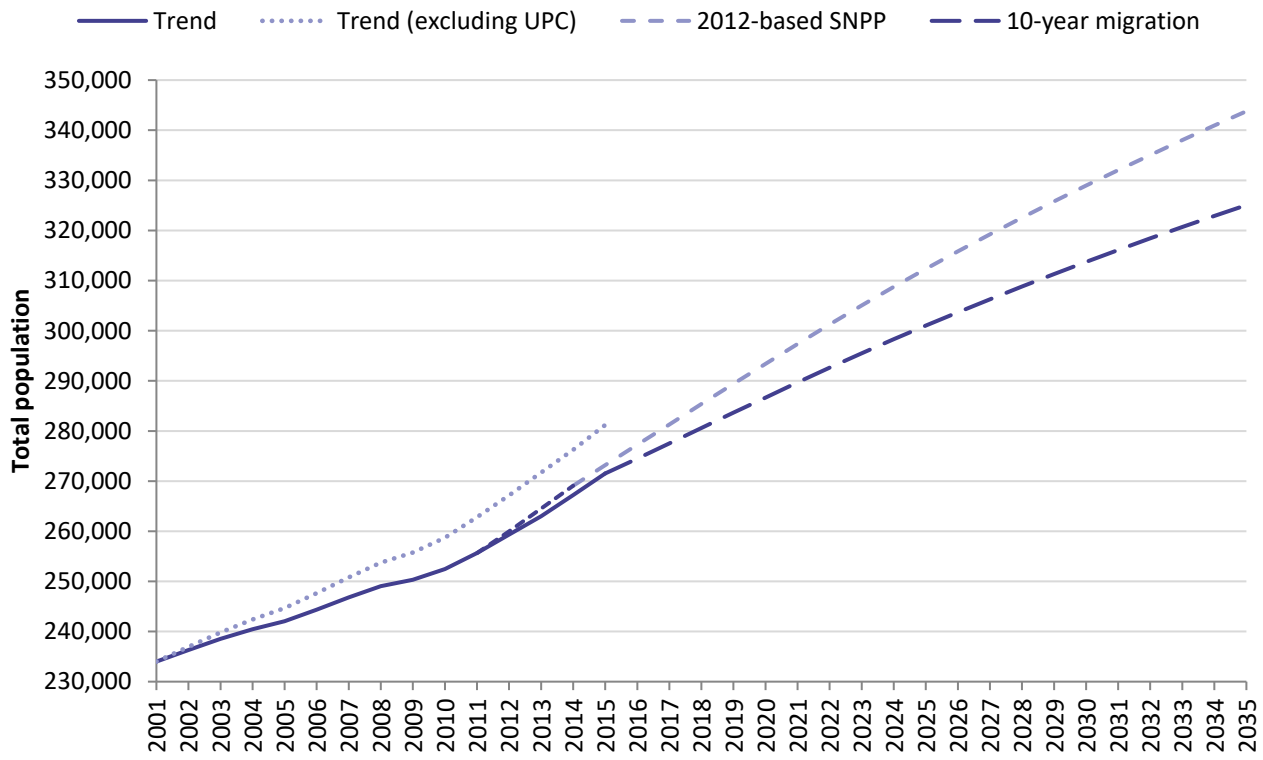
Establishing Population Projections for Central Bedfordshire

3.50 The SHMA has developed population projections for Central Bedfordshire using migration trends based on the 10-year period 2005-2015. However, as previously noted, the ONS corrected the mid-year population estimates following the 2011 Census and the SHMA has identified problems with the more recent data. We have therefore based the 10-year migration trends on the SHMA population estimates for mid-2005 and mid-2015, which identified an average net in-migrant flow of around 1,700 persons each year.

3.51 Figure 43 compares the 2014-based sub national population projections (based on short-term migration trends) with the projections based on longer-term 10-year migration trends over the period to 2035. The SNPP projections suggest that the population will increase from 273,200 to 343,800 persons over the period 2015 to 2035 (a 20-year increase of 70,600 persons, an average of 3,530 per year). For the same period, the SHMA projection based on 10-year migration trends suggest that the population will increase from 271,500 to 325,100 persons (a 20-year increase of 53,500 persons, an average of 2,680 per year).

3.52 It is evident that the differences between the projections are due to migration trends. ONS Mid-Year Estimates suggest that the population growth has been higher in recent years; however the Census demonstrated that the estimates were inaccurate for the period 2001-11 (and they were therefore corrected) and the ONS quality assurance pack data shows that the estimates probably continue to be inaccurate.

Figure 43: Central Bedfordshire population projection based on migration trends



3.53 Figure 44 provides a detailed breakdown of the projected population by gender and 5-year age cohort for based on the 2014-based sub-national population projection and SHMA 10-year migration trend scenario.

Figure 44: Central Bedfordshire population projections 2015-35 by gender and 5-year age cohort based on 2014-based SNPP and 10-year migration trend scenarios (Note: All figures presented unrounded for transparency)

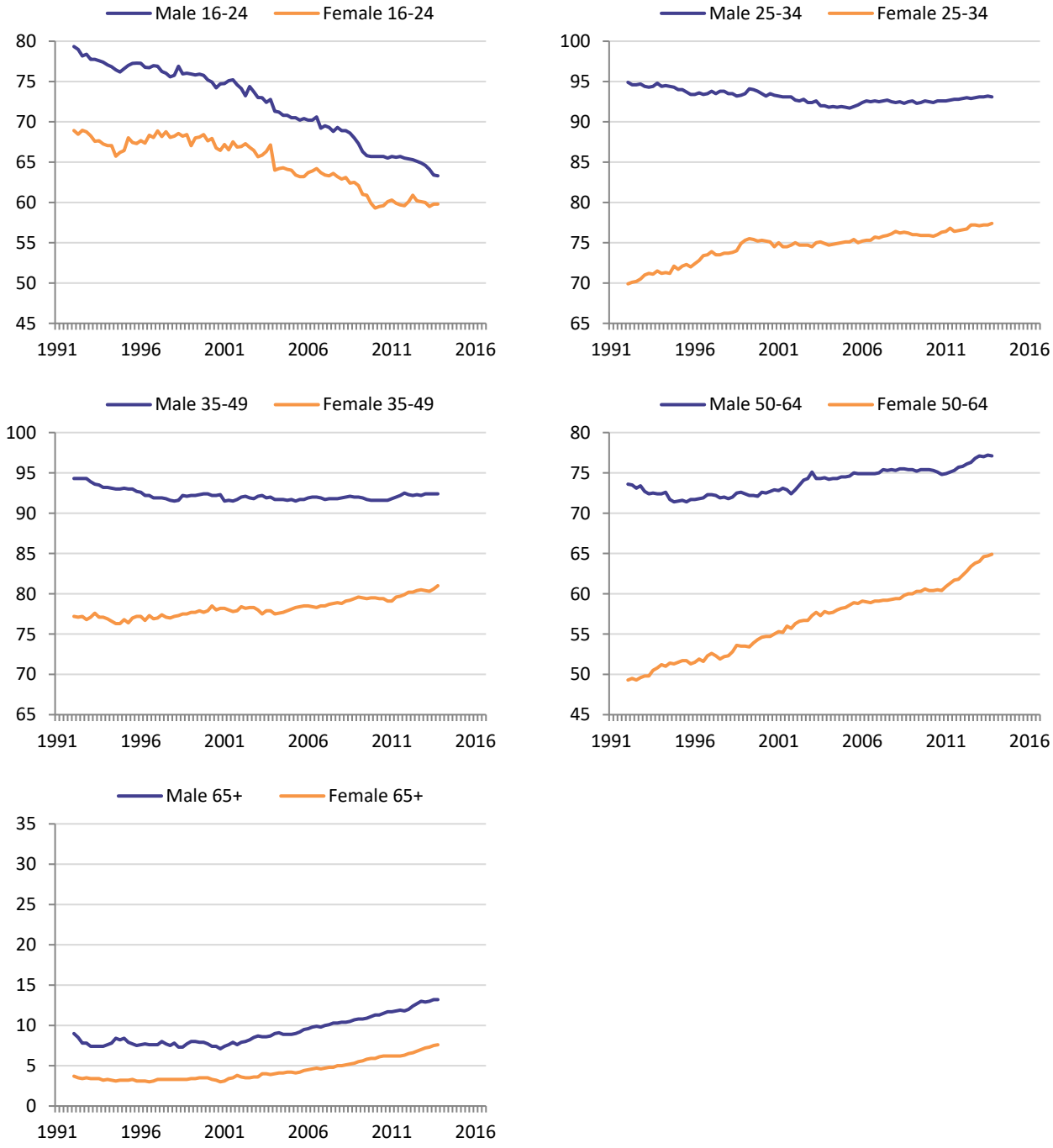
Age	2014-based SNPP						SHMA 10-year migration trend					
	2015			2035			2015			2035		
	M	F	Total	M	F	Total	M	F	Total	M	F	Total
Aged 0-4	8,910	8,497	**17,410**	9,883	9,503	**19,389**	8,771	8,469	**17,241**	9,224	8,884	**18,108**
Aged 5-9	8,683	8,531	**17,217**	10,402	9,919	**20,325**	8,693	8,441	**17,134**	9,718	9,284	**19,002**
Aged 10-14	7,850	7,488	**15,340**	10,558	10,017	**20,577**	7,880	7,323	**15,203**	9,900	9,406	**19,305**
Aged 15-19	7,746	6,971	**14,721**	9,720	8,878	**18,600**	7,838	7,183	**15,021**	9,167	8,361	**17,528**
Aged 20-24	7,581	6,878	**14,460**	8,259	7,360	**15,623**	7,458	6,810	**14,268**	7,766	6,871	**14,637**
Aged 25-29	8,590	8,489	**17,080**	9,607	9,245	**18,854**	7,986	8,282	**16,268**	9,091	8,640	**17,731**
Aged 30-34	8,442	9,137	**17,581**	9,541	9,434	**18,977**	8,301	8,997	**17,298**	8,997	8,804	**17,801**
Aged 35-39	8,799	9,290	**18,091**	10,814	10,733	**21,549**	8,612	9,040	**17,652**	10,156	10,047	**20,203**
Aged 40-44	9,537	10,004	**19,543**	11,880	11,781	**23,663**	9,363	9,681	**19,045**	11,104	11,019	**22,123**
Aged 45-49	10,293	10,520	**20,814**	11,538	11,759	**23,299**	10,273	10,561	**20,834**	10,680	11,031	**21,711**
Aged 50-54	10,410	10,537	**20,951**	10,818	11,446	**22,265**	10,589	10,593	**21,182**	10,174	10,825	**20,999**
Aged 55-59	8,839	8,747	**17,589**	9,960	10,410	**20,372**	8,981	8,634	**17,615**	9,378	9,847	**19,226**
Aged 60-64	7,467	7,794	**15,263**	9,788	10,417	**20,207**	7,467	7,784	**15,251**	9,268	9,834	**19,102**
Aged 65-69	7,720	7,920	**15,641**	9,859	10,625	**20,487**	7,855	8,020	**15,875**	9,447	10,258	**19,705**
Aged 70-74	5,506	5,932	**11,440**	9,312	10,113	**19,427**	5,433	5,784	**11,218**	9,066	9,813	**18,879**
Aged 75-79	4,117	4,469	**8,588**	7,320	7,868	**15,188**	4,244	4,562	**8,806**	7,161	7,569	**14,730**
Aged 80-84	2,734	3,340	**6,077**	5,268	6,025	**11,296**	2,772	3,442	**6,214**	5,124	5,859	**10,984**
Aged 85+	2,050	3,286	**5,340**	6,306	7,335	**13,642**	2,057	3,347	**5,404**	6,167	7,120	**13,287**
Total	**135,316**	**137,874**	**273,191**	**170,874**	**172,914**	**343,789**	**134,576**	**136,954**	**271,529**	**161,589**	**163,472**	**325,061**

Economic Activity

3.54 Forecasting future economic activity rates is a challenge: the analysis is inherently complex and dependent on a range of demographic, socio-economic and structural changes in the labour market. However, the performance of the labour market in future years (and especially the impact of changing employment patterns) is an important factor which affects demand for housing.

3.55 The **Labour Force Survey (LFS)** is a continuous survey of the employment circumstances of the nation's population: it provides the official measures of employment and unemployment. Figure 45 shows economic activity rates (EAR) by age and gender for the UK since 1991, based on LFS data. It is evident that EAR rates are unlikely to remain constant in future as illustrated by past trends.

Figure 45: Economic Activity Rate long-term UK trends (Source: Labour Market Statistics based on Labour Force Survey)



3.56 There are a number of notable trends evident:

- Economic activity rates for people aged under 25 have steadily declined, primarily as a consequence of the increased numbers remaining in full-time education;
- Economic activity rates for women in all groups aged 25+ have tended to increase, in particular those aged 50-64 where the rate has increased by almost a third (from 49% to 65%); and
- Economic activity rates for men and women aged 50+ have tended to increase, in particular over the period since 2001.

3.57 These changes in participation identified by the Labour Force Survey have been confirmed by Census data, which also shows that national trends are typically reflected at a local level.

3.58 The most recent economic activity rate projections produced by ONS were published in January 2006 and covered the period to 2020[21]; however these figures suggested substantially lower changes in activity rates than actually experienced over the last decade. However, the performance of the labour market is important for national government, particularly in terms of forecasting the long term sustainability of tax revenues. As part of their scrutiny of Government finances, the Office for Budget Responsibility (OBR) provide an independent and authoritative analysis of the UK's public finances for Government, which includes detailed analysis of past and future labour market trends[22].

Labour Market Participation Projections

3.59 The labour market participation projections produced by the OBR are based on historic profiles of different cohorts of the overall population – subsets that are grouped by year of birth and gender. Their analysis is not based on simplistic trends but is designed to capture dynamics that are specific to particular ages and those that cut across generations:

> *"We project each cohort into the future using age-specific labour market entry and exit rates as they age across time. These exit and entry rates are generally held constant, although we adjust entry rates for younger cohorts (discussed further below), and exit rates for people approaching the State Pension age (SPA), since the SPA rises over our projection period."*

3.60 Their analysis concludes:

- **Older people;** economic activity rates of older people will increase in future years, mainly from a combination of factors including changes to State Pension age, less generous final salary pensions and increasing healthy longevity;
- **Female participation;** in addition to changes to state pension age, economic activity rates for women will also increase due to cohort change: more women born in the 1980s will work compared to those born in the 1970s across all comparable ages, and the rates for women born in the 1970s will be higher than for those born in the 1960s and so on; and
- **Young people**; economic activity rates of younger people will stop declining, although young people will continue to stay longer in education and the lower participation rates recently observed are not assumed to increase in future.

[21] Projections of the UK labour force, 2006 to 2020 by Vassilis Madouros; published in ONS Labour Market Trends, January 2006
[22] OBR Fiscal Sustainability Report, July 2014: http://cdn.budgetresponsibility.org.uk/41298-OBR-accessible.pdf

Older People

3.61 Recent increases in State Pension age (SPA) are expected to prompt a labour market response as people retiring at an older age will exit the labour market later. Recent research from the Institute for Fiscal Studies (IFS) and University College London23 concluded that:

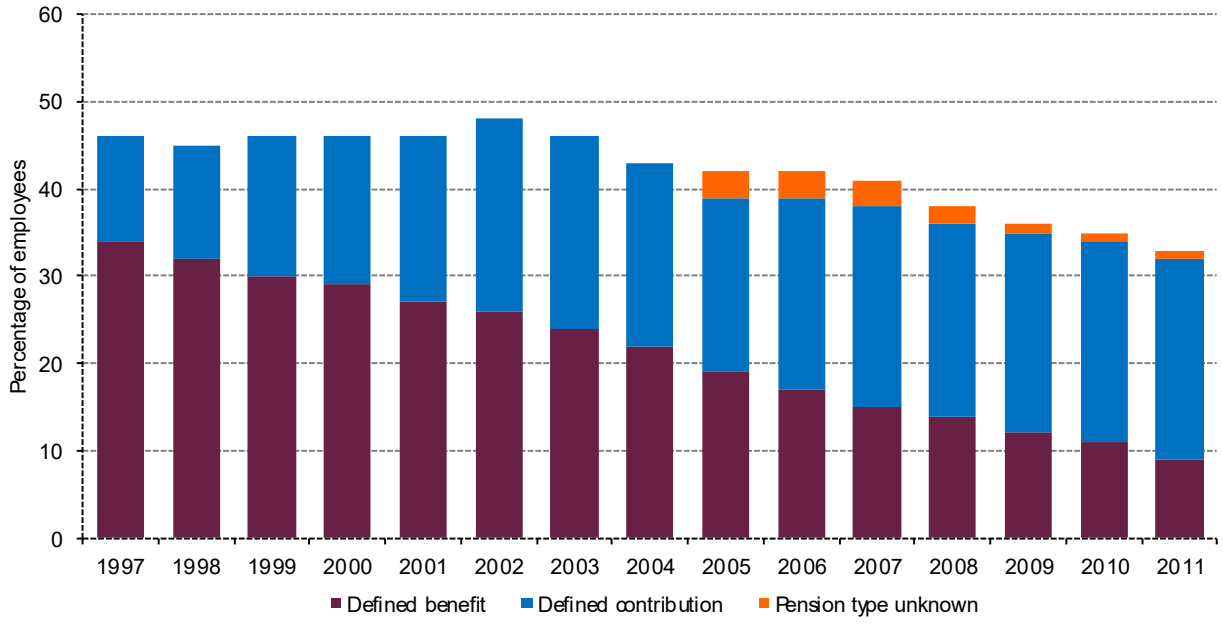
> *"Future increases in the state pension age will lead to a substantial increase in employment".*

3.62 However, the issue is complex: most people do not retire at the SPA precisely, and other factors influence retirement decisions:

- **Health**: longer, healthier lives mean people spend longer in employment;
- **Education**: higher levels of education are associated with working for longer and service sector expansion (including new technology and self-employment) give new options for some people to work for longer;
- **Family circumstances**: evidence suggests couples make joint retirement decisions, choosing to retire at similar points in time;
- **Financial considerations**: expectations of post-retirement incomes are changing as people (especially women) have to wait longer before receiving their State Pension and defined benefit pensions continue to decline; and
- **Compulsory retirement age**: the default retirement age (formerly 65) has been phased out – most people can now work for as long as they want to. Retirement age, therefore, is when an employee chooses to retire. Most businesses don't set a compulsory retirement age for their employees[24].

3.63 Nevertheless, financial drivers are particularly important in the decision of when to retire, and changes to the State Pension age coupled with reduced membership of private schemes (Figure 46) will inevitably lead to higher economic activity rates amongst the older population.

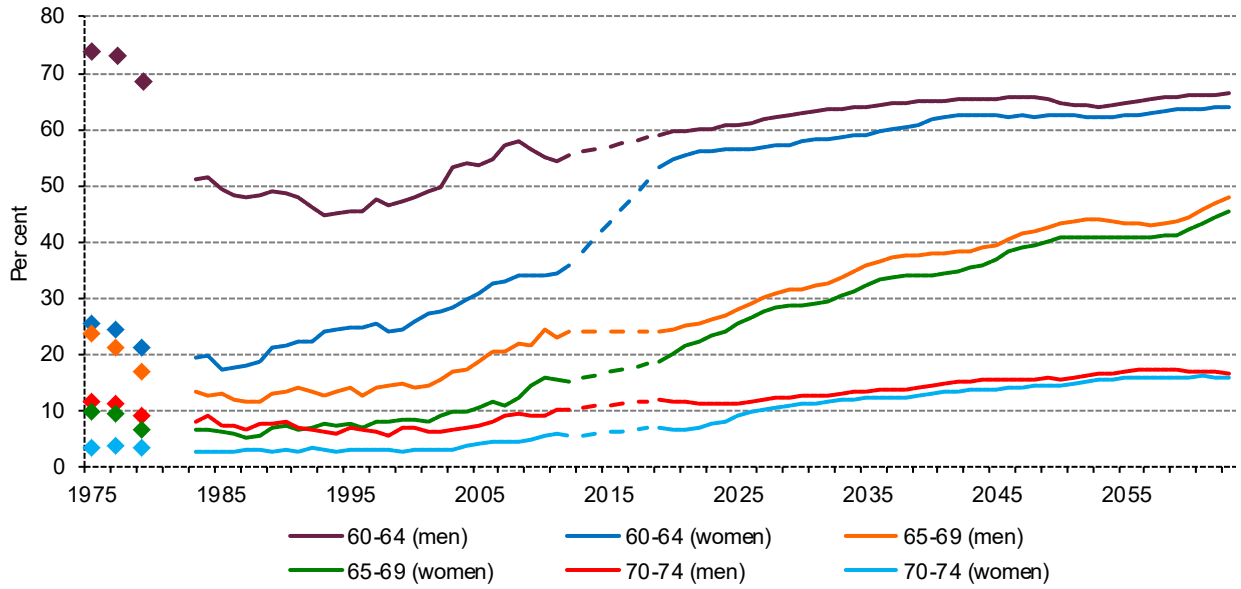
Figure 46: Membership of private sector defined benefit and defined contribution schemes (Source: NAO)



[23] http://www.ifs.org.uk/pr/spa_pr_0313.pdf
[24] https://www.gov.uk/retirement-age

3.64 Figure 47 shows the long-term trends in employment rates for men and women aged 60-74 together with the OBR short-term and longer-term projections.

Figure 47: Employment rates for 60-74 years olds (Source: ONS, OBR. Note: Prior to 1983, the Labour Force Survey does not contain an annual series for these indicators, so only available years are shown. The OBR medium-term forecast to 2018 is produced top-down, not bottom-up, so the dotted lines for that period are a simple linear interpolation)



3.65 In summary, for those:

- **Aged 60-64**: employment rates for women are projected to continue increasing rapidly over the short-term as the SPA is equalised. Rates for both men and women are then projected to increase more marginally over the longer-term, although the projected rates for men remain notably lower than those actually observed in the late 1970s;
- **Aged 65-69**: the gap between rates for men and women is projected to reduce over the short-term, with rates for both expected to increase progressively over the longer-term; and
- **Aged 70-74**: the rates for these older men and women are projected to converge, although only marginal increases in the rates are otherwise expected – fewer than 1-in-8 people in this age group are expected to be working until at least the 2030s.

Female Participation

3.66 Women's participation in the labour force has increased, particularly since the 1970s, for a complex range of societal and economic reasons:

- **Childbirth**: decisions regarding children are changing. More women choose childlessness, or childbirth is delayed until women are in their 30s or 40s. Post childbirth decisions on return to the workforce are also influenced by a variety of factors (e.g. childcare arrangements, tax implications for second incomes, family circumstances);
- **Lone parents:** employment rates for lone parents lag behind mothers with partners, but this gap has been closing;
- **Support services for women in work**: an increase in available options to support women in work (e.g. childcare services, flexible working arrangements);

» **Equal pay**: the gender wage differential has been narrowing (although still exists) giving women higher rewards for work; and

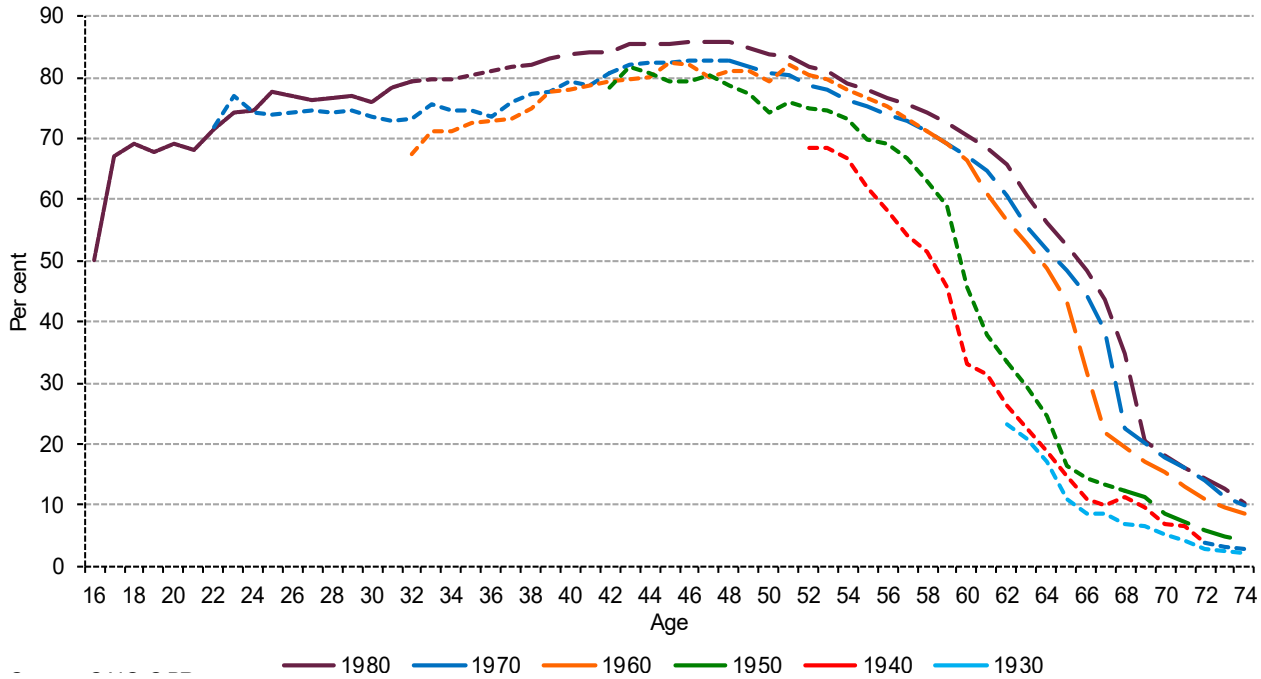
» **Education**: higher levels of education have opened new career opportunities outside historically traditional female sectors.

3.67 National policy still aspires to encourage more women into work. The Government is seeking to "*incentivise as many women as possible to remain in the labour market*"[25] and the Autumn Statement in 2014 included plans for more support for childcare (for example, Tax Free Childcare; Childcare Business Grant) and an ambition to match countries with even higher employment rates for women.

3.68 Historic data clearly shows that women born in the 1950s (who are now approaching retirement) have been less likely to be economically active than those born more recently, based on the comparison of data for individual ages. Participation rates for women have progressively increased over time: women born in the 1960s had higher rates than those born in the 1950s, women born in the 1970s had higher rates again, and women born in the 1980s have had the highest rates. The OBR projections take account of these historic differences between cohorts, but they do not assume that female cohorts yet to enter the labour market have even higher participation rates.

3.69 Figure 48 shows the trends in female economic participation rates by year of birth together with the OBR projections, which show how this cohort effect is likely to contribute towards higher economic activity rates in future.

Figure 48: Female participation rates by Cohort (Source: ONS, OBR)



[25] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/371955/Women_in_the_workplace_Nov_2014.pdf

Young People

3.70 The key issue for young people is at what age they enter the labour market. There has been a pronounced fall in economic participation rates for 16 and 17 year olds over time, but this fall in economic activity complements an increase in academic activity as young people stay longer in education[26]. There have been similar (though less pronounced) declining trends for 18-20 year olds.

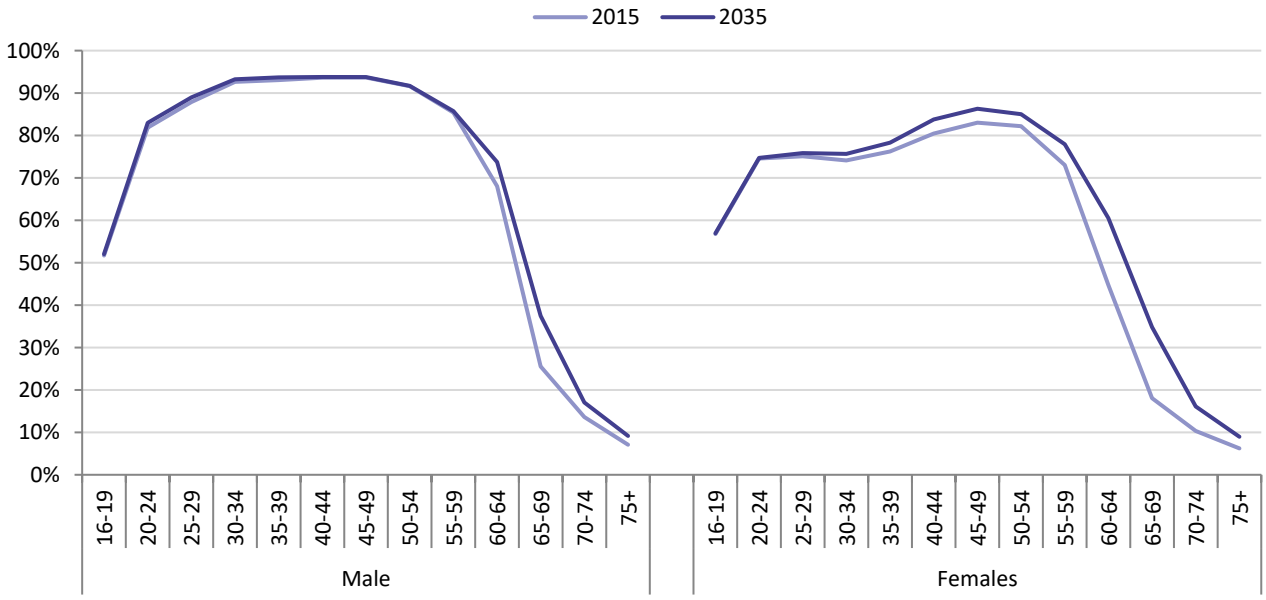
3.71 National policy is also changing. The school leaving age rose to 18 in 2015 and the Government has removed the cap on student numbers attending higher education[27].

3.72 The policy changes indicate it is unlikely that economic participation rates will increase for these younger age groups. However, it should be noted that OBR projections expect these lower participation rates to stabilise at the current level rather than continue to decline. Further, the projections assume that this increased academic activity will not reduce economic activity rates as individuals get older. For example, entry rates into the labour market for people in their twenties are assumed to be higher than previously observed to take account of those who have deferred economic activity due to academic study.

Projecting Future Economic Activity for Luton and Central Bedfordshire

3.73 Figure 49 shows the estimated economic activity rates for 2015 and the projected rates for 2035 based on Census data for Luton and Central Bedfordshire, and the OBR labour market participation projections.

Figure 49: Economic activity rates in 2015 and 2035 by age and gender based on OBR Labour Market Participation Projections



3.74 There is very little change in participation rates for men under 60; and whilst there is an increase in participation projected for men aged 60 and over, these changes are only relatively marginal.

3.75 Participation rates for women are expected to increase due to the cohort effects previously discussed. The rates for those aged under 35 are relatively stable (as there is no increased participation assumed for women born after the 1980s), but there are increased participation rates projected for all older age groups.

[26] http://www.hefce.ac.uk/pubs/year/2015/201503/
[27] http://www.bbc.co.uk/news/education-25236341

3.76 Figure 50 shows the estimated economically active population for Luton and Central Bedfordshire in 2015 and the projected economically active population in 2035 based on the population projections previously produced based on 10-year migration trends.

Figure 50: Projected economically active population 2015-35 (Note: All figures presented unrounded for transparency)

Age	2015			2035			Net change 2015-35		
	M	F	Total	M	F	Total	M	F	Total
Aged 16-19	6,067	6,261	**12,328**	7,224	7,399	**14,624**	1,157	1,138	**2,295**
Aged 20-24	12,605	10,714	**23,319**	14,809	12,000	**26,808**	2,204	1,285	**3,489**
Aged 25-29	15,682	13,037	**28,719**	17,997	13,501	**31,498**	2,315	464	**2,779**
Aged 30-34	16,772	13,537	**30,308**	17,887	12,862	**30,749**	1,116	-675	**441**
Aged 35-39	15,530	12,684	**28,214**	18,498	14,043	**32,542**	2,969	1,359	**4,328**
Aged 40-44	15,400	13,185	**28,585**	18,820	15,573	**34,392**	3,420	2,387	**5,807**
Aged 45-49	15,861	14,448	**30,309**	17,726	16,003	**33,729**	1,865	1,556	**3,420**
Aged 50-54	15,764	14,101	**29,865**	16,269	15,415	**31,684**	505	1,315	**1,820**
Aged 55-59	12,268	10,139	**22,407**	13,544	12,499	**26,043**	1,276	2,360	**3,636**
Aged 60-64	8,000	5,428	**13,428**	10,972	9,272	**20,244**	2,972	3,843	**6,816**
Aged 65-69	2,951	2,151	**5,102**	5,429	5,395	**10,824**	2,478	3,244	**5,722**
Aged 70-74	1,114	912	**2,026**	2,309	2,350	**4,660**	1,195	1,438	**2,634**
Aged 75+	1,037	1,155	**2,192**	2,495	2,786	**5,282**	1,458	1,632	**3,090**
Total	**139,050**	**117,752**	**256,802**	**163,980**	**139,099**	**303,078**	**24,930**	**21,347**	**46,277**

3.77 The economically active population is projected to increase by around 46,300 people over the 20-year period 2015-35, equivalent to an average increase of around 2,300 additional workers each year.

Establishing Household Projections for Luton and Central Bedfordshire

Household Population and Communal Establishment Population

3.78 Prior to considering household projections, it is necessary to identify the household population and separate out the population assumed to be living in Communal Establishments (institutional population). The methodology used by the SHMA is consistent with the CLG approach:[28]

> *"For the household projections, the assumption is made that the institutional population stays constant at 2011 levels by age, sex and marital status for the under 75s and that the share of the institutional population stays at 2011 levels by age, sex and relationship status for the over 75s. The rationale here is that ageing population will lead to greater level of population aged over 75 in residential care homes that would not be picked up if levels were held fixed but holding the ratio fixed will."* (pages 11-12)

3.79 The 2011 Census identified 3,913 persons living in Communal Establishments in Luton and Central Bedfordshire (1,652 in Luton and 2,261 in Central Bedfordshire), which is consistent with the estimate for 2011 in the CLG 2014-based household projections (3,947 persons). Figure 51 shows the breakdown between the household population and the population living in Communal Establishments based on the SHMA 10-year migration scenario.

Figure 51: Population projections 2015-35 by gender and 5-year age cohort (Note: Communal Establishment population held constant for population aged under 75 (light blue cells), and held proportionately constant for each relationship status for population aged 75 or over (orange cells))

Age	2015			2035			Net change 2015-35		
	HH	CE	Total	HH	CE	Total	HH	CE	Total
Aged 0-4	35,410	14	**35,424**	36,060	14	**36,074**	650	0	**650**
Aged 5-9	33,598	5	**33,603**	36,198	5	**36,203**	2,600	0	**2,600**
Aged 10-14	29,119	8	**29,127**	36,087	8	**36,095**	6,968	0	**6,968**
Aged 15-19	28,067	384	**28,451**	33,674	384	**34,058**	5,606	0	**5,606**
Aged 20-24	29,113	654	**29,767**	33,256	654	**33,910**	4,144	0	**4,144**
Aged 25-29	34,817	392	**35,209**	37,638	392	**38,030**	2,821	0	**2,821**
Aged 30-34	36,164	211	**36,375**	35,972	211	**36,183**	-193	0	**-193**
Aged 35-39	33,201	127	**33,328**	37,549	128	**37,677**	4,348	1	**4,349**
Aged 40-44	32,743	97	**32,840**	38,559	97	**38,656**	5,816	0	**5,816**
Aged 45-49	34,251	91	**34,342**	37,357	90	**37,447**	3,106	-1	**3,105**
Aged 50-54	34,264	98	**34,362**	35,781	98	**35,879**	1,517	0	**1,517**
Aged 55-59	28,182	69	**28,251**	31,775	69	**31,844**	3,593	0	**3,593**
Aged 60-64	23,800	91	**23,891**	30,109	91	**30,200**	6,309	0	**6,309**
Aged 65-69	23,360	93	**23,453**	29,884	93	**29,977**	6,524	0	**6,524**
Aged 70-74	16,890	132	**17,022**	27,995	133	**28,128**	11,105	1	**11,106**
Aged 75-79	14,057	218	**14,274**	21,455	370	**21,825**	7,398	152	**7,550**
Aged 80-84	9,725	389	**10,114**	15,703	581	**16,285**	5,978	192	**6,171**
Aged 85+	7,752	1,037	**8,789**	18,165	2,080	**20,246**	10,413	1,043	**11,457**
Total	**484,515**	**4,110**	**488,625**	**573,217**	**5,499**	**578,716**	**88,702**	**1,389**	**+90,091**
Luton	215,357	1,739	**217,096**	251,462	2,192	**253,654**	36,106	453	**+36,558**
Central Bedfordshire	269,159	2,370	**271,529**	321,755	3,307	**325,061**	52,596	936	**+53,532**

[28] Household Projections 2014-based: Methodological Report, Department for Communities and Local Government, July 2016

3.80 It will be important to recognise the projected growth of population aged 75 or over living in communal establishments when establishing the overall housing requirement. This population is projected to increase from 4,110 persons to 5,499 persons over the 20-year period 2015-35; a growth of 1,389 persons, equivalent to an average of around 69 persons each year (around 22 persons in Luton and 47 persons in Central Bedfordshire).

3.81 Given that the population projections have already established the total population aged 75 or over, a consequence of the assumed increase in institutional population for these age groups is fewer older people being counted in the household population. This affects the projected household growth for the area. It is therefore necessary to plan for the increase in institutional population, as this will be additional to the projected household growth; although the councils will need to consider the most appropriate types of housing in the context of future plans for delivering care and support for older people.

3.82 As previously noted, the population in older age groups is projected to increase substantially during the Plan period, and Volume II of the SHMA provides further analysis of the future housing needs of older people.

