GL Hearn
Part of Capita Real Estate

Tunbridge Wells SHMA Update

Implications of 2014-based Sub-National Population Projections and Household Projections

Draft Report

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1 INTRODUCTION

1.1 This report provides an update to the Sevenoaks & Tunbridge Wells Strategic Housing Market Assessment (SHMA) (October 2015). This update report considers the objectively assessed need (OAN) for housing in the Borough of Tunbridge Wells and considers the implications of the latest population and household projections which have been published since publication of the 2015 SHMA.

1.2 The latest set of (2014-based) subnational population projections (SNPP) were published by the Office for National Statistics (ONS) in May 2016. In July 2016, the Department for Communities and Local Government (CLG) published new 2014-based household projections. These projections replace the respective 2012-based projections.

1.3 Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2014-based national population projections. They are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the subnational projections is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way.

1.4 This report seeks to interrogate the 2014-based SNPP and 2014-based Household Projections and consider the potential implications for household growth and housing needs in the Borough of Tunbridge Wells. Government Planning Practice Guidance (PPG) on Housing and Economic Development Needs Assessment is clear that the latest projections should be the start point for assessing overall housing need.

1.5 The analysis in this report uses the 2014-based population projections to estimate household growth and hence housing need by using key assumptions about household formation (headship) rates from the 2014-based household projections.

1.6 The analysis looks at housing need over the period from 2011-31 to be consistent with previous study carried out for the Borough. Because the projections are 2014-based this essentially means that data for 2011-14 is fixed by reference to published population estimates (from ONS).

2 TREND-BASED DEMOGRAPHIC PROJECTIONS

2.1 In this section consideration is given to demographic evidence of housing need and trend-based projections. Such projections are critical to the consideration of OAN and this is emphasised in the NPPF (para 158) which states that local planning authorities should prepare a SHMA to identify the scale of housing which *'meets household and population projections, taking account of migration and demographic change'*.

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

2.3 However, the PPG also identifies (2a-014) that *'establishing future need for housing is not an exact science. No single approach will provide a definitive answer'* and in 2a-017 notes that *'plan makers may consider sensitivity testing, specific to their local circumstances'* – this is particularly related to evidence that there have been particular events which may have impacted on migration or the profile of the local population. Furthermore, the PPG notes (2a-016) that 'where possible, local needs assessments should be informed by the latest available data' – this is relevant Tunbridge Wells due to new population estimates having been published since the release of the last SNPP.

2.4 The PAS technical advice note provides some additional detail about sensitivity testing and in particular advises (para 6.24) that using a longer (10- to 15-year) past trend analysis should provide a more robust projection than the SNPP (which uses data from the previous 5-6 years). The PAS technical advice note also highlights the issue of Unattributable Population Change (UPC) – UPC is an adjustment made by ONS for discrepancies between Census data and annual monitoring. PAS states (para 6.35) that 'plan makers may take a view that the UPC, or part of it, should be included in the base period as past migration'.

2.5 On the basis of the wording in both the PPG and the PAS technical advice note a number of observations can be made which are relevant to the assessment of trend-based demographic projections:

- CLG household projections (which link to ONS population projections) are robust and should be used as the 'start point' for assessing housing need.
- These projections can be sensitivity tested where there is evidence of changes over time (e.g. short-term changes to migration patterns) or where UPC may be related to recorded migration levels.
- Up-to-date information should be used where possible and this will include later releases of ONS mid-year population estimates (MYE).

2.6 In this section, a range of demographic information is considered to look at housing need when set against population and household projections. The analysis focuses on key information and does not repeat the full range of data presented in previous SHMA research. The analysis is presented under a number of headings. These are:

- Components of past population change
- Demographic Evidence of Housing Need – Start Point
- 2014-based Subnational Population Projections (SNPP)
- Alternative Demographic Scenarios
- Household Growth (Household Representative Rates (HRR))
- Critical Review of Household Representative Rates
- Housing Need
- The impact of Brexit for population and household projections

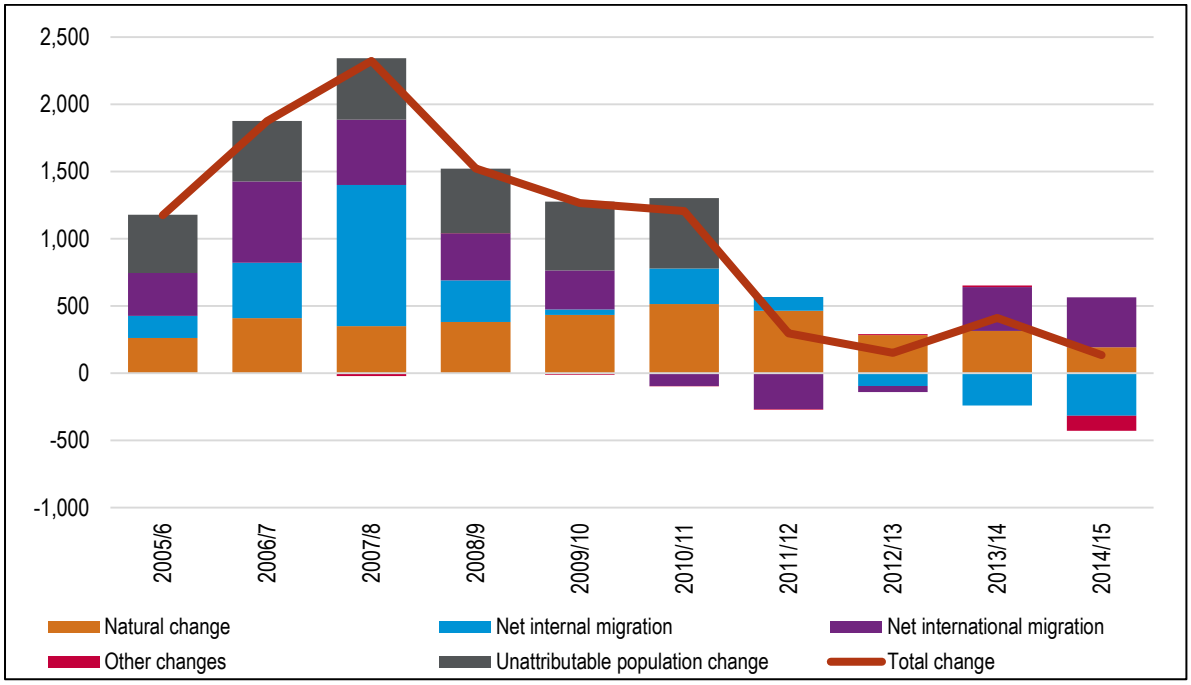
Components of Past Population Change

2.7 The figures and tables below consider the drivers of population change in Tunbridge Wells from 2005 to 2015 (trends over a 10-year period having become a fairly standard base period for this type of analysis). Population change is largely driven by natural change (births minus deaths) and migration although within ONS data there is also a small other changes category (mainly related to armed forces and prison populations) and an unattributable population change (UPC) – this is an adjustment made by ONS to mid-year population estimates where Census data has suggested that population growth had either been over- or under-estimated in the inter-Census years. Because UPC links back to Census data a figure is only provided for dates to 2011.

2.8 In Tunbridge Wells, population growth, particularly in recent years, has been driven by natural change, although in the longer-term (past 10-years) there is also a notable level of net migration (both internal and international). Over the past five years, migration is recorded as being broadly in balance, with a small net international migration being offset by a small level of internal out-migration. Other changes are quite small and the data also shows a notable level of UPC; in Tunbridge Wells UPC is a positive value, suggesting that ONS may have previously under-estimated migration and population growth in the area.

2.9 The analysis for Tunbridge Wells shows that levels of population growth have been quite variable over time; as well as year-on-year variations, the average level of population growth is notably different if comparing short-term (past 5-years) and longer-term (10-year) trends.

Figure 1: Components of population change, mid-2005 to mid-2015 – Tunbridge Wells



Source: ONS

Table 1: Components of population change, mid-2005 to mid-2015 – Tunbridge Wells

Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2005/6	262	165	319	-5	434	1,175
2006/7	411	411	605	-2	450	1,875
2007/8	350	1,051	486	-20	457	2,324
2008/9	381	311	349	1	481	1,523
2009/10	435	39	291	-11	512	1,266
2010/11	514	265	-95	-2	524	1,206
2011/12	464	104	-267	-5	0	296
2012/13	285	-95	-46	7	0	151
2013/14	316	-240	325	11	0	412
2014/15	193	-315	371	-113	0	136
5-year average	354	-56	58	-20	105	440
10-year average	361	170	234	-14	286	1,036

Source: ONS

2.10 Issues around different population growth patterns (particularly migration data) over the short- and long-term, as well as the implication of UPC for housing need is discussed later in this section.

Demographic Evidence of Housing Need

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

2.12 The most up-to-date projections are the 2014-based CLG subnational household projections (SNHP) published in July 2016. These projections were underpinned by ONS (2014-based) subnational population projections (SNPP) – published in May 2016. The table below sets out levels of household growth expected by the SNHP in the 2015-35 period. Data is also provided for the County, the South East region and England for comparative purposes.

2.13 In Tunbridge Wells, the SNHP show household growth of about 20% (9,600 additional households). This level of growth is below the average projected for Kent (24%) but in-line with the regional change; household growth in the two areas is however slightly above that projected nationally (19%).

Table 2: Household change 2015 to 2035 (2014-based SNHP)

Area	Households 2015	Households 2035	Change in households	% change
Tunbridge Wells	48,941	58,570	9,629	19.7%
Kent	636,511	789,677	153,166	24.1%
South East	3,711,656	4,464,112	752,456	20.3%
England	22,984,491	27,274,946	4,290,455	18.7%

Source: CLG SNHP

2.14 It is also of interest to compare projected population growth in the 2014-based SNHP with equivalent figures in the previous (2012-based) release. This is shown in the table below for the same areas. This shows that in Tunbridge Wells the 2014-based figures are notably lower than the 2012-based figures: about 2,200 fewer households projected over the 2015-35 period – an 18% reduction. In comparison, across Kent, the 2014-based SNHP show a higher level of household growth, whereas for the region and England as a whole the figures are not substantially different.

Table 3: Household change 2015 to 2035 (2012- and 2014-based SNHP)

Area	Household growth (2012-based)	Household growth (2014-based)	Change from 2012-based	% change
Tunbridge Wells	11,805	9,629	-2,176	-18.4%
Kent	144,012	153,166	9,154	6.4%
South East	750,583	752,456	1,873	0.2%
England	4,236,172	4,290,455	54,283	1.3%

Source: CLG SNHP

2.15 Whilst the 2014-based data is the latest 'official' population projection and therefore forms the start point for analysis in line with the PPG, it is worth testing the assumptions underpinning the projection to see if it broadly reasonable in the local context – this involves considering both the population projections (the SNPP from ONS) and also the way CLG have converted this data into households. The analysis below initially considers the population projections, before moving on to consider past trend data in more detail, and also data released since the population projections were published (in particular, ONS has subsequently published new mid-year population estimates for 2015).

2014-based Subnational Population Projections

2.16 The latest SNPP were published by ONS on the 25th May 2016. They replaced the 2012-based projections. Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2014-based national population projections. The new SNPP are largely based on trends in the 2009-14 period (2008-14 for international migration trends).

2.17 They are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the subnational projections is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way.

2.18 The table below shows projected population growth from 2015 to 2035 in Tunbridge Wells and a range of comparator areas. The data shows that the population of Tunbridge Wells is expected to grow by 12% which is below the equivalent figure for any of the other areas studied –below that projected across Kent (18%), the South East (15%), and England (13%).

Table 4: Projected population growth (2015-2035) – 2014-based SNPP

Area	Population 2015	Population 2035	Change in population	% change
Tunbridge Wells	116,556	130,415	13,859	11.9%
Kent	1,523,907	1,797,843	273,936	18.0%
South East	8,949,718	10,287,459	1,337,741	14.9%
England	54,779,872	62,104,338	7,324,466	13.4%

Source: ONS SNPP

2.19 Again, these figures can be compared with equivalent data from the 2012-based SNPP (as shown in the table below). The analysis shows that the 2014-based SNPP projects population growth in Tunbridge Wells to be some 26% lower than the previous (2012-based) release. All of the comparator areas are projected to see higher levels of population growth, with Kent projected to have 9% higher growth in the most recent projections compared with the 2012-based version.

Table 5: Projected population growth 2015 to 2035 (2012- and 2014-based SNPP)

Area	Population growth (2012-based)	Population growth (2014-based)	Change from 2012-based	% change
Tunbridge Wells	18,830	13,859	-4,972	-26.4%
Kent	251,200	273,936	22,736	9.1%
South East	1,281,900	1,337,741	55,841	4.4%
England	6,989,300	7,324,466	335,166	4.8%

Source: ONS SNPP

2.20 Clearly, there is a notable difference between the 2012-based and the 2014-based projections, with the latter showing a population growth of almost 5,000 persons less than the 2012-based SNPP over the 2015-35 period. This is due to differences in the periods drawn upon by each projection and the different dynamics seen in each:

- The 2012-based SNPP draws upon a 5 year period (2007/08 – 2011/12) for internal migration and a 6 year period (2006/07 – 2011/12) for international migration.
- The 2014-based SNPP draws upon data two years later: a 5 year period (2009/10 – 2013/14) for internal migration and a 6 year period (2008/09 – 2013/14) for international migration.
- The forecasts also have different assumptions on the level of international migration anticipated at a national level, which then cascade down to a local level based on the trends during the above period.

2.21 Figures 2 and 3 plot the internal and international net migration trends in Tunbridge Wells since 2006/07. The shaded areas show the years which are influence both the 2012- and 2014-based projections. The two years prior to this are included in the 2012-based projection only, and the two years after are included in the 2014-based projection only. It is the differences between the levels of net migration during these periods which cause the differences between the projections.

2.22 It is notable that both internal and international migration rates fall from 2008/09 onwards. For internal migration, the years 2007/08 and 2008/09 saw much higher levels of net internal migration than the years 2012/13 and 2013/14. 2007/08 in particular saw a net increase of over 1,000 persons compared to the average for the 2006-14 period of just over 200 persons. This is a notable spike in the data and represents an outlier compared to the trend. The trend for international migration shows a similar pattern with the years 2006/07 and 2007/08 seeing higher levels than 2012/13 and 2013/14.

