Updating the Objectively Assessed Housing Needs of Tandridge

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Neil McDonald is an independent adviser and commentator on housing demographics.

Recent publications include:

- Making sense of the New English Household Projections[1] (April 2015).
- Planning for Housing: Understanding recent changes in household formation rates and their implication for planning for housing in England[2] (January 2014).
- Choice of Assumptions in Forecasting Housing Requirements: Methodological Notes[3] (March 2013).
- "What Homes Where?" an Excel-based tool that provides easy access to the key official datasets for planning for housing[4].

Neil was a civil servant and policy adviser to Ministers for over 30 years, the last 10 advising on housing and planning issues within the Department of Communities and Local Government. His 7 years as a Director at DCLG included a posting as Director, Planning Policy and a period as Chief Executive of the National Housing and Planning Advice Unit until its closure in 2010. He left the Department in March 2011 and has since worked with the Cambridge Centre for Housing and Planning Research (CCHPR) as a Visiting Fellow (2012-15), collaborating in particular with its founder director, Professor Christine Whitehead.

NMSS take considerable care to ensure that the analysis presented is accurate but errors can slip in and even official data sources are not infallible, so absolute guarantees cannot be given. Statistics, official or otherwise, should not be used uncritically: if they appear strange they should be thoroughly investigated before being used.

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[1] Making sense of the New English Household Projections, Ludi Simpson and Neil McDonald, Town and Country Planning, April 2015. Available from the TCPA at http://www.tcpa.org.uk/pages/our-journal.html Ludi Simpson is Professor of Demographics and the University of Manchester.

[2] Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England, RTPI Research Report no.1 January 2014, Neil McDonald and Peter Williams (then Director of the Cambridge Centre for Housing and Planning Research). See http://www.rtpi.org.uk/media/819060/rtpi_research_report_-_planning_for_housing_in_england_-_january_2014.pdf

[3] Choice of Assumptions in Forecasting Housing Requirements: Methodological Notes, Cambridge Centre for Housing and Planning Research, edited by Neil McDonald with contributions from Sarah Monk, Alan Holmans, Christine Whitehead and Peter Williams, March 2013. See http://www.howmanyhomes.org/resources/Choice_of_Assumptions.pdf

[4] See: http://www.howmanyhomes.org/5.html

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This interim report updates the estimate of Tandridge's OAN set out in the NMSS report "The Objectively Assessed Housing Needs of Tandridge" of September 2015 (the "2015 NMSS Report"). It is based on the 2012 NPPF (NPPF1) not the 2018 NPPF (NPPF2) as Tandridge intend to submit their plan before the deadline of 24 January 2019 for using the NPPF1 expires.

Summary and conclusions

(a) Tandridge's demographically based OAN

   i.   The latest household projections are the 2016-based set published by the ONS on 20 September 2016 – the '2016 SNHP'. Allowing for 2.84% empty and second homes (based on average from the Council Taxbase for 2014-16) these suggest a housing need of 332 homes a year over the Tandridge Plan period of 2013-33.

   ii.   The 2012 SNHP suggested a housing need for the same period of 430 homes a year. The much lower figure indicated by the 2016 SNPP is due to a combination of a lower population projection (the '2016 SNPP') and lower household formation rates.

   iii.   The population projection in the 2016 SNHP (the 2016 SNPP) is for a 22% smaller increase over the plan period than in the 2012 SNPP (which was used for the 2012 SNHP). The changes are due to:

       a.   Changed assumptions by the ONS on future fertility and mortality rates and lower net international migration.

       b.   The effect of moving the trend periods forward 4 years.

       c.   Improvements made by the ONS in estimating migration flows.

   iv.   There are no grounds for believing that the 2016 SNPP is not a better and more up to date projection than the 2012 SNPP.

   v.   The reliability of the 2016 SNPP has been probed by:

       a.   Investigating whether the ONS's relatively short trend periods for its migration flow projections are causing distortions. It has been found that using 10 and 15 year trend periods for flows to and from the rest of the UK and 10 year flows for international migration make relatively little difference.

b. Adjusting for UPC similarly makes little difference.

c. Updating the 2016 SNPP to take account of the 2017 mid-year population projections also makes little difference.

vi. It has therefore been concluded that the unadjusted 2016 SNPP is the best available population projection to use in planning for housing in Tandridge.

vii. The 2016 SNHP are the first set of household projections produced by the ONS. Earlier household projections have been produced by the MHCLG. The ONS has introduced a new, simpler method for projecting household formation rates (which measure how many households a particular group of people either have formed in the past or are likely to form in the future). The ONS's 2016-based household formation rates are lower than the MHCLG's 2014-based rates. This has the effect in Tandridge's case of reducing the number of homes needed over the plan period by about 10%.

viii. The 2016 SNHP were published on 20 September 2018 and have yet to be tested at a planning appeal inquiry or a local plan examination. However, it is likely that they will be criticised for:

a. The use of just two census data points (2001 and 2011) to project household formations rates, with the latter having potentially been affected by the economic downturn. (The recent MHCLG projections used five census data points.)

b. Apparent anomalies in projected household formation rates for some age groups.

ix. However, there are arguments to the contrary and it is suggested that the 2016 SNHP should be accepted as the best currently available.

x. **On this basis 332 homes a year 2013-33 should be accepted as the most up to date and reliable assessment of the Tandridge's demographically based housing need.**

(b) Market signals

xi. In the period since the 2015 NMSS report was written the approach taken by local plan inspectors has increasingly become one of applying a 'going rate' for an authority's market signals uplift based on the house price : earnings affordability indicator. However, this very simple approach ignores the very real differences between authorities that cannot be reflected in a single affordability ratio. In Tandridge's case key factors are the proportion of residents that commute to higher paid jobs outside the district and the mix of housing in the area which has a larger proportion of properties in higher council tax bands than England as a whole. Moreover, in recent years Tandridge's affordability ratios have not worsened to the same extent as others in the South East. When these factors are taken into account

it can be seen that a comparison based on affordability ratios exaggerates the affordability issues Tandridge faces relative to other authorities. On this basis it is suggested that a 20% market signals uplift should be applied rather than the 25% uplift which was applied to Waverley (which has similar ratios).

xii.   Applying a 20% market signals uplift gives a housing need of 398 homes a year 2013-33.

xiii.   If homes are built at the rate of 398 a year more homes will be added to the stock than are required to house the population increase envisaged in the 2016 SNPP. As a result, one of two things is likely to happen:

    a.   The projected population will form more households than suggested by the 2016 SNHP i.e. more of those who would have been living in the area anyway will form their own, separate households, e.g. young people who might otherwise have continued to live with parents or in shared houses and flats will set up their own homes on their own or with others.

    b.   More people will move into the area than projected.

xiv.   Whilst the outcome is like to be a mix of these two possibilities, in an area in such high demand as Tandridge with many neighbouring authorities struggling (and failing) to meet their own housing needs, the second option is likely to predominate overwhelmingly. On this basis the population increase over the plan period will be larger than projected by the 2016 SNPP – of the order of 14,800 to 15,700 people (depending on the assumptions made) rather the 11,600 in the 2016 SNPP.

(c)   Homes needed to support job growth

 xv.   With the increased population growth that would be generated as a result of the 20% market signals uplift, Tandridge's population will be more than sufficient to support the jobs growth envisaged in the 2017 Experian forecast so no further homes would be needed to support job growth.

xvi.   Without the market signals uplift the population growth would have been too small and extra homes would have needed to be added to support jobs growth, implying a housing need of 379 homes a year 2013-33.

(d)   The housing market area (HMA)

xvii.   Analysis by Turleys (confirmed in an update paper of June 2018) has concluded that the, "evidence points towards Tandridge being a functional component of a HMA including Croydon, Reigate and Banstead and Mid Sussex". However, all of these authorities have adopted NPPF1 compliant local plans working as part of HMAs that do not include Tandridge. Tandridge therefore has no option but to develop its plan

focussing solely on its own district (whilst liaising closely with neighbouring authorities under the Duty to Co-operate).

xviii.   If new plans were to be adopted for the three other 'HMA' authorities at the current LHN figures (based on the 2016 SNHP) the housing requirements would increase significantly. Those authorities may, however, successfully argue that constraints on their ability to deliver housing (e.g. because of the lack of suitable land) mean that their housing requirements must be below the LHN.

xix.   NMSS understand that Reigate and Banstead have unmet housing needs and that Croydon may struggle to meet the housing need figure in the new London Plan. However, with its tightly constrained position Tandridge is in no position to meet its full housing need let alone that of neighbouring authorities. Solutions to the HMA's housing need will have to be sought further afield. However, all of the relevant authorities are constrained in their ability to accommodate more housing and are in other HMAs. Moreover, some neighbouring areas are not places to which it is likely that significant numbers of people who might seek to live in Tandridge would move to instead. They are not therefore practical options for accommodating Tandridge's unmet need.

Conclusion

xx.   Based on the ONS's 2016-based household projections and a 20% market signals uplift, the objectively assessed housing need of Tandridge is 398 homes a year over the period 2013-33. This is sufficient to accommodate the jobs growth envisaged in Experian's 2017 forecast so no additional homes are needed to support jobs growth.

THE OBJECTIVELY ASSESSED HOUSING NEEDS OF TANDRIDGE

1. Introduction

1.1. It is three years since NMSS assessed Tandridge's OAN in "The Objectively Assessed Housing Needs of Tandridge" (the "2015 NMSS Report"). A great deal has happened since then: more data has become available; new population and household projections have been released; and the National Planning Policy Framework (NPPF) has been revised. The impact on the estimate of Tandridge's objectively assessed housing needs is substantial. This report provides a full update.

2. Updating the demographic starting point

2.1. The 2015 NMSS report concluded that the demographic OAN of Tandridge was 470 homes a year 2013-33. Based on the latest ONS household projections (the 2016-based household projections[5] – the "2016 SNHP"), an up to date estimate would be 332 homes a year, a very substantial reduction. This is due to the combined effect of lower population growth projections and lower household formation rates. Adding a 20% uplift for market signals (primarily driven by poor affordability ratios) would bring this to 398 homes a year (2013-33).

2.2. As Tandridge intend to submit their local plan for examination on or before the cut-off date (24 January 2019) for plans submitted under the 2012 NPPF (NPPF1) the analysis in this report is based on the methodology set down in the NPPF1, not the 2018 NPPF (NPPF2).

