



GL Hearn

Part of Capita Real Estate

Housing and Economic Needs Assessment

Torridge and North Devon Councils

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Quality Standards Control

The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

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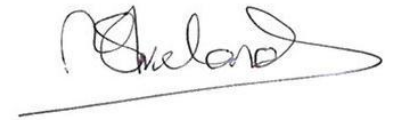
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Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

1 INTRODUCTION

- 1.1 Torridge District Council and North Devon District Council are in the process of preparing a joint Local Plan which will set out policies for development. The Councils have commissioned GL Hearn to undertake an assessment of housing and economic development needs, which responds to the requirements of the Planning Practice Guidance (PPG) and provides a transparent evidence base to inform and support the Pre-Submission Local Plan. This report provides an assessment of housing and economic development needs over the period to 2031.
- 1.2 GL Hearn has worked previously with the Councils to prepare an Employment Land Review, and the Northern Devon Housing & Employment Study (dated April 2014). The latter provides the basis for the housing requirement currently set out within the draft Local Plan (17,220 dwellings) – this being based on the conclusions of the Study which identified a need for 16,800 homes (including an allowance of 205 homes to meet the unmet need from those parts of Exmoor National Park which fall within North Devon), with the additional provision over and above this being based on the Councils’ aspirations to see delivery of 85 ha of employment land (and seeking to ensure the housing strategy is balanced with this¹).
- 1.3 Representations to the plan have criticised the lack of transparency as to how the housing target has been derived, and lack of an NPPF and PPG compliant assessment of housing needs.
- 1.4 The purpose of this assessment is to:
- Undertake an NPPF and PPG-compliant “policy-off” objectively assessed need (OAN) for housing for each of the two Districts;
 - Identify the OAN for plan area, which excludes land within Exmoor National Park;
 - Review economic growth assumptions against up-to-date econometric forecasts, and local policy aspirations;
 - Identify the associated housing requirement, which aligns with the jobs target and takes account of the National Park’s unmet need;
 - Remodel the need for employment land taking account of the updated economic forecasts, local policy aspirations and jobs target; as well as the likely development of retail and sui generis uses on employment sites.
- 1.5 The study identifies an OAN for the plan area. This covers the districts of Torridge and North Devon but excludes the north-eastern part of North Devon which lies within Exmoor National Park². However, key data is only available at local authority level (which includes the National Park area). Throughout this report, the core analysis uses district level data. However, in calculating a final OAN figure, the need figure for part of the National Park in North Devon is then subtracted from this to give an OAN figure excluding the National Park.

¹ In accordance with Paragraph 158 of the National Planning Policy Framework

² Including the settlements of Parracombe, Lynmouth, North Radworthy

- 1.6 The assessment seeks to provide an integrated evidence base on housing and employment needs, which is consistent with national policy and guidance, is clear and transparent, and which can support the submission and examination of the Local Plan.

National Policy and Guidance

- 1.7 National policies for plan-making are set out within the National Planning Policy Framework³. This sets out key policies against which development plans will be assessed at examination and to which they must comply.

National Planning Policy Framework (NPPF)

- 1.8 The National Planning Policy Framework (NPPF) was published in March 2012. The Framework sets a presumption in favour of sustainable development whereby local plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework indicate that development should be restricted.

Housing Needs

- 1.9 Paragraph 47 in the Framework indicates that to significantly boost the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full objectively assessed need for market and affordable housing in the housing market area, as far as is consistent with the policies set out in the Framework.
- 1.10 The NPPF highlights the Strategic Housing Market Assessment (SHMA) as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the scale and mix of housing and the range of tenures which the local population is likely to need over the plan period which:
- Meets household and population projections, taking account of migration and demographic change;
 - Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
 - Caters for housing demand and the scale of housing supply necessary to meet this demand.
- 1.11 Paragraph 158 of the NPPF outlines that local planning authorities should ensure that their Local Plan is based on adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area. It outlines that they should ensure that their assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals. Paragraph 17 in the Framework

³ CLG (March 2012) National Planning Policy Framework

reaffirms that planning should take account of market signals, such as land prices and housing affordability.

- 1.12 Paragraphs 18 to 22 of the NPPF sets out that Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth, and that significant weight should be placed on the need to support economic growth through the planning system. It sets out a requirement for local planning authorities to plan proactively to meet the development needs of businesses and support an economy fit for the 21st Century.
- 1.13 The NPPF requires local authorities to set a clear economic vision and strategy for their area in local plans, based on an understanding of the existing business needs, likely changes in the market and any barriers to investment.
- 1.14 Paragraph 160 and 161 set out that local planning authorities should have a clear understanding of business needs within the economic markets operating in and across their area. To do this they should work with Local Enterprise Partnerships (LEPs), the business community, county and neighbouring authorities to understand business needs, likely changes in the market and barriers to investment. They should use their evidence base to assess the land and floorspace for economic development, including the quantitative and qualitative needs for all foreseeable types of economic activity and the existing and future supply of land.

National Planning Practice Guidance

- 1.15 New Planning Practice Guidance was issued by Government in March 2014 on '*Assessment of Housing and Economic Development Needs*'. This is relevant to this report in that it provides clarity on how key elements of the NPPF should be interpreted, including the approach to deriving the Objectively Assessed Need (OAN) for housing and identifying employment land needs. The approach in this report takes account of this Guidance.

Housing Need

- 1.16 The Guidance defines housing "need" as referring to 'the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need.' It sets out that the assessment of need should be realistic in taking account of the particular nature of that area, and should be based on future scenarios that could be reasonably expected to occur. It should not take account of supply-side factors or development constraints. Specifically, the Guidance sets out that:

"plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historical under performance, infrastructure or environmental constraints. However, these considerations will need to be

addressed when bringing evidence bases together to identify specific policies within development plans.”

- 1.17 In assessing housing and economic development needs, this report does thus not deal with development constraints including environmental constraints and infrastructure. These factors will be taken into account in bringing together evidence through the plan-making process.
- 1.18 The Guidance outlines that estimating future need is not an exact science and that there is no one methodological approach or dataset, which will provide a definitive assessment of need. However, ‘the starting point’ for establishing the need for housing should be the latest household projections published by the Department for Communities and Local Government (CLG). At the time of preparation of this report the latest projections are the CLG 2012-based Household Projections⁴. It also outlines that the population estimates should be considered. The demographic modelling in this report takes account of the 2014 Mid-Year Population Estimates.
- 1.19 The Guidance sets out that there may be instances where the national projections require adjustment to take account of factors affecting local demography or household formation rates, in particular where there is evidence that household formation rates are or have been constrained by supply. It suggests that proportional adjustments should be made where the market signals point to supply being constrained relative to long-term trends or to other areas in order to improve affordability.
- 1.20 Evidence of affordable housing needs is also relevant, with the Guidance suggesting that the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing. In some instances, it suggests that this may provide a case for increasing the level of overall housing provision.
- 1.21 The Guidance also indicates that job growth trends and/or economic forecasts should be considered having regard to the growth in working-age population in the housing market area. It sets out that 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 and other sustainable options such as walking and cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing and infrastructure development could help to address these problems.

⁴ CLG (February 2015) *2012-based Household Projections*

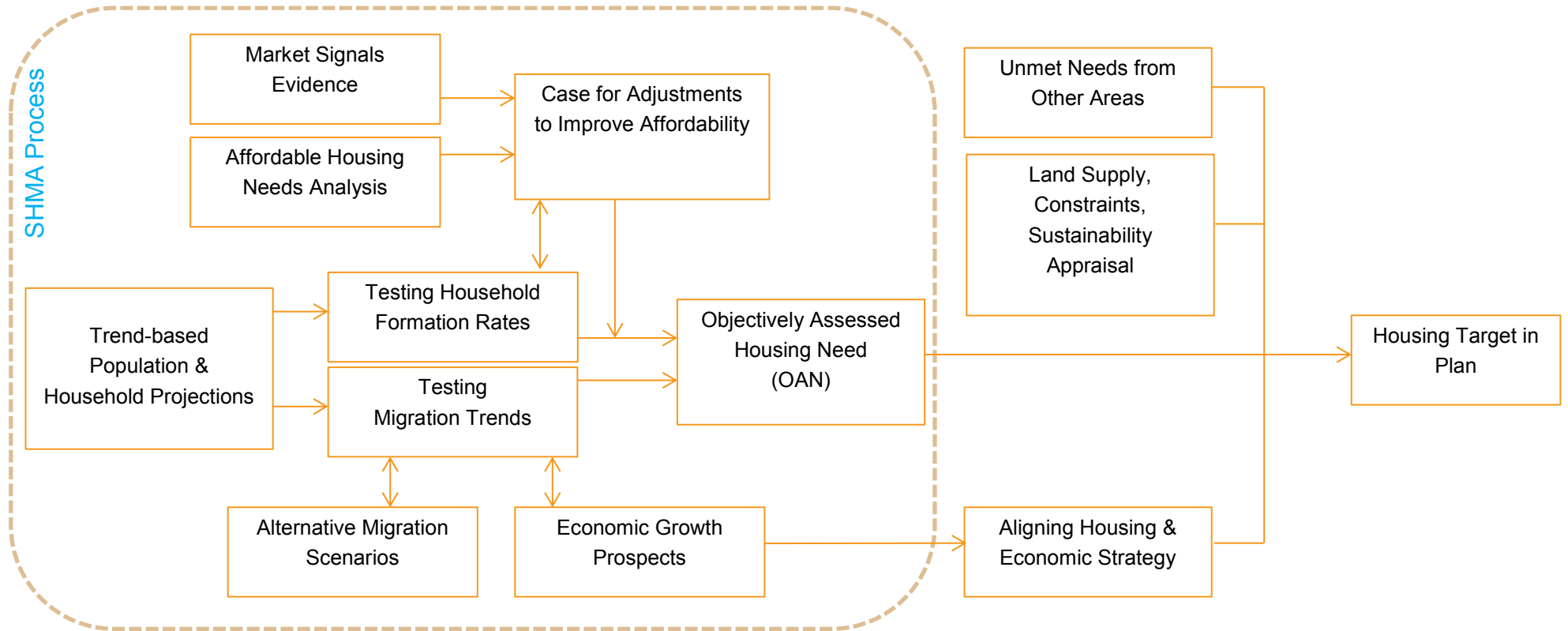
Economic Development Needs

- 1.22 The Guidance sets out that an assessment should be undertaken to identify the future quantity of land and floorspace required for economic development uses, including both the quantitative and qualitative needs for new development. The assessment of need is intended to be realistic, taking account of the particular nature of that area and exploring future scenarios only where these could realistically be expected to occur.
- 1.23 In understanding the current market in relation to economic and main town centre uses, the Guidance outlines that plan makers should take account of:
- The recent pattern of employment land supply and loss to other uses (based on planning applications);
 - Market intelligence, including from local data and discussions with developers and property agents, recent surveys of business needs or engagement with business and economic forums;
 - Market signals, such as levels and changes in rental values, and differentials between land values in different uses;
 - The existing stock of employment land, data on take-up of sites, and public information on employment land and premises required and any evidence of over-supply and/or evidence of market failure;
 - Information held by other public sector bodies and utilities in relation to infrastructure constraints; and
 - The locational and premises requirements of particular types of business.
- 1.24 The Guidance states that employment land should be analysed through a simple typology of employment land by market segment and by sub-areas, where there are distinct property market areas within authorities. When examining the recent take-up of employment land, consideration should be made to projections (based on past trends) and forecasts (based on future scenarios) and identify occurrences where sites have been developed for specialist economic uses.
- 1.25 The Guidance sets out that an assessment of future needs should be based on current and robust data. Emerging sectors that are well suited to the area being covered by the analysis should be encouraged where possible. Key evidence is expected to include:
- sectorial and employment forecasts and projections (labour demand);
 - demographically derived assessments of future employment needs (labour supply techniques);
 - analyses based on the past take-up of employment land and property;
 - consultation with relevant organisations, studies of business trends, and monitoring of business, economic and employment statistics.

Overview of the Approach to considering OAN for Housing

- 1.26 The NPPF and Practice Guidance set out a clear approach to defining the Objectively Assessed Need (OAN) for housing. We have sought to summarise this within the diagram overleaf, Figure 1. This summarises the approach we have used in considering the OAN for housing in this report.

Figure 1: Overview of Approach



Report Structure

1.28 The remainder of the report is structured as follows:

- Section 2: Defining the Housing Market Area;
- Section 3: Trend-based Demographic Projections
- Section 4: Future Economic Performance;
- Section 5: Economic-led Housing Needs;
- Section 6: Affordable Housing Need;
- Section 7: Market Signals;
- Section 8: Needs for Different Sizes and Types of Homes;
- Section 9: Specialist Housing Needs;
- Section 10: Employment Land Requirements;
- Section 11: Conclusions.

1.29 It should be noted that the numbers included in tables and figures throughout the report may not sum exactly due to rounding.

2 DEFINING THE HOUSING MARKET AREA

- 2.1 Paragraph 47 of the *National Planning Policy Framework* (NPPF) states that 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 (HMA), as far as is consistent with the policies set out in this Framework.”
- 2.2 The NPPF emphasises that housing need is expected to be assessed for the Housing Market Area, and that development constraints should not be applied to the assessment of need, although these are relevant considerations in bringing together evidence to set policy targets in plans.
- 2.3 Paragraph 10 of the *Planning Practice Guidance* (PPG) relating to Housing and Economic Development Needs Assessments (ID: 2a-010-20140306) outlines what a housing market area is, setting out:

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

The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the duty to cooperate⁵.”

- 2.4 Paragraph 159 of the NPPF makes clear that local planning authorities should “prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries”.

Approach to Defining Housing Market Areas

- 2.5 Paragraph 9 of the PPG (ID: 2a-009-20140306) indicates that local planning authorities can use a combination of approaches to identify relevant housing market areas, recognising that there is no single comprehensive source of information. Paragraph 11 of the PPG (ID: 2a-011-20140306) indicates three primary information sources:
- Patterns of house prices and rates of change in house prices, which provides a 'market based' reflection of housing market boundaries;
 - Population and household migration flows, which reflect the preferences and the trade-offs made when choosing housing with different characteristics; and
 - Contextual data, such as travel to work areas, which reflects the spatial structure of the labour market and the functional relationships between places where people work and live.

⁵ Reference ID: 2a-011-20140306

- 2.6 There is no right or wrong answer regarding what weight should be applied to these different factors. Paragraph 009 of the PPG (ID: 2a-009-20140306) outlines that:

“No single source of information on needs will be comprehensive in identifying the appropriate assessment area; careful consideration should be given to the appropriateness of each source of information and how they relate to one another. For example, for housing, where there are issues of affordability or low demand, house price or rental level analyses will be particularly important in identifying the assessment area. Where there are relatively high or volatile rates of household movement, migration data will be particularly important. Plan makers will need to consider the usefulness of each source of information and approach for their purposes.”

- 2.7 There are some further practical issues which are dealt with in the recent Planning Advisory Service (PAS) Technical Advice Note on Objectively Assessed Need and Housing Targets⁶. This report, written by Peter Brett Associates (PBA), outlines that in practice, the main indicators used to define HMAs are migration and commuting flows. In Paragraphs 5.5 and 5.6, the report points out that:

“One problem in drawing boundaries is that any individual authority is usually most tightly linked to adjacent authorities and other physically close neighbours. But each of these close neighbours in turn is most tightly linked to its own closest neighbours, and the chain continues indefinitely.

Therefore, if individual authorities worked independently to define HMAs, almost each authority would likely draw a different map, centred on its own area.”

- 2.8 Paragraph 5.6 of the PAS Advice Note argues that to address this issue, it is useful to start with a “top down analysis” which looks at the whole country. This is provided by a research study led by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University to define HMAs across England, which was published by Government in November 2010⁷. This has defined a consistent set of HMAs across England based on migration and commuting data from the 2001 Census.

- 2.9 In Paragraph 5.10 PBA emphasise that this should be considered only a ‘starting point’ and should be ‘sense-checked’ against local knowledge and more recent data, especially on migration and commuting. PBA conclude that more recent data ‘should always trump’ the national research. GL Hearn agrees with PBA conclusions in this respect.

- 2.10 Our approach is structured to consider the CURDS geographies, other recent work which has considered housing market geographies in Northern Devon and surrounding areas; and to analyse key indicators set out in the PPG.

⁶ Objectively Assessed Need and Housing Targets: Technical Advice Note, Prepared for the Planning Advisory Service by Peter Brett Associates (July 2015)

⁷ Jones, C. Coombes, M. and Wong, C. (2010) *Geography of Housing Market Areas in England: Summary Report*

- 2.11 We have not reviewed retail and school catchment data when defining Housing Market Areas as in our experience these tend to be relatively localised, and whilst they may inform the definition of sub-markets, are less likely to be of use in considering sub-regional housing market geographies. We recognise that retail and school catchments may cut across local authority boundaries.

Practical Issues

- 2.12 The PPG largely reiterates previous guidance on defining HMAs set out within the CLG's 2007 Advice Note on *Identifying Sub-Regional Housing Market Areas*.⁸ There has been effectively no change in guidance, which continues to emphasise that there is no right or wrong answer as to how an HMA should be defined; and confirms that the approach should, in effect, reflect local market characteristics and circumstances.
- 2.13 There is a range of previous work which has been undertaken to define HMAs over the last decade, at national, regional and local levels. It is now however appropriate to review this, not least given that a significant proportion of the past work is informed by 2001 Census data regarding commuting and migration patterns. 2011 Census flow data was issued between July 2014 and December 2014.
- 2.14 A further practical issue regards the geographical building blocks that housing market areas are built up from. A key purpose of a SHMA is to define the Objectively Assessed Need (OAN) for housing. Paragraphs 15 - 17 of the PPG relating to *Housing and Economic Development Needs Assessments* are clear that the starting point for doing so are the latest official population and household projections. These are published at a national level and for local authorities, and provide the most up to date official estimates of household growth. They are based on statistically robust and nationally consistent assumptions, as the PPG sets out. Official population and household projections are not published below local authority level.
- 2.15 On this basis as well as considering the actual HMA geography it is useful to consider the 'best fit' to local authority boundaries. Paragraph 5.21 of the PAS Technical Advice Note⁹ supports this, concluding that:

"it is best if HMAs, as defined for the purpose of needs assessments, do not straddle local authority boundaries. For areas smaller than local authorities, data availability is poor and analysis becomes impossibly complex."

⁸ DCLG (March 2007) *Identifying Sub-Regional Housing Market Area: Advice Note*

⁹ Objectively Assessed Need and Housing Targets: Technical Advice Note, Prepared for the Planning Advisory Service by Peter Brett Associates (July 2015)

2.16 This approach is widely accepted and is a practical and pragmatic response to data availability. In the case of Northern Devon, it will however also be necessary to address the Exmoor National Park geography which cuts across local authority boundaries.