Household Representative Rates

3.83 Household Representative Rates (HRRs) are a demographic tool used to convert population into households and are based on those members of the population who can be classed as "household representatives" or "heads of household". The HRRs used are key to the establishment of the number of households and, further, the number of households is key to the number of homes needed in future.

3.84 The proportion of people in any age cohort who will be household representatives vary between people of different ages, and the rates also vary over time. HRRs are published as part of the household projections produced by CLG. The 2011 Census identified that the CLG 2008-based household projections had significantly overestimated the number of households. Nevertheless, this had been anticipated and the methodology report published to accompany the 2008-based projections acknowledged (page 10):

> *"Labour Force Survey (LFS) data suggests that there have been some steep falls in household representative rates for some age groups since the 2001 Census … this can only be truly assessed once the 2011 Census results are available."*

3.85 The CLG 2012-based household projections technical document confirmed the findings (page 24):

> *"At the present time the results from the Census 2011 show that the 2008-based projections were overestimating the rate of household formation and support the evidence from the Labour Force Survey that household representative rates for some (particularly younger) age groups have fallen markedly since the 2001 Census."*

3.86 Prior to the publication of CLG 2012-based household projections, Inspectors had been keen to avoid perpetuating any possible "recessionary impact" associated with the lower formation rates suggested by the interim data. Nevertheless, the interim 2011-based household projections were prepared before the necessary Census data was available and it has become evident that some of the historic household representative rates were estimated inaccurately. The 2012-based household projections published in February 2015 incorporated far more data from the 2011 Census which has now been incorporated into the CLG 2014-based household projections, which provide data for the 25-year period 2014-39 based on long-term demographic trends. The household representative projections use a combination of two fitted trends through the available Census points (1971, 1981, 1991, 2001 and 2011).

3.87 Ludi Simpson (Professor of Population Studies at the University of Manchester and the originator and designer of the PopGroup demographic modelling software) considered the CLG household projections in an article published in Town and Country Planning (December 2014):

> *"Although it is sometimes claimed that the current household projections are based on the experience of changes between 2001 and 2011, this is true only of the allocation of households to household types in the second stage of the projections. The total numbers of households in England and in each local authority are projected on the basis of 40 years of trends in household formation, from 1971 to 2011."*

3.88 It is possible to understand the impact of the new household representative rates through applying the 2012-based rates and the 2008-based and interim 2011-based rates to the same population. Using the household population data in the 2012-based projections for the 10-year period 2011-2021 (the only years where household representative rates are available from all three projections), the 2012-based rates show an annual average growth of 218,600 households across England. This compares to 241,600 households using the 2008-based rates and 204,600 households using the interim 2011-based rates. Therefore, the 2012-based rates yield household growth that is 7% higher than the interim 2011-based rates and only 10% lower than the 2008-based rates. At a local level, a third of local authorities have 2012-based rates that are closer to 2008-based rates than the interim 2011-based rates.

3.89 The 2014-based household projections supersede the 2012-based projections (which in turn superseded both the 2008-based projections and the interim 2011-based projections). The changes since 2008 were anticipated and these reflect real demographic trends, and therefore we should not adjust these further; although the extent to which housing supply may have affected the historic rate is one of the reasons that we also consider market signals when determining the OAN for housing.

Proposed Changes to the Household Projections

3.90 The Government announced in January 2017 that the ONS would take responsibility for the household projections, and following this announcement the ONS launched a technical consultation on the on the household projections methodology.[29] The consultation focuses on three changes that the ONS propose to make to the household projection methodology:

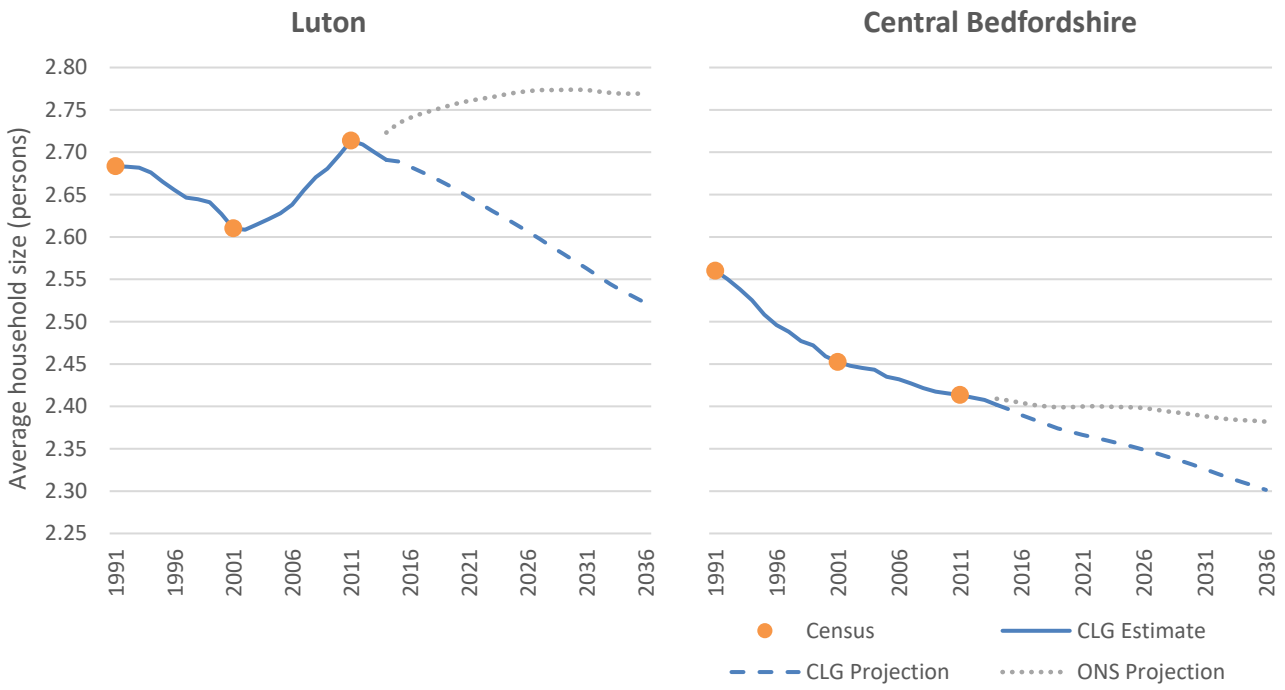
- Use of the 2011 Census definition for household reference person, which would remove out-of-date definitions from use;
- Use of an age only projection model, which would make the projections easier to understand and use; and
- Move to a one stage production approach; which would simplify the methodology significantly and be comparable with methods used in Scotland, Wales and Northern Ireland.

3.91 The household projections are currently produced in two stages, and it is Stage One that projects the household numbers for local authorities based on Census data from 1971 to 2011; so recent formation trends from 2001 to 2011 only have a very marginal impact on the projections. The proposed *"one-stage production approach"* is based on Stage Two, which only uses Census data from 2001 and 2011; so formation trends from 2001 to 2011 provide the basis for the projection. The changes that the ONS propose to make to the household projection methodology would therefore produce different household representative rates that would yield different average household sizes.

[29] https://consultations.ons.gov.uk/communication-division/changes-to-household-projections-for-england

3.92 Figure 52 shows the average household sizes for Luton and Central Bedfordshire based on Census estimates and the trend-based element of the CLG household projections, together with the projected change based on the legacy CLG methodology and the ONS proposed *"one-stage production approach"*. This clearly shows that the ONS proposal to rely exclusively on the period 2001 to 2011 as the basis for future projected changes has a significant impact on average household sizes when compared to the legacy CLG methodology (which relies on trends from 1971 to 2011).

Figure 52: Average household size estimates and projections for Luton and Central Bedfordshire (Source: UK Census of Population, CLG 2014-based Household Projections. Note: ONS projection derived based on proposed "one-stage production approach")



3.93 However, it is evident that the problems with the population estimates for Luton (in particular the 2001 Census) have also affected average household sizes and the household representative rates. It is very unlikely that average household sizes actually reduced from 2.68 to 2.61 persons between 1991 and 2001, and then subsequently returned to 2.71 persons by 2011.

3.94 The CLG estimates also suggest that there was an increase of more than 3,331 households in Luton over the 3-year period 2011-14; however, the number of additional dwellings (and associated household spaces) provided would not have enabled this number of households to form. The net increase in dwellings over the same period totalled 988 homes (which would provide an equivalent number of additional household spaces) – but this would imply that the remaining 2,343 households had formed in household spaces that were previously vacant, and the 2011 Census identified that Luton already had a relatively low rate of vacant stock.

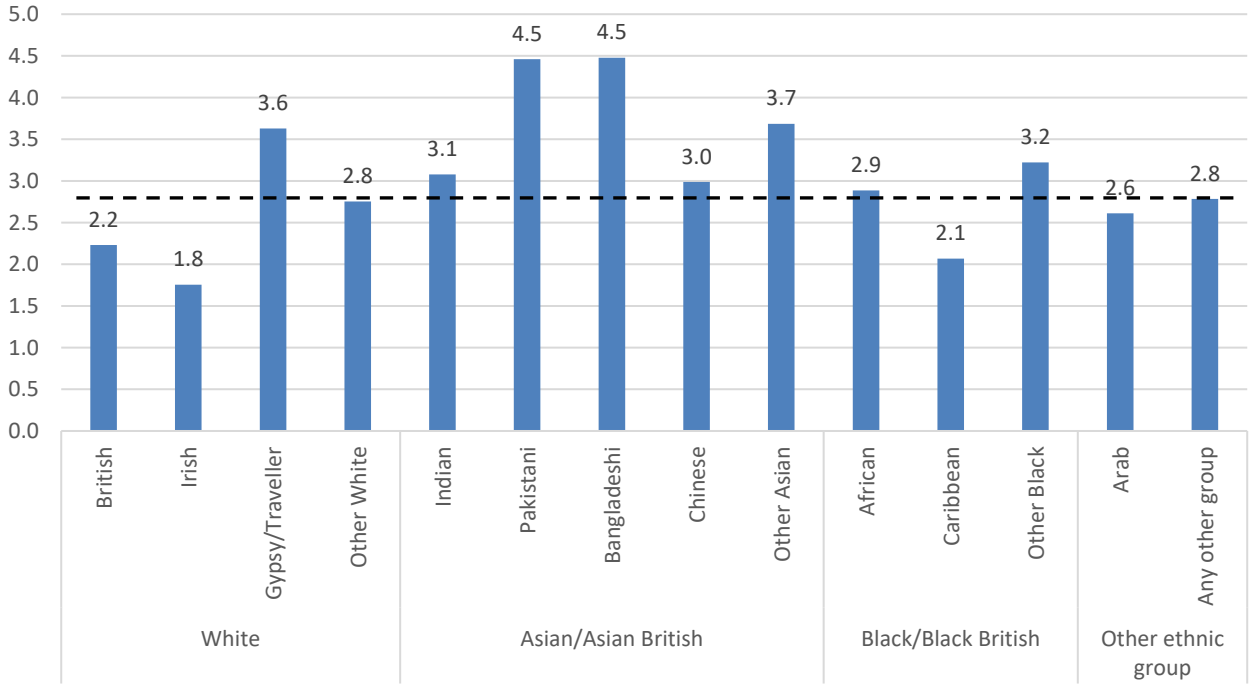
3.95 The CLG household number for 2014 is a consequence of the estimates between Census years being derived using the same method as the projections. This means that there is an underlying assumption that average household sizes are reverting to long-term trends and reducing once again. It is very unlikely that the average identified in 2011 represented a peak with household sizes having subsequently reducing to 2.69 persons by 2014. Instead, it is likely that the number of net new households forming in Luton was comparable to the number of additional household spaces provided which therefore implies that average household sizes have continued to increase in practice, contrary to the outcomes of the CLG modelling.

3.96 Based on the SHMA population estimates for Luton, average household sizes for 2001 would have been 2.69 persons – suggesting that there had actually been a marginal increase from 2.68 persons in 1991. This is also consistent with the average household sizes identified by primary fieldwork based on a random sample of personal interviews that was undertaken to inform the Luton Housing Requirements Study, which showed an average of 2.70 persons by 2003. The SHMA estimates for 2011 identified a larger population than the ONS mid-year estimates, implying an average household size of 2.74 persons at that time – so all of this data shows a gradual but steady increase in average household sizes over the period since 1991, despite average sizes having reduced markedly in the early years of the CLG trend between 1971 and 1991.

3.97 Considering the characteristics of the Luton population, it is apparent that the demographics of the area have changed quite markedly. In particular, the area has experienced a substantial growth of residents from Asian backgrounds and other ethnic groups; however, ethnicity is not considered as a specific dimension within the CLG household projections despite there being significant differences in relative household representative rates and average household sizes between different groups.

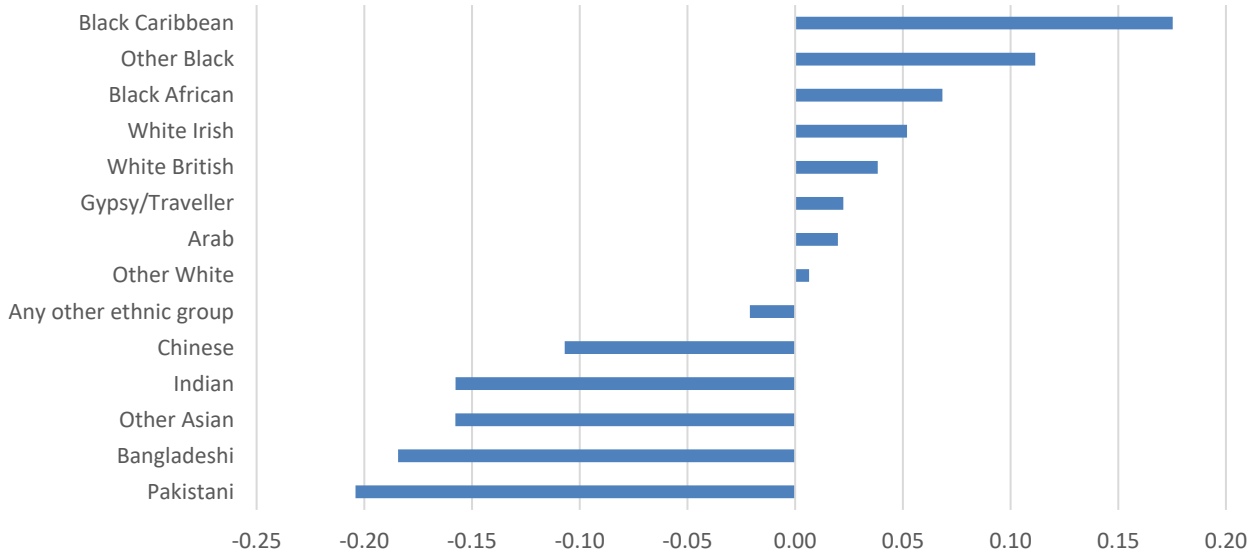
3.98 Figure 53 shows the ratio of household population to household representative persons by ethnic group. This would represent the average household size if all household members in each household were from the same ethnic group; but as some households will inevitably include persons from different groups, it isn't possible to identify actual average household sizes. Furthermore, as over half of the population from mixed/multiple ethnic groups are currently aged under 16, this group cannot be compared in this way. Nevertheless, it is evident that whilst the ratio of White British is below the overall average (2.2 cf. 2.7) the ratios for some of the growing Asian populations are notably higher than the average. This will in part be due to a larger number of children, but household representative rates also have an important influence.

Figure 53: Ratio of household population to household representative persons for Luton by ethnic group (Source: 2011 Census. Note: mixed/multiple ethnic group categories excluded as large proportion are aged under 16 and few are HRPs)



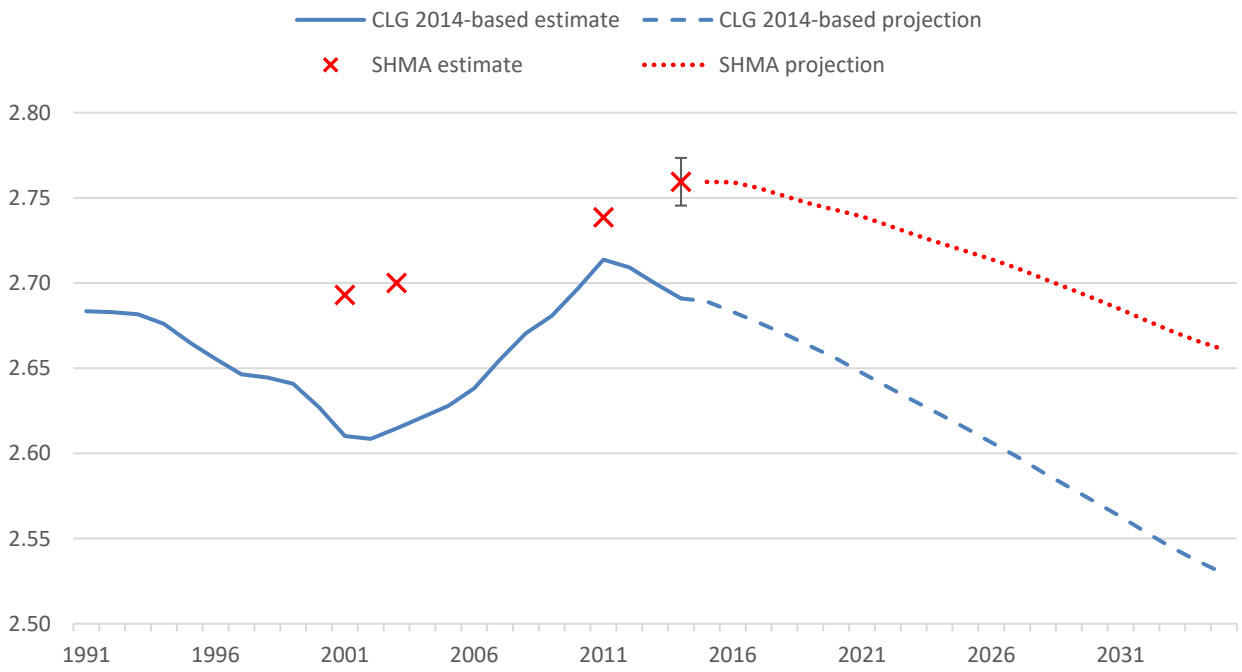
3.99 Figure 54 identifies the relative household representative rates for each ethnic group, where it is evident that whilst residents from Black ethnic groups tend to be more likely to be household representatives, residents from many Asian groups (in particular the Pakistani and Bangladeshi communities) have a notably lower probability of being household representatives. On this basis, the increase in ethnic population over the last 20 years is likely to have caused a real change in household formation trends.

Figure 54: Relative household representative rates for Luton by ethnic group (Source: 2011 Census. Note: mixed/multiple ethnic group categories excluded as large proportion are aged under 16 and few are HRPs)



3.100 On the basis of the evidence, the SHMA has revised the household representative rates for Luton in the context of the alternative population estimates and the likely cohort impact of the population from Asian and other ethnic groups increasing amongst older age groups in future. Figure 55 shows the implications for average household sizes compared to the CLG figures.

Figure 55: Average household size estimates and projections for Luton



Establishing Household Projections for Luton and Central Bedfordshire

3.101 Using the CLG 2014-based household representative rates for Central Bedfordshire and the SHMA revised rates for Luton, we can establish the projected number of additional households for the combined area. The projected increase in households across Luton and Central Bedfordshire over the 20-year period 2015-35 is summarised in Figure 56; and the growth projected for Luton increases to 17,397 households (17,866 dwellings) when considered over the 21-year period 2015-2036.

3.102 Figure 56 also provides an estimate of dwelling numbers, which takes account of vacancies and second homes based on the proportion of dwellings without a usually resident household identified by the 2011 Census. This identified a rate of 2.6% for Luton and 4.0% for Central Bedfordshire.

Figure 56: Projected households and dwellings over the 20-year period 2015-35 (Note: Dwelling numbers derived based on proportion of dwellings without a usually resident household in the 2011 Census)

	Households				Dwellings			
	2015	2035	Net change 2015-35	Annual average	2015	2035	Net change 2015-35	Annual average
Luton	78,676	95,327	**16,651**	833	80,796	97,896	**17,100**	855
Central Bedfordshire	112,435	140,173	**27,738**	1,387	117,103	145,992	**28,889**	1,444
TOTAL	**191,11**	**235,500**	**44,389**	**2,220**	**197,899**	**243,888**	**45,989**	**2,299**

Conclusions

3.103 PPG identifies that the starting point for estimating housing need is the CLG household projections. For the 20-year period 2015-35, the 2014-based projections suggest an increase of 57,535 households across Luton and Central Bedfordshire (an average annual growth of 2,877 households): 22,948 in Luton (1,147 per year) and 34,587 in Central Bedfordshire (1,729 per year).

3.104 The data above shows that the principal population projection (based on 10-year migration trends) identifies a notably lower increase of 44,389 households across the combined area (2,219 per year); comprised of 16,651 households in Luton (833 per year) and 27,738 households in Central Bedfordshire (1,387 per year); both lower than the CLG 2014-based projection. These differences are due to the underlying population projections – fundamentally due to inaccuracies in the trend-based migration data, due to under-enumeration of the Luton population in 2001 and errors in the population estimates for Central Bedfordshire over the last 10 years which were corrected following the 2011 Census.

3.105 The previous SHMA population and household projections also led to a downward adjustment to the CLG starting point, and these were tested at the examination of the Luton Local Plan. That Inspector concluded that there was *"sufficient evidence to justify approaching the DCLG household projections with some degree of caution"* and that *"the Council's downward adjustment to the official household projections falls within the bounds of what might reasonably be justified"* (para 89). Nevertheless, given the uncertainties about migration the Luton Inspector did recommend an early review of the Luton Plan, which would take account of the more recent data on which the projections in this SHMA are based.

3.106 Through taking full account of the significant data quality issues and adopting long-term 10-year migration trends provides the most robust and reliable basis for projecting the future population, and therefore **the projected increase of 44,389 households provides the most appropriate demographic projection on which to base the Objectively Assessed Need (OAN) for housing. This projected household growth yields a need for 45,989 dwellings over the 20-year period 2015-2035.**

4. Affordable Housing Need

Identifying households who cannot afford market housing

4.1 Demographic projections provide the basis for identifying the Objectively Assessed Need for all types of housing, including both market housing and affordable housing.

4.2 PPG notes that affordable housing need is based on households *"who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market"* (paragraph 22) and identifies a number of different types of household which may be included:

> ***What types of households are considered in housing need?***
>
> *The types of households to be considered in housing need are:*
>
> » *Homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income)*
>
> » *Households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households)*
>
> » *Households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ*
>
> » *Households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation*
>
> » *Households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014) Paragraph 023**

4.3 PPG also suggests a number of data sources for assessing past trends and recording current estimates for establishing the need for affordable housing (paragraph 24):

» Local authorities will hold data on the number of homeless households, those in temporary accommodation and extent of overcrowding.

» The Census also provides data on concealed households and overcrowding which can be compared with trends contained in the English Housing Survey.

» Housing registers and local authority and registered social landlord transfer lists will also provide relevant information.

4.4 The following section considers each of these sources in turn, alongside other relevant statistics and information that is available.

Past Trends and Current Estimates of the Need for Affordable Housing

Local Authority Data: Homeless Households and Temporary Accommodation

4.5 Local authorities hold data on the number of homeless households and those in temporary accommodation. In Luton and Central Bedfordshire, the quarterly number of households accepted as being homeless and in priority need has been relatively stable over the period 2005 to 2015. There were 143 such households in 2005 which increased to 144 households in 2015, a net increase of just 1 household (Figure 57). The rate for 2015 represents 0.8 presentations per 1,000 households, higher than the equivalent rate for England (0.6 per 1,000); however, the rate of presentations in Luton was 1.4 presentation per 1,000 households (more than twice the rate for England, and more than twice the rate for Luton in 2005) whilst the rate of presentations in Central Bedfordshire was 0.4 presentation per 1,000 households (less than the England rate, and less half the rate for Central Bedfordshire in 2005).

4.6 Despite the number of homeless acceptances remaining fairly consistent, there has been a notable change in the number of households living in temporary accommodation over the last decade. There were 1,193 such households in 2005 (including 13 in bed and breakfast, 39 in hostels, 267 in Local Authority or RSL stock and a further 874 in private sector leased accommodation) and this had reduced to 595 in 2010; however, the number had increased to 928 at the start of 2015 (862 in Luton, 66 in Central Bedfordshire) and had reached 1,256 households by the final quarter of 2015 – the highest number recorded since 2001.

Figure 57: Households accepted as homeless and in priority need and households in temporary accommodation 2001-15 (Source: CLG P1E returns. Note: data interpolated for quarters where actual figures were not reported)

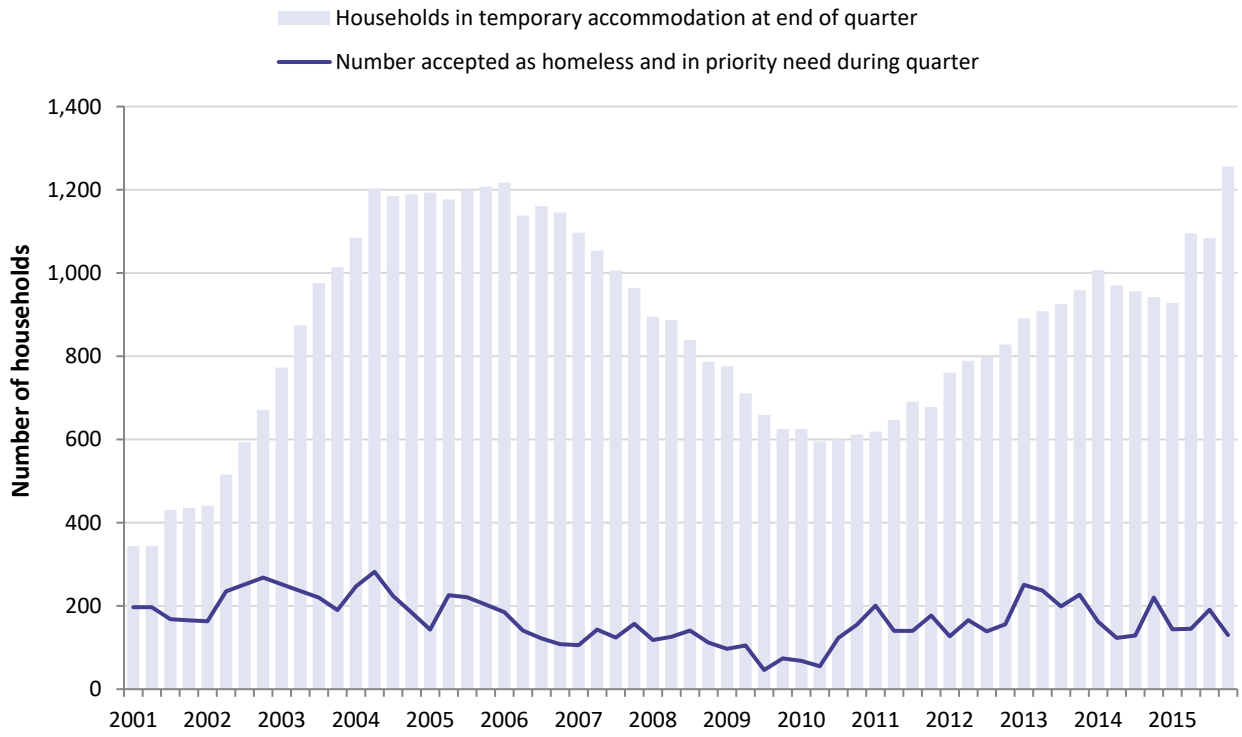


Figure 58: Households in temporary accommodation (Source: CLG P1E returns for March 2005 and March 2015)

		Luton & Central Bedfordshire			England 2015
		March 2005	March 2015	Net change 2005-15	
Households in temporary accommodation	Bed and breakfast	13	22	**+9**	-
	Hostels	39	24	**-15**	-
	Local Authority or RSL stock	267	135	**-132**	-
	Private sector leased (by LA or RSL)	874	702	**-172**	-
	Other (including private landlord)	0	45	**+45**	-
	TOTAL	**1,193**	**928**	**-265**	**-**
	Rate per 1,000 households	6.9	*4.9*	-2.0	*2.9*
Households accepted as homeless but without temporary accommodation provided		22	870	+848	-

4.7 It is evident that whilst homelessness problems in Luton and Central Bedfordshire reduced over the period between 2005 and 2010, the situation has since deteriorated and problems are now at their most acute relative to the last 10-15 years. It is also important to recognise that housing advice services provided by the councils now limit the number of homeless presentations, through helping people threatened with homelessness find housing before they become homeless – so it is likely that current problems may actually be notably worse than they were in 2005.

4.8 Housing allocation policies can avoid the need for temporary housing if permanent housing is available sooner; however, many households facing homelessness are now offered private rented housing. Changes to the Law in 2011 means private sector households can now be offered accommodation in the Private Rented Sector and this cannot be refused, provided it is a reasonable offer. Prior to this change, Local Authorities could offer private sector housing to homeless households (where they have accepted a housing duty under Part 7 of the Housing Act 1996) but the applicant was entitled to refuse it. The Localism Act 2011 means refusal is no longer possible providing the offer is suitable. While the change aims to reduce the pressures on the social housing stock, an indirect result is that there are further demands on the private rented sector as Councils seek to house homeless households.

Census Data: Concealed Households and Overcrowding

4.9 The Census provides detailed information about households and housing in the local area. This includes information about **concealed families** (i.e. couples or lone parents) and **sharing households**. These households lack the sole use of basic facilities (e.g. a bathroom or kitchen) and have to share these with their "host" household (in the case of concealed families) or with other households (for those sharing).

Concealed Families

4.10 The number of **concealed families** living with households in Luton and Central Bedfordshire increased from 1,711 to 3,081 over the 10-year period 2001-11 (Figure 59), an increase of 1,370 families (80%).

4.11 Although many concealed families do not want separate housing (in particular where they have chosen to live together as extended families), others are forced to live together due to affordability difficulties or other constraints – and these concealed families will not be counted as part of the CLG household projections. Concealed families with older family representatives will often be living with another family in order to receive help or support due to poor health. Concealed families with younger family representatives are more likely to demonstrate un-met need for housing. When we consider the growth of

1,370 families over the period 2001-11, over two thirds (69%) have family representatives aged under 55, with substantial growth amongst those aged under 35 in particular (in line with national trends).

Figure 59: Concealed families in Luton and Central Bedfordshire by age of family representative (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Aged under 25	287	541	+254
Aged 25 to 34	613	1,103	+490
Aged 35 to 44	197	237	+39
Aged 45 to 54	114	278	+163
Sub-total aged under 55	**1,211**	**2,158**	**+947**
Aged 55 to 64	158	312	+154
Aged 65 to 74	267	360	+93
Aged 75 or over	75	251	+176
Sub-total aged 55 or over	**500**	**923**	**+423**
All Concealed Families	**1,711**	**3,081**	**+1,370**

Sharing Households

4.12 The number of **sharing households** increased marginally from 339 to 351 over the 10-year period 2001-11 (Figure 60), an increase of 12 households (4%). Most of these sharing households are in Luton (324) and this is also where all of the growth has occurred (+99) with a reduction of shared households in Central Bedfordshire.

Figure 60: Shared Dwellings and Sharing Households in Luton and Central Bedfordshire (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Number of shared dwellings	104	103	-1
Number of household spaces in shared dwellings	365	425	+60
All Sharing Households	**339**	**351**	**+12**
Household spaces in shared dwellings with no usual residents	26	74	+48

4.13 Figure 61 shows that the number of **multi-adult households** living in the area increased from 6,058 to 8,784 households over the same period, an increase of 2,726 (45%). These people also have to share basic facilities, but are considered to be a single household as they also share a living room, sitting room or dining area. This includes **Houses in Multiple Occupation (HMOs) with shared facilities,** as well as **single people living together as a group** and **individuals with lodgers**.

Figure 61: Multi-adult Households in Luton and Central Bedfordshire (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Owned	3,785	4,124	+339
Private rented	1,678	3,991	+2,313
Social rented	595	669	+74
All Households	**6,058**	**8,784**	**+2,726**

4.14 The growth in multi-adult households was focused particularly in the private rented sector, with an increase in single persons choosing to live with friends together with others living in HMOs. This growth

accounts for 2,313 households (an increase from 1,678 to 3,991 households over the period) and this represents over four-fifths (84%) of the total increase in multi-adult households living in the area.

4.15 Nevertheless, shared facilities is a characteristic of HMOs and many people living in this type of housing will only be able to afford shared accommodation (either with or without housing benefit support). Extending the Local Housing Allowance (LHA) Shared Accommodation Rate (SAR) allowance to cover all single persons up to 35 years of age has meant that many more young people will only be able to afford shared housing, and this has further increased demand for housing such as HMOs.

4.16 There is therefore likely to be a continued (and possibly growing) role for HMOs, with more of the existing housing stock possibly being converted. Given this context, it would not be appropriate to consider households to need affordable housing only on the basis of them currently sharing facilities (although there may be other reasons why they would be considered as an affordable housing need).

Overcrowding

4.17 The Census also provides detailed information about occupancy which provides a measure of whether a household's accommodation is **overcrowded or under occupied**:

> *"There are two measures of occupancy rating, one based on the number of rooms in a household's accommodation, and one based on the number of bedrooms. The ages of the household members and their relationships to each other are used to derive the number of rooms/bedrooms they require, based on a standard formula. The number of rooms/bedrooms required is subtracted from the number of rooms/bedrooms in the household's accommodation to obtain the occupancy rating. An occupancy rating of -1 implies that a household has one fewer room/bedroom than required, whereas +1 implies that they have one more room/bedroom than the standard requirement."*

4.18 When considering the number of rooms required, the ONS use the following approach to calculate the room requirement:

- A one person household is assumed to require three rooms (two common rooms and a bedroom); and
- Where there are two or more residents it is assumed that they require a minimum of two common rooms plus one bedroom for:
  - each couple (as determined by the relationship question)
  - each lone parent
  - any other person aged 16 or over
  - each pair aged 10 to 15 of the same sex
  - each pair formed from any other person aged 10 to 15 with a child aged under 10 of the same sex
  - each pair of children aged under 10 remaining
  - each remaining person (either aged 10 to 15 or under 10).

4.19 For Luton and Central Bedfordshire, **overcrowding** increased from 7.2% to 9.1% of households (an increase of 4,270) over the 10-year period 2001-11 (Figure 62). This represents a growth of 25%, which is higher than Coventry (15%) but lower than the other comparator areas; Peterborough (34%) and Slough (29%). It is a similar increase to the national increase for England (23%).

4.20 When considered by tenure, overcrowding has decreased by 593 households in the owner occupied sector but increased by 737 households in the social rented sector. The largest growth is in the private rented sector where the number of overcrowded households has increased from 3,105 to 7,231, a growth of 4,126 households over the 10-year period. The private rented sector has also had the largest percentage increase of overcrowded households from 18.0% to 23.0% (a growth of 28%).

Figure 62: Proportion of overcrowded households 2011 and change 2001-11 by tenure (Note: Overcrowded households are considered to have an occupancy rating of -1 or less. Source: UK Census of Population 2001 and 2011)

		Occupancy rating (rooms)						Occupancy rating (bedrooms) 2011	
		2001		2011		Net change 2001-11			
		N	%	N	%	N	%	N	%
Luton	Owned	3,712	7.4%	3,206	7.1%	-506	-4%	3,256	7.2%
	Private rented	2,319	25.7%	5,679	32.3%	3,360	+26%	3,329	18.9%
	Social rented	2,165	18.6%	2,525	21.6%	360	+16%	1,518	13.0%
	All Households	**8,196**	**11.6%**	**11,410**	**15.4%**	**3,214**	**+33%**	**8,103**	**10.9%**
Central Bedfordshire	Owned	1,612	2.2%	1,525	2.0%	-87	-10%	1,007	1.3%
	Private rented	786	9.6%	1,552	11.2%	766	+17%	702	5.1%
	Social rented	1,336	10.1%	1,713	12.3%	377	+22%	959	6.9%
	All Households	**3,734**	**4.0%**	**4,790**	**4.6%**	**1,056**	**+16%**	**2,668**	**2.6%**
LUTON & CENTRAL BEDS	Owned	5,324	4.3%	4,731	3.9%	-593	-10%	4,263	3.5%
	Private rented	3,105	18.0%	7,231	23.0%	4,126	+28%	4,031	12.8%
	Social rented	3,501	14.1%	4,238	16.5%	737	+17%	2,477	9.6%
	All Households	**11,930**	**7.2%**	**16,200**	**9.1%**	**4,270**	**+25%**	**10,771**	**6.0%**
All Households									
ENGLAND		**-**	**7.1%**	**-**	**8.7%**	**-**	**+23%**	**-**	**4.6%**
Coventry *with Nuneaton & Bedworth*		-	7.1%	-	8.1%	-	+15%	-	4.6%
Peterborough *with Fenland, South Kesteven and Rutland*		-	4.2%	-	5.6%	-	+34%	-	3.3%
Slough *with South Bucks and Windsor & Maidenhead*		-	8.9%	-	11.5%	-	+29%	-	6.8%

English Housing Survey Data

Overcrowding

4.21 The English Housing Survey (EHS) does not provide information about individual local authorities, but it does provide a useful context about these indicators in terms of national trends between Census years.