2.3. The NPPF1 and Planning Practice Guidance (PPG) specify that the starting point for the assessment of housing needs (the OAN) should be the latest official household projections. As already noted, these are the 2016-based household projections (2016 SNHP) which were published on 20 September 2018.

2.4. Figure 2.1 compares the 2016 SNHP with its predecessors, the 2014 SNHP and the 2012 SNHP. The 2016 SNHP is the first set of household projections produced by the ONS. The 2012 and 2014 SNHPs were prepared by the MHCLG and use a significantly different methodology.

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[5] Household projections in England: 2016-based, ONS, 20 September 2018 at
https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/2016basedhouseholdprojectionsinengland/2016basedhouseholdprojectionsinengland

Figure 2.1: Comparison of household projections for Tandridge

Source: MHCLG and ONS
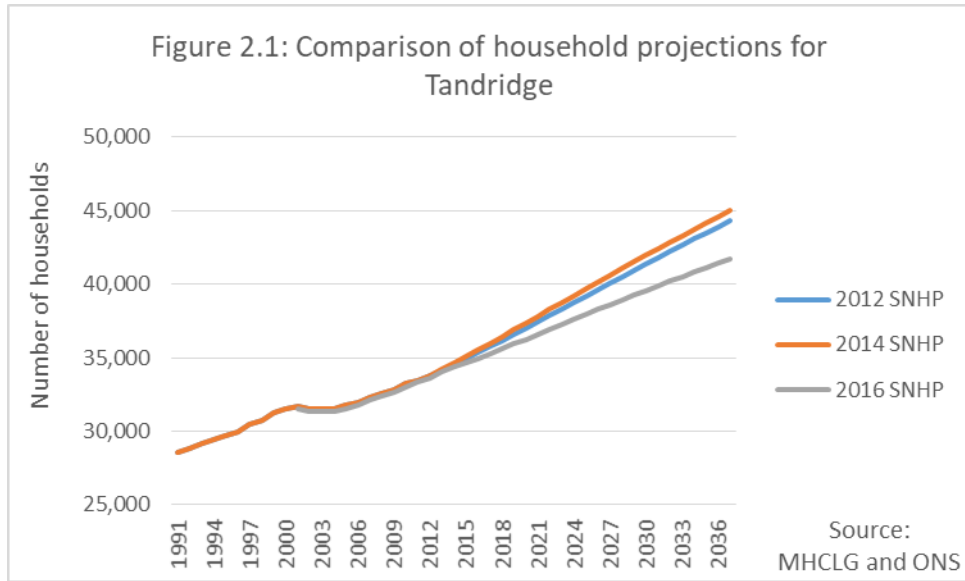
2.5.   As can be seen, the 2014 SNHP suggested slightly faster household growth than the 2012 SNHP and the 2016 SNHP suggested significantly slower growth than both of the earlier projections. Table 2.1 shows what these differences mean for population and household growth over the Tandridge plan period and the number of homes needed – with figures rounded to the nearest 10 to avoid suggesting spurious accuracy. The figures from the scenario recommended in the 2015 NMSS report (based on adjusting the 2012 SNHP) are also shown to complete the picture.

Table 2.1: Comparison between population and household projections			
Population and household change and homes 2013-33	Population increase	Household increase	Homes a year
2012 SNHP	14900	8770	440
2015 NMSS (adjusted 2012 SNHP)	16220	9440	470
2014 SNHP	15840	9320	470
2016 SNHP	11590	6480	330

2.6.   The much lower 2016 SNHP figures are due to the combination of lower population projections and lower household formation rates. Given the size of the changes it is entirely reasonable to ask whether the new figures are more or less reliable than the earlier ones and the following sections seek to address this by looking first at the population projections and then at the household formation rate projections.

3.   Assessing the reliability of the latest population projections

3.1.   The 2015 NMSS Report was based on DCLG's (as it then was) 2012-based household projections which in turn were based on the ONS's 2012-based Subnational Population Projections for England[6] (2012 SNPP). Since then two sets of population projections have been published: the 2014 and 2016-based sets (2014 SNPP[7] and 2016 SNPP[8]) in May 2016 and May 2018 respectively. These have incorporated changes in the ONS's projections for fertility and mortality rates and international migration at the England level as well later data, some of which is the result of new methods for estimating migration flows.

3.2.   Three more sets of mid-year population estimates have also been published, the latest being the 2017 MYE[9] which were released in June 2018. The last two sets (the revised 2016 MYE[10], released in March 2018, and the 2017 MYE) included methodological changes which sought to improve the estimation of migration flows and which altered the numbers for some authorities quite significantly. The updated 2016 MYE was published with revised population estimates for the period 2012-16 showing what the figures for those years would have been had the new methods introduced in the 2016 MYE been applied to those years. However, no such 'back series' was produced for the changes incorporated in the 2017 MYE.

3.3.   It should be noted that the 2017 MYE implies that there was a larger population growth in 2016-17 than envisaged by the 2016 SNPP, suggesting that the 2016 SNPP may possibly underestimate the likely population growth, although not too much weight should be put on one year's figures as all population estimates are subject to error margins and random fluctuations. The 2018 MYE could, for example, deviate in the other direction and be below the 2016 SNPP figure for that year.

3.4.   Some of the methodological changes have been fairly detailed and technical, but their impact has been substantial. Figure 3.1 shows how the population increase projected for the period 2013-33 has changed in the last three official projections and how it might change further if the 2016 SNPP were updated to reflect the 2017 MYE. As the chart shows,

- The 2012 SNPP figure of 14,898 was first **increased** by 6% by the 2014 SNPP.

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[6] The *2012-based Subnational Population Projections for England* were published on 29 May 2014 and are available at http://www.ons.gov.uk/ons/rel/snpp/sub-national-population-projections/2012-based-projections/stb-2012-based-snpp.html

[7] *Subnational population projections: 2014-based projections*, ONS, 25 May 2016 at: https://www.ons.gov.uk/releases/subnationalpopulationprojections2014basedprojections
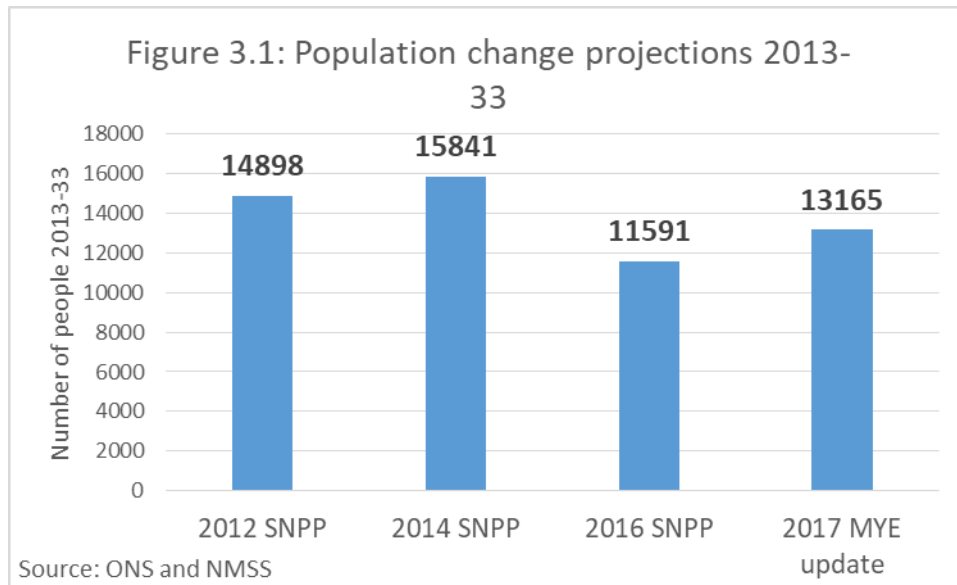
[8] *Subnational population projections for England: 2016-based*, ONS, 24 May 2018. See: https://www.ons.gov.uk/releases/subnationalpopulationprojectionsforengland2016basedprojections

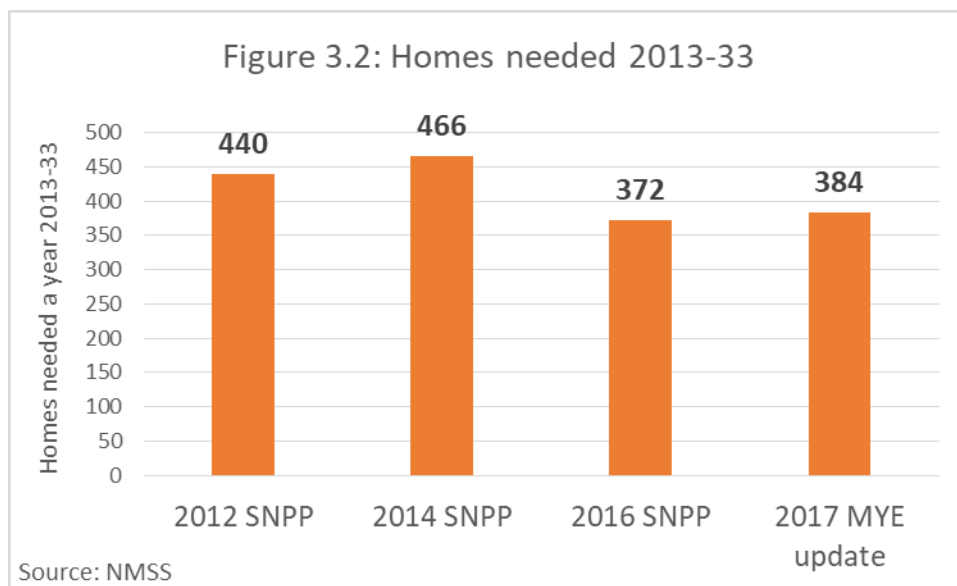[9] *Population estimates for UK, England and Wales, Scotland and Northern Ireland: mid-2017*, ONS, 28 June 2018. See: https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2017

[10] Revised population estimates for England and Wales: mid-2012 to mid-2016, ONS, 22 March 2018. See: https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2012tomid2016

- It was then **reduced** to 22% below the 2012-based figure by the 2016 SNPP.

- Updating to reflect the 2017 MYE would increase the 2016-based figure but still leave it 12% **below** the 2012 SNPP.