Figure 2: Net Internal Migration 2006/07 – 2013/14

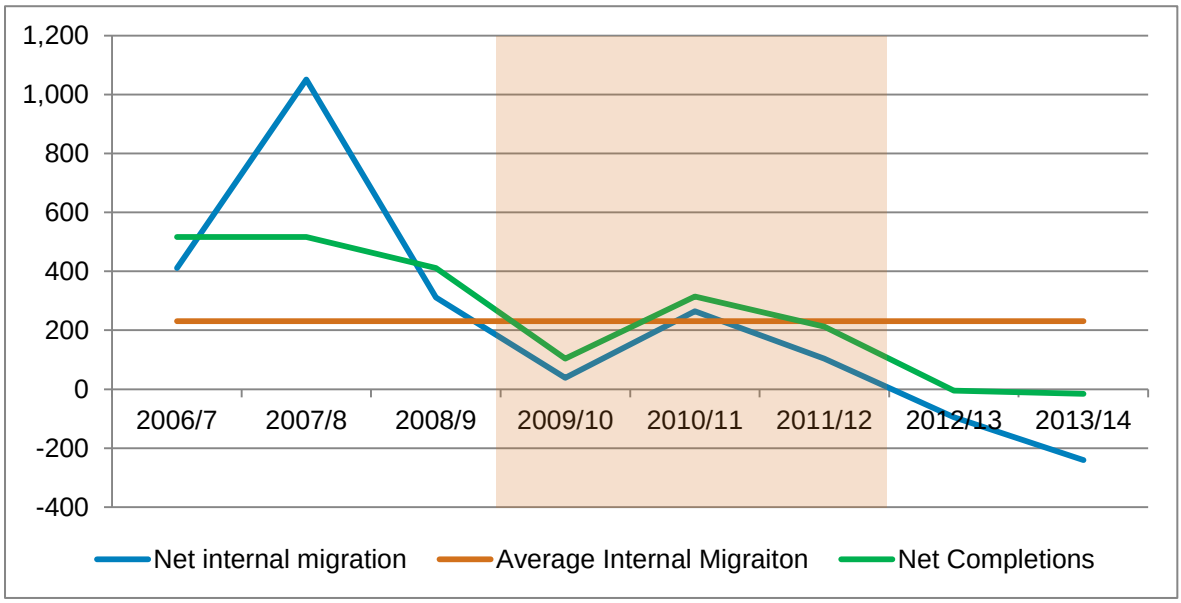
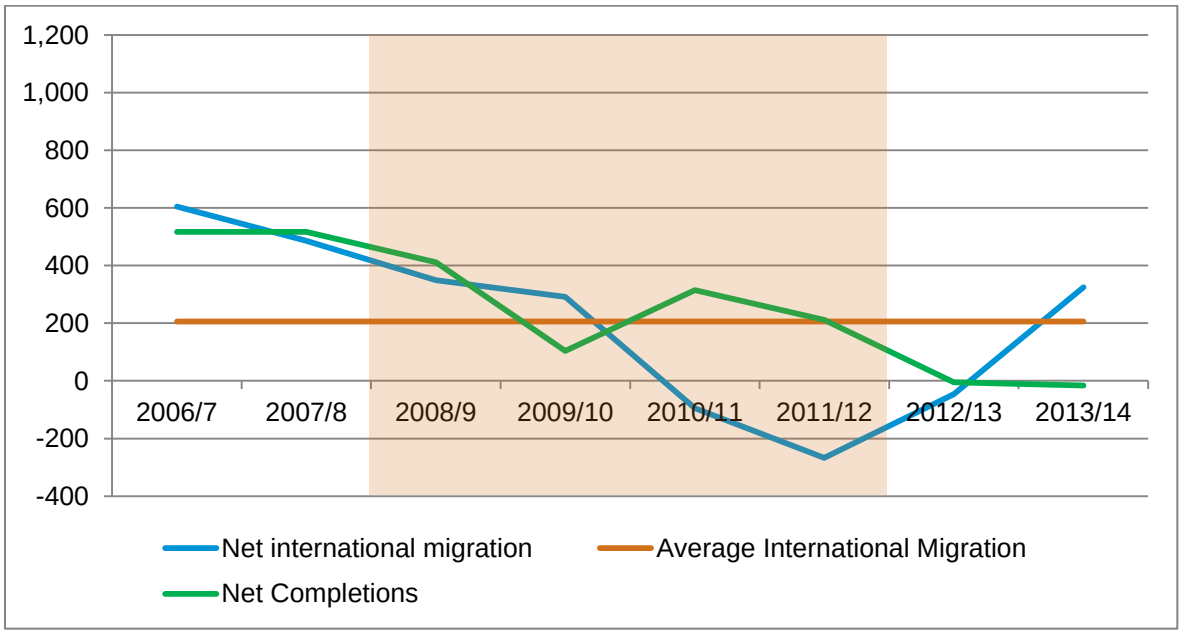


Figure 3: Net International Migration 2006/07 – 2013/14



Source: ONS

2.23 The evidence shows that the 2014-based SNPP draws upon a period where the migration trend was considerably lower than it had been previously. This is the primary reason for the 2014-based SNPP being lower than the 2012-based SNPP.

2.24 The figures also show the trend in net housing completions. This highlights how the housing delivery rate in the Borough has dropped following the recession. There is also a strong correlation between net completions and net migration – particularly internal migration – into the Borough. We can therefore assume that as completions increase back to normative levels then so too might migration. As such, the 2014-based SNPP may project forward the recessionary trend in Tunbridge Wells, and should be treated with caution when used for considering future housing need in the Borough.

2.25 One additional point with regard to the SNPP, is to bring this together with the components of change data discussed earlier in this section – in particular the latest (2015) ONS mid-year population estimates (MYE). Whilst there is no reason to believe that the SNPP is in any way unsound in terms of future population growth, there is inevitably some uncertainty. The 2015 MYE shows that the 2014-based SNPP over-estimated future population growth in Tunbridge Wells – this is shown in the table below.

Table 6: Projected and estimated level of population growth 2014-15

	2015 MYE	2014-based SNPP	Difference
Tunbridge Wells	136	451	-315

Source: ONS

2.26 Given that population accounts for 94% of household growth (CLG Statistical Release, 2014-based Household Projections: England, 2014-2039, July 2016), this data would suggest that the 2014-based household projections will be over-estimating household growth in Tunbridge Wells. Whilst the publication of one year of additional data should not be seen as indicating any particular trend, it is the case that the lower level of population growth is likely to ultimately play out in lower levels of growth (both population and household) in the next (2016-based) round of official projections.

Alternative Demographic Scenarios

2.27 The SNPP is based on short-term migration data (over the previous 5/6 years) which is then constrained to national population projections (also from ONS). However, levels of migration and population growth have been variable over time (as shown in Figures 2 and 3). On this basis it may be reasonable to consider alternative (sensitivity) scenarios – such an approach is set out in para 2a-017 of the PPG which states *'plan makers may consider sensitivity testing, specific to their local*

circumstances, based on alternative assumptions in relation to the underlying demographic projections…'.

2.28 The sensitivity scenarios take account of longer-term migration trends (back to 2005) and also data from the ONS 2015 mid-year population estimates (MYE). The analysis below therefore considers three potential sensitivities to the figures. These can be described as:

- Implications of the 2015 mid-year population data – 2014-based SNPP (+MYE)
- Implications of 10-year migration trends – 10-year migration
- Implications of Unattributable Population Change (UPC) and 10-year migration trends – 10-year migration (+UPC)

2014-based SNPP (+MYE)

2.29 This projection takes assumptions from the 2014-based SNPP, but overwrites the population projection figures for 2015 by those in the ONS MYE (by age and sex). Moving forward from 2015, this sensitivity uses the same birth and death rates as contained in the 2014-based SNPP and the actual projected migration figures (by age and sex). Due to age structure differences in the MYE compared to the projection, this does mean that population growth from 2015 onwards does not exactly match that in the actual projections as published.

10-year migration

2.30 This projection uses information about migration levels in the 10-year period (2005-15); the scenario therefore includes the most up-to-date MYE figures (for 2015). The projection does not just look at the migration figures and roll these forward but recognises that migration can be variable over time as the age structure changes. With international migration, this projection also takes account of the fact that ONS are projecting for international net migration to decrease in the longer-term.

2.31 To overcome the issue of variable migration, the methodology employed looks at the share of migration in the local authority compared to the share in the period feeding into the 2014-based SNPP (which is 2009-14 for internal migration and 2008-14 for international migration). Where the share of migration is higher in the 10-year period, the projection applies an upward adjustment to migration, and vice versa.

2.32 Whilst looking at migration trends over the past 10-years has emerged as an 'industry standard' when assessing demographic needs, it does need to be remembered that any change to the internal migration assumptions would have implications for population and household projections elsewhere – it would mean that any increase would mean that there needs to be a corresponding

decrease to the assumptions applied by other local authorities. Given that there is internal migration (both in- and out-) to/from the local authorities from all parts of the UK, undertaking a full analysis of the implications for other areas would be technically and practically impossible to achieve.

2.33 Hence whilst it is considered that an analysis of needs set against 10-year trends is a reasonable approach to take; it does come with some caution it terms of the impact on other areas; this is particularly crucial where the 10-year trends show substantially different outputs to the SNPP and CLG household projections.

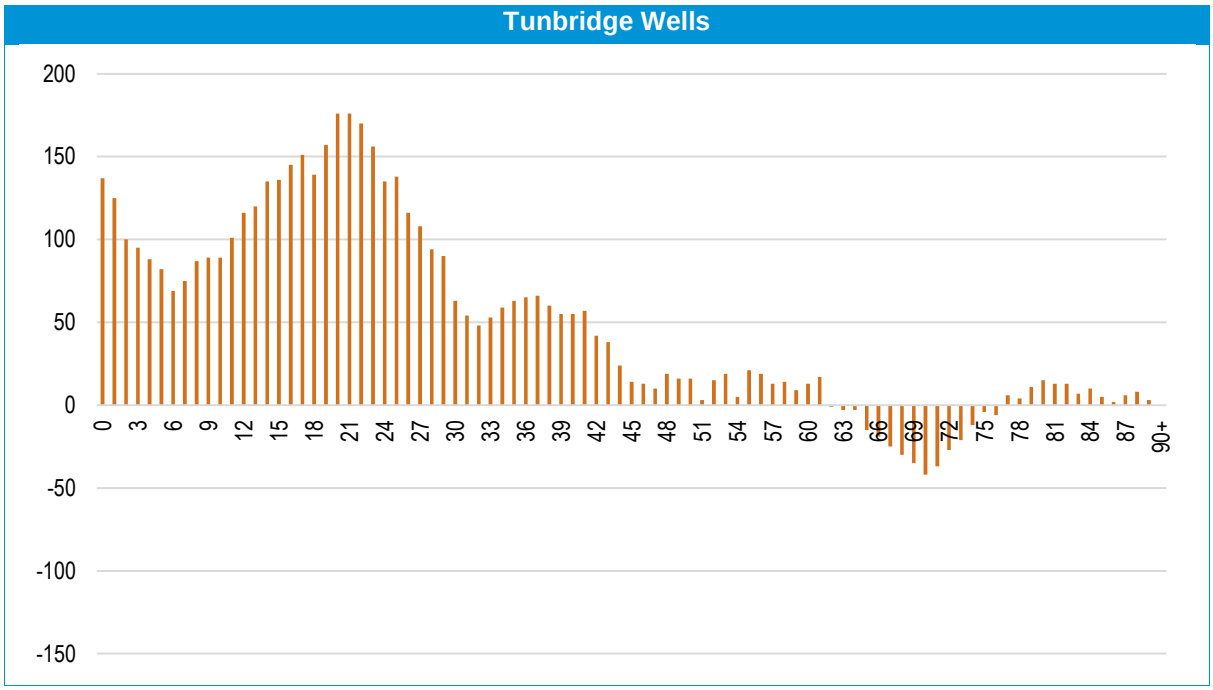
10-year migration (+UPC)

2.34 As noted earlier there is a notable level of Unattributable Population Change (UPC) in the ONS data for the Sevenoaks and particularly in Tunbridge Wells. In Tunbridge Wells, UPC is positive, suggesting that the SNPP may under-estimate migration and population growth.

2.35 Whilst making an adjustment for UPC could be an alternative scenario, it is not considered, on its own, to be a robust alternative to the SNPP. The main reasons for this are that it is unclear if UPC is related to migration and more importantly, due to changes in the methods used by ONS to measure migration it is most probable that any errors are focused on earlier periods (notably 2001-06) and therefore a UPC adjustment for more recent data would not be appropriate. On this basis, whilst it is not considered that UPC should be included on its own as a projection to take forward into the modelling of objectively assessed need it is considered that there is merit in looking at UPC when also considering longer-term trends.

2.36 Hence, this sensitivity projection takes the outputs from the long-term (10-year) migration scenario and makes a further additional adjustment for UPC. For the purposes of analysis, it has been assumed that UPC is a one-off adjustment and takes account of the age structure as shown by ONS. In both areas, UPC looks to be concentrated amongst children and younger people, hence the impact on household growth will be lower than the impact on population (as children do not form households and younger people tend to have lower levels of 'headship' and are more likely to live in multi-adult households such as couples). The total UPC (for the whole 2001-11 period) is shown in the figure below.

Figure 4: UPC by age (2001-11)



Source: ONS

Outputs from different demographic projections

2.37 The table below shows the estimated level of population growth in the SNPP and the alternative projections developed. The SNPP shows population growth (2015-35) of 11.9% - this figure is largely unchanged when more recent population and migration data is included in the modelling. When looking at 10-year trends the projected population growth increases to 17.6% and increases further still when including an allowance for UPC.

Table 7: Projected population growth (2015-2035) – alternative scenarios

	Population 2015	Population 2035	Change in population	% change
2014-based SNPP	116,556	130,415	13,859	11.9%
2014-based SNPP (+MYE)	116,241	130,065	13,824	11.9%
10-year migration	116,241	136,724	20,483	17.6%
10-year migration (+UPC)	116,241	141,180	24,939	21.5%

Source: Demographic projections

Appropriateness of alternative scenarios

2.38 Having developed a range of scenarios, it is worth considering which are the most appropriate to use when taking the data forward into estimates of housing need. The 2014-based SNPP is the only projection that is directly linked to official projections and should therefore be given some credence. It is also the projection which is identified in the PPG as the start point for the analysis of

housing need. Given that the projection period used in this report is from 2015, it does seem logical to include 2015 MYE data, although in terms of projections, this does not have a significant impact moving forward.

2.39 The projection linked to 10-year migration trends should be given some weight. As the analysis of housing need has developed over time, it has become common practice to consider 10-year trends as well as the most recent official projections. Looking at this longer-term period might be described as being more 'stable'. This is particularly relevant in Tunbridge Wells where the migration trend data shows quite a large variance between years. A projection based on longer-term trends (i.e. ten years instead of the 5/6 years used in the SNPP) would mitigate such variances.

2.40 Adding in a UPC adjustment to the 10-year trends shows a higher projected level of population growth in Tunbridge Wells. However, it is the case that any errors due to UPC may now be quite historic (and potentially associated with data prior to 2006). If the 'errors' are indeed historic, then they would only have a small impact on the 10-year migration trend projection (rather than impact as shown in the modelling), given that this looks at data in the 2005-15 period. Additionally, it should be noted that including UPC within projections is not an approach universally supported by planning inspectors. Hence, on balance, it is not recommended that the UPC adjustment is fed into conclusions about OAN.

2.41 **Overall, the modelling to follow continues to look at the four scenarios developed. However, in drawing conclusions about a reasonable level of population growth to plan for, the official projections (+MYE) and those linked to 10-year trends (without a UPC adjustment) should be the main ones used to understand potential housing need. These two projections essentially set out a range of population growth (and hence housing need). Although not officially the 'start point' (in terms of the PPG), the 2014-based SNPP (+MYE) scenario can reasonably be used as the starting point for analysis, given that it includes the most recent available data.**

Household Growth (Household Representative Rates)

2.42 Having studied population growth, the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of household representative rates (HRR) is used. HRRs can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).

2.43 On the 12th June 2016, CLG published a new set of (2014-based) household projections – the projections contain two core analyses. The Stage 1 household projections project HRRs based on data from the 1971, 1981, 1991, 2001 and 2011 Censuses with outputs for age, sex and marital

status. For younger age groups greater weight was given in the CLG projections methodology to the dampened logistical trend than the simple logistics trend; the effect of which is to give greater weight to the shorter-term trends.

