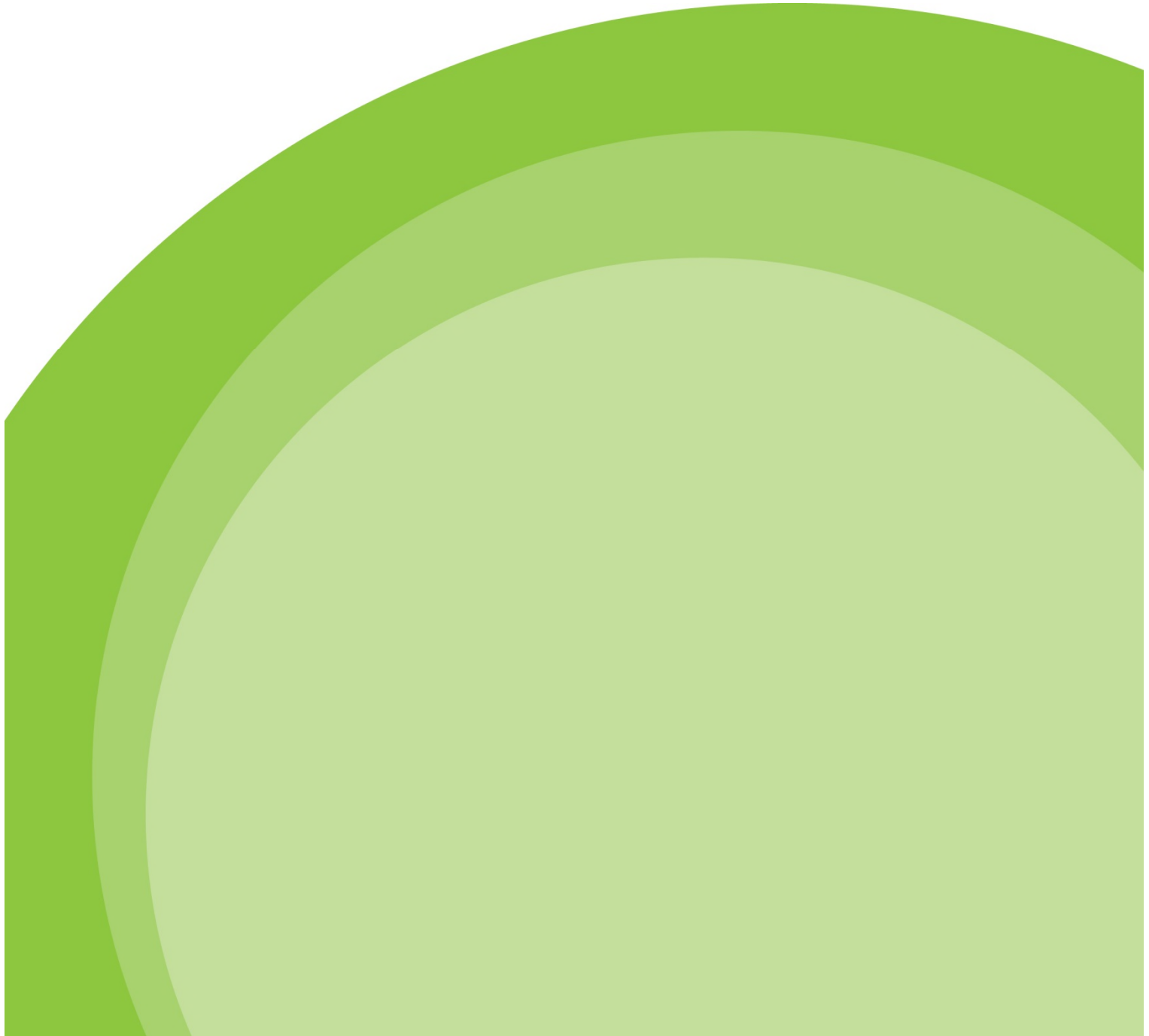


# Initial Strategic Housing Market Assessment for Luton and Central Bedfordshire

July 2017





# Initial Strategic Housing Market Assessment for Central Bedfordshire and Luton, 2015 - 35

## 1. Introduction

- 1.1 This study has been prepared as a background paper to Central Bedfordshire's Local Plan 2015-2035. Consultants ORS were commissioned to prepare a new Strategic Housing Market Assessment (SHMA) for the Central Bedfordshire and Luton Borough Council administrative areas to establish how many homes will be needed over the period Plan period 2015 – 2035. The report shows housing need by Local Authority area, and also provides information and analysis on the mix and size of market and affordable housing that will required over this period. Luton Borough Council has agreed in principle and understands the conclusions of the Initial SHMA and considers it as a consistent starting point for discussion and as a basis for Central Bedfordshire to launch its draft Local Plan, but has not been actively involved in the preparation of this draft document. Further updates will be prepared in collaboration and agreed by the two Councils, taking full account of any changes resulting from the Government's proposal to consult on options to introduce a standardised approach to assessing housing need. This study should therefore be read as an initial SHMA for the period 2015 - 2035.
- 1.2 The key findings of the study and an executive study are provided below. The full technical study is at Appendix A.

## 2. Executive Summary and Key Findings

- 2.1 National Guidance requires that the most up-to-date official population projections should be used as the basis for calculating housing needs. For the purposes of this SHMA these are the CLG 2014-based household projections.
- 2.2 However, National Guidance also allows these to be adjusted if there are local demographic issues which suggest the figures may not be a true reflection of local circumstances. On this basis, ORS consider that the migration assumptions that underpin the official household projections are incorrect for Central Bedfordshire, and these have therefore been adjusted accordingly to reflect local circumstances.
- 2.3 As housing need is calculated from trend-based data, care has been taken to ensure that the study does not project forward using historic household formation rates which were suppressed. A range of factors have been considered (known as market signals) to determine whether household formation was suppressed (i.e. supply did not match demand). These include data on overcrowding, homelessness, and affordability – anything which might suggest household formation was restricted during the period.
- 2.4 **On this basis, the new SHMA identifies the full Objectively Assessed Need (OAN) for Housing in Central Bedfordshire to be 32,000 dwellings in Central Bedfordshire over the period 2015 – 2035.**

- 2.5 With regards housing mix, the new SHMA identifies a need to provide **7,997 affordable homes** over the Plan period to 2035. This represents **29%** of the total housing need for Central Bedfordshire. This is consistent with our emerging Local Plan policy to deliver a minimum of 30% affordable homes over the period to 2035.

### **3. Summary of implications**

- 3.1 The SHMA will inform the development of Local Plan policies. The Council will ensure that the Local Plan meets the full objectively assessed housing need of 32,000 dwellings over the 2015-2035 plan period. It will also ensure that all developments for new dwellings include a mix of housing types and sizes in order to meet the needs of all sections of the community, to encourage sustainable, inclusive and mixed communities. In addition to this Local Planning Authorities are also required to identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their requirements. The new housing need figure of 32,000 will form the basis of these supply calculations. Finally the SHMA will feed into and inform other technical evidence which will necessarily take into account housing need, such as further employment studies, retail, infrastructure etc.
- 3.2 In February 2017 the government outlined proposals in its Housing White Paper “Fixing our broken housing market” to consult on options to introduce a standardised approach to assessing housing need. As noted this Study is intended as an initial SHMA, and it is anticipated that there will be further iterations prior to submission of the Local Plan for Central Bedfordshire. At the time of writing (May 2017) there have been no further updates with regards the timing of the Governments proposed housing consultation on assessing housing need. The Council will ensure that subsequent iterations of the SHMA take full account of the proposals as and when they emerge.

## Appendix A

### **Strategic Housing Market Assessment for Central Bedfordshire Council and Luton Borough Council, 2015 - 35**

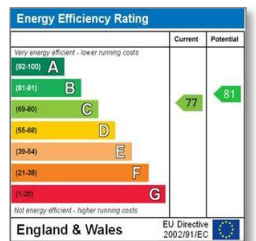
**May 2017**



## Initial Strategic Housing Market Assessment for Luton & Central Bedfordshire

Establishing the Objectively Assessed Need of Market and Affordable Housing

May 2017





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# 1. Introducing the Study

## Background to the project and wider policy context

- 1.1 Opinion Research Services (ORS) was commissioned by Central Bedfordshire and Luton Councils to prepare an initial Strategic Housing Market Assessment (SHMA) to identify the Objectively Assessed Need (OAN) for housing in the combined area and for the two local authorities over the Central Bedfordshire Plan period 2015-35; and also the OAN for Luton borough over the period to 2036, to inform a potential early review of the Luton Plan. The purpose of the new SHMA is to support the local authorities in objectively assessing and evidencing the need for housing (both market and affordable) based on the most up-to-date information available; and to provide other evidence to inform local policies, plans and decision making.
- 1.2 The SHMA adheres to the requirements of the National Planning Policy Framework (NPPF) published in 2012 and Planning Practice Guidance (PPG). The study methodology was also mindful of Planning Inspector Decisions and Judgements, as well as emerging good practice including the technical advice note about Objectively Assessed Need (OAN) and Housing Targets published by the Planning Advisory Service (PAS) in July 2015.<sup>1</sup>

## Government Policy

- 1.3 The NPPF has a presumption in favour of sustainable development, and states that Local Plans should meet the full, objectively assessed needs for market and affordable housing in the housing market area. Given that Regional Spatial Strategies are now revoked, the responsibility for establishing the level of future housing provision required rests with the local planning authority.

*At the heart of the National Planning Policy Framework is a **presumption in favour of sustainable development**, which should be seen as a golden thread running through both plan-making and decision-taking.*

*Local planning authorities should positively seek opportunities to meet the development needs of their area.*

*Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole.*

**National Planning Policy Framework (NPPF), paragraph 14**

*To boost significantly the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area.*

**National Planning Policy Framework (NPPF), paragraph 47**

<sup>1</sup> <http://www.pas.gov.uk/documents/332612/6549918/OANupdatedadvicenote/f1bfb748-11fc-4d93-834c-a32c0d2c984d>

- 1.4 Given this context, Strategic Housing Market Assessments (SHMAs) primarily inform the production of the Local Plan (which sets out the spatial policy for a local area). Their key objective is to provide the robust and strategic evidence base required to establish the Objectively Assessed Need (OAN) for housing in the HMA and provide information on the appropriate mix of housing and range of tenures needed.

*Local planning authorities should have a clear understanding of housing needs in their area.*

*They should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries.*

*The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that 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 (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and*
- » *caters for housing demand and the scale of housing supply necessary to meet this demand;*

**National Planning Policy Framework (NPPF), paragraph 159**

- 1.5 The Department for Communities and Local Government (CLG) Planning Practice Guidance (PPG) is a web-based resource that was launched in March 2014 to bring together planning practice guidance for England in an accessible and usable way. Previous SHMA Guidance was rescinded at that time, so the approach taken in preparation of this report is focused on meeting the requirements of PPG. The PPG relating to the assessment of housing and economic development needs is of particular relevance to SHMA studies.

## Duty to Co-operate

- 1.6 The Duty to Co-operate was introduced in the 2011 Localism Act and is a legal obligation. The NPPF sets out an expectation that public bodies will co-operate with others on issues with any cross-boundary impact, in particular in relation to strategic priorities such as “*the homes and jobs needed in the area*”.

*Public bodies have a duty to cooperate on planning issues that cross administrative boundaries, particularly those which relate to the **strategic priorities** set out in paragraph 156. The Government expects joint working on areas of common interest to be diligently undertaken for the mutual benefit of neighbouring authorities.*

*Local planning authorities should work collaboratively with other bodies to ensure that strategic priorities across local boundaries are properly coordinated and clearly reflected in individual Local Plans. Joint working should enable local planning authorities to work together to meet development requirements which cannot wholly be met within their own areas – for instance, because of a lack of physical capacity or because to do so would cause significant harm to the principles and policies of this Framework. As part of this process, they should consider producing joint planning policies on strategic matters and informal strategies such as joint infrastructure and investment plans.*

**National Planning Policy Framework (NPPF), paragraphs 178-179**

- 1.7 This co-operation will need to be demonstrated as sound when plans are submitted for examination. One key issue is how any unmet development and infrastructure requirements can be provided by co-operating with adjoining authorities (subject to tests of reasonableness and sustainability). The NPPF sets out that co-operation should be “a continuous process of engagement” from “thinking through to implementation”.

*Local planning authorities 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. This could be by way of plans or policies prepared as part of a joint committee, a memorandum of understanding or a jointly prepared strategy which is presented as evidence of an agreed position. Cooperation should be a continuous process of engagement from initial thinking through to implementation, resulting in a final position where plans are in place to provide the land and infrastructure necessary to support current and projected future levels of development.*

National Planning Policy Framework (NPPF), paragraph 181

- 1.8 Under the Duty-to-Cooperate, the emerging SHMA outputs have been discussed with officers and members at neighbouring local authorities and their feedback has been taken into account. Milton Keynes Council is continuing dialogue with neighbouring authorities.

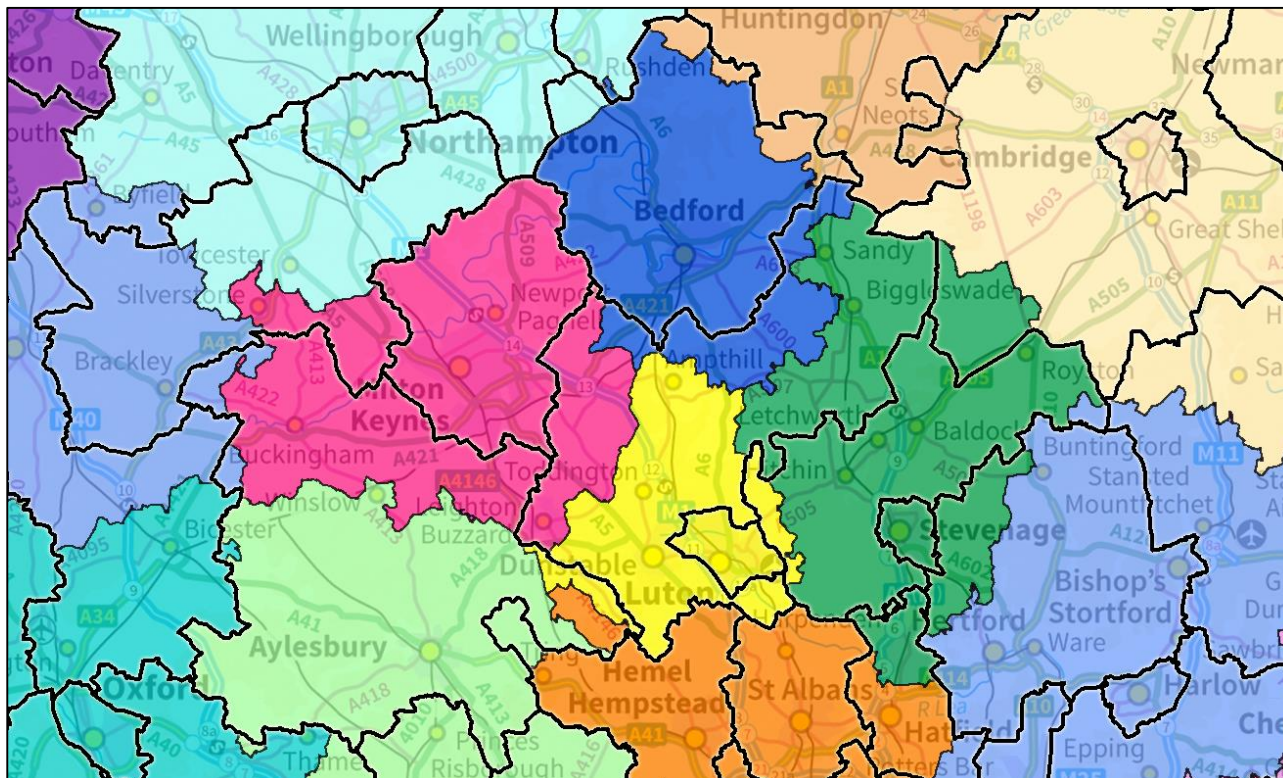
## Overview of the SHMA

- 1.9 The objective of this new SHMA was to establish the OAN for housing (both market and affordable) for Luton and Central Bedfordshire (as a best fit to the Luton housing market area) over the 20-year period 2015-2035, and also the OAN for Luton borough over the period to 2036; ensuring that this was fully compliant with the requirements of the NPPF and PPG and mindful of good practice.
- 1.10 The NPPF refers to Local Plans meeting the “**full objectively assessed needs for market and affordable housing in the housing market area**” (paragraph 47, emphasis added). It is important to agree the definitions for Housing Market Areas (HMAs) with neighbouring councils to ensure consistency as far as possible; therefore, it is helpful to undertake the required analysis across a wider geographical area. Luton and Central Bedfordshire Councils together with a partnership of five other local authorities (Aylesbury Vale, Bedford, Milton Keynes, North Hertfordshire and Stevenage) commissioned ORS to identify HMAs for Bedfordshire and surrounding areas.<sup>2</sup>
- 1.11 The joint study took account of the evidence based on commuting zones, migration zones and house prices to establish the most appropriate functional housing market areas, based on majority agreement between the three geographies. Areas which fell within the same commuting zone, migration zone and BRMA were evidently allocated to that functional housing market area. Where there was disagreement between the three geographies, the functional housing market area was allocated based on the two geographies that did agree (and determined by the commuting zone in the few areas where all three geographies differed).
- 1.12 Whilst the study used the latest commuting flows, house prices and Broad Rental Market Area (BRMA) data available, detailed migration flows from the 2011 Census has not been published as public data, so migration data from the 2001 Census was used instead. ORS has since been granted access to the safeguarded migration flow data from the 2011 Census through the ONS Virtual Microdata Laboratory; so to ensure that the evidence that informed the analysis of HMAs remains as up-to-date as possible, this SHMA takes account of updated analysis of migration flows using data from the 2011 Census.

<sup>2</sup> Identifying Housing Market Areas in Bedfordshire and Surrounding Areas, December 2015 (ORS)

1.13 Figure 1 illustrates the outcome of this analysis.

**Figure 1: Functional Housing Market Areas (updated using 2011-based migration zones) with Local Authority Boundaries**



1.14 The study identified that the whole of Luton local authority area was within the Luton functional housing market area (HMA); and whilst Central Bedfordshire local authority was split across four functional HMAs, the largest number of Central Bedfordshire residents lived in the Luton functional HMA. Almost 99% of the resident population currently living in the Luton housing market area lived in either Luton borough or Central Bedfordshire. On this basis, the study concluded that for the purposes of establishing the evidence required and developing local policies the “best fit” to Luton HMA based on administrative boundaries was the Luton and Central Bedfordshire combined area.

1.15 This initial new SHMA therefore considers the overall need for housing (both market and affordable) for Luton and Central Bedfordshire as a “best fit” to the Luton functional housing market area identified in Figure 1. Modelling future housing need requires a consideration of the housing market from a high-level, strategic perspective; in this way an understanding of how key drivers and long-term trends impact on the structure of households and population over the full planning period can be delivered.

1.16 This report considers the key outputs from the SHMA, and the methodology sought to:

- » Provide evidence of the need and demand for housing based on demographic projections;
- » Consider market signals about the balance between demand for and supply of dwellings;
- » Establish the Objectively Assessed Need for housing in Luton and Central Bedfordshire; and
- » Identify the appropriate balance between market and affordable housing.

1.17 When the next full SHMA is prepared, this key information will be updated together with information about the needs for different types of housing; including the private rented sector, people wishing to build their own home, family housing, housing for older people and households with specific needs.



- <sup>1.18</sup> The new SHMA was jointly commissioned by Central Bedfordshire and Luton local authorities to provide a consistent evidence base for housing across the Luton HMA. As part of the development of the previous SHMA (which covered the Luton Plan period 2011-31), representatives from neighbouring authorities were invited to join the Steering Group for the project.
- <sup>1.19</sup> The neighbouring authorities who were part of this process were:
- » Aylesbury Vale District Council
  - » Bedford Borough Council
  - » Dacorum Borough Council
  - » Milton Keynes District Council
  - » North Hertfordshire District Council
  - » St Albans City & District Council
  - » Stevenage Borough Council
- <sup>1.20</sup> Central Bedfordshire and Luton Councils are continuing their dialogue with this established Steering Group as part of their ongoing discussions with neighbouring authorities under the Duty to Cooperate.
- <sup>1.21</sup> Finally, it is important to recognise that the information from this document should not be considered in isolation, but forms part of a wider evidence base to inform the development of housing and planning policies. This document does not seek to determine rigid policy conclusions, but instead provides a key component of the evidence base required to develop and support a sound policy framework.

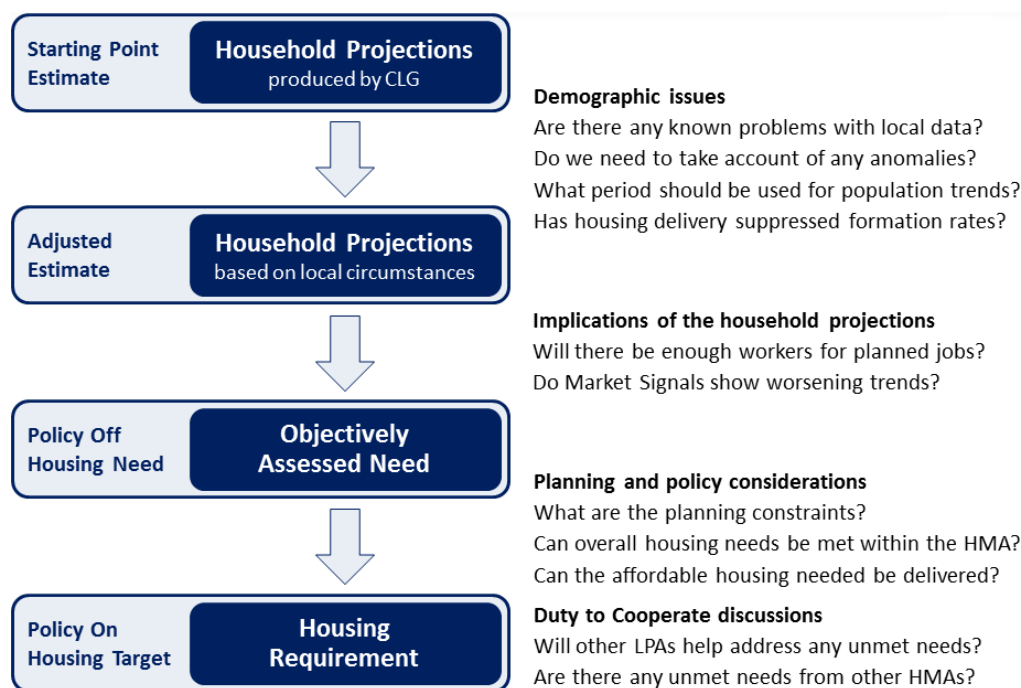
## 2. Demographic Projections

### The starting point for Objectively Assessed Need

#### Process for Establishing Objectively Assessed Need

- 2.1 The Objective Assessment of Need (OAN) identifies the total amount of housing needed in the Housing Market Area (HMA). This evidence assists with the production of the Local Plan (which sets out the spatial policy for a local area).
- 2.2 The process for developing OAN is now a demographic process to derive housing need from a consideration of population and household projections. To this, external market and macro-economic constraints are applied ('Market Signals') in order to embed the need in the real world.

Figure 2: Process for establishing a Housing Number for the HMA (Source: ORS based on NPPF and PPG)



- 2.3 It is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors will be subsequently considered by the Council before establishing the final Housing Requirement.

*The assessment of development needs is an objective assessment of need based on facts and unbiased evidence. Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans.*

Planning Practice Guidance (March 2014), ID 2a-004

## Official Population and Household Projections

- 2.4 Planning Practice Guidance places emphasis on the role of **CLG Household Projections** as the appropriate starting point in determining objectively assessed need. PPG was updated in February 2015 following the publication of the 2012-based Household Projections, but has yet to be updated to reflect the publication of the 2014-based Household Projections.

*Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need.*

*The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics.*

Planning Practice Guidance (March 2014), ID 2a-015

*The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth.*

Planning Practice Guidance (March 2015), ID 2a-016

- 2.5 Given this context, Figure 3 sets out the 2014-based and 2012-based **household** projections that CLG has produced for the HMA. It is clear that the projections have varied, with the projected increase in households in Luton and Central Bedfordshire ranging from 2,590 up to 3,110 additional households each year. Each set of household projections will be influenced by a wide range of underlying data and trend-based assumptions, and it is important to consider the range of projected growth and not simply defer to the most recent data.

**Figure 3: CLG Household Projections for Luton and Central Bedfordshire: annual average growth (Source: CLG Household Projections)**

	2014-based		2012-based	
	10 years 2014-24	25 years 2014-39	10 years 2012-22	25 years 2012-37
Luton	1,220	1,140	1,120	1,070
Central Bedfordshire	1,890	1,690	1,650	1,510
<b>TOTAL</b>	<b>3,110</b>	<b>2,830</b>	<b>2,770</b>	<b>2,590</b>

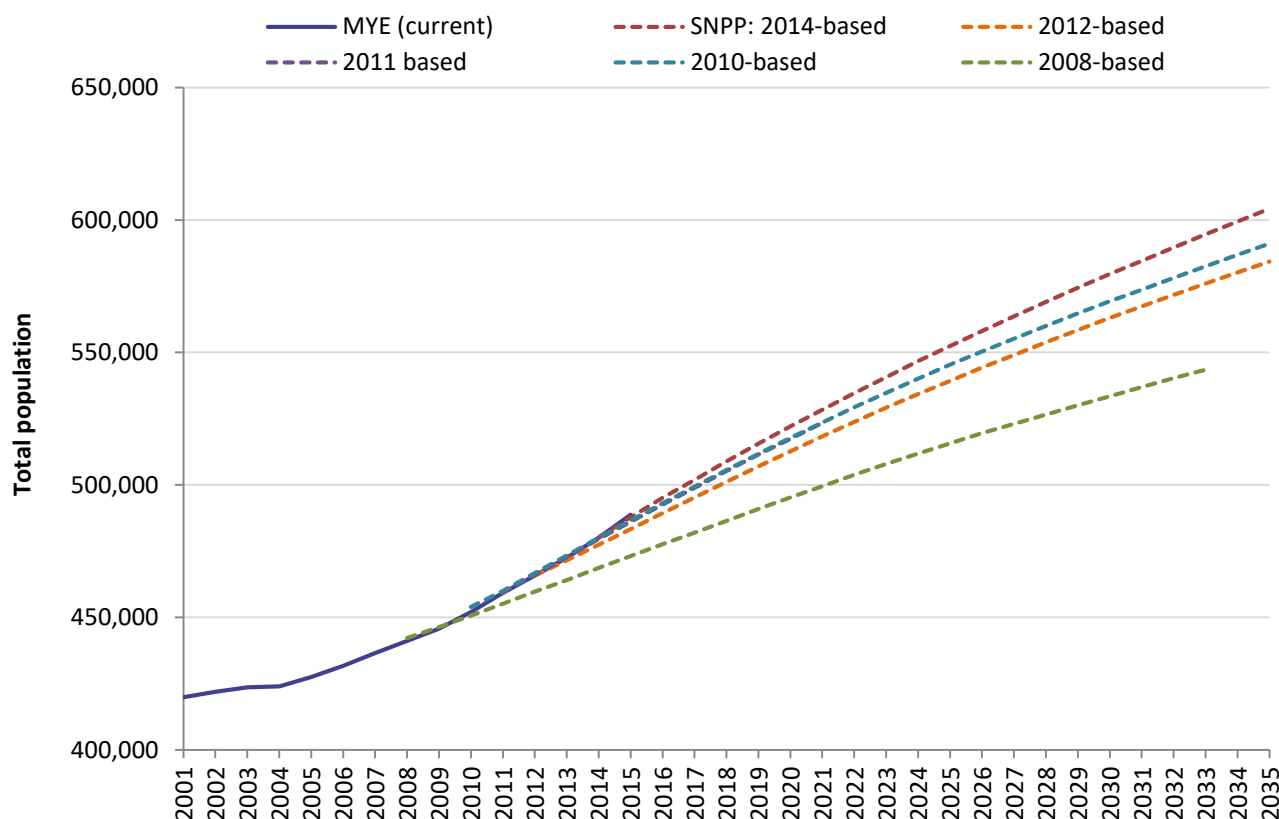
- 2.6 The CLG 2014-based household projections show an increase of 2,830 households each year over the 25-year period 2014-39, with a higher rate (3,110 p.a.) in the initial 10-year period. These figures project forward over the normal 25-year period and supersede the 2012-based household projections (which projected a household growth of 2,590 per year from 2012-37). The differences are largely due to changes in the ONS population projections (Figure 4) on which the CLG household projections are based; although there have also been changes to household representative rates (considered later in this chapter).
- 2.7 Given that the 2014-based household projections show an increase from 192,174 to 249,710 households in Luton and Central Bedfordshire over the 20-year Plan period 2015-35, we can establish that the “starting point estimate of overall housing need” should be based on an overall growth of 57,536 households (comprised of 22,948 households in Luton and 34,587 households in Central Bedfordshire), equivalent to an average of 2,877 households per year.



## Official Population Projections

- 2.8 Figure 4 shows the outputs from the latest (2014-based) ONS Sub National **Population** Projections together with the previous projections that have informed the various CLG household projections (though note that CLG did not produce household projections based on the 2010-based SNPP). It is evident that the 2014-based projections follow a steeper trajectory than the previous 2012-based and 2010-based projections.

**Figure 4: ONS Mid-Year Estimates and Sub-National Population Projections for Luton and Central Bedfordshire (Source: ONS. Note: Household projections were not produced for the 2010-based SNPP)**



- 2.9 Differences in the projected increase in population between the different projections are largely associated with the **assumed migration rates**, which are based on recent trends using 5-year averages – so short-term changes in migration patterns can significantly affect the projected population growth. There were also methodological changes to the migration assumptions between the 2008-based and 2010-based figures.

## Population Trends

- 2.10 Whilst PPG identifies CLG household projections as the starting point for establishing housing need, it also recognises the need to consider sensitivity testing this data and take account of local evidence.

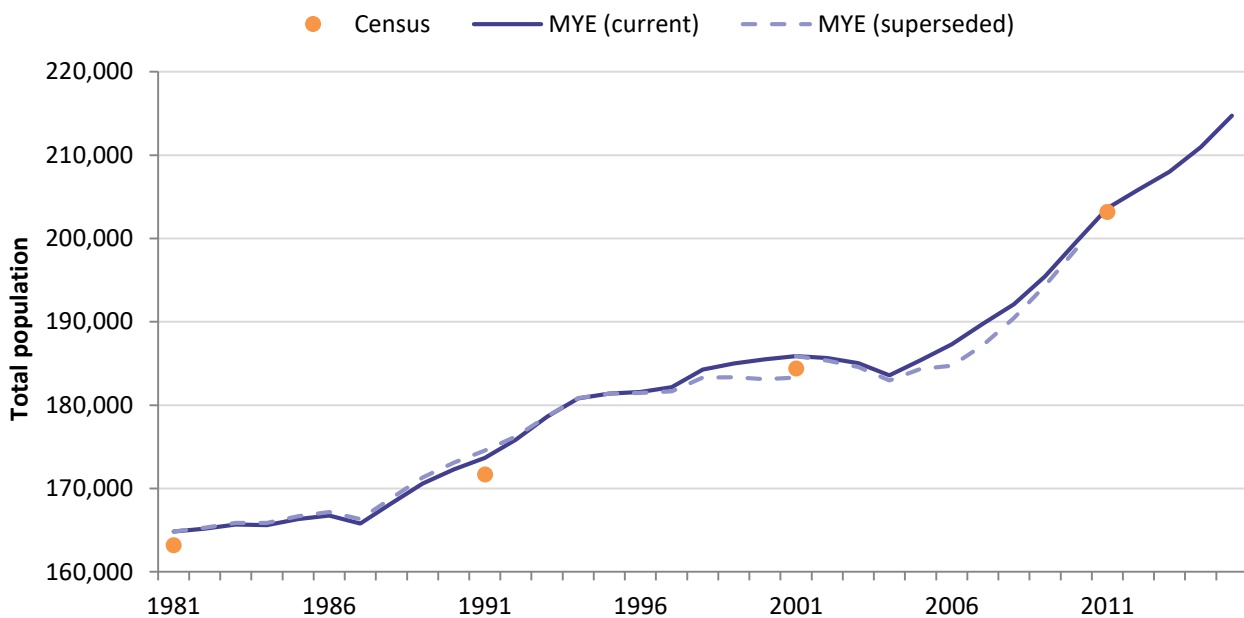
*Plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates ... Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.*

Planning Practice Guidance (March 2014), ID 2a-017

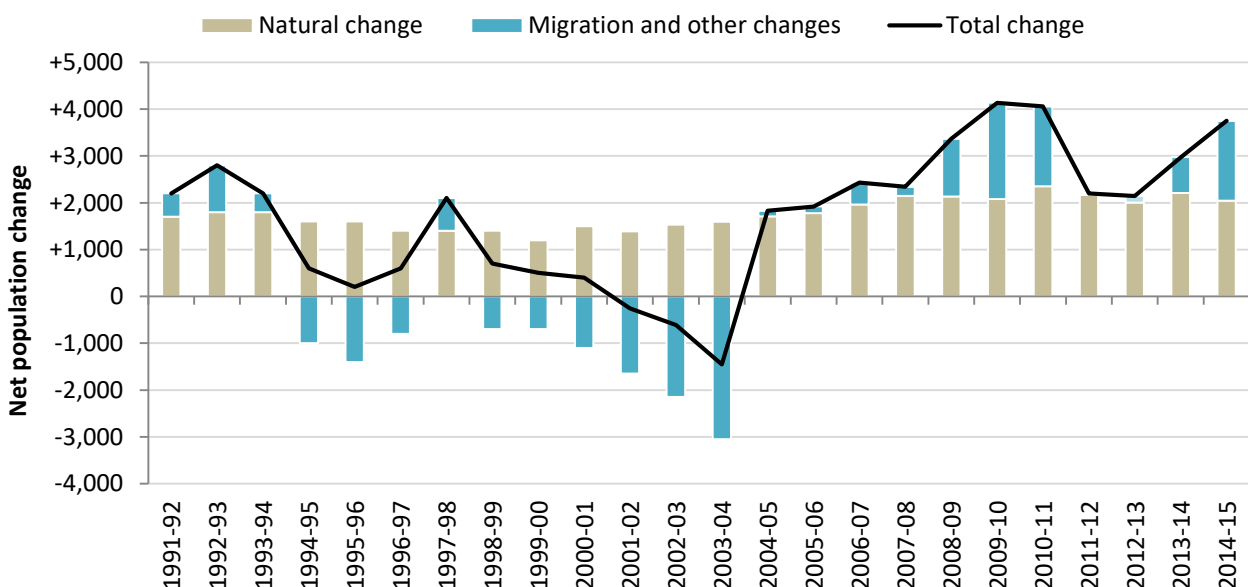
## Population Trends for Luton borough

- 2.11 Figure 5 shows the current and historic mid-year **population** estimates and Census estimates for Luton over the period since 1981. The data suggests that the borough’s population increased rapidly over the period 1987-1994 and again over the period since 2004; but suggests much slower growth was experienced before 1987 and from 1994-2001, and that the population actually reduced from 2001-2004 (Figure 6).
- 2.12 It is evident that natural change has remained relatively consistent over the period, averaging an additional 1,700 persons each year. Nevertheless, it is worth noting that recently rates have consistently exceeded 2,000 persons annually; with a higher number of births and fewer deaths recorded. Migration and other changes vary much more – ranging from a net loss of more than 3,000 persons recorded for 2003-04 up to a net gain of more than 2,000 persons recorded for 2009-10.