Figure 3.1: Population change projections 2013-33

| Category	Number of people 2013-33
2012 SNPP	14898
2014 SNPP	15841
2016 SNPP	11591
2017 MYE update	13165

Source: ONS and NMSS

3.5.   Figure 3.2 shows what these changes imply for the number of homes needed when they are combined with the household formation rates projected in DCLG's 2014-based household projections. (The impact of the change from the 2014 HRRs to the 2016 HRRs will be discussed in the next section.) The variations are not quite so large because not all age groups are affected to the same degree by the changes to the population projections. However, there are sizeable changes with the number of homes needed first rising 6% from the 2012 SNHP figure before falling to 15% below that figure, with the 2017 MYE update suggesting a figure 13% below the 2012 SNHP number.

Figure 3.2: Homes needed 2013-33

Category	Homes needed a year 2013-33
2012 SNPP	440
2014 SNPP	466
2016 SNPP	372
2017 MYE update	384

Source: NMSS

3.6. It may be helpful to understand why these changes have occurred and, as a result, gain some insights into the extent to which they reflect real changes in the expected population growth.

3.7. Any population change is the result of the combined effects of births, deaths and migration flows – both to and from the rest of the UK and internationally. To explain the large changes in the projected population changes it is necessary to look at the projections for the individual components of change – see Table 3.1 and Figure 3.3.

Table 3.1: Population projections for 2013-33 and their components of change	Population change	Births	Deaths	UK in	UK out	International in	International out	Adjustments
2012 SNPP	0	18465	17196	109087	95708	5751	5554	53
2014 SNPP	0	19235	17750	113099	100792	5607	3635	77
2016 SNPP	0	18512	18082	113360	103676	5423	4032	84
2017 MYE update	0	19039	17981	120360	109930	5330	3727	75

Figure 3.3: Projected components of change compared
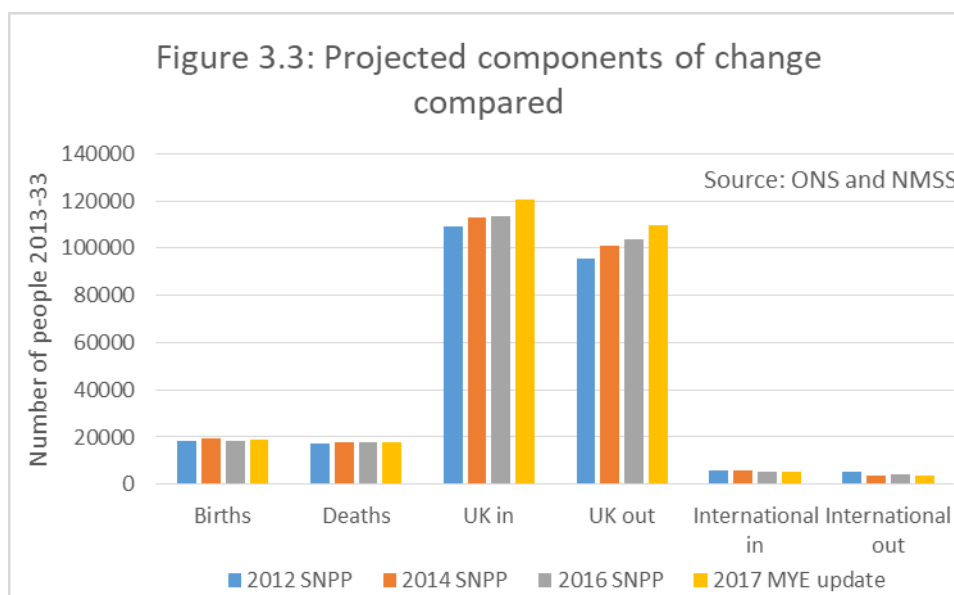
3.8. As Figure 3.3 shows, the largest drivers of population change by far are the flows from and to the rest of the UK. International migration is a relatively small factor.

3.9. It is, of course, the changes in the components of change that cause the projected population to vary from the 2012 SNPP figure. Table 3.2 and Figure 3.4 show the changes in the components of change to enable the differences to be seen more clearly.

Table 3.2: Population projections for 2013-33: differences from 2012 SNPP	Population change	Births	Deaths	UK in	UK out	International in	International out	Adjustments
2014 SNPP	943	769	554	4012	5084	-144	-1919	24
2016 SNPP	-3307	46	885	4274	7968	-328	-1522	31
2017 MYE update	-1733	573	785	11273	14222	-421	-1826	22

Figure 3.4: Changes in projected components of change 2013-33
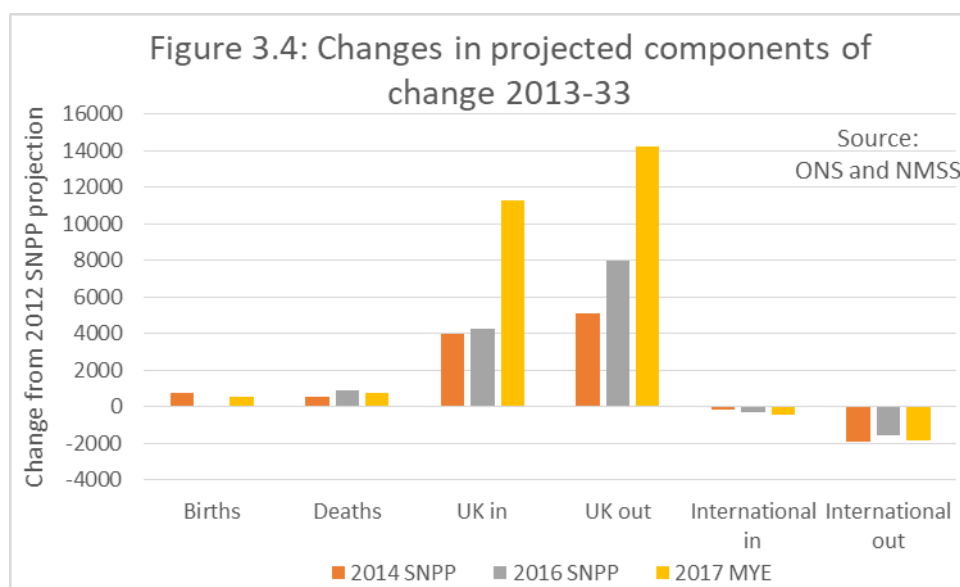
3.10. The changes to the projections for births, deaths and international flows are relatively small. They are caused by the combined effects of the levels of births, deaths and international flows observed in the trend periods and the assumptions made by the ONS about future fertility and mortality rates and UK international migration. For example, the increase in the numbers of deaths projected in the 2016 SNPP relative to the 2014 SNPP will be due at least in part to the ONS's revised national assumptions for future mortality rates, based on the view that increases in life expectancy will not be as large as had previously been thought.

3.11. Relative to the 2012 SNPP, both the 2016 SNPP and the update to reflect the 2017 MYEs have larger increases in projected deaths than in projected births. The effect of this is to reduce the projected population growth.

3.12. In contrast, for all three subsequent projections the reduction in international out migration relative to the 2012 SNPP exceeds the reduction in international in migration so net international migration into Tandridge increases. This increases the projected population increase, more than compensating for the lower natural change (i.e. births minus deaths).

3.13. However, the changes to births, deaths and international migration are swamped by the changes to the projected flows from and to the rest of the UK: the increases in outflows exceed the increases in inflows so the net population change is smaller in the 2016 SNPP and the 2017 MYE update. As it is these changes that drive the reduction

in the population increase in these last two projections, the plausibility of these projections depends heavily on the plausibility of those changes. They therefore merit a little further exploration.

3.14. Migration flows to and from the rest of the UK are projected on the basis of outflow rates calculated over a 5-year period running up to the start date of a set of projections. Flows into an authority are based on the shares of the projected outflows from other authorities that have historically come to that authority. This means that if, as a result of moving a trend period forward two years from one set of projections to the next, the average flow rate increases then the projected flow will also increase.

3.15. Figure 3.5 shows the ONS's estimates of the flows into Tandridge from the rest of the UK for each year since 2001-02:
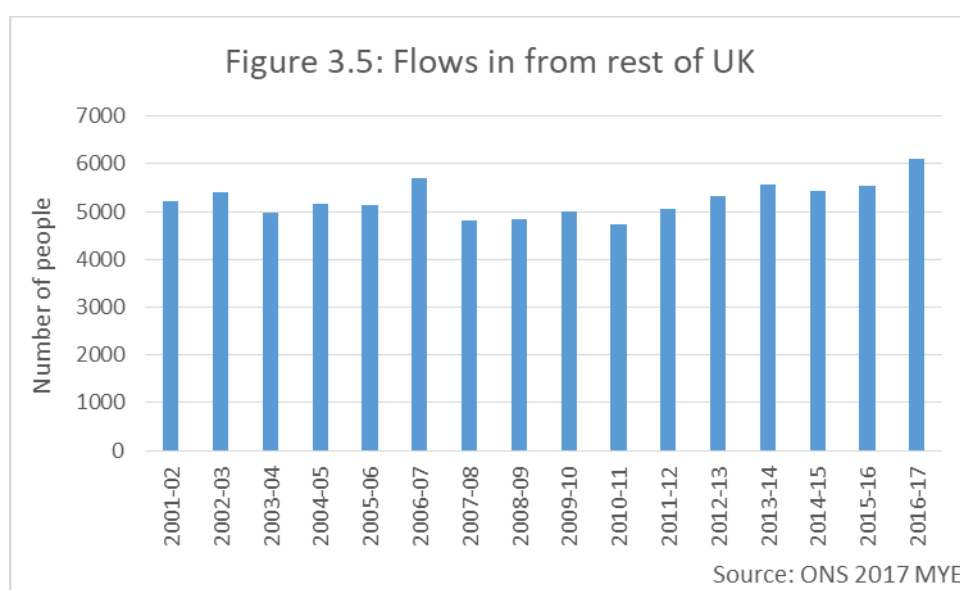
3.16. The trend period for the 2012 SNPP was the 5-years up to mid-year 2012 i.e. 2007-08 to 2011-12. For the 2014 SNPP the start and end dates of the trend period were moved forward two years i.e. the period covered 2009-14. From Figure 3.5 it can be seen that the flows in the two new years that were added to the trend period – 2012-13 and 2013-14 were higher than in the any of the years in the 2012 SNPP trend period. It therefore follows that the average flows in the 2014 SNPP trend period were higher than those in the 2012 SNPP trend period, so the projected inflow is therefore likely to be larger in the 2014 SNPP.

3.17. By the same logic it is to be expected that the projected inflows in the 2016 SNPP will be higher than those in the 2014 SNPP and the flows in the 2017 MYE update will be higher than in the 2016 SNPP.