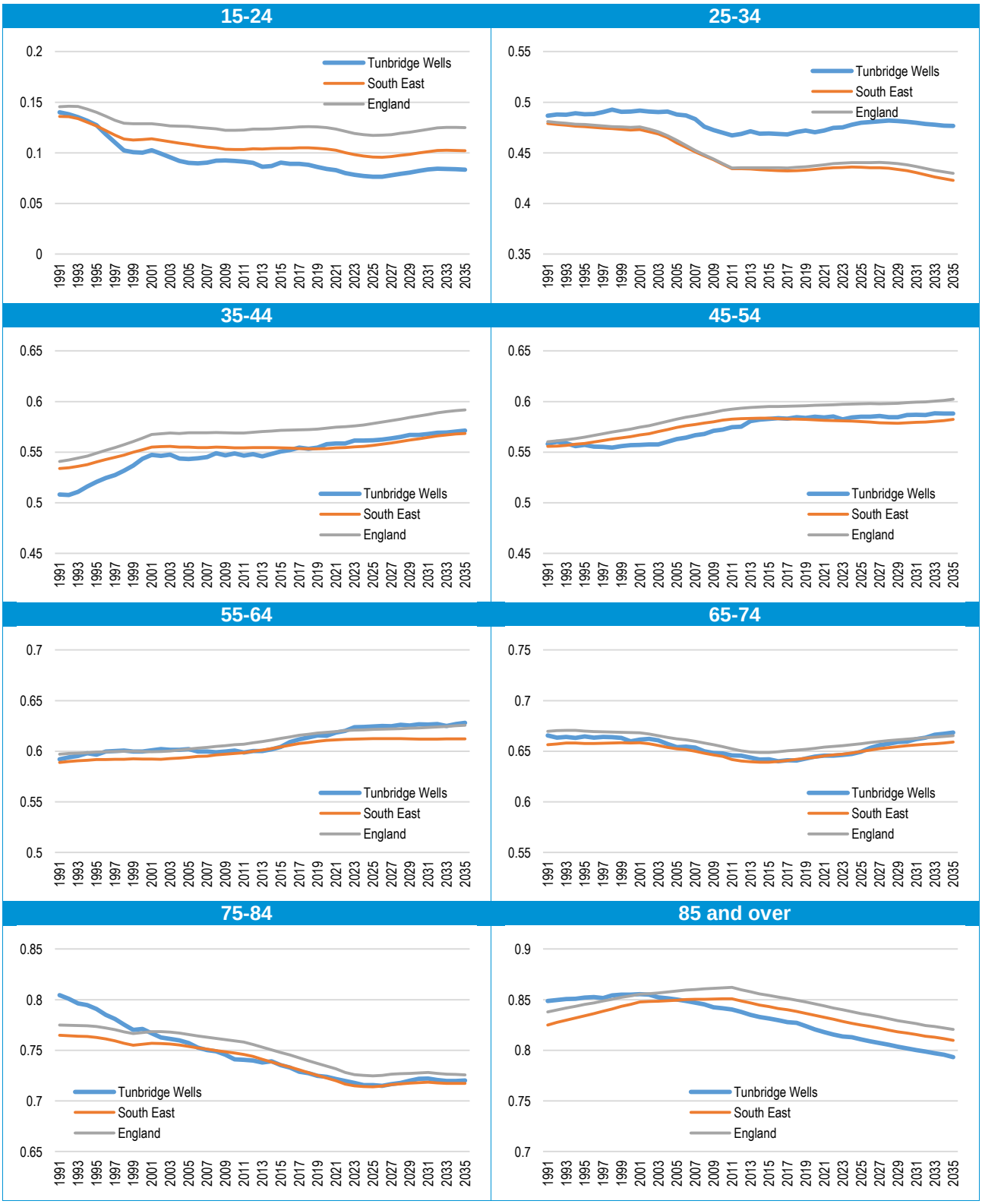
2.44 The Stage 2 household projections consider household types and the methodology report accompanying the projections is clear that these projections are based on just two data points – from the 2001 and 2011 Census. Overall outputs on total household growth are constrained to the totals from the Stage 1 Projections. This means that both sets of projections show the same level of overall household growth (when set against the last set of SNPP) but some of the age specific assumptions differ. Differences can however occur between the Stage 1 and 2 HRRs when modelled against different population projections (due to differences in the age structure).

2.45 Overall, it is considered that the Stage 1 projections should be favoured over the Stage 2 figures for the purposes of considering overall household growth; this is for two key reasons: a) the Stage 1 figures are based on a long-term time series (dating back to 1971 and using 5 Census data points) whereas the Stage 2 figures only look at two data points (2001 and 2011) and b) the Stage 2 figures are constrained back to Stage 1 values, essentially meaning that it is the Stage 1 figures that drive overall estimates of household growth in the CLG household projections themselves. The analysis to follow therefore focuses on Stage 1 figures.

2.46 The figures below show how Stage 1 figures differ for different age groups. It is evident from the analysis that household formation amongst households in their late 20s and early 30s fell slightly over the 2001-11 decade. The projections are however showing that there will not be any notable further reductions (a small further reduction in Sevenoaks and an increase in Tunbridge Wells). Where reductions are shown, these largely apply at the back end of the projection period (after about 2027) and are therefore unlikely to be related to any short-term constraints in the housing market. The 2014-based household projections also expect household formation rates amongst older age groups to fall over time. Given improving life expectancy this ‘trend’ looks to be reasonable (as it would be expected that more people would remain living as couples).

2.47 The figures also show a comparison between the local authorities, the South East and England. Generally, figures in are at similar levels and with similar changes to equivalent data in other areas, although there are some modest differences for some age groups.

Figure 5: Projected household representative rates by age of head of household



Source: Derived from CLG data

Critical Review of Household Representative Rates

2.48 The headship rates in the 2014-based CLG household projections should not be used uncritically. Paragraph 2a-015 of the PPG is clear that the 'household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends'. Essentially this is suggesting, where the projections include a suppression of household formation that some sort of adjustment should be made.

2.49 It is not straightforward to determine if the projections contain any level of suppression (either in the past or projected forward) given that household formation rates can be influenced by a range of factors. One person to recognise this was the late Alan Holmans in the September 2013 Town and Country Planning Association (TCPA) publication *'new estimates of housing demand and need in England, 2011 to 2031'* where he stated:

'The working assumption in this study is that a considerable part but not all of the 375,000 shortfall of households relative to trend was due to the state of the economy and the housing market. 200,000 is attributed to over-projection of households due to the much larger proportion of recent immigrants in the population, whose household formation rates are lower than for the population as a whole. This effect will not be reversed. The other 175,000 is attributed to the economy and the state of the housing market and is assumed to gradually reverse'.

2.50 Broadly what Mr Holmans was saying is that about half of changes to household formation are due to market factors and about half due to international migration. Whilst the international migration impact is not expected to change (in terms of household structures), any suppression as a result of the economy and housing market could improve in the future.

2.51 When looking specifically at data for the two local authorities, it is clear that the only age group where suppression can potentially be identified is for people aged 25-34. There is a downward trend in the headship rates of this group from 2001-11 although moving forward from 2011, the rate remains fairly flat. However, it is not clear if the changes in the rates is due to market factors or international migration.

2.52 The analysis below seeks to understand the impact of international migration. At a local level it is difficult to use international migration figures because of the way such migration works – typically most international migrants start in a major city (e.g. London) and then filter out into other areas (and hence are registered by ONS as an internal migrant). Hence one way at looking at international migration is to consider changes to the Black and Minority Ethnic (BME) population. BME populations tend to have different household structures (typically larger households) and so this picks up on the point made by Mr Holmans.

2.53 The table below shows changes to the BME population in the 25-34 age group (data for the White (British/Irish) population is also provided). The analysis shows an increase in the BME population and a notable decrease in the White (British/Irish) population within this age group. These trends are repeated across other areas. From this it is clear that a major part of the changes in the headship rates of the 25-34 age group is likely to be due to international migration and growth in BME communities. Given that moving forward from 2011 the projections are expecting headship rates in this age group to stabilise; there is no suggestion of any suppression being built into the projections.

Table 8: Changes to Black and Minority Ethnic and White (British/Irish) Population by age (2001-11) – population aged 25-34

	Black and Minority Ethnic			White (British/Irish)		
	Population 2001	Population 2011	Change	Population 2001	Population 2011	Change
Tunbridge Wells	991	2,575	1,584	12,876	11,208	-1,668
Kent	12,278	30,351	18,073	157,278	135,580	-21,698
South East	120,961	265,298	144,337	973,269	801,230	-172,039
England	1,145,787	2,270,258	1,124,471	5,908,484	4,889,844	-1,018,640

Source: Census (2001 and 2011)

2.54 Since Holmans work was published there have been further articles on the topic of household formation rates. One of note is *new estimates of housing requirements in England, 2012 to 2037* (Neil McDonald and Christine Whitehead – TCPA – November 2015). In this it is stated that:

'The 2012-based projections, which use the 2011 Census and up-to-date population figures, are more immediately relevant and more strongly based than earlier estimates. The latest projections can therefore be taken as a reasonable indication of what is likely to happen to household formation rates if recent trends continue. This is because, although economic growth might be expected to increase the household formation rate, there are both longer-term structural changes and other factors still in the pipeline (such as welfare reforms) that could offset any such increase'.

2.55 Whilst this refers to the 2012-based projections, it is the case that the household formation rates in the 2014-based figures are almost identical. Overall, on the basis of the evidence available, it seems unlikely that the 2014-based household formation rates include any degree of suppression and can therefore realistically be used to assess levels of household growth when set against population projections.

2.56 The analysis below brings together outputs in terms of household growth and housing need using the 2014-based HRRs. To convert households into dwellings the data includes an uplift to take account of vacant homes. This has been based on 2016 Council Tax data with a summary of the key statistics shown below. This shows that the total number of dwellings is some 2.3% higher than the number of occupied homes (which is taken as a proxy for households) and hence household growth figures are uplifted by these amounts to provide an estimate of housing need. It is assumed that such a level of vacant homes will allow for movement within the housing stock and includes an allowance for second homes.

Table 9: Vacant homes (Council Tax data) – 2016

	Tunbridge Wells
Dwellings	48,559
Second homes	311
Other vacant homes	771
Total vacant	1,082
Total occupied	47,477
Vacancy allowance	2.3%

Source: CLG

2.57 Taking vacant homes into account, the 2014-based SNPP (+MYE) projection shows a need for 494 dwellings per annum in Tunbridge Wells, with this figure increasing notably if longer-term migration trends are considered (up to 631 dpa); the UPC adjusted projection is higher still.

Conclusions on Demographic Based Housing Need

2.58 This section has provided an analysis of the 2014-based SNPP and a range of alternative demographic scenarios. On the basis of this analysis it is concluded that the demographic need for housing in Tunbridge Wells falls in the range of 494 to 631 dwellings per annum. The range is based on the CLG 'starting point' (with a MYE adjustment) and a scenario based on 10-year migration trends.

Table 10: Projected housing need – range of demographic based scenarios and 2014-based HRRs – Tunbridge Wells

	House-holds 2015	House-holds 2035	Change in house-holds	Per annum	Dwellings (per annum)
2014-based SNPP	48,948	58,572	9,624	481	492
2014-based SNPP (+MYE)	48,739	58,399	9,660	483	494
10-year migration	48,739	61,071	12,332	617	631
10-year migration (+UPC)	48,739	62,194	13,455	673	688

Source: Demographic projections

2.59 The 2014-based SNPP (with MYE adjustment) shows a need for 494 dwellings per annum. This is considerably lower than the demographic-led housing need identified in the 2015 SHMA, which showed a need for 627 dwellings per annum, based on the 2012-based SNPP.

2.60 The 10-year migration scenario shows a need for 631 dwellings per annum which is broadly in line with the need arising from the 2012-based SNPP. This is because both scenarios draw upon the pre-recession period which saw higher levels of net migration in Tunbridge Wells. By contrast, the 2014-based SNPP draws on a more recent 5/6 year period which saw lower levels of net migration in the Borough.

2.61 The demographic analysis in this section shows a high level of variance between the projections stemming from considerable volatility in the migration trends. In such circumstances it is appropriate to consider a scenario based on longer term trends which mitigate the year by year variance. This adds additional weight to the consideration of the 10-year migration scenario in calculating OAN.

The impact of Brexit for population and household projections

2.62 One key question for this assessment is whether or not the United Kingdom leaving the European Union ('Brexit') will have any impact on future migration and population growth, and hence housing need, over the period to 2031. As a preamble, it should be stressed that the impact of Brexit is clearly unknown and so the analysis to follow is mainly discursive, highlighting a series of issues.

2.63 Initially, it is observed that one of the key parts of the Brexit 'pledge' is to reduce levels of immigration to the UK. Given that Brexit will impact on EU migration, an initial analysis considers trends in migration from EU countries. The table below shows net migration to the UK from 2010 to 2015 (figures are all for the year to December). This shows an average net migration of about 250,000 people, with this figure having been rising since 2012; the data also shows that an average of 40% of net migrants are from EU countries, and the remaining 60% from the rest of the World – the proportion of migrants from the EU has however been steadily rising over time.

2.64 This analysis would suggest that any reductions to EU migration will only impact on about two-fifths of the migrants seen to the UK in a typical year.

Table 11: Net migration to the United Kingdom by broad location (2010-2015)

	British	EU (not-British)	All other	Total *	% EU (excluding British)
2010	-43,000	77,000	217,000	256,000	26%
2011	-70,000	82,000	204,000	205,000	29%
2012	-63,000	82,000	157,000	177,000	34%
2013	-57,000	123,000	142,000	209,000	46%
2014	-55,000	174,000	194,000	313,000	47%
2015	-40,000	184,000	189,000	334,000	49%
Average	-55,000	120,000	184,000	249,000	40%

Source: ONS (* totals do not exactly match the sum of the figures due to adjustments made by ONS as a result of 2011 Census data)

2.65 Data at a local authority level is difficult to obtain and below is data taken from the Census about migrants in the year to 2011 – these figures only cover in-migration and not net flows (as in the table above). This shows that relative to other areas, Tunbridge Wells sees a slightly higher proportion of EU in-migrants, although the figures do still only amount to less than half of all in-migrants. Overall, this would suggest that the migration impact of Brexit might be similar in the Borough as in other locations (although it should be remembered that this data is only based on one year of information).

Table 12: International in-migration (2011) – Census data

		EU in-migration	Non-EU in-migration	Total in-migration
Tunbridge Wells	Population	516	620	1,136
	% of population	45%	55%	100%
South East	% of population	42%	58%	100%
England	% of population	42%	58%	100%

Source: Census 2011

2.66 The final issue to consider are the assumptions relating to international migration underpinning the latest (2014-based) ONS projections; this is important as this source drives assessments of need at a local level. The table below shows that ONS were projecting net international migration to be around 329,000 in 2014/15 (a figure close to the actual estimated level in MYE); moving forward they assume that net in-migration will reduce to 185,000 by 2020/21 (this figure is projected moving forward from that date); the 185,000 represents a 45% reduction on the 2015 net level and is 26% down on the 2010-15 average shown above.

Table 13: Projected net migration – United Kingdom

Period	Projected net migration
2014/15	329,000
2015/16	256,000
2016/17	232,000
2017/18	226,000
2018/19	206,000
2019/20	196,000
2020/21	185,000

Source: 2014-based ONS national population projections

2.67 On the basis of this analysis (i.e. reflecting the fact that much of the international migration is not EU related and the fact that ONS are already projecting a reduction in international migration) it is difficult to confidently say that Brexit will have any impact on migration levels, population growth and housing need. At the present time it is considered that using the latest official projections (including with adjustments such as 10-year migration trends) will provide the best estimates of future need. However, the figures should be kept under review, should there be any notable changes as a result of the UK leaving the EU. The next set of ONS projections to be produced (2016-based) will need to reflect a view about the impact of Brexit, and the Council should consider reviewing this evidence when it is released.