Existing Definitions

2.17 This section of this report reviews existing research which has sought to consider the definition of the HMAs.

2.18 National research undertaken for Government by a consortium of academics led by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University has sought to define housing markets across England.¹⁰

2.19 The CURDS Study considers commuting and migration dynamics (based on 2001 Census data) and house prices (standardised to account for differences in housing mix and neighbourhood characteristics). This information was brought together by CURDS to define a three tiered structure of housing markets, as follows:

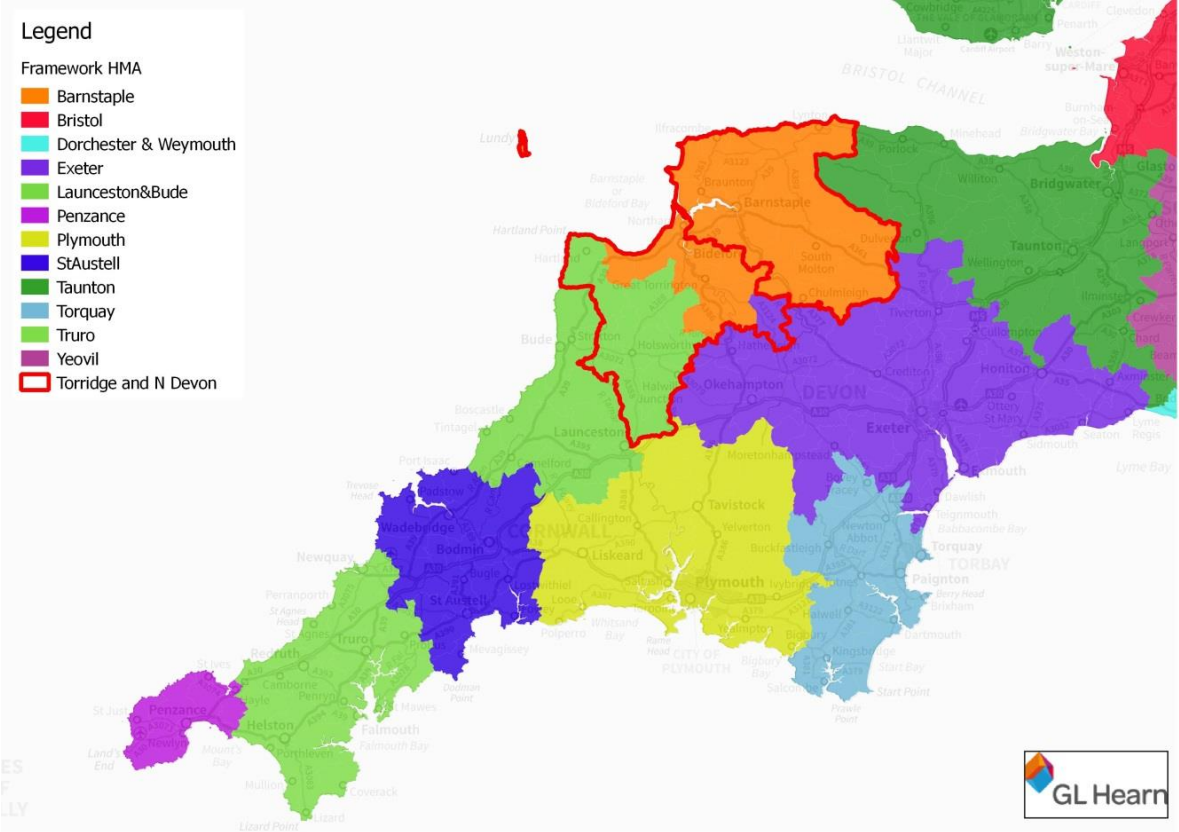
- Strategic (Framework) Housing Markets– based on 77.5% commuting self-containment;
- Local Housing Market Areas – based on 50% migration self-containment; and
- Sub-Markets – which would be defined based on neighbourhood factors and house types.

2.20 The Framework and Local HMAs are mapped across England, with the Local HMAs embedded within the wider Strategic HMAs. Both are defined at a “gold standard” – which defines HMA boundaries at Ward level – and a “silver standard” – which is based on a best fit to local authority boundaries. There are benefits to both approaches. While the gold standard provides a higher level of detail and its intricacies should be recognised, the silver standard allows analysis at a local authority level for which a wider range of data is produced and is therefore, in practical terms, more suitable for analysis.

2.21 North Devon, and the majority of Torridge, is defined by the CURDS Study as falling within a Barnstaple Framework HMA (FHMA). The remainder of Torridge (including Holsworthy, Bradworthy and Welcombe) as well as the parts of Cornwall which fell within the former North Cornwall District were defined as within the Launceston and Bude FHMA. The parts of Torridge around Ashreigney and Winkleigh fall within the Exeter FHMA which extends to the south coast and as far east as Lyme Regis. (see Figure 2).

¹⁰ <https://www.ncl.ac.uk/curds/research/>

Figure 2: Framework Housing Market Areas covering Northern Devon and Surrounding Areas



Source: CURDS 2009/10 and © Crown copyright and database rights 2015 Ordnance Survey 100019153

2.22 The CURDS Study also defined Local Housing Market Areas (LHMAs) which are embedded within the Framework HMAs, based on areas with 50% self-containment of migration flows (using 2001 Census data). Relevant Local HMAs defined comprise (see Figure 3):

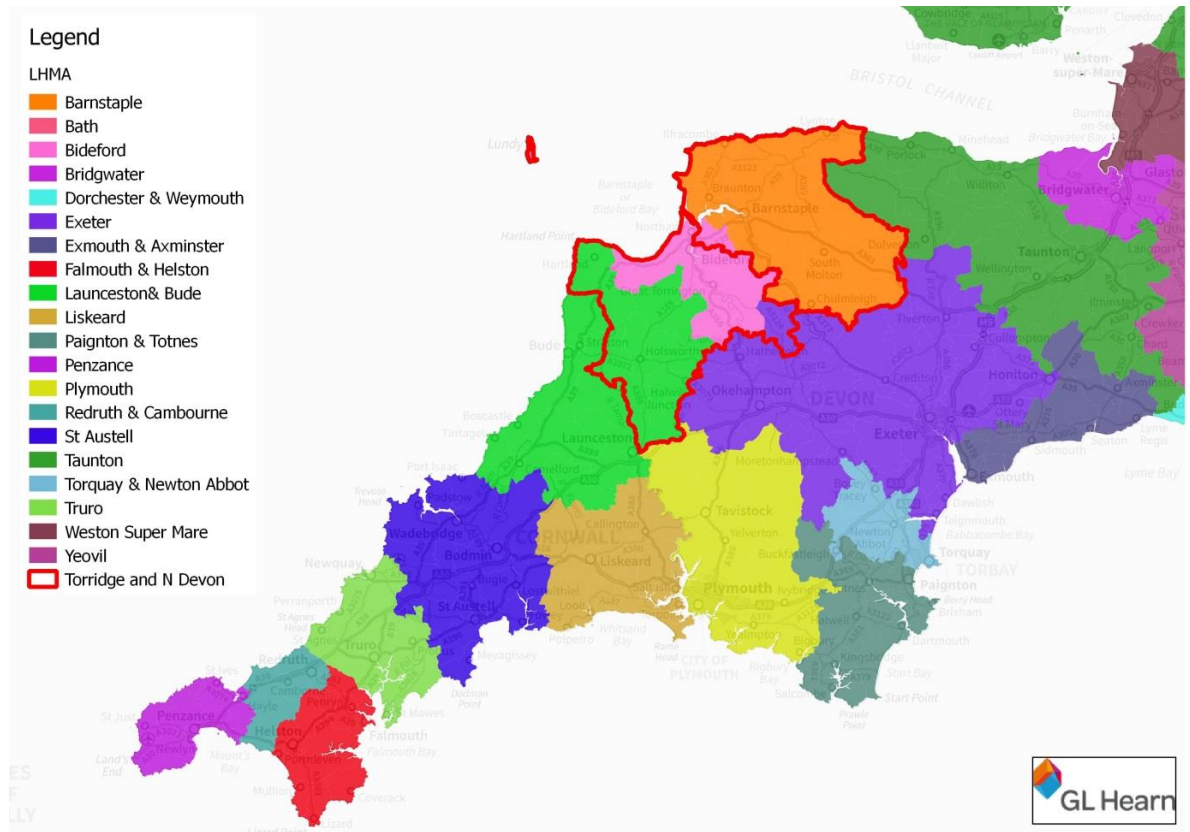
- Barnstaple;
- Bideford;
- Exeter; and
- Launceston and Bude.

2.23 The Barnstaple LHMA was defined as including all of North Devon (including the part of the District within the National Park) with the exception of the villages of Instow, Westleigh, Horwood and Newton Tracey which related to Bideford. The Bideford LHMA extends west along the coast to Clovelly, South to Merton and Petrockstow. It also includes Parkham and Little Torrington.

2.24 The parts of Torrridge around Ashreigney and Winkleigh were identified within an Exeter Local Housing Market Area which extends as far east as Honiton. The remainder of Torrridge, including

Holsworthy, Hartland, Bradworthy and Welcombe falls within the Launceston and Bude LHMA (see Figure 3).

Figure 3: CURDS – Defined Local Housing Market Areas



Source: CURDS, 2009/10 © Crown copyright and database rights 2015 Ordnance Survey 100019153

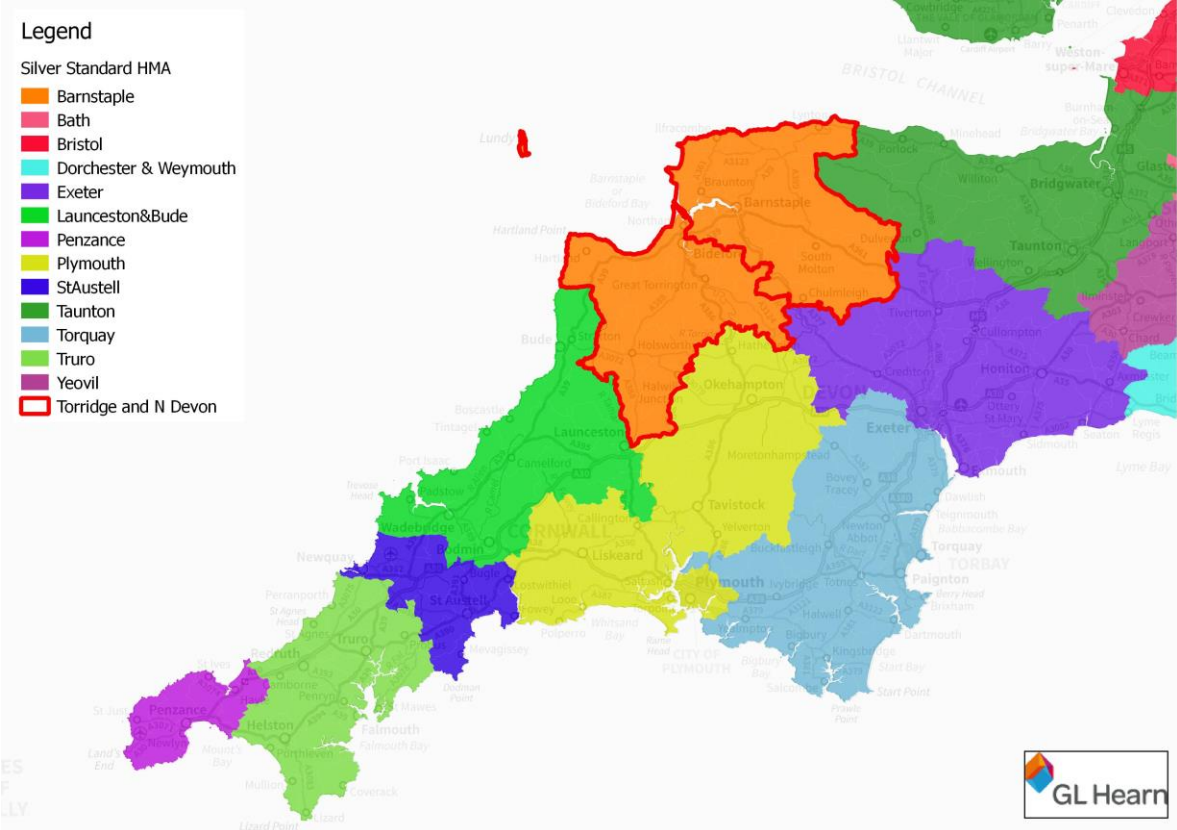
2.25 The CURDS work defined HMAs by grouping wards together. However, as population and household projections are only published at a local authority level, it is accepted standard practice to group local authorities as the “best fit” to an HMA.

2.26 Figure 4 shows the CURDS “silver standard” HMA geography. This ‘best fit’ approach shows Torrridge and North Devon as forming a single Housing Market Area. In paragraph 5.9 of the PAS Technical Advice Note, Peter Brett Associates comment on this geography stating:

“We prefer the single-tier level because strategic HMAs are often too large to be manageable; we prefer the ‘silver standard’ because HMAs boundaries that straddle local authority areas are usually impractical, given that planning policy is mostly made at the local authority level, and many kinds of data are unavailable for smaller areas.”

2.27 In line with the PAS Guidance therefore, the CURDS study would support the definition of Torrridge and North Devon (including the element within Exmoor National Park) as a single stand-alone HMA.

Figure 4: CURDS – Defined Single-Tier Housing Market Areas



Source: CURDS, 2009/10, © Crown copyright and database rights 2015 Ordnance Survey 100019153

2.28 It must however be borne in mind that the CURDS work is based on 2001 data, which is now 14 years old. 2011 Census commuting and migration flow data was released in 2014 which provides a basis for reconsidering housing market geographies using more recent information. This is considered later in this section.

Northern Peninsula SHMA (2008)

2.29 The previous Strategic Housing Market Assessment led by Housing Vision identified a “Northern Peninsula” HMA which covered North Cornwall, Torridge and North Devon District Councils, and parts of West Somerset District Council and all of the Exmoor National Park Authority. The Northern Peninsula HMA had previously been identified as a ‘character area’ in work undertaken by DTZ for the South West Housing Body in 2004.

2.30 The DTZ report states that the Northern Peninsula comprises a series of small local markets and “does not act as a single sub-regional housing market, but is defined by common housing characteristics and settlement patterns” (Executive Summary, para 10). The report recommends that for the North Peninsula “there is not the same compelling logic for undertaking a Housing

Market Assessment as in other areas of the South West where there are defined sub-regional housing markets” (para 6.21).

Figure 5: Northern Peninsula HMA



Source: Housing Vision, 2008

- 2.31 The Northern Peninsula SHMA also identified a number of sub housing market areas within the Northern Peninsula HMA. Within Torridge, the work identified a Holsworthy Market Town Area, and part of the Launceston Market Town Area. Spanning both Torridge and North Devon was the Tav and Torridge Towns, a Dispersed Rural Area, and Rural Fringe. The remainder of North Devon was identified as within the Exmoor and Downland Fringe Area, the South Molton Market Town Area, Croyde and Woolacombe Coastal (Higher Value) Market Area or Ilfracombe Coastal (Lower Value) Market Area.
- 2.32 With regards to the south western section of the Northern Peninsula which is within Cornwall, the Inspector for the Cornwall Local Plan concluded in his Interim Findings (May 2015) that Cornwall as a whole is sufficiently aligned as a single HMA for housing needs to be considered on a Cornwall-only basis.

Reviewing Housing Market Area Geographies

- 2.33 This section of the report moves on to review HMA geographies taking account of the latest available data on house prices, migration and commuting flows. These are the key indicators identified in paragraph 2a-011 of the PPG.

House Prices

- 2.34 Paragraph 011 of the PPG (ID: 2a-011-20140306) relating to housing and economic development needs assessments states that house prices can be used to provide a 'market based' definition of HMA boundaries, based on considering areas which (as the PPG describes) have clearly different price levels compared to surrounding areas.

Conceptual Framework

- 2.35 It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level. There are a number of key influences on housing demand, which are set out in the diagram below:

Figure 6: Understanding Housing Demand Drivers



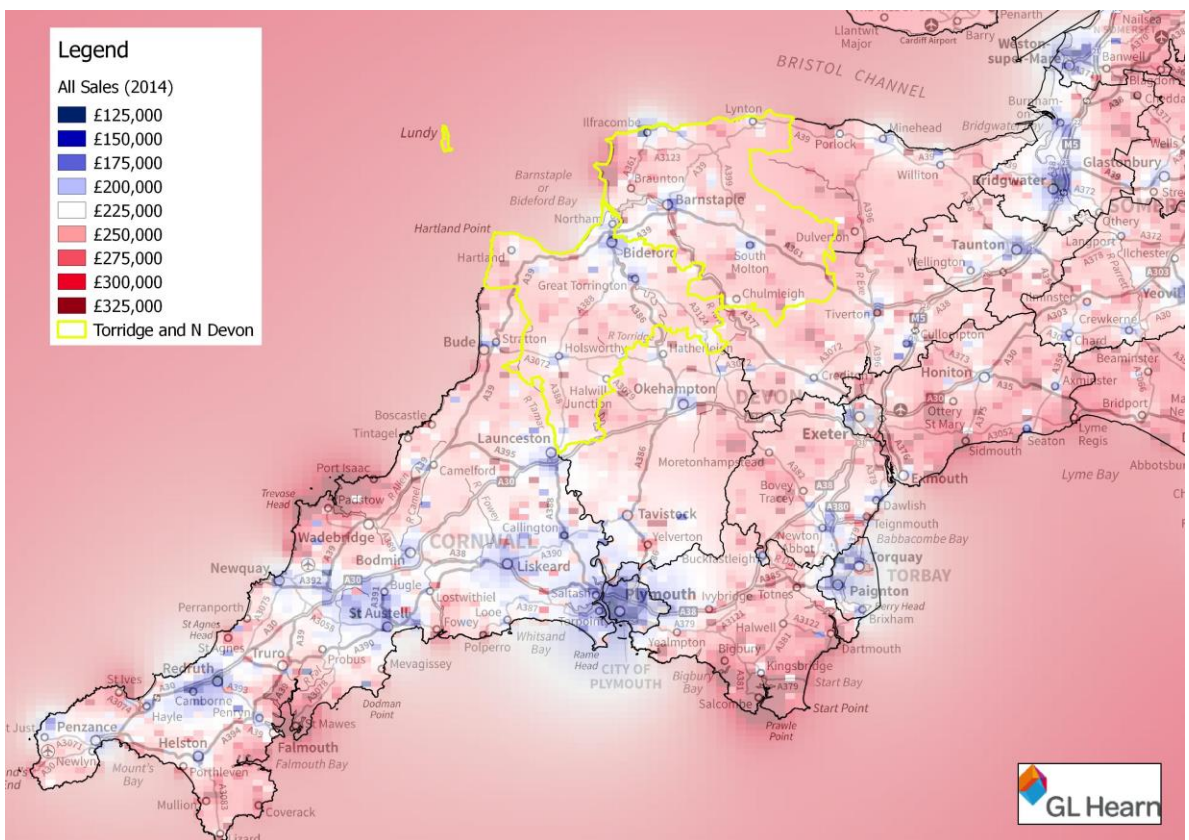
Source: GL Hearn

- 2.36 At the macro-level, the market is particularly influenced by interest rates and mortgage availability, as well as market sentiment (which is influenced by economic performance and prospects at the macro-level).
- 2.37 The market is also influenced by the economy at both regional and local levels, recognising that economic employment trends will influence migration patterns (as people move to and from areas to access jobs) and that the nature of employment growth and labour demand will influence changes in earnings and wealth (which influences affordability).
- 2.38 Housing demand over the longer-term is particularly influenced by population and economic trends: changes in the size and structure of the population directly influence housing need and demand, and the nature of demand for different housing products.
- 2.39 There are then a number of factors which play out at a more local level, within a functional housing market and influence demand in different locations. Local factors include:
- quality of place and neighbourhood character;
 - school performance and the catchments of good schools;
 - the accessibility of areas including to employment centres (with transport links being an important component of this); and
 - the existing housing market and local market conditions.
- 2.40 These factors influence the demand profile and pricing within the market. At a local level, this often means that the housing market (in terms of the profile of buyers) tends to be influenced by and to some degree reinforces the existing stock profile.
- 2.41 Local housing markets or sub-markets are also influenced by dynamics in surrounding areas, in regard to the relative balance between supply and demand in different markets and the relative pricing of housing within them. Understanding relative pricing and price trends is thus important.
- 2.42 The important thing to recognise here is that we are likely to see localised variations in housing costs which reflect differences in the housing offer, quality of place and accessibility of different areas. We would also expect urban areas to have lower house prices than neighbouring suburban or rural areas. This reflects differences in the size/ mix of properties being sold and the influence of quality of place on housing costs. Some settlements, or parts of an area, are likely to command higher prices than others reflecting these factors; and indeed we would expect areas with varying house prices within any HMA reflecting these issues. These factors are most relevant in considering housing sub-markets (the third tier of market using the CURDS definition).
- 2.43 What this section is focused upon is considering market geographies at a higher spatial level. Consideration of price differentials at a sub-region level is therefore of most relevance.