**Figure 5: Official population estimates for the period 1981-2015 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded)**

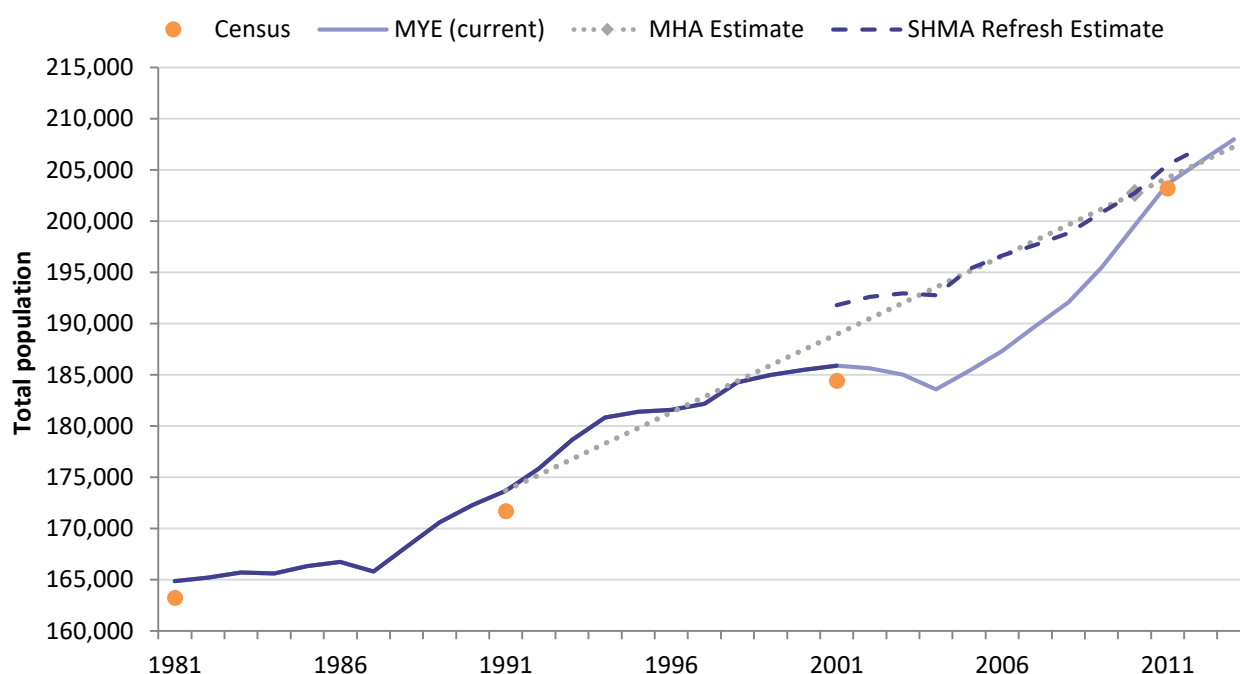


**Figure 6: Components of population change (Source: ONS Mid-Year Population Estimates, revised)**



- 2.13 The original mid-2001 population estimate of 183,300 people was revised upward to 185,900 people following the 2001 Census, which represented an increase of 2,600 on the original estimate; but on the basis of the administrative data available at the time, Luton Council considered that the underestimate was more significant than suggested by the 2001 Census. Whilst the Council did not produce an official alternative population estimate for 2001, they believed that the resident population was likely to be at least 190,000 people at that time.
- 2.14 An analysis undertaken by Mayhew Harper Associates (MHA) identified a minimum confirmed population of 202,700 people in 2010; and Figure 7 shows a simple linear trend based on the official mid-year population estimate for 1991 and the MHA estimate for 2010. The previous SHMA Refresh considered the full range of population information available for Luton and established best estimates of the population for the period 2001-12 (also shown in Figure 7).

**Figure 7: Official population estimates for the period 1981-2012 with the SHMA Refresh population estimate for the period 2001-12 (Source: Luton SHMA Refresh 2014)**



- 2.15 The SHMA Refresh identified that the population for mid-2011 was 205,500 people, which was broadly consistent with the Council's internal estimate of 205,300 for that year based on a range of administrative data. The population had increased to 207,200 people in mid-2012, which was marginally higher than the ONS estimate of 205,800 people. Nevertheless, the SHMA Refresh showed a population of 191,800 people for mid-2001; and whilst this is broadly consistent with the Luton Council estimate of around 190,000 people at that time, it strongly supports that the Census and official mid-year estimates were too low at the time (184,400 people and 185,900 people respectively).

### Components of Population Change

- 2.16 Changes in the population can be broadly classified into two categories:
- » natural change in the population (in terms of births and deaths) and,
  - » changes due to migration, both in terms of international migration and also moves within the UK.

2.17 Figure 8 summarises the annual components of population change based on the SHMA Refresh population estimates which corrected for errors identified in the ONS Mid-Year Estimate data over the period 2001 to 2012. On the basis of this information, annual net migration ranged from a loss of almost 1,800 persons (in 2003-04) to a gain of over 800 persons the following year (2004-05). Figure 8 also summarises the annual components of population change based on the ONS Mid-Year Estimates for the period 2012 to 2015.

**Figure 8: SHMA Refresh components of population change, based on data from the ONS Mid-Year Estimates with adjustments based on secondary data and other administrative data sources (Source: Luton SHMA Refresh 2014. Figures presented unrounded for transparency, but should only be treated as accurate to the nearest 100)**

Period	Natural Change			UK Migration		International Migration		Other change	Net migration and other change	Total change
	Births	Deaths	Net	In	Out	In	Out			
<b>SHMA Refresh Estimates</b>										
2001-02	2,953	1,565	<b>1,388</b>	7,574	10,055	3,499	1,575	-	<b>-557</b>	+831
2002-03	3,089	1,557	<b>1,532</b>	7,263	10,767	3,724	1,404	-	<b>-1,185</b>	+347
2003-04	3,098	1,503	<b>1,595</b>	6,644	10,661	3,717	1,487	-	<b>-1,787</b>	-192
2004-05	3,210	1,498	<b>1,712</b>	7,167	10,541	5,650	1,431	-	<b>+844</b>	+2,556
2005-06	3,219	1,443	<b>1,776</b>	6,999	11,061	5,064	1,462	-	<b>-461</b>	+1,315
2006-07	3,368	1,406	<b>1,962</b>	6,988	11,571	5,135	1,478	-	<b>-926</b>	+1,036
2007-08	3,611	1,461	<b>2,150</b>	7,012	10,707	4,271	1,563	-	<b>-987</b>	+1,163
2008-09	3,522	1,385	<b>2,137</b>	7,095	10,363	4,595	1,461	-	<b>-134</b>	+2,003
2009-10	3,473	1,396	<b>2,077</b>	7,474	10,943	4,755	1,458	-	<b>-173</b>	+1,904
2010-11	3,642	1,291	<b>2,351</b>	7,469	10,719	5,153	1,473	-	<b>+430</b>	+2,781
2011-12	3,544	1,379	<b>2,165</b>	8,201	11,596	4,210	1,341	-	<b>-526</b>	+1,639
<b>ONS Mid-Year Estimates</b>										
2012-13	3,451	1,448	<b>2,003</b>	8,227	10,158	3,107	1,044	+11	<b>+143</b>	+2,146
2013-14	3,538	1,329	<b>2,209</b>	8,927	10,849	3,638	955	+3	<b>+764</b>	+2,973
2014-15	3,504	1,458	<b>2,046</b>	9,019	10,615	4,192	887	-7	<b>+1,702</b>	+3,748

2.18 Migration over the intercensal period 2001-2011 led to a net loss of 4,900 persons, equivalent to an average net out-migrant flow of 490 persons each year; however, migration over the more recent 10-year period 2005-2015 was in balance, with an average net out-migrant flow of just under 20 persons each year.

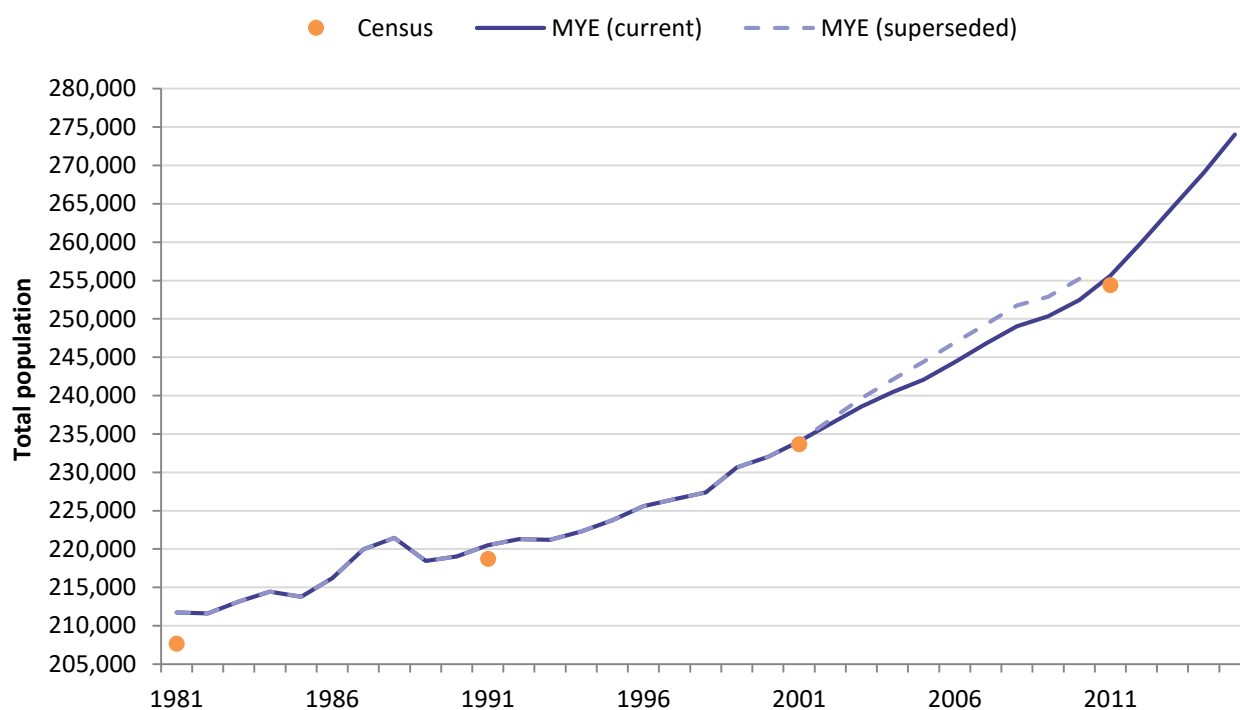
2.19 Data from the ONS quality assurance pack published alongside the Mid-Year Estimates provides a range of comparative data from administrative sources. Whilst this administrative data does not provide a direct estimate of population, it provides a useful triangulation point. This data identifies that for the period 2011 to 2015 there was a 7.2% increase in the Patient Register (a total of 15,500 additional patients), which is higher than the 5.4% increase identified by the Mid-Year Estimates (based on 11,100 additional residents). This suggests that population growth since 2011 may be under-enumerated to some extent.

2.20 As previously noted, the SHMA Refresh identified a higher population for mid-2012 than the ONS estimate (207,200 cf. 205,800 persons) and based on the administrative data it seems likely that this gap has widened. Taking account of all of the evidence, the SHMA concludes that Luton's population had increased to around 217,100 persons by mid-2015, compared to the ONS estimate of 214,700 persons. This implies that net migration was also marginally higher over the period 2005-15, with an average net in-migrant flow of around 90 persons each year.

## Population Trends for Central Bedfordshire

2.21 Figure 9 shows the official population estimates for Central Bedfordshire for the period since 1981, based on Census data and ONS Mid-Year Population Estimates. It is evident that the 2011 Census was broadly consistent with the previous Mid-Year Estimates, and there no substantial change was required to the overall population.

**Figure 9: Official population estimates for Central Bedfordshire for the period 1981-2015 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded. Note: For the period before Central Bedfordshire being established, data for Mid Bedfordshire and South Bedfordshire has been combined)**

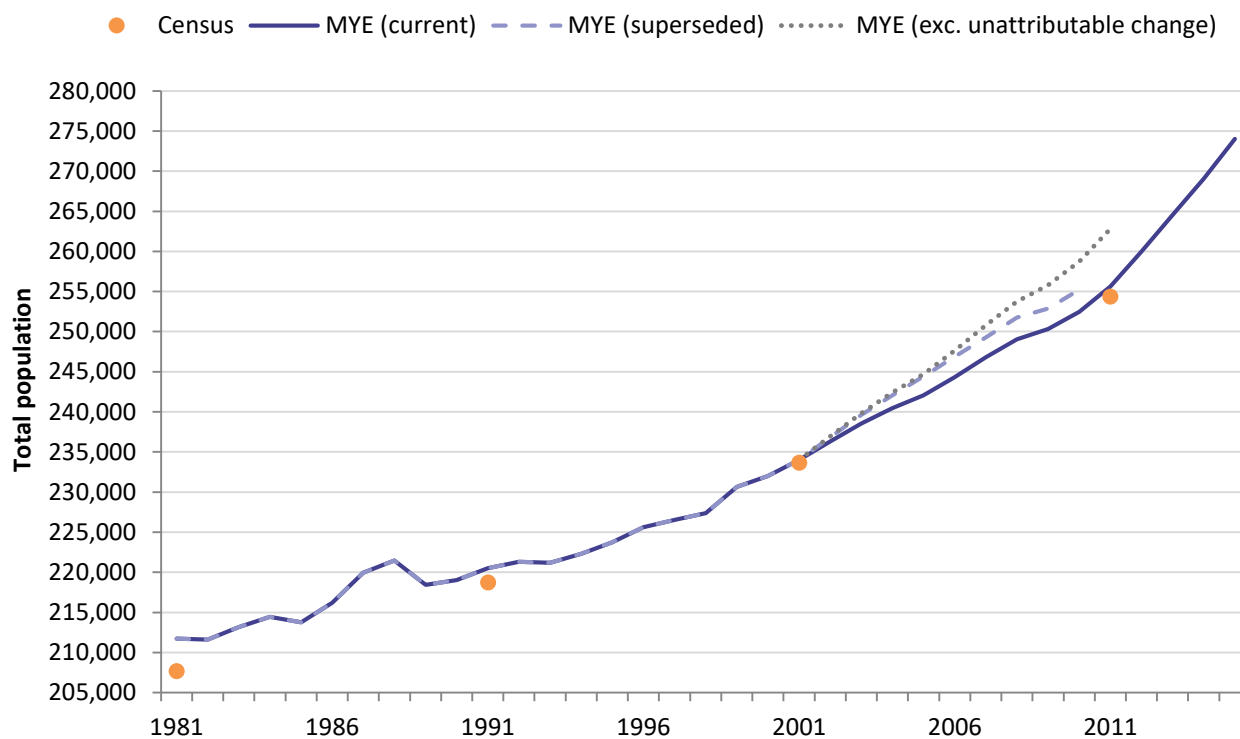


2.22 Whilst the overall population estimates did not significantly change, the ONS also incorporated other changes to the underlying components of population change. Most changes were only marginal, but the estimate for international in migrants increased by an average of 418 persons each year (Figure 10). Incorporating this increase in net international migration meant that the original estimates for total population changed from being marginally too high to being markedly higher than was suggested by the 2011 Census.

**Figure 10: Components of population change, revised in the light of the 2011 Census (Source: ONS Mid-Year Estimates, original and revised. Note: "Other Changes" includes adjustments for prisoners, armed forces and other unattributable changes. Figures presented unrounded for transparency, but should only be treated as accurate to the nearest 100)**

Annual Average 2002-10	Births	Deaths	UK Migration (Net)	International Migration		Asylum Seekers (Net)	Other Changes (Net)	Unattributable Change
				In	Out			
Original estimate	2,999	1,940	+943	1,109	818	+4	+8	-
Revised estimate	2,999	1,940	+940	1,527	799	+4	-6	-705
<b>Net change</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>+418</b>	<b>-19</b>	<b>0</b>	<b>-14</b>	<b>-705</b>

**Figure 11: Official population estimates for Central Bedfordshire for the period 1981-2015 showing the impact of the adjustments to international migration (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded. Note: For the period before Central Bedfordshire being established, data for Mid Bedfordshire and South Bedfordshire has been combined)**



<sup>2.23</sup> After incorporating the adjustments to migration, the component of population change data identified a net gain of 28,800 people in Central Bedfordshire over the 10-year period 2001-11. This was based on a natural growth of 10,700 people, a net gain of 18,200 migrants, and a net loss of 100 persons due to changes in the prison and armed forces populations and other technical adjustments. **Nevertheless, the population of Central Bedfordshire did not actually increase by 28,800 people; in fact, the population increase was only 21,600 people over this period – a difference of 7,200 persons.**

<sup>2.24</sup> Given that the population estimates in 2001 and 2011 are far more accurate and robust than the component of change data from year-to-year, the ONS factor in an “accountancy” adjustment to the components of change to correct the data and ensure that it reconciles with the more accurate estimates for the total population in the two Census years. Therefore, in addition to the known population flows, an element of “unattributable change” is included in the figures. This averages to be a net annual reduction of 718 persons each year from 2001-02 to 2010-11 in the figures for Central Bedfordshire.

### Components of Population Change

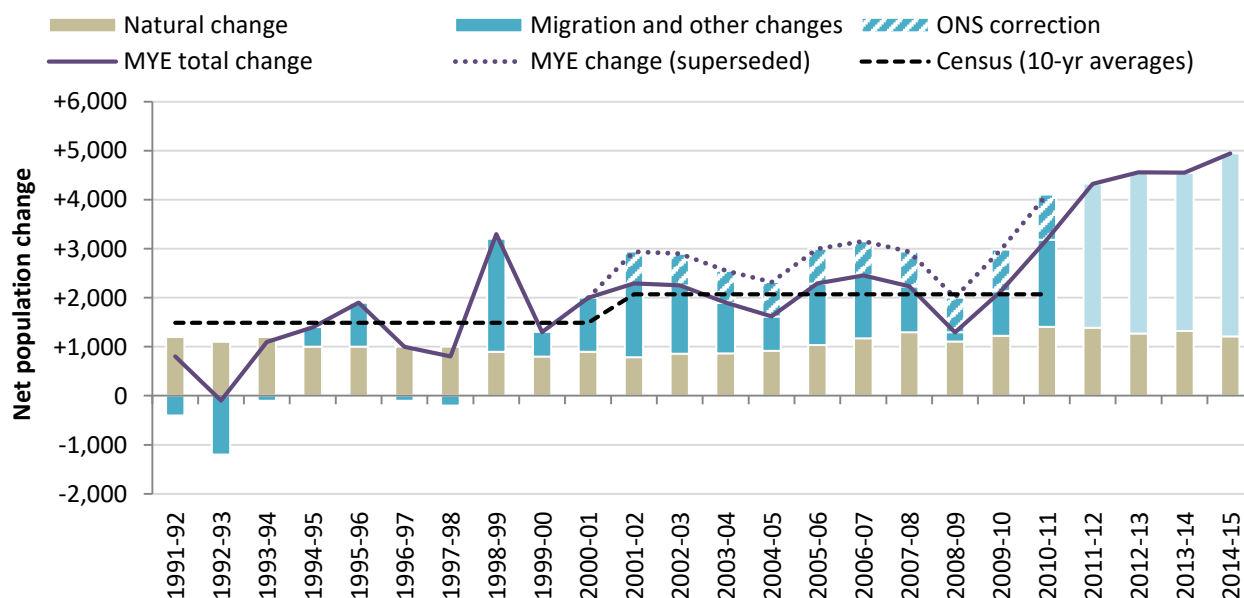
<sup>2.25</sup> Figure 12 presents a full breakdown of the most recent data published by the ONS, detailing the components of population change for Central Bedfordshire area over the period since 1991. It is clear that the correction for “other changes” (which is dominated by unattributable change) has become more important in the estimates for later years; increasing year-on-year from a reduction of around 650 persons in 2001-02 to a reduction of more than 900 persons in 2010-11.

<sup>2.26</sup> Figure 13 shows the trends for natural change and migration based on the corrected MYE data, however the correction is also shown.

**Figure 12: Components of population change, revised in the light of the 2011 Census (Source: ONS Mid-Year Estimates, revised. Note: "Other Changes" includes adjustments for asylum seekers, prisoners, armed forces and other unattributable changes. Figures for 2001-02 onward presented unrounded for transparency, but should only be treated as accurate to the nearest 100. Figures for earlier years rounded to the nearest 100)**

Year	Births	Deaths	Natural Change	UK Migration		International Migration		UPC	Other Changes	Migration and Other Changes	Total Change
				In	Out	In	Out				
1991-92	3,200	1,900	+1,200	-	-	-	-	-	-	-400	+800
1992-93	3,000	1,900	+1,100	-	-	-	-	-	-	-1,200	-100
1993-94	3,100	1,900	+1,200	-	-	-	-	-	-	-100	+1,100
1994-95	3,000	1,900	+1,000	-	-	-	-	-	-	+400	+1,400
1995-96	2,900	1,900	+1,000	-	-	-	-	-	-	+900	+1,900
1996-97	2,900	2,000	+1,000	-	-	-	-	-	-	-100	+1,000
1997-98	2,800	1,900	+1,000	-	-	-	-	-	-	-200	+800
1998-99	2,900	2,000	+900	-	-	-	-	-	-	+2,300	+3,300
1999-00	2,900	2,000	+800	-	-	-	-	-	-	+500	+1,300
2000-01	2,800	1,900	+900	-	-	-	-	-	-	+1,100	+2,000
2001-02	2,756	1,970	+786	13,839	12,824	1,974	838	-637	-9	+1,505	+2,291
2002-03	2,784	1,924	+860	13,601	12,537	1,672	701	-640	-5	+1,390	+2,250
2003-04	2,811	1,947	+864	13,309	12,252	1,397	763	-676	+18	+1,033	+1,897
2004-05	2,899	1,980	+919	12,949	11,837	791	503	-673	-28	+699	+1,618
2005-06	3,004	1,969	+1,035	13,298	12,056	1,527	805	-682	-28	+1,254	+2,289
2006-07	3,051	1,880	+1,171	13,721	12,428	1,579	891	-688	-12	+1,281	+2,452
2007-08	3,218	1,921	+1,297	12,727	11,659	1,549	975	-711	+4	+935	+2,232
2008-09	3,101	1,993	+1,108	10,930	10,752	1,766	1,049	-728	+19	+186	+1,294
2009-10	3,127	1,905	+1,222	12,048	11,540	1,982	732	-836	-13	+909	+2,131
2010-11	3,291	1,881	+1,410	12,518	11,203	2,150	772	-908	-11	+1,774	+3,184
2011-12	3,275	1,890	+1,385	14,022	12,033	1,496	551	-	+6	+2,940	+4,325
2012-13	3,313	2,042	+1,271	14,144	11,913	1,601	563	-	+19	+3,288	+4,559
2013-14	3,190	1,869	+1,321	14,773	12,941	1,718	327	-	+4	+3,227	+4,548
2014-15	3,251	2,038	+1,213	14,968	12,621	1,841	334	-	-121	+3,733	+4,946

**Figure 13: Components of population change (Source: ONS Mid-Year Population Estimates, revised; Census data 1991-2011. Note: Data for periods up to 2011 has been corrected based on Census data; data since 2011 is not corrected)**



- 2.27 Also shown is the total population change from the MYE (both original and corrected figures) and annual average population change between the 1991, 2001 and 2011 Census. More recent data from the ONS mid-2012, mid-2013, mid-2014 and mid-2015 population estimates has also been included on the chart (including the breakdown between natural change and migration).
- 2.28 It is evident that the net population change for mid-2012 estimates onwards are notably higher than previous years. It is important to recognise that “unattributable change” isn’t factored in for these periods, as this would only be incorporated once data is published from the 2021 Census – but given the scale of adjustment required post the 2011 Census, it is important to recognise that the flow data that is recorded for the period may be overstating the actual level of population increase.
- 2.29 Alongside the Mid-Year Estimates published in mid-2015, the ONS published a quality assurance pack which provided a range of comparative data from administrative sources. Whilst this administrative data does not provide a direct estimate of population, they provide a useful triangulation point. Figure 14 shows the mid-2011 and mid-2015 population estimates together with the administrative data for the same years across the relevant age cohorts.

Figure 14: Mid-Year Population Estimates and Administrative Data 2011 and 2015 for Central Bedfordshire (Source: ONS, DfE)

Age	Mid-Year Estimate		Patient Register		School Census		State pensions Aged 65+	
	2011	2015	2011	2015	2011	2015	2011	2015
Age 0	3,270	3,300	3,210	3,270	-	-	-	-
Aged 1-4	12,840	14,280	13,060	14,150	-	-	-	-
Aged 5 – 9	15,000	17,300	15,110	17,260	14,460	16,500	-	-
Aged 10 – 14	15,430	15,400	15,570	15,340	14,450	13,960	-	-
Aged 15 – 19	15,570	14,980	15,620	15,070	-	-	-	-
Aged 20 – 24	13,660	14,030	14,360	15,000	-	-	-	-
Aged 25 – 29	14,600	17,250	15,080	16,800	-	-	-	-
Aged 30 – 34	15,770	17,810	16,080	17,640	-	-	-	-
Aged 35 – 39	17,700	18,220	18,060	18,010	-	-	-	-
Aged 40 – 44	20,140	19,600	20,920	19,780	-	-	-	-
Aged 45 – 49	21,170	20,930	21,880	21,530	-	-	-	-
Aged 50 – 54	18,350	21,020	18,760	21,650	-	-	-	-
Aged 55 – 59	15,540	17,560	15,990	18,130	-	-	-	-
Aged 60 – 64	16,340	15,230	16,620	15,510	-	-	-	-
Aged 65 – 69	12,690	15,640	12,630	15,800	-	-	12,530	14,910
Aged 70 – 74	9,480	11,400	9,710	11,490	-	-	9,470	11,390
Aged 75 – 79	7,840	8,590	7,730	8,680	-	-	7,690	8,550
Aged 80 – 84	5,510	6,090	5,320	6,000	-	-	5,380	5,960
Aged 85+	4,770	5,390	4,610	5,220	-	-	4,690	5,270
<b>TOTAL</b>	<b>255,670</b>	<b>274,020</b>	<b>260,320</b>	<b>276,330</b>	<b>28,910</b>	<b>30,460</b>	<b>39,760</b>	<b>46,080</b>
<b>Increase 2011-15</b>		<b>+18,350</b>		<b>+16,010</b>		<b>+1,550</b>		<b>+6,320</b>
<b>MYE Total for same age cohorts</b>	<b>255,670</b>	<b>274,020</b>	<b>255,670</b>	<b>274,020</b>	<b>30,430</b>	<b>32,700</b>	<b>40,290</b>	<b>47,110</b>
<b>Increase 2011-15</b>		<b>+18,350</b>		<b>+18,350</b>		<b>+2,270</b>		<b>+6,820</b>
<b>Difference between MYE and admin data</b>		-		<b>+15%</b>		<b>+46%</b>		<b>+8%</b>



2.30 In summary, over the 4-year period:

- » The mid-year estimates suggest a population increase of 18,350 persons, which is 15% higher than the 16,010 increase recorded on the NHS patient register;
- » The mid-year estimates suggest an increase of 2,270 children aged 5-14, which is 46% higher than the 1,550 increase on the school census; and
- » The mid-year estimates suggest an increase of 6,820 people aged 65+, which is 8% higher than the 6,320 increase in people aged 65+ receiving state pension.

2.31 It is evident that all of the administrative data sources that ONS identified for validating the population estimates suggest that the population is increasing slower than suggested by the estimates for the period mid-2011 to mid-2015. It therefore isn't appropriate to adopt this data uncritically.

2.32 It is important to recognise that there has been no change in the ONS methodology for establishing the MYE since the mid-2011 estimates were produced – so any systematic error that existed at that time will continue to impact on more recent estimates, and therefore cannot be ignored. Whilst it is unlikely that the ONS will have a robust basis for correcting this data until the results of the 2021 Census are available (and therefore no correction is likely to be made in the short-term), it is apparent that corrections made to the mid-2011 estimates for Central Bedfordshire should continue to be applied to the data for more recent years until the underlying issues can be addressed through changes to the methodology.

2.33 Given this context, it is evident that the ONS Mid-Year Estimate data for Central Bedfordshire must be treated cautiously. The administrative data clearly justifies the continued need for an adjustment, and the growth in the patient register would suggest that the overall population in mid-2015 was around 271,500 persons, which is 2,500 fewer than estimated by the ONS. On this basis, it would appear that the ONS Mid-Year Estimates have continued to overstate population growth in Central Bedfordshire by an average of around 620 persons each year. As previously noted, the population estimates in 2001 and 2011 are far more accurate and robust than the component of change data from year-to-year; and this correction is broadly consistent with the average UPC adjustment of 720 persons each year that the ONS deemed necessary for the period 2001 to 2011 based on Census data.

2.34 Taking account of all of the evidence, the SHMA concludes that Central Bedfordshire's population has increased to around 271,500 persons by mid-2015, compared to the ONS estimate of 274,000 persons. This implies that net migration was marginally lower than identified by the ONS components of population change over the period 2005-15, with an average net in-migrant flow of around 1,700 persons each year over the decade.

## Population Projections Based on Local Circumstances

- 2.35 Whilst PPG identifies CLG household projections as the starting point for establishing housing need, it also recognises the need to consider sensitivity testing this data and take account of local evidence.

*Plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates ... Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.*

Planning Practice Guidance (March 2014), ID 2a-017

- 2.36 Whilst it is relatively straightforward to measure natural population change, it is much more difficult to measure migration. Furthermore, the number of migrants can vary substantially from year-to-year; and relatively small changes in gross flows can have a significant impact on overall net migration. In establishing future population projections, it is important to recognise the importance of migration and other changes.
- 2.37 Given that the demographic projections are trend-based, one of the most critical factors is the period over which those trends are based. The PAS OAN technical advice note considers this issue in relation to the ONS population projections (first edition, paragraphs 5.12-5.13):

*“To predict migration between local authorities within the UK, the ONS population projections carry forward the trends of the previous five years. This choice of base period can be critical to the projection, because for many areas migration has varied greatly over time. ... The results of a demographic projection for (say) 2011-31 will be highly sensitive to the reference period that the projection carries forward.”*

- 2.38 This issue has also been reinforced in PAS advice to Local Authorities,<sup>3</sup> where it has been emphasised that whilst the CLG household projections provide the starting point, these official projections can be very unstable given that they are based on migration trends covering only five years:

*“For migration the base period is only five years:*

- *Makes the official projections very unstable*
- *And recent projections lock in the recession”*

- 2.39 The second version of the PAS OAN technical advice note (July 2015)<sup>4</sup> has also strengthened the recommendation on the relevant period for assessing migration (second edition, paragraph 6.24):

*“In assessing housing need it is generally advisable to test alternative scenarios based on a longer reference period, probably starting with the 2001 Census (further back in history data may be unreliable). Other things being equal, a 10-to-15 year base period should provide more stable and more robust projections than the ONS’s five years.”*

- 2.40 The relevant period for assessing migration trends was considered by an article by Ludi Simpson (Professor of Population Studies at the University of Manchester) and Neil MacDonald (previously Chief Executive of the National Housing and Planning Advice Unit) published in Town and Country Planning (April 2015).<sup>5</sup>

<sup>3</sup> “SHLAA, SHMA and OAN aka ‘Pobody’s Nerfect’”, PAS presentation at Urban Design London (July 2015)

<http://learningspace.urbandesignlondon.com/course/view.php?id=339>

<sup>4</sup> <http://www.pas.gov.uk/documents/332612/6549918/OANUpdatedadvisenote/f1bfb748-11fc-4d93-834c-a32c0d2c984d>

*“The argument for using a five-year period rather than a longer one is that the shorter the period, the more quickly changes in trends are picked up. The counter-argument is that a shorter period is more susceptible to cyclical trends, an argument that has particular force when the five-year period in question – 2007-12 – neatly brackets the deepest and longest economic downturn for more than a generation. ... A large number of local authority areas are affected by this issue. For 60% of authorities the net flow of migrants within the UK in 2007-12 was different by more than 50% from the period 2002-07. While this is comparing a boom period with a recession, it serves to indicate the impact of the choice of reference period for trend projections.”*

<sup>2.41</sup> This issue has also been referenced by Inspectors examining numerous Local Plans, for example the following comments provided by the Cornwall Inspector in the letter setting out his preliminary findings (June 2015):<sup>6</sup>

*“3.6 Migration. The demographic model used in the SHMNA and the more recent ONS projection uses migration flows from the previous 5 years only. Given the significance of migration as a component of change for Cornwall and to even-out the likely effect of the recent recession on migration between 2008-2012 a longer period than 5 years would give a more realistic basis for projecting this component. A period of 10-12 years was suggested at the hearing and I consider that this would be reasonable, rather than the 17 year period used in ID.01.CC.3.3. I also consider that the ONS’ Unattributable Population Change component should be assigned to international migration for the reasons given by Edge Analytics in ID.01.CC3.3. This approach was not disputed at the hearing.”*

<sup>2.42</sup> Whilst migration estimates can vary from year-to-year, it is also important to recognise that although these differences will often be due to changes in the underlying trends, changes can also be associated with uncertainties in measuring the flows. It is recognised that the impact of international migration is particularly difficult to measure; and although current estimates have been improved, data can still be unreliable at a local level. Considering migration trends averaged over longer periods of time ensures that the impact of any errors in the measurements will be minimised. The appropriate period will vary depending on the purpose of the projection – but longer-term projections typically benefit from longer-term trends.

<sup>2.43</sup> On balance, we consider that:

- » 5-year trend migration scenarios are less reliable: they have the potential to roll-forward short-term trends that are unduly high or low and therefore are unlikely to provide a robust basis for long-term planning.
- » 10-year trend migration scenarios are more likely to capture both highs and lows and are not as dependent on trends that may be unlikely to be repeated. **Therefore, we favour using 10-year migration trends as the basis for our analysis.**

<sup>2.44</sup> This SHMA has, therefore, produced additional projections based on long-term migration trends as part of the analysis. Whilst no one scenario will provide a definitive assessment of the future population; considering demographic projections where migration is based on long-term trends provides a more appropriate basis on which to consider future housing need.

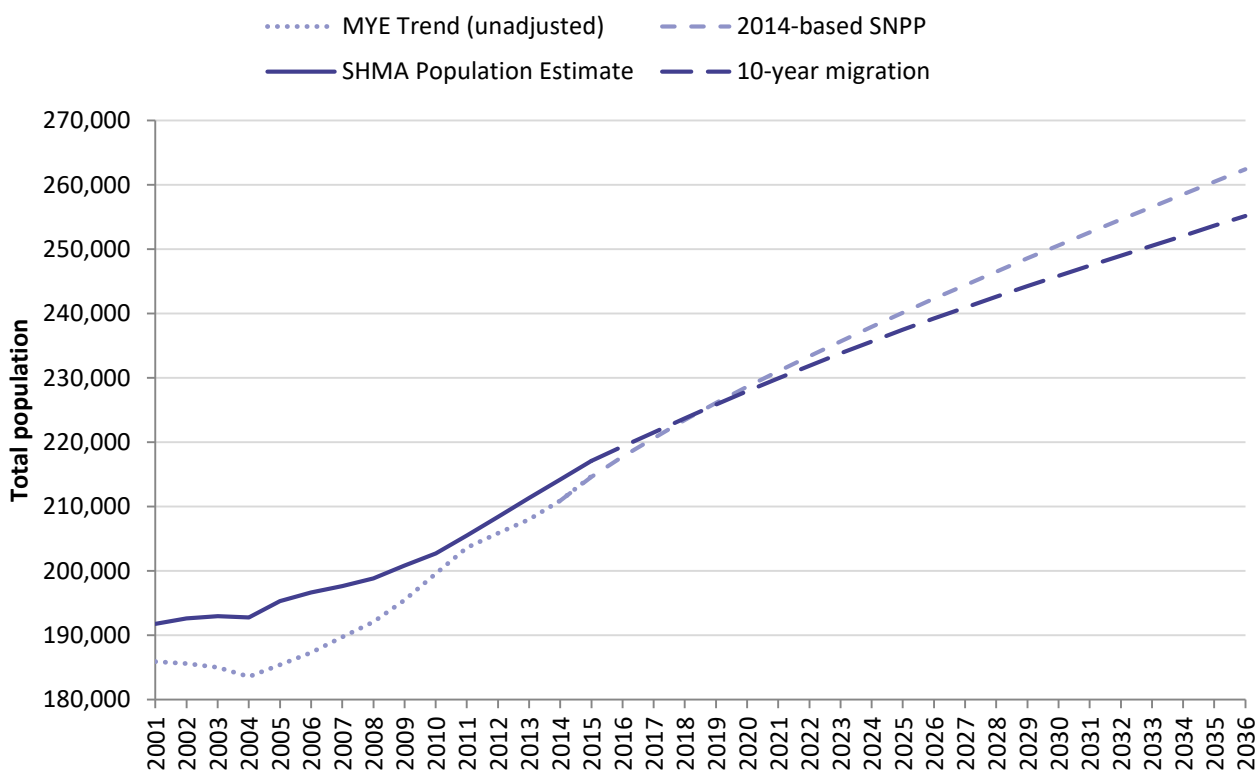
<sup>5</sup> “Making sense of the new English household projections”, Town and Country Planning (April 2015)

<sup>6</sup> <https://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf>

## Establishing Population Projections for Luton Borough

- 2.45 The SHMA has developed population projections for Luton using migration trends based on the 10-year period 2005-2015. However, as previously noted, the SHMA Refresh identified that the 2001 Census under-enumerated the population at that time. We have therefore based the 10-year migration trends on the SHMA population estimates for mid-2005 and mid-2015, which identified an average net in-migrant flow of around 90 persons each year.
- 2.46 Figure 15 compares the 2014-based sub national population projections (based on short-term migration trends) with the projections based on longer-term 10-year migration trends over the period to 2036. The SNPP projections suggest that the population will increase from 214,600 to 260,500 persons over the period 2015 to 2035 (a 20-year increase of 45,900 persons, an average of 2,290 per year) and will reach 262,400 persons by 2036. For the same period, the SHMA projection based on 10-year migration trends suggest that the population will increase from 217,100 to 253,700 persons (a 20-year increase of 36,600 persons, an average of 1,830 per year) and will reach 255,200 persons by 2036.

Figure 15: Luton population projection based on migration trends



- 2.47 It is evident that the differences between the projections are due to differences in the population trends. As previously noted, the ONS Mid-Year Estimates suggested a period of population decline to 2004, before a rapid population growth over the period to 2011. This steep trajectory in the population trends has influenced the projected future population, but as annual growth has moderated during the period since 2011, the ONS projection is lower than it might otherwise have been.
- 2.48 The detailed analysis undertaken by the SHMA Refresh concluded that the population for Luton was notably higher than officially estimated in 2001, but only marginally higher than official estimates for 2011 and 2012. On this basis, annual growth over the period 2005-15 has been more moderate than suggested by the ONS trends; and the more moderate trajectory from the corrected population trends yields a lower projected future population, as growth patterns over the period 2005-15 are assumed to continue.