3 FUTURE EMPLOYMENT GROWTH AND THE LINK TO HOUSING

Introduction

3.1 Planning practice guidance requires local planning authorities to have regard to future economic growth projections in relation to housing need as economic growth may impact on the economically active population, which may in turn affect future cross-border migration and commuting. Failure to take that into account may result in unmet housing need and unsustainable commuting patterns.

3.2 The interaction between economic growth and housing need is complex, and will be influenced by improvements to productivity; the proportion of people who hold down more than one job, changes in economic participation, including through reductions in unemployment and trends towards increased women and older people in the workforce; together with changes to commuting flows. For the purposes of establishing housing need, Planning Practice Guidance however requires consideration of how economic growth may influence housing need.

Economic Forecasts

3.3 In order to consider the level of future economic growth in the Borough we have used econometric forecasts produced by the East of England Forecasting Model (EEFM), produced by Cambridge Econometrics (CE). These forecasts have been used to inform the Council's Economic Needs Study for Sevenoaks and Tunbridge Wells (August, 2016).

3.4 The EEFM forecasts a net total employment growth in Tunbridge Wells of 8,276 additional jobs over the 2015-35 period. The 2015 SHMA used the same forecast but considered the period from 2013-33. Over this period, there was a forecast jobs growth of 10,024 additional jobs in Tunbridge Wells – 1,749 more jobs than for the 2015-35 period.

Growth in the Resident Labour Force

3.5 Having studied the likely level of jobs growth in the Borough, the next stage is to estimate the change in the resident labour supply (to allow for a comparison between jobs and workforce growth). Making the link between population and the resident workforce is a very thorny issue with no set methodology and a range of different methods and views being used. It is considered difficult to robustly project how economic activity or employment rates will change in the future and hence any approach must be treated with extreme caution.

3.6 The approach taken in this report is to derive a series of age and sex specific economic activity rates and use these to estimate how many people in the population will be economically active as projections develop. This is a fairly typical approach although there are no set figures to be used

when looking at how activity rates might change over time. Of the main forecasting houses (Experian, OE, and CE) only Experian publish age and sex specific data about how economic activity rates might change (this data is available directly from Experian and underpins the document *'Comparison between Experian and OBR Participation Rate Projections'* (February 2016)).

3.7 Some consultancies (both for public and private sector clients) have looked for other sources of employment or economic activity rate data; the most commonly used being a set of figures published by the Office for Budget Responsibility (OBR). These figures as published are not of any great use for this analysis as they bear no relationship to economic forecasts developed at a local level. For example, the growth in the population who are economically active (from 2016 to 2032) by applying OBR rates is around 1.5 million people, this compares with a figure of about 3.1 million with the Experian rates. Whilst the other main forecasting houses (OE and CE) do not publish detailed rates in the same way as Experian it is notable over the same (2016-32) period that each are forecasting between 2.4 million (CE) and 2.7 million (OE) additional jobs (the Experian job figure is around 3.3 million). Hence, whilst Experian may be at the top of the range, it is clear that OBR is a significant outlier. This means that the OBR employment/activity rate figures cannot realistically be used when testing job growth levels from forecasts, as they relate to a completely different set of national assumptions (additionally, OBR do not produce local level forecasts, unlike the three forecasting houses already mentioned).

3.8 However, when looking in more detail at the OBR rates, it can be observed that much of the reason for showing low levels of growth in the economically active population is that there are forecast to be some notable declines in activity rates of some age groups (particularly) males aged about 25 to 50. Whilst such declines are possible, they do appear unlikely, and if occurring would be a reversal of trends seen over the decade or more.

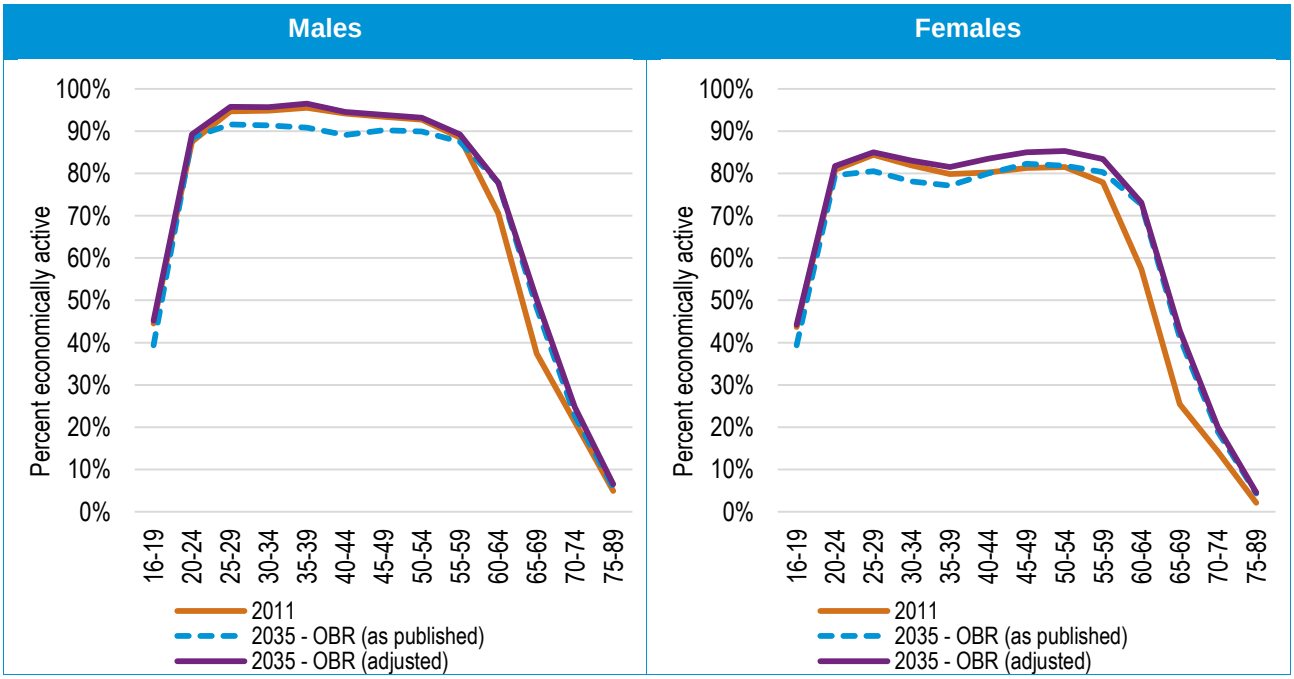
3.9 The analysis in this report has therefore taken the OBR rates, and adjusted these where an age group is projected to see a decline (in these instances figures are held constant on a year-by-year basis). This is considered to provide a realistic series of rate changes (by age and sex) which are consistent with overall views about economic growth as set out by OE, CE and Experian – the adjusted OBR rates show changes to economic activity that are below those suggested by Experian in their published figures.

3.10 The rates are then adjusted to be consistent with local data for economic activity from the 2011 Census. Whilst the rate levels and projected changes are considered to be realistic, based on available data, it should still be stressed that these are a best estimate which is ultimately derived from national level figures.

3.11 The analysis is further complicated because it is based on economic activity rates rather than employment rates (and jobs would reflect people working rather than those working or seeking employment).

3.12 The analysis shows that the main changes to economic activity rates are projected to be in the 60-69 age groups – this will to a considerable degree link to changes to pensionable age, as well as general trends in the number of older people working for longer (which in itself is linked to general reductions in pension provision). Based on this analysis the figures look to be reasonable.

Figure 6: Projected changes to economic activity rates (2015-35)



Source: Based on OBR and Census (2011) data

3.13 Working through an analysis of age and sex specific economic activity rates, it is possible to estimate the overall change in the number of economically active people in each local authority – this is set out in the table below. In Tunbridge Wells, the different scenarios show a wide range of labour supply growth, from 5,700 using the SNPP, up to 12,100 with 10-year trends (+UPC). Using 10-year trends (excluding and UPC adjustment) shows a labour supply growth of 9,700.

Table 14: Estimated change to the economically active population (2015-35)

	Economically active (2011)	Economically active (2028)	Total change in economically active	Per annum change
2014-based SNPP	61,535	67,247	5,712	286
2014-based SNPP (+MYE)	61,262	67,019	5,757	288
10-year migration	61,262	71,009	9,747	487
10-year migration (+UPC)	61,262	73,333	12,071	604

Source: Derived from demographic projections

3.14 The change in the number of economically active people can be used to estimate how many jobs this might support. In doing this the analysis additionally takes account of:

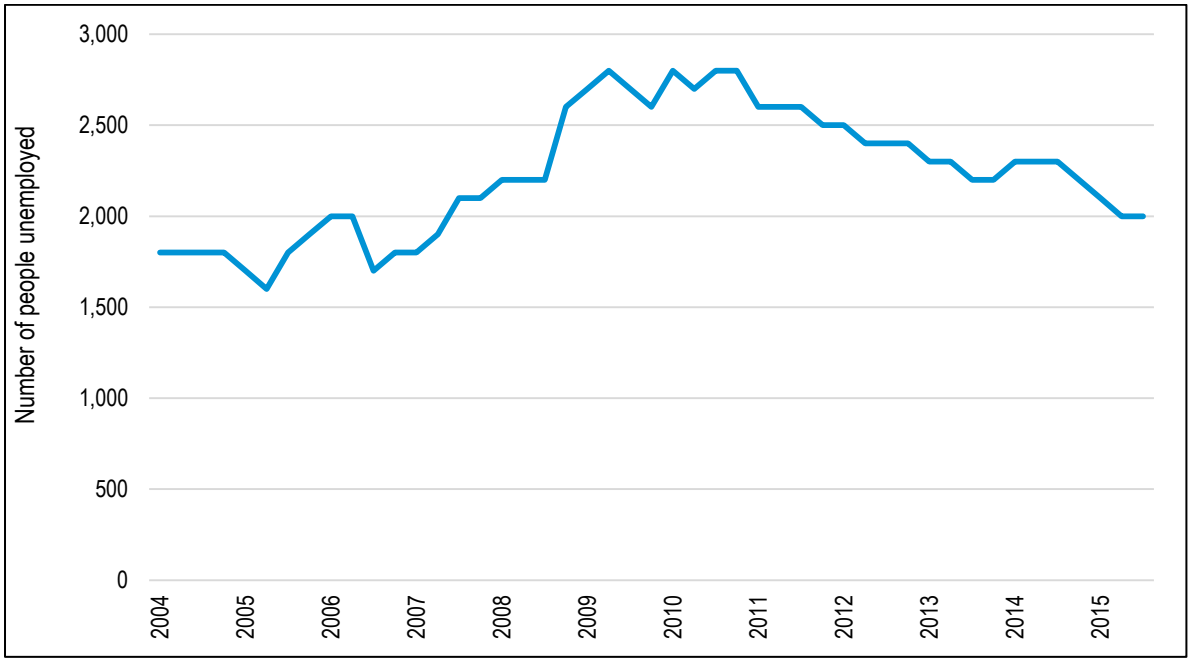
- Changes to unemployment (2015-16)
- Commuting patterns
- Double jobbing (i.e. the proportion of people with more than one job)

Unemployment

3.15 When looking at the increase in the resident labour force required to meet job growth forecasts, it is also necessary to consider if some of the workforce will emerge from the existing population as unemployment changes. This is particularly important when considering trend periods that have already occurred but are within the projection period used in this study. An analysis has therefore been carried out to look at how unemployment has changed between 2015 and 2016.

3.16 The analysis below has therefore looked at the number of people who are unemployed and how this has changed back to 2004. The analysis shows a clear increase in unemployment from 2004 to 2010; since this date, the number of people unemployed has dropped notably.

Figure 7: Number of people unemployed (2004-2016)



Source: Annual Population Survey (modelled unemployment data)

3.17 Given that the projections run from 2015, it is of interest to consider how unemployment has changed since that date – this analysis is shown in the table below. The number of unemployed people has dropped by 150 people.

Table 15: Changes to the number of people unemployed (2015-2016)

	Number unemployed (2015)	Number unemployed (2016)	Change
Tunbridge Wells	2,150	2,000	150

Source: Annual Population Survey (modelled unemployment data)

Commuting patterns

3.18 The table below shows summary data about commuting to and from the Borough from the 2011 Census. Overall the data shows there is a level of net out-commuting for work. This number is shown as the commuting ratio in the final row of the table and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live).

Table 16: Commuting patterns (2011)

	Tunbridge Wells
Live and work in LA	22,288
Home workers	8,177
No fixed workplace	5,016
In-commute	20,132
Out-commute	22,349
Total working in LA	55,613
Total living in LA (and working)	57,830
Commuting ratio	1.04

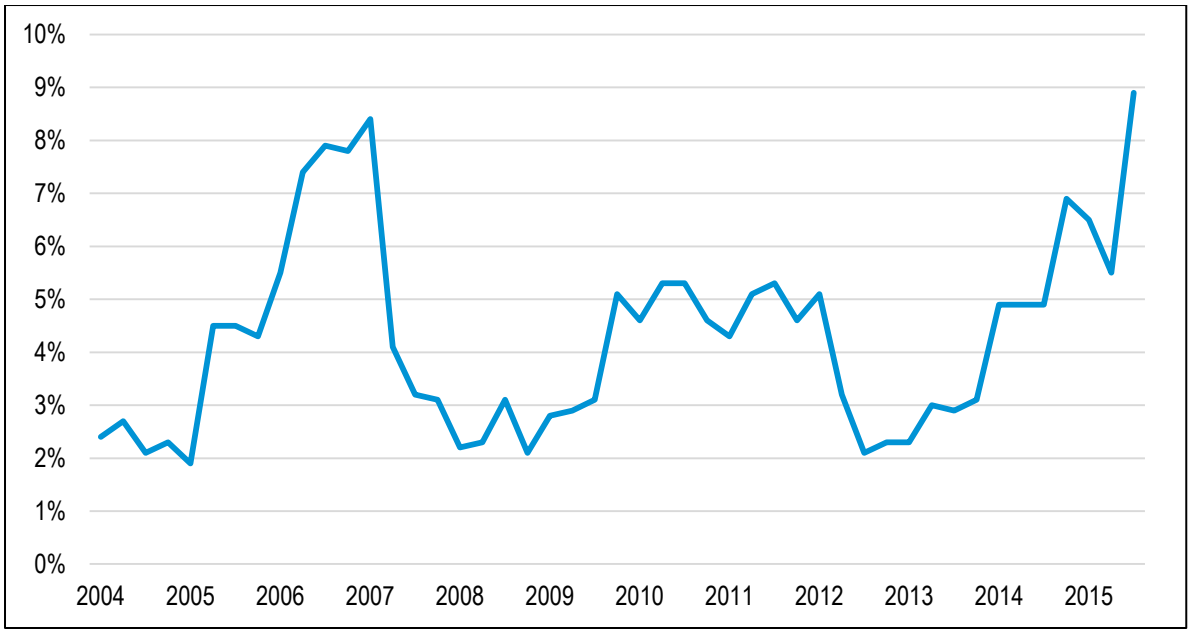
Source: 2011 Census

3.19 In translating the commuting pattern data into growth in the labour-force, a core assumption is that the commuting ratio remains at the same level as shown by the 2011 Census. In other words, it is assumed that the number of jobs potentially supported will be 4% lower than the change in the number of working residents.