3.18. It is worth noting that the inflow in the year 2016-17 was estimated to be higher than that in any year since 2001-02. This is due at least in part to the introduction by the ONS of new methods of estimating internal migration flows, including a new method for estimating the moves of students after they have completed their university courses – the 'Higher Education Leavers Methodology'. Estimating the moves of students after the completion of their courses has long been a notoriously difficult aspect of the population estimates as the main source has been GP registrations and

students can be slow to register with a new GP when they move after university. The new method uses revised and more realistic assumptions to estimate what happens to those leaving higher education who do not immediate register with a GP: they ought, therefore, to be more reliable. The method generally has the effect of increasing the estimated flows compared with the earlier method. Hence the higher flow in 2016-17.

3.19. A very similar picture emerges from a consideration of the historical data for outflows to the rest of the UK – see Figure 3.6.

Figure 3.6: Flows out to rest of UK

Source: ONS 2017 MYE
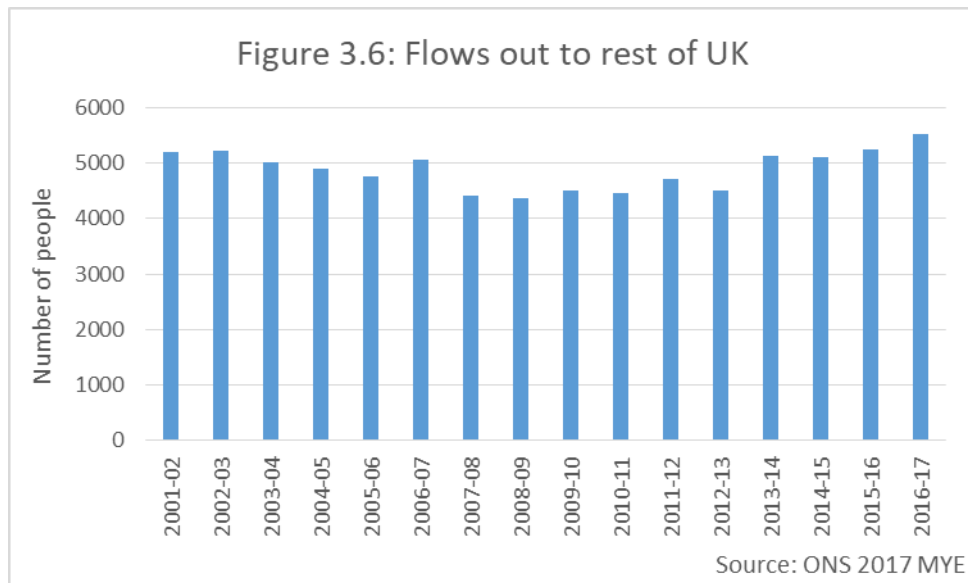
3.20. Again the outflow in 2016-17 is higher than in any year since 2001-02, with the ONS's new methodology almost certainly being a significant factor.

3.21. As the increase in outflows exceeds the increase in inflows the net effect of the changes in flows from and to the rest of the UK is to reduce the projected population increase.

3.22. The conclusion therefore is that the changes in the projected UK flows in the more recent projections is explained by changes in the estimated flows in the trend periods which they use. Provided those estimates of past flow are accurate, the changes in the projections should be accurate. Such flow estimates are subject to sizeable error margins but they are ONS official statistics and are the best available. Clear and strong evidence would be needed to discount them.

3.23. Having looked at the components of change and found that they provide a reasonable explanation for the differences in the population growth numbers suggested by the recent projections it is appropriate to ask whether there are any other factors which might suggest that the latest projections are not reliable. Two deserve consideration:

- **Unattributable Population Change**. The issue here is whether errors in the historical statistics might have distorted the projections.

- **Length of trend period**. The ONS uses 5 and 6-year trend periods. These are relatively short, which has the advantage that the projections respond relatively quickly to changes but the disadvantage that they can be distorted by cyclical

factors such as the recent recession and one-off events such as the construction of a large housing estate or the closure of a major employer.

(a) Unattributable Population Change

3.24. Unattributable Population Change (UPC) is the difference between the population change recorded between two censuses and the population change calculated from the ONS's estimates for births, deaths and migration flows in the intervening period. For Tandridge UPC is -340 over the 10-year period 2001-11, the negative sign implying that the cumulative components of change exaggerate the population change suggested by the censuses. The discrepancy was 9% of the population change suggested by the 2001 and 2011 censuses. This is relatively small. (There are 83 authorities for which UPC is more than 50% of the population change suggested by the 2001 and 2011 censuses.)

3.25. The 2015 NMSS Report concluded that for Tandridge UPC could have been due to errors in the censuses counts (and so would not have affected the projections) and that, as the impact on the OAN was relatively small, it was not appropriate to make an adjustment for it. That conclusion remains valid. As Table 3.3 shows, the impact of assuming that half of UPC affected the migration estimates and continued to do so after 2011 is only to reduce the population projection for the plan period by 1.9%.

Table 3.3: Population change 2013-33	Population change	Difference from 2016 SNPP	Percentage difference
2016 SNPP	11591	-	-
2016 SNHP + 50% UPC	11367	-224	-1.9%

3.26. As the impact, if any of UPC is small, uncertain and negative, the prudent course is not to make any adjustment for it.

(b) Impact of using longer trend periods

3.27. The 2015 NMSS Report was based on the 2012-based projections which used the period 2007-12 as their trend period for flows to and from the rest of the UK – a period that included a severe recession. It was therefore particularly appropriate that consideration was given to a longer trend period. However, the effect of the adjustments made was only to increase the projected population increase by 9% and the estimate of the number of homes needed by 7%.

3.28. In this report the impact of longer trend periods has been explored by modelling 10 and 15-year trend periods for flows from and to the rest of the UK in the last two projections: the 2016 SNPP and the 2017 MYE update. A 15 year period has been modelled in addition to a 10 year period so that the effect of including years before the recession can be understood.

3.29. In addition a projection has been produced in which both flows to and from the rest of the UK and flows to and from the rest of the world are modelled using 10-year trend periods.

3.30. The results of these variant projections are set out in Table 3.4 (with '10YR ALL MIG' being the projection based on 10 year trend periods for both domestic and international flows):

Table 3.4: Different trend periods	Population change	Difference from 2016 SNPP	Percentage difference
2016 SNPP	11591	-	-
2016 SNHP 10YR	12183	593	5.1%
2016 SNHP 15 YR	11249	-342	-2.9%
2016 SNHP 10YR ALL MIG	12255	664	5.7%

3.31. As can be seen, the impacts are small. Moreover, whilst using a 10-year period for flows to and from the rest of the UK results in a larger projected population increase, using a 15 year period produces a smaller population increase than suggested by the 2016 SNPP.

3.32. As:

- the changes between the 2012, 2014 and 2016 SNPPs are due to changes in the components of change in the trend periods and the ONS's updated assumptions for fertility, mortality and international migration;

- the impact of UPC, if any, would have been small;

- changing trend periods would also have little impact; and,

- updating for the 2017 mid-year estimates also makes little difference,

it is proposed that the 2016 SNPP should be used 'as published' to estimate the population increase that needs to be accommodated in the demographic housing need estimate.

4. Turning the population projections into households and homes

4.1. To turn a population projection into a household projection household formation rates need to be applied. These indicate the tendency of a particular age/sex/marital status group to set up a separate household. The 2015 NMSS Report used the household formation rates from the 2012-based DCLG household projections[11] (the 2012 SNHP).
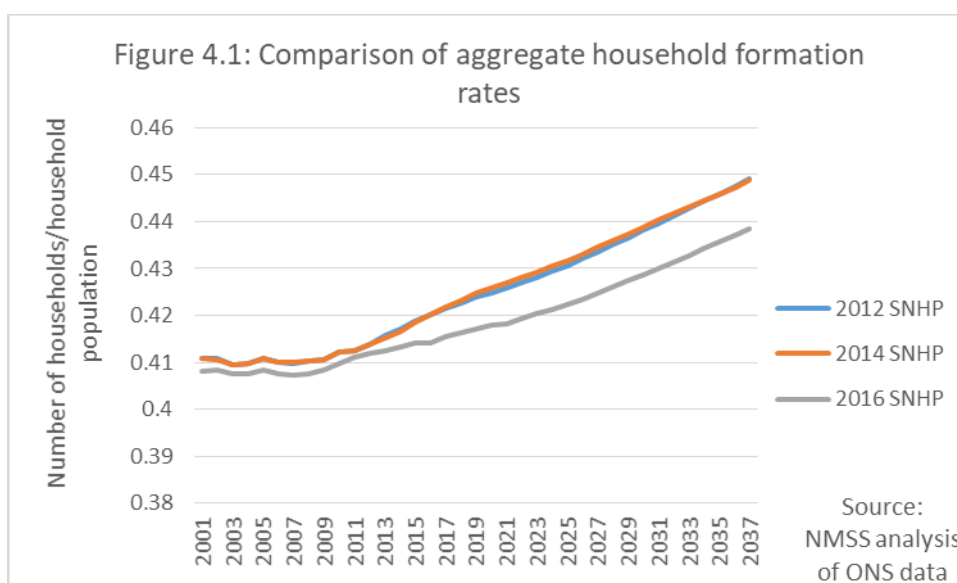
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[11] The *2012-based Subnational Population Projections for England* were published on 29 May 2014 and are available at http://www.ons.gov.uk/ons/rel/snpp/sub-national-population-projections/2012-based-projections/stb-2012-based-snpp.html

The latest household projections are the 2016-based set published on 20 September[12] (the 2016 SNPP). In between these two there was the 2014-based set[13] (the 2014 SNHP) which was released in July 2016. The 2015 NMSS Report discussed whether there was a case for adjusting the 2012-based household formation rates and concluded that there was not. This section compares the three household projections and discusses whether there is a case for adjusting the 2016-based household formation rates.

4.2. The 2016 SNHP are the first set of household projections produced by the ONS. The earlier household projections were produced by the predecessors of the MHCLG. The ONS has introduced a new, simpler method for projecting household formation rates based solely on 2001 and 2012 census data whereas the MHCLG used 5 data points stretching back to the 1971 census and also made use of data from the Labour Force Survey (LFS). There are pros and cons to both approaches but the 2016 SNHP can be criticised for:

- Using just two data points and so making it vulnerable to inaccuracies in one or both of the data points or to distortions caused by cyclical factors such as the recent economic downturn which may have affected the 2011 census.

- Apparent anomalies in the projected household formation rates for some age groups.

