GL Hearn
Part of Capita Real Estate

Contents

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1. SUMMARY AND CONCLUSIONS

Overall Housing Need

1.1 This report provides an updated assessment of housing need in Thanet District to take account of 2014-based ONS Sub-National Population Projections and CLG Household Projections. These projections show stronger population growth than the previous 2012-based projections, which informed the SHMA Update, and thus indicate a higher level of objectively assessed housing need.

1.2 The new projections point to population growth of 20.0% (1.0% pa) over the 2011-31 plan period. This takes into account 2015 Mid-Year Population Estimates. Whilst based on trends between 2008/9 – 2014, this is similar to the rate of population growth shown based on longer-term migration trends either over a 10 year period (2004-14) or 14 years (2001-14) of between 19.7% - 20.5%. The higher population growth is driven by stronger expected net in-migration to the District, 70% of which is internal migration from within the UK. Whilst evidently there is uncertainty regarding the impact which future immigration policy could have on international migration, it is by no means clear that this will result in lower population growth in Thanet in a context whereby the official projections already assume a significant reduction of over 50% in net international migration to the UK over the next 5 years. Using a consistent approach to the SHMA Update, applying headship rates to the expected population growth results in a demographic need for 821 dpa.

1.3 However the evidence indicates that it would be appropriate to make an allowance for higher out-migration from London than seen over the 2008/9 – 2014 period given as the economy moves away from recession, and to align with assumptions made within the London Plan. This results in an upwards adjustment to the housing need of 2% to 838 dpa.

1.4 This level of demographic growth would support workforce growth of between 6,050 (based on employment rates remaining static) to 9,700 (with increasing numbers of older persons in the workforce based on later retirement) over the plan period. Economic forecasting is an inexact science, but forecasts show jobs growth of between 1,200 – 5,100 additional jobs. Taking account of commuting dynamics and the potential for some people to hold down more than one job, this would require an increase in the resident workforce of up to 5,600 over the plan period. It is very clear that there is no need to adjust upwards the demographic need to support the local economy and employment growth.

1.5 The SHMA Update considered the need for affordable housing, and identified a net need for 397 dpa. This is the level of provision which would be necessary if all households requiring financial support were to be allocated an affordable home. This represents 47% of the need for housing identified based on demographic growth and enhanced migration from London. The scale of affordable housing need has been influenced by past investment policies, right-to-buy losses and available funding. It provides some basis for considering an upward adjustment to housing provision, albeit that it should be recognised that it includes needs arising from existing households who require an alternative size or tenure of home rather than additional housing per se.

1.6 Market signals continue to point to housing in Thanet being relatively affordable. House prices are a third below the South East average and 12% below the national average – with increasing differentials evident in the latest data relative to that presented in the SHMA Update. The district has some of the lowest house prices in the South East region. Affordability measured by the lower quartile house price to income ratio stands at 8.37, which is above the national average but below many other parts of the region and influenced as much by low earnings as housing costs. Economic regeneration can contribute to addressing this. There is some evidence that younger households' ability to form deteriorated between 2001-11 with overcrowding and levels of renting increasing, however it is important to set this in context – with the ability of younger households in their 20s and 30s to form households in Thanet notably higher than in many other parts of the region.

1.7 On the basis of the evidence from market signals and of affordable housing needs, it is appropriate to make a modest upward adjustment to improve affordability and younger households ability to form. A modest upward adjustment of 19 dpa is warranted, which increases the housing need to 857 dwellings per annum (2011-31). The scale of adjustment is modest taking account of the evidence, and the upward adjustments already made in deriving the OAN.

1.8 This report therefore concludes in identifying a full objectively assessed need for 17,140 dwellings over the 2011-31 plan period (857 dpa). This is 9% higher than shown in the SHMA Update, reflecting the latest demographic data.

Older Persons Housing Needs

1.9 The updated demographic projections used herein affect the growth in population of older persons, and thus the assessed need for specialist accommodation for older persons and care/ nursing home provision.

1.10 The population aged over 65 in the District is expected to grow by almost 32,000 over the plan period driven by improved life expectancy and an ageing of the population structure. This is expected to result in a need for 1,522 units of specialist housing for older persons over the plan period (equivalent to 76 dwellings per annum). This includes sheltered and extra-care housing and forms part of the full OAN for 17,140 dwellings identified.

1.11 In addition, a need for additional nursing and care home bedspaces is identified, for 591 bedspaces over the 20 year plan period. This is in addition to the full OAN identified and relates to a C2 use class.

2. INTRODUCTION

1.12 Thanet District Council is in the process of development of a local plan which will guide development within the District over the period to 2031. GL Hearn has prepared a Strategic Housing Market Assessment Update for the Council, which was published in January 2016.

1.13 Since this point however new Sub-National Population projections have been published by the Office for National Statistics (ONS), in May 2016, and new household projections have been development by the Government based on these, which were published in July 2016. The purpose of this report is to update the SHMA Update findings to take account of this latest data, against a context whereby Planning Practice Guidance outlines that these latest official population and household projections should provide the starting point for identifying objectively-assessed housing need.

1.14 The report focuses on the overall need for housing – the objectively assessed housing need – leaving aside issues related to land supply and development constraints. It provides an updated assessment of the need for housing, and care/ nursing home bedspaces, arising from a growing older population. It does not however deal with the mix of housing needed, as the SHMA Update findings in this respect should continue to be appropriate.

1.15 The report is intended to be treated as an Addendum to the SHMA Update (GL Hearn, Jan 2016) and should be read alongside this.

3. 2014-BASED POPULATION & HOUSEHOLD PROJECTIONS

1.16 This section sets out the projected population growth in the 2014-based Sub-National Population Projections (SNPP) and associated household growth in the 2014-based Household Projections. It provides an interrogation of the components of population change, and sensitivity testing around migration and household formation rates.

2014-based Sub-National Population Projections

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

1.18 The SNPP are project forward age-specific trends in fertility, mortality and migration over the preceding five years, with the exception of international migration which is projected based on trends over the previous six years and constrained to the ONS 2014-based national population projections. The latter assume that international migration falls from 330,000 in 2013-14 to 185,000 in 2020-21 and then remains at this level thereafter. This is considered further later in this section.

1.19 The 2014-based SNPP, as published, shows population growth of 27,100 in Thanet over the plan period, which compares to growth of 24,100 persons (17.9%) in the previous 2012-based SNPP.