Overall House Prices

2.44 We have used the most recent data available from the Land Registry to identify areas of higher or lower value homes in the South West. As Figure 7 shows there are a number of higher value (mostly coastal areas) in Devon and Cornwall such as Padstow, St Ives, Falmouth and Salcombe. The lower value areas tend to be those more urban areas such as Plymouth, Torbay and Exeter and some smaller towns such as Redruth and St Austell.

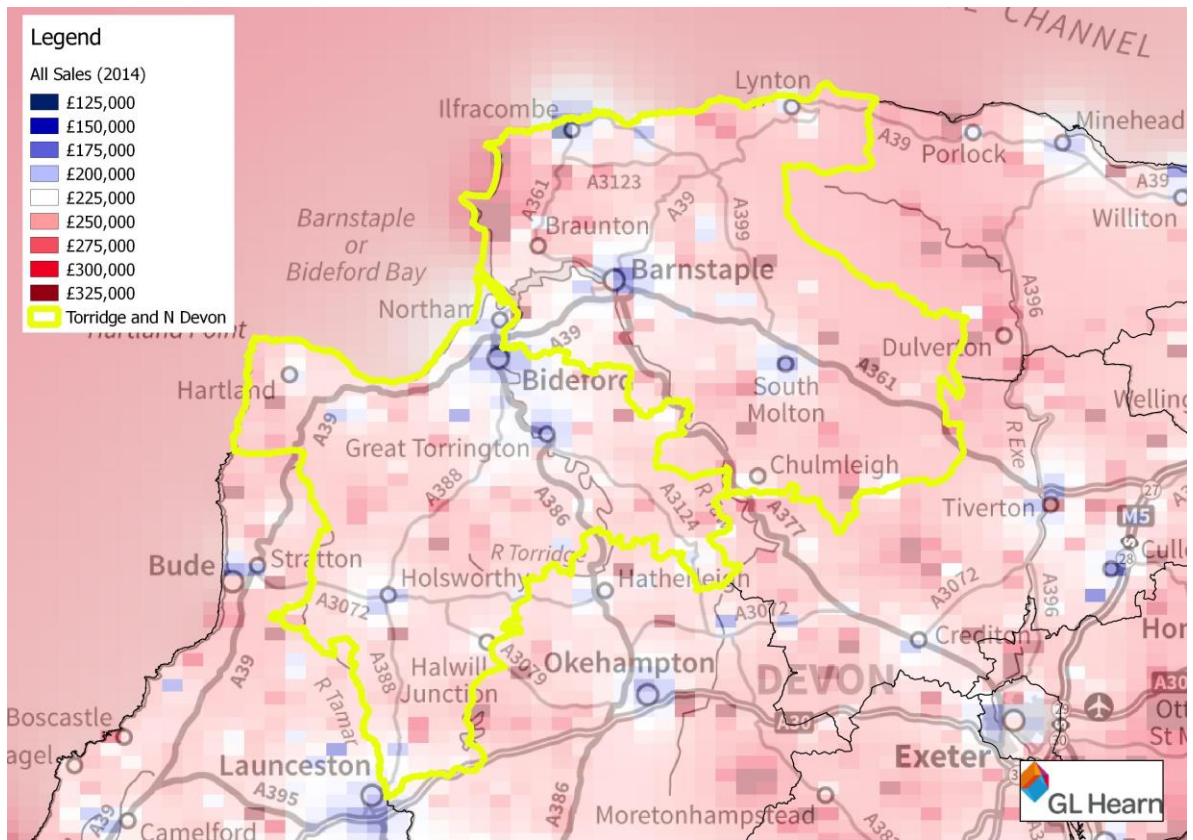
Figure 7: House Price - All Sales (2014)



Source: HM Land Registry, 2015

2.45 More local analysis of Torridge and North Devon shows that Bideford and Barnstaple can also be identified, relatively, as lower value areas. Other settlements such as Ilfracombe, Great Torrington and Holsworthy also have relatively low values (see Figure 8). An urban/rural distinction in prices is evident, influenced in part by the mix of properties sold.

Figure 8: All Sales in Torrridge and North Devon (2014)



Source: HM Land Registry, 2015

- 2.46 The most expensive locations in the districts include around Croyde and Woolacombe – as demonstrated by the definition of the Croyde and Woolacombe Coastal Higher Value Market Area in the Northern Peninsula SHMA – as well as areas within The Exmoor National Park.
- 2.47 Overall there seems to be a broad correlation in house price between Torrridge and North Devon, with both areas being slightly lower in value compared to other parts of rural Devon and Cornwall.

House Prices by Type

- 2.48 We have next sought to assess house price differences by type, considering prices in each local authority in Somerset, Devon and Cornwall. Each type is coloured to indicate relative house prices with dark red being the most expensive and dark blue the least expensive.

Table 1: Median House Prices by Type and Local Authority (2014)

	Detached	Semi-Detached	Terrace	Flat	Overall Median	Mean
Plymouth	£250,000	£173,250	£144,000	£107,000	£157,000	£170,458
Torbay	£246,950	£179,000	£150,000	£111,750	£168,000	£186,902
Sedgemoor	£248,500	£168,000	£132,000	£95,500	£170,000	£194,526
South Somerset	£270,000	£178,000	£147,500	£99,000	£185,000	£217,572
Torrige	£245,000	£169,225	£145,000	£119,000	£187,000	£207,139
Taunton Deane	£279,500	£182,500	£156,475	£123,975	£189,950	£216,152
Mid Devon	£275,000	£180,000	£156,000	£117,000	£190,000	£222,940
Cornwall	£250,000	£177,625	£160,000	£144,775	£192,500	£227,418
West Devon	£285,000	£178,000	£164,700	£112,000	£195,000	£239,801
Mendip	£308,000	£187,500	£175,000	£120,000	£195,000	£239,262
North Devon	£260,000	£190,000	£159,000	£123,000	£199,000	£227,946
West Somerset	£284,000	£200,000	£162,500	£125,000	£200,000	£235,745
Exeter	£335,000	£229,950	£192,500	£139,500	£202,000	£231,459
North Somerset	£300,000	£200,000	£169,998	£147,000	£204,975	£236,690
Teignbridge	£285,000	£199,950	£165,000	£125,000	£207,500	£233,885
East Devon	£330,000	£212,000	£184,950	£157,500	£230,000	£270,681
Bath & North East Somerset	£375,000	£249,950	£233,537	£196,500	£249,950	£322,235
South Hams	£355,000	£225,000	£205,000	£194,000	£250,000	£326,068

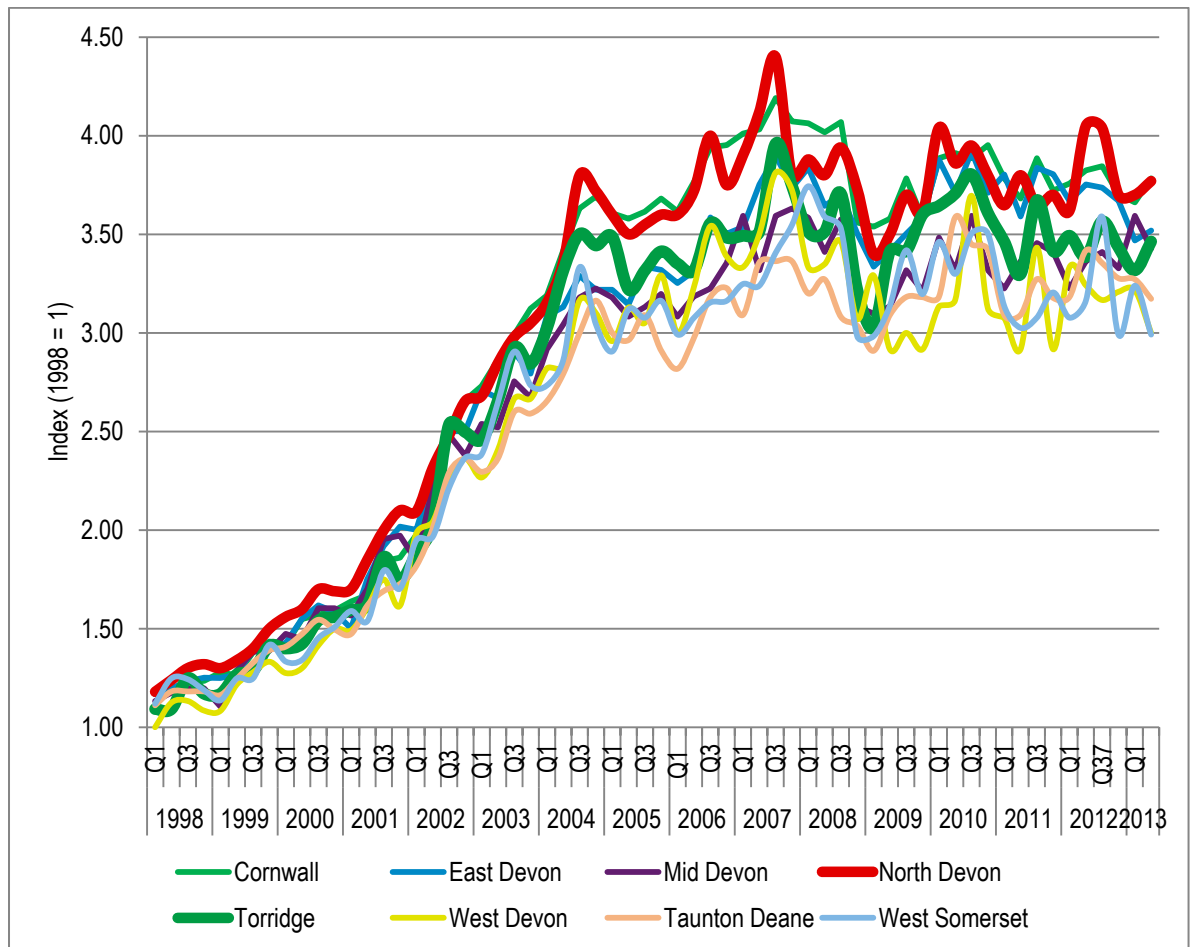
Source: HM Land Registry, 2015

- 2.49 Within the wider sub region Torridge sits towards the less expensive end of the rankings for all house prices, although the flatted stock is relatively more expensive. North Devon is ranked in the middle of the rankings, although the detached stock is relatively more affordable.
- 2.50 On this measure North Devon is seemingly more aligned with neighbouring West Somerset although the overall difference in the median values between North Devon and Torridge is not too dissimilar (+/-£12,000). The other neighbouring authorities of Mid and West Devon and Cornwall also sit within this range.

House Price Changes

- 2.51 There was a broad correlation in house price growth between Torridge, North Devon and their neighbouring authorities (See Figure 8). North Devon has also had consistently slightly higher growth than Torridge albeit that the difference is not great. This suggests that the two are operating in a similar market.

Figure 9: Median House Price Change (1998 -2013)



Source: CLG, 2014

2.52 We have also looked at the overall growth over different time periods. Again this shows that there was some correlation between North Devon and Torrridge. In any given period, there was only up to a 4 percentage point difference in price growth.

Table 2: Median House Price Change over different Periods

	15 Year Growth	10 Year Growth	5 Year Growth	1 Year Growth
Cornwall	247%	34%	28%	20%
Exeter	219%	25%	18%	10%
East Devon	188%	21%	11%	9%
West Somerset	171%	14%	7%	9%
Mendip	176%	21%	13%	8%
Teignbridge	187%	20%	14%	8%
South Somerset	161%	15%	9%	8%
Plymouth	215%	30%	12%	8%
Torridge	184%	10%	8%	7%
North Somerset	179%	29%	15%	7%
Taunton Deane	169%	19%	12%	7%
North Devon	187%	13%	12%	6%
South Hams	194%	20%	10%	6%
Torbay	168%	14%	9%	5%
Sedgemoor	154%	12%	9%	4%
West Devon	165%	9%	7%	4%
Mid Devon	171%	13%	10%	0%

Source: CLG, 2014 and HMLR 2015

Migration

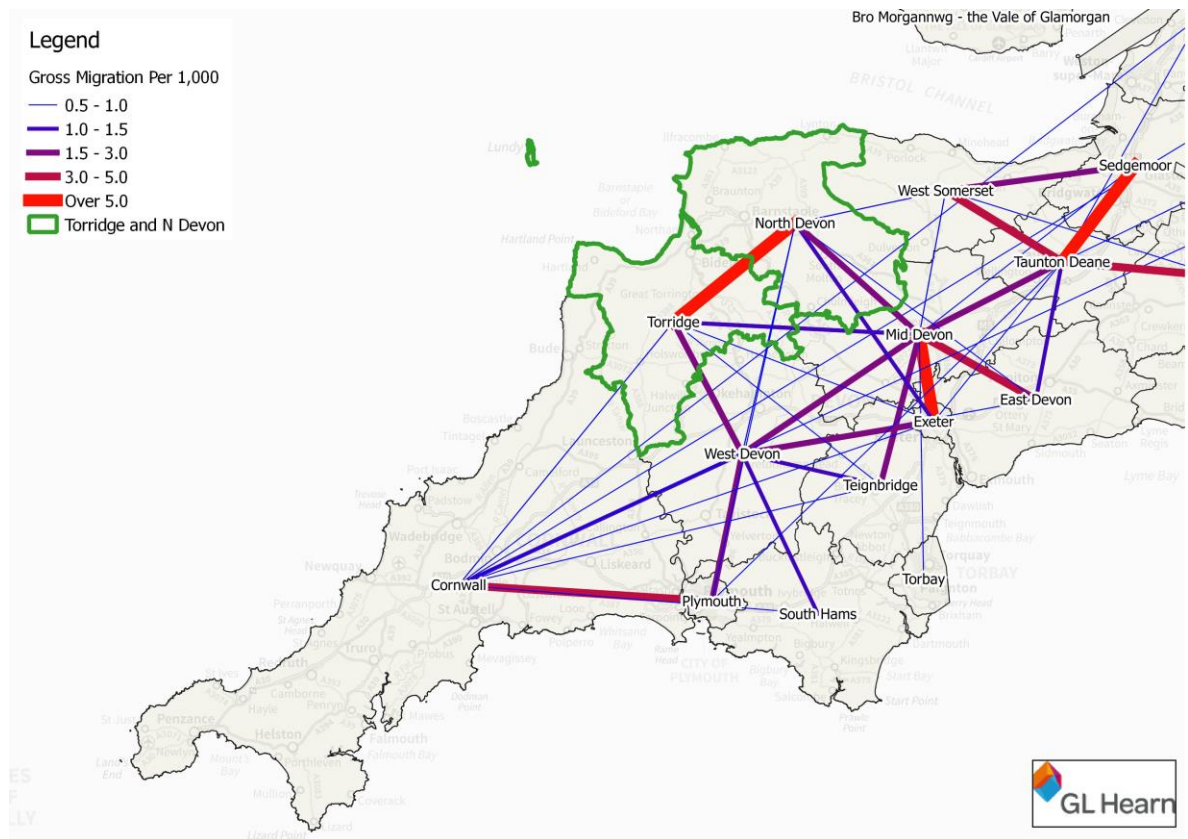
- 2.53 Migration flows reflect households' movements between areas, and thus are a key factor in considering the geography of housing markets. To test the definition of the housing market area, and to understand functional housing market inter-relationships across local authority boundaries, we have analysed 2011 Census data on internal migration flows between relevant local authority areas.
- 2.54 The data typically shows larger flows between authorities which are close to or border one another and between cities and student towns around the country. The scale of flows is partly influenced by the population of the authorities, with for instance the expectation that two large urban/ metropolitan authorities would support stronger flows than two smaller ones.

Gross Flows

2.55 Taking this into account, we have sought to standardise the analysis of gross flows to take account of the combined population of different authorities. The map below shows gross migration flows in numeric terms and expressed per combined 1,000 population.

2.56 As illustrated in Figure 10, Torridge and North Devon's strongest relationship by far is with each other. Torridge also has a notable relationship with West Devon; whilst North Devon has a notable relationship with Mid Devon. It is also notable that there are much weaker links between Torridge and Cornwall and between North Devon and West Somerset, despite these areas falling within the Northern Peninsula area as previously defined.

Figure 10: Gross Migration Flows (2011)



Source: ONS Census, 2011

2.57 Mid Devon however has a much stronger relationship with Exeter and East Devon whereas West Devon's strongest relationship is with Plymouth. There are other weaker but still notable relationships with Torridge including Mid Devon; whilst North Devon has a weaker but notable relationship with Exeter.

2.58 Table 3 shows the gross migration flows between local authorities. This counts migration flow in both directions between the authority pairs. This shows that Torridge and North Devon have the strongest relationship in the wider sub region. It also shows that the next nearest relationship with these authorities, between West Devon and Torridge, is around 3.6 times smaller. The relative strength of flows with West Somerset and Cornwall are weak.

