Objectively Assessed Need for Housing (OAN) 2016 SHMA (Strategic Housing Market Assessment)

(1) Summary

> **The conclusion from the SHMA study, is that the Full Objectively Assessed Need for housing in Halton is 466 dwellings per annum in the period 2014~37**
>
> (Assuming jobs growth of 4,952).

(2) Background

Since 2012, Government has required Councils to calculate the Objectively Assessed Need (OAN) for housing within their 'Housing Market Area' and to plan positively to meet that need in full.

Government does not specify a set methodology for calculating OAN, but it does provide broad guidance on issues that should be considered.

- Government's Department of Communities and Local Government (CLG) Household Projections should be used as a starting point.
- The CLG projections may need to be adjusted to take account of;
  o newer ONS population projections:
  o local factors affecting migration;
  o local factors affecting population structure;
  o other known local circumstances.
- Likely change if job numbers, either based on;
  o past trends;
  o economic projections
  o other known local circumstances / aspirations
- Market signals, including;
  o land prices;
  o affordability
  o rate of development
  o overcrowding

The guidance, effectively sets out a number of steps to calculating housing need, including;

a) the need arising from the local population, and
b) need arising from economic (jobs) projections / aspirations.

The Full Objectively Assessed Need is effectively the highest of these figures adjusted for market signals.

Halton, together with St.Helens and Warrington has commissioned the 2016 Strategic Housing Market Assessment (SHMA) from expert consultants to provide these figures.

(3) Housing Market Area (HMA).

Government states that

> *"A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It might be the case that housing market areas overlap."*

There is no set methodology to defining housing market areas, but a rule of thumb is that 60% of people moving house do so within the area and 60% of commuters live and work within the area.

The 2016 SHMA study concluded that the 'Mid-Mersey' area comprising of Halton, St.Helens and Warrington Council's areas represents a HMA. (see separate Data Sheet). The Study has provided OAN figures for the Mid-Mersey area and for the three individual districts.

For Town Planning purposes, the starting assumption is that each authority will plan to meet its own need.

(4) **Trend Based Demographic Projections.**

Halton's next development plan will cover the period from 2014 to 2037, so we will set out figures for this period.

The 2016 SHMA looks at four scenarios for 'demographic need'

a) (2012 based) CLG Household projections.
b) Household projections (1) adjusted for 2014 based population projections.
c) Household projections adjusted for 'Unattributable Population Change' (UPC)
d) Household projections adjusted for 'blend' of 2014 based population projections and UPC.

Household projections are converted to housing need (dwellings) by including an allowance for vacant and second homes (2.6% from the 2011 Census).

a) Scenario 1; the latest CLG Projections are based on the previous (2012 based) population projections.

b) Scenario 2 applies the underlying assumptions from the newest (2014 Based) population projections which take account of 2011 Census findings, resulting in a slight uplift in projected need (from 233 to 251 pa.)

Scenario	(1)	(2)	(3)	**(4)**
Hhlds 2014	54,162	54,162	54,162	**54,162**
Hhlds 2037	59,453	60,022	65,717	**62,869**
Change	5,215	5,859	11,555	**8,707**
Hhlds p.a.	227	255	502	**379**
Dwellings p.a	233	251	515	**388**

c) Scenario 3 considers the issue of 'Unattributable Population Change'. The Office for National Statistics (ONS) uses data from the national Censuses to validate and re-base their assumptions for the components of population change, i.e.
1) Natural population change (difference between births / deaths)
2) Net migration (internal and international)

These are key components in the population projections published by ONS. In Halton (as with some other authorities) the total population counted by the 2011 Census was significantly different than expected in the ONS projection.

This indicated that there must be issues with one or more of the underlying assumptions being used for the 'components of change' in previous projections.

As there was no way to say whether the 'error' was in the 'natural change' or in the 'migration' assumptions and the error would work its way out of the calculations over the next 5 years, ONS quantified and classified this as being a third 'unattributable' component of change.

From the figure above (Scenario 3), it is clear that this has a dramatic upwards effect on the calculated demographic based housing need in Halton.

Technical work by ONS into this issue identified that nationally around half of the UPC error may result from an undercount in the 2001 Census.

d) Scenario 4 considers the inputs and results from the previous scenarios and is the estimate recommended by our specialist consultants for demographic based housing need.

(5) **Economic Led Housing Need.**

In order to calculate the number of dwelling needed to house the required workforce there are again a number of steps that have to be followed;

a) Forecast jobs
b) Commuting ratio
c) People with more than one job (double jobbing)
d) Working age population
e) Economic activity rates (% of people in working age groups that are in or seeking employment)
f) Headship rates

The SHMA considers these in order.

a) The starting point is the number of jobs the local economy is forecast to have in 2037. A number of national consultancies produce economic forecasts based on predicted performance of different sectors of the economy.