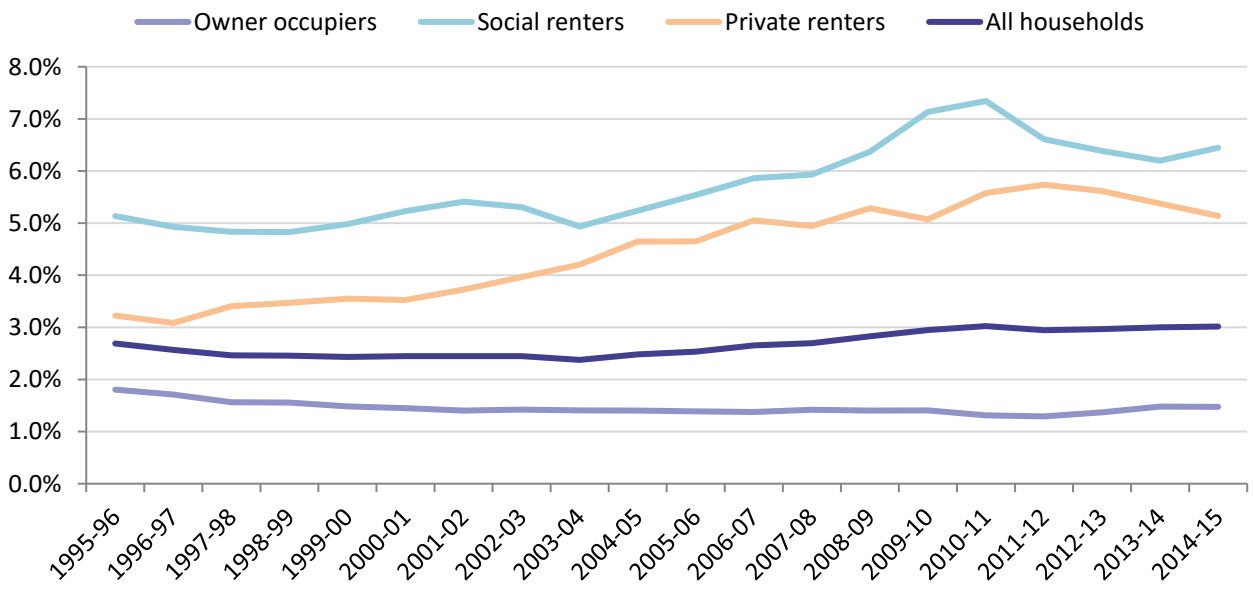
4.22 The measure of overcrowding used by the EHS provides a consistent measure over time **however the definition differs from both occupancy ratings provided by the Census**. The EHS approach[30] is based on a *"bedroom standard"* which assumes that adolescents aged 10-20 of the same sex will share a bedroom, and only those aged 21 or over are assumed to require a separate bedroom (whereas the approach used by the ONS for the Census assumes a separate room for those aged 16 or over):

[30] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284648/English_Housing_Survey_Headline_Report_2012-13.pdf

> *"The 'bedroom standard' is used as an indicator of occupation density. A standard number of bedrooms is calculated for each household in accordance with its age/sex/marital status composition and the relationship of the members to one another. A separate bedroom is allowed for each married or cohabiting couple, any other person aged 21 or over, each pair of adolescents aged 10-20 of the same sex, and each pair of children under 10. Any unpaired person aged 10-20 is notionally paired, if possible, with a child under 10 of the same sex, or, if that is not possible, he or she is counted as requiring a separate bedroom, as is any unpaired child under 10.*
>
> *"Households are said to be overcrowded if they have fewer bedrooms available than the notional number needed. Households are said to be under-occupying if they have two or more bedrooms more than the notional needed."*

4.23 Nationally, overcrowding rates increased for households in both social and private rented housing, although the proportion of overcrowded households has declined in both sectors since 2011. Overcrowding rates for owner occupiers have remained relatively stable since 1995.

Figure 63: Trend in overcrowding rates by tenure (Note: Based on three-year moving average, up to and including the labelled date. Source: Survey of English Housing 1995-96 to 2007-08; English Housing Survey 2008-09 onwards)



4.24 Whilst the EHS definition of overcrowding is more stringent than the Census, the measurement closer reflects the definition of statutory overcrowding that was set out by Part X of the Housing Act 1985 and is consistent with statutory Guidance[31] that was issued by CLG in 2012 to which authorities must have regard when exercising their functions under Part 6 of the 1996 Housing Act (as amended).

4.25 This Guidance, *"Allocation of accommodation: Guidance for local housing authorities in England"*, recommends that authorities should use the bedroom standard when assessing whether or not households are overcrowded for the purposes of assessing housing need:

> *4.8 The Secretary of State takes the view that the bedroom standard is an appropriate measure of overcrowding for allocation purposes, and recommends that all housing authorities should adopt this as a minimum. The bedroom standard allocates a separate bedroom to each:*

[31] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5918/2171391.pdf

– married or cohabiting couple
– adult aged 21 years or more
– pair of adolescents aged 10-20 years of the same sex
– pair of children aged under 10 years regardless of sex

4.26 The bedroom standard therefore provides the most appropriate basis for assessing overcrowding. By considering the Census and EHS data for England, together with the Census data for Luton & Central Bedfordshire, we can estimate overcrowding using the bedroom standard. Figure 64 sets out this calculation based on the Census occupancy rating for both rooms and bedrooms. Based on the bedroom standard, it is estimated that **2,191 owner occupied, 1,416 private rented and 1,600 social rented households were overcrowded** in the Luton HMA in 2015. Student households have been excluded from this calculation given that their needs are assumed to be transient.

Figure 64: Estimate of the number of overcrowded households in Luton HMA by tenure based on the bedroom standard (Source: EHS; UK Census of Population 2011)

	Owned		Private Rented		Social Rented	
ENGLAND						
EHS bedroom standard 2011 Percentage of households overcrowded [A]	1.3%		5.6%		7.3%	
Census occupancy rating Percentage of households overcrowded [B]	*Bedrooms* 2.3%	*Rooms* 3.3%	*Bedrooms* 8.8%	*Rooms* 20.2%	*Bedrooms* 8.9%	*Rooms* 16.9%
Proportion of these overcrowded households based on bedroom standard [C = A ÷ B]	57%	40%	64%	28%	83%	43%
LUTON HMA						
Census occupancy rating Number of overcrowded households [D]	*Bedrooms* 4,263	*Rooms* 4,731	*Bedrooms* 4,031	*Rooms* 7,231	*Bedrooms* 2,477	*Rooms* 4,238
Full-time student households [E]	455	405	1,585	1,838	174	207
Overcrowded households (excluding students) [F = D - E]	3,808	4,326	2,446	5,393	2,303	4,031
Estimate of overcrowded households based on the bedroom standard [G = C × F]	**2,171**	**1,730**	**1,565**	**1,510**	**1,911**	**1,733**
Estimate of overcrowded households in 2011 based on the bedroom standard (average)	**1,950**		**1,538**		**1,822**	
EHS bedroom standard Change in overcrowding from 2011 to 2015	+12%		-8%		-12%	
Estimate of overcrowded households in 2015 based on the bedroom standard	**2,191**		**1,416**		**1,600**	

Housing Condition and Disrepair

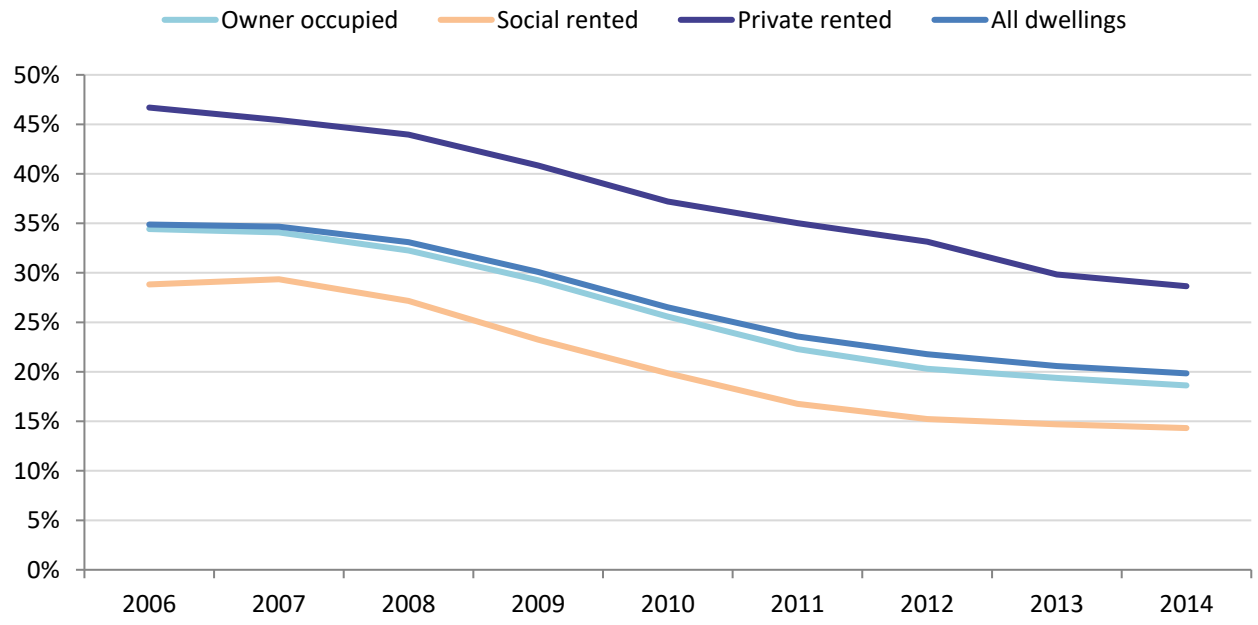
4.27 The EHS also provides useful information about **housing condition**. The Decent Homes Standard provides a broad measure which was intended to be a minimum standard that all housing should meet, and that to do so should be easy and affordable. It was determined that in order to meet the standard a dwelling must achieve all of the following:

- Be above the legal minimum standard for housing (currently the Housing Health and Safety Rating System, HHSRS); and
- Be in a reasonable state of repair; and
- Have reasonably modern facilities (such as kitchens and bathrooms) and services; and
- Provide a reasonable degree of thermal comfort (effective insulation and efficient heating).

4.28 If a dwelling fails any one of these criteria, it is considered to be "non-decent". A detailed definition of the criteria and their sub-categories are described in the ODPM guidance: "A Decent Home – The definition and guidance for implementation" June 2006.

4.29 Figure 65 shows the national trends in non-decent homes by tenure. It is evident that conditions have improved year-on-year (in particular due to energy efficiency initiatives), however whilst social rented properties are more likely to comply with the standard, over a quarter of the private rented sector (29.8%) currently remains non-decent. This is a trend that tends to be evident at a local level in most areas where there are concentrations of private rented housing, and there remains a need to improve the quality of housing provided for households living in the private rented sector.

Figure 65: Trend in non-decent homes by tenure (Source: English House Condition Survey 2006 to 2007; English Housing Survey 2008 onwards)



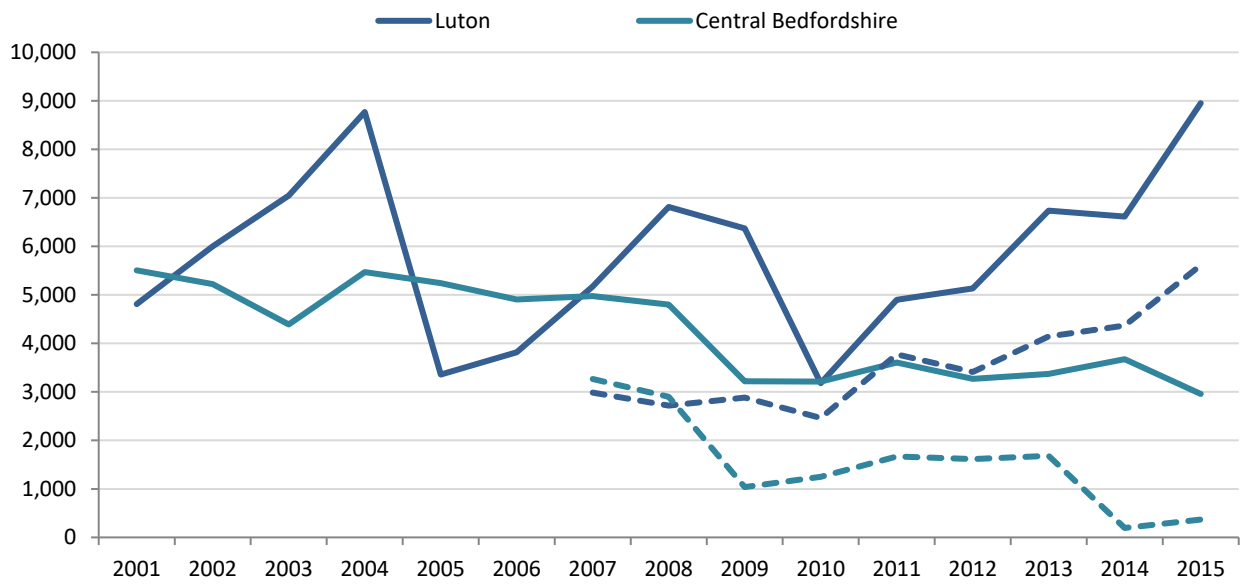
Housing Register Data

4.30 The local authority **housing register** and **transfer lists** are managed through individual HomeChoice local Choice Based Lettings schemes managed by each of the local authorities. Households apply for a move via the scheme and 'bid' for homes along with applicants from various sources, including homeless households, housing register and transfer applicants.

4.31 Figure 66 shows the trend in households on the housing register over the period since 2001:

- **Luton**: the number of households on the housing register was comparable in 2001 and 2011 at just below 5,000 households. Nevertheless, the number of households on the register has varied significantly during this period (ranging from fewer than 3,500 households to a peak of almost 9,000 households); with changes in the number relating to when the register has been periodically refreshed rather than changes to the underlying housing need. More recently numbers have been increasing from the 2011 level reaching almost 9,000 in 2015; and
- **Central Bedfordshire**: the number of households on the register steadily declined from around 5,500 households in 2001 to just below 3,800 households in 2011, and has more recently reduced further to 3,000 households in 2015.

Figure 66: Number of households on the local authority housing register 2001-15 (Note: Solid line shows total households; dotted line shows households in a reasonable preference category. Source: LAHS and HSSA returns to CLG)



4.32 Figure 66 also show the number recorded in a reasonable preference category since 2007. Reasonable preference categories are defined in the Housing Act 1996, which requires "reasonable preference" for housing to be given to people who are:

- Legally homeless;
- Living in unsatisfactory housing (as defined by the Housing Act 2004);
- Need to move on medical/welfare grounds; or
- Need to move to a particular area to avoid hardship.

4.33 Figure 67 provides further detailed information for the last 2 years.

Figure 67: Number of households on the local authority housing register at 1st April (Source: LAHS returns to CLG)

	Luton		Central Beds		Luton and Central Beds	
	2014	2015	2014	2015	2014	2015
Total households on the housing waiting list	6,616	8,951	3,673	2,958	10,289	11,909
Total households in a reasonable preference category	4,368	**5,611**	195	**367**	4,563	**5,978**
People currently living in temporary accommodation who have been accepted as being homeless (or threatened with homelessness)	950	1,217	39	40	989	1,257
Other people who are homeless within the meaning given in Part VII of the Housing Act (1996), regardless of whether there is a statutory duty to house them	1,106	1,432	65	63	1,171	1,495
People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions	1,821	2,180	13	252	1,834	2,432
People who need to move on medical or welfare grounds, including grounds relating to a disability	508	778	78	12	586	790
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)	2	4	0	0	2	4

4.34 The number of people recorded by the housing register as homeless or owed a duty under the Housing Act appears to be broadly consistent with the local authority data about homelessness.

4.35 Nevertheless, we previously estimated that there were around 5,207 overcrowded households in the Luton HMA, based on the bedroom standard (Figure 64) – but only 2,432 people were recorded by the housing registers in 2015 as currently *"occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions"*. Therefore, there are likely to be many households who have not registered for affordable housing despite being overcrowded. This will partly reflect their affordability (for example, most owner occupiers would not qualify for rented affordable housing due to the equity in their current home) whilst others may only be temporarily overcrowded and will have sufficient space available once a concealed family is able to leave and establish an independent household.

4.36 When considering the types of household to be considered in housing need, the PPG also identified *"households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ"* and *"households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move"*. It is only through the housing register that we are able to establish current estimates of need for these types of household, and not all would necessarily be counted within a reasonable preference category. Nevertheless, there were 790 people registered *"who need to move on medical or welfare grounds, including grounds relating to a disability"* and a further 4 *"who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)"*.

Households Unable to Afford their Housing Costs

4.37 The PPG emphasises in a number of paragraphs that affordable housing need should only include those households that are unable to afford their housing costs:

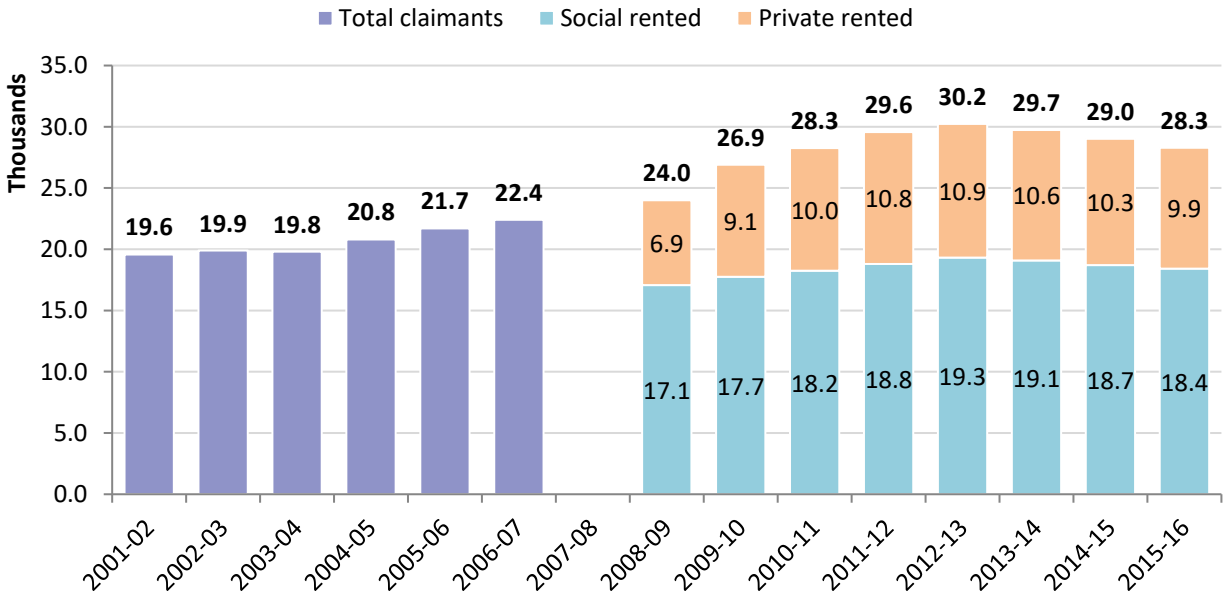
> *Plan makers … will need to estimate the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market (paragraph 022, emphasis added)*
>
> *Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of … those that cannot afford their own homes. Care should be taken to avoid double-counting … and to include only those households who cannot afford to access suitable housing in the market (paragraph 024, emphasis added)*
>
> *Projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area (paragraph 025, emphasis added)*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

4.38 Housing benefit data from the Department for Work and Pensions (DWP) provides reliable, consistent and detailed information about the number of families that are unable to afford their housing costs in each local authority area. Data was published annually from 2001-02 to 2006-07 which identified the total number of claimants in receipt of housing benefit, and more detailed information has been available since 2008-09 which includes more detailed information about claimants and the tenure of their home.

Housing Benefit Claimants in Luton HMA

4.39 Figure 68 shows the trend in the number of housing benefit claimants in Luton HMA.

Figure 68: Number of claimants in receipt of housing benefit in Luton & Central Bedfordshire by tenure (Source: DWP)



4.40 The number of housing benefit claimants in Luton HMA increased from 19,573 to 22,400 over the period 2001-02 to 2006-07, equivalent to an average annual growth of around 550 families. The number of claimants reached 30,228 in 2012-13, therefore a much faster growth of around 1,300 families each year on average over the period from 2006-07. The largest growth was experienced between 2008-09 and 2009-10 when the number of claimants increased by about 2,900 families.

4.41 Considering the information on tenure, it is evident that the number of claimants in social rented housing increased from 17,076 to 19,318 over the period 2008-09 to 2012-13 – an increase of 2,200 families (13%); however over the same period the number of claimants in private rented housing increased from 6,927 to 10,910 families – an increase of 4,000 families (57%).

4.42 This increase in housing benefit claimants, in particular those living in private rented housing, coincides with the increases observed on the housing register in the HMA (although this is principally associated with the Luton housing register). Indeed, it is likely that many households applying for housing benefit would have also registered their interest in affordable housing. Nevertheless, many of them will have secured appropriate housing in the private rented sector which housing benefit enabled them to afford; so not all will necessarily need affordable housing, though many may prefer this type of housing if it were available.

4.43 The information published by DWP provides the detailed information needed for understanding the number of households unable to afford their housing costs. Of course, there will be other households occupying affordable housing who do not need housing benefit to pay discounted social or affordable rents but who would not be able to afford market rents. Similarly there will be others who are not claiming housing benefit support as they have stayed living with parents or other family or friends and not formed independent households. However, providing that appropriate adjustments are made to take account of these exceptions, **the DWP data provides the most reliable basis for establishing the number of households unable to afford their housing costs and estimating affordable housing need.**

Establishing Affordable Housing Need

4.44 In establishing the Objectively Assessed Need for affordable housing, it is necessary to draw together the full range of information that has already been considered in this report.

4.45 PPG sets out the framework for this calculation, considering both the current unmet housing need and the projected future housing need in the context of the existing affordable housing stock:

> ***How should affordable housing need be calculated?***
>
> *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.*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014) Paragraph 022**

Current Unmet Need for Affordable Housing

4.46 In terms of establishing the **current** unmet need for affordable housing, the PPG draws attention again to those types of households considered to be in housing need; whilst also emphasising the need to avoid double-counting and including only those households unable to afford their own housing.

> ***How should the current unmet gross need for affordable housing be calculated?***
>
> *Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of:*
>
> - *the number of homeless households;*
> - *the number of those in priority need who are currently housed in temporary accommodation;*
> - *the number of households in overcrowded housing;*
> - *the number of concealed households;*
> - *the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings);*
> - *the number of households from other tenures in need and those that cannot afford their own homes.*
>
> *Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market.*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014) Paragraph 024**

4.47 Earlier sections of this chapter set out the past trends and current estimates for relevant households based on the data sources identified by PPG (based on a reference point of March 2015). Although this evidence does not provide the basis upon which to establish whether or not households can afford to access suitable housing, we believe that it is reasonable to assume that certain households will be unable to afford housing, otherwise they would have found a more suitable home.

Establishing the Current Unmet Need for Affordable Housing

4.48 Households assumed to be unable to afford housing include:

- All households that are currently **homeless**;
- All those currently housed in **temporary accommodation**; and
- People in a **reasonable preference category** on the housing register, where their needs have not already been counted.

4.49 Given this context, our analysis counts the needs of all of these households when establishing the Objectively Assessed Need for affordable housing at a base date of 2015.

4.50 Only around half of the households currently living in **overcrowded** housing (based on the bedroom standard) are registered in a reasonable preference category, which will partly reflect their affordability. It is likely that most owner occupiers would not qualify for rented affordable housing (due to the equity in their current home); but it is reasonable to assume that households living in overcrowded rented housing are unlikely to be able to afford housing, otherwise they would have found a more suitable home.

4.51 **Our analysis counts the needs of all households living in overcrowded rented housing** when establishing the OAN for affordable housing (which could marginally overstate the affordable housing need) **but it does not count the needs of owner occupiers living in overcrowded housing** (which can be offset against any previous over-counting). Student households are also excluded, given that their needs are assumed to be transient and do not count towards the need for affordable housing in Luton and Central Bedfordshire.

4.52 The analysis does not count people occupying insanitary housing or otherwise living in unsatisfactory housing conditions as a need for additional affordable housing. These dwellings would be unsuitable for any household, and enabling one household to move out would simply allow another to move in – so this would not reduce the overall number of households in housing need. This housing need should be resolved by improving the existing housing stock, and the Councils have a range of statutory enforcement powers to improve housing conditions.

4.53 When considering **concealed families**, it is important to recognise that many do not want separate housing. Concealed families with older family representatives will often be living with another family, perhaps for cultural reasons or in order to receive help or support due to poor health. However, those with younger family representatives are more likely to experience affordability difficulties or other constraints (although not all will want to live independently).

4.54 **Concealed families in a reasonable preference category on the housing register will be counted regardless of age, but our analysis also considers the additional growth of concealed families with family representatives aged under 55** (even those not registered on the housing register) and assumes that all such households are unlikely to be able to afford housing (otherwise they would have found a more suitable home).

4.55 The needs of these households are counted when establishing the OAN for affordable housing and **they also add to the OAN for overall housing, as concealed families are not counted by the CLG household projections.**

4.56 Figure 69 sets out the assessment of current affordable housing need for the Luton HMA.

Figure 69: Assessing current unmet gross need for affordable housing (Source: ORS Housing Model)

	Affordable Housing		Increase in Overall Housing Need
	Gross Need	Supply	
Homeless households in priority need (see Figure 58)			
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	46		46
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	747		
Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	135	135	
Households accepted as homeless but without temporary accommodation provided	870		870
Concealed households (see Figure 59)			
Growth in concealed families with family representatives aged under 55	947		947
Overcrowding based on the bedroom standard (see Figure 64)			
Households living in overcrowded private rented housing	1,416		
Households living in overcrowded social rented housing	1,600	1,600	
Other households living in unsuitable housing that cannot afford their own home (see Figure 67)			
People who need to move on medical or welfare grounds, including grounds relating to a disability	790	45	
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)	4	0	
TOTAL	**6,555**	**1,780**	**1,863**

4.57 Based on a detailed analysis of the past trends and current estimates of households considered to be in housing need, our analysis has concluded that there are **6,555 households currently in affordable housing need in Luton and Central Bedfordshire who are unable to afford their own housing**. This assessment is based on the criteria set out in the PPG and avoids double-counting (as far as possible).

4.58 Of these households, 1,780 currently occupy affordable housing that does not meet the households' current needs, mainly due to overcrowding. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing. **There is, therefore, a net need from 4,775 households** (6,555 less 1,780 = 4,775) **who currently need affordable housing and do not currently occupy affordable housing in Luton and Central Bedfordshire** (although a higher number of new homes may be needed to resolve all of the identified overcrowding).

4.59 This number includes 1,863 households that would not be counted by the household projections. **There is, therefore, a need to increase the housing need based on demographic projections to accommodate these additional households.** As for the household projections, we have **also added an additional allowance for vacancies and second homes** (once again based on the proportion of dwellings with no usually resident household); **this increases the need for overall housing provision by 1,917 dwellings**.

4.60 Providing the net additional affordable housing needed will **release back into the market (mainly in the private rented sector) the dwellings occupied by a total of 2,912 households** (4,775 less 1,863 = 2,912) **that are currently in affordable housing need who are unable to afford their own housing**.

Projected Future Affordable Housing Need

4.61 In terms of establishing **future** projections of affordable housing need, the PPG draws attention to new household formation (in particular the proportion of newly forming households unable to buy or rent in the market area) as well as the number of existing households falling into need.

> ***How should the number of newly arising households likely to be in housing need be calculated?***
>
> *Projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need. This process should identify the minimum household income required to access lower quartile (entry level) market housing (plan makers should use current cost in this process, but may wish to factor in changes in house prices and wages). It should then assess what proportion of newly-forming households will be unable to access market housing.*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014) Paragraph 025**

4.62 The ORS Housing Mix Model considers the need for market and affordable housing on a longer-term basis that is consistent with household projections and Objectively Assessed Need. The Model provides robust and credible evidence about the required mix of housing over the full planning period, and recognises how key housing market trends and drivers will impact on the appropriate housing mix.

4.63 The Model uses a wide range of secondary data sources to build on existing household projections and profile how the housing stock will need to change in order to accommodate the projected future population. A range of assumptions can be varied to enable effective sensitivity testing to be undertaken. In particular, the Model has been designed to help understand the key issues and provide insight into how different assumptions will impact on the required mix of housing over future planning periods.

4.64 The Housing Mix Model considers the future number and type of households based on the household projections alongside the existing dwelling stock. Whilst the Model considers the current unmet need for affordable housing (including the needs of homeless households, those in temporary accommodation, overcrowded households, concealed households, and established households in unsuitable dwellings or that cannot afford their own homes), it also provides a robust framework for projecting the future need for affordable housing.

Households Unable to Afford their Housing Costs

4.65 PPG identifies that *"projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need"* (ID 2a-025); **however, the Model recognises that the proportion of households unable to buy or rent in the market area will not be the same for all types of household, and that this will also differ between age cohorts.** Therefore, the appropriate proportion is determined separately for each household type and age group.

4.66 The affordability percentages in Figure 70 are calculated using data published by DWP about housing benefit claimants alongside detailed information from the 2011 Census. There are several **assumptions** underpinning the Model:

- Where households are claiming housing benefit, it is assumed that they cannot afford market housing; and the Model also assumes that households occupying affordable housing will continue to do so;
- Households occupying owner occupied housing and those renting privately who aren't eligible for housing benefit are assumed to be able to afford market housing; so the Model only allocates affordable housing to those established households that the Government deems eligible for housing support through the welfare system; and
- The Model separately considers the needs of concealed families and overcrowded households (both in market housing and affordable housing) which can contribute additional affordable housing need.

Figure 70: Assessing affordability by household type and age (Source: ORS Housing Model based on Census 2011 and DWP)

	Under 25	25-34	35-44	45-54	55-64	65+
CENTRAL BEDFORDSHIRE: Percentage unable to afford market housing						
Single person household	22%	9%	16%	21%	24%	27%
Couple family with no dependent children	9%	3%	6%	8%	7%	11%
Couple family with 1 or more dependent children	49%	21%	9%	7%	9%	18%
Lone parent family with 1 or more dependent children	77%	73%	48%	37%	46%	62%
Other household type	35%	18%	19%	19%	17%	11%
LUTON: Percentage unable to afford market housing						
Single person household	26%	16%	27%	39%	39%	30%
Couple family with no dependent children	9%	5%	10%	11%	8%	11%
Couple family with 1 or more dependent children	32%	26%	24%	17%	20%	28%
Lone parent family with 1 or more dependent children	99%	77%	60%	47%	48%	35%
Other household type	10%	14%	22%	24%	17%	12%

Components of Projected Household Growth

4.67 PPG identifies that the CLG household projections *"should provide the starting point estimate for overall housing need"* (ID 2a-015) and that *"the 2012-2037 Household Projections … are the most up-to-date estimate of future household growth"* (ID 2a-016). **However, when considering the number of newly arising households likely to be in affordable housing need,** the PPG recommends a *"gross annual estimate"* (ID 2a-025) suggesting that *"the total need for affordable housing should be converted into annual flows"* (ID 2a-029).

4.68 The demographic projections developed to inform the overall Objectively Assessed Need include annual figures for household growth, and these can therefore be considered on a year-by-year basis as suggested by the Guidance; but given that elements of the modelling are fundamentally based on 5-year age cohorts, it is appropriate to annualise the data using 5-year periods.

4.69 Figure 71 shows the individual components of annual household growth.

Figure 71: Components of average annual household growth by 5-year projection period (Source: ORS Housing Model)

	Annual average for 5-year periods				Annual average
	2015-20	2020-25	2025-30	2030-35	2015-35
New household formation	4,417	4,475	4,587	4,794	4,568
Household dissolution following death	2,476	2,569	2,719	2,926	2,673
Net household growth within Luton and Central Beds	**+1,941**	**+1,906**	**+1,868**	**+1,867**	**+1,895**
Household migration in	9,146	9,329	9,521	9,736	9,433
Household migration out	8,637	8,979	9,259	9,561	9,109
Net household migration	**+509**	**+350**	**+262**	**+175**	**+324**
Total household growth	**+2,450**	**+2,256**	**+2,130**	**+2,042**	**+2,219**

4.70 Over the initial 5-year period (2015-20) the model shows that:

- There are projected to be 4,417 new household formations each year; but this is offset against 2,479 household dissolutions following death – so there is an **average net household growth of 1,941 households** locally in Luton and Central Bedfordshire;
- There are also projected to be 9,146 households migrating to Luton and Central Bedfordshire offset against 8,637 households migrating away from the area – which yields an **increase of 509 households attributable to net migration;**
- The total household growth is therefore **projected to be 2,450** (1,941 plus 509 = 2,450) **households each year** over the initial 5-year period of the projection.

4.71 During the course of the full 20-year projection period, net household growth within Luton and Central Bedfordshire is projected to be higher in the early part of the projection period than in the later years.

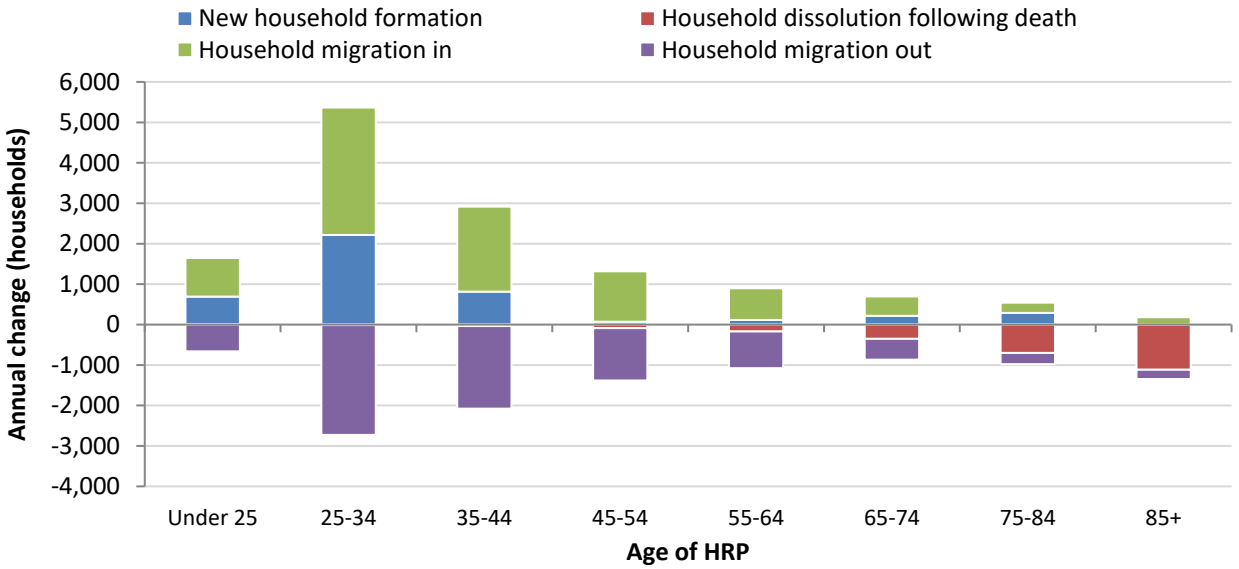
4.72 Over the 20-year Plan period 2015-20, total **household growth averages 2,219 households** each year with an average annual net growth of 1,895 households within Luton and Central Bedfordshire together with a net gain of 324 households based on migration.

Change in Household Numbers by Age Cohort

4.73 To establish the **proportion of newly forming households unable to buy or rent** in the market area, it is necessary to consider the characteristics of the 4,417 new households projected to form in Luton and Central Bedfordshire each year over the period 2015-20 (Figure 71) alongside the detailed information about household affordability (Figure 70).

4.74 Figure 72 shows the age structure of each of the **components of household change**. Note that this analysis is based on changes within each age cohort, so comparisons are based on households born in the same year and relate to their age at the end of the period. Therefore, all new households are properly counted, rather than only counting the increase in the number of households in each age group.

Figure 72: Annual change in household numbers in each age cohort by age of HRP (Source: ORS Housing Model)



4.75 **Together with information on household type, this provides a framework for the Model to establish the proportion of households who are unable to afford their housing costs.**

4.76 The Model identifies that 25% of all newly forming households are unable to afford their housing costs, which represents 1,114 households each year (Figure 73). The Model shows that a lower proportion of households migrating to the area are unable to afford (22%), but this still represents 2,053 households moving in to the area. Some of these households will be moving to social rented housing, but many others will be renting housing in the private rented sector with housing benefit support**. Together, there are 3,167 new households each year who are unable to afford their housing costs.**

Figure 73: Affordability of new households over the initial 5-year period 2015-20 (Source: ORS Housing Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	4,416	3,303	1,114	25%
Households migrating in to the area	9,145	7,093	2,053	22%
All new households	**13,563**	**10,396**	**3,167**	**23%**

4.77 Having established the need for affordable housing and the dwellings likely to be vacated, the PPG suggests that the total net need can be calculated by subtracting *"total available stock from total gross need"* (ID 2a-029), **but this over-simplifies what is a very complex system**.

4.78 It is essential to recognise that some households who are unable to buy or rent in the market area when they first form may become able to afford their housing costs at a later date – for example:

- Two newly formed single person households may both be unable to afford housing, but together they might create a couple household that can afford suitable housing;
- Similarly, not all households that are unable to afford housing are allocated affordable housing;
- Some will choose to move to another housing market area and will therefore no longer require affordable housing.

4.79 In these cases, and others, the gross need will need adjusting.

4.80 The Model recognises these complexities, and through considering the need for affordable housing as part of a whole market analysis, it maintains consistency with the household projections and avoids any double counting.