- 2.49 Figure 16 provides a detailed breakdown of the projected population by gender and 5-year age cohort for 2015 and 2035 based on the 2014-based sub-national population projection and the SHMA 10-year migration trend scenario.

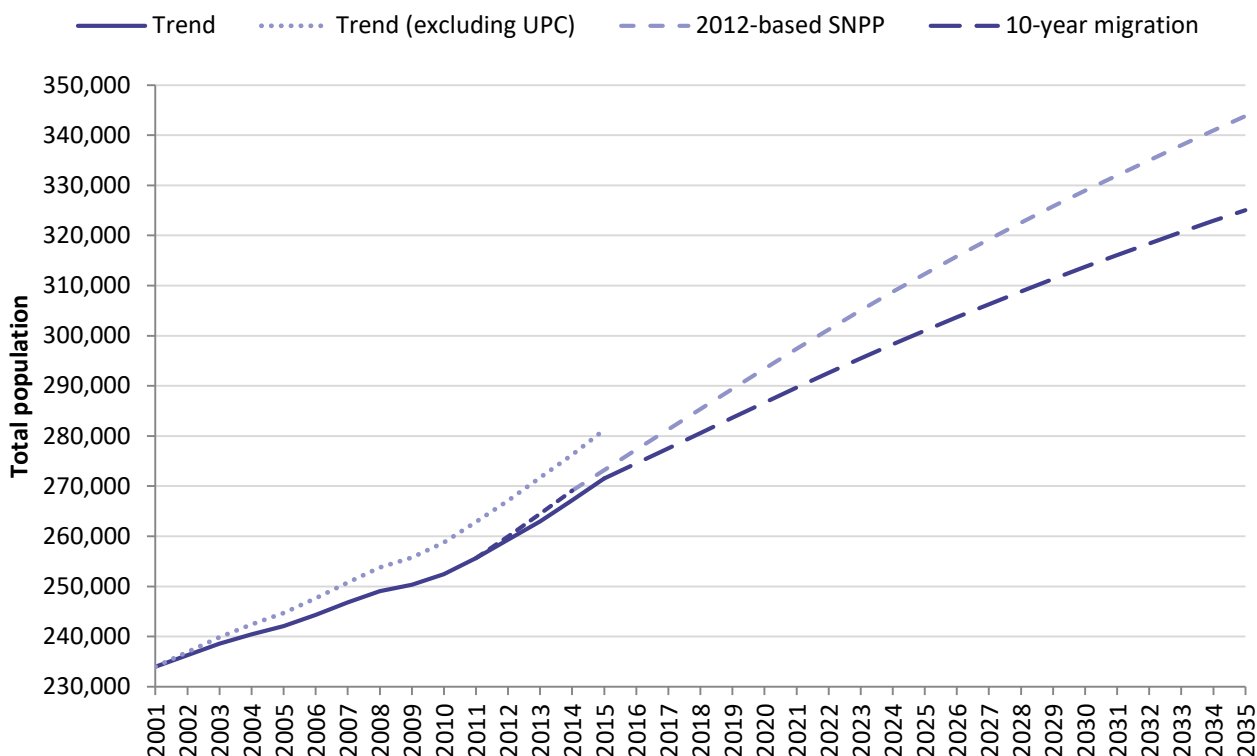
**Figure 16: Luton population projections 2015-35 by gender and 5-year age cohort based on 2014-based SNPP and SHMA 10-year migration trend scenario (Note: All figures presented unrounded for transparency)**

Age	2014-based SNPP						SHMA 10-year migration trend					
	2015			2035			2015			2035		
	M	F	Total	M	F	Total	M	F	Total	M	F	Total
Aged 0-4	9,055	8,549	<b>17,607</b>	9,560	9,085	<b>18,646</b>	9,359	8,825	<b>18,184</b>	8,886	8,453	<b>17,339</b>
Aged 5-9	8,334	7,766	<b>16,101</b>	9,168	8,700	<b>17,870</b>	8,575	7,894	<b>16,469</b>	8,790	8,414	<b>17,204</b>
Aged 10-14	7,053	6,631	<b>13,687</b>	8,878	8,526	<b>17,407</b>	7,195	6,729	<b>13,924</b>	8,676	8,384	<b>17,060</b>
Aged 15-19	6,852	6,730	<b>13,587</b>	8,619	8,354	<b>16,974</b>	6,747	6,683	<b>13,431</b>	8,588	8,288	<b>16,876</b>
Aged 20-24	8,405	7,866	<b>16,272</b>	10,212	9,483	<b>19,698</b>	7,941	7,557	<b>15,498</b>	9,490	8,657	<b>18,148</b>
Aged 25-29	9,825	8,818	<b>18,644</b>	11,242	9,492	<b>20,735</b>	9,858	9,083	<b>18,941</b>	10,179	8,145	<b>18,324</b>
Aged 30-34	9,604	8,998	<b>18,605</b>	10,326	8,484	<b>18,814</b>	9,805	9,273	<b>19,078</b>	9,761	7,782	<b>17,543</b>
Aged 35-39	7,864	7,431	<b>15,296</b>	9,877	8,207	<b>18,086</b>	8,076	7,601	<b>15,676</b>	9,053	7,457	<b>16,510</b>
Aged 40-44	7,001	6,581	<b>13,583</b>	9,394	7,915	<b>17,313</b>	7,085	6,711	<b>13,796</b>	8,064	6,995	<b>15,059</b>
Aged 45-49	6,603	6,764	<b>13,368</b>	8,535	7,682	<b>16,219</b>	6,663	6,844	<b>13,507</b>	7,216	6,818	<b>14,035</b>
Aged 50-54	6,503	6,485	<b>12,990</b>	7,787	7,408	<b>15,195</b>	6,616	6,564	<b>13,180</b>	6,221	6,109	<b>12,330</b>
Aged 55-59	5,319	5,181	<b>10,502</b>	6,561	6,260	<b>12,825</b>	5,387	5,249	<b>10,636</b>	5,493	5,401	<b>10,894</b>
Aged 60-64	4,222	4,270	<b>8,496</b>	5,746	5,547	<b>11,296</b>	4,291	4,349	<b>8,640</b>	5,231	5,286	<b>10,517</b>
Aged 65-69	3,650	3,824	<b>7,478</b>	5,158	5,303	<b>10,462</b>	3,698	3,881	<b>7,578</b>	4,829	4,996	<b>9,826</b>
Aged 70-74	2,713	3,020	<b>5,736</b>	4,520	4,835	<b>9,359</b>	2,756	3,049	<b>5,805</b>	3,821	3,920	<b>7,741</b>
Aged 75-79	2,503	2,875	<b>5,381</b>	3,444	3,717	<b>7,165</b>	2,538	2,930	<b>5,468</b>	2,937	3,144	<b>6,081</b>
Aged 80-84	1,727	2,182	<b>3,910</b>	2,473	2,853	<b>5,329</b>	1,737	2,163	<b>3,900</b>	2,311	2,639	<b>4,950</b>
Aged 85+	1,251	2,078	<b>3,332</b>	2,985	4,055	<b>7,045</b>	1,272	2,113	<b>3,385</b>	2,368	3,301	<b>5,669</b>
<b>Total</b>	<b>108,523</b>	<b>106,095</b>	<b>214,619</b>	<b>134,529</b>	<b>125,952</b>	<b>260,482</b>	<b>109,600</b>	<b>107,496</b>	<b>217,096</b>	<b>121,916</b>	<b>114,190</b>	<b>236,105</b>

## Establishing Population Projections for Central Bedfordshire

- 2.50 The SHMA has developed population projections for Central Bedfordshire using migration trends based on the 10-year period 2005-2015. However, as previously noted, the ONS corrected the mid-year population estimates following the 2011 Census and the SHMA has identified problems with the more recent data. We have therefore based the 10-year migration trends on the SHMA population estimates for mid-2005 and mid-2015, which identified an average net in-migrant flow of around 1,700 persons each year.
- 2.51 Figure 17 compares the 2014-based sub national population projections (based on short-term migration trends) with the projections based on longer-term 10-year migration trends over the period to 2035. The SNPP projections suggest that the population will increase from 273,200 to 343,800 persons over the period 2015 to 2035 (a 20-year increase of 70,600 persons, an average of 3,530 per year). For the same period, the SHMA projection based on 10-year migration trends suggest that the population will increase from 271,500 to 325,100 persons (a 20-year increase of 53,500 persons, an average of 2,680 per year).
- 2.52 It is evident that the differences between the projections are due to migration trends. ONS Mid-Year Estimates suggest that the population growth has been higher in recent years; however the Census demonstrated that the estimates were inaccurate for the period 2001-11 (and they were therefore corrected) and the ONS quality assurance pack data shows that the estimates probably continue to be inaccurate.

Figure 17: Central Bedfordshire population projection based on migration trends



2.53 Figure 18 provides a detailed breakdown of the projected population by gender and 5-year age cohort for based on the 2014-based sub-national population projection and SHMA 10-year migration trend scenario.

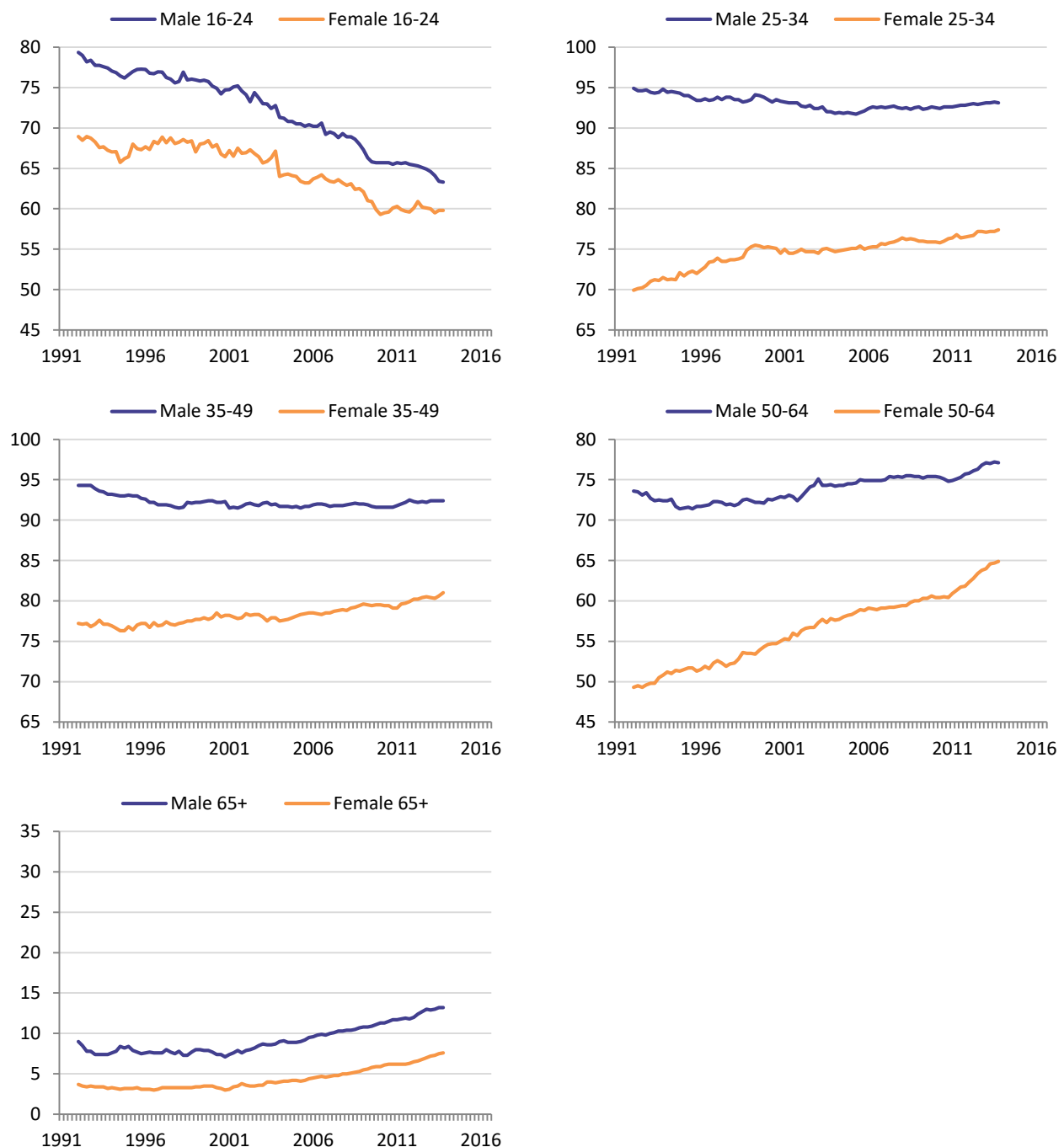
Figure 18: Central Bedfordshire population projections 2015-35 by gender and 5-year age cohort based on 2014-based SNPP and 10-year migration trend scenarios (Note: All figures presented unrounded for transparency)

Age	2014-based SNPP						SHMA 10-year migration trend					
	2015			2035			2015			2035		
	M	F	Total	M	F	Total	M	F	Total	M	F	Total
Aged 0-4	8,910	8,497	17,410	9,883	9,503	19,389	8,771	8,469	17,241	9,224	8,884	18,108
Aged 5-9	8,683	8,531	17,217	10,402	9,919	20,325	8,693	8,441	17,134	9,718	9,284	19,002
Aged 10-14	7,850	7,488	15,340	10,558	10,017	20,577	7,880	7,323	15,203	9,900	9,406	19,305
Aged 15-19	7,746	6,971	14,721	9,720	8,878	18,600	7,838	7,183	15,021	9,167	8,361	17,528
Aged 20-24	7,581	6,878	14,460	8,259	7,360	15,623	7,458	6,810	14,268	7,766	6,871	14,637
Aged 25-29	8,590	8,489	17,080	9,607	9,245	18,854	7,986	8,282	16,268	9,091	8,640	17,731
Aged 30-34	8,442	9,137	17,581	9,541	9,434	18,977	8,301	8,997	17,298	8,997	8,804	17,801
Aged 35-39	8,799	9,290	18,091	10,814	10,733	21,549	8,612	9,040	17,652	10,156	10,047	20,203
Aged 40-44	9,537	10,004	19,543	11,880	11,781	23,663	9,363	9,681	19,045	11,104	11,019	22,123
Aged 45-49	10,293	10,520	20,814	11,538	11,759	23,299	10,273	10,561	20,834	10,680	11,031	21,711
Aged 50-54	10,410	10,537	20,951	10,818	11,446	22,265	10,589	10,593	21,182	10,174	10,825	20,999
Aged 55-59	8,839	8,747	17,589	9,960	10,410	20,372	8,981	8,634	17,615	9,378	9,847	19,226
Aged 60-64	7,467	7,794	15,263	9,788	10,417	20,207	7,467	7,784	15,251	9,268	9,834	19,102
Aged 65-69	7,720	7,920	15,641	9,859	10,625	20,487	7,855	8,020	15,875	9,447	10,258	19,705
Aged 70-74	5,506	5,932	11,440	9,312	10,113	19,427	5,433	5,784	11,218	9,066	9,813	18,879
Aged 75-79	4,117	4,469	8,588	7,320	7,868	15,188	4,244	4,562	8,806	7,161	7,569	14,730
Aged 80-84	2,734	3,340	6,077	5,268	6,025	11,296	2,772	3,442	6,214	5,124	5,859	10,984
Aged 85+	2,050	3,286	5,340	6,306	7,335	13,642	2,057	3,347	5,404	6,167	7,120	13,287
<b>Total</b>	<b>135,316</b>	<b>137,874</b>	<b>273,191</b>	<b>170,874</b>	<b>172,914</b>	<b>343,789</b>	<b>134,576</b>	<b>136,954</b>	<b>271,529</b>	<b>161,589</b>	<b>163,472</b>	<b>325,061</b>

## Economic Activity

- 2.54 Forecasting future economic activity rates is a challenge: the analysis is inherently complex and dependent on a range of demographic, socio-economic and structural changes in the labour market. However, the performance of the labour market in future years (and especially the impact of changing employment patterns) is an important factor which affects demand for housing.
- 2.55 The **Labour Force Survey (LFS)** is a continuous survey of the employment circumstances of the nation's population: it provides the official measures of employment and unemployment. Figure 19 shows economic activity rates (EAR) by age and gender for the UK since 1991, based on LFS data. It is evident that EAR rates are unlikely to remain constant in future as illustrated by past trends.

Figure 19: Economic Activity Rate long-term UK trends (Source: Labour Market Statistics based on Labour Force Survey)





2.56 There are a number of notable trends evident:

- » Economic activity rates for people aged under 25 have steadily declined, primarily as a consequence of the increased numbers remaining in full-time education;
- » Economic activity rates for women in all groups aged 25+ have tended to increase, in particular those aged 50-64 where the rate has increased by almost a third (from 49% to 65%); and
- » Economic activity rates for men and women aged 50+ have tended to increase, in particular over the period since 2001.

2.57 These changes in participation identified by the Labour Force Survey have been confirmed by Census data, which also shows that national trends are typically reflected at a local level.

2.58 The most recent economic activity rate projections produced by ONS were published in January 2006 and covered the period to 2020<sup>7</sup>; however these figures suggested substantially lower changes in activity rates than actually experienced over the last decade. However, the performance of the labour market is important for national government, particularly in terms of forecasting the long term sustainability of tax revenues. As part of their scrutiny of Government finances, the Office for Budget Responsibility (OBR) provide an independent and authoritative analysis of the UK's public finances for Government, which includes detailed analysis of past and future labour market trends<sup>8</sup>.

## Labour Market Participation Projections

2.59 The labour market participation projections produced by the OBR are based on historic profiles of different cohorts of the overall population – subsets that are grouped by year of birth and gender. Their analysis is not based on simplistic trends but is designed to capture dynamics that are specific to particular ages and those that cut across generations:

*“We project each cohort into the future using age-specific labour market entry and exit rates as they age across time. These exit and entry rates are generally held constant, although we adjust entry rates for younger cohorts (discussed further below), and exit rates for people approaching the State Pension age (SPA), since the SPA rises over our projection period.”*

2.60 Their analysis concludes:

- » **Older people;** economic activity rates of older people will increase in future years, mainly from a combination of factors including changes to State Pension age, less generous final salary pensions and increasing healthy longevity;
- » **Female participation;** in addition to changes to state pension age, economic activity rates for women will also increase due to cohort change: more women born in the 1980s will work compared to those born in the 1970s across all comparable ages, and the rates for women born in the 1970s will be higher than for those born in the 1960s and so on; and
- » **Young people;** economic activity rates of younger people will stop declining, although young people will continue to stay longer in education and the lower participation rates recently observed are not assumed to increase in future.

<sup>7</sup> Projections of the UK labour force, 2006 to 2020 by Vassilis Madouros; published in ONS Labour Market Trends, January 2006

<sup>8</sup> OBR Fiscal Sustainability Report, July 2014: <http://cdn.budgetresponsibility.org.uk/41298-OBR-accessible.pdf>



## Older People

<sup>2.61</sup> Recent increases in State Pension age (SPA) are expected to prompt a labour market response as people retiring at an older age will exit the labour market later. Recent research from the Institute for Fiscal Studies (IFS) and University College London<sup>9</sup> concluded that:

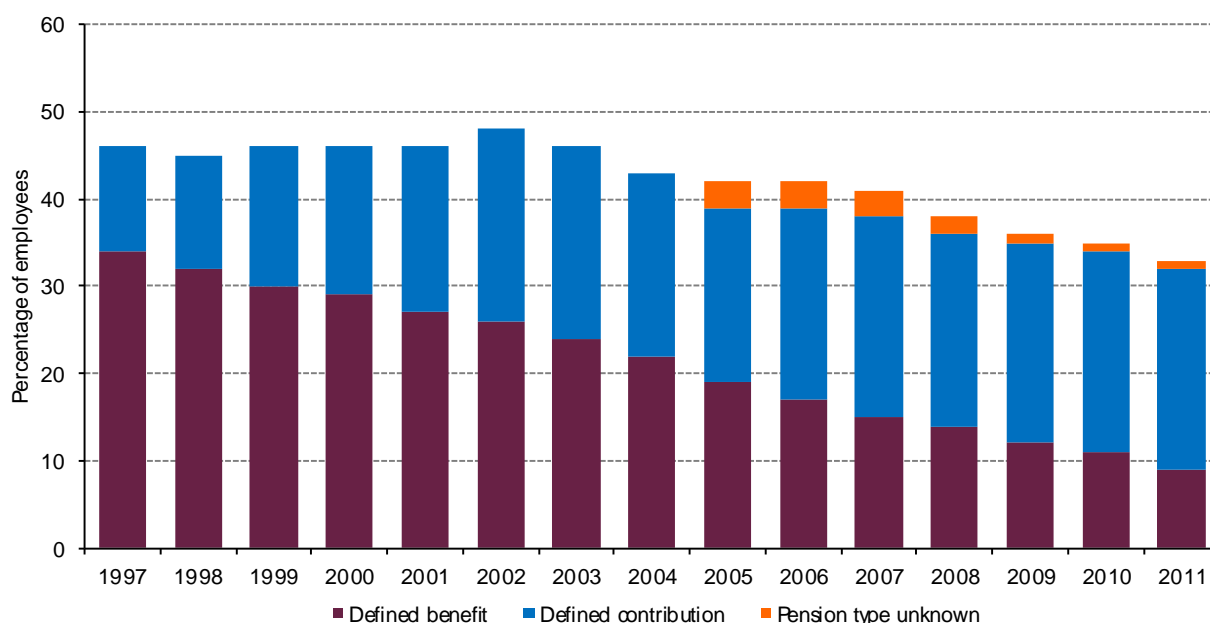
*“Future increases in the state pension age will lead to a substantial increase in employment”.*

<sup>2.62</sup> However, the issue is complex: most people do not retire at the SPA precisely, and other factors influence retirement decisions:

- » **Health:** longer, healthier lives mean people spend longer in employment;
- » **Education:** higher levels of education are associated with working for longer and service sector expansion (including new technology and self-employment) give new options for some people to work for longer;
- » **Family circumstances:** evidence suggests couples make joint retirement decisions, choosing to retire at similar points in time;
- » **Financial considerations:** expectations of post-retirement incomes are changing as people (especially women) have to wait longer before receiving their State Pension and defined benefit pensions continue to decline; and
- » **Compulsory retirement age:** the default retirement age (formerly 65) has been phased out – most people can now work for as long as they want to. Retirement age, therefore, is when an employee chooses to retire. Most businesses don’t set a compulsory retirement age for their employees<sup>10</sup>.

<sup>2.63</sup> Nevertheless, financial drivers are particularly important in the decision of when to retire, and changes to the State Pension age coupled with reduced membership of private schemes (Figure 20) will inevitably lead to higher economic activity rates amongst the older population.

**Figure 20: Membership of private sector defined benefit and defined contribution schemes (Source: NAO)**

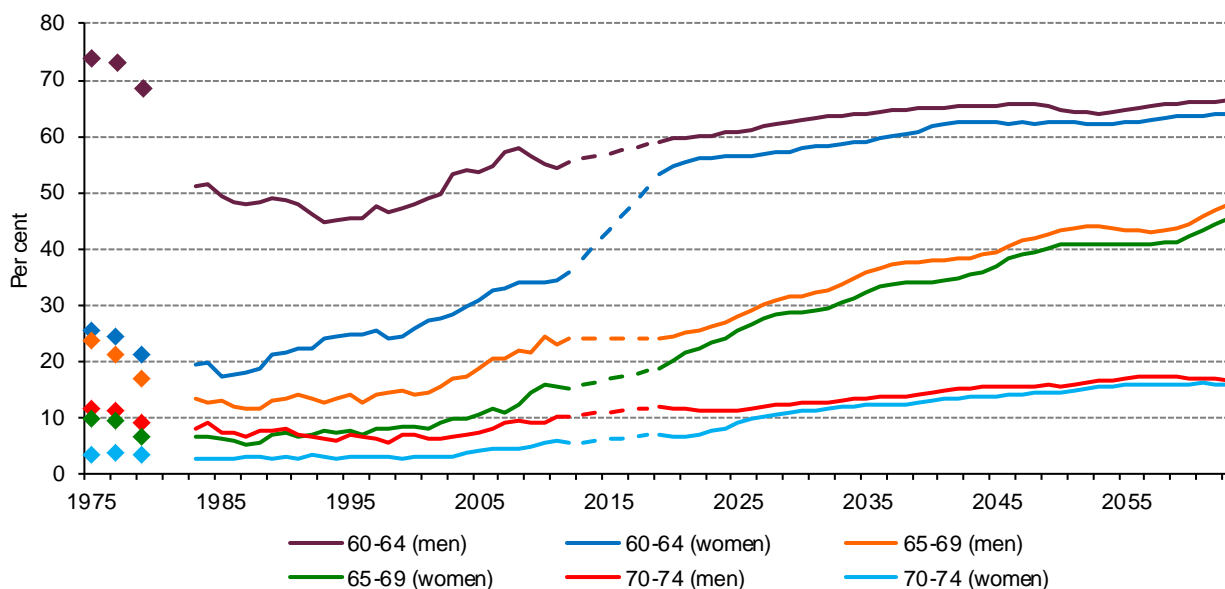


<sup>9</sup> [http://www.ifs.org.uk/pr/spa\\_pr\\_0313.pdf](http://www.ifs.org.uk/pr/spa_pr_0313.pdf)

<sup>10</sup> <https://www.gov.uk/retirement-age>

2.64 Figure 21 shows the long-term trends in employment rates for men and women aged 60-74 together with the OBR short-term and longer-term projections.

**Figure 21: Employment rates for 60-74 years olds (Source: ONS, OBR. Note: Prior to 1983, the Labour Force Survey does not contain an annual series for these indicators, so only available years are shown. The OBR medium-term forecast to 2018 is produced top-down, not bottom-up, so the dotted lines for that period are a simple linear interpolation)**



2.65 In summary, for those:

- » **Aged 60-64:** employment rates for women are projected to continue increasing rapidly over the short-term as the SPA is equalised. Rates for both men and women are then projected to increase more marginally over the longer-term, although the projected rates for men remain notably lower than those actually observed in the late 1970s;
- » **Aged 65-69:** the gap between rates for men and women is projected to reduce over the short-term, with rates for both expected to increase progressively over the longer-term; and
- » **Aged 70-74:** the rates for these older men and women are projected to converge, although only marginal increases in the rates are otherwise expected – fewer than 1-in-8 people in this age group are expected to be working until at least the 2030s.

## Female Participation

2.66 Women's participation in the labour force has increased, particularly since the 1970s, for a complex range of societal and economic reasons:

- » **Childbirth:** decisions regarding children are changing. More women choose childlessness, or childbirth is delayed until women are in their 30s or 40s. Post childbirth decisions on return to the workforce are also influenced by a variety of factors (e.g. childcare arrangements, tax implications for second incomes, family circumstances);
- » **Lone parents:** employment rates for lone parents lag behind mothers with partners, but this gap has been closing;
- » **Support services for women in work:** an increase in available options to support women in work (e.g. childcare services, flexible working arrangements);

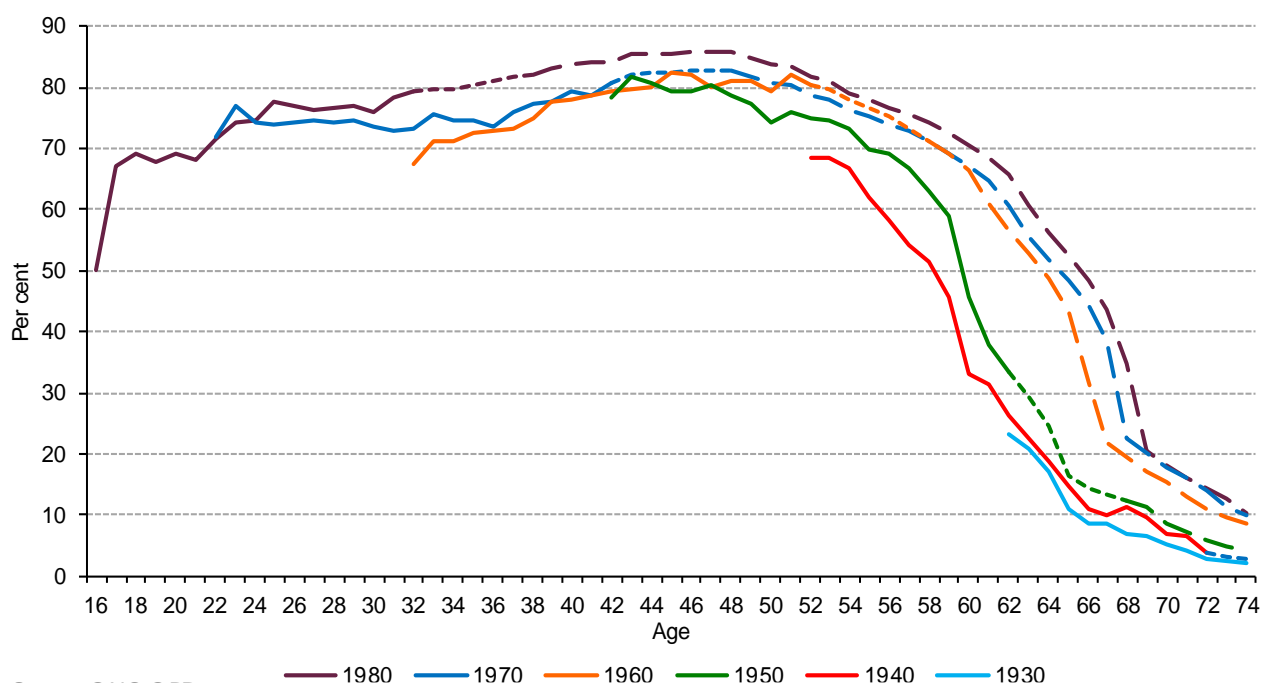
- » **Equal pay:** the gender wage differential has been narrowing (although still exists) giving women higher rewards for work; and
- » **Education:** higher levels of education have opened new career opportunities outside historically traditional female sectors.

<sup>2.67</sup> National policy still aspires to encourage more women into work. The Government is seeking to “*incentivise as many women as possible to remain in the labour market*”<sup>11</sup> and the Autumn Statement in 2014 included plans for more support for childcare (for example, Tax Free Childcare; Childcare Business Grant) and an ambition to match countries with even higher employment rates for women.

<sup>2.68</sup> Historic data clearly shows that women born in the 1950s (who are now approaching retirement) have been less likely to be economically active than those born more recently, based on the comparison of data for individual ages. Participation rates for women have progressively increased over time: women born in the 1960s had higher rates than those born in the 1950s, women born in the 1970s had higher rates again, and women born in the 1980s have had the highest rates. The OBR projections take account of these historic differences between cohorts, but they do not assume that female cohorts yet to enter the labour market have even higher participation rates.

<sup>2.69</sup> Figure 22 shows the trends in female economic participation rates by year of birth together with the OBR projections, which show how this cohort effect is likely to contribute towards higher economic activity rates in future.

**Figure 22: Female participation rates by Cohort (Source: ONS, OBR)**



<sup>11</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/371955/Women\\_in\\_the\\_workplace\\_Nov\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/371955/Women_in_the_workplace_Nov_2014.pdf)

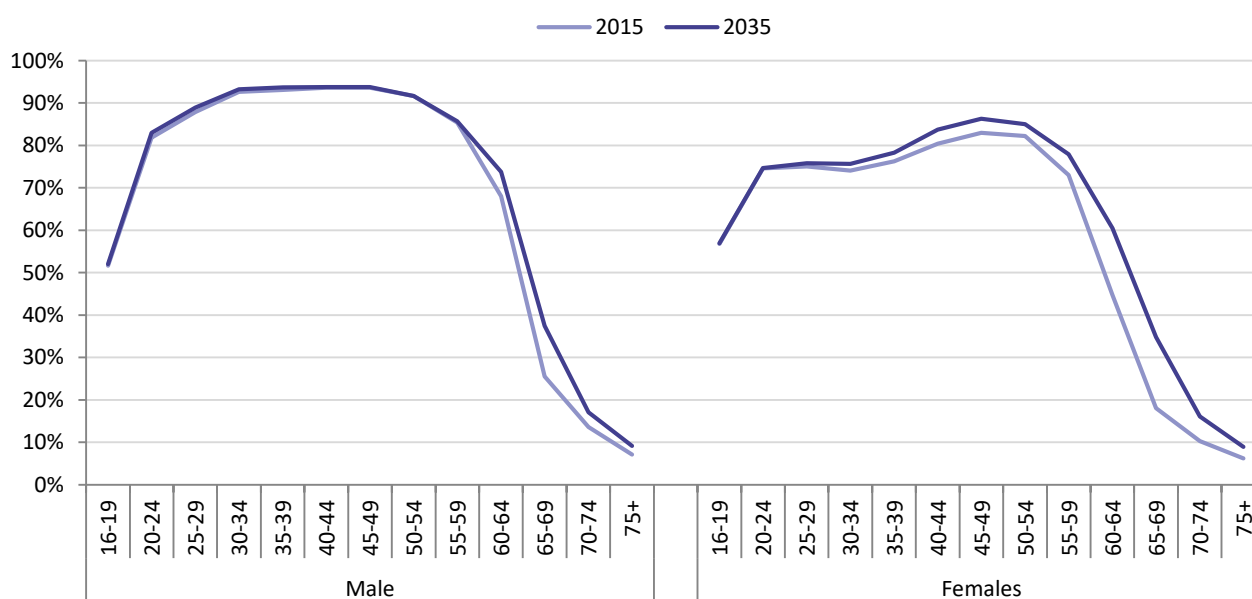
## Young People

- 2.70 The key issue for young people is at what age they enter the labour market. There has been a pronounced fall in economic participation rates for 16 and 17 year olds over time, but this fall in economic activity complements an increase in academic activity as young people stay longer in education<sup>12</sup>. There have been similar (though less pronounced) declining trends for 18-20 year olds.
- 2.71 National policy is also changing. The school leaving age rose to 18 in 2015 and the Government has removed the cap on student numbers attending higher education<sup>13</sup>.
- 2.72 The policy changes indicate it is unlikely that economic participation rates will increase for these younger age groups. However, it should be noted that OBR projections expect these lower participation rates to stabilise at the current level rather than continue to decline. Further, the projections assume that this increased academic activity will not reduce economic activity rates as individuals get older. For example, entry rates into the labour market for people in their twenties are assumed to be higher than previously observed to take account of those who have deferred economic activity due to academic study.

## Projecting Future Economic Activity for Luton and Central Bedfordshire

- 2.73 Figure 23 shows the estimated economic activity rates for 2015 and the projected rates for 2035 based on Census data for Luton and Central Bedfordshire, and the OBR labour market participation projections.

**Figure 23: Economic activity rates in 2015 and 2035 by age and gender based on OBR Labour Market Participation Projections**



- 2.74 There is very little change in participation rates for men under 60; and whilst there is an increase in participation projected for men aged 60 and over, these changes are only relatively marginal.
- 2.75 Participation rates for women are expected to increase due to the cohort effects previously discussed. The rates for those aged under 35 are relatively stable (as there is no increased participation assumed for women born after the 1980s), but there are increased participation rates projected for all older age groups.

<sup>12</sup> <http://www.hefce.ac.uk/pubs/year/2015/201503/>

<sup>13</sup> <http://www.bbc.co.uk/news/education-25236341>

- 2.76 Figure 24 shows the estimated economically active population for Luton and Central Bedfordshire in 2015 and the projected economically active population in 2035 based on the population projections previously produced based on 10-year migration trends.

**Figure 24: Projected economically active population 2015-35 (Note: All figures presented unrounded for transparency)**

Age	2015			2035			Net change 2015-35		
	M	F	Total	M	F	Total	M	F	Total
Aged 16-19	6,067	6,261	<b>12,328</b>	7,224	7,399	<b>14,624</b>	1,157	1,138	<b>2,295</b>
Aged 20-24	12,605	10,714	<b>23,319</b>	14,809	12,000	<b>26,808</b>	2,204	1,285	<b>3,489</b>
Aged 25-29	15,682	13,037	<b>28,719</b>	17,997	13,501	<b>31,498</b>	2,315	464	<b>2,779</b>
Aged 30-34	16,772	13,537	<b>30,308</b>	17,887	12,862	<b>30,749</b>	1,116	-675	<b>441</b>
Aged 35-39	15,530	12,684	<b>28,214</b>	18,498	14,043	<b>32,542</b>	2,969	1,359	<b>4,328</b>
Aged 40-44	15,400	13,185	<b>28,585</b>	18,820	15,573	<b>34,392</b>	3,420	2,387	<b>5,807</b>
Aged 45-49	15,861	14,448	<b>30,309</b>	17,726	16,003	<b>33,729</b>	1,865	1,556	<b>3,420</b>
Aged 50-54	15,764	14,101	<b>29,865</b>	16,269	15,415	<b>31,684</b>	505	1,315	<b>1,820</b>
Aged 55-59	12,268	10,139	<b>22,407</b>	13,544	12,499	<b>26,043</b>	1,276	2,360	<b>3,636</b>
Aged 60-64	8,000	5,428	<b>13,428</b>	10,972	9,272	<b>20,244</b>	2,972	3,843	<b>6,816</b>
Aged 65-69	2,951	2,151	<b>5,102</b>	5,429	5,395	<b>10,824</b>	2,478	3,244	<b>5,722</b>
Aged 70-74	1,114	912	<b>2,026</b>	2,309	2,350	<b>4,660</b>	1,195	1,438	<b>2,634</b>
Aged 75+	1,037	1,155	<b>2,192</b>	2,495	2,786	<b>5,282</b>	1,458	1,632	<b>3,090</b>
<b>Total</b>	<b>139,050</b>	<b>117,752</b>	<b>256,802</b>	<b>163,980</b>	<b>139,099</b>	<b>303,078</b>	<b>24,930</b>	<b>21,347</b>	<b>46,277</b>

- 2.77 The economically active population is projected to increase by around 46,300 people over the 20-year period 2015-35, equivalent to an average increase of around 2,300 additional workers each year.