For Halton, the SHMA uses the latest forecast from Oxford Economics which predicts that the local economy will generate an additional

4,952 jobs over the period 2014~37.

Forecasts	
Jobs 2014	60,564
Jobs 2037	65,516
Change	4,952
% change	8.2%
p.a.	215

2011 Census	
Live/Work in LA	27,270
Home workers	3,741
No fixed place	3,527
In-commute	23,100
Total work in LA	**57,638**
Out commute	23,233
Total Live in LA (and working)	**57,711**
Commute Ratio	1.00

b) The 2011 Census showed the balance between jobs and employees living within the borough (the commuting ratio) was 1.00. This means, for every additional job created within Halton, we would expect that there would be one additional employed resident. By contrast, St.Helens has net out commuting with a commuting ratio of 1.21, meaning that for every additional job within St.Helens they would expect demand to house an additional 1.21 employed residents.

c) There will be people within the economy who hold more than one job. For Halton this is estimated to be 2.6%, so an allowance is made for this to arrive at a figure for anticipated resident workforce (4,952 jobs – 2.6% = 4,836 change in resident workforce)

d-e) Changes to the number of residents within each age group and to the proportion of these that are economically active will impact on the total population needed to generate a given workforce. Different factors affect this including general demographics (e.g. the proportion of the population over retirement age is increasing) and social and governmental factors (e.g. increases in the proportion of females working and changed school leaving and state retirement ages).

The SHMA estimates that Halton will need an additional 9,963 households to generate sufficient employees to fill the projected 4,952 net increase in jobs the local economy is forecast to create.

Economic	
Households 2014	54,162
Households 2037	64,125
Change	9,963
Households p.a.	422
Dwellings p.a.	**444**

f) Headship rates were held constant in this calculation, but are considered as a 'market signal' as part of 'affordability' under section 6.

(6) Aligning Economic & Demographic Need.

The last stage is to take account of market signals'.

- o land prices;
- o affordability
- o rate of development
- o overcrowding

The SHMA considered the above issues, looking at trends across the Mid-Mersey over the last 10 or 15 years. Comparisons with the North West and national situation showed that local market signals do not demonstrate that there are any abnormal local conditions.

One issue, whilst not confined to the Mid-Mersey authorities is the effects of house price and mortgage availability on first time buyers. In particular the effect on the numbers in the 25-34 age range who are able to form their own household. This age range has seen significant falls in their 'household formation rate', i.e. the proportion that have been able to form their own household.

The SHMA has modelled the housing need that would arise should the household formation rate for this age group be 'uplifted' to be more in line with historic trends (i.e. what would be expected if affordability and mortgage issues were not 'supressing' demand).

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Calculations are undertaken against both the previously calculated 'demographic' and 'economic' need figures.

Need:	Demographic		Economic	
		Uplift		Uplift
Hhlds 2014	54,162		54,162	
Hhlds 2037	62,869	63,351	64,125	64,620
Change	8,707	9,189	9,963	10,457
Hhlds p.a.	379	400	422	455
Dwellings p.a	388	**410**	444	**466**
Uplift (p.a.)		21		22
% Uplift		5.5%		5.0%

It can be noted that this 'uplift' figure is significantly below the circa 10% suggested by planning examinations elsewhere, however affordability pressures are not as strong in Mid-Mersey as these other authorities.

The conclusion from the above, is that the Full Objectively Assessed Need for housing in Halton (assuming jobs growth of 4,952) in the period 2014~37 is 466 dwellings per annum

(7) Affordable Housing Need

The SHMA considers the demand for affordable housing and the level of any unmet need. It looks at the household income required to buy or rent without any financial assistance and considers the annual supply of affordable units.

Affordable Need	
Current	43
Newly arising	458
Existing h.hlds falling into need	426
TOTAL	928

Supply	
Social relets	799
Intermediate relets	3
Annualised new build supply	7
TOTAL	809
Unmet Need	-119

The SHMA identifies an annual shortfall of 119 affordable units per annum across Halton.

(8) Dwelling Size and Specialist Housing

The Study looked at the size of the additional dwellings that are likely to be required. This shows a marked difference between the market and affordable sectors in Halton.

	Market	Affordable
1 bed	6.5%	44.8%
2 beds	30.4%	28.4%
3 beds	52.7%	23.8%
4+ beds	10.5%	3.0%
	100%	100%

Finally the study considered the demand for specialist housing. This assessment predominately considered demographic change and applied current proportions requiring specialist accommodation.

	Population	Residential Care
Aged 75+ (2014)	8,717	517
Aged 75+ (2037)	18,292	1,176
Change	9,575	659
Specialist Housing (at 170 per 1,000 pop)	1,628	
Per annum	71	29

These figures do not account for changed priorities in how care needs may best be met, such as in-house or Extra Care models.

(9) References and Summary of base input data.

- http://planningguidance.communities.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/
- Economic forecasts from Oxford Economics (Q4 2016)

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