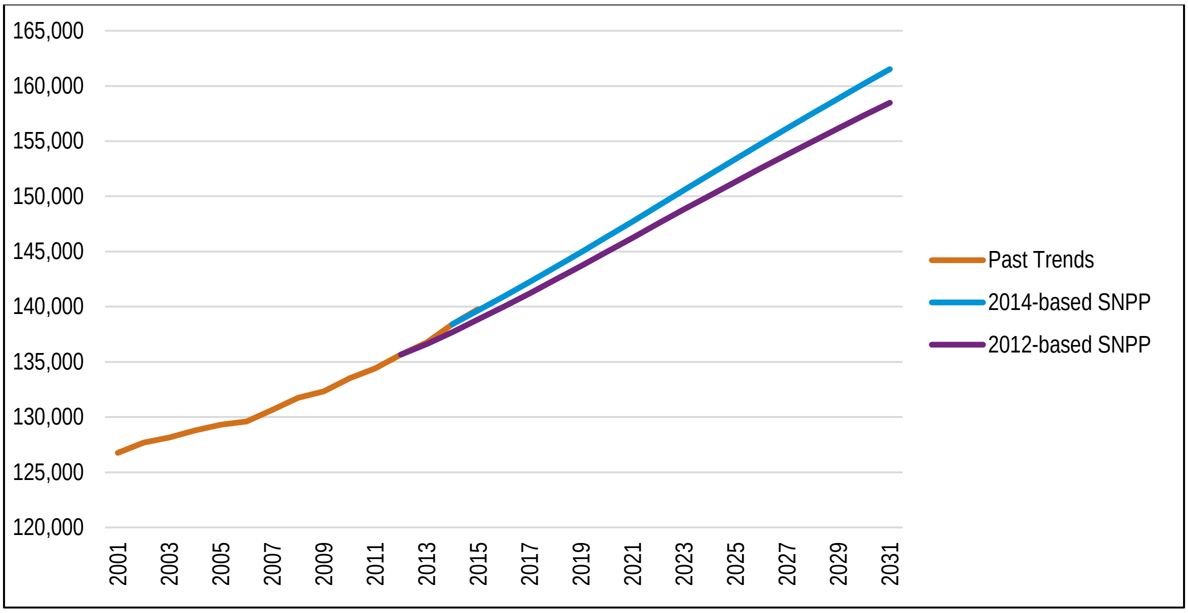
Table 1: Projected Population Growth in Thanet, 2011-31

	Population 2011	Population 2031	Change in population	% change
2014-based SNPP	134,402	161,527	27,125	20.2%
2012-based SNPP	134,402	158,491	24,089	17.9%

Source: ONS

1.20 The higher projected population growth in the latest projections is particularly influenced by stronger recent growth in the District's population, as the figure below shows.

Figure 1: Population Growth, Thanet



Source: ONS

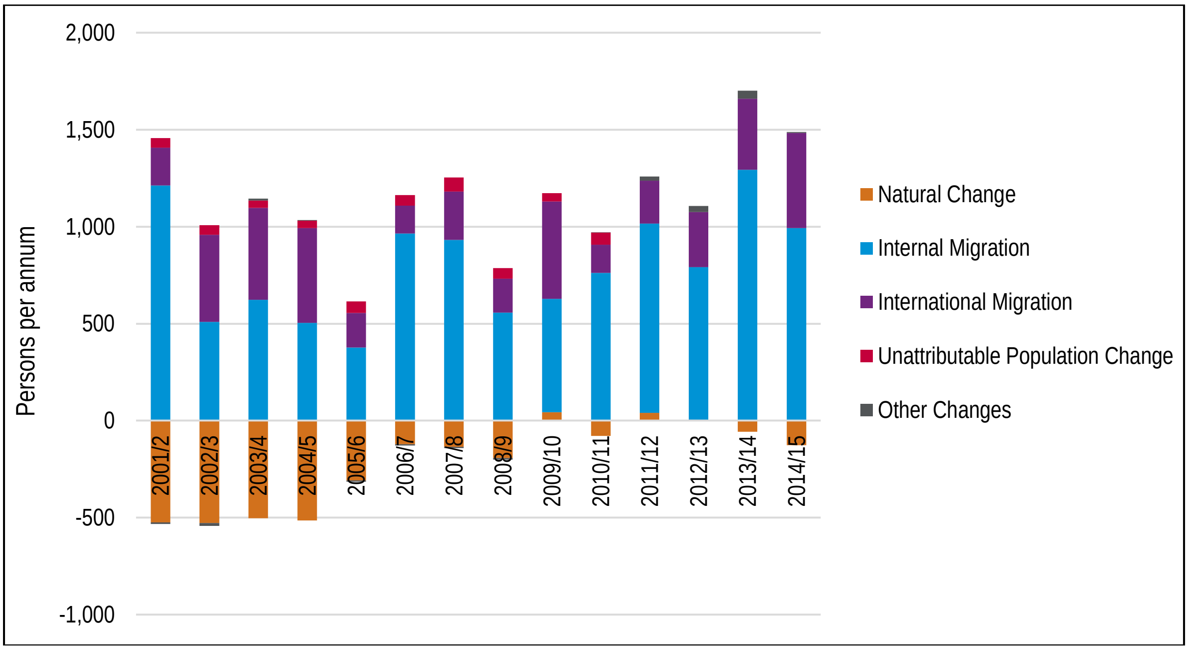
1.21 The 2014-based SNPP expects the District's population to grow at a rate of 0.98% per annum, which is above that expected in the previous 2012-based SNPP (0.89% pa). The projected growth rate moving forwards in the 2014-based SNPP is slightly higher than that seen over the previous 5 years (0.94%) and notably above that seen over the previous 10 years.

Table 2: Past and Projected Rates of Population Growth

	Compound Annual Growth Rate	Period
5 years	0.94%	2010-15
10 years	0.81%	2005-15
2012-based SNPP	0.89%	2012-31
2014-based SNPP	0.98%	2014-31

1.22 To understand the population projection, it is important to analyse the components of population growth. Over the period feeding into the 2014-based SNPP natural change is generally negative (i.e. more deaths than births) there is a significant level of both international and (in particular) internal net migration. Between 2009-14 net internal migration averaged 882 people per annum; this compares to net internal migration of 763 over the five-year period preceding the 2012-based SNPP.

Figure 2: Past Components of Population Change



Source: ONS

1.23 As set out in GL Hearn's previous report, there was a positive level of Unattributable Population Change equivalent to over 500 persons over the 2001-11 decade. This could reflect issues associated with accuracy of the Census data in 2001 and/or 2011, and/or the accuracy of recording of migration between these points. We cannot be certain as to the degree to which migration data should be adjusted or to how an under-estimation of migration might have affected different years within the 2001-11 decade. As ONS has implemented a programme to improve migration statistics, it is likely that the latter years of data would be less susceptible to error than earlier years of the

2001-11 decade or whether the UPC reflected Census inaccuracies. The ONS does not include any adjustments for UPC within the forward projections. Whether it remains appropriate to include adjustments for UPC is considered further later in this section.

1.24 Of the projected 1,356 increase in the population per annum over the 2011-31 period in the 2014-based SNPP, around 2% is a result of projected natural increase (more births than deaths). The remaining 98% of population growth in the 2014-based SNPP is due to the projected net number of migrants – 80% due to internal migration and 18% due to international migration.

1.25 The patterns of population change in Thanet being dominated by internal net migration is consistent with the profile shown in the 2012-based SNPP. The difference between the population growth in the 2012- and 2014-based projections is due to increases in the projected level of net migration, with natural change actually being slightly lower in the 2014-based version.