4.3. As a result of changes in the 2016 SNHP it is not possible to compare that projection with earlier projections except at the aggregate level i.e. total households divided by total household population. Figure 4.1 shows the results of this comparison for Tandridge.

Figure 4.1: Comparison of aggregate household formation rates

Source: NMSS analysis of ONS data

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[12] Household projections in England: 2016-based, ONS, 20 September 2018 at
https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/2016basedhouseholdprojectionsinengland/2016basedhouseholdprojectionsinengland
[13] *2014-based household projections in England, 2014 to 2039*, DCLG, 12 July 2016 at:
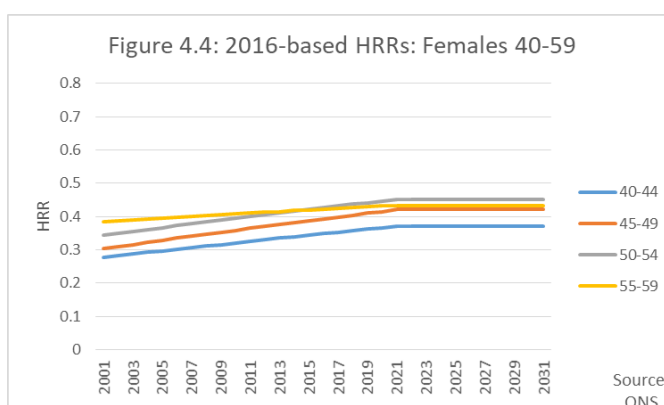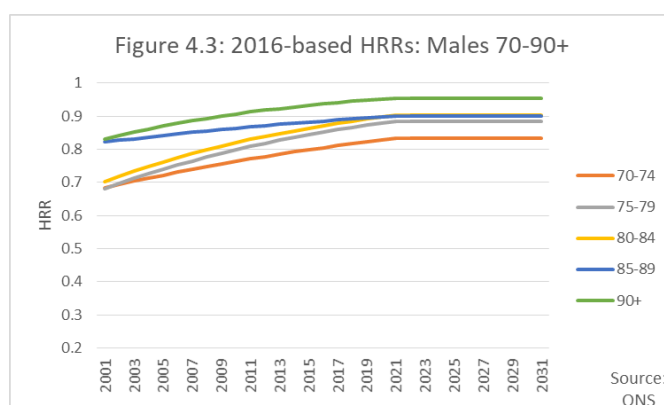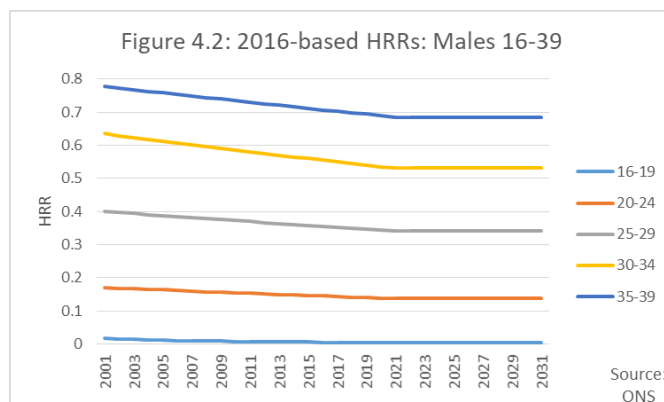https://www.gov.uk/government/statistics/2014-based-household-projections-in-england-2014-to-2039

4.4. As can be seen, there is very little difference between the 2012 and 2014-based HRRs projected by the MHCLG. The 2016-based HRRs are, however, markedly lower.

4.5. Note in particular the 2016-based projections have lower household formation rates for 2001 and 2011 (and the intervening years). This may seem surprising as both use the census data. However, for various technical reasons the MHCLG projections made adjustments to the census data whilst the ONS's figures are based directly on the census data. From that point of view it can be argued that the ONS's 2016 SNHP is to be preferred in terms of accuracy between 2001 and 2011.

4.6. After 2011 the aggregate household formation rates diverge. It is this that gives rise to a smaller increase in household growth using the 2016 HRRs. Applying the 2016 HRRs to the 2016 SNPP (as in the 2016 SNHP) gives a household growth for Tandridge that is 10.9% lower over the plan period (2013-33) than applying the 2014 HRRs to the same population projections. However, most of the divergence occurs in the first half of the period: over the period 2013-23 the 2016 HRRs produce a household increase that is 13.9% lower than that produced by the 2014 HRRs whilst over the period 2023-33 the difference is only 7.8%.

4.7. It is only when you delve into the detail of the projections that it becomes clear how different the 2016 SNHP is from its predecessors. Unlike the previous projections which made separate projections for age, sex and marital status groups, the 2016 SNHP only uses age and sex groups: no distinction is made between whether people are single, married or previously married. Moreover, the definition used to choose the 'household representative person' (HRP[14]) i.e. the marker person in the household used to classify the household is different. The MHCLG projections defined the HRP to be (in broad terms) the oldest male and, if there are no males, the oldest female. In contrast the 2016 SNHP defines the HRP as the oldest economically active person and then the oldest inactive person. This means that women in couples can be the HRP whereas they couldn't previously and, if one member of a couple stops working, the other member could become the HRP – possibly leading to the classification of the household changing both age group and sex.

4.8. The net result is that the detailed 2016 HRRs bear little resemblance to the 2014 HRRs and, for those familiar with the MHCLG projections, the 2016 household formation rates (also known as household representative rates 'HRRs') appear strange. In particular, for Tandridge:

- For male age groups between 16 and 69 the HRRs are shown to have fallen between 2001 and 2011 and are projected to continue to fall further until 2021 – after which all HRRs are held constant at the 2021 value.

- For male groups between 70 and 90+ the HRR is shown to have risen between 2001 and 2011 and to continue to rise until 2021.
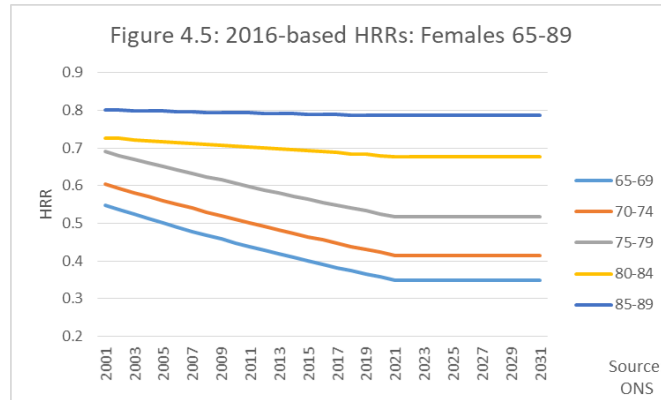
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[14] Households are classified according to the age and sex of their household representative person (HRP). Thus if a woman aged 52 is the HRP the household is classified as 'females, aged 50-54'. The household representative rate (HRR) of women aged 50-54 is the probability that a woman in a group of women aged 50-54 is an HRP. Thus, if the definition of who is the HRP changes to increase the number of women aged 50-54 who are HRPs, then the HRR of women aged 50-54 also goes up.

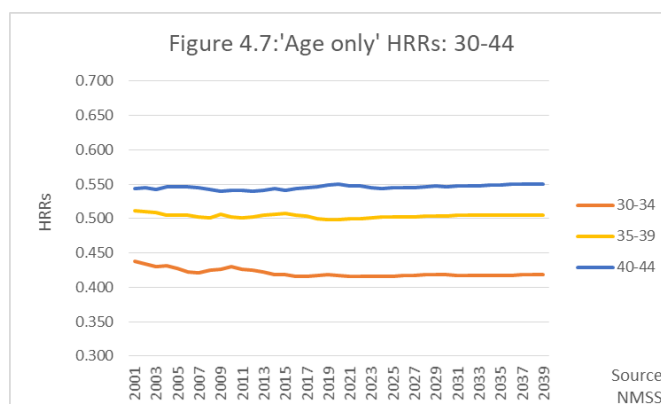In contrast, the female HRRs are not quite a mirror image, but nearly:

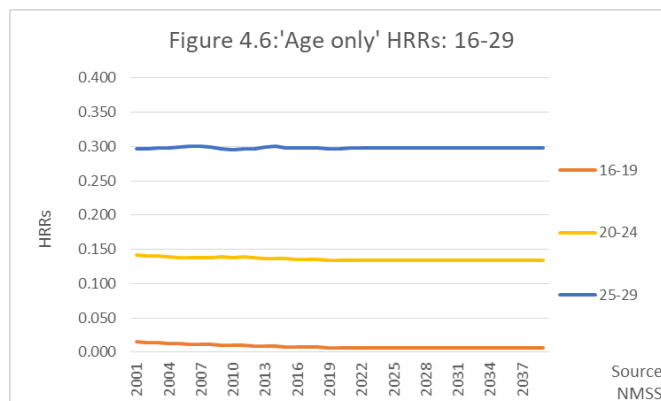- For female age groups between 20 and 59 the HRRs rise between 2001 and 2011 and continue to rise until 2021

- For female age groups between 60 and 89 the HRRs fall between 2001 and 2011 and continue to fall until 2021.
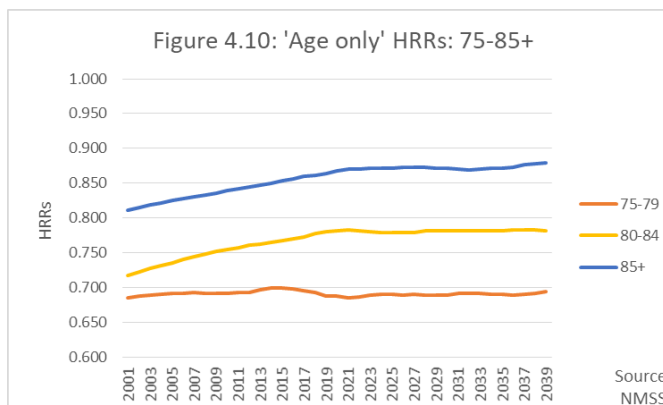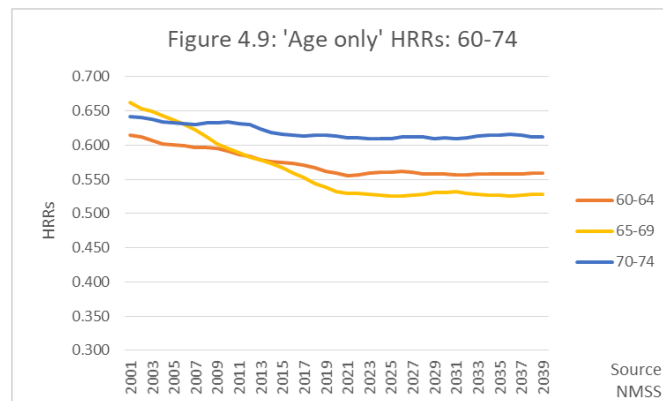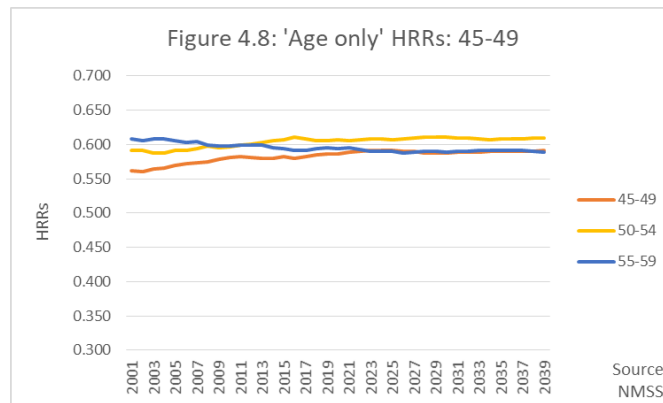
4.9.   Some of the changes are quite dramatic as Figures 4.2 to 4.5 show:

