

Report for:

**Test Valley
Borough Council**

**2013 Strategic Housing
Market Assessment**

January 2014

Final Report

Contents

1. Introduction and Context	1
2. Stakeholder Consultation	13
3. Housing Stock and Supply Trends	21
4. Socio-Economic and Demographic Profile	31
5. Housing Market Dynamics and Market Signals	43
6. Future Housing Requirements	59
7. Affordable Housing Need	85
8. Requirements for Different Sizes of Homes	107
9. Specific Groups of the Population	119
10. Conclusions and Recommendations	141
Appendix 1: Extracts from South Hampshire SHMA	149

1. Introduction and Context

Introduction

- 1.1 Justin Gardner Consulting (JGC) were commissioned to carry out a comprehensive Strategic Housing Market Assessment (SHMA) for Test Valley Borough Council. The purpose of the SHMA is to provide a long-term strategic assessment of both housing need and demand, develop understanding of current housing need and housing market conditions and consider what level and mix of housing – both market and affordable – is required to meet population and household growth, and to meet the needs of different groups within the local community. This Assessment takes a long-term view, looking over period to 2031.
- 1.2 The research has been developed in accordance with Government Practice Guidance (CLG, August 2007 and more recent CLG advice of August 2013). It provides the core outputs set out in this Guidance, sets out and justifies key assumptions, and has been informed by consultation with a number of stakeholders. The research focuses on a number of core areas, including: a review of housing markets; future housing requirements, an assessment of housing need and affordable requirements and a review of general market requirements.
- 1.3 In addition, the methodology is consistent with the recently completed SHMA for the Partnership for Urban South Hampshire (PUSH) – *South Hampshire SHMA, GL Hearn, 2013*. The southern part of the Borough (including Romsey) is considered to be in the PUSH area.

Housing Market Areas

- 1.4 The SHMA has been carried out for the Test Valley Borough Council area only although it needs to be recognised that the Borough operates within a wider housing market extending across the local authority boundary. A number of pieces of work have been carried out in the past to study housing market areas; the most recent being CLG research *Geography of Housing Market Areas across England* in November 2010.
- 1.5 The 2010 CLG research suggested at a 'strategic' level that Test Valley can be considered as part of a Southampton Housing Market area which covers the Borough along with Winchester, Southampton, Eastleigh and New Forest. A second set of 'single-tier' housing market areas was also defined by CLG through this research which broadly confirms the 'strategic' housing market but with the addition of Fareham and Gosport.
- 1.6 A lower level analysis based on ward data (again from the 2010 CLG research) splits the Borough broadly into two local HMAs (Winchester/Eastleigh and Salisbury) with the Bourne Valley ward being placed in the Newbury HMA. The Winchester/Eastleigh HMA includes 13 wards to the south of the Borough along with most wards in Eastleigh and Winchester (and a small number in East Hampshire). The Salisbury HMA contains 10 wards in the Borough and extends to cover virtually all of the former local authority of Salisbury along with parts of East Dorset, New Forest and the former local authority area of Kennet.

- 1.7 From a Test Valley specific point of view there are clearly links across a number of areas and it is difficult to suggest a housing market area from the CLG evidence that fully takes account of cross-boundary linkages. We would suggest that it is reasonable for the Council to advance a SHMA for the Borough itself but that consideration should be given to key areas outside the local authority. To some degree this has already been achieved with regard to the south of the Borough (with the South Hampshire SHMA covering Southern Test Valley (Romsey and surrounding wards)) but it will be important to also consider interactions in the north (particularly into Wiltshire).
- 1.8 The Localism Act introduced a 'duty to cooperate' requiring neighbouring local authorities to work together on planning issues, particularly where these cross local authority boundaries. On the basis of evidence for Test Valley we would suggest that cross-boundary working should largely focus on discussions with local authorities in the PUSH area as well as Wiltshire with regard to northern parts of the Borough (including Andover).
- 1.9 Given the evidence above it is important through this work to distinguish between the north and the south of the Borough. Furthermore, within each of these broad areas there are particular distinctions to be drawn between urban and rural areas. Recognising the CLG local housing market areas and previous work in the PUSH area a set of sub-areas for analysis have been derived. These are discussed below and are consistent with previous research carried out for the Council.

Housing Need-Supply Balance in Adjoining Authorities

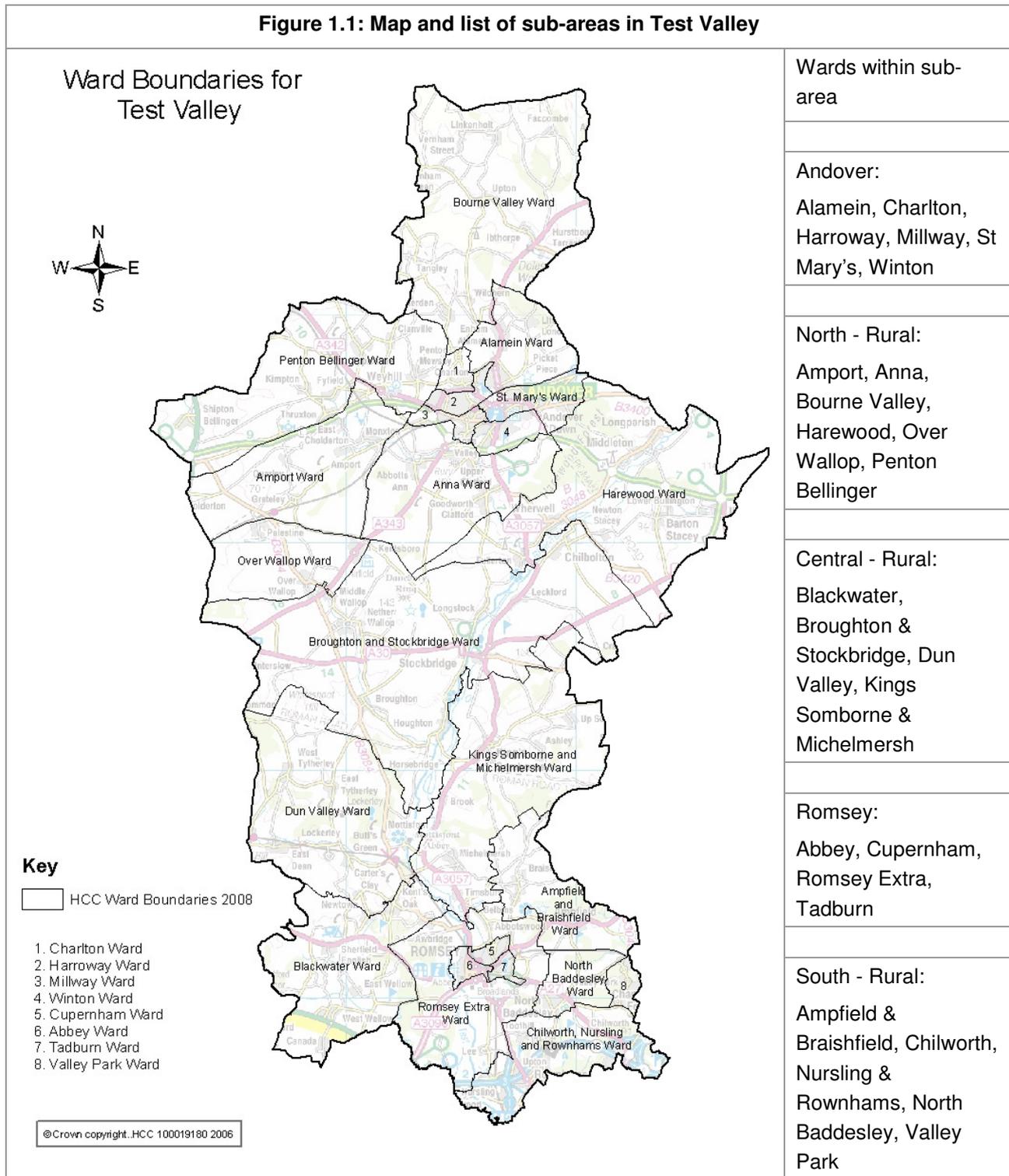
- 1.10 Below we have undertaken a desk-based review of policies (either current or emerging) for housing provision in adjoining authorities to consider whether there is evidence of an identified shortfall in housing provision which might need to be considered.
- **Basingstoke and Deane** – the Council consulted on its Pre-Submission Core Strategy 2011-29 between August and October 2013. Policy SS1 set out that the Plan sought to provide for 748 homes per annum over the plan period, and that this was based on meeting the Borough's objectively-assessed housing needs.
 - **Wiltshire** – The Council submitted its Core Strategy to the Secretary of State for examination in July 2012. The examination is on-going. The Inspector's letter to the Council of 3rd December 2013 suggested that he was inclined to conclude that the balance of the evidence does not support an objectively assessed housing need as low as 37,000 over the 2011-31 plan period, as indicated by the Council in its' submitted plan. He concludes that the levels of housing need appear to warrant provision in the order of 44,000. The Council's Sustainability Appraisal has tested provision between 35,800 and 42,100; and he is minded to recommend a target towards the upper end of this range.
 - **West Berkshire** – the Council adopted a Core Strategy in July 2012. Policy 1 (Spatial Strategy) makes provision for at least 10,500 net additional dwellings between 2006 and 2026. It does not appear that the Council currently has plans to review the Strategy.
 - **Winchester** – the Council adopted its Joint Core Strategy (with the South Downs National Park Authority) in March 2013, albeit that the Plan is currently subject to a legal challenge. It makes provision for 12,500 dwellings between 2011-31 based on the South East Plan and the Council's updated SHMA.

- 1.11 Eastleigh, Southampton and New Forest District Councils are all part of the PUSH Partnership. A South Hampshire SHMA is nearing completion; which is intended to inform the roll-forward of the South Hampshire Strategy. This will provide a basis for determining new housing targets across the PUSH Sub-Region. The South Hampshire SHMA concludes that provision of 4,160 homes per annum across the PUSH area would represent a robust basis for forward planning based on the demographic evidence and market signals. Within this an annual requirement for 155 homes in Southern Test Valley has been identified. Extracts from the South Hampshire SHMA are provided in Appendix 1 at the end of this document.
- 1.12 New Forest may potentially have an unmet need for housing in the future, although this will be in part dependent upon future housing targets across the PUSH Sub-Region. At present, no adjoining authority has identified an unmet housing need, which they are seeking Test Valley to assist in accommodating.

Geography of Analysis

- 1.13 The analysis is structured to provide an assessment of housing market conditions across the Borough as a whole as well as different parts of the Borough – our analysis considers data for five different sub-areas – these have been based on groups of wards. We have used our stakeholder consultation to confirm that these boundaries are broadly sound. The figure below shows the locations of each ward and a list of which wards fall into which area. Southern Test Valley (Romsey and Southern-rural sub-areas) forms part of the PUSH sub-region with the remaining three sub-areas (Andover, Central-Rural and North-Rural) being part of a Northern Test Valley sub-market.

Figure 1.1: Map and list of sub-areas in Test Valley



Source: Hampshire County Council

Report Structure

1.14 The remainder of the report is structured as follows:

- **Section 1 (remainder): Context** – examines relevant national and local policies (current and emerging) which help to frame the Assessment;
- **Section 2: Stakeholder Consultation** – an overview of the housing market in the Borough through the views and perceptions of key local stakeholders;
- **Section 3: Housing Stock and Supply Trends** – considers the characteristics of the housing stock, how this varies across the Borough. It then moves on to consider housing supply trends;
- **Section 4: Socio-Economic and Demographic Profile** – describes the demographic structure and trends, as well as economic and labour market characteristics;
- **Section 5: Housing Market Dynamics and Market Signals** – considers trends in the housing market addressing both the sales market and private rented sector at a national and local level, as well as the future market outlook;
- **Section 6: Future Housing Requirements** – considers long-term projections for future housing requirements (across all tenures);
- **Section 7: Affordable Housing Needs** – provides an assessment of the need for affordable housing, and considers the implications of welfare and benefit reforms introduced by Government;
- **Section 8: Requirements for Different Sizes of Homes** – considers requirements for different sizes of homes in the market and affordable sectors;
- **Section 9: Housing Needs of Particular Groups** – looks at different sub-sections of the population (e.g. Older People and BME groups);
- **Section 10: Conclusions and Recommendations** – concludes the report to provide recommendations for future policy development.

National Policies for Housing Provision

National Planning Policies

1.15 The Coalition Government has reformed the policy framework for strategic planning, particularly on issues such as housing. Regional strategies have been revoked and responsibility for planning on cross-boundary issues has been returned to local authorities.

1.16 The primary legislation to support this is the 2011 Localism Act which now imposes a ‘duty to cooperate’ on local authorities, requiring them to “engage constructively, actively and on an on-going basis” with the other authorities and relevant bodies. The Duty to Cooperate is applied as both a legal and soundness test to which development plans must comply.

National Planning Policy Framework (NPPF)

1.17 The National Planning Policy Framework (NPPF) was published in March 2012. Compliance of existing Local Development Documents becomes a key issue from April 2013 onwards.

- 1.18 The Framework sets a presumption in favour of sustainable development whereby Local Plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework indicate that development should be restricted. The NPPF highlights the Strategic Housing Market Assessment (SHMA) as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the scale and mix of housing and the range of tenures which the local population is likely to need over the plan period which:
- Meets household and population projections, taking account of migration and demographic change;
 - Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
 - Caters to housing demand and the scale of housing supply necessary to meet this demand.
- 1.19 This is reaffirmed in the NPPF in Paragraph 50. The SHMA is intended to be prepared for the housing market area, and include work and dialogue with neighbouring authorities where the HMA crosses administrative boundaries.
- 1.20 Paragraph 181 sets out that LPAs will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examination.
- 1.21 Paragraph 158 of the NPPF also emphasises the alignment of the housing and economic evidence base and policy, and this is an issue which has been emerging in a range of recent Core Strategy / Local Plan Inspector's Reports and representations made to emerging Local Plans. Paragraph 17 in the NPPF reaffirms this, and outlines that planning should also take account of market signals, such as land prices and housing affordability. However it also makes clear that plans must be deliverable.
- 1.22 In regard to housing mix, the NPPF sets out that authorities should plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community. Planning authorities should identify the size, type, tenure and range of housing that is required in particular locations reflecting local demand. Where a need for affordable housing is identified, authorities should set policies for meeting this need on site. National thresholds for affordable housing provision are removed as are national brownfield development targets.
- 1.23 In setting affordable housing targets, the NPPF states that to ensure a plan is deliverable, the sites and the scale of development identified in the plan should not be subject to a scale of obligations and policy burdens such that their ability to be developed is threatened and should support development throughout the economic cycle. The costs of requirements likely to be applied to development, including affordable housing requirements, contributions to infrastructure and other policies in the Plan, should not compromise the viability of development schemes. To address this, affordable housing policies would need to be considered alongside other factors including infrastructure contributions – a 'whole plan' approach to viability. Where possible the NPPF encourages Local Authorities to work up Community Infrastructure Levy (CIL) charges alongside the Local Plan.

Draft National Planning Practice Guidance

- 1.24 The Government published Practice Guidance on undertaking Strategic Housing Market Assessments in 2007. The approach in this report takes account of this Guidance.
- 1.25 New draft Guidance was issued by Government in August 2013 on 'Assessment of Housing and Economic Development Needs' as part of its review of planning practice guidance. This is relevant to this SHMA in that it provides clarity on how key elements of the NPPF should be interpreted, including the approach to deriving an objective assessment of the need for housing.
- 1.26 The draft Guidance defines "need" as referring to "the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need." It sets out that the assessment of need should be realistic in taking account of the particular nature of that area, and should be based on future scenarios that could be reasonably expected to occur. It should not take account of supply-side factors or development constraints.
- 1.27 The Guidance outlines that whilst estimating future need is not an exact science and that there is no one methodological approach or dataset which will provide a definitive assessment of need, the starting point for establishing the need for housing should be the latest household projections published by the Department for Communities and Local Government (CLG). At the time of preparation of this report these are 2011-based 'Interim' Household Projections.
- 1.28 It sets out that there may be instances where these national projections require adjustment to take account of factors affecting local demography or household formation rates, in particular where there is evidence that household formation rates are or have been constrained by supply. It suggests that proportional adjustments should be made where there market signals point to supply being constrained relative to long-term trends or other areas in order to improve affordability.
- 1.29 Evidence of affordable housing needs is also relevant, with the draft Guidance suggesting that the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing. In some instances it suggests this may provide a case for increasing the level of overall housing provision.
- 1.30 In regard to economic evidence, the draft Guidance indicates that job growth and economic forecasts should be considered, and that an increase in housing provision should be considered where there is evidence that labour supply in the housing market area might result in unsustainable commuting patterns or reduce the resilience of local business. It cautions against reducing migration assumptions based on economic evidence unless this approach is agreed with other local planning authorities under the duty to cooperate.

Changes to National Housing Policies

National Housing Strategy

- 1.31 In November 2011 the Government published *Laying the Foundations: A Housing Strategy for England* (HM Government, Nov 2011). This outlines the Government's ambition to get stimulate housebuilding, not least to support economic recovery. It identifies a number of initiatives to support this, including:
- New-build Indemnity Scheme – providing Government-backed 95% mortgages for new-build properties;
 - Growing Places Fund – providing funding for infrastructure which unblocks housing and economic growth;
 - Initiatives to Kick-Start Stalled Developments – including proposals to allow reconsideration of planning obligations; a 'Get Britain Building' Investment Fund to provide development finance; and 'build now, pay later' deals with public sector land; and
 - Custom Homes Programme – with short-term project finance support for individuals looking to build their own homes.
 - The Strategy also recognises the importance of the New Homes Bonus (which was introduced in April 2011) by stating that this is a *'powerful fiscal incentive for local authorities delivering new housing'*.
- 1.32 The Strategy includes initiatives to support growth and investment in the Private Rented Sector, including new 'build-to-let' models and a review of barriers to investment. It also indicates that the Government is looking at supporting greater innovation and competition between social landlords, including encourage new private entrants to the sector, and potential new approaches to funding in the medium-term.
- 1.33 The Strategy also included proposals for Reinvigorating the Right-to-Buy by raising the discounts available to tenants, but with a commitment to build a new 'replacement' home for affordable rent for every home lost. It also identified a funding steam to support local authorities in bringing empty homes back into use.
- 1.34 The Get Britain Building Fund and Growing Places Fund provide funding to unblock stalled schemes. The Government is also advising local authorities to renegotiate existing S106 agreements where these provide a hindrance to development, including allowing developers to appeal decision for a three year period to April 2016.
- 1.35 Since the 2011 Housing Strategy the Government has introduced a number of additional measures to try to kick-start the housing market. Of particular relevance is the new "Help to Buy" scheme introduced in the 2013 Budget. This provides two schemes aimed at increase the supply of low-deposit mortgages and new housing:
- Help to Buy Equity Loan – a new-build only scheme which expands the existing FirstBuy scheme to provide an equity loan of up to 20% of the value of a home through an equity loan. The scheme will run until April 2016 and buyers will require only a 5% deposit;

- Help to Buy Mortgage Guarantee – a similar scheme where buyers will require a 5% deposit and the Government will provide guarantees underpinning the 95% mortgage from a commercial lender. This scheme is available for both new-build and existing homes.

- 1.36 These schemes are expected to have a real impact at stimulating effective market demand for homes as they target some of the key challenges which have restricted access to owner occupation - difficulties for households in securing mortgage finance and high loan-to-value ratios.

Localism Act – Housing Reforms

- 1.37 The Localism Act has introduced a number of reforms affecting the management of social housing. These reforms are summarised below:

Allocations Policies

- 1.38 The Localism Act gives councils greater flexibilities in deciding who qualifies to go onto housing waiting lists (through their allocations policies) and how they treat tenants who want rather than need to move. Local Authorities can thus revise their allocations policies, should they wish to do so, to prevent people with no 'need' for affordable housing from joining housing registers.

Tenancies

- 1.39 The Localism Act has introduced changes to social housing tenancies, giving both local councils and Registered Providers (RP's) the flexibility to grant fixed term tenancies (as well as lifetime tenancies) should they decide to do so. Shorter tenancies are considered to be one way of making better use of the existing social housing stock in meeting housing need. Specific local policies are expected to be set out in local authority's tenancy strategies.

Reform of Homelessness Legislation

- 1.40 Under reforms to Homelessness legislation, councils will be able to bring the statutory homelessness duty to an end with an offer of suitable private rented housing. This could potentially assist in the use of private sector housing stock in meeting affordable housing needs. Specific local policies are expected to be set out in local authority's tenancy strategies.
- 1.41 The Government has also recently introduced a new nationwide home swap scheme to support mobility in the social sector.

Welfare Reforms

- 1.42 The Welfare Reform Act received Royal Assent in March 2012. It introduces a number of new reforms which impact upon housing provision and need, particularly in the social sector.

Under Occupancy Penalty or Bedroom Tax

- 1.43 The Welfare Reform Act introduced restrictions on how much Housing Benefit working-age households in social rented properties can claim from April 2013, based on the size of the household. The under occupancy penalty or 'bedroom tax' removes what the Government considers was a spare room subsidy for social housing tenants. The Government estimates that the change of policy will impact on 670,000 households nationally – 32% of all working-age households in receipt of Housing Benefit. The policy change is focused on reducing the Government's benefit bill, increasing mobility in the social rented sector and making better use of the existing social housing stock.

Shift towards Universal Credit

- 1.44 Universal Credit, which brings together existing benefits into a single payment, is due to be phased in from October 2013. A movement towards universal credit to provide one streamlined payment is likely to end the payments of housing benefit directly to landlords in some instances. Coupled with the caps on growth in LHA levels, this may over time make tenants on benefits less attractive to landlords. It could result in some moderating of growth in benefit claimants in the private rented sector, although this will depend on overall dynamics within the sector.

Changes to Local Housing Allowance

- 1.45 Low income households living in the Private Rented Sector are able to claim Local Housing Allowance (LHA) to assist in meeting their housing costs. LHA is determined in relation to rents in the Broad Rental Market Area (BRMA) in which a property lies.
- 1.46 In April 2011 the Government changed how LHA is calculated, shifting this from median rents in the BRMA to the 30th percentile. It has also introduced caps on LHA payments: £250 a week for a 1-bed property or shared accommodation, £290 a week for a 2-bed property, £340 a week for a 3-bed property and £400 a week for properties with 4 or more bedrooms. The Act also indicates that increases in LHA rates from 2013 will be restricted to growth in inflation as measured by the Consumer Price Index (CPI).

Test Valley Revised Local Plan (February 2013)

- 1.47 In February 2013, Test Valley Borough Council published a Revised Local Plan (RLP) which will 'set out the framework for making planning decisions to 2029. It seeks to balance the needs of Test Valley's communities whilst supporting the local economy and protecting the environment'. The document contains reference to a number of suggested policies moving forward. For our work we are particularly interested in policies around housing provision which are mainly dealt with in Section 5 of the Plan (Local Communities).
- 1.48 The RLP notes that providing the right number of homes is one of the most important challenges (para 5.3). Table 4 of the RLP sets out the various scenarios in the Nathaniel Lichfield and Partners (NLP) update report and uses these to discuss and justify a housing figure moving forward. As a result (para 5.11) the Council proposed a dwelling requirement of 557 homes per annum which is linked to economic scenario F (150 jobs per annum) from the NLP report.

- 1.49 The RLP also splits this between the North and the South of the district. The split between the two areas is roughly 65% North and 35% South which is based on closely reflecting the existing parish population split.
- 1.50 Affordable housing is also a key theme in the RLP with the main suggested policy being COM 7: Affordable housing. The RLP notes a high level of need and states a Housing Strategy target to provide 200 affordable homes per year. The policy itself (COM 7) seeks delivery of between 10% and 40% of homes on site to be affordable depending on site sizes. For smaller sites there is the possibility in the plan of off-site provision (for sites of 5-9 units) or a financial contribution (sites of 1-4 units). The supporting text also suggests a tenure split for affordable housing of 60% social rented and 40% shared ownership. Policy COM 8 also allows the possibility of rural exceptions housing.

Key Findings: Context

The National Planning Policy Framework (NPPF) sets out that Local Plans should seek to meet objectively-assessed development needs in their areas where feasible and should plan to deliver a mix of housing based on current and future demographic trends, market trends and the needs of different groups within the community.

Development needs should be met at a housing market area level with a 'duty to cooperate' with adjoining local authorities where it is clear that cross-boundary linkages exist. On the basis of studying migration patterns and past research about housing market areas we consider that it is reasonable for Test Valley to progress this work as a single local authority but recommend that the duty to cooperate concentrates on discussions with councils in the PUSH sub-region (particularly Southampton) and also Wiltshire with regard to the north of the Borough.

The NPPF provides greater policy freedoms regarding development densities, levels of brownfield development and site size thresholds for affordable housing. In determining affordable housing policies, account though needs to be taken of wider policies in the Plan including sustainability standards and infrastructure policies.

There are a series of reforms proposed affecting the affordable housing sector which need to be considered in considering future housing policies, including changes to tenancies, and the introduction of the affordable rented tenure.

2. Stakeholder Consultation

Introduction

- 2.1 The aim of this section is to report the key findings of qualitative research into housing market conditions and trends within the local housing market area. The aim is to add a local or bottom up perspective to the study and provide a 'how and why' perspective to overall study findings.
- 2.2 The following information is based upon face to face interviews with estate agents, letting agents and on site new-build sales staff and written questions to officers within the Test Valley Borough. Interviews were conducted in June 2013. Interviews are important as they record the perceptions of professionals that service and facilitate the housing market.
- 2.3 Interviews are designed to answer research questions aimed at broadly understanding local housing market conditions trends and drivers, which parts of the market serve the needs of important groups such as local people, incomers, first time buyers, investors, students, those on low income and vulnerable people. The research also explores the interfaces between the sales and letting markets and these markets with sub market and affordable housing.
- 2.4 Additional supply is mostly through development of new build housing and it is important to understand the characteristics of new build housing and households that purchase or occupy it. This is delivered by volume builders. On a smaller scale local builders and self-builders develop smaller infill and windfall sites. We have only interviewed volume developers with on-site sales staff.

Overview

- 2.5 The main town of Southern Test Valley within the PUSH sub-region is Romsey which is an historic market town. The main town outside the Southern Test Valley (PUSH) area is Andover; Andover is some distance away (18 miles from Romsey), north west of Winchester. Andover and Romsey are the major service centres for the surrounding area which includes a large number of villages and hamlets. Test Valley Borough has offices in Andover and Romsey. The other major settlement of Southern Test Valley within the PUSH sub-region is North Baddesley which has local services.
- 2.6 Whilst these settlements are largely residential in nature, road and rail networks connect them to Winchester, Eastleigh, Basingstoke, Salisbury and Southampton and beyond and enable commuting. The area hosts a small number of significant technology companies in Andover and Romsey; both have a high quality retail offer.
- 2.7 Agents in Romsey said that the local housing market functions mostly for local people with a small number of households leaving Southampton and those who cannot afford to live in Winchester. Andover agents say that the area attracts more incomers as it is closer to Basingstoke and south west London, and Salisbury. Agents say that Andover's house prices offer incomers considerable value.

Servicing the Market

- 2.8 The location of estate and letting agents and the area they cover can provide supplementary evidence about sub-market areas. In Southern Test Valley within the PUSH sub-region, agents were only found in Romsey however some estate agents in Chandler's Ford (Eastleigh) will act for clients in North Baddesley. Letting agents cover a much larger area. Outside Southern Test Valley agents are mostly found in Andover.

The Newbuild Market

- 2.9 The major new development within Southern Test Valley in the PUSH sub-region is the Abbotswood development north of Romsey. Bellway, Bovis and Taylor Wimpey are developing market housing and affordable housing on the site. Aster Homes is providing 30 affordable (social rent and shared ownership), and Sovereign Living is providing 98 homes (for sale, rent and shared ownership). Interviews were undertaken with Taylor Wimpey and Bovis as on-site sales staff were present.
- 2.10 Sales agents stated that there was strong interest in the dwellings at all price points. They stated that households had re-located here from many of the adjoining towns and cities notably Andover, Eastleigh Chandler's Ford, Romsey Southampton and Winchester. A small number of sales were being achieved from further afield. Purchasers were a combination of families and older people downsizing, some families were taking advantage of Help to Buy. Taylor Wimpey stated that there was a small amount of interest from investors who would seek to purchase smaller homes such as the Coach Houses. They thought that a higher proportion of sales would be achieved using Help to Buy on the second phase which was under construction.
- 2.11 Other smaller scale new build schemes were noted but interviews did not take place as there were no on site sales staff present.
- 2.12 Outside Southern Test Valley (the PUSH sub-region), there is a considerable amount of new development to the east of Andover, accessible by the ring road. Two major sites were visited, East Anton and Picket Twenty. Both sites are being developed in phases by multiple developers with significant amounts of affordable housing. Spectrum HA featured in the development at Picket Twenty.
- 2.13 Picket Twenty is being developed by a number of companies and two interviews were obtained each supplying a different sector of the market. A new primary school was due to open September 2013 and the sales office carried literature about the school. The Charles Church agents reported strong interest from incomers. Interest was from households from Basingstoke, Winchester, Reading and West London. Households could get considerable value for money at Andover. The agent stated that the site was very popular with some sales being achieved for dwellings not due to be released until 2014. Persimmon reported strong sales mostly to local households and anticipated sales to first time buyers when flats and apartments were released in the next phase. Current starting prices were just under £200,000 and around 5% had been sold to investors, a small number to armed forces personnel. The agent commented that more sales had gone to MOD on a nearby development.

- 2.14 The Chariots and Augusta Park are part of the East Anton development. Bellway reported strong sales to local people. The Taylor Wimpey site had been subject to off plan sales to the MOD to accommodate forces returning to the UK from Germany.

Re-sales

- 2.15 Estate agents in Romsey told us that incomers found the town an attractive place to live because of the schools and access to jobs in Eastleigh and Southampton. Some households would choose to re-locate to Romsey if they could not afford Winchester prices. However few first time buyers could afford Romsey prices and they would seek housing in Eastleigh and Southampton – although many would become renters instead. Potential first time buyers would compete with investors for lower priced dwellings on the market for dwellings c£130k. Agents said that most of a recently completed block of flats had gone to investors. There was evidence to support this in the town with both for sale and to let boards outside recently constructed housing. Agents stated that investors were actively looking for flats and less expensive new build homes. If investors purchased houses they would not generally convert them into flats. Agents pointed out that many investors were not professional investors but owners who preferred not to sell at this point in the market cycle. Many of these were managing bequests or able to afford to downsize and let their former home.
- 2.16 Agents remarked that some retirement housing coming onto the market recently housing had proved difficult to sell.
- 2.17 Some agents stated that prices had not changed much since 2008, others saying that prices had increased slightly. One agent said that new listings would sell quickly if they were priced to sell rather than be priced to test the market. Other dwellings sold quickly if they were unavoidable enforced sales possibly due to indebtedness or relationship breakdown. However agents interviewed said that volumes were increasing and more enquiries were being received from first time buyers. This was due to the fact that some had now had time to save deposits.
- 2.18 Agents said that the nature of demand was different before the credit crunch. There was a familiar pattern of households moving out of Southampton to Eastleigh District and Romsey if they could afford to do so to enjoy a better quality of life. Agents stated that demand had eased considerably from this group with implications for the Southampton local market. We note in the relevant section that the local housing market in Southampton is becoming pressured as many households are staying put rather than flowing out of the city, with increasing demand for the private rented sector.
- 2.19 Andover agents said that investors were very active in this market. There was a great deal of demand from investors who could secure good returns. Landlords were reported to be investing heavily in residential property to let and prices were historically low and the stock market was thought to be near a high point in its cycle. One agent estimated that around 20% of investors were British ex-patriots living abroad. Another 20% lived in the UK but outside the Test Valley. Another agent commented that investors would pay up to £200,000 and were driving out younger people from the re-sale market. However we observed that opportunities existed for these households in the new build market. The MOD tended not to be active in the re-sale market. Agents stated that in Andover prices had mostly recovered from the effects of the credit crunch.

- 2.20 It should be noted that there is a great deal of premium housing in Test Valley in villages and hamlets surrounding Andover, Romsey and North Baddesley. Agents stated that this sector of the market had been less affected by the credit crunch as purchasers were typically high income/high equity owners who needed only low loan to value ratios and presented less risk to lenders. We observed a higher proportion of premium housing in Test Valley than in most other parts of the PUSH sub-region.
- 2.21 We observed a higher proportion of park homes and timber lodges on offer at anything between £70,000 and £175,000. Agents explained that these could not be purchased by conventional mortgages.

The Private Rented Sector

- 2.22 The Romsey letting agent covered a wide area, offering lettings in Southampton, Eastleigh, Salisbury and Winchester. The agent stated that most lettings were to local people with occasional lettings to Winchester residents. The agent said that there was strong active demand for lettings but investors had responded with additional supply so there was not a great deal of upward pressure on rents. Most vacancies were taken by households very quickly and many tenants were renting because they did not have the status for a mortgage.
- 2.23 The agent stated that few landlords would accept benefit claimants although landlords would consider working households receiving top up benefits.
- 2.24 Andover agents stated that there was a large private rented sector in the town. There was strong demand for rented housing and investors were 'piling in'. One agent distinguished between 'landlords' and 'investors' citing some difficulties that the latter group had got themselves into in the areas of gas safety and not obtaining references of guarantors. He said that in present market conditions, landlords could be choosy, 'no kids, no pets, no benefits' was the norm. Professionals would seek rented housing in Andover who were priced out of local markets in Hampshire, Newbury, Salisbury, Winchester and Basingstoke. Typical rents were over £900 pcm. Some lower quality lettings occasionally became available for £450 pcm. We raised the issue of housing for high street and other workers paid at minimum wage levels. The agent explained that some landlords would let to this group if references were good and there was a guarantor. Their choice in the matter may be constrained by the terms of their mortgage or insurance.
- 2.25 Agents acknowledged that some lettings were traded directly by landlords. We could not quantify this as there was little accommodation visible in local papers or shop windows.
- 2.26 Letting agents were noticeably busier than sales agents. Letting agents said that rents were rising. Landlords would ask them to test the market with modest increases that would mostly be accepted by new and sitting tenants.

The private rented sector – enforcement perspective

- 2.27 Officers told us that a positive relationship exists between the council and the local landlords association and a Private Landlords Forum meets three times a year. The Borough has a very small number of licensed houses in multiple occupation and no landlords accreditation scheme exists within the Borough. However the Borough offers a rent deposit loan scheme. The main problem highlighted by officers is that letting agents charge tenants fees which can be difficult for many tenants

Self-build

- 2.28 SHMAs need to investigate the contribution that self-build makes toward the local supply. It is referred to in the NPPF and in 'Laying the Foundations – a Housing Strategy for England 2010'. The strategy states that only one in 10 new homes in Britain was self-built in 2010 and that the barriers for the sector to grow are lack of land, limited finance and mortgage products, restrictive regulation and a lack of impartial information for potential custom home builders. However the Government aspires to make self-build a 'mainstream housing option' by making funding available to support self-builders and by asking local authorities to champion the sector. Up to £30m of funding has been made available via the Custom Build programme administered by the HCA to provide short-term project finance to help unlock group custom build or self-build schemes. The fund can be used to cover eligible costs such as land acquisition, site preparation, infrastructure, S106 planning obligations etc.
- 2.29 Recent research into the self-build market is limited. The Joseph Rowntree Foundation report 'The current state of the self-build housing market (2001)'. However market conditions have changed since then and government schemes such as help to buy and increased competition amongst house-builders has arguably removed some of the motivation from potential self-builders.
- 2.30 Interestingly, the media has focussed on custom build. We are aware of many popular radio and TV programmes that have made case studies of custom build projects. The genre is also significant from an investment point of view given that there have been very poor returns on personal or business deposits since 2008.
- 2.31 Since the publication of the NPPF we have carried out bespoke qualitative research into self-build as part of our SHMA methodology. We have sought information from local authority planning departments; estate agents, the internet and a small number of self-builders. We have adopted a wide definition of self-build and conclude that the term 'custom build' is probably a better description of the sector. This is because the initiator can be involved in construction, produce or project manage the project or simply commission a project for professionals and house builders to deliver. The initiator may not be the occupier, seeing the project as an investment for sale or rent.

- 2.32 Quantitative information is hard to come by. Planning officers are not required to keep records as and frequently draw our attention to the fact that a custom build classification is not included on the national 1APP planning forms and/or the building regulations forms. Information from local authority planning officers is therefore anecdotal. Most officers tell us that activity as a percentage of completions is low, ranging from 'next to nothing' to 10% although most say that the level is under 5%. They tell us that dwellings can have design merit but can require more input from planning and building control officers. Previously a local authority has told us about estate level self-build schemes completed in the 1980's where the local authority made serviced land available. We were told that the project resulted in an 'an eclectic mix' of dwellings being built. Officers also refer to the construction of annexes. These will be standalone self-contained dwellings and are often constructed for employees or family members some of whom may be frail or disabled in some way. Planning officers told us that planning conditions are mostly applied to ensure that occupancy is connected to the main dwelling in some way.
- 2.33 Estate agents tell us that they are frequently involved in valuations where there is potential for 'intensification', for example the potential for constructing dwellings on large gardens or corner plots. Local planning policy may be adopted to restrict this if it is considered that an area is in danger of being over developed. Lack of open space and problematic car parking and infrastructure capacity have been cited as considerations. Agents involved in the re-sale of custom built housing tell us that they rarely encounter problems with lenders as surveyors are always involved in the process. Estate agents tell us that older low density estates can attract custom builders. They have cited areas where small low value dwellings on large plots have been demolished and new dwellings established. They tell us that custom build tends to occur mostly in areas that are becoming fashionable, within rural settlements and in coastal areas and some will be second homes.
- 2.34 Our experience nationally is that whilst most new housing is constructed by the volume house builders there are many local house builders who develop small plots for individual clients – many for the rental market. Landlords have told us that this is a more cost effective route than purchasing off volume builders. Some landlords generate significant cash surpluses from their portfolio and choose to invest in this way as returns are more attractive than other investments. At the other end of the scale we have interviewed entrepreneurs and individuals with large savings who will use their local knowledge and skill to acquire individual vacant plots and custom build. Our national research has identified some entrepreneurs planning to use dwellings in the tourist rather than residential sector. We have also come across a medium size regional house builder whose key selling point is that he will customise his products for the purchaser and was offering dwellings within the Help to Buy scheme.
- 2.35 Finally we have reviewed a number of websites dedicated to advising and assisting people to self-build. Some assist in the brokerage of individual building plots and this is part of our SHMA information gathering.

- 2.36 Overall the evidence we have collected across England suggest that this is a niche sector, but one that is not necessarily only delivering high value bespoke homes. It is clear that much activity is undertaken by entrepreneurs aimed at more modest homes for sale or rent and in doing so making better use of land that may detract from the local environment. It is also clear that the role of a local champion for the sector is a step that needs to be taken if further interest is to be generated. It is noteworthy that all of the examples of custom build we have come across have been commissioned by individuals or entrepreneurs with savings, rather than borrowings. These points will need to be addressed if custom build is to become 'a mainstream option'.

Key findings: Stakeholder Consultation

Whilst the majority of sales and lettings are to local people, the district houses Southampton households who seek a better quality housing offer and Winchester households that cannot afford Winchester prices.

Chandler's Ford in Eastleigh has a different housing offer to the town of Eastleigh and is connected to the Southern part of Test Valley.

Similarly Andover, being north west of Winchester mostly provides for local people although there is a significant movement from some surrounding areas

There is significant new build at Abbotswood with developers offering a range of specifications and price points. Developers and registered providers were offering a range of affordable products.

There is considerable demand for rented housing due to first time buyers and others not being able to afford home ownership or not have the status for a mortgage investors are continuing to grow supply through new acquisitions.

House prices were thought by some to be increasing marginally, rents less so. It was considered that the private rented sector faces few challenges compared to the cities in its sub-region.

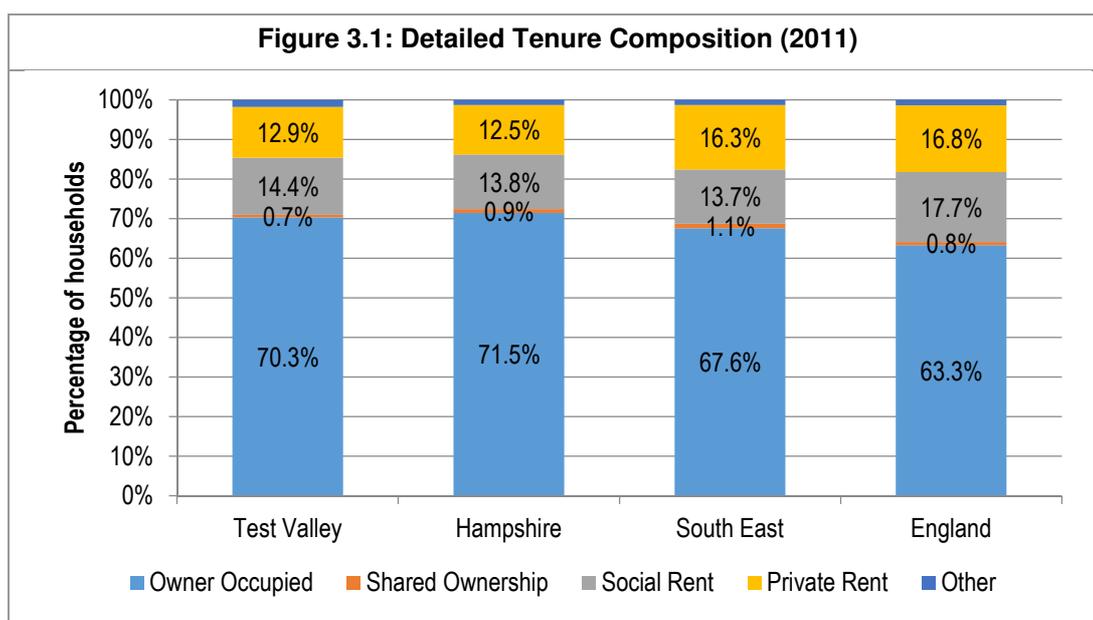
3. Housing Stock and Supply Trends

Introduction

- 3.1 Although new housing will be delivered in Test Valley and the wider housing market over the coming years, much of the housing stock in the area in 2030 already exists now; and it is thus important to understand the current “housing offer” and how this has been changing. This will provide the initial underlying analysis of what gaps in the offer new-build development might fill.
- 3.2 In this section we profile the current housing offer, considering the profile of stock of different types, sizes and tenures of homes, how this has been changing and how it varies across the relevant authorities within the housing market.

Tenure Profile

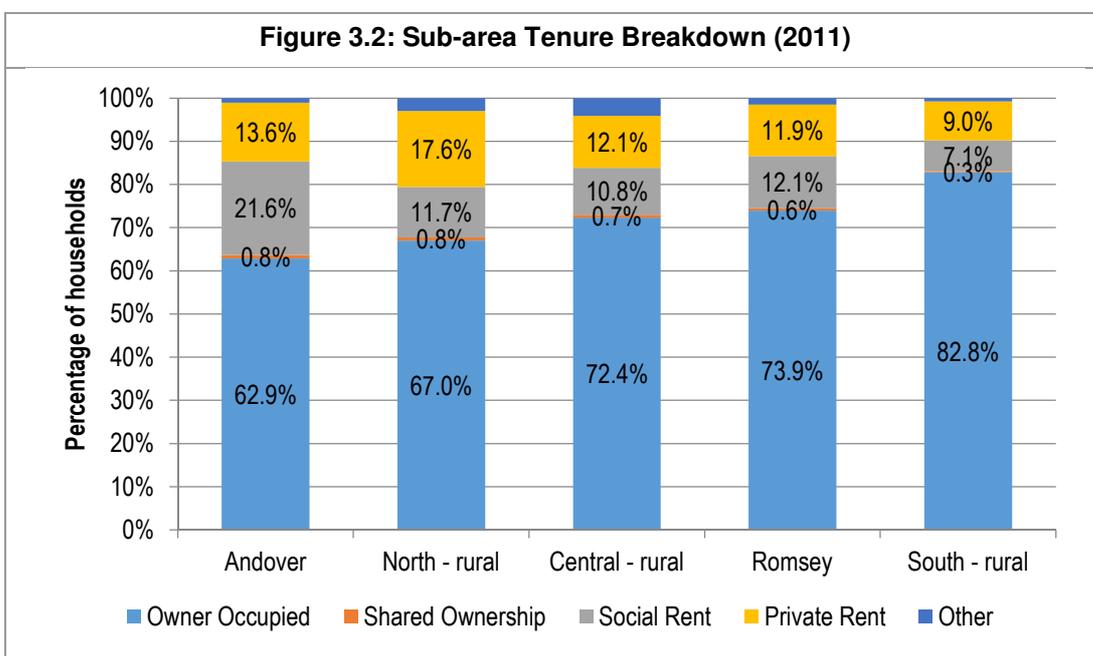
- 3.3 A detailed profile of tenure mix can be gleaned from the 2011 Census. Like much of the South East, the tenure profile of the Borough is dominated by owner occupation. At 70%, the proportion of owner occupation in Test Valley is particularly high when compared to the South East but slightly less than Hampshire as a whole.
- 3.4 The percentage of social rent properties within Test Valley (14.4%) is slightly above the county and regional averages (13.8% and 13.7% respectively).
- 3.5 The proportion of private rented households in the Borough (12.9%) is slightly above levels across Hampshire (12.5%) but a considerable margin below the regional level of 16.3% suggesting the sector is comparatively under-developed in Test Valley. There is a very limited representation of shared ownership tenure across the Borough; however, this is a trend which is not uncommon across the South East.



Source: Census 2011

3.6 There is some tenure variation across the different sub-areas within Test Valley. In particular, the chart below demonstrates that the Andover sub-area has a notably lower representation of owner occupied households, which, at 63% is below even the national average. Owner occupation in the north rural sub-area is also below the South East average. Conversely, the proportion of owner occupied households in the South rural area is very high at 81% and as such there is very little tenure diversity in this area.

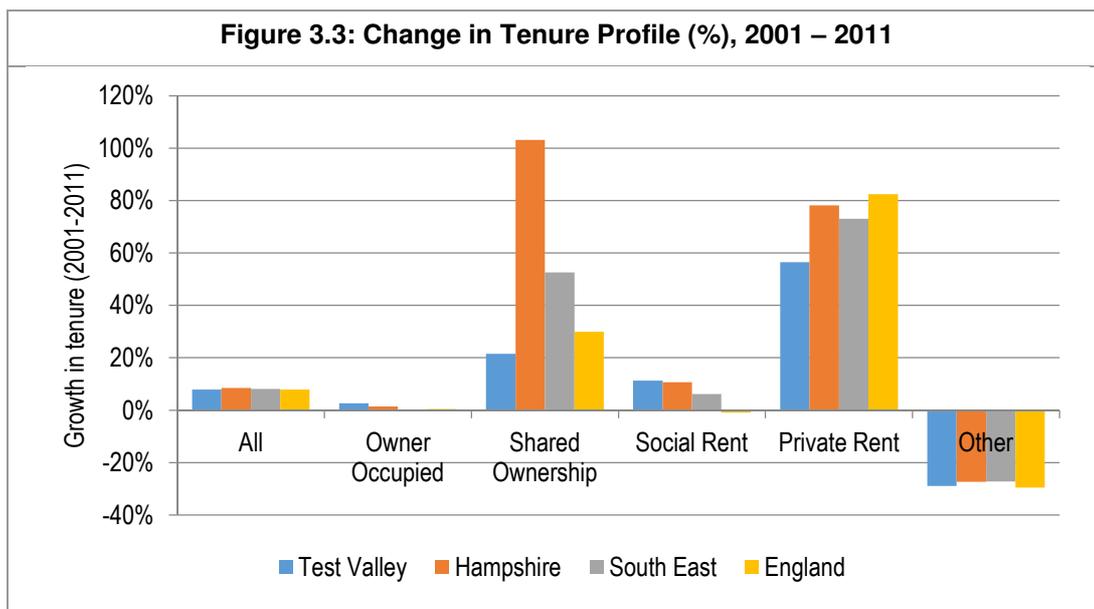
3.7 The data also indicates a relatively high level of private rented households in the North rural sub-area (17.6%), significantly above the Hampshire average and even above the national average at 16.8%. In addition, the stock of social rent households is lower than county and regional levels across all of the sub-areas except Andover sub-area where it is significantly higher, accounting for more than one-fifth of the total housing stock in the area – a considerable margin above even the national comparator.