Table 3: Projected Components of Population Change – 2012- and 2014-based SNPP (2011-2031)

	2012-based SNPP		2014-based SNPP	
	Population change per annum	% of change	Population change per annum	% of change
Natural Change	95	8%	29	2%
Internal Migration	932	77%	1,082	80%
International Migration	179	15%	243	18%
Total Change	1,204	100%	1,356	100%

Source: ONS

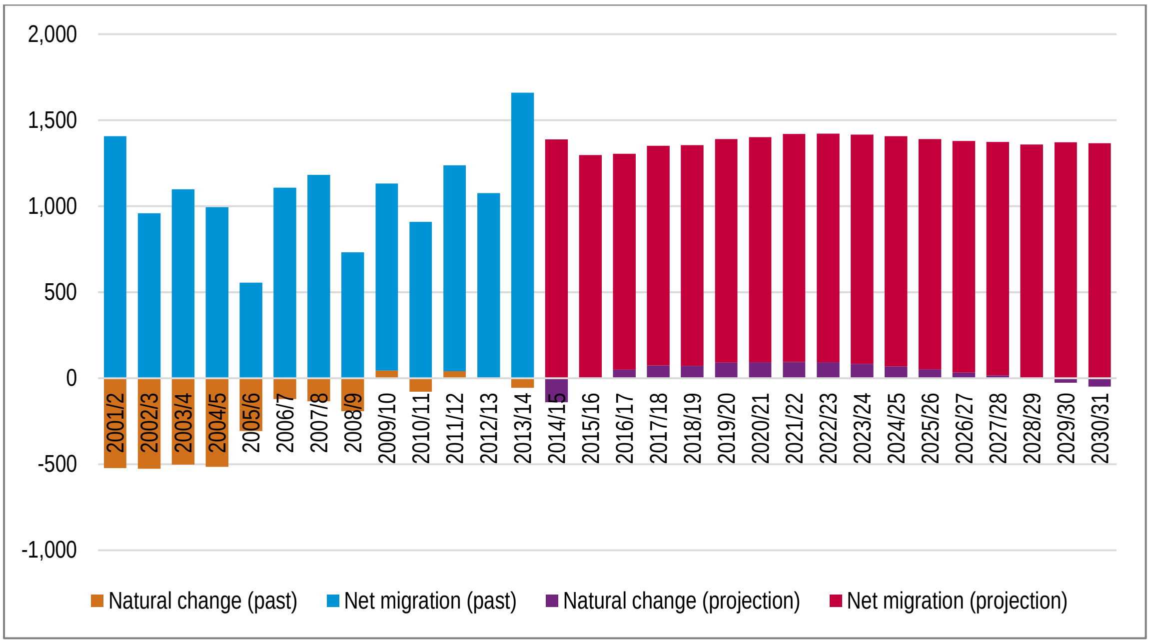
1.26 International migration is modest as a component of overall population change. The ONS projection methodology constrains international migration within Sub-National Population Projections to its national projections. The ONS 2014-based Population Projections assume that net international migration to the UK would fall from 330,000 in 2013/14 to 185,000 in 2020/21 and continue at that level thereafter. In 2014-15, net international migration was of 336,000. In contrast the 2012-based SNPP projected net international migration of 165,000.

1.27 Whilst there are evidently uncertainties about future UK immigration policy, inflows from the EU currently account for around 50% of immigration nationally. There are potential short-term upsides associated with people seeking to move to the UK before Brexit occurs. Fundamentally, the SNPP already assume a substantial reduction in net migration to the UK and there is no clear evidence that Brexit would lead to lower international migration than is currently assumed in the SNPP.

1.28 The figure below brings together data about the components of the population change in the 2014-based SNPP. This shows that natural change is expected to increase slightly until about 2022, and then starting to fall as the projection works through to 2031. This reflects age structure changes. Net migration is generally projected to be fairly constant over time.

1.29 Over the whole projection period (2014-31) the level of natural change is projected to be 35 per annum, with net migration (both domestic and international) averaging about 1,330 people each year.

Figure 3: Past and Projected Components of Change (2001-2031) – Thanet



Source: ONS

Incorporating 2015 Mid-year Population Estimates

1.30 The PPG sets out that account should be taken of the latest Mid-Year Population Estimates. If these are incorporated in the forward projections, effectively rebasing the 2014-based SNPP to take account of actual (rather than projected) population change between 2014-15, the revised population growth is as follows:

Table 4: Projected Population Growth – Rebased 2014-based SNPP

	Population 2011	Population 2031	Change in population	% change
Rebased 2014-based SNPP	134,402	161,252	26,850	20.0%

Sensitivity Analysis

1.31 Population projections are particularly sensitive to the assumptions on migration, which (as previously illustrated) has varied quite notably year-on-year historically in Thanet, as in many areas.

The selection of the time period from which migration is projected forward therefore affects the scale of population growth, age structure changes and ultimately household growth.

1.32 The base period feeding into the 2014-based SNPP (2008/9 – 2014) included a period of economic recession. There has been some impact of this on population/ household movement, with GL Hearn's experience pointing to greater population growth in larger urban areas in particular. A longer reference period may provide more stable projections for population growth, as the Planning Advisory Service's Note on *Objectively Assessed Housing Need and Housing Targets* explains. This however needs to be set against evidence of stronger recent UK population growth, and the potential impact of UPC when considering longer-term population trends.

1.33 A sensitivity analysis has therefore been undertaken which considers the following additional projections:

Table 5: Overview of Population-led Sensitivity Analysis

Projection	Description
10 Year Migration Trends	Adjustment to migration assumptions in the 2014-based SNPP based on differences between the input period (2008/9 – 2014) and trends between 2005-15. Uses ONS published migration estimates with no adjustment for UPC.
10 Year Migration Trends adjusted for UPC	As above, but with migration estimates between 2005-11 adjusted downwards for UPC. For the purposes of the modelling the UPC has been split equally between internal and international migration, along with equal adjustments (in an upward or downward direction as appropriate) to each of in- and out-migration.
14 Year Migration Trends	Adjustment to migration assumptions in the 2014-based SNPP based on differences between the input period (2008/9 – 2014) and trends between 2001-15. Uses ONS published migration estimates with no adjustment for UPC.
14 Year Migration Trends adjusted for UPC	As above, but with migration estimates between 2001-11 adjusted downwards for UPC. For the purposes of the modelling the UPC has been split equally between internal and international migration, along with equal adjustments (in an upward or downward direction as appropriate) to each of in- and out-migration.

1.34 The input period to the SNPP saw net migration of 1,164 persons per annum (ppa) set against 1,002 ppa in the previous 2012-based SNPP. Looking at longer-term trends, migration has been running at 1,099 ppa over the previous 10 years and 1,103 ppa over the period since 2001 based on published data.

1.35 The sensitivity analysis indicates that population growth of 1% per annum might be expected over the plan period to 2031. The rebased 2014-based SNPP, with 20.0% growth projected, sits in the middle of the range shown by the sensitivity projections. **Regardless of the base period studied, the outputs in terms of population growth are broadly similar. Both short and longer-term migration point to similar levels of population growth.**

Table 6: Population Growth – Sensitivity Scenarios

	2011	2031	Population Change	% Growth	Compound Annual Growth Rate (CAGR)
10 Year Migration Trends	134,402	160,814	26,412	19.7%	1.0%
10 Year Migration Trends adjusted for UPC	134,402	161,471	27,069	20.1%	1.0%
14 Year Migration Trends	134,402	161,303	26,901	20.0%	1.0%
14 Year Migration Trends adjusted for UPC	134,402	162,014	27,612	20.5%	1.0%

1.36 Unattributable Population Change relates to the 2001-11 period. However, within this period it is more likely to relate to the earlier part of the period, taking account of the impact of the ONS Improving Migration Statistics Programme which introduced improved methods of estimating migration (and particularly international migration) at a local authority level, and should have resulted in improved accuracy of migration estimates in later years in the decade.

1.37 GL Hearn considers that with an input period from 2008/9 – 2014 for the 2014-based SNPP that there is a limited justification for including adjustments for UPC. When considering longer-term migration trends, the potential inaccuracies in the recording of migration are of greater relevance, and it is thus appropriate to consider the 10-and 14-year migration scenarios with/ without UPC as a range.