## Establishing Household Projections for Luton and Central Bedfordshire

### Household Population and Communal Establishment Population

- <sup>2.78</sup> Prior to considering household projections, it is necessary to identify the household population and separate out the population assumed to be living in Communal Establishments (institutional population). The methodology used by the SHMA is consistent with the CLG approach:<sup>14</sup>

*“For the household projections, the assumption is made that the institutional population stays constant at 2011 levels by age, sex and marital status for the under 75s and that the share of the institutional population stays at 2011 levels by age, sex and relationship status for the over 75s. The rationale here is that ageing population will lead to greater level of population aged over 75 in residential care homes that would not be picked up if levels were held fixed but holding the ratio fixed will.”* (pages 11-12)

- <sup>2.79</sup> The 2011 Census identified 3,913 persons living in Communal Establishments in Luton and Central Bedfordshire (1,652 in Luton and 2,261 in Central Bedfordshire), which is consistent with the estimate for 2011 in the CLG 2014-based household projections (3,947 persons). Figure 25 shows the breakdown between the household population and the population living in Communal Establishments based on the SHMA 10-year migration scenario.

**Figure 25: Population projections 2015-35 by gender and 5-year age cohort (Note: Communal Establishment population held constant for population aged under 75 (light blue cells), and held proportionately constant for each relationship status for population aged 75 or over (orange cells))**

Age	2015			2035			Net change 2015-35		
	HH	CE	Total	HH	CE	Total	HH	CE	Total
Aged 0-4	35,410	14	<b>35,424</b>	36,060	14	<b>36,074</b>	650	0	<b>650</b>
Aged 5-9	33,598	5	<b>33,603</b>	36,198	5	<b>36,203</b>	2,600	0	<b>2,600</b>
Aged 10-14	29,119	8	<b>29,127</b>	36,087	8	<b>36,095</b>	6,968	0	<b>6,968</b>
Aged 15-19	28,067	384	<b>28,451</b>	33,674	384	<b>34,058</b>	5,606	0	<b>5,606</b>
Aged 20-24	29,113	654	<b>29,767</b>	33,256	654	<b>33,910</b>	4,144	0	<b>4,144</b>
Aged 25-29	34,817	392	<b>35,209</b>	37,638	392	<b>38,030</b>	2,821	0	<b>2,821</b>
Aged 30-34	36,164	211	<b>36,375</b>	35,972	211	<b>36,183</b>	-193	0	<b>-193</b>
Aged 35-39	33,201	127	<b>33,328</b>	37,549	128	<b>37,677</b>	4,348	1	<b>4,349</b>
Aged 40-44	32,743	97	<b>32,840</b>	38,559	97	<b>38,656</b>	5,816	0	<b>5,816</b>
Aged 45-49	34,251	91	<b>34,342</b>	37,357	90	<b>37,447</b>	3,106	-1	<b>3,105</b>
Aged 50-54	34,264	98	<b>34,362</b>	35,781	98	<b>35,879</b>	1,517	0	<b>1,517</b>
Aged 55-59	28,182	69	<b>28,251</b>	31,775	69	<b>31,844</b>	3,593	0	<b>3,593</b>
Aged 60-64	23,800	91	<b>23,891</b>	30,109	91	<b>30,200</b>	6,309	0	<b>6,309</b>
Aged 65-69	23,360	93	<b>23,453</b>	29,884	93	<b>29,977</b>	6,524	0	<b>6,524</b>
Aged 70-74	16,890	132	<b>17,022</b>	27,995	133	<b>28,128</b>	11,105	1	<b>11,106</b>
Aged 75-79	14,057	218	<b>14,274</b>	21,455	370	<b>21,825</b>	7,398	152	<b>7,550</b>
Aged 80-84	9,725	389	<b>10,114</b>	15,703	581	<b>16,285</b>	5,978	192	<b>6,171</b>
Aged 85+	7,752	1,037	<b>8,789</b>	18,165	2,080	<b>20,246</b>	10,413	1,043	<b>11,457</b>
<b>Total</b>	<b>484,515</b>	<b>4,110</b>	<b>488,625</b>	<b>573,217</b>	<b>5,499</b>	<b>578,716</b>	<b>88,702</b>	<b>1,389</b>	<b>+90,091</b>
Luton	215,357	1,739	<b>217,096</b>	251,462	2,192	<b>253,654</b>	36,106	453	<b>+36,558</b>
Central Bedfordshire	269,159	2,370	<b>271,529</b>	321,755	3,307	<b>325,061</b>	52,596	936	<b>+53,532</b>

<sup>14</sup> Household Projections 2014-based: Methodological Report, Department for Communities and Local Government, July 2016

- 2.80 It will be important to recognise the projected growth of population aged 75 or over living in communal establishments when establishing the overall housing requirement. This population is projected to increase from 4,110 persons to 5,499 persons over the 20-year period 2015-35; a growth of 1,389 persons, equivalent to an average of around 69 persons each year (around 22 persons in Luton and 47 persons in Central Bedfordshire).
- 2.81 Given that the population projections have already established the total population aged 75 or over, a consequence of the assumed increase in institutional population for these age groups is fewer older people being counted in the household population. This affects the projected household growth for the area. It is therefore necessary to plan for the increase in institutional population, as this will be additional to the projected household growth; although the councils will need to consider the most appropriate types of housing in the context of future plans for delivering care and support for older people.
- 2.82 As previously noted, the population in older age groups is projected to increase substantially during the Plan period, and Volume II of the SHMA provides further analysis of the future housing needs of older people.

### Household Representative Rates

- 2.83 Household Representative Rates (HRRs) are a demographic tool used to convert population into households and are based on those members of the population who can be classed as “household representatives” or “heads of household”. The HRRs used are key to the establishment of the number of households and, further, the number of households is key to the number of homes needed in future.
- 2.84 The proportion of people in any age cohort who will be household representatives vary between people of different ages, and the rates also vary over time. HRRs are published as part of the household projections produced by CLG. The 2011 Census identified that the CLG 2008-based household projections had significantly overestimated the number of households. Nevertheless, this had been anticipated and the methodology report published to accompany the 2008-based projections acknowledged (page 10):

*“Labour Force Survey (LFS) data suggests that there have been some steep falls in household representative rates for some age groups since the 2001 Census ... this can only be truly assessed once the 2011 Census results are available.”*

- 2.85 The CLG 2012-based household projections technical document confirmed the findings (page 24):

*“At the present time the results from the Census 2011 show that the 2008-based projections were overestimating the rate of household formation and support the evidence from the Labour Force Survey that household representative rates for some (particularly younger) age groups have fallen markedly since the 2001 Census.”*

- 2.86 Prior to the publication of CLG 2012-based household projections, Inspectors had been keen to avoid perpetuating any possible “recessionary impact” associated with the lower formation rates suggested by the interim data. Nevertheless, the interim 2011-based household projections were prepared before the necessary Census data was available and it has become evident that some of the historic household representative rates were estimated inaccurately. The 2012-based household projections published in February 2015 incorporated far more data from the 2011 Census which has now been incorporated into the CLG 2014-based household projections, which provide data for the 25-year period 2014-39 based on long-term demographic trends. The household representative projections use a combination of two fitted trends through the available Census points (1971, 1981, 1991, 2001 and 2011).

- 2.87 Ludi Simpson (Professor of Population Studies at the University of Manchester and the originator and designer of the PopGroup demographic modelling software) considered the CLG household projections in an article published in *Town and Country Planning* (December 2014):

*“Although it is sometimes claimed that the current household projections are based on the experience of changes between 2001 and 2011, this is true only of the allocation of households to household types in the second stage of the projections. The total numbers of households in England and in each local authority are projected on the basis of 40 years of trends in household formation, from 1971 to 2011.”*

- 2.88 It is possible to understand the impact of the new household representative rates through applying the 2012-based rates and the 2008-based and interim 2011-based rates to the same population. Using the household population data in the 2012-based projections for the 10-year period 2011-2021 (the only years where household representative rates are available from all three projections), the 2012-based rates show an annual average growth of 218,600 households across England. This compares to 241,600 households using the 2008-based rates and 204,600 households using the interim 2011-based rates. Therefore, the 2012-based rates yield household growth that is 7% higher than the interim 2011-based rates and only 10% lower than the 2008-based rates. At a local level, a third of local authorities have 2012-based rates that are closer to 2008-based rates than the interim 2011-based rates.
- 2.89 The 2014-based household projections supersede the 2012-based projections (which in turn superseded both the 2008-based projections and the interim 2011-based projections). The changes since 2008 were anticipated and these reflect real demographic trends, and therefore we should not adjust these further; although the extent to which housing supply may have affected the historic rate is one of the reasons that we also consider market signals when determining the OAN for housing.

## Proposed Changes to the Household Projections

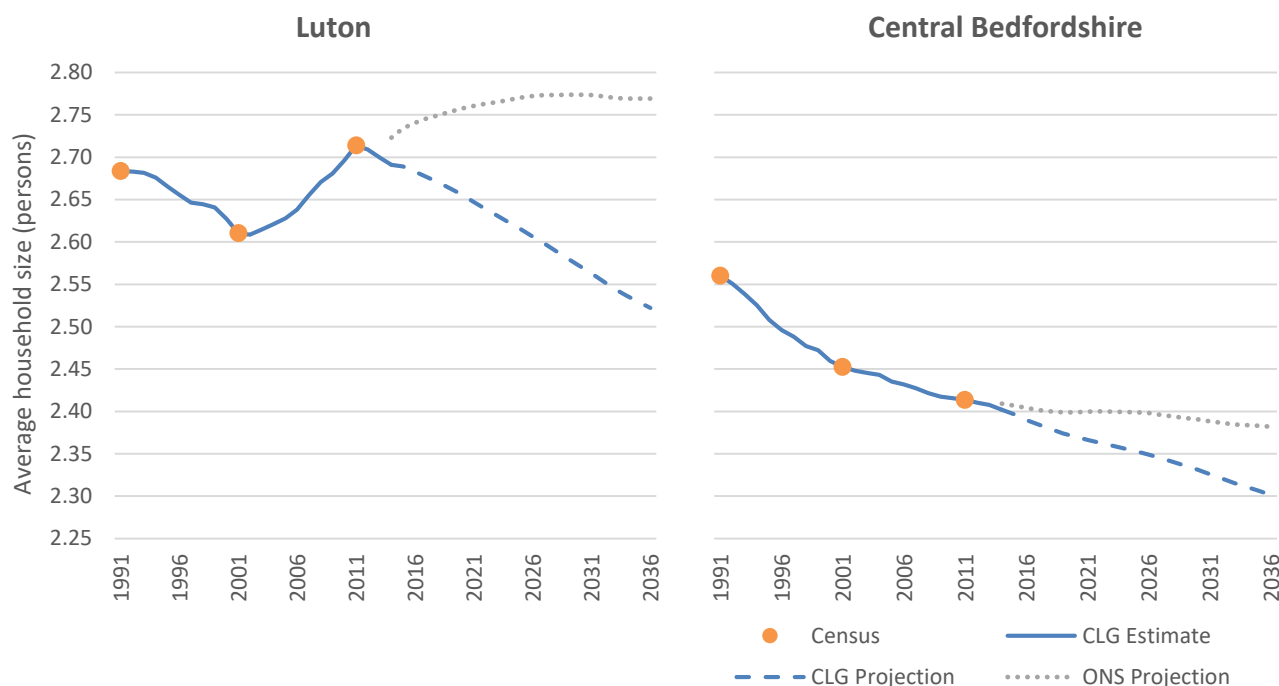
- 2.90 The Government announced in January 2017 that the ONS would take responsibility for the household projections, and following this announcement the ONS launched a technical consultation on the on the household projections methodology.<sup>15</sup> The consultation focuses on three changes that the ONS propose to make to the household projection methodology:
- » Use of the 2011 Census definition for household reference person, which would remove out-of-date definitions from use;
  - » Use of an age only projection model, which would make the projections easier to understand and use; and
  - » Move to a one stage production approach; which would simplify the methodology significantly and be comparable with methods used in Scotland, Wales and Northern Ireland.
- 2.91 The household projections are currently produced in two stages, and it is Stage One that projects the household numbers for local authorities based on Census data from 1971 to 2011; so recent formation trends from 2001 to 2011 only have a very marginal impact on the projections. The proposed “one-stage production approach” is based on Stage Two, which only uses Census data from 2001 and 2011; so formation trends from 2001 to 2011 provide the basis for the projection. The changes that the ONS propose to make to the household projection methodology would therefore produce different household representative rates that would yield different average household sizes.

<sup>15</sup> <https://consultations.ons.gov.uk/communication-division/changes-to-household-projections-for-england>



<sup>2.92</sup> Figure 26 shows the average household sizes for Luton and Central Bedfordshire based on Census estimates and the trend-based element of the CLG household projections, together with the projected change based on the legacy CLG methodology and the ONS proposed “one-stage production approach”. This clearly shows that the ONS proposal to rely exclusively on the period 2001 to 2011 as the basis for future projected changes has a significant impact on average household sizes when compared to the legacy CLG methodology (which relies on trends from 1971 to 2011).

**Figure 26: Average household size estimates and projections for Luton and Central Bedfordshire (Source: UK Census of Population, CLG 2014-based Household Projections. Note: ONS projection derived based on proposed “one-stage production approach”)**



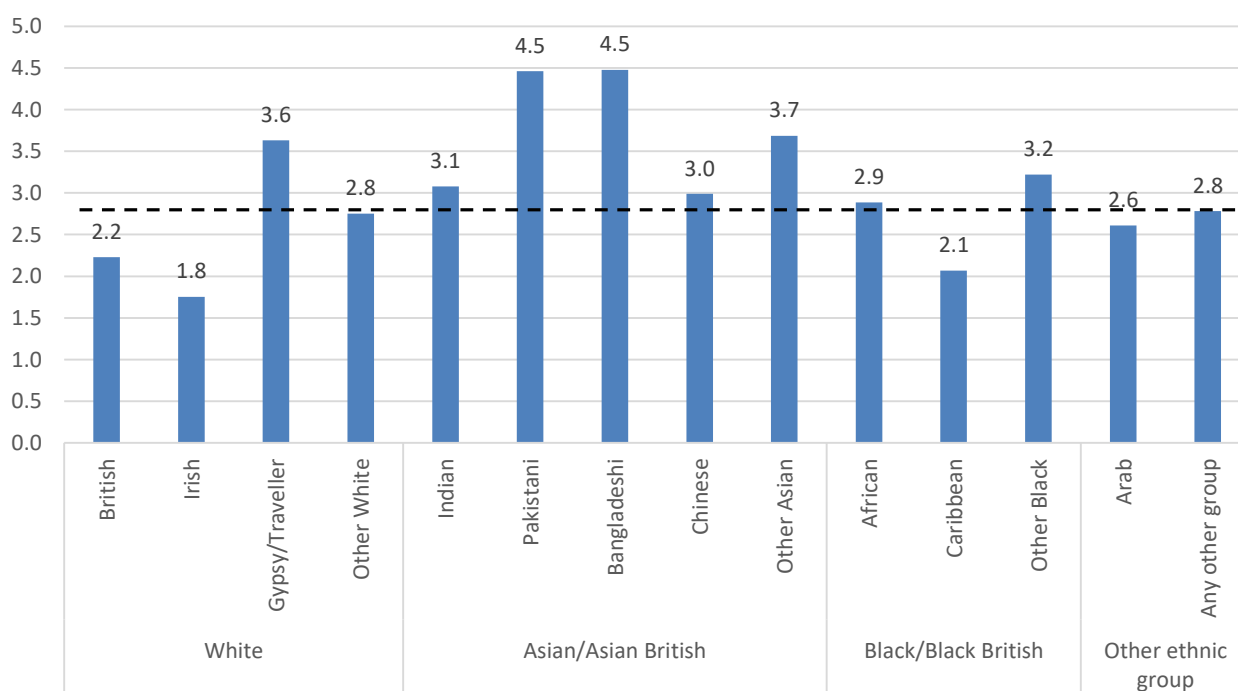
<sup>2.93</sup> However, it is evident that the problems with the population estimates for Luton (in particular the 2001 Census) have also affected average household sizes and the household representative rates. It is very unlikely that average household sizes actually reduced from 2.68 to 2.61 persons between 1991 and 2001, and then subsequently returned to 2.71 persons by 2011.

<sup>2.94</sup> The CLG estimates also suggest that there was an increase of more than 3,331 households in Luton over the 3-year period 2011-14; however, the number of additional dwellings (and associated household spaces) provided would not have enabled this number of households to form. The net increase in dwellings over the same period totalled 988 homes (which would provide an equivalent number of additional household spaces) – but this would imply that the remaining 2,343 households had formed in household spaces that were previously vacant, and the 2011 Census identified that Luton already had a relatively low rate of vacant stock.

<sup>2.95</sup> The CLG household number for 2014 is a consequence of the estimates between Census years being derived using the same method as the projections. This means that there is an underlying assumption that average household sizes are reverting to long-term trends and reducing once again. It is very unlikely that the average identified in 2011 represented a peak with household sizes having subsequently reducing to 2.69 persons by 2014. Instead, it is likely that the number of net new households forming in Luton was comparable to the number of additional household spaces provided which therefore implies that average household sizes have continued to increase in practice, contrary to the outcomes of the CLG modelling.

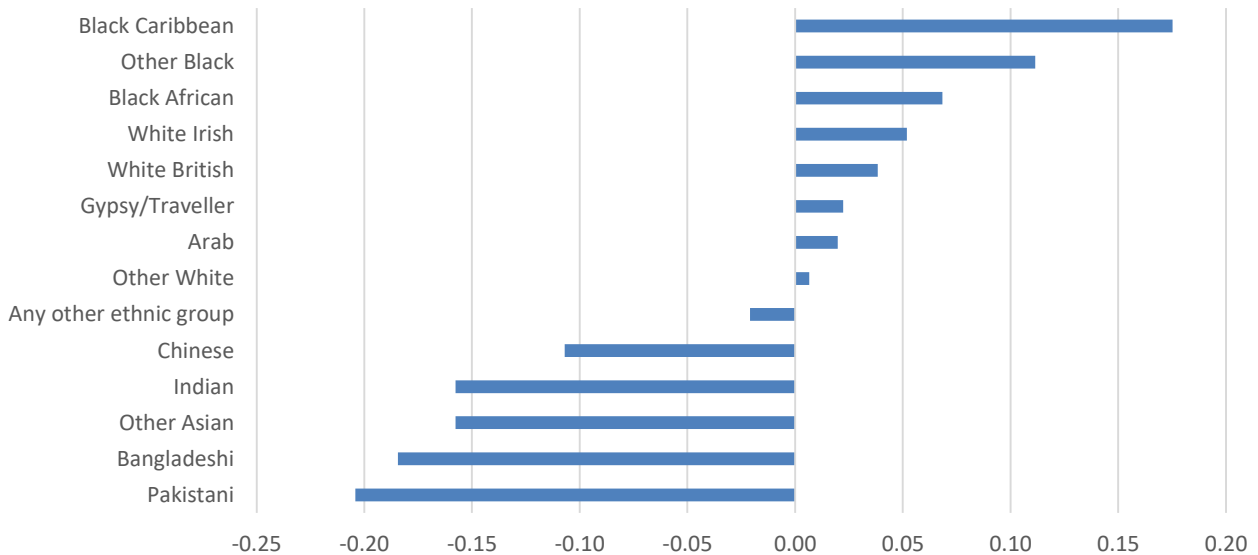
- <sup>2.96</sup> Based on the SHMA population estimates for Luton, average household sizes for 2001 would have been 2.69 persons – suggesting that there had actually been a marginal increase from 2.68 persons in 1991. This is also consistent with the average household sizes identified by primary fieldwork based on a random sample of personal interviews that was undertaken to inform the Luton Housing Requirements Study, which showed an average of 2.70 persons by 2003. The SHMA estimates for 2011 identified a larger population than the ONS mid-year estimates, implying an average household size of 2.74 persons at that time – so all of this data shows a gradual but steady increase in average household sizes over the period since 1991, despite average sizes having reduced markedly in the early years of the CLG trend between 1971 and 1991.
- <sup>2.97</sup> Considering the characteristics of the Luton population, it is apparent that the demographics of the area have changed quite markedly. In particular, the area has experienced a substantial growth of residents from Asian backgrounds and other ethnic groups; however, ethnicity is not considered as a specific dimension within the CLG household projections despite there being significant differences in relative household representative rates and average household sizes between different groups.
- <sup>2.98</sup> Figure 27 shows the ratio of household population to household representative persons by ethnic group. This would represent the average household size if all household members in each household were from the same ethnic group; but as some households will inevitably include persons from different groups, it isn't possible to identify actual average household sizes. Furthermore, as over half of the population from mixed/multiple ethnic groups are currently aged under 16, this group cannot be compared in this way. Nevertheless, it is evident that whilst the ratio of White British is below the overall average (2.2 cf. 2.7) the ratios for some of the growing Asian populations are notably higher than the average. This will in part be due to a larger number of children, but household representative rates also have an important influence.

**Figure 27: Ratio of household population to household representative persons for Luton by ethnic group (Source: 2011 Census. Note: mixed/multiple ethnic group categories excluded as large proportion are aged under 16 and few are HRPs)**



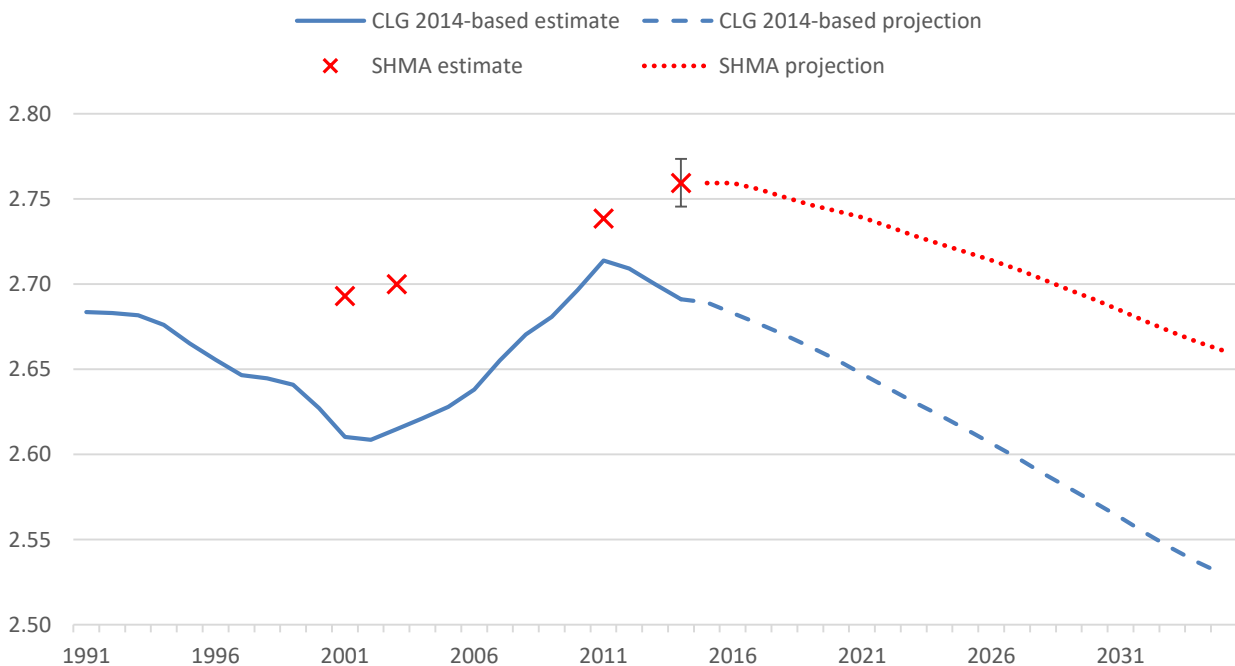
<sup>2.99</sup> Figure 28 identifies the relative household representative rates for each ethnic group, where it is evident that whilst residents from Black ethnic groups tend to be more likely to be household representatives, residents from many Asian groups (in particular the Pakistani and Bangladeshi communities) have a notably lower probability of being household representatives. On this basis, the increase in ethnic population over the last 20 years is likely to have caused a real change in household formation trends.

**Figure 28: Relative household representative rates for Luton by ethnic group (Source: 2011 Census. Note: mixed/multiple ethnic group categories excluded as large proportion are aged under 16 and few are HRPs)**



<sup>2.100</sup> On the basis of the evidence, the SHMA has revised the household representative rates for Luton in the context of the alternative population estimates and the likely cohort impact of the population from Asian and other ethnic groups increasing amongst older age groups in future. Figure 29 shows the implications for average household sizes compared to the CLG figures.

**Figure 29: Average household size estimates and projections for Luton**



## Establishing Household Projections for Luton and Central Bedfordshire

- <sup>2.101</sup> Using the CLG 2014-based household representative rates for Central Bedfordshire and the SHMA revised rates for Luton, we can establish the projected number of additional households for the combined area. The projected increase in households across Luton and Central Bedfordshire over the 20-year period 2015-35 is summarised in Figure 30; and the growth projected for Luton increases to 17,397 households (17,866 dwellings) when considered over the 21-year period 2015-2036.
- <sup>2.102</sup> Figure 30 also provides an estimate of dwelling numbers, which takes account of vacancies and second homes based on the proportion of dwellings without a usually resident household identified by the 2011 Census. This identified a rate of 2.6% for Luton and 4.0% for Central Bedfordshire.

**Figure 30: Projected households and dwellings over the 20-year period 2015-35 (Note: Dwelling numbers derived based on proportion of dwellings without a usually resident household in the 2011 Census)**

	2015	2035	Net change 2015-35	Average annual change
<b>HOUSEHOLDS</b>				
Luton	78,676	95,327	<b>16,651</b>	833
Central Bedfordshire	112,435	140,173	<b>27,738</b>	1,387
<b>Luton and Central Bedfordshire</b>	<b>191,11</b>	<b>235,500</b>	<b>44,389</b>	<b>2,220</b>
<b>DWELLINGS</b>				
Luton	80,796	97,896	<b>17,100</b>	855
Central Bedfordshire	117,103	145,992	<b>28,889</b>	1,444
<b>Luton and Central Bedfordshire</b>	<b>197,899</b>	<b>243,888</b>	<b>45,989</b>	<b>2,299</b>

## Conclusions

- <sup>2.103</sup> PPG identifies that the starting point for estimating housing need is the CLG household projections. For the 20-year period 2015-35, the 2014-based projections suggest an increase of 57,535 households across Luton and Central Bedfordshire (an average annual growth of 2,877 households): 22,948 in Luton (1,147 per year) and 34,587 in Central Bedfordshire (1,729 per year).
- <sup>2.104</sup> The data above shows that the principal population projection (based on 10-year migration trends) identifies a notably lower increase of 44,389 households across the combined area (2,219 per year); comprised of 16,651 households in Luton (833 per year) and 27,738 households in Central Bedfordshire (1,387 per year); both lower than the CLG 2014-based projection. These differences are due to the underlying population projections – fundamentally due to inaccuracies in the trend-based migration data, due to under-enumeration of the Luton population in 2001 and errors in the population estimates for Central Bedfordshire over the last 10 years which were corrected following the 2011 Census.
- <sup>2.105</sup> Through taking full account of the significant data quality issues and adopting long-term 10-year migration trends provides the most robust and reliable basis for projecting the future population, and therefore **the projected increase of 44,389 households provides the most appropriate demographic projection on which to base the Objectively Assessed Need (OAN) for housing. This projected household growth yields an need for 45,989 dwellings over the 20-year period 2015-35.**

## 3. Affordable Housing Need

### Identifying households who cannot afford market housing

- 3.1 Demographic projections provide the basis for identifying the Objectively Assessed Need for all types of housing, including both market housing and affordable housing.
- 3.2 PPG notes that affordable housing need is based on households “*who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market*” (paragraph 22) and identifies a number of different types of household which may be included:

#### ***What types of households are considered in housing need?***

*The types of households to be considered in housing need are:*

- » *Homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income)*
- » *Households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households)*
- » *Households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ*
- » *Households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation*
- » *Households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move*

**Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)  
Paragraph 023**

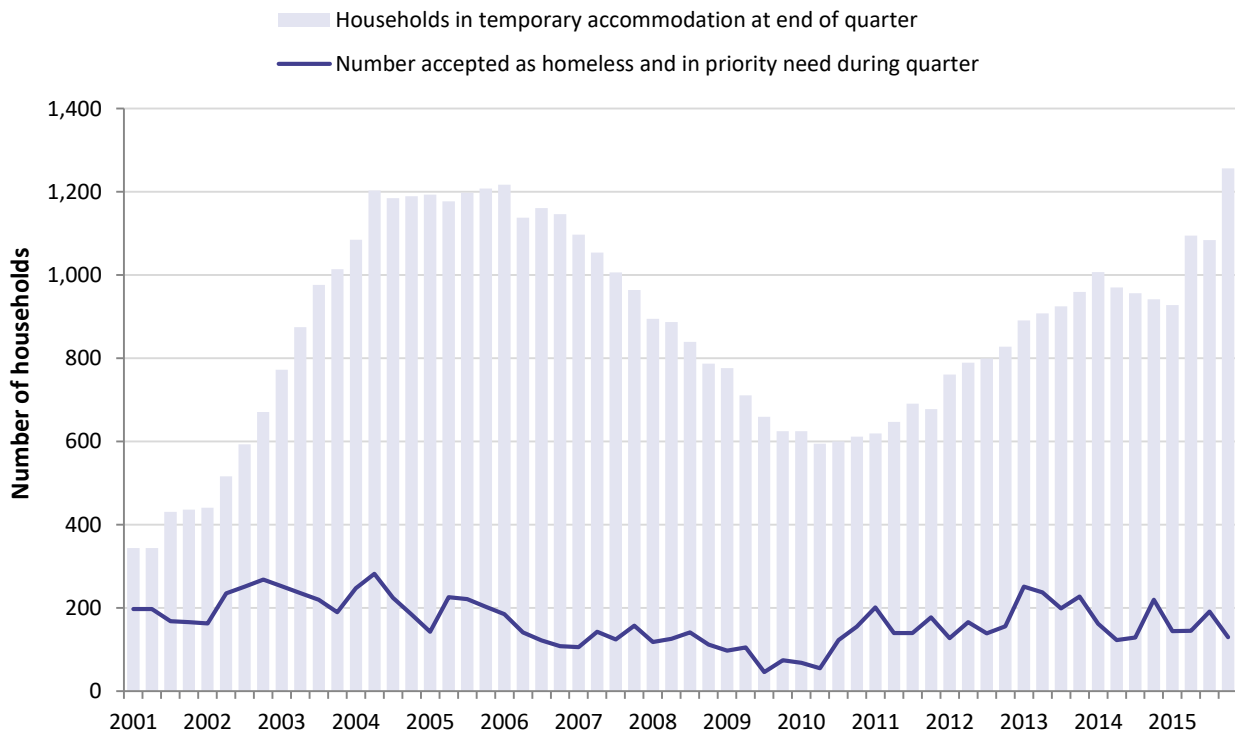
- 3.3 PPG also suggests a number of data sources for assessing past trends and recording current estimates for establishing the need for affordable housing (paragraph 24):
- » Local authorities will hold data on the number of homeless households, those in temporary accommodation and extent of overcrowding.
  - » The Census also provides data on concealed households and overcrowding which can be compared with trends contained in the English Housing Survey.
  - » Housing registers and local authority and registered social landlord transfer lists will also provide relevant information.
- 3.4 The following section considers each of these sources in turn, alongside other relevant statistics and information that is available.

## Past Trends and Current Estimates of the Need for Affordable Housing

### Local Authority Data: Homeless Households and Temporary Accommodation

- 3.5 Local authorities hold data on the number of homeless households and those in temporary accommodation. In Luton and Central Bedfordshire, the quarterly number of households accepted as being homeless and in priority need has been relatively stable over the period 2005 to 2015. There were 143 such households in 2005 which increased to 144 households in 2015, a net increase of just 1 household (Figure 31). The rate for 2015 represents 0.8 presentations per 1,000 households, higher than the equivalent rate for England (0.6 per 1,000); however, the rate of presentations in Luton was 1.4 presentation per 1,000 households (more than twice the rate for England, and more than twice the rate for Luton in 2005) whilst the rate of presentations in Central Bedfordshire was 0.4 presentation per 1,000 households (less than the England rate, and less half the rate for Central Bedfordshire in 2005).
- 3.6 Despite the number of homeless acceptances remaining fairly consistent, there has been a notable change in the number of households living in temporary accommodation over the last decade. There were 1,193 such households in 2005 (including 13 in bed and breakfast, 39 in hostels, 267 in Local Authority or RSL stock and a further 874 in private sector leased accommodation) and this had reduced to 595 in 2010; however, the number had increased to 928 at the start of 2015 (862 in Luton, 66 in Central Bedfordshire) and had reached 1,256 households by the final quarter of 2015 – the highest number recorded since 2001.

**Figure 31: Households accepted as homeless and in priority need and households in temporary accommodation 2001-15**  
(Source: CLG P1E returns. Note: data interpolated for quarters where actual figures were not reported)



**Figure 32: Households in temporary accommodation (Source: CLG P1E returns for March 2005 and March 2015)**

		Luton & Central Bedfordshire			England 2015
		March 2005	March 2015	Net change 2005-15	
<b>Households in temporary accommodation</b>	Bed and breakfast	13	22	+9	-
	Hostels	39	24	-15	-
	Local Authority or RSL stock	267	135	-132	-
	Private sector leased (by LA or RSL)	874	702	-172	-
	Other (including private landlord)	0	45	+45	-
	<b>TOTAL</b>	<b>1,193</b>	<b>928</b>	<b>-265</b>	-
	<i>Rate per 1,000 households</i>	6.9	4.9	-2.0	2.9
Households accepted as homeless but without temporary accommodation provided		22	870	+848	-

- 3.7 It is evident that whilst homelessness problems in Luton and Central Bedfordshire reduced over the period between 2005 and 2010, the situation has since deteriorated and problems are now at their most acute relative to the last 10-15 years. It is also important to recognise that housing advice services provided by the councils now limit the number of homeless presentations, through helping people threatened with homelessness find housing before they become homeless – so it is likely that current problems may actually be notably worse than they were in 2005.
- 3.8 Housing allocation policies can avoid the need for temporary housing if permanent housing is available sooner; however, many households facing homelessness are now offered private rented housing. Changes to the Law in 2011 means private sector households can now be offered accommodation in the Private Rented Sector and this cannot be refused, provided it is a reasonable offer. Prior to this change, Local Authorities could offer private sector housing to homeless households (where they have accepted a housing duty under Part 7 of the Housing Act 1996) but the applicant was entitled to refuse it. The Localism Act 2011 means refusal is no longer possible providing the offer is suitable. While the change aims to reduce the pressures on the social housing stock, an indirect result is that there are further demands on the private rented sector as Councils seek to house homeless households.

## Census Data: Concealed Households and Overcrowding

- 3.9 The Census provides detailed information about households and housing in the local area. This includes information about **concealed families** (i.e. couples or lone parents) and **sharing households**. These households lack the sole use of basic facilities (e.g. a bathroom or kitchen) and have to share these with their “host” household (in the case of concealed families) or with other households (for those sharing).

### Concealed Families

- 3.10 The number of **concealed families** living with households in Luton and Central Bedfordshire increased from 1,711 to 3,081 over the 10-year period 2001-11 (Figure 33), an increase of 1,370 families (80%).
- 3.11 Although many concealed families do not want separate housing (in particular where they have chosen to live together as extended families), others are forced to live together due to affordability difficulties or other constraints – and these concealed families will not be counted as part of the CLG household projections. Concealed families with older family representatives will often be living with another family in order to receive help or support due to poor health. Concealed families with younger family representatives are more likely to demonstrate un-met need for housing. When we consider the growth of

1,370 families over the period 2001-11, over two thirds (69%) have family representatives aged under 55, with substantial growth amongst those aged under 35 in particular (in line with national trends).

Figure 33: Concealed families in Luton and Central Bedfordshire by age of family representative (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Aged under 25	287	541	+254
Aged 25 to 34	613	1,103	+490
Aged 35 to 44	197	237	+39
Aged 45 to 54	114	278	+163
<b>Sub-total aged under 55</b>	<b>1,211</b>	<b>2,158</b>	<b>+947</b>
Aged 55 to 64	158	312	+154
Aged 65 to 74	267	360	+93
Aged 75 or over	75	251	+176
<b>Sub-total aged 55 or over</b>	<b>500</b>	<b>923</b>	<b>+423</b>
<b>All Concealed Families</b>	<b>1,711</b>	<b>3,081</b>	<b>+1,370</b>

## Sharing Households

- 3.12 The number of **sharing households** increased marginally from 339 to 351 over the 10-year period 2001-11 (Figure 34), an increase of 12 households (4%). Most of these sharing households are in Luton (324) and this is also where all of the growth has occurred (+99) with a reduction of shared households in Central Bedfordshire.