4.81 Considering those components of household change which reduce the number of households resident in the area, the Model identifies **2,476 households are likely to dissolve** following the death of all household members. Many of these households will own their homes outright; however, 21% are unable to afford market housing: most living in affordable housing.

4.82 When considering **households moving away** from Luton and Central Bedfordshire, the Model identifies that an average of 8,636 households will leave the area each year including 1,932 who are unable to afford their housing costs. Some will be leaving social rented housing, which will become available for another household needing affordable housing. Whilst others will not vacate a social rented property, their needs will have been counted in the estimate of current need for affordable housing or at the time they were a new household (either newly forming or migrating in to the area). **Given that they are now leaving Luton and Central Bedfordshire, they will no longer need affordable housing in the area and it is therefore important to discount their needs**.

4.83 Figure 74 summarises the total household growth. This includes the 3,167 new households on average each year who are unable to afford their housing costs, but offsets this against the 2,452 households who will either vacate existing affordable housing or who will no longer constitute a need for affordable housing in Luton and Central Bedfordshire (as they have moved to live elsewhere).

Figure 74: Components of average annual household growth 2015-20 (Source: ORS Housing Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	4,416	3,303	1,114	25%
Households migrating in to the area	9,145	7,093	2,053	22%
All new households	**13,563**	**10,396**	**3,167**	**23%**
Household dissolutions following death	2,476	1,956	520	21%
Households migrating out of the area	8,636	6,704	1,932	22%
All households no longer present	**11,113**	**8,661**	**2,452**	**22%**
Average annual household growth 2011-16	**+2,450**	**+1,735**	**+715**	**29%**

4.84 Overall, the Model projects that household growth will yield a net increase of 715 households on average each year (over the period 2015-20) who are unable to afford their housing, which represents 29% of the 2,450 total household growth for this period.

Projecting Future Needs of Existing Households

4.85 PPG also identifies that in addition to the needs of new households, it is also important to estimate *"the number of existing households falling into need"* (ID 2a-025). Whilst established households that continue to live in Luton and Central Bedfordshire will not contribute to household growth, changes in household circumstances (such as separating from a partner or the birth of a child) can lead to households who were previously able to afford housing falling into need. The needs of these households are counted by the Model, and it is **estimated that an average of 621 established households fall into need each year** in Luton and Central Bedfordshire. This represents a rate of 3.2 per 1,000 household falling into need each year.

4.86 Finally, whilst the PPG recognises that established households' circumstances can deteriorate such that they fall into need, it is also important to recognise that **established households' circumstances can improve**. For example:

- When two people living as single person households join together to form a couple, pooling their resources may enable them to jointly afford their housing costs (even if neither could afford separately). Figure 70 showed that 26% of single person households aged under 25 in Luton could not afford housing, compared to 9% of couples of the same age; and for those aged 25 to 34, the proportions were 16% and 5% respectively.
- Households also tend to be more likely to afford housing as they get older, so young households forming in the early years of the projection may be able to afford later in the projection period. Figure 70 showed that 21% of couple families with dependent children aged 25 to 34 in Central Bedfordshire could not afford housing, compared to 9% of such households aged 35 to 44.

4.87 Given this context, it is clear that **we must also recognise these improved circumstances which can reduce the need for affordable housing over time**, as households that were previously counted no longer need financial support. The Model identifies that the circumstances of **740 households improve each year** such that they become able to afford their housing costs despite previously being unable to afford. This represents a rate of 3.9 per 1,000 household climbing out of need each year.

4.88 Therefore, considering the overall changing needs of existing households, **there is an average net reduction of 119 households** (740 less 621 = 119) **needing affordable housing each year**.

Projecting Future Affordable Housing Need (average annual estimate)

4.89 Figure 75 provides a comprehensive summary of all of the components of household change that contribute to the projected level of affordable housing need. More detail on each is provided earlier in this Chapter.

Figure 75: Components of average annual household growth 2015-20 (Source: ORS Housing Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	4,416	3,303	1,114	25%
Households migrating in to the area	9,145	7,093	2,053	22%
All new households	**13,563**	**10,396**	**3,167**	**23%**
Household dissolutions following death	2,476	1,956	520	21%
Households migrating out of the area	8,636	6,704	1,932	22%
All households no longer present	**11,113**	**8,661**	**2,452**	**22%**
Average annual household growth 2015-20	**+2,450**	**+1,735**	**+715**	**29%**
Existing households falling into need	-	-621	621	100%
Existing households climbing out of need	-	740	-740	0%
Change in existing households	**-**	**119**	**-119**	**-**
Average annual future need for market and affordable housing 2011-16	**+2,450**	**+1,854**	**+596**	**24%**

4.90 Overall, there is a projected need from **3,167 new households who are unable to afford their housing costs** (1,114 newly forming households and 2,053 households migrating to the area) each year; however, **2,452 households will either vacate existing affordable housing or will no longer need affordable housing** in Luton and Central Bedfordshire (as they have moved to live elsewhere) **thereby reducing the new need to a net total of 715 households.**

4.91 Considering the needs of existing households, there are 621 households expected to fall into need each year (a rate of 3.2 per 1000 households) but this is offset against 740 households whose circumstances are projected to improve. There is, therefore, an **average net reduction of 119 existing households that need affordable housing each year.**

4.92 Based on the needs of new households and existing households, there is a **projected increase of 596 households each year on average for the initial period 2015-20 who will need affordable housing** (715 less 119 = 596).

4.93 Using the approach outlined above for the initial 5-year period of the projection, the Model also considers the need for affordable housing over the 20-year Plan period 2015-35. The Model identifies that **the number of households in need of affordable housing will increase by 11,743 households over the period 2015-35**, equivalent to an annual average of 587 households per year. This represents 26.5% of the total household growth projected based on demographic trends.

Assessing the Overall Need for Affordable Housing

4.94 Figure 76 brings together the information on assessing the unmet need for affordable housing in 2015 and the future affordable housing need arising over the 20-year Plan period 2015-35.

Figure 76: Assessing total need for market and affordable housing (Source: ORS Housing Model)

	Housing Need (households)		Overall Housing Need
	Market housing	Affordable housing	
Unmet need for affordable housing in 2015 (see Figure 69)			
Total unmet need for affordable housing	-	6,555	6,555
Supply of housing vacated	2,912	1,780	4,692
Overall impact of current affordable housing need	**-2,912**	**+4,775**	**+1,863**
Projected future housing need 2015-35			
Newly forming households	67,114	24,245	91,359
Household dissolutions following death	42,218	11,234	53,452
Net household growth within Luton and Central Bedfordshire	**+24,895**	**+13,011**	**+37,907**
Impact of existing households falling into need	-14,151	+14,151	-
Impact of existing households climbing out of need	+17,290	-17,290	-
Impact of households migrating to/from the area	+4,611	+1,871	6,481
Future need for market and affordable housing 2015-35	**+32,645**	**+11,743**	**+44,389**
Total need for market and affordable housing			
Overall impact of current affordable housing need	-2,912	+4,775	+1,863
Future need for market and affordable housing 2015-35	+32,645	+11,743	+44,389
Total need for market and affordable housing	**29,733**	**16,518**	**46,251**
Annual average number of households needing housing	1,487	826	2,313
Proportion of overall need for market and affordable housing	**64%**	**36%**	**100%**

4.95 Figure 69 estimated there to be **6,555 households in need of affordable housing in 2015**. However, as 1,780 of these already occupied an affordable home, our previous conclusion was therefore a net need from 4,775 households (6,555 less 1,780 = 4,775) who need affordable housing and do not currently occupy affordable housing.

4.96 The 20-year projection period 2015-35 then adopts the approach that was previously outlined for the initial 5-year period of the projection. The Model identifies that **the number of households in need of affordable housing will increase by 11,743 households over the period 2015-35**, alongside an increase of 32,645 households able to afford market housing.

4.97 Overall, there will be a **need to provide additional affordable housing for 16,518 households** over the Plan period 2015-35 (36% of the projected household growth). This is equivalent to an average of **826 households per year.**

4.98 Data from CLG Local Authority Housing Statistics and HCA Statistical Data Return identify a vacancy rate of just under 2% for affordable housing in Luton and Central Bedfordshire, therefore adding an additional allowance for vacancies this **identifies a total affordable housing need of 16,855 dwellings** in addition to the current stock, an average of 843 dwellings per year. Any losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.

Need by Local Authority Area

4.99 Figure 77 sets out the current unmet need for affordable housing and projected future affordable housing need for the 20-year period 2015-35 for the two local authority areas.

Figure 77: Assessing affordable housing need by local authority (Source: ORS Housing Model)

	Luton	Central Bedfordshire	TOTAL
Unmet need for affordable housing in 2015			
Total unmet need for affordable housing	5,286	1,269	6,555
Supply of housing vacated	1,137	643	1,780
Overall impact of current affordable housing need	**+4,149**	**+626**	**+4,775**
Future need for affordable housing 2015-35	+4,372	+7,371	+11,743
Total need for affordable housing 2015-35	**+8,521**	**+7,997**	**+16,518**
Average annual need for affordable housing	426	400	826
Proportion of overall need for market and affordable housing	**47%**	**29%**	**36%**

4.100 The level of affordable housing need in Luton is notably higher than the need in Central Bedfordshire. Over four fifths of the 6,555 households in need of affordable housing in 2015 were in Luton (5,286 households, equivalent to 81% of the total); and 4,149 households who need affordable housing and do not currently occupy affordable housing (87% of the total) are currently living in Luton.

4.101 The 20-year projection period 2015-35 suggests that there will be an additional 4,372 households needing affordable housing in Luton compared to 7,371 households in Central Bedfordshire; however, this must be considered in the context of overall household growth in Central Bedfordshire being almost double the projected growth in Luton (27,738 cf. 16,651 households).

4.102 Overall, there will be a need to provide additional affordable housing for 8,521 households in Luton (47% of the projected household growth) and a need to provide additional affordable housing for 7,997 households in Central Bedfordshire (29% of the growth) over the Plan period 2015-35. This is equivalent to an average of **426 households per year in Luton and 400 per year in Central Bedfordshire.**

4.103 Figure 78 sets out the housing mix in terms of property type and size for the two local authority areas. Across Luton and Central Bedfordshire, almost a quarter of the affordable housing need is a need for flats and three quarters for houses (23% 2-bedroom and 45% 3-bedroom). Whilst the need for affordable housing with four or more bedrooms is 11% of the overall need, this still represents a need for over 1,500 large affordable homes that need to be provided over the 20-year period 2015-35 (which includes a need for more than 1,000 homes in Luton). Much of this need will be from existing households living in overcrowded accommodation.

Figure 78: Assessing affordable housing mix by local authority (Source: ORS Housing Model)

		Affordable Housing Need (dwellings)					
		Luton		Central Bedfordshire		TOTAL	
		N	%	N	%	N	%
Flat	1 bedroom	480	6%	1,140	14%	1,620	7%
	2+ bedrooms	1,510	18%	1,090	14%	2,600	15%
House	2 bedrooms	1,400	16%	2,660	33%	4,060	23%
	3 bedrooms	4,200	49%	2,700	33%	6,900	45%
	4+ bedrooms	1,010	11%	510	6%	1,520	11%
Total need for affordable housing 2015-35		**8,600**	**100%**	**8,100**	**100%**	**16,700**	**100%**

Affordable Housing Tenure

4.104 Within the overall need of 16,700 affordable homes identified by the model, it is possible to consider the mix of different affordable housing products that would be appropriate based on the mix of households needing affordable housing.

4.105 In order to profile the affordability of the mix of households needing affordable housing, income data from the English Housing Survey and ONS Survey of Personal Incomes has been combined and modelled to establish the income distribution by household type and age in the two local authority areas. This excludes any income from housing benefit, as the analysis seeks to determine to what extent housing benefit would be needed by households in each group.

4.106 Figure 79 sets out the housing mix in terms of property type, size and affordable housing tenure in each of the local authority areas. The analysis is based on two scenarios:

- Spending up to 25% of gross household income (excluding housing benefit) on housing costs; and
- Spending up to 35% of gross household income (excluding housing benefit) on housing costs.

Figure 79: Assessing affordable housing mix by local authority (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

		Up to 25% of gross income			Up to 35% of gross income		
		Luton	Central Bedfordshire	TOTAL	Luton	Central Bedfordshire	TOTAL
AFFORDABLE RENT							
Flat	1 bedroom	400	1,020	1,420	340	940	1,290
	2+ bedrooms	1,260	880	2,150	1,040	780	1,820
House	2 bedrooms	1,170	2,160	3,330	1,000	1,900	2,900
	3 bedrooms	3,510	2,160	5,670	2,970	1,850	4,820
	4+ bedrooms	910	440	1,350	800	380	1,170
Sub-total		**7,260**	**6,660**	**13,920**	**6,150**	**5,850**	**11,990**
% of affordable housing		**84%**	**82%**	**83%**	**71%**	**72%**	**72%**
INTERMEDIATE AFFORDABLE HOUSING							
Flat	1 bedroom	80	120	200	140	200	340
	2+ bedrooms	260	210	460	480	310	790
House	2 bedrooms	240	500	740	420	760	1,180
	3 bedrooms	700	540	1,240	1,240	850	2,090
	4+ bedrooms	110	70	180	230	130	360
Sub-total		**1,380**	**1,450**	**2,820**	**2,500**	**2,250**	**4,750**
% of affordable housing		**16%**	**18%**	**17%**	**29%**	**28%**	**28%**
TOTAL DWELLINGS		**8,600**	**8,100**	**16,700**	**8,600**	**8,100**	**16,700**

4.107 When considering the need by affordable housing tenure, almost three quarters (72%) of households in need of affordable housing need affordable rent when 35% of their gross income is allocated to housing, and over four-fifths (83%) would need affordable rent if housing costs were limited to up to 25% of income: many of these households will therefore depend on housing benefit. Nevertheless, between 17% and 28% of households in need of affordable housing could afford intermediate affordable housing products, such as shared equity or other forms of low cost home ownership.

Future Policy on Housing Benefit in the Private Rented Sector

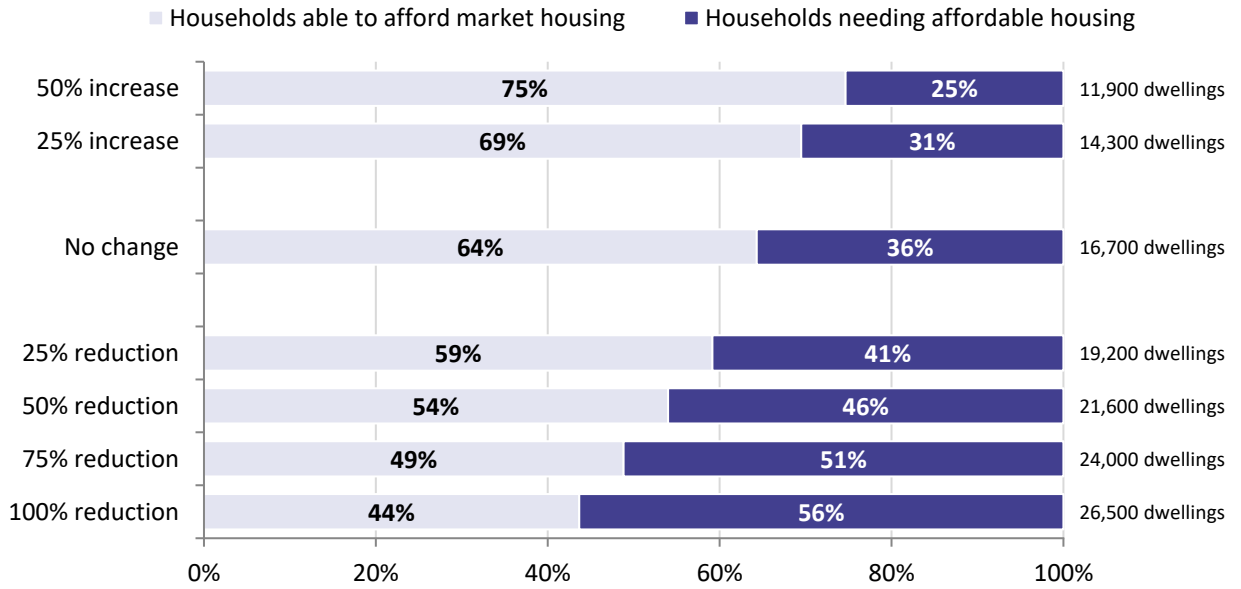
4.108 The Model also recognises **the importance of housing benefit and the role of the private rented sector**. The Model assumes that the level of housing benefit support provided to households living in the private rented sector will remain constant; however, this is a national policy decision which is not in the control of the Council.

4.109 It is important to note that private rented housing (with or without housing benefit) does not meet the definitions of affordable housing. However, many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. These households aren't counted towards the need for affordable housing (as housing benefit enables them to afford their housing costs), but if housing benefit support was no longer provided (or if there wasn't sufficient private rented housing available at a price they could afford) then this would increase the need for affordable housing.

4.110 The model adopts a neutral position in relation to this housing benefit support, insofar as it assumes that the number of claimants in receipt of housing benefit in the private rented sector will remain constant. **The model does not count any dwellings in the private rented sector as affordable housing supply;** however, it does assume that housing benefit will continue to help some households to afford their housing costs, and as a consequence these households will not need affordable housing.

4.111 To sensitivity test this position, Figure 80 shows the impact of reducing (or increasing) the number of households receiving housing benefit to enable them to live in the private rented sector.

Figure 80: Theoretical impact of reducing or increasing Housing Benefit support for households living in private rented housing: Balance between households able to afford market housing and households needing affordable housing 2015-35 and associated number of affordable dwellings



4.112 If no households were to receive housing benefit support in the private rented sector, over half (56%) of the growth in household numbers would need affordable housing. This would need a total of 26,500 affordable homes to be provided over the 20-year period 2015-35.

Conclusions

4.113 Based on the SHMA household projections, we have established the balance between the need for market housing and the need for affordable housing. This is based on exactly the same methodology as used for the previous SHMA. This was tested at the Luton Local Plan examination, and the approach was endorsed by the Inspector in his report:[32]

> *Objective assessment of need for affordable housing*
>
> *173. The Plan identifies a need for 7,200 affordable homes over the plan period. This is based on a robust analysis in the SHMA which takes into account unmet needs and projected future needs.*

4.114 The analysis in this SHMA has identified a need to increase the overall housing need by 1,863 households to take account of concealed families and homeless households that would not be captured by the household projections. **These additional households increase the projected household growth from 44,389 to 46,252 households (43,936 dwellings) over the 20-year period 2015-35.**

4.115 **The housing mix analysis identified a need to provide around 16,700 additional affordable homes over the same 20-year period (an average of 835 dwellings per year).** This would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but assumes that the number of households in receipt of housing benefit support to enable them to afford market rent in the private rented sector remains constant.

4.116 Providing sufficient affordable housing for all households that would otherwise be living in the private rented sector with housing benefit support would increase the need to around 26,500 affordable homes over the 20-year period (1,325 each year); but it is important to recognise that, in this scenario, the private rented housing currently occupied by households in receipt of housing benefit would be released back to the market and this is likely to have significant consequences which would be difficult to predict.

[32] Luton Local Plan, Inspector's Report August 2017

5. Objectively Assessed Need

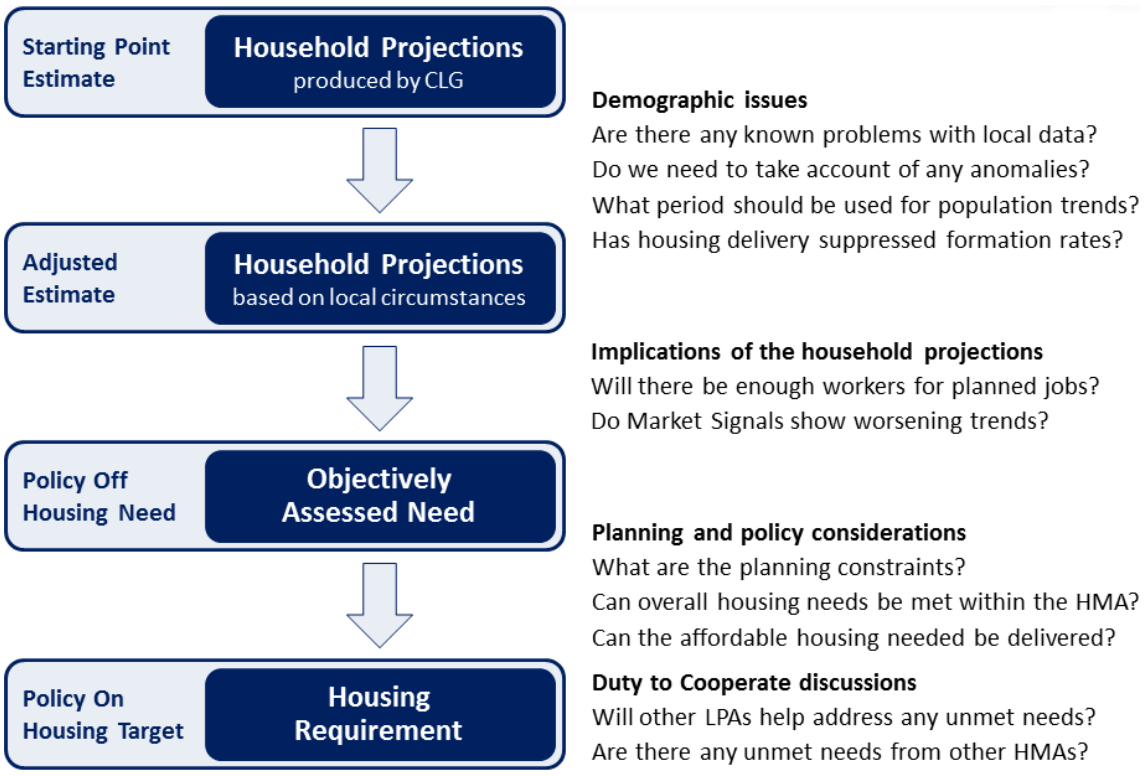
Analysing the evidence to establish overall housing need

5.1 The primary objective of this study is to establish the Objectively Assessed Need (OAN) for housing. The OAN identifies the future quantity of housing that is likely to be needed (both market and affordable) in the Housing Market Area over future plan periods. It is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors will be subsequently considered before establishing the final Housing Requirement.

> *The assessment of development needs is an objective assessment of need based on facts and unbiased evidence. Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans.*
>
> **Planning Practice Guidance (March 2014), ID 2a-004**

5.2 Figure 81 sets out the process for establishing OAN. It starts with a demographic process to derive housing need from a consideration of population and household projections, as set out in chapter 3 of the SHMA. To this, external market and macro-economic constraints are applied ('market signals'), in order to embed the need in the real world.

Figure 81: Process for establishing a Housing Number for the HMA (Source: ORS based on NPPF and PPG)



National Context for England

5.3 The NPPF requires Local Planning Authorities to *"ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area"* and *"identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which meets household and population projections, taking account of migration and demographic change"* (paragraphs 47 and 159).

5.4 PPG further identifies that *"household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need"* (ID 2a-015 to 016).

Household Growth

5.5 The 2014-based CLG household projections show that the number of households in England will increase from 22.7 million to 28.0 million over the 25-year period 2014 to 2039. This represents a growth of 5.3 million households over 25 years, equivalent to an annual average of 210,300 households each year, and this provides the starting point estimate of overall housing need for England.

5.6 It should be noted that the annual average of 210,300 households is already much higher than current housing delivery: provisional data for England published by CLG for the period April 2015 to March 2016 identifies that construction started on 139,700 dwellings and 139,700 dwellings were also completed during the year. Therefore, to build sufficient homes to meet annual household growth would require housebuilding to increase by over 50% – so providing for household growth in itself would require a significant step-change in the number of homes currently being built.

International Migration

5.7 The 2014-based CLG household projections are based on the ONS 2014-based sub-national population projections. These projections identify an average net gain of 182,400 persons each year due to international migration, and a net loss of 6,200 persons each year from England to other parts of the UK. Therefore, the 2014-based projections are based on net migration averaging 176,100 persons each year.

5.8 However, these estimates for future international migration may be too low. Oxford University research (March 2015) showed net international migration to be 565,000 persons over the 3-year period 2011-14, an average of 188,300 per annum; and net migration to England averaged 211,200 persons annually between the Census in 2001 and 2011. Both figures suggest that the 2014-based SNPP may underestimate international migration, which would have knock-on implications for projected population growth.

5.9 As previously noted, longer-term projections typically benefit from longer-term trends and therefore ORS normally consider migration based on trends for the 10-year period 2001-11. On this basis, our trends are based on a period when net migration to England averaged 211,200 persons each year: 35,100 persons higher than assumed by the 2014-based SNPP, which represents an additional 15,400 households each year based on CLG average household sizes. Therefore, the approach taken for establishing migration based on longer-term trends would increase household growth for England from 210,300 households to 225,700 households each year on average.

Market Signals

5.10 The NPPF also sets out that *"Plans should take account of market signals, such as land prices and housing affordability"* (ID 2a-017) and PPG identifies that *"the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals"*.

5.11 The market signals identified include land prices, house prices, rents, affordability and the rate of development; but there is no formula that can be used to consolidate the implications of this data. Nevertheless, the likely consequence of housing affordability problems is an increase in overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation. PPG identifies that these indicators *"demonstrate un-met need for housing"* and that *"longer term increase in the number of such households may be a signal to consider increasing planned housing numbers"* (ID 2a-019).

5.12 The Census identified that the number of concealed families living in England increased from 161,000 families to 276,000 families over the decade 2001 to 2011, which represents a growth of 115,000 families over 10 years. Although many concealed families do not want separate housing (in particular where they have chosen to live together as extended families), others are forced to live together due to affordability difficulties or other constraints – and these concealed families will not be counted as part of the CLG household projections.

5.13 Concealed families with older family representatives will often be living with another family in order to receive help or support due to poor health. Concealed families with younger family representatives are more likely to demonstrate un-met need for housing. When we consider the growth of 115,000 families over the period 2001-11, over three quarters (87,100) have family representatives aged under 55, with substantial growth amongst those aged 25-34 in particular. This is a clear signal of the need to increase the planned housing numbers in order to address the increase in concealed families over the last decade and also factor in their impact on current and future average household sizes.

5.14 Addressing the increase in concealed families would increase projected household growth by 87,100 over the 25-year period, an average of 3,500 households each year over the period 2014-39 (or higher if the need is addressed over a shorter period). Therefore, adjusting for longer-term migration trends and taking account of the market signals uplift for concealed families yields an average household growth for England of 229,200 each year.

Converting to Dwellings

5.15 Finally, in converting from households to dwellings we need to allow for a vacancy and second home rate as not all dwellings will be occupied. At the time of the 2011 Census this figure was 4.3% of all household spaces in England: we have applied this to future household growth, and on this basis the growth of 229,200 households would require the provision of **239,500 dwellings each year across England**. This is the average number of dwellings needed every year over the 25-year period 2014-39 and represents a 1.0% increase in the dwelling stock each year.

5.16 This takes account of household growth based on CLG 2014-based projections (the starting point); adjusts for long-term migration trends which assume a higher rate of net migration to England; responds to market signals through providing for the growth of concealed families; and takes account of vacant and second homes.

5.17 Whilst the uplift for market signals represents less than 2% of the projected household growth, the household growth itself is much higher than current rates of housing delivery. **The identified housing need of 239,500 dwellings requires current housebuilding rates to increase by 71%** (based on dwelling starts in 2015-16).

5.18 Development industry campaigners (such as Homes for Britain[33]) are supporting a position which requires 245,000 homes to be built in England every year, a figure derived from the Barker Review (2004)[34]. It is evident that objectively assessed need based on household projections which take account of longer-term migration trends together with a market signals adjustment for concealed families is consistent with this target, so any further increase in housing numbers at a local level (such as adjustments which might be needed to deliver more affordable housing or provide extra workers) must be considered in this context.

Establishing Objectively Assessed Need for Luton HMA

5.19 The earlier part of this Chapter sets out the context for national change in households, and the underlying complexities and features around this. We now move on to the position for Luton HMA, and the "best fit" based on Luton and Central Bedfordshire. Our approach follows the format of the earlier section, albeit with specific reference to the Luton HMA. Essentially, therefore, this section is concerned with:

- CLG 2014-based household projections (the starting point);
- Migration adjustments, based on Census, for longer-term migration trends (which incorporate higher international migration rates and correct for errors in previous population estimates);
- Market signals, including an uplift for concealed families;
- Converting from household growth to a requirement for dwellings, taking account of vacancies and second homes.

5.20 In addition, we consider employment trends and the relationship between the jobs forecast and projected number of workers, and the need for affordable housing.

CLG Household Projections

5.21 The "starting point" estimate for OAN is the CLG household projections, and the latest published data is the 2014-based projections for period 2014-39. These projections suggest that household numbers across the study area will increase by 57,536 over the 20-year period 2015-35, an average of 2,877 per year.

5.22 However, the notes accompanying the CLG Household Projections explicitly state that:

> *The 2014-based household projections are linked to the Office for National Statistics 2014-based sub-national population projections.* ***They are not an assessment of housing need*** *or do not take account of future policies, they are an indication of the likely increase in households given the* ***continuation of recent demographic trends****.*

5.23 The ONS 2014-based sub-national population projections are based on migration trends from the 5-year period before the projection base date; so trends for the period 2009-2014. Short-term migration trends are generally not appropriate for long-term planning, as they risk rolling-forward rates that are unduly high or unduly low. Projections based on long-term migration trends are likely to provide a more reliable estimate of future households.

[33] http://www.homesforbritain.org.uk
[34] http://webarchive.nationalarchives.gov.uk/+/http:/www.hmtreasury.gov.uk/barker_review_of_housing_supply_recommendations.htm

Adjustments for Local Demography and Long-term Migration

5.24 A comprehensive review of the local demographic evidence identifies some significant problems with the official population data for the area. These problems affect the reliability of population trend data in both Luton and Central Bedfordshire, which are a key input to the official population projections. It is essential that the demographic projections are based on accurate estimates of past trends if they are to provide a robust basis on which to plan future housing need; therefore, consistent with PPG, the SHMA takes full account of these *"factors affecting local demography"* through developing independent household and population projections.

5.25 The SHMA population and household projections are based on 10-year migration trends based primarily on population data for the period 2005-15, but taking full account of the local demography issues that affect local population trends. This is consistent with our standard approach when establishing OAN.

5.26 On the basis of 10-year migration trends based on the period 2005-15, **household numbers across the study area are projected to increase by 44,389 households over the 20-year period 2015-35, an average of 2,220 per year. Providing for an annual increase of 2,220 households yields a housing need of 2,299 dwellings each year.**

5.27 Whilst this projection is lower than the CLG 2014-based household projection (2,877 p.a.), as this scenario take account of issues affecting local demography and is based on long-term migration trends, it provides the most reliable and appropriate demographic projection for establishing future housing need.

Affordable Housing Need

5.28 The SHMA has undertaken a comprehensive analysis of the existing unmet need for affordable housing. This analysis identified that **overall housing need should be increased by 1,863 households** to take account of **concealed families** and **homeless households** that would not be captured by the household projections. When the unmet needs from existing households living in unsuitable housing were also included, the analysis established an overall need from 6,555 households in need of affordable housing in 2015.

5.29 Nevertheless, 1,780 of these households already occupy an affordable home (albeit unsuitable for their current needs) – so the home that will be vacated when their needs are resolved must be offset against the overall need to establish the unmet need. **There is an unmet need from 4,775 households** (6,555 less 1,780 = 4,775) **who will need affordable housing at the start of the period 2015-35 and do not already occupy affordable housing in Luton and Central Bedfordshire.**

5.30 Based on the household projections, the SHMA has established the balance between the future need for market housing and affordable housing. The analysis identifies that **the number of households in need of affordable housing will increase by 11,743 households over the period 2015-35**, alongside an increase of 32,645 households able to afford market housing.

5.31 Overall, there will be a **need to provide around 16,700 additional affordable homes over the 20-year period 2015-35 (an average of 835 dwellings per year).** This would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but assumes that the number of households in receipt of housing benefit support to enable them to afford market rent in the private rented sector remains constant. Furthermore, any losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.

Employment Trends

5.32 While demographic trends are key to the assessment of OAN, it is also important to consider current Employment Trends and how the projected growth of the economically active population fits with the future changes in job numbers.

> *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.*
>
> *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.*
>
> **Planning Practice Guidance (March 2014), ID 2a-018**

Planned Employment Growth

5.33 Luton is proposing to deliver 18,000 extra jobs over the 20-year period 2011-31, equivalent to an average of 900 jobs per year. Whilst this target was higher than the baseline of 11,300 extra jobs suggested by the East of England Forecasting Model (EEFM) 2014-based forecast, estimates of actual growth for the period 2011-14 were much higher than had been identified by the model. The number of jobs recorded for Luton increased from 92,500 jobs in 2011 to 102,400 jobs in 2014; an increase of 9,900 jobs over 3 years, which represents over half of the 20-year target. Whilst Luton does not currently have a planned target for the period beyond 2031, the SHMA has considered the alignment with workers based on employment growth continuing at an average of 900 jobs per year, a total of 18,000 jobs over the 20-year period 2015-35.

5.34 Central Bedfordshire is currently planning for a minimum of 23,900 extra jobs over the 20-year period 2015-35, based on their Economic Development Needs Assessment which adopted forecasts from the Experian model. On this basis, the SHMA has considered the alignment with workers based on the planned employment growth of 23,900 extra jobs.

5.35 The combined increase of 41,900 jobs across the area is notably higher than the growth of 27,500 jobs forecast by the EEFM 2016-based model. However, it is worth noting the volatility of the economic forecasts, especially when they are considered at a local area level. Furthermore, the trend-based approach on which the forecast is based will not reflect committed changes to infrastructure and strategic investment at a local level, such as the expansion of London Luton Airport.

Future Changes to Workforce

5.36 As previously noted, the demographic analysis identified that on the basis of providing the 46,000 additional dwellings needed based on 10-year migration trends, it is likely that the economically active population would increase by 46,300 people (around 2,300 per year on average). In addition, the number of unemployment benefit claimants recorded by DWP reduced by around 500 over the period March 2015 to March 2017, which also increases the number of available workers. Taken together, these figures suggest that the number of available workers will increase by around 46,800 over the 20-year period 2015-2035 (without any further reduction in unemployment).

5.37 However, there are a number of factors which should be considered when relating jobs to workers, particularly the issue of commuting:

- **Out-commuting**: Based on 2011 Census commuting flows, 64.5% of working residents in Luton and Central Bedfordshire are also employed in the local area. This implies that 35.5% commuted to jobs outside the area. Therefore, of the additional 46,800 workers projected to live in the area, we would expect 30,200 (64.5%) would work locally and 16,600 (35.5%) would commute outside of the area. On this basis, we have assumed that the number of workers that out-commute from Luton and Central Bedfordshire to work elsewhere will increase by 16,600 over the 20-year period 2015-35.
- **In-commuting:** at the time of the 2011 Census, 24.2% of jobs in Luton and Central Bedfordshire were filled by people travelling in from other authorities. Therefore, a jobs growth of 41,900 is likely to draw in 10,100 (24.2%) additional in-commuters; but this still implies a likely increase of 6,500 in net out-commuting (assuming no change in the commuting rates for the area), and would mean that 31,800 jobs would need to be filled by workers living in the area.

5.38 It is also important to recognise that the planned jobs growth will include full-time and part-time work; and data from the EEFM 2016-based forecast suggests that of the total 219,700 jobs in the area in 2015, only 212,100 were "main jobs". This implies that around 3.5% of all jobs in the area are currently second jobs, and it is forecast that this will increase to 4.6% by 2035. On this basis, it is likely that 1,500 of the extra jobs created would taken by workers as second jobs, leaving 30,300 extra main jobs that would need to be filled by workers living in the area.

5.39 When all of these factors are properly considered, we can conclude that the demographic projections (without any uplift for market signals) would provide 30,200 extra workers locally whereas there is forecast to be 30,300 extra main jobs that need to be filled by workers living in the area. There is therefore alignment between the planned jobs growth and the projected future changes to the workforce over the 20-year period 2015-2035.

Conclusions on Jobs and Workers

5.40 Luton is proposing to deliver 18,000 extra jobs over the 20-year period 2011-31; and whilst there is no target for the period to 2035, the SHMA has considered the alignment with workers based on employment growth continuing at the same rate (900 jobs per year): 18,000 jobs over the 20-year period 2015-35. Central Bedfordshire is planning for a minimum of 23,900 extra jobs over their Plan period 2015-35, based on their Economic Development Needs Assessment; so the SHMA has considered alignment with workers on this basis.

5.41 This combined increase of 41,900 jobs across the area would suggest broad alignment with the projected increase in workers. **On this basis, there is no need to uplift housing delivery to align the increase in workers with the increase in jobs.**

5.42 This does not take account of any additional population as a consequence of any uplift for market signals. Providing more housing than identified by the household projections is likely to yield a larger population, which would include additional workers. This could therefore yield a surplus in workers which would lead to larger increases in net out-commuting than projected above.

Market Signals

5.43 While demographic trends are key to the assessment of OAN, it is also important to consider current Market Signals and how these may affect housing needs. PPG identifies a range of housing market signals that should be considered when determining the future housing number. Key to this is how market signals should be taken into account:

> *The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings (ID 2a-019)*
>
> *A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections. (ID 2a-020)*
>
> **Planning Practice Guidance (March 2014)**

5.44 The Market Signals include:

- Land and house prices;
- Rents and affordability;
- Rate of development; and
- Overcrowding.