Table 3: Gross Migration Flows (2011)

Location 1	Location 2	Gross per 1000 Population
Torridge	North Devon	7.00
Mid Devon	Exeter	6.09
Taunton Deane	Sedgemoor	5.58
Cornwall	Plymouth	4.39
West Somerset	Taunton Deane	3.58
Taunton Deane	South Somerset	3.43
Mid Devon	East Devon	3.14
Mid Devon	Taunton Deane	2.72
West Devon	Plymouth	2.50
West Devon	Torridge	1.95
Mid Devon	West Devon	1.93
West Somerset	Sedgemoor	1.90
West Devon	Exeter	1.82
Mid Devon	North Devon	1.72
Mid Devon	Teignbridge	1.61

Source: ONS Census, 2011

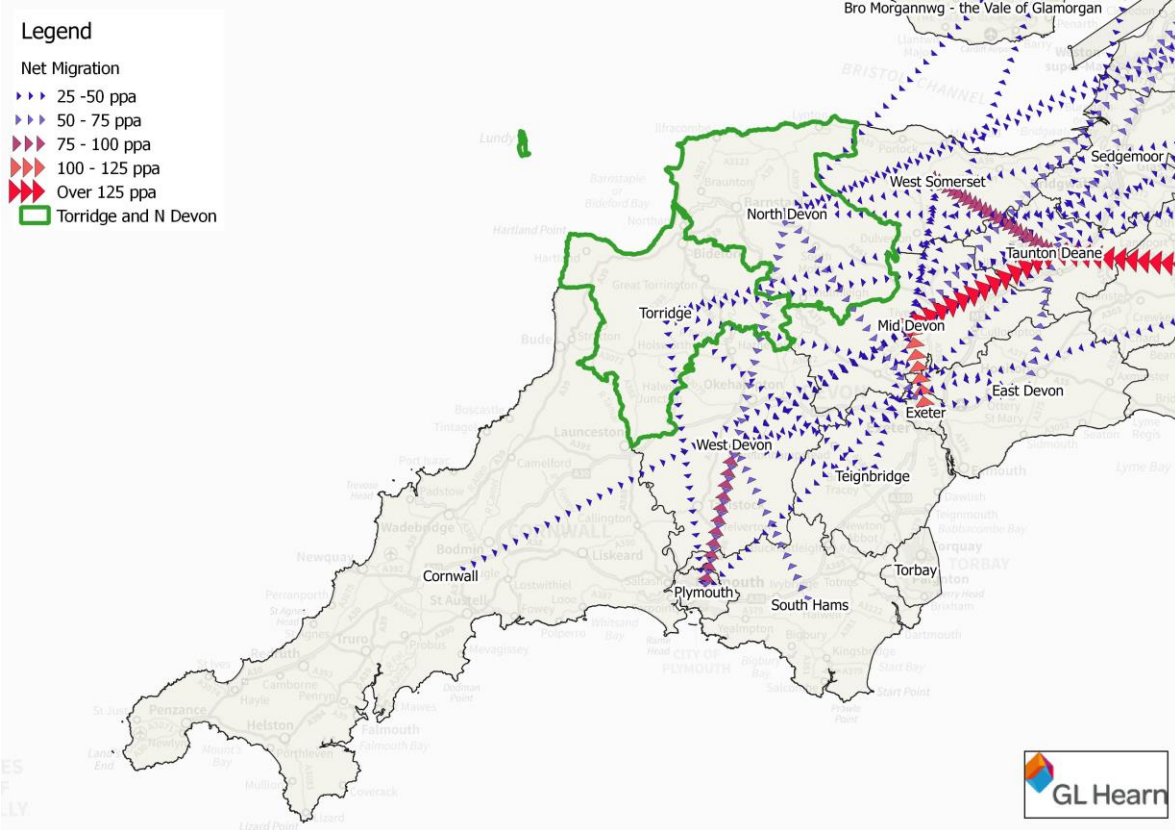
Net Flows

2.59 We have also examined net flows, i.e. the difference between flows in each direction. While not as useful as the gross analysis it does provide some context as to the direction of flow. Figure 11 illustrates these flows in the wider sub area. We have excluded longer distance flows from Cornwall for clarity as the flows were so many (linked to retirement moves).

2.60 The largest net flows to or from North Devon are net out flows to Plymouth and Exeter. These could be linked to student moves or younger households who cannot afford local house prices or would rather have an urban lifestyle. The largest net flows to or from Torridge are in flows from Teignbridge and Wiltshire. This could be linked to lifestyle moves, particularly from the latter. However, it is worth noting that these longer distance moves should not be used in identifying housing market areas.

2.61 Figure 11 shows no net flow between Torridge and North Devon. This is because the flow from North Devon to Torridge (555) is virtually the same as the flow in the opposite direction from Torridge to North Devon (548) giving a negligible net flow between the two authorities.

Figure 11: Net Flow (2011)



Source: ONS Census, 2011

Self-Containment

2.62 The final analysis relating to migration is of self-containment rates. Paragraph 11 of the PPG sets out that when defining HMAs:

“Migration flows and housing search patterns reflect preferences and the trade-offs made when choosing housing with different characteristics. Analysis of migration flow patterns can help to identify these relationships and the extent to which people move house within an area. The findings can identify the areas within which a relatively high proportion of household moves (typically 70 per cent) are contained. This excludes long distance moves (e.g. those due to a change of lifestyle or retirement), reflecting the fact that most people move relatively short distances due to connections to families, friends, jobs, and schools.”

2.63 We have undertaken analysis of self-containment rates for Torridge and North Devon using analysis of migration data for the year leading up to the 2011 census. In Torridge, 58% (3,925 out of 6,809) of people moving to a property in the District already lived within the District. Similarly, 62% (3,925 out of 6,381) of people moving out of a property in Torridge moved to another property elsewhere within the District.

- 2.64 The same analysis for North Devon shows that 64% (6,515 out of 10,217) of people moving to a property in the District already lived within the District. Similarly, 65% (6,515 out of 10,009) of people moving out of a property in North Devon moved to another property elsewhere within the District.
- 2.65 Whilst the self-containment figures for the individual local authorities are below the “typical 70%” threshold for identifying a HMA the figures include long distance moves. Once long distance (defined here as from outside the South West Region) are removed, the self-containment rates for Torridge increases to 70% and 71% and for North Devon to 78% and 77%.
- 2.66 When Torridge and North Devon are considered together the data shows that of the 17,026 people that moved to the Districts in the year leading up to the 2011 Census 11,543 of them moved from elsewhere in the two districts. This was the equivalent to a 68% self-containment rate. Similarly, of the 16,390 people moved from the districts in the same period, the same number of internal moves reflects a self- containment rate of 70% including long distance moves. When long-distance moves are excluded, the self-containment rate increases to 83% and 82% respectively.
- 2.67 There is therefore some strong justification for a housing market area which spans, and is limited to, the two local authorities.

Commuting Patterns

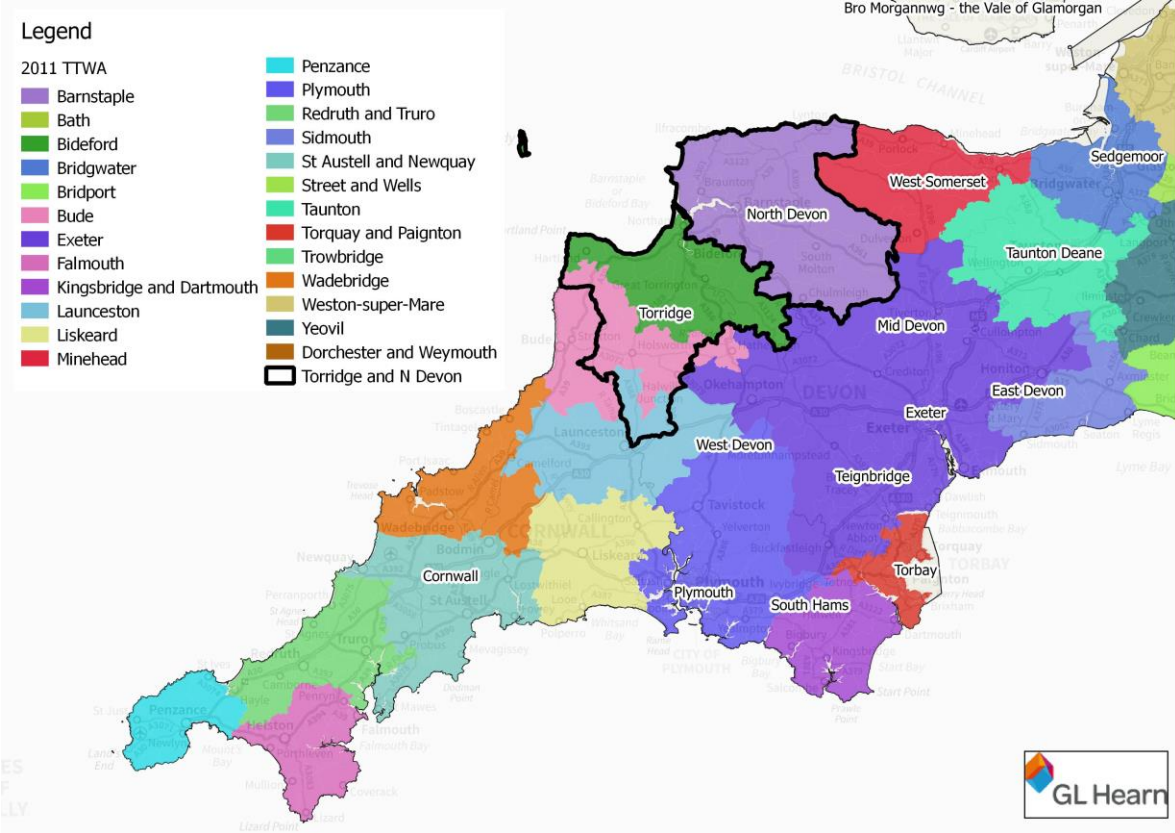
- 2.68 Commuting flows provide important evidence of the functional relationships between different areas. The Planning Practice Guidance directs planning authorities to consider commuting flows as a source of contextual information about the spatial dynamics of the local labour market as these will somewhat influence search patterns and location choices within the housing market.

TTWA

- 2.69 The first source to consider is the recently released ONS 2011 Travel to Work Areas which are based on 2011 Census commuting data. Travel to Work Areas (TTWA) are the smallest areas that can be defined in which two thirds of the population live and work and are, therefore, useful in defining HMA areas.
- 2.70 Figure 12 shows the Travel to Work Area geographies. There are four TTWAs which cover Torridge and North Devon. North Devon is entirely covered¹¹ by Barnstaple TTWA which does not extend beyond the district boundary.

¹¹ North Devon District, including the parts within Exmoor National Park

Figure 12: 2011 Travel to Work Area



Source: ONS, 2011

- 2.71 The southern part of Torridge (including St Giles-on-the-Heath and Clawton) fall within the Launceston TTWA, which also covers parts of Cornwall around Launceston and West Devon. The central area of Torridge (from Holsworthy and up to Welcombe on the coast) falls within the Bude TTWA, which also extends westward to Bude.
- 2.72 The remaining part of Torridge falls within the Bideford TTWA. This extends north to the remaining parts of coastal Torridge and east to the edge of the district. The majority of the Torridge population falls within this Travel to Work Area. It includes Hartland, Great Torrington and Bideford.
- 2.73 The chart below shows the self-containment levels of the 2011-based TTWAs defined by ONS. All three TTWAs see a demand-side self-containment rate of over 80%. The supply-side self-containment of the Bideford TTWA is comparatively lower at 70%.

Table 4: Self-Containment of ONS 2011-based Travel to Work Areas

	Number of residents in work	Number of jobs	Number of residents working in area	Supply-side self-containment (% employed residents who work locally)	Demand-side self-containment (% local jobs taken by local residents)
Barnstaple	45,161	48,246	40,492	89.7	83.9
Bideford	23,822	19,613	16,586	69.6	84.6
Bude	13,597	12,782	10,255	75.4	80.2

Source: ONS

2.74 The house price and commuting evidence demonstrates some links with parts of North Eastern Cornwall and western parts of West Somerset (areas falling principally within the Exmoor National Park).

Local Authority Flows

2.75 We have undertaken separate analysis to examine the location of work for Torridge and North Devon residents and the location of residency of those that work in the two districts. This data also draws from the 2011 Census.

2.76 Almost 60% of Torridge residents also work in the district with a further 24% working in North Devon. 5% of Torridge residents work in Cornwall, the next most popular location for employment.

2.77 North Devon has an even higher self-containment rate with 86% of residents also working in the District. A further 5% work in Torridge. There is another significant drop off to 1.8% of residents working in both Mid Devon and Exeter (see Table 5).

Table 5: Major Commuting Flows from North Devon and Torridge (2011)

Resident	Workplace	Commuters	% of Employed Resident
North Devon	North Devon	28,722	86.0%
Torridge	Torridge	12,399	59.9%
Torridge	North Devon	4,987	24.1%
North Devon	Torridge	1,640	4.9%
Torridge	Cornwall	1,052	5.1%
Torridge	West Devon	680	3.3%
North Devon	Mid Devon	593	1.8%
North Devon	Exeter	588	1.8%
Torridge	Exeter	405	2.0%
Torridge	Mid Devon	215	1.0%
North Devon	East Devon	205	0.6%
North Devon	Taunton Deane	134	0.4%
Torridge	East Devon	107	0.5%
North Devon	West Somerset	102	0.3%

Source: ONS, 2011

- 2.78 A similar profile is seen when looking at the workforce in either district. In Torridge almost 78% of jobs are taken up by local residents with a further 10% by North Devon residents. In North Devon almost 79% of jobs are taken up by local residents with a further 14% by Torridge residents.

Table 6: Major Commuting Flows to North Devon and Torridge (2011)

Workplace	Residency	Commuters	% of Workforce
North Devon	North Devon	28,722	78.7%
Torridge	Torridge	12,399	77.6%
North Devon	Torridge	4,987	13.7%
Torridge	North Devon	1,640	10.3%
Torridge	Cornwall	775	4.9%
North Devon	Mid Devon	670	1.8%
Torridge	West Devon	439	2.7%
Torridge	Bradford	192	1.2%
North Devon	East Devon	177	0.5%
North Devon	West Devon	174	0.5%
North Devon	Cornwall	165	0.5%
North Devon	Exeter	158	0.4%
Torridge	Mid Devon	137	0.9%

Source: ONS, 2011

- 2.79 Outside of the two districts the level of in-commuting then drops of significantly with 4.9% of jobs in Torridge taken up by Cornwall residents and 1.8% of North Devon jobs occupied by residents of Mid Devon (see Table 6).

- 2.80 Looking at the two local authorities together, a self-containment rate (residence based) of 91.5% is achieved. This again suggests there is a strong justification for a housing market area covering the two local authorities.

Drawing the Analysis Together

- 2.81 As the Planning Practice Guidance points out, there is no single right or wrong source of information for defining a housing market area and housing market areas may overlap. In line with the Guidance, we have analysed three key data sources: price trends and dynamics, commuting flows and migration patterns in order to define the extent of the relevant Housing Market Area.
- 2.82 The analysis clearly suggests a strong link between Torridge and North Devon in functional terms, and it is clear that a "best fit" to local authority boundaries would comprise these two local authorities, as set out in the Single Tier Silver Standard CURDS geography.
- 2.83 The two authorities together achieve an 82-83% migration self-containment rate (depending on the denominator used and excluding long-distance flows). This significantly exceeds the 'typically 70%' self-containment threshold referred to in the PPG. Furthermore, a 91.5% commuting self-containment is achieved.
- 2.84 It is important to still recognise the ongoing role of the Northern Peninsula as a 'character area' comprising common housing characteristics, settlement patterns, and market drivers such as high levels of second homes and in-migration.
- 2.85 Drilling down to a more local, sub-district, level the analysis suggests more local commuting dynamics, with a notable level of self-containment within North Devon District (as separate from West Somerset and Torridge), and an east/ west split within Torridge, with a relationship between Holsworthy and Bude (in Cornwall).
- 2.86 Drawing the analysis together suggests that North Devon and Torridge form a relatively self-contained HMA, albeit that there are linkages, as with most HMAs, with the surrounding areas of West Devon, Mid-Devon, Cornwall, and West Somerset.
- 2.87 Throughout the following sections of this report, all references to 'the HMA' refer to the self-contained HMA of North Devon and Torridge.

3 TREND-BASED DEMOGRAPHIC PROJECTIONS

- 3.1 In this section, consideration is given to demographic evidence of housing need and trend-based projections. Such projections are critical to the HEDNA process and this is emphasised in the NPPF (para 158) which states that local planning authorities should prepare a Strategic Housing Market Assessment (SHMA) to identify the scale of housing which *'meets household and population projection, taking account of migration and demographic change'*.
- 3.2 The importance of such projections can also be seen in the PPG which states [2a-015] that *'household projections published by [CLG] should provide the starting point estimate of overall housing need'*. The CLG projections are directly linked to ONS subnational population projections (SNPP). Further emphasis is put on the CLG Household projections in 2a-017 where it is noted that *'the household projections... are statistically robust and are based on nationally consistent assumptions'*.
- 3.3 However, the PPG also identifies [2a-014] that *'establishing future need for housing is not an exact science. No single approach will provide a definitive answer'* and in 2a-017 notes that *'plan makers may consider sensitivity testing, specific to their local circumstances'* – this is particularly related to evidence that there have been particular events which may have impacted on migration or the profile of the local population. Furthermore, the PPG notes [2a-016] that *'where possible, local needs assessments should be informed by the latest available data'* – this is relevant in this area due to new population estimates having been published since the release of the last SNPP.
- 3.4 The PAS Technical Advice Note provides some additional detail about sensitivity testing and in particular advises (para 6.24) that using a longer (10- to 15-year) past trend analysis can potentially provide a more robust projection than the SNPP (which uses data from the previous 5-6 years). The PAS Technical Advice Note also highlights the issue of Unattributable Population Change (UPC) – UPC is an adjustment made by ONS for discrepancies between Census data and annual monitoring. PAS states (para 6.35) that *'plan makers may take a view that the UPC, or part of it, should be included in the base period as past migration'*.
- 3.5 On the basis of the wording in both the PPG and the PAS Technical Advice Note a number of observations can be made which are relevant to the assessment of trend-based demographic projections:
- CLG household projections (which link to ONS population projections) are robust and should be used as the 'starting point' for assessing housing need;
 - These projections can be sensitivity tested where there is evidence of changes over time (e.g. short-term changes to migration patterns) or where UPC may be related to recorded migration levels;

- Up-to-date information should be used where possible and this will include later releases of ONS mid-year population estimates (MYE).
- 3.6 It is considered in looking at sensitivities to demographic projections that the suggested level of need can go down as well as up. This is on the basis of a 'common sense' approach whereby any increase in migration in one area will come with a commensurate decrease in other locations. It is also recognised that levels of population growth for individual local authorities (nationally) will need to sum to the total level of growth projected nationally (through ONS national population projections). This latter point is slightly complicated by a new set of national projections (published in October 2015 (2014-based)) which suggest population growth (2014-37) to be 6% higher than in the previous (2012-based) version.
- 3.7 In considering whether or not projections can be increased or decreased from ONS figures some general trends should also be understood. In particular, it has been evident since about 2008 (the start of recession) that population growth has been relatively strong in many urban areas – this looks to be driven by a reduced trend of out-migration from such locations (which is likely to be influenced by factors such as mortgage finance constraints). This has meant that more rural locations have typically seen lower levels of population growth than previously. These trends have not been observed universally across different types of locations but can give an insight into whether or not it is reasonable to move away from official projections.
- 3.8 In understanding what a reasonable projection is a number of factors can be considered. In particular, this would include overlaying past and projected population growth (to see if there is a correlation) and also to compare past and projected levels of migration in doing so, there is a need to recognise that migration may well be expected to change over time as the age structure of the population changes.
- 3.9 Overall, it is clear that developing the most reasonable and realistic projections for housing need is far from straightforward and will involve a degree of professional judgement. The need for judgment can clearly be seen in a recent High Court case in Kings Lynn (CO/914/2015) where it is noted that *'this is a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgment about trends and the interpretation and application of the empirical material available'*.
- 3.10 The core projections in this section look at housing needs over the period from 2011 to 2031 to be consistent with the emerging Local Plan. Projections have however also been developed up to 2036 (although not reported in this section). Data about the population size and structure is available up to mid-2014 and so within the projections developed, the data in the 2011-14 period is fixed to published data (from ONS). The exception to this is where outputs are taken directly from official projections (from ONS and CLG); in those cases, the data for 2012-14 is as projected by ONS/CLG.