Figure 4.2: 2016-based HRRs: Males 16-39

Figure 4.3: 2016-based HRRs: Males 70-90+

Figure 4.4: 2016-based HRRs: Females 40-59

Figure 4.5: 2016-based HRRs: Females 65-89

Source: ONS

4.10. It is unclear to what extent these HRR projections (which are very different from those produced by MHCLG) are the result of the different definition of the HRP and to what extent they are the result of low 2011 census household figures and the reliance on just two data points as the basis for the projections. The temptation to jump to the conclusion that any downward trend is a clear indication of suppression should be resisted. For example, the downward trend for women aged over 65 is likely to be at least in part due to men living longer so that fewer older women are living on their own (which would make them the HRP).

4.11. If men and women are considered together by producing 'age only' HRRs, the gender effects of the new definitions disappear and a rather clearer picture emerges – see Figures 4.6 to 4.10:

Figure 4.6:'Age only' HRRs: 16-29

Source: NMSS

Figure 4.7:'Age only' HRRs: 30-44

Source: NMSS

Figure 4.8: 'Age only' HRRs: 45-49

Source: NMSS

Figure 4.9: 'Age only' HRRs: 60-74

Source: NMSS

Figure 4.10: 'Age only' HRRs: 75-85+

Source: NMSS

4.12. The picture that emerges from Figures 4.6 to 4.10 is by no means one of decline and suppression. There are age groups in which the household formation rate is projected to fall but in some cases there may good reasons for this e.g. in the age groups between 60 and 74 it may be due to more men living longer so more couples survive as couples, thereby leading to a lower household formation rate. In addition, the groups in which there are declines are more than offset by those in which there are increases.

4.13. One way of gauging the significance of the falling HRRs in certain age groups is to consider a variant projection in which for all 'age only' groups the HRR is assumed, at a minimum, rise back to its 2001 level, with those that are projected to see increases rising as projected. This is referred to as applying a 2001 'age only' HRR floor. Table 4.1 compares the household growth and housing need estimates obtained by applying this floor compared with using the 2016 SNHP without adjustment. It has been

assumed that there will be 2.84% empty and second homes (based on the average for 2014-2016 from the Council Tax Base).

Table 4.1: Household growth and homes needed 2013-33		
	Households	Homes a year
2016 SNHP	6443	332
2016 SNHP + 2001 'age only' HRR floor	7787	401

4.14. As can be seen, the unadjusted 2016 SNHP suggests a housing need of 332 homes a year. Applying the floor increases the number of homes need to 401, an increase of 21%.

4.15. It should be stressed that this 2001 'age only' floor does a lot more than compensate for any suppressed demand that there might be. As already noted, it is wrong to think of any reduction in the household formation rate of any age group as evidence of suppression: in some age groups it can simply be the result of more people living as couples rather than in single person households. So, for example, eliminating the falling HRRs in the age groups between 55-74 does a lot more than removing any suppression: it would provide more households that are probably not needed in this age group and ought therefore to contribute to improving affordability. How much of an adjustment should be made for affordability is the key question for the next section – on market signals.

5.   Market Signals

5.1. There is a detailed and up to date analysis of the latest market signals data in Turley's, *Analysis of Market Signals* of June 2018[15]. That paper concludes in paragraph 3.4:

> "*…many of the worsening market signals trends recorded up to 2014…..such as high house prices, rents and affordability ratios, have continued to 2017. Whilst the worsening has in some cases been less extreme in Tandridge over the long period from 2001 and the shorter-term period from 2014 to the present day, it should be acknowledged that absolute prices, rents and affordability ratios remain amongst the highest of all comparator areas and considerably above national averages".*

5.2. Elsewhere affordability is singled out as "a significant issue" and it is noted that in terms of the absolute median workplace affordability index for 2017 Tandridge performs particularly badly compared with the England average and local comparators.

5.3. Since the 2015 NMSS Report was written the approach taken by local plan inspectors has increasingly become one of applying a 'going rate' uplift based on the absolute

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[15]https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/SHMA-2018-Analysis-of-Market-Signals.pdf

workplace-based affordability ratios. The Turley's paper, *2018 Review of Inspectors' Decisions on SHMAs and OAN* of June 2018[16] contains a survey of the uplifts included in plans found sound since 2016. The most relevant, together with their 2017 median workplace-based affordability ratio, are summarised in Table 5.1:

Table 5.1: Market signals uplifts in recent local plans	Uplift	2017 median workplace affordability
Camden	20%	19.95
Bromsgrove	20%	10.24
Canterbury	20%	11.03
Mid Sussex	20%	12.69
Waverley	25%	14.50

5.4. Tandridge's 2017 affordability ratio was 14.10 which means that, in the light of Table 5.1, Tandridge's the 'going rate' market signals uplift must be either 20% or 25%. The Mid Sussex and Waverley precedents are by some way the closest geographically. Of the two, Tandridge's affordability ratio is much closer to Waverley's, although it is lower. This might suggest that the Waverley uplift is appropriate, but that would be to ignore the very real differences between the authorities shown in Table 5.1.

5.5. Any 'single number' approach to comparing local authorities needs to be treated with considerable caution. There are other considerations that should be taken into account in seeking to gauge the relative affordability of different areas. In Tandridge's case two are particularly significant:

- The fact that a significant proportion of Tandridge's residents commute to higher paid jobs outside the district.

- The differences in the mix of housing stock in different areas

Both of these mean that a simple affordability ratio cannot make a fair comparison as it does not compare 'like with like'.


(a) Impact of out commuting

5.6. The median workplace-based affordability ratios shown in Table 5.1 have been calculated by dividing the median house price by the median earnings of those who work in the district. The earnings of those who live in the district but commute to work elsewhere are ignored. As those who commute out of the district may earn more on average than those who work in the area, using the median earnings of those who live in the area would give a larger earnings figure and therefore result in a lower affordability ratio. In Tandridge's case the difference is sizeable: the 2017 median residence-based ratio was 12.30 compared with the workplace-based ratio of 14.10.

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[16]https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies% 20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/SHMA-2018-Review-of-inspectors-decisions.pdf

(b) The differences in housing mix

5.7.   The presence of significant number of highly paid commuters also has an impact on the mix of housing as builders in the past will have built what they could sell most profitably. They will have tended to build more expensive and larger properties if there was demand for them. Other factors such as the desirability of the area and the absence of large urban areas will also have affected the existing mix of housing.

5.8.   The impact this has had on Tandridge can be seen by comparing the mix of housing in the district with that in England as a whole as evidenced by the mix of council tax bands. Figure 5.1 compares the proportion of homes in each council tax band in England and in Tandridge.

Figure 5.1: Distirbution of council tax bands in England and Tandridge
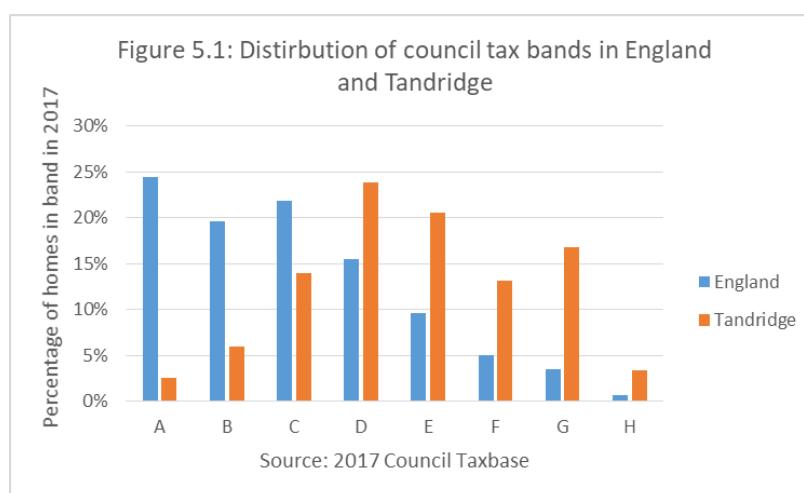
5.9.   As Figure 5.1 shows, England as a whole has a far larger proportion of homes in the lower council tax bands whilst Tandridge has proportionately more in the higher bands – which are generally more expensive. This difference has a significant impact on the median affordability ratios as the measure of price is the median house price i.e. the price of the home which is the middle ranking property - the home with as many properties that are more expensive as are cheaper.