Source: Census 2011

3.8 Comparing data from the 2001 and 2011 Census provides shows that there have been some change in the tenure profile in Test Valley over the past decade. Overall, the total stock in Test Valley has grown at a slightly slower rate than across Hampshire more generally (7.9% compared to 8.5%). Growth in the Andover and North rural sub-areas has been highest at 10% and 13% respectively.

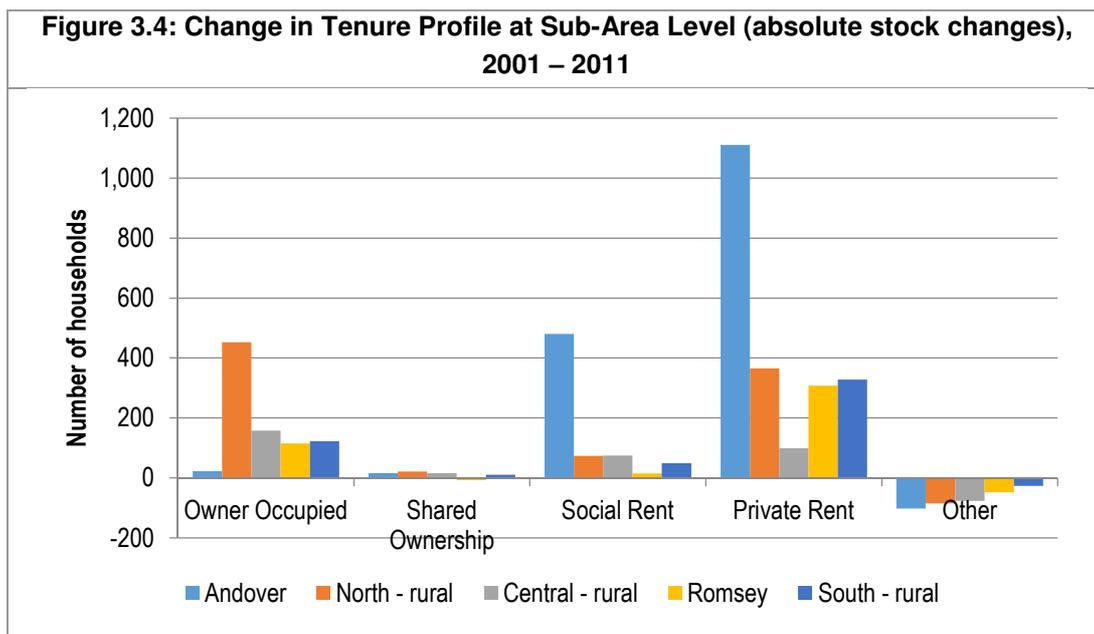
3.9 Looking at individual tenures, one in particular stands out. The private rented sector is an increasing important part of the local housing market: Test Valley has seen around 56% growth in the private rented sector over the past decade; however, this is notably below the growth experienced across Hampshire and the South East (78% and 73%). The Borough has also seen 21% growth in the shared ownership sector (albeit from a very low starting point), significantly below the corresponding figure for the county and wider region.



Source: Census 2011

3.10 We have also considered absolute changes in tenure across the various sub-areas. This particularly demonstrates the growth in the number of private rent properties across most of the sub-areas but particularly in the Andover (1,110 additional properties). In most cases, growth in the private rent sector represents the vast majority of overall stock growth over the past decade (although clearly this is not all new build and results from existing properties transferring into the sector), but in the North rural area the most significant growth has been in owner occupied households (450 additional properties).

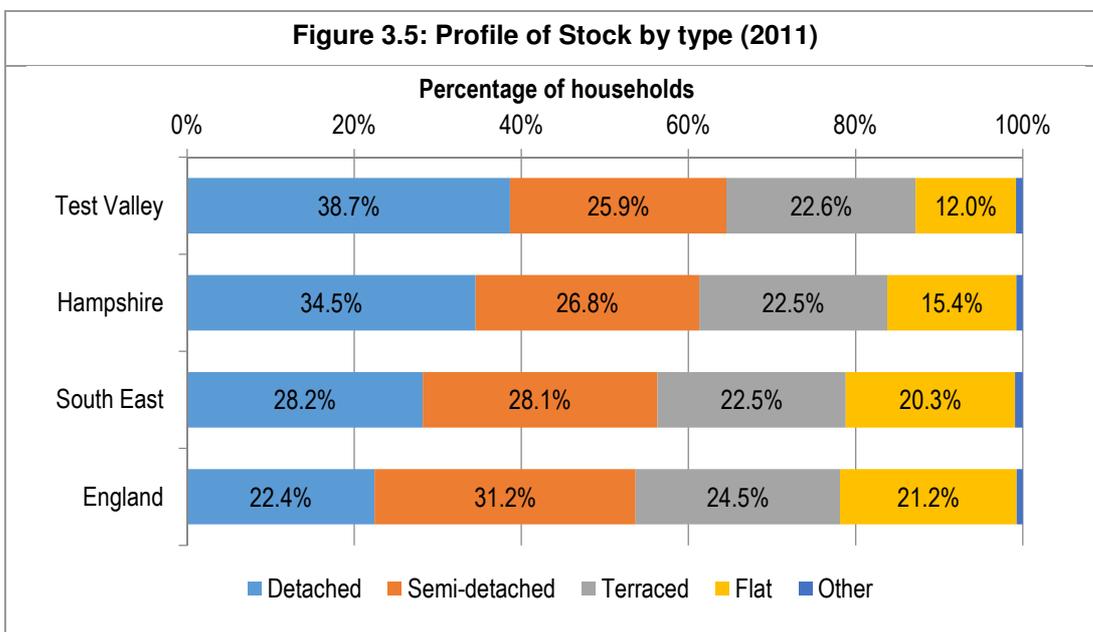
3.11 There has also been continued significant growth in the social rented sector in the Andover sub-area over the past decade, with an additional 480 properties in this tenure. None of the other sub-areas has experienced any notable level of growth in social rented stock.



Source: Census 2011

House Types

- 3.12 Data on house types suggests the Test Valley market is strongly geared more towards established family type accommodation. The proportion of detached homes (39%) is significantly above the regional average (28%) and even high compared to the Hampshire profile (35%). Whilst the proportion of semi-detached properties in the Borough is slightly below comparators, when combined with detached properties these types represent almost 65% of the total stock.
- 3.13 As a result, Test Valley has a comparatively lower proportion of flatted properties than both the county and regional, with such properties representing only 12% of the total stock. Whilst the proportion of terraced properties is similar to the county and regional profile, the lack of flatted properties does potentially serve to indicate a comparative lack of suitable and accessible options for smaller (particularly newly forming) households in the Borough.



- 3.14 Looking at the different sub-area in Test Valley we can see some variations in house type profile between. There is a clear distinction between the stock profile in the rural and urban sub-areas. The rural sub-areas have a mix which is skewed towards larger (family) property types with detached and semi-detached properties accounting for between 77% and 83% of stock; whilst in the urban sub-areas, these types of property account for only 51% and 53%.
- 3.15 Consequently, the rural areas have a relatively low proportion of smaller, denser property types. In particular, all of the rural sub-areas have very limited flatted stock with such properties accounting for between 5% and 7% of stock, compared to 15% across Hampshire.

- 3.16 The two more urban sub-areas – Andover and Romsey – both have a somewhat more balanced housing mix with almost a 50:50 split between larger property types (detached/semi-detached) and smaller property types (terraced/flat). In particular, the proportion of detached properties in both areas is below the Hampshire average and the proportion of both terraced and flatted properties in both Andover and Romsey is considerably above the county profile. From this stock profile, we would suggest that these sub-areas are likely to be well placed to – and capable of – serving a wider variety of market segments.

	Detached	Semi-detached	Terraced	Flat	Other
Andover	24.6%	25.9%	31.8%	17.4%	0.3%
North - rural	46.7%	33.1%	13.6%	5.2%	1.4%
Central - rural	57.9%	24.8%	8.7%	7.2%	1.4%
Romsey	28.6%	24.5%	30.6%	16.1%	0.2%
South - rural	55.4%	21.9%	14.5%	6.7%	1.5%

Source: Census 2011

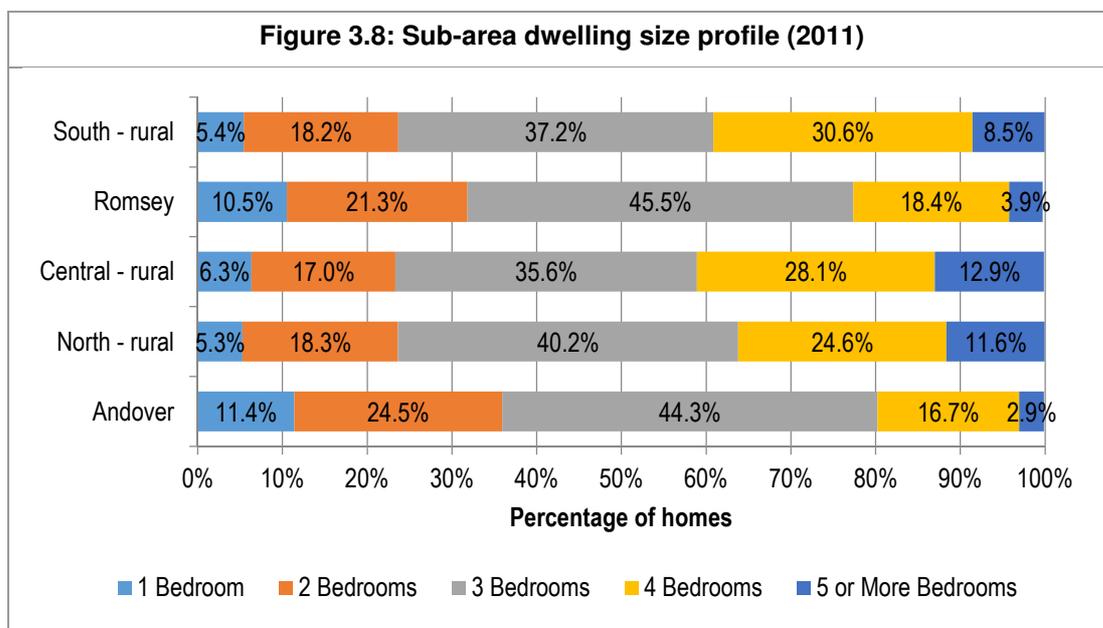
Housing Size

- 3.17 Similar to the type analysis, the size mix of housing in Test Valley is strongly dominated by mid-large sized properties with 70% of the stock comprising three or more bedrooms, indicating a housing stock generally more suited towards a mature market and provision for established families. This is a slightly greater proportion than that seen across the county more generally.
- 3.18 There is a relatively low percentage of smaller property types (1 and 2 bedrooms) in Test Valley compared to regional levels. This lends some support the comparative lack of suitable and “accessible” housing options for smaller families or single/couple households in the Borough.

	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms	5 or more bedrooms
Test Valley	8.5%	20.9%	41.4%	22.3%	6.7%
Hampshire	9.3%	24.1%	41.3%	19.6%	5.6%
South East	11.6%	26.2%	38.9%	17.0%	6.0%
England	11.8%	27.9%	41.2%	14.4%	4.6%

Source: Census 2011

- 3.19 As with house type, there is some variation in the housing size mix within the different sub-areas. The three rural areas are characterised by a very strong skew towards larger properties: in all three small properties (one and two bedrooms) account for less than one quarter of the stock. This profile is further illustrated by the fact that in two of areas – Central rural and South rural - more than 10% of properties have 5 or more bedrooms, compared with 6% across Hampshire as a whole. The market in these areas is therefore likely to be dominated by established families and high income households, with little provision for small families or for that matter to enable downsizing. Whilst this may point to some scope to diversify stock in this sub-area, this would need to be set against what the market and character expectations are for an area such as this.
- 3.20 The Andover area has a notably high proportion of 3 bedroom properties (45%), indicative of a market geared towards families. Both the Andover and Romsey areas again have a more balanced mix of property sizes not only to the Test Valley average but also Hampshire as a whole. The proportion of one bedroom properties in both areas is broadly akin to the South East average; however, Romsey does have a lower than average proportion of two bedroom properties (21%). Nonetheless, the size mix in both of these “urban” sub-areas again supports the view of a market which is well placed to serve a range of market demands.



Source: Census 2011

Overcrowding and Under-Occupation

- 3.21 Studying levels of overcrowding/under occupation in the housing stock is an important part of the SHMA. It is particularly useful as an indicator of both housing need and possible mismatch between households and house sizes. The draft guidance also identified overcrowding as an important indicator.

- 3.22 Data about overcrowding is available from the 2011 Census based on the 'bedroom standard'. This is defined by the difference between the number of bedrooms needed to avoid undesirable sharing (given the number, ages and relationships of the household members) and the number of bedrooms available to the household. A household is defined as overcrowded if there are fewer bedrooms available than required by the bedroom standard.
- 3.23 The table below shows that Test Valley experiences very low levels of overcrowding (2.4% - 1,161 households) compared to the county (2.8%), regional (3.8%) and England (4.8%) average.

Figure 3.9: Overcrowding and Under-occupation (2011)			
	Overcrowded (No.)	Overcrowded (%)	Under occupied (%)
Test Valley	1,161	2.4%	77.4%
Hampshire	15,533	2.8%	75.0%
South East	133,570	3.8%	70.7%
England	1,060,967	4.8%	68.7%

Source: Census 2011

- 3.24 Overcrowding is generally quite low across all of the sub-areas in the Borough. However, analysis shows particularly levels in all three of the rural sub-areas. Conversely, the Andover area experiences higher levels of overcrowding, similar to the regional picture. We would however note that this is not uncommon for more urban localities.
- Andover: 3.6%
 - Romsey: 2.3%
 - Central rural: 1.8%
 - South rural: 1.6%
 - North rural: 1.5%
- 3.25 The 2001 Census did not include an occupancy calculation based on bedrooms and as such it is not possible to draw a direct comparison in this regard. However, we have compared the room based occupancy measure from the 2001 and 2011 Census. This shows a reasonable increase in overcrowding (3.1% to 4.0% - 541 households) across Test Valley over the past decade, equivalent to a 40% increase. This suggests some level of suppressed and unmet need over the past decade and comparatively more than Hampshire and the South East which experienced 35% and 36% growth in overcrowding over the corresponding period. It should however recognised that the room based occupancy standard has limitations in respect of identifying true overcrowding.
- 3.26 Looking at the flip side, we can see that under occupation is a significant issue in Test Valley with 77% of households having an excess of space for the number of residents, more than half of which fall within the highest category of under-occupation. Whilst high levels of under-occupation are apparent across Hampshire and the South East, it is clearly more apparent in Test Valley, exacerbated somewhat by the stock and age profile. With the exception of Andover (70% under-occupied) all of the other sub-areas in the Test experience levels of overcrowding which are above the Hampshire average (75%); however, the issue is particularly acute in the three rural sub-areas where 83% of households are under-occupied, all with more than 50% falling in the worst category of under-occupation.

- 3.27 The “phenomenon” of under-occupation is particularly borne out of ageing demographics and reasonable affluence which particularly drive “empty nester” households. In Test Valley, this is arguably made more acute in some parts of the Borough due to the dominance of larger properties and the relative lack of suitable downsizing options. The use of smaller properties for second homes is also likely to constraint options for downsizing. Given the demographic and socio-economic profile of Test Valley, this issue is likely to continue to rise in future, reducing liquidity in the market for larger properties in the area.
- 3.28 Whilst the encouragement of downsizing is an inexact science (and driven as much by attitude as stock availability), there may be an argument for increasing the supply of smaller units in these areas but with the product focussed on the types (houses rather than flats) and quality of units which are attractive to older households.

Vacant and Second Homes

- 3.29 The 2011 Census provides data on the number of households with no usual residents which can be used as a proxy for vacancy and second homes. The data indicates that there are just over 1,500 vacant properties or second homes in Test Valley equivalent to 3.1% of the dwelling stock. This is below average for Hampshire (3.3%) and notably lower than the level across the South East (4.0%).
- 3.30 At the sub-area level, Census data shows particularly high levels of vacant/second homes in the Central rural sub-area (5.6%). The more urban sub-areas of Andover and Romsey both experience a particularly low level of vacancy/second homes (2.1% and 2.7% respectively).

Figure 3.10: Vacant and second homes			
	Total household spaces	Household spaces with no usual residents	% Vacant/Second Homes
Andover	17,752	372	2.1%
North - rural	7,615	314	4.1%
Central - rural	6,231	346	5.6%
Romsey	8,129	219	2.7%
South - rural	9,437	287	3.0%
Test Valley	49,164	1,538	3.1%
Hampshire	563,885	18,631	3.3%
South East	3,704,173	148,710	4.0%
England	23,044,097	980,729	4.3%

Source: Census 2011

Key Findings: Housing Stock and Supply Trends

Similar to much of the South East, the local housing market is dominated by owner occupation which accounts for 70% of households. The Borough has a comparatively high stock of social rent compared to Hampshire.

The Andover sub-area has comparatively low levels of owner occupation and a large social rented sector. There is a considerable private rent sector in the North rural sub-area

The private rent sector within Test Valley is slightly larger than Hampshire but comparatively small compared to South East. The sector has grown by around 2,200 households over the past decade, significantly more than any other tenure.

The housing offer across Test Valley is dominated by detached and semi-detached properties suited to an established households and a family market with a correspondingly low proportion of flats. There are a particularly high proportion of detached properties in the more rural sub-areas.

Mix across the Borough is skewed toward mid-large sized properties with three bedroom plus properties account for 70% of the stock, further indicating a housing stock generally more suited towards a mature market and provision for established families. The proportion of 1 and 2 bedroom properties in Test Valley is relatively low; however, there is a notably higher proportion in the more urban sub-areas of Andover and Romsey.

Overall, there is somewhat of symbiotic relationship between the Andover and Romsey areas and more rural sub-areas, with the former providing a “balance” in terms of stock size and type and the large proportion of the Borough’s smaller units and denser housing types (e.g. flats and terraced houses).

The proportion of vacant/second homes in Test Valley is low compared to Hampshire and the South East. The Borough experiences almost no issue with second homes.

There are very low levels of overcrowding in Test Valley; however, the issue is more prevalent in the Andover sub-area. Like much of South East, under occupation is particularly prevalent in Test Valley, particularly in the more rural sub-areas. The provision of high quality smaller property options to encourage downsizing could be beneficial to secure greater liquidity of larger.

4. Socio-Economic and Demographic Profile

Introduction

- 4.1 A key determinant of housing need and demand and how these are likely to change in the future is the demographic profile of the population. This section will outline the structure of the resident population and changes to its composition as well as characteristics of the economy and labour market.

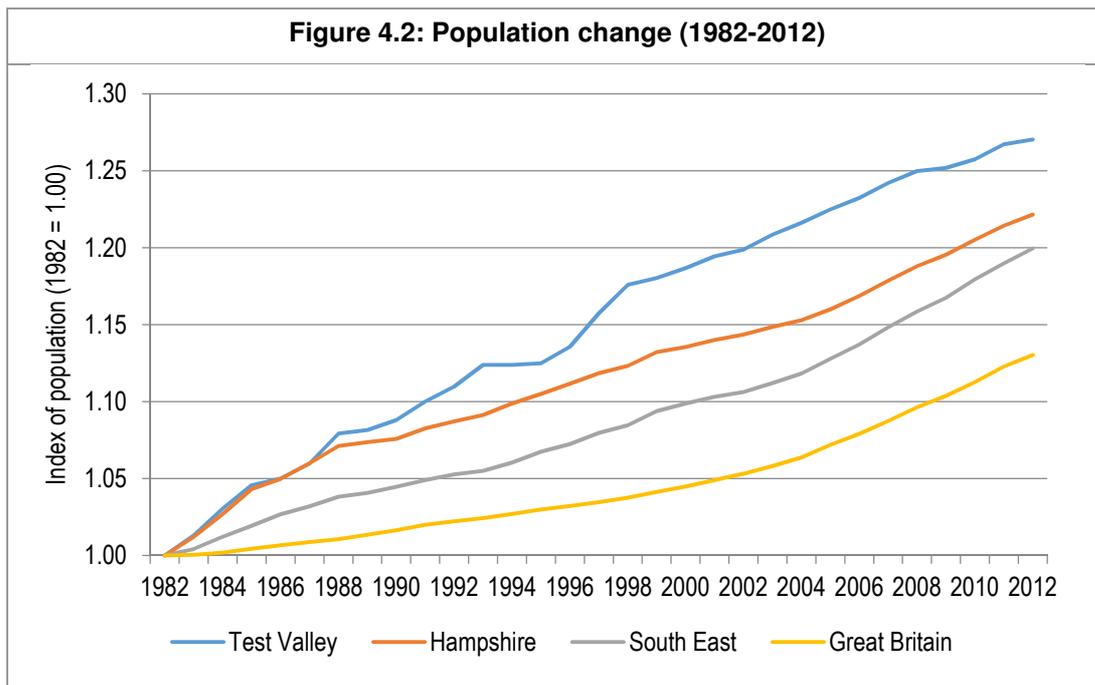
Population size and growth trends

- 4.2 The 2011 Census recorded that Test Valley had a population of just less than 116,400, representing around 9% of the total population in Hampshire. Around 37% of the population is in the Andover sub-area (42,540 people).

Figure 4.1: Headline Total Population	
Census Population (2011)	
Andover	42,539
North - rural	18,437
Central - rural	14,414
Romsey	18,044
South - rural	23,144
Test Valley	116,398
Hampshire	1,317,788
South East	8,634,750
England	53,012,456

Source: Census 2011

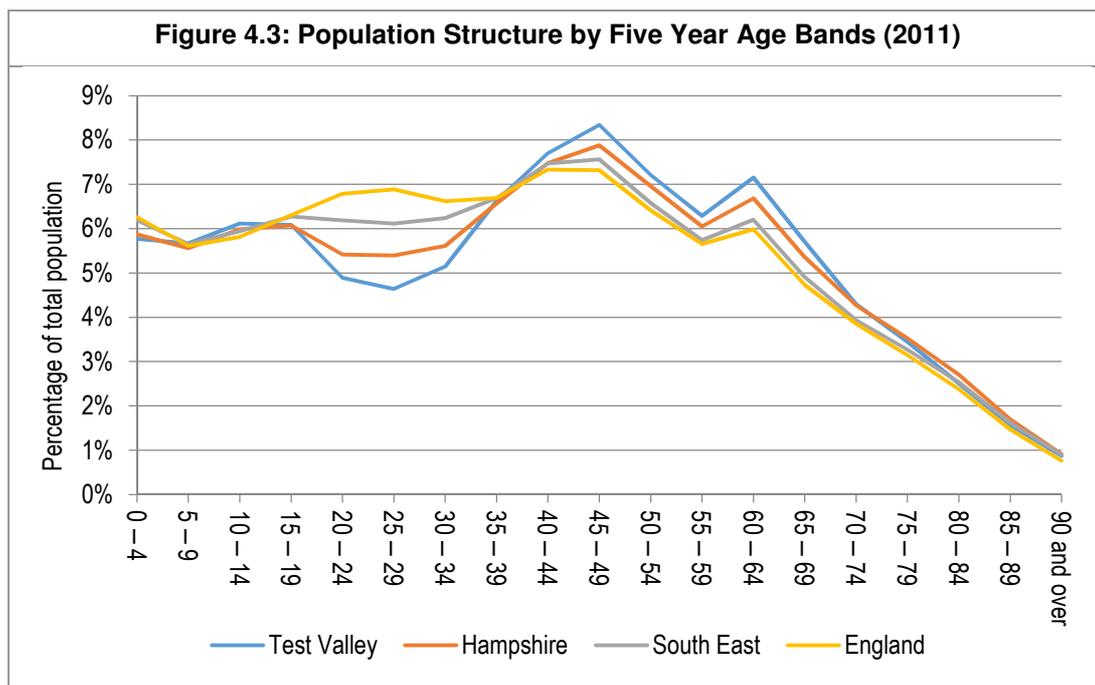
- 4.3 We have benchmarked population change in Test Valley since 1982 to understand how historic population growth in the Borough compares to surrounding areas. What we can clearly see is that the Test Valley has seen an above average level of growth in population (0.90% p.a.) compared to Hampshire (0.74% p.a.), and slightly above average for the South East (0.67% p.a.).
- 4.4 However, the growth trend in the Test Valley is somewhat more varied than wider comparators. The Borough saw particularly strong population growth in the 1980s and early 1990s – significantly faster than comparator areas - before levelling off in the mid-1990s. Growth then increases rapidly again in the late 1990s before continuing at a level slightly slower than the Hampshire trend from the early 2000s onwards. The divergence from wider population growth trends over the past decade is particularly notable, with Test Valley experiencing 0.60% per annum growth against 0.68% across Hampshire and 0.84% across the South East.



Source: Mid-year estimates

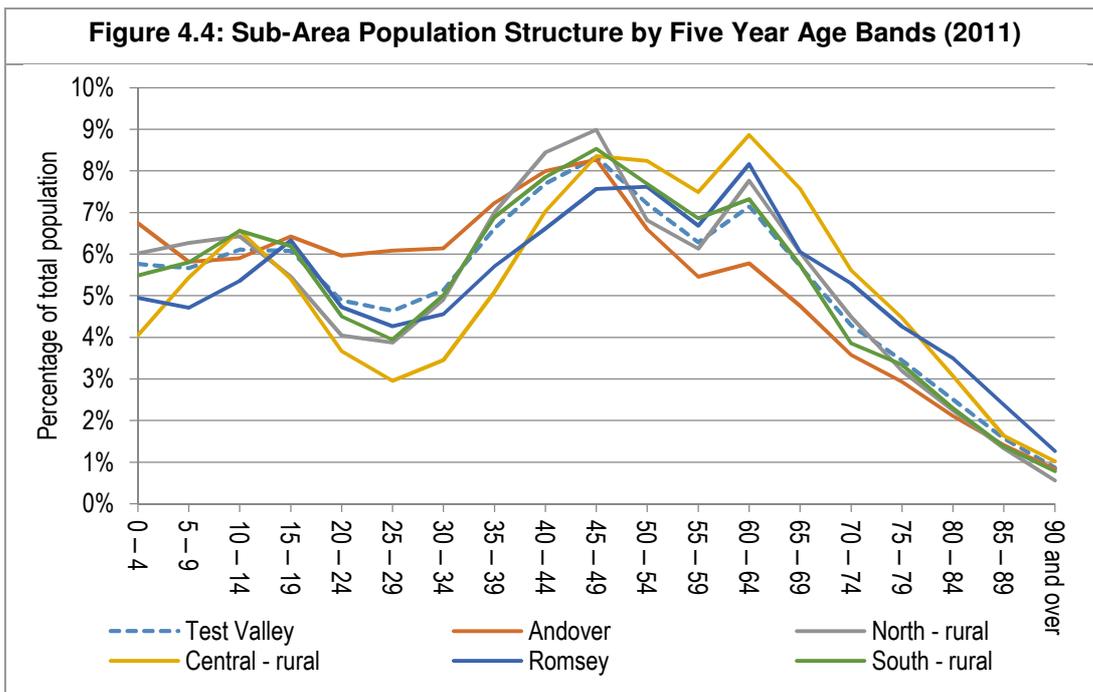
Population Structure

4.5 The population profile in Test Valley is broadly similar to the structure seen across Hampshire but older than that across the wider South East. Just less than 24% of the Borough's population falls within the under 20 age categories, consistent with both Hampshire and the South East. In addition, 19% of the population in Test Valley is over 65, again consistent with the corresponding figure for the county. However, the Borough has a slightly higher proportion of residents in the 45-64 age categories (29% compared to 27% across Hampshire) and a correspondingly lower proportion of 20-34s (14.7% compared to 16.4%). The most prevalent age groups in the population are 40-44s (7.7%) and 45-49s (8.3%) indicative of a population dominated by established family households and households likely to be approaching retirement and increasingly becoming "empty nesters".



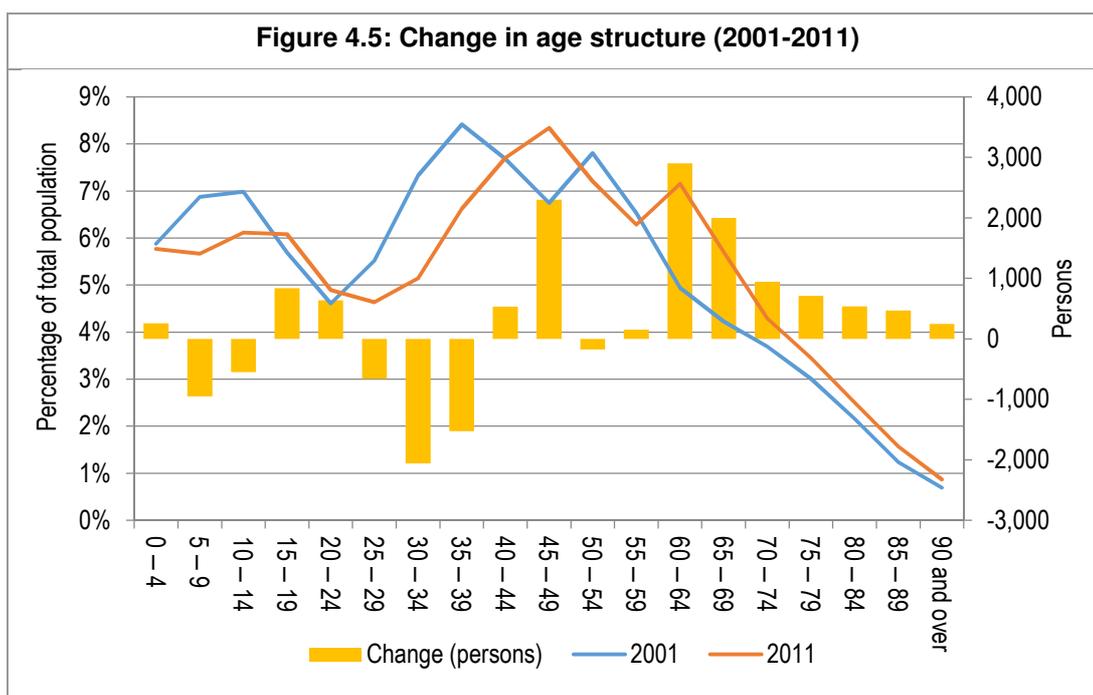
Source: Census 2011

- 4.6 At a more local level, there is some degree of variation in age profile across the various sub-areas in Test Valley. The Central rural and Romsey sub-areas both have a notably higher representation of older residents compared to the Borough average, with the proportion of residents in the over 65 category in both areas accounting for 22% of the population. The Romsey area in particular has a high percentage of households in the over 75s category (10% compared to around 7% across the Borough). This suggests a population (and market) dominated by either more mature families or older retired households, typically those households likely to be (or approaching being) “empty nesters” and supports the benefit which could accrue from providing high quality smaller units to encourage downsizing in these areas (whilst enabling people to stay in their communities).
- 4.7 The population of the South rural sub-area quite closely matches the overall Borough profile, albeit with a slightly lower representation of people in the 20 to 30 age categories. The profile of population in the Andover sub-area is notably younger than the Borough as a whole with a considerably higher proportion of residents in the 15 to 34 age groups – the age group most commonly associated with newly forming households and young families. The population structure in the Andover sub-area quite closely matches the structure across the wider South East.



Source: Census 2011

- 4.8 Since 2001, Test Valley has seen increases in a large number of age groups (simply as a function of population growth). However, there are particularly notable increases in the entire over 60s age categories, but in particular the 60 to 64, 65 to 69 age groups, confirming a trend towards a strongly ageing population. Taken as a whole, growth in over 65s in Test Valley over the past decade (30%) has been significantly faster in percentage terms than that seen across Hampshire (21%) and the South East (13%). This “faster” ageing dynamic will have important implications for housing policy and strategy moving forward.
- 4.9 The District has also seen quite substantial decline in some of the younger age brackets over the past decade; particular residents in the 25 to 39 age bracket but also children in the 5 to 14 age group. Decline in the 25 to 39 age category in Test Valley (18%) has been particularly high compared to surrounding and wider comparators (Hampshire: 15%; South East: 9%). Whilst this is a result of population ageing, it does indicate that this age group is not being “replenished”, potentially suggesting that residents in this age range are perhaps unable to (or choosing not to) form households in the Test Valley area – possibly an indication of issues with affordability or lack of availability of the “right type” of housing options.



Source: Census 2001 and 2011

Labour Market Dynamics – qualifications and occupation profile

- 4.10 The skills profile Test Valley is broadly comparable to that seen across Hampshire and the South East. Around 31% of residents (aged over 16) have the highest level of qualifications (Level 4 and above); fractionally above county and regional averages (both 30%). The proportion of residents in the Borough with low (level 1) or no qualifications (32%) is also comparable to Hampshire (32%) and the South East (33%).
- 4.11 Looking at the various sub-areas, we can see that the Central rural sub-area has a higher skilled population than the remainder of the Test Valley area. Almost 40% of residents in the sub-area have the highest level of qualifications (level 4/degree), whilst only 28% have level 1 or no qualifications. Conversely, the skills profile in the Andover sub-area is significantly lower with only 21% of residents having Level 4 (degree or above) qualifications and 38% with low (level 1) or no qualifications.

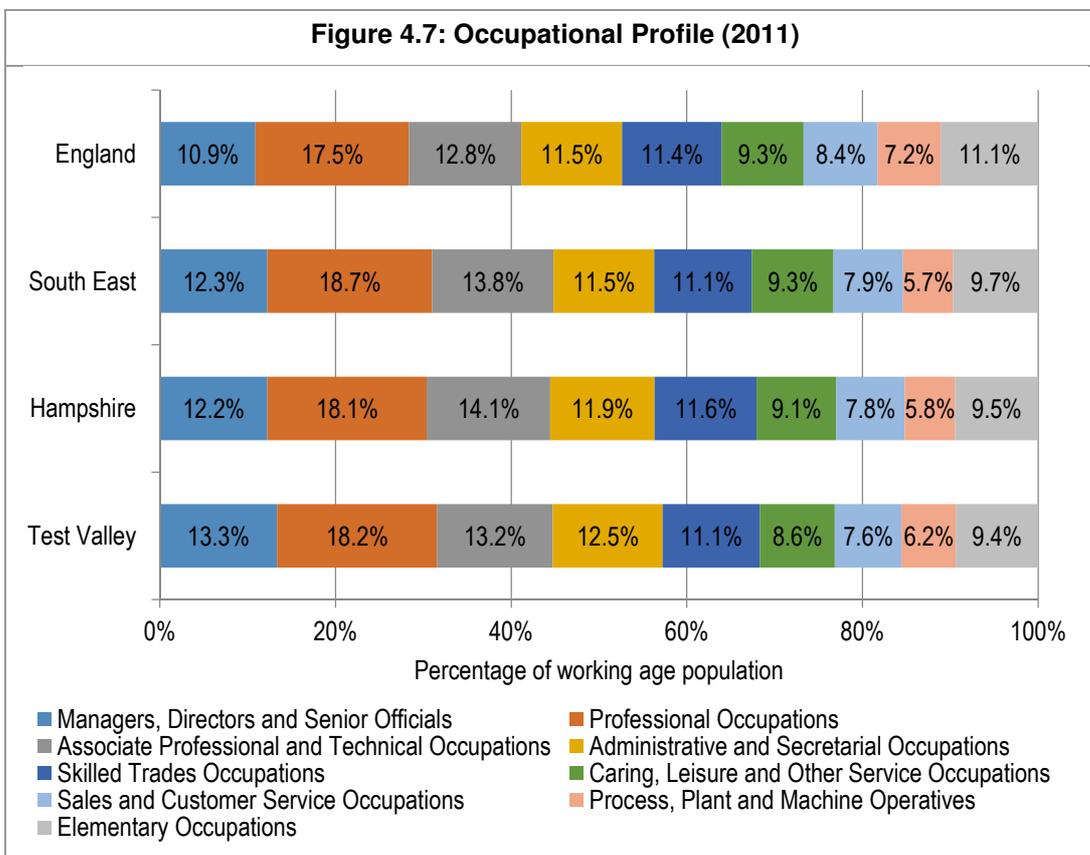
Figure 4.6: Qualifications (2011)

	No quali- fications	Other qualifi- cations	Level 1	Level 2	Apprent- iceship	Level 3	Level 4 or above
Test Valley	18.4%	4.1%	13.6%	16.5%	4.5%	12.5%	30.5%
Hampshire	18.5%	4.2%	13.6%	16.7%	4.5%	12.8%	29.7%
South East	19.1%	5.2%	13.5%	15.9%	3.6%	12.8%	29.9%
England	22.5%	5.7%	13.3%	15.2%	3.6%	12.4%	27.4%
Andover	21.5%	5.1%	16.6%	18.1%	4.8%	12.9%	21.0%
North - rural	15.3%	3.6%	12.8%	15.9%	4.0%	12.7%	35.5%
Central - rural	17.0%	3.4%	10.9%	14.7%	3.8%	11.2%	39.0%
Romsey	19.5%	3.8%	11.5%	15.2%	4.3%	12.0%	33.9%
South - rural	15.0%	3.3%	12.2%	16.3%	4.8%	12.7%	35.8%

Source: Census 2011

Occupations

4.12 The comparative skills profile of the residents Test Valley is somewhat reflected in terms of occupational level. Around 45% of residents are employed in one of the top three occupational groups (managerial, professional or technical), consistent with the corresponding figures for Hampshire and the South East. The proportion of the Borough’s residents in lower skilled occupations (16%) is also broadly in line with wider comparators.

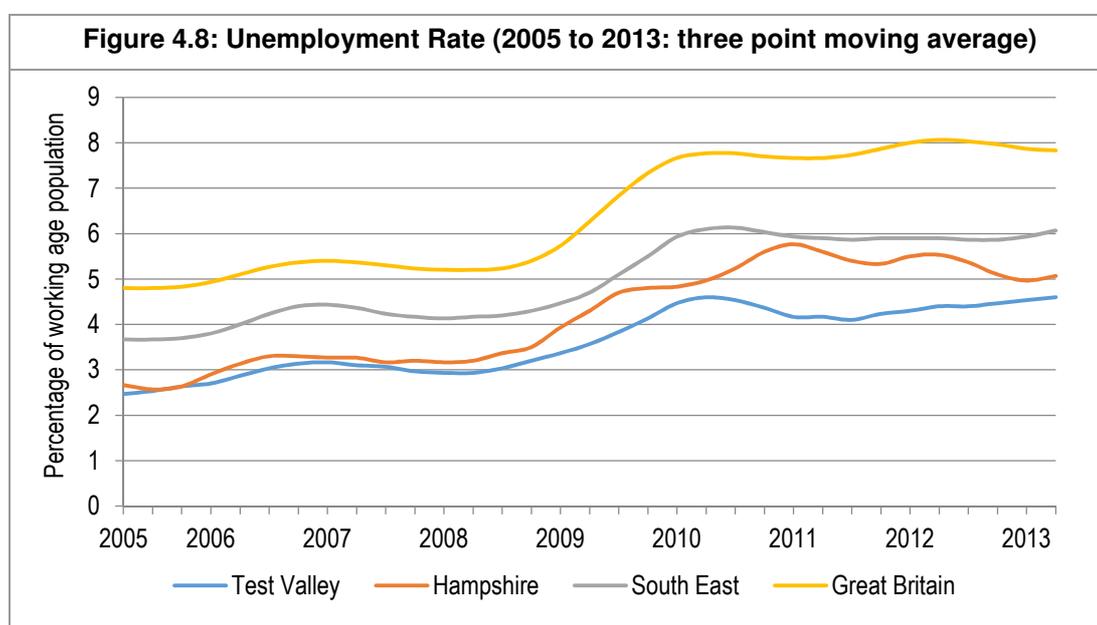


Source: Census 2011

- 4.13 At sub-area level, the data indicates that residents in the three rural sub-areas have a higher occupational profile, all with more than 51% employed in higher level, higher income occupations compared to 45% across the Borough.
- 4.14 Consistent with the skills profile, the Andover area has a particularly high proportion of residents in low skilled jobs, with almost 21% of the working age population employed in elementary or process and plant occupations (compared to 16% across the District). There is also a particularly high representation of residents in sales and customer service occupations in this sub-area (9.5% compared to 7.6% across Test Valley and 7.8% across Hampshire). This lower skills and occupational profile is likely to feed through to income levels and the relative ability of households to afford housing in the area.

Unemployment

- 4.15 Between 2005 and 2008, the rate of unemployment in Test Valley was broadly stable at around 3% largely consistent with the Hampshire trend level. Unemployment in the Borough increased sharply 2009 and 2010 - driven by the economic downturn and recession – however, the Borough fared slightly better than the county as demonstrated by the divergence in the respectively trend lines. This indicates that the labour market in Test Valley was somewhat more resilient to the economic downturn. Unemployment in Test Valley peaked in mid 2010 at 4.6% and has been largely flat since – a trend replicated across all comparators.
- 4.16 Current levels of unemployment in the District (4.6% of working age population) compare favourably to the Hampshire average (5.1%) and significantly better than levels seen across the South East more generally (6.1%).



Income and Earnings

- 4.17 Median annual gross resident earnings in Test Valley (£28,200) are slightly below both the Hampshire average (£29,300) and the South East (£29,500); somewhat reflecting the skills and occupation profile identified earlier.
- 4.18 It is useful to compare the incomes of full-time employed Test Valley residents with those of people working in jobs located in the Borough. At around £27,700, there is little evidence of a significant “gap” between the median wages of Test Valley “workers” compared to Test Valley “residents”. The same is true of lower quartile earnings.
- 4.19 This similarity in workplace and resident earnings is important in market terms as it means that house prices in the Borough are unlikely to be skewed by those who work elsewhere. As a result, those in local employment (and thus contributing to the local economy) are likely to have the same ability as those who commute out of the Borough to afford and access housing in the local market and thus little evidence that such groups would be marginalised.

Figure 4.9: Annual Workplace and Resident Earnings (2012)

	Median		Lower Quartile	
	Workplace	Resident	Workplace	Resident
Test Valley	£27,734	£28,194	£20,761	£20,512
Hampshire	£27,927	£29,255	£19,996	£20,295
South East	£28,181	£29,491	£20,010	£20,654

Source: NOMIS/Annual Survey of Hours and Earnings 2012

- 4.20 Growth in resident earnings in Test Valley over the past decade (2002-2012) has been slightly behind the Hampshire average. Over this period, the median resident earnings have increased by 24% (from £22,700) compared with 30% across Hampshire. Median workplace earnings have similarly grown at a slower rate in Test Valley than in Hampshire.

Economic and Employment Trends

Jobs Growth

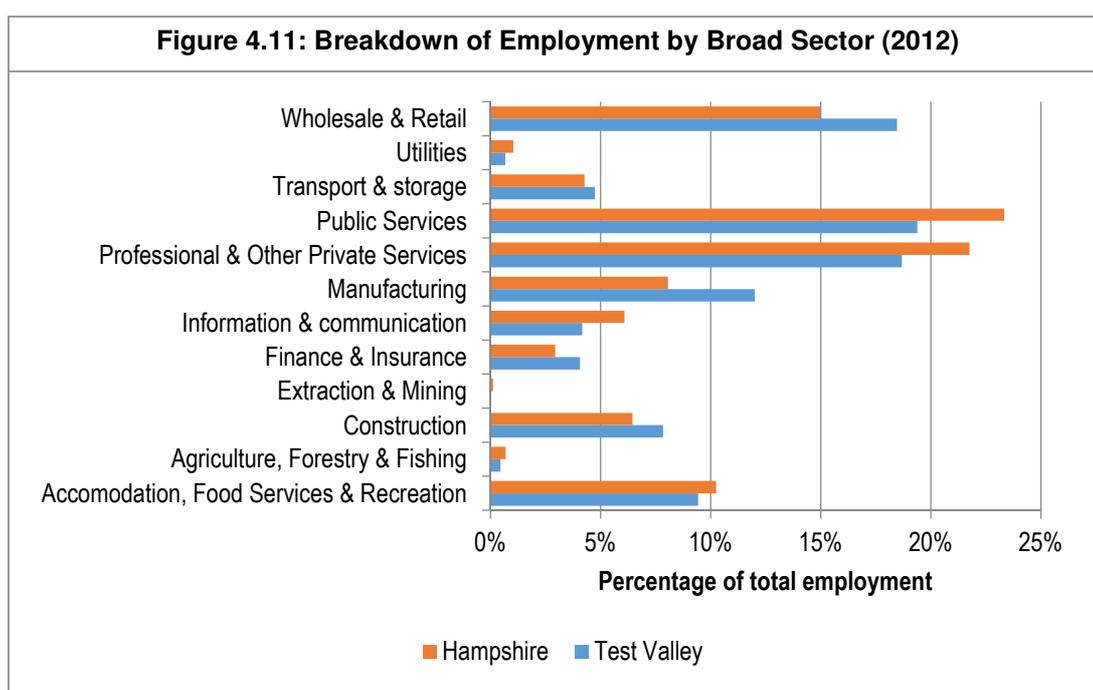
- 4.21 Test Valley recorded 60,680 workforce jobs in 2012, representing an increase of 12.3% from its 1997 level of 54,040, equivalent to growth of 0.82% per annum. Historic jobs growth in Test Valley has been broadly consistent with the Hampshire and South East growth levels (13.0%) over the same period.

	Total employment (1997)	Total employment (2012)	Employment growth (%)
Test Valley	54,040	60,680	12.3%
Hampshire	822,270	928,570	12.9%
South East	3,989,400	4,506,800	13.0%

Source: Experian April 2013 Economic Forecasts

Economic structure

- 4.22 Overall, the public service sector is the main employer in Test Valley, accounting for just under 20% of total employment (11,580 jobs). Reliance on public service employment in the Borough is however lower than that seen across Hampshire generally where public services account for more than 23% of total employment. However, this is due to the fact that Test Valley has notably lower employment in sectors such as public health and education as employment in public administration (i.e. local government) in the Borough is actually higher in percentage terms than Hampshire (4.4% v 3.5%).
- 4.23 The professional and private services sector also accounts for a significant proportion of total employment in Test Valley and, at 19% (11,160 jobs), is only slightly behind public services. However, the proportion of jobs in this sector in the Borough is slightly lower than the Hampshire average (22%).
- 4.24 Compared to Hampshire, Test Valley also has a notably higher proportion of employment in the manufacturing sector which accounts for 12% of all employment (7,170 jobs) in the Borough and only 8% across Hampshire. In particular, the data suggests comparatively high employment in the food, chemical and machinery manufacturing sectors compared to the county. The proportion of jobs in the wholesale sector in Test Valley (8.7%) is also notably above the county average (5.8%).



Source: Experian Economic Forecasts (April 2013)

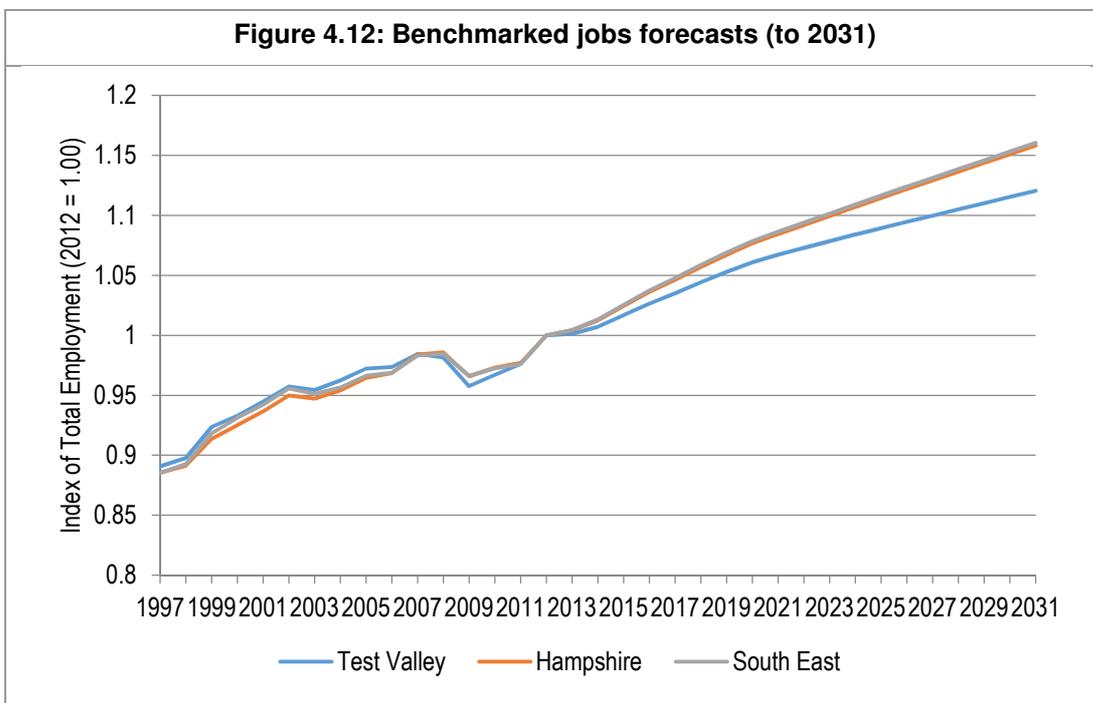
Jobs density

4.25 Jobs density indicates the number of jobs per working age population within a particular area. Set against other evidence, jobs density can be a useful indicator of commuting pressures and labour demand/supply imbalances. Jobs density in Test Valley (0.85) is slightly above the Hampshire (0.81) and South East averages (0.80).