Sensitivity Analysis – Migration from London

1.38 There is a level of migration both to and from London from the District as identified in the SHMA Update. The Greater London Authority (GLA) identified as part of their 2013-based Projections feeding into the Further Alterations to the London Plan (FALP) that there had been a marked change in internal migration dynamics to and from London since the beginning of the recession (2007/8). Overall, the GLA identified that out-migration from London to other parts of the UK had dropped by about 10% along with a 6% increase in in-migration. This was considered to relate to the impact of the recession/ housing market downturn.

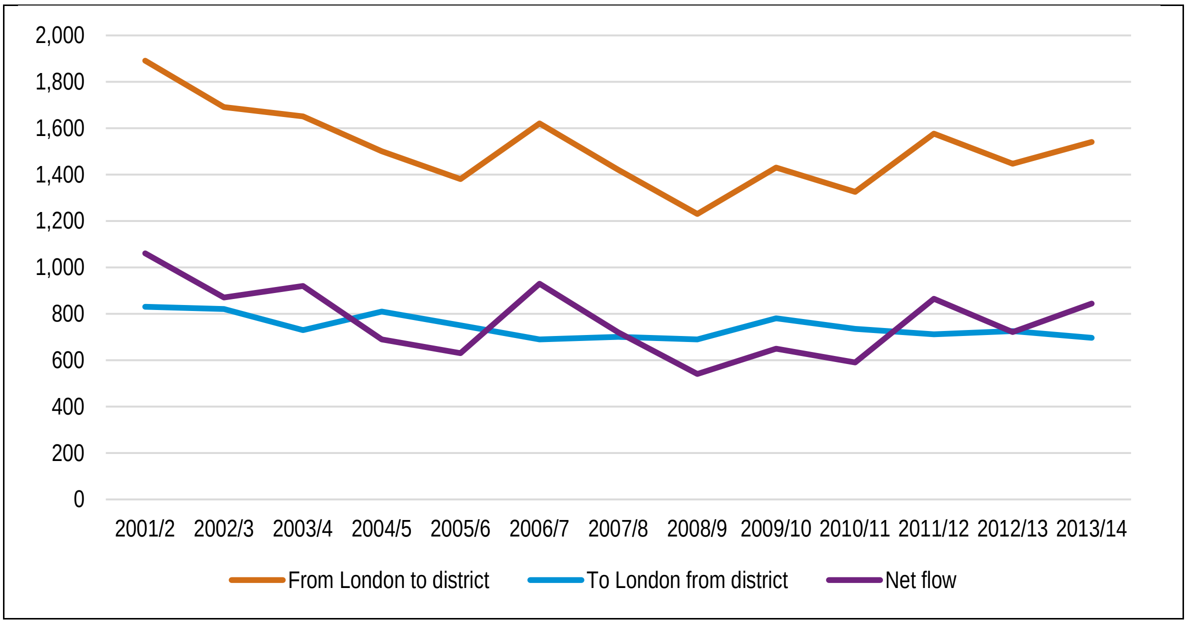
1.39 As a result of this, the GLA developed a series of population and household projections with different assumptions about migration. The Central Scenario (which underpins the current London Plan) made the assumption that after 2017, migration levels would revert back to pre-recession levels. The GLA in effect took a midpoint between pre- and post-recession migration statistics and assumed a 5% uplift in out-migration and a 3% decrease in in-migration[1] to present how they saw migration dynamics potentially changing as the economy moved beyond recession.

1.40 There is some basis for considering similar assumptions, or longer-term migration trends, to take account of the recessionary influence on flows from London.

1.41 The figure below shows that migration flows from London to Thanet fell slightly over the 2001-14 period and that the number of moves to London from the District has been broadly stable. This has influenced net flows which were lower between 2008-11 than in the longer-term.

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

Figure 4: Interrogating Migration flows between London and Thanet



Source: GLA/ONS

1.42 Next we have sought to provide a sensitivity analysis which considers how changing migration to and from London could influence housing need in Thanet. Given the drop in migration from London to areas around it through the recession period, the GLA has advised that authorities in the South East and East of England should consider the inter-relationship with London, and model scenarios such as based on longer-term migration trends. GL Hearn has done this, as shown above, and modelled an additional sensitivity analysis which adjusts migration assumptions in the latest SNPP to adopt consistent assumptions on migration from London to the current London Plan.

1.43 The table below outlines the differences between migration in the pre-2008 period, and that over the 2009-14 period which has fed into the 2014-based SNPP. The analysis shows net migration from London in the 2009-14 period which is 97 persons per annum lower than pre-recession trends.

Table 7: Migration to- and from- London and Thanet

	From London to district	To London from district	Net flow
2001/2	1,890	830	1,060
2002/3	1,690	820	870
2003/4	1,650	730	920
2004/5	1,500	810	690
2005/6	1,380	750	630
2006/7	1,620	690	930
2007/8	1,420	700	720
2008/9	1,230	690	540
2009/10	1,430	780	650
2010/11	1,326	735	591
2011/12	1,577	712	865
2012/13	1,447	726	721
2013/14	1,541	696	844
Pre-2008 average	1,593	761	831
SNPP average	1,464	730	734
Difference	129	32	97

Source: GLA/ONS

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

1.45 The table below shows overall population growth in this alternative projection. This shows population growth of 20.5% between 2011-31 (compared to 20.0% in the 2014-based SNPP projection). The overall impact is thus relatively modest.

Table 8: Projected Population Growth (2011-2031) –London Migration Sensitivity Analysis

	Population 2011	Population 2031	Change in population	% change
Thanet	134,402	161,985	27,583	20.5%

Conclusions on Trend-based Population Projections

1.46 GL Hearn considers that the rebased 2014-based SNPP should be taken forward in drawing conclusions on demographic-based need for housing. Our conclusions are based on the following:

- Planning Practice Guidance endorses the latest official household projections, and sets out that these are statistically robust and based on nationally consistent assumptions;
- Recent population growth at a UK level has been relatively stronger, and this has been true also in Thanet. It is therefore sensible that this is reflected in planning for housing provision. The projections already assume that international migration falls over the period to 2020/21. They however assume higher international migration than in the 2012-based SNPP.
- Unattributable Population Change data relates to the 2001-11 period. There is a relatively modest influence of trends within this period on the new 2014-based SNPP. Given improvements to the modelling of migration, GL Hearn does not see a strong basis for specific adjustments to the SNPP to take account of UPC. However, there is some basis for suggesting some under-estimation of migration during the 2001-11 period.
- There is a broad similarity between the population growth expected based on long-term trends (19.7 – 20.5%, 2011-31) and that shown by the rebased SNPP (20.0%).