Figure 34: Shared Dwellings and Sharing Households in Luton and Central Bedfordshire (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Number of shared dwellings	104	103	-1
Number of household spaces in shared dwellings	365	425	+60
<b>All Sharing Households</b>	<b>339</b>	<b>351</b>	<b>+12</b>
Household spaces in shared dwellings with no usual residents	26	74	+48

- 3.13 Figure 35 shows that the number of **multi-adult households** living in the area increased from 6,058 to 8,784 households over the same period, an increase of 2,726 (45%). These people also have to share basic facilities, but are considered to be a single household as they also share a living room, sitting room or dining area. This includes **Houses in Multiple Occupation (HMOs) with shared facilities**, as well as **single people living together as a group** and **individuals with lodgers**.

Figure 35: Multi-adult Households in Luton and Central Bedfordshire (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Owned	3,785	4,124	+339
Private rented	1,678	3,991	+2,313
Social rented	595	669	+74
<b>All Households</b>	<b>6,058</b>	<b>8,784</b>	<b>+2,726</b>

- 3.14 The growth in multi-adult households was focused particularly in the private rented sector, with an increase in single persons choosing to live with friends together with others living in HMOs. This growth



accounts for 2,313 households (an increase from 1,678 to 3,991 households over the period) and this represents over four-fifths (84%) of the total increase in multi-adult households living in the area.

- 3.15 Nevertheless, shared facilities is a characteristic of HMOs and many people living in this type of housing will only be able to afford shared accommodation (either with or without housing benefit support). Extending the Local Housing Allowance (LHA) Shared Accommodation Rate (SAR) allowance to cover all single persons up to 35 years of age has meant that many more young people will only be able to afford shared housing, and this has further increased demand for housing such as HMOs.
- 3.16 There is therefore likely to be a continued (and possibly growing) role for HMOs, with more of the existing housing stock possibly being converted. Given this context, it would not be appropriate to consider households to need affordable housing only on the basis of them currently sharing facilities (although there may be other reasons why they would be considered as an affordable housing need).

### Overcrowding

- 3.17 The Census also provides detailed information about occupancy which provides a measure of whether a household's accommodation is **overcrowded or under occupied**:

*“There are two measures of occupancy rating, one based on the number of rooms in a household's accommodation, and one based on the number of bedrooms. The ages of the household members and their relationships to each other are used to derive the number of rooms/bedrooms they require, based on a standard formula. The number of rooms/bedrooms required is subtracted from the number of rooms/bedrooms in the household's accommodation to obtain the occupancy rating. An occupancy rating of -1 implies that a household has one fewer room/bedroom than required, whereas +1 implies that they have one more room/bedroom than the standard requirement.”*

- 3.18 When considering the number of rooms required, the ONS use the following approach to calculate the room requirement:

- » A one person household is assumed to require three rooms (two common rooms and a bedroom); and
- » Where there are two or more residents it is assumed that they require a minimum of two common rooms plus one bedroom for:
  - each couple (as determined by the relationship question)
  - each lone parent
  - any other person aged 16 or over
  - each pair aged 10 to 15 of the same sex
  - each pair formed from any other person aged 10 to 15 with a child aged under 10 of the same sex
  - each pair of children aged under 10 remaining
  - each remaining person (either aged 10 to 15 or under 10).

- 3.19 For Luton and Central Bedfordshire, **overcrowding** increased from 7.2% to 9.1% of households (an increase of 4,270) over the 10-year period 2001-11 (Figure 36). This represents a growth of 25%, which is higher than Coventry (15%) but lower than the other comparator areas; Peterborough (34%) and Slough (29%). It is a similar increase to the national increase for England (23%).

- 3.20 When considered by tenure, overcrowding has decreased by 593 households in the owner occupied sector but increased by 737 households in the social rented sector. The largest growth is in the private rented sector where the number of overcrowded households has increased from 3,105 to 7,231, a growth of 4,126 households over the 10-year period. The private rented sector has also had the largest percentage increase of overcrowded households from 18.0% to 23.0% (a growth of 28%).

Figure 36: Proportion of overcrowded households 2011 and change 2001-11 by tenure (Note: Overcrowded households are considered to have an occupancy rating of -1 or less. Source: UK Census of Population 2001 and 2011)

		Occupancy rating (rooms)						Occupancy rating (bedrooms)	
		2001		2011		Net change 2001-11		2011	
		N	%	N	%	N	%	N	%
Luton	Owned	3,712	7.4%	3,206	7.1%	-506	-4%	3,256	7.2%
	Private rented	2,319	25.7%	5,679	32.3%	3,360	+26%	3,329	18.9%
	Social rented	2,165	18.6%	2,525	21.6%	360	+16%	1,518	13.0%
	<b>All Households</b>	<b>8,196</b>	<b>11.6%</b>	<b>11,410</b>	<b>15.4%</b>	<b>3,214</b>	<b>+33%</b>	<b>8,103</b>	<b>10.9%</b>
Central Bedfordshire	Owned	1,612	2.2%	1,525	2.0%	-87	-10%	1,007	1.3%
	Private rented	786	9.6%	1,552	11.2%	766	+17%	702	5.1%
	Social rented	1,336	10.1%	1,713	12.3%	377	+22%	959	6.9%
	<b>All Households</b>	<b>3,734</b>	<b>4.0%</b>	<b>4,790</b>	<b>4.6%</b>	<b>1,056</b>	<b>+16%</b>	<b>2,668</b>	<b>2.6%</b>
LUTON & CENTRAL BEDS	Owned	5,324	4.3%	4,731	3.9%	-593	-10%	4,263	3.5%
	Private rented	3,105	18.0%	7,231	23.0%	4,126	+28%	4,031	12.8%
	Social rented	3,501	14.1%	4,238	16.5%	737	+17%	2,477	9.6%
	<b>All Households</b>	<b>11,930</b>	<b>7.2%</b>	<b>16,200</b>	<b>9.1%</b>	<b>4,270</b>	<b>+25%</b>	<b>10,771</b>	<b>6.0%</b>
<b>All Households</b>									
<b>ENGLAND</b>		-	<b>7.1%</b>	-	<b>8.7%</b>	-	<b>+23%</b>	-	<b>4.6%</b>
Coventry with Nuneaton & Bedworth		-	7.1%	-	8.1%	-	+15%	-	4.6%
Peterborough with Fenland, South Kesteven and Rutland		-	4.2%	-	5.6%	-	+34%	-	3.3%
Slough with South Bucks and Windsor & Maidenhead		-	8.9%	-	11.5%	-	+29%	-	6.8%

## English Housing Survey Data

### Overcrowding

- 3.21 The English Housing Survey (EHS) does not provide information about individual local authorities, but it does provide a useful context about these indicators in terms of national trends between Census years.
- 3.22 The measure of overcrowding used by the EHS provides a consistent measure over time **however the definition differs from both occupancy ratings provided by the Census**. The EHS approach<sup>16</sup> is based on a “*bedroom standard*” which assumes that adolescents aged 10-20 of the same sex will share a bedroom, and only those aged 21 or over are assumed to require a separate bedroom (whereas the approach used by the ONS for the Census assumes a separate room for those aged 16 or over):

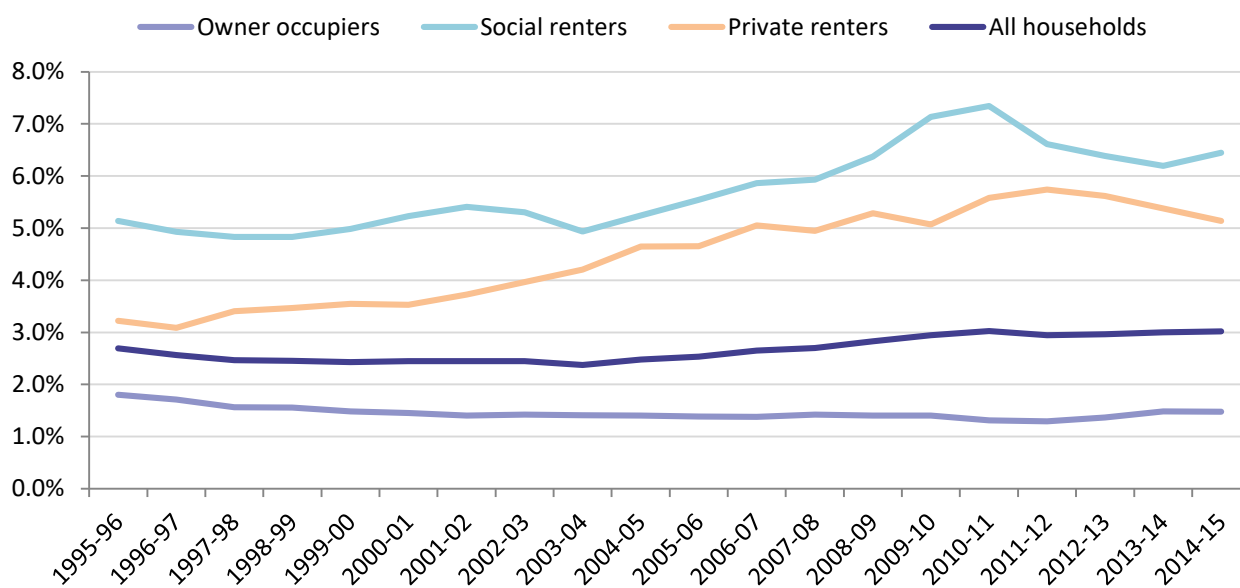
<sup>16</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/284648/English\\_Housing\\_Survey\\_Headline\\_Report\\_2012-13.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284648/English_Housing_Survey_Headline_Report_2012-13.pdf)

*“The ‘bedroom standard’ is used as an indicator of occupation density. A standard number of bedrooms is calculated for each household in accordance with its age/sex/marital status composition and the relationship of the members to one another. A separate bedroom is allowed for each married or cohabiting couple, any other person aged 21 or over, each pair of adolescents aged 10-20 of the same sex, and each pair of children under 10. Any unpaired person aged 10-20 is notionally paired, if possible, with a child under 10 of the same sex, or, if that is not possible, he or she is counted as requiring a separate bedroom, as is any unpaired child under 10.*

*“Households are said to be overcrowded if they have fewer bedrooms available than the notional number needed. Households are said to be under-occupying if they have two or more bedrooms more than the notional needed.”*

- 3.23 Nationally, overcrowding rates increased for households in both social and private rented housing, although the proportion of overcrowded households has declined in both sectors since 2011. Overcrowding rates for owner occupiers have remained relatively stable since 1995.

**Figure 37: Trend in overcrowding rates by tenure (Note: Based on three-year moving average, up to and including the labelled date. Source: Survey of English Housing 1995-96 to 2007-08; English Housing Survey 2008-09 onwards)**



- 3.24 Whilst the EHS definition of overcrowding is more stringent than the Census, the measurement closer reflects the definition of statutory overcrowding that was set out by Part X of the Housing Act 1985 and is consistent with statutory Guidance<sup>17</sup> that was issued by CLG in 2012 to which authorities must have regard when exercising their functions under Part 6 of the 1996 Housing Act (as amended).
- 3.25 This Guidance, *“Allocation of accommodation: Guidance for local housing authorities in England”*, recommends that authorities should use the bedroom standard when assessing whether or not households are overcrowded for the purposes of assessing housing need:

*4.8 The Secretary of State takes the view that the bedroom standard is an appropriate measure of overcrowding for allocation purposes, and recommends that all housing authorities should adopt this as a minimum. The bedroom standard allocates a separate bedroom to each:*

<sup>17</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/5918/2171391.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5918/2171391.pdf)

- *married or cohabiting couple*
- *adult aged 21 years or more*
- *pair of adolescents aged 10-20 years of the same sex*
- *pair of children aged under 10 years regardless of sex*

<sup>3.26</sup> The bedroom standard therefore provides the most appropriate basis for assessing overcrowding. By considering the Census and EHS data for England, together with the Census data for Luton & Central Bedfordshire, we can estimate overcrowding using the bedroom standard. Figure 38 sets out this calculation based on the Census occupancy rating for both rooms and bedrooms. Based on the bedroom standard, it is estimated that **2,191 owner occupied, 1,416 private rented and 1,600 social rented households were overcrowded** in the Luton HMA in 2015. Student households have been excluded from this calculation given that their needs are assumed to be transient.

**Figure 38: Estimate of the number of overcrowded households in Luton HMA by tenure based on the bedroom standard**  
(Source: EHS; UK Census of Population 2011)

	Owned		Private Rented		Social Rented	
<b>ENGLAND</b>						
<b>EHS bedroom standard 2011</b>						
Percentage of households overcrowded [A]	1.3%		5.6%		7.3%	
<b>Census occupancy rating</b>	<i>Bedrooms</i>	<i>Rooms</i>	<i>Bedrooms</i>	<i>Rooms</i>	<i>Bedrooms</i>	<i>Rooms</i>
Percentage of households overcrowded [B]	2.3%	3.3%	8.8%	20.2%	8.9%	16.9%
Proportion of these overcrowded households based on bedroom standard [C = A ÷ B]	57%	40%	64%	28%	83%	43%
<b>LUTON HMA</b>						
<b>Census occupancy rating</b>	<i>Bedrooms</i>	<i>Rooms</i>	<i>Bedrooms</i>	<i>Rooms</i>	<i>Bedrooms</i>	<i>Rooms</i>
Number of overcrowded households [D]	4,263	4,731	4,031	7,231	2,477	4,238
Full-time student households [E]	455	405	1,585	1,838	174	207
Overcrowded households (excluding students) [F = D - E]	3,808	4,326	2,446	5,393	2,303	4,031
Estimate of overcrowded households based on the bedroom standard [G = C × F]	<b>2,171</b>	<b>1,730</b>	<b>1,565</b>	<b>1,510</b>	<b>1,911</b>	<b>1,733</b>
<b>Estimate of overcrowded households in 2011 based on the bedroom standard (average)</b>		<b>1,950</b>		<b>1,538</b>		<b>1,822</b>
<b>EHS bedroom standard</b>						
Change in overcrowding from 2011 to 2015		+12%		-8%		-12%
<b>Estimate of overcrowded households in 2015 based on the bedroom standard</b>		<b>2,191</b>		<b>1,416</b>		<b>1,600</b>

## Housing Condition and Disrepair

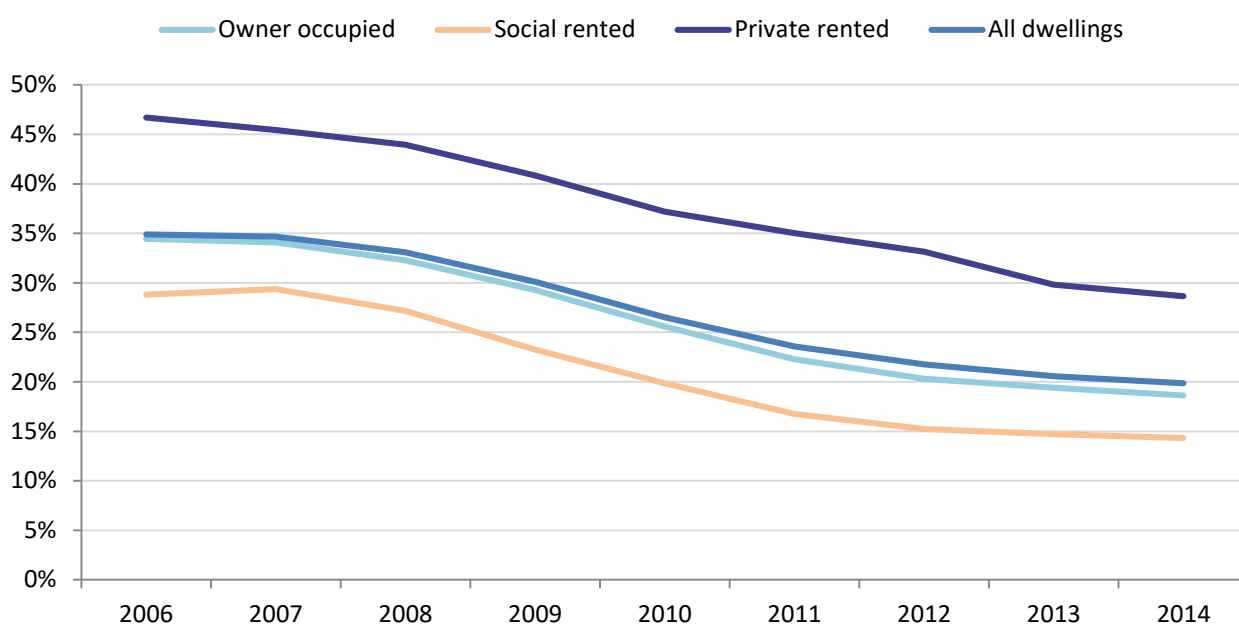
<sup>3.27</sup> The EHS also provides useful information about **housing condition**. The Decent Homes Standard provides a broad measure which was intended to be a minimum standard that all housing should meet, and that to do so should be easy and affordable. It was determined that in order to meet the standard a dwelling must achieve all of the following:

- » Be above the legal minimum standard for housing (currently the Housing Health and Safety Rating System, HHSRS); and
- » Be in a reasonable state of repair; and
- » Have reasonably modern facilities (such as kitchens and bathrooms) and services; and
- » Provide a reasonable degree of thermal comfort (effective insulation and efficient heating).

3.28 If a dwelling fails any one of these criteria, it is considered to be “non-decent”. A detailed definition of the criteria and their sub-categories are described in the ODPM guidance: “A Decent Home – The definition and guidance for implementation” June 2006.

3.29 Figure 39 shows the national trends in non-decent homes by tenure. It is evident that conditions have improved year-on-year (in particular due to energy efficiency initiatives), however whilst social rented properties are more likely to comply with the standard, over a quarter of the private rented sector (29.8%) currently remains non-decent. This is a trend that tends to be evident at a local level in most areas where there are concentrations of private rented housing, and there remains a need to improve the quality of housing provided for households living in the private rented sector.

**Figure 39: Trend in non-decent homes by tenure (Source: English House Condition Survey 2006 to 2007; English Housing Survey 2008 onwards)**



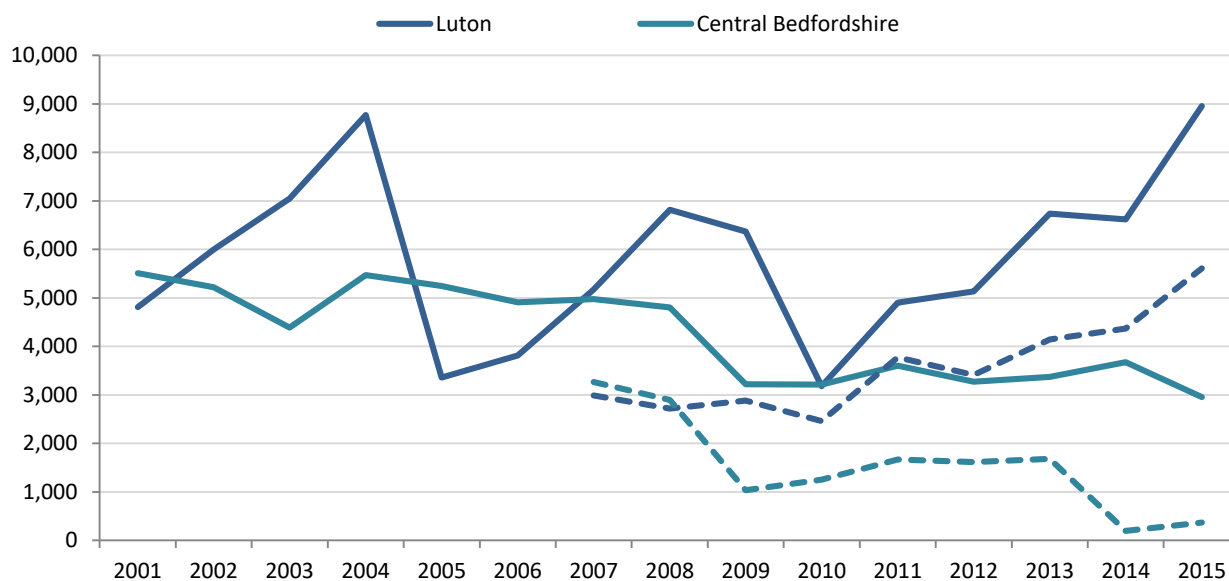
## Housing Register Data

3.30 The local authority **housing register** and **transfer lists** are managed through individual HomeChoice local Choice Based Lettings schemes managed by each of the local authorities. Households apply for a move via the scheme and ‘bid’ for homes along with applicants from various sources, including homeless households, housing register and transfer applicants.

3.31 Figure 40 shows the trend in households on the housing register over the period since 2001:

- » **Luton:** the number of households on the housing register was comparable in 2001 and 2011 at just below 5,000 households. Nevertheless, the number of households on the register has varied significantly during this period (ranging from fewer than 3,500 households to a peak of almost 9,000 households); with changes in the number relating to when the register has been periodically refreshed rather than changes to the underlying housing need. More recently numbers have been increasing from the 2011 level reaching almost 9,000 in 2015; and
- » **Central Bedfordshire:** the number of households on the register steadily declined from around 5,500 households in 2001 to just below 3,800 households in 2011, and has more recently reduced further to 3,000 households in 2015.

**Figure 40: Number of households on the local authority housing register 2001-15 (Note: Solid line shows total households; dotted line shows households in a reasonable preference category. Source: LAHS and HSSA returns to CLG)**



3.32 Figure 40 also show the number recorded in a reasonable preference category since 2007. Reasonable preference categories are defined in the Housing Act 1996, which requires “reasonable preference” for housing to be given to people who are:

- » Legally homeless;
- » Living in unsatisfactory housing (as defined by the Housing Act 2004);
- » Need to move on medical/welfare grounds; or
- » Need to move to a particular area to avoid hardship.

3.33 Figure 41 provides further detailed information for the last 2 years.

**Figure 41: Number of households on the local authority housing register at 1<sup>st</sup> April (Source: LAHS returns to CLG)**

	Luton		Central Beds		Luton and Central Beds	
	2014	2015	2014	2015	2014	2015
Total households on the housing waiting list	6,616	8,951	3,673	2,958	10,289	11,909
<b>Total households in a reasonable preference category</b>	4,368	<b>5,611</b>	195	<b>367</b>	4,563	<b>5,978</b>
People currently living in temporary accommodation who have been accepted as being homeless (or threatened with homelessness)	950	1,217	39	40	989	1,257
Other people who are homeless within the meaning given in Part VII of the Housing Act (1996), regardless of whether there is a statutory duty to house them	1,106	1,432	65	63	1,171	1,495
People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions	1,821	2,180	13	252	1,834	2,432
People who need to move on medical or welfare grounds, including grounds relating to a disability	508	778	78	12	586	790
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)	2	4	0	0	2	4

- 3.34 The number of people recorded by the housing register as homeless or owed a duty under the Housing Act appears to be broadly consistent with the local authority data about homelessness.
- 3.35 Nevertheless, we previously estimated that there were around 5,207 overcrowded households in the Luton HMA, based on the bedroom standard (Figure 38) – but only 2,432 people were recorded by the housing registers in 2015 as currently “*occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions*”. Therefore, there are likely to be many households who have not registered for affordable housing despite being overcrowded. This will partly reflect their affordability (for example, most owner occupiers would not qualify for rented affordable housing due to the equity in their current home) whilst others may only be temporarily overcrowded and will have sufficient space available once a concealed family is able to leave and establish an independent household.
- 3.36 When considering the types of household to be considered in housing need, the PPG also identified “*households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ*” and “*households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move*”. It is only through the housing register that we are able to establish current estimates of need for these types of household, and not all would necessarily be counted within a reasonable preference category. Nevertheless, there were 790 people registered “*who need to move on medical or welfare grounds, including grounds relating to a disability*” and a further 4 “*who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)*”.

## Households Unable to Afford their Housing Costs

- 3.37 The PPG emphasises in a number of paragraphs that affordable housing need should only include those households that are unable to afford their housing costs:

*Plan makers ... will need to estimate the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market (paragraph 022, emphasis added)*

*Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of ... those that cannot afford their own homes. Care should be taken to avoid double-counting ... and to include only those households who cannot afford to access suitable housing in the market (paragraph 024, emphasis added)*

*Projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area (paragraph 025, emphasis added)*

**Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

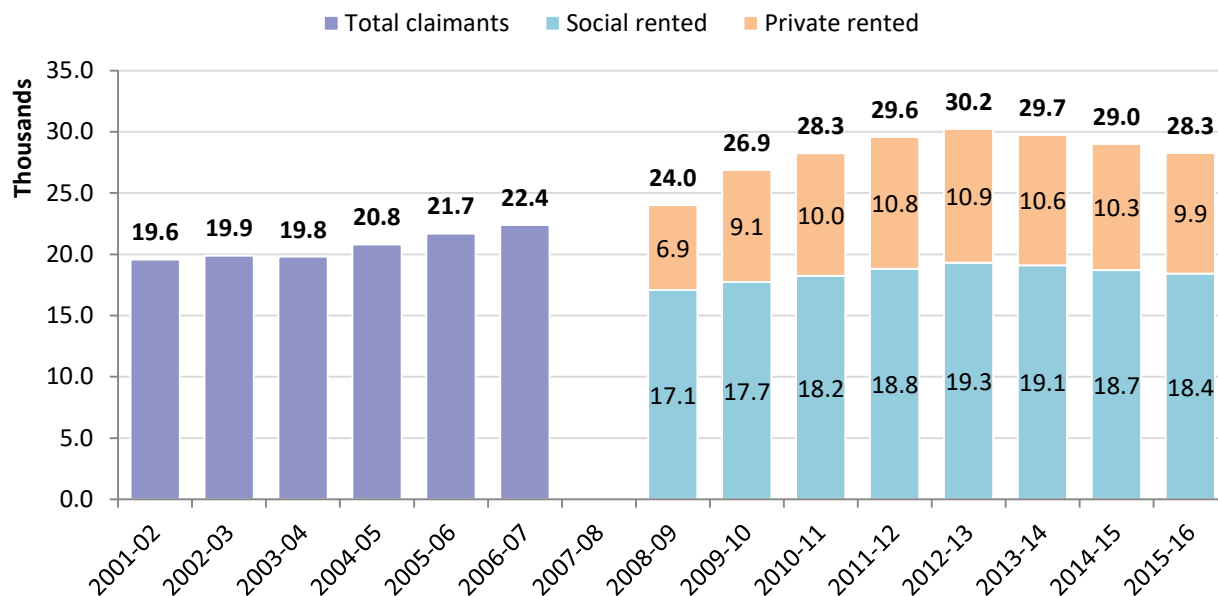
- 3.38 Housing benefit data from the Department for Work and Pensions (DWP) provides reliable, consistent and detailed information about the number of families that are unable to afford their housing costs in each local authority area. Data was published annually from 2001-02 to 2006-07 which identified the total number of claimants in receipt of housing benefit, and more detailed information has been available since 2008-09 which includes more detailed information about claimants and the tenure of their home.



## Housing Benefit Claimants in Luton HMA

3.39 Figure 42 shows the trend in the number of housing benefit claimants in Luton HMA.

Figure 42: Number of claimants in receipt of housing benefit in Luton & Central Bedfordshire by tenure (Source: DWP)



3.40 The number of housing benefit claimants in Luton HMA increased from 19,573 to 22,400 over the period 2001-02 to 2006-07, equivalent to an average annual growth of around 550 families. The number of claimants reached 30,228 in 2012-13, therefore a much faster growth of around 1,300 families each year on average over the period from 2006-07. The largest growth was experienced between 2008-09 and 2009-10 when the number of claimants increased by about 2,900 families.

3.41 Considering the information on tenure, it is evident that the number of claimants in social rented housing increased from 17,076 to 19,318 over the period 2008-09 to 2012-13 – an increase of 2,200 families (13%); however over the same period the number of claimants in private rented housing increased from 6,927 to 10,910 families – an increase of 4,000 families (57%).

3.42 This increase in housing benefit claimants, in particular those living in private rented housing, coincides with the increases observed on the housing register in the HMA (although this is principally associated with the Luton housing register). Indeed, it is likely that many households applying for housing benefit would have also registered their interest in affordable housing. Nevertheless, many of them will have secured appropriate housing in the private rented sector which housing benefit enabled them to afford; so not all will necessarily need affordable housing, though many may prefer this type of housing if it were available.

3.43 The information published by DWP provides the detailed information needed for understanding the number of households unable to afford their housing costs. Of course, there will be other households occupying affordable housing who do not need housing benefit to pay discounted social or affordable rents but who would not be able to afford market rents. Similarly there will be others who are not claiming housing benefit support as they have stayed living with parents or other family or friends and not formed independent households. However, providing that appropriate adjustments are made to take account of these exceptions, **the DWP data provides the most reliable basis for establishing the number of households unable to afford their housing costs and estimating affordable housing need.**



## Establishing Affordable Housing Need

- 3.44 In establishing the Objectively Assessed Need for affordable housing, it is necessary to draw together the full range of information that has already been considered in this report.
- 3.45 PPG sets out the framework for this calculation, considering both the current unmet housing need and the projected future housing need in the context of the existing affordable housing stock:

### ***How should affordable housing need be calculated?***

*This calculation involves adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable housing stock.*

**Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)  
Paragraph 022**

## Current Unmet Need for Affordable Housing

- 3.46 In terms of establishing the **current** unmet need for affordable housing, the PPG draws attention again to those types of households considered to be in housing need; whilst also emphasising the need to avoid double-counting and including only those households unable to afford their own housing.

### ***How should the current unmet gross need for affordable housing be calculated?***

*Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of:*

- » *the number of homeless households;*
- » *the number of those in priority need who are currently housed in temporary accommodation;*
- » *the number of households in overcrowded housing;*
- » *the number of concealed households;*
- » *the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings);*
- » *the number of households from other tenures in need and those that cannot afford their own homes.*

*Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market.*

**Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)  
Paragraph 024**

- 3.47 Earlier sections of this chapter set out the past trends and current estimates for relevant households based on the data sources identified by PPG (based on a reference point of March 2015). Although this evidence does not provide the basis upon which to establish whether or not households can afford to access suitable housing, we believe that it is reasonable to assume that certain households will be unable to afford housing, otherwise they would have found a more suitable home.

## Establishing the Current Unmet Need for Affordable Housing

- 3.48 Households assumed to be unable to afford housing include:
- » All households that are currently **homeless**;
  - » All those currently housed in **temporary accommodation**; and
  - » People in a **reasonable preference category** on the housing register, where their needs have not already been counted.
- 3.49 Given this context, our analysis counts the needs of all of these households when establishing the Objectively Assessed Need for affordable housing at a base date of 2015.
- 3.50 Only around half of the households currently living in **overcrowded** housing (based on the bedroom standard) are registered in a reasonable preference category, which will partly reflect their affordability. It is likely that most owner occupiers would not qualify for rented affordable housing (due to the equity in their current home); but it is reasonable to assume that households living in overcrowded rented housing are unlikely to be able to afford housing, otherwise they would have found a more suitable home.
- 3.51 **Our analysis counts the needs of all households living in overcrowded rented housing** when establishing the OAN for affordable housing (which could marginally overstate the affordable housing need) **but it does not count the needs of owner occupiers living in overcrowded housing** (which can be offset against any previous over-counting). Student households are also excluded, given that their needs are assumed to be transient and do not count towards the need for affordable housing in Luton and Central Bedfordshire.
- 3.52 The analysis does not count people occupying insanitary housing or otherwise living in unsatisfactory housing conditions as a need for additional affordable housing. These dwellings would be unsuitable for any household, and enabling one household to move out would simply allow another to move in – so this would not reduce the overall number of households in housing need. This housing need should be resolved by improving the existing housing stock, and the Councils have a range of statutory enforcement powers to improve housing conditions.
- 3.53 When considering **concealed families**, it is important to recognise that many do not want separate housing. Concealed families with older family representatives will often be living with another family, perhaps for cultural reasons or in order to receive help or support due to poor health. However, those with younger family representatives are more likely to experience affordability difficulties or other constraints (although not all will want to live independently).
- 3.54 **Concealed families in a reasonable preference category on the housing register will be counted regardless of age, but our analysis also considers the additional growth of concealed families with family representatives aged under 55** (even those not registered on the housing register) and assumes that all such households are unlikely to be able to afford housing (otherwise they would have found a more suitable home).
- 3.55 The needs of these households are counted when establishing the OAN for affordable housing and **they also add to the OAN for overall housing, as concealed families are not counted by the CLG household projections.**

3.56 Figure 43 sets out the assessment of current affordable housing need for the Luton HMA.

**Figure 43: Assessing current unmet gross need for affordable housing (Source: ORS Housing Model)**

	Affordable Housing		Increase in Overall Housing Need
	Gross Need	Supply	
<b>Homeless households in priority need</b> (see Figure 32)			
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	46		46
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	747		
Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	135	135	
Households accepted as homeless but without temporary accommodation provided	870		870
<b>Concealed households</b> (see Figure 33)			
Growth in concealed families with family representatives aged under 55	947		947
<b>Overcrowding based on the bedroom standard</b> (see Figure 38)			
Households living in overcrowded private rented housing	1,416		
Households living in overcrowded social rented housing	1,600	1,600	
<b>Other households living in unsuitable housing that cannot afford their own home</b> (see Figure 41)			
People who need to move on medical or welfare grounds, including grounds relating to a disability	790	45	
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)	4	0	
<b>TOTAL</b>	<b>6,555</b>	<b>1,780</b>	<b>1,863</b>

3.57 Based on a detailed analysis of the past trends and current estimates of households considered to be in housing need, our analysis has concluded that there are **6,555 households currently in affordable housing need in Luton and Central Bedfordshire who are unable to afford their own housing**. This assessment is based on the criteria set out in the PPG and avoids double-counting (as far as possible).

3.58 Of these households, 1,780 currently occupy affordable housing that does not meet the households' current needs, mainly due to overcrowding. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing. **There is, therefore, a net need from 4,775 households (6,555 less 1,780 = 4,775) who currently need affordable housing and do not currently occupy affordable housing in Luton and Central Bedfordshire** (although a higher number of new homes may be needed to resolve all of the identified overcrowding).

3.59 This number includes 1,863 households that would not be counted by the household projections. **There is, therefore, a need to increase the housing need based on demographic projections to accommodate these additional households**. As for the household projections, we have **also added an additional allowance for vacancies and second homes** (once again based on the proportion of dwellings with no usually resident household); **this increases the need for overall housing provision by 1,917 dwellings**.

3.60 Providing the net additional affordable housing needed will **release back into the market (mainly in the private rented sector) the dwellings occupied by a total of 2,912 households (4,775 less 1,863 = 2,912) that are currently in affordable housing need who are unable to afford their own housing**.

## Projected Future Affordable Housing Need

- 3.61 In terms of establishing **future** projections of affordable housing need, the PPG draws attention to new household formation (in particular the proportion of newly forming households unable to buy or rent in the market area) as well as the number of existing households falling into need.

### ***How should the number of newly arising households likely to be in housing need be calculated?***

*Projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need. This process should identify the minimum household income required to access lower quartile (entry level) market housing (plan makers should use current cost in this process, but may wish to factor in changes in house prices and wages). It should then assess what proportion of newly-forming households will be unable to access market housing.*

**Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)  
Paragraph 025**

- 3.62 The ORS Housing Mix Model considers the need for market and affordable housing on a longer-term basis that is consistent with household projections and Objectively Assessed Need. The Model provides robust and credible evidence about the required mix of housing over the full planning period, and recognises how key housing market trends and drivers will impact on the appropriate housing mix.
- 3.63 The Model uses a wide range of secondary data sources to build on existing household projections and profile how the housing stock will need to change in order to accommodate the projected future population. A range of assumptions can be varied to enable effective sensitivity testing to be undertaken. In particular, the Model has been designed to help understand the key issues and provide insight into how different assumptions will impact on the required mix of housing over future planning periods.
- 3.64 The Housing Mix Model considers the future number and type of households based on the household projections alongside the existing dwelling stock. Whilst the Model considers the current unmet need for affordable housing (including the needs of homeless households, those in temporary accommodation, overcrowded households, concealed households, and established households in unsuitable dwellings or that cannot afford their own homes), it also provides a robust framework for projecting the future need for affordable housing.

## Households Unable to Afford their Housing Costs

- 3.65 PPG identifies that “projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need” (ID 2a-025); **however, the Model recognises that the proportion of households unable to buy or rent in the market area will not be the same for all types of household, and that this will also differ between age cohorts.** Therefore, the appropriate proportion is determined separately for each household type and age group.
- 3.66 The affordability percentages in Figure 44 are calculated using data published by DWP about housing benefit claimants alongside detailed information from the 2011 Census. There are several **assumptions** underpinning the Model:
- » Where households are claiming housing benefit, it is assumed that they cannot afford market housing; and the Model also assumes that households occupying affordable housing will continue to do so;
  - » Households occupying owner occupied housing and those renting privately who aren’t eligible for housing benefit are assumed to be able to afford market housing; so the Model only allocates affordable housing to those established households that the Government deems eligible for housing support through the welfare system; and
  - » The Model separately considers the needs of concealed families and overcrowded households (both in market housing and affordable housing) which can contribute additional affordable housing need.