Economic forecasts/prospects

4.26 It is important to consider the comparative economic and employment prospects moving forward as these will have implications for need and demand for housing within the market area. The latest forecasts for Test Valley show total employment growing from 60,700 jobs in 2012 to 68,000 in 2031, an increase of 7,300 total jobs.

4.27 The chart overleaf benchmarks forecast employment growth to 2031 for Test Valley against a number of comparator areas. These forecast show that Hampshire and the South East are expected to perform almost identically in terms of future employment growth, with annual growth of 0.83% and 0.84% respectively. Future employment growth in Test Valley is expected to be comparatively modest at around 0.63% per annum. Given past trends have seen the Borough perform broadly in line with these wider comparator areas, it is perhaps surprising that future growth forecasts are markedly lower. This is borne out of sectoral composition and in particular the Borough’s comparatively higher reliance on manufacturing (which is a nationally declining sector) and also public administration (i.e. local government).



Source: Experian Economic Forecasts (April 2013)

- 4.28 Looking at future growth in particular sectors, we see a marked decline across the manufacturing sector (26% decline, 1,670 jobs) and public administration (23% decline, 610 jobs). Against this, we see an on-going shift towards knowledge intensive sectors of computing, real estate, professional services and finance: all of which forecast to generate relatively substantial employment growth in the period to 2031 (combined 3,100 additional jobs in the Borough). Test Valley is also expected to see significant growth in the administrative and support services sector which is forecast to grow by almost 1,100 jobs by 2031. The forecasts also anticipate relatively strong growth in “population” driven sectors such as health and care and education (1,970 additional jobs).
- 4.29 This structural change may have implications for housing needs and requirements moving forward. Jobs growth in the knowledge sectors is likely to be dominated by roles in the top occupation categories (managers, professionals, technical) and thus may generate additional housing demand from high income households putting additional upward pressure on affordability. However, such households are also more likely to be somewhat more “mobile” in terms of their geographic search preferences for housing. Conversely, growth in the population driven sectors is likely to be focussed on lower occupational roles and thus lower income workers. These households are more likely to have a genuine need for housing locally but are likely to find it difficult to access housing.

Key Findings: Socio-Economic and Demographic Profile

Population growth in Test Valley since 1982 has been above average for Hampshire. However, this was driven by particularly strong growth in the early part of that period and growth has slowed notably and over the past decade, with Test Valley recording slower growth than the county and region.

The age structure of the population in Test Valley is broadly consistent with the Hampshire profile. The most prevalent age groups in the population are 40 to 49s, consistent with a market dominated by established families and most likely empty nesters. Test Valley has experienced significant growth in the over 65 population over the past decade, faster in percentage terms than Hampshire and the South East. The Borough has also seen a more significant decline in the 25 to 34 age group.

The Central rural and Romsey sub-areas have a notably older population profile whilst the age structure in Andover is significantly younger with a high proportion of residents in the 15 to 34 age range – commonly associated with young families and newly forming households.

The skills profile of residents in Test Valley is broadly consistent with the Hampshire and South East averages and in the main is relatively high. This translates into a relatively high occupational profile with 45% of Test Valley residents employed in high level occupations. Residents in the three rural sub-areas have a particularly high occupational profile, somewhat indicative of the types of buyers likely to be present in the market.

Current levels of unemployment in Test Valley compare very favourably to wider comparators. Unemployment in the Borough rose as a result of the recession and has broadly been stable since, similar to trends seen across the county. Resident earnings are slightly below the Hampshire and South East averages. There is very little difference between workplace and resident earnings in Test Valley, meaning significant issues with the ability of local workers to access the local housing market are less likely to arise.

The economic structure in Test Valley is dominated by Public Services (20% of employment) and Professional Services (19% of employment). The Borough has a comparatively high reliance on manufacturing employment compared to Hampshire and also a higher level of employment in public administration (e.g. local government). Given the funding outlook for the latter and the general decline nationally in the former, there are some future economic risks to the Borough.

Historic jobs growth in Test Valley has been broadly consistent with levels seen across Hampshire and the South East. Projections indicate future employment growth in Test Valley will perform modestly compared to Hampshire and the South East moving forward with average annual growth of 0.63% per annum in the period to 2031. This equates to 7,300 additional jobs.

Sectorally we expect to see a continued shift away from manufacturing and public administration (combined net job losses). Knowledge industries (IT, finance, professional services, real estate) are future growth sectors as are population related sectors (health and care, retail, education). Continued growth in higher value jobs in the Borough may exacerbate issues of affordability in the future, particularly for those in newly created “population driven” jobs.

5. Housing Market Dynamics and Market Signals

Introduction

5.1 The draft National Planning Practice Guidance (NPPG) sets out that Councils should consider future housing numbers with regard to appropriate market signals, as well as other market indicators of the balance between demand for and supply of dwellings. It indicates for example that prices or rents rising faster than the national/local average may indicate particular market undersupply relative to demand. It identifies a number of relevant market signals:

- Land Prices – where price premiums indicate a shortage of land in a locality;
- House Prices and Rents – where longer-term changes in prices may indicate a supply-demand imbalance;
- Affordability – using the ratio of lower quartile house prices to lower quartile incomes to assess relative affordability of market housing;
- Rates of Development – through comparison of rates of permissions and completions relative to planned numbers over a meaningful period;
- Overcrowding – whereby long-term increases in overcrowded, concealed and sharing households homelessness and numbers in temporary accommodation should be considered.

5.2 The focus is on considering indicators relating to price and quantity. The draft Guidance sets out these issues should be assessed by comparing long-term trends in the housing market area, similar demographic/ economic areas, and nationally. The purpose of this is to consider whether a proportionate upward adjustment should be made to housing numbers to improve affordability.

Land Prices

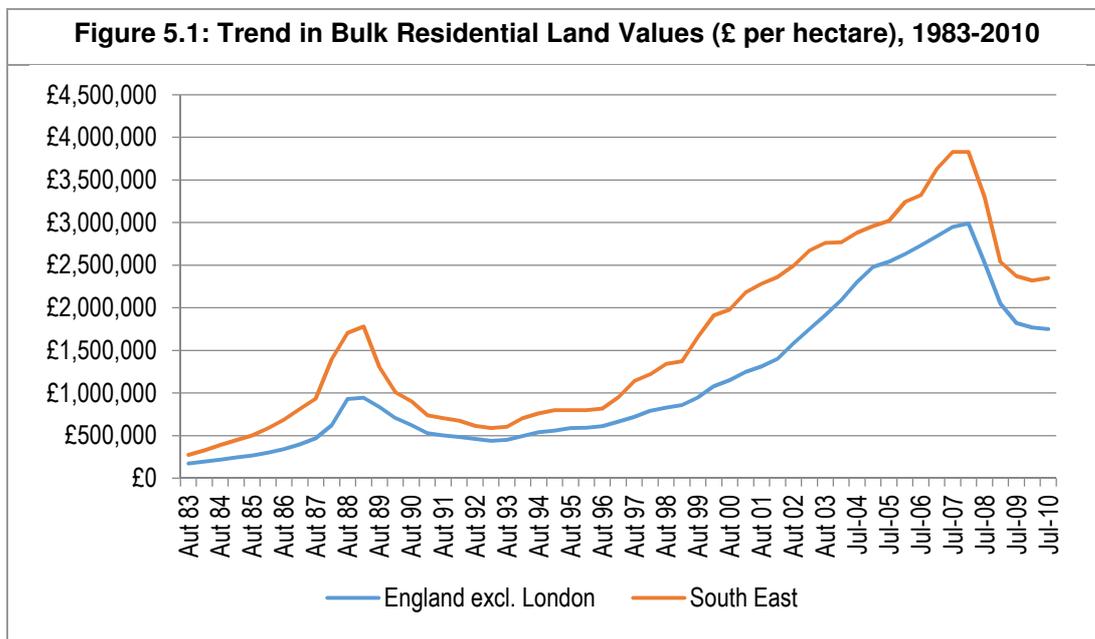
5.3 There is no consistent published source of information on land prices. As such, we drawn on and triangulate a variety of sources to illustrate residential land prices signals.

5.4 The figure below indicates that values for residential development land rose substantially and consistently throughout England from the early 1990s to the start of the recession in 2008. Over this period, we can also see that average prices in the South East have consistently stayed above the national level with prices rising from approximately £590,000 in 1993 to in excess of £3.8 million in January 2008.

5.5 Growth in land prices across the South East during the “boom” years (2005-2008), was noticeably above the national level (29% compared to 20%), suggesting a comparatively undersupply in the volume of land compared to demand. At the peak, prices land prices in the South East were more than £900,000 above the national average (excluding London).

5.6 The credit crunch however resulted in a notable fall in land values, with values declining by 42% nationally from January 2008 to July 2010; and by a slightly lower amount (39%) across the South East.

5.7 Overall the analysis points towards a particular shortage of development land within the region in 2010; although it does suggest that land supply over the 1999-2005 period in the region fell short of demand.



Source: VOA/ HCA 2010

5.8 We can also use the VOA 2010 data to benchmark residential land values at a more local level. Data is not available for any locations in Test Valley but was produced for Portsmouth, Southampton and Basingstoke until 2010 which are considered to be reasonable comparators.

5.9 Assuming values in Test Valley lie somewhere between the levels seen in Southampton, Basingstoke and Portsmouth, the data indicates that average land values in Test Valley in 2010 were broadly in line with the national averages but below the South East averages by around 24-28% depending upon the land type. This is largely because residential land prices in the South East are particularly driven up by values in excess of £3-4m per hectare in locations such as Surrey, Oxford and parts of Kent.

Figure 5.2: Residential Land Values, 2010 (£/ha)

	Small sites	Bulk Land	Sites for flats or maisonettes
Southampton	2,050,000	1,985,000	2,000,000
Basingstoke	1,800,000	1,772,000	1,700,000
Portsmouth	1,560,000	1,550,000	1,420,000
South East	2,500,000	2,350,000	2,580,000
England (ex. London)	1,900,000	1,770,000	1,960,000

Source: VOA/ HCA 2010

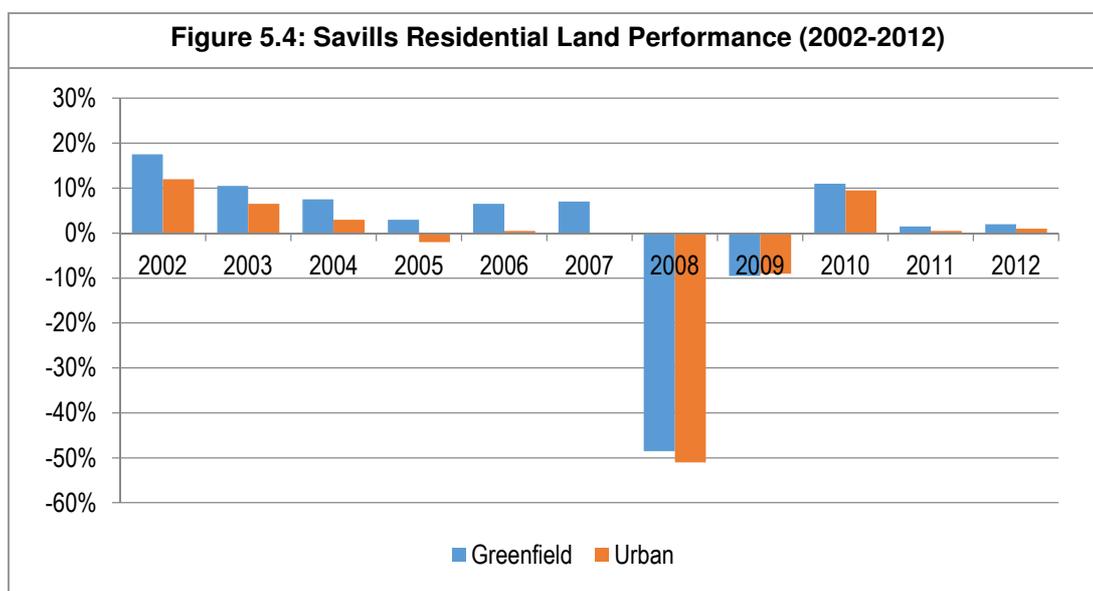
5.10 Consistent data since 2010 is not available and as such it is necessary to interrogate other data sources to understand how land values have changed over the past few years.

- 5.11 The Knight Frank Residential Development Land Index shows that typical residential land values across England and Wales have been relatively flat over recent years; although there are some signs of a slight recovery in 2013.

Figure 5.3: Knight Frank Residential Development Land Index – England & Wales	
Date	Index Level
Sep-11	100
Dec-11	100.2
Mar-12	100.2
Jun-12	99.9
Sep-12	100.1
Dec-12	99.9
Mar-13	100.4
Jun-13	101.6

Source: Knight Frank Residential Development Land Index

- 5.12 Data from Savills broadly corroborates this position, indicating that residential land values across the country have shown little growth since 2010. As the chart below demonstrates, residential land values experienced some growth during 2010 but beyond that have seen little or no price change, particularly for urban sites.



Source: Savills Market in Minutes Residential Land

- 5.13 Whilst land values have experienced growth (albeit modest) since 2010, they remain substantially below peak values. Savills Research (May 2013) indicates that across the UK, greenfield land prices are currently 32% below their former highs; with urban values still less than half their credit crunch peak. In the South East, greenfield land prices have fared slightly better (currently 26% down on peak), whilst urban sites have performed similar to the national picture, standing 52% down on pre-recession levels.

Figure 5.5: Regional Land Values vs. Former Peak		
	Greenfield	Urban
London	-	1%
South East	-26%	-52%
South West	-28%	-38%
West Midlands	-28%	-53%
UK	-32%	-53%
East of England	-36%	-53%
Scotland	-41%	-44%
East Midlands	-45%	-62%
North	-58%	-73%

Source: Savills Research

- 5.14 Given this comparatively low start point, it is most likely that recent recovery in land values is as a result of improved market sentiment rather than particular supply demand imbalances. However, moving forward and with increasing funding now available for land buying and expansion, upward pressure could be placed on land values, particularly for the more commercially attractive sites.
- 5.15 Interestingly, if we compare observed land prices in these areas at the height of the boom, we see a very different pattern. Here we see average prices in Basingstoke and Southampton above the regional average, indicating demand in these areas was tighter against supply than across the South East more generally at this point. This could suggest that whilst developers have initially returned to the market in preferred locations such as Surrey and Oxford, as “heat” increasingly returns to the market, areas such as Hampshire and Test Valley could actually experience comparatively high pressure in the residential land market.

Figure 5.6: Residential Land Values, 2007 (£/ha)			
	Small sites	Bulk Land	Sites for flats or maisonettes
Southampton	3,950,000	3,850,000	4,200,000
Basingstoke	3,950,000	3,850,000	3,950,000
Portsmouth	3,100,000	3,100,000	3,550,000
South East	3,810,000	3,630,000	4,400,000
England (ex. London)	2,970,000	2,810,000	3,360,000

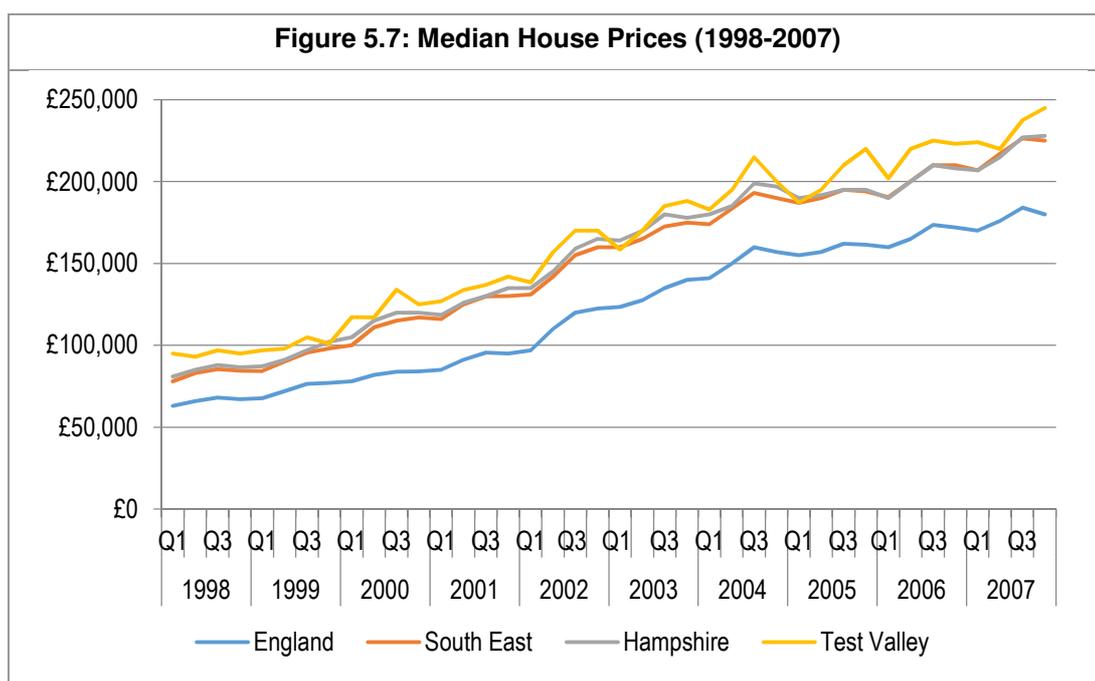
Source: VOA/ HCA 2010

- 5.16 Overall, given land pricing and performance at the current time there is no evidence a supply-demand imbalance in the residential land market in Hampshire/Test Valley. However, given the performance of the Hampshire land market at the height of the “boom” even compared to the South East, the evidence suggests it could become an area of particular land price pressure as market sentiment improves and housebuilders increasingly return to the market. It may be prudent to make a modest response in terms of housing land supply to this particularly dynamic.

House Prices and Rental Levels

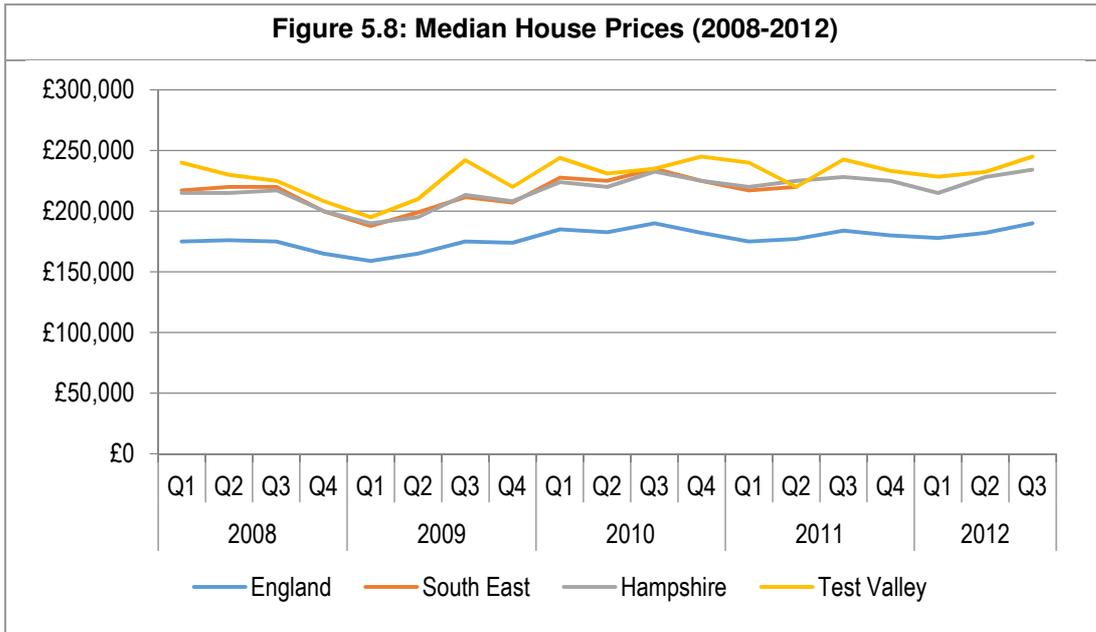
House Price Trends

- 5.17 As recognised in the draft Planning Practice Guidance, long-term changes in house prices can be an indicator of the balance between the demand for, and supply of, housing in a particular area. The chart below profiles median house prices in Test Valley against wider comparators during the pre-recession decade (1998-2007).
- 5.18 As the chart below demonstrates, over this decade, all areas – including Test Valley - experienced substantial house price growth, driven by high levels of effective demand arising from high levels of mortgage availability. The median house prices in Test Valley increased by 158%, equivalent to annual growth of almost 16%, however; whilst this is high, it is some way behind the average growth seen across Hampshire and the South East at 18.1% and 18.8% per annum respectively. This would tend to indicate that, over this period, Test Valley experienced less market pressure from supply/demand imbalance.
- 5.19 In terms of absolute, Test Valley tracked the South East and Hampshire averages quite closely over the decade to 2007, with little evidence of significant divergence. In 2008, the median price in Test Valley was approximately 7% (£20,000) above the Hampshire average.



Source: HM Land Registry

- 5.20 House price dynamics since 2007 have been vastly different as a result of the wider economic situation and considerable constraint on mortgage availability. As a result, the chart below demonstrates that prices have been completely flat across all of the comparator areas over the past four years. Indeed since the peak in late 2007, house price growth in Test Valley has been 0%, compared with a modest 2.8% across Hampshire as a whole. If inflation is stripped out, these areas would actually show nil or even negative growth in real terms. In Q3 2012, median prices in Test Valley were around 5% (£11,000) above the Hampshire average.

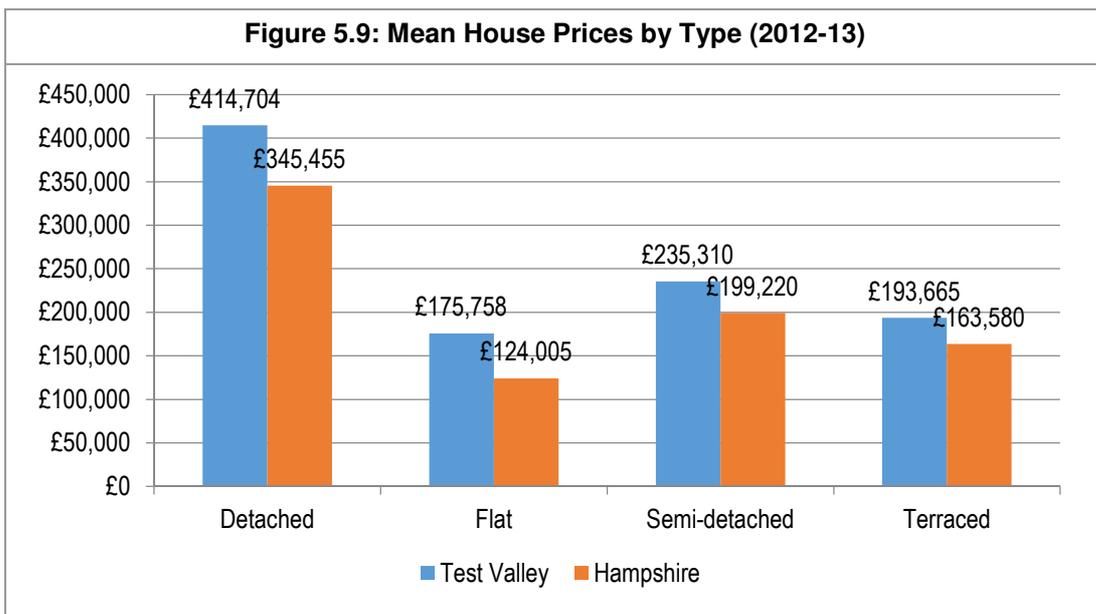


Source: HM Land Registry/ DCLG

Detailed Price Analysis

5.21 Average prices are influenced by the mix of homes sold and pricing differentials can be an indicator of the supply and demand dynamics for particularly types of property within in area. To supplement the overall averages, we have profiled the average price for flats, semi-detached, terraced and detached properties in Test Valley over the past year against the Hampshire average.

5.22 As the chart below demonstrates, average prices for all property types are higher in Test Valley than across Hampshire as a whole. In particular, the data indicates significant price differentials for detached properties and flats with prices in Test Valley 20% and 42% respectively above the county averages.



Source: HM Land Registry

- 5.23 The table below compares mean and median price data for different types of property in Test Valley over the year to March 2013. Again we see quite significant differentials between mean and median prices for flats and detached houses, suggesting the market for these properties can experience particularly high value sales, thus skewing the mean average.

Figure 5.10: Comparison of mean and median average prices in Test Valley (2012-13)

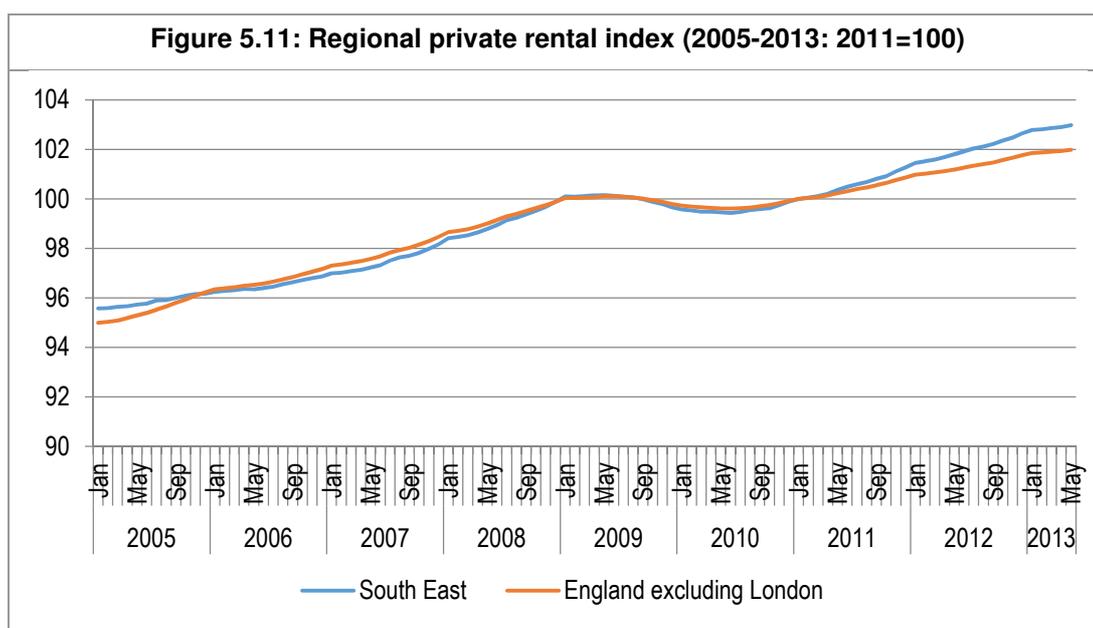
	Median	Mean
Detached	£345,000	£414,704
Flat	£138,000	£175,758
Semi-detached	£220,000	£235,310
Terraced	£182,000	£193,665

Source: HM Land Registry

- 5.24 Overall, there is no evidence of a particular divergence in long-term house price trends in Test Valley against either Hampshire or the South East. Even at the height of the market, growth in Test Valley tracked slightly behind the county level. As such, the evidence indicates does not point to a particularly acute supply-demand imbalance in Test Valley. That said Test Valley is in general a higher value area with average prices across all property types above the Hampshire averages. This dynamic alone would tend to indicate a higher level of demand in the market which would be expected to sustain modestly higher growth in housing stock.

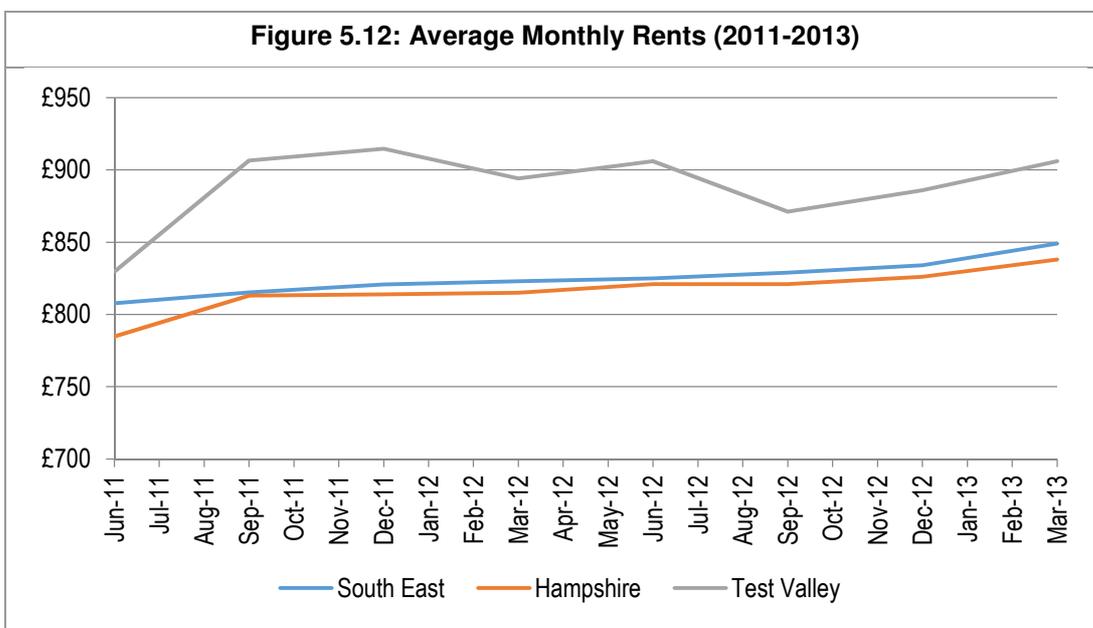
Rental Trends

- 5.25 The draft Guidance also directs us to consider rental trends and average rental prices. ONS provides a monthly index of movement in private rental values from which we can see trends across the South East. As the chart below demonstrates, rental price growth across the South East has been relatively modest since 2011 (c.3%); however, this has outstripped the national average of 2%.



Source: ONS Private Rental Index

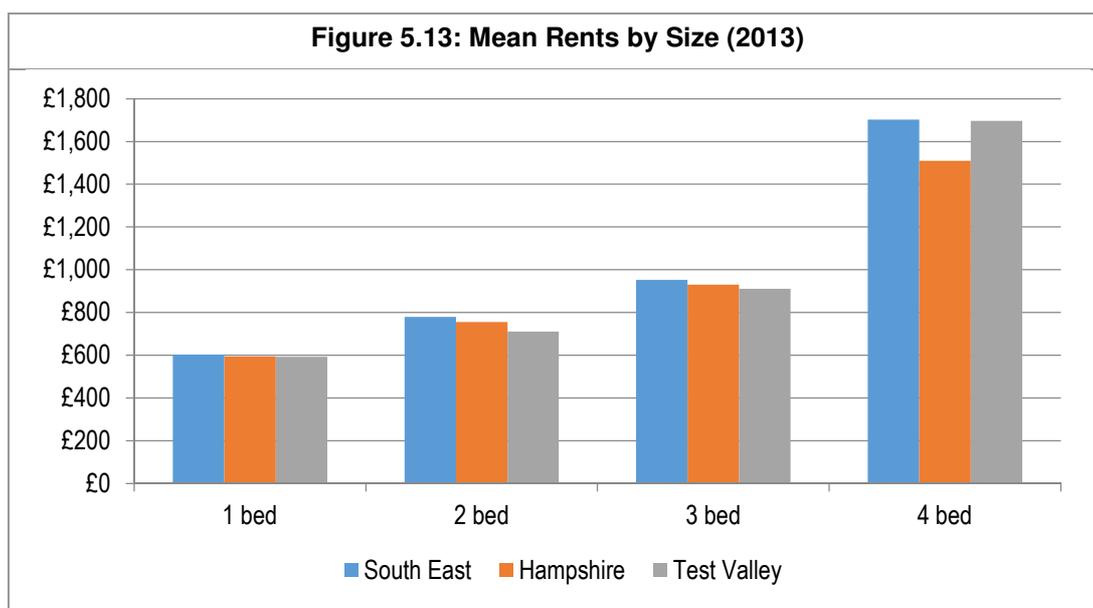
5.26 Analysis of Valuation Office Agency Private Rental Market data indicates a similarly trend, albeit showing a slightly higher level of growth in average rental prices across the since 2011 of approximately 5% across the South East. This dataset also allows us to analyse trends at a lower level and as the chart below shows, growth in Test Valley has been somewhat above the regional average at 9.3%, suggesting comparatively stronger demand in the local rental market. This could also be indicative of constrained options in terms of owner occupation within the Test Valley market, with households turning to private rent as an “interim” measure.



Source: VOA Private Rent Market Data

5.27 In terms of absolute levels, the average rent in Test Valley currently stands at around £906 pcm, approximately 8% above the Hampshire average of £838 pcm. However, the chart below demonstrates that, with the exception of larger four bedroom properties, rental values in Test Valley are below those seen across Hampshire and the South East.

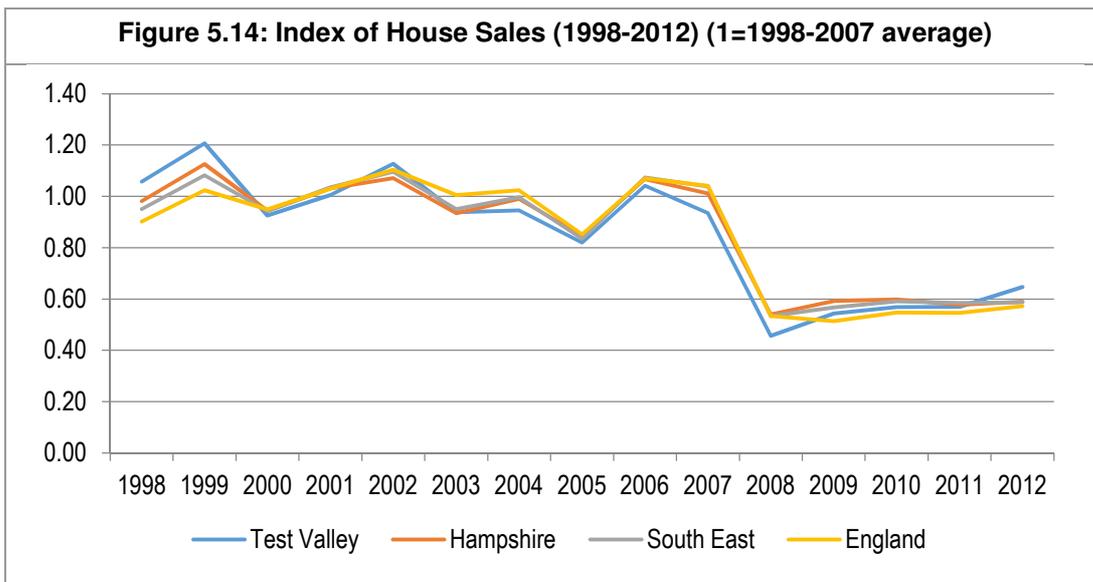
5.28 As a result, it is clear that the overall average in Test Valley is skewed by the size profile of properties to rent: indeed analysis of VOA data shows that around 50% of rental transactions in Test Valley were for 3 bed plus properties, compared to less than 40% across Hampshire and the South East.



- 5.29 Overall, the evidence suggests that private rental values in Test Valley have grown faster over the past few years than the levels experienced across the county and the South East. Whilst this is likely to be partly driven by a genuine increase in demand in the private rented sector, given the size profile of rental transactions this is also likely to be driven by constrained options in terms of owner occupation within the Test Valley market, with family households turning to private rent as an “interim” measure.

Sales Volumes and Effective Demand

- 5.30 Sales volumes and sales rates are an important indicator of the level and strength of effective demand for market housing. We have benchmarked sales performance against long-term trends to assess relative levels of demand in Test Valley against Hampshire and England.
- 5.31 The chart clearly demonstrates the impact of the recession on sales. Prior to 2007, sales were running at an average of 2,600 per annum in Test Valley. However, in 2008, we see a sharp drop in sales to around 1,200, more than halving the level of effective demand in the market. Whilst this trend was replicated across all comparator areas, we can see from the chart below that the drop off in demand was somewhat more pronounced in Test Valley.
- 5.32 Since the recession, the data shows recovery in sales and demand has been relatively modest. In Hampshire, sales have increased by only 9% since the bottom of the market in 2008 and in the South East have increased by only 10%. Conversely, despite a more significant fall to begin with, Test Valley has seen a far stronger sales recovery, with annual sales up from 1,200 in 2008 to almost 1,700 in 2012, an increase of more than 40%. As a result, demand levels in Test Valley are currently 35% down on peak levels, compared to more than 40% across Hampshire and the South East.



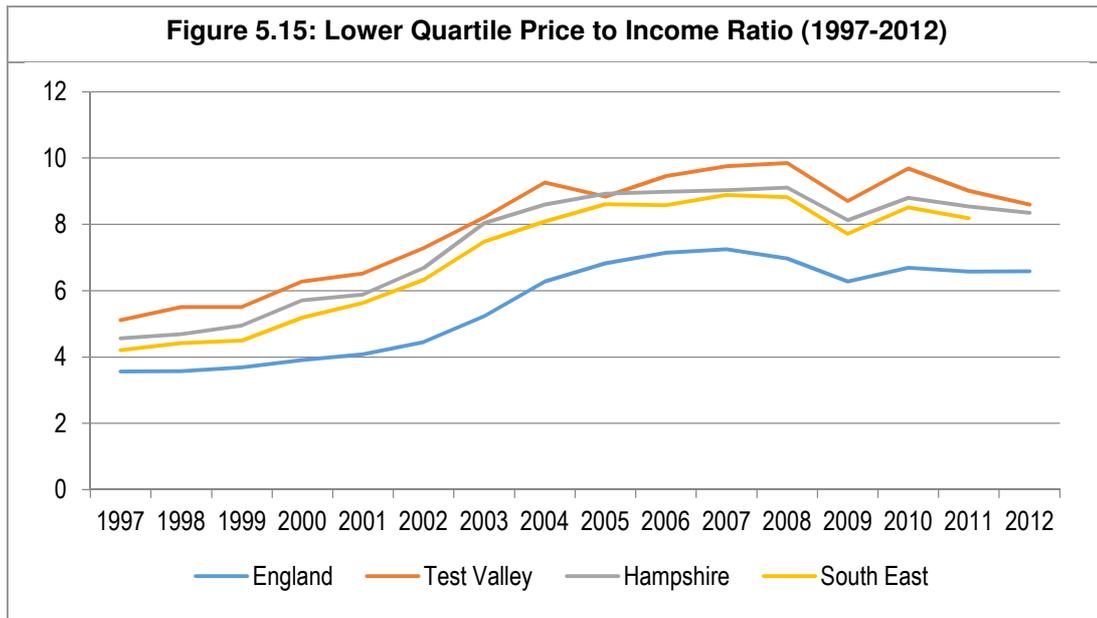
5.33 Overall, the evidence of sales would suggest that whilst Test Valley displayed somewhat lower resilience at the onset of the recession, recovery in demand has been significantly stronger than comparator areas, suggesting buyers returning to the local market more quickly than Hampshire and the South East more generally. This could result in the market in Test Valley “heating up” comparatively quickly. Whilst when combined with other evidence it does not suggest an acute need to increase supply, it highlights the importance of Test Valley having sites which are available now and a ready pipeline of development to ensure that supply can respond to a comparatively rapid return of demand.

Affordability of Market Housing

5.34 The draft Guidance specifically identifies affordability as an important signal of market pressures. Lower quartile price to income ratios consider the affordability of entry-level market housing to lower income households and first time buyers.

5.35 As a general observation, we can see that across all areas, the affordability of housing has worsened over the past 15 years. However, during the boom period, affordability worsened at a slightly lesser rate in Test Valley than across the South East.

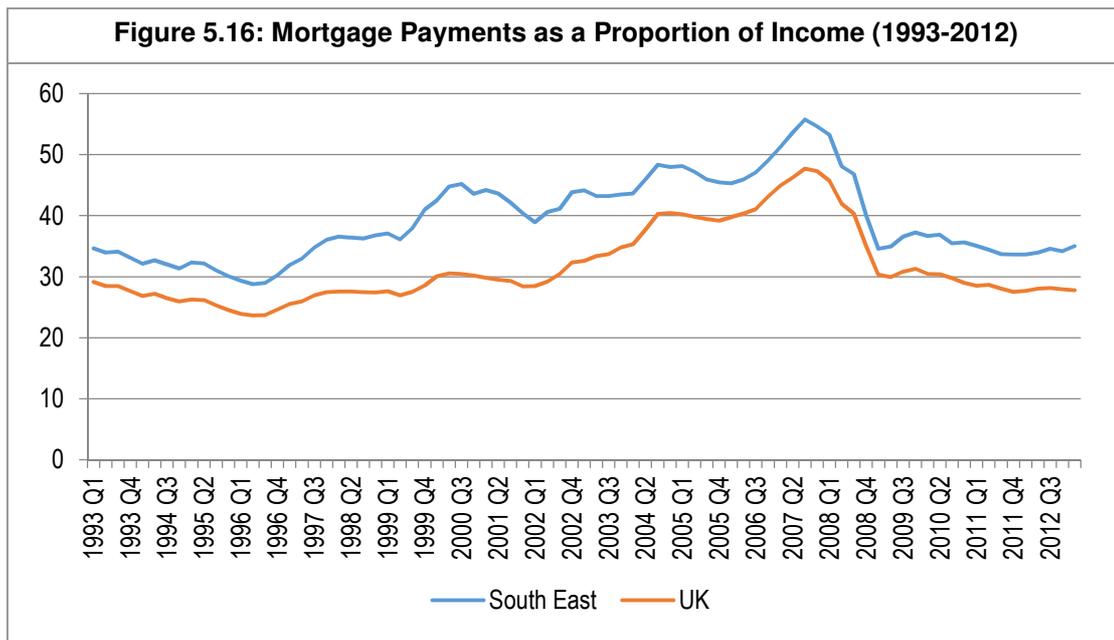
5.36 In absolute terms, the data indicates that affordability is clearly worse across the South East than England generally with Test Valley facing slightly more acute affordability issues than the county and region as a whole. The current lower quartile ratio for Test Valley stands at 8.60 compared to 8.36 across Hampshire.



Source: CLG Table 576

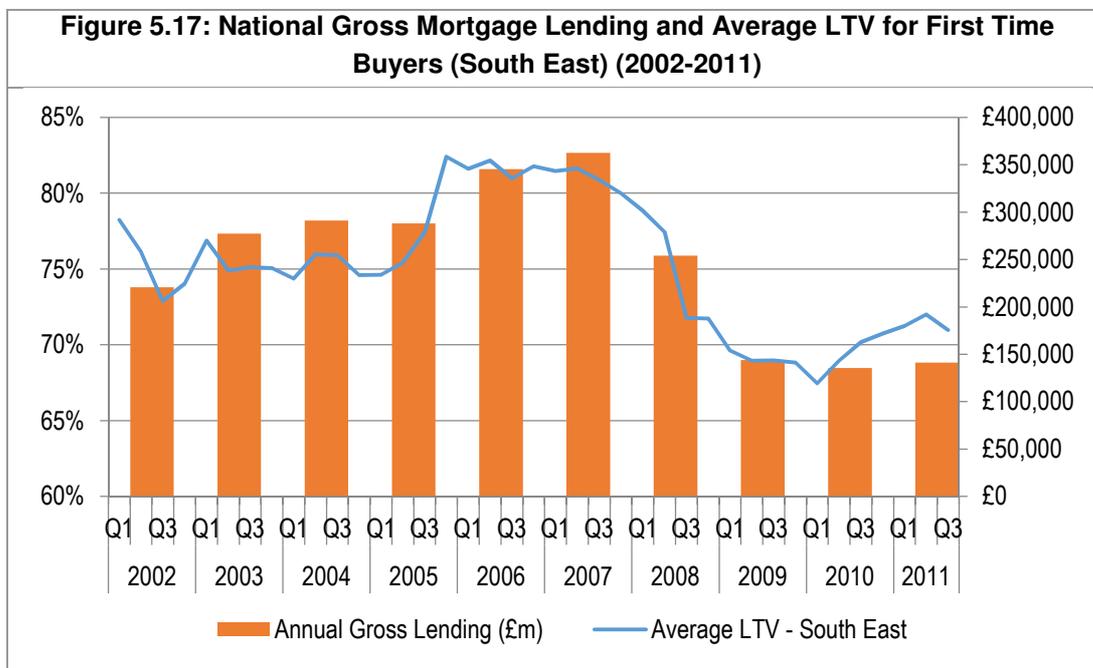
- 5.37 This measure (coupled with the wider evidence) points to only a modestly higher affordability pressure in the market in Test Valley at the current time compared to areas such as Hampshire. In fact, the recent trend (over the past few years) indicates the affordability has continued to improve in Test Valley, more so than in comparator areas where the trend has been flatter.

- 5.38 The lower quartile ratio is a relatively simplistic measure, given that households ability to afford market housing is also affected by macro-conditions such as the costs of (and access to) mortgage finance. The chart below draws on Halifax data to benchmark mortgage payments as a proportion of incomes. This shows that the affordability of maintaining a mortgage in the South East today is similar to that in the late 1990s; however, it also reiterates that the region as a whole is less affordable than average relative to other parts of the UK.



Source: HBOS

5.39 The chart below shows two key indicators of mortgage availability. Firstly, we can see that overall mortgage lending showed consistent growth between 2002 and 2007, increasing by more than 64% over the five year period. The chart also demonstrates mortgages becoming increasingly accessible over this period, with the average loan-to-value ratio advanced to first time buyers increasing from 73% in late 2002 to around 82% in 2006 and 2007.



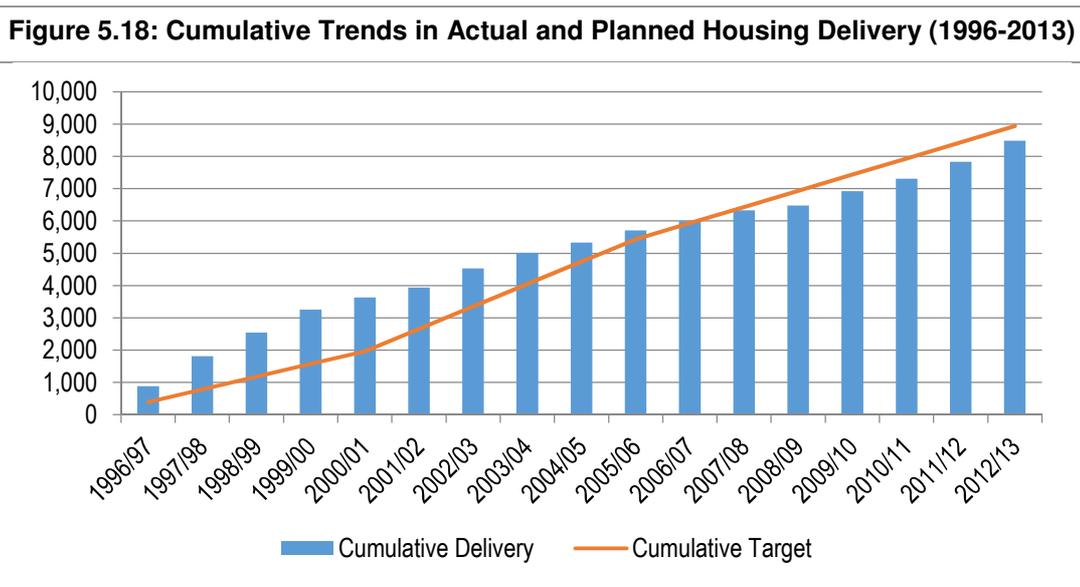
Source: Council for Mortgage Lenders/DCLG Table 513

Rates of Development and Housing Delivery

5.40 In line with the guidance, we also need to consider rates of development of housing. We can benchmark delivery since 1996 against the relevant targets in place over that period: that is the Hampshire Structure Plan (from 1996 to 2006) and the South East Plan (from 2006 to 2013). In overall terms, average annual delivery in Test Valley over the period assessed was 500 homes. As the chart below demonstrates, rates of delivery in Test Valley in the late 1990s/2000 significantly outperformed planned targets, achieving average annual delivery of more than 810 homes per annum.