5.10.   If the cumulative proportion of homes in each council tax band are plotted it is possible to see which council tax band the median property is likely to sit in in England and in Tandridge – see Figure 5.2:

Figure 5.2: Cummulative proportion of dwellings in each council tax band
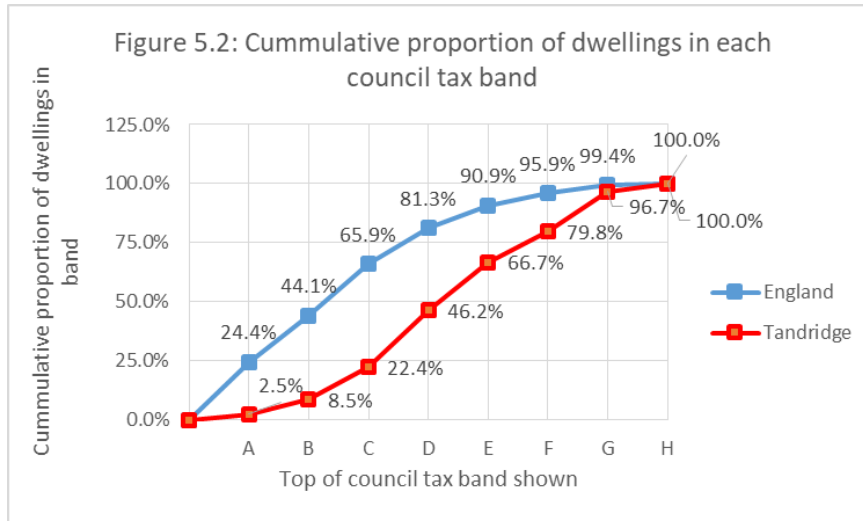
5.11.   Figure 5.2 suggests that the median priced property in England is likely to be in Band C whereas in Tandridge it is likely to be in Band E. A comparison of Tandridge's median affordability ratio with England's is therefore comparing the price of a Band E property with a Band C property, both figures being divided by the appropriate median earnings estimate. That is not a like for like comparison. The effect is to exaggerate the unaffordability of similar properties in Tandridge relative to England as a whole.

5.12.   It possible to compare the five authorities listed in Table 5.1 with Tandridge in a similar way – see Figure 5.3:

Figure 5.3: Cummulative proportion of dwellings in each council tax band
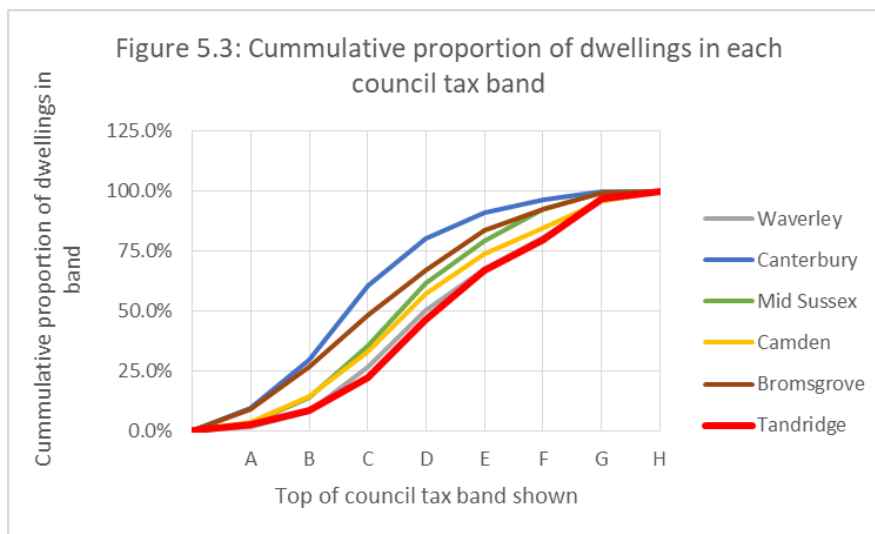
5.13.   As can be seen from Figure 5.3, the council tax band distribution in Tandridge is the one that is most heavily weighted towards the higher bands. In Canterbury the median home is likely to be in Band C whereas the median property in Bromsgrove would be at the bottom of Band D and those in Mid Sussex and Camden would be part way up Band D - compared with Tandridge's median in Band E. The result is a comparison which is not like for like and which exaggerates the relative unaffordability of Tandridge. For example, if Tandridge's affordability were to be calculated using the price of a property in the middle of Band C the result would probably be not be that different from the published figure for Canterbury – it might even be lower.

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5.14. It is also relevant to consider what the impact of would be of building more homes than suggested by the demographic projection. One of two things is likely to happen:

- The projected population will form more households than suggested by the 2016 SNHP i.e. more of those who would have been living in the area anyway will form their own, separate households, e.g. young people who might otherwise have continued to live with parents or in shared houses and flats will set up their own homes on their own or with others.

- More people will move into the area than projected.

5.15. Whilst the outcome is likely to be a mix of these two possibilities, in an area which is as attractive to commuters as Tandridge with many neighbouring authorities struggling (and failing) to meet their own housing needs, the second option is likely to predominate overwhelmingly. This means that the net result would be to allow more people to move into Tandridge with little or no impact on affordability – which in turn means that the objective of a market signals uplift is most unlikely to be achieved. Increasing supply to allow more to move into the area might be thought of as meeting demand but it is difficult to see how it could be described as meeting Tandridge's need for housing – which the OAN is intended to assess. For example, those who move out of London to Tandridge are in the main likely to be making a lifestyle choice, not moving to meet a housing need.

5.16. It is also relevant to note that, although Tandridge's affordability ratios are high, they have not worsened to the same extent as others in the South East in recent years. For example, in 2011 Tandridge's median workplace based affordability ratio was the third worst in the South East; in 2017 it was the eighth worst. The change in Tandridge's ranking in terms of the lower quartile workplace affordability ratio has been even more dramatic: in 2011 it was the second worst; by 2017 it was the 13th worst.

5.17. **A 20% uplift would imply an OAN of 398 homes a year 2013-33.**

5.18. Providing 20% more homes than envisaged in the household projections would mean that the population in 2033 would be larger than suggested by the 2016-based population projections (96,200 – 11,600 more than in 2013). How much larger depends on the assumptions made about whether the extra homes a filled by extra people moving into the area or the existing population forming more households; when the additional homes begin to be provided; and, what the age profile of the additional migrants might be. Assuming it takes a little while for the additional homes to be provided (say, from 2021-22) and that all the additional homes are filled by extra people moving to the area:

- If the age profile of additional migrants was the same as in the 2016-based projections, the population in 2033 would be 99,400 (14,800 more than in 2013)

- If the primary driver of additional migrants was the availability of employment in Tandridge (in line with the Experian forecast discussed in the next section) and, as a result the additional migrants were not near or over retirement age (say, 50

or younger) the population in 2033 would be 100,400 (15,700[17] more than in 2013).

6.   Homes needed to support jobs growth

6.1.   NMSS understand that the employment aspects of the draft local plan have been based on Experian's 2017 employment forecast. This envisages that the number of workforce jobs in the district will increase from 38,500 in 2013 to 45,800 in 2033, an increase of 7,300 over the plan period.

6.2.   In order to estimate the number of people needed in Tandridge to support that increase in jobs without unsustainable changes in commuting patterns, assumptions need to be made about future unemployment levels, economic activity rates, the extent of double jobbing and commuter flows.

6.3.   The assumptions made about economic activity rates (i.e. the proportion of a population available for work) are particularly important. It is generally assumed that economic activity rates will rise as state pension age rises, private pensions become less generous, and life expectancy and health in older age improve. There is, however, a considerable difference between economic forecasters about how large the increase in affordability will be.

6.4.   The impact that this has on the population needed to support a given jobs increase is perhaps best illustrated by considering two UK forecasts, one of which takes a bullish view of increases in economic activity rates and the other takes a more cautious view. If both assume full employment and the same UK population projection, the forecaster taking a more bullish view on employment levels will forecast a larger increase in jobs. If someone else were to seek to use more cautious economic activity rates to estimate the population need to support that jobs forecast they would find that they would need a population larger than that projected for the UK i.e. they would run out of people before all the jobs were filled – a nonsense. What this shows is that the assumption about economic activity rates is central to a jobs forecast and that in order to estimate the population and housing implications of a particular jobs forecast economic activity rates consistent with the forecast need to be used.

6.5.   Unfortunately there have been plenty of examples of analysts seeking to estimate the population and housing implications of jobs forecast by applying different economic activity rates to those used (or implicit in) employment forecasts. By applying cautious assumptions about economic activity rates to a forecast created using more bullish assumptions some have arrived at extraordinarily high estimates of the population and housing needed to support a jobs forecast – estimates that bear no relation to the forecast and are completely meaningless. In such cases the analysts may protest that they are using cautious assumption, implying that they believe that the assumptions used in the forecast are too bullish. However, if that is their view they are, in effect, saying that they believe the forecast is flawed and that it assumes too many additional

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[17] Numbers may not appear to add exactly due to rounding. (All calculations are made using unrounded figures and the result rounded to avoid suggesting spurious accuracy.)

jobs for the population that is likely to be available. In such cases the appropriate course of action is either to reject the forecast as unsound or to invite the forecaster to produce a revised forecast with economic activity rate assumptions that they think are more plausible.

6.6. In estimating the housing implications of an Experian forecast the safest approach is to use Experian's own figures for the working age population, thereby automatically ensuring that consistent assumptions are used. For these purposes the working age population is taken to be those aged 16-64. The 2017 Experian forecast envisages that the 16-64 population of Tandridge will increase from 51,600 in 2013 to 56,200 in 2033. The 2016 SNPP envisages that the 16-64 population will increase from 51,600 in 2013 to 54,100 in 2033. This implies that the demographic scenario will not provide a sufficiently large population to support the job growth envisaged by Experian. There would therefore be a need for additional people to move to the area. If it is assumed that the additional homes for additional migrants are provided from 2021-22 and those attracted to fill the additional jobs are aged 50 or younger, an average 379 homes a year would need to be provided over the full plan period – 2013-33

6.7. **The conclusion therefore is that, with a 20% market signals uplift discussed in the previous section (i.e. 398 homes a year 2013-33), no additional homes are needed to support job growth.**

7. The Housing Market Area (HMA)

7.1. The Planning Practice Guidance encourages consideration of housing needs on an HMA wide basis. Analysis by Turleys (confirmed in an update paper of June 2018[18]) has concluded that the, "evidence points towards Tandridge being a functional component of a HMA including Croydon, Reigate and Banstead and Mid Sussex". However, all of these authorities have adopted NPPF1 compliant local plans working as part of HMAs that do not include Tandridge. Tandridge therefore has no option but to develop its plan focussing solely on its own district (whilst liaising closely with neighbouring authorities under the Duty to Co-operate). Nevertheless a short discussion of the HMA is relevant here.

7.2. The rest of this section looks at how the rest of the 'HMA' has been affected by the replacement of the 2014 SNHP by the 2016 SNHP and what the implications are of the new standard local housing need formula (LHN) as it will be this formula that will be relevant in determining housing need in any revision to the existing local plans.