Demographic Profile of Northern Devon

3.11 Although the analysis in this section looks at housing need from 2011 onwards, there is now demographic data on population change between 2011-2014 – this date is therefore used for the purposes of a baseline analysis.

Overall population levels and changes

3.12 The population of Northern Devon – which comprises the local authorities of Torridge and North Devon (including the area within the National Park) – is estimated to be 159,700 in 2014. This is an increase of 12,900 people since 2001 – an 8.8% increase over the 13-year period. This level of population growth is slightly above that seen across Devon but below that in the South West region (9.7%) and also nationally (9.8%). The data shows notably stronger growth in Torridge than North Devon.

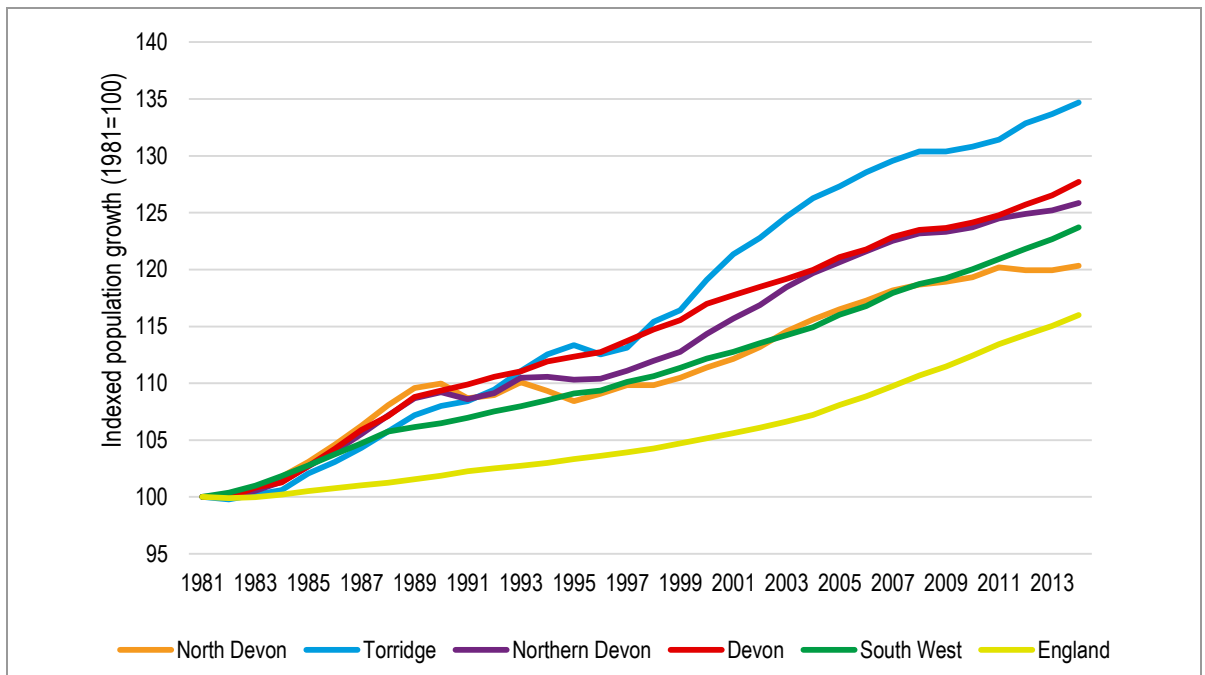
Table 7: Population Growth (2001-14)

Area	Population 2001	Population 2014	Change in Population	% change
North Devon	87,700	94,100	6,400	7.3%
Torridge	59,100	65,600	6,500	11.0%
Northern Devon	146,800	159,700	12,900	8.8%
Devon	705,600	765,300	59,700	8.5%
South West	4,943,400	5,423,300	479,900	9.7%
England	49,449,700	54,316,600	4,866,900	9.8%

Source: ONS

3.13 We can also consider longer-term trends in rates of population growth with data being available back to 1981. The data shows variations in population change over time in both areas. Since 1981, population growth in Northern Devon has been slightly stronger than seen across Devon and slightly weaker than across the South West. Torridge stands out as having seen fairly rapid population growth throughout the period studied (and particularly since about 2000). Both North Devon and Torridge have seen population growth in excess of the level seen across England.

Figure 13: Indexed population growth (1981-2014)



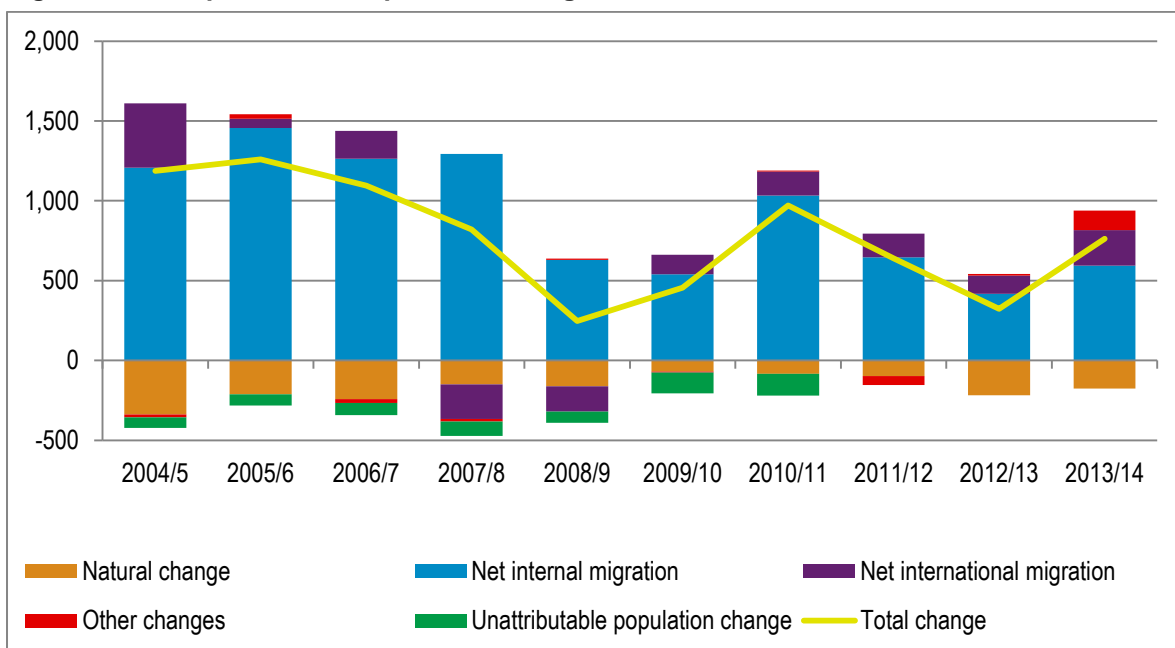
Source: ONS

Components of past population change

- 3.14 Figure 14 and Table 8 overleaf consider the drivers of population change in the Northern Devon area. Population change is largely driven by natural change (births minus deaths) and migration although within ONS data there is also a small other changes category - mainly related to armed forces and prison populations - and an unattributable population change (UPC) category. UPC is an adjustment made by ONS to mid-year population estimates where Census data suggests that population growth had either been over- or under-estimated in the inter-Census years. Because UPC links back to Census data a figure is only provided to 2011.
- 3.15 Figure 14 shows that net migration, and in particular, internal migration (i.e. from other parts of the country) has been the key driver of population change over the past decade. The number of deaths has typically exceeded the number of births by around 175 per annum over this period. The level of natural change has generally been increasing over time (becoming less negative) – influenced by a changing age structure - although the more recent evidence suggests that this trend may now be levelling off.
- 3.16 When looking at migration, the data shows an average level of net migration of about 1,000 people per annum on average (with about 900 of this being internal migration). Levels of migration look to have been decreasing over time, and this has also seen lower levels of population growth.

3.17 Other changes are quite small and the data shows a small (and generally negative) level of UPC to 2011. This could relate to an over-estimation of migration, or to the accuracy of Census results. It should be noted that despite a negative level of UPC overall, the figure is positive in North Devon. The implication of UPC for housing need is discussed later in this section.

Figure 14: Components of Population Change, mid-2004 to mid-2014 – Northern Devon



Source: ONS

Table 8: Components of population change (2004-14) – Northern Devon

Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2004/5	-338	1,208	402	-18	-66	1,188
2005/6	-212	1,457	57	28	-71	1,259
2006/7	-242	1,264	174	-24	-76	1,096
2007/8	-150	1,293	-216	-17	-89	821
2008/9	-161	631	-159	7	-71	247
2009/10	-69	540	122	-6	-131	456
2010/11	-84	1,034	149	7	-136	970
2011/12	-98	646	149	-56	0	641
2012/13	-218	417	114	11	0	324
2013/14	-176	594	222	123	0	763

Source: ONS

3.18 Tables 9 and 10 provide this information for each of the two local authorities – the data shows some variation in the various components of change over time, with both areas generally seeing a downward trend in population growth over time.

Table 9: Components of population change (2004-14) – North Devon

Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2004/5	-157	450	273	-14	161	713
2005/6	-106	485	34	25	160	598
2006/7	-106	482	94	-23	164	611
2007/8	-34	482	-172	-6	150	420
2008/9	-61	303	-144	6	167	271
2009/10	-44	70	96	-2	127	247
2010/11	24	471	74	-7	121	683
2011/12	-51	-110	81	-49	0	-129
2012/13	-83	8	63	-10	0	-22
2013/14	-72	59	130	117	0	234

Source: ONS

Table 10: Components of population change (2004-14) – Torrige

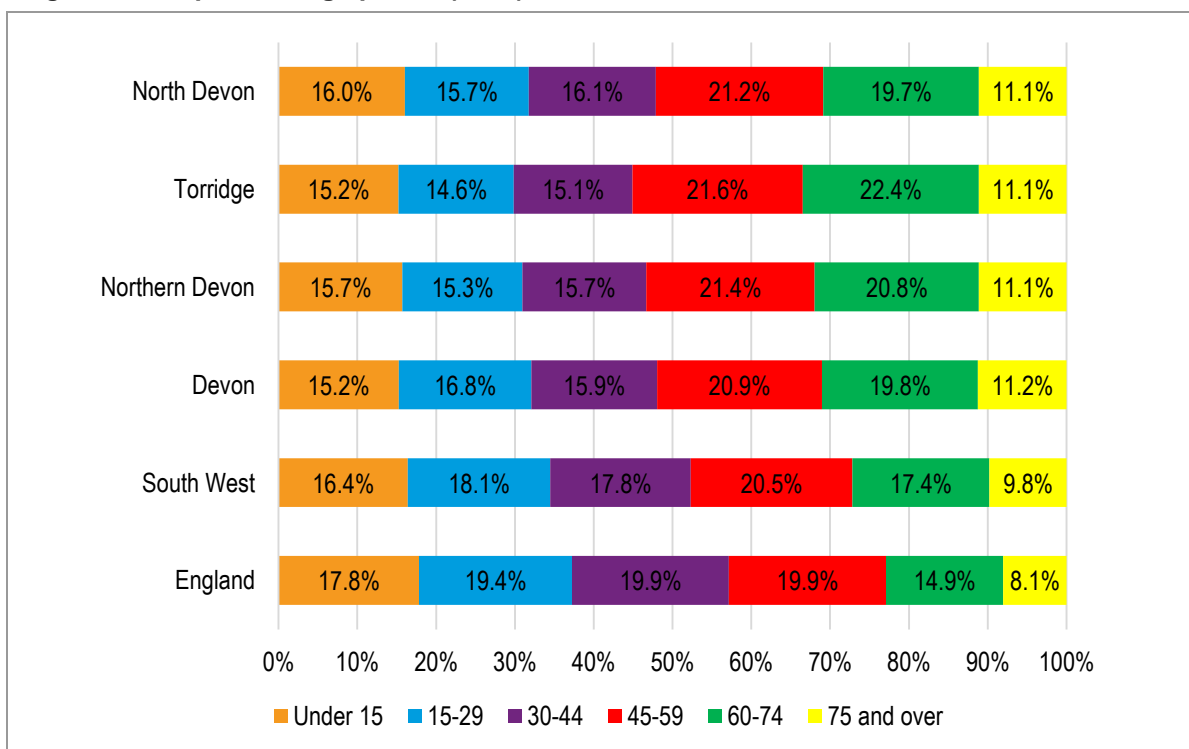
Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2004/5	-181	758	129	-4	-227	475
2005/6	-106	972	23	3	-231	661
2006/7	-136	782	80	-1	-240	485
2007/8	-116	811	-44	-11	-239	401
2008/9	-100	328	-15	1	-238	-24
2009/10	-25	470	26	-4	-258	209
2010/11	-108	563	75	14	-257	287
2011/12	-47	756	68	-7	0	770
2012/13	-135	409	51	21	0	346
2013/14	-104	535	92	6	0	529

Source: ONS

Age Profile and Past Changes

- 3.19 The age profile of the population of Northern Devon is generally similar to that seen across the County. However, when compared with the regional and national position, it is clear that the age profile is somewhat older – a total of 32% of population in Northern Devon is aged 60 and over, compared with 27% regionally and 23% for the whole of England. This means that the proportion of younger people is lower – this can be seen in all age groups up to age 45. Within Northern Devon, the population of Torrige is slightly ‘older’ than in North Devon.

Figure 15: Population age profile (2014)



Source: ONS 2014 mid-year population estimates

3.20 Table 11 below shows how the age structure of the population has changed over the 2001 to 2014 period. The data shows the most significant growth to have been in the 60-74 age group, with this group also showing the highest proportionate increase. Increases have also been seen in the 15-29 and 45-59 age groups (both increasing by over 2,000 people). The population aged 75 and over has increased by around 3,300 people; a 23% increase. The analysis also indicates a decline in the population aged 30-44 and virtually no change in the number of children (population aged under 15).

Table 11: Change in age structure 2001 to 2014 – Northern Devon

Age group	2001	2014	Change	% change
Under 15	25,600	25,100	-500	-2.0%
15-29	21,900	24,400	2,500	11.4%
30-44	28,500	25,100	-3,400	-11.9%
45-59	32,100	34,200	2,100	6.5%
60-74	24,500	33,300	8,800	35.9%
75 and over	14,500	17,800	3,300	22.8%
Total	146,800	159,700	12,900	8.8%

Source: ONS mid-year population estimates (2001 and 2014)

3.21 The same analysis has been carried out for the individual local authorities and a range of comparator areas (see Table 12). The data identifies that population profile changes in Northern

Devon are fairly similar to that seen regionally and nationally – the main difference being a greater ageing of the population over this period. For the two individual authorities, the patterns of change are broadly similar – Torridge generally seeing higher population increases consistent with a higher overall level of population growth.

Table 12: Change in age structure 2001 to 2014

Area	Under 15	15-29	30-44	45-59	60-74	75 and over	Total
North Devon	-2.6%	12.1%	-11.6%	5.3%	30.1%	20.7%	7.3%
Torridge	-1.0%	10.3%	-12.4%	8.4%	44.1%	25.9%	11.0%
Northern Devon	-2.0%	11.4%	-11.9%	6.5%	35.9%	22.8%	8.8%
Devon	-1.9%	15.2%	-12.0%	8.6%	32.4%	15.9%	8.5%
South West	1.2%	16.7%	-8.3%	12.7%	30.1%	16.1%	9.7%
England	4.2%	12.9%	-4.0%	16.0%	24.1%	17.5%	9.8%

Source: Mid-Year Population Estimates

Demographic Evidence of Housing Need – Starting Point

- 3.22 The PPG states that *'household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics. Projected household representative rates are based on trends observed in Census and Labour Force Survey data'*.
- 3.23 The most up-to-date projections are the 2012-based CLG household projections published in February 2015. These projections were underpinned by ONS (2012-based) subnational population projections (SNPP) – published in May 2014.
- 3.24 Table 13 sets out levels of household growth expected by the CLG household projections in the 2011-31 period. Data is also provided for Devon, the South West and England for comparative purposes. Whilst the projections run from 2012, the CLG data also includes figures for 2011.
- 3.25 Across the Northern Devon area, the CLG household projections show household growth of about 12,100 – this is an 18% increase; slightly below equivalent figures for both the South West (18%) and England (19%). The projected growth is however slightly above the level projected across Devon. Growth, in percentage terms, is projected to be significantly higher in Torridge (24%) than in North Devon (13%). However, in actual terms the projected growth figures are closer – 5,382 in North Devon and 6,726 in Torridge.

Table 13: Household change 2011 to 2031 (2012-based CLG household projections)

Area	Households 2011	Households 2031	Change in households	% change
North Devon	40,173	45,555	5,382	13.4%
Torridge	28,071	34,797	6,726	24.0%
Northern Devon	68,244	80,352	12,108	17.7%
Devon	323,379	379,458	56,079	17.3%
South West	2,270,107	2,683,658	413,551	18.2%
England	22,103,878	26,406,679	4,302,801	19.5%

Source: CLG household projections

- 3.26 Whilst the 2012-based SNPP is the latest 'official' population projection and therefore forms part of the starting point for analysis in line with the PPG, it is worth testing the assumptions underpinning the projection to see if it is broadly reasonable in a local context. Our analysis therefore initially considers the validity of the population projections and their consistency with past trends, before moving on to consider past trend data in more detail, and also data released since the population projections were published (in particular, ONS has subsequently published new mid-year population estimates for 2013 and 2014).

2012-based Subnational Population Projections (SNPP)

- 3.27 The latest SNPP were published by ONS on the 29th May 2014. They replace the 2010- and 2011-based projections. Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2012-based national population projections. The new SNPP are largely based on trends in the 2007-12 period (2006-12 for international migration trends). The SNPP are only population projections and do not contain headship rates (which are needed to convert into household estimates).
- 3.28 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.

Overall Population Growth

- 3.29 Table 14 shows projected population growth from 2011 to 2031 in each local authority and a range of other areas. The data shows that the population of the Northern Devon area is projected to grow by around 19,100 people; this is a 12% increase – virtually the same as projected across Devon but

below that expected across the South West (14%) and also England as a whole (14%). Population growth is expected to be stronger in Torrridge and weaker in North Devon.