**Figure 44: Assessing affordability by household type and age (Source: ORS Housing Model based on Census 2011 and DWP)**

	Under 25	25-34	35-44	45-54	55-64	65+
<b>CENTRAL BEDFORDSHIRE:</b>						
<b>Percentage unable to afford market housing</b>						
Single person household	22%	9%	16%	21%	24%	27%
Couple family with no dependent children	9%	3%	6%	8%	7%	11%
Couple family with 1 or more dependent children	49%	21%	9%	7%	9%	18%
Lone parent family with 1 or more dependent children	77%	73%	48%	37%	46%	62%
Other household type	35%	18%	19%	19%	17%	11%
<b>LUTON:</b>						
<b>Percentage unable to afford market housing</b>						
Single person household	26%	16%	27%	39%	39%	30%
Couple family with no dependent children	9%	5%	10%	11%	8%	11%
Couple family with 1 or more dependent children	32%	26%	24%	17%	20%	28%
Lone parent family with 1 or more dependent children	99%	77%	60%	47%	48%	35%
Other household type	10%	14%	22%	24%	17%	12%

## Components of Projected Household Growth

- 3.67 PPG identifies that the CLG household projections “*should provide the starting point estimate for overall housing need*” (ID 2a-015) and that “*the 2012-2037 Household Projections ... are the most up-to-date estimate of future household growth*” (ID 2a-016). **However, when considering the number of newly arising households likely to be in affordable housing need**, the PPG recommends a “*gross annual estimate*” (ID 2a-025) suggesting that “*the total need for affordable housing should be converted into annual flows*” (ID 2a-029).
- 3.68 The demographic projections developed to inform the overall Objectively Assessed Need include annual figures for household growth, and these can therefore be considered on a year-by-year basis as suggested by the Guidance; but given that elements of the modelling are fundamentally based on 5-year age cohorts, it is appropriate to annualise the data using 5-year periods.
- 3.69 Figure 45 shows the individual components of annual household growth.

**Figure 45: Components of average annual household growth by 5-year projection period (Source: ORS Housing Model)**

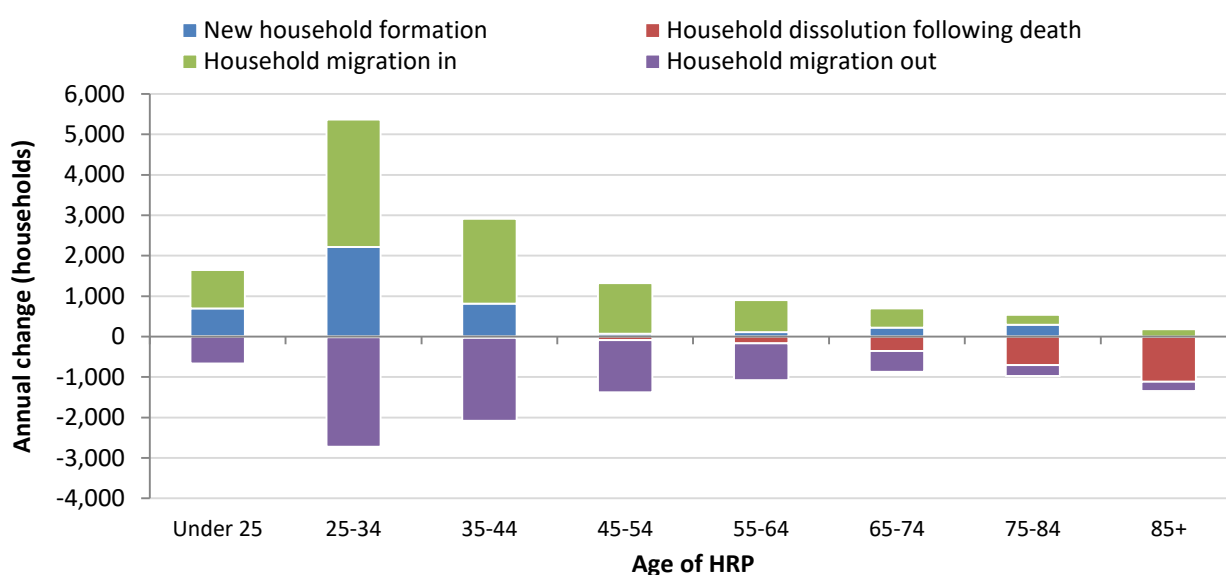
	Annual average for 5-year periods				Annual average 2015-35
	2015-20	2020-25	2025-30	2030-35	
New household formation	4,417	4,475	4,587	4,794	4,568
Household dissolution following death	2,476	2,569	2,719	2,926	2,673
<b>Net household growth within Luton and Central Beds</b>	<b>+1,941</b>	<b>+1,906</b>	<b>+1,868</b>	<b>+1,867</b>	<b>+1,895</b>
Household migration in	9,146	9,329	9,521	9,736	9,433
Household migration out	8,637	8,979	9,259	9,561	9,109
<b>Net household migration</b>	<b>+509</b>	<b>+350</b>	<b>+262</b>	<b>+175</b>	<b>+324</b>
<b>Total household growth</b>	<b>+2,450</b>	<b>+2,256</b>	<b>+2,130</b>	<b>+2,042</b>	<b>+2,219</b>

- 3.70 Over the initial 5-year period (2015-20) the model shows that:
- » There are projected to be 4,417 new household formations each year; but this is offset against 2,479 household dissolutions following death – so there is an **average net household growth of 1,941 households** locally in Luton and Central Bedfordshire;
  - » There are also projected to be 9,146 households migrating to Luton and Central Bedfordshire offset against 8,637 households migrating away from the area – which yields an **increase of 509 households attributable to net migration**;
  - » The total household growth is therefore **projected to be 2,450** (1,941 plus 509 = 2,450) **households each year** over the initial 5-year period of the projection.
- 3.71 During the course of the full 20-year projection period, net household growth within Luton and Central Bedfordshire is projected to be higher in the early part of the projection period than in the later years.
- 3.72 Over the 20-year Plan period 2015-20, total **household growth averages 2,219 households** each year with an average annual net growth of 1,895 households within Luton and Central Bedfordshire together with a net gain of 324 households based on migration.

## Change in Household Numbers by Age Cohort

- 3.73 To establish the **proportion of newly forming households unable to buy or rent** in the market area, it is necessary to consider the characteristics of the 4,417 new households projected to form in Luton and Central Bedfordshire each year over the period 2015-20 (Figure 45) alongside the detailed information about household affordability (Figure 44).
- 3.74 Figure 46 shows the age structure of each of the **components of household change**. Note that this analysis is based on changes within each age cohort, so comparisons are based on households born in the same year and relate to their age at the end of the period. Therefore, all new households are properly counted, rather than only counting the increase in the number of households in each age group.

Figure 46: Annual change in household numbers in each age cohort by age of HRP (Source: ORS Housing Model)



- 3.75 **Together with information on household type, this provides a framework for the Model to establish the proportion of households who are unable to afford their housing costs.**
- 3.76 The Model identifies that 25% of all newly forming households are unable to afford their housing costs, which represents 1,114 households each year (Figure 47). The Model shows that a lower proportion of households migrating to the area are unable to afford (22%), but this still represents 2,053 households moving in to the area. Some of these households will be moving to social rented housing, but many others will be renting housing in the private rented sector with housing benefit support. **Together, there are 3,167 new households each year who are unable to afford their housing costs.**

Figure 47: Affordability of new households over the initial 5-year period 2015-20 (Source: ORS Housing Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	4,416	3,303	1,114	25%
Households migrating in to the area	9,145	7,093	2,053	22%
<b>All new households</b>	<b>13,563</b>	<b>10,396</b>	<b>3,167</b>	<b>23%</b>

- 3.77 Having established the need for affordable housing and the dwellings likely to be vacated, the PPG suggests that the total net need can be calculated by subtracting “total available stock from total gross need” (ID 2a-029), **but this over-simplifies what is a very complex system.**



- 3.78 It is essential to recognise that some households who are unable to buy or rent in the market area when they first form may become able to afford their housing costs at a later date – for example:
- » Two newly formed single person households may both be unable to afford housing, but together they might create a couple household that can afford suitable housing;
  - » Similarly, not all households that are unable to afford housing are allocated affordable housing;
  - » Some will choose to move to another housing market area and will therefore no longer require affordable housing.
- 3.79 **In these cases, and others, the gross need will need adjusting.**
- 3.80 The Model recognises these complexities, and through considering the need for affordable housing as part of a whole market analysis, it maintains consistency with the household projections and avoids any double counting.
- 3.81 Considering those components of household change which reduce the number of households resident in the area, the Model identifies **2,476 households are likely to dissolve** following the death of all household members. Many of these households will own their homes outright; however, 21% are unable to afford market housing: most living in affordable housing.
- 3.82 When considering **households moving away** from Luton and Central Bedfordshire, the Model identifies that an average of 8,636 households will leave the area each year including 1,932 who are unable to afford their housing costs. Some will be leaving social rented housing, which will become available for another household needing affordable housing. Whilst others will not vacate a social rented property, their needs will have been counted in the estimate of current need for affordable housing or at the time they were a new household (either newly forming or migrating in to the area). **Given that they are now leaving Luton and Central Bedfordshire, they will no longer need affordable housing in the area and it is therefore important to discount their needs.**
- 3.83 Figure 48 summarises the total household growth. This includes the 3,167 new households on average each year who are unable to afford their housing costs, but offsets this against the 2,452 households who will either vacate existing affordable housing or who will no longer constitute a need for affordable housing in Luton and Central Bedfordshire (as they have moved to live elsewhere).

Figure 48: Components of average annual household growth 2015-20 (Source: ORS Housing Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	4,416	3,303	1,114	25%
Households migrating in to the area	9,145	7,093	2,053	22%
<b>All new households</b>	<b>13,563</b>	<b>10,396</b>	<b>3,167</b>	<b>23%</b>
Household dissolutions following death	2,476	1,956	520	21%
Households migrating out of the area	8,636	6,704	1,932	22%
<b>All households no longer present</b>	<b>11,113</b>	<b>8,661</b>	<b>2,452</b>	<b>22%</b>
<b>Average annual household growth 2011-16</b>	<b>+2,450</b>	<b>+1,735</b>	<b>+715</b>	<b>29%</b>

- 3.84 **Overall, the Model projects that household growth will yield a net increase of 715 households on average each year (over the period 2015-20) who are unable to afford their housing, which represents 29% of the 2,450 total household growth for this period.**



## Projecting Future Needs of Existing Households

- 3.85 PPG also identifies that in addition to the needs of new households, it is also important to estimate “*the number of existing households falling into need*” (ID 2a-025). Whilst established households that continue to live in Luton and Central Bedfordshire will not contribute to household growth, changes in household circumstances (such as separating from a partner or the birth of a child) can lead to households who were previously able to afford housing falling into need. The needs of these households are counted by the Model, and it is **estimated that an average of 621 established households fall into need each year** in Luton and Central Bedfordshire. This represents a rate of 3.2 per 1,000 household falling into need each year.
- 3.86 Finally, whilst the PPG recognises that established households’ circumstances can deteriorate such that they fall into need, it is also important to recognise that **established households’ circumstances can improve**. For example:
- » When two people living as single person households join together to form a couple, pooling their resources may enable them to jointly afford their housing costs (even if neither could afford separately). Figure 44 showed that 26% of single person households aged under 25 in Luton could not afford housing, compared to 9% of couples of the same age; and for those aged 25 to 34, the proportions were 16% and 5% respectively.
  - » Households also tend to be more likely to afford housing as they get older, so young households forming in the early years of the projection may be able to afford later in the projection period. Figure 44 showed that 21% of couple families with dependent children aged 25 to 34 in Central Bedfordshire could not afford housing, compared to 9% of such households aged 35 to 44.
- 3.87 Given this context, it is clear that **we must also recognise these improved circumstances which can reduce the need for affordable housing over time**, as households that were previously counted no longer need financial support. The Model identifies that the circumstances of **740 households improve each year** such that they become able to afford their housing costs despite previously being unable to afford. This represents a rate of 3.9 per 1,000 household climbing out of need each year.
- 3.88 Therefore, considering the overall changing needs of existing households, **there is an average net reduction of 119 households (740 less 621 = 119) needing affordable housing each year**.

## Projecting Future Affordable Housing Need (average annual estimate)

3.89 Figure 49 provides a comprehensive summary of all of the components of household change that contribute to the projected level of affordable housing need. More detail on each is provided earlier in this Chapter.

Figure 49: Components of average annual household growth 2015-20 (Source: ORS Housing Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	4,416	3,303	1,114	25%
Households migrating in to the area	9,145	7,093	2,053	22%
<b>All new households</b>	<b>13,563</b>	<b>10,396</b>	<b>3,167</b>	<b>23%</b>
Household dissolutions following death	2,476	1,956	520	21%
Households migrating out of the area	8,636	6,704	1,932	22%
<b>All households no longer present</b>	<b>11,113</b>	<b>8,661</b>	<b>2,452</b>	<b>22%</b>
<b>Average annual household growth 2015-20</b>	<b>+2,450</b>	<b>+1,735</b>	<b>+715</b>	<b>29%</b>
Existing households falling into need	-	-621	621	100%
Existing households climbing out of need	-	740	-740	0%
<b>Change in existing households</b>	<b>-</b>	<b>119</b>	<b>-119</b>	<b>-</b>
<b>Average annual future need for market and affordable housing 2011-16</b>	<b>+2,450</b>	<b>+1,854</b>	<b>+596</b>	<b>24%</b>

3.90 Overall, there is a projected need from **3,167 new households who are unable to afford their housing costs** (1,114 newly forming households and 2,053 households migrating to the area) each year; however, **2,452 households will either vacate existing affordable housing or will no longer need affordable housing** in Luton and Central Bedfordshire (as they have moved to live elsewhere) **thereby reducing the new need to a net total of 715 households.**

3.91 Considering the needs of existing households, there are 621 households expected to fall into need each year (a rate of 3.2 per 1000 households) but this is offset against 740 households whose circumstances are projected to improve. There is, therefore, an **average net reduction of 119 existing households that need affordable housing each year.**

3.92 Based on the needs of new households and existing households, there is a **projected increase of 596 households each year on average for the initial period 2015-20 who will need affordable housing** (715 less 119 = 596).

3.93 Using the approach outlined above for the initial 5-year period of the projection, the Model also considers the need for affordable housing over the 20-year Plan period 2015-35. The Model identifies that **the number of households in need of affordable housing will increase by 11,743 households over the period 2015-35**, equivalent to an annual average of 587 households per year. This represents 26.5% of the total household growth projected based on demographic trends.

## Assessing the Overall Need for Affordable Housing

<sup>3.94</sup> Figure 50 brings together the information on assessing the unmet need for affordable housing in 2015 and the future affordable housing need arising over the 20-year Plan period 2015-35.

Figure 50: Assessing total need for market and affordable housing (Source: ORS Housing Model)

	Housing Need (households)		Overall Housing Need
	Market housing	Affordable housing	
<b>Unmet need for affordable housing in 2015</b> (see Figure 43)			
Total unmet need for affordable housing	-	6,555	6,555
Supply of housing vacated	2,912	1,780	4,692
<b>Overall impact of current affordable housing need</b>	<b>-2,912</b>	<b>+4,775</b>	<b>+1,863</b>
<b>Projected future housing need 2015-35</b>			
Newly forming households	67,114	24,245	91,359
Household dissolutions following death	42,218	11,234	53,452
<b>Net household growth within Luton and Central Bedfordshire</b>	<b>+24,895</b>	<b>+13,011</b>	<b>+37,907</b>
Impact of existing households falling into need	-14,151	+14,151	-
Impact of existing households climbing out of need	+17,290	-17,290	-
Impact of households migrating to/from the area	+4,611	+1,871	6,481
<b>Future need for market and affordable housing 2015-35</b>	<b>+32,645</b>	<b>+11,743</b>	<b>+44,389</b>
<b>Total need for market and affordable housing</b>			
Overall impact of current affordable housing need	-2,912	+4,775	+1,863
Future need for market and affordable housing 2015-35	+32,645	+11,743	+44,389
<b>Total need for market and affordable housing</b>	<b>29,733</b>	<b>16,518</b>	<b>46,251</b>
Annual average number of households needing housing	1,487	826	2,313
<b>Proportion of overall need for market and affordable housing</b>	<b>64%</b>	<b>36%</b>	<b>100%</b>

<sup>3.95</sup> Figure 43 estimated there to be **6,555 households in need of affordable housing in 2015**. However, as 1,780 of these already occupied an affordable home, our previous conclusion was therefore a net need from 4,775 households (6,555 less 1,780 = 4,775) who need affordable housing and do not currently occupy affordable housing.

<sup>3.96</sup> The 20-year projection period 2015-35 then adopts the approach that was previously outlined for the initial 5-year period of the projection. The Model identifies that **the number of households in need of affordable housing will increase by 11,743 households over the period 2015-35**, alongside an increase of 32,645 households able to afford market housing.

<sup>3.97</sup> Overall, there will be a **need to provide additional affordable housing for 16,518 households** over the Plan period 2015-35 (36% of the projected household growth). This is equivalent to an average of **826 households per year**.

<sup>3.98</sup> Data from CLG Local Authority Housing Statistics and HCA Statistical Data Return identify a vacancy rate of just under 2% for affordable housing in Luton and Central Bedfordshire, therefore adding an additional allowance for vacancies this **identifies a total affordable housing need of 16,855 dwellings** in addition to the current stock, an average of 843 dwellings per year. Any losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.

## Need by Local Authority Area

- 3.99 Figure 51 sets out the current unmet need for affordable housing and projected future affordable housing need for the 20-year period 2015-35 for the two local authority areas.

Figure 51: Assessing affordable housing need by local authority (Source: ORS Housing Model)

	Luton	Central Bedfordshire	TOTAL
<b>Unmet need for affordable housing in 2015</b>			
Total unmet need for affordable housing	5,286	1,269	6,555
Supply of housing vacated	1,137	643	1,780
<b>Overall impact of current affordable housing need</b>	<b>+4,149</b>	<b>+626</b>	<b>+4,775</b>
Future need for affordable housing 2015-35	+4,372	+7,371	+11,743
<b>Total need for affordable housing 2015-35</b>	<b>+8,521</b>	<b>+7,997</b>	<b>+16,518</b>
Average annual need for affordable housing	426	400	826
<b>Proportion of overall need for market and affordable housing</b>	<b>47%</b>	<b>29%</b>	<b>36%</b>

- 3.100 The level of affordable housing need in Luton is notably higher than the need in Central Bedfordshire. Over four fifths of the 6,555 households in need of affordable housing in 2015 were in Luton (5,286 households, equivalent to 81% of the total); and 4,149 households who need affordable housing and do not currently occupy affordable housing (87% of the total) are currently living in Luton.
- 3.101 The 20-year projection period 2015-35 suggests that there will be an additional 4,372 households needing affordable housing in Luton compared to 7,371 households in Central Bedfordshire; however, this must be considered in the context of overall household growth in Central Bedfordshire being almost double the projected growth in Luton (27,738 cf. 16,651 households).
- 3.102 Overall, there will be a need to provide additional affordable housing for 8,521 households in Luton (47% of the projected household growth) and a need to provide additional affordable housing for 7,997 households in Central Bedfordshire (29% of the growth) over the Plan period 2015-35. This is equivalent to an average of **426 households per year in Luton and 400 per year in Central Bedfordshire**.
- 3.103 Figure 52 sets out the housing mix in terms of property type and size for the two local authority areas. Across Luton and Central Bedfordshire, almost a quarter of the affordable housing need is a need for flats and three quarters for houses (23% 2-bedroom and 45% 3-bedroom). Whilst the need for affordable housing with four or more bedrooms is 11% of the overall need, this still represents a need for over 1,500 large affordable homes that need to be provided over the 20-year period 2015-35 (which includes a need for more than 1,000 homes in Luton). Much of this need will be from existing households living in overcrowded accommodation.

Figure 52: Assessing affordable housing mix by local authority (Source: ORS Housing Model)

		Affordable Housing Need (dwellings)					
		Luton		Central Bedfordshire		TOTAL	
		N	%	N	%	N	%
Flat	1 bedroom	480	6%	1,140	14%	1,620	7%
	2+ bedrooms	1,510	18%	1,090	14%	2,600	15%
House	2 bedrooms	1,400	16%	2,660	33%	4,060	23%
	3 bedrooms	4,200	49%	2,700	33%	6,900	45%
	4+ bedrooms	1,010	11%	510	6%	1,520	11%
<b>Total need for affordable housing 2015-35</b>		<b>8,600</b>	<b>100%</b>	<b>8,100</b>	<b>100%</b>	<b>16,700</b>	<b>100%</b>

## Affordable Housing Tenure

3.104 Within the overall need of 16,700 affordable homes identified by the model, it is possible to consider the mix of different affordable housing products that would be appropriate based on the mix of households needing affordable housing.

3.105 In order to profile the affordability of the mix of households needing affordable housing, income data from the English Housing Survey and ONS Survey of Personal Incomes has been combined and modelled to establish the income distribution by household type and age in the two local authority areas. This excludes any income from housing benefit, as the analysis seeks to determine to what extent housing benefit would be needed by households in each group.

3.106 Figure 53 sets out the housing mix in terms of property type, size and affordable housing tenure in each of the local authority areas. The analysis is based on two scenarios:

- » Spending up to 25% of gross household income (excluding housing benefit) on housing costs; and
- » Spending up to 35% of gross household income (excluding housing benefit) on housing costs.

Figure 53: Assessing affordable housing mix by local authority (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

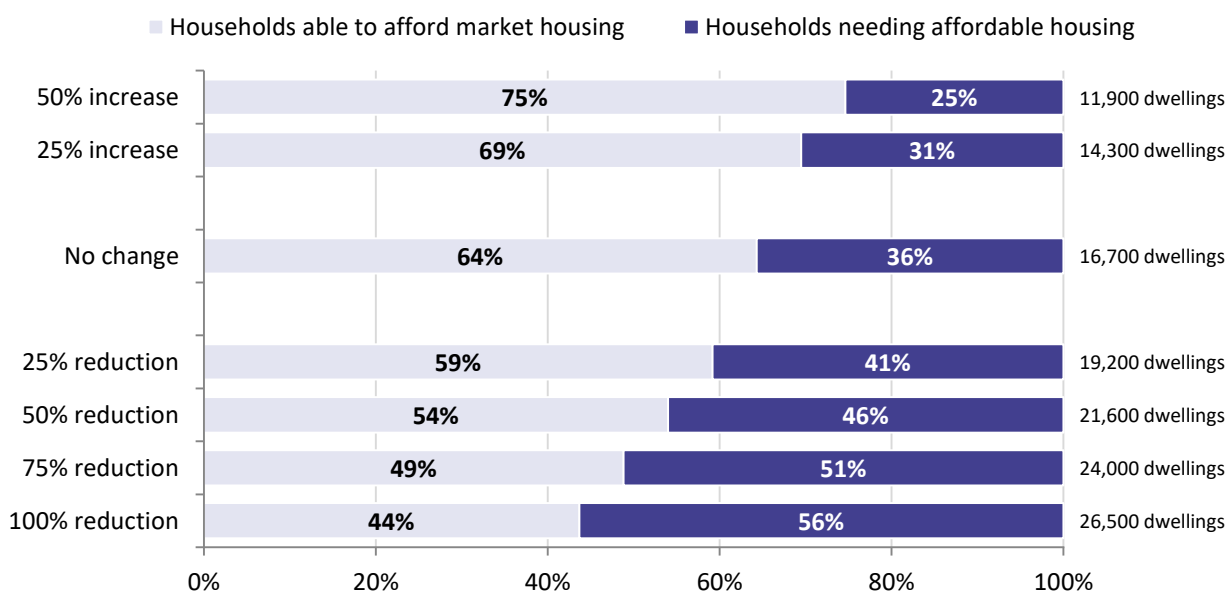
		Up to 25% of gross income			Up to 35% of gross income		
		Luton	Central Bedfordshire	TOTAL	Luton	Central Bedfordshire	TOTAL
<b>AFFORDABLE RENT</b>							
Flat	1 bedroom	400	1,020	1,420	340	940	1,290
	2+ bedrooms	1,260	880	2,150	1,040	780	1,820
House	2 bedrooms	1,170	2,160	3,330	1,000	1,900	2,900
	3 bedrooms	3,510	2,160	5,670	2,970	1,850	4,820
	4+ bedrooms	910	440	1,350	800	380	1,170
<b>Sub-total</b>		<b>7,260</b>	<b>6,660</b>	<b>13,920</b>	<b>6,150</b>	<b>5,850</b>	<b>11,990</b>
<b>% of affordable housing</b>		<b>84%</b>	<b>82%</b>	<b>83%</b>	<b>71%</b>	<b>72%</b>	<b>72%</b>
<b>INTERMEDIATE AFFORDABLE HOUSING</b>							
Flat	1 bedroom	80	120	200	140	200	340
	2+ bedrooms	260	210	460	480	310	790
House	2 bedrooms	240	500	740	420	760	1,180
	3 bedrooms	700	540	1,240	1,240	850	2,090
	4+ bedrooms	110	70	180	230	130	360
<b>Sub-total</b>		<b>1,380</b>	<b>1,450</b>	<b>2,820</b>	<b>2,500</b>	<b>2,250</b>	<b>4,750</b>
<b>% of affordable housing</b>		<b>16%</b>	<b>18%</b>	<b>17%</b>	<b>29%</b>	<b>28%</b>	<b>28%</b>
<b>TOTAL DWELLINGS</b>		<b>8,600</b>	<b>8,100</b>	<b>16,700</b>	<b>8,600</b>	<b>8,100</b>	<b>16,700</b>

3.107 When considering the need by affordable housing tenure, almost three quarters (72%) of households in need of affordable housing need affordable rent when 35% of their gross income is allocated to housing, and over four-fifths (83%) would need affordable rent if housing costs were limited to up to 25% of income: many of these households will therefore depend on housing benefit. Nevertheless, between 17% and 28% of households in need of affordable housing could afford intermediate affordable housing products, such as shared equity or other forms of low cost home ownership.

## Future Policy on Housing Benefit in the Private Rented Sector

- <sup>3.108</sup> The Model also recognises **the importance of housing benefit and the role of the private rented sector**. The Model assumes that the level of housing benefit support provided to households living in the private rented sector will remain constant; however, this is a national policy decision which is not in the control of the Council.
- <sup>3.109</sup> It is important to note that private rented housing (with or without housing benefit) does not meet the definitions of affordable housing. However, many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. These households aren't counted towards the need for affordable housing (as housing benefit enables them to afford their housing costs), but if housing benefit support was no longer provided (or if there wasn't sufficient private rented housing available at a price they could afford) then this would increase the need for affordable housing.
- <sup>3.110</sup> The model adopts a neutral position in relation to this housing benefit support, insofar as it assumes that the number of claimants in receipt of housing benefit in the private rented sector will remain constant. **The model does not count any dwellings in the private rented sector as affordable housing supply;** however, it does assume that housing benefit will continue to help some households to afford their housing costs, and as a consequence these households will not need affordable housing.
- <sup>3.111</sup> To sensitivity test this position, Figure 54 shows the impact of reducing (or increasing) the number of households receiving housing benefit to enable them to live in the private rented sector.

**Figure 54: Theoretical impact of reducing or increasing Housing Benefit support for households living in private rented housing: Balance between households able to afford market housing and households needing affordable housing 2015-35 and associated number of affordable dwellings**



- <sup>3.112</sup> If no households were to receive housing benefit support in the private rented sector, over half (56%) of the growth in household numbers would need affordable housing. This would need a total of 26,500 affordable homes to be provided over the 20-year period 2015-35.

## Conclusions

- <sup>3.113</sup> Based on the household projections previously established, we have established the balance between the need for market housing and the need for affordable housing. This analysis has identified a need to increase the overall housing need by 1,863 households to take account of concealed families and homeless households that would not be captured by the household projections. **These additional households increase the projected household growth from 44,389 to 46,252 households (43,936 dwellings) over the 20-year period 2015-35.**
- <sup>3.114</sup> **The housing mix analysis identified a need to provide around 16,700 additional affordable homes over the same 20-year period (an average of 835 dwellings per year).** This would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but assumes that the number of households in receipt of housing benefit support to enable them to afford market rent in the private rented sector remains constant.
- <sup>3.115</sup> Providing sufficient affordable housing for all households that would otherwise be living in the private rented sector with housing benefit support would increase the need to around 26,500 affordable homes over the 20-year period (1,325 each year); but it is important to recognise that, in this scenario, the private rented housing currently occupied by households in receipt of housing benefit would be released back to the market and this is likely to have significant consequences which would be difficult to predict.

## 4. Objectively Assessed Need

### Analysing the evidence to establish overall housing need

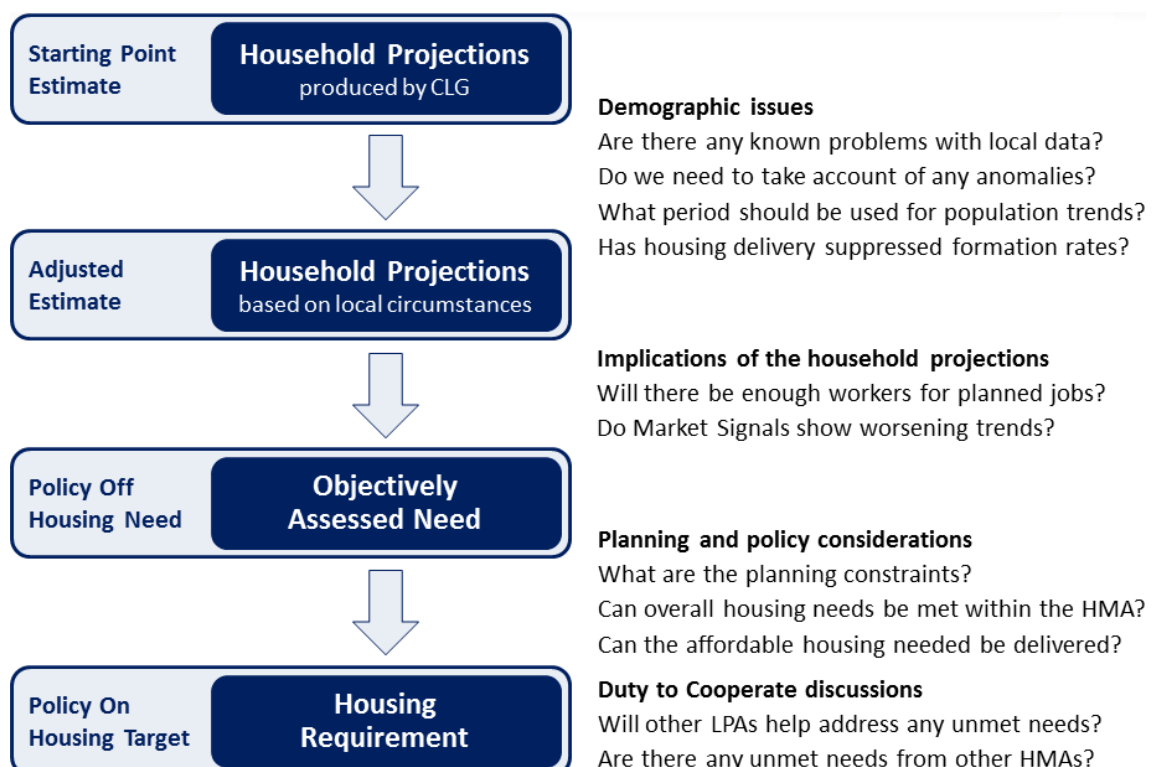
- 4.1 The primary objective of this study is to establish the Objectively Assessed Need (OAN) for housing. The OAN identifies the future quantity of housing that is likely to be needed (both market and affordable) in the Housing Market Area over future plan periods. It is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors will be subsequently considered before establishing the final Housing Requirement.

*The assessment of development needs is an objective assessment of need based on facts and unbiased evidence. Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans.*

Planning Practice Guidance (March 2014), ID 2a-004

- 4.2 Figure 55 sets out the process for establishing OAN. It starts with a demographic process to derive housing need from a consideration of population and household projections, as set out in chapter 3 of the SHMA. To this, external market and macro-economic constraints are applied ('market signals'), in order to embed the need in the real world.

Figure 55: Process for establishing a Housing Number for the HMA (Source: ORS based on NPPF and PPG)





## National Context for England

- 4.3 The NPPF requires Local Planning Authorities to “ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area” and “identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which meets household and population projections, taking account of migration and demographic change” (paragraphs 47 and 159).
- 4.4 PPG further identifies that “household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need” (ID 2a-015 to 016).

## Household Growth

- 4.5 The 2014-based CLG household projections show that the number of households in England will increase from 22.7 million to 28.0 million over the 25-year period 2014 to 2039. This represents a growth of 5.3 million households over 25 years, equivalent to an annual average of 210,300 households each year, and this provides the starting point estimate of overall housing need for England.
- 4.6 It should be noted that the annual average of 210,300 households is already much higher than current housing delivery: provisional data for England published by CLG for the period April 2015 to March 2016 identifies that construction started on 139,700 dwellings and 139,700 dwellings were also completed during the year. Therefore, to build sufficient homes to meet annual household growth would require housebuilding to increase by over 50% – so providing for household growth in itself would require a significant step-change in the number of homes currently being built.

## International Migration

- 4.7 The 2014-based CLG household projections are based on the ONS 2014-based sub-national population projections. These projections identify an average net gain of 182,400 persons each year due to international migration, and a net loss of 6,200 persons each year from England to other parts of the UK. Therefore, the 2014-based projections are based on net migration averaging 176,100 persons each year.
- 4.8 However, these estimates for future international migration may be too low. Oxford University research (March 2015) showed net international migration to be 565,000 persons over the 3-year period 2011-14, an average of 188,300 per annum; and net migration to England averaged 211,200 persons annually between the Census in 2001 and 2011. Both figures suggest that the 2014-based SNPP may underestimate international migration, which would have knock-on implications for projected population growth.
- 4.9 As previously noted, longer-term projections typically benefit from longer-term trends and therefore ORS normally consider migration based on trends for the 10-year period 2001-11. On this basis, our trends are based on a period when net migration to England averaged 211,200 persons each year: 35,100 persons higher than assumed by the 2014-based SNPP, which represents an additional 15,400 households each year based on CLG average household sizes. Therefore, the approach taken for establishing migration based on longer-term trends would increase household growth for England from 210,300 households to 225,700 households each year on average.

## Market Signals

- 4.10 The NPPF also sets out that “Plans should take account of market signals, such as land prices and housing affordability” (ID 2a-017) and PPG identifies that “the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals”.
- 4.11 The market signals identified include land prices, house prices, rents, affordability and the rate of development; but there is no formula that can be used to consolidate the implications of this data. Nevertheless, the likely consequence of housing affordability problems is an increase in overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation. PPG identifies that these indicators “demonstrate un-met need for housing” and that “longer term increase in the number of such households may be a signal to consider increasing planned housing numbers” (ID 2a-019).
- 4.12 The Census identified that the number of concealed families living in England increased from 161,000 families to 276,000 families over the decade 2001 to 2011, which represents a growth of 115,000 families over 10 years. Although many concealed families do not want separate housing (in particular where they have chosen to live together as extended families), others are forced to live together due to affordability difficulties or other constraints – and these concealed families will not be counted as part of the CLG household projections.
- 4.13 Concealed families with older family representatives will often be living with another family in order to receive help or support due to poor health. Concealed families with younger family representatives are more likely to demonstrate un-met need for housing. When we consider the growth of 115,000 families over the period 2001-11, over three quarters (87,100) have family representatives aged under 55, with substantial growth amongst those aged 25-34 in particular. This is a clear signal of the need to increase the planned housing numbers in order to address the increase in concealed families over the last decade and also factor in their impact on current and future average household sizes.
- 4.14 Addressing the increase in concealed families would increase projected household growth by 87,100 over the 25-year period, an average of 3,500 households each year over the period 2014-39 (or higher if the need is addressed over a shorter period). Therefore, adjusting for longer-term migration trends and taking account of the market signals uplift for concealed families yields an average household growth for England of 229,200 each year.

## Converting to Dwellings

- 4.15 Finally, in converting from households to dwellings we need to allow for a vacancy and second home rate as not all dwellings will be occupied. At the time of the 2011 Census this figure was 4.3% of all household spaces in England: we have applied this to future household growth, and on this basis the growth of 229,200 households would require the provision of **239,500 dwellings each year across England**. This is the average number of dwellings needed every year over the 25-year period 2014-39 and represents a 1.0% increase in the dwelling stock each year.
- 4.16 This takes account of household growth based on CLG 2014-based projections (the starting point); adjusts for long-term migration trends which assume a higher rate of net migration to England; responds to market signals through providing for the growth of concealed families; and takes account of vacant and second homes.

- 4.17 Whilst the uplift for market signals represents less than 2% of the projected household growth, the household growth itself is much higher than current rates of housing delivery. **The identified housing need of 239,500 dwellings requires current housebuilding rates to increase by 71%** (based on dwelling starts in 2015-16).
- 4.18 Development industry campaigners (such as Homes for Britain<sup>18</sup>) are supporting a position which requires 245,000 homes to be built in England every year, a figure derived from the Barker Review (2004)<sup>19</sup>. It is evident that objectively assessed need based on household projections which take account of longer-term migration trends together with a market signals adjustment for concealed families is consistent with this target, so any further increase in housing numbers at a local level (such as adjustments which might be needed to deliver more affordable housing or provide extra workers) must be considered in this context.