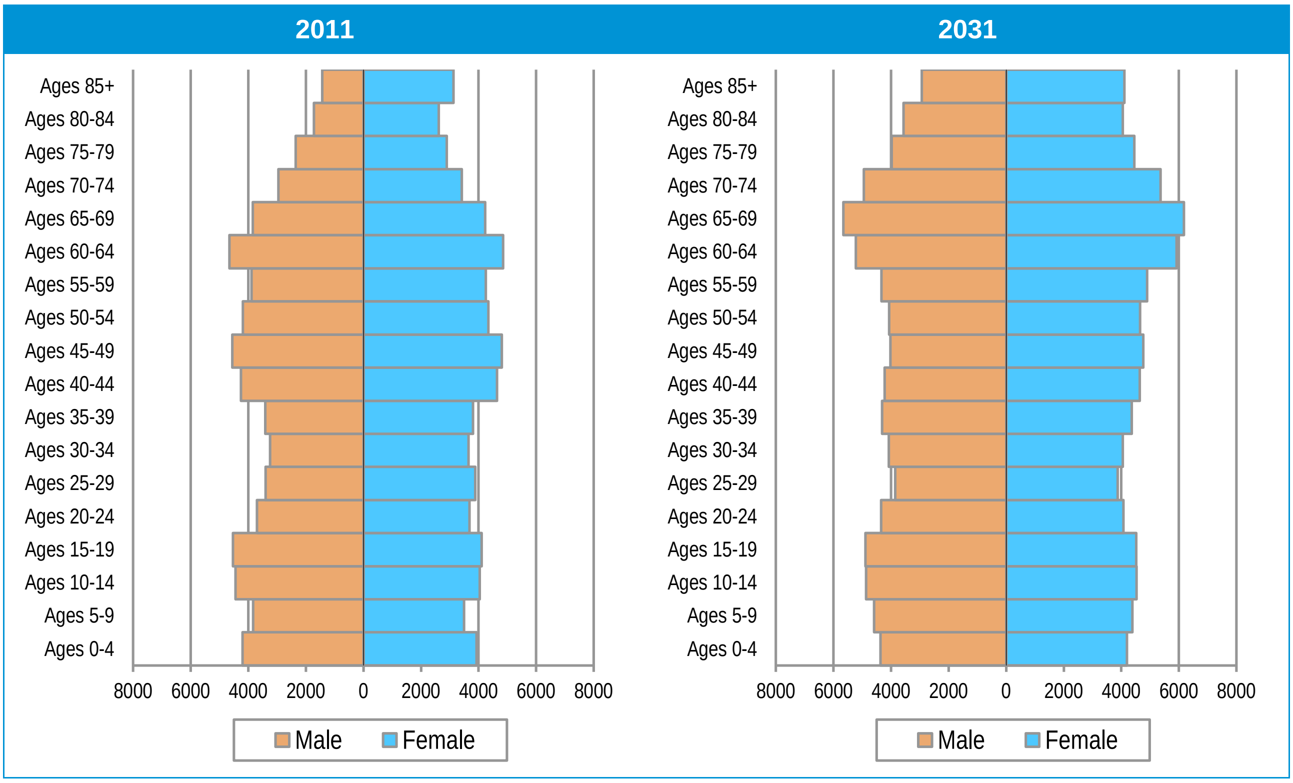
1.47 Drawing the evidence together, there is however potential for stronger out-migration from London to Thanet given some evidence of a recessionary effect during the base period from which the projections are derived. The evidence is not however entirely conclusive, noting that the GLA itself advises that consideration is given to longer-term migration trends to take account of periods of economic growth and recession. In the updated analysis a longer-term migration trend is very similar to that shown in the rebased SNPP.

Age Structure Changes

1.48 With the overall change in the population will also come changes to the age profile. Population pyramids are provided below, setting out how the District's population is expected to change in the rebased 2014-based SNPP Projection.

1.49 The 'pyramids' clearly show the growth in population overall and highlight the ageing of the population with a greater proportion of the population expected to be in age groups aged 65 and over. In particular, the oldest age groups (75+) show an increase of 9,000 persons. A growing population towards the top of the pyramid reflects improving life expectancy.

Figure 5: Population Change 2011 to 2031 by five-year age bands – Thanet



Source: ONS/JGC

1.50 The table below summarises the expected population change by five-year age group.

Table 9: Population Change by 5 Year Age Group – Rebased 2014-based SNPP

Age group	Population 2011	Population 2031	Change in population	% change from 2011
Under 5	8,133	8,564	431	5.3%
5-9	7,330	8,974	1,644	22.4%
10-14	8,490	9,398	908	10.7%
15-19	8,646	9,411	765	8.8%
20-24	7,393	8,412	1,019	13.8%
25-29	7,287	7,730	443	6.1%
30-34	6,894	8,122	1,228	17.8%
35-39	7,208	8,675	1,467	20.4%
40-44	8,899	8,856	-43	-0.5%
45-49	9,358	8,784	-574	-6.1%
50-54	8,526	8,717	191	2.2%
55-59	8,132	9,234	1,102	13.6%
60-64	9,513	11,139	1,626	17.1%
65-69	8,075	11,830	3,755	46.5%
70-74	6,374	10,309	3,935	61.7%
75-79	5,255	8,435	3,180	60.5%

80-84	4,336	7,618	3,282	75.7%
85+	4,553	7,045	2,492	54.7%
Total	**134,402**	**161,252**	**26,850**	**20.0%**

Source: ONS/JGC

1.51 It is also useful to compare the age structure projections from the 2014-based SNPP with similar figures in the 2012-based version (as revised to take account of MYE). The simplest way to compare the figures is to look at the age structure in 2031. This is shown in the table below. The 2014-based SNPP expects stronger growth in a number of age groups – most notably ages 65-79; there is however projected to be a lower level of population in the oldest (85+) age group by 2031.

Table 10: Difference in Age Structure in 2031 (2012- and 2014-based SNPP) – Thanet

Age group	2012-based	2014-based	Difference	% difference from 2012-based
Under 5	8,572	8,564	-8	-0.1%
5-9	8,998	8,974	-25	-0.3%
10-14	9,620	9,398	-222	-2.3%
15-19	9,314	9,411	97	1.0%
20-24	8,104	8,412	308	3.8%
25-29	7,637	7,730	93	1.2%
30-34	8,066	8,122	56	0.7%
35-39	8,908	8,675	-233	-2.6%
40-44	8,678	8,856	178	2.1%
45-49	8,748	8,784	36	0.4%
50-54	8,558	8,717	159	1.9%
55-59	9,053	9,234	181	2.0%
60-64	10,894	11,139	244	2.2%
65-69	11,425	11,830	404	3.5%
70-74	9,852	10,309	457	4.6%
75-79	8,072	8,435	363	4.5%
80-84	7,404	7,618	214	2.9%
85+	7,376	7,045	-331	-4.5%
Total	**159,279**	**161,252**	**1,973**	**1.2%**

Source: ONS

Household Growth Projections

1.52 Having studied the population size and the age/sex profile of the population the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of headship rates is used. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).

