

# FAREHAM

## BOROUGH COUNCIL

### **Report to Planning and Development Scrutiny Panel**

**Date:** 12 March 2019

**Report of:** Head of Planning Strategy and Regeneration

**Subject:** HOUSEHOLD PROJECTION METHODOLOGY

#### **SUMMARY**

The report describes the process for compiling the Housing Need for the Borough using the standard methodology and the population projections released from Ministry for Housing, Communities and Local Government (MHCLG) or the Office for National Statistics (ONS). The methodology is prescribed in the Planning Practice Guidance (PPG) and laid out in the report for Member's discussion, together with the implications for Fareham. The report also contains an explanation of why housing need figures have changed in recent years and the differences between the 2014-based and 2016-based population projections.

#### **RECOMMENDATION**

Members are now asked to consider the report and make any comments or raise any questions for clarification.

## **INTRODUCTION**

1. Identifying housing need is the first step to decide how many homes need to be planned for within a local plan. The process is an 'unconstrained assessment' of the number of homes needed in an area which should be done in isolation of land availability.
2. The National Planning Policy Framework (NPPF) expects Local Plans to use the standard method for assessing local need. This method, set out in the Planning Practice Guidance (PPG), uses a formula to identify the minimum number of homes expected to be planned for, also addressing projected household growth and historic under-supply. This report explains that methodology in greater detail.

## **HOUSEHOLD PROJECTION METHODOLOGY**

3. Household projections are the starting point for assessing local housing need. The projections provide statistics on the potential number of households in England and its local authorities in the future. The projections show the household numbers that would result if previous demographic trends in population and household formation continue. It should be noted that they are not forecasts, they do not attempt to predict the impact of future Government or local policies, changing economic circumstances or other factors that may influence household growth. It should also be noted that future demographic behavior is inherently uncertain, meaning that any set of projections will almost inevitably be proved wrong to some extent, particularly if treated as a forecast or prediction of future numbers of households.
4. The definition of a household for the 2011 Census was: "one person living alone, or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area".
5. The methodology for producing the household projections is split into two stages. Stage one produces summary projected household numbers based on trends in population change and household formation and stage two gives a detailed breakdown of household type.

### Stage 1

6. Stage one is based on Census data 2011 plus post census household formation data from the Labour Force Survey (LFS).
7. Stage one applies projected household membership rates to a projection of the private household population disaggregated by age, sex and marital status to produce national and local projections for the total number of households by sex, age group and marital status. There are eight key components:
  - population estimates and projections,
  - marital status composition.
  - Institutional population
  - Household representative rates
  - Incorporating the Census 2011
  - Projecting Household Representative Rates
  - LFS adjustments
  - Regional and local household projections

The outcome of this stage is a projection for the total number of households.

## Stage 2

8. Stage two provides a more detailed breakdown of household type providing household numbers by type (one person, couple, with/without dependent, multi-person) and age. These breakdowns are based on 2001 and 2011 census data aggregated into eight household types to derive the proportion of persons 'heading' and 'not heading' households. Trends in these rates are projected forward using an exponential method starting at a local authority level.
9. The outcome of this stage is a projection for the total number of households categorised by type. This can be used to identify the types and size of homes that are needed.

## Changes Between 2014-Based and 2016-Based Projections

10. Household projections used to be published by the Ministry for housing, Communities and Local Government (MHCLG) however this moved to the Office for National Statistics (ONS) for the 2016-based release. There have been some changes in the methodology which can be summarised as follows:
  - Both the 2014 and 2016-based methods produce household projections in two stages as detailed above. However, in the 2014-based method the data/calculations included a marital status breakdown. This has been removed from the 2016-based method due to the absence of recent marital status population projections; the most recent being 2008-based.
  - Secondly, the 2014-based method used data from five census points i.e. 1971, 1981 to 2011 and projects this data combined with LFS data. However, the 2016-based method uses only the two most recent census points. This is because the two most recent censuses better reflect more recent trends in household formation.
11. The outcome of the change in methodology was a reduced number of additional households projected: 159,000 additional households each year compared with the 210,000 previously projected. Households headed by someone aged 65 years and over account for 88% of the total growth in households between 2016 and 2041.
12. However, the Government response to the technical consultation on updates to national policy and guidance (published 20 February 2019) makes it clear that 2016-based household projections should not be used for assessing housing requirements. Therefore, the higher, 2014-based household projections should be used as the starting point for assessing local housing need.

## **STANDARD METHODOLOGY FOR ASSESSING HOUSING NEED**

13. The standard methodology for assessing housing need is broken down into three stages.
14. Step one of the standard method sets a baseline using national household growth projections from ONS (as described in paragraphs 5-8 above). These are the projected average annual household growth over a ten year period (this ten year baseline is to be

applied to the whole plan period).

15. Step two adjusts the baseline to take account of affordability. This uplift is based on house price to earnings ratios. Planning practice guidance sets out the formula to be used to calculate the adjustment factor.
16. Step three involves applying a cap to limit the increase in the minimum annual housing need figure an individual local authority can face. How this is calculated depends on the current status of the relevant strategic policies for housing. However, the cap does not apply in Fareham, because of the date of our adopted plan.

#### **Standard Method Summary for Fareham**

1. Projected household growth over next 10-years = 398 homes per year
2. Affordability uplift – house price to earnings ratio = 146 homes per year

Overall housing need = 544 homes per year (398 + 146)

It is worth noting that this figure is the minimum housing requirement. Other factors such as unmet need from neighbouring authorities come into play before determining the housing target for the Local Plan.

#### **RISK ASSESSMENT**

17. There are no significant risk considerations in relation to this report

#### **CONCLUSION**

18. Members are now asked to consider the report and make any comments or raise any questions for clarification.

#### **Background Papers:**

None

#### **Reference Papers:**

#### **Enquiries:**

For further information on this report please contact Claire Burnett. (Ext: 4330)