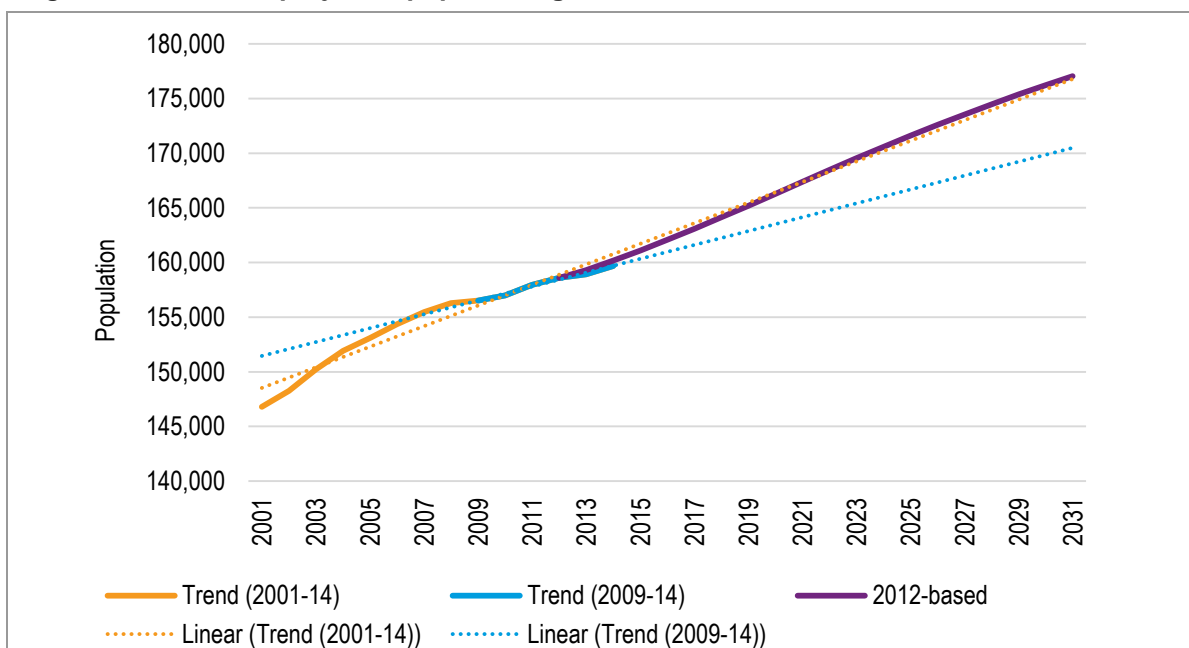
Table 14: Projected population growth (2011-2031) – 2012-based SNPP

	Population 2011	Population 2031	Change in population	% change
North Devon	93,976	101,916	7,940	8.4%
Torrridge	63,973	75,144	11,171	17.5%
Northern Devon	157,949	177,060	19,111	12.1%
Devon	747,700	835,500	87,800	11.7%
South West	5,300,800	6,023,300	722,500	13.6%
England	53,107,200	60,418,800	7,311,600	13.8%

Source: ONS

3.30 The figure below shows past and projected population growth in the period 2001 to 2031. The data also plots a linear trend line for the last five years for which data is available (2009-14) and also a longer-term period from 2001 to 2014 – this being the longest period for which reasonable data about the components of population change (e.g. migration) is available. The data shows that the population is expected to grow at a rate which is in line with long-term past trends but at a level which is some way above that seen over the past five years. This is an important finding given that ONS typically consider short-term trends when developing the SNPP (looking at the last 5-years for internal migration and the last 6-years for international migration) but the analysis above has observed lower levels of population growth in the recent past.

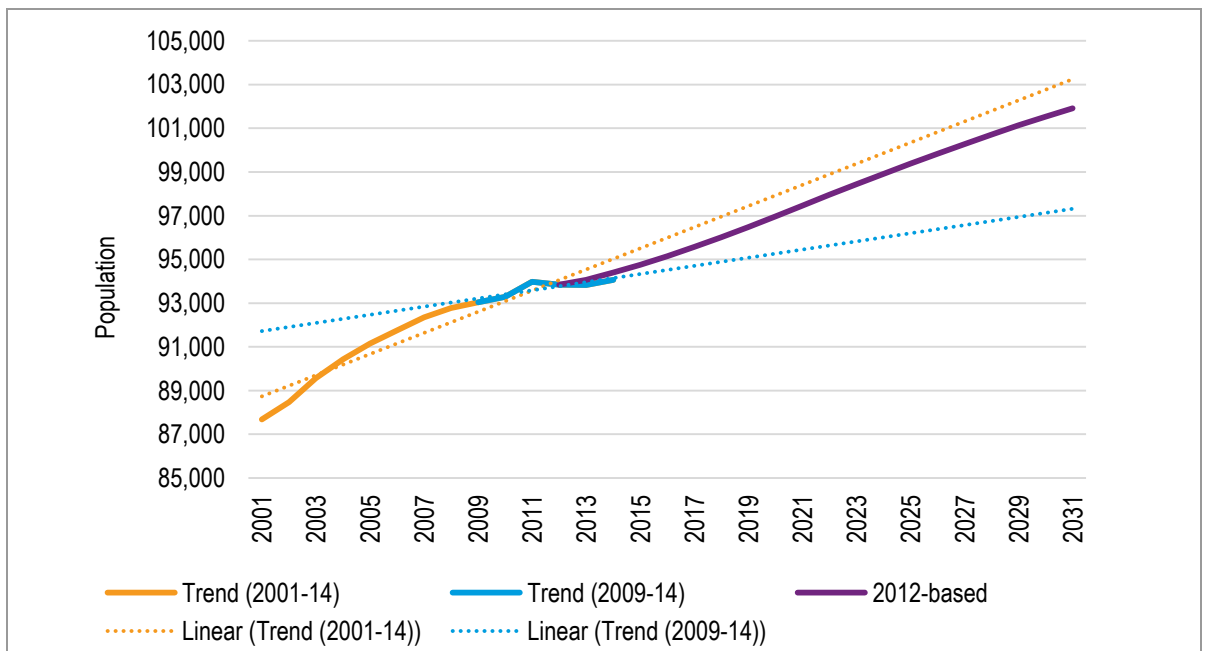
Figure 16: Past and projected population growth – Northern Devon



Source: ONS

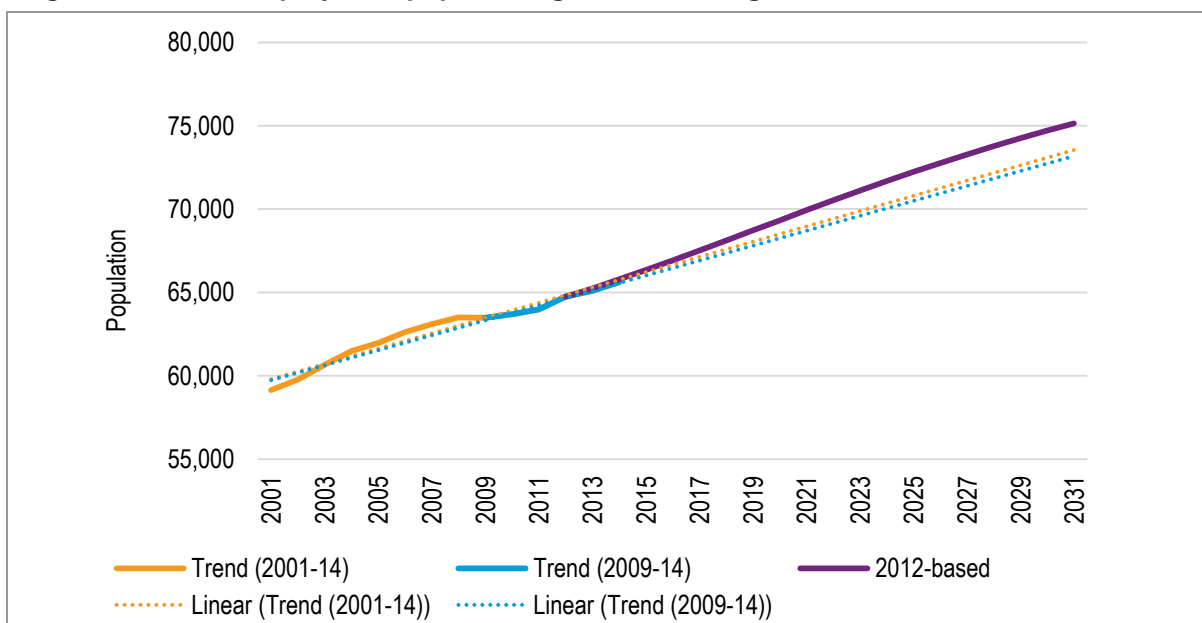
3.31 Figures 17 and 18 show the same data for individual local authorities. In North Devon (Figure 17), the data shows that population growth is projected to be in-line with long-term trends but at a level above that seen over the past five years. In Torridge (Figure 18), the level of population growth is projected to be slightly stronger than seen in the past (regardless of the period studied). This is likely to be linked to some degree to the level of Unattributable Population Change (UPC) in the past trend data (which is not included within the SNPP analysis). This point is discussed in more detail below (when considering alternative demographic scenarios).

Figure 17: Past and projected population growth – North Devon



Source: ONS

Figure 18: Past and projected population growth – Torridge



Source: ONS

Initial Sensitivity Testing – Updating Baseline Population Data

- 3.32 The latest Sub-National Population Projections, as considered above are 2012 based. With publication of new population data for 2013 and 2014 it is possible to replace the projected levels of population (by age and sex) in 2013 and 2014 with the actual recorded numbers in ONS mid-year population estimates (MYE).
- 3.33 This projection can be seen to be an updating of the ‘starting point’ described in the PPG to take account of more recent data. This updating treats population data as fixed in the 2011-14 period (based on published MYE data) with the projection reflecting the 2012-based SNPP (using rates for births and deaths and actual migration figures (by age and sex)).
- 3.34 A summary of the outputs from this updated projection is shown in Table 15. Across Northern Devon, this projection shows a slightly lower level of population growth (11.9%) than the 2012-based SNPP figure shown in Table 14 (12.1%) – this is due to recorded population growth in the 2012-14 period having been slightly lower than projected in the 2012-based SNPP.

Table 15: Projected population growth (2011-2031) – 2012-based SNPP (as updated)

	Population 2011	Population 2031	Change in population	% change
North Devon	93,976	101,577	7,601	8.1%
Torridge	63,973	75,125	11,152	17.4%
Northern Devon	157,949	176,703	18,754	11.9%

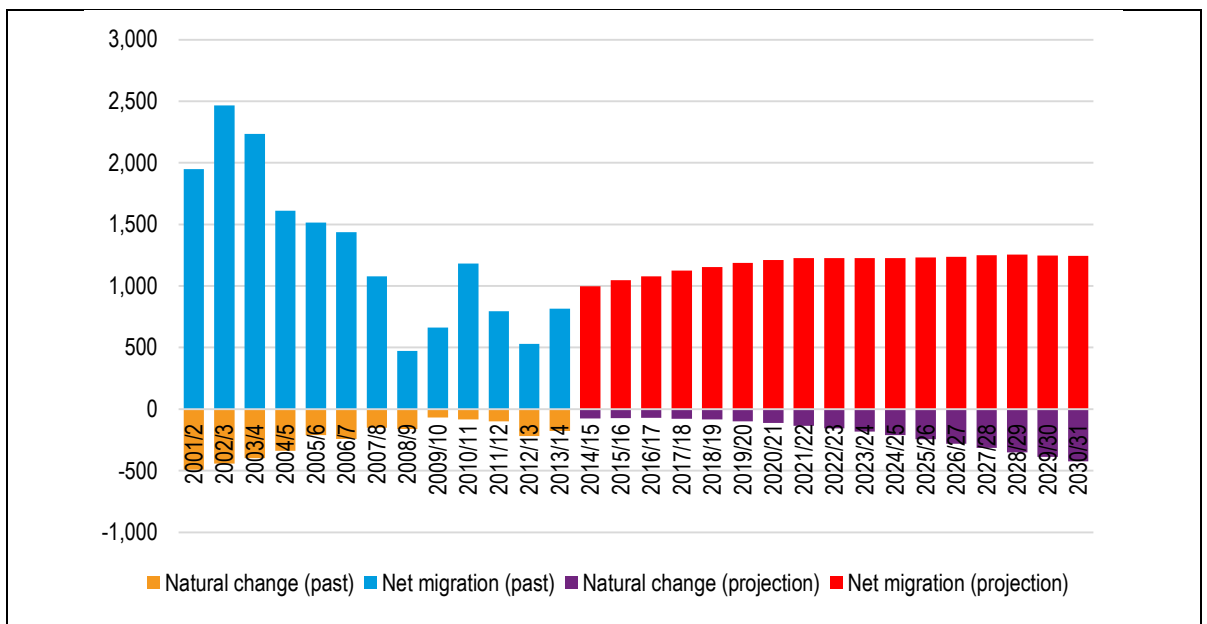
Source: ONS and demographic projections

Components of Population Change

3.35 Figure 19 below brings together data about migration (both past trends and the future projection) along with information about natural change. This shows that natural change is expected to decrease over time (increasing deaths relative to births). Expected levels of migration show the opposite pattern – generally increasing over time.

3.36 When compared with the past trends in migration, the projected figures look to be reasonable. For the whole of the projection period (2014-31) the average level of migration is expected to be around 1,187 people (net) per annum – this figure is higher than the level seen in short-term past trends (797 per annum) but more in line with the average seen over the past 10-years (1,010 per annum on average from 2004 to 2014). On this basis SNPP appears to be a reasonable demographic-based projection.

Figure 19: Components of population change, mid-2001 to mid-2031 (summary chart) – Northern Devon



Source: ONS and demographic projections

Age Structure Changes

3.37 With growth in the population will also come age structure changes. Table 16 summarises the findings for key (15-year) age groups under the 2012-based SNPP (as updated). The data shows that largest growth will be in people aged 60 and over; it is estimated that there will be 68,400 people aged 60 and over in 2031 – this is an increase of 19,500 from 2011, representing growth of 40%. The population aged 75 and over is projected to increase by an even greater proportion, 78%. Looking at the other end of the age spectrum the data shows that there are projected to be around

12% more people aged under 15 with little change in the 15-29 and 30-44 age groups. The population aged 45-59 is expected to decline by about 11% over the 20-year projection period.

Table 16: Population change 2011 to 2031 by fifteen-year age bands (2012-based SNPP (as updated)) – Northern Devon

Age group	Population 2011	Population 2031	Change in population	% change from 2011
Under 15	24,783	27,652	2,869	11.6%
15-29	24,527	23,915	-612	-2.5%
30-44	26,562	27,262	700	2.6%
45-59	33,185	29,520	-3,665	-11.0%
60-74	32,084	38,479	6,395	19.9%
75+	16,808	29,875	13,067	77.7%
Total	157,949	176,703	18,754	11.9%

Source: ONS and demographic projections

3.38 Tables 17 and 18 below show the same information for each of the two local authorities. The patterns of changes in the age structure are similar in both areas although population increases are generally more marked in Torridge – linked to a higher overall level of population growth.

Table 17: Population change 2011 to 2031 by fifteen-year age bands (2012-based SNPP (as updated)) – North Devon

Age group	Population 2011	Population 2031	Change in population	% change from 2011
Under 15	15,072	16,319	1,247	8.3%
15-29	15,167	14,376	-791	-5.2%
30-44	16,130	16,025	-105	-0.6%
45-59	19,430	16,754	-2,676	-13.8%
60-74	18,213	21,187	2,974	16.3%
75+	9,964	16,916	6,952	69.8%
Total	93,976	101,577	7,601	8.1%

Source: ONS and demographic projections

Table 18: Population change 2011 to 2031 by fifteen-year age bands (2012-based SNPP (as updated)) – Torridge

Age group	Population 2011	Population 2031	Change in population	% change from 2011
Under 15	9,711	11,333	1,622	16.7%
15-29	9,360	9,539	179	1.9%
30-44	10,432	11,237	805	7.7%
45-59	13,755	12,765	-990	-7.2%
60-74	13,871	17,292	3,421	24.7%
75+	6,844	12,959	6,115	89.4%
Total	63,973	75,125	11,152	17.4%

Source: ONS and demographic projections

Alternative Demographic Scenarios

- 3.39 As noted above, the SNPP looks to be a sound projection with regard to population growth in the HMA (and individual local authorities). However, it is noted across the HMA that levels of migration and population growth have generally been lower since about 2008 and this will influence the SNPP (which is primarily based on data from the previous 5-6 years). On this basis it would be reasonable to consider alternative (sensitivity) scenarios – such an approach is set out in Paragraph 2a-017 of the PPG which states *'plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections...'*
- 3.40 There are a number of issues and alternatives which can be investigated. Firstly, it should be noted that the SNPP are 2012-based. With publication of new population data for 2013 and 2014 it is now possible to see if there have been any notable shifts in short-term migration patterns and hence use the more recent data to establish if the next SNPP (a 2014-based version expected to be published in Spring 2016) will differ substantially from that in the 2012-based version. Secondly, account can be taken of longer-term migration trends (noting that earlier analysis has suggested a lower level of migration in the recent past than over the longer-term (over the past 10-years, back to 2004 for example). Finally, earlier analysis did highlight some concerns in relation to the 'unattributable' component of population change within ONS population data for the 2001-11 period and it is possible to test alternative scenarios taking account of this component of change.
- 3.41 The analysis below therefore considers four potential sensitivities to the figures. These can be described as:
- Implications of 2013 and 2014 mid-year population data
 - Implications of 10-year migration trends
 - Implications of 10-year migration trends and an adjustment for Unattributable Population Change (UPC)
 - Implications of 10-year migration trends and a partial adjustment for Unattributable Population Change (UPC)

Implications of 2013 and 2014 Mid-Year Population Data

- 3.42 In seeking to understand how population projections might change as a result of more recent ONS data, it is important to understand how the projections work. The SNPP is not a simple roll forward of past migration numbers but also takes account of the age structure and how this will change over time – this has an impact on estimated future migration (which can go up as well as down). Additionally, international migration is linked back to the ONS national projections which use a longer-term time series for analysis (believed to date back to 1994). It also needs to be noted that when looking at past trends at a local level, ONS conventionally uses data from the past five years

for internal/domestic migration and a period of six years when considering international migration trends.

3.43 The table below therefore shows average levels of migration in the periods which fed into the 2012-based SNPP and also that are expected to feed into the 2014-based SNPP. The analysis considers the difference between these periods to determine if the next set of SNPP are likely to show a higher or lower level of population growth. The analysis looks at internal and international migration separately.

3.44 The data shows in both local authorities that there has been a decrease in net migration, although this is as a combination of a reduction in internal migration and a smaller increase in the number of international migrants.

Table 19: Past trends in internal and international migration – data feeding into subnational population projections – Northern Devon

	North Devon		Torridge		Northern Devon	
	Internal net migration	International net migration	Internal net migration	International net migration	Internal net migration	International net migration
2006/7	-	94	-	80	-	174
2007/8	482	-172	811	-44	1,293	-216
2008/9	303	-144	328	-15	631	-159
2009/10	70	96	470	26	540	122
2010/11	471	74	563	75	1,034	149
2011/12	-110	81	756	68	646	149
2012/13	8	63	409	51	417	114
2013/14	59	130	535	92	594	222
2012-SNPP	243	5	586	32	829	37
2014-SNPP	100	50	547	50	646	100
Difference	-144	45	-39	18	-183	63

Source: ONS

3.45 To model an alternative scenario, the levels of migration underpinning the 2012-based SNPP have been adjusted to reflect the difference between figures for the different periods shown in the table above. For example, the modelling assumes a level of internal migration that is 144 people lower for each year of the projection post-2014 in North Devon (data to 2014 being fixed by reference to the ONS mid-year population estimates).