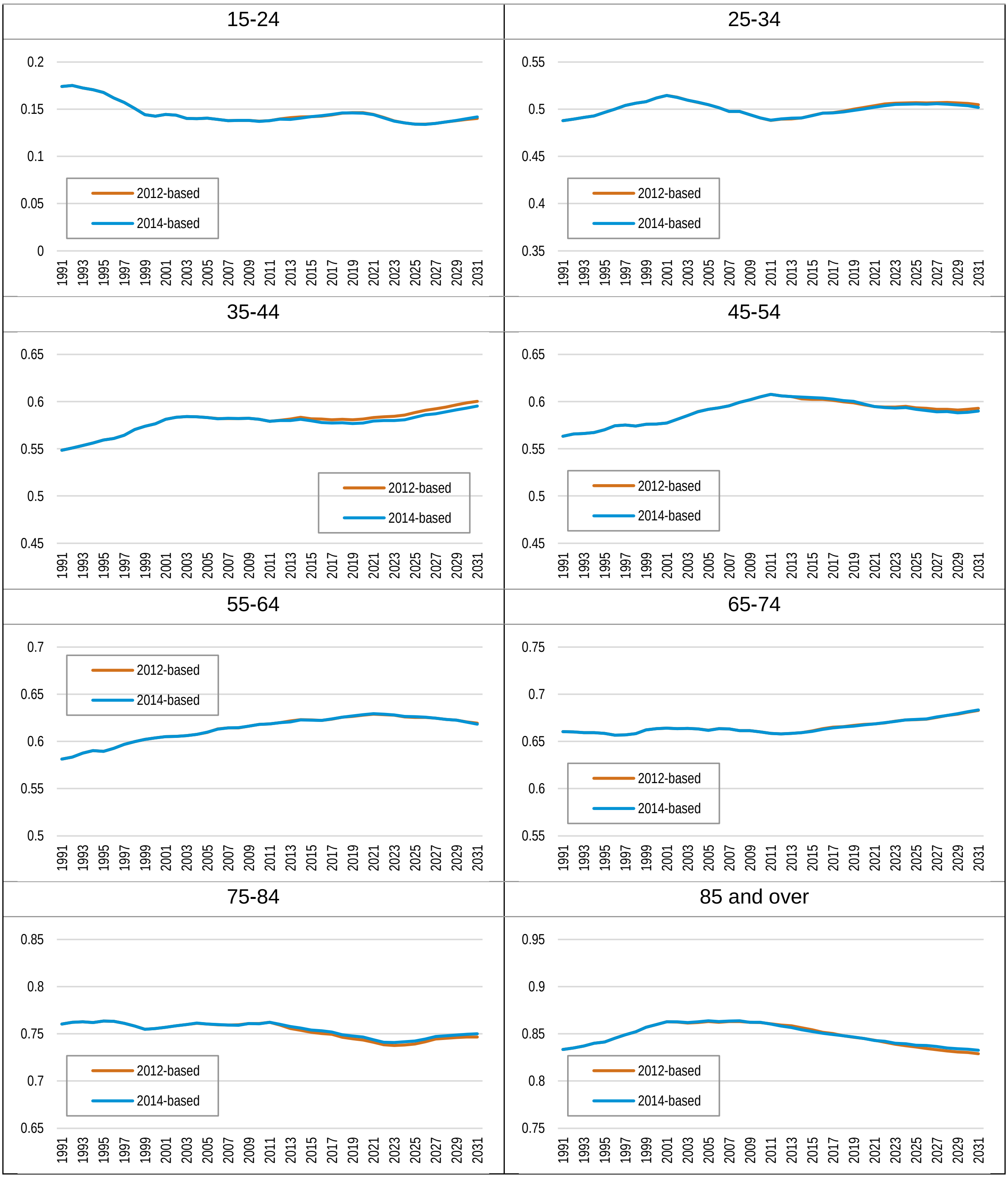
1.53 CLG's 2014-based Household Projections were published on 12th July 2016. The projections contain two core analyses. The Stage 1 household projections project household formation based on data from the 1971, 1981, 1991, 2001 and 2011 Censuses with outputs for age, sex and marital status.

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

1.55 Overall, it is considered that the Stage 1 projections should be favoured over the Stage 2 figures for the purposes of considering overall household growth. This is because the Stage 1 figures are based on a long-term time series (dating back to 1971 and using 5 Census data points) whereas the Stage 2 figures only look at two data points (2001 and 2011); and the Stage 2 figures are constrained back to Stage 1 values, essentially meaning that it is the Stage 1 figures that drive overall estimates of household growth in the CLG Household projections themselves. The analysis to follow therefore looks at the Stage 1 figures. This is consistent to the approach taken in previous reports.

1.56 The figure below illustrates the age-specific headship rates in the 2014-based Household Projections and compares these to the rates from the previous 2012-based Household Projections. Overall the two sets of headship rates are very similar.

Figure 6: Headship Rates in 2012-based and 2014-based Household Projections



Source: CLG

1.57 Across many age groups, household formation rates are expected to remain relatively stable. Some increase in household formation amongst those aged 25-34 and 35-44 is projected, as well as modest upward changes in those aged 55-64 and 65-74.

1.58 GL Hearn has sought to consider whether there is a degree of "suppression" of household formation amongst younger age groups, which could have been influenced by affordability issues or constrained supply. The household formation rate for those aged 25-34 has fallen since the late 1990s, but the household formation rate in 2011 amongst this age group is above that seen in many areas across the South East. There is no basis for including a demographic-based adjustment to household formation.

1.59 Some consultancies have suggested that weight should be given to headship rates from 2008-based Household Projections. This might include using 'blended' headship rates (where the rates are comprised of a combination of the 2012/14- and 2008-based rates) or full/partial-returns to trend (where household formation rates are return back towards the levels projected in the 2008-based Household Projections).

1.60 A number of academic studies have considered recent trends in household formation. A 2013 Study by the late Alan Holmans[2] noted that part of the shift away from household formation rates in the 2008-based Household Projections (as revealed by the 2011 Census) was expected to relate to international migration, and different household structures within new migrant communities; with part relating to housing market and affordability issues.

1.61 More recent research by demographer Ludi Simpson and Neil McDonald[3] has also considered these issues and is clear that it is not appropriate to revert to the assumptions on household formation from 2008-based Household Projections, setting out:

> *"it is no longer sensible to appeal to previous household projections including the 2008-based set as if they were evidence of an underlying trend in household formation. They were produced at a time when household formation had already changed, starting before the economic downturn of the mid-to-late 2000s, and are in themselves only evidence of the optimism of that period."*

1.62 The PAS Technical Advice Note also supports this position, noting that '*the CLG 2008 HRRs are no longer helpful because they are based on very old evidence, and anyway may not reflect the true long-term trend'*.

[2] *Holmans, A. (2013) New estimates of housing demand and need in England, TCPA.*
[3] *Simpson, L. and McDonald, N. (April 2015) Making sense of the new English household projections, TCPA.*

1.63 It is important however to consider the specific local evidence. In Thanet's case, household formation rates for those aged 25-34 are higher than for many areas across the South East; and the forward projections expect household formation amongst these age groups to improve.

1.64 GL Hearn does not consider therefore that there is evidence that the projections constrain the formation of younger households, and require adjustment.

1.65 By applying the above headship rates, it is possible to estimate the projected household growth. The analysis shows a growth in households of around 15,450 over the 20-year period (773 per annum) using the rebased 2014-based SNPP.

Table 11: Projected Household Growth 2011-31 – Rebased 2014-based SNPP

	Households 2011	Households 2031	Change in households	Per annum
Thanet	59,619	75,069	15,450	773

1.66 To relate growth in households to dwellings, an allowance needs to be made for vacant/second homes. For consistency with previous work, a vacancy allowance has been estimated from Council Tax data and seeks to look at the uplift from occupied homes that should be applied to the data. For Thanet, the vacancy allowance is set at 6.3%.

1.67 The re-based 2014-based SNPP would require provision of 821 homes per annum. This is 8% above the need shown in the 2012-based SNPP (760 dwellings per annum), but similar to 10-year migration trends (808 per annum).

1.68 The housing need arising from the trend-based scenarios run is shown in the table below.

Table 12: Household and Housing Growth, Thanet 2011-31

	Household Growth 2011-31	Household Growth per Annum, 2011-31	Housing Need (Dwellings per Annum)
2012 based SNPP	14,297	715	760
2014-based SNPP	15,397	770	818
Rebased 2014-based SNPP	15,450	773	821
10 Year Migration	15,200	760	808
10 Year Migration adjusted for UPC	15,487	774	823
14 Year Migration	15,514	776	824
14 Year Migration adjusted for UPC	15,825	791	841
London Migration Sensitivity	15,774	789	838

1.69 Drawing the evidence together, the re-based SNPP shows a housing need for 821 dpa, which sits modestly above the level shown through the longer-term migration scenarios (808 – 841 dpa).