5.45 Furthermore, there are other issues that should be considered, for example the macro-economic climate. Further, there are wider market trends and drivers to consider. A full range of market signals are considered and their implications are considered especially where these may indicate undersupply relative to demand and the need to deviate from household projections.

5.46 PPG and the PAS OAN technical advice note emphasise the importance of considering indicators in the context of longer-term trends and looking at rates of change as well as absolute levels – for example, house prices in the housing market may be higher or lower than the national average, however the more important consideration is whether or not they are becoming more (or less) expensive at a rate that differs from the national rates or rates in similar areas.

> *Appropriate comparisons of indicators should be made. This includes comparison with longer term trends (both in absolute levels and rates of change) in the housing market area; similar demographic and economic areas; and nationally.*
>
> **Planning Practice Guidance (March 2014), ID 2a-020**

5.47 To identify areas with similar demographic and economic characteristics to Luton & Central Bedfordshire, we have analysed data from the ONS area classifications together with data from the CLG Index of Multiple Deprivation. The outcome of this analysis was that Luton HMA shares similar demographic and economic characteristics with the areas surrounding **Coventry** (Coventry and Nuneaton & Bedworth), **Peterborough** (Peterborough, Fenland, South Kesteven and Rutland) and **Slough** (Slough, South Buckinghamshire and Windsor & Maidenhead). Therefore, in considering market signals, we have considered these district council areas as appropriate comparators and compared them against Luton & Central Bedfordshire.

House Prices

5.48 House prices in the UK have been relatively volatile in the past 10 years. Prices increased by 8.7% in the 12 months to June 2016[35]; prices rose fastest in the East of England (14.3%), London (12.6%), and the South East (12.3%).

5.49 The average UK house price was £214,000 in June 2016 compared to the peak of the previous high of £190,000 in the three months August to October 2007, which was overtaken in 2014. Average house price trends 2006 - 2016 as demonstrated by the House Price Index (HPI) show the price divergence between London and the rest of the UK.

Figure 82: Annual house price rates of change, UK all dwellings 2004-2016 (Source: Regulated Mortgage Survey. Note: Not seasonally adjusted)

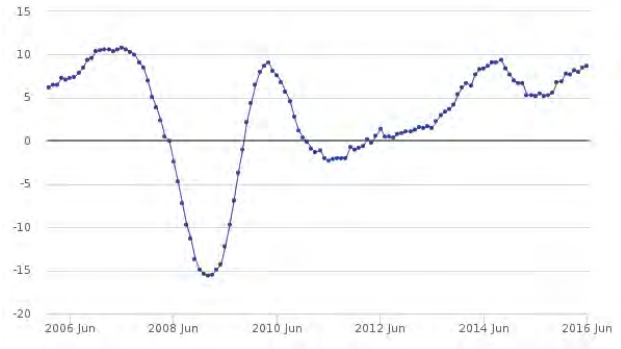
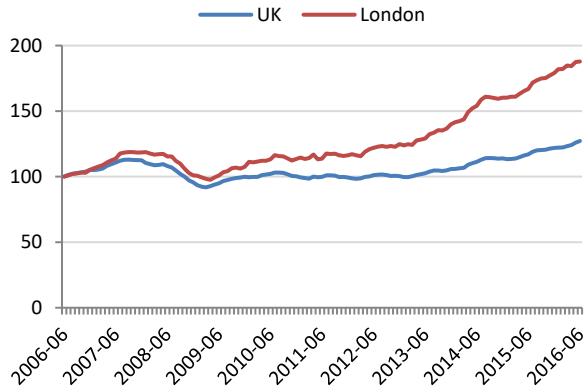


Figure 83: UK and London House Price Index 2008-2016 (Source: ONS)



5.50 The Bank of England has overall responsibility for UK monetary policy: it has become concerned about the risks posed by house prices, high levels of borrowing and any housing 'bubble' to national economic recovery.

5.51 In his speech at the Mansion House in June 2014, the Governor of the Bank said:

> *"The underlying dynamic of the housing market reflects a chronic shortage of housing supply, which the Bank of England can't tackle directly. To be clear, the Bank does not target asset price inflation in general or house prices in particular. It is indebtedness that concerns us. This is partly because over-extended borrowers could threaten the resilience of the core of the financial system since credit to households represents the lion's share of UK banks' domestic lending. It is also because rapid growth in or high levels of mortgage debt can affect the stability of the economy as a whole."*

5.52 These concerns remain. The Financial Policy Committee (FPC) Financial Stability Report July 2016[36] states:

> ***"The FPC is alert to risks arising from household indebtedness**. Survey evidence on the housing market has been difficult to interpret in recent months because of the impact of the pre-announced increase in stamp duty, which boosted activity in March and has dampened activity in April and May. Nevertheless, in advance of the referendum, there was evidence that uncertainty about the outcome was contributing to a slowdown in housing activity. For example, the May RICS survey of chartered surveyors reported a sharp decline in new buyer enquiries … to their lowest level since 2008."*

[35] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/june2016
[36] http://www.bankofengland.co.uk/publications/Pages/fsr/2016/jul.aspx

5.53 The FPC also states concern about the effects of rapid growth in the buy-to-let sector:

> *"The stock of buy-to-let lending grew by 12.3% in the year to 2016 Q1. Activity fell off sharply in April, such that buy-to-let mortgage lending for house purchase was 85% lower than in March."*

5.54 The risk centres on the possibility of buy-to-let investments *"amplifying cycles in the housing market as a whole"* which *"could put upward pressure on household indebtedness in an upswing and have an impact on consumption and broader economic activity in a downturn"*.

5.55 The RICS UK Residential Market Survey[37] is updated monthly. While there are many uncertainties following the June 2016 referendum, the July 2016 Survey gives an early indication of the direction of prices in the short to medium term, and reports an increase in optimism among respondents:

> *"the net balance of those expecting prices to increase over the year ahead rising from zero to +23%. Even so, this still represents a significant softening compared to six months ago, when +66% more surveyors anticipated rising prices. For the second month running, the regional breakdown shows London and East Anglia are the only areas in which prices are expected to fall over the year ahead."*

5.56 Overall respondents to the Survey expect prices to rise over the medium term, with higher rises in London compared to the UK:

> *"London exhibits amongst the strongest projections over the medium term (three-month average), with respondents pencilling in around 4% growth, per annum, over the next five years. On the same basis, prices are expected to rise by close to 3% nationally."*

5.57 The Survey suggests that, currently, an "*acute shortage of property for sale"* could be underpinning prices.

Local House Prices

5.58 House price trends (2001-2015) are shown in Figure 84 based on lower quartile house prices. Of course, the value of money has also changed during this period, so the data is adjusted to take account of and remove the impact of inflation; therefore, the values reflect real changes in house prices since 2001.

5.59 It is evident that real house prices across Luton and Central Bedfordshire increased substantially in the period 2001-2004 (from £89,000 to £162,000 at 2015 values, a real increase of 84%), and prices continued to rise to a peak of £179,000 by the end of 2007. Values reduced to below £150,000 by the start of 2009 and largely plateaued over the period to 2014; but have recently increased to a current value approaching £175,000.

5.60 Figure 85 shows how real house prices in Luton and Central Bedfordshire have varied when compared with the English average. This shows that real house prices in the area substantially increased in relative terms over the period 2001-03, but subsequently reduced back towards the English average over the period to 2010. The difference remained relatively stable with values around £10,000-15,000 above the English average over the period to 2014 (consistent with the difference before prices increased in 2001); but prices have since increased and are currently around £35,000 higher the England average.

[37] http://www.rics.org/uk/knowledge/market-analysis/rics-residential-market-survey/

Figure 84: Real House Price Trends: Lower Quartile Prices adjusted to 2015 values using CPI (Source: ONS; Bank of England. Note: HMA figure derived using population weighted average of Local Authority data)

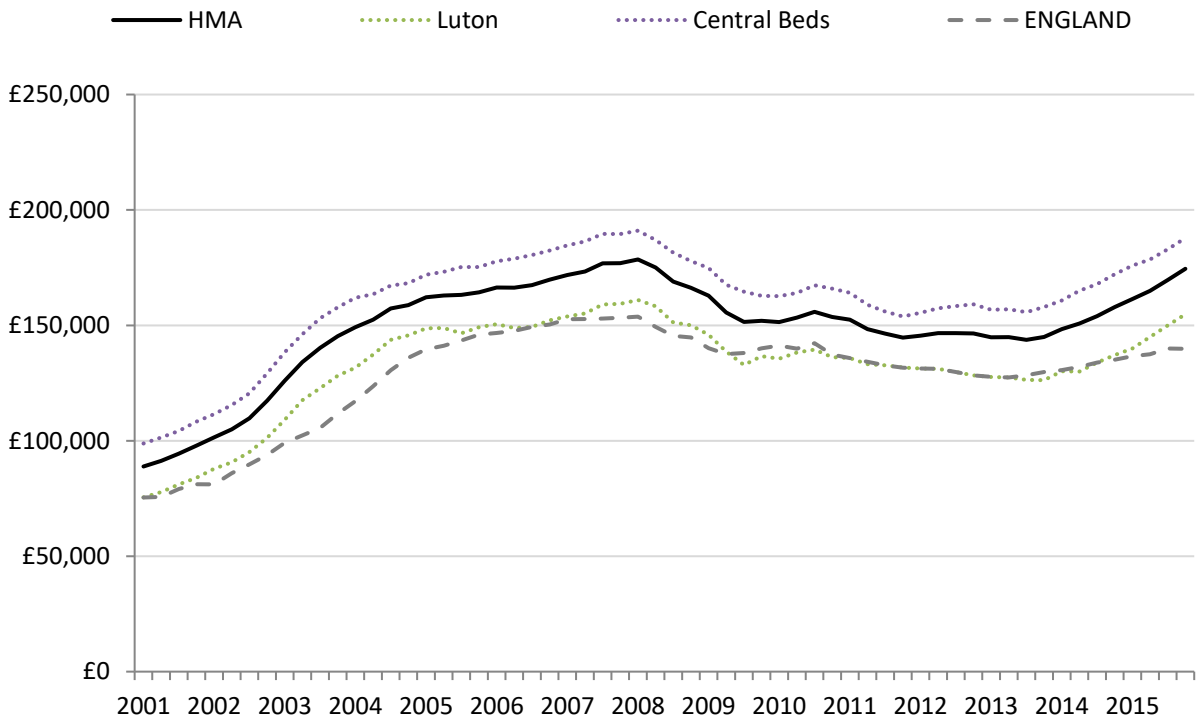
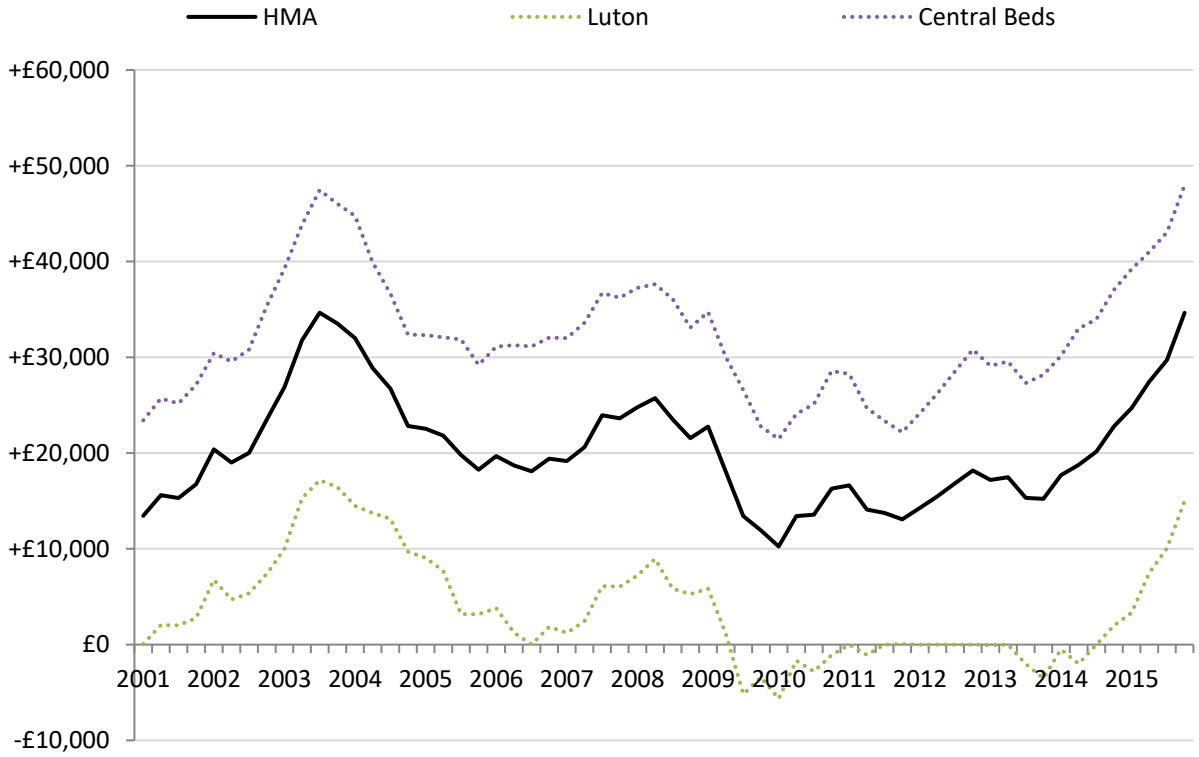


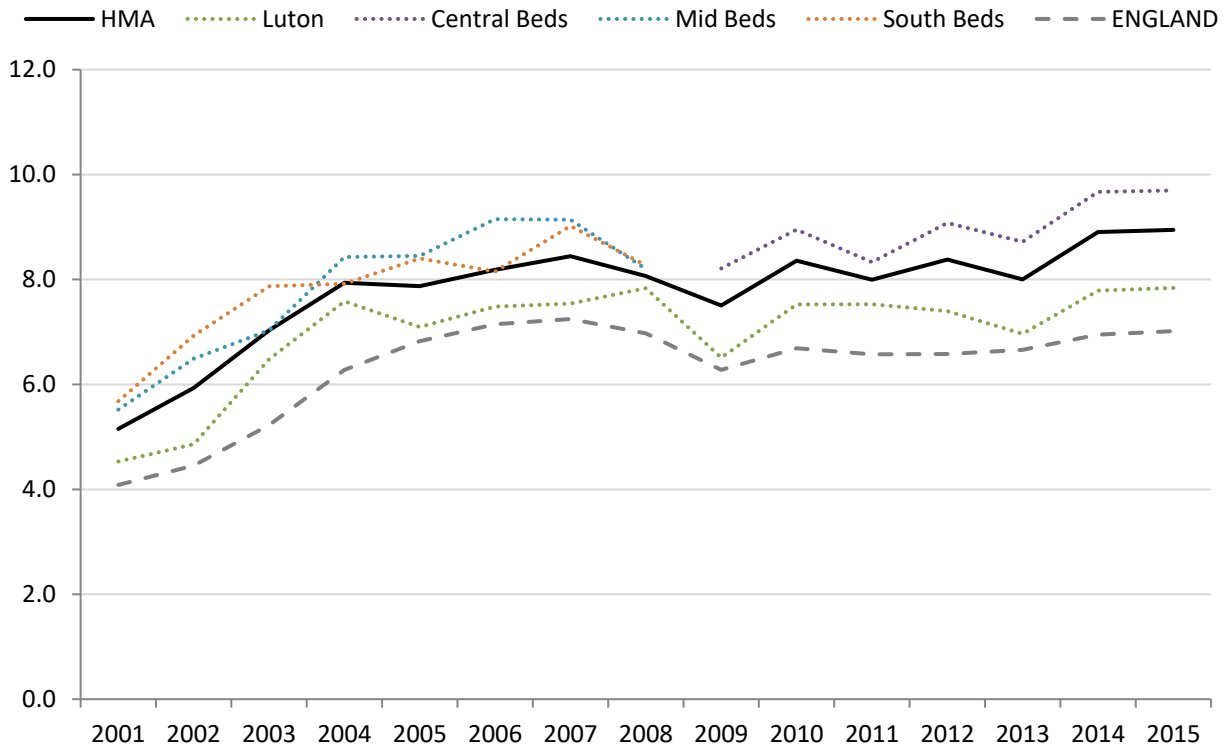
Figure 85: Real House Price Trends relative to England: Lower Quartile Prices adjusted to 2015 values using CPI (Source: ONS; Bank of England. Note: HMA figure derived using population weighted average of Local Authority data)



Affordability

5.61 Figure 86 below shows the ratio of lower quartile house price to lower quartile earnings in Luton and Central Bedfordshire between 2001 and 2015. While the trend for the HMA worsened in the period 2001-04 (when there was an increase in real house prices), the multiplier has been relatively stable over the period 2004-15. Of course, it is also important to remember that affordability can be influenced by supply issues (e.g. lower housing delivery levels) and demand side issues (e.g. lower availability of mortgage finance for first time buyers).

Figure 86: Ratio of Lower Quartile House Price to Lower Quartile Earnings (Source: DCLG. Note: Ratios prior to 2013 are calculated using a different source of house price data. Note: HMA figure derived using population weighted average of Local Authority data)



Private Rent

5.62 Private Rented Housing has become a significant part of the national housing offer; further, many households with housing need are now meeting those needs in the sector.

5.63 The English Housing Survey confirmed that more households in England rent from private landlords than councils or housing associations (4.3m cf. 3.9m in 2014-15). Given very limited new build private rent supply, sector growth is driven by conversion of existing owner occupied stock to private rent, either as individual homes or as Houses in Multiple Occupation (HMO).

5.64 The Institute of Mortgage Lenders Association (IMLA) forecasts suggest that the sector will continue to increase in size in coming years. More than a third of all households could rent privately within two decades – twice as many as today.

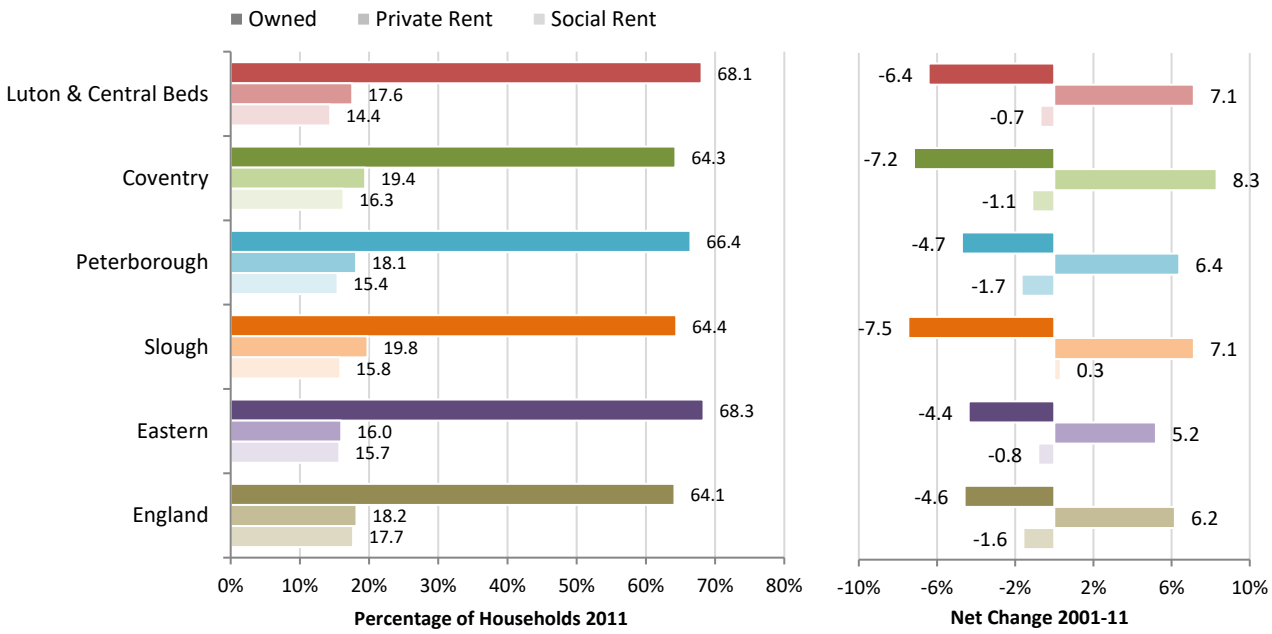
Figure 87: UK household tenure projections to 2032 (Source: DCLG/IMLA)

	Owner-occupied		Private rented		Social rented		Total
	units (thousan	% of total	its (thousan	% of total	its (thousan	% of total	units (thousands)
2007	18,206	68.00%	3,606	13.50%	4,886	18.30%	26,698
2012	17,835	64.20%	4,920	17.70%	4,936	17.80%	27,691
2017f	17,445	61.10%	6,106	21.40%	4,996	17.50%	28,548
2022f	17,064	57.50%	7,578	25.50%	5,058	17.00%	29,700
2032f	16,326	49.20%	11,672	35.20%	5,182	15.60%	33,181

Private Rented Sector in Luton & Central Bedfordshire

5.65 Whilst the dominant form of housing tenure in Luton & Central Bedfordshire continues to be owner occupation, the sector has declined relatively by 8.6% since 2001. In the same period, the private rented sector has grown by 68.4%, at a higher relative rate than England (51.3%). Affordable housing is also declining slightly.

Figure 88: Household Tenure by Area (Source: UK Census of Population 2001 and 2011. Note: Private Rent includes tied housing and living rent free)



5.66 The rate of increase in the PRS is revealing: over the period 2001-11, the PRS sector has grown by 68% across the area; marginally higher than England and the Eastern region, where growth has been 51% and 48% respectively over the same period. It is important to recognise that the private rented sector in Luton and Central Bedfordshire is growing via the conversion of other tenures rather than new build. PRS does not contribute significantly to new housing supply; there is, however, considerable current interest in attracting investment to boost new build PRS supply, particularly from Government[38].

[38] Review of the Barriers to Institutional Investment in Private Rented Homes; Montague Review

Private Sector Rents

5.67 Lower Quartile rents have increased across all property sizes in Luton and Central Bedfordshire in the private rented sector over the period since 2013/14, suggesting that demand probably exceeds supply. The upward trend would indicate that the sector still has growth potential both nationally and locally in Luton and Central Bedfordshire.

Figure 89: Lower Quartile Monthly Rent Values (Source: Valuation Office Agency 2013-2016)

		April 2013-March 2014	April 2014-March 2015	April 2015-March 2016
Luton and Central Bedfordshire	1 bedroom	£485	£512	£565
	2 bedroom	£611	£633	£690
	3 bedrooms	£750	£778	£850
	4 or more bedrooms	£911	£1,008	£1,100
ENGLAND	1 bedroom	£415	£425	£435
	2 bedroom	£475	£495	£495
	3 bedrooms	£550	£550	£575
	4 or more bedrooms	£800	£825	£850
Coventry *with Nuneaton & Bedworth*	1 bedroom	£412	£417	£435
	2 bedroom	£477	£480	£510
	3 bedrooms	£544	£569	£581
	4 or more bedrooms	£784	£750	£765
Peterborough *with Fenland, South Kesteven and Rutland*	1 bedroom	£383	£386	£400
	2 bedroom	£483	£493	£502
	3 bedrooms	£558	£568	£584
	4 or more bedrooms	£725	£740	£757
Slough *with South Bucks and Windsor & Maidenhead*	1 bedroom	£677	£677	£713
	2 bedroom	£892	£890	£935
	3 bedrooms	£1,091	£1,110	£1,166
	4 or more bedrooms	£1,779	£1,736	£1,778

Overcrowding

5.68 Overcrowding was considered in detail when establishing the need for affordable housing, and based on the bedroom standard we estimated that 5,207 households were overcrowded in the HMA (Figure 64), including 2,191 owner occupiers, 1,416 households renting privately and 1,600 households in the social rented sector.

5.69 PPG also identifies a series of other factors to monitor alongside overcrowding, including concealed and sharing households, homelessness and the numbers in temporary housing (paragraph 19):

> *Indicators on overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation demonstrate un-met need for housing. Longer term increase in the number of such households may be a signal to consider increasing planned housing numbers.*

5.70 These were also considered when establishing the need for affordable housing, and the overall housing number was increased to take account of the needs of homeless households and concealed families with

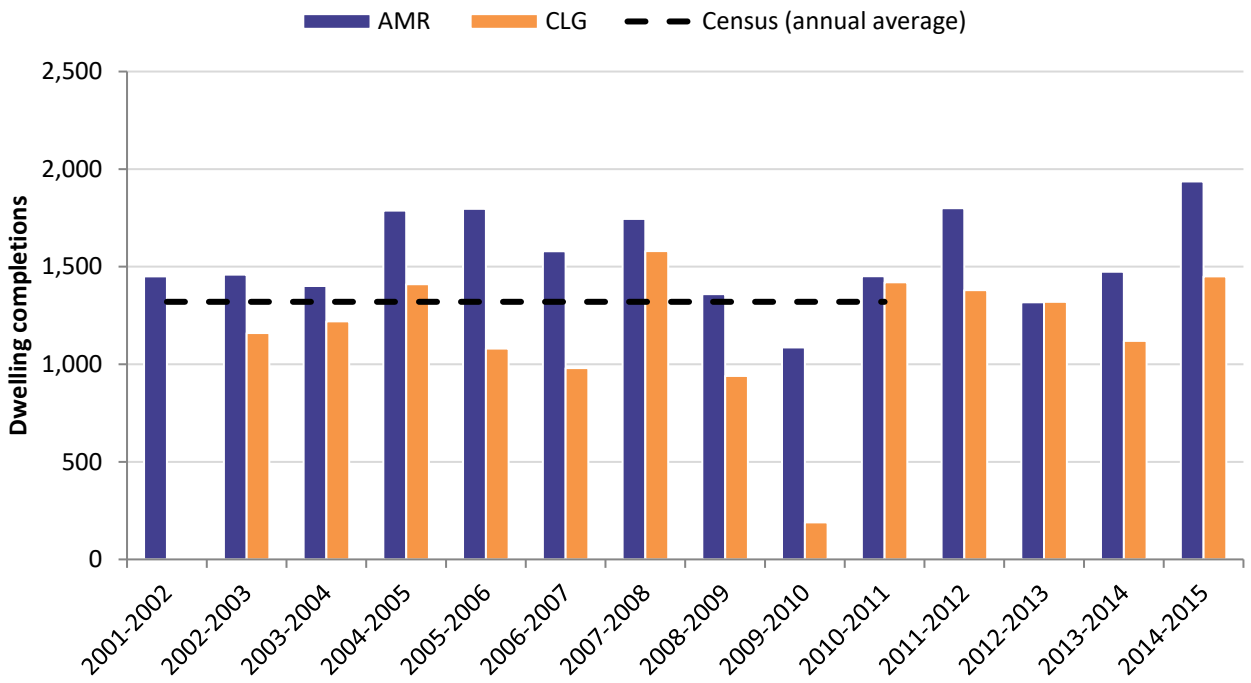
younger family representatives who would not have been counted as part of the household projections. This adjustment has already been incorporated as a response to the identified un-met need for housing, and can be considered as part of the response to market signals.

Housing Development

5.71 Census data shows that the number of dwellings in Luton increased from 72,000 to 76,100 over the 10-year period 2001-11, while the equivalent change in Central Bedfordshire was from 96,900 to 108,700. This represents an increase of 15,700 dwellings across the two authorities equivalent to 9.3% of the stock with a 12.2% growth in Central Bedfordshire and 5.4% growth in Luton. Over the same period, the number of dwellings in England increased from 21.2 million to 23.0 million, equivalent to around 8.3% of the stock. Therefore, housing development in Luton and Central Bedfordshire has been around 12% higher than development across England over the last decade (9.3% divided by 8.3% = 112%).

5.72 Figure 90 compares the data from the Census against housing completions recorded in the Council's Annual Monitoring Report (AMR) and data on housing completions published by CLG. Unfortunately, the data published by CLG contains a number of omissions in the period to 2010, so comparisons are difficult. However, in the years with published data it is clear that AMR data suggests development was higher than suggested by CLG data and also by net growth between the 2001 and 2011 Census. It is likely that at least some of the difference will be associated with the conversion of existing dwellings that have not been recorded by the planning system and also by a loss of stock through demolition.

Figure 90: Annual Housing Completions for Luton and Central Bedfordshire (Source: Central Bedfordshire Annual Monitoring Report; Luton Annual Monitoring Report, Luton SHLAA Report, 2014 CLG Live Tables; Census 2001 and 2011. Note: no CLG data recorded for South Bedfordshire in 2002-03 and 2006-07 and for Central Bedfordshire 2009-10, AMR data for Central Bedfordshire for period 2001-06 based on average dwelling growth over this time period)



Summary of Market Signals

5.73 In terms of the headline outputs relating to the base date of the OAN in 2015, the market signals when compared to relevant comparator areas show:

Figure 91: Summary of Market Signals: Indicators Relating to Price (Note: Affordability Ratios prior to 2013 are calculated using a different source of house price data)

		Luton Borough	Central Beds	Luton & Central Beds	Similar demographic and economic areas			England
					Coventry wider area	Peterborough wider area	Slough wider area	
INDICATORS RELATING TO PRICE								
House prices								
Lower quartile house price	2014- 15 value	£139,300	£175,000	**£160,600**	£109,300	£125,000	£259,200	£136,000
	Relative to England	+2%	+29%	**+18%**	-20%	-8%	+91%	-
	2009-10 value	£120,000	£144,000	**£134,100**	£94,800	£112,400	£201,700	£125,000
	5-year change	+16%	+22%	**+20%**	+15%	+11%	+29%	+9%
Rents								
Average monthly rent	2015-16 value	£770	£878	**£802**	£562	£592	£1,175	£820
	Relative to England	-6%	+7%	**-2%**	-31%	-28%	+43%	-
	2010-11 value	£593	£641	**£618**	£504	£545	£988	£694
	5-year change	+30%	+37%	**+30%**	+11%	+9%	+19%	+18%
Affordability								
Lower quartile house price to earnings	2015 ratio	7.8	9.7	**8.9**	5.9	7.1	11.8	7.0
	Relative to England	+12%	+38%	**+28%**	-16%	+1%	+69%	-
	2010 ratio	7.5	9.0	**8.4**	5.2	6.6	9.6	6.7
	5-year change	+4%	+8%	**+7%**	+14%	+7%	+23%	+5%
INDICATORS RELATING TO QUANTITY								
Overcrowding								
Overcrowded households	2011 proportion	15%	5%	**9%**	8%	6%	11%	9%
	Relative to England	+77%	-48%	**+4%**	-7%	-36%	+31%	-
	2001 proportion	12%	4%	**7%**	7%	4%	9%	7%
	10-year change	+33%	+16%	**+27%**	+15%	+34%	+27%	+23%
Rate of development								
Increase in stock	2001-11 change	+5%	+12%	**+9%**	+7%	+13%	+10%	+8%
	Relative to England	-35%	+41%	**+10%**	-21%	+52%	+14%	-

5.74 As acknowledged earlier in this section, there is no single formula that can be used to consolidate the implications of this information; and furthermore the housing market signals will have been predominantly influenced by relatively recent housing market trends. Nevertheless, on the basis of this data we can conclude:

» **House Prices:** lower quartile prices are higher than the national average (with a lower quartile price of £160,600 compared to England's £136,000). The current price in Luton and Central Bedfordshire is higher than both Coventry and Peterborough, but lower than Slough; probably due to their relative proximity to and connectivity with London. This pattern is consistent with changes over the last 5-years, given lower increases recorded for Coventry and Peterborough but a higher increase recorded for Slough;

- **Rents:** for average private sector rents, Luton and Central Bedfordshire is lower than the national average. While rents in Coventry and Peterborough are lower than Luton and Central Bedfordshire, rents in Slough are significantly higher; consistent with house prices in those areas. Whilst average rents in all areas have increased in the last 5 years, the increase in Luton and Central Bedfordshire is higher than comparator areas and the national average;
- **Affordability** (in terms of the ratio between lower quartile house prices and lower quartile earnings) is currently 28% higher in Luton and Central Bedfordshire than across England as a whole (8.9x cf. 7.0x), and the rate in Luton and Central Bedfordshire is also higher than in Coventry and Peterborough, although not as high as Slough. Whilst affordability ratios have increased by around 7% in Luton and Central Bedfordshire over the 5-year period 2010-15, this increase is notably lower than the increases in both Slough (+23%) and Coventry (+14%) although changes have been comparable with Peterborough. This measure is probably more significant than both house prices and rent, as it is the only indicator that considers both cost and the ability to pay;
- **Overcrowding** (in terms of Census occupancy rates) shows that 9% of households in Luton and Central Bedfordshire are overcrowded based on an objective measure. The proportion of overcrowded households has increased by 27% over the last 10 years although is comparable with England (9%). Overcrowding in Luton and Central Bedfordshire is relatively similar to comparator areas in Coventry and Peterborough, and Slough;
- **Rate of development** (in terms of increase in dwelling stock over the last 10 years) shows that development in Luton and Central Bedfordshire has been relatively similar to England (9% cf. 8%). This rate is below Slough and Peterborough but higher than Coventry. Of course, these figures will inevitably be influenced by local constraints as well as individual policies.

5.75 On the basis of the Market Signals, we can conclude that conditions across the Luton HMA (on the basis of "best fit" data for Luton and Central Bedfordshire LPAs) suggest that the level of **Objectively Assessed Need for the HMA should be higher than suggested by household projections** in isolation. However as previously noted, there is no definitive guidance on what level of uplift is appropriate.

5.76 The market signals uplift will include the specific increase applied for suppressed household formation in order to take account of **concealed families** and **homeless households** that would not be captured by the household projections; a total uplift of 1,917 dwellings of which 1,616 dwellings (84%) are in Luton and 301 dwellings are in Central Bedfordshire (16%). Nevertheless, when all of the indicators are considered collectively, these justify a higher increase overall.

5.77 The 2015 SHMA Update concluded that an uplift of 10% was appropriate for the combined area, and this was supported by a range of representatives at the Luton Local Plan hearings and endorsed by the Inspector in his report:[39]

> *93. The Council has also concluded that that an analysis of 'market signals' justifies an uplift to the OAN of around 10% to the demographic based projection of 42,883 dwellings. The PPG does not set out any specific formula or methodology to quantify the level of any such uplift. Consequently, this too is a matter of judgement based on a consideration of the signals. Overall, I tend to agree that the evidence presented in the SHMA indicates a degree of housing market pressure that justifies an uplift of this scale.*

[39] Luton Local Plan, Inspector's Report August 2017

5.78 The SHMA Update proposed a differential uplift – with a relatively higher uplift of around 20% in Luton (given the acute housing pressures in the borough) and a relatively lower uplift in Central Bedfordshire. However, as market signals fundamentally relate to the housing market area, it is appropriate for any adjustment to be applied across the housing market area as a whole. **On this basis, the new SHMA proposes to maintain the 10% uplift in response to market signals,** with the household projection-based housing need uplifted by 10% in both Luton and Central Bedfordshire.

5.79 It is still important to recognise that Luton borough continues to experience acute housing pressures in particular relating to homelessness and overcrowding, and it may still be appropriate to focus the delivery of this additional housing in the Luton functional housing market area as far as possible. This adjustment is incorporated as part of the response to market signals as both measures are designed to take account of the identified un-met need for housing.

Housing Backlog

5.80 The Planning Advisory Service Good Plan Making Guide[40] identifies that the SHMA should *"re-set the clock"* and provide a new baseline assessment of all housing need. However, the SHMA must take account of 'backlog': any unmet need for housing that exists at the start of the plan period.

> *"Having an up-to-date, robust Strategic Housing Market Assessment should re-set the clock, and therefore carrying forward under-provision from a previous plan period would be 'double counting'. Make sure however that the Strategic Housing Market Assessment takes account of 'backlog' which is unmet need for housing that still exists at the start of the new plan period (for example, the needs of the homeless and other households living in unacceptable accommodation). The Strategic Housing Market Assessment should show all those in need. It is therefore vitally important to have a properly done Strategic Housing Market Assessment that has the right scope."* (page 49)

5.81 This SHMA has fully considered the unmet needs of homeless and other households living in unacceptable accommodation (such as concealed families and sharing households) that existed in 2015. Furthermore, given that the SHMA also identifies all new housing need from the baseline date of 2015, all needs arising over the 20-year period 2015-35 have been identified and there will be no additional unmet need for housing to be counted for Plans with this base date.

Conclusions

5.82 The *"starting point"* estimate for OAN is the CLG household projections, and the latest published data is the 2014-based projections for period 2014-39. These projections suggest that household numbers across the study area will increase by 57,536 over the 20-year Plan period 2015-35, an average of 2,877 per year.

5.83 However, a comprehensive review of the local demographic evidence identifies some significant problems with the official population data for the area which affect the official population projections. Consistent with PPG, the SHMA therefore takes full account of these *"factors affecting local demography"* through developing independent household and population projections based on long-term 10-year migration trends. These projections identify that **household numbers across the study area are projected to increase by 44,389 households over the 20-year Plan period 2015-35.**

[40] http://www.pas.gov.uk/documents/332612/6363137/Pages+from+FINAL+PAS+Good+Plan+Making+-6.pdf

5.84 We have identified that the baseline household projections should be increased by 1,917 households to take account of **concealed families** and **homeless households** that would otherwise not be captured due to suppressed household formation rates. On this basis, the demographic projections identify a total increase of 46,252 households over the 20-year Plan period. This adjustment responds to identified un-met need for affordable housing and also addresses suppressed household formation rates. **Providing for an increase of 46,252 households yields a baseline housing need of 47,906 dwellings over the 20-year period 2015-35.**

5.85 While demographic projections form the starting point for Objectively Assessed Need calculations, it is necessary to consider whether a higher rate of housing delivery may be needed to help address housing market problems. Further adjustments may be needed in response to balancing jobs and workers, market signals or any backlog of housing provision. However, it is important to recognise that these adjustments are not necessarily cumulative: it is necessary to consider them collectively.