Double jobbing

3.20 The analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the local authority divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) suggests that the level of double jobbing have been variable over time, ranging from 2% to 9%.

Figure 8: Percentage of all people in employment who have a second job (2004-2016)



Source: Annual Population Survey (from NOMIS)

3.21 For the purposes of this assessment it has been assumed that around 4% of people will have more than one job moving forward, this is roughly the average shown for all data points back to 2004. A double jobbing figure of 4% gives rise to a ratio of 0.96 (i.e. the number of jobs supported by the workforce will be 4% higher than workforce growth). It has been assumed in the analysis that the level of double jobbing will remain constant over time.

Jobs supported by growth in resident labour force

3.22 The table below shows how many additional jobs might be supported by population growth under each of the core demographic scenarios. In Tunbridge Wells, the figures range from 5,900 to 12,300 over the 2015-35 period. The projections linked to the 2014-based SNPP would not provide sufficient labour-force growth, whereas the other two would provide for additional jobs.

Table 17: Estimated jobs supported by population growth (2015-35)

	2014-based SNPP	2014-based SNPP (+MYE)	10-year migration	10-year migration (+UPC)
Total change in economically active	5,712	5,757	9,747	12,071
PLUS reduction in unemployment	5,862	5,907	9,897	12,221
Allowance for net out-commuting	5,637	5,681	9,518	11,752
Allowance for double jobbing (= jobs supported)	5,890	5,935	9,943	12,278
Jobs supported per annum	294	297	497	614

Source: Derived from a range of sources as described

3.23 Overall, the analysis suggests a reasonable balance between the population projections and the required labour supply growth to meet job growth forecasts. However, for completeness it is also of interest to undertake an analysis which looks at the likely housing need when linked directly to the forecast job growth – this is undertaken below.

Housing Need linked to Job Forecasts

3.24 The first stage in the process of looking at the link between jobs and housing, is to establish the growth necessary in the resident labour force. This is essentially the same as the analysis carried out above, but with the steps in reverse order (and is shown in the table below). The analysis shows (all other things remaining equal) that to meet the job growth forecast, there would need to be an additional 8,100 economically active residents in Tunbridge Wells.

Table 18: Estimated growth in the economically active population required by job forecasts

	Tunbridge Wells
Job growth forecast	8,276
Allowance for double jobbing	7,921
Allowance for net out-commuting	8,237
Reduction in unemployment (change in economically active)	8,087

Source: Derived from a range of sources as described

3.25 To match jobs and economically active residents, migration assumptions have been changed so that the increase in the economically active population matches the increase in the resident workforce required. The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%). Once the level of economically active population matches the job growth trend/forecast the population (and its age structure) is modelled against CLG headship rates to see what level of housing provision that might imply.

3.26 The table below shows estimates of housing need resulting from the job growth scenario. The analysis shows a housing need of 572 dwellings per annum – a figure above that implied by the SNPP projections, but below those linking to 10-year trends (both with and without a UPC adjustment).

Table 19: Projected housing need – job-led scenario and 2014-based headship rates

	House-holds 2015	House-holds 2035	Change in house-holds	Per annum	Dwellings (per annum)
Tunbridge Wells	48,739	59,927	11,188	559	572

Source: Demographic projections

4 HOUSING MARKET SIGNALS AND AFFORDABLE HOUSING NEED

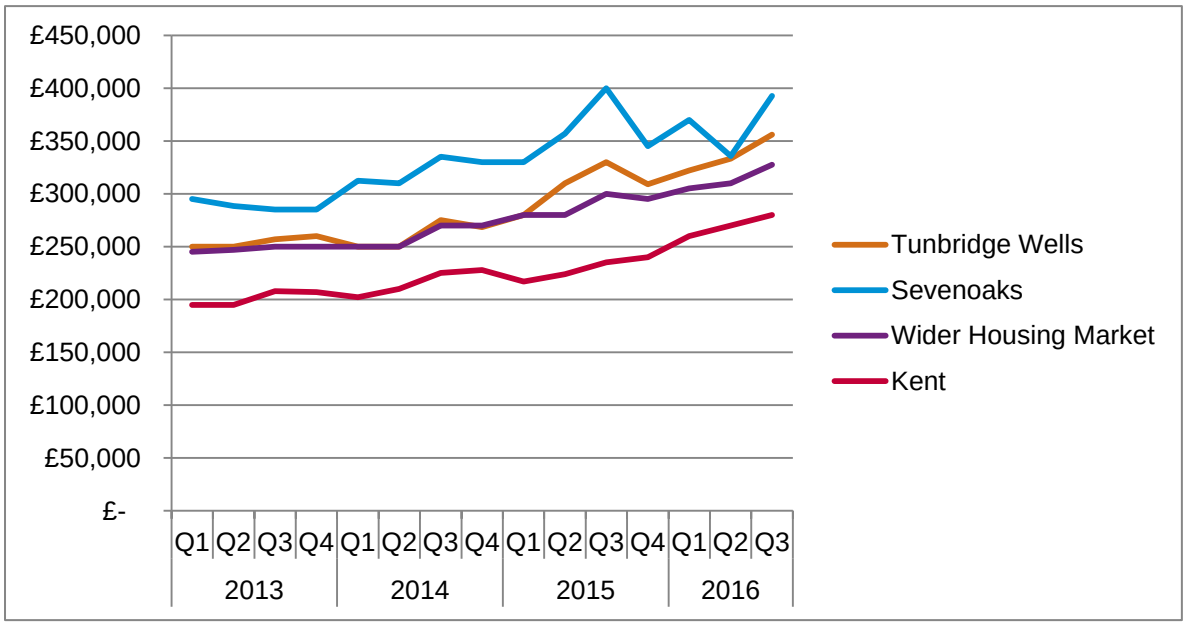
4.1 In this section, we consider the housing market signals in Tunbridge Wells and consider whether, in line with PPG, an uplift to improve affordability should be considered in the calculation of OAN.

Housing Market Signals

4.2 The 2015 OAN study considered a range of housing market signals as set out in the PPG. In this section we provide an update to key indicators where there is new data available. This section sets out updated market signals for Tunbridge Wells in comparison to trends in Sevenoaks and the Wider Housing Market – comprising the local authorities of Rother, Sevenoaks, Tunbridge Wells, Tonbridge and Malling, and Wealden – as well as a Kent figure.

4.3 The 2015 OAN study provided house price data to the end of 2014. Figure XX extends this data to the third quarter of 2016. Over this period all areas have seen an increase in median house prices. In Tunbridge Wells the median price has increased from £275,000 in 2014 Q3 to £356,000 in 2016 Q3 – an increase of £81,000 (23%). In comparison, the increase in Sevenoaks over this period was £57,500 (15%), the increase in the Wider Housing Market was £57,500 (18%), and across Kent the increase was £54,995 (20%).

Figure 9: Increase in Median House Price – 2013 to 2016 Q3



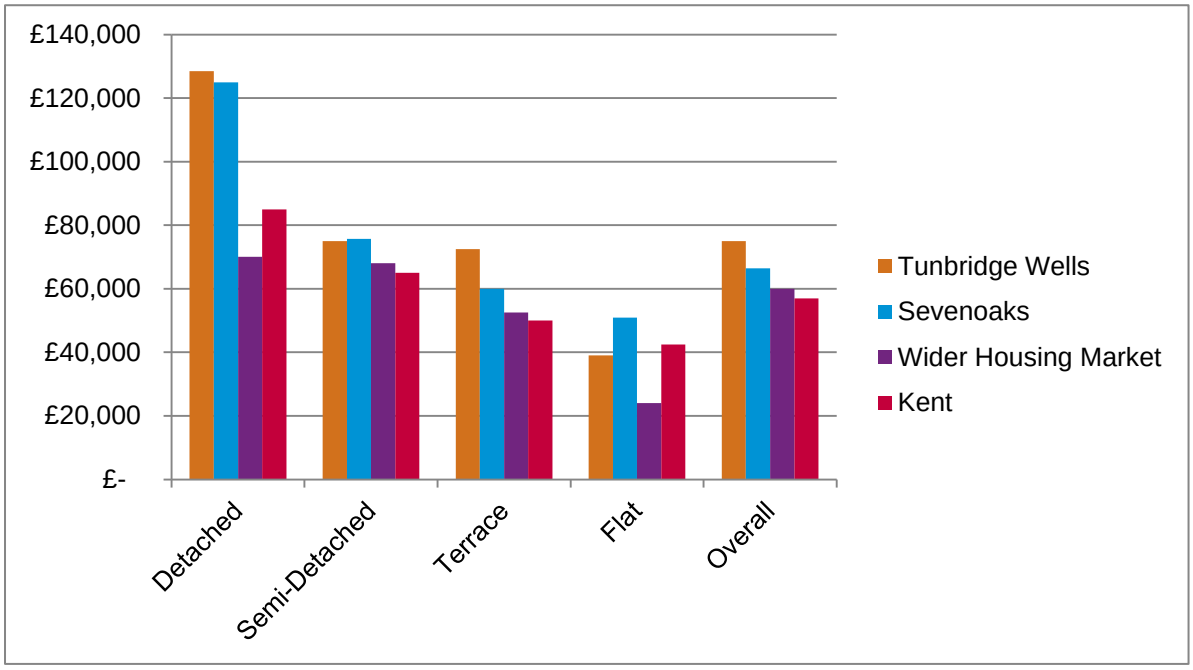
Source: GLH Analysis: Land Registry Price Paid Data

4.4 The 2015 SHMA recorded the median house prices by dwelling type (detached, semi-detached, terrace, and flat) for all sales throughout 2013 and 2014. Figure XX shows how these have increased by 2016 (Q1-Q3).

4.5 Overall, for all dwelling types the median price in Tunbridge Wells increased by £75,000 (29%). This is a higher increase than seen in Sevenoaks (£66,455, 22%), the Wider Housing Market (£60,000, 24%), and Kent (£57,000, 27%).

4.6 Most notable is the increase in the median price of detached houses in Tunbridge Wells and Sevenoaks over this period. In Tunbridge Wells the increase in the median price of detached houses was £128,500 (24%) while the figure for Sevenoaks is £125,000 (22%). This is notably higher than the Wider Housing Market figure of £70,028 (18%) or the Kent figure of £85,000 (25%).

Figure 10: Change in Median Price by Dwelling Type, 2013/14 - 2016



Source: GLH Analysis: Land Registry Price Paid Data

4.7 In terms of sales volumes, the 2015 report showed that there had been a steep drop off in the number of house sales in 2008 following the 'credit crunch', followed by a slow recovery through to 2014. The table below sets out the sales volumes for 2014 and 2015. This shows that the number of sales in Tunbridge Wells has continued to grow into 2015 – up 12% on the 2014 figure. This level of growth is higher than seen in Sevenoaks (8%) or across the Wider Housing Market area (6%). However, the growth rate is considerably lower than that seen across Kent as a whole (28%).

Table 20: Sales Volume – 2014 to 2015

	2014	2015	% Difference
Tunbridge Wells	2,122	2,386	12%
Sevenoaks	1,877	2,032	8%
Wider Housing Market	11,790	12,546	6%
Kent	27,500	35,308	28%

Source: GLH Analysis: Land Registry Price Paid Data

4.8 The lower quartile affordability ratio shows the ratio between lower quartile house prices and lower quartile earnings. The latest data available at the date of publication of the 2015 SHMA provided provisional figures up to 2013. In Tunbridge Wells the provisional 2013 figure was 9.73 (i.e. lower quartile house prices were 9.73 times the lower quartile annual earnings). This was higher than the equivalent figure for England which was 6.45. By comparison, the equivalent figure for Sevenoaks was 10.95.

4.9 Since publication of the 2015 SHMA, DCLG have published affordability figures up to 2015, as well as actual figures for 2013. In Tunbridge Wells the actual 2013 figure (9.97) is higher than the provisional 2013 figure (9.73).

4.10 The 2015 lower quartile affordability ratio figures show that affordability pressures continue to grow. In Tunbridge Wells the 2015 ratio is 11.31 – this represents an increase of 1.34 on the 2013 figure. This level of increase is higher than that seen across England.

Table 21: Lower Quartile Affordability Ratio

	2013 Provisional	2013 Actual	2015 Actual	Increase 2013-2015
Tunbridge Wells	9.73	9.97	11.31	1.34
Sevenoaks	10.95	10.92	13.44	2.52
England	6.45	6.66	7.02	0.36

Source: DCLG Housing Market Live Tables

4.11 Since publication of the 2015 SHMA DCLG has published land value estimates for policy appraisal. Figures provided are for a 'typical residential site' as of March 2015. This shows that the estimated value of a typical residential site in Tunbridge Wells is £3,690,000. This is well below the England average (£6,900,000) but this is skewed by very high values in London. Excluding London values the England average is £2,100,000 – below the Tunbridge Wells figure.

Table 22: Estimated Land Values

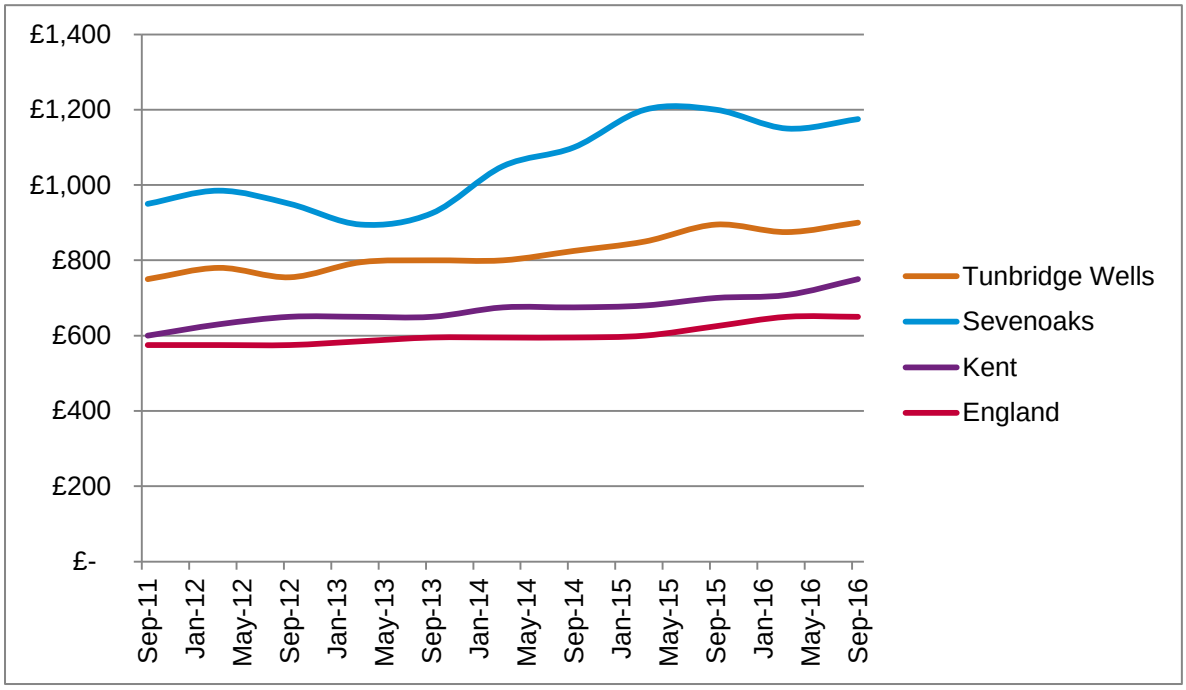
Area	Estimated Value of a Typical Residential Site
Tunbridge Wells	£3,690,000
Sevenoaks	£6,865,000
England	£6,900,000
England Excluding London	£2,100,000

Source: DCLG Land Value Estimates

4.12 In terms of rental values, the 2015 study reported median rental values up to September 2014. In Tunbridge Wells, the September 2014 median rental figure was £825 per calendar month (pcm). The latest published data is for September 2016, which shows the median rental value has

increased to £900 pcm. This is above the median rental figure for Kent (£750 pcm) and England (£650 pcm), but below the figure for Sevenoaks (£1,175 pcm).