1.70 There is some potential however for stronger out-migration from London given the recessionary influence on trends in net out-migration from the Capital particularly between 2008-11 on the SNPP.

2 BROADER CONSIDERATIONS IN DRAWING CONCLUSIONS ON OVERALL HOUSING NEED

2.1 Following the approach in Planning Practice Guidance, the updated demographic projections set out in Section 2 above provide an important input to defining the objectively assessed housing need. However, it is necessary to consider whether wider evidence points to a need to adjust upwards the assessed housing need, taking account of the expected performance of the local economy; evidence from market signals or of affordable housing need. These factors are considered in this section, which then draws the evidence together to draw conclusions on OAN.

Interaction between the Housing Market & Economy

2.2 Section 4 in the SHMA Update (Jan 2016) considered the interaction between the housing market and economy. Taking account of the conclusions above on demographics, GL Hearn has sought to consider what growth in workforce the rebased 2014 SNPP would support over the plan period to 2031 and the London Migration Scenario.

2.3 Labour supply will be influenced by a range of factors – particularly how employment rates (the proportion of people 'in employment') changes. However predicting how employment rates may chance in the future is an inexact science, and will be influenced by a range of issues – including economic performance; pensionable age changes; skills issues; lifestyle choices etc.

2.4 We have modelled three scenarios for labour supply:

- No Change to Employment Rates
- Changes only to Rates for Women Over 60 and Men over 65
- EEFM Employment Rate Assumptions

2.5 Growth in the resident workforce in these scenarios is shown below.

Table 13: Expected Workforce Growth, Thanet 2011-31

	2014-based SNPP (+MYE)	SNPP with London Adjustment
No Change to Employment Rates	5,731	6,046
Changes arising from State Pension Age Changes	9,408	9,736
EEFM Assumptions	14,197	14,532

Source: Demographic Modelling

2.6 This can be considered against forecasts for employment growth as considered in the SHMA Update, as set out below. It should be noted that all of the forecasts were prepared prior to the Brexit vote, which can be expected to have a short-term dampening effect on economic performance relative to previous forecasts, and increases longer-term uncertainty regarding future economic performance.

Table 14: Expected Change in Resident Workforce for Employment Grow Scenarios

Scenario	Change in jobs	Adjustment factor	Change in resident workforce
Experian Baseline	3,100	1.10	3,414
Experian Risk-based	1,200	1.10	1,322
Experian Policy-On	5,100	1.10	5,617
EEFM 2015 Baseline[4]	4,810	1.10	5,297

Source: EEFM, NOMIS and 2011 Census

2.7 The increases in employment rates in the EEFM modelling seem potentially overly optimistic, but those arising from changes in State Pension Ages (for women over 60 and men 65+) we would consider to be reasonable. These scenarios suggest that labour supply will be sufficient to support the projected economic growth; and that there is no need to increase housing provision above the levels shown in the demographic scenarios to support the economy.

2.8 Drawing the analysis together, GL Hearn finds no basis for uplifting the OAN to support employment growth.

Market Signals and Affordable Housing Need

2.9 The SHMA Update Report included a detailed review and analysis of evidence from market signals regarding the supply/demand balance for housing. This indicated that:

- Housing costs in Thanet are relatively affordable. Average house prices fell 10% below the national average, and 31% below the national average; with rents 8% below the national average and 37% below the South East average.
- House price growth over the last six years had been overall below inflation, although prices did increase noticably in 2014. The long-term trend was very similar to that seen nationally.
- Land values were 19% below the national average (excluding London) and below levels in most other East Kent authorities providing direct evidence that there is little shortage of residential land.
- Affordability, as measured by the lower quartile price-to-income ratio at 7.1 which is above the national average, but below many other parts of the region and influenced as much by low earnings locally as housing costs.
- Some decline in the ability of younger households to form and enter owner occupation, with overcrowding and levels of renting increasing between 2001-11, and increasing numbers of young people living with parents. However the evidence did point to a greater ability of younger households to form relative to many other parts of the South East region.

[4] EEFM 2016 forecasts are available but no longer provide forecasts relating to districts within Kent

2.10 GL Hearn has sought herein to provide a limited update to key datasets where new information is available. The latest data points to:

- An increase in the average house price from £173,500 in 2014 to £180,000 in 2015, but house price growth which was below that seen across wider benchmarks. As a result prices are now a third below the South East average and 12% below the national average – with increasing differentials evident in the 2015 data relative to the previous year.
- Affordability, measured by the lower quartile house price to income ratio stands at 8.37 based on the latest data for 2015. This represents an increase on the 2013 figures (which are now based on revised CLG data). This suggests that prices have grown more strongly than incomes in the short-term.
- Rental costs which have also increased slightly relative to earnings in the short-term, as set out below.

2.11 Affordability measured by the lower quartile house price to income ratio stands at 8.37, which is above the national average but below many other parts of the region and influenced as much by low earnings as housing costs.

Table 15: Market Signals

House Price to Income Ratio				
	2013	**2014**	**2015**	**Average**
Thanet	7.29	8.22	8.37	7.96
Rental Affordability Ratio				
	2013	**2014**	**2015**	**Average**
Thanet	29.2%	29.9%	32.6%	30.5%

Source: *CLG Live Table 576 (HPR) & VOA Private Rental Market Statistics and ASHE (RAR)*

2.12 The SHMA undertook an assessment of the need for affordable housing, using the Basic Needs Assessment Model. It identified a net annual need for 397 affordable homes per annum. This is the level of provision which would be necessary if all households requiring financial support were to be allocated an affordable home.

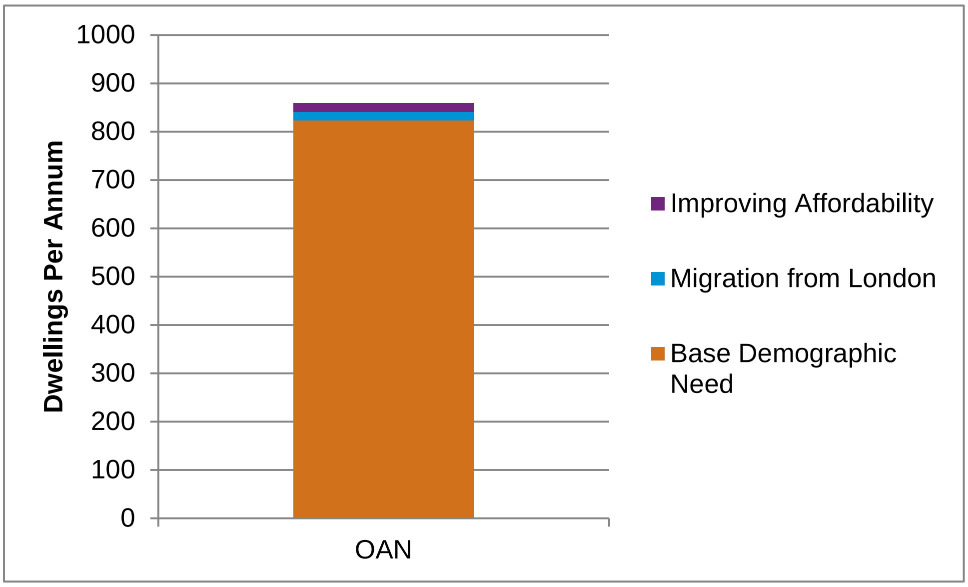
2.13 This represents 47% of the need for housing identified based on demographic growth and enhanced migration from London. The scale of affordable housing need has been influenced by past investment policies, right-to-buy losses and available funding. It provides some basis for considering an upward adjustment to housing provision, albeit that it should be recognises that it includes needs arising from existing households who require an alternative size or tenure of home rather than additional housing per se.