Implications of 10-year Migration Levels

3.46 Previous analysis has identified that levels of population growth have been lower since about 2008 and this is at least in part due to a lower level of migration. Analysis has therefore given consideration to migration trends over the past ten-years (taken to be the 2004-14 period for the

purposes of this analysis). A consideration of longer-term trends is suggested as an alternative scenario in the PAS Technical Advice Note.

3.47 The analysis, as with the scenario above, recognises that projections are not a simple roll forward of past levels of migration and therefore seeks to look at the difference between 10-year migration levels and the levels that feed into the 2012-based SNPP. The table below therefore provides a similar analysis to that above but using a reference period going back to 2004. The data shows that migration over the 10-year period was stronger than the levels feeding into the SNPP – higher by 80 for internal migration and 65 in the case of international net migration. The modelling (as for the previous scenario) uses these differences as an amendment to the SNPP.

Table 20: Past trends in internal and international migration – data feeding into subnational population projections and long-term average – Northern Devon

	North Devon		Torridge		Northern Devon	
	Internal net migration	International net migration	Internal net migration	International net migration	Internal net migration	International net migration
2004/5	450	273	758	129	1,208	402
2005/6	485	34	972	23	1,457	57
2006/7	482	94	782	80	1,264	174
2007/8	482	-172	811	-44	1,293	-216
2008/9	303	-144	328	-15	631	-159
2009/10	70	96	470	26	540	122
2010/11	471	74	563	75	1,034	149
2011/12	-110	81	756	68	646	149
2012/13	8	63	409	51	417	114
2013/14	59	130	535	92	594	222
2012-SNPP	243	5	586	32	829	37
Long-term net migration	270	53	638	49	908	101
Difference	27	48	53	17	80	65

Source: ONS

Combining 10-year Migration Trends and UPC (two projections)

3.48 As noted earlier there is a modest level of Unattributable Population Change (UPC) in the ONS data to 2011 in Northern Devon. In this instance UPC is negative. This suggests that the components of change feeding into the SNPP may over-estimate migration and population growth across Northern Devon as a whole. However, a different picture emerges in each of the two local authorities (with a positive level of UPC in North Devon and a negative figure seen in Torridge).

3.49 Whilst it would be possible to just model an adjustment for UPC, it is not considered to be a robust alternative to the SNPP. The main reasons for this are that it is unclear if UPC is related to

migration and more importantly, due to changes in the methods used by ONS to measure migration it is most probable that any errors are focussed on earlier periods (notably 2001-6) and therefore a UPC adjustment for more recent data would not be appropriate.

- 3.50 There is however a case for looking at the impact of UPC as a sensitivity alongside consideration of trends over the past 10-years. If a projection is using data from the period to 2006 (as it does when looking at 10-year migration trends) then it is reasonable to also include an adjustment for UPC – as some of the older data is more likely to be affected by UPC issues.
- 3.51 Hence the final sensitivity projections take the outputs from the 10-year migration scenario and make a further additional adjustment for UPC (based on the years in which this arises). Two projections have been developed; the first includes an adjustment for 100% of UPC and the second uses 50% of the UPC value. The use of 50% is arbitrary but is an attempt to reflect the fact that UPC may not wholly be linked to migration recording.
- 3.52 For the purposes of analysis, it has been assumed that UPC is equally split between international and internal migration – this assumption is considered to be reasonable given that generally it is thought that UPC is more closely associated with international migration, but, in Northern Devon international migration is a relatively small component of population change. In reality this assumption will not substantially impact on the figures given that the overall level of migration is the same regardless of which group it is placed in – there would however be some differences due to differing age/sex profiles of migrants in each of the international and internal migrant groups.
- 3.53 Tables 21 and 22 overleaf therefore set out the assumptions modelled (the first with a 100% UPC adjustment and the second using 50%). It can be seen that there is a notable projected uplift in migration in North Devon whilst for Torridge levels of net migration are actually lower.

Table 21: Past trends in internal and international migration – data feeding into SNPP and 10-year average (with a 100% UPC adjustment) – Northern Devon

	North Devon		Torrige		Northern Devon	
	Internal net migration	Inter-national net migration	Internal net migration	Inter-national net migration	Internal net migration	Inter-national net migration
2004/5	531	354	645	16	1,175	369
2005/6	565	114	857	-93	1,422	22
2006/7	564	176	662	-40	1,226	136
2007/8	557	-97	692	-164	1,249	-261
2008/9	387	-61	209	-134	596	-195
2009/10	134	160	341	-103	475	57
2010/11	532	135	435	-54	966	81
2011/12	-110	81	756	68	646	149
2012/13	8	63	409	51	417	114
2013/14	59	130	535	92	594	222
10-year migration/100% UPC	323	105	554	-36	876	69
2012-SNPP	243	5	586	32	829	37
Difference	79	101	-32	-68	48	33

Source: ONS

Table 22: Past trends in internal and international migration – data feeding into SNPP and 10-year average (with a 50% UPC adjustment) – Northern Devon

	North Devon		Torrige		Northern Devon	
	Internal net migration	Inter-national net migration	Internal net migration	Inter-national net migration	Internal net migration	Inter-national net migration
2004/5	490	313	701	72	1,192	386
2005/6	525	74	914	-35	1,439	39
2006/7	523	135	722	20	1,245	155
2007/8	520	-135	751	-104	1,271	-238
2008/9	345	-102	269	-75	613	-177
2009/10	102	128	406	-39	507	89
2010/11	501	104	499	11	1,000	115
2011/12	-110	81	756	68	646	149
2012/13	8	63	409	51	417	114
2013/14	59	130	535	92	594	222
10-year migration/50% UPC	296	79	596	6	892	85
2012-SNPP	243	5	586	32	829	37
Difference	53	74	11	-25	64	49

Source: ONS

Outputs from Different Demographic-led Projections

3.54 Table 23 shows the estimated level of population growth in the SNPP and the alternative projections developed. Across the whole Northern Devon area, the SNPP shows population growth (2011-31) of 12.1% - this figure decreases when more recent population and migration data is included in the modelling (due to 2012-14 having shown relatively modest population change). When looking at 10-year migration trends the projected population growth increases (to 13.7%) and when this data is overlaid with an adjustment for UPC the figure is also higher than the SNPP (at 12.9%-13.3%).

Table 23: Projected population growth (2011-2031) – alternative scenarios – Northern Devon

	Population 2011	Population 2031	Change in population	% change
2012-based SNPP	157,949	177,060	19,111	12.1%
2012-based SNPP (as updated)	157,949	176,703	18,754	11.9%
2014-based	157,949	174,451	16,502	10.4%
10-year migration	157,949	179,548	21,599	13.7%
10-year migration/100% UPC	157,949	178,330	20,381	12.9%
10-year migration/50% UPC	157,949	178,939	20,990	13.3%

Source: Demographic projections

3.55 Tables 24 and 25 show the same range of scenarios for each of the two local authorities. For all scenarios, the level of population growth is higher in Torridge than North Devon (and generally significantly higher). The last two of the scenarios developed (linked to 10-year migration trends and a UPC adjustment) again shows a higher level of population growth in Torridge but the difference between the two areas is more moderate.

Table 24: Projected population growth (2011-2031) – alternative scenarios – North Devon

	Population 2011	Population 2031	Change in population	% change
2012-based SNPP	93,976	101,916	7,940	8.4%
2012-based SNPP (as updated)	93,976	101,577	7,601	8.1%
2014-based	93,976	99,701	5,725	6.1%
10-year migration	93,976	103,082	9,106	9.7%
10-year migration/100% UPC	93,976	105,179	11,203	11.9%
10-year migration/50% UPC	93,976	104,131	10,155	10.8%

Source: Demographic projections

Table 25: Projected population growth (2011-2031) – alternative scenarios – Torridge

	Population 2011	Population 2031	Change in population	% change
2012-based SNPP	63,973	75,144	11,171	17.5%
2012-based SNPP (as updated)	63,973	75,125	11,152	17.4%
2014-based	63,973	74,751	10,778	16.8%
10-year migration	63,973	76,466	12,493	19.5%
10-year migration/100% UPC	63,973	73,151	9,178	14.3%
10-year migration/50% UPC	63,973	74,808	10,835	16.9%

Source: Demographic projections

Which Scenarios are most robust in Northern Devon?

- 3.56 The analysis above has looked at the level of population growth in the SNPP (the ‘starting point’) and a range of alternative scenarios based on different assumptions about migration. Each of the scenarios has been developed on a consistent basis for both the Northern Devon HMA and individual local authorities. It is notable that the scenarios (all of which are arguably reasonable) show a range in levels of population growth, from 10.4%-13.7% across the two local authorities.
- 3.57 However, given the range which is shown it is worth having a brief discussion of the merits of each projection, and thereby seeking to identify the most robust in local circumstances to take forward into the modelling of housing need.

2012-based SNPP

- 3.58 This projection needs to be considered in assessing housing needs as it provides the ‘starting point’ for analysis as set out in the PPG. However, it is noted that the data underpinning this projection is now slightly out-of-date. The projection itself looks to be reasonable, this is both in technical terms (i.e. understanding the methodology) and when outputs are considered with past trends. This is particularly true when looking at data for the Northern Devon HMA – projected population growth is in-line with long-term trends and some way above short-term levels of population growth.
- 3.59 The PPG supports use of the latest official projections as they are based on nationally consistent assumptions. However, they are based on projections of migration over a period which was influenced by an economic recession and housing market downturn.

2012-based SNPP (as updated)

- 3.60 The 2012-based SNPP starts from mid-2012 and projects forward population growth to 2037. At the time of writing additional population data was available (from ONS) for the 2012-14 period and so it is possible to overwrite the data in the projections with that which is now thought to have occurred. Taking account of the latest population data is noted in ID 2a-017 of the PPG and this projection

can be seen to provide an updated start point which takes account of the most recent data. This projection does not update the information moving forward from 2014 but is more up-to-date in terms of including actual population growth (2012-14).

- 3.61 This projection provides a simple rebasing of the official projections. The PPG identifies that it is appropriate to take account of the latest Mid-Year Population Estimates.

2014-based

- 3.62 This projection is a step further on from the previous two in that it not only includes the latest population data but attempts to understand how this might be used as part of the next set of (2014-based) SNPP. This projection is arguably more up-to-date than either of the first two, although some caution is urged when looking at the outputs given that at this stage it is not known exactly how ONS will take the new data forward into the next set of projections – this will for example take account of age structures (including the age structure of migrants) as well as the outputs of the latest (2014-based) national population projections which are showing a slightly higher level of long-term international migration.

10-year Migration

- 3.63 It has been observed across Northern Devon and indeed in each of the two local authorities that migration levels have generally been falling and therefore it is considered that there is merit in looking at longer-term trends. There has been a notable drop in housing delivery since 2007 (with some signs of recovery); and the evidence would suggest that there has been some “recessionary impact” on net in-migration.
- 3.64 Given the variation in migration levels it seems reasonable to test a longer-term position, this is noted in the PAS Technical Advice Note of July 2015(para 6.24) where it is stated that *‘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’*. Our concerns with this projection are however that, a) the high levels of past migration are now quite historic and may not be reflective of what is reasonable to happen in the future and b) that some of the more historic data may include errors in the recording of migration (which is why the areas sees some Unattributable Population Change within past trend data).

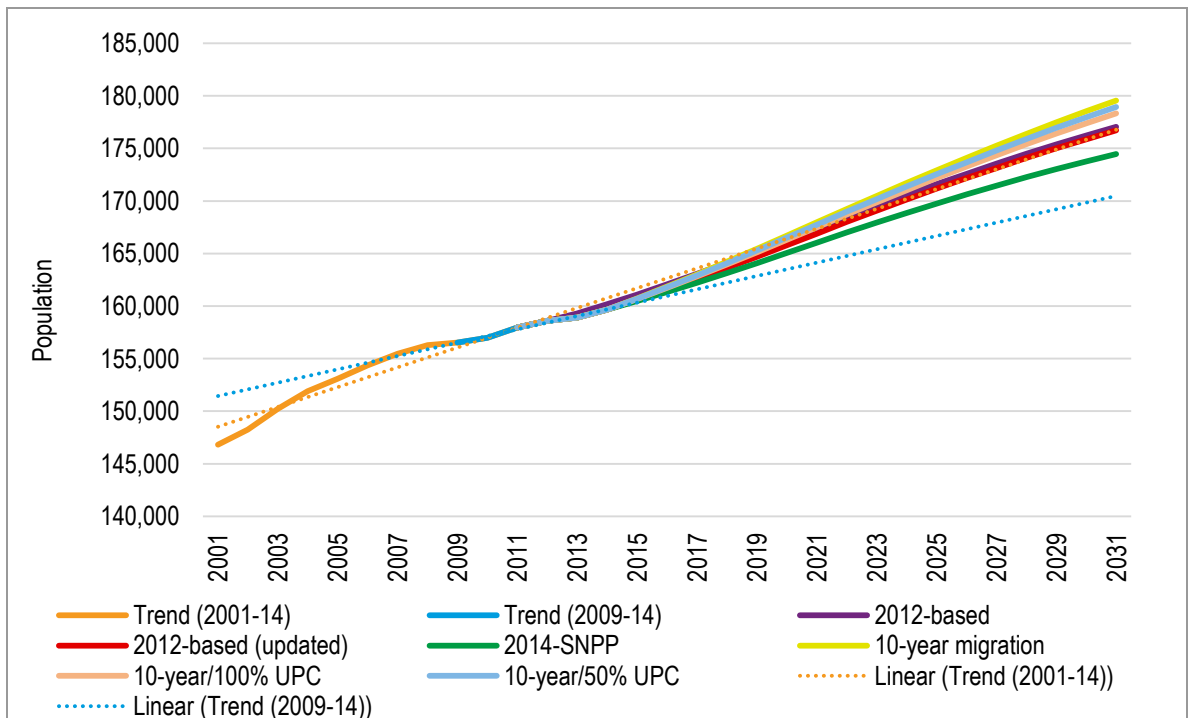
10-year migration/UPC

- 3.65 Within the ONS components of population change there is an unknown element called Unattributable Population Change (UPC). Two scenarios model an adjustment for UPC along with an understanding of the migration trends over the previous decade (to 2014). The consideration of

UPC is discussed in the PAS Technical Advice Note; paragraph 6.35 states *'plan-makers may take a view that the UPC, or part of it, should be included in the base period as past migration'*.

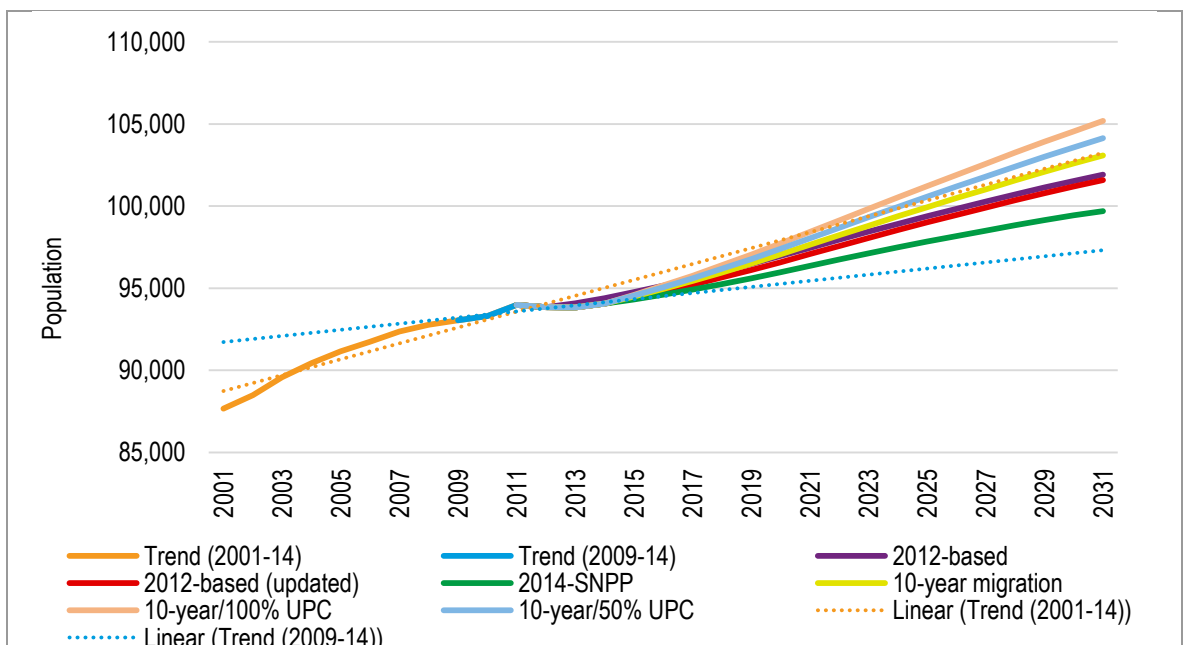
- 3.66 On balance, it is not considered that a UPC adjustment projection is a sound method to use as a standalone projection. This is mainly because a) it is unclear if the UPC is due to errors in the components of change data and b) the extent to which there is any error, it is likely that this will be concentrated earlier in the relevant period (e.g. in the 2001-6 period). The fact that UPC is likely to be associated with older trends does however mean that there is likely to be some overlap with the long-term (10-year) trend projection discussed above.
- 3.67 The observation of higher 10-year migration and the fact that UPC is likely to have a greater influence on older trends has led to the development of two projections that take account of both together. This essentially recognises that past migration may have been over- or under-recorded (depending on the location) and that when looking at longer-term trends it is likely that UPC has some influence. (This is less likely to be the case in the SNPP based projections as these using a reference period of the past 5-6 years and therefore post-dates ONS improvements to the measurement of migration). Given the range of data available, there is a good case for concluding that this is the most appropriate alternative projection to take forward.
- 3.68 Two scenarios were modelled; the first took 100% account of UPC and the second a 50% adjustment. Although the use of 50% is to some degree arbitrary, it does arguably take account of the fact that UPC may not entirely arise as a result of errors in the recording of migration. On balance, this is probably a sound alternative to the SNPP-based projections and it should be noted that the inclusion of UPC does to some extent balance the level of population growth across the two local authorities.
- 3.69 Figures 20 and 21 show population growth under each of the six different scenarios and how these compare with past trends. It can clearly be seen that a scenario linked to 10-year migration trends and a 50% UPC adjustment sits towards the top end of the range and with a level of population growth slightly above both long- and short-term trends. The rate of population growth shown is however more consistent with that seen in the period to about 2008 (the time from which migration and population growth has been shown to have lowered).
- 3.70 Similar patterns can generally be seen for the two local authorities although it is notable that the 10-year migration/50% UPC scenario is above the SNPP in both areas and actually sits slightly above the linear trend lines of past trends in North Devon. Arguably therefore, the level of population growth looks high when compared to past trends in North Devon. However, it should be remembered that the level of population growth in this scenario is still higher in Torridge than North Devon.