Figure 11: Median Private Rental Prices (Per Calendar Month)



Source: Valuation Office Agency

4.13 We have examined rental costs relative to earnings. This draws from rental data published by the Valuation Office Agency (VOA, September 2016) and full-time resident earnings data from the Annual Survey of Hours and Earnings (ASHE, 2016). Comparing these datasets, we can calculate the median rental affordability ratio.

4.14 Analysis of the data shows that in Tunbridge Wells the Rental Affordability Ratio is 36.0%, which is above the Kent and England figures (30.9% and 27.4% respectively) but below the Sevenoaks figure (45.5%).

Table 23: Rental Affordability Ratios

	Median Annual Rents	Median Annual Earnings	Rental Affordability Ratio
Tunbridge Wells	£10,800	29,962	36.0%
Sevenoaks	£14,100	30,989	45.5%
Kent	£9,000	29,095	30.9%
England	£7,800	28,503	27.4%

Source: VOA and ASHE

4.15 The updated market signals evidence set out above show that housing affordability remains an issue in the Borough and therefore, in accordance with PPG, an uplift to the OAN to improve affordability pressures is justified.

Affordable Housing Needs

4.16 The other necessary consideration in determining the scale of an affordability uplift for the calculation of OAN is affordable housing need. We have not re-assessed affordable housing need as part of this study. The Borough's estimated level of affordable housing need is set out in the Sevenoaks and Tunbridge Wells SHMA (GLH, 2015). This identifies a need in Tunbridge Wells for 341 affordable dwellings per annum.

4.17 Tunbridge Wells Core Strategy seeks 35% affordable housing provision on sites of 10 or more dwellings. On this basis, it would be reasonable to assume that 35% affordable housing could be delivered on market-led housing schemes in each local authority on the basis of assuming policy compliance.

4.18 We can therefore deduce the total number dwellings required to be delivered in the Borough to ensure full delivery of the affordable housing need of 341 dpa. Assuming an affordable housing delivery rate of 35% would require an overall housing delivery of 976 dpa in order to ensure affordable housing needs are met in full.

4.19 The affordable housing evidence suggests that a modest uplift to the OAN figure to improve delivery of affordable housing in the Borough may be justified.

5 IMPLICATIONS OF HOUSING MARKET SIGNALS AND AFFORDABLE HOUSING NEEDS ON OAN

5.1 The previous section has considered the housing market signals and affordable housing need in Tunbridge Wells. This section considers the implications of these on the calculation of OAN.

Implications of Housing Market Signals

5.2 The updated market signals show that housing affordability remains an issue in the Borough. House prices and private rental prices have increased in the past year and the affordability ratio between house prices and earnings has worsened. The housing market signals suggest that, in accordance with PPG, an uplift to the demographic projections is appropriate.

5.3 PPG sets out that "*A worsening trend in any of the housing market signals indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections*". In the context of the PPG, the appropriate test is therefore whether an upward adjustment should be made from the starting point household projections to take account of market signals.

5.4 There is however no guidance as to what an appropriate upwards adjustment should be instead the PPG sets out that it should be "at a level that is reasonable". There have been a number of inspectors' reports which have examined what is "reasonable". These are set out below.

Inspectors' Views on Market Signals Uplifts

5.5 Probably the most cited inspectors' reports where market signals have been considered are in Eastleigh and Uttlesford, where different inspectors suggested that the local authorities should consider increasing housing need by 10% as a result of the evidence. Key quotes from these reports are provided below.

- Eastleigh (February 2015) – *'It is very difficult to judge the appropriate scale of such an uplift. I consider a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only part of a much larger HMA. Exploration of an uplift of, say, 10% would be compatible with the "modest" pressure of market signals recognised in the SHMA itself'*
- Uttlesford (December 2014) – *'I conclude that it would be reasonable and proportionate, in Uttlesford's circumstances, to make an upward adjustment to the OAN, thereby increasing provision with a view to relieving some of the pressures. In my view it would be appropriate to examine an overall increase of around 10%...'*

5.6 To be balanced it should however be noted that there are a number of inspectors who have not suggested any need for an uplift due to market signals and these would include:

- Mendip (October 2014 – Appendix 7) – *'these findings indicate that trends in Mendip sit fairly comfortably alongside county, regional and national trends and do not, therefore, justify an upward adjustment of the housing numbers that came out of the housing projection'*
- Crawley (May 2015 – Appendix 8) – *'I am not convinced that the market signals uplift is justified by the evidence, for the various indicators reveal a situation in Crawley which is not as severe as in other North West Sussex authorities, and one that has not worsened in recent years'* (this is an interesting case given that the Council themselves had suggested an uplift for market signals)
- Cornwall (June 2015) – *'National guidance is that a worsening trend in any relevant market signal should result in an uplift. But for the reasons given below I do not consider that I should require such an uplift to be made for Cornwall at this time'* (this one is also interesting given that it was the same inspector as Eastleigh)
- Maidstone (December 2016 – Interim Findings) – *'A modest uplift is unlikely to have a significant effect on market values, particularly if developers do not increase building rates by the same margin'. 'A much more significant effect on market prices can be expected from the overall increase in past building rates that can be anticipated through the allocations in the plan… In these circumstances a still higher uplift is not justified.'*

Implications of Affordable Housing Need

5.7 The identified affordable housing need suggests that there is a Borough-wide need for 277 affordable dwellings. This would require an overall delivery of 693 dwellings per annum in order to deliver this level of housing need.

Kings Lynn v Elm Park Holdings (July 2015)

5.8 The case of Kings Lynn and West Norfolk Council vs. SSCLG and Elm Park Holdings, decided in July 2015, involved the Council's challenge to an inspector's granting of permission for 40 dwellings in a village. Although much of the case was about the approach to take with regards to vacant and second homes, the issue of affordable housing was also a key part of the final judgment.

5.9 Focussing on affordable housing, Justice Dove considered the "ingredients" involved in making a FOAN and noted that the FOAN is the product of the Strategic Housing Market Assessment (SHMA) required by paragraph 159 of the NPPF. It is noted that the SHMA must identify the scale and mix of housing to meet household and population projections, taking account of migration and demographic change, and then address the need for all housing types, including affordable homes.

5.10 He continued by noting that the scale and mix of housing is *'a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgement'*. Crucially, in paragraph 35 of the judgment he says that the *'Framework makes clear that these needs [affordable housing needs] should be addressed in determining the FOAN, but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice'*. This is an important point, given the previous judgements in Satnam and Oadby &

Wigston. And indeed in relation to Oadby and Wigston he notes that *'Insofar as Hickinbottom J in the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 might be taken in paragraph 34(ii) of his judgment to be suggesting that in determining the FOAN, the total need for affordable housing must be met in full by its inclusion in the FOAN I would respectfully disagree. Such a suggestion is not warranted by the Framework or the PPG'*.

5.11 Therefore, this most recent judgement is clear that an assessment of affordable housing need should be carried out, but that the level of affordable need shown by analysis does not have to be met in full within the assessment of the FOAN. But should still be a consideration *in determining the FOAN.*

5.12 The approach in Kings Lynn is also similar to that taken by the inspector (Simon Emerson) to the Cornwall Local Plan. His preliminary findings in June 2015 noted in paragraph 3.20 that *'National guidance requires consideration of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites.'* A number of similar conclusions have been drawn at other local plan examinations.

5.13 It seems clear from this that the expectation is that it may be necessary, based on the affordable needs evidence to *consider* an adjustment to enhance the delivery of affordable housing, but that this does not need to be done in a "mechanical way" whereby the affordable need on its own drives the OAN.

Considering an Affordability Uplift on OAN

5.14 The housing market signals and affordable housing needs analysis suggests that, in accordance with the PPG, an uplift should be applied to the demographic starting point in order to improve affordability pressures in the Borough.

5.15 As set out above, since the previous SHMA there has been a wide range of inspectors' decisions regarding what scale of uplift would be suitable. In light of this, applying an affordability uplift of 10% is considered appropriate in Tunbridge Wells. This should be applied over and above the demographic starting point.

5.16 The 2015 SHMA included an affordability uplift of 2.7%. This was based on modelling the implications of increasing the household formation rates of the 25-34 age group. The projections showed a decline in household formation rates in younger people (those aged between 25 and 34) over the period 2001-2011. The uplift modelled the number of dwellings required to return the formation rates of 25 to 34 year olds back to 2001 levels (i.e. before the rate started to decrease) by 2031.

6 OBJECTIVELY ASSESSED NEED FOR HOUSING

6.1 This section draws together the analysis of the previous sections and draws conclusions on the objectively assessed need (OAN) for housing in Tunbridge Wells.

6.2 The report has considered a range of demographic projections. The implications of each of these projections in terms of dwelling need are shown in the table below. The 2014-based SNPP results in a need of 492 dpa. However, the analysis in Section 2 (paras 2.16-2.26) suggests that this projection projects forward the lower levels of migration following the recession and as such may reflect the lower levels of housing delivery in this period.

Table 24: Housing Need from Demographic Projections, 2015-35

Demographic Projection	Dwellings Per Annum
2014-based SNPP + MYE Adjustment	492
10-year Migration	631
10-year Migration + UPC	688
London Adjusted	516

6.3 In such circumstances it is appropriate to consider a longer term migration trend. We have therefore modelled a 10-year Migration scenario which results in a housing need of 631 dpa. While this is considerably higher than the figure arising from the 2014-based SNPP, it is broadly in line with the figure arising from the 2012-based SNPP (627 dpa) as set out in the 2015 SHMA. The 10-year Migration trend is also higher than the London Adjusted sensitivity analysis (details set out in Appendix A).

6.4 The demographic analysis concludes that for Tunbridge Wells it is appropriate to use the 10-year Migration Trend in the calculation of OAN.

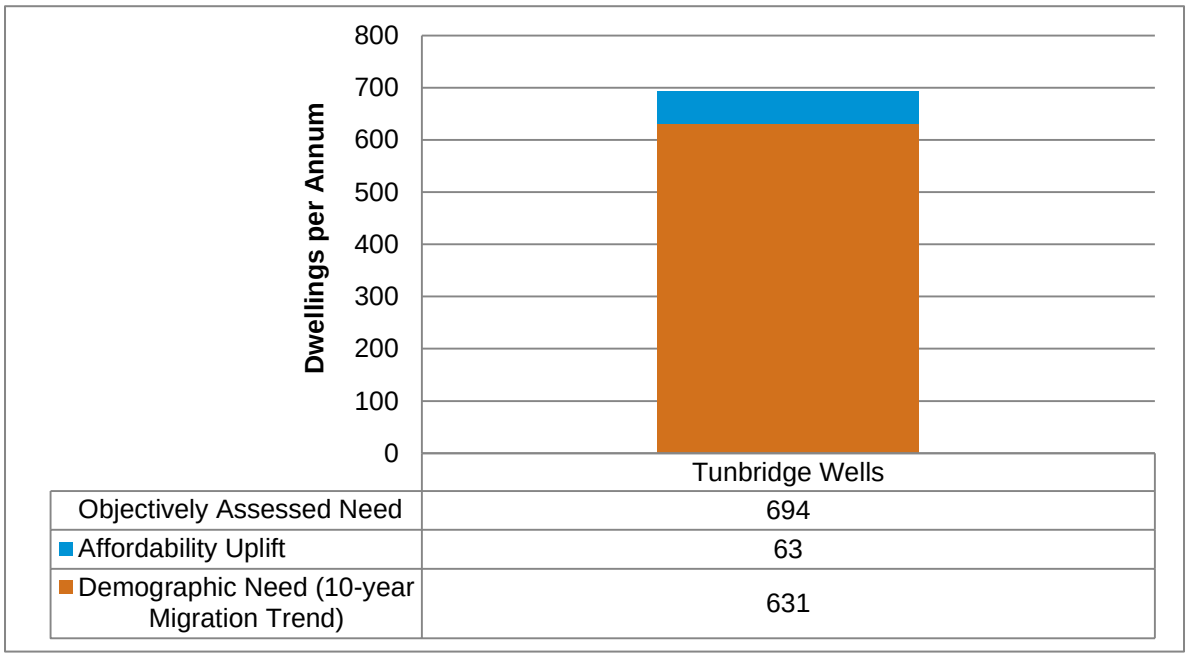
6.5 Section 3 considers future employment growth in the Borough and the implications of this on housing need. This considers the East of England Forecasting Model (EEFM), produced by Cambridge Econometrics (CE). These forecasts have been used to inform the Council's Economic Needs Study for Sevenoaks and Tunbridge Wells (August, 2016). The EEFM forecasts a net total employment growth in Tunbridge Wells of 8,276 additional jobs over the 2015-35 period. This results in a housing need of 572 dwellings per annum to support economic growth.

6.6 There is therefore no need to apply an uplift over and above the 10-year Migration trend scenario to support economic growth in Tunbridge Wells.

6.7 Sections 4 and 5 provides an analysis of housing market signals and affordable housing needs in Tunbridge Wells and considers the implications of these in terms of an uplift to the demographic projections to improve affordability in the Borough. This concludes that it is appropriate to apply a 10% uplift over and above the demographic projections.

6.8 This results in an OAN for Tunbridge Wells of 694 dwellings per annum over the 2015-35 period. The components of OAN are show in the figure below.

Figure 12: Objectively-Assessed Housing Need, 2015-35



6.9 This OAN figure is higher than the figure for Tunbridge Wells in the 2015 SHMA which was for 627 dpa. The difference is largely due to the scale of affordability uplift (the demographic components are virtually the same). In the 2015 SHMA an affordability uplift of 2.7% was applied. However, since the publication of the 2015 SHMA there has been a number of Inspector's decisions relating to what constitutes a suitable level of uplift (as set out in Section 5). Accordingly, an uplift of 10% is considered to be appropriate in Tunbridge Wells.

6.10 The assessment of housing need above does not include any specific provision from meeting unmet needs of adjoining areas. Where an adjoining authority has an unmet housing need, the potential to contribute to addressing this will need to be considered through the Duty to Cooperate.

7 THE NEED FOR STARTER HOMES

7.1 In October 2015, the Government published the Housing and Planning Bill 2015-16 (this received Royal Ascent as the Housing and Planning Act 2016 on the 12th May 2016). The Act sets out a number of government initiatives which are likely to directly influence the supply and demand for housing and affordable housing. Of particular note is the introduction of a statutory requirement for local authorities to promote the supply of Starter Homes in England. Starter Homes are defined as:

- a new dwelling;
- available for purchase by qualifying first-time buyers only;
  - First Time Buyer, aged 23 or over and under 40,
- is to be sold at a discount of at least 20% of the market value;
- is to be sold for less than the price cap;
  - £250,000 outside London, and
- is subject to any restrictions on sale or letting specified in regulations made by the Secretary of State.