5.86 Figure 92 summarises each of the stages for establishing the Full Objectively Assessed Need for Housing for Luton and Central Bedfordshire over the 20-year period 2015-35.

Figure 92: Full Objectively Assessed Need for Housing across Luton and Central Bedfordshire 2015-35

Stage		Luton	Central Bedfordshire	TOTAL
HOUSEHOLDS				
Demographic starting point CLG household projections 2015-35		**22,948**	**34,587**	**57,535**
Adjustment for local demographic factors and long-term migration trends 10-year migration trend 2005-15		-6,297	-6,849	-13,146
Baseline household projections taking account of local circumstances		**16,651**	**27,738**	**44,389**
DWELLINGS				
Allowance for transactional vacancies and second homes Based on dwellings without a usually resident household		449	1,151	1,600
Housing need based on household projections taking account of local circumstances		**17,100**	**28,889**	**45,989**
Adjustment for suppressed household formation rates Concealed families and homeless households		1,574 + 42 = 1,616	289 + 12 = 301	1,863 + 54 = 1,917
Baseline housing need based on demographic projections		**18,716**	**29,190**	**47,906**
Further adjustments needed…	**In response to balancing jobs and workers** Forecast jobs growth yields shortfall of workers based on current commuting rates; uplift needed to the baseline housing need	-	-	-
	In response to market signals 2,682 dwellings needed (in addition to the 1,917 dwellings for concealed families and homeless households) to deliver the proposed uplift of 10% (a total of 4,599 extra dwellings)	10% x 17,100 = 1,710 1,710 - 1,616 = **+94**	10% x 28,889 = 2,889 2,889 - 301 = **+2,588**	10% x 45,989 = 4,599 4,599 - 1,917 = **+2,682**
Combined impact of the identified adjustments		**+94**	**+2,588**	**+2,682**
Full Objectively Assessed Need for Housing 2015-35		**18,810**	**31,778**	**50,588**

5.87 The evidence from the forecast increase in jobs and the projected increase in workers identifies that there will be more than sufficient extra workers for the extra jobs, and the planned number of jobs aligns with the projected number of workers; so there is no need to increase housing delivery to provide any additional workers.

5.88 **An uplift of 10% is proposed as an appropriate response to the market signal indicators, which represents an additional 4,599 dwellings.** The overall housing need has already been increased by 1,917 dwellings to take account of concealed families and homeless households not captured by the household projections, and this should be considered as part of the response to market signals; but an additional increase of 2,682 dwellings is needed to deliver the overall uplift of 4,599 dwellings that has been identified.

5.89 Of course, it is important to remember that *"establishing future need for housing is not an exact science"* (PPG ID 2a-014). Whilst the OAN must be underwritten by robust evidence that is based on detailed analysis and informed by reasonable assumptions, the final conclusions should reflect the overall scale of the housing needed in the housing market area without seeking to be spuriously precise.

5.90 **On this basis, the new SHMA identifies the Full Objective Assessed Need for Housing in Luton and Central Bedfordshire to be 51,000 dwellings over the 20-year period 2015-35, equivalent to an average of 2,550 dwellings per year.** This comprises 19,000 dwellings in Luton, an increase of 1,200 dwellings (6.7%) on the OAN of 17,800 identified by the previous SHMA for the period 2011-31; and 32,000 dwellings in Central Bedfordshire, an increase of 2,500 dwellings (8.5%) on the OAN of 29,500 for the previous period 2011-31. A further 850 dwellings would be needed in Luton borough for the additional year to 2036.

5.91 The OAN takes full account of household growth based on CLG 2014-based projections (the starting point); corrects for local demographic factors, particularly those affecting data quality; adjusts for long-term migration trends (which assume a higher rate of net migration to the rest of England); responds to suppressed household formation through providing for the growth of concealed families; responds to market signals and takes account of vacant and second homes.

5.92 The annual OAN of 2,550 dwellings is the average number of dwellings needed every year over the period 2015-35 and represents an average increase in the dwelling stock of 1.3% each year over the 20-year Plan period, notably higher than the 1.0% growth required across England to deliver 239,500 dwellings annually and towards the upper-end of the rate of housing need identified in areas surrounding Central Bedfordshire and Luton.

5.93 The annual average OAN of 2,550 dwellings is also notably higher than rates of housing delivery in Luton and Central Bedfordshire over the 10-year period 2001-11 (which have averaged around 1,320 dwellings each year) and therefore represents a step-change in historic rates of housing supply, which have already started to increase. Housing completion rates for the period 2010-15 have averaged around 1,600 annually (based on AMR data) and have now reached almost 2,000 dwellings (1,937 in 2014/15). The OAN identified therefore requires these recent higher rates of housing delivery to further increase and to be sustained at this level over the 20-year Plan period.

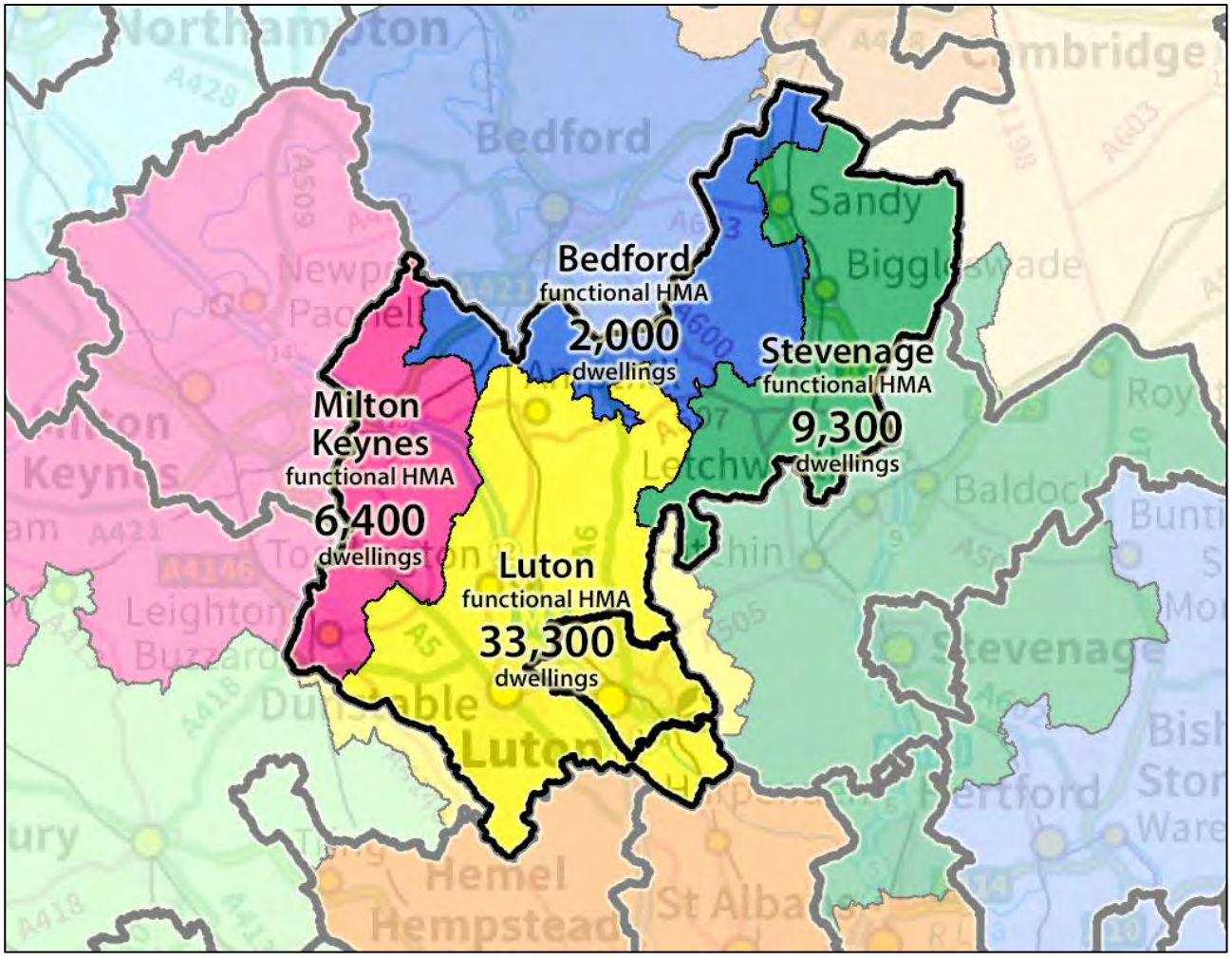
Need by Functional Housing Market Area

5.94 The SHMA has considered the OAN for Luton and Central Bedfordshire administrative areas as a "best fit" to the Luton functional housing market area. Nevertheless, Central Bedfordshire's administrative area is in practice divided between four functional housing areas:

- Bedford functional HMA;
- Luton functional HMA;
- Milton Keynes functional HMA; and
- Stevenage functional HMA.

5.95 Given the Full OAN of 51,000 dwellings identified for the combined area of Luton and Central Bedfordshire (comprised of 19,000 dwellings in Luton borough and 32,000 dwellings in Central Bedfordshire), Figure 93 shows the distribution of Housing Need across the four functional HMAs (within Luton and Central Bedfordshire LPAs). This is based on a simple pro rata distribution based on the existing population at the time of the last Census in 2011, an approach that was endorsed by the Luton Local Plan Inspector.[41]

Figure 93: Objectively Assessed Need for Housing across the functional Housing Market Areas within Luton and Central Bedfordshire 2015-35 (Note: Figures only identify need within Luton and Central Bedfordshire administrative areas)



[41] Luton Local Plan, Inspector's Report August 2017, para 96: *"The approach taken in the SHMA to arrive at these figures appears reasonable"*

6. Housing needs of different groups

Considering the need for all types of housing

6.1 The National Planning Policy Framework states that Local Plans should meet the *"full, objectively assessed needs for market and affordable housing in the housing market area"* (paragraph 47) and identifies that local planning authorities should seek to *"deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities"* and plan for the *"needs of different groups"*:

> *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);*
>
> » *identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and*
>
> » *where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.*
>
> **National Planning Policy Framework (NPPF), paragraph 50**

6.2 On this basis, Planning Practice Guidance (PPG) sets out that:

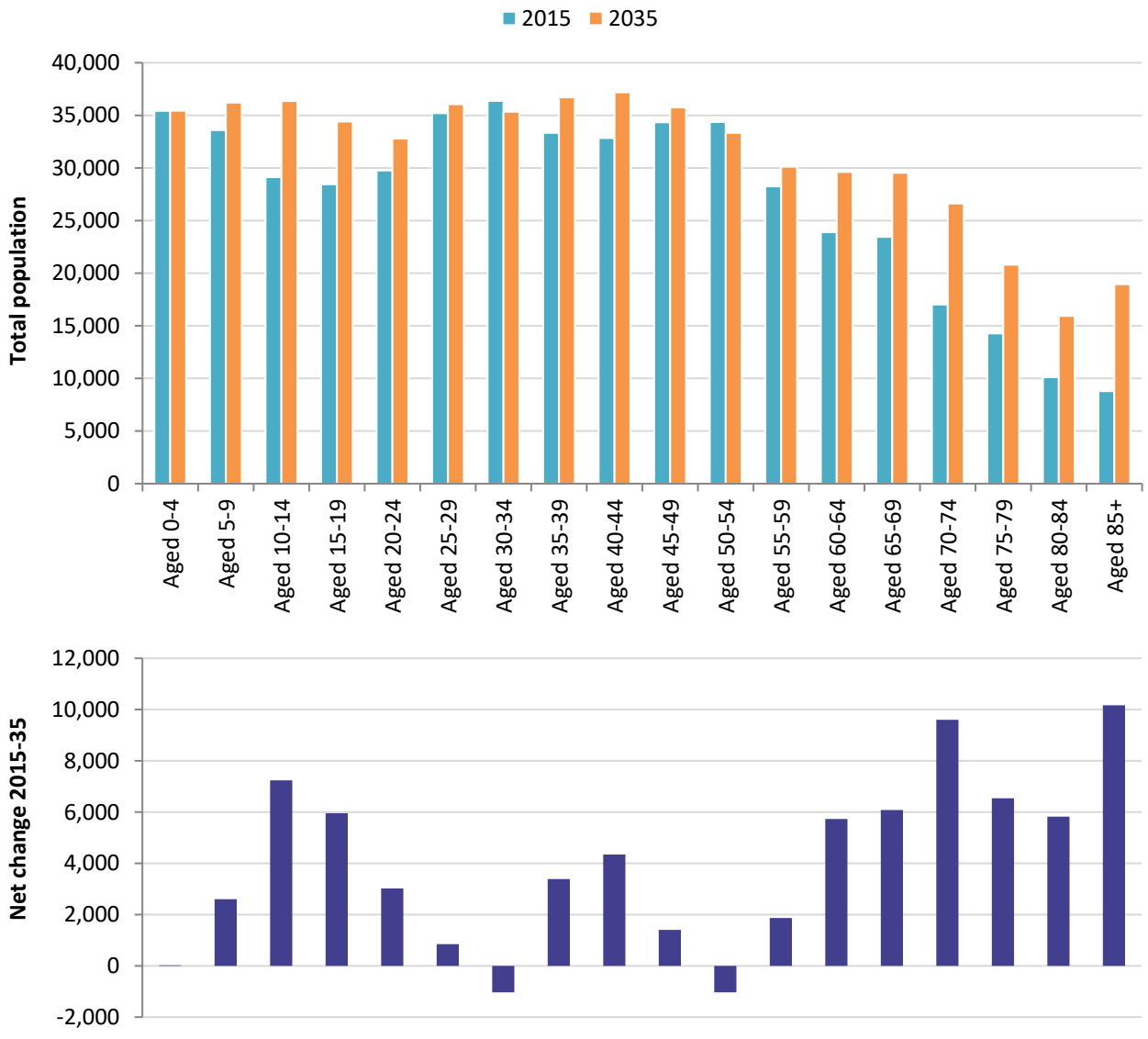
> *Once an overall housing figure has been identified, plan makers will need to break this down by tenure, household type (singles, couples and families) and household size. Plan makers should therefore examine current and future trends of:*
>
> » *the proportion of the population of different age profile;*
>
> » *the types of household (e.g. singles, couples, families by age group, numbers of children and dependents);*
>
> » *the current housing stock size of dwellings (e.g. one, two+ bedrooms);*
>
> » *the tenure composition of housing.*
>
> *This information should be drawn together to understand how age profile and household mix relate to each other, and how this may change in the future. When considering future need for different types of housing, plan makers will need to consider whether they plan to attract a different age profile e.g. increasing the number of working age people.*
>
> **Planning Practice Guidance (March 2015), ID 2a-021**

Projected Population Age Profile

6.3 Population projections based on long-term migration trends and which take account of local demographic factors were considered in chapter 3. These projections show that the population is likely to increase from 488,600 persons to 562,200 persons over the 20-year period 2015-35; a 20-year increase of 72,500 persons, equivalent to an average of around 3,600 persons each year. Figure 94 shows the projected change in population by 5-year age band for the 20-year period 2015-35 based on the detailed data previously presented separately for Luton (Figure 42) and Central Bedfordshire (Figure 44).

6.4 The number of persons in almost all age groups is projected to increase. The population aged 20-64 is projected to increase by 18,500 persons (which accounts for just over a quarter of the overall growth) and an increase of 15,800 persons aged under 20 accounts for almost a further quarter (22%). Nevertheless, over half of the overall population growth (38,200 persons equivalent to 53%) is projected to be aged 65 or over, including an increase of 22,500 persons aged 75 or over (31% of the overall growth). This is particularly important when establishing the types of housing required and the need for housing specifically for older people.

Figure 94: Luton and Central Bedfordshire population projections 2015-35 by 5-year age cohort based on 10-year migration trend scenario



Household Projections

6.5 Figure 95 summarises the total number of households in 2015 and 2035 in terms of the age of household representatives, together with the change in the number of households in each category over the 20-year period 2015-35.

6.6 The trend-based household projections identified a growth of 44,400 households based on the population projections above, which yielded a housing need of 46,000 dwellings (Figure 56). Nevertheless, the SHMA recommended that a higher number of dwellings should be provided to respond to market signals and ensure a balance between future jobs and workers.

6.7 The Full Objectively Assessed Need (OAN) was established to be 51,000 dwellings over the 20-year period 2015-35. Providing a larger number of homes will yield a higher number of households than suggested by the trend-based projections; an additional 4,800 households over the 20-year period. Therefore, the total household growth is likely to be around 49,200 additional households.

Figure 95: Total projected households for 2015 and 2035 and summary of 20-year change by age of household representative (Note: Figures may not sum due to rounding)

	Age of Household Representative								TOTAL
	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	
TOTAL HOUSEHOLDS									
2015	5,500	29,700	36,900	39,700	30,700	25,100	17,100	6,400	191,100
2035	6,400	30,300	44,300	41,900	36,300	36,300	25,500	14,400	235,500
TREND-BASED CHANGE 2015-2035	**+900**	**+600**	**+7,400**	**+2,200**	**+5,600**	**+11,200**	**+8,400**	**+8,000**	**+44,400**
Impact of OAN Uplift	+100	+700	+1,200	+900	+600	+500	+300	+100	+4,400
TOTAL CHANGE 2015-2035	**+1,000**	**+1,400**	**+8,600**	**+3,100**	**+6,100**	**+11,700**	**+8,700**	**+8,100**	**+48,800**

6.8 Considering this growth in terms of the age of household representatives, it is evident that the increase in older people is also reflected in terms of household types. Whilst the increase in people aged 65+ represented half of the overall population growth, the increase in households aged 65+ represents around three fifths (62%) of the trend-based growth: 27,600 households out of the 44,400 total. Taking account of the OAN uplift increases the likely growth of older households to 28,500, equivalent to 58% of the total.

6.9 Nevertheless, many of these older households will already be established and living in existing homes in Luton and Central Bedfordshire. They will simply get older during the Plan period. It is therefore also important to consider household growth in relation to age cohorts.

6.10 Figure 96 shows the projected number of households in each cohort, showing their age in both 2015 and 2035. For example, there were 29,700 households aged 25-34 in 2015 and these same households would be aged 45-54 by 2035. The trend-based projection identified that total number of households aged 45-54 in 2035 would be 41,900; therefore an extra 12,200 households. Together with a further 900 households following the OAN uplift, the total growth is likely to be around 13,200 households in this cohort; partly due to new household formations and partly due to net migration.

6.11 Based on the cohort analysis, it is apparent that around 90,800 extra households aged under 55 (in 2035) will be likely to form in Luton and Central Bedfordshire over the period 2015-35. This includes 31,100 households aged 25-34 and 40,000 households aged 35-44 (although many of those aged 35-44 in 2035 may have already formed households by 2021, at which time that they were also aged 25-34).

Figure 96: Total projected households for 2015 and 2035 and summary of 20-year change by age cohort of household representative (Note: Figures may not sum due to rounding)

	Age of Household Representative								TOTAL
Age in 2015	< 5	5-14	15-24	25-34	35-44	45-54	55-64	65+	
Age in 2035	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	
TOTAL HOUSEHOLDS									
2015	-	-	5,500	29,700	36,900	39,700	30,700	48,500	191,100
2035	6,400	30,300	44,300	41,900	36,300	36,300	25,500	14,400	235,500
TREND-BASED CHANGE 2015-2035	**+6,400**	**+30,300**	**+38,800**	**+12,200**	**-600**	**-3,400**	**-5,200**	**-34,100**	**+44,400**
Impact of OAN Uplift	+100	+700	+1,200	+900	+600	+500	+300	+100	+4,400
TOTAL CHANGE 2015-2035	**+6,500**	**+31,100**	**+40,000**	**+13,200**	**-**	**-3,000**	**-5,000**	**-34,000**	**+48,800**

6.12 We previously noted that the overall growth was 48,800 households over the 20-year period 2015-35, which is lower than the number of new households forming. Nevertheless, the 90,800 extra household aged under 55 are offset against a reduction of 42,000 households aged 65 or over (in 2035). Most of this reduction is due to household dissolution following death (although some may be due to net migration):

- 48,500 households were aged 65+ in 2015, who would be aged 85+ in 2035 if they had survived;
- The projected number of households aged 85+ in 2035 is 14,500, which represents a reduction of 34,000 households whose existing homes would be vacated.

6.13 Whilst the increase in overall households is largely amongst those aged 65+, we can therefore conclude that most of the new households seeking housing will actually be in their twenties and thirties at the time that they form. However, the total number of new households is likely to be more than double the overall household growth; so it is also important to recognise that many new households will buy or rent existing housing, and not all new housing will be occupied by new households.

Projected Household Types

6.14 When considering future need for different types of housing, it is important to recognise that households of different ages are likely to have different housing needs. Similarly, households of different types (singles, couples and families) within each age group will also have different housing needs.

6.15 Figure 97 shows the household numbers for 2015 and 2035 based on the trend-based based projections by household type and age; together with the net change (based on both the trend-based projections and the impact of the OAN uplift) for each group. This is based on the number in each age category rather than the number in each age cohort, as it is assumed that the housing needs are more likely to be influenced by the actual age rather than the year of birth.

6.16 In summary:

- Single person households represent a fifth (19%) of the overall household growth: an increase of 9,100 over the 20-year period, including 5,000 extra single person households aged 85 or over;
- Families with dependent children represent around two fifths (41%) of the overall growth: an increase of 11,100 lone parent households and 9,000 extra couples with dependent children; and
- Couples without dependent children represent 23% of the growth and “other” households represent 17% of the total, with increases of 11,400 and 8,200 households respectively.

Figure 97: Total projected households for 2015 and 2035 and summary of 20-year change by household type and age of household representative (Note: Figures may not sum due to rounding)

Household Type	Age of Household Representative								TOTAL
	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	
TOTAL HOUSEHOLDS 2015									
Single person	1,500	7,400	6,800	7,300	6,600	7,000	10,000	4,400	50,900
Couple without children	700	6,400	4,600	13,600	19,000	15,400	4,300	1,300	65,300
Couple with child(ren)	700	9,400	18,400	13,700	2,900	500	100	-	45,700
Lone parent	1,300	5,000	6,200	3,000	400	100	100	100	16,200
Other households	1,400	1,600	900	2,200	1,800	2,100	2,600	600	13,100
TOTAL	**5,500**	**29,700**	**36,900**	**39,700**	**30,700**	**25,100**	**17,100**	**6,400**	**191,100**
TOTAL HOUSEHOLDS 2035									
Single person	1,000	7,100	8,300	7,900	6,900	7,600	11,800	9,300	60,000
Couple without children	400	5,500	4,400	11,000	22,000	23,600	6,800	3,100	76,700
Couple with child(ren)	700	8,700	21,000	17,500	5,100	1,200	300	0	54,600
Lone parent	2,100	7,900	11,000	4,700	700	300	300	200	27,300
Other households	2,300	1,900	800	1,800	2,100	4,000	6,700	1,800	21,400
TOTAL	**6,500**	**31,100**	**45,500**	**42,900**	**36,900**	**36,800**	**25,800**	**14,500**	**239,900**
TOTAL CHANGE 2015-2035									
Single person	-400	-300	+1,500	+600	+300	+600	+1,800	+5,000	+9,100
Couple without children	-300	-900	-200	-2,600	+3,000	+8,200	+2,500	+1,800	+11,400
Couple with child(ren)	-	-600	+2,600	+3,800	+2,300	+700	+200	-	+9,000
Lone parent	+800	+2,900	+4,800	+1,700	+300	+200	+200	+200	+11,100
Other households	+1,000	+300	-100	-400	+300	+2,000	+4,100	+1,100	+8,200
TOTAL CHANGE	**+1,000**	**+1,400**	**+8,600**	**+3,100**	**+6,100**	**+11,700**	**+8,700**	**+8,100**	**+48,800**

Housing Mix: Size and Tenure

6.17 When considering future need for different types of housing, the model assumes that the housing mix needed by households of each household type and age will reflect current patters. For example, a growth in single person households aged 65-74 will lead to an increase in the need for the type of housing currently occupied by single person households of this age. On this basis, where such households continue to live in family housing despite no longer having a family living with them, this need for family housing will still be counted.

6.18 Figure 98 identifies the need for market housing and affordable housing of different types (in terms of flats and houses) and sizes (in terms of number of bedrooms).

6.19 Most of the market housing need is for housing (32,800 dwellings over the 20-year period) with a need for 1,500 flats also identified (around 5%), and the need for affordable housing is also predominantly for housing (around 12,500 dwellings) with a need for around 4,200 flats (around 25%). Whilst the need for affordable housing with four or more bedrooms is around 10% of the overall need, this represents a need for around 1,500 large affordable homes that need to be provided over the 20-year period 2015-35. Much of this need will be from existing households living in overcrowded accommodation.

Figure 98: Housing mix of OAN for market and affordable housing by local authority (Source: ORS Housing Model. Note: Figures may not sum exactly due to arithmetic rounding)

		Market Housing			Affordable Housing		
		Luton	Central Bedfordshire	TOTAL	Luton	Central Bedfordshire	TOTAL
Flat	1 bedroom	110	730	800	480	1,140	1,600
	2+ bedrooms	-80	750	700	1,520	1,090	2,600
House	2 bedrooms	1,300	3,540	4,800	1,410	2,660	4,100
	3 bedrooms	7,330	13,040	20,400	4,210	2,700	6,900
	4 bedrooms	1,700	4,890	6,600	1,020	510	1,500
	5+ bedrooms	40	960	1,000			
TOTAL		**10,400**	**23,900**	**34,300**	**8,600**	**8,100**	**16,700**

6.20 Of course, the spatial distribution of housing provision will be determined through the planning process; which will also consider the most appropriate location for market and affordable housing, and the type and size of properties to be provided in different areas.

Affordable Housing Tenure

6.21 Within the overall need of 16,700 affordable homes identified by the model, it is possible to consider the mix of different affordable housing products that would be appropriate based on the mix of households needing affordable housing.

6.22 In order to profile the affordability of the mix of households needing affordable housing, income data from the English Housing Survey and ONS Survey of Personal Incomes has been combined and modelled to establish the income distribution by household type and age in the two local authority areas. This excludes any income from housing benefit, as the analysis seeks to determine to what extent housing benefit would be needed by households in each group. Figure 79 sets out the housing mix in terms of property type, size and affordable housing tenure in each of the local authority areas based on households spending up to 35% of gross household income on housing costs.

Figure 99: Assessing affordable housing mix by local authority (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

		Affordable Rent			Intermediate Affordable Housing		
		Luton	Central Bedfordshire	TOTAL	Luton	Central Bedfordshire	TOTAL
Flat	1 bedroom	340	940	1,280	140	200	340
	2+ bedrooms	1,040	780	1,820	480	310	790
House	2 bedrooms	1,000	1,900	2,900	420	760	1,180
	3 bedrooms	2,970	1,850	4,820	1,240	850	2,090
	4+ bedrooms	800	380	1,180	230	130	360
TOTAL		**6,150**	**5,850**	**12,000**	**2,500**	**2,250**	**4,750**

6.23 When considering the need by affordable housing tenure, almost three quarters (72%) of households in need of affordable housing need affordable rent when 35% of their gross income is allocated to housing: many of these households will therefore depend on housing benefit. Nevertheless, up to 28% of households in need of affordable housing could afford intermediate affordable housing products, such as shared equity or other forms of low cost home ownership.

The Private Rented Sector

6.24 The English Housing Survey (EHS) 2014-15[42] identified that 19% (4.3 million) of households were renting from a private landlord, much higher than the rate of 12% a decade earlier in 2004-05. The EHS also shows that households aged 25-34 were more likely to be renting privately (46%) than buying a home, up from 24% in 2004-05. Owner occupation in this age group dropped from 57% to 37% over the same 10-year period.

6.25 Growth in the Sector seems likely to continue, driven by a combination of demand and supply factors:

- Increasing demand from more households;
- Recent reductions in incomes (in real terms);
- Affordability of owner occupation reducing;
- Changing Bank lending practices: the number of Buy-to-Let (BTL) mortgages granted in 2014 (c.30,000 monthly average) is higher than those granted to First-time Buyers (c.25,000); and
- Pensions reform: pension drawdowns invested in BTL property.

6.26 The growth of the Sector has been acknowledged as both a growing and long term option for meeting the nation's housing need. CLG (with the Intermediary Mortgage Lenders Association forecast) that the private rented sector will increase in size to 35% nationally by 2032[43]. On this basis, the number of households renting privately could double again over the next twenty years.

6.27 Given this context, PPG recognises the importance of understanding the likely future role of the private rented sector:

> ***The private rented sector***
>
> *Tenure data from the Office of National Statistics can be used to understand the future need for private rented sector housing. However, this will be based on past trends. Market signals in the demand for private rented sector housing could be indicated from a change in rents.*
>
> **Planning Practice Guidance (March 2014), ID 2a-021**

6.28 Policy by both Government and Local Authorities is focussed on improving Management and Maintenance in the sector (via licensing or self-regulation schemes) and expanding supply[44] (including the Build to Rent investment scheme[45]). The Government published *"Improving the Private Rented Sector and Tackling Bad Practice: A guide for local authorities"* in March 2015[46], and the Forward by the Minister stated:

> *"The private rented sector is an important and growing part of our housing market, housing 4.4 million households in England. The quality of housing in the sector has improved dramatically over the last decade. It is now the second largest tenure and this growth is forecast to continue growing. I am proud of this growth as it shows increasing choice, improving standards whilst helping to keep rents affordable. The Government supports a bigger and better private rented sector and wants to see this growth continue."*

[42] https://www.gov.uk/government/statistics/english-housing-survey-2013-to-2014-headline-report
[43] http://news.rla.org.uk/rpi-rent-revolution/
[44] https://www.gov.uk/government/publications/private-rented-homes-review-of-the-barriers-to-institutional-investment
[45] https://www.gov.uk/government/publications/build-to-rent-round-2-initial-due-diligence
[46] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/412921/Improving_private_rented_sector.pdf

6.29 The policy to support low-income households in the private rented sector with housing benefit is long-standing and housing benefit is explicitly factored into the long-term forecasts for public spending. However, there have been a number of legislative changes affecting the calculation and payment of housing benefit in the private rented sector, and these are set out below:

Figure 100: Summary of legislative changes affecting private tenants' LHA (Source: HM Treasury, DWP)

Effective from	Change
April 2011	Introduction of absolute caps on the maximum rates that can be paid for each size of property
	Ending of the 5 bedroom rate – LHA restricted to 4 bedroom rate
	Stopping claimants being able to keep up to a £15 'excess' above their actual rent if it is below the LHA
	Increasing deductions for non-dependants living with HB claimants
	Increasing the Government's contribution to Discretionary Housing Payments
	Amending size criteria to allow an extra bedroom for disabled claimants with a non-resident carer
October 2011	Setting maximum LHA at the 30th percentile of local rents instead of the median
January 2012	Increasing age qualification for Shared Accommodation Rate from 25 to 35 years old
April 2013	Increasing LHA rates over time by the Consumer Price Index instead of referencing market rents – increase by 1% from April 2014 except in high rent areas
	Reducing LHA by 10% for those claiming JSA for over a year – not implemented
	Council Tax Benefit replaced by localised Council Tax Reduction schemes
	Parts of the Social Fund abolished, including Community Care grants and Crisis Loans
	Universal Credit implementation begins (with a pathfinder) to complete by 2017
	Spare room subsidy ('bedroom tax') introduced
June 2013	End of DLA, PIP begins for new claims
July 2013	Benefit cap implementation
	Universal Credit pathfinder expands
October 2013	Temporary Accommodation to have housing costs met in line with Local Housing Allowance rates
	Reassessment of existing Disability Living Allowance migration to Personal Independence Payment begins
	Universal Credit roll-out begins
	Incapacity benefit abolished; all claimants move to Employment Support Allowance (ESA) by late 2017
	Expansion of PIP/DLA reassessment for existing claimants
April 2014	Removal of access to Housing Benefit for EEA Jobseekers
	LHA uprating limited to 1 per cent
	Help to work scheme introduced for those unemployed 2 years +
April 2016	State Pensions Age increases begin
	Four year freeze to certain working age benefits (pensioner benefits, DLA, PIP not frozen)
	Four-year freeze to local housing allowance rates
	Lowering the benefit cap to £23,000 in London and £20,000 elsewhere
	Universal credit claims will be limited to two children from April 2017 (with some exceptions)
	Removing entitlement to housing support for those aged 21 or under (with some exemptions)

6.30 It is therefore important for local authorities to consider the role of the private rented sector at a local level and recognise the way in which private rented housing will continue to provide housing options for households unable to afford their housing costs in future. Nevertheless, local authorities need to understand the range of different households in their areas that currently rent from private landlords and consider their policy responses accordingly.

Private Rented Sector in Luton and Central Bedfordshire

6.31 Considering the trends of tenure mix for Luton and Central Bedfordshire, it is evident that there have been some significant changes in the balance between owner occupiers and tenants renting their home.

- **From 1981-1991:** the number of owner occupiers climbed significantly (increasing from 83K to 109K households, a gain of 26 thousand). This was partly as a consequence of the Right to Buy, which led to a decline in the number of social tenants (reducing from 32K to 26K households, a loss of six thousand); however there was no change in the number of private tenants (constant at 12K).
- **From 1991-2001:** the number of owner occupiers continued to climb albeit at a slower pace (increasing from 109K to 123K households, a gain of 14 thousand); however this was alongside a growth of private tenants (increasing from 12K to 17K households, a gain of five thousand). The number of social tenants continued to decline (reducing from 26K to 25K households, a loss of a further thousand).
- **From 2001-2011:** the number of owner occupiers reduced fractionally (falling from 123K to 122K households, a loss of a thousand) whilst the number of private tenants increased substantially (from 17K to 31K households, a gain of 14 thousand). The number of social tenants also increased marginally (from 25K to 26K households, a gain of just under a thousand), though still remained below the number of social tenants recorded in 1991.

6.32 It is evident that the overall balance between owners and renters is similar in 2011 to the position in 1981, with around a third renting and two thirds owning. Nevertheless, the balance between social rent and private rent has changed significantly: a quarter of tenants rented privately in 1981 (9% out of 35%) whereas more than half rented privately in 2011 (18% out of 32%).

Figure 101: Number of Households by Tenure 1981-2011 (Source: UK Census of Population)

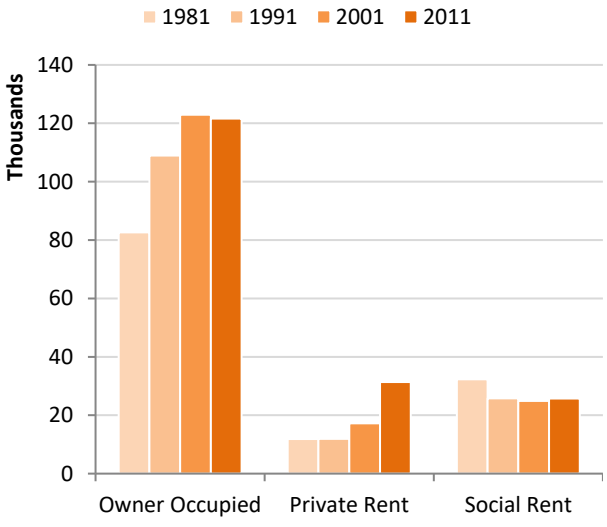


Figure 102: Percentage of Households by Tenure 1981-2011 (Source: UK Census of Population)

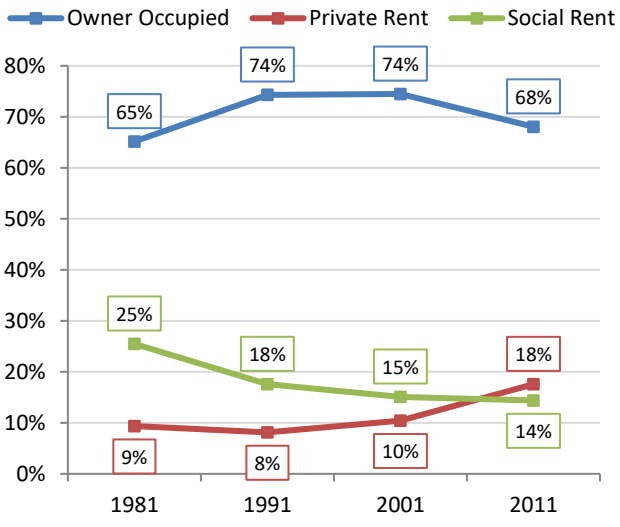


Figure 103: Households by Tenure 1981-2011 (Source: UK Census of Population)

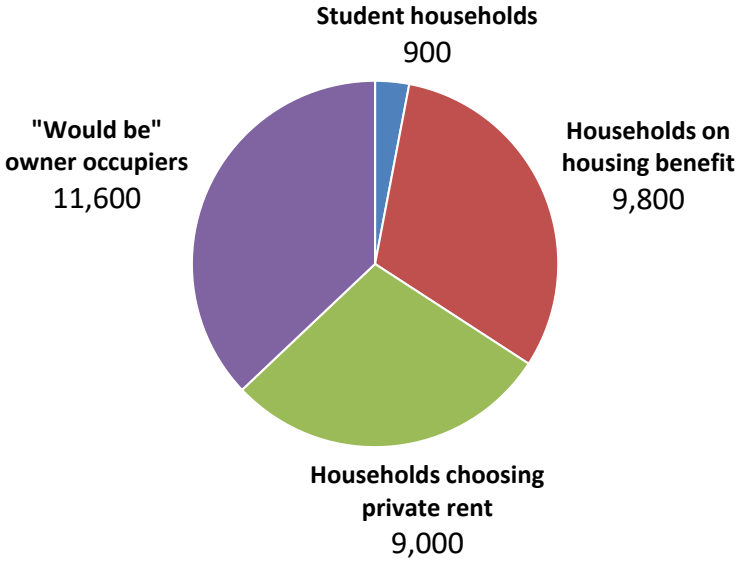
Tenure	Total Households				Net Change		
	1981	1991	2001	2011	1981-1991	1991-2001	2001-2011
Owner occupied	82,600	109,000	122,900	121,600	+26,400	+13,900	-1,300
Private rent	11,900	11,900	17,200	31,400	-	+5,300	+14,200
Social rent	32,300	25,800	24,900	25,700	-6,500	-900	+800
TOTAL	**126,800**	**146,700**	**165,000**	**178,700**	**+19,900**	**+18,300**	**+13,700**
Owner occupied	65.2%	74.3%	74.5%	68.1%	133%	76%	-10%
Private rent	9.4%	8.1%	10.4%	17.6%	0%	29%	104%
Social rent	25.5%	17.6%	15.1%	14.4%	-33%	-5%	6%

6.33 Based on the range of information available about tenants currently renting privately in Luton and Central Bedfordshire, it is helpful to consider the mix of different types of household living in the area:

- 900 properties are rented by households that are students, although this is only 3% of the sector;
- 9,800 properties are rented by households in receipt of housing benefit, almost a third (31%) of the sector;
- A further 20,700 households are renting privately; however if the proportion of owner occupiers had not changed between 2001 and 2011, 11,600 of these households would have owned their home. This represents over a third (37%) of all households renting privately; and
- 9,000 households are therefore renting privately through choice, due to their current personal, family, employment or other circumstances.