5.41 Rates of delivery then slowed in the early/middle part of the 2000s, with average annual completions between 2000 and 2007 – covering the “boom” period – of only 385 per annum. However, this was particularly borne out of delays in bringing forward greenfield allocations. As a result, previous oversupply turned to a cumulative undersupply in 2007/08. Annual delivery then dipped to its lowest point in 2008/09 (only 147 new homes were built in the Borough), largely as a result of the recession.

5.42 Since 2008, deliver performance in Test Valley has been actually been relatively strong, particularly given the economic backdrop. Over the past four years, Test Valley has achieved average annual completions of 502 homes, with total completions of almost 660 homes in 2012/13.



Source: Test Valley Monitoring Data

Figure 5.19: Annual Delivery and Targets (1996-2013)

	Delivery	Target	Plan
1996/97	886	393	
1997/98	927	393	
1998/99	734	393	
1999/00	706	393	
2000/01	375	393	Hampshire Structure Plan
2001/02	314	693	
2002/03	592	693	
2003/04	483	693	
2004/05	315	693	
2005/06	374	693	
2006/07	288	501	South East Plan
2007/08	339	501	
2008/09	147	501	
2009/10	438	501	
2010/11	388	501	
2011/12	523	501	
2012/13	659	501	
Cumulative Total	8,488	8,937	

Source: Test Valley Monitoring Data

5.43 Overall, historic rates of delivery have generated an undersupply of around 450 homes over the past 17 years. However, it is clear from the trends that this has been particularly influenced by delays in bringing forward large greenfield sites, partly due to the recession. This undersupply is likely to have contributed to constraining household formation in the Borough – particularly given the comparatively low completions during the boom period. In line with the draft Guidance, it would be appropriate to make a reasonable upward adjustment over and above baseline demographic requirements to account for this.

Market Capacity

- 5.44 We have reviewed issues regarding market capacity in regard to rates of growth in the housing stock, as this allows comparison between areas.
- 5.45 Across the South East region over the last decade rates of housing growth have varied broadly from around 0.5% growth per annum in heavily constrained local authorities (such as those with significant Green Belt coverage) through to growth rates of 1.7% - 2.0% in former growth areas such as Ashford and Milton Keynes. Milton Keynes at the top end here has seen the highest rates of housing growth nationally.
- 5.46 Across Hampshire we see an average growth rate of 0.9% over the past decade – ranging from 0.5% to 1.2%. In the pre-recession period (2002-8) growth rates of 1.3% in Winchester and Eastleigh and 1.5% in Gosport were achieved.

	2002-8	2009-13	2003-13
East Hampshire	1.0%	0.7%	1.0%
Eastleigh	1.3%	0.9%	1.2%
Fareham	0.9%	0.6%	0.8%
Gosport	1.5%	0.5%	1.0%
Havant	0.5%	0.4%	0.5%
New Forest	0.7%	0.3%	0.5%
Portsmouth	0.9%	0.6%	0.8%
Southampton	1.2%	0.7%	1.0%
Test Valley	1.0%	1.1%	0.9%
Winchester	1.3%	0.8%	1.1%
Hampshire	1.0%	0.6%	0.9%

Source: Based on Hampshire County Council Completions Data

- 5.47 The ten year growth rates are influenced by a period of significant market downturn and recession; which is not expected to be replicated to the same degree moving forwards.
- 5.48 Over the period since 2009 housing delivery has averaged 0.6% per annum across Hampshire; however, Test Valley has seen some of the strongest performance with a growth rate of 1.1% achieved – higher than any other Hampshire authority.
- 5.49 On the basis of the market analysis set out in the report, we conclude that it would be feasible that a housing market with Test Valley’s characteristics could support a growth rate of between 1.1%-1.2% per annum on average over the period to 2031, although this would be well above the growth rate trend achieved over the last ten years. Delivery of this rate of growth will be dependent on improving market circumstances; however the evidence from 2013 suggests that the market trajectory is currently upwards.

Key Findings: Housing Market Dynamics and Market Signals

Land pricing and performance at the current time in Hampshire/Test Valley compares favourably to the South East more generally with no evidence of a particular local supply-demand imbalance.

However, given the performance of the local land market at the height of the “boom” even compared to the South East, the evidence suggests that Hampshire/Test Valley could become an area of particular land price pressure as market sentiment improves and housebuilders increasingly return to the market. It may be prudent to make a modest response in terms of housing land supply to this particularly dynamic.

There is no particular evidence of a particular divergence in long-term house price trends in Test Valley against either Hampshire or the South East. Even at the height of the market, growth in Test Valley tracked slightly behind the county level.

That said Test Valley is in general a higher value area with average prices across all property types above the Hampshire averages. This dynamic would tend to indicate a higher level of demand in the market which would be expected to sustain modestly higher growth in housing stock.

Changes in rental values in Test Valley have been higher than Hampshire and the South East, particularly driven by a high proportion of transactions for 3 and 4 bed properties. Whilst this dynamic is likely to be partly driven by genuine PRS demand, it also indicates households being pushed into the sector due to a lack of owner occupation options.

Given the higher price profile and slightly lower levels of affordability, there is likely to be a slightly greater level of constraint on household formation in Test Valley.

The recovery in sales levels and effective demand for market housing in Test Valley has been substantially stronger than that seen across Hampshire and the South East as a whole. This indicates buyers returning to the market more quickly and, whilst it may not necessitate an overall increase in supply, it does highlight the need for a supply of readily available sites and permissions.

Historic rates of delivery have led to a slight undersupply against targets since 1996; however, this has been particularly exacerbated by delays in bringing forward greenfield sites due to the recession.

Based on the market signals, it would be appropriate to make a modest upward adjustment to baseline demographic projections to ensure future supply addresses the risk of constrained household formation and responds to house price and affordability trends.

6. Future Housing Requirements

Introduction

- 6.1 This section of the SHMA seeks to establish overall housing requirements in Test Valley. The analysis is predicated on the requirements of the NPPF which says the scale of housing required should be based on meeting *'household and population projections, taking account of migration and demographic change'* (para 159).
- 6.2 The start point for any projection is reasonably an analysis of the most recent Government projections. At the time of writing these were the 2011-based 'interim' subnational population projections (SNPP) and the 2011-based 'interim' household projections from CLG (which are directly based on the SNPP). These projections are important as they provide a consistent approach where key inputs (such as levels of internal migration) sum at a national level. The SNPP is also a good source of data as it uses a 'multi-regional' model that studies migratory movements by age and sex between all local authorities in the Country. The SNPP is however limited by the accuracy of data underpinning it such as migration which is notoriously difficult to accurately measure – particularly at smaller area level.
- 6.3 The table below shows household growth in Test Valley from the 2011-based CLG projections. The projections cover the 10-year period to 2021 which is the full period covered by CLG. For the whole period studied these projections suggest a 7.6% increase in households. This is notably below the average growth expected in the South East (10.8%) and nationally (10.0%).

Figure 6.1: Projected household growth 2011-21 – CLG 2011-based household projections	
Households 2011	47,736
Households 2021	51,349
Change in households	3,613
% change from 2011	7.6%

Source: CLG 2011-based household projections

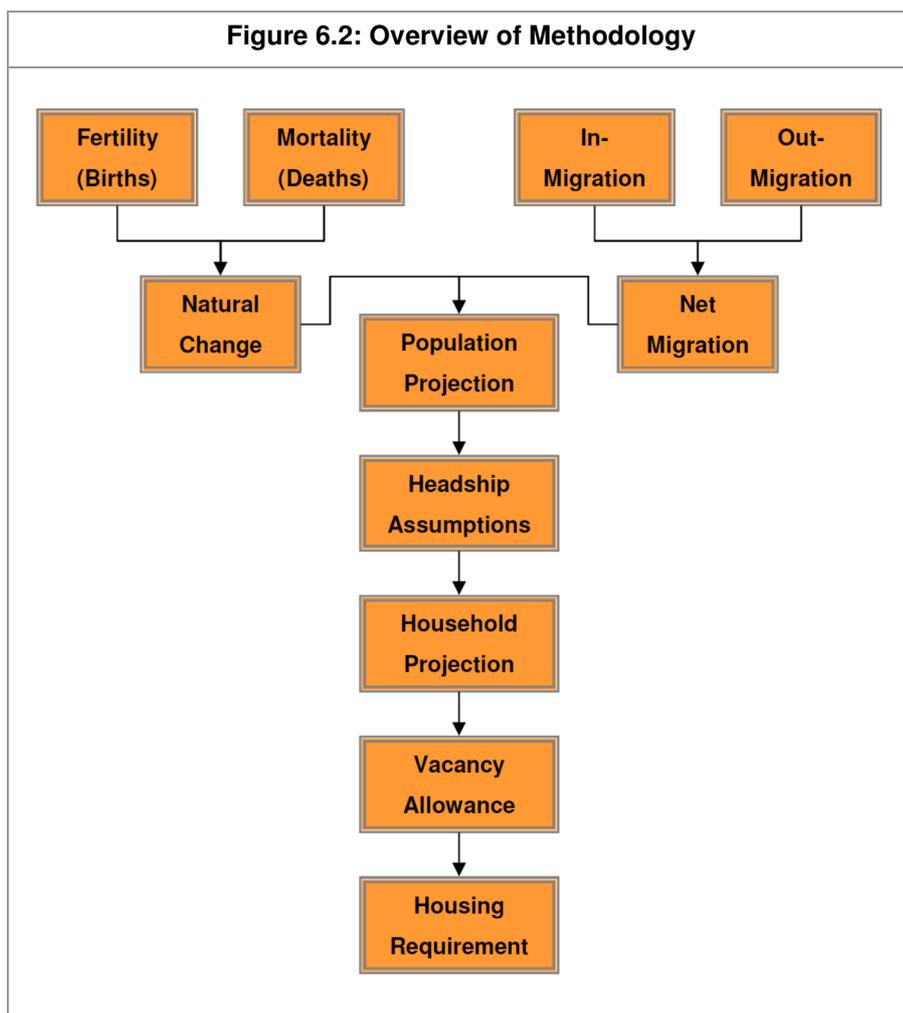
- 6.4 Whilst the CLG data can provide us with a start point for analysis it is also necessary to scrutinise the key inputs in more detail. Hence we have sought to interrogate the data feeding into the SNPP to take account of data published since the release of the SNPP. In particular we have considered the 2011 mid-year population estimates (which look at components of change such as migration from 2001-11 and have been rebased to take account of Census population estimates). Additionally, as the CLG projections only run to 2021 it is necessary to extend the projection period for longer-term planning purposes which for this report is the 20-year period from 2011 to 2031. Finally, the new CLG guide on SHMAs also recognises the importance of understanding the link between housing and employment – the analysis therefore considers not only demographic trends but also economic forecasts for Test Valley and the likely changes required to the working population if job growth forecasts are to be met.

6.5 The methodology applied is a scenarios approach which looks at data under a number of different assumptions to allow a view about the need for housing to be established. None of the individual scenarios can necessarily be considered as providing the right answer and all will need to be considered when drawing final conclusions about the need for additional housing in the Borough.

Methodology Overview

6.6 Our methodology used to determine population growth and hence housing requirements is based on fairly standard population projection methodology consistent with the methodology used by ONS and CLG in their population and household projections. Essentially the method establishes the current population and how will this change in the period from 2011 to 2031. This requires us to work out how likely it is that women will give birth (the fertility rate); how likely it is that people will die (the mortality rate) and how likely it is that people will move into or out of the Borough. These are the principal components of population change and are used to construct our principal trend-based population projections.

6.7 The figure below shows the key stages of the projection analysis through to the assessment of housing requirements.



- 6.8 Much of the data for our projections draws on ONS information contained within the 2010- and 2011-based subnational population projections (SNPP) and the 2011-based CLG household projections. In particular we have used this source to look at fertility rates, mortality rates and the profile of in- and out-migrants (by age and sex).

Projections Run

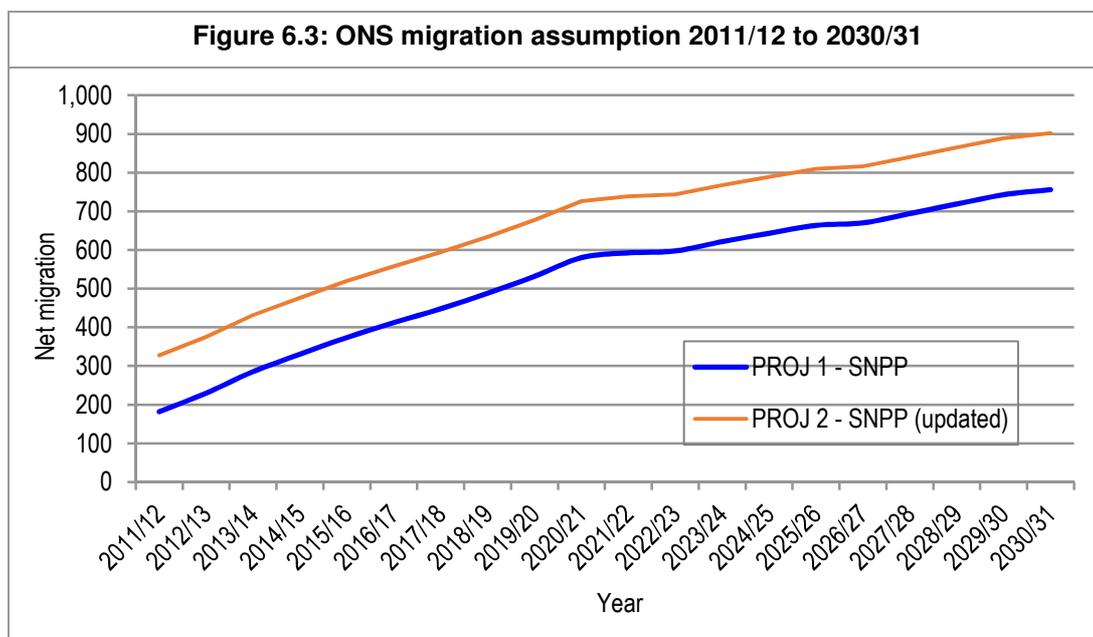
- 6.9 As part of this assessment we have run ten projections to assess how the population and local economy (number of people in employment) might change under different assumptions. The projections can broadly be split into four categories a) demographic (PROJ 1 to 4), b) economic-led (PROJ A to C), c) component (PROJ X and Y) and d) linked to housing delivery (PROJ Z). The ten projections run are listed below with a brief description of each following – all projections cover the period from 2011 to 2031:
- PROJ 1 – linked to 2010- and 2011-based SNPP
 - PROJ 2 – 2011-based SNPP (updated to take account of 2011 mid-year population estimates)
 - PROJ 3 – 10 year migration trends
 - PROJ 4 – 5-year migration trends
 - PROJ A – linked to an April 2013 Experian forecast (1:1 ratio of jobs to local workers)
 - PROJ B – linked to an April 2013 Experian forecast (constant commuting patterns)
 - PROJ C – linked to the economic forecast in the LTES
 - PROJ X – zero net migration
 - PROJ Y – zero employment growth
 - PROJ Z – linked to past completions (assumed to be 456 homes per annum)
- 6.10 In addition to the ten core projections we have provided a number of sensitivities on key projections to establish the impact of different assumptions. The sensitivities include looking at different headship rates (the likelihood of someone in a particular age/sex band being the head of household) and also looking at the impact on the working population of employment rates following long-term trends moving forward.
- 6.11 For brevity these sensitivities have not been applied to all of the projections with the key additional projections being described below:
- PROJ 2a – Updated 2011-based SNPP with headship following long-term trends post-2021
 - PROJ 2b – Updated 2011-based SNPP with headship following long-term trends from 2011
 - PROJ Aa – linked to Experian forecast (1:1 ratio) with changes to employment rates linked to long-term trends
 - PROJ Ba – linked to Experian forecast (constant commuting) with changes to employment rates linked to long-term trends
 - PROJ Ca – linked to the LTES with changes to employment rates linked to long-term trends

PROJ 1 (linked to ONS 2010- and 2011-based SNPP)

PROJ 2 (SNPP – updated)

- 6.12 Our first projection uses information in the ONS 2010- and 2011-based Sub-National Population Projections (SNPP). The last full set of SNPP published by ONS were 2010-based figures. These have subsequently been updated by 2011-based 'interim' projections which look at the ten year period to 2021. These interim projections use the same assumptions around fertility, mortality and migration profiles as 2010-based figures. However the 2011-based figures have updated estimates of future levels of migration (both in- and out-migration and by type of migration (e.g. international vs. internal).
- 6.13 Our projection therefore uses the same assumptions as in the ONS 2010-based SNPP with regards to fertility, mortality and migration rates but with some adjustments to overall levels of migration on the basis of the 2011-based figures (the assumptions around fertility, mortality and migration rates from the 2010-based SNPP are also used in all other projections within this report).
- 6.14 It should be noted that the 2011-based SNPP only projects for a ten-year period to 2021. Beyond 2021 we have used 2010-based SNPP data but adjusted this to take account of the differences shown between the 2010- and 2011-based versions of the SNPP. In keeping with the methodology used by ONS figures for cross-border and international migration are held constant with internal figures changing slightly on the basis of the projected change in the 2010-based data (but from the adjusted baseline position for 2021 shown in 2011-based projections).
- 6.15 The SNPP represents the most recent population projection published by ONS and takes account of estimated levels and characteristics of migration of the five-year period to 2010. The model can be described as multi-regional in that it takes account of migration data between different areas and in that sense can be seen as a good starting point for analysis.
- 6.16 However, both the 2010- and 2011-based SNPP were developed prior to the release of 2011 mid-year population estimates (MYE). The 2011 MYE use Census data (for both 2001 and 2011) to adjust past levels of population change to ensure consistency between different sources of data. In most areas differences between previous population estimates and rebased figures are quite small although these does appear to be some degree of 'disconnect' between past trends and future projections. As a result the analysis in PROJ 2 has slightly amended some components of migration to be more in line with past trends.
- 6.17 In Test Valley an analysis of the ONS components of change data suggests in the five year period (2006-11) that population growth had been under-estimated by around 146 people per annum. Whilst some of this difference could be attributed to errors in Census data or the recording of 'special' populations such as prisoners it is considered that the difference will mainly be due to an under recording of migration. Hence to develop an alternative SNPP-based projection we have added 146 onto the projected migration figures which should bring the projection more in line with past trends.

- 6.18 The figure below shows the levels of net migration assumed by our two projections linked to the SNPP from 2011/12 to 2030/31. The projections start in 2011/12 with a net migration figure of around 180-330. This is expected to increase over time to reach a net in-migration of around 580-730 people in 2020/21. This figure is then expected to continue to rise but at a lower level of change up to 2030/31. For the projection period studied as a whole, the average level of net migration is an in-migration of 528 people per annum in PROJ 1 (SNPP) and 674 per annum with PROJ 2 (SNPP – updated).



Source: ONS 2010- and 2011-based subnational population projections

- 6.19 Regarding the increase in net migration moving forward, we would consider that there is some logic to this projection. As populations grow the number of people in other areas who could in-migrate to the Borough will increase and so in-migration could go up. Regarding out-migration it is the case that the population of Test Valley is ageing with older people tending to be less migrant. The projection that the gap between in- and out-migration may increase over the projection period is therefore perfectly plausible.
- 6.20 We would consider that PROJ 2 (SNPP updated) provides the best demographic estimate of likely housing requirements given that it is consistent with the SNPP in understanding how migration patterns might develop over time but is more up-to-date with regard to understanding actual migration levels over the past few years.

PROJ 3 (10-year migration trends)

PROJ 4 (5-year migration trends)

- 6.21 Our next two projections look at recorded trends in migration over the past ten (and five) years. The figure below shows estimated net migration into the Borough from 2001/2 to 2010/11. The figures have been taken from ONS mid-year population estimates. The figures used are for the ONS category ‘migration and other changes’. This has been used rather than the straight migration data due to it including information from the Census about over- or under-estimations of population growth shown in the 2011 Census (an under-estimate in the case of Test Valley – as noted above). Hence the ‘migration and other changes’ category is thought to better represent actual levels of past migration.
- 6.22 The data shows that the figures can be quite variable over time, with the highest figure for any individual year being seen in 2002/3 (net in-migration of 737 people) and a net out-migration in 2008/9. In developing our two projections we have simply taken an overall average and projected this forward – over the last ten years (2001-11) the average level of net migration has been an in-migration of 448 people with a lower figure (of 364) if we look at 5-year trends (2006-11).
- 6.23 For the purposes of the projections we have assumed a constant level of net migration throughout the period. Given variability in the migration data it seems reasonable to assume a constant level for the purposes of projection modelling. Regardless of the period used the figures are notably lower than the overall average contained within PROJ 1 and PROJ 2 (which as seen above is estimated at 528 to 674 per annum for the whole projection period).

Figure 6.4: Past trends in net in-migration – Test Valley	
Year	Net migration (and other changes)
2001/2	334
2002/3	737
2003/4	604
2004/5	522
2005/6	461
2006/7	718
2007/8	358
2008/9	-86
2009/10	266
2010/11	563
Average (last ten years)	448
Average (last five years)	364

Source: ONS

Economic projections (PROJ A to C)

6.24 In addition to developing the scenarios above linked to past demographic trends we have developed three projections to consider the implications on population change and housing requirements of different levels of employment growth in the Borough. To model potential levels of economic growth we have drawn on a Spring 2013 forecast by Experian. The first two projections are:

PROJ A – Jobs Baseline

6.25 This projection looks at the forecast increase in jobs in the Borough from 2011 to 2031 and assumes a 1:1 relationship between the number of jobs created and the number of local residents in employment. This projection essentially does not include any assumptions about commuting patterns with all new jobs being filled by local people (it can alternatively be viewed as being based on no changes to commuting patterns with equal numbers of people in- and out-commuting as a result of new employment opportunities). This projection sees an increase in the number of residents in employment of 8,771 over the 20-year.

PROJ B – Residents in Employment

6.26 This projection draws on the Experian data about the number of additional jobs forecast to be created in the Borough but also considers commuting patterns (from 2001 Census data). This generates a slightly higher projected increase in the number of residents in employment of 9,447 over the 20-year period, reflecting the fact that Test Valley is an area that sees more people commute out of the area for work than commute in.

6.27 The table below shows the estimated increase in the number of residents in employment in five year periods for each of the two economic-led scenarios (annual averages are also provided). The data shows that the strongest employment growth is expected in the 2011-16 period with weaker growth towards the end of the projection.

Period	PROJ A – Jobs Baseline		PROJ B – Residents in Employment	
	Annual	5-year total	Annual	5-year total
2011-2016	613	3,067	661	3,303
2016-2021	495	2,474	533	2,665
2021-2026	333	1,666	359	1,794
2026-2031	313	1,564	337	1,684
Total		8,771		9,447

Source: Experian 2013

PROJ C – LTES

6.28 The final economic projection draws on specific work carried out for the Borough Council by Experian; the Long-Term Economic Strategy (LTES). Original research by Experian was carried out in 2007 and this was subsequently updated in August 2012. For our projection we have drawn on the 2012 update.

- 6.29 The LTES (para 2.7) shows that Experian expected the Borough to create 7,180 net additional jobs from 2011 to 2031 and this figure has been used in the modelling. In the absence of more detailed phasing of this growth it has been assumed that it will occur at a broadly similar rate over the projection period.
- 6.30 It would be possible to also overlay commuting assumptions onto this projection – however, given that the level of employment growth shown is notably below that in either of the more recent Experian based figures such an adjustment would only provide a further projection in-between the highest and lowest of the economic forecasts. Additionally, this projection has not been used in coming to conclusions about the housing requirement (or a reasonable range of requirements) and is mainly included for comparative purposes. Hence the additional precision of overlaying commuting patterns is not considered necessary.

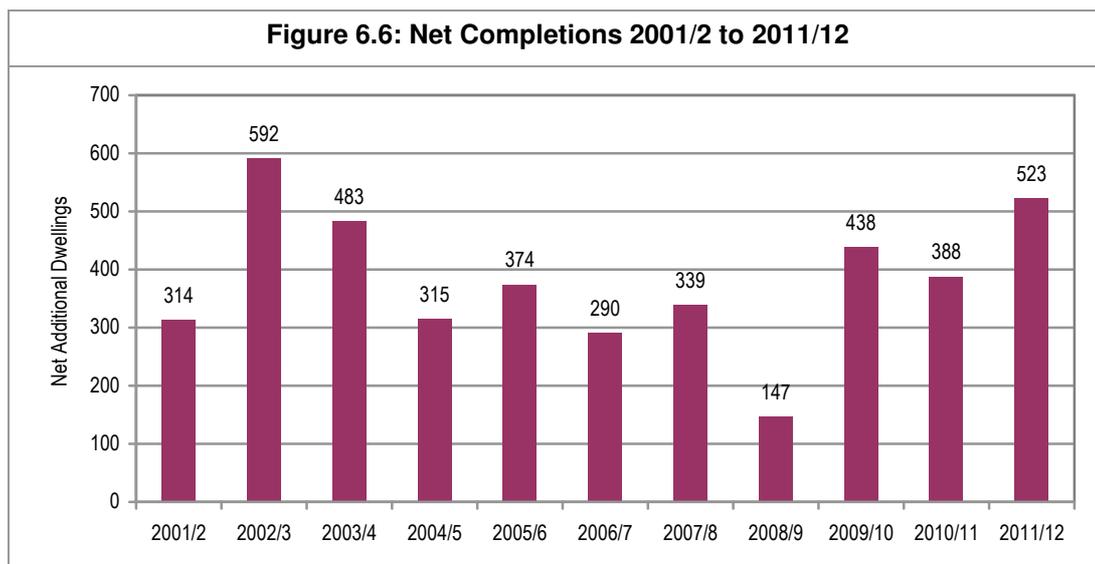
PROJ X (Zero Net Migration)

PROJ Y (Zero Employment Growth)

- 6.31 The next two projections might be called ‘component’ projections and look at the impact on population, employment and housing requirements of holding certain aspects of the projection constant over time.
- 6.32 The first projection looks at housing requirements if there were to be no net migration into the Borough for the next 20-years. Whilst net migration is held at zero this projection does allow for in- and out-migration so there will be changes in the age structure due to migration trends as well as those created by natural change (i.e. births minus deaths).
- 6.33 The second ‘component’ projection looks at what level of housing growth would be required to achieve no employment growth. Within this projection (and indeed all other projections) we have also looked at the impact of the economic downturn on the number of people in employment and considered the scope for some local residents to return to work if additional jobs were available. We have also considered the likely impact of changes in pensionable age throughout the projection period as and when these become relevant.

PROJ Z (Past Completions)

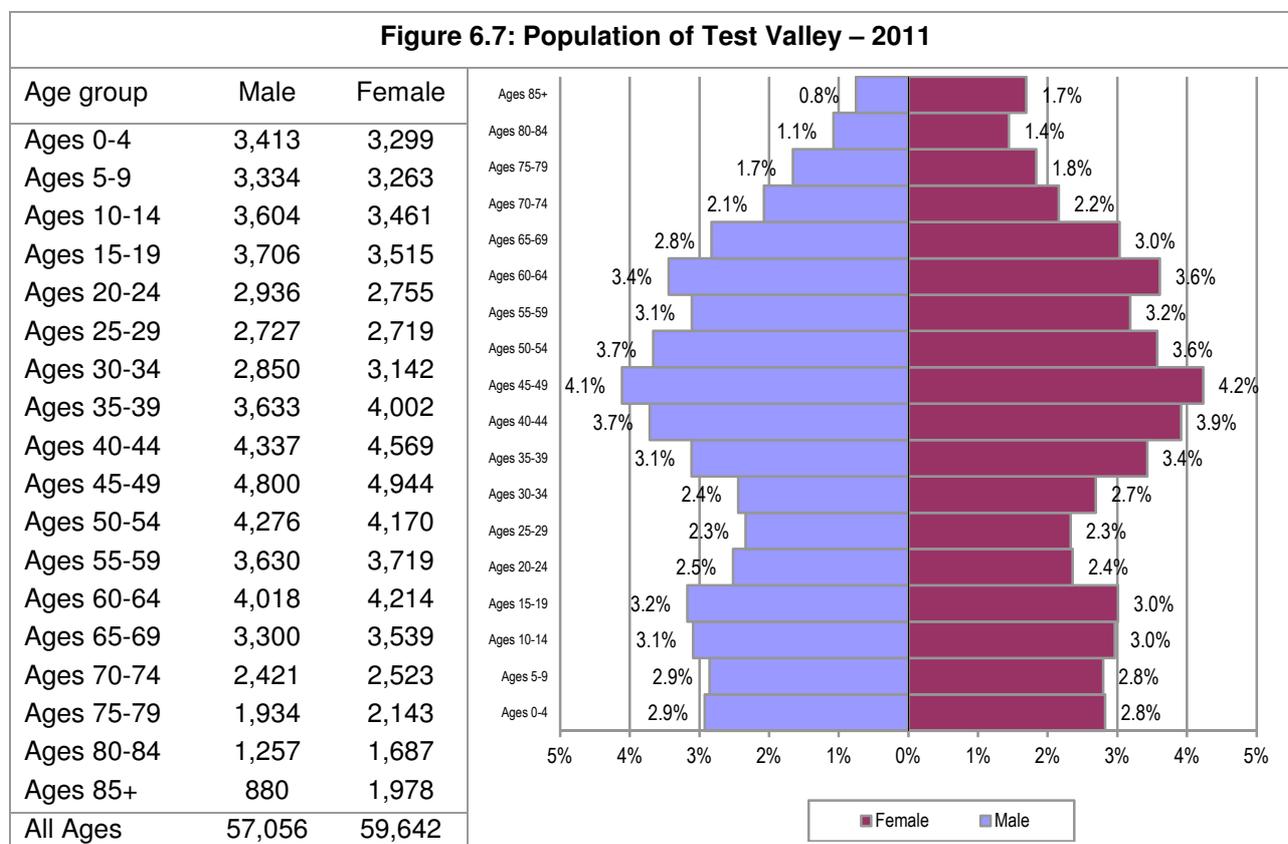
- 6.34 The final projection run in this report is based on understanding the implications for population and employment growth of a particular level of housing delivery (linked to past trends). The figure below shows housing completions over the eleven years up to 2011/12. The data shows some year-on-year variation in the numbers with strongest delivery of 592 units being seen in 2002/3 and the lowest figure (of 147) in 2008/9. Over the full eleven-year period the average level of completions has been 382 per annum and this figure is taken forward into our projection modelling exercise.



Source: Test Valley Borough Council

Baseline Population

6.35 The baseline for our projections is taken to be 2011 with the projection run for each year over the period up to 2031. The estimated population profile as of 2011 has been taken from the 2011 Mid-Year population estimates (which are the same as in the 2011-based SNPP). The overall population in 2011 was estimated to be 116,698 with slightly more females than males. The percentages shown in the population 'pyramid' below are a proportion of the whole population.



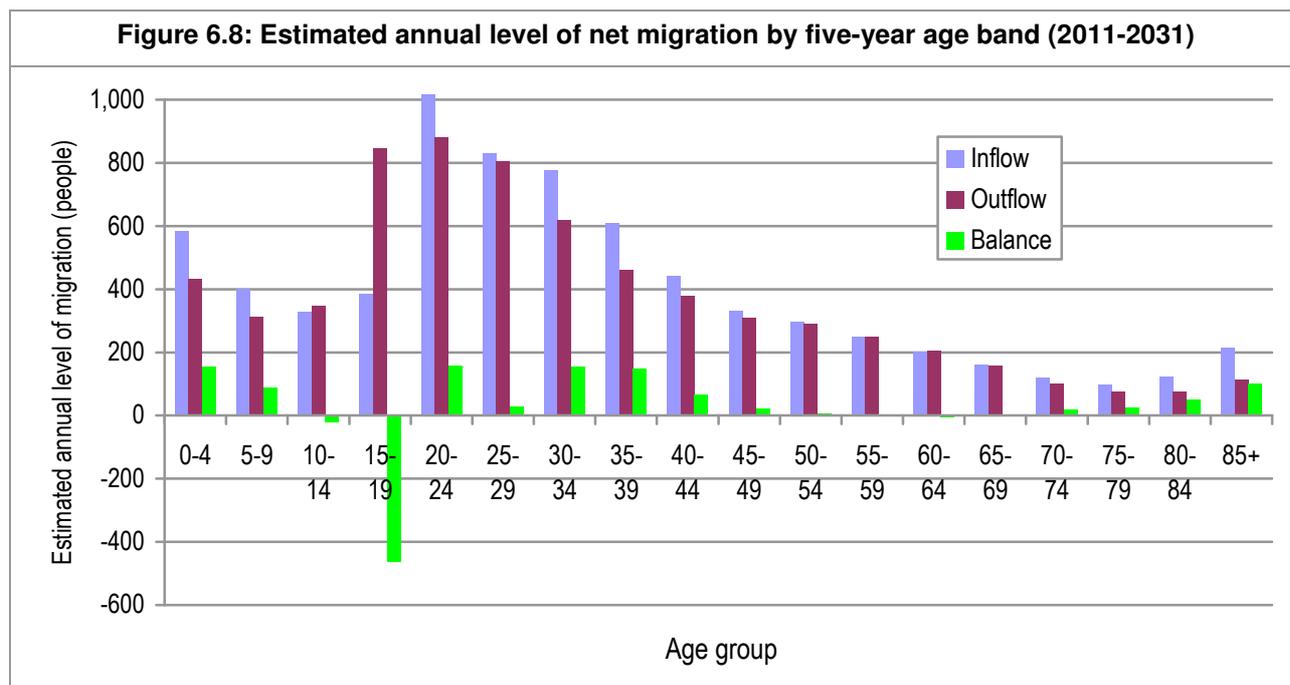
Source: 2011-mid-year population estimates

Fertility and Mortality Rate Assumptions

- 6.36 For modelling of fertility we have used the rates contained within the ONS 2010-based population projections. For the period from 2011 to 2031 the total fertility rate (the expected average number of live births per woman throughout their childbearing lifespan) has been calculated to be 2.12 in 2011/12, this is expected to reduce to 1.93 in 2030/31.
- 6.37 We also interrogated the ONS 2010-based projections with regard to mortality rates which suggested that life expectancy is expected to increase over time for both males and females. It is not possible to provide exact life expectancy figures from the 2010-based SNPP as this to some degree will depend on the assumptions made about the mortality rates for age groups beyond 90 (the ONS data stops at a figure for 90+). However in modelling life expectancy we suggest that the figures will see an improvement from 80.0 to 83.5 for males from 2011 to 2031 with figures of 84.2 to 87.3 expected for females.
- 6.38 We have no evidence to suggest that either the fertility or mortality estimates used by ONS are unreasonable and note that the expected figures and changes in Test Valley are consistent with past trend data and future expected patterns as published by ONS on a national basis.

Migration Assumptions

- 6.39 For the purposes of understanding the profile of migrants we have again drawn on the ONS 2010- and 2011-based sub-national population projections. Over the period from 2011 to 2031 the ONS figures show an average annual level of net in-migration of 528 people made up of in-migration of 7,173 and out-migration of 6,645. The data clearly shows that the most important age groups are from 15 to 34. The data also shows a significant net out-migration of those aged 15-19 but net in-migration for most other age groups.
- 6.40 When projecting migration patterns for the various projection scenarios we have used the migration data and adjusted levels of in-migration to match the requirements of our scenario (e.g. when testing what level of migration is required to support a workforce of a particular size). This approach has consistently been adopted across all analysis.



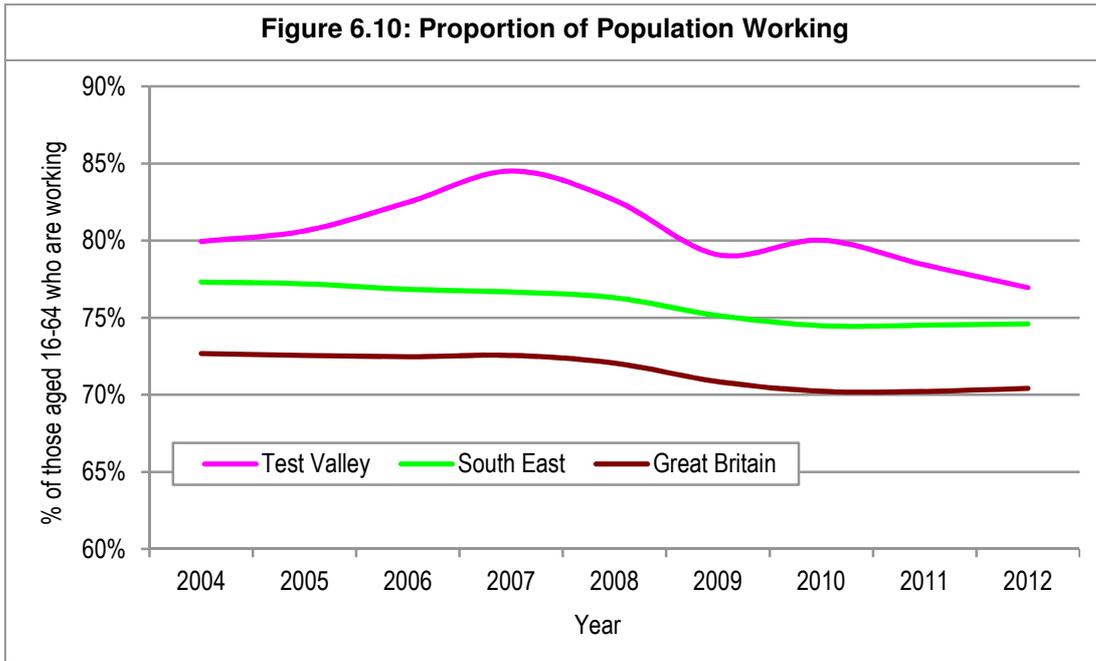
Source: Derived from ONS 2010-based population projections

Economic (Employment) Assumptions

- 6.41 With the change in demographic structure will come changes in the number of people who are working (as the population of people of working age changes). The next stage of the projection process was therefore to make estimates about how employment levels would change under each of our main projections and also to consider the demographic implications of different levels of employment growth. The process is set out in the figure below.

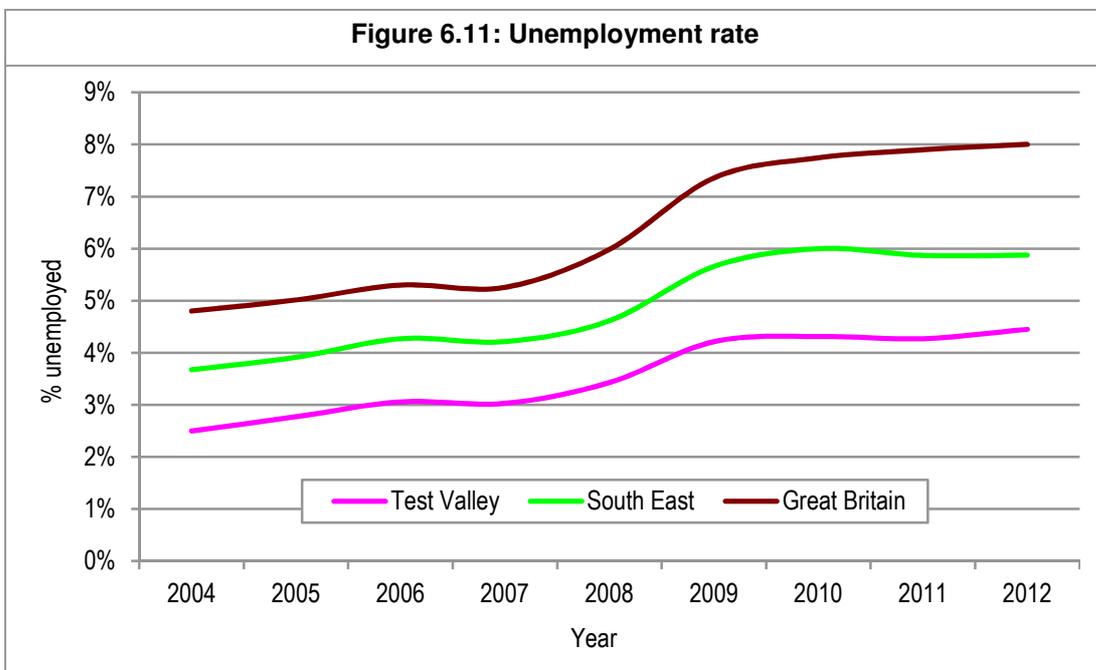


- 6.42 The first stage of the process was to establish working patterns in the local authority. The figure below shows data on the proportion of people living in the Borough who were in employment (based on the proportion of the population aged 16-64 who are working). This latter data has also been provided for the South East and Great Britain. The data shows that overall the proportion of people working has been quite variable over time – generally the trend has been downward.



Source: Annual Population Survey

6.43 Part of the problem with the Annual Population Survey source used above is that data is based on only a sample of the population and therefore figures can be quite variable at smaller area level. We have therefore also drawn on data about unemployment to give an indication of how employment rates may have changed over the past few years. This is shown in the figure below and shows that unemployment has risen from a typical pre-recession level of about 2.5%-3% to average closer to 4.5% in recent years.



Source: Annual Population Survey (modelled data)

- 6.44 In addition to using the above data to provide an overall picture of working patterns, 2001 and 2011 Census data and information from the Annual Population Survey has been used to inform the distribution of workers by age and sex. In projecting forward it is assumed that there is a latent labour force that could be brought back into work as a result of reducing unemployment. This improvement is assumed to occur consistently over the life of the projection. The modelled improvement to employment rates will have the effect of reducing unemployment.
- 6.45 The modelling also includes provision for potential increases in rates due to changes in pensionable age – these additional changes have been based on studying the age-specific ‘drop-off’ in employment as people get older.
- 6.46 The table below shows the age specific employment rates used for modelling in 2011 and 2031. From the population modelling exercise it was estimated that in mid-2011 there were 59,611 people in employment with an employment rate of 76.9% - due to the modelled improvement in rates along with changes in pensionable age this figure rises to 78.5% by 2031.

Figure 6.12: Employment Rates by Age and Sex

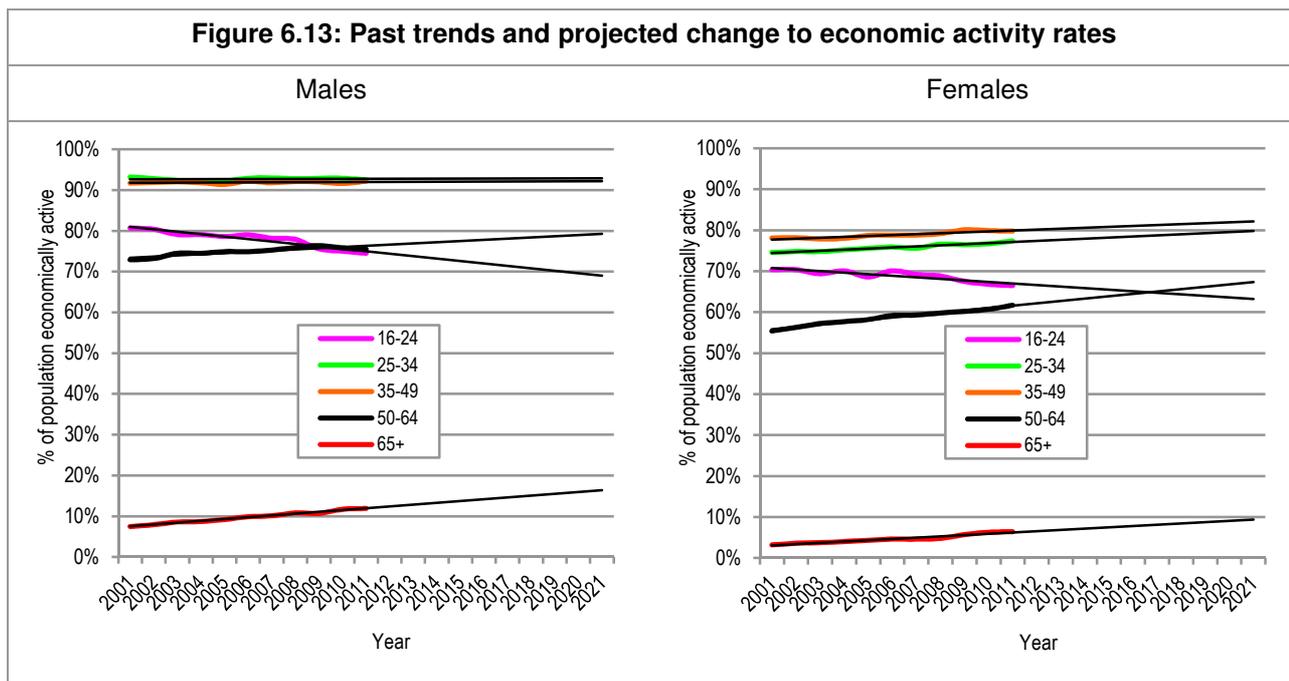
Age group	Male		Female	
	2011	2031	2011	2031
Aged 16 to 19	61.4%	62.4%	55.2%	56.1%
Aged 20 to 24	82.7%	84.0%	77.2%	78.4%
Aged 25 to 29	84.9%	86.3%	77.1%	78.3%
Aged 30 to 34	87.8%	89.1%	73.6%	74.7%
Aged 35 to 39	89.9%	91.3%	69.9%	71.0%
Aged 40 to 44	89.2%	90.6%	74.2%	75.4%
Aged 45 to 49	88.8%	90.2%	76.0%	77.2%
Aged 50 to 54	91.4%	92.8%	88.6%	90.0%
Aged 55 to 59	83.5%	84.8%	75.3%	76.5%
Aged 60 to 64	65.4%	66.5%	40.8%	55.8%
Aged 65 to 69	35.3%	39.5%	39.8%	48.6%
Aged 70 to 74	17.8%	18.1%	14.7%	15.0%

Source: Modelled from APS and Census data (2001 and 2011)

Alternative view of changes to employment rates

- 6.47 The analysis above looked at current employment rates and projected these forward on the basis that there will be some changes due to pensionable age and reductions in unemployment (as we move away from recession). The analysis does not however take any account of longer-term trends in the propensity for different groups to work and how this might change in the future. We have therefore carried out a sensitivity analysis based on understanding these long-term changes.

6.48 The figure below shows past trends in economic activity rates (nationally) and how these might be projected to change moving forward using a linear trend from 2001 to 2011. The data shows that there have been some notable increases in activity rates for older age groups over the past decade (and indeed for all age groups other than 16-24 in the case of females). The linear trends shown in the figure below have been applied to the projection data when looking at what might happen in the future (and continued on the linear trend up to 2031). The only differences applied are: a) for the 16-24 age group the decrease in economic activity rates are largely due to increased student numbers and this trend is not expected to continue; and b) the change in rates for those age 65+ have only been applied to the population aged 65-74.



Source: Derived from Labour Force Survey data

6.49 When projecting using the alternative view on how employment rates might change we again start with an estimated number of residents in employment of 59,611 in 2011 with an employment rate of 76.9%. The employment rate in 2031 is however expected to increase to around 81.0% (compared with 78.5% under the core assumptions used). An employment rate of over 80% appears to be realistic for Test Valley – the rate being excess of 80% from 2004 to 2008. The employment rates by age and sex used for this analysis can be found in the table below.