7.2 The Act includes powers to allow the Secretary of State to make regulations which prevent the granting of planning permission unless a minimum number of Starter Homes are included (or a financial contribution paid). In March 2016, the Government published its proposed approach to the Starter Homes regulations, these can be summarised as:

- Starter Homes required on developments of 10 or more units (or on sites of 0.5 hectares or above);
- 20% of all homes should be delivered as Starter Homes;
- Sale of a Starter Home for full market value is prevented in the first 5-years from initial sale, with a tapered approach for up to 8-years (i.e. the owner (and occupier) will get an increasing proportion of market value after the initial 5-year period);
- The property is not to be rented out during the restricted period (i.e. in the first 8-years from purchase); and
- Exemptions are possible when provision is unviable and also potentially for particular types of housing (such as residential care, estate regeneration and student housing)

7.3 These regulations are not finalised and have been subject to consultation (which finished on the 30th June 2016). However, the general direction seems to be clear and allows for an analysis of the potential role of Starter Homes to be developed.

7.4 Starter Homes are to be included within the definition of affordable housing, although it is difficult to see how such accommodation will be 'affordable' in the traditional meaning of the word – this is simply because the sort of income levels likely to be required to access a Starter Home will be above the levels needed to access market housing generally (e.g. in the private rented sector). The issue of income levels is discussed later in this section.

7.5 Whilst Starter Homes will not meet affordable need in a traditional sense (and the inclusion of Starter Homes within the definition of affordable housing looks to be quite a radical change), there

is some consistency with the current NPPF which seeks in para 50 to 'widen opportunities for home ownership'. Starter Homes can therefore be seen to be meeting an aspiration rather than a need and the analysis in this section is therefore primarily aimed at establishing the scope for households (within a defined target group) to access Starter Homes.

7.6 The analysis to follow seeks to establish the potential market for Starter Homes in Tunbridge Wells (defined for simplicity as the potential 'need'). Whilst there is no published methodology for assessing this (unlike for affordable housing need as currently defined in the PPG) it does seem logical that the 'need' can be considered in a similar way (i.e. that there is a "current need" and will be a "future need" as the population age structure changes and cohorts move through time). Hence the analysis seeks to consider likely need (on an annual basis) taking account of both current and projected need.

7.7 The analysis undertaken looks at a gross need with no reduction for estimated supply; this makes sense given that at present Starter Homes are not available as a product. It also makes the analysis slightly more straight forward. It should also be recognised that in reality there is a degree of overlap between the potential market for shared ownership homes, homes sold under the Government's Help-to-Buy Scheme and Starter Homes.

Starter Homes – Target Group

7.8 As a precursor it is perhaps of interest to understand why the Starter Home initiative has been introduced. One of the key reasons is the fall in the number of younger owner-occupiers across the country over the past 15-years or so (and certainly since 2001). Using Census data, it is possible to look at this in some detail with the tables below showing that the number of households living in private rented accommodation has increased substantially (by around 5,500 over the two local authorities), whilst the number of owners with a mortgage has dropped by around 2,500. The trend over the decade has been of a falling number of young households able to move into homeownership, and increases in those renting.

Table 25: Change in Tenure 2001-11 (all households)

Tenure	2001	2011	Change	% change
Outright owner	13,106	15,111	2,005	15.3%
Owned with mortgage	17,434	16,264	-1,170	-6.7%
Social rented	6,755	7,148	393	5.8%
Private rented	4,535	7,995	3,460	76.3%
Other	865	656	-209	-24.2%
TOTAL	42,695	47,174	4,479	10.5%

Source: Census (2001 and 2011)

7.9 If the proportion of households in each tenure group had stayed the same in 2011 as it was in 2001 then it would have been expected that there would be 8,200 households living in the private rented sector. The actual number is about 4,900 higher than this and therefore it is arguable that this is the number of households who might be considered as 'would be owner-occupiers' and therefore a potential target group for Starter Homes. For some young households, renting may have however been a lifestyle choice or desired because of its flexibility.

7.10 The data above shows information for all households and it needs to be recognised that the Starter Home Initiative is to be targeted at non-owners aged 23 or over and under 40. Interrogating changes for this age group is difficult as the two Censuses (2001 and 2011) use different age bandings and do not typically include an 'up to 40' band in the data, nor any differentiation at age 23. It is however possible to provide an indication of the change in tenure by looking at households aged under 35 and this is shown in the table below. It should be noted that to provide consistent analysis, both groups of owners have been merged, whilst the private rented category also includes the 'other' category as shown in the table above.

7.11 For the Under 35 age group the analysis again shows a sharp increase in the number of households living in private rented accommodation. The analysis also highlights a very significant decrease in the number of owner occupiers (decreasing by a third in just 10-years). This analysis does provide some support for widening access to owner-occupation for younger people.

Table 26: Change in tenure 2001-11 (all households aged under 35)

Tenure	2001	2011	Change	% change
Owned	4,033	2,475	-1,558	-38.6%
Social rented	1,383	1,452	69	5.0%
Private rented	2,232	3,120	888	39.8%
TOTAL	7,648	7,047	-601	-7.9%

Source: Census (2001 and 2011)

Estimates of the number of households in the target group

7.12 To look at the current need for Starter Homes an analysis has been undertaken to estimate the size of the target group for such housing. This has been assumed to be the difference between the number of households living in the private rented sector in 2011 with the number that might have been expected if there were no changes in the proportion of households in this sector from 2001 (the analysis then being limited to households who are aged Under 40, i.e. where the household reference person is aged under 40 and aged 23 or over).

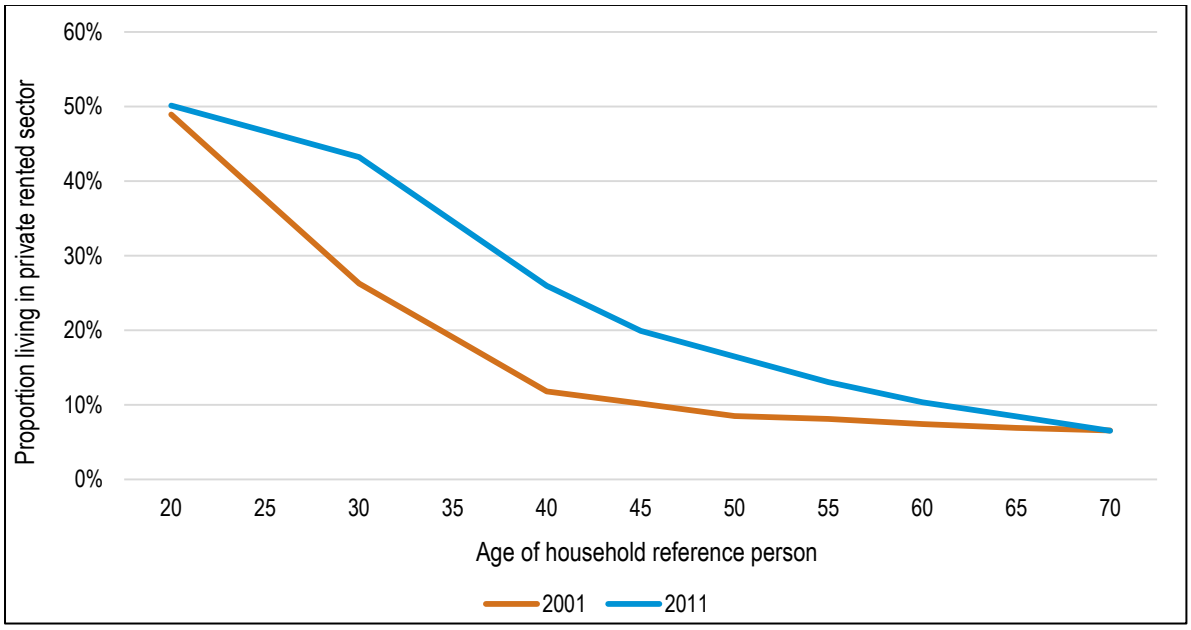
7.13 Arguably, there will be other households who might be in this target group, particularly those currently living with parents; however, these are not included in the current need as it is assumed

that they will be picked up as part of the projection of need (i.e. at the time at which they might be expected to form an independent household). Additionally, there could be some households living in social rented housing who might be part of this target group; however, in this case it is not considered that many (if any) would have sufficient levels of income to afford a Starter Home (and even if they did, they might well wish to remain in their current subsidised housing).

7.14 The first part of the analysis looks at the proportion of people (by age) who live in private rented accommodation. As noted above this analysis is slightly imperfect as the Census source used does not allow for a split to be made at age 40. Additionally, data from each of the 2001 and 2011 Censuses use slightly different age bandings within published analysis. The available data has therefore been plotted and a trend line between the available data points added to establish what proportion of different age bands live in the private rented sector – this analysis includes the 'other' tenure category due to this not being able to be separated out within the 2001 Census data.

7.15 The figure below shows this analysis. This clearly identifies high levels of private renting amongst younger age groups, the analysis also shows an increase in the proportion of households privately renting in 2011 compared with 2001 – the biggest increase looks to be for households aged about 30. In Tunbridge Wells, the proportion of households aged 30 privately renting in 2011 is estimated to be 43%, compared with about 26% in 2001.

Figure 13: Change in proportion of households living in private rented housing (2001-11) by age



Source: Census (2001 and 2011)

7.16 The table below summarises the information from the figures above to make an estimate of the changes in the proportions living in the private rented sector for various age bands up to age 40. Whilst Starter Homes are not available for people aged under 23 a band from age 20 is included due to data availability issues. The analysis clearly identifies an increase in the proportion in the private rented sector for all age groups.

Table 27: Change in proportion of households living in private rented housing (2001-11) by age

Age Cohort	2001	2011	Change
20-24	43.3%	48.4%	5.2%
25-29	31.9%	45.0%	13.0%
30-34	22.6%	38.9%	16.3%
35-39	15.4%	30.3%	14.9%

Source: Census (2001 and 2011)

7.17 To work out the current size of the target group of households for Starter Homes, the change in the proportion of households in the private rented sector is multiplied by the number of households in each age band. This analysis is shown in the tables below and identifies around 1,547 households as currently being a potential target for Starter Homes in Tunbridge Wells.

Table 28: Estimated Current Target Group for Starter Homes

Age Cohort	Number of households (2016)	% in target group	Number in target group (2016)
23-24	363	5.2%	19
25-29	2,511	13.0%	327
30-34	3,671	16.3%	597
35-39	4,069	14.9%	604
TOTAL	10,614		1,547

Source: Census (2001 and 2011) and demographic projections

7.18 The analysis above has considered the current target group for Starter Homes. It is also necessary to understand how many new households will be expected to join this group moving forward. To study this, a similar analysis is carried out to that in the main affordable needs modelling; this seeks to estimate the number of new households in each of the age bands up to age 40. The new households are calculated as the number of household reference persons (HRP) in an age band who were not an HRP five years previously. The analysis shows that each year an additional 105 households are expected to fall into the target group for Starter Homes in Tunbridge Wells.

Table 29: Estimated Projected Target Group for Starter Homes (per annum)

	Number of newly forming households	% in target group	Number in target group
23-24	57	5.2%	3
25-29	328	13.0%	43
30-34	251	16.3%	41
35-39	127	14.9%	19
TOTAL	763		105

Source: Census (2001 and 2011) and demographic projections

Affordability of Starter Homes

7.19 To understand the likely affordability of Starter Homes in the Borough, a similar analysis to that for the affordable housing needs modelling has been undertaken. This essentially seeks to estimate the income levels likely to be required to access housing and the income profile of the target group (i.e. non-owners aged 23 to 39). Income estimates are then compared with the estimated level of income required to access such housing.

Access level for Starter Homes

7.20 As previously discussed; in looking at the cost of housing it needs to be recognised that Starter Homes will be a newbuild product (and therefore may have a small premium) and that discounts on open market value (OMV) of at least 20% will be available. To establish the likely OMV the analysis has looked at Land Registry data for newbuild properties in the year to September 2016 and taken a lower quartile value to equate to a typical cost; the use of a lower quartile is trying to recognise that Starter Homes are likely to be towards the bottom end (in price terms) of the newbuild market. In the 12-month period studied, the lower quartile newbuild price in Tunbridge Wells was £270,000.

7.21 To convert the property price into an income level it has been assumed that there will be a 20% discount and it has also been assumed that a household will have a 10% deposit. Whilst a deposit may potentially be an issue for a number of households, it is possible that Starter Homes will be able to be bought in conjunction with other incentives (such as Help-to-Buy ISAs). Finally, it is assumed that a mortgage could be secured for four times the household income.

7.22 The table below therefore works through the calculations to determine what level of income might be required to be able to buy a Starter Home. The analysis shows that an income of about £50,000 would be needed (with a 20% discount, 10% deposit and 4 times income mortgage multiple).

Table 30: Estimated income levels required to access Starter Homes (20% discount on OMV)

	Tunbridge Wells
Open Market Value	£270,000
With discount	£216,000
Minus deposit (amount of mortgage)	£194,400
Income required	£48,600

Source: Derived from Land Registry data

7.23 It is worth briefly reflecting on the estimated level of income required to afford a Starter Home. The latest Valuation Office Agency data for private rental costs suggests in the year to September 2016 that the 'average' lower quartile property cost £725 per month to rent in Tunbridge Wells; on the basis of a 25% affordability threshold (i.e. the proportion of income to be spent on housing costs) this would equate to an annual income of £34,800 (note: that 25% is at the very bottom end of what might be a reasonable range to use). This compares with the figure of £48,600 for Starter Homes derived above. This shows that Starter Homes are not 'affordable' in the traditional sense of the definition as those households able to afford a Starter Home will also be able to afford private rented housing. There may however be non-owners who can afford a Starter Home with the analysis below now seeking to look at the likely numbers.

Income levels

7.24 The next step in the process is to consider income levels. The difficulty here is that the analysis ideally focusses on a very particular group of households (non-owners aged 23-39) about which specific data does not readily exist. However, it is considered that the majority of the target group will be households living in private rented accommodation and so some consideration of income levels in this sector will help to get an idea of the target group. Additionally, it is possible to look at HMRC data about the incomes of people in different age bands. The analysis of the incomes of the target group of households therefore essentially has two stages:

- How do income levels of each age group compare with the overall average?
- How do income levels of those living in the private rented sector vary from other households?

7.25 The table below shows average (median) income before tax for people aged both under and over 40 (the data is from the Survey of Personal Incomes 2013-14) for the whole of the Country but only includes taxpayers. This indicates that the income levels of people aged under 30 are lower than those of people aged over 40 but that people aged 30-39 typically have slightly higher incomes.

7.26 It should however be remembered that this is an imperfect analysis and in reality it is probable that income levels amongst older people are relatively higher (if for example there are other non-tax incomes such as from dividends). Additionally, the figures are for individual taxpayers rather than

households (which is the category used for the affordability analysis); hence the figures in the last column should be given some weight although the actual income levels shown are of limited use.

Table 31: Estimated income levels by age (United Kingdom)

Age group	Median income (before tax)	% of all taxpayers
20-24	£15,200	69.4%
25-29	£20,200	92.2%
30-34	£24,000	109.6%
35-39	£26,100	119.2%
All ages (including 40 and over)	£21,900	-

Source: National Statistics -Distribution of median and mean income and tax by age range and gender

7.27 When looking specifically at households in the private rented sector, data from the English Housing Survey has been considered. In 2013-14 (the latest year for which data is available) this source shows an average (mean) income of £580 per week in the private rented sector, compared with £672 for all households – the private rented sector is therefore at about 86% of the overall average.