Figure 20: Past and projected population growth – Northern Devon



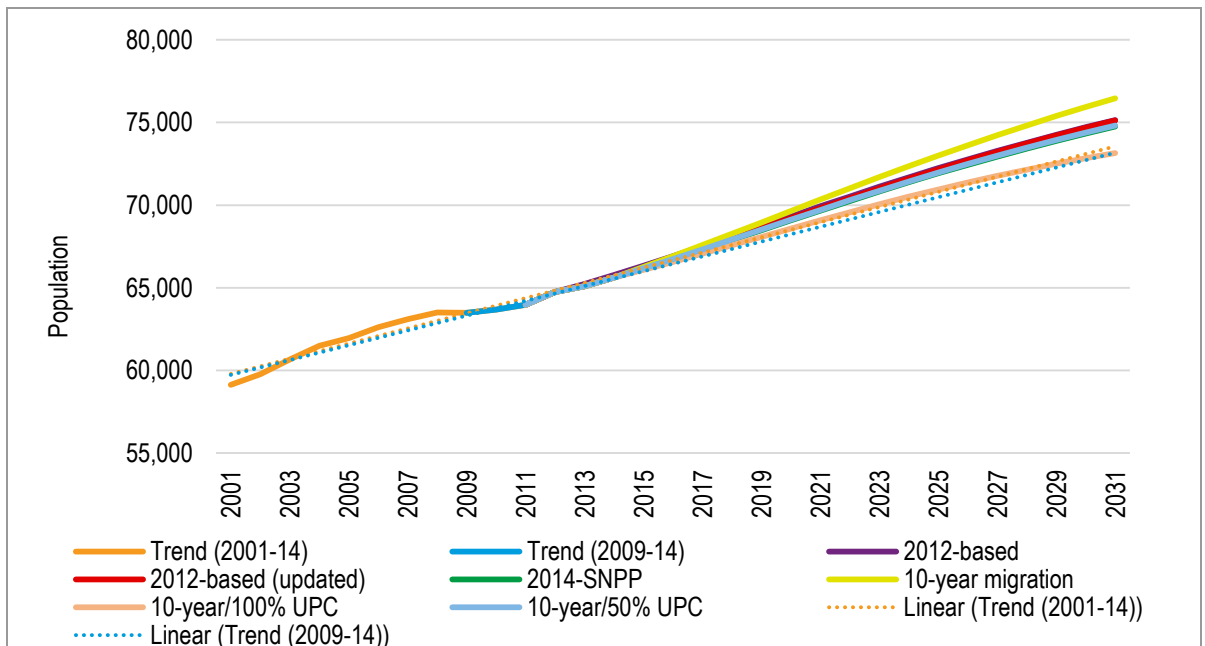
Source: ONS

Figure 21: Past and projected population growth – North Devon



Source: ONS

Figure 22: Past and projected population growth – Torridge



Source: ONS

- 3.71 To be clear, it is considered that the main scenarios to look at in terms of future population growth (and hence housing need) are the 2012-based SNPP – this is the starting point as set out in the PPG; and the scenario linked to 10-year migration trends and 50% UPC – this recognises a shift in migration levels since about 2008, but that UPC is likely to be having some influence on recorded migration within this time period (particularly in the period to 2006).

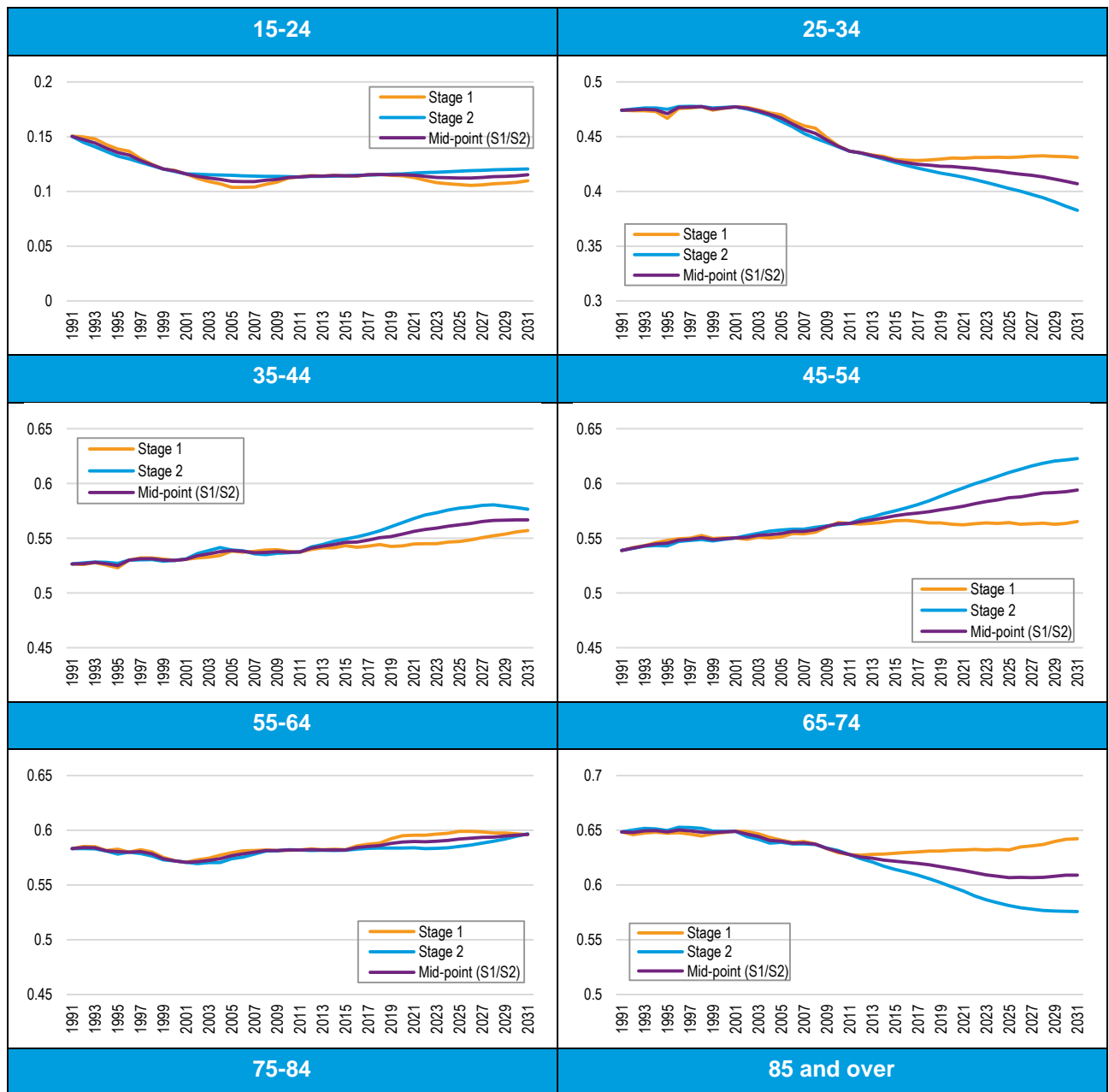
Household Growth

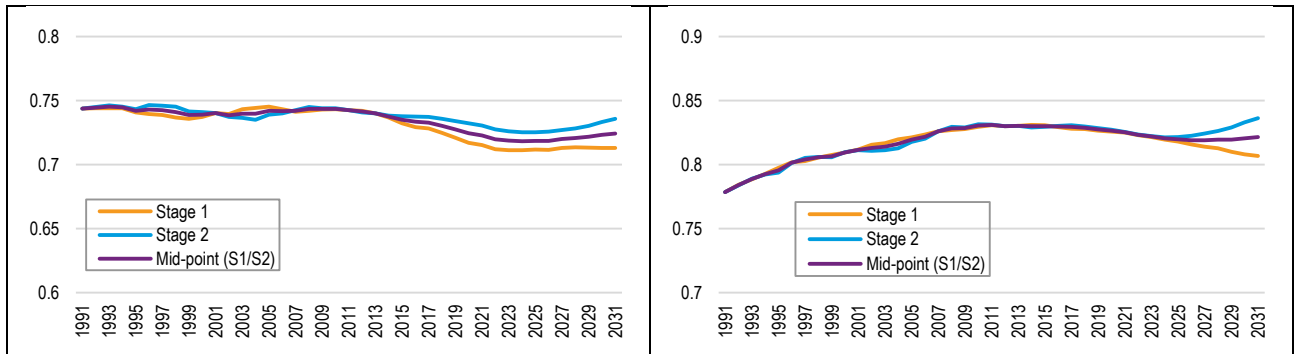
- 3.72 Having examined the anticipated growth in the population of Northern Devon and the age/sex profile of the population, the next step in the process of determining housing need is to convert this information into estimates of the number of households in the area. To do this the concept of headship 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)).
- 3.73 A new set of headship rates is now available following publication of 2012-based CLG Household Projections. The headship rates used in the 2012-based Household Projections are considered to be more reliable than the previous published (2011-based) Interim Household Projections. The 2012-based Household Projections generate a higher level of anticipated household growth for a given population than the 2011-based Household Projections.

- 3.74 The CLG (2012-based) Household Projections were published in two stages; Stage 1 in February 2015 and Stage 2 in December 2015. Both show the same level of overall household growth but some of the age specific assumptions differ – this means that alternative population scenarios can differ (in terms of household estimates). The overall level of anticipated household growth for Northern Devon taken from the 2012-based CLG Household Projections was presented earlier in this chapter.
- 3.75 It is useful to understand how the different CLG household projections impact on assumptions for different age groups – this includes comparing the Stage 1 and Stage 2 of the 2012-based projections. This analysis can be used to consider if the 2012-based projections are robust and the extent to which household formation rates may have been suppressed (an analysis required by 2a-015 of the PPG). Figures 23 and 24 show the headship rates used in each of the projections for North Devon and Torridge. It is notable that there are differences internally within the 2012-based projections; this occurs because CLG consolidate overall household growth but do not consolidate figures for individual age groups.
- 3.76 There are notable differences between Stage 1 and stage 2 projections for most age groups with the ‘trends’ going in opposite directions for different age groups. It is difficult to say which of Stage 1 or Stage 2 are the most reliable to take forward into demographic modelling and given the differences between the two sets of figures a pragmatic approach has been taken to initially use the mid-point between Stage 1 and Stage 2 figures (this is also shown on the charts below).
- 3.77 In focussing on this mid-point position, it is considered that these are generally sound and do not indicate any degree of suppressed household formation (either in the past or built into the future projections).
- 3.78 The only exception to this is the 25-34 age group where the data shows a decrease in the headship rate from 2001 to 2011. This would suggest that there may have been some degree of suppression of household formation in this period (although this is not clear cut as the headship rates can also be influenced by other factors such as international migration and growth in BME communities). Moving forward from 2011 however, the projections are expecting the headship rate to remain broadly stable (slightly downwards in North Devon but at a much reduced rate). This suggests that there is no particular suppression being built into the forward projections.
- 3.79 In looking at suppression amongst the 25-34 age group it is also useful to look at the 35-44 age group (noting that people aged 25-34 in 2011 will be aged 35-44 by 2021). The 35-44 age group shows gradual increases throughout the projection period and it is noteworthy throughout the period from 2011 to 2031 that the headship rate of this age group is consistently above the level shown in 2001 (i.e. there is no suggestion of any suppression in this age group either in the past or projected).

forward). This analysis therefore suggests that the extent to which there is a suppression in the 25-34 age group, it is expected that this will not remain as a suppressed household formation – the analysis would suggest that all of the households who might be expected to form will do so, it's just that some of this formation might be delayed (i.e. households who might historically been expected to form when aged 25-34 will now form when aged 35-44). Overall, therefore levels of household growth will over a period of time (e.g. to 2031) fully reflect the needs of the local population with no suppression being evident in the long-term.

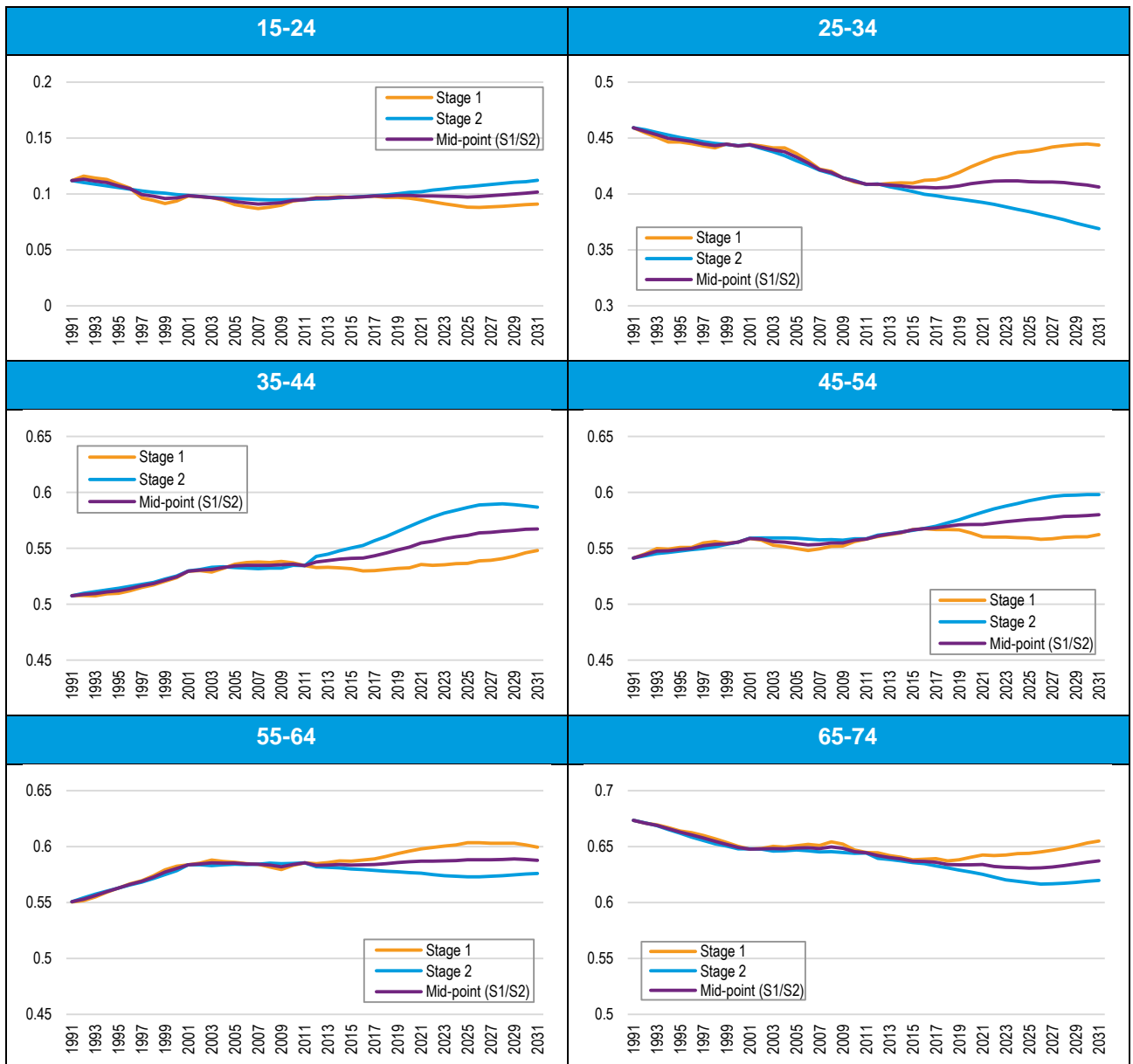
Figure 23: Projected household formation rates by age of head of household –North Devon

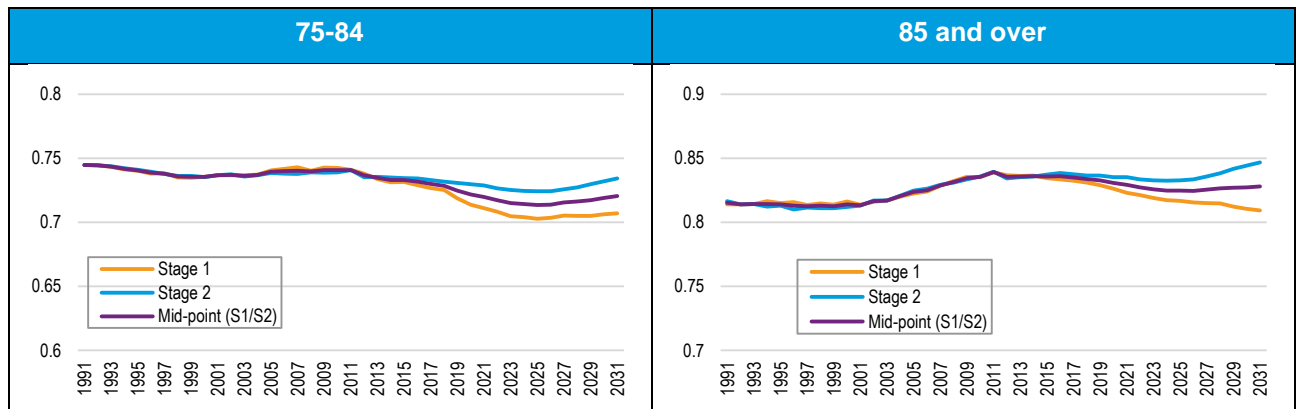




Source: Derived from CLG data

Figure 24: Projected household formation rates by age of head of household –Torridge





Source: Derived from CLG data

Housing Need (linked to 2012-based headship rates)

3.80 Tables 26, 27, and 28 overleaf bring together outputs in terms of household growth and housing need using the 2012-based headship rates and the full range of population growth scenarios developed. To convert households into dwellings the data includes an uplift to take account of vacant homes. Analysis of 2011 Census data about unoccupied household spaces (Table: QS417EW) provides the following vacancy uplift figures which have been used in analysis:

- North Devon – 6.7%
- Torridge – 5.8%

3.81 These figures represent the percentage increase required to translate household growth into the dwelling requirement whilst preserving the existing vacancy rate¹². It is assumed that a level of vacant homes will allow for movement within the housing stock and includes an allowance for second homes. The rates suggest notable second home ownership.

3.82 The analysis shows an overall housing need for 643 dwellings per annum across the Northern Devon area when using the 2012-based SNPP as the underlying population projection. This figure increases to 680 dwellings per annum when looking at a scenario linked to 10-year migration and a 50% UPC adjustment. A projection using 10-year migration trends shows a slightly higher level of need although it is not considered that this is as robust as when also looking at UPC, as UPC is likely to be an influence within the longer-term migration data.

3.83 On the basis of the information below it is concluded that the demographic need for housing falls in the range of 643-680 dwellings per annum. The bottom end of the range represents the 'starting point' as defined in the PPG and the upper end being informed by longer-term trend data and an understanding of how trends have changed and the components of population growth.

¹² In Tables 26, 27, and 28 the Dwellings (per annum) figure is calculated by multiplying the change in households per annum figure by the vacancy uplift.

Table 26: Projected housing need – range of demographic based scenarios and 2012-based headship rates – Northern Devon

	Households 2011	Households 2031	Change in households	Per annum	Dwellings (per annum)
2012-based SNPP	68,240	80,346	12,106	605	643
2012-based SNPP (as updated)	