## Establishing Objectively Assessed Need for Luton HMA

- 4.19 The earlier part of this Chapter sets out the context for national change in households, and the underlying complexities and features around this. We now move on to the position for Luton HMA. Our approach for this section follows the format of the earlier section, albeit with specific reference to the Luton HMA. Essentially, therefore, this section is concerned with:
- » CLG 2014-based household projections (the starting point);
  - » Migration adjustments, based on Census, for longer-term migration trends (which incorporate higher international migration rates and correct for errors in previous population estimates);
  - » Market signals, including an uplift for concealed families;
  - » Converting from household growth to a requirement for dwellings, taking account of vacancies and second homes.
- 4.20 In addition, we consider employment trends and the relationship between the jobs forecast and projected number of workers, and the need for affordable housing.

## CLG Household Projections

- 4.21 The “starting point” estimate for OAN is the CLG household projections, and the latest published data is the 2014-based projections for period 2014-39. These projections suggest that household numbers across the study area will increase by 57,536 over the 20-year period 2015-35, an average of 2,877 per year.
- 4.22 However, the notes accompanying the CLG Household Projections explicitly state that:
- The 2014-based household projections are linked to the Office for National Statistics 2014-based sub-national population projections. **They are not an assessment of housing need** or do not take account of future policies, they are an indication of the likely increase in households given the **continuation of recent demographic trends**.*
- 4.23 The ONS 2014-based sub-national population projections are based on migration trends from the 5-year period before the projection base date; so trends for the period 2009-2014. Short-term migration trends are generally not appropriate for long-term planning, as they risk rolling-forward rates that are unduly high or unduly low. Projections based on long-term migration trends are likely to provide a more reliable estimate of future households.

<sup>18</sup> <http://www.homesforbritain.org.uk>

<sup>19</sup> [http://webarchive.nationalarchives.gov.uk/+/http://www.hmtreasury.gov.uk/barker\\_review\\_of\\_housing\\_supply\\_recommendations.htm](http://webarchive.nationalarchives.gov.uk/+/http://www.hmtreasury.gov.uk/barker_review_of_housing_supply_recommendations.htm)

## Adjustments for Local Demography and Long-term Migration

- 4.24 A comprehensive review of the local demographic evidence identifies some significant problems with the official population data for the area. These problems affect the reliability of population trend data in both Luton and Central Bedfordshire, which are a key input to the official population projections. It is essential that the demographic projections are based on accurate estimates of past trends if they are to provide a robust basis on which to plan future housing need; therefore, consistent with PPG, the SHMA takes full account of these “*factors affecting local demography*” through developing independent household and population projections.
- 4.25 The SHMA population and household projections are based on 10-year migration trends based primarily on population data for the period 2005-15, but taking full account of the local demography issues that affect local population trends. This is consistent with our standard approach when establishing OAN.
- 4.26 On the basis of 10-year migration trends based on the period 2005-15, **household numbers across the study area are projected to increase by 44,389 households over the 20-year period 2015-35, an average of 2,220 per year. Providing for an annual increase of 2,220 households yields a housing need of 2,299 dwellings each year.**
- 4.27 Whilst this projection is lower than the CLG 2014-based household projection (2,877 p.a.), as this scenario take account of issues affecting local demography and is based on long-term migration trends, it provides the most reliable and appropriate demographic projection for establishing future housing need.

## Affordable Housing Need

- 4.28 The SHMA has undertaken a comprehensive analysis of the existing unmet need for affordable housing. This analysis identified that **overall housing need should be increased by 1,863 households** to take account of **concealed families** and **homeless households** that would not be captured by the household projections. When the unmet needs from existing households living in unsuitable housing were also included, the analysis established an overall need from 6,555 households in need of affordable housing in 2015.
- 4.29 Nevertheless, 1,780 of these households already occupy an affordable home (albeit unsuitable for their current needs) – so the home that will be vacated when their needs are resolved must be offset against the overall need to establish the unmet need. **There is an unmet need from 4,775 households (6,555 less 1,780 = 4,775) who will need affordable housing at the start of the period 2015-35 and do not already occupy affordable housing in Luton and Central Bedfordshire.**
- 4.30 Based on the household projections, the SHMA has established the balance between the future need for market housing and affordable housing. The analysis identifies that **the number of households in need of affordable housing will increase by 11,743 households over the period 2015-35**, alongside an increase of 32,645 households able to afford market housing.
- 4.31 Overall, there will be a **need to provide around 16,700 additional affordable homes over the 20-year period 2015-35 (an average of 835 dwellings per year)**. This would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but assumes that the number of households in receipt of housing benefit support to enable them to afford market rent in the private rented sector remains constant. Furthermore, any losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.

## Employment Trends

- 4.32 While demographic trends are key to the assessment of OAN, it is also important to consider current Employment Trends and how the projected growth of the economically active population fits with the future changes in job numbers.

*Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.*

*Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.*

**Planning Practice Guidance (March 2014), ID 2a-018**

## Planned Employment Growth

- 4.33 Luton is proposing to deliver 18,000 extra jobs over the 20-year period 2011-31, equivalent to an average of 900 jobs per year. Whilst this target was higher than the baseline of 11,300 extra jobs suggested by the East of England Forecasting Model (EEFM) 2014-based forecast, estimates of actual growth for the period 2011-14 were much higher than had been identified by the model. The number of jobs recorded for Luton increased from 92,500 jobs in 2011 to 102,400 jobs in 2014; an increase of 9,900 jobs over 3 years, which represents over half of the 20-year target. Whilst Luton does not currently have a planned target for the period beyond 2031, the SHMA has considered the alignment with workers based on employment growth continuing at an average of 900 jobs per year, a total of 18,000 jobs over the 20-year period 2015-35.
- 4.34 Central Bedfordshire is currently planning for a minimum of 23,900 extra jobs over the 20-year period 2015-35, based on their Economic Development Needs Assessment which adopted forecasts from the Experian model. On this basis, the SHMA has considered the alignment with workers based on the planned employment growth of 23,900 extra jobs.
- 4.35 The combined increase of 41,900 jobs across the area is notably higher than the growth of 27,500 jobs forecast by the EEFM 2016-based model. However, it is worth noting the volatility of the economic forecasts, especially when they are considered at a local area level. Furthermore, the trend-based approach on which the forecast is based will not reflect committed changes to infrastructure and strategic investment at a local level, such as the expansion of London Luton Airport.

## Future Changes to Workforce

- 4.36 As previously noted, the demographic analysis identified that on the basis of providing the 46,000 additional dwellings needed based on 10-year migration trends, it is likely that the economically active population would increase by 46,300 people (around 2,300 per year on average). In addition, the number of unemployment benefit claimants recorded by DWP reduced by around 500 over the period March 2015 to March 2017, which also increases the number of available workers. Taken together, these figures suggest that the number of available workers will increase by around 46,800 over the 20-year period 2015-2035 (without any further reduction in unemployment).

- 4.37 However, there are a number of factors which should be considered when relating jobs to workers, particularly the issue of commuting:
- » **Out-commuting:** Based on 2011 Census commuting flows, 64.5% of working residents in Luton and Central Bedfordshire are also employed in the local area. This implies that 35.5% commuted to jobs outside the area. Therefore, of the additional 46,800 workers projected to live in the area, we would expect 30,200 (64.5%) would work locally and 16,600 (35.5%) would commute outside of the area. On this basis, we have assumed that the number of workers that out-commute from Luton and Central Bedfordshire to work elsewhere will increase by 16,600 over the 20-year period 2015-35.
  - » **In-commuting:** at the time of the 2011 Census, 24.2% of jobs in Luton and Central Bedfordshire were filled by people travelling in from other authorities. Therefore, a jobs growth of 41,900 is likely to draw in 10,100 (24.2%) additional in-commuters; but this still implies a likely increase of 6,500 in net out-commuting (assuming no change in the commuting rates for the area), and would mean that 31,800 jobs would need to be filled by workers living in the area.
- 4.38 It is also important to recognise that the planned jobs growth will include full-time and part-time work; and data from the EEFM 2016-based forecast suggests that of the total 219,700 jobs in the area in 2015, only 212,100 were “main jobs”. This implies that around 3.5% of all jobs in the area are currently second jobs, and it is forecast that this will increase to 4.6% by 2035. On this basis, it is likely that 1,500 of the extra jobs created would be taken by workers as second jobs, leaving 30,300 extra main jobs that would need to be filled by workers living in the area.
- 4.39 When all of these factors are properly considered, we can conclude that the demographic projections (without any uplift for market signals) would provide 30,200 extra workers locally whereas there is forecast to be 30,300 extra main jobs that need to be filled by workers living in the area. There is therefore alignment between the planned jobs growth and the projected future changes to the workforce over the 20-year period 2015-2035.

## Conclusions on Jobs and Workers

- 4.40 Luton is proposing to deliver 18,000 extra jobs over the 20-year period 2011-31; and whilst there is no target for the period to 2035, the SHMA has considered the alignment with workers based on employment growth continuing at the same rate (900 jobs per year): 18,000 jobs over the 20-year period 2015-35. Central Bedfordshire is planning for a minimum of 23,900 extra jobs over their Plan period 2015-35, based on their Economic Development Needs Assessment; so the SHMA has considered alignment with workers on this basis.
- 4.41 This combined increase of 41,900 jobs across the area would suggest broad alignment with the projected increase in workers. **On this basis, there is no need to uplift housing delivery to align the increase in workers with the increase in jobs.**
- 4.42 This does not take account of any additional population as a consequence of any uplift for market signals. Providing more housing than identified by the household projections is likely to yield a larger population, which would include additional workers. This could therefore yield a surplus in workers which would lead to larger increases in net out-commuting than projected above.



## Market Signals

- 4.43 While demographic trends are key to the assessment of OAN, it is also important to consider current Market Signals and how these may affect housing needs. PPG identifies a range of housing market signals that should be considered when determining the future housing number. Key to this is how market signals should be taken into account:

*The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings (ID 2a-019)*

*A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections. (ID 2a-020)*

**Planning Practice Guidance (March 2014)**

- 4.44 The Market Signals include:

- » Land and house prices;
- » Rents and affordability;
- » Rate of development; and
- » Overcrowding.

- 4.45 Furthermore, there are other issues that should be considered, for example the macro-economic climate. Further, there are wider market trends and drivers to consider. A full range of market signals are considered and their implications are considered especially where these may indicate undersupply relative to demand and the need to deviate from household projections.

- 4.46 PPG and the PAS OAN technical advice note emphasise the importance of considering indicators in the context of longer-term trends and looking at rates of change as well as absolute levels – for example, house prices in the housing market may be higher or lower than the national average, however the more important consideration is whether or not they are becoming more (or less) expensive at a rate that differs from the national rates or rates in similar areas.

*Appropriate comparisons of indicators should be made. This includes comparison with longer term trends (both in absolute levels and rates of change) in the housing market area; similar demographic and economic areas; and nationally.*

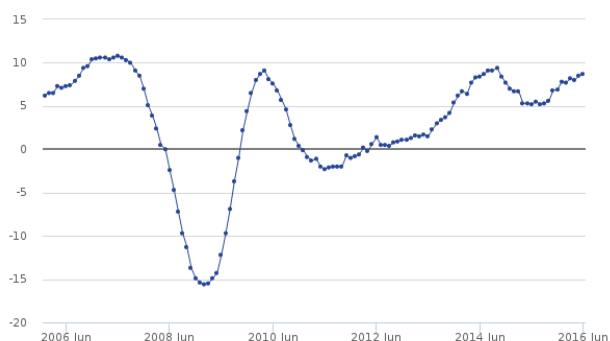
**Planning Practice Guidance (March 2014), ID 2a-020**

- 4.47 To identify areas with similar demographic and economic characteristics to Luton & Central Bedfordshire, we have analysed data from the ONS area classifications together with data from the CLG Index of Multiple Deprivation. The outcome of this analysis was that Luton HMA shares similar demographic and economic characteristics with the areas surrounding **Coventry** (Coventry and Nuneaton & Bedworth), **Peterborough** (Peterborough, Fenland, South Kesteven and Rutland) and **Slough** (Slough, South Buckinghamshire and Windsor & Maidenhead). Therefore, in considering market signals, we have considered these district council areas as appropriate comparators and compared them against Luton & Central Bedfordshire.

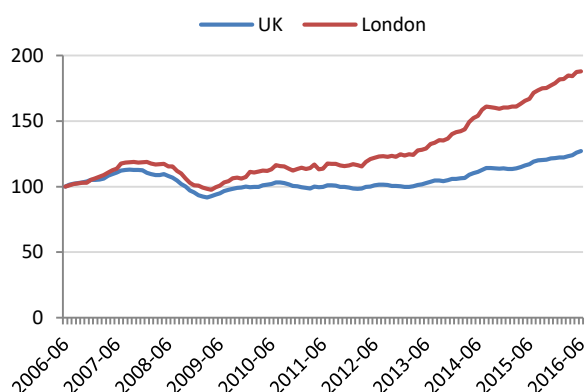
## House Prices

- 4.48 House prices in the UK have been relatively volatile in the past 10 years. Prices increased by 8.7% in the 12 months to June 2016<sup>20</sup>; prices rose fastest in the East of England (14.3%), London (12.6%), and the South East (12.3%).
- 4.49 The average UK house price was £214,000 in June 2016 compared to the peak of the previous high of £190,000 in the three months August to October 2007, which was overtaken in 2014. Average house price trends 2006 - 2016 as demonstrated by the House Price Index (HPI) show the price divergence between London and the rest of the UK.

**Figure 56: Annual house price rates of change, UK all dwellings 2004-2016 (Source: Regulated Mortgage Survey. Note: Not seasonally adjusted)**



**Figure 57: UK and London House Price Index 2008-2016 (Source: ONS)**



- 4.50 The Bank of England has overall responsibility for UK monetary policy: it has become concerned about the risks posed by house prices, high levels of borrowing and any housing 'bubble' to national economic recovery.
- 4.51 In his speech at the Mansion House in June 2014, the Governor of the Bank said:

*“The underlying dynamic of the housing market reflects a chronic shortage of housing supply, which the Bank of England can’t tackle directly. To be clear, the Bank does not target asset price inflation in general or house prices in particular. It is indebtedness that concerns us. This is partly because over-extended borrowers could threaten the resilience of the core of the financial system since credit to households represents the lion’s share of UK banks’ domestic lending. It is also because rapid growth in or high levels of mortgage debt can affect the stability of the economy as a whole.”*

- 4.52 These concerns remain. The Financial Policy Committee (FPC) Financial Stability Report July 2016<sup>21</sup> states:

*“The FPC is alert to risks arising from household indebtedness. Survey evidence on the housing market has been difficult to interpret in recent months because of the impact of the pre-announced increase in stamp duty, which boosted activity in March and has dampened activity in April and May. Nevertheless, in advance of the referendum, there was evidence that uncertainty about the outcome was contributing to a slowdown in housing activity. For example, the May RICS survey of chartered surveyors reported a sharp decline in new buyer enquiries ... to their lowest level since 2008.”*

<sup>20</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/june2016>

<sup>21</sup> <http://www.bankofengland.co.uk/publications/Pages/fsr/2016/jul.aspx>



4.53 The FPC also states concern about the effects of rapid growth in the buy-to-let sector:

*“The stock of buy-to-let lending grew by 12.3% in the year to 2016 Q1. Activity fell off sharply in April, such that buy-to-let mortgage lending for house purchase was 85% lower than in March.”*

4.54 The risk centres on the possibility of buy-to-let investments *“amplifying cycles in the housing market as a whole”* which *“could put upward pressure on household indebtedness in an upswing and have an impact on consumption and broader economic activity in a downturn”*.

4.55 The RICS UK Residential Market Survey<sup>22</sup> is updated monthly. While there are many uncertainties following the June 2016 referendum, the July 2016 Survey gives an early indication of the direction of prices in the short to medium term, and reports an increase in optimism among respondents:

*“the net balance of those expecting prices to increase over the year ahead rising from zero to +23%. Even so, this still represents a significant softening compared to six months ago, when +66% more surveyors anticipated rising prices. For the second month running, the regional breakdown shows London and East Anglia are the only areas in which prices are expected to fall over the year ahead.”*

4.56 Overall respondents to the Survey expect prices to rise over the medium term, with higher rises in London compared to the UK:

*“London exhibits amongst the strongest projections over the medium term (three-month average), with respondents pencilling in around 4% growth, per annum, over the next five years. On the same basis, prices are expected to rise by close to 3% nationally.”*

4.57 The Survey suggests that, currently, an *“acute shortage of property for sale”* could be underpinning prices.

### Local House Prices

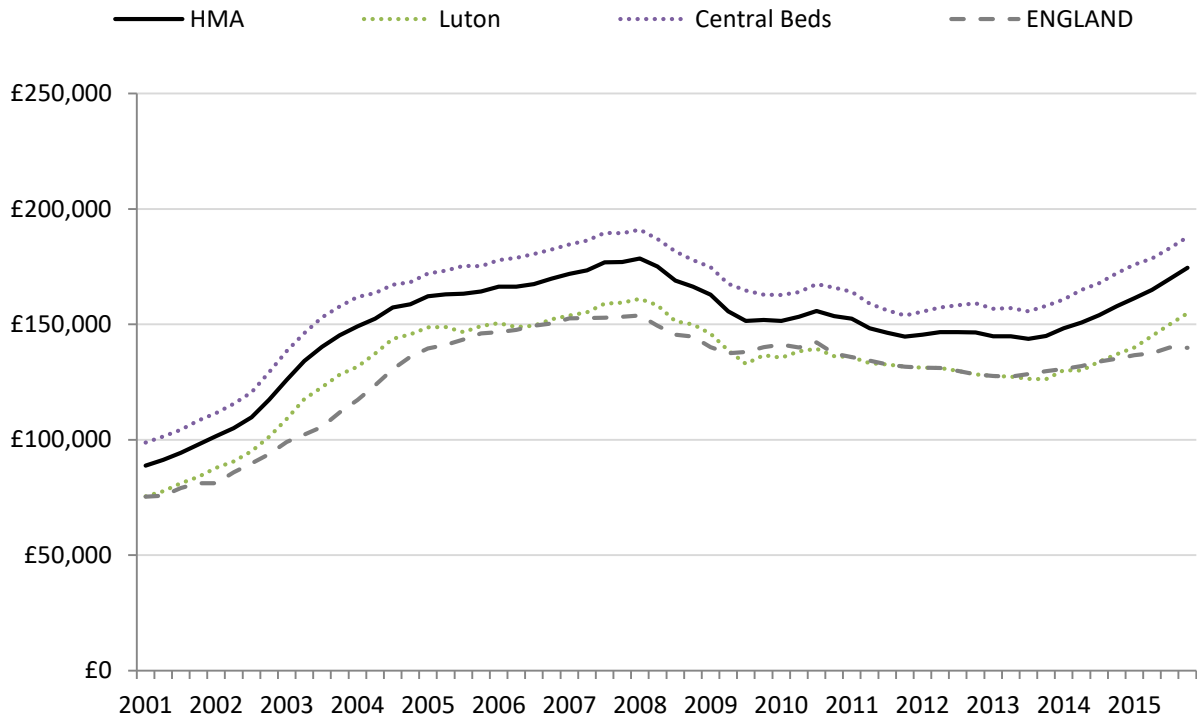
4.58 House price trends (2001-2015) are shown in Figure 58 based on lower quartile house prices. Of course, the value of money has also changed during this period, so the data is adjusted to take account of and remove the impact of inflation; therefore, the values reflect real changes in house prices since 2001.

4.59 It is evident that real house prices across Luton and Central Bedfordshire increased substantially in the period 2001-2004 (from £89,000 to £162,000 at 2015 values, a real increase of 84%), and prices continued to rise to a peak of £179,000 by the end of 2007. Values reduced to below £150,000 by the start of 2009 and largely plateaued over the period to 2014; but have recently increased to a current value approaching £175,000.

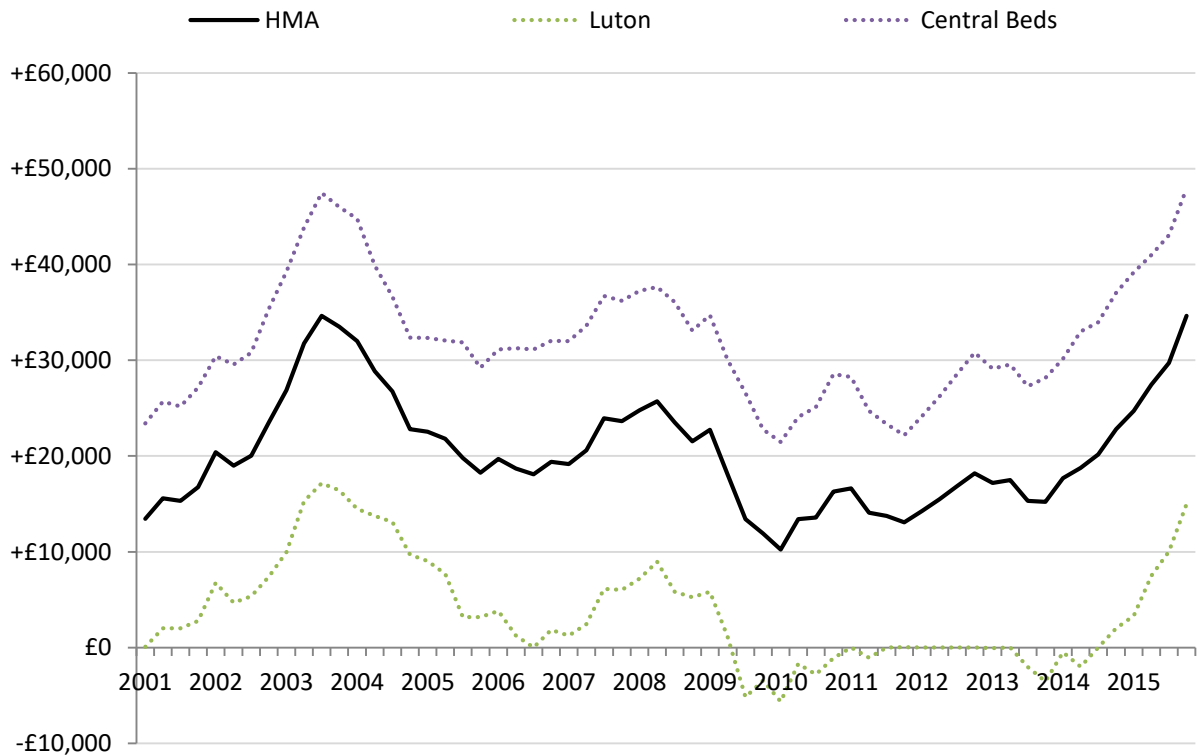
4.60 Figure 59 shows how real house prices in Luton and Central Bedfordshire have varied when compared with the English average. This shows that real house prices in the area substantially increased in relative terms over the period 2001-03, but subsequently reduced back towards the English average over the period to 2010. The difference remained relatively stable with values around £10,000-15,000 above the English average over the period to 2014 (consistent with the difference before prices increased in 2001); but prices have since increased and are currently around £35,000 higher the England average.

<sup>22</sup> <http://www.rics.org/uk/knowledge/market-analysis/rics-residential-market-survey/>

**Figure 58: Real House Price Trends: Lower Quartile Prices adjusted to 2015 values using CPI (Source: ONS; Bank of England. Note: HMA figure derived using population weighted average of Local Authority data)**



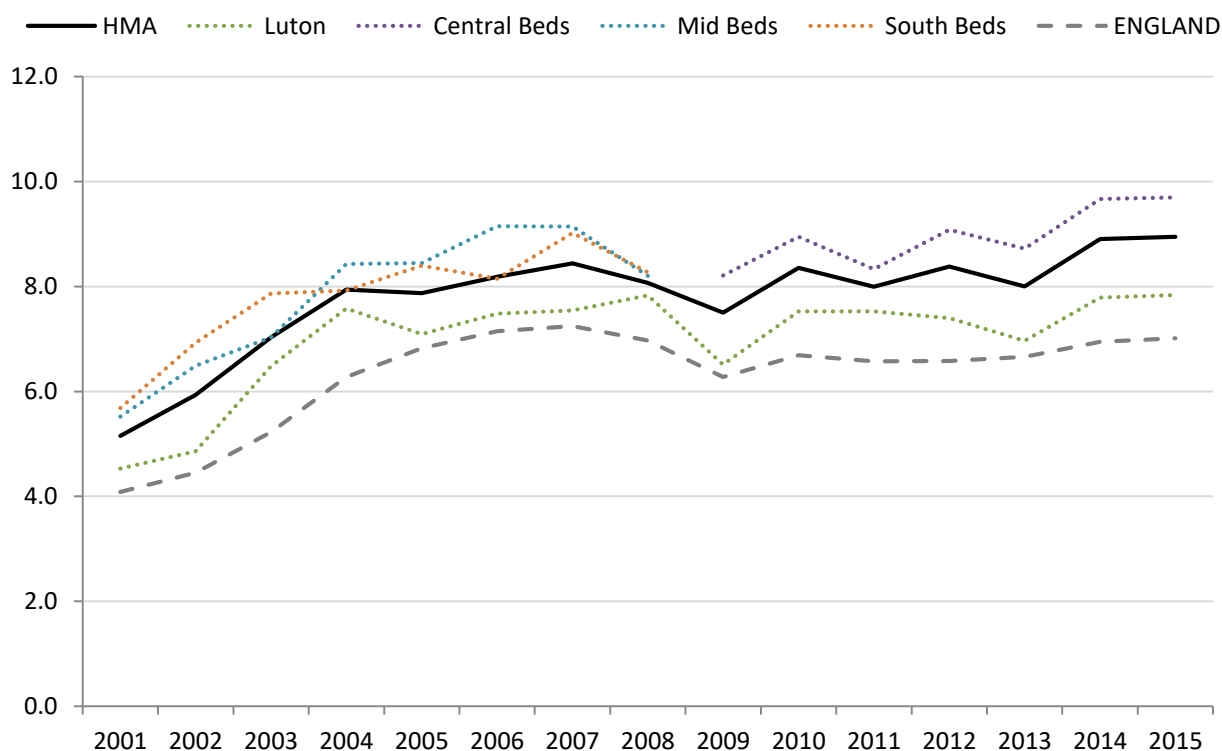
**Figure 59: Real House Price Trends relative to England: Lower Quartile Prices adjusted to 2015 values using CPI (Source: ONS; Bank of England. Note: HMA figure derived using population weighted average of Local Authority data)**



## Affordability

<sup>4.61</sup> Figure 60 below shows the ratio of lower quartile house price to lower quartile earnings in Luton and Central Bedfordshire between 2001 and 2015. While the trend for the HMA worsened in the period 2001-04 (when there was an increase in real house prices), the multiplier has been relatively stable over the period 2004-15. Of course, it is also important to remember that affordability can be influenced by supply issues (e.g. lower housing delivery levels) and demand side issues (e.g. lower availability of mortgage finance for first time buyers).

**Figure 60: Ratio of Lower Quartile House Price to Lower Quartile Earnings (Source: DCLG. Note: Ratios prior to 2013 are calculated using a different source of house price data. Note: HMA figure derived using population weighted average of Local Authority data)**



## Private Rent

<sup>4.62</sup> Private Rented Housing has become a significant part of the national housing offer; further, many households with housing need are now meeting those needs in the sector.

<sup>4.63</sup> The English Housing Survey confirmed that more households in England rent from private landlords than councils or housing associations (4.3m cf. 3.9m in 2014-15). Given very limited new build private rent supply, sector growth is driven by conversion of existing owner occupied stock to private rent, either as individual homes or as Houses in Multiple Occupation (HMO).

<sup>4.64</sup> The Institute of Mortgage Lenders Association (IMLA) forecasts suggest that the sector will continue to increase in size in coming years. More than a third of all households could rent privately within two decades – twice as many as today.

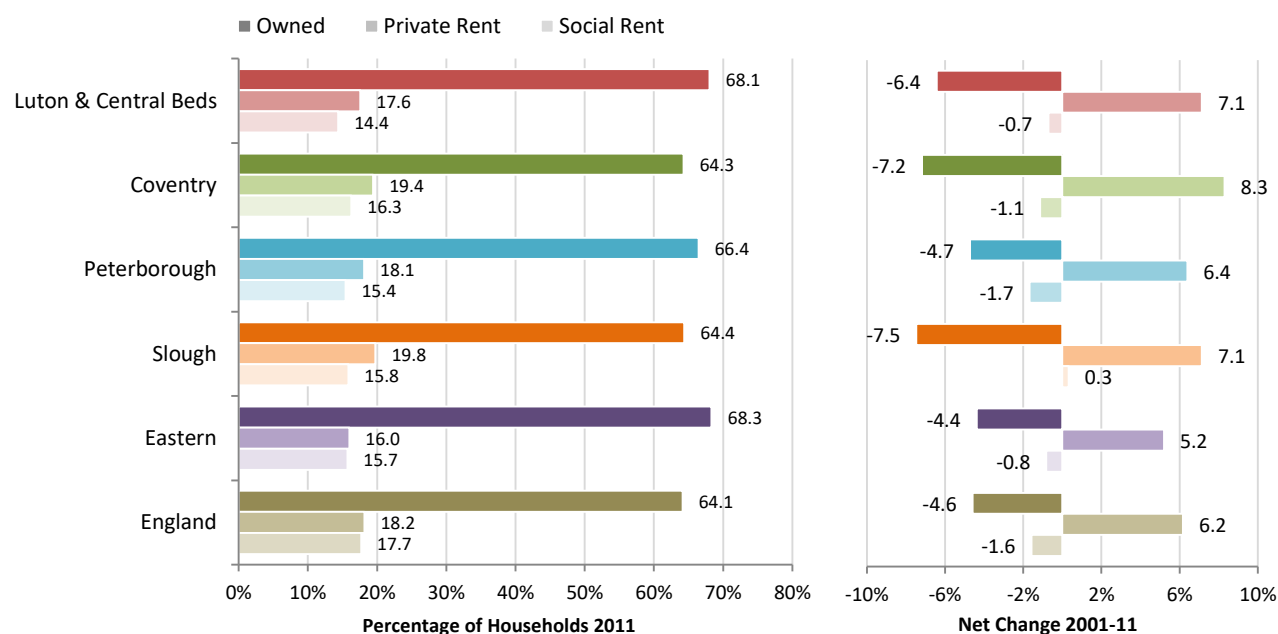
Figure 61: UK household tenure projections to 2032 (Source: DCLG/IMLA)

	Owner-occupied		Private rented		Social rented		Total
	units (thousan	% of total	its (thousan	% of total	its (thousan	% of total	
2007	18,206	68.00%	3,606	13.50%	4,886	18.30%	26,698
2012	17,835	64.20%	4,920	17.70%	4,936	17.80%	27,691
2017f	17,445	61.10%	6,106	21.40%	4,996	17.50%	28,548
2022f	17,064	57.50%	7,578	25.50%	5,058	17.00%	29,700
2032f	16,326	49.20%	11,672	35.20%	5,182	15.60%	33,181

### Private Rented Sector in Luton & Central Bedfordshire

<sup>4.65</sup> Whilst the dominant form of housing tenure in Luton & Central Bedfordshire continues to be owner occupation, the sector has declined relatively by 8.6% since 2001. In the same period, the private rented sector has grown by 68.4%, at a higher relative rate than England (51.3%). Affordable housing is also declining slightly.

Figure 62: Household Tenure by Area (Source: UK Census of Population 2001 and 2011. Note: Private Rent includes tied housing and living rent free)



<sup>4.66</sup> The rate of increase in the PRS is revealing: over the period 2001-11, the PRS sector has grown by 68% across the area; marginally higher than England and the Eastern region, where growth has been 51% and 48% respectively over the same period. It is important to recognise that the private rented sector in Luton and Central Bedfordshire is growing via the conversion of other tenures rather than new build. PRS does not contribute significantly to new housing supply; there is, however, considerable current interest in attracting investment to boost new build PRS supply, particularly from Government<sup>23</sup>.

<sup>23</sup> Review of the Barriers to Institutional Investment in Private Rented Homes; Montague Review

## Private Sector Rents

- 4.67 Lower Quartile rents have increased across all property sizes in Luton and Central Bedfordshire in the private rented sector over the period since 2013/14, suggesting that demand probably exceeds supply. The upward trend would indicate that the sector still has growth potential both nationally and locally in Luton and Central Bedfordshire.

Figure 63: Lower Quartile Monthly Rent Values (Source: Valuation Office Agency 2013-2016)

		April 2013- March 2014	April 2014- March 2015	April 2015- March 2016
<b>Luton and Central Bedfordshire</b>	1 bedroom	£485	£512	£565
	2 bedroom	£611	£633	£690
	3 bedrooms	£750	£778	£850
	4 or more bedrooms	£911	£1,008	£1,100
<b>ENGLAND</b>	1 bedroom	£415	£425	£435
	2 bedroom	£475	£495	£495
	3 bedrooms	£550	£550	£575
	4 or more bedrooms	£800	£825	£850
<b>Coventry with Nuneaton &amp; Bedworth</b>	1 bedroom	£412	£417	£435
	2 bedroom	£477	£480	£510
	3 bedrooms	£544	£569	£581
	4 or more bedrooms	£784	£750	£765
<b>Peterborough with Fenland, South Kesteven and Rutland</b>	1 bedroom	£383	£386	£400
	2 bedroom	£483	£493	£502
	3 bedrooms	£558	£568	£584
	4 or more bedrooms	£725	£740	£757
<b>Slough with South Bucks and Windsor &amp; Maidenhead</b>	1 bedroom	£677	£677	£713
	2 bedroom	£892	£890	£935
	3 bedrooms	£1,091	£1,110	£1,166
	4 or more bedrooms	£1,779	£1,736	£1,778

## Overcrowding

- 4.68 Overcrowding was considered in detail when establishing the need for affordable housing, and based on the bedroom standard we estimated that 5,207 households were overcrowded in the HMA (Figure 38), including 2,191 owner occupiers, 1,416 households renting privately and 1,600 households in the social rented sector.
- 4.69 PPG also identifies a series of other factors to monitor alongside overcrowding, including concealed and sharing households, homelessness and the numbers in temporary housing (paragraph 19):

*Indicators on overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation demonstrate un-met need for housing. Longer term increase in the number of such households may be a signal to consider increasing planned housing numbers.*

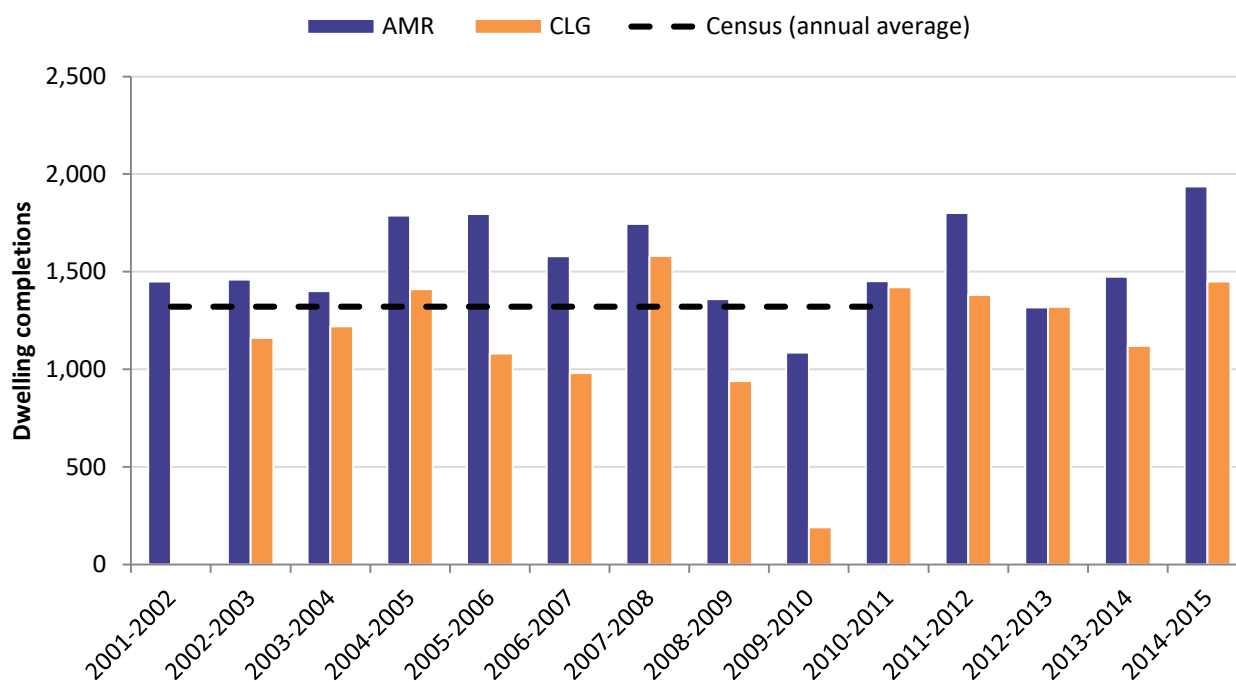
- 4.70 These were also considered when establishing the need for affordable housing, and the overall housing number was increased to take account of the needs of homeless households and concealed families with

younger family representatives who would not have been counted as part of the household projections. This adjustment has already been incorporated as a response to the identified un-met need for housing, and can be considered as part of the response to market signals.