Figure 6.14: Employment Rates by Age and Sex (alternative methodology)

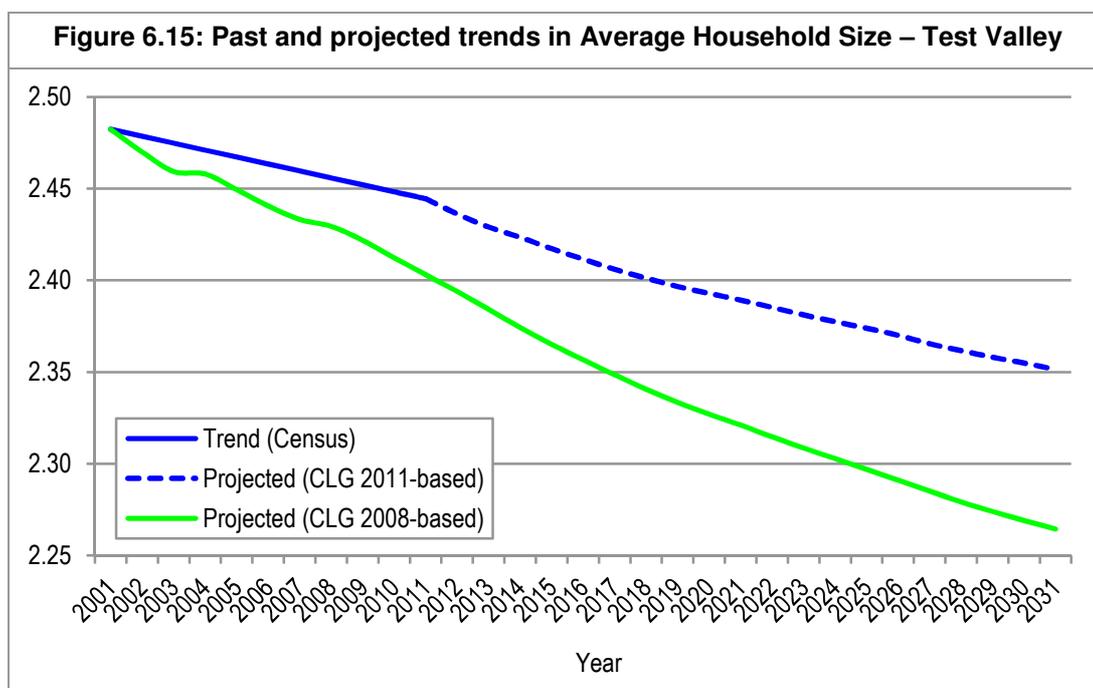
Age group	Male		Female	
	2011	2031	2011	2031
Aged 16 to 24	61.5%	61.5%	60.7%	60.7%
Aged 25 to 34	89.9%	90.1%	81.6%	87.0%
Aged 35 to 49	92.8%	93.3%	79.9%	84.3%
Aged 50 to 64	80.0%	85.8%	61.6%	73.1%
Aged 65 to 74	27.8%	36.6%	26.7%	32.9%

Source: Modelled from APS, LFS and Census data

- 6.50 The alternative employment rate assumptions have only been applied to our three economic scenarios (PROJ A to C). Different employment rates will make no difference to the housing requirements coming out of the demographic projections (although the employment estimates will change) and so there is no great merit in applying this alternative assumption to those projections.

Household (and Housing) Growth Projections

- 6.51 Having estimated the population size and the age/sex profile of the population the next step in the process is to convert this information into estimates of the number of households in the area. To do this we use the concept of headship rates. For the purposes of this analysis we have used information contained in the 2011-based CLG household projections about the relationship between the total population in an age group and the number of household reference persons (HRPs) in that age group.
- 6.52 Headship rates 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)).
- 6.53 The figure below shows the estimated average household size in Test Valley in 2001 and 2011 along with estimated household sizes derived from CLG projections. The data shows that household sizes have decreased over the past decade but not at the rate expected in the 2008-based CLG household projections. Moving forward there is expected to be a continued decline in average household sizes although this again is not as rapid as expected by the 2008-based projections.
- 6.54 For the purposes of the projection it is assumed that average household sizes start at about 2.44 in 2011 and reduce down to 2.36 in 2031 (although exact figures do vary depending on the projection being run).



Source: Derived from ONS and CLG data

6.55 The table below shows headship rates derived from the analysis for each of the key periods of 2011 and 2031. The data shows that whilst most headship rates remain at a fairly constant level over time there are a number of groups where notable changes are projected to occur (both in an upward and downward direction and particularly in relation to females).

Figure 6.16: Estimated Headship Rates by Age and Sex (2011 and 2031)

Age group	Male		Female	
	2011	2031	2011	2031
Ages 15-19	1.1%	0.7%	1.0%	1.2%
Ages 20-24	20.6%	18.5%	8.6%	8.9%
Ages 25-29	53.4%	41.9%	13.8%	14.8%
Ages 30-34	76.6%	61.3%	17.9%	21.9%
Ages 35-39	88.9%	87.2%	17.6%	17.5%
Ages 40-44	93.3%	91.6%	17.4%	19.1%
Ages 45-49	94.8%	94.8%	17.9%	17.6%
Ages 50-54	95.0%	94.5%	18.3%	22.1%
Ages 55-59	95.9%	96.1%	18.1%	20.5%
Ages 60-64	96.4%	95.4%	20.7%	25.1%
Ages 65-69	97.0%	95.7%	27.0%	29.1%
Ages 70-74	97.4%	98.3%	33.1%	30.0%
Ages 75-79	96.2%	96.6%	46.4%	37.7%
Ages 80-84	95.5%	97.1%	59.8%	49.2%
Ages 85+	84.1%	88.3%	58.2%	55.8%

Source: Derived from CLG 2011-based household projections

6.56 When applying these headship rates to the population an estimated number of households in 2011 of 47,739 is derived. This figure is consistent with the number of households shown in the 2011 Census and the mid-2011 estimate in the CLG household projections.

6.57 In converting an estimated number of households into requirements for additional dwellings a small vacancy allowance has also been factored in which is normal to allow for movement of households between properties. For the analysis it is assumed that around 3% of additional stock will be vacant which should be reflective of what can be achieved in new housing stock.

Alternative view of headship rates

6.58 The core projections all take headship rate information from the 2011-based CLG household projections. This is the most up-to-date source of information and at the time of writing can be considered as the most robust estimate of the relationship between population and households both now and moving forward. It is however of interest to study the implications of alternative assumptions around headship. In particular we are mindful of the CLG guide (of August 2013) which suggests that Councils should consider the extent to which household formation may have been suppressed and how this might change over time.

- 6.59 In Test Valley the data from the 2011 Census suggests that average household sizes have not fallen as rapidly as expected although there has still been quite a notable drop in the average size over the past decade. This might suggest that there has been some degree of suppression although there may equally be other factors at play such as with regard to local demography (e.g. older people living longer as couples or changes in household structures linked to growth in BME communities). Government policy may also be encouraging suppression of household formation with the move to only paying a room allowance to those aged up to 35 (compared with the previous age of 25). Overall, it is therefore unclear whether or not household formation has been suppressed or if there are other 'societal' factors involved.
- 6.60 To look at the possible impact of any suppression we have looked at the headship rates contained within the 2008-based CLG household projections. These projections use a long time-series of change dating back to 1971 and can therefore arguably represent a longer-term trend. In applying old headship rates to the current projections we have taken two approaches. Firstly to look at the implications of returning to 2008-based rates from 2011 (suitably rebased to the correct number of households) and secondly to follow 2008-based rates from 2021 onwards (which is the period from which the 2011-based CLG projections stop) – again the projection is suitably rebased to the correct number of households (this time in 2021).
- 6.61 This sensitivity test has only been applied to PROJ 2 (SNPP updated) which we would see as the main demographic projection. Differences between the different PROJ 2 projections will therefore provide an indication of the impact of different headship rates for other projections.

Projection outputs

- 6.62 The series of tables and figures below show population, employment and household growth under each of the scenarios developed. We have highlighted in bold those which we would consider as being the main ones that should be considered when arriving at a view about the objective need for additional housing. We have highlighted three projections. These are:
- PROJ 2 (SNPP – updated)
 - PROJ 2a (SNPP – updated with 2008-based headship rates post-2021)
 - PROJ Ba (Residents in employment using employment rates linked to past trends seen in the Labour Force Survey)

Population Projections

- 6.63 When looking at population change the data shows that the four demographic projections (PROJ 1 to 4) show levels of population growth of between about 7% and 13% for the full 20-year projection). In Numerical terms this represents an increase of between about 8,400 and 15,300 people). The three economic projections (PROJ A to C) show higher levels of population growth ranging from 21% to 25% with the same projections linked to employment rate trends evidenced by the LFS show population growth from 18% to 21% (20,500 to 24,700 more people).

- 6.64 With no net migration we would expect to see no change in population over time whilst to maintain employment at current (2011) levels would require a population increase of up to 10% (this figure reduces to about 6% if employment rates linked to the LFS are used). An increase in the population linked to a stable workforce is due to the ageing of the population with relatively fewer people being in the main working-age population groups. With housing delivery of 382 units per annum (PROJ Z) we would expect to see population increase of 11%.

Economic (Employment) Changes

- 6.65 Regarding estimates of the number of residents who are working the four demographic projections (PROJ 1 to 4) show fairly moderate increases and some decreases with figures ranging from -3% to 3% (up to 2,000 in numerical terms). The three economic projections (PROJ A to C) show increases in the number of people working of between 12% and 16%.
- 6.66 With no net migration we would expect to see a notable decline in the working population – this would fall from 59,611 people in 2011 to 53,373 in 2031 – a decrease of 10%. Employment increases based on average past completions would be expected to see a moderate increase in the number of people working.

Household Growth

- 6.67 The four demographic projections (PROJ 1 to 4) show household growth of between 12% and 17% (5,800 to 8,100 more households) whilst figures derived under the three economic projections are somewhat higher (from 21% to 24%) which is up to 11,400 more households (on the basis of the projections with employment rates linked to LFS trends).
- 6.68 With no net migration we would expect to see an increase in households of 6% (despite this projection showing no change in population) whilst to achieve no employment growth it is expected that the number of households would increase by up to 14%. Household increases linked to dwelling delivery are substantially influenced by the number of homes provided and in this case the past completions and show a household increase of 16%.
- 6.69 With adjusted headship rates assumptions we see an increase in expected household growth. In the case of using 2008-based headship rates from 2021 the change in the number of households increases by 8% above the straight 2011-based CLG figures whilst applying 2008-rates from the start of the projection sees a 16% uplift on the core outputs from the modelling.

Figure 6.17: Population Estimates 2011 to 2031

	2011	2016	2021	2026	2031
PROJ 1 (SNPP)	116,698	119,510	122,688	125,799	128,600
	0.0%	2.4%	5.1%	7.8%	10.2%
PROJ 2, 2a & 2b (SNPP - updated)	116,698	120,269	124,271	128,259	131,966
	0.0%	3.1%	6.5%	9.9%	13.1%
PROJ 3 (10-year migration trends)	116,698	120,390	123,424	125,674	127,047
	0.0%	3.2%	5.8%	7.7%	8.9%
PROJ 4 (5-year migration trends)	116,698	119,954	122,514	124,260	125,113
	0.0%	2.8%	5.0%	6.5%	7.2%
PROJ A (Jobs baseline)	116,698	124,723	132,736	139,720	144,757
	0.0%	6.9%	13.7%	19.7%	24.0%
PROJ B (Residents in employment)	116,698	125,137	133,510	140,760	146,024
	0.0%	7.2%	14.4%	20.6%	25.1%
PROJ C (LTES)	116,698	122,493	129,174	136,219	141,681
	0.0%	5.0%	10.7%	16.7%	21.4%
PROJ X (Zero net migration)	116,698	118,065	118,569	118,129	116,726
	0.0%	1.2%	1.6%	1.2%	0.0%
PROJ Y (Zero employment growth)	116,698	119,346	122,680	126,227	128,306
	0.0%	2.3%	5.1%	8.2%	9.9%
PROJ Z (Past Completions)	116,698	119,620	122,978	126,458	129,958
	0.0%	2.5%	5.4%	8.4%	11.4%
PROJ Aa (Jobs baseline – LFS emp. rates)	116,698	124,622	131,437	136,507	140,143
	0.0%	6.8%	12.6%	17.0%	20.1%
PROJ Ba (Residents in employ't – LFS emp. rates)	116,698	125,036	132,198	137,516	141,372
	0.0%	7.1%	13.3%	17.8%	21.1%
PROJ Ca (LTES – LFS emp. rates)	116,698	122,391	127,944	133,126	137,160
	0.0%	4.9%	9.6%	14.1%	17.5%

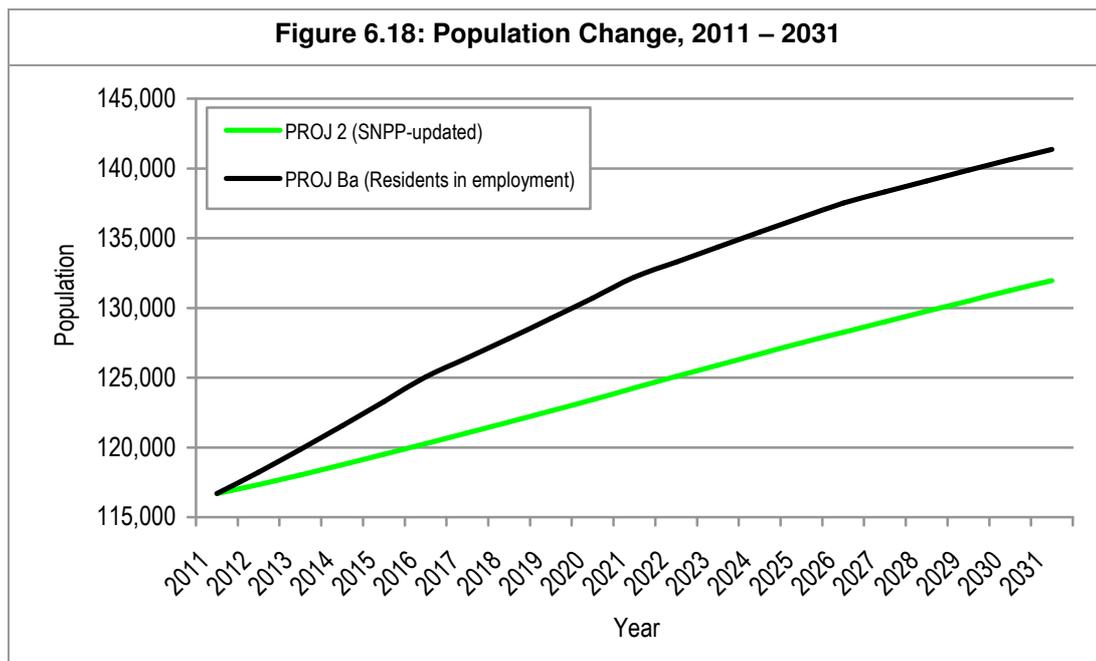
Figure 6.18: Population Change, 2011 – 2031

Figure 6.19: Employment Estimates 2011 to 2031					
	2011	2016	2021	2026	2031
PROJ 1 (SNPP)	59,611	59,704	59,611	59,370	59,795
	0.0%	0.2%	0.0%	-0.4%	0.3%
PROJ 2, 2a & 2b (SNPP - updated)	59,611	60,137	60,487	60,695	61,603
	0.0%	0.9%	1.5%	1.8%	3.3%
PROJ 3 (10-year migration trends)	59,611	60,203	59,995	59,255	58,917
	0.0%	1.0%	0.6%	-0.6%	-1.2%
PROJ 4 (5-year migration trends)	59,611	59,954	59,493	58,493	57,878
	0.0%	0.6%	-0.2%	-1.9%	-2.9%
PROJ A & Aa (Jobs baseline)	59,611	62,678	65,153	66,819	68,382
	0.0%	5.1%	9.3%	12.1%	14.7%
PROJ B & Ba (Residents in employment)	59,611	62,914	65,579	67,374	69,058
	0.0%	5.5%	10.0%	13.0%	15.8%
PROJ C & Ca (LTES)	59,611	61,406	63,201	64,996	66,791
	0.0%	3.0%	6.0%	9.0%	12.0%
PROJ X (Zero net migration)	59,611	58,877	57,312	55,190	53,373
	0.0%	-1.2%	-3.9%	-7.4%	-10.5%
PROJ Y (Zero employment growth)	59,611	59,611	59,611	59,611	59,611
	0.0%	0.0%	0.0%	0.0%	0.0%
PROJ Z (Past Completions)	59,611	59,766	59,773	59,733	60,541
	0.0%	0.3%	0.3%	0.2%	1.6%

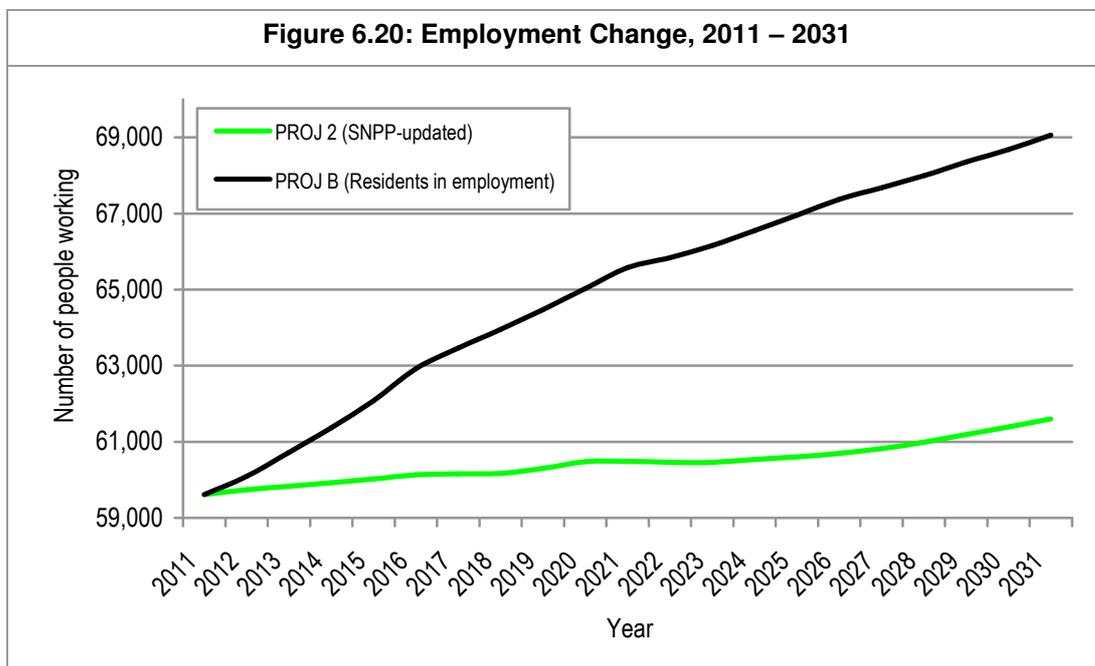
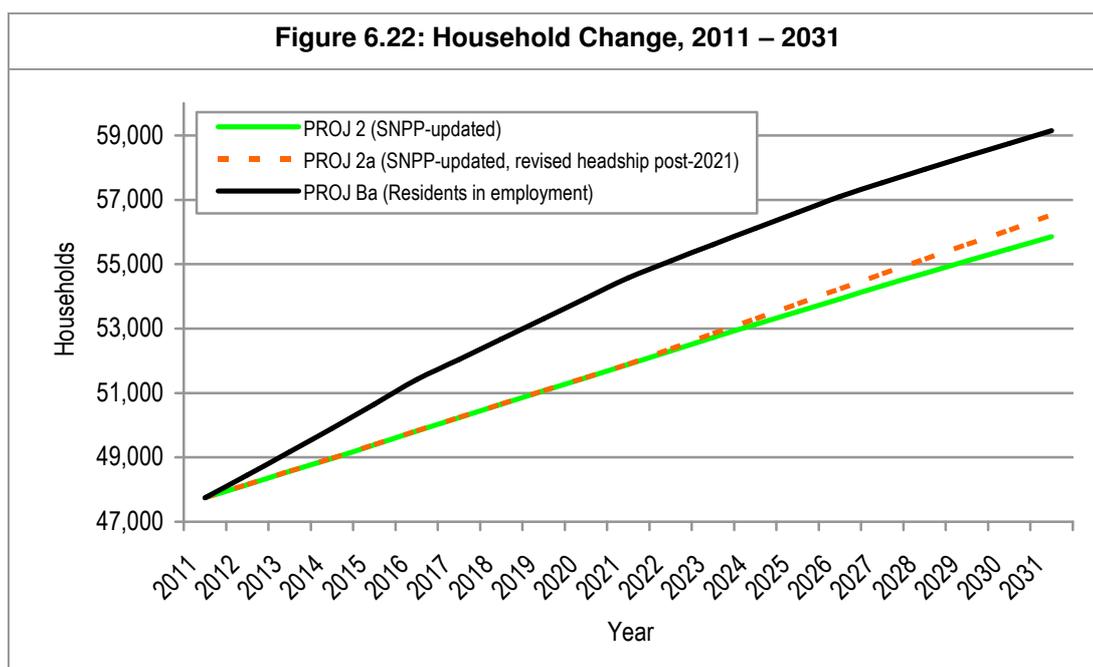
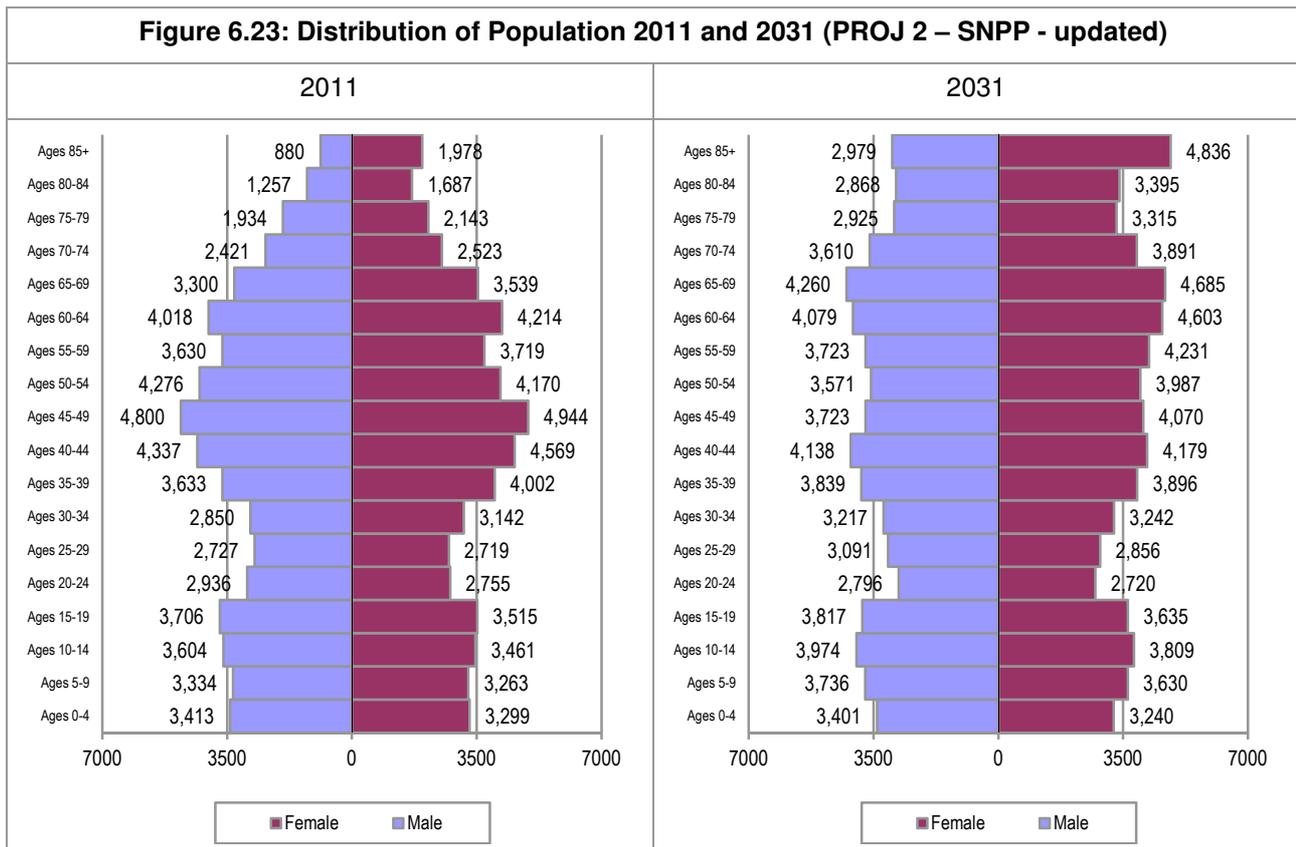


Figure 6.21: Household Estimates 2011 to 2031					
	2011	2016	2021	2026	2031
PROJ 1 (SNPP)	47,739	49,557	51,350	53,078	54,692
	0.0%	3.8%	7.6%	11.2%	14.6%
PROJ 2 (SNPP - updated)	47,739	49,811	51,887	53,920	55,856
	0.0%	4.3%	8.7%	12.9%	17.0%
PROJ 3 (10-year migration trends)	47,739	49,853	51,604	53,043	54,174
	0.0%	4.4%	8.1%	11.1%	13.5%
PROJ 4 (5-year migration trends)	47,739	49,707	51,296	52,559	53,504
	0.0%	4.1%	7.4%	10.1%	12.1%
PROJ A (Jobs baseline)	47,739	51,306	54,758	57,848	60,310
	0.0%	7.5%	14.7%	21.2%	26.3%
PROJ B (Residents in employment)	47,739	51,445	55,020	58,204	60,751
	0.0%	7.8%	15.3%	21.9%	27.3%
PROJ C (LTES)	47,739	50,558	53,548	56,641	59,224
	0.0%	5.9%	12.2%	18.6%	24.1%
PROJ X (Zero net migration)	47,739	49,073	49,958	50,462	50,603
	0.0%	2.8%	4.6%	5.7%	6.0%
PROJ Y (Zero employment growth)	47,739	49,502	51,347	53,224	54,596
	0.0%	3.7%	7.6%	11.5%	14.4%
PROJ Z (Past Completions)	47,739	49,594	51,448	53,302	55,157
	0.0%	3.9%	7.8%	11.7%	15.5%
PROJ 2a (SNPP-updated, revised headship post-2021)	47,739	49,811	51,887	54,229	56,530
	0.0%	4.3%	8.7%	13.6%	18.4%
PROJ 2b (SNPP-updated, revised headship post-2011)	47,739	50,083	52,466	54,835	57,162
	0.0%	4.9%	9.9%	14.9%	19.7%
PROJ Aa (Jobs baseline – LFS emp. rates)	47,739	51,272	54,321	56,755	58,722
	0.0%	7.4%	13.8%	18.9%	23.0%
PROJ Ba (Residents in employment – LFS emp. rates)	47,739	51,411	54,579	57,101	59,149
	0.0%	7.7%	14.3%	19.6%	23.9%
PROJ Ca (LTES – LFS emp. rates)	47,739	50,523	53,133	55,589	57,669
	0.0%	5.8%	11.3%	16.4%	20.8%



Impact on population structure

6.70 With the changes shown above there will also be a change in the age/sex profile of the population. We have therefore looked in a bit more detail at population change under PROJ 2 (linked to the SNPP - updated). The figure below shows population pyramids for 2011 and 2031. The 'pyramids' show the growth in population overall and highlight the ageing of the population with a greater proportion of the population expected to be in age groups aged 60 and over (and even more so for older age groups) - in particular the oldest age group (85+) shows an increase from 2,858 people to 7,815.



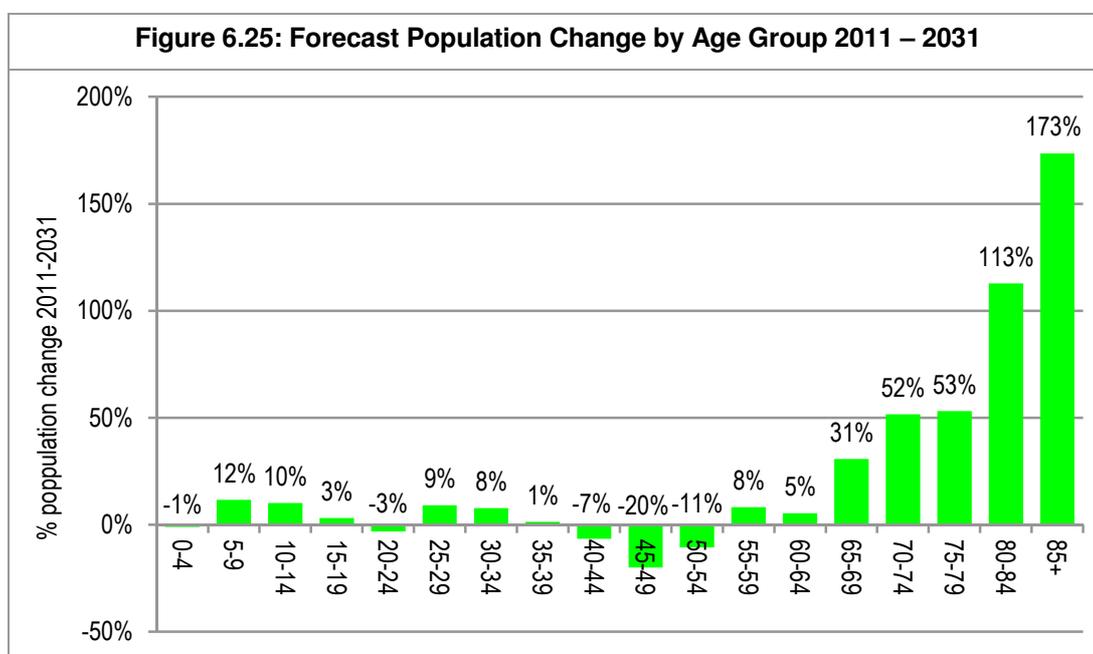
6.71 The figure below summarises the findings for key (15 year) age groups. The largest growth will be in people aged over 60. In 2031 it is estimated that there will be 45,446 people aged 60 and over. This is an increase of 15,552 from 2011, representing growth of 52%. The population aged 75 and over is projected to increase by an even greater proportion, 106%.

6.72 Looking at the other end of the age spectrum we can see that there are projected to be around 7% more people aged under 15 with more moderate increases and some decreases seen for all other age groups.

Figure 6.24: Population change 2011 to 2031 by five year age bands

Age group	Population 2011	Population 2031	Change in population	% change from 2011
Under 15	20,374	21,790	1,416	6.9%
15-29	18,358	18,914	556	3.0%
30-44	22,533	22,511	-22	-0.1%
45-59	25,539	23,305	-2,234	-8.7%
60-74	20,015	25,127	5,112	25.5%
75+	9,879	20,319	10,440	105.7%
Total	116,698	131,966	15,268	13.1%

- 6.73 The figure below shows the percentage changes for each five year age group. The most stark trend is the increase in the population aged 85 and over (up 173%) which may have implications for future housing delivery as many of this group may require some form of specialist housing. In contrast we see only moderate increases (and some decreases) in most age groups up to age 65.



Housing requirements

- 6.74 The analysis above concentrated on the number of additional households. In reality there are always likely to be some vacant homes in the area and so the number of properties required to house all of these households will be slightly greater than the projected household numbers. We have therefore added a vacancy allowance of 3% to all of the above figures to make estimated housing requirements with figures shown in the table below.

Figure 6.26: Estimated housing numbers with 3% vacancy allowance (to 2031)

Projection variant	Annual household growth	Annual requirement with vacancy allowance	Requirement over 20-years
PROJ 1 (SNPP)	348	358	7,161
PROJ 2 (SNPP - updated)	406	418	8,360
PROJ 3 (10-year migration trends)	322	331	6,627
PROJ 4 (5-year migration trends)	288	297	5,938
PROJ A (Jobs baseline)	629	647	12,948
PROJ B (Residents in employment)	651	670	13,402
PROJ C (LTES)	574	591	11,830
PROJ X (Zero net migration)	143	147	2,949
PROJ Y (Zero employment growth)	343	353	7,063
PROJ Z (Past Completions)	371	382	7,640
PROJ 2a (SNPP-updated, revised headship post-2021)	440	453	9,055
PROJ 2b (SNPP-updated, revised headship post-2011)	471	485	9,705
PROJ Aa (Jobs baseline – LFS emp. rates)	549	566	11,313
PROJ Ba (Residents in employ't – LFS emp. rates)	571	588	11,752
PROJ Ca (LTES – LFS emp. rates)	496	511	10,227

Key Findings: Future Housing Requirements

The NPPF sets out that plans should be prepared on the basis of meeting full needs for market and affordable housing. We have prepared a range of population/household projections based on different demographic and economic (employment growth) assumptions.

Our starting point is 2011-based SNPP and related CLG household projections. The SNPP suggests a housing requirement for around 370 homes per annum – this projection however only covers the period to 2021 and our analysis suggests that there is good evidence to move away from some of the assumptions underpinning the ONS/CLG work. In particular we would note that population growth in the past appears to have been under-estimated which will have fed through into the CLG projections.

Additionally, recent CLG guidance (of August 2013) also encourages local authorities to consider the extent to which there has been a suppression in household formation in the past. In Test Valley the evidence does not point towards a significant suppression with average household sizes having continued to fall in the decade to 2011. However, the decrease in household sizes has not been as rapid as previously projected (in the 2008-based household projections). We would consider that there is some case to moderate headship rates in the longer-term.

This then leads us onto our PROJ 2 and 2a which is linked to the SNPP but with slightly moderated migration inputs. This indicates a requirement for 8,400 to 9,100 dwellings (rounded to the nearest 100) over the 2011-31 period (420-450 per annum). The SNPP projection is dynamic in that it takes account of changes in the population and age structure of areas in modelling future migration. We consider that it is therefore a more reasonable projection of future population than PROJ 3 and PROJ 4 which are based on average migration levels over the past 10- and 5-years (and both show a lower housing requirement).

In particular we consider that it is reasonable to assume that levels of net migration will increase in the future as the population of Test Valley ages and the population in surrounding areas (and further afield) continues to grow. The ageing population will see some moderation of out-migration as older persons tend to be less migrant whilst Test Valley will continue to be an attractive location for families to move to.

We can compare this projection to that driven by the various economic forecasts (PROJ A, B and C). These projections forecast an increase of working residents of between 7,200 and 9,400 over the 2011-31 period; whereas PROJ 2 would support an increase of only 4,300. The analysis suggests that economic performance could create upward pressure on the housing market. The relationship between population growth and growth in jobs locally is however complex, and is sensitive to changes in employment rates, commuting and double jobbing. The economic-based projections (PROJ Aa and Ba) suggest a housing requirement of between 570 and 590 dwellings per annum.

The outputs from the demographic modelling suggest that the Council should be considering a housing requirement of between 420 and 590 dwellings per annum in order to meet objectively assessed housing needs. The lower end of the range is driven by past demographic trends and actually sits above the latest CLG projections whilst the upper end is driven by the highest of the economic projections when linking employment rates to past trends in the Labour Force Survey.

7. Affordable Housing Need

Introduction

- 7.1 In this section we discuss levels of affordable housing need in Test Valley and each of the five sub-areas. Housing need is defined in SHMA guidance as the quantity of housing required for households who are unable to access suitable housing without financial assistance. These households will be eligible for affordable housing. Affordable housing is defined in the National Planning Policy Framework as social rented, affordable rented and intermediate housing provided to eligible households whose needs are not met by the market.
- 7.2 Government guidance on Strategic Housing Market Assessments sets out a model for assessing housing need (known as the Basic Needs Assessment Model). This model has been used herein.
- 7.3 It should be recognised that in establishing housing requirements, evidence of both housing need and demand should both be considered. This section, addressing affordable housing need specifically, should be considered alongside the evidence of demand presented; and the demographic-led projections of housing requirements. Land availability, infrastructure requirements, viability (as well as funding available for affordable housing), Sustainability Appraisal and the views of the local community and wider stakeholders also need to be considered in the development of planning policy.
- 7.4 The analysis is based on secondary data sources. It draws on a number of sources of information including 2011 Census data, demographic projections, house prices/rents and income information.
- 7.5 The housing needs model is based largely on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing (through relets of current stock) which can be used to meet housing need. On this basis, estimates of housing need are provided in this section for the 18-year period between 2013 and 2031.
- 7.6 Where sub-area data is provided this has been based on actual data where possible (e.g. from the 2011 Census). For some analysis the data is an apportionment based on characteristics of households and the housing stock in different locations. For example, data on the number of households living in shared ownership accommodation has been used to estimate the likely level of resales of such homes in each area. All of the analysis has been built up from sub-areas to provide Borough totals.

Key Definitions

- 7.7 We begin by setting out key definitions relating to housing need, affordability and affordable housing.

Housing Need

- 7.8 Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market.

Newly-Arising Need

7.9 Newly-arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future. In this assessment we have used trend data from the Continuous Recording of lettings (CORE) system along with demographic projections about the number of new households forming (along with affordability) to estimate future needs.

Supply of Affordable Housing

7.10 An estimate of the likely future supply of affordable housing is also made (drawing on secondary data sources about past lettings). The future supply of affordable housing is subtracted from the newly-arising need to make an assessment of the net future need for affordable housing.

Affordability

7.11 Affordability is assessed by comparing household incomes, based on income data modelled using a number of sources including CACI, ASHE, the English Housing Survey (EHS) and ONS data, against the cost of suitable market housing (to either buy or rent). Separate tests are applied for home ownership and private renting (in line with the SHMA Guidance) and are summarised below:

- A. Assessing whether a household can afford home ownership: A household is considered able to afford to buy a home if it costs 3.5 times the gross household income – CLG guidance suggests using different measures for households with multiple incomes (2.9×) and those with a single income (3.5×), however (partly due to data availability) we have only used a 3.5 time multiplier for analysis. This ensures that housing need figures are not over-estimated – in practical terms it makes little difference to the analysis due to the inclusion of a rental test (below) which tends to require lower incomes for households to be able to afford access to market housing;
- B. Assessing whether a household can afford market renting: A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than 30% of gross income. CLG guidance suggests that 25% of income is a reasonable start point but suggests that a higher figure could be used. In Test Valley household incomes are generally slightly above the national average and so the 25% figure has been changed to 30% for affordability testing.

7.12 It should be recognised that a key challenge in assessing housing need using secondary sources is the lack of information available regarding households' existing savings. This is a key factor in affecting the ability of young households to purchase housing particularly in the current market context where a deposit of at least 10% is typically required for the more attractive mortgage deals. However in many cases households who do not have sufficient savings to purchase have sufficient income to rent housing privately without support, and thus the impact on the overall assessment of housing need is limited.

Affordable Housing

7.13 The NPPF provides the definition of affordable housing (as used in this report). The following is taken from Annex 2 of NPPF.

“Affordable housing includes social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- *Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices;*
- *Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.”*

7.14 Within the definition of affordable housing there is also the distinction between social rented affordable rented, and intermediate housing. Social rented housing is defined as:

“Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency as a condition of grant.”

7.15 Affordable rented housing is defined as:

“Rented housing let by registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime but is subject to other rent controls that require a rent of no more than 80 per cent of the local market rent (including service charges, where applicable).”

7.16 The definition of intermediate housing is shown below:

“Intermediate affordable housing is ‘Housing at prices and rents above those of social rent, but below market price or rents. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent but does not include affordable rented housing.’”

7.17 As part of our analysis in this report we have therefore studied the extent to which both social rented, intermediate housing and affordable rented housing can meet housing need in Test Valley.

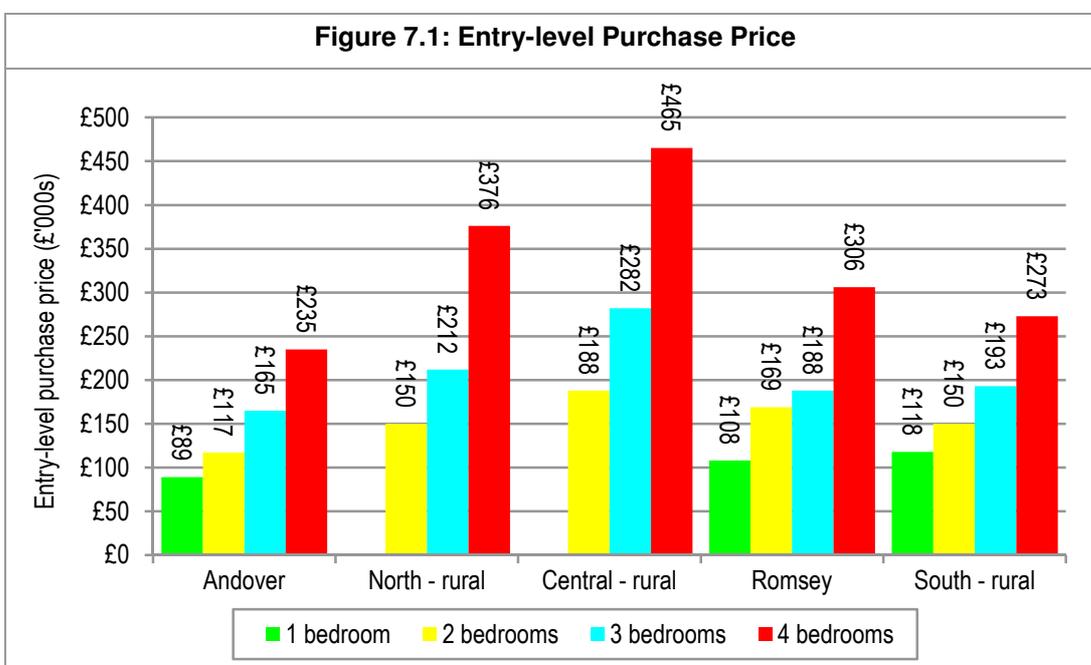
Survey of Local Prices & Rents

7.18 An important part of the assessment of housing need is to establish the entry-level costs of housing to buy and rent. This housing needs assessment then compares this with the incomes of households within the Borough to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having a ‘housing need.’

7.19 In this section we establish the entry-level costs of housing to both buy and rent in each of the five sub-areas. Our approach has been to carry out a desktop survey using internet sources. We have assessed prices and rents for different sizes of properties from one to four bedrooms in each of the different locations.

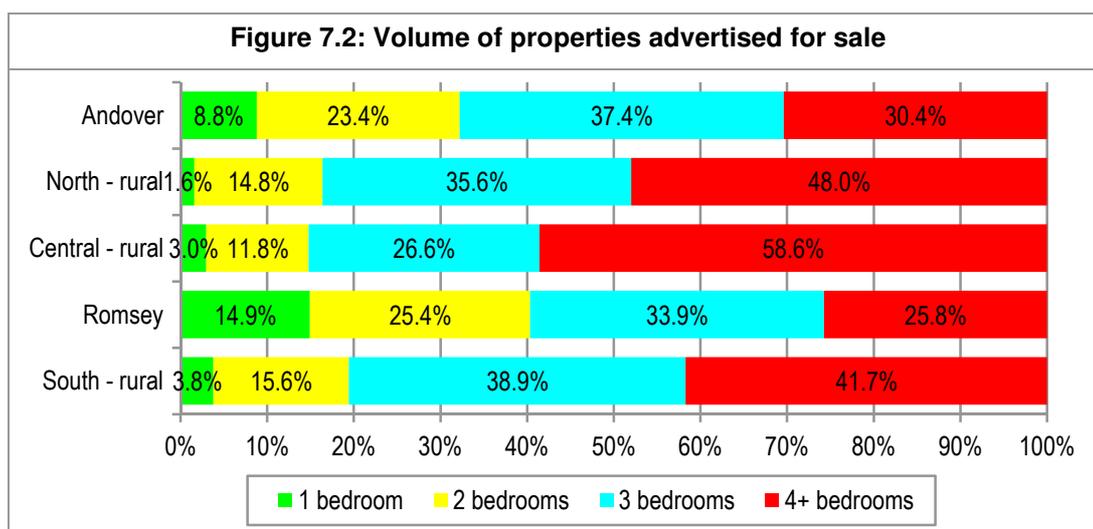
7.20 The figure below shows estimated lower quartile property prices obtained from this search. The prices have been reduced slightly (on average by about 6%) to take account of the difference between asking prices and prices paid based on information from the Hometrack website.

7.21 The data shows some notable differences between areas with prices in the Central rural area being particularly high and the lowest prices to be found in Andover. Overall, prices are estimated to start at about £89,000 for a one-bedroom home in Andover and rising to about £465,000 for four bedrooms in the Central rural area. The data excludes shared ownership and retirement homes for the purposes of analysis (although the latter have been included within the analysis of volumes of homes available by size). In both the North and Central rural areas there was insufficient evidence of available one bedroom homes to be able to make estimates of prices.



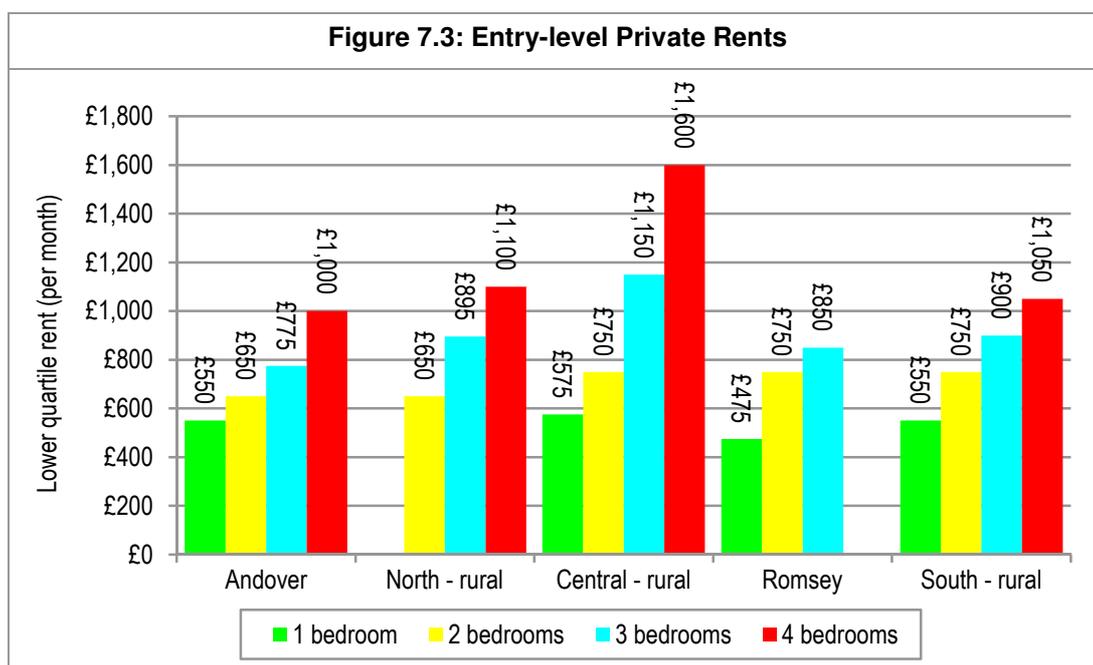
Source: Online Estate and Letting Agents Survey (June 2013)

7.22 The figure below shows the volume of properties for sale in each of the five sub-areas. The data shows in all areas that the focus is on larger (3 and 4 bedroom) properties. There are however significant differences between areas with around three-fifths of homes for sale in the Central – rural area having four or more bedrooms compared with just 26% in Romsey and 30% in Andover. It is only in Romsey and to a lesser extent Andover that any reasonable supply of one bedroom homes is shown.