2.14 The CLG Household Projections expect affordability for younger households to improve in the District moving forwards. On the basis of the evidence, there are economic challenges in the District but the evidence does not justify substantial upward adjustments from the identified demographic need, and indeed substantial upward adjustments would unlikely be deliverable.

2.15 A modest additional adjustment would be warranted. For additional housing to be built and occupied, there must be households to live within the homes. Upwards adjustments to take account of migration from London will support delivery of additional market and affordable housing. A further upward adjustment is however warranted to improve affordability and support younger households in forming, and this has been modelled as in the SHMA Update by returning household formation rates for those aged 25-34 back to 2001 levels over the period to 2025. This results in an upward adjustment of 19 dpa, which increases the housing need to 857 dwellings per annum (2011-31). The scale of adjustment is modest taking account of the evidence, and the upward adjustments already made in deriving the OAN.

2.16 **We therefore conclude in identifying a full objectively assessed need for 17,140 dwellings over the 2011-31 plan period (857 dpa). This is 9% higher than shown in the SHMA Update, reflecting the latest demographic data.**

Figure 7: Objectively-Assessed Housing Need, Thanet 2011-31



2.17 This is a “policy-off” assessment of need. It is not a housing target, and does not take account of issues relating to land supply, development and environmental constraints or infrastructure.

2.18 The assessment has been commissioned for Thanet District specifically, as opposed to the wider Housing Market Area. In developing its Local Plan, the Council should continue to liaise with other local authorities in Kent, and specifically those within the Housing Market Area. Any issues related to adjusting migration relative to past trends need to be considered collaboratively through the Duty to Cooperate. As the Planning Practice Guidance specifically states:

"Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate. Failure to do so will mean that there would be an increase in unmet housing need."

2.19 In setting housing targets within the Local Plan, in accordance with national policy, the Council will need to test whether this level of objectively assessed housing need set out in this report can be sustainably accommodated in the District, through bringing together evidence bases – including information on land availability, environmental and infrastructure constraints – and through the Sustainability Appraisal process. If the District cannot meet its need in full, it will need to work with other authorities within the Housing Market Area to consider how this can be met; and agree a revised distribution of housing provision.

3 OLDER PERSONS' HOUSING NEED

3.1 There is a growing need for specialist housing for older persons, driven particularly by a growing older population in the District and increasing life expectancy. We have drawn on a range of sources to model future needs, including our population projections, 2011 Census information and data from POPPI (Projecting Older People Population Information).

3.2 Many older persons are equity rich and able to exercise housing choice. Many will choose to remain in homes that they have lived in for many years. Some may choose to downsize within the general housing stock, and this has been taken into account in modelling the mix of housing needed above. Some older persons will however require a level of support. There is however a move away from accommodating people in care/ nursing homes towards providing care support in people's own homes (such as through adaption of properties, telecare and visiting support) and more diverse forms of specialist housing which can accommodate older people's changing needs, such as extra care provision.

3.3 As the table below shows, 22.8% of Thanet's population in 2015 was aged over 65, with over 4,500 people aged over 85 resident.

Table 16: Population of Older Persons by Age Group, 2015

		Under 65	65-74	75-84	85+	Total	Total 65+
Thanet	Popn	107,853	17,480	9,920	4,519	139,772	31,919
	% of popn	77.2%	12.5%	7.1%	3.2%	100.0%	22.8%
Kent	% of popn	80.3%	10.8%	6.2%	2.7%	100.0%	19.7%
South East	% of popn	81.2%	10.1%	6.0%	2.7%	100.0%	18.8%
England	% of popn	82.3%	9.6%	5.7%	2.4%	100.0%	17.7%

Source: ONS 2015 Mid-Year Population Estimates

3.4 We have used the population projections (drawing on the rebased 2014-based SNPP) to consider how the population in older age groups can be expected to change. The District (in line with other areas) is expected to see a notable increase in the older person population with the total number of people aged 65 and over expected to increase by 58% over the 20-year plan period. This compares with overall population growth of 20% and an increase in the Under 65 population of just 10%. The projected growth in the population aged 65 and over is however lower than that projected for the County and region.

Table 17: Projected Change in Population of Older Persons (2011 to 2031)

	Under 65	65-74	75-84	85+	Total	Total 65+
Thanet	9.6%	53.2%	67.4%	54.7%	20.0%	58.2%
Kent	9.8%	48.8%	67.4%	97.5%	19.2%	61.9%
South East	7.1%	48.3%	62.7%	93.5%	16.2%	59.8%
England	6.8%	43.5%	56.8%	88.3%	14.6%	54.1%

Source: Rebased 2014-based SNPP (SNPP as published for areas other than Thanet)

3.5 Given the ageing population and higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward. The analysis herein applies data from the Housing Learning and Information Network (Housing LIN) to the demographic projections for Thanet District to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

3.6 At present it is estimated that there are just under 1,700 units of specialist accommodation for older persons in Thanet. This is equivalent to 118 units per 1,000 people aged 75 and over. The analysis shows a slightly higher proportion of the stock is in the market than the affordable sector (58% vs. 42%).

Table 18: Current Supply of Specialist Housing for Older People (2015)

Type of housing	Market	Affordable	Total	Supply per 1,000 aged 75+
Sheltered	972	622	1,594	113
Extra-Care	0	80	80	6
Total	972	702	1,674	118

Source: Housing LIN

3.7 A toolkit has been developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health, to identify potential demand for different types of specialist housing for older people and model future range of housing and care provision. It suggests that there should be around 170 units of specialised accommodation (other than registered care home places) per thousand people aged over 75 years.

3.8 The table below shows the change in the population aged 75 and over and what this would mean in terms of provision of specialist accommodation at 170 units per 1,000 population. The analysis shows a potential need for 1,522 units of specialist accommodation for older persons over the plan period, equivalent to 76 units per annum.

Table 19: Projected need for Specialist Housing for Older People (2011-31)

	Population aged 75+ (2011)	Population aged 75+ (2031)	Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)
Thanet	14,144	23,099	8,955	1,522

Source: Derived from demographic projections and Housing LIN

Registered Care Accommodation

3.9 As well as the need for specialist housing for older people the analysis needs to consider the need for registered care accommodation. At present (according to Housing LIN) there are around 1,529 spaces in nursing and residential care homes in Thanet. Given new models of provision (including extra care housing) it may be the case that an increase in this number would not be required. There will however need to be a recognition that there may be some additional need for particular groups such as those requiring specialist nursing or for people with dementia.

3.10 The analysis below considers changes to the number of people aged 75 and over who are expected to be living in some form of institutional housing. This is a direct output of the demographic modelling, where the CLG Household Projections model holds constant the institutional population aged under 75 in absolute terms, and above 75 in proportional terms. Those living in institutions are not counted as part of the household population (and hence calculations of OAN).

3.11 The household projections indicate an increase of 591 people living in institutions over the 2011-31 period in Thanet (30 per annum). This figure is important to note if the Council intends to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the need and supply side of the equation.

Table 20: Potential Need for Residential Care Housing

	Institutional population aged 75+ (2011)	Institutional population aged 75+ (2031)	Change in institutional population aged 75+
Thanet	1,146	1,736	591

Source: Derived from Demographic Projections