## Housing Development

- <sup>4.71</sup> Census data shows that the number of dwellings in Luton increased from 72,000 to 76,100 over the 10-year period 2001-11, while the equivalent change in Central Bedfordshire was from 96,900 to 108,700. This represents an increase of 15,700 dwellings across the two authorities equivalent to 9.3% of the stock with a 12.2% growth in Central Bedfordshire and 5.4% growth in Luton. Over the same period, the number of dwellings in England increased from 21.2 million to 23.0 million, equivalent to around 8.3% of the stock. Therefore, housing development in Luton and Central Bedfordshire has been around 12% higher than development across England over the last decade (9.3% divided by 8.3% = 112%).
- <sup>4.72</sup> Figure 64 compares the data from the Census against housing completions recorded in the Council's Annual Monitoring Report (AMR) and data on housing completions published by CLG. Unfortunately, the data published by CLG contains a number of omissions in the period to 2010, so comparisons are difficult. However, in the years with published data it is clear that AMR data suggests development was higher than suggested by CLG data and also by net growth between the 2001 and 2011 Census. It is likely that at least some of the difference will be associated with the conversion of existing dwellings that have not been recorded by the planning system and also by a loss of stock through demolition.

**Figure 64: Annual Housing Completions for Luton and Central Bedfordshire (Source: Central Bedfordshire Annual Monitoring Report; Luton Annual Monitoring Report, Luton SHLAA Report, 2014 CLG Live Tables; Census 2001 and 2011. Note: no CLG data recorded for South Bedfordshire in 2002-03 and 2006-07 and for Central Bedfordshire 2009-10, AMR data for Central Bedfordshire for period 2001-06 based on average dwelling growth over this time period)**



## Summary of Market Signals

4.73 In terms of headline outputs, the market signals when compared to relevant comparator areas show:

**Figure 65: Summary of Market Signals: Indicators Relating to Price (Note: Affordability Ratios prior to 2013 are calculated using a different source of house price data)**

		Luton Borough	Central Beds	Luton & Central Beds	Similar demographic and economic areas			England
					Coventry wider area	Peterborough wider area	Slough wider area	
<b>INDICATORS RELATING TO PRICE</b>								
<b>House prices</b>								
Lower quartile house price	2014-15 value	£139,300	£175,000	<b>£160,600</b>	£109,300	£125,000	£259,200	£136,000
	Relative to England	+2%	+29%	<b>+18%</b>	-20%	-8%	+91%	-
	2009-10 value	£120,000	£144,000	<b>£134,100</b>	£94,800	£112,400	£201,700	£125,000
	5-year change	+16%	+22%	<b>+20%</b>	+15%	+11%	+29%	+9%
<b>Rents</b>								
Average monthly rent	2015-16 value	£770	£878	<b>£802</b>	£562	£592	£1,175	£820
	Relative to England	-6%	+7%	<b>-2%</b>	-31%	-28%	+43%	-
	2010-11 value	£593	£641	<b>£618</b>	£504	£545	£988	£694
	5-year change	+30%	+37%	<b>+30%</b>	+11%	+9%	+19%	+18%
<b>Affordability</b>								
Lower quartile house price to earnings	2015 ratio	7.8	9.7	<b>8.9</b>	5.9	7.1	11.8	7.0
	Relative to England	+12%	+38%	<b>+28%</b>	-16%	+1%	+69%	-
	2010 ratio	7.5	9.0	<b>8.4</b>	5.2	6.6	9.6	6.7
	5-year change	+4%	+8%	<b>+7%</b>	+14%	+7%	+23%	+5%
<b>INDICATORS RELATING TO QUANTITY</b>								
<b>Overcrowding</b>								
Overcrowded households	2011 proportion	15%	5%	<b>9%</b>	8%	6%	11%	9%
	Relative to England	+77%	-48%	<b>+4%</b>	-7%	-36%	+31%	-
	2001 proportion	12%	4%	<b>7%</b>	7%	4%	9%	7%
	10-year change	+33%	+16%	<b>+27%</b>	+15%	+34%	+27%	+23%
<b>Rate of development</b>								
Increase in stock	2001-11 change	+5%	+12%	<b>+9%</b>	+7%	+13%	+10%	+8%
	Relative to England	-35%	+41%	<b>+10%</b>	-21%	+52%	+14%	-

4.74 As acknowledged earlier in this section, there is no single formula that can be used to consolidate the implications of this information; and furthermore the housing market signals will have been predominantly influenced by relatively recent housing market trends. Nevertheless, on the basis of this data we can conclude:

- » **House Prices:** lower quartile prices are higher than the national average (with a lower quartile price of £160,600 compared to England's £136,000). The current price in Luton and Central Bedfordshire is higher than both Coventry and Peterborough, but lower than Slough; probably due to their relative proximity to and connectivity with London. This pattern is consistent with changes over the last 5-years, given lower increases recorded for Coventry and Peterborough but a higher increase recorded for Slough;
- » **Rents:** for average private sector rents, Luton and Central Bedfordshire is lower than the national average. While rents in Coventry and Peterborough are lower than Luton and Central

Bedfordshire, rents in Slough are significantly higher; consistent with house prices in those areas. Whilst average rents in all areas have increased in the last 5 years, the increase in Luton and Central Bedfordshire is higher than comparator areas and the national average;

- » **Affordability** (in terms of the ratio between lower quartile house prices and lower quartile earnings) is currently 28% higher in Luton and Central Bedfordshire than across England as a whole (8.9x cf. 7.0x), and the rate in Luton and Central Bedfordshire is also higher than in Coventry and Peterborough, although not as high as Slough. Whilst affordability ratios have increased by around 7% in Luton and Central Bedfordshire over the 5-year period 2010-15, this increase is notably lower than the increases in both Slough (+23%) and Coventry (+14%) although changes have been comparable with Peterborough. This measure is probably more significant than both house prices and rent, as it is the only indicator that considers both cost and the ability to pay;
- » **Overcrowding** (in terms of Census occupancy rates) shows that 9% of households in Luton and Central Bedfordshire are overcrowded based on an objective measure. The proportion of overcrowded households has increased by 27% over the last 10 years although is comparable with England (9%). Overcrowding in Luton and Central Bedfordshire is relatively similar to comparator areas in Coventry and Peterborough, and Slough;
- » **Rate of development** (in terms of increase in dwelling stock over the last 10 years) shows that development in Luton and Central Bedfordshire has been relatively similar to England (9% cf. 8%). This rate is below Slough and Peterborough but higher than Coventry. Of course, these figures will inevitably be influenced by local constraints as well as individual policies.

<sup>4.75</sup> On the basis of the Market Signals, we can conclude that conditions across the Luton HMA (on the basis of “best fit” data for Luton and Central Bedfordshire LPAs) suggest that the level of **Objectively Assessed Need for the HMA should be higher than suggested by household projections** in isolation. However as previously noted, there is no definitive guidance on what level of uplift is appropriate.

<sup>4.76</sup> The 2015 SHMA Update concluded that an uplift of 10% was appropriate for the combined area, and this was supported by a range of representatives at the Luton Local Plan hearings. However, the SHMA Update proposed a differential uplift – with a relatively higher uplift of around 20% in Luton (given the acute housing pressures in the borough) and a relatively lower uplift of around 5% in Central Bedfordshire. At the Luton EiP hearings, it was argued that a single uniform uplift should be applied across the housing market area as a whole.

<sup>4.77</sup> **On this basis, this initial new SHMA proposes to maintain the 10% uplift in response to market signals**, with the household projection-based housing need uplifted by 10% in both Luton and Central Bedfordshire. Nevertheless, it is important to recognise that Luton borough continues to experience acute housing pressures in particular relating to homelessness and overcrowding, and it may still be appropriate to focus the delivery of this additional housing in the Luton functional housing market area as far as possible.

<sup>4.78</sup> It is important to recognise that the market signals uplift will include the specific increase applied for suppressed household formation in order to take account of **concealed families** and **homeless households** that would not be captured by the household projections; a total uplift of 1,917 dwellings of which 1,616 dwellings (84%) are in Luton and 301 dwellings are in Central Bedfordshire (16%). This adjustment should be incorporated as part of the response to market signals as both measures are designed to take account of the identified un-met need for housing.



## Housing Backlog

- 4.79 The Planning Advisory Service Good Plan Making Guide<sup>24</sup> identifies that the SHMA should “re-set the clock” and provide a new baseline assessment of all housing need. However, the SHMA must take account of ‘backlog’: any unmet need for housing that exists at the start of the plan period.

*“Having an up-to-date, robust Strategic Housing Market Assessment should re-set the clock, and therefore carrying forward under-provision from a previous plan period would be ‘double counting’. Make sure however that the Strategic Housing Market Assessment takes account of ‘backlog’ which is unmet need for housing that still exists at the start of the new plan period (for example, the needs of the homeless and other households living in unacceptable accommodation). The Strategic Housing Market Assessment should show all those in need. It is therefore vitally important to have a properly done Strategic Housing Market Assessment that has the right scope.” (page 49)*

- 4.80 This SHMA has fully considered the unmet needs of homeless and other households living in unacceptable accommodation (such as concealed families and sharing households) that existed in 2015. Furthermore, given that the SHMA also identifies all new housing need from the baseline date of 2015, all needs arising over the 20-year period 2015-35 have been identified and there will be no additional unmet need for housing to be counted for Plans with this base date.

## Conclusions

- 4.81 The “starting point” estimate for OAN is the CLG household projections, and the latest published data is the 2014-based projections for period 2014-39. These projections suggest that household numbers across the study area will increase by 57,536 over the 20-year Plan period 2015-35, an average of 2,877 per year.
- 4.82 However, a comprehensive review of the local demographic evidence identifies some significant problems with the official population data for the area which affect the official population projections. Consistent with PPG, the SHMA therefore takes full account of these “factors affecting local demography” through developing independent household and population projections based on long-term 10-year migration trends. These projections identify that **household numbers across the study area are projected to increase by 44,389 households over the 20-year Plan period 2015-35.**
- 4.83 We have identified that the baseline household projections should be increased by 1,917 households to take account of **concealed families** and **homeless households** that would otherwise not be captured due to suppressed household formation rates. On this basis, the demographic projections identify a total increase of 46,252 households over the 20-year Plan period. This adjustment responds to identified un-met need for affordable housing and also addresses suppressed household formation rates. **Providing for an increase of 46,252 households yields a baseline housing need of 47,906 dwellings over the 20-year period 2015-35.**
- 4.84 While demographic projections form the starting point for Objectively Assessed Need calculations, it is necessary to consider whether a higher rate of housing delivery may be needed to help address housing market problems. Further adjustments may be needed in response to balancing jobs and workers, market signals or any backlog of housing provision. However, it is important to recognise that these adjustments are not necessarily cumulative: it is necessary to consider them collectively.

<sup>24</sup> <http://www.pas.gov.uk/documents/332612/6363137/Pages+from+FINAL+PAS+Good+Plan+Making+-6.pdf>

- 4.85 The evidence from the forecast increase in jobs and the projected increase in workers identifies that there will be more than sufficient extra workers for the extra jobs, and the planned number of jobs aligns with the projected number of workers; so there is no need to increase housing delivery to provide any additional workers.
- 4.86 **An uplift of 10% is proposed as an appropriate response to the market signal indicators, which represents an additional 4,599 dwellings.** The overall housing need has already been increased by 1,917 dwellings to take account of concealed families and homeless households not captured by the household projections, and this should be considered as part of the response to market signals; but an additional increase of 2,682 dwellings is needed to deliver the overall uplift of 4,599 dwellings that has been identified.
- 4.87 Figure 66 summarises each of the stages for establishing the Full Objectively Assessed Need for Housing for Luton and Central Bedfordshire over the 20-year period 2015-35.

Figure 66: Full Objectively Assessed Need for Housing across Luton and Central Bedfordshire 2015-35

Stage		Luton	Central Bedfordshire	TOTAL
<b>HOUSEHOLDS</b>				
<b>Demographic starting point</b> CLG household projections 2015-35		22,948	34,587	57,535
<b>Adjustment for local demographic factors and long-term migration trends</b> 10-year migration trend 2005-15		-6,297	-6,849	-13,146
<b>Baseline household projections taking account of local circumstances</b>		16,651	27,738	44,389
<b>DWELLINGS</b>				
<b>Allowance for transactional vacancies and second homes</b> Based on dwellings without a usually resident household		449	1,151	1,600
<b>Housing need based on household projections taking account of local circumstances</b>		17,100	28,889	45,989
<b>Adjustment for suppressed household formation rates</b> Concealed families and homeless households		1,574 + 42 = 1,616	289 + 12 = 301	1,863 + 54 = 1,917
<b>Baseline housing need based on demographic projections</b>		18,716	29,190	47,906
<b>Further adjustments needed...</b>	<b>In response to balancing jobs and workers</b> Forecast jobs growth yields shortfall of workers based on current commuting rates; uplift needed to the baseline housing need	-	-	-
	<b>In response to market signals</b> 2,682 dwellings needed (in addition to the 1,917 dwellings for concealed families and homeless households) to deliver the proposed uplift of 10% (a total of 4,599 extra dwellings)	10% x 17,100 = 1,710 1,710 - 1,616 = <b>+94</b>	10% x 28,889 = 2,889 2,889 - 301 = <b>+2,588</b>	10% x 45,989 = 4,599 4,599 - 1,917 = <b>+2,682</b>
<b>Combined impact of the identified adjustments</b>		<b>+94</b>	<b>+2,588</b>	<b>+2,682</b>
<b>Full Objectively Assessed Need for Housing 2015-35</b>		<b>18,810</b>	<b>31,778</b>	<b>50,588</b>

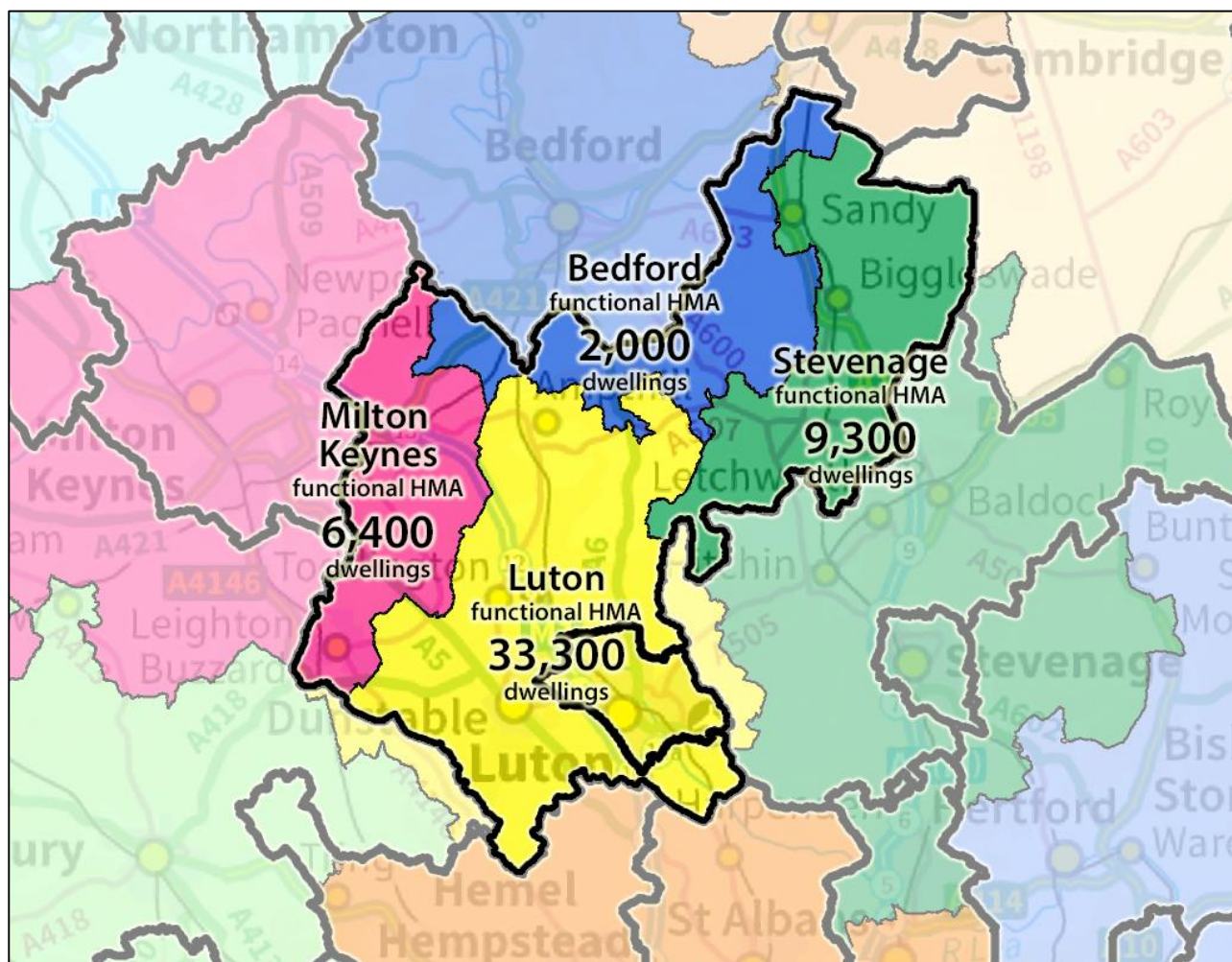
- 4.88 Of course, it is important to remember that “*establishing future need for housing is not an exact science*” (PPG ID 2a-014). Whilst the OAN must be underwritten by robust evidence that is based on detailed analysis and informed by reasonable assumptions, the final conclusions should reflect the overall scale of the housing needed in the housing market area without seeking to be spuriously precise.

- 4.89 **On this basis, the new SHMA identifies the Full Objective Assessed Need for Housing in Luton and Central Bedfordshire to be 51,000 dwellings over the 20-year period 2015-35, equivalent to an average of 2,550 dwellings per year.** This comprises 19,000 dwellings in Luton, an increase of 1,200 dwellings (6.7%) on the OAN of 17,800 identified by the previous SHMA for the period 2011-31; and 32,000 dwellings in Central Bedfordshire, an increase of 2,500 dwellings (8.5%) on the OAN of 29,500 for the previous period 2011-31. A further 850 dwellings would be needed in Luton borough for the additional year to 2036.
- 4.90 The OAN takes full account of household growth based on CLG 2014-based projections (the starting point); corrects for local demographic factors, particularly those affecting data quality; adjusts for long-term migration trends (which assume a higher rate of net migration to the rest of England); responds to suppressed household formation through providing for the growth of concealed families; responds to market signals and takes account of vacant and second homes.
- 4.91 The annual OAN of 2,550 dwellings is the average number of dwellings needed every year over the period 2015-35 and represents an average increase in the dwelling stock of 1.3% each year over the 20-year Plan period, notably higher than the 1.0% growth required across England to deliver 239,500 dwellings annually and towards the upper-end of the rate of housing need identified in areas surrounding Central Bedfordshire and Luton.
- 4.92 The annual average OAN of 2,550 dwellings is also notably higher than rates of housing delivery in Luton and Central Bedfordshire over the 10-year period 2001-11 (which have averaged around 1,320 dwellings each year) and therefore represents a step-change in historic rates of housing supply, which have already started to increase. Housing completion rates for the period 2010-15 have averaged around 1,600 annually (based on AMR data) and have now reached almost 2,000 dwellings (1,937 in 2014/15). The OAN identified therefore requires these recent higher rates of housing delivery to further increase and to be sustained at this level over the 20-year Plan period.

## Need by Functional Housing Market Area

- 4.93 The SHMA has considered the OAN for Luton and Central Bedfordshire administrative areas as a “best fit” to the Luton functional housing market area. Nevertheless, Central Bedfordshire’s administrative area is in practice divided between four functional housing areas:
- » Bedford functional HMA;
  - » Luton functional HMA;
  - » Milton Keynes functional HMA; and
  - » Stevenage functional HMA.
- 4.94 Given the Full OAN of 51,000 dwellings identified for the combined area of Luton and Central Bedfordshire (comprised of 19,000 dwellings in Luton borough and 32,000 dwellings in Central Bedfordshire), Figure 67 shows the distribution of Housing Need across the four functional HMAs (within Luton and Central Bedfordshire LPAs). This is based on a simple pro rata distribution based on the existing population at the time of the last Census in 2011.

**Figure 67: Objectively Assessed Need for Housing across the functional Housing Market Areas within Luton and Central Bedfordshire 2015-35 (Note: Figures only identify need within Luton and Central Bedfordshire administrative areas)**



## Housing Mix: Size and Tenure

- <sup>4.95</sup> When considering future need for different types of housing, the model assumes that the housing mix needed by households of each household type and age will reflect current patterns. For example, a growth in single person households aged 65-74 will lead to an increase in the need for the type of housing currently occupied by single person households of this age. On this basis, where such households continue to live in family housing despite no longer having a family living with them, this need for family housing will still be counted.
- <sup>4.96</sup> Figure 68 identifies the need for market housing and affordable housing of different types (in terms of flats and houses) and sizes (in terms of number of bedrooms).
- <sup>4.97</sup> Most of the market housing need is for housing (32,800 dwellings over the 20-year period) with a need for 1,500 flats also identified (around 5%), and the need for affordable housing is also predominantly for housing (around 12,500 dwellings) with a need for around 4,200 flats (around 25%). Whilst the need for affordable housing with four or more bedrooms is around 10% of the overall need, this represents a need for around 1,500 large affordable homes that need to be provided over the 20-year period 2015-35. Much of this need will be from existing households living in overcrowded accommodation.

**Figure 68: Housing mix of OAN for market and affordable housing by local authority (Source: ORS Housing Model. Note: Figures may not sum exactly due to arithmetic rounding)**

		Luton	Central Bedfordshire	TOTAL
<b>MARKET HOUSING</b>				
Flat	1 bedroom	110	730	800
	2+ bedrooms	-80	750	700
House	2 bedrooms	1,300	3,540	4,800
	3 bedrooms	7,330	13,040	20,400
	4 bedrooms	1,700	4,890	6,600
	5+ bedrooms	40	960	1,000
<b>Total Market Housing</b>		<b>10,400</b>	<b>23,900</b>	<b>34,300</b>
<b>AFFORDABLE HOUSING</b>				
Flat	1 bedroom	480	1,140	1,600
	2+ bedrooms	1,520	1,090	2,600
House	2 bedrooms	1,410	2,660	4,100
	3 bedrooms	4,210	2,700	6,900
	4+ bedrooms	1,020	510	1,500
<b>Total Affordable Housing</b>		<b>8,600</b>	<b>8,100</b>	<b>16,700</b>
<b>TOTAL</b>		<b>19,000</b>	<b>32,000</b>	<b>51,000</b>

<sup>4.98</sup> Of course, the spatial distribution of housing provision will be determined through the planning process; which will also consider the most appropriate location for market and affordable housing, and the type and size of properties to be provided in different areas.



# 5. Housing Requirements

## Considering the policy response to identified housing need

5.1 The SHMA has established the Full Objectively Assessed Need for Housing in Luton and Central Bedfordshire to be 51,000 dwellings over the 20-year period 2015-35, however this figure will need to be tested through the statutory Plan-making process.

5.2 This is confirmed by Planning Practice Guidance for housing and economic land availability assessment, which states that *“housing requirement figures in up-to-date adopted Local Plans should be used as the starting point for calculating the five year supply”* (paragraph 30). This point was further emphasised in a letter from the Housing Minister to the Planning Inspectorate in December 2014:

*“Many councils have now completed Strategic Housing Market Assessments either for their own area or jointly with their neighbours. The publication of a locally agreed assessment provides important new evidence and where appropriate will prompt councils to consider revising their housing requirements in their Local Plans. We would expect councils to actively consider this new evidence over time and, where over a reasonable period they do not, Inspectors could justifiably question the approach to housing land supply.*

*“However, the outcome of a Strategic Housing Market Assessment is untested and should not automatically be seen as a proxy for a final housing requirement in Local Plans. It does not immediately or in itself invalidate housing numbers in existing Local Plans.*

*“Councils will need to consider Strategic Housing Market Assessment evidence carefully and take adequate time to consider whether there are environmental and policy constraints, such as Green Belt, which will impact on their overall final housing requirement. They also need to consider whether there are opportunities to co-operate with neighbouring planning authorities to meet needs across housing market areas. Only after these considerations are complete will the council’s approach be tested at examination by an Inspector. Clearly each council will need to work through this process to take account of particular local circumstances in responding to Strategic Housing Market Assessments.”*

5.3 The individual local authorities are currently in the process of preparing Local Plans. In establishing the OAN, the SHMA has taken full account of all unmet need for housing that is likely to exist at the start of the new Plan periods; therefore any under-delivery against current housing targets need not be counted again. However, whilst the OAN identified by the SHMA will be a key part of the evidence base, the Local Plans will be the mechanism through which the SHMA evidence will be assessed against environmental and policy constraints, such as Green Belt, to identify a sustainable and deliverable plan requirement.

5.4 The Local Plans will also consider the spatial distribution of future housing and jobs growth across the Luton functional housing market area and the other functional housing market areas that cover Central Bedfordshire. The spatial distribution will be informed by the proposed Growth Options Study and the Employment Land Review and Economic Development Needs Assessment studies that are currently being undertaken.

## Affordable Housing Need

- 5.5 The SHMA has identified a substantial need for additional affordable housing: a total of 16,700 dwellings across Luton and Central Bedfordshire over the 20-year period 2015-35. Given the level of affordable housing need identified, it will be important to maximise the amount of affordable housing that can be delivered through market housing led developments. Key to this is the economic viability of such developments, as this will inevitably determine (and limit) the amount of affordable housing that individual schemes are able to deliver.
- 5.6 As part of their strategic planning and housing enabling functions, the Councils will need to consider the most appropriate affordable housing target in order to provide as much affordable housing as possible without compromising overall housing delivery. This target should provide certainty to market housing developers about the level of affordable housing that will be required on schemes, and the Councils should ensure that this target is achieved wherever possible in order to increase the effective rate of affordable housing delivery.
- 5.7 PPG identifies that Councils should also consider “an increase in the total housing figure” where this could “help deliver the required number of affordable homes”; although this would not be an adjustment to the OAN, but a policy response to be considered in the local plan:

*The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes. (Paragraph 029)*

**Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

- 5.8 It will therefore be important for the Councils to consider the need for any further uplift once the affordable housing target has been established. However, as confirmed by the Inspector examining the Cornwall Local Plan in his preliminary findings<sup>25</sup> (paragraphs 3.20-21):

*“National guidance requires **consideration** of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites. The realism of achieving the intended benefit of additional affordable housing from any such uplift is relevant at this stage, otherwise any increase may not achieve its purpose.*

*Any uplift on the demographic starting point ... would deliver some additional affordable housing and can be taken into account in judging whether any further uplift is justified.”*

- 5.9 Given that the identified OAN already incorporates an uplift of 10% on the baseline household projections, this will contribute to increasing the supply of affordable homes through market housing led developments. The Councils will need to consider whether there is sufficient justification for any further increase in the total housing figures included in their Local Plans (beyond the identified OAN) as part of their policy response to meeting the identified need for affordable housing; although it will be important for them to consider the implications of providing a higher level of market housing than identified by the OAN, in particular the consequences on the balance between jobs and workers.

<sup>25</sup> <https://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf>

5.10 The contribution towards affordable housing delivery that can be achieved through market housing led developments shouldn't be considered in isolation. The Government has launched a series of new initiatives in the past 5 years to attempt to boost the supply of homes, including affordable homes. The key Homes and Communities Agency (HCA) investment programmes include:

- » **Affordable Homes Programme:** the flagship HCA investment programme(s) for new affordable homes – the 2015-18 programme intends to support the building of 43,821 new affordable homes across 2,697 schemes in England
- » **Affordable Homes Guarantees Programme:** guaranteeing up to £10bn of housing providers' debt in order to bring schemes forward
- » **Care and Support Specialised Housing Fund:** funding used to accelerate the development of the specialised housing market such as Older People and those with disabilities
- » **Community Right to Build:** (Outside London) including some provision for affordable homes
- » **Empty Homes programme**
- » **Estate Regeneration Programme:** often creating mixed tenure communities
- » **Get Britain Building:** aiming to unlock locally-backed stalled sites holding planning permission and including affordable homes

5.11 However, there are currently a number of constraints that are affecting the delivery of new affordable housing; although there is also a range of other initiatives that may help increase delivery in future.

Constraints affecting the delivery of new affordable housing	Other initiatives potentially increasing the delivery of new affordable housing
<p><b>Welfare reform</b> Most stakeholders (including private landlords, house builders, local authorities and RPs) are concerned at the impact of benefit reform and the risk to their revenue. Credit rating agency have also signalled concerns.</p> <p><b>Registered Providers</b> Many RPs have become more risk averse in their approach to developing new homes. The move to Affordable Rent as opposed to Social Rent housing and the resultant reduction in grant rates has made delivery and viability issues more pronounced. Grant level reductions in the AHP 2015-18 have, arguably, increased risk perceptions further.</p> <p><b>Stock rationalisation by Registered Providers</b> The new regulatory framework for RPs continues the emphasis on economic regulation. This could, potentially, reduce current supply of affordable housing. Already, sector trends indicate many associations are identifying under-performing stock with a view to rationalisation.</p> <p><b>Extension of Right to Buy (RTB) to Registered Providers</b> The Government pledge to introduce an RTB for RP tenants mean many associations will need to assess the risk to their Business Plans and this might reduce appetite for new development.</p>	<p><b>Councils building more new homes</b> Many Councils are now trying to bring new rental schemes forward following reform of the HRA system.</p> <p><b>New 'for profit' providers</b> Over 30 'for profit' providers to deliver AHP homes have so far registered with the HCA, mainly in order to deliver non-grant affordable housing. There is arguably potential for increased supply of affordable homes for rent by 'for profit' providers.</p> <p><b>Co-operative Housing</b> Given current delivery constraints, co-operative housing has been identified as a further alternative supply for households unable to access ownership or affordable housing. The Confederation of Co-operative Housing, working with RPs, is currently trying to bring schemes forward. The HCA has held back funding for Co-operative Housing in the previous AHP.</p>



- 5.12 The Government also sees the growth in the private rented sector as positive. Whilst private rented housing (with or without housing benefit) does not meet the definitions of affordable housing, it offers a flexible form of tenure and meets a wide range of housing needs. The sector also has an important role to play given that many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. If there isn't sufficient private rented housing available at a price these households can afford, the need for affordable housing would be even higher.
- 5.13 A Government task force was established in 2013 to encourage and support build-to-let investment<sup>26</sup>. The HCA also has several investment programmes to help bring schemes forward. These include a £1 billion Build to Rent Fund, which will provide equity finance for purpose-built private rented housing, alongside a £10 billion debt guarantee scheme to support the provision of these new homes. New supply of private rented housing therefore seems likely from various sources, despite current volumes being relatively low:
- » **Registered Providers** are potential key players in the delivery of new PRS supply and recently several have begun to enter the market in significant scale<sup>27</sup>, particularly in response to the Build to Rent Fund, although other institutional funding is also being sought. Overall, although interest is high, it remains unclear as to the scale of development which may deliver.
  - » **Local Authorities** can also enable new PRS supply to come forward investing local authority land, providing financial support (such as loan guarantees), and joint ventures with housing associations, developers or private investors under the Localism Act. Whilst LA initiatives may contribute to new build PRS, these will take time to deliver significant numbers of units.
  - » **Local Enterprise Partnerships** are another potential source of new build PRS homes<sup>28</sup>. The Growing Places Fund provides £500 million to enable the development of local funds to promote economic growth and address infrastructure constraints in order to enable the delivery of jobs and houses. Any funding for housing, however, has to compete with other priorities e.g. skills and infrastructure. However, LEPs could potentially enable new PRS housing delivery and some attempts have been made in this regard to increase supply.
  - » **Insurance companies** and **pension funds** have been expanding into property lending in recent years; especially schemes in London. Nearly a quarter of new UK commercial property finance came from non-bank lenders in 2013.
- 5.14 National Government policy is also focused on improving the quality of both management and stock in the private rented sector, and local councils also have a range of enforcement powers. This is particularly important given the number of low income households that rent from a private landlord.
- 5.15 **Given the substantial need for affordable housing identified across Luton and Central Bedfordshire, the Councils will need to consider the most appropriate affordable housing target as part of their strategic planning and housing enabling functions. However, it will also be important for the Councils to consider all of the options available to help deliver more affordable homes in the area.**

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<sup>26</sup> <https://www.gov.uk/government/publications/2010-to-2015-government-policy-rented-housing-sector/2010-to-2015-government-policy-rented-housing-sector#appendix-9-private-rented-sector>

<sup>27</sup> <http://www.insidehousing.co.uk/business/development/transactions/lq-to-launch-prs-subsiary/7009701.article>

<sup>28</sup> <https://www.gov.uk/government/publications/growing-places-fund-prospectus>

## Older People in Residential Institutions (Use Class C2)

- 5.16 Planning Practice Guidance for Housing and Economic Land Availability Assessment states the following in relation to housing for older people:

### *How should local planning authorities deal with housing for older people?*

*Older people have a wide range of different housing needs, ranging from suitable and appropriately located market housing through to residential institutions (Use Class C2). Local planning authorities should count housing provided for older people, including residential institutions in Use Class C2, against their housing requirement. The approach taken, which may include site allocations, should be clearly set out in the Local Plan.*

Planning Practice Guidance for Housing and Economic Land Availability Assessment 2014, paragraph 37

- 5.17 On this basis, the Councils will need to consider the most appropriate way to count the supply of bedspaces in residential institutions (Use Class C2) as part of their overall housing monitoring, and decide whether this should form part of the overall housing supply.
- 5.18 **It is important to recognise that the identified OAN of 51,000 dwellings does not include the projected increase of institutional population, which represents a growth of 1,389 persons over the 20-year period 2015-35.** This increase in institutional population is a consequence of the CLG approach to establishing the household population<sup>29</sup>, which assumes “that the share of the institutional population stays at 2011 levels by age, sex and relationship status for the over 75s” on the basis that “ageing population will lead to greater level of population aged over 75 in residential care homes”.
- 5.19 **On this basis, if bedspaces in residential institutions in Use Class C2 are counted within the housing supply then the increase in institutional population aged 75 or over would need to be counted as a component of the housing requirement (in addition to the assessed OAN).** If these bedspaces are not counted within the housing supply, then there is no need to include the increase in institutional population as part of the housing requirement.
- 5.20 Nevertheless, older people are living longer, healthier lives, and the specialist housing offered today may not be appropriate in future years and the Government’s reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. Therefore, despite the ageing population, current policy means that the number of care homes and nursing homes may actually decline, as people are supported to continue living in their own homes for longer.
- 5.21 Although the institutional population is projected to increase by 1,389 persons over the Plan period (based on the CLG assumption that there will be a “greater level of population aged over 75 in residential care homes”), it does not necessarily follow that all of this need should be provided as additional bedspaces in residential institutions in Use Class C2 – but any reduction in the growth of institutional population aged 75 or over would need to be offset against higher growth for these age groups in the household population; which would yield more households than assumed when establishing the OAN.
- 5.22 **On this basis, if fewer older people are expected to live in communal establishments than is currently projected, the needs of any additional older people in the household population would need to be counted in addition to the assessed OAN.**

<sup>29</sup> Household Projections 2012-based: Methodological Report, Department for Communities and Local Government, February 2015

## Gypsies and Travellers

- 5.23 Planning Policy for Traveller Sites (PPTS) came into force in March 2012. This document sets out the Government's policy for Gypsies and Travellers and represents the only policy for a particular household group which is not directly covered by the NPPF. However, at paragraph 1 PPTS notes that:

*This document sets out the Government's planning policy for traveller sites. It should be read in conjunction with the National Planning Policy Framework.*

**Planning Policy for Traveller Sites, paragraph 1**

- 5.24 An April 2015 High Court Judgement, '*Wenman v SSCLG and Waverley Borough Council*', has clarified the relationship between Gypsy and Traveller and Travelling Showpeople Needs Assessments and OAN. At paragraphs 42 and 43, the Judgement notes:

*"42. However, under the PPTS, there is specific provision for local planning authorities to assess the need for gypsy pitches, and to provide sites to meet that need, which includes the requirement to "identify, and update annually, a supply of specific deliverable sites sufficient to provide five years' worth of sites against their local set targets" (paragraph 9(a)). These provisions have a direct parallel in paragraph 47 NPPF which requires local planning authorities to use their evidence base to ensure that the policies in their Local Plan meet the full objectively assessed needs for housing in their area, and requires, inter alia, that they "identify and update annually a supply of specific deliverable sites sufficient to provide five years' worth of housing".*

*"43. The rationale behind the specific requirement for a five year supply figure under paragraph 9 PPTS must have been to ensure that attention was given to meeting the special needs of travellers. Housing provision for this sub-group was not just to be subsumed within the general housing supply figures for the area. Therefore it seems to me most unlikely that the housing needs and supply figures for travellers assessed under the PPTS are to be included in the housing needs and supply figures under paragraph 47 NPPF, as this would amount to double counting."*

- 5.25 The position proposed by the judgement is correct in that Gypsy and Traveller and Travelling Showpeople households will form part of the household projections, concealed households and market signals which underwrite the OAN calculation. The needs of these households are counted as part of the overall OAN; therefore any needs identified as part of a Gypsy and Traveller and Travelling Showpeople Needs Assessment are a component of, and not additional to, the OAN figure identified by the SHMA.

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