7.28 On the basis of this analysis, it is concluded for the purposes of modelling the incomes of the target group by age can be calculated by multiplying age specific differences in incomes by the typical proportion of all household income seen in the private rented sector. The table below shows estimated median incomes for the target group for Starter Homes by age; the figures shown are calculated as a proportion of the overall median income which has been estimated to be £35,500 per annum in Tunbridge Wells (these figures are taken from the 2015 SHMA which had a 2014 base and have been updated to 2016 by reference to data from the Annual Survey of Hours and Earnings (ASHE)).

7.29 The analysis suggests that younger households in the target group will have relatively low incomes, however by the time a household reaches their mid-30s, income levels are similar to those seen across the whole of a local authority.

Table 32: Estimated income levels by age for Starter homes target group

Age group	Multiplier from all household income	Estimated median income
23-24	0.60	£21,295
25-29	0.80	£28,300
30-34	0.95	£33,624
35-39	1.03	£36,566

Source: Derived from a range of analysis (as described)

Affordability

7.30 In taking this information forward an income distribution has been constructed for each age group based on the distribution for all households. This is then applied to the income thresholds already derived to estimate the likely proportion of households in each age group who might be able to afford a starter home. This is shown in the table below and shows that about 13%-14% of households aged 23-24 would be expected to be able to afford a Starter Home; these figures rise to just over a third when considering the 35-39 age group. This would suggest that only the best-off minority of households aged under 40 will be able to afford Starter Homes.

7.31 These figures essentially include anyone with an income above the thresholds derived and analysis based on these figures should be considered as indicative; for example, some of the higher earners in this category would have the choice between Starter Homes and other owner-occupied products and may not choose the discounted new build option.

Table 33: Affordability of Starter Homes by age band

Age group	% able to afford Starter Home
23-24	14.3%
25-29	23.9%
30-34	32.2%
35-39	36.3%

Source: Derived from a range of analysis (as described)

Bringing the analysis together – the potential need for Starter Homes

7.32 The analysis below brings together the analysis of the number of households in a target group for Starter Homes along with the affordability estimates. Analysis is provided separately for the current and future need and then brought together into a single annual estimate of the potential need for Starter Homes. To be consistent with the demographic analysis, the figures are presented as an annual figure for the whole of the projection period (i.e. the 20-years from 2015 to 2035).

7.33 The tables below show the estimated current need for Starter Homes; this is 493 households in Tunbridge Wells. Annualised, these represent 25 homes per annum over the period to 2035.

Table 34: Estimated Current Need for Starter Homes

	Size of target group	% able to afford	Number able to afford
23-24	19	14.3%	3
25-29	327	23.9%	78
30-34	597	32.2%	192
35-39	604	36.3%	219
TOTAL	1,547		493
Annualised			25

Source: Derived from a range of analysis (as described)

7.34 The table below shows a similar analysis for future newly forming households; this analysis indicates a potential need for around 31 Starter Homes each year in Tunbridge Wells.

Table 35: Estimated Future Need for Starter Homes (per annum)

	Size of target group	% able to afford	Number able to afford
23-24	3	14.3%	0
25-29	43	23.9%	10
30-34	41	32.2%	13
35-39	19	36.3%	7
TOTAL	105		31

Source: Derived from a range of analysis (as described)

7.35 The analysis can also be brought together (i.e. adding the current and future need) to provide an annual estimate of the likely need for Starter Homes. The analysis as presented above annualises the current need as if this were to be met over the full projection period (to 2035). However, it should be noted that it is currently the Government's pledge to get Starter Homes delivered by 2020 (200,000 Starter Homes out of a total of 1 million homes). Hence the analysis below also looks at meeting the current need over four years (2016-20). The table below shows that over the four-year period to 2020, the potential 'need' for Starter Homes is around 154 per annum, but this figure reduces to about a third of this value if this 'need' is sought to be met by 2035 rather than by 2020.

Table 36: Estimated annual need for Starter Homes

Period	Current need (pa)	Future need (pa)	Total need (pa)
2015-35	25	31	55
2016-20	123	31	154

Source: Derived from a range of analysis (as described)

7.36 The annual estimated need for Starter Homes can be compared with the overall need for housing as assessed through demographic projections – this suggested a range of need for between 494 and 631 dwellings per annum in Tunbridge Wells. Concentrating on the top end of this range it can be seen that the Starter Home need represents between about 9% and 24% of the household

projections; the range beiong dependent on the time period over which the current need is addressed.

The Role of Starter Homes: Discussion

7.37 On balance, this analysis would suggest that there may be sufficient demand for 20% of housing to be provided as Starter Homes although the analysis does suggest that this conclusion is marginal. Additionally, there remain issues about the affordability of such a product. As currently worded, the Housing and Planning Act seems likely to require local authorities to provide at least 20% of housing as Starter Homes. Were there to be a degree of flexibility in the proportion of homes to be provided within this tenure then the Council will need to consider this by balancing the needs for more traditional forms of affordable housing. This could well be through seeking a lower proportion of Starter Homes (or possibly none); recognising that these households with the potential to afford such a product will already be able to meet their own needs in the housing market (through renting privately). That said, taking the pressure off the private rented sector might have some positive consequences in terms of the availability of accommodation and a reduced pressure on rent levels (which may help to minimise any impacts of rent caps).

7.38 Analysis of the 'need' for Starter Homes should arguably be understood as a potential demand; the analysis indicates that Starter Homes will not be affordable in the 'traditional' sense. If a household is able to access the open market (whether to buy or rent), they do not need a Starter Home (although they may want one because the 20% discount is a good investment opportunity).

7.39 Evidently not all households who could potentially afford a Starter Home will choose to buy one – some may choose to continue renting; whilst others may choose to purchase properties within the second hand market. It seems likely that in a number of instances there will be properties available at a comparable price in the second hand market to levels at a 20% discount to new-build values. Including a cap on income levels in modelling would substantially reduce the potential need for Starter Homes.

7.40 The analysis has been based on a 20% discount to Open Market Value (OMV). There is little merit in seeking discounts on Open Market Value (OMV) which are higher than the minimum position (of 20%) suggested by the Housing and Planning Act. With a 20% discount (rather than higher discounts) it is possible that additional affordable housing (e.g. social/affordable rent) will be able to be viably provided to help meet the needs of lower income households in the study area.

7.41 Additionally, it should be noted that the need for Starter Homes derived in this assessment should not be seen as a need for additional homes over and above the numbers suggested in the main analysis of objectively assessed need. As can clearly be seen from the analysis, it is considered

that the provision of Starter Homes will enable some households in the private rented sector to move into owner-occupation. In doing so a dwelling would be released for use by another household and hence there is no net additional need for housing as a result of including Starter Homes within the mix of housing to be delivered.

7.42 Overall, it is concluded that a 'target' for up to 20% of new homes to be Starter Homes is realistic and that these should be provided at a 20% discount to OMV. Questions do remain about the extent to which such housing is genuinely affordable as the income levels required to access such housing are above those typically required to access market housing as currently available. If there is flexibility of the proportion of homes to be provided as Starter Homes, then the Council will need to consider the balance between Starter Homes and other forms of affordable housing carefully (particularly noting that those able to afford a Starter Home will already be able to afford market housing within the private rented sector).

8 NEED FOR RESIDENTIAL CARE HOUSING (USE CLASS C2)

8.1 As well as the need for housing identified from demographic projections, the analysis needs to consider Registered Care bedspaces. This is separate from the main analysis of need which looks at households and is within a C3 use class (although the overall assessment of need will include some specialist provision for older people (such as sheltered or extra-care housing)). Registered care housing is defined in two categories as set out below:

- *Residential care:* Where a care homes is registered to provide residential (personal) care only, all beds are allocated to residential care.
- *Nursing care:* Where a care home is registered to provide nursing care all beds are allocated to nursing care, although in practice not all residents might be in need of or receiving nursing care.

8.2 Given new models of provision (including Extra-care housing) it may be the case that an increase in this number would not be required. There will however need to be a recognition that there may be some additional need for particular groups such as those requiring specialist nursing or for people with dementia.

8.3 The table below sets out the changes to the number of people aged 75 and over who are expected to be living in some form of institutional housing. This is a direct output of the demographic modelling which indicates an increase of about 750 people living in institutions over the 2015-35 period in Tunbridge Wells – equivalent to 37 per annum. These figures are important to note if the Council intends to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the need and supply side of the equation.

Table 37: Potential Need for Residential Care Housing – 2014-based SNPP (+MYE)

	Tunbridge Wells
Institutional population aged 75+ (2015)	897
Institutional population aged 75+ (2035)	1,646
Change in institutional population aged 75+	750
Per annum 'need' (2015-35)	37

Source: Derived from demographic projections

APPENDIX A: LONDON SENSITIVITY ANALYSIS: MIGRATION TO/FROM LONDON

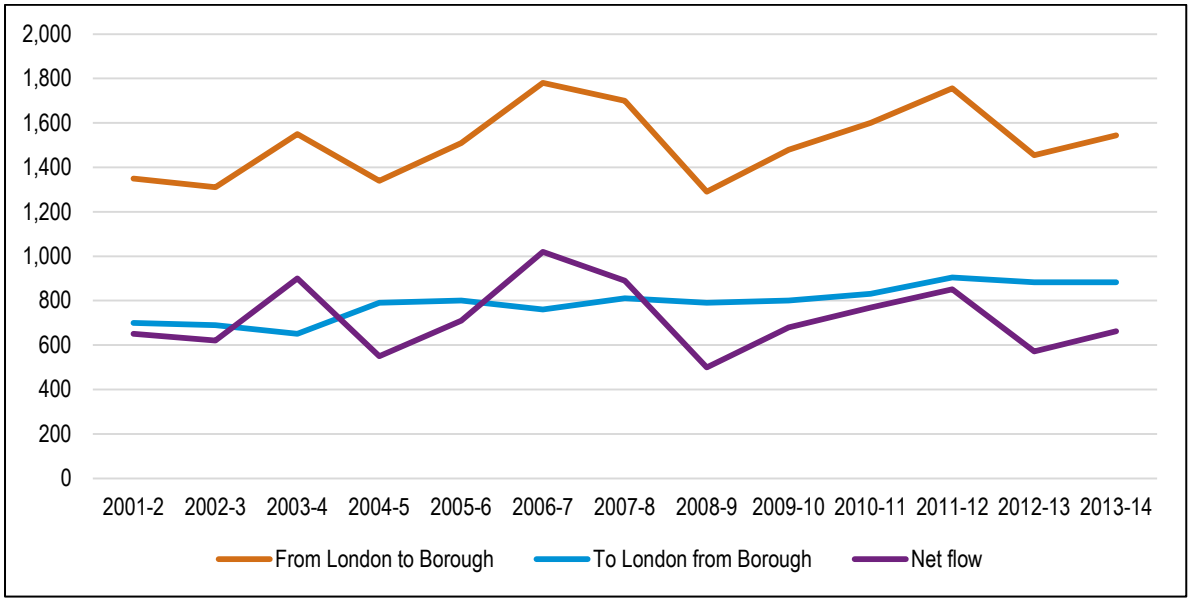
8.4 This section presents a sensitivity analysis which considers how changing migration to and from London could influence housing need in Tunbridge Wells. There is a level of migration both to and from London from the Borough. The Greater London Authority (GLA) identified as part of their 2013-based Projections feeding into the Further Alterations to the London Plan (FALP) that there had been a marked change in internal migration dynamics to and from London since the beginning of the recession (2007/8). Overall, the GLA identified that out-migration from London to other parts of the UK had dropped by about 10% along with a 6% increase in in-migration. This was considered to relate to the impact of the recession/ housing market downturn.

8.5 As a result of this, the GLA developed a series of population and household projections with different assumptions about migration. The Central scenario (which underpins the current London Plan) made the assumption that after 2017, migration levels would revert back towards pre-recession levels. The GLA in effect took a midpoint between pre- and post-recession migration statistics and assumed a 5% uplift in out-migration and a 3% decrease in in-migration[1] to present how they saw migration dynamics potentially changing as the economy moved beyond recession. The analysis to follow essentially seeks to replicate the GLA methodology for Tunbridge Wells; in interpreting the findings it should be noted that more recent GLA projections have moved away from this methodology and are now underpinned by analysis of longer-term migration trends (similar to the 10-year trend analysis already developed in this report).

8.6 The figures below show migration flows to and from London and Tunbridge Wells. The analysis shows that flows from London fell notably between 2006/7 to 2008/9 and that this has influenced net flows. Since 2008/9, there has been some increase in migration from London and hence an increase in the net flow of people from the capital. The number of people moving to London from Tunbridge Wells has increased slightly but has remained broadly stable. The data covers a period to 2014; this is to align with the latest SNPP, with adjustments to look at the London impact being based on a remodelling of these latest official projections.

[1] See GLA Intelligence (Feb 2014) *GLA 2013 round of trend-based population projections – Methodology, http://data.london.gov.uk/dataset/2013-round-population-projections*

Figure 14: Interrogating Migration flows between London and Tunbridge Wells



Source: GLA/ONS

8.7 The table below outlines the differences between migration in the pre-2008 period, and that over the 2009-14 period which has fed into the 2014-based SNPP. The analysis shows net migration decreasing by an average of 56 people per annum in Tunbridge Wells. This figure is very modest in comparison with many areas.

Table 38: Migration to- and from- London and Tunbridge Wells

	From London to Borough	To London from Borough	Net flow
2001-2	1,350	700	650
2002-3	1,310	690	620
2003-4	1,550	650	900
2004-5	1,340	790	550
2005-6	1,510	800	710
2006-7	1,780	760	1,020
2007-8	1,700	810	890
2008-9	1,290	790	500
2009-10	1,480	800	680
2010-11	1,600	831	769
2011-12	1,756	905	851
2012-13	1,455	883	572
2013-14	1,545	883	662
Pre-2008 average	1,506	743	763
SNPP average	1,567	860	707
Difference	61	118	-56

Source: GLA/ONS

8.8 On the basis of the information above, an alternative population projection has been developed to provide a sensitivity analysis to the SNPP. This projection uses a similar assumption to the GLA modelling; i.e. for an adjustment to be made to migration levels post-2017 at a level which is half of the difference seen between pre-recession trends and the trends feeding into the SNPP. This projection is therefore broadly consistent to the approach adopted by GLA in the Central Variant in its 2013 Demographic Projections (which form the basis for the current London Plan).

8.9 The table below shows overall population growth from this alternative projection. In Tunbridge Wells the population growth is slightly higher than shown in the 2014-based SNPP – 12.9% vs 11.9%.

Table 39: Projected Population Growth (2015-2035) – London Migration Sensitivity Analysis

	Population 2015	Population 2035	Change in population	% change
2014-based SNPP (+MYE)	116,241	130,065	13,824	11.9%
London adjustment	116,241	131,247	15,006	12.9%

Source: Demographic projections

8.10 Next, the household representative rates from the 2014-based Household Projections have been applied to these population projections, along with consistent assumptions on vacant and second homes, to derive figures for growth in households and dwellings. The identified housing need figure for Tunbridge Wells increases by 4% (from 494 to 516 dwellings per annum). Despite the increase, it should be noted that the need figure is still notably lower than that derived from using the economic-led approach (a figure of 572 dwellings per annum).

Table 40: Projected housing need – London Migration Sensitivity Analysis and 2014-based HRRs

	House-holds 2015	House-holds 2035	Change in house-holds	Per annum	Dwellings (per annum)
2014-based SNPP (+MYE)	48,739	58,399	9,660	483	494
London adjustment	48,739	58,835	10,096	505	516

Source: Demographic projections