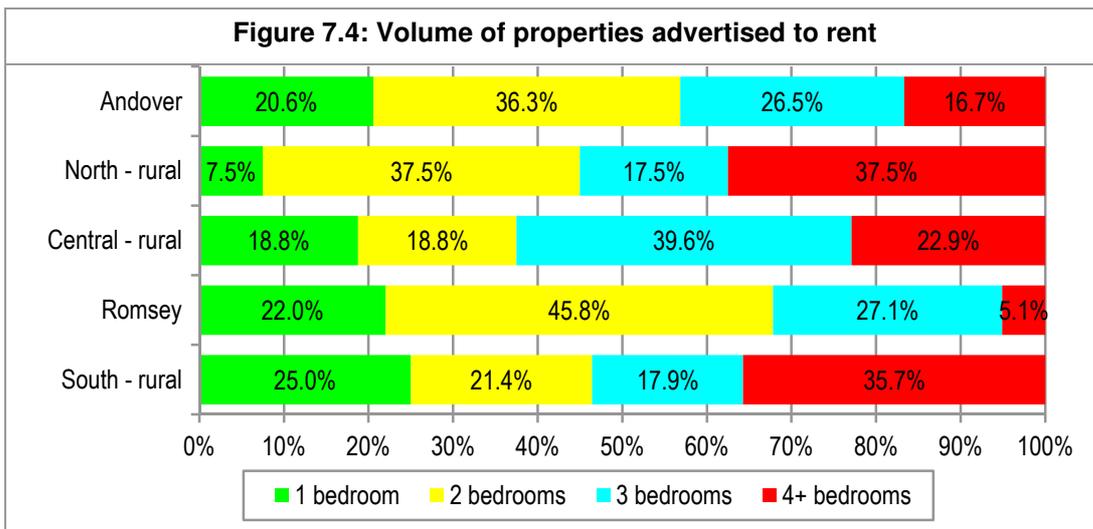
Source: Online Estate and Letting Agents Survey (June 2013)

- 7.23 The entry-level cost for private rented accommodation is presented in the figure below. This indicates that entry-level rents range from about £475-575 per month for a one bedroom home up to around £1,600 per month for a four bedroom property depending on location. As with the sales prices rent levels in the Central rural area are highest with lower costs seen in Andover and Romsey. An insufficient supply of one bedroom homes in North rural and four bedrooms in Romsey has meant it was not possible to establish entry-level costs for these sizes/locations.



Source: Online Estate and Letting Agents Survey (June 2013)

- 7.24 The figure below shows the volumes of properties available for rent in each of the five sub-areas by size of property. Compared with properties for sale the data clearly indicates a higher proportion of smaller homes being available to rent in all areas with up to a quarter of available homes being one bedroom. Despite the smaller profile of homes available the rental data does show similar patterns with the rural areas all having a greater supply of larger properties than is the case in either Andover or Romsey.



Source: Online Estate and Letting Agents Survey (June 2013)

7.25 In addition to rental costs from our internet survey we have looked at the maximum amount of Local Housing Allowance (LHA) payable on different sized properties within the HMA. Maximum LHA payments are based on estimates of rents at the 30th percentile and should therefore be roughly comparable with our estimates of lower quartile costs. In Test Valley this is arguably less likely to be the case; different parts of Test Valley fall into one of four Broad Rental Market Areas (BRMA) with the key settlements of Andover being part of the Basingstoke BRMA and Romsey as part of Southampton. As a result the LHA levels will be unduly influenced by areas outside of the District.

7.26 Below we have therefore provided details for the two main BRMAs (Southampton and Basingstoke) along with data for the Salisbury and Winchester BRMAs (which only cover small parts of the Borough). The data suggests some differences between LHA rates and the findings of our market survey although generally the maximum LHA payable is of the same order of magnitude as figures from our own survey. The main differences can be seen when comparing rural areas with the figures below where our market survey is showing figures that are somewhat higher. This suggests that it might be difficult for someone claiming LHA to access accommodation in the more rural parts of the Borough.

7.27 To the table below we have also added LHA rates for room only accommodation. Generally, the amount able to be claimed for a room is around 50%-55% of the figure for a self-contained one bedroom property. Single households under 35 are now only to claim the Single Room Rate.

Figure 7.5: Maximum LHA payments by Size and Broad Housing Market Area (per month)

Size	Southampton	Basingstoke	Salisbury	Winchester
Room only	£280	£281	£288	£310
1 bedroom	£500	£575	£511	£630
2 bedrooms	£664	£700	£639	£775
3 bedrooms	£790	£818	£750	£900
4 bedrooms	£1,000	£1,100	£995	£1,329

Source: VOA data (June 2013)

Cost of Affordable Housing

7.28 Traditionally the main type of affordable housing available in an area is social rented housing and the cost of social rented accommodation by dwelling size can be obtained from Continuous Recording (CORE) - a national information source on social rented lettings. The table below illustrates the rental cost of lettings of social rented properties by size in 2012. As can be seen the costs are below those for private rented housing (see figures 7.3 and 7.5) indicating a gap between the social rented and market sectors. This gap increases for larger properties. The figures in the table include service charges.

Size	Monthly Rent
1 bedroom	£389
2 bedrooms	£446
3+ bedrooms	£511

Source: CORE (2013)

7.29 Changes in affordable housing provision has seen the introduction of a new tenure of affordable housing (Affordable Rented). Affordable rented housing is defined in the NPPF as being '*let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)*'. The Government has announced that from January 2014 the HCA will be asking for Registered Providers to bid for funding for the next three years and that this should be based upon the affordable rent tenure. Affordable Rented housing can therefore be expected to be a significant part of affordable housing delivery at least until 2017.

7.30 Affordable Rented housing can therefore be considered to be similar to social rented housing but at a potentially higher rent. The 80% (maximum) rent is to be based on the open market rental value of the individual property and so it is not possible to say what this will exactly mean in terms of cost (for example the rent for a two-bedroom flat is likely to be significantly different to a two-bedroom detached bungalow). In addition, market rents for newbuild homes are likely to be higher than within the existing stock and may well be in excess of 80% of lower quartile rents.

7.31 The table below shows potential affordable rents at 80% of market cost by size of property (including service charge). The data shows that affordable rents are above social rents for all property sizes other than one bedroom homes in Romsey. Generally for one bedroom homes the differences are quite marginal. For smaller homes there will be less to gain in viability terms in providing homes at 80% of market rents.

7.32 For larger property sizes it is however the case that affordable rents will be notably higher than current social rents with the gap widening as property sizes get bigger. This suggests in viability terms that affordable rent might work for some sizes and locations – the affordability of such accommodation should however also be considered. This latter point provides some support for providing affordable rent at below the 80% maximum (particularly for larger properties), but noting that this needs to be balanced against viability considerations.

7.33 In providing affordable rented housing the Council will also need to ensure that the rent falls at or below the Local Housing Allowance maximum level (or it will not be affordable to the majority of households seeking such housing). The data below suggests at 80% of market rents that this will normally be the case. The exception is in the Central rural area for larger (3- and 4- bedroom) homes where a figure below 80% will be required to keep the rent inside LHA allowances (this is shown in bold in the table below).

Figure 7.7: Cost of Affordable Rented Housing by size and sub-area (per month)

Area	1 bedroom		2 bedrooms		3 bedrooms		4 bedrooms	
	Affordable rent	LHA maximum						
Andover	£440	£575	£520	£700	£620	£818	£800	£1,100
North – rural	-	£575	£520	£700	£716	£818	£880	£1,100
Central – rural	£460	£575	£600	£700	£920	£818	£1,280	£1,100
Romsey	£380	£500	£600	£664	£680	£790	-	£1,000
South - rural	£440	£500	£600	£664	£720	£790	£840	£1,000

Source: Derived from Online Estate and Letting Agents Survey (June 2013)

Gaps in the Housing Market

7.34 The table below estimates how current prices and rents in Test Valley might equate to income levels required to afford such housing. The figures are based on the figures derived in the analysis above and include four different tenures (buying, private rent, affordable rent and social rent) and are taken as the lower quartile price/rent across the whole stock of housing available (i.e. including all property sizes). The data clearly indicates a gap between the costs of 'entry-level' market housing and the social rented sector – demonstrating the potential for intermediate and affordable rented housing to meet some of the affordable need.

Figure 7.8: Indicative income required to purchase/rent without additional subsidy

Area	Lower quartile purchase price	Lower quartile private rent	Affordable rent	Lower quartile social rent
Andover	£39,714	£25,000	£20,000	£16,005
North – rural	£67,143	£29,000	£23,200	£16,005
Central – rural	£94,000	£31,800	£25,440	£16,005
Romsey	£48,286	£27,800	£22,240	£16,005
South - rural	£56,286	£27,000	£21,600	£16,005

Source: Online Estate and Letting Agents Survey (June 2013) and CORE

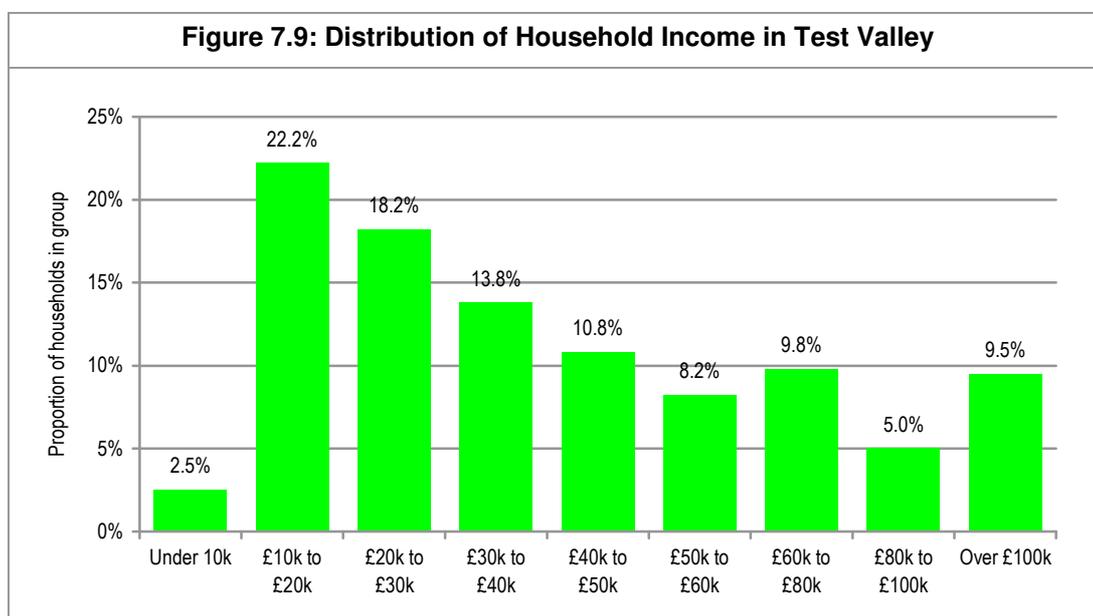
7.35 For illustrative purposes the calculations are based on 3.5 times household income for house purchase and 30% of income to be spent on housing for rented properties. The figures for house purchase are based on a 100% mortgage for the purposes of comparing the different types of housing.

Income levels and affordability

7.36 Following on from our assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability and also provide an indication of the potential for intermediate housing to meet needs. Data about total household income has been modelled on the basis of a number of different sources of information to provide both an overall average income and the likely distribution of incomes in each area. The key sources of data include:

- CACI from *Wealth of the Nation 2012* – to provide an overall national average income figure for benchmarking
- English Housing Survey – to provide information about the distribution of incomes (taking account of variation by tenure in particular)
- Annual Survey of Hours and Earnings (ASHE) – to assist in looking at differences between local authority area (but recognising that this source only provides data about people in employment)
- ONS modelled income estimates – to assist in providing more localised income estimates (e.g. for the five sub-areas)

7.37 Drawing all of this data together we have therefore been able to construct an income distribution for the whole of Test Valley area and individual sub-areas for 2013. The figure below shows the distribution of household incomes for the whole of the Borough. The data shows that around a quarter of households have an income below £20,000 with a further third in the range of £20,000 to £40,000. The overall average (median) income of all households in the Borough was estimated to be around £34,700 with a mean income of £46,100.



Source: Derived from ASHE, Experian, SEH, CACI and ONS data

7.38 The table below shows how the distribution of income varies for each of the five sub-areas. Incomes were found to be higher in the three rural areas with the lowest incomes estimated to be in Andover.

Income band	Andover	North – rural	Central – rural	Romsey	South – rural	Borough
Under £10k	4.0%	1.7%	1.3%	2.7%	1.2%	2.5%
£10k to £20k	26.7%	20.1%	17.4%	24.3%	16.7%	22.2%
£20k to £30k	18.5%	18.0%	18.1%	18.2%	18.1%	18.2%
£30k to £40k	13.9%	14.1%	13.5%	14.2%	13.3%	13.8%
£40k to £50k	10.9%	10.4%	10.8%	10.6%	10.9%	10.8%
£50k to £60k	7.3%	8.9%	8.8%	8.4%	8.7%	8.2%
£60k to £80k	7.6%	10.9%	12.1%	8.7%	12.5%	9.8%
£80k to £100k	4.2%	5.3%	6.0%	4.5%	6.2%	5.0%
Over £100k	7.0%	10.7%	12.1%	8.5%	12.5%	9.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	£40,078	£48,904	£52,353	£43,504	£53,355	£46,077
Median	£30,482	£37,196	£39,819	£33,088	£40,581	£34,708

Source: Derived from ASHE, Experian, SHE, CACI and ONS data

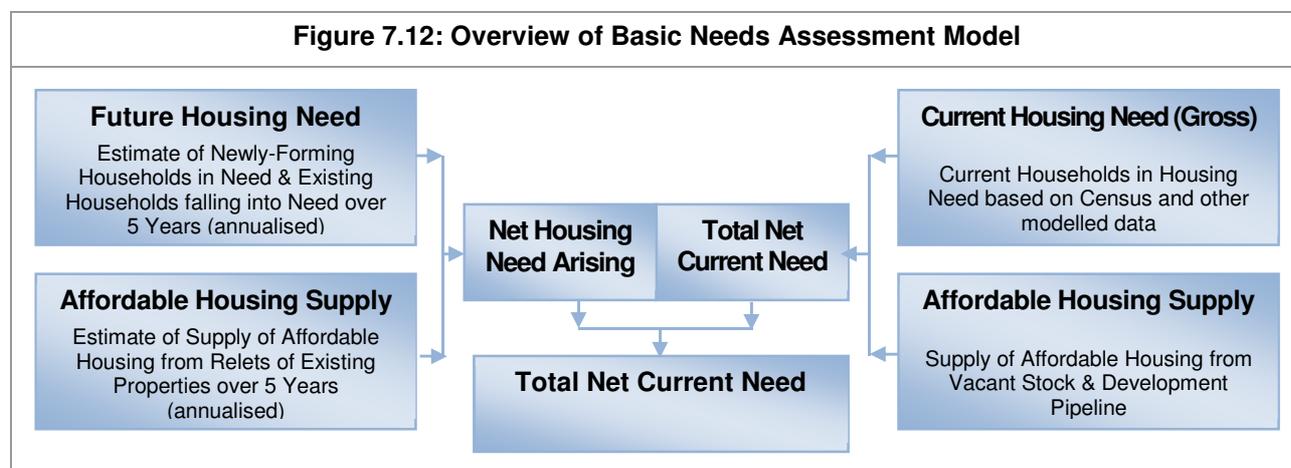
- 7.39 To assess affordability we have looked at households ability to afford either home ownership or private rented housing (whichever is the cheapest), without financial support. The distribution of household incomes, within each area, is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing.
- 7.40 The table below shows across the Borough area that it is estimated that around 38% of households are unable to access market housing on the basis of income levels. There is relatively little difference between the sub-areas other than affordability looking to be slightly better in the South – rural area.
- 7.41 It should be remembered that this analysis only considers income levels and not a full range of financial information (such as savings and equity). In the Borough where around 70% of households are already owner-occupiers it is clear that a proportion will have sufficient funds to be able to access housing were there to be a need to move home. The lack of information about savings and equity does not fundamentally impact on the overall housing needs analysis which is predominantly focussed on non-owners.

Area	Number unable to afford	Estimated households (2013)	% of households unable to afford
Andover	7,142	17,657	40.4%
North – rural	2,840	7,426	38.2%
Central – rural	2,379	6,046	39.4%
Romsey	3,371	8,113	41.5%
South - rural	2,913	9,323	31.3%
Borough	18,646	48,565	38.4%

Source: Online Estate and Letting Agents Survey (June 2013) and Income modelling

Housing Needs Assessment

7.42 Affordable housing need has been assessed using the Basic Needs Assessment Model, in accordance with the CLG Practice Guidance. This model is summarised in the chart below.



7.43 The figures presented in this report for affordable housing needs have been based on secondary data sources including analysis of 2011 Census data. The housing needs modelling undertaken provides an assessment of annual housing need (which is then used to look at the period to 2031). Each of the stages of the housing needs model calculation are discussed in more detail below.

Current Housing Need (Backlog)

7.44 In line with CLG guidance, the backlog of affordable housing need has been based on estimating the number of households living in unsuitable housing along with consideration of their current tenure and affordability. Unsuitability is based on the number of households shown to be overcrowded in the 2011 Census along with an estimate of other needs which have been modelled by comparing the tenure profile in each area with information from previous surveys about households in need. Much of these additional needs are found in the private rented sector and relate to issues around security of tenure and housing costs.

7.45 Overall, this analysis suggests that there are around 2,250 households living in unsuitable housing (across all tenures). This figure is consistent with data from the Council's Housing Register (which would be an alternative source to study the backlog). As of December 2013 there were 2,480 households on the Housing Register and in need. Hence the modelled data does look to be providing an output that is of the right order of magnitude. The modelled approach has been used in the SHMA for Test Valley to ensure consistency with a similar assessment across the whole PUSH area – for the PUSH area (which is made up of all or part of 10 different local authorities) it proved difficult to use Housing Register data in a consistent manner.

- 7.46 The data modelling estimates housing unsuitability by tenure and from these figures households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes all outright owners under the assumption (which is supported by analysis of survey data) that they will have sufficient equity to move and 90% of owners with a mortgage. Again analysis of a range of recent surveys indicates that the vast majority of owners with a mortgage are able to afford housing once savings and equity are taken into account.
- 7.47 At the time of the assessment there were an estimated 946 households living in unsuitable housing (excluding current social tenants and the majority of owner-occupiers) – this represents 2.0% of all households in the Borough. The figure below shows the current locations of these households by sub-area – the data suggests a similar level of unsuitability in each of the areas other than the South – rural area where the unsuitability is notably lower.

Figure 7.13: Estimated number of households in unsuitable housing

Area	In unsuitable housing	Total number of households	% in unsuitable housing
Andover	388	17,657	2.2%
North – rural	170	7,426	2.3%
Central – rural	119	6,046	2.0%
Romsey	148	7,659	1.9%
South - rural	120	9,323	1.3%
Borough	946	48,110	2.0%

Source: Census (2011) and data modelling

- 7.48 Our estimated level of backlog need is therefore 946. We can however additionally consider the fact that a number of these households might be able to afford market housing without the need for subsidy. For an affordability test we have used the income data and adjusted the distribution to reflect the fact that typically households living in unsuitable housing have an average income which is around 69% of the figure for all households in an area. Overall, around 43% of households with a current need are estimated to be likely to have sufficient income to afford market housing and so our estimate of the total backlog need is reduced to 537 households.

Figure 7.14: Estimated Backlog Need by Sub-Area

Area	In unsuitable housing	% Unable to Afford	Revised Gross Need (including Affordability)
Andover	388	58.6%	227
North – rural	170	56.2%	96
Central – rural	119	57.4%	68
Romsey	148	59.6%	88
South - rural	120	48.2%	58
Borough	946	56.8%	537

Source: Census (2011), data modelling and income analysis

Newly-Arising Need

7.49 To estimate newly-arising (projected future) need we have looked at two key groups of households based on the CLGs SHMA Guidance. These are:

- Newly forming households; and
- Existing households falling into need.

Newly-Forming Households

7.50 For newly-forming households we have estimated (through our demographic modelling) the number of new households likely to form per annum over the five year period from 2013 to 2018 and then applied an affordability test. This has been undertaken by considering the changes in households in specific 5-year age bands in 2018 relative to numbers in the age band below 5 years previously to provide an estimate of *gross* household formation. This differs from numbers presented in the demographic projections which are for net household growth. The number of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG guidance which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.

7.51 The estimates of gross new household formation have been based on outputs from our projection linked to the adjusted SNPP. In looking at the likely affordability of newly-forming households we have drawn on data from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).

7.52 We have therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this we are able to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). Our assessment suggests that overall around 46% of newly-forming households will be unable to afford market housing – there is no great difference in assessed affordability in the different sub-areas other than a lower proportion unable to afford in South - rural.

Figure 7.15: Estimated Level of Housing Need from Newly Forming Households (per annum)

Area	Number of new households	% unable to afford	Total in need
Andover	329	48.8%	160
North – rural	136	46.2%	63
Central – rural	82	47.5%	39
Romsey	108	50.0%	54
South - rural	160	39.0%	62
Borough	815	46.5%	379

Source: Projection Modelling/Income analysis

Existing Households falling into Housing Need

- 7.53 The second element of newly arising need is existing households falling into need. This is an estimate of the number of households currently living independently within Test Valley whose circumstance will change such that there is a requirement for affordable housing.
- 7.54 To assess this we have used information from CORE. We have looked at households who have been housed over the past five years with data then being annualised - this group will represent the flow of households onto the Housing Register. From this we have discounted any newly forming households (e.g. those currently living with family) as well as households who have transferred from another social rented property. An affordability test has also been applied, although relatively few households are estimated to have sufficient income to afford market housing.
- 7.55 This method for assessing existing households falling into need is consistent with the SHMA guide which says on page 46 that *‘Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless households applicants)’*.
- 7.56 The figure below therefore shows our estimate of likely new need from existing households per annum by location. The data shows an additional need arising from 178 households, with a notably high proportion of these being in Andover.

Figure 7.16: Estimated level of Housing Need from Existing Households (per annum)

Area	Number of Existing Households falling into Need	% of Need
Andover	99	55.6%
North – rural	22	12.3%
Central – rural	17	9.3%
Romsey	25	14.3%
South - rural	15	8.5%
Borough	178	100.0%

Source: CORE/affordability analysis

- 7.57 Estimates of total future housing need which is likely to arise each year moving forward are shown below, by combining the estimates of need arising from newly-forming households and from existing households falling into need. Total newly-arising need is estimated at 557 households over the per annum in the period up to 2031.

Figure 7.17: Estimated Future Housing Need (per annum)			
Area	Newly-forming Households in Need	Existing Households falling into Need	Total Newly-Arising Need (per annum)
Andover	160	99	259
North – rural	63	22	85
Central – rural	39	17	55
Romsey	54	25	80
South - rural	62	15	77
Borough	379	178	557

Supply of Affordable Housing

- 7.58 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social/affordable rent relets and the annual supply of relets/sales within the intermediate sector.
- 7.59 The Practice Guidance suggests that the estimate of likely future relets from the social/affordable rented stock should be based on past trend data which can be taken as a prediction for the future. We have used information from the Continuous Recording system (CORE) to establish past patterns of social/affordable rented housing availability. Our figures include general needs and supported lettings but exclude lettings to new properties plus an estimate of the number of transfers from other social/affordable rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.
- 7.60 On the basis of past trend data it has been estimated that 281 units of social/affordable rented housing are likely to become available each year moving forward.

Figure 7.18: Analysis of past social/affordable rented housing supply (per annum - past 5 years)	
Total lettings	547
% as non-newbuild	79.0%
Lettings in existing stock	433
% non-transfers	65.0%
Total lettings to new tenants	281

Source: CORE

- 7.61 The supply figure is for social/affordable rented housing only and whilst the stock of intermediate housing in Test Valley is not significant compared to the social/affordable rented stock it is likely that some housing does become available each year (e.g. resales of shared ownership). For the purposes of this assessment we have estimated the likely size and turnover in the intermediate stock on the basis of 2011 Census data. From this it is estimated that around 13 additional properties might become available per annum.
- 7.62 The total supply of affordable housing is therefore estimated to be 294 per annum. The table below shows the locations where supply is expected to arise. The sub-area estimates have been calculated on the basis of the current stock of affordable housing within each location.

Figure 7.19: Supply of affordable housing by sub-area

Area	Social/affordable rented relets	Intermediate housing 'relets'	Total supply (per annum)
Andover	154	6	160
North – rural	35	2	37
Central – rural	26	2	28
Romsey	39	2	41
South - rural	27	1	28
Borough	281	13	294

Source: Derived from CORE and Census (2011) analysis

Net Housing Need

- 7.63 The table below shows our overall calculation of housing need. This excludes supply arising from sites with planning consent (the 'development pipeline'). The analysis has been based on meeting housing need over the 18-year period from 2013 to 2031. Whilst most of the data in the model are annual figures the backlog has been divided by 18 to make an equivalent annual figure.
- 7.64 The data shows an overall need for affordable housing of 5,261 units over the next 18-years (292 per annum). The net need is calculated as follows:

$$\text{Net Need} = \text{Backlog Need} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Affordable Housing}$$

Figure 7.20: Estimated level of Housing Need (2013-31)

	Per annum	18-years
Backlog need	30	537
Newly forming households	379	6,817
Existing households falling into need	178	3,202
Total Gross Need	586	10,556
Supply	294	5,295
Net Need	292	5,261

Source: Census (2011)/CORE/Projection Modelling and affordability analysis

7.65 The table below shows the annualised information for individual sub-areas. The analysis shows a need for additional affordable housing in all areas with Andover seeing the highest need (about 38% of the total).

Area	Backlog need	Newly forming households	Existing households falling into need	Total Need	Supply	Net Need
Andover	13	160	99	272	160	111
North – rural	5	63	22	90	37	53
Central – rural	4	39	17	59	28	32
Romsey	5	54	25	85	41	43
South - rural	3	62	15	81	28	53
Borough	30	379	178	586	294	292

Source: Census (2011)/CORE/Projection Modelling and affordability analysis

Role of the Private Rented Sector in Meeting Housing Need

7.66 The Strategic Housing Market Assessment Guidance requires consideration of the extent of the private rented sector (through the Local Housing Allowance (LHA) system) and its ability to meet the needs of households in need to be estimated. We have therefore used data from the Department of Work and Pensions (DWP) to look at the number of LHA supported private rented homes. As of February 2013 it is estimated that there were 1,430 benefit claimants in the private rented sector in Test Valley. This is the same number as was observed two years earlier.

7.67 What this information does not tell us is how many lettings are made each year to tenants claiming benefit as this will depend on the turnover of stock. From English Housing Survey we estimate that the proportion of households within the private sector who are “new lettings” each year (i.e. stripping out the effect of transfers) is around 13%. Applying this to the number of LHA claimants in the private rented sector gives us an estimate of 186 private sector lettings per annum to new LHA claimants in the Borough. Whilst this figure is derived from claimants rather than households, there is little evidence of multiple LHA claimant households in Test Valley (i.e. in the HMO sector) and thus do not consider any further adjustment necessary.

7.68 The overall estimated number of lettings in the LHA part of the PRS can be seen to be around two-thirds of the total net need derived through housing needs analysis. It is not however appropriate to treat this sector as a form of affordable housing and net it from the overall annual housing needs estimate of 292 affordable homes per annum. Neither the SHMA Guidance (CLG, 2007) nor the NPPF (CLG, 2012) recognise this sector as affordable housing.

7.69 However, it should be recognised that, in practice, the private rented sector does make a significant contribution to filling the gap in relation to meeting housing need and given the levels of affordable housing need shown in this study, the private rented sector is likely to continue to be used to some degree to make up for the shortfall of genuine affordable housing for the foreseeable future.

7.70 The extent to which the Council wishes to see the private rented sector being used to make up for shortages of affordable housing is a matter for policy intervention and is outside the scope of this report. However it should be recognised that the Private Rented Sector does not provide secure tenancies and that standards within the sector are likely to be lower than for social rented properties. Furthermore there are households with specific housing needs who may not be able to find suitable accommodation within the Private Rented Sector.

Understanding the Context to the Housing Needs Assessment

7.71 The housing needs analysis concludes that there is a shortfall of 292 affordable homes per annum over the period from 2013 to 2031 (5,261 in total). However there are a number of things that need to be remembered in interpreting the housing needs analysis.

7.72 The Basic Needs Assessment Model which has been used was designed specifically to identify whether there is a shortfall or surplus of affordable housing. It is a statutory requirement to underpin affordable housing policies.

7.73 The needs assessment therefore does not look at all housing needs, but specifically the needs of those who can't afford market housing (assuming no more than 30% of households' gross income is spent on housing costs). It assumes that all households are adequately housed in a home that they can afford.

7.74 The needs assessment is a 'snapshot' assessment at a point in time, which is affected by the differential between housing costs and incomes at that point; as well as the existing supply of affordable housing. In the case of Test Valley, the stock of affordable housing (social rented) has increased by about 11% over the last decade which is more than the overall increase in households (8%). However, the turnover of stock has generally decreased over time. This has affected the level of affordable housing need. The shortfall of affordable housing identified is therefore to some extent affected by past investment decisions – this might for example include households who want to stay in their current location but that there are not homes being built (e.g. in rural locations preventing households from downsizing).

7.75 Moreover, as the Basic Needs Assessment Model is designed to identify a shortfall of genuine affordable housing, it assumes that all households in 'housing need' are housed in affordable homes (which includes provision that the home remains at an affordable price for future eligible households).

7.76 In reality, there are two key factors which need to be considered:

- Some households defined as in housing need may choose to spend more than 30% of their gross income on housing costs or may not actively seek an affordable home; and
- Some households defined as in housing need are accommodated in the Private Rented Sector, supported by Local Housing Allowance.

- 7.77 It is estimated that there are currently over 1,400 Local Housing Allowance claimants housed in the Private Rented Sector with many more expected to be in this sector and paying more than 30% of their income on housing but not claiming Housing Benefit (for example a single person might need to see their housing costs get up to around 45%-50% of rent before getting Housing Benefit (although other benefits such as working tax credits will kick in below this level)).
- 7.78 As the level of housing need is very sensitive to differences between housing costs and incomes, changes in the difference between incomes and housing costs over time will affect the level of housing need identified.
- 7.79 The private rented sector should not be seen as a form of affordable housing, however it does have a role which should be recognised. It is very difficult to quantify people in the private rented sector (e.g. there may be people who live in private rented accommodation who do not qualify for affordable housing) and therefore gathering evidence to show that there is a shortfall in overall housing provision to meet local housing requirements over and above that shown by the demographic modelling is extremely difficult (albeit there is arguably some tenure mismatch with households living in the private rented sector when a social/affordable rented home would be more suitable). The affordable housing needs analysis per se therefore does not provide a basis for considering overall future housing requirements or whether there is a backlog of housing that has not been delivered in the recent past.
- 7.80 Given the current stock of affordable housing in the area, the funding mechanisms for delivery of new affordable housing and policies affecting sales of existing properties, it is unrealistic to assume that all households in housing need will be provided with an affordable home. It is realistic to assume that the Private Rented Sector will continue to play an important role in meeting housing need in the short-to-medium term.

Impact of Welfare Reforms

- 7.81 The Coalition Government has heralded a period of considerable change by way of welfare reforms which will have an effect on local residents. The reforms are set against a backdrop of government spending cuts, which has seen funding levels drop, and an economic recession which has led to changes to the country's housing market and how housing can be accessed. A summary of the welfare reforms and impacts are shown below:
- Reducing the Local Housing Allowance (LHA) from the median rent in a Broad Rental Market Area (BRMA) to the 30th centile and the abolition of the rate for 5 or more bedroom homes. These changes came in from April 2011 and will have meant some households seeing a reduction in housing benefit. There has also been a reduction in the number of homes available to rent at or below payment thresholds and potentially increased demand for lower cost properties. Households requiring larger (5 or more bedroom) homes have been disproportionately affected.
 - Limiting payments for people under 35 to the shared room rate (up from 25) – from January 2012. This change has made it harder for Councils to place young single people in private rented accommodation and has seen a greater demand for shared housing.

- Up rating LHA in line with Consumer Price Index (CPI) instead of by reference to local rents. If rents increase at a rate above CPI then there will be a reduction in the number of properties with a rent below LHA maximum levels.
- Limiting Housing Benefit entitlements for working age people in social housing sector to reflect family size. The under occupancy penalty or 'bedroom tax' to remove what the Government considers was a spare room subsidy for social housing tenants is arguably the most controversial of the welfare reforms with households losing 14% of housing benefit if they have one spare bedroom and 25% for two or more. This change has already put considerable pressure on housing providers who are seeing a significantly increased demand for smaller (particularly one bedroom) homes. In the longer-term if the supply does not improve this change could see some increases in homelessness. This change was brought in from April 2013.
- A household benefit cap is being phased in from April 2013 which will limit the amount claimed in all benefits for working age (non-working) households to £500 per week for households with two or more people and £350 for single adults. For many households this will not make a difference to their ability to access housing; however larger households living in larger (more expensive) homes will be disproportionately affected.
- The move towards a Universal Credit is likely to end Housing Benefit payments direct to landlords, making benefit claimants potentially less attractive as tenants.

7.82 Whilst the full impact of the various current and proposed changes is difficult to quantify it is clear when taken together that a significant number of people and households will be affected. Given the levels of housing need identified set against the potential supply of affordable housing (from both the existing stock and new provision) it seems unlikely that the number of households in need will fall in the short/medium-term. Indeed the evidence suggests a likely growth in demand – particularly for private rented accommodation.

Need for Different Types of Affordable Housing

7.83 Having studied housing costs, incomes and housing need the next step is to make an estimate of the proportion of affordable housing need that should be met through provision of different housing products. We therefore use the income information presented earlier in this section to estimate the proportion of households who are likely to be able to afford intermediate housing and the number for whom only social or affordable rented housing will be affordable. The main data sources for establishing housing need are Census data and projections of newly-forming households (along with local income and affordability estimates).

- 7.84 We have assessed requirements in the form of three income bands which have been associated with three different tenures of housing – intermediate, affordable rented and social rented. Households are considered able to afford intermediate housing if their income is greater than that required to rent at 80% of market rental costs (a figure which equates with possible affordable rent maximum costs) and the income falls below that required to access the market without subsidy. Although technically an intermediate product could be provided at below this level, the reality is that most intermediate housing is priced closer to market costs than social housing costs. Households whose income falls in the gap between intermediate housing and social rented housing are allocated to affordable rented housing with lower income households placed in the social rent group. The categories of affordable housing are described in the table below.

Figure 7.22: Categories of affordable housing used for analysis

Housing type	Description
Intermediate housing	Assigned to households who can afford a housing cost at or above 80% of market rents but cannot afford full market costs
Affordable rent	Assigned to households who could afford a social rent without the need to claim housing benefit but would need to claim benefit to afford an Affordable Rented home (priced at 80% of market rental costs)
Social rent	Households who would need to claim housing benefit regardless of the cost of the property

- 7.85 In fact there will be a considerable overlap between these categories – the first would potentially represent households who could afford affordable rented housing without the need to claim housing benefit whilst the latter category (called social rent for analytical purposes) could have their needs met through affordable rented housing (with benefit assistance).
- 7.86 The table below shows our estimate of the number of households in need in each of the above categories and estimated net need levels (for the purposes of analysis the affordable and social rent figures have been combined). The data shows that across the Borough some 34% of the need could be met through products priced at the 80% of market level suggested by affordable rented housing without the need for benefit assistance.

Figure 7.23: Estimated level of Housing Need (per annum) by type of affordable housing (numbers)

Area	Intermediate			Social/affordable rented		
	Total need	Supply	Net need	Total need	Supply	Net need
Andover	48	6	42	224	154	69
North – rural	18	2	15	73	35	38
Central – rural	11	2	10	48	26	22
Romsey	15	2	13	69	39	30
South - rural	19	1	18	62	27	35
Borough	111	13	98	475	281	194

Source: Housing Needs Analysis

7.87 The table below shows the same information in percentage terms along with separating out affordable rent from social rent. The analysis confirms the levels of intermediate housing required as well as showing (in affordability terms) that affordable rented housing may have a limited role to play in meeting need with less than a third of those in the affordable/social rented category being able to afford an affordable rent without the need for benefit assistance. Affordable rent seems least affordable in Andover which will be due to this area typically having lower housing costs (i.e. a smaller gap between social and affordable rents) and also lower incomes.

Figure 7.24: Estimated level of Housing Need (per annum) by type of affordable housing (percentages)

Area	Intermediate	Affordable rent	Social rent	Total
Andover	37.8%	13.3%	48.8%	100.0%
North – rural	29.1%	28.4%	42.5%	100.0%
Central – rural	30.5%	33.2%	36.3%	100.0%
Romsey	31.0%	21.9%	47.1%	100.0%
South - rural	33.2%	27.2%	39.6%	100.0%
Borough	33.6%	20.5%	45.8%	100.0%

Source: Housing Needs Analysis

Key Findings: Affordable Housing Need

An assessment of housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in Test Valley. This has estimated current housing need in 2013 of 537 households, excluding existing social housing tenants where they would release a home for another household in need.

The housing needs model then looked at the balance between needs arising and the supply of affordable housing each year up to 2031. Over this period an estimated 557 households are expected to fall into housing need and 294 properties are expected to come up for relet each year.

Overall a net deficit of 5,261 affordable homes is identified (292 per annum). There is thus a significant requirement for new affordable housing in the Borough and the Council is justified in seeking to secure additional affordable housing.

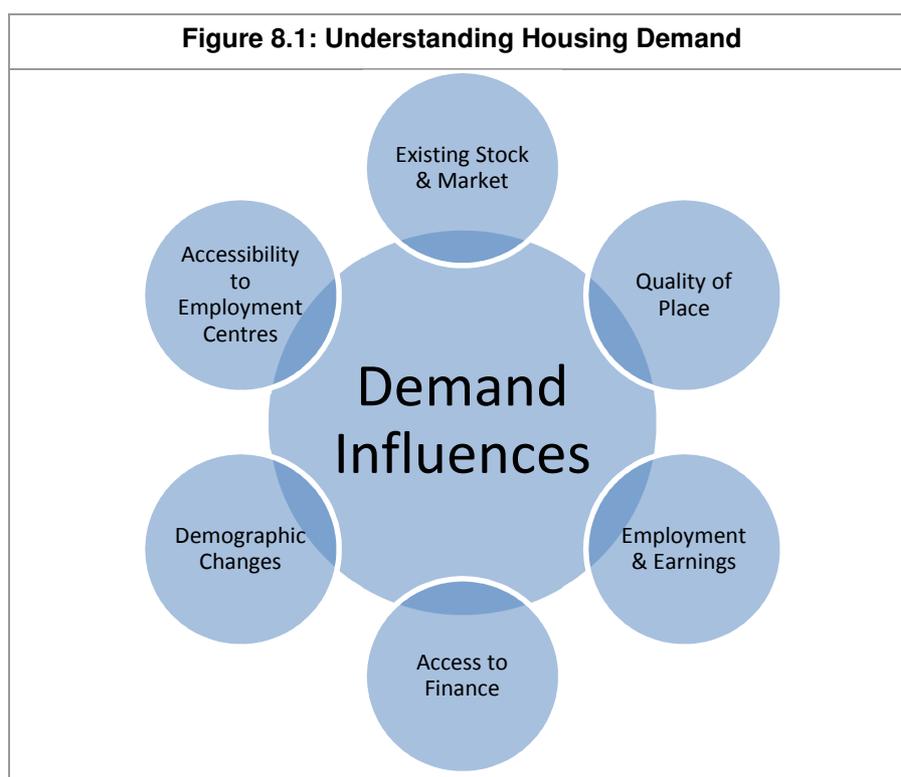
While a significant deficiency in affordable housing is identified, in practice many households who are unable to secure affordable housing are able to live within the Private Rented Sector supported by housing benefit, It seems likely that the Private Rented Sector will continue to be used to make up for a shortfall of genuine affordable housing.

Within the affordable housing need the analysis identifies a requirement for around a third of homes to be intermediate housing and two-thirds being social/affordable rented.

8. Requirements for Different Sizes of Homes

Introduction

- 8.1 There are a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level. There are a number of key influences on housing demand, which are set out in the chart below.



- 8.2 The housing market is complex. It is influenced by the economy at both a macro-economic level, in terms of interest rates and mortgage availability, as well as market sentiment (which is influenced by economic performance and prospects at the macro-level).
- 8.3 It is also influenced by the economy at both regional and local levels, recognising that employment trends will influence migration patterns (as people move to and from areas to access jobs), and that the nature of employment growth and labour demand will influence changes in earnings (which influences affordability).
- 8.4 Housing demand over the longer-term is particularly influenced by population and economic trends. Changes in the size and structure of the population directly influence housing need and demand, and the nature of demand for different housing products. Economic performance influences migration between different areas and household wealth.

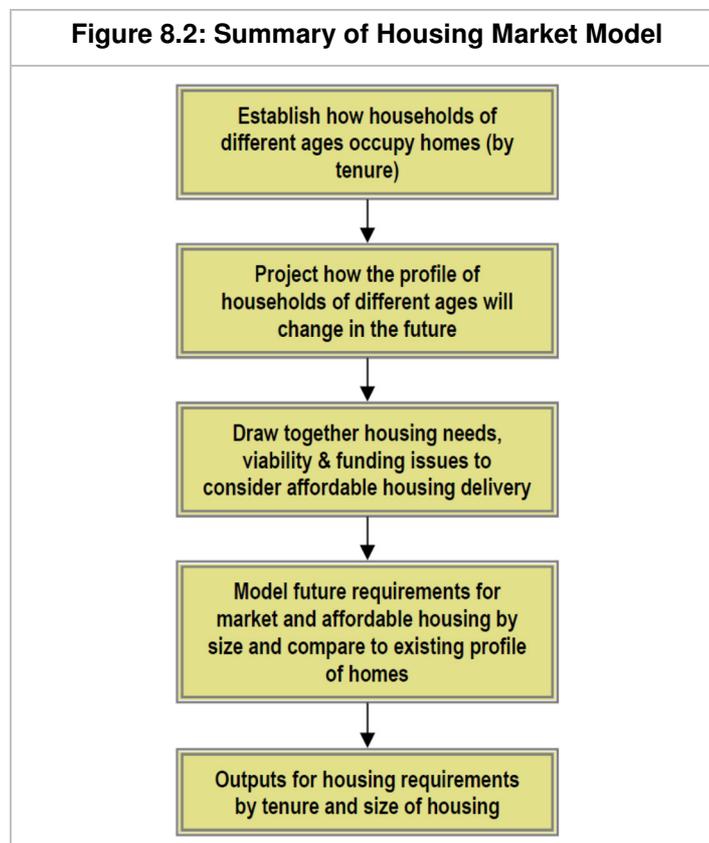
- 8.5 There are then a number of factors which play out at a more local level, within a functional housing market and influence demand in different locations. These include:
- quality of place and neighbourhood character;
 - school performance and the catchments of good schools;
 - the accessibility of areas including to employment centres (with transport links being an important component of this); and
 - the existing housing market and local market conditions.
- 8.6 These factors influence the demand profile and pricing, against a context in which households compete within the market for housing.
- 8.7 At a local level, this means that the housing market (in terms of the profile of buyers) tends to influence by and reinforce to some degree around the existing stock. However, regenerative investment or delivery of new transport infrastructure can influence the profile of housing demand in a location, by affecting its attractiveness to different households.
- 8.8 Local housing markets or sub-markets are also influenced by dynamics in surrounding areas, in regard to the relative balance between supply and demand in different markets; and the relative pricing of housing within them. Understanding relative pricing and price trends is thus important.

The Housing Market Model

- 8.9 In this section we consider in some detail the implications of demographic drivers on demand for different housing products. The assessment is intended to provide an understanding of the implications of demographic dynamics on need and demand for different sizes of homes. This however needs to be brought together with an understanding of wider factors including:
- The need and opportunity to develop the housing offer;
 - The findings of the housing needs analysis which provide a short-term view of requirements;
 - Economic factors, such as trends in employment, overall and by occupation; and
 - Local policy objectives
- 8.10 The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes of housing required in the future. For the purposes of this analysis we have looked at the demographic change as indicated in our projection linked to updating the SNPP (PROJ 2a) – 9,055 additional homes from 2011 to 2031).
- 8.11 It should be noted that this projection will not necessarily be translated into policy but has been used to indicate the likely size requirements of homes moving forward. Were a projection with a different housing figure used then the outputs would be expected to be broadly similar.

Methodology

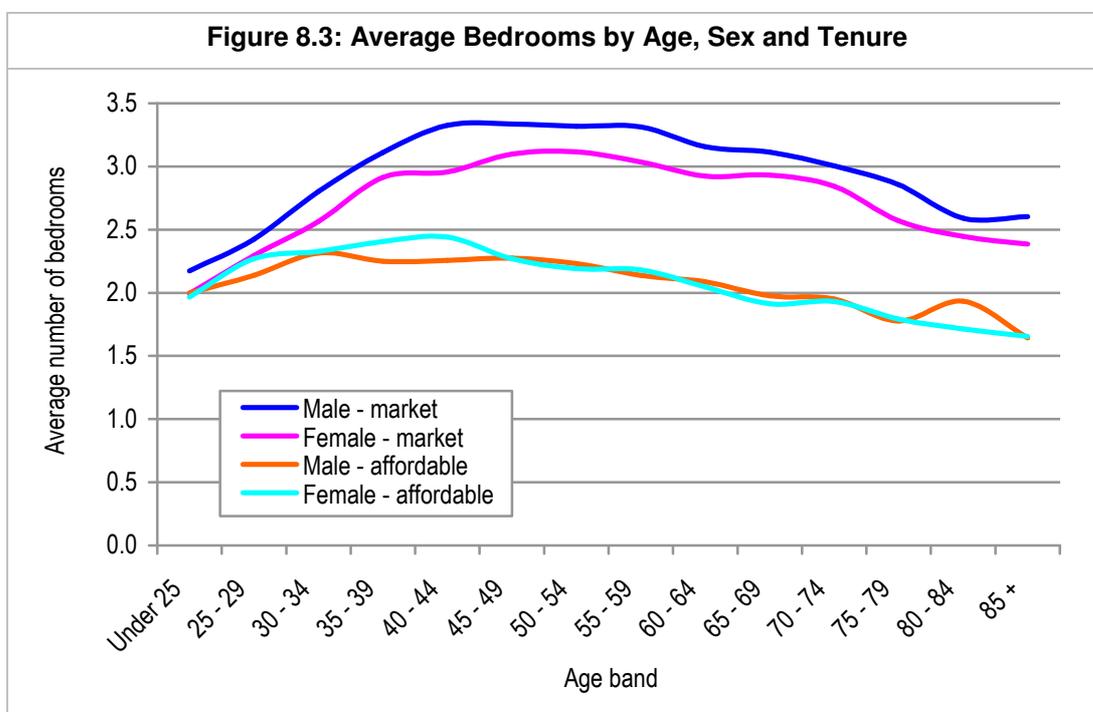
8.12 The figure below describes the broad methodology employed in the housing market modelling. Data is drawn from a range of sources including the 2011 Census and our demographic projections and below we briefly discuss key information sources.



Understanding how Households Occupy Homes

- 8.13 Whilst the demographic projections provide a good indication of how the population and household structure will develop it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided. The size of housing which households occupy relates more to their wealth and age than the number of people which they contain.
- 8.14 For example, there is no reason why a single person cannot buy (or choose to live in) a four bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units. In the affordable sector this issue is less relevant (particularly since the introduction of the under occupancy penalty or 'bedroom tax') although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to continue to under-occupy their current homes.

- 8.15 The general methodology is to use the information derived in the projections about the number of household reference persons (HRPs) in each age and sex group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table C1213 which provides relevant data for all local authorities in England) with data then calibrated to be consistent with 2011 Census data (e.g. about house sizes in different tenure groups and locations).
- 8.16 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and different sexes by broad tenure group. In the market sector the average size of accommodation rises over time to typically reach a peak around the 45-54 age groups. In the affordable sector this peak appears earlier. After sizes peak the average dwelling size decreases – possibly due to a number of people down-sizing as they get older. It is also notable that the average size for affordable housing dwellings are lower than those for market housing whilst in market housing male HRPs live in larger accommodation for all age groups (with no particular trend being seen in the affordable sector).



Source: Derived from ONS Commissioned Table C1213 and 2011 Census

Establishing a Baseline Position

- 8.17 As of 2011 it is estimated that there were 47,739 households living in Test Valley. Analysis of Census data linked to the demographic baseline provides us with an estimate of the profile of the housing stock in 2011, as shown in the table below. The table shows that an estimated 15% of households live in affordable housing 85% being in the market sector (the size of the affordable sector has been fixed by reference to an estimate of the number of occupied social rented and shared ownership homes in 2011). The data also suggests that homes in the market sector are generally bigger than in the affordable sector with 76% having three or more bedrooms compared to 38% for affordable housing.