6.34 It is important to recognise that the 11,600 households identified as "would be" owner occupiers are not included within the need for affordable housing, as they are able to rent market housing without financial support through housing benefit even if they cannot afford to buy. As previously noted, the NPPF seeks to *"widen opportunities for home ownership"* (paragraph 50) and national schemes such as Help-to-Buy and the Starter Home Initiative aim to help people onto the housing ladder. **Given the number of "would be" owner occupiers in Luton and Central Bedfordshire, the Councils may wish to consider any local options for extending home ownership to these households.**

Figure 104: Mix of household types living in the private rented sector (Source: UK Census of Population 2011 and DWP)



Service Families

6.35 Paragraph 50 of the NPPF identifies that local planning authorities should plan for the needs of different groups in the community, including service families.

6.36 The Government made a commitment towards housing members of the armed forces in the Armed Forces Covenant (2011) and *"Laying the Foundations: A Housing Strategy for England 2011"* (HM Government). Subsequently, in June 2012, the Government revised Guidance regarding priority for access to social housing for former members of the armed forces above that offered to other people in housing need. Whereas Local authorities had been ***expected*** to give seriously injured service personnel "additional preference" (higher priority) for the allocation of social housing since 2009, this "additional preference" ***should*** now be given to applications from certain serving and ex-members of the armed forces who come within the reasonable preference categories defined in sub-section 166A (3) of the "*Housing Act 1996"* who have urgent housing needs.

6.37 "The Allocation of Housing (Qualification Criteria for Armed Forces Personnel) (England) Regulations 2012" and the "Housing Act 1996 (Additional Preference for Former Armed Forces Personnel) (England) Regulations 2012" both strengthened the position of some armed forces personnel in seeking to access social housing. There are a number of housing schemes that are available to the Service and Ex-Service community under the HomeBuy umbrella. HomeBuy enables social tenants, Ministry of Defence Personnel and other first time buyers to buy a share of a home and get a first step on the housing ladder in England. In addition, the MOD Referral Scheme with Housing Associations in c.180 locations aims to provide low-cost, rented accommodation for people coming out of the Services.

6.38 Mandatory Disabled Facilities Grants (DFGs) are available from local authorities, subject to a means test, for essential adaptations to give disabled people better mobility at home and access to essential facilities. "*The Nation's Commitment: Cross Government Support to our Armed Forces, their Families and Veterans"* (July 2008) made it clear that injured service personnel who bought a home through what was then the Key Worker Living Scheme might be eligible for a DFG to carry out necessary adaptation work.

6.39 Considering service families in Central Bedfordshire and Luton, Figure 105 shows the number of residents employed in the Armed Forces. There were a total of 89 service personnel living in Luton and 969 service personnel living in Central Bedfordshire at the time of the 2011 Census. The majority of these livied in households, however 283 of those living in Central Bedfordshire were living in a communal establishment (such as barracks).

Figure 105: Luton and Central Bedfordshire residents employed in the Armed Forces (Source: 2011 Census)

	Luton	Central Bedfordshire	TOTAL
Usual residents employed in the Armed Forces			
Living in a household	87	686	775
Living in a communal establishment	0	283	283
TOTAL	**87**	**969**	**1,056**
Percentage of population aged 16+	*0.1%*	*0.5%*	*0.3%*

6.40 The overall number of service personnel represents only 0.3% of the population aged 16 or over, therefore service families are relatively small in number in the housing market area. The needs of these families are already included within the overall housing need identified for Central Bedfordshire and Luton.

People Wishing to Build their Own Homes

6.41 Paragraph 50 of the NPPF identifies that local planning authorities should plan for people wishing to build their own homes, and PPG states:

> ***People wishing to build their own homes***
>
> *The Government wants to enable more people to build their own home and wants to make this form of housing a mainstream housing option. There is strong industry evidence of significant demand for such housing, as supported by successive surveys. Local planning authorities should, therefore, plan to meet the strong latent demand for such housing.*
>
> **Planning Practice Guidance (March 2014), ID 2a-021**

6.42 Over half of the population (53%) say that they would consider building their own home[47] (either directly or using the services of architects and contractors); but it's likely that this figure conflates aspiration with effective market demand. Self-build currently represents only around 10% of housing completions in the UK, compared to rates of around 40% in France and 70 to 80% elsewhere in Europe.

6.43 The attractiveness of self-build is primarily reduced costs; however the Joseph Rowntree Foundation report *"The current state of the self-build housing market"* (2001) showed how the sector in the UK had moved away from those unable to afford mainstream housing towards those who want an individual property or a particular location.

6.44 *"Laying the Foundations – a Housing Strategy for England"* (HM Government, 2011)[48] redefined self-build as 'Custom Build' and aimed to double the size of this market, creating up to 100,000 additional homes over the decade. "*Build-it-yourself? Understanding the changing landscape of the UK self-build market*" (University of York, 2013) subsequently set out the main challenges to self-build projects and made a number of recommendations for establishing self-build as a significant contributor to housing supply. The previous Government also established a network of 11 Right to Build 'Vanguards' to test how the 'Right to Build' could work in practice in a range of different circumstances.

6.45 In the Budget 2014, the Government announced an intention to consult on creating a new 'Right to Build', giving 'Custom Builders' a right to a plot from councils. The Self-Build and Custom Housebuilding Act[49] 2015 places a duty on local planning authorities to:

- Keep a register (and publicise this) of eligible prospective 'custom' and self-build individuals, community groups and developers;
- Plan to bring forward sufficient serviced plots of land, probably with some form of planning permission, to meet the need on the register and offer these plots to those on the register at market value; and
- Allow developers working with a housing association to include self-build and custom-build as contributing to their affordable housing contribution.

6.46 The 2015 Act was amended by the Housing and Planning Act 2016[50] which placed a duty on local planning authorities to authorities to provide serviced sites which have planning permission that allows for self or custom build:

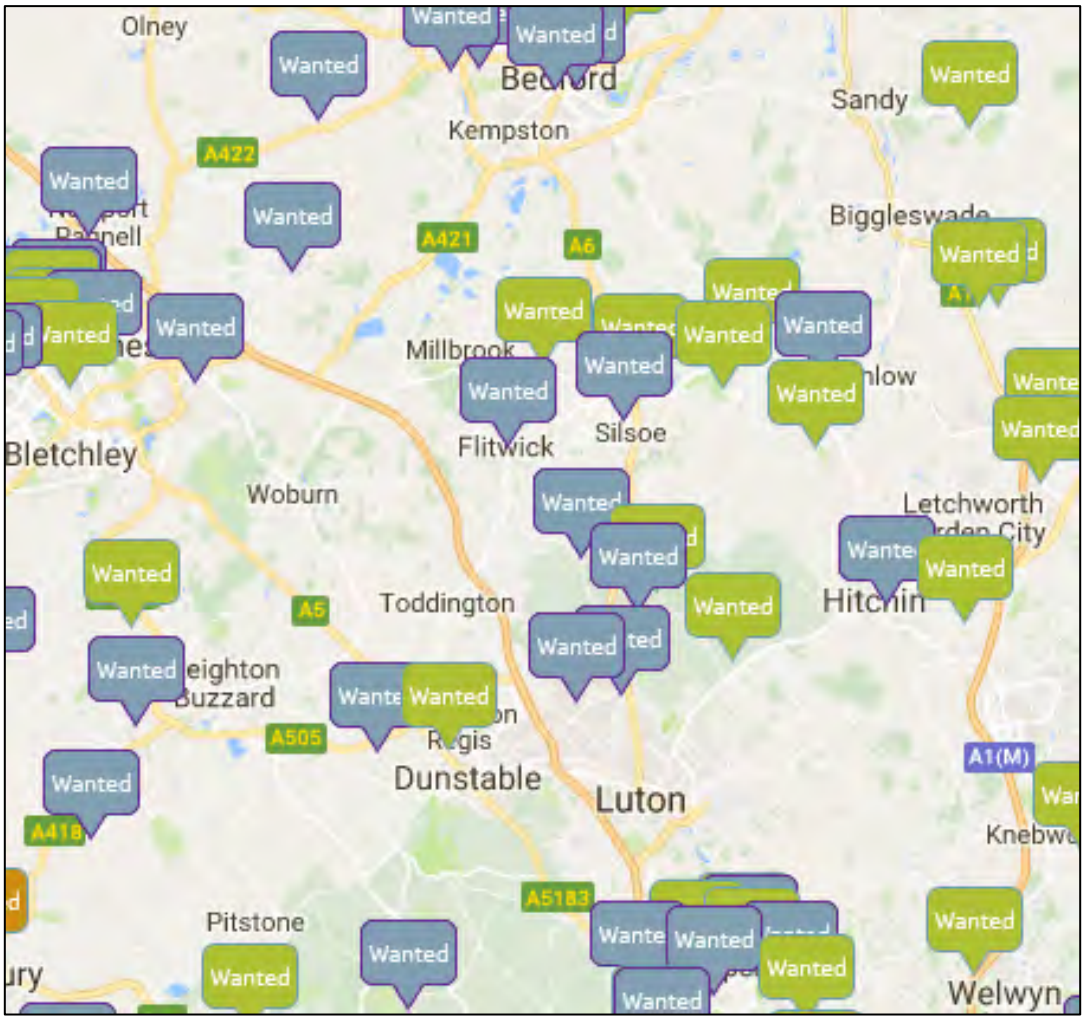
[47] Building Societies Association Survey of 2,051 UK consumers 2011
[48] https://www.gov.uk/government/publications/laying-the-foundations-a-housing-strategy-for-england--2
[49] http://services.parliament.uk/bills/2014-15/selfbuildandcustomhousebuilding.html

An authority to which this section applies must give suitable development permission in respect of enough serviced plots of land to meet the demand for self-build and custom housebuilding in the authority's area arising in each base period. (Section 2(a)(2))

6.47 Limited Government funding[51] is currently available via the HCA Custom Build Homes Fund programme (short-term project finance to help unlock group custom build or self-build schemes). The Government announced further measures in 2014 (Custom Build Serviced Plots Loan Fund) to encourage people to build their own homes, and to help make available 10,000 'shovel ready' sites with planning permission. Given this context, it is important to recognise that self-build could either be market housing or low cost home ownership affordable housing products. Nevertheless, it is likely that the majority will be market homes.

6.48 In May 2012 a Self-Build Portal[52] run by the National Custom and Self Build Association (NCaSBA) was launched. Figure 106 shows the current registrations from groups and individuals looking for land in the HMA on the 'Need-a-Plot' section of the portal. Whilst there is clearly interest in self-build across the area, this represents only a very small proportion of the overall housing need of 2,550 dwellings identified each year.

Figure 106: Group and Individual Registrations currently looking for land in and around Luton and Central Bedfordshire on the 'Need-a-Plot' Portal (Source: NCaSBA, December 2017)



[50] http://services.parliament.uk/bills/2015-16/housingandplanning.html
[51] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/364100/custom_build_homes_fund_prospectus_120712.pdf
[52] http://www.selfbuildportal.org.uk/

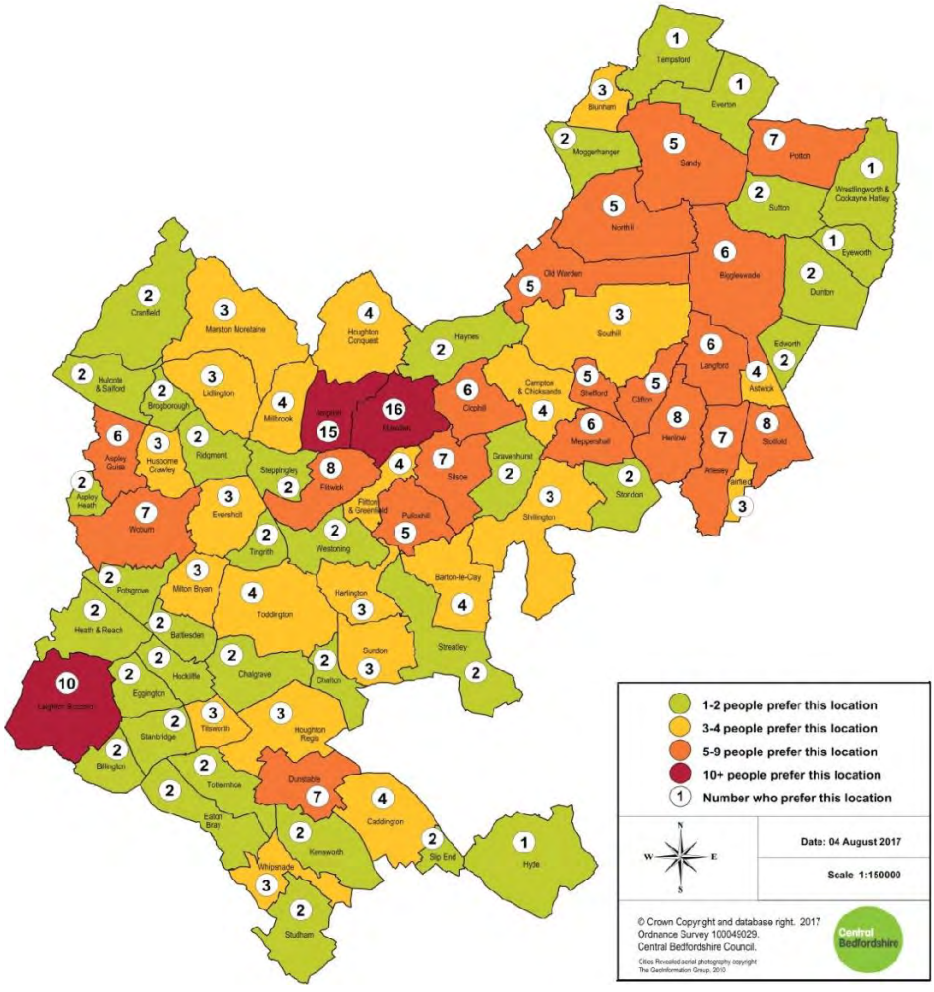
6.49 Central Bedfordshire Council launched its Self & Custom Build Register in April 2016 and there were almost 150 registrations over the period to March 2017. Luton Borough Council's Self & Custom Build Register was launched in Autumn 2017, and by the end of November 2017 the council had received two applications.

6.50 Given the demand identified by the Central Bedfordshire register, the Council undertook an analysis of those applications received during the first year.[53] This identified that:

- The majority of people were looking to build a 3-4 bedroom detached property;
- 10% of those registered were looking to build a bungalow; and
- The two most often quoted reasons for aspiring to complete self or custom build home were 'high environmental standards' (69%) and desire 'to build my own house' (65%).

6.51 Figure 107 shows the preferred locations identified by those registered on Central Bedfordshire Council's self-build register at the end of March 2017.

Figure 107: Central Bedfordshire self-build register – preferred locations (Source: Central Bedfordshire Council)



6.52 The number of applicants on the Central Bedfordshire register has continued to rise, with around 10 new applications being received each month and a total of around 240 registered over the 21-month period to December 2017. Two thirds of applicants have identified that they would like to start their project either straightaway (30%) or within the next year (37%).

[53] http://www.centralbedfordshire.gov.uk/Images/self-build-register-1-year-update_tcm3-24961.pdf

6.53 If the number of new applications was to continue at the current rate of around 10 per month, the overall number of applicants could be as many as 2,300 over the Central Bedfordshire Plan period to 2035. This would represent around 7% of Central Bedfordshire's overall housing need of 32,000 dwellings, and a far greater proportion of dwellings on sites required to provide serviced plots to help meet the demand for self-build housing.

6.54 Nevertheless, information provided by a number of existing applicants suggests that they are interested in sites across a wider geographic area. It is likely that these households would have registered their details with more than one local authority, and therefore their needs would be counted in more than one area; whereas they would only need one suitable plot in one location. Conversely, the existing register is unlikely to capture all demand for self-build and custom housebuilding, and if awareness of these housing options (and awareness of council registers for serviced land) were to increase over the Plan period then the rate of future applications could be higher than currently experienced. This may lead to demand from more than 2,300 applicants, which would help offset the impact of any double counting.

6.55 Data from the Council's 2015-16 Annual Monitoring Report identified that there were 96 sites where only one dwelling was completed during the year, and a further 244 dwellings were delivered on sites with at least 2 but fewer than 10 dwellings completed. Whilst some of these sites may have more dwellings completed in earlier or later years, and some will be sites developed speculatively by developers, it is likely that many of the single dwelling sites will represent self-build homes. Furthermore, a number of the dwellings on other small sites are likely to be custom build homes, where the initial occupier has had an influence on the design.

6.56 Given the range of evidence available, it would appear that self-build is already delivering around 5% of the overall housing need in Central Bedfordshire (approximately 80 dwellings each year) with a further estimated 5-10% being delivered as custom build housing (approximately 120 dwellings each year). Based on the identified demand for self-build and custom housebuilding in the area, it seems likely that this delivery will continue. Whilst the provision of serviced sites with planning permission may reduce the amount of development on windfall sites, it is also likely to stimulate interest from households that previously wouldn't have pursued this housing option – so it is likely that at least 4,000 dwellings will be delivered as self-build or custom housing in Central Bedfordshire over the Plan period 2015-35.

6.57 At this stage it remains unclear how many of the self-build register applicants will actually purchase those serviced sites with planning permission that the Council is able to offer. It is likely that some will find their own land on windfall sites whilst others may not continue with a self-build in the area. However, there is evidently demand for self-build and custom housing in Central Bedfordshire, so the Council should put in place arrangements to meet their obligations under the Self-Build and Custom Housebuilding Act and monitor the take-up of serviced plots of land offered to those on the register. The Council may also consider undertaking a survey of those leaving the register without having purchased a plot in order to better understand the reasons for any attrition, in particular the likely inter-relationships with windfall developments.

6.58 Although there have only been limited self-build register applicants in Luton, it will still be important for Luton Borough Council to put in place arrangements to ensure that they comply with the Self-Build and Custom Housebuilding Act and that they continue to monitor their register as it becomes more established.

Housing for Older People

6.59 Britain's population is ageing, and people can expect to live longer healthier lives than previous generations. The older population in England is forecast to grow to 17.6m by 2035[54] for the over 60s, and from 4.7m (2016) to 7.1m by 2035 for the over 75s. Given this context, PPG recognises the importance of providing housing for older people:

> ***Housing for older people***
>
> *The need to provide housing for older people is critical given the projected increase in the number of households aged 65 and over … Plan makers will need to consider the size, location and quality of dwellings needed in the future for older people in order to allow them to move. This could free up houses that are under occupied.*
>
> *The future need for older persons housing broken down by tenure and type (e.g. sheltered, enhanced sheltered, extra care and, registered care) should be assessed and can be obtained from a number of online tool kits provided by the sector. The assessment should set out the level of need for residential institutions (Use Class C2). But identifying the need for particular types of general housing, such as bungalows, is equally important.*
>
> **Planning Practice Guidance (March 2014), ID 2a-021**

6.60 Various methods have developed over time to establish the need for specialist housing schemes for older people:

- The Housing Learning and Improvement Network (LIN) published *"More Choice, Greater Voice: a toolkit for producing a strategy for accommodation with care for older people"*[55] in February 2008; and, subsequently;
- The *"Strategic Housing for Older People (SHOP)"*[56] resource pack in December 2011.

6.61 Both the toolkit and the resource pack provide standardised rates for estimating the demand for a range of specialist older person housing products, based on the population aged 75 or over, albeit, these rates have evolved over time.

6.62 Figure 108 compares the rates proposed by the two approaches.

Figure 108: Benchmark Figures for Specialist Older Person Housing

Form of Provision	More Choice, Greater Voice toolkit			SHOP resource pack		
	Owned	Rented	TOTAL	Owned	Rented	TOTAL
Demand per 1,000 persons aged 75+						
Leasehold Schemes for the Elderly (LSE)	75	-	**75**	120	-	**120**
Conventional Sheltered Housing	-	50	**50**	-	60	**60**
Sheltered 'plus' or 'Enhanced' Sheltered	10	10	**20**	10	10	**20**
Extra care	12.5	12.5	**25**	30	15	**45**
Dementia	-	10	**10**	-	6	**6**
TOTAL	**97.5**	**92.5**	**180**	**160**	**91**	**251**

[54] https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2016basedstatisticalbulletin
[55] http://www.housinglin.org.uk/_library/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf
[56] http://www.housinglin.org.uk/_library/Resources/Housing/SHOP/SHOPResourcePack.pdf

6.63 The *Housing Our Ageing Population* report (HAPPI2)[57] sets out the Housing LIN methodology (2012)[58] which forecasts future population and then applies a benchmark need for particular housing types per thousand people aged 75+ based on the rates from the SHOP resource pack. This defines specialist older person provision as mainstream housing (including adapted and wheelchair homes), specialised housing (including Extra Care and sheltered housing) and Care Homes (including both Registered Nursing and Registered Care Homes).

6.64 Considering the need for older person housing in Luton and Central Bedfordshire, the projections identified that population in older age groups is likely to increase substantially during the 20-year period 2015-35, with half of the overall population growth (38,200 persons) projected to be aged 65 or over and 31% projected to be 75+ (22,500 persons). Whilst most of these older people will already live in the area and many will not move from their current homes; those that do move home are likely to be looking for suitable housing.

6.65 Based on the growth in population aged 75+ identified across the population projection scenarios, the table below identifies the potential requirement for new specialist housing based on the rates set out in the Housing LIN SHOP Resource Pack.

Figure 109: Additional Modelled Demand for Older Person Housing (Source: Housing LIN Toolkit)

		Luton	Central Bedfordshire	TOTAL
Population aged 75+				
2015		12,800	20,400	33,200
2035		16,700	39,000	55,700
Change 2015-35		**+3,900**	**+18,600**	**+22,500**
Additional Modelled Demand for Older Person Housing				
Extra care	Owned	120	560	680
	Rented	60	280	340
Sheltered 'plus' or 'Enhanced' Sheltered	Owned	40	180	220
	Rented	40	180	220
Conventional sheltered housing to rent		240	1,120	1,360
Dementia		20	110	130
Leasehold Schemes for the Elderly (LSE)		470	2,230	2,700
TOTAL		**990**	**4,660**	**5,650**
Percentage of Overall OAN		*5.2%*	*14.6%*	*11.0%*

6.66 The toolkit identifies future need for 5,650 specialist older person housing units of various types over the 20-year period 2015-35. The total need for older person housing represents 11% of the OAN for the housing market area, however the Central Bedfordshire need for 4,660 dwellings represents around 15% of the OAN in that area whilst the Luton need for 990 dwellings represents only 5% of the borough OAN.

6.67 Whilst these rates provide a useful framework for understanding the potential demand for different forms of older person housing, but, note, neither publication provides any detail about the derivation of the figures.

[57] http://www.housinglin.org.uk/_library/Resources/Housing/Support_materials/Other_reports_and_guidance/Housing_our_Ageing_Population_Plan_for_Implementation.pdf
[58] http://www.housinglin.org.uk/housinginlaterlife_planningtool

6.68 The More Choice, Greater Voice toolkit recognises that the suggested framework simply:

> *"…represents an attempt to quantify matters with explicit numerical ratios and targets. It is contentious, but deliberately so, in challenging those who must develop local strategies to draw all the strands together in a way that quantifies their intentions."* (page 44)

6.69 Similarly, the SHOP resource pack acknowledges that the framework simply provides a baseline, which extrapolates *"…crude estimates of future demand from existing data"* (page 36).

6.70 Overall, there is no single correct answer when estimating the need for older person housing. Therefore, given the substantial increase in older persons projected for Central Bedfordshire, the Council commissioned ORS to establish a local framework based on local data. This involved undertaking a survey with a representative cross-section of 600 people aged 55 or over currently living in Central Bedfordshire about their current and future housing needs and aspirations.

Specialist Older Person Housing in Central Bedfordshire

6.71 Considering the needs over the 20-year Plan period 2015-35, the older person housing study concluded that there was a need for 3,800 specialist older person homes, including 1,680 homes with care provided (Figure 110).

6.72 This is lower than the 4,660 specialist older person homes identified by the Housing LIN toolkit (Figure 109) although a higher number of homes with care provided was identified. The toolkit suggested a need for 740 owner occupied and 570 rented dwellings with care, compared to the 1,370 owner occupied and 310 rented homes identified by the local study; with much of the difference being attributed to the backlog counted at the start of the Plan period.

Figure 110: Overall need for additional specialist older person housing (Source: Assessment of the Housing Needs of Older People in Central Bedfordshire, March 2017. Note: totals may not sum due to rounding)

	Gross need 2015	Existing supply 2015	Backlog at start of Plan period	Gross need 2035	New need 2015-35	Total need 2035
Specialist OP housing with support						
Owned	1,350	520	830	2,220	880	1,710
Rented	1,030	1,300	-270	1,710	680	410
Sub-total	**2,380**	**1,820**	**560**	**3,930**	**1,560**	**2,120**
Specialist OP housing with care						
Owned	950	0	950	1,370	430	1,370
Rented	280	130	150	440	160	310
Sub-total	**1,230**	**130**	**1,100**	**1,820**	**580**	**1,680**
TOTAL	**3,610**	**1,950**	**1,660**	**5,750**	**2,140**	**3,800**

6.73 The older person housing study also considered the likely impact of providing specialist older person housing on the wider housing market (information that it not available from the Housing LIN toolkit) as existing dwellings are vacated when older households move.

6.74 The assessment concluded that providing 3,800 specialist older person homes was likely to lead to around 1,300 family homes with four or more bedrooms and a further 1,400 with three bedrooms being vacated (Figure 111). Whilst most of the properties vacated are likely to be houses, it is likely that around 600 bungalows in the general housing stock would be released as households moved to specialised housing with care or support.

Figure 111: Housing likely to be vacated based on overall need for additional specialist older person housing (Source: Assessment of the Housing Needs of Older People in Central Bedfordshire, March 2017)

		Households moving to housing with support		Households moving to housing with care		TOTAL
		Owned	Rented	Owned	Rented	
Property type	House	1,480	130	1,140	140	2,900
	Bungalow	140	180	160	100	600
	Apartment	100	100	80	70	300
TOTAL		**1,710**	**410**	**1,370**	**310**	**3,800**
Property size	1 bedroom	30	260	30	160	500
	2 bedrooms	260	50	270	50	600
	3 bedrooms	680	30	570	80	1,400
	4+ bedrooms	740	60	500	20	1,300
TOTAL		**1,710**	**410**	**1,370**	**310**	**3,800**

6.75 it is important that the need for specialist older person housing is considered in partnership with other agencies, in particular those responsible for older person support needs. It is also important to consider other factors and constraints in the market:

- **Demographics:** the changing health, longevity and aspirations of Older People mean people will live increasingly healthy longer lives and their future housing needs may be different from current needs;
- **New supply:** development viability of schemes, and the availability of revenue funding for care and support services, need to be carefully considered before commissioning any new scheme;
- **Existing supply:** while there is considerable existing specialist supply, this may be either inappropriate for future households or may already be approaching the end of its life. Therefore, future need may be understated;
- **Other agencies:** any procurement of existing supply needs to be undertaken with other agencies who also plan for the future needs of Older People, particularly local authority Supporting People Teams and the Health Service; and
- **National strategy and its implications for Older People:** national strategy emphasises Older People being able to remain in their own homes for as long as possible rather than specialist provision, so future need may be overstated to some extent.

General Needs Housing for Older People in Central Bedfordshire

6.76 As well as identifying a need for 3,800 **specialist** older person homes in Central Bedfordshire, the older person housing study also identified a substantial number of older households who planned to move from their current home to other **general** housing in the area.

6.77 Although the majority of older households did not currently plan to move from their existing home (and 3.5% already lived in specialist older person housing), 25% were already planning to move at some point in the future; 8% to specialist housing and 17% within the general housing stock (Figure 112). In addition, a further 23% said that they would be prepared to move to maintain their independence, with over half of these (13%) looking to move to a suitable home in the general housing stock.

Figure 112: Housing preferences based on differing care and support needs (Source: Assessment of the Housing Needs of Older People in Central Bedfordshire, March 2017)

		Likely to choose Specialist OP Housing before needing care	Would consider Specialist OP Housing when care needed	Would not consider Specialist OP Housing even if care needed	TOTAL
Already moved to Specialist OP Housing		2.2%	1.3%	-	3.5%
Plan to move in future		6.3%	1.4%	17.3%	25.0%
Do not plan to move in future	Would be prepared to move to maintain independence	-	10.2%	12.8%	23.0%
	Would not be prepared to move to maintain independence	-	3.2%	45.3%	48.5%
TOTAL		**8.5%**	**16.1%**	**75.4%**	**100.0%**

6.78 The SHMA identified 31,500 households aged 65 or over at the start of the Plan period; so if 17.3% of these households were to move within the general housing stock, there would be a demand for around 5,500 dwellings suitable for older people (with an equivalent number of homes being vacated). If the further 12.8% also moved (to maintain their independence) then this would increase to around 9,500 properties. Given that the number of households aged 65 or over is projected to increase to 51,100 households by the end of the Plan in 2035, there is the potential for even higher numbers of existing homes to be vacated (between 8,900 and 15,400) if the right type of housing can be provided for these households.

6.79 When considering housing mix, the older person housing study identified notable differences between the preferences of those households seeking to move within the general housing stock and the housing that they currently occupy (Figure 113).

Figure 113: Existing housing circumstances and housing preferences for older households wanting to move within the general housing stock (Source: Assessment of the Housing Needs of Older People in Central Bedfordshire, March 2017)

	House	Bungalow	Apartment	TOTAL
Existing Housing Circumstances				
1 bedroom	0%	1%	2%	3%
2 bedrooms	4%	4%	0%	9%
3 bedrooms	35%	2%	1%	38%
4+ bedrooms	46%	3%	0%	50%
TOTAL	**85%**	**11%**	**3%**	**100%**
Housing Preferences				
1 bedroom	0%	5%	0%	5%
2 bedrooms	13%	39%	3%	55%
3 bedrooms	15%	16%	2%	34%
4+ bedrooms	5%	2%	0%	6%
TOTAL	**33%**	**62%**	**5%**	**100%**
Net Difference				
1 bedroom	-	+4	-2	+2
2 bedrooms	+9	+34	+3	+46
3 bedrooms	-20	+14	+1	-5
4+ bedrooms	-42	-2	-	-44
TOTAL	**-52**	**+50**	**+2**	**-**

6.80 From the data, it is evident that the substantial majority of households seeking to move currently occupy houses (85%), most with at least three or four bedrooms. Therefore, providing suitable housing for these households would be likely to lead to a large number of family homes being vacated.

6.81 Most households are seeking two bedrooms, although there is also a reasonable demand for three bedroom homes – typically from households currently living in properties with four bedrooms or more. There is a clear preference for bungalows, with over three fifths (62%) identifying that this would be their choice, and also the expectation for most. On this basis, **if there weren't enough bungalows available, it is likely that many of these households would not vacate their existing family home.** It is evident that there is very little demand for apartments from these households, which may be part of the reason for them not choosing specialist older person housing but wanting to remain in the general housing stock.

6.82 Considering the net difference between the housing currently occupied and the homes sought by these households, it is possible to identify some very clear conclusions.

- We can conclude that **for every bungalow built there will be a family home vacated** (the provision of 50 bungalows yields a comparable supply of 52 houses); and
- At a more detailed level, we see that providing 4 one-bed, 34 two-bed and 14 three-bed bungalows together with 9 two-bed houses suited to rightsizers will lead to an equivalent number of family homes being vacated, all with at least three bedrooms and over two-thirds having four bedrooms or more.

6.83 On this basis, whilst many older person households plan to stay in their current home and some would never want to move, the evidence shows that there are many thousands of older person households who will be looking to move to suitable homes within the general housing stock in Central Bedfordshire.

6.84 Over the 20-year Plan period 2015-35, there is likely to be demand for at least an additional 4,600 bungalows within the general housing stock (400 one-bed, 3,000 two-bed and 1,200 three-bed) and a further 800 two-bed houses suited to rightsizers. Together, this represents around 17% of the overall housing need identified for Central Bedfordshire – but providing this housing is likely to release 5,400 family homes, including 1,800 three-bed houses and 3,600 houses with four bedrooms or more. This only represents a subset of the overall potential demand for bungalows and other housing for rightsizers, which could represent up to 9,400 dwellings over the 20-year Plan period equivalent to almost 30% of the overall housing need.

Housing for Older People in Residential Institutions (Use Class C2)

6.85 PPG also identifies that *"assessments should set out the level of need for residential institutions (Use Class C2)"* (ID 2a-021). The demographic projections have projected that the institutional population is likely to increase by around 1,400 persons over the period 2015-35 (Figure 51). This increase in institutional population is a consequence of the CLG approach to establishing the household population,[59] which assumes *"that the share of the institutional population stays at 2011 levels by age, sex and relationship status for the over 75s"* on the basis that *"ageing population will lead to greater level of population aged over 75 in residential care homes"*. Chapter 7 of the SHMA considers the implications of this assumption, as it does not necessarily follow that all of the increase in institutional population should be provided as additional bedspaces in residential institutions in Use Class C2; some of the specialist older person housing may be more appropriate for their needs.

[59] Household Projections 2012-based: Methodological Report, Department for Communities and Local Government, February 2015

Households with Specific Needs

6.86 Paragraph 50 of the NPPF identifies that local planning authorities should plan households with specific needs, and PPG states:

> ***Households with specific needs***
>
> *There is no one source of information about disabled people who require adaptations in the home, either now or in the future.*
>
> *The Census provides information on the number of people with long-term limiting illness and plan makers can access information from the Department of Work and Pensions on the numbers of Disability Living Allowance/Attendance Allowance benefit claimants. Whilst these data can provide a good indication of the number of disabled people, not all of the people included within these counts will require adaptations in the home.*
>
> *Applications for Disabled Facilities Grant will provide an indication of levels of expressed need, although this could underestimate total need. If necessary, plan makers can engage with partners to better understand their housing requirements.*
>
> **Planning Practice Guidance (March 2015), ID 2a-021**

6.87 Personal Independence Payments started to replace the Disability Living Allowance from April 2013, and these are awarded to people aged under 65 years who incur extra costs due to disability (although there is no upper age limit once awarded, providing that applicants continue to satisfy either the care or mobility conditions). Attendance Allowance contributes to the cost of personal care for people who are physically or mentally disabled and who are aged 65 or over. Nevertheless, PPG recognises that neither of these sources provides information about the need for adapted homes as *"not all of the people included within these counts will require adaptations in the home"*.

6.88 Disabled Facilities Grants (DFG) are normally provided by Councils and housing associations to adapt properties for individuals with health and/or mobility needs who are owner occupiers, or renting from a private landlord, housing association or council. Grants cover a range of works, ranging from major building works, major adaptations to the property and minor adaptations, such as:

- Structural works such as a downstairs bathroom or extension;
- Improving access to rooms and facilities, for example Providing a hoist system or through floor lift, widening doors, installing ramps, and stair lifts;
- Providing a heating system suitable for needs;
- Adapting heating or lighting controls to make them easier to use;
- Stair rails and grab rails.

6.89 Local data about DFGs was published by CLG in Live Table 314,[60] and this indicated that 483 DFGs were funded in the study area in 2010/11 at an average cost of £8,320. This represents almost 20% of the overall annual housing need identified for the period 2015-2035, however PPG notes that whilst patterns of DFG applications *"provide an indication of expressed need"* it cautions that this could *"underestimate need"*. Of course, it is also important to recognise that DFGs typically relate to adaptations to the existing housing stock rather than new housing provision.