7.3. Table 7.1 shows how updating from the 2014-based household projections to the 2016-based set affects the four authorities in the 'HMA'. There are two changes:

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[18]https://www.tandridge.gov.uk/Portals/0/Documents/Planning%20and%20building/Planning%20strategies%20and%20policies/Local%20plan/Evidence%20base%20and%20technical%20studies/SHMA-2018-Defining-Housing-Market-Area.pdf

- The move from the 2014-based population projections to the 2016-based set: the effect of this on household growth over the period 2018-28 is shown in the row labelled '2016 SNPP 2014 HHRs' – a projection which applies the 2014 HRRs to the 2016 SNPP so that the effect of the update population projections can be seen in isolation.

- The move from the 2014 HRRS to the 2016 set. The impact of this step can be seen in the difference between the row labelled '2016 SNHP' and that labelled '2016 SNPP 2014 HRRs'.

Table 7.1: Household change 2018-28	Tandridge	Croydon	Mid Sussex	Reigate & Banstead
2014 SNHP	464	2485	720	827
2016 SNPP 2014 HRRs	375	1994	680	585
2016 SNHP	332	1412	627	542
Change due to 2016 SNPP	-19%	-20%	-6%	-29%
Change due to 2016 HRRs	-11%	-29%	-8%	-7%
Total change	-28%	-43%	-13%	-34%

7.4. As Table 7.1 shows, the new projections reduce the projected household growth considerably but the size of the reduction varies significantly between the four authorities. The relative impact to the two steps also varies, with the HRR update being larger for Croydon and Mid Sussex and the population projection update being larger for Tandridge and Reigate and Banstead.

7.5. Table 7.2 (below) shows the current standard formula local housing need (LHN) for the 'HMA' authorities based on the 2016 SNHP:

Table 7.2: Standard formula Local Housing Need figures: 2016 SNHP						
Formulae	A	B	C = (B-4) x 6.25%	D = A x (1+C)		
Authority	Average household growth projected 2018-28	Workplace based median affordability ratio	Affordabilty adjustment factor	Local housing need before cap	Cap?	Local Housing Need
Croydon	1412	11.21	45%	2048	No	2048
Mid Sussex	627	12.69	54%	967	No	967
Reigate and Banstead	542	11.48	47%	795	40% above plan	644
Tandridge	332	14.1	63%	542	40% above housing need	465

7.6. As can be seen, if new plans were to be adopted for the three other authorities at the current LHN figures (based on the 2016 SNHP) the housing requirements would increase significantly. Those authorities may, however, successfully argue that constraints on their ability to deliver housing (e.g. because of the lack of suitable land) mean that their housing requirements must be below the LHN, resulting in unmet need which would fall to be met elsewhere.

7.7. On 26 October 2018 MHCLG launched a consultation on revising the standard formula. This proposed to use the 2014-based projections to calculate the LHN because this

would result in housing numbers for England as a whole that were closer to the Government's aspirations for increasing housing delivery. It should be noted that no criticism was expressed of the ONS's 2016-based household projections and there is no reason why they should not continue to be used for other purposes.

7.8.   Table 7.3 shows the effect of using the 2014 SNHP in the LHN formula instead of the 2016 SNHP and Table 7.4 compares the two sets of LHN figures with the housing requirements in the existing plans (where they exist). Note that these figures are not the same as the indicative LHN figures published by the then DCLG in 2017 even although those figures also used the 2014 SNHP. This is because the those figures used average household change over the period 2016-26, not 2018-28 and the 2016 affordability ratio, not the 2017 one.

Table 7.3: Standard formula Local Housing Need figures: 2014 SNHP						
Formulae	A	B	C = (B-4) x 6.25%	D = A x (1+C)		
Authority	Average household growth projected 2018-28	Workplace based median affordability ratio	Affordabilty adjustment factor	Local housing need before cap	Cap?	Local Housing Need
Croydon	2485	11.21	45%	3605	40% above plan	2303
Mid Sussex	720	12.69	54%	1111	No	1111
Reigate and Banstead	827	11.48	47%	1214	40% above plan	644
Tandridge	464	14.1	63%	756	40% above housing need	649

Table 7.4: LHNs and adopted plan requirements compared	Local Housing Need based on 2016 SNHP	Local Housing Need based on 2014 SNHP	Adopted plan requirement
Croydon	2048	2303	1645
Mid Sussex	967	1111	876
Reigate and Banstead	644	644	460
Tandridge	465	649	N/A

7.9.   As can be seen, reversion to the 2014 SNHP would increase the LHN for all of the authorities substantially apart from Reigate and Banstead (which is protected by the 40% cap based on its existing plan number). If the change is made and remains current when Croydon and Mid-Sussex review their plans, their housing requirements would increase substantially unless they can argue that constraints mean that they cannot meet their LHNs.

7.10.   NMSS understand that Reigate and Banstead have unmet housing needs and that Croydon may struggle to meet the housing need figure in the new London Plan. However, with its tightly constrained position Tandridge is in no position to meet its own full housing need let alone that of neighbouring authorities. Solutions to the 'HMAs' housing need will therefore have to be sought further afield. However, all of the relevant authorities are constrained in their ability to accommodate more housing and are in other HMAs. Moreover, some neighbouring areas are not places to which it is likely that significant numbers of people who might seek to live in Tandridge would

move to instead. They are not therefore practical options for accommodating Tandridge's unmet need.

8. Summary and Conclusions

(a) Tandridge's demographically based OAN

8.1. The latest household projections are the 2016-based set published by the ONS on 20 September 2016 – the '2016 SNHP'. Allowing for 2.84% empty and second homes these suggest a housing need of 332 homes a year over the Tandridge Plan period of 2013-33.

8.2. The 2012 SNHP suggested a housing need for the same period of 430 homes a year. The much lower figure indicated by the 2016 SNPP is due to a combination of a lower population projection (the '2016 SNPP') and lower household formation rates.

8.3. The population projection in the 2016 SNHP (the 2016 SNPP) is for a 22% smaller increase over the plan period than in the 2012 SNPP. The changes are due to:

- Changed assumptions by the ONS on future fertility and mortality rates and lower net international migration.

- The effect of moving the trend periods forward 4 years.

- Improvements made by the ONS in estimating migration flows.

8.4. There are no grounds for believing that the 2016 SNPP is not a better and more up to date projection than the 2012 SNPP. It should be used 'as published' in planning for housing in Tandridge.

8.5. The 2016 SNHP are the first set of household projections produced by the ONS. Earlier household projections were produced by the MHCLG. The ONS has introduced a new, simpler method for projecting household formation rates (which measure how many households a particular group of people form). The ONS's 2016-based household formation rates are lower than the MHCLG's 2014-based rates. This has the effect in Tandridge's case of reducing the number of homes needed over the plan period by about 10%.

8.6. The 2016 SNHP were published on 20 September 2018 and have yet to be tested at a planning appeal inquiry or a local plan examination. It may well be argued that, as a result of being based on just two census data points (2001 and 2011) to project household formation rates, the projections build in 'suppressed demand' as the 2011 census point may have been affected by the economic downturn. However, there are arguments to the contrary and it is suggested that the 2016 SNHP should be accepted as the best household projections currently available.

8.7. **On this basis 332 homes a year 2013-33 should be accepted as the most up to date and reliable assessment of the Tandridge's demographically based housing need.**

(b)   Market signals

8.8. In the period since the 2015 NMSS report was written the approach taken by local plan inspectors has increasingly become one of applying a 'going rate' for an authority's market signals uplift based on the house price : earnings affordability indicator.   However, this very simple approach ignores the very real differences between authorities that cannot be reflected in a single affordability ratio.   In Tandridge's case key factors are the proportion of residents that commute to higher paid jobs outside the district and the mix of housing in the area which has a larger proportion of properties in higher council tax bands than England as a whole. Moreover, in recent years Tandridge's affordability ratios have not worsened to the same extent as others in the South East.   When these factors are taken into account it can be seen that a comparison based on affordability ratios exaggerates the affordability issues Tandridge faces relative to other authorities.   On this basis it is suggested that a 20% market signals uplift should be applied rather than the 25% uplift that was applied to Waverley.

8.9.   Applying a 20% market signals uplift gives a housing need of 398 homes a year 2013-33.

8.10.   If homes are built at the rate of 398 a year more homes will be added to the stock than are required to house the population increase envisaged in the 2016 SNPP. As a result, the population increase over the plan period is likely to be larger than projected by the 2016 SNPP – of the order of 14,800 to 15,700 people (depending on the assumptions made) rather the 11,600 in the 2016 SNPP.

(c)   Homes needed to support job growth

8.11.   With the increased population growth that would be generated as a result of the 20% market signals uplift, Tandridge's population will be sufficient to support the jobs growth envisaged in the 2017 Experian forecast so no further homes would be needed to support job growth.

(d)   The housing market area (HMA)

8.12.   Analysis by Turleys has concluded that the, "evidence points towards Tandridge being a functional component of a HMA including Croydon, Reigate and Banstead and Mid Sussex".   However, all of these authorities have adopted NPPF1 compliant local plans working as part of HMAs that do not include Tandridge.   Tandridge therefore has no option but to develop its plan focussing solely on its own district (whilst liaising closely with neighbouring authorities under the Duty to Co-operate).

8.13.   If new plans were to be adopted for the three other authorities at the current Local Housing Need (LHN) figures (based on the 2016 SNHP) the housing requirements would increase significantly.   Those authorities may, however, successfully argue that constraints on their ability to deliver housing (e.g. because of the lack of suitable land)

mean that their housing requirements must be below their LHNs. That would result in unmet need that would fall to be met elsewhere.

8.14.   NMSS understand that Reigate and Banstead already have unmet housing needs and that Croydon may struggle to meet the housing need figure in the new London Plan. However, with its tightly constrained position Tandridge is in no position to meet its full housing need let alone that of neighbouring authorities. Solutions to the 'HMAs' housing need will need to be sought further afield. However, all of the relevant authorities are constrained in their ability to accommodate more housing and are in other HMAs. Moreover, some neighbouring areas are not places to which it is likely that significant numbers of people who might seek to live in Tandridge would move to instead. They are not therefore practical options for accommodating Tandridge's unmet need.

Conclusion

8.15.   **Based on the ONS's 2016-based household projections and a 20% market signals uplift, the objectively assessed housing need of Tandridge is 398 homes a year over the period 2013-33. This is sufficient to accommodate the jobs growth envisaged in Experian's 2017 forecast so no additional homes are needed to support jobs growth.**

6 December 2018