- 8.18 These figures are for households rather than dwellings due to information about the sizes of vacant homes across the whole stock (i.e. market and affordable) not being readily available. For the purposes of analysis this will not make any notable difference to the. We have however translated the household projections into dwelling figures by including a 3% vacancy allowance when studying the final outputs of the market modelling.

Figure 8.4: Estimated Profile of Dwellings in 2011 by Size

Size of housing	Market		Affordable		Total	
	Number	%	Number	%	Number	%
1 bedroom	2,069	5.1%	2,151	30.0%	4,220	8.8%
2 bedrooms	7,698	19.0%	2,318	32.4%	10,016	21.0%
3 bedrooms	17,349	42.8%	2,398	33.5%	19,747	41.4%
4+ bedrooms	13,458	33.2%	298	4.2%	13,756	28.8%
Total	40,574	100.0%	7,165	100.0%	47,739	100.0%
% in tenure	85.0%		15.0%		100.0%	

Source: Derived from 2011 Census

Tenure Assumptions

- 8.19 The housing market model has been used to estimate future requirements for different sizes of property over the next 20-years. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier). Thus it is necessary to consider what mix of future housing will be in the market and affordable sectors.
- 8.20 The key assumption here is not a policy target but possible delivery. Our assumption is influenced by a range of factors. The Housing Needs analysis in this report provides evidence of considerable housing need which would support any target although the viability of providing affordable housing will limit the amount that can be delivered. On the basis of information available we believe that 35% would be a reasonable level of housing that could be delivered overall and have developed projections on the basis of 35% of new delivery being in the affordable sector. It should be stressed that this is not a policy position and has been applied simply for the purposes of providing outputs from the modelling process.

Key Findings: Market Housing

- 8.21 As we have previously identified there are a range of factors which can be expected to influence demand for housing. This analysis specifically looks at the implications of demographic drivers. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 20-year period from 2011 to 2031.
- 8.22 The table and figure below shows estimates of the sizes of market housing required from 2011 to 2031 based on demographic trends for the whole of the Borough. The data suggests a requirement for homes for 5,714 additional households with the majority of these being two- and three-bedroom homes.

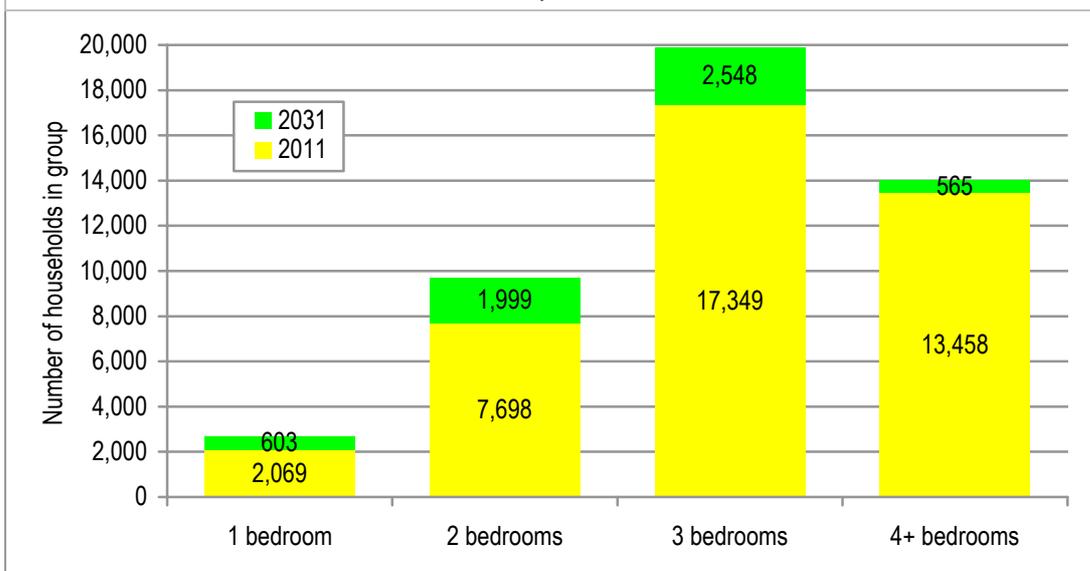
Figure 8.5: Estimated Size of Dwellings Required 2011 to 2031 – Market Housing

Size	2011	2031	Additional households 2011-2031	% of additional households
1 bedroom	2,069	2,672	603	10.6%
2 bedrooms	7,698	9,697	1,999	35.0%
3 bedrooms	17,349	19,897	2,548	44.6%
4+ bedrooms	13,458	14,023	565	9.9%
Total	40,574	46,288	5,714	100.0%

Source: Housing Market Model

8.23 The figure below shows how our estimated market requirement compares with the current stock of housing (based on households (i.e. excluding the 3% vacancy allowance)). The data suggests that housing requirements reinforce around the existing profile of stock, but with a slight shift towards a requirement for smaller dwellings relative to the distribution of existing housing. This is understandable given the fact that household sizes are projected to fall slightly in the future (which itself is partly due to the ageing of the population).

Figure 8.6: Impact of Demographic Trends on Market Housing Requirements by House Size, 2011 to 2031



Source: Housing Market Model

8.24 The graphs and statistics are based upon our modelling of demographic trends. As we have identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand; this may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people. In determining policies for housing mix, policy aspirations are also relevant.

- 8.25 In the short-term we would expect stronger demand in relative terms for larger family homes as the market for smaller properties is restricted by mortgage finance constraints. Over the 20-year projection period it is anticipated that there will be a continuing market for larger family homes, but the existing stock is expected to make a significant contribution to meeting this demand, as older households downsize (releasing equity from existing homes).
- 8.26 As the last few years have shown, there are a range of inter-dependencies which affect housing demand, with effective demand for entry-level market housing currently curtailed by the availability of mortgage finance for first-time buyers and those on lower earnings. This is likely to affect market demand for smaller properties typically purchased by first-time buyers in the short-term.
- 8.27 We are of the view that it is appropriate through the planning system to seek to influence the balance of types and sizes of market housing through considering the mix of sites allocated for development rather than specific policies relating to the proportion of homes of different sizes which are then applied to specific sites. This approach is implicit within NPPF which requires local planning authorities to *'identify the size, type, tenure and range of housing that is required'*.
- 8.28 At the strategic level, a local authority in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.

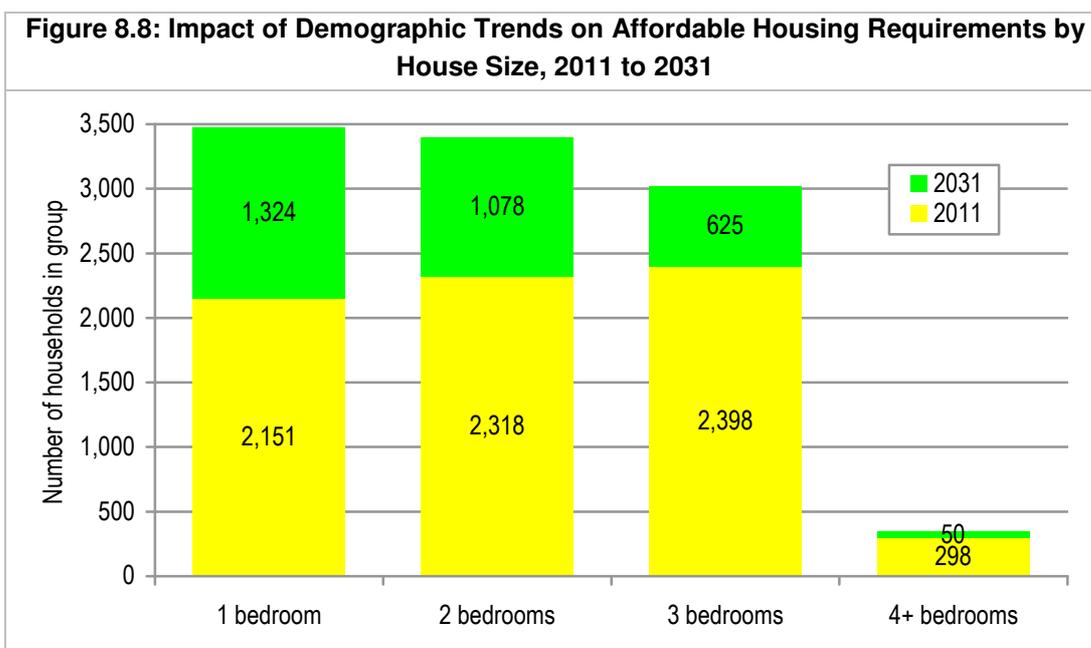
Key Findings: Affordable Housing

- 8.29 The table and figure below show estimates of the sizes of affordable housing required based on our understanding of demographic trends. The data suggests in the period between 2011 and 2031 that around 80% of the requirement is for homes with one- or two-bedrooms with around 20% of the requirement being for larger homes with three or more bedrooms.
- 8.30 This analysis provides a longer-term view of requirements for affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition we would note that smaller properties (i.e. one bedroom homes) typically offer limited flexibility in accommodating the changing requirements of households, whilst delivery of larger properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller properties. That said, there may in the short-term be an increased requirement for smaller homes as a result of welfare reforms limiting the amount of housing benefit being paid to some working-age households.

Size	2011	2031	Additional households 2011-2031	% of additional households
1 bedroom	2,151	3,475	1,324	43.0%
2 bedrooms	2,318	3,396	1,078	35.0%
3 bedrooms	2,398	3,023	625	20.3%
4+ bedrooms	298	348	50	1.6%
Total	7,165	10,242	3,077	100.0%

Source: Housing Market Model

8.31 The figure below shows how our estimated affordable requirement compares with the stock of affordable housing in 2011 – the figures are based on households (i.e. before adding in a vacancy allowance). Again, the data shows that relative to the current stock there is a slight move towards a greater proportion of smaller homes being required – this makes sense given that in the future household sizes are expected to drop whilst the population of older people will increase – older person households (as shown earlier) are more likely to occupy smaller dwellings. However, the analysis still identifies a requirement for more larger units (particularly three bedroom accommodation).



Source: Housing Market Model

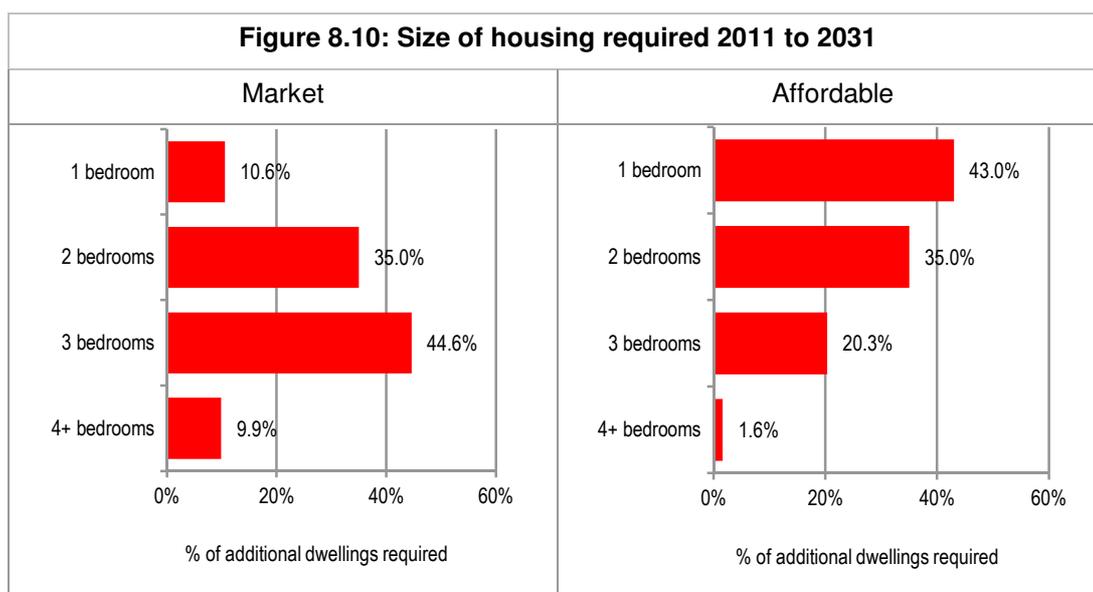
Indicative Targets by Dwelling Size

8.32 The table and figure below summarises the above data in both the market and affordable sectors under the modelling exercise. We have also factored in a 3% vacancy allowance in moving from household figures to estimates of housing requirements.

Figure 8.9: Estimated dwelling requirement by number of bedrooms (2011 to 2031)

Number of bedrooms	Market			Affordable		
	Households	Dwellings	% of dwellings	Households	Dwellings	% of dwellings
1 bedroom	603	621	10.6%	1,324	1,364	43.0%
2 bedrooms	1,999	2,059	35.0%	1,078	1,110	35.0%
3 bedrooms	2,548	2,624	44.6%	625	644	20.3%
4+ bedrooms	565	581	9.9%	50	52	1.6%
Total	5,714	5,886	100.0%	3,077	3,169	100.0%

Source: Housing Market Model



- 8.33 Whilst the outputs of the modelling provide estimates of the proportion of homes of different sizes that should be provided there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one bedroom homes. We also need to consider that the stock of four bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited.
- 8.34 It should also be recognised that local authorities have statutory homeless responsibilities towards families with children and would therefore prioritise the needs of families over single person households and couples. On this basis the profile of affordable housing to be provided would be further weighted to two or more bedroom housing. In the short-term however there may be a need to increase the supply of one-bedroom homes due to the under-occupancy penalty or 'bedroom tax'.
- 8.35 For these reasons we would suggest in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate.
- 8.36 There are thus a range of which are relevant in considering policies for the mix of affordable housing sought through development schemes. At a Borough-wide level, the analysis would support policies for the mix of affordable housing of:
- 1-bed properties: 40%
 - 2-bed properties: 35%
 - 3-bed properties: 20%
 - 4-bed properties: 5%

- 8.37 Our strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.
- 8.38 The need for affordable housing of different sizes will vary by area across the Borough and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.
- 8.39 In the market sector we would suggest a profile of housing that more closely matches the outputs of the modelling. The recommendations take some account of the time period used for the modelling and the fact that the full impact of the ageing population will not be experienced in the short-term. In addition, as noted earlier, current constraints on mortgage finance is likely to suppress demand for smaller units in the short-term (particularly those which would normally have high demand from first-time buyers).
- 8.40 On the basis of these factors we consider that the provision of market housing should be more explicitly focused on delivering smaller family housing for younger households. On this basis we would recommend the following mix of market housing be sought:
- 1-bed properties: 10%
 - 2-bed properties: 35%
 - 3-bed properties: 45%
 - 4-bed properties: 10%
- 8.41 Although we have quantified this on the basis of the market modelling and our understanding of the current housing market we do not strongly believe that such prescriptive figures should be included in the plan making process and that the 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time. The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area.

Smaller-area Housing Market Modelling Outputs

- 8.42 Whilst the analysis above has focussed on outputs for Test Valley as a Borough, the data itself has been built up from analysis at a smaller area level. The tables below provide the outputs of this analysis in terms of the sizes of accommodation estimated to be required in each of the affordable and market sectors for the four different areas.
- 8.43 To a considerable degree the outputs show a reinforcing of the current housing offer in each area with larger homes expected to be required in areas which traditionally have provided larger housing units. This is largely a function of the expected demographic change in these areas and the fact that household types requiring larger homes are expected to continue seeking these locations. However, as the demographic change is somewhat linked to past trends, the suppression of a particular type of household in the past (i.e. through a lack of supply of a certain type of property and/or lack of affordability) may lead to the size needs of such households being masked in future projections.

- 8.44 Given the ageing demographic in many of the more rural sub-markets, as well as the higher pricing levels of market housing and significant levels of under-occupation, the Council may wish to promote a stronger focus on smaller units within the market sector (1 and 2 bedrooms) in these areas (particularly the North and Central rural areas) than the pure modelling would suggest, with a consequent dampening of the requirements for 4 or more bedroom properties seen in some areas.

Figure 8.11: Estimated dwelling requirement by number of bedrooms (2011 to 2031) – Market Sector				
Sub-area	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Andover	12%	39%	43%	6%
North – Rural	6%	31%	49%	13%
Central – Rural	8%	31%	42%	18%
Romsey	14%	33%	45%	8%
South - Rural	8%	36%	45%	11%
Test Valley	11%	35%	45%	10%

Source: Housing Market Model

Figure 8.12: Estimated dwelling requirement by number of bedrooms (2011 to 2031) – Affordable Sector				
Sub-area	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Andover	49%	33%	17%	2%
North – Rural	35%	42%	22%	1%
Central – Rural	40%	32%	26%	1%
Romsey	43%	34%	21%	2%
South - Rural	42%	36%	20%	2%
Test Valley	43%	35%	20%	2%

Source: Housing Market Model

Key Findings: Requirements for Different Sizes of Homes

There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. Our analysis linked to long-term (20-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes:

	1-bed	2-bed	3-bed	4+ bed
Market	10%	35%	45%	10%
Affordable	40%	35%	20%	5%
All housing	20%	35%	35%	10%

Our strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

The mix identified above should inform strategic Borough-wide policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

Based on the evidence, we would expect the focus of new market housing provision to be on two and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2 and 3 beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.

The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered through the Local Plan process, including: Site Allocations, Neighbourhood Plans and other planning documents. Equally it will be of relevance to affordable housing negotiations.

The Council should also consider whether it is appropriate to set out specific space standards for new development, particularly to encourage provision of decent sized family housing (e.g. three bed properties). It should also consider whether it is appropriate to limit the sub-division of existing larger properties which can help to attract and retain family households in certain parts of the Borough.

9. Specific Groups of the Population

Introduction

- 9.1 We have established overall housing requirements for different sizes of properties over the next 20-years, however there can be specific groups within the population who require specialist housing solutions or for whom housing needs may differ from the wider population. These groups are considered within this section.
- 9.2 Estimates of household groups who have particular housing needs is a key output of the SHMA Guidance whilst the National Planning Policy Framework identifies that local planning authorities should plan for a mix of housing which takes account of the needs of different groups in the community.
- 9.3 The following key groups have been identified which may have housing needs which differ from those of the wider population:
- Older Persons;
 - People with disabilities;
 - Black and Minority Ethnic (BME) households;
 - Households with children
 - Young people
 - Service Families
- 9.4 Much of the analysis in this section focusses on the Test Valley Borough as a whole although some sub-area distinctions are made. As well as providing some information for the five sub-areas some analysis focuses on a simpler two area split (North and South of the Borough to reflect the PUSH part of Test Valley and the rest of the Borough).

Housing Needs of Older People

- 9.5 The SHMA Guidance recognises the need to provide housing for older people as part of achieving a good mix of housing. A key driver of change in the housing market over the next 20-years is expected to be the growth in the population of older persons.
- 9.6 Indeed as population projections show, the number of older people is expected to increase significantly over the next few years. In this section we draw on a range of sources including our population projections, 2011 Census information and data from POPPI (Projecting Older People Population Information).
- 9.7 The context to older persons housing provision can be summarised as below:
- A need to provide housing for older people as part of achieving a good mix of housing, but recognizing that many older people are able to exercise choice and control over housing options – e.g. owner occupiers with equity in their homes;

- Falling demand for residential care in some areas, and a rapidly rising average age of people living in sheltered housing over 20-years, requiring higher levels of support. However many local authorities have struggled to contain expenditure on services for older people;
- New models of enhanced and extra care housing have emerged. These aim to meet the needs of those who require high levels of care and support alongside those who are still generally able to care for themselves. These models often allow for changing circumstances in situ rather than requiring a move; and
- Providing choice, including supporting people to stay in their own homes including through supporting adaptations to properties and through provision of floating support.

Current Population of Older Persons

9.8 Below we have provided some baseline population data about older persons and compared this with other areas. The data for has been taken from the published ONS mid-year population estimates and is provided for age groups from 55 and upwards. In reality, those aged 55 might not be considered as 'old' but we have started the analysis from this age group due to the fact that some housing developments are specifically targeted at the over 55 age group.

9.9 The data shows that, when compared with both the region and England, the Borough has a higher proportion of older persons. In 2011 it is estimated that 31.9% of the population of Test Valley was aged 55 or over compared with 29.2% in the South East region and 28.0% for the whole of England. Within Test Valley there are also some differences with the North having a younger population than the South (30.6% of the population in the North was aged 55 and over compared with 34.3% in the South).

Figure 9.1: Older person population (2011)

Age group	North		South		Test Valley		South East	England
	Popul- ation	% of popn	Popul- ation	% of popn	Popul- ation	% of popn	% of popn	% of popn
Under 55	52,318	69.4%	27,137	65.7%	79,455	68.1%	70.8%	72.0%
55-64	9,642	12.8%	5,939	14.4%	15,581	13.4%	11.9%	11.6%
65-74	7,462	9.9%	4,321	10.5%	11,783	10.1%	8.9%	8.6%
75-84	4,281	5.7%	2,740	6.6%	7,021	6.0%	5.8%	5.5%
85+	1,694	2.2%	1,164	2.8%	2,858	2.4%	2.5%	2.2%
Total	75,397	100.0%	41,301	100.0%	116,698	100.0%	100.0%	100.0%
Total 55+	23,079	30.6%	14,164	34.3%	37,243	31.9%	29.2%	28.0%

Source: ONS 2011 mid-year population estimates and projection modelling

Future Changes in the Population of Older Persons

9.10 As well as providing a baseline position for the proportion of older persons in the Borough we can use published population projections to provide an indication of how the numbers might change in the future compared with other areas. The data provided below is based on the 2011-based SNPP which is the latest source available consistently across areas. The data is only taken to 2021 (due to the timescales used by ONS) although for Test Valley this report does look at the changing age structure through to 2031.

- 9.11 The data shows that Test Valley (in line with other areas) is expected to see a notable increase in the older person population with the total number of people aged 55 and over expected to increase by 24% over just 10-years. This figure is slightly higher than projected for both the region and England. Test Valley is projected to have relatively strong growth in the population aged 85+ when compared with other areas although to some degree this is linked to the size of the population in this age group in 2011.

Age group	Test Valley	South East	England
Under 55	-3.9%	4.0%	4.4%
55-64	11.4%	15.7%	13.5%
65-74	21.7%	22.7%	20.3%
75-84	41.8%	26.2%	22.6%
85+	64.6%	40.4%	38.5%
Total	5.1%	9.3%	8.6%
Total 55+	24.5%	22.1%	19.4%

Source: ONS 2011-based SNPP

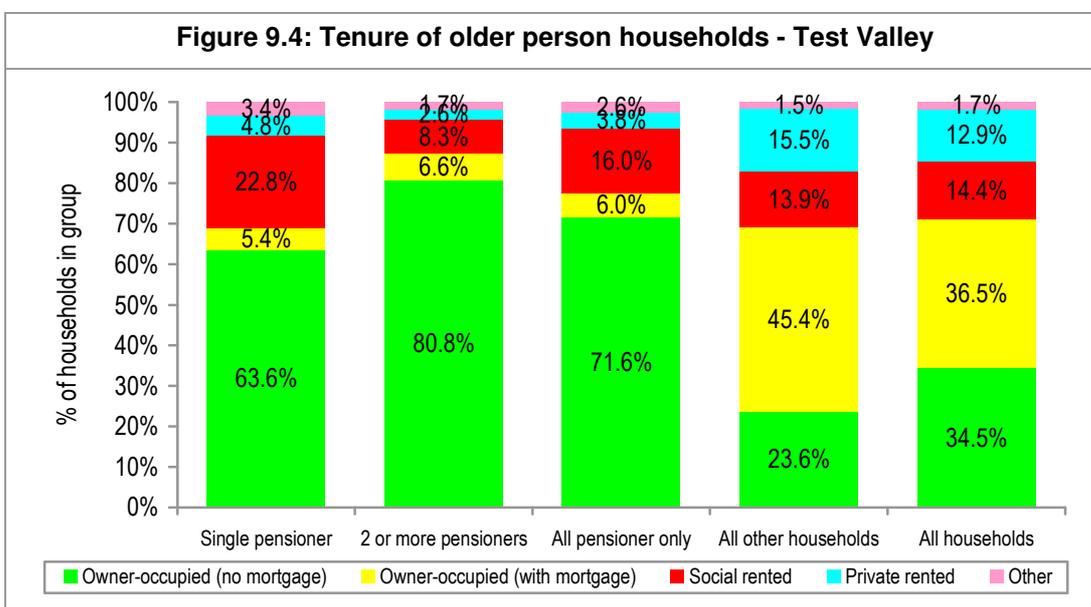
Characteristics of Older Persons Households

- 9.12 We have used 2011 Census data to explore in more detail the characteristics of older person households in Test Valley (based on the population aged 65 and over). The first table below shows the number of households compared with the County, region and England. The data shows that in 2011 around 22.5% of households were comprised entirely of people aged 65 and over. This is slightly below the County average but above the figure for England and the South East.
- 9.13 Within Test Valley there are some differences with only 21.3% of households in the North of the Borough being pensioner only compared with 24.7% in the South. The low proportion of single pensioner households in the North is also notable.

Pensioner households	North	South	Test Valley	Hampshire	South East	England
Single pensioner	3,429	2,273	5,702	68,934	449,969	2,725,596
2 or more pensioners	3,096	1,933	5,029	57,583	329,263	1,851,180
All households	30,566	17,060	47,626	545,254	3,555,463	22,063,368
Single pensioner	11.2%	13.3%	12.0%	12.6%	12.7%	12.4%
2 or more pensioners	10.1%	11.3%	10.6%	10.6%	9.3%	8.4%
All households	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total % pensioner only	21.3%	24.7%	22.5%	23.2%	21.9%	20.7%

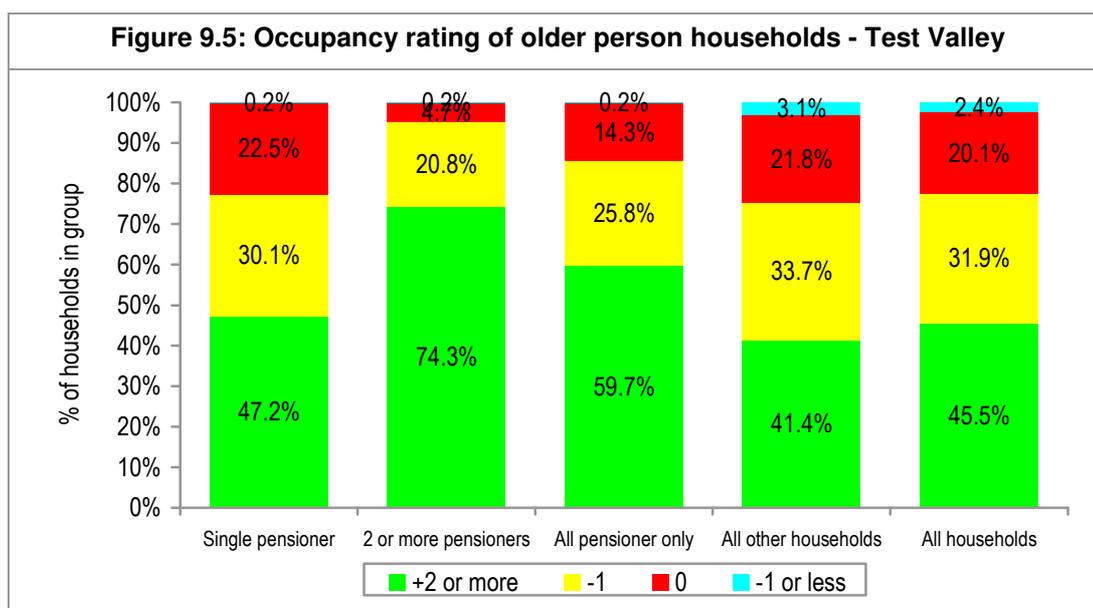
Source: Census (2011)

- 9.14 The figure below shows the tenure of older person households – the data has been split between single pensioner households and those with two or more pensioners (which will largely be couples). The data shows that pensioner households are relatively likely to live in outright owned accommodation (72%) and are more likely than other households to be in the social rented sector. The proportion of pensioner households living in the private rented sector is relatively low (4% compared with 13% of all households in the Borough).
- 9.15 There are however notable differences for different types of pensioner households with single pensioners having a much lower level of owner-occupation than larger pensioner households – this group also has a much higher proportion living in the social rented sector.
- 9.16 Given that the number of older people is expected to increase in the future and that the number of single person households is expected to increase this would suggest (if occupancy patterns remain the same) that there will be a notable demand for affordable housing from the ageing population.



Source: 2011 Census

- 9.17 A key theme that is often brought out in Housing Market Assessment work is the large proportion of older person households who under-occupy their dwellings. Data from the Census allows us to investigate this using the bedroom standard. The Census data suggests that older person households are more likely to under-occupy their housing than other households in the Borough. In total 60% have an occupancy rating of +2 or more (meaning there are at least two more bedrooms than are technically required by the household). This compares with 41% for non-pensioner households. Further analysis suggests that under-occupancy is far more common in households with two or more pensioners than single pensioner households.



- 9.18 It is of interest to study the above information by tenure. The figure below shows the number of pensioner households who had an occupancy rating of +2 or more in each of three broad tenure groups in 2011. Whilst the majority of older person households with an occupancy rating of +2 or more were in the owner-occupied sector, there were nearly 300 properties in the social rented sector occupied by pensioner only households with an occupancy rating of +2 or more. This may therefore present some opportunity to reduce under-occupation although to achieve this it may be necessary to provide housing in areas where households currently live and where they have social and community ties.

Figure 9.6: Pensioner households with occupancy rating of +2 or more by tenure

Tenure	Single pensioner	2 or more pensioners	All pensioner only households
Owner-occupied	2,333	3,407	5,740
Social rented	177	115	292
Private rented	182	126	308
All tenures	2,692	3,648	6,340

Source: 2011 Census

- 9.19 It should however be recognised that many older households in the private sector will have built up equity in their existing homes. In the private sector many older households may be able to afford a larger home than they need (and thus under-occupy housing). Some may look to downsize to release equity from homes to support their retirement (or may move away from the area); however we would expect many older households to want to retain family housing with space to allow friends and relatives to come to stay.

Health-related Population Projections

- 9.20 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website which provides prevalence rates for different disabilities by age and sex. For the purposes of the SHMA analysis has focussed on estimates of the number of people with dementia and mobility problems.
- 9.21 For both of the health issues analysed the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.
- 9.22 The figure below shows that both of the illnesses/disabilities are expected to increase significantly in the future although this would be expected given the increasing older person population. In particular there is projected to be a large rise in the number of people with dementia (up 123%) along with a 98% increase in the number with mobility problems.

Figure 9.7: Estimated population change for range of health issues (2011 to 2031)

Type of illness/disability	2011	2031	Change	% increase
Dementia	1,492	3,325	1,833	122.9%
Mobility problems	3,923	7,755	3,832	97.7%

Source: Data from POPPI and demographic projections

- 9.23 We have also accessed data from the Housing LIN website’s Strategic Housing for Older People (SHOP) analysis toolkit. This source estimates potential requirements for sheltered, extra care and residential care housing. A broad summary of the outputs for Test Valley (using the SHOP standard settings) are shown in the table below.
- 9.24 The data suggests a current requirement for 853 units with an additional 2,520 expected to be needed over the period to 2030. This is a total of 3,373 with the majority of this expected to be required as affordable housing. In total (and excluding the figures for registered care) the Housing LIN data suggests a requirement for some 2,359 additional units of accommodation specifically for older people by 2030 – around 131 per annum.

Figure 9.8: Estimated requirement for specialist housing

	Current need	Additional need (to 2030)	Total need
Sheltered – affordable	448	831	1,279
Sheltered – market	178	474	652
Extra care – affordable	203	225	428
Extra care – market	0	0	0
Registered care	24	990	1,014
TOTAL	853	2,520	3,373

Source: Housing LIN

- 9.25 Whilst this analysis should be treated as indicative given the number of assumptions feeding into it there is clearly a case for the Council seeking to provide additional 'specialist' accommodation for older persons as the population ages.

Older person households - conclusions

- 9.26 The older person population of Test Valley is fairly large when compared with national figures and is projected to increase significantly up until 2031.
- 9.27 Older persons are more likely to under-occupy homes. In the affordable sector, there may be potential to reduce (or seek to limit potential growth in) under-occupation and the Council may wish to consider providing support and incentives to social housing occupiers to downsize. This will help to release larger affordable homes for younger households. An analysis of older person households suggest that they are more likely to live in social rented housing (especially single pensioner households). With the projected increases in older persons there may therefore be additional pressure on the affordable housing stock from such households.
- 9.28 Our analysis also suggests that the growing older population (particularly in the oldest age groups) will result in growth in households with specialist housing needs. Typically the greatest support needs are for alterations to properties (such as to bathrooms, showers and toilets, provision of emergency alarms or help maintaining homes). Many of these can be resolved in situ through adaptations to existing properties and the resource implications of this will need to be planned for.
- 9.29 The growing older population will however likely lead to some increase in requirements for specialist housing solutions. The analysis above suggests a 123% growth in older population with dementia, and a 91% increase in the older population with mobility problems. From a planning point of view, some of these people will require specialist housing such as sheltered or extra care provision. Increasing numbers of older people with health problems will also require joint-working between housing and health (Council and NHS). Analysis of Housing LIN data suggests a requirement for around 131 additional housing units each year to be specialist accommodation to meet the needs of the older person population.

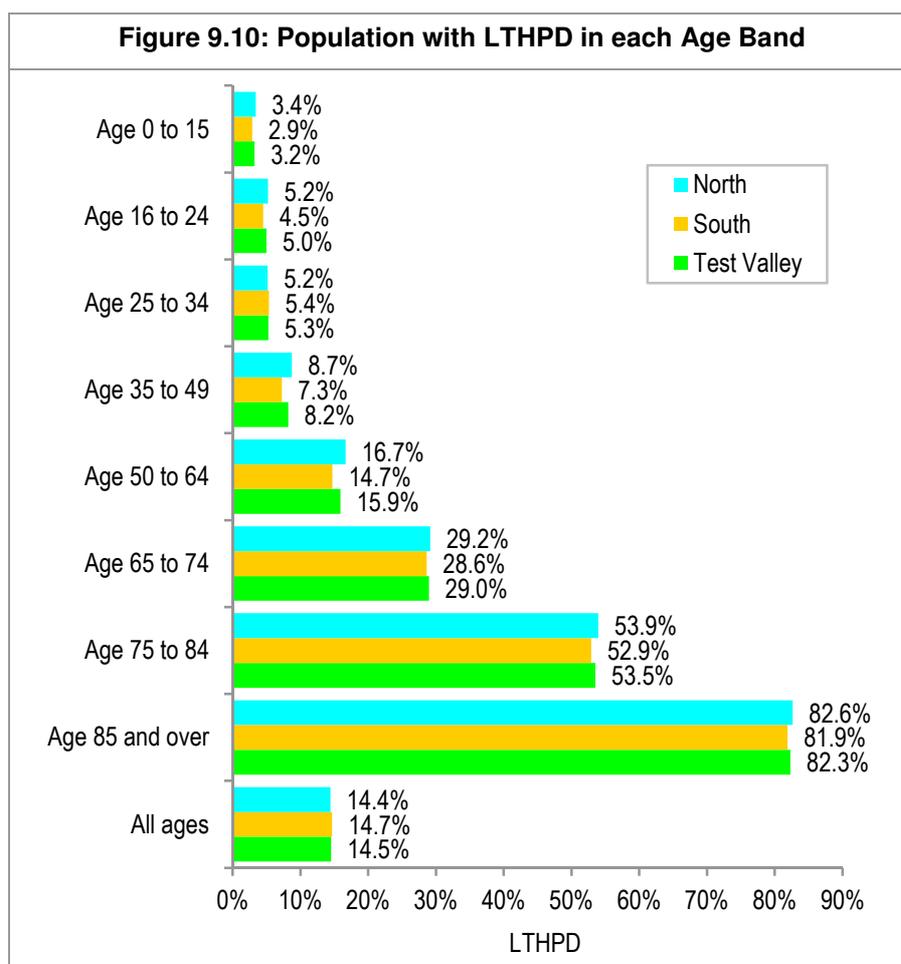
People with disabilities

- 9.30 This section concentrates on the housing situation of people/households that contain someone with some form of disability. We have again drawn on Census data although at the time of writing the level of available Census data was quite limited. It should also be recognised that an analysis of people with disabilities is very strongly linked with the above analysis about older people.
- 9.31 The table below shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across Test Valley some 23% of households contain someone with a LTHPD. This figure is slightly lower than the equivalent figure for both the region and nationally. The figures for the population with a LTHPD again show a lower proportion when compared with regional and national figures (an estimated 15% of the population of Test Valley have a LTHPD).
- 9.32 For individual sub-areas the analysis shows higher levels of LTHPD in Romsey and to a lesser extent Andover when compared with other parts of the Borough.

Figure 9.9: Households and people with Long-Term Health Problem or Disability (2011)				
Area	Households containing someone with health problem		Population with health problem	
	Number	%	Number	%
Andover	4,098	23.6%	6,763	16.0%
North – rural	1,550	21.2%	2,491	13.5%
Central – rural	1,334	22.7%	2,162	15.0%
Romsey	2,056	26.0%	3,205	17.8%
South - rural	1,893	20.7%	3,098	13.4%
Test Valley	10,931	23.0%	17,719	15.2%
Hampshire	127,852	23.4%	207,325	15.7%
South East	839,086	23.6%	1,356,204	15.7%
England	5,659,606	25.7%	9,352,586	17.6%

Source: Census (2011)

- 9.33 It is likely that the age profile of the area will heavily impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. Therefore the table below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD – for example some 82% of people aged 85 and over have a LTHPD. It should be noted that the base for the figure below is slightly different to the above table in that it excludes people living in communal establishments.
- 9.34 There are only small differences for different parts of the Borough with the North showing slightly higher levels of LTHPD than the South for most age groups. Given age structure differences however the ‘all ages’ figure is very slightly lower in the North than the South.



Source: Census (2011)

- 9.35 The age specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. In applying this information to our projection linked to updating the SNPP it is estimated that the number of people with a LTHPD will increase by around 8,300 (a 48% increase). All of this increase (and more – 101%) is expected to be in age groups aged 65 and over. The population increase of people with a LTHPD represents 54% of the total increase in the population projected by the demographic modelling.

People with disabilities - conclusions

- 9.36 Currently 23% of households contain someone with a long-term health problem or disability. Demographic trends are expected to lead to a significant growth in the population and number of households with disabilities over the period to 2031. Housing support services, including provision of adaptations to properties, will need to be adequately resources to take account of this.

BME Households

9.37 Black or Minority Ethnic (BME) households, as a group, are quite often found to have distinct characteristics in terms of their housing needs, or may be disadvantaged in some way.

9.38 From 2011 Census data we find that around 7% of the population of Test Valley came from a non-White (British/Irish) background. This figure is significantly below that found across the region and nationally (figure for England of 19%) but broadly in line with the County average. The key BME group in Test Valley is Other-White (which is likely to contain a number of Eastern European migrants) – the Other-White population makes up 2.8% of all people in the Borough which is significantly higher than any other group.

Figure 9.11: Black and Minority Ethnic Population (2011)

Ethnic Group	North	South	Test Valley	Hampshire	South East	England
White: British	92.7%	92.2%	92.6%	91.8%	85.2%	79.8%
White: Irish	0.5%	0.4%	0.5%	0.6%	0.9%	1.0%
White: Gypsy or Irish Traveller	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%
White: Other White	3.1%	2.2%	2.8%	2.5%	4.4%	4.6%
Mixed: White and Black Caribbean	0.4%	0.2%	0.3%	0.4%	0.5%	0.8%
Mixed: White and Black African	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%
Mixed: White and Asian	0.5%	0.5%	0.5%	0.5%	0.7%	0.6%
Mixed: Other Mixed	0.3%	0.3%	0.3%	0.3%	0.5%	0.5%
Asian: Indian	0.5%	1.4%	0.8%	0.8%	1.8%	2.6%
Asian: Pakistani	0.1%	0.3%	0.1%	0.1%	1.1%	2.1%
Asian: Bangladeshi	0.1%	0.2%	0.1%	0.2%	0.3%	0.8%
Asian: Chinese	0.3%	0.5%	0.4%	0.4%	0.6%	0.7%
Asian: Other Asian	0.6%	0.7%	0.6%	1.1%	1.4%	1.5%
Black: African	0.2%	0.2%	0.2%	0.4%	1.0%	1.8%
Black: Caribbean	0.2%	0.1%	0.1%	0.2%	0.4%	1.1%
Black: Other Black	0.1%	0.0%	0.1%	0.1%	0.2%	0.5%
Other ethnic group: Arab	0.1%	0.2%	0.1%	0.1%	0.2%	0.4%
Any other ethnic group	0.2%	0.3%	0.2%	0.2%	0.4%	0.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total population	75,210	41,188	116,398	1,317,788	8,634,750	53,012,456
% non-White (British/Irish)	6.8%	7.3%	7.0%	7.7%	13.9%	19.3%

Source: ONS (2011 Census)

9.39 Since 2001 the BME population in the Borough has increased significantly as can be seen in the table below. We have condensed some categories together due to a slightly different list of potential groups being used in the 2011 Census when compared with 2001 data. The data shows that whilst the overall population of Test Valley has increased by 6,597 over the 10-year period there has been a notable increase in BME groups (all groups other than White (British/Irish)) of 3,959 – 60% of the total increase. The White (British/Irish) population has increased by 2.5% compared to an increase of 95% in BME groups (all combined).

- 9.40 Looking at particular BME groups we see that the largest rise in terms of population has been for White-Other people – increasing by 1,483 over the ten years.

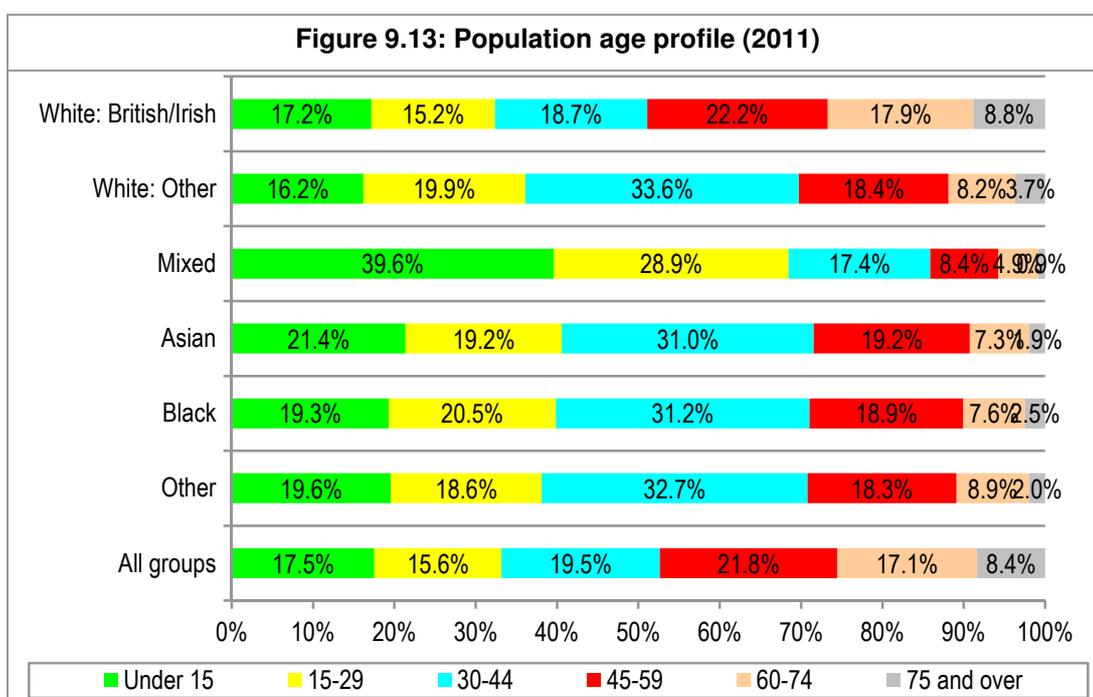
Figure 9.12: Change in BME groups 2001 to 2011 (Test Valley)

Ethnic Group	2001	2011	Change	% change
White (British/Irish)	105,642	108,280	2,638	2.5%
White - Other	1,882	3,365	1,483	78.8%
Mixed	709	1,494	785	110.7%
Asian or Asian British	1,196	2,368	1,172	98.0%
Black or Black British	215	487	272	126.5%
Other	157	404	247	157.3%
Total	109,801	116,398	6,597	6.0%

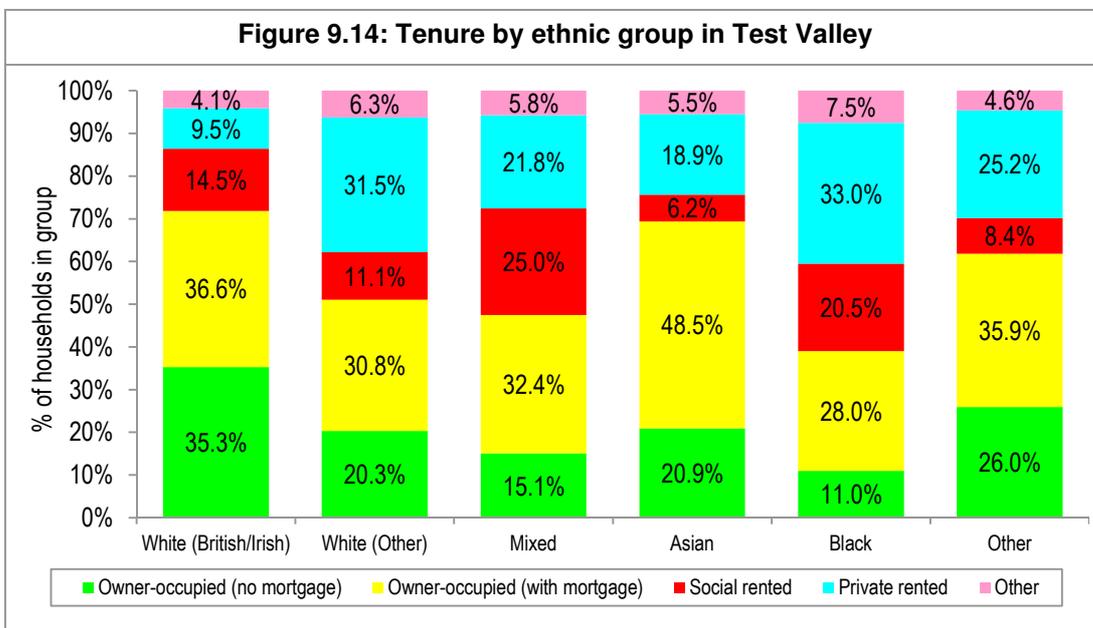
Source: Census 2001 and 2011

BME Household Characteristics

- 9.41 Census data can also be used to provide some broad information about the household and housing characteristics of the BME population in the Borough. The figure below looks at the population age structure of six broad age groups using data from the 2011 Census.
- 9.42 The age profile of the BME population is striking when compared with White: British/Irish people. All BME groups are considerably younger than the White (British/Irish) group with people from a Mixed background being particularly likely to be aged under 15 when compared with any other group. The proportions of older persons are also notable with 27% of White: British/Irish people being age 60 or over compared with all BME groups showing proportions of no more than 12%.



9.43 There are notable differences between the household characteristics of BME households compared with the White: British population. The figure below indicates that all BME groups (with the exception of Asian) are significantly less likely to be owner-occupiers and all groups are far more likely to live in private rented accommodation. Arguably the starkest trend is the 33% of Black households living in the private rented sector.