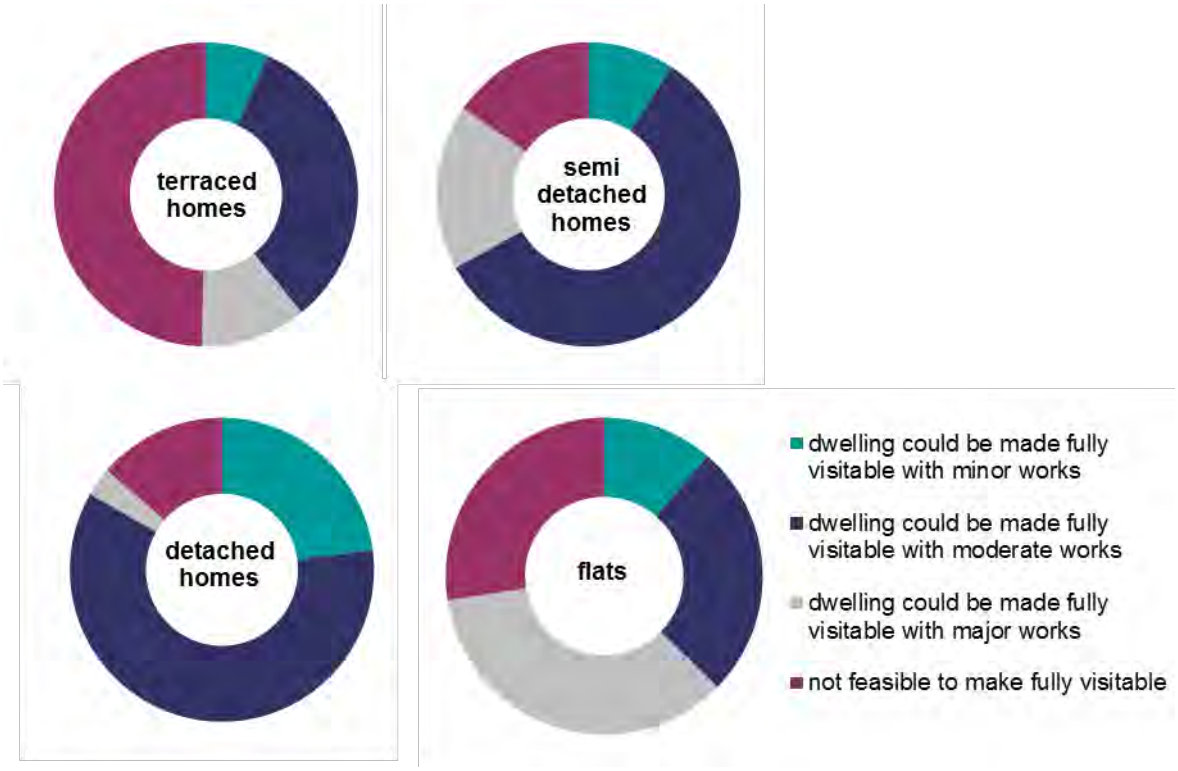
[60] Table 314 has now been discontinued by CLG

6.90 As previously noted, the Government's reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. This was reflected in the recent changes to building regulations relating to adaptations and wheelchair accessible homes that were published in the Building Regulations 2010 Approved Document Part M: Access to and use of buildings (2015 edition incorporating 2016 amendments – for use in England).[61] Three standards are covered:

- M4(1) Category 1: Visitable dwellings – Mandatory, broadly about accessibility to ALL properties
- M4(2) Category 2: Accessible and adaptable dwellings – Optional, similar to Lifetime Homes
- M4(3) Category 3: Wheelchair user dwellings – Optional, equivalent to wheelchair accessible standard.

6.91 Given that the existing stock is considerably larger than projected new build, adapting existing stock through DFGs is likely to form part of the solution. However, the English Housing Survey identifies that approaching half of all existing dwellings could not be adapted or would require major works in order for them to be made fully visitable. On this basis, adapting existing stock alone is unlikely to provide sufficient properties to meet the needs of a growing older population.

Figure 114: Level of work required to create full visitability (Source: EHS 2014-15 Annex Figure 2.5)



6.92 In terms of new developments, Part M states that: *"Where no condition is imposed, dwellings only need to meet requirements M4(1)"* (Paragraph 0.3). Local authorities should identify the proportion of dwellings in new developments that should comply with the requirements for M4(2) Category 2 and M4(3) Category 3 as part of the Local Plan, based on the likely future need for housing for older and disabled people (including wheelchair user dwellings) and taking account of the overall impact on viability.

[61] https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m

6.93 Planning Practice Guidance for Housing optional technical standards states:

> *Based on their housing needs assessment and other available datasets it will be for local planning authorities to set out how they intend to approach demonstrating the need for Requirement M4(2) (accessible and adaptable dwellings), and / or M4(3) (wheelchair user dwellings), of the Building Regulations.*
>
> *To assist local planning authorities in appraising this data the Government has produced a summary data sheet. This sets out in one place useful data and sources of further information which planning authorities can draw from to inform their assessments. It will reduce the time needed for undertaking the assessment and thereby avoid replicating some elements of the work.*
>
> **Planning Practice Guidance (March 2015), ID 56-007**

6.94 Building Regulations for M4(2) Category 2: Accessible and adaptable dwellings states that reasonable provision should be made for people to gain access to and use the facilities of the dwelling and that:

> *"The provision made must be sufficient to-*
>
> *(a) meet the needs of occupants with differing needs, including some older or disabled people, and;*
>
> *(b) to allow adaptation of the dwelling to meet the changing needs of occupants over time."* (Page 10)

6.95 On this basis, in establishing the need for M4(2) Category 2 housing it is important to consider the population projections and health demographics of the area.

6.96 When considering the housing mix, the SHMA identified that many households moving into new housing are likely to be younger at the time that they form. However, these will include some households with mobility problems. Furthermore, it is likely that the needs of these households will change over time – partly through progressive change as health deteriorates with households get older, but also immediate change following an accident or health condition impacting mobility. Some households may also gain additional members with existing conditions, including children born with disabilities.

6.97 The SHMA also identified a substantial growth in older households, although many of these will not move from their current home and will make adaptations as required to meet their needs. However, a large number of older households will still choose to move to an accessible home and others may have to move where it is not viable for their current home to be adapted. Not all of these households want to live in specialist older person housing, so it is important to ensure that accessible general needs housing that is suitable for older people is also provided. This will often free up family housing occupied by older households.

6.98 The Census provides details about residents with limiting long-term illnesses and disabilities, including details by age and tenure. Figure 121 illustrates the proportion of residents will limiting long-term illnesses in Luton, Central Bedfordshire and England. It is clear that the proportion of older residents will limiting illnesses is higher than the proportion for younger residents. Furthermore, within each age group the proportion of residents living in affordable housing is higher than the proportion who live in market housing. In terms of the local population, the proportion of residents with limiting illnesses in Luton is fractionally higher than the national rates for market housing and broadly in line with the national rates for affordable housing, whereas the rates in Central Bedfordshire are lower than the national rates.

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6.99 The Public Health England (PHE) health profiles provide more up-to-date information on a range of health indicators. Figure 115 identifies some key indicators for Central Bedfordshire and Luton which demonstrate the health profile compared to England. Once again, it is evident that health indicators for Central Bedfordshire are generally better than the national average whilst the indicators for Luton are generally worse than the national average.

Figure 115: Public Health England health profiles indicators 2017 (Source: Public Health England health profiles. Note: green cells are better than England, amber cells are similar to England and red cells are worse than England)

Indicator	Period	England	Luton	Central Bedfordshire
Deprivation score (IMD)	2015	21.8	27.6	12.2
Life expectancy at birth (Male)	2013-15	79.5	78.8	81.7
Life expectancy at birth (Female)	2013-15	83.1	82.3	83.7
Percentages				
Children in low income families (under 16s)	2014	20.1	24.5	13.3
Obese children (Year 6)	2015/16	19.8	24.7	15.8
Percentage of physically active adults	2015/16	64.9	60.5	64.9
Excess weight in adults	2015/16	61.3	65.1	59.8
Rates per 100,000 population				
Hip fractures in people aged 65 and over	2015/16	589	476	565
Smoking related deaths	2014-16	272	732	228
Under 75 mortality rate: cardiovascular	2014-16	74	98	61
Excess winter deaths index – 3 years, all ages	2013-16	18	7	20

6.100 Not all health problems will affect households' housing needs. Data from the English Housing Survey identifies that 70.9% of households have no limiting long-term illness or disability with a further 20.3% where there is a household member with an illness or disability but this does not affect their housing need. Nevertheless, around 8.8% of households (around 1 in every 12) have one or more persons with a health problem which requires adaptations to their home. The proportion is markedly higher in affordable housing than in market housing (19.8% and 6.5% respectively).

6.101 Within this group, the substantial majority of households (82.6%) live in a home that is suitable for their needs (either having already moved or adapted their existing home). Nevertheless, just over 17% of households with a disability that affects their housing need either require adaptations or need to move to a more suitable home, which equates to 1.5% of all households.

Figure 116: Households with a long-term illness or disability that affects their housing needs (Source: English Housing Survey)

	Market housing	Affordable housing	TOTAL
Households without limiting long-term illness or disability	75.2%	50.2%	70.9%
Households with one or more persons with a limiting long-term illness or disability			
Does not affect their housing need	18.3%	29.9%	20.3%
Current home suitable for needs	5.4%	16.2%	7.3%
Current home requires adaptation	0.6%	1.6%	0.8%
Need to move to a more suitable home	0.5%	2.0%	0.7%

Total households where a limiting long-term illness or disability affects their housing need:	**6.5%**	**19.8%**	**8.8%**
Of those households where a limiting long-term illness or disability affects their housing need:			
Current home suitable for needs	83.1%	81.9%	82.6%
Current home requires adaptation	9.4%	8.1%	8.9%
Need to move to a more suitable home	7.4%	10.0%	8.4%

6.102 Through combining the national data from the English Housing Survey with data about relative levels of limiting long-term illness and disability in Luton and Central Bedfordshire, it is possible to estimate the number of households likely to require adaptations or needing to move to a more suitable home in the housing market area.

6.103 Figure 117 identifies that there were around 52,100 households living in Luton and Central Bedfordshire in 2015 with one or more persons with a limiting long-term illness or disability. This included around 15,600 households where their health problems affected their housing needs, but the majority of these households (around 12,900) were already living in a suitable home. However, at the start of the Plan period in 2015, it is estimated that there were around 1,320 households needing to move to a more suitable home due to a disability or another long-term health problem. These households would represent an existing need for M4(2) housing, however some of these households would be wheelchair users needing M4(3) housing. A further 1,400 households needed adaptations to their current home.

Figure 117: Households with a long-term illness or disability in Luton and Central Bedfordshire in 2015 by affect on housing need (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Luton	Central Bedfordshire	TOTAL
Households with one or more persons with a limiting long-term illness or disability	23,400	28,720	52,120
Does not affect their housing need	16,560	19,910	36,480
Current home suitable for needs	5,590	7,330	12,920
Current home requires adaptation	640	760	1,400
Need to move to a more suitable home	600	720	1,320
Total households where a limiting long-term illness or disability affects their housing need:	**6,840**	**8,800**	**15,640**

6.104 The identified need for 1,320 adapted homes at the start of the Plan period is based on households' current needs. The M4(2) standard also requires *"the changing needs of occupants over time"* to be considered. Figure 121 identified that older residents are more likely to experience health problems; therefore, even without any change to the number of households in the housing market area, the number of households with one or more persons with a limiting long-term illness or disability will increase over time as people get older.

6.105 Whilst around 15,600 households living in Luton and Central Bedfordshire in 2015 had a health problem that already affected their housing requirement, it is likely that a further 7,900 households would develop health problems within 10 years: 3,400 in Luton and 4,500 in Central Bedfordshire. These households would also require adaptations to their current home or would need to move to a more suitable home.

6.106 Based on the household projections and the overall housing need identified by the SHMA, we can establish the future need for adapted housing in the housing market area based on the projected household growth and the changing demographics of the area.

6.107 Given an OAN of 51,000 dwellings, Figure 95 identified a growth of 48,800 households. Further modelling of health needs suggests that by 2035 there will be an additional 18,700 households either already experiencing health problems or likely to develop health problems within 10 years: 7,300 in Luton and 11,400 in Central Bedfordshire. Some of these will be new households, but many will be existing households resident in 2015 whose health has deteriorated over the Plan period.

6.108 Therefore, considering the needs of households resident at the start of the Plan period together with the projected household growth and changing demographics (in particular the aging population), there will be a total of 26,600 households either needing adaptations to the existing housing or suitable new housing to be provided. This is in addition to the 1,320 households needing to move and the 1,400 households needing adaptations based on their current heath at the start of the Plan period.

Figure 118: Households with a long-term illness or disability in Luton and Central Bedfordshire in 2015 by affect on housing need (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Luton	Central Bedfordshire	TOTAL
Households where an existing illness or disability affects their housing need in 2015			
Current home suitable for needs	5,590	7,330	12,920
Current home requires adaptation	640	760	1,400
Need to move to a more suitable home	600	720	1,320
Total households where a limiting long-term illness or disability affects their housing need in 2015	**6,840**	**8,800**	**15,640**
Existing households in 2015 likely to develop health problems that affect their housing need within 10 years	3,380	4,520	7,900
Additional households in 2035 projected to experience problems or likely to develop problems within 10 years	7,270	11,400	18,670
Additional households in 2035 where illness or disability affects their housing need or will develop within 10 years	**10,650**	**15,920**	**26,570**

6.109 To provide M4(2) housing for all of the identified need would require housing for 27,900 households to be provided. However, not all households will want to move to new housing – some will adapt their current homes and others will move to another dwelling in the existing stock.

6.110 Although some households would prefer not to move, Figure 114 identified that many existing homes were not suitable for adaptation to meet the M4(1) Category 1 standard and others would require major works. Fewer dwellings would be adaptable to the M4(2) Category 2 standard given the additional requirements. Based on the housing mix in the housing market area, it is likely that around 61% of all dwellings could be converted to meet the M4(1) standard.

6.111 Whilst the proportion that could be converted to meet the M4(2) standard would be lower, this provides a reasonable upper estimate of the number of households likely to be able to adapt existing homes rather than move to new housing. On this basis, we could assume that at least 39% of the additional households where illness or disability affects their housing need would move to new housing: 10,400 households. Together with the 1,320 households identified as needing to move at the start of the Plan period, this would represent a total of 11,700 households.

Figure 119: Households with a long-term illness or disability in Luton and Central Bedfordshire in 2015 by affect on housing need (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Luton	Central Bedfordshire	TOTAL
Existing need in 2015			
Households where an existing illness or disability affects their housing need and need to move in 2015	600	720	1,320
Projected future need 2015-35			
Additional households in 2035 where illness or disability affects their housing need or will develop within 10 years	10,650	15,920	26,570
Maximum need for adapted housing 2015-35 (households)	**11,250**	**16,640**	**27,890**
Less households living in dwellings adaptable to M4(1) standard	6,500	9,720	16,210
Minimum need for adapted housing 2015-35 (households)	**4,750**	**6,920**	**11,680**

6.112 There is inevitably uncertainty about how many households will be able to meet their housing needs without moving and how many will move to existing homes rather than new housing. Nevertheless, the minimum of 11,700 households and maximum of 27,900 households identified in Figure 119 provide an appropriate range for the local authorities to consider. This would represent between 12,100 and 28,900 dwellings over the 20-year Plan period 2015-35, equivalent to a range from 24% to 57% of the overall housing need.

6.113 **The mid-point of this range would represent around 40% of all new housing being suitable for the needs of households with health problems or disabilities that affect their housing requirement.** In Luton, the need represents between 4,900 and 11,600 dwellings (26% to 61% of the OAN with a mid-point of 44%) whereas in Central Bedfordshire the need represents between 7,200 and 17,300 dwellings (23% to 54% of the OAN with a mid-point of 39%).

6.114 It is important to recognise that this would represent the combined need for both M4(2) Category 2 and M4(3) Category 3 housing; for households with a wheelchair user would be included within those households counted as having a health problem or disability that affects their housing need.

Housing for Wheelchair Users

6.115 Building Regulations for M4(3) Category 3: Wheelchair user dwellings also states that reasonable provision should be made for people to gain access to and use the facilities of the dwelling and that:

> *"The provision made must be sufficient to-*
>
> > *(a) allow simple adaptation of the dwelling to meet the needs of occupants who use wheelchairs, or;*
> >
> > *(b) to meet the needs of occupants who use wheelchairs."* (Page 23)

6.116 On this basis, in establishing the need for M4(3) Category 3 housing it is again important to consider the population projections and health demographics of the area, but with specific reference to households with wheelchair users.

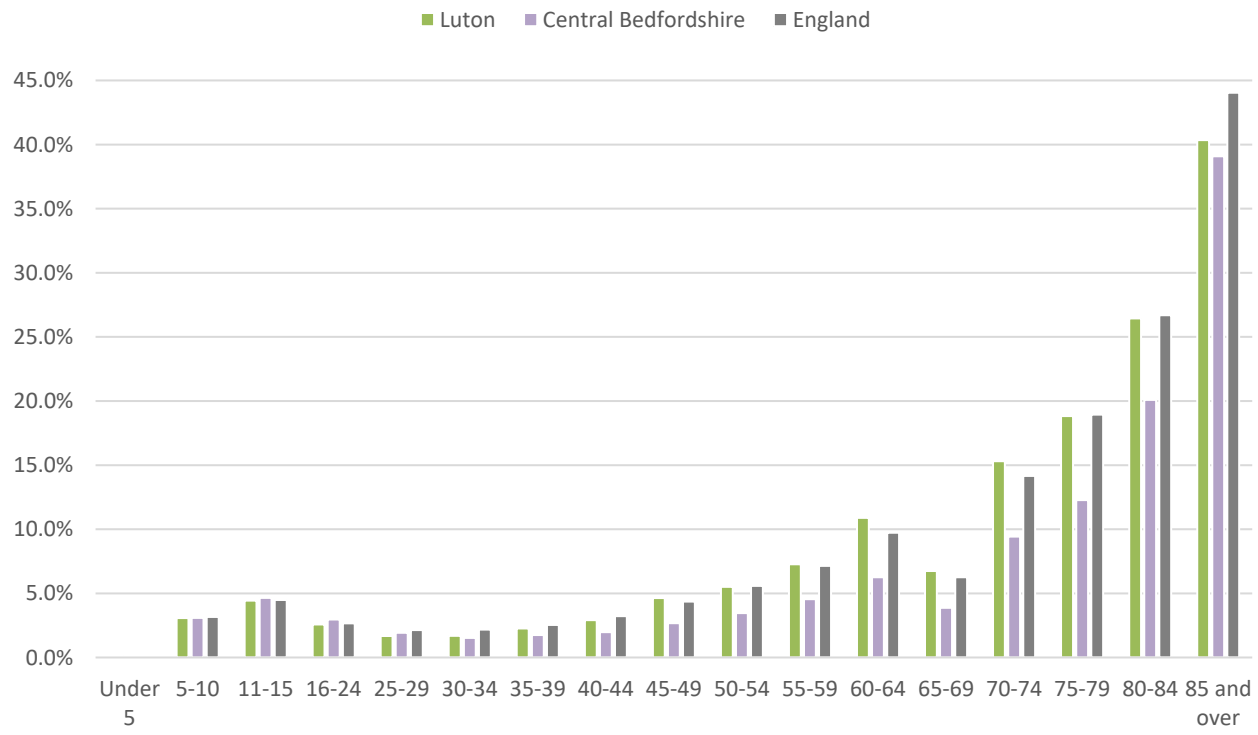
6.117 The CLG guide to available disability data[62] (referenced by PPG ID 56-007) shows that around 1-in-30 households in England (3.3%) currently have at least one wheelchair user, although the rate is notably higher for households living in affordable housing (7.1%). The rates are also higher for older households. Figure 120 identifies the proportion of households in England with a wheelchair user currently living in market housing and affordable housing by age of household representative.

Figure 120: Percentage of households with a wheelchair user by type of housing and age of household representative (Source: English Housing Survey 2013-14)

Housing Type	Age of Household Representative							
	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+
Housing type								
Market housing	< 0.1%	0.4%	1.0%	1.6%	3.0%	4.0%	6.1%	9.3%
Affordable housing	0.3%	2.0%	2.9%	6.0%	6.0%	10.3%	12.7%	19.9%

6.118 Figure 121 compares the proportion of disability benefit claimants in receipt of mobility award (the majority of whom will be wheelchair users) for Luton and Central Bedfordshire against the figures for England. Once again, it is evident that the rates for Luton are generally higher than the national rates whereas the Central Bedfordshire rates are generally lower.

Figure 121: Disability benefit claimants in receipt of mobility award by age (Source: DWP, December 2017)



[62] https://www.gov.uk/government/publications/building-regulations-guide-to-available-disability-data

6.119 Through combining the information on local rates with the national data, we can establish the proportion of households in Luton and Central Bedfordshire likely to have a wheelchair user by the age of the household representative in market housing and affordable housing (Figure 122).

Figure 122: Percentage of households with a wheelchair user by type of housing and age of household representative

Housing Type	Age of Household Representative							
	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+
Luton								
Market housing	< 0.1%	0.4%	1.0%	1.6%	3.0%	4.0%	6.1%	8.8%
Affordable housing	0.3%	2.0%	2.9%	6.0%	6.1%	10.4%	12.7%	18.7%
Central Bedfordshire								
Market housing	< 0.1%	0.4%	1.0%	1.5%	2.8%	3.8%	5.4%	8.4%
Affordable housing	0.3%	2.0%	2.9%	5.8%	5.8%	9.8%	11.6%	18.2%

6.120 Figure 123 identifies the net change in the number of households with a wheelchair user over the period 2015 to 2035. It is evident that the number of households likely to need wheelchair adapted housing in Luton and Central Bedfordshire is likely to increase by just over 2,500 over the 20-year period, equivalent to around 5% of the overall OAN.

Figure 123: Households needing Wheelchair Adapted Housing (Source: ORS Housing Model. Note: Figures may not sum due to arithmetic rounding)

Modelled Need for Wheelchair Adapted Housing	Households aged under 75			Households aged 75+			Overall change 2015-35	% of OAN
	2015	2035	Net change 2015-35	2015	2035	Net change 2015-35		
Luton	1,680	2,140	460	760	1,140	380	840	4.4%
Central Bedfordshire	2,390	3,010	620	1,150	2,240	1,080	1,700	5.3%
Total	**4,080**	**5,150**	**1,070**	**1,910**	**3,380**	**1,460**	**2,540**	**5.0%**

6.121 **The evidence supports the need for a target of 5% of all housing to meet M4(3) Category 3 requirements.** Based on the earlier conclusion that around 40% of all new housing should be suitable for the needs of households with health problems or disabilities that affect their housing requirement, we can therefore conclude that **the evidence also supports the need for a target of 35% of all housing to meet M4(2) Category 2 requirements**

6.122 However, it is important to recognise that over half of the identified growth in households with wheelchair users (1,460 households, equivalent to 57%) are aged 75 or over, and it is likely that many of these households would also be identified as needing specialist housing for older persons. The earlier analysis identified a need for around 1,000 specialist older person housing units for households aged 75 or over in Luton (Figure 109) and around 3,800 in Central Bedfordshire (Figure 110). Whilst not all households needing wheelchair adapted housing will live in specialist older person housing, at any point in time it is likely that around a quarter of those living in specialist housing will need wheelchair adapted homes – but it is likely that some older households will start using a wheelchair whilst living in specialist housing if their health deteriorates. On this basis, it may be appropriate to adopt higher targets for specialist housing for older persons that is wheelchair accessible, and this could reduce the proportion of general needs housing that would need to meet the Category 3 requirements. **The evidence supports the need for a target of at least 25% and ideally 50% or more of specialist housing for older people to meet M4(3) Category 3 requirements; and all specialist housing for older people should meet M4(2) Category 2 requirements.**

7. Housing Requirements

Considering the policy response to identified housing need

7.1 The SHMA has established the Full Objectively Assessed Need for Housing in Luton and Central Bedfordshire to be 51,000 dwellings over the 20-year period 2015-35, however this figure will need to be tested through the statutory Plan-making process.

7.2 This is confirmed by Planning Practice Guidance for housing and economic land availability assessment, which states that *"housing requirement figures in up-to-date adopted Local Plans should be used as the starting point for calculating the five year supply"* (paragraph 30). This point was further emphasised in a letter from the Housing Minister to the Planning Inspectorate in December 2014:

> *"Many councils have now completed Strategic Housing Market Assessments either for their own area or jointly with their neighbours. The publication of a locally agreed assessment provides important new evidence and where appropriate will prompt councils to consider revising their housing requirements in their Local Plans. We would expect councils to actively consider this new evidence over time and, where over a reasonable period they do not, Inspectors could justifiably question the approach to housing land supply.*
>
> *"However, the outcome of a Strategic Housing Market Assessment is untested and should not automatically be seen as a proxy for a final housing requirement in Local Plans. It does not immediately or in itself invalidate housing numbers in existing Local Plans.*
>
> *"Councils will need to consider Strategic Housing Market Assessment evidence carefully and take adequate time to consider whether there are environmental and policy constraints, such as Green Belt, which will impact on their overall final housing requirement. They also need to consider whether there are opportunities to co-operate with neighbouring planning authorities to meet needs across housing market areas. Only after these considerations are complete will the council's approach be tested at examination by an Inspector. Clearly each council will need to work through this process to take account of particular local circumstances in responding to Strategic Housing Market Assessments."*

7.3 The individual local authorities are currently in the process of preparing Local Plans. In establishing the OAN, the SHMA has taken full account of all unmet need for housing that is likely to exist at the start of the new Plan periods; therefore any under-delivery against current housing targets need not be counted again. However, whilst the OAN identified by the SHMA will be a key part of the evidence base, the Local Plans will be the mechanism through which the SHMA evidence will be assessed against environmental and policy constraints, such as Green Belt, to identify a sustainable and deliverable plan requirement.

7.4 The Local Plans will also consider the spatial distribution of future housing and jobs growth across the Luton functional housing market area and the other functional housing market areas that cover Central Bedfordshire. The spatial distribution will be informed by the proposed Growth Options Study and the Employment Land Review and Economic Development Needs Assessment studies that are currently being undertaken.

Affordable Housing Need

7.5 The SHMA has identified a substantial need for additional affordable housing: a total of 16,700 dwellings across Luton and Central Bedfordshire over the 20-year period 2015-35. Given the level of affordable housing need identified, it will be important to maximise the amount of affordable housing that can be delivered through market housing led developments. Key to this is the economic viability of such developments, as this will inevitably determine (and limit) the amount of affordable housing that individual schemes are able to deliver.

7.6 As part of their strategic planning and housing enabling functions, the Councils will need to consider the most appropriate affordable housing target in order to provide as much affordable housing as possible without compromising overall housing delivery. This target should provide certainty to market housing developers about the level of affordable housing that will be required on schemes, and the Councils should ensure that this target is achieved wherever possible in order to increase the effective rate of affordable housing delivery.

7.7 PPG identifies that Councils should also consider *"an increase in the total housing figure"* where this could *"help deliver the required number of affordable homes"*; although this would not be an adjustment to the OAN, but a policy response to be considered in the local plan:

> *The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes. (Paragraph 029)*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

7.8 It will therefore be important for the Councils to consider the need for any further uplift once the affordable housing target has been established. However, as confirmed by the Inspector examining the Cornwall Local Plan in his preliminary findings[63] (paragraphs 3.20-21):

> *"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.*
>
> *Any uplift on the demographic starting point … would deliver some additional affordable housing and can be taken into account in judging whether any further uplift is justified."*

7.9 Given that the identified OAN already incorporates an uplift of 10% on the baseline household projections, this will contribute to increasing the supply of affordable homes through market housing led developments. The Councils will need to consider whether there is sufficient justification for any further increase in the total housing figures included in their Local Plans (beyond the identified OAN) as part of their policy response to meeting the identified need for affordable housing; although it will be important for them to consider the implications of providing a higher level of market housing than identified by the OAN, in particular the consequences on the balance between jobs and workers.

[63] https://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf

7.10 The contribution towards affordable housing delivery that can be achieved through market housing led developments shouldn't be considered in isolation. The Government has launched a series of new initiatives in the past 5 years to attempt to boost the supply of homes, including affordable homes. The key Homes and Communities Agency (HCA) investment programmes include:

- **Affordable Homes Programme:** the flagship HCA investment programme(s) for new affordable homes – the 2015-18 programme intends to support the building of 43,821 new affordable homes across 2,697 schemes in England
- **Affordable Homes Guarantees Programme:** guaranteeing up to £10bn of housing providers' debt in order to bring schemes forward
- **Care and Support Specialised Housing Fund:** funding used to accelerate the development of the specialised housing market such as Older People and those with disabilities
- **Community Right to Build:** (Outside London) including some provision for affordable homes
- **Empty Homes programme**
- **Estate Regeneration Programme:** often creating mixed tenure communities
- **Get Britain Building:** aiming to unlock locally-backed stalled sites holding planning permission and including affordable homes

7.11 However, there are currently a number of constraints that are affecting the delivery of new affordable housing; although there is also a range of other initiatives that may help increase delivery in future.

Constraints affecting the delivery of new affordable housing	Other initiatives potentially increasing the delivery of new affordable housing
Welfare reform Most stakeholders (including private landlords, house builders, local authorities and RPs) are concerned at the impact of benefit reform and the risk to their revenue. Credit rating agency have also signalled concerns. **Registered Providers** Many RPs have become more risk averse in their approach to developing new homes. The move to Affordable Rent as opposed to Social Rent housing and the resultant reduction in grant rates has made delivery and viability issues more pronounced. Grant level reductions in the AHP 2015-18 have, arguably, increased risk perceptions further. **Stock rationalisation by Registered Providers** The new regulatory framework for RPs continues the emphasis on economic regulation. This could, potentially, reduce current supply of affordable housing. Already, sector trends indicate many associations are identifying under-performing stock with a view to rationalisation. **Extension of Right to Buy (RTB) to Registered Providers** The Government pledge to introduce an RTB for RP tenants mean many associations will need to assess the risk to their Business Plans and this might reduce appetite for new development.	**Councils building more new homes** Many Councils are now trying to bring new rental schemes forward following reform of the HRA system. **New 'for profit' providers** Over 30 'for profit' providers to deliver AHP homes have so far registered with the HCA, mainly in order to deliver non-grant affordable housing. There is arguably potential for increased supply of affordable homes for rent by 'for profit' providers. **Co-operative Housing** Given current delivery constraints, co-operative housing has been identified as a further alternative supply for households unable to access ownership or affordable housing. The Confederation of Co-operative Housing, working with RPs, is currently trying to bring schemes forward. The HCA has held back funding for Co-operative Housing in the previous AHP.

7.12 The Government also sees the growth in the private rented sector as positive. Whilst private rented housing (with or without housing benefit) does not meet the definitions of affordable housing, it offers a flexible form of tenure and meets a wide range of housing needs. The sector also has an important role to play given that many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. If there isn't sufficient private rented housing available at a price these households can afford, the need for affordable housing would be even higher.

7.13 A Government task force was established in 2013 to encourage and support build-to-let investment[64]. The HCA also has several investment programmes to help bring schemes forward. These include a £1 billion Build to Rent Fund, which will provide equity finance for purpose-built private rented housing, alongside a £10 billion debt guarantee scheme to support the provision of these new homes. New supply of private rented housing therefore seems likely from various sources, despite current volumes being relatively low:

- **Registered Providers** are potential key players in the delivery of new PRS supply and recently several have begun to enter the market in significant scale[65], particularly in response to the Build to Rent Fund, although other institutional funding is also being sought. Overall, although interest is high, it remains unclear as to the scale of development which may deliver.
- **Local Authorities** can also enable new PRS supply to come forward investing local authority land, providing financial support (such as loan guarantees), and joint ventures with housing associations, developers or private investors under the Localism Act. Whilst LA initiatives may contribute to new build PRS, these will take time to deliver significant numbers of units.
- **Local Enterprise Partnerships** are another potential source of new build PRS homes[66]. The Growing Places Fund provides £500 million to enable the development of local funds to promote economic growth and address infrastructure constraints in order to enable the delivery of jobs and houses. Any funding for housing, however, has to compete with other priorities e.g. skills and infrastructure. However, LEPs could potentially enable new PRS housing delivery and some attempts have been made in this regard to increase supply.
- **Insurance companies** and **pension funds** have been expanding into property lending in recent years; especially schemes in London. Nearly a quarter of new UK commercial property finance came from non-bank lenders in 2013.

7.14 National Government policy is also focused on improving the quality of both management and stock in the private rented sector, and local councils also have a range of enforcement powers. This is particularly important given the number of low income households that rent from a private landlord.

7.15 Given the substantial need for affordable housing identified across Luton and Central Bedfordshire, the Councils will need to consider the most appropriate affordable housing target as part of their strategic planning and housing enabling functions. However, it will also be important for the Councils to consider all of the options available to help deliver more affordable homes in the area.

[64] https://www.gov.uk/government/publications/2010-to-2015-government-policy-rented-housing-sector/2010-to-2015-government-policy-rented-housing-sector#appendix-9-private-rented-sector
[65] http://www.insidehousing.co.uk/business/development/transactions/lq-to-launch-prs-subsidiary/7009701.article
[66] https://www.gov.uk/government/publications/growing-places-fund-prospectus

Older People in Residential Institutions (Use Class C2)

7.16 Planning Practice Guidance for Housing and Economic Land Availability Assessment states the following in relation to housing for older people:

> ***How should local planning authorities deal with housing for older people?***
>
> *Older people have a wide range of different housing needs, ranging from suitable and appropriately located market housing through to residential institutions (Use Class C2). Local planning authorities should count housing provided for older people, including residential institutions in Use Class C2, against their housing requirement. The approach taken, which may include site allocations, should be clearly set out in the Local Plan.*
>
> **Planning Practice Guidance for Housing and Economic Land Availability Assessment 2014, paragraph 37**

7.17 On this basis, the Councils will need to consider the most appropriate way to count the supply of bedspaces in residential institutions (Use Class C2) as part of their overall housing monitoring, and decide whether this should form part of the overall housing supply.

7.18 **It is important to recognise that the identified OAN of 51,000 dwellings does not include the projected increase of institutional population, which represents a growth of 1,389 persons over the 20-year period 2015-35.** This increase in institutional population is a consequence of the CLG approach to establishing the household population[67], which assumes *"that the share of the institutional population stays at 2011 levels by age, sex and relationship status for the over 75s"* on the basis that *"ageing population will lead to greater level of population aged over 75 in residential care homes"*.

7.19 **On this basis, if bedspaces in residential institutions in Use Class C2 are counted within the housing supply then the increase in institutional population aged 75 or over would need to be counted as a component of the housing requirement (in addition to the assessed OAN).** If these bedspaces are not counted within the housing supply, then there is no need to include the increase in institutional population as part of the housing requirement.

7.20 Nevertheless, older people are living longer, healthier lives, and the specialist housing offered today may not be appropriate in future years and the Government's reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. Therefore, despite the ageing population, current policy means that the number of care homes and nursing homes may actually decline, as people are supported to continue living in their own homes for longer.

7.21 Although the institutional population is projected to increase by 1,389 persons over the Plan period (based on the CLG assumption that there will be a *"greater level of population aged over 75 in residential care homes"*), it does not necessarily follow that all of this need should be provided as additional bedspaces in residential institutions in Use Class C2 – but any reduction in the growth of institutional population aged 75 or over would need to be offset against higher growth for these age groups in the household population; which would yield more households than assumed when establishing the OAN.

7.22 **On this basis, if fewer older people are expected to live in communal establishments than is currently projected, the needs of any additional older people in the household population would need to be counted in addition to the assessed OAN.**

[67] Household Projections 2012-based: Methodological Report, Department for Communities and Local Government, February 2015

Gypsies and Travellers

7.23 Planning Policy for Traveller Sites (PPTS) came into force in March 2012. This document sets out the Government's policy for Gypsies and Travellers and represents the only policy for a particular household group which is not directly covered by the NPPF. However, at paragraph 1 PPTS notes that:

> *This document sets out the Government's planning policy for traveller sites. It should be read in conjunction with the National Planning Policy Framework.*
>
> **Planning Policy for Traveller Sites, paragraph 1**

7.24 An April 2015 High Court Judgement, '*Wenman v SSCLG and Waverley Borough Council*', has clarified the relationship between Gypsy and Traveller and Travelling Showpeople Needs Assessments and OAN. At paragraphs 42 and 43, the Judgement notes:

> *"42. However, under the PPTS, there is specific provision for local planning authorities to assess the need for gypsy pitches, and to provide sites to meet that need, which includes the requirement to "identify, and update annually, a supply of specific deliverable sites sufficient to provide five years' worth of sites against their local set targets" (paragraph 9(a)). These provisions have a direct parallel in paragraph 47 NPPF which requires local planning authorities to use their evidence base to ensure that the policies in their Local Plan meet the full objectively assessed needs for housing in their area, and requires, inter alia, that they "identify and update annually a supply of specific deliverable sites sufficient to provide five years' worth of housing".*
>
> *"43. The rationale behind the specific requirement for a five year supply figure under paragraph 9 PPTS must have been to ensure that attention was given to meeting the special needs of travellers. Housing provision for this sub-group was not just to be subsumed within the general housing supply figures for the area. Therefore it seems to me most unlikely that the housing needs and supply figures for travellers assessed under the PPTS are to be included in the housing needs and supply figures under paragraph 47 NPPF, as this would amount to double counting."*

7.25 The position proposed by the judgement is correct in that Gypsy and Traveller and Travelling Showpeople households will form part of the household projections, concealed households and market signals which underwrite the OAN calculation. The needs of these households are counted as part of the overall OAN; therefore any needs identified as part of a Gypsy and Traveller and Travelling Showpeople Needs Assessment are a component of, and not additional to, the OAN figure identified by the SHMA.

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