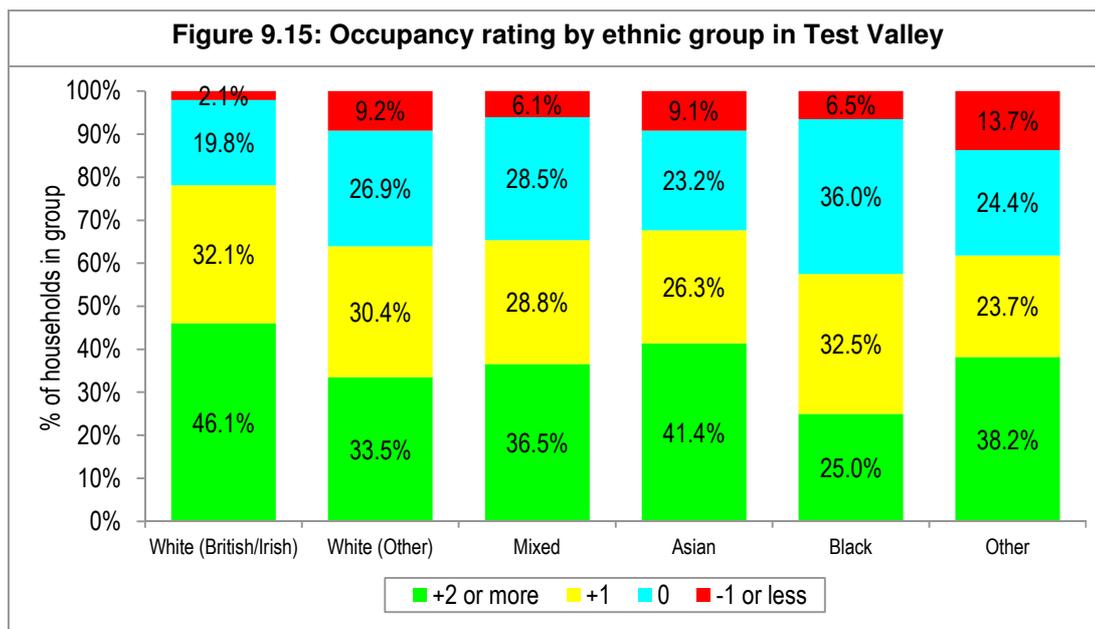


Source: 2011 Census data (from NOMIS)

9.44 The strong representation of BME households in the Private Rented Sector means that they are more likely to be affected by the changes discussed to Local Housing Allowance (particularly as the sector in the Borough shows a strong representation of LHA Claimants).

9.45 As BME communities mature over time, the level of owner occupation may increase. The pace at which this happens may be influenced by economic opportunities available as well as the level of enterprise within the local community. For some communities there may be support mechanisms which can work within the community, such as availability of interest free loans or support raising a deposit to buy a home, depending on cultural factors.

9.46 The figure below shows 'occupancy ratings' by BME group; this is based on the bedroom standard where a positive figure indicates under-occupancy and negative figures suggest some degree of over-crowding. BME groups are more likely to be overcrowded (i.e. have a negative occupancy rating) than White (British) households. In particular, the Census data suggests that around 14% of 'Other' households are overcrowded - this compares with only 2% of the White (British) group. Levels of under-occupancy amongst BME communities are also generally low.



Source: 2011 Census data (from NOMIS)

BME conclusions

- 9.47 The BME population in Test Valley has grown strongly since 2001. The 2011 Census shows that BME groups make up 7% of the Borough's population. The White: Other (which includes Eastern European migrants) and Mixed populations have both grown notably.
- 9.48 BME households appear to be typically younger and less likely to be owner occupiers than the White (British/Irish) population; there is also a greater reliance on the private rented sector. BME households are also more likely to be overcrowded and less likely to under-occupy dwellings.
- 9.49 The implications of this are more for housing strategy than planning, and suggest a need to consider particularly how the needs of different groups are met within the local housing market, to explore the reasons for higher levels of overcrowding in BME communities and how this can be addressed. It will also be important to consider the role which the Private Rented Sector plays in meeting needs of new migrant communities and the standards of housing in this sector. Investigating these issues in greater detail may assist development of strategic housing policies.

Households with children (family households)

- 9.50 The number of families in Test Valley (defined for the purpose of this assessment as any household which contains at least one dependent child) currently totals 14,090 accounting for 29.6% of households. The demographic projection (linked to updating the SNPP) suggests that the number of children (aged Under 15) is expected to increase slightly from 2011 to 2031 (an increase of over 1,400).
- 9.51 In different parts of the Borough there are small difference with regard to the proportion of households with children and the composition of these households. The North area has a marginally higher proportion of households with children than the South and within this higher proportions of cohabiting couples, lone parents and other households (along with a lower proportion of married couples with children).

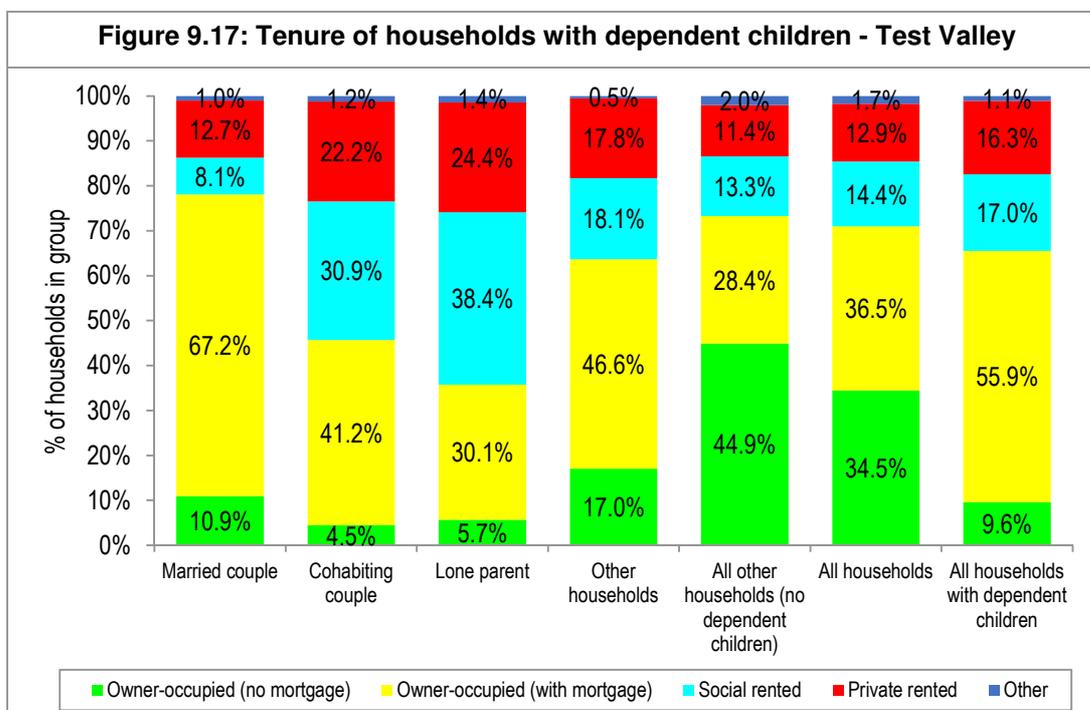
Figure 9.16: Households with dependent children (2011)

Household type	North		South		Test Valley	
	Number	%	Number	%	Number	%
Married couple	5,589	18.3%	3,286	19.3%	8,875	18.6%
Cohabiting couple	1,203	3.9%	452	2.6%	1,655	3.5%
Lone parent	1,723	5.6%	863	5.1%	2,586	5.4%
Other households	662	2.2%	312	1.8%	974	2.0%
All other households (no dependent children)	21,389	70.0%	12,147	71.2%	33,536	70.4%
Total	30,566	100.0%	17,060	100.0%	47,626	100.0%
Total with dependent children	9,177	30.0%	4,913	28.8%	14,090	29.6%

Source: ONS (2011 Census)

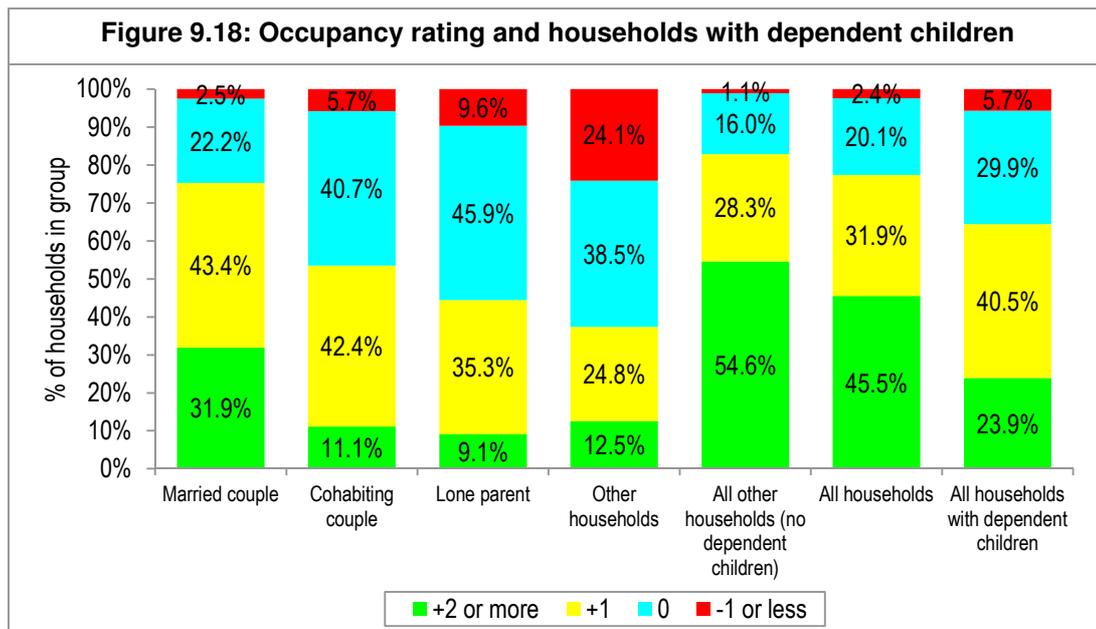
9.52 The figure below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. Only around 36% of lone parent households are owner-occupiers compared with 78% of married couples with children.

Figure 9.17: Tenure of households with dependent children - Test Valley



Source: 2011 Census

9.53 Overcrowding is often a key theme when looking at the housing needs of households with children and the figure below shows that households with children are about five times more likely than other households to be overcrowded. In total, some 5.7% of all households with dependent children are overcrowded and included within this the data shows 10% of lone parent households are overcrowded along with 24% of 'other' households with dependent children. Other than for married couple households levels of under-occupancy are also very low.



Households with children - conclusions

9.54 Overall, the data available about family households suggests that this group may be quite polarised. Whilst married couple households have high levels of owner-occupation and may well be slightly better off than the general population the data does point to lone parent (and other) households being more disadvantaged. Given that households with children should be seen as a priority for the Council this points towards ensuring that the housing offer meets the needs of such households and in particular the need to ensure a reasonable quality of housing in the private rented sector.

Young people

9.55 Providing for the needs of younger person households is an important consideration for the Council. Given ageing populations the ability to retain young people in an area can assist in providing a more balanced demographic profile as well as providing a vital part of the local workforce. Young people may however find barriers to accessing housing given typically low incomes and potential difficulties in securing mortgage finance due to deposit requirements.

9.56 The demographic projections (linked to the updated SNPP) suggest that in 2011 there were around 5,500 households headed by someone aged under 35 and that this is set to increase by around 900 households over the period from 2011 to 2031.

9.57 As well as households headed by a younger person there will be others living as part of another household (typically with parents). The table below shows the number of households in the Borough with non-dependent children. In total, some 9.3% of households (4,400) contain non-dependent children. This may to some degree highlight the difficulties faced by young people in accessing housing. Ineligibility for social housing, lower household incomes and the unaffordability of owner occupation for such age groups all contribute to the current trend for young people moving in with or continuing to live with parents.

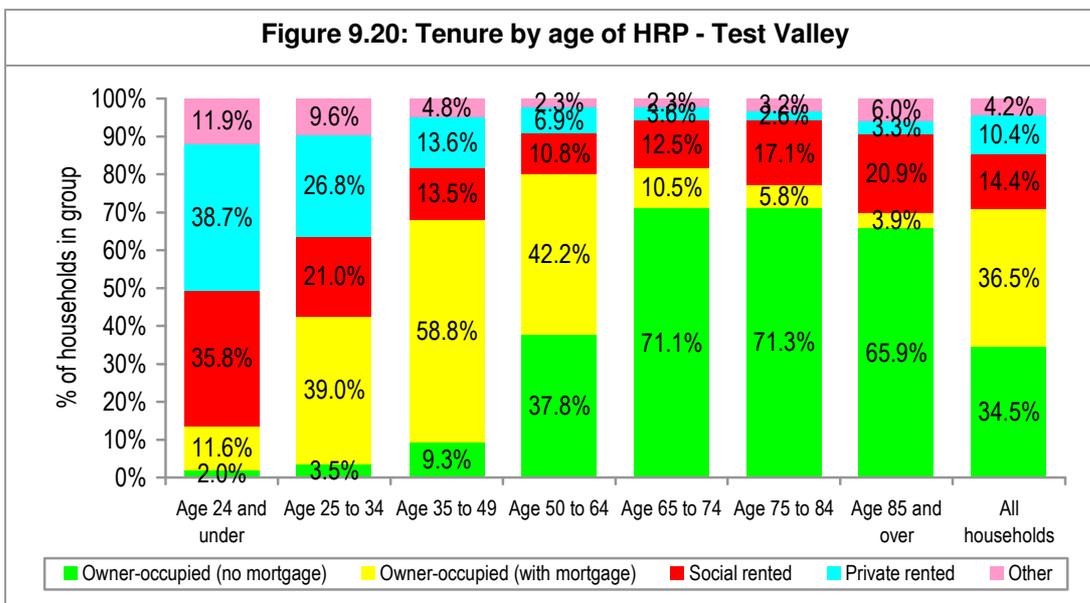
Figure 9.19: Households with non-dependent children (2011)

Household type	North		South		Test Valley	
	Number	%	Number	%	Number	%
Married couple	1,705	5.6%	1,168	6.8%	2,873	6.0%
Cohabiting couple	159	0.5%	73	0.4%	232	0.5%
Lone parent	841	2.8%	496	2.9%	1,337	2.8%
All other households	27,861	91.2%	15,323	89.8%	43,184	90.7%
Total	30,566	100.0%	17,060	100.0%	47,626	100.0%
Total with non-dependent children	2,705	8.8%	1,737	10.2%	4,442	9.3%

Source: ONS (2011 Census)

9.58 Moving back to study households that are currently headed by a younger person (taken for this analysis as being aged under 34) we can use Census data to look at some key characteristics. The figure below shows the tenure groups of these households (compared with other age groups). The data clearly shows that very few younger households are owner-occupiers with a particular reliance on the private rented sector and to a lesser degree social rented housing.

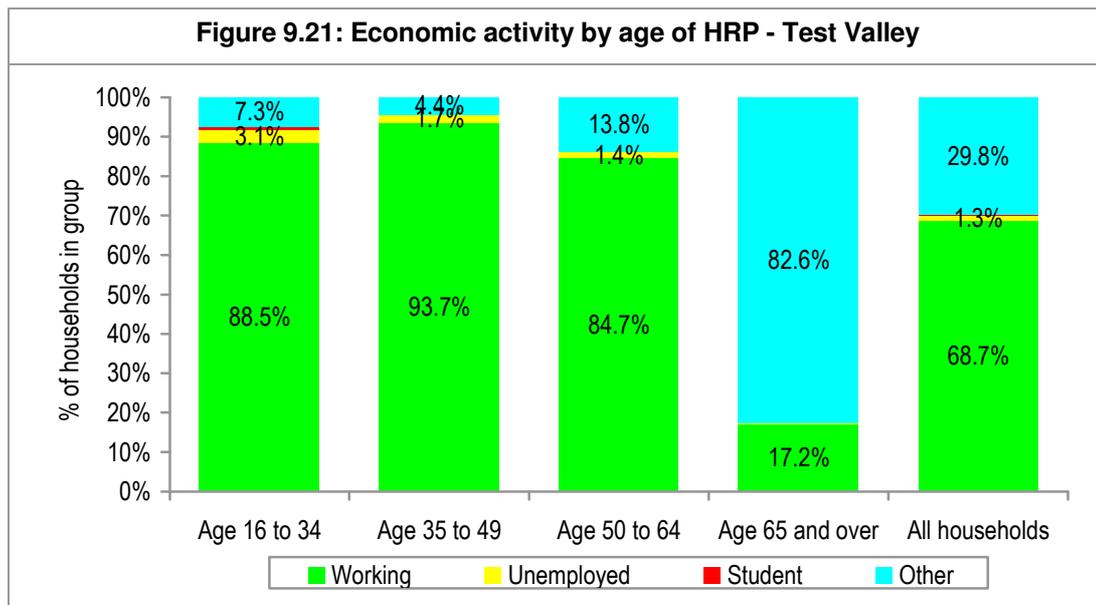
Figure 9.20: Tenure by age of HRP - Test Valley



Source: 2011 Census

9.59 Census data can also be used to look at economic activity rates; including employment and unemployment levels. Data about this is shown in the table below (again based on the head of household/household reference person age). The data shows that whilst the vast majority of HRPs aged 16 to 34 are in employment there are a notable proportion unemployed or not economically active. A total of 3.1% of HRPs aged 16-34 are unemployed compared with a Borough-wide figure of just 1.3%.

9.60 The figure however does not tell the full story around unemployment as the data is based on people who are already living in their own household (or in this case are considered as the HRP or head of household). Additional Census data shows that of the population aged 16-24 who are economically active some 12.4% are unemployed.



Young people - conclusions

- 9.61 Analysis of younger person households shows a high reliance on rented housing. Younger age cohorts may therefore be forced into private rented (including shared) housing as the only means of meeting their housing needs, aside from residing with parents, where they would not form a head of household. Factors such as a balanced approach to housing in terms of bedroom sizes and property types, along with high standards for Houses in Multiple Occupation (HMOs) will help younger households to access housing.

Service Families

Serving and retired armed forces personnel

- 9.62 “Service Families” is a specific group listed in NPPF paragraph 50. Andover is home to the British Army Land Forces HQ (Marlborough Lines). The Army Air Corps are also based at Middle Wallop. The Armed Forces Chaplaincy Centre (Amport House) and defence training areas/firing ranges are also located within the Borough. There are numerous and significant military bases west of Andover, in Wiltshire (e.g. Tidworth Garrison), which gives rise to demand for housing within the Test Valley housing market area, due to their relative proximity.

- 9.63 A number of policy changes are likely to significantly affect the level of demand from this group within the housing market area. This section provides further information about the drivers of demand and the nature of demand and the impact on future requirements. These are:

- rebasing of the army to a number of locations across the UK and
- aspects of the armed forces covenant that deal with housing.

Rebasing of the army to a number of locations across the UK

9.64 The strategic defence and security review 2010 announced the Government's intention to rebase the British army from Germany to the UK by 2020. We were aware from our stakeholder work that there had been procurement of new build housing at Andover by the MoD and also that enquiries from servicemen had also been received.

9.65 The following information was received from a senior official within the Defence Infrastructure Organisation (DIO):

'At this stage I am unable to give you any information as to whether additional Service Families Accommodation will be bought from the open market or whether it will be built as a bespoke project on MOD land which of course would go through the appropriate planning channels with the Local Authorities. There are a number of assessment studies being taken forward at the moment which will decide which deliver route will be taken for the provision of additional houses where required.

Specific to Test Valley – There is no additional housing requirement as part of the current re-basing. The MOD has purchased during FY 12/13 for delivery by Mar 14, 74 houses split between Augusta Park and Picket Twenty at Andover. In addition, there is a plan to deliver an additional 150 properties in the Andover site as part of legacy shortfall attributable to the move of HQ Land Forces (now HQ ARMY) from Wilton to Andover several years ago. Target date 2016/17. Both the 74 and 150 units are designed to release a number of long and short leased properties back into the local rental market and allow families housed in service accommodation in Salisbury, Larkhill, Bulford and Tidworth but working in Andover to move closer to their place of work. The properties they release in Wiltshire will be used as part of the major uplift in service personnel coming into the Salisbury Plain area.

As a general point and where significant numbers of houses are required which might affect the LAs Strategic Housing Plans, the MOD will consult with the LA before purchasing from local developers'

Aspects of the armed forces covenant that deal with housing

9.66 The Government published the *Armed Forces Covenant* on 16 May 2011. This document is described as "an expression of the moral obligation that the Government and the Nation owe to those who serve or have served in our Armed Forces and to their families." The covenant aims to promote choice in housing and notes the benefits of home ownership. It also recognises the additional factors arise when armed forces personnel are injured. These factors have implications for both local authority policy and service delivery. In 2012, Test Valley Borough Council signed a local Armed Forces Community Covenant with the military units with a presence in the Borough, which compliments the national covenant.

9.67 Accordingly, the *Housing Act 1996 (Additional Preference for Former Armed Forces Personnel) (England) Regulations 2012*, which came into force on 30 November 2012, provide that "additional preference" must be given to applications from certain serving and ex-members of the armed forces (and reserve forces) who come within the reasonable preference categories defined in sub-section 166A(3) of the *1996 Housing Act* and who have urgent housing needs.

- 9.68 Armed forces personnel can join the Hampshire Home Choice (HHC) Housing Register regardless of whether they have a local connection to Test Valley or not. In addition, local authorities are required to give 'reasonable' and 'additional' preference to service families in their allocation policy.
- 9.69 Hampshire Home Choice (HHC) is the agency that manages social housing applications and lettings on behalf of 5 of Hampshire local authorities. Applications once registered are placed into one of 4 priority bands the highest priority being band 1 and the lowest band 4.
- 9.70 In practice, under HHC this means that armed forces personnel who register housing application are placed in :
- Band 3 – Armed Forces personnel close to end of their service. Applicants with an 'urgent housing need' may be awarded additional priority. (Urgent Priority – on medical/welfare grounds)
 - Band 4 – Applicant living in Armed Forces accommodation.
- 9.71 Test Valley Borough housing officers were asked to provide information about levels of demand from their records. Officers told us that there are relatively few (43) armed forces households on the HHC register that intend to seek a tenancy in Test Valley Borough. They have a band 4 or band 3 priority and if they have significant medical issues or severe disability on discharge they could be awarded a higher level of priority - band 2.

Figure 9.22: Armed Forces and Personnel Registered on Hampshire Home Choice

	Band 1	Band 2	Band 3	Band 4	Total
Total number of households on HHC	4	273	1,904	286	2,467
...of which, are Armed Forces Personnel	0	0	20	23	43

Source: Hampshire Home Choice records as at December 2013

- 9.72 However officers believe that there will be an impact on housing register numbers as a consequence of service personnel being rebased from Germany to Tidworth Garrison. Officers added that they have seen an increase in the number of current serving households and ex-servicemen seeking housing options advice and a number are leaving the forces with large lump sums on redundancy and some are being directed to Hampshire by other local authorities.
- 9.73 Former members of the armed forces can find themselves homeless or threatened with homelessness and may seek the assistance of the local authority. Local Authorities have a statutory duty to assess people who are homeless or threatened with homelessness. Authorities must assess whether homeless applicants are unintentionally homeless and in 'priority need.' These 'priority need' categories are set out in section 189 of the 1996 Act and include vulnerable former members of the armed forces.

- 9.74 It should be noted that under homeless legislation local connection criteria apply which is different to a housing register based application for a tenancy via Hampshire Home Choice as noted above. Former armed forces households seeking assistance from Test Valley Borough not resident within the Borough immediately before becoming homeless would have to demonstrate a local connection to Test Valley by currently working in the Borough or have lived in Test Valley for 6 out last 12 months or three out of last five years or live with a partner who currently works in the area or has family living in the Borough.

Adaptations

- 9.75 Local authorities have a duty to assess the requirement for adaptations to housing to enable as many people with disabilities as possible to live independently. Assistance with the cost of providing adaptations is means tested and the cost of work can be significant. A local authority would ask applicants to claim a disabled facilities grant (DFG) which is means tested.
- 9.76 Serving and retired armed forces personnel may have sustained injuries that necessitate an application for adaptations and the covenant provides that reasonable preference is given to this group. The means test for DFGs has been amended so that compensation payments for the most seriously disabled service personnel are disregarded for the purposes of assessing eligibility.

Home ownership

- 9.77 According to government ministers, members of the armed forces are significantly less likely to own a home than civilians. Around 70 per cent of officers own their homes, compared to 90 per cent in the equivalent civilian group. Around 35 per cent of other ranks own their own homes, compared with 65 per cent in the in similar socio-economic groups. Some service personnel struggle to enter the housing market, because their jobs force them to move around throughout their career. Credit ratings can be affected by frequent moves or service overseas, making it harder to access mortgages.
- 9.78 The Armed Forces Home Ownership Scheme (afhos) was open to service personnel with more than four years and less than six years' service. It has been superseded by The Forces Help to Buy Scheme with £200 million of funding with the aim of helping get on the property ladder. The scheme works by allowing servicemen and women to borrow up to 50 per cent of their salary to buy their first home borrowing a maximum of £25,000 to help them fund a deposit.
- 9.79 Our stakeholder research reveals that home ownership is of growing interest to armed forces households. Agents tell us that growing numbers will become home owners either to accommodate their families whilst in service or buy to let, not occupying the dwelling until retirement. New build housing is more popular than re-sale housing amongst armed forces personnel.

Armed Forces - conclusions

- 9.80 Rebasing and the Forces Help to Buy scheme is expected to lead to additional demand for housing particularly new build housing although some housing may be released for market rental as a consequence.
- 9.81 Rebasing and redundancy schemes have the potential to increase demand for social rented housing.
- 9.82 Pressure on local authority services such as housing options services and adaptation services are likely to see additional demand from this group.

Policy Implications: Specific Groups of the Population

This section of the report has studied the housing circumstances of various different groups of the population. These are:

- Older people
- People with disabilities
- The Black and Minority Ethnic population
- Households with children (family households)
- Young households

Specific conclusions have been provided for each of these groups with core conclusions summarised below:

Older persons – the key challenge here will be to meet the needs of an ageing population with the number of people aged 65 and above expected to increase by 15,100 (70%) from 2011 to 2031. Demographic change is likely to see a requirement for additional levels of care/support along with provision of some specialist accommodation in both the market and affordable sectors).

People with disabilities – the number of people with disabilities is closely related to the age of the population and many of the conclusions related to older persons are relevant for this group. Demographic projections suggest a 173% increase in the population aged over 85 from 2011 to 2031 with Census data suggesting that 82% of this age group have some level of disability.

BME groups – the BME population of Test Valley is relatively small but has grown significantly over the past decade. Characteristics of BME groups (including tenure profiles and occupancy patterns) suggest that such households may be disadvantaged in the housing market. Where possible the Council should provide advice to BME groups and in particular ensure that accommodation quality (particularly in the private rented sector) can meet the needs of such households which are disproportionately likely to contain children.

Family households – data about family households suggests that lone parents are particularly disadvantaged with a high reliance on rented housing. Projections suggest an increase in the number of children in the Borough over the next few years and if past trends are repeated this will also see a notable increase in the number of lone parents. Again advice about housing options and maintaining a good quality of accommodation will be critical to ensure that such households' needs are best met and that children are provided with a full range of opportunities (e.g. education) as they grow up.

Young person households – young people (aged under 35) are important for any area due to the long-term economic potential they can bring. As with other groups there are some indications of this group being disadvantaged with a reliance on rented accommodation and high levels of unemployment. Given that the housing options for young people may be more limited than for other groups it will be important to monitor the accommodation quality – this will need to focus on HMOs given general trends of an increase in house sharing over time.

Armed forces – Rebasing an the Forces Help to Buy scheme seem likely lead to additional demand for housing whilst redundancy schemes (along with rebasing) have the potential to increase demand for social rented housing. There may also be pressure on local authority services such as housing options and adaptation services.

10. Conclusions and Recommendations

Introduction

- 10.1 In this final section of the report we have sought to bring together the analysis undertaken to identify conclusions and recommendations.
- 10.2 The SHMA is intended to improve understanding of both needs for market and affordable housing. It takes account of changes to the housing stock, market dynamics, short and long-term drivers of change and the impact of emerging policy at both national and local levels on housing need, demand and housing provision.
- 10.3 The study looks at current market circumstances but looks beyond short-term issues to consider longer-term drivers of change over the period to 2031 in order to inform the development of planning policy.
- 10.4 The report, and process of preparing it, meets the requirements of Government Guidance on preparing Strategic Housing Market Assessments (CLG, 2007). It also takes account of the Government's draft Planning Practice Guidance.
- 10.5 In this final section, we seek to draw together the findings of the work and set out key recommendations to inform the development of both housing and planning policies across the Borough. Our assessment looks specifically at the requirements of Test Valley Borough, and does not consider the needs of the wider housing market and the degree to which there may be unmet needs from surrounding authorities.

Overall Need for Housing

- 10.6 The National Planning Policy Framework sets out that plans should be prepared on the basis of meeting full needs for market and affordable housing. The draft Planning Guidance sets out that the latest national projections should be seen as a starting point for identifying need, but that authorities may consider sensitivity testing projections in response to local circumstances and the latest demographic evidence.
- 10.7 The draft Guidance effectively describes a process whereby the latest population and household projections are a starting point; and a number of "tests" then need to be considered to examine whether it is appropriate to consider an upward adjustment to housing provision. These are:
- Is there evidence that household formation rates in the projections have been constrained? Do market signals point to a need to increase housing supply?
 - How do the demographic projections 'sit' with the affordable housing needs evidence, and should housing supply be increased to meet affordable needs?
 - What do economic forecasts say about jobs growth? Is there evidence that an increase in housing numbers would be needed to support this?

- 10.8 For Test Valley the CLG 2011-based Interim Household Projections indicate a need for around 370 homes a year to 2021. There is some evidence from the demographic analysis that household formation has been constrained to some extent with average household sizes in 2011 being higher than had been expected through the 2008-based CLG projections. Additionally, it is recognised through analysis of Census data and ONS mid-year population estimates that past population growth in the Borough had been slightly under-estimated.
- 10.9 Market signals also indicate some degree of suppressed household formation with sales in 2013 remaining about 40% down on levels seen prior to 2008. There is some indication that the situation is beginning to improve; however stakeholders expect the market to remain flat in the short-term, the wider economic outlook and structural changes associated with international migration means that household formation is unlikely to return to the levels suggested in the 2008-based CLG projections but that there will be some uplift in the latter part of the projection period (taken to be post-2021).
- 10.10 Taking account of both constrained household formation and the past under-estimation of population growth the analysis suggests a housing need up to 450 homes per year based on demographic trends.
- 10.11 Next we can compare this to the evidence of affordable housing need. Using the main assumptions within the modelling, an annual need for 292 affordable homes over the plan period is identified (excluding the current affordable housing development 'pipeline'). However the report clearly identifies that over the last decade we have seen a growth in the private rented sector (PRS), and this sector has played an increasing role in meeting affordable need. Given the funding context for affordable housing (and potential viability issues for some sites) it is likely that this will continue to play a role. Assuming no further net growth in the contribution of the PRS to meeting affordable need, delivery of around 106 affordable homes per annum would be required.
- 10.12 It should however be recognised that it is difficult to predict affordable needs accurately in the longer-term, and that the affordable needs modelling is sensitive to assumptions on household formation and the proportion of income which households spend on housing costs.
- 10.13 Next we need to consider the degree to which demographic projections will support economic growth. The economic-driven scenarios provide an upside assessment indicating a theoretical need for housing of up to 590 homes a year (based on seeing employment rates improve in line with past trends shown in the national Labour Force Survey).
- 10.14 Overall the evidence suggests that a minimum level of housing provision across the Borough should be for 420 homes per annum. This is consistent with current household projections. However the evidence points to the need to consider a higher level of provision in order to:
- Ensure that housing supply policies do not constrain household formation;
 - To support stronger growth in the labour force to support local economic growth; and
 - To enhance the potential delivery of affordable housing to meet identified needs.

R1: We consider that a level of housing need in the range of 450 to 590 homes per annum would be justified on this basis. A figure toward the top end of this range would meet all demographic-led needs and allow a reasonable level of growth in the local labour force.

- 10.15 We consider that this would represent a deliverable rate of development if sufficient land could be identified and supported by provision of necessary infrastructure.
- 10.16 Whilst the analysis is able to provide a clear indication of housing requirements moving forward we do need to consider any evidence regarding a backlog of housing provision. Past completions since 2006 have been below the housing target within the South East Plan with an average of around 400 homes provided per annum from 2006 to 2013 compared with a target of around 500. Moving forward however we would suggest that an increased target towards the top end of the range identified above would meet any shortfall. Additionally, given the lower requirements shown by the demographic projections delivery rates do not appear to have been falling short of likely demand (although there may be a relationship between delivery and the demographic-based projections). Overall, we would suggest that there is no backlog of housing provision set against previous targets that should be added on to the numbers moving forward.
- 10.17 It is important that in finalising levels of housing provision in development plans that the SHMA evidence is brought together with other work at the sub-regional level, including around demographics and unmet needs of other areas.

R2: The Council should continue to engage with other local planning authorities in light of the 'duty to cooperate' to agree a common basis for establishing housing requirements and agreeing how this should be distributed.

- 10.18 The homes-jobs balance is however a relevant consideration, and it will be important to monitor the balance between jobs growth and changes in the size of the resident labour force over the plan period. It may also be appropriate to consider how housing provision and expected employment growth relate across this wider sub-regional economic area.

R3: In finalising strategies for housing provision, the evidence in the SHMA should be considered alongside assessment of economic growth potential, and strategies for economic development to ensure that policies are aligned.

- 10.19 It will also be important that the assessment of need for housing is kept under review as new data is released, including further official population and household projections, in the timeframe of the development of local plans.

R4: The Council should consider the implications moving forward of any further releases of national population and household projections.

Affordable Housing Policy

- 10.20 An assessment of housing need is a statutory requirement to support affordable housing policies. Its purpose is to establish that the 'need' for affordable housing cannot be met by existing or planned supply, and hence that there is an additional requirement for affordable housing.

10.21 The housing needs analysis indicates that there is a significant net need for new affordable housing. If affordable need were to be met in full by provision of new affordable housing, the following level of provision would be necessary:

- 292 affordable homes per annum (5,261 in the period 2013-31)

10.22 This level of need – following the approach set out in Government Guidance - is significant and clearly provides a strong basis for seeking to maximise delivery of new affordable housing.

10.23 In setting policies for affordable housing within development plans, this analysis of need should be brought together with assessments which consider the viability of residential development, such as an affordable housing viability study or plan-wide viability assessments. Policies regarding affordable housing provision will need to be considered alongside potential other policies which affect development viability, such as the Community Infrastructure Levy (CIL) as required by Paragraphs 173 and 174 in the NPPF.

R5: In setting policies for affordable housing provision, the housing needs evidence herein should be brought together with evidence regarding residential development viability and be considered alongside other policies which will influence viability.

10.24 The substantial level of need identified reflects the balance between local incomes and the cost of market housing, and also a relative lack of supply of affordable homes given the low turnover of the social housing stock. The Council might consider through the review of tenancy strategies how turnover in the social housing sector could be improved to make better use of existing stock, including consideration of fixed-term tenancies and incentives to downsize; albeit that this needs to be balanced against issues around the sustainability of local communities.

R6: The Council should consider how to best manage the use of the existing social housing stock through engagement with other social housing providers and on-going monitoring and review of policies in their tenancy strategy.

10.25 Given the imbalance between theoretical need and the supply of affordable housing, the Council would also be justified in focusing the allocation of existing housing stock towards priority groups. This is set out within the allocations policies of social housing providers.

10.26 Turning next to look at the profile of need for different types of affordable homes, the analysis indicates that 34% of the net need for affordable housing is for 'intermediate housing' products, with 66% for rented housing priced at 80% or less than existing market rental levels.

10.27 Intermediate housing includes homes for sale and rent at a cost above social rent, but below market levels. It can include shared equity, shared ownership, other low cost homes for sale and intermediate rented housing. Current mortgage lending restrictions and low levels of savings may limited the potential for shared ownership or shared equity housing to contribute to meeting housing need. However these products may be more viable to deliver and could play a wider role in helping young households (many of which are living in the private rented sector) in getting on the housing ladder. Meeting the needs of these groups would be a policy position, but one which should be considered in setting affordable housing policies.

R7: The Council should consider the relevant split between intermediate and social/affordable housing on new developments recognising potential difficulties in obtaining mortgage finance and/or a deposit. The situation is improving with the introduction of the Government's help-to-buy scheme and this should be signposted to households who could gain assistance from this scheme.

10.28 In terms of mix, our assessment indicates across the Borough that three-quarters of the affordable requirement is for homes with one or two bedrooms; the analysis would support an affordable mix of:

- 1-bedroom properties: 40%
- 2-bedroom properties: 35%
- 3-bedroom properties: 20%
- 4-bedroom properties: 5%

R8: The Council should consider a policy requiring the above mix of affordable housing of different sizes as part of new development schemes.

10.29 This should be regarded as a strategic long-term policy. In applying the policy to individual development schemes it should be considered alongside information on the current profile of lettings and households on the Council's Housing Register at a more local level at the point in time when planning consent is sought. The mix above does not reflect any specific priorities such as family households in need.

10.30 In regard to levels of need for different sizes of properties and the management of the affordable housing stock we would recommend that the Council monitors trends in right-to-buy sales. Moving forward we would also expect the Government's proposed changes to Housing Benefit to result in an increase in households looking to move home, and potentially seeking smaller accommodation. The Council should also monitor the impact which this has.

R9: The Council should monitor changes to the stock and need for different sizes of property, taking account in particular of right-to-buy trends and the impact of benefit reforms introduced by National Government.

10.31 The Council might also want to consider the potential for a 'local choice' policy which supports provision of additional housing, including development outside of existing settlement boundaries, where a specific need is identified by the local community and is geared towards meeting this. This would align with the Government's 'localism agenda' and would support the identification of additional land for development through neighbourhood plans.

R10: The Council should consider the inclusion of a local choice policy in local plans which supports the development of sites identified by and supported by the local community, for instance through a neighbourhood plan. For these sites, the starting point for negotiation should be 100% affordable housing provision.

10.32 In order to maximise provision of affordable housing we would also recommend that wider mechanisms are considered to bring forward affordable housing, including working with public sector bodies and registered providers to maximise delivery of affordable housing on land in their ownership.

Private Rented Housing

- 10.33 The Private Rented Sector has been the key growth sector within the housing market over the last decade. It plays an important role in meeting housing demand and need, and supporting dynamism within the overall housing market.
- 10.34 Currently the sector supports around 200 lettings per annum to households in housing need (supported by Local Housing Allowance) compared to around 300 lettings within the affordable housing sector. It clearly plays an important contribution to meeting the needs of those who cannot afford market housing without some form of subsidy.
- 10.35 There is potential for the sector to continue to play a strong role in meeting housing need. There is also a clear role for policy to seek to encourage investment and improve standards within the Private Rented Sector.

R11: The Council should continue to encourage investment in private rented properties through engagement with landlords, in enforcing decent homes standards and through Landlords Accreditation Schemes.

- 10.36 The Council is able to discharge its statutory homelessness duty through the offer of suitable and decent properties within the private rented sector. It can play an important “brokerage role” in linking potential tenants (with a housing need) to available properties. There is also the potential to look at the role for a private rented sector leasing scheme which includes actions to bring empty properties back into use. The SHMA supports this, highlighting the important role which the sector plays in addressing the need from households who are unable to secure affordable housing.

Housing Delivery

- 10.37 National government is clear that a recovery in housebuilding is an important potential driver of growth within the construction industry and wider economy. Macro-economic factors, as well as local economic performance, as the report has demonstrated are important drivers of the housing market.
- 10.38 Nonetheless there are initiatives which can be taken forward at a local level to support delivery of homes – particularly in ensuring that barriers to housing delivery are limited.

R12: The Council should continue to progress with the development of local plans, including site allocations, to provide policy certainty which will help support housing delivery.

R13: The Council should continue to take a proactive role in key development schemes, particularly where there are public sector land assets, or where they can have an enabling role.

- 10.39 The Council may also want to consider how they engage with developers through pre-application discussions and exercise policy flexibility, including through use of an open book approach to viability, to support housing delivery where the development scheme is compliant with wider policies in the development plan.

- 10.40 The Government has also introduced a Mortgage Indemnity Scheme for new-build homes, whereby the Government will underwrite an equity loan for up to 20% of the value of the property. This aims to support first-time buyers in getting on the housing ladder. The scheme is due to be rolled out to the wider market in January 2014. The Council may wish to signpost and help publicise this scheme – the ‘Help-to-Buy’.
- 10.41 In the longer-term, supporting sustainable economic growth will play a key role in influencing housing demand within the Borough. There is a clear case to provide more jobs as this will be an important stimulant to the housing market.

Overall Housing Mix and Densities

- 10.42 The modelling undertaken and analysis of wider market signals has identified the following recommended mix of market housing across the Borough:
- 10% 1-bed properties
 - 35% 2-bed properties
 - 45% 3-bed properties
 - 10% 4+ bed properties
- 10.43 The intention is that this is a strategic target against which delivery can be monitored rather than one which is applied to every site. We are of the view that it is appropriate through the planning system to seek to influence the balance of types and sizes of market housing through considering the mix of sites allocated for development rather than specific policies relating to the proportion of homes of different sizes which are then applied to specific sites. This approach is implicit within NPPF. At the strategic level, the Council in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.

R14: The Council should consider how to influence the mix of properties delivered in the area over time through policies regarding development densities. The evidence suggests 45% of need across the Borough (of all tenures) is for homes with 3- or more bedrooms. However housing mix on individual development schemes should take account of the site characteristics and setting.

R15: The Council should monitor the delivery of different sizes of both market and affordable housing over time against the evidence in the SHMA. This should inform discussions regarding the mix of homes on new development sites in line with a plan, monitor and manage approach.

Meeting the Needs of Specific Housing Groups

- 10.44 The SHMA contains analysis regarding the needs of a range of specific household groups within the population.
- 10.45 The SHMA identifies that Black and Minority Ethnic Groups are more likely to be overcrowded than other household groups. Overcrowding is also evident within the private rented sector, and there is a continued role for the enforcement of standards within the sector, including of houses in multiple occupation.

- 10.46 A quarter of households in the Borough contain older persons. Three-quarters of these are owner-occupiers; however a high proportion of households in the social rented sector also contain older persons.
- 10.47 The number of households including people of pensionable age is expected to increase by a very substantial 15,100 (70%) from 2011 to 2031. This may create significant demand for specialist accommodation. It is likely to support demand for bungalows and could potentially support some increase in need for affordable housing. The number of households' under-occupying homes can also be expected to increase.
- 10.48 It will be important moving forward that the council continues to plan to meet the housing needs of a growing older population, including through supporting adaptations to existing properties (within the context of available funding), through provision of floating support (working with Hampshire County Council) and through supporting development of specialist housing (including both public and private sector provision). Specialist housing should include extra care.

R16: Working with other local authorities at the HMA level, the council should continue to proactively plan to meet the housing needs of older people. This will include a growing need for floating support, adaptations to properties and handyman services through Supporting People Programmes within the context of available resources.

R17: The council should consider including a specific policy within the local plan supporting provision of specialist accommodation to meet older person's needs, including requiring specific housing provision for older persons on strategic development sites identified within plans.

- 10.49 The analysis indicates that 23% of all households within the Borough contain at least one person with a long-term health problem or disability.

R18: The Council should consider implementing and maintaining a register of properties with different adaptations within the Borough/HMA and ensure that the housing register disaggregates households with particular disabilities to allow the allocation of properties to those most suited to them.

R19: The Council should also consider the inclusion of specific policies within the local plan to require provision of homes for those with disabilities on major development sites where there is an identified local need.

- 10.50 Data about family households suggests that lone parents are particularly disadvantaged with a high reliance on rented housing and relatively high levels of overcrowding. The Council may wish to consider how the needs of this group are addressed through its Allocations Policy. It will also be important that the Council monitors the impact of welfare reforms on allocations, and undertake regular reviews of allocations policies to ensure that particular groups within the population are not unduly disadvantaged.

R20: The Council should review allocations policies periodically to ensure that particular types of households are not unduly disadvantaged in accessing housing, and to take account of wider government housing reforms.

Appendix 1: Extracts from South Hampshire SHMA

Below we have provided key outputs from the South Hampshire SHMA with regard to conclusions about overall housing provision and specific outputs for Southern Test Valley. The first set of outputs are taken from the main report and provide overall PUSH-wide conclusions with the second set (overleaf) providing summary output tables for the Southern Test Valley area.

Overall Strategic Conclusion on Housing Needs – PUSH wide

- 11.23 The SHMA concludes that provision of 4,160 homes per annum across the PUSH area would represent a robust basis for forward planning based on the demographic evidence and market signals. This is split between the two housing market areas with an assessed need for:
- 2,115 homes per annum across the Portsmouth (PUSH East) Housing Market Area to 2036; and
 - 2,045 homes per annum in the Southampton (PUSH West) Housing Market Area.
- 11.24 **It should be recognised that this is an objective, policy-off analysis and takes no account of land supply or development constraints within the PUSH area; nor ‘Policy-On’ aspirations for economic growth.** The draft Planning Practice Guidance indicates that SHMAs should not apply constraints to the overall assessment of need such as issues related to land supply, infrastructure or environmental constraints.
- 11.25 The authorities in working together to review the South Hampshire Strategy and developing their respective local plans will need to consider what scale of development can be sustainably accommodated, the interaction between the strategy for housing provision and economic growth and potential levels of affordable housing delivery. Economic forecasts have been commissioned by the LEP to support this. In considering how affordable housing needs can be met, it will be important to take account of available funding, what level can viably be delivered through mixed tenure schemes and the degree to which needs can be met in part through private rented sector lettings. The draft Planning Practice Guidance indicates that these may provide a basis for adjusting upwards the assessment of housing need. This however will need to be balanced against consideration of the deliverability of higher housing numbers.
- 11.26 How housing provision is ultimately distributed and met across the two housing market areas and the PUSH area as a whole should reasonably be decided at the local level and through dialogue between the authorities within the PUSH Partnership, taking account of constraints and land availability, the need to promote sustainable patterns of development and other policy aspirations (such as regeneration). The SHMA analysis is thus intended to provide a ‘starting point’ and input to this which is to be taken forward through the development and review of the South Hampshire Strategy and authorities’ development plans.

Test Valley (part)

Summary of projections 2011 to 2036 – annual						
Projection	Population growth		Housing numbers		Employment growth	
	Per annum	% change	Per annum	% change	Per annum	% change
PROJ 1 (SNPP)	204	0.5%	120	0.7%	8	0.0%
PROJ 2 (SNPP adjusted)	264	0.6%	142	0.8%	40	0.2%
PROJ 3 (10-year migration trends)	154	0.4%	103	0.6%	-20	-0.1%
PROJ 4 (5-year migration trends)	119	0.3%	90	0.5%	-38	-0.2%
PROJ A (Jobs baseline)	458	1.1%	213	1.2%	145	0.7%
PROJ B (Residents in employment)	478	1.2%	221	1.3%	156	0.7%
PROJ X (Zero net migration)	-31	-0.1%	36	0.2%	-119	-0.6%
PROJ Y (Zero employment growth)	190	0.5%	116	0.7%	0	0.0%
PROJ Z (Past completions)	186	0.5%	114	0.7%	-2	0.0%
PROJ 2A (2008-based headship)	264	0.6%	168	1.0%	40	0.2%

Summary of projections 2011 to 2036 – total						
Projection	Population growth		Housing numbers		Employment growth	
	Total	% change	Total	% change	Total	% change
PROJ 1 (SNPP)	5,097	12.5%	3,008	17.5%	192	0.9%
PROJ 2 (SNPP adjusted)	6,599	16.2%	3,550	20.6%	1,005	4.8%
PROJ 3 (10-year migration trends)	3,839	9.4%	2,572	14.9%	-488	-2.3%
PROJ 4 (5-year migration trends)	2,976	7.3%	2,260	13.1%	-954	-4.6%
PROJ A (Jobs baseline)	11,440	28.0%	5,326	30.9%	3,616	17.3%
PROJ B (Residents in employment)	11,954	29.3%	5,514	32.0%	3,894	18.7%
PROJ X (Zero net migration)	-767	-1.9%	908	5.3%	-2,978	-14.3%
PROJ Y (Zero employment growth)	4,759	11.7%	2,890	16.8%	0	0.0%
PROJ Z (Past completions)	4,649	11.4%	2,840	16.5%	-41	-0.2%
PROJ 2A (2008-based headship)	6,599	16.2%	4,209	24.5%	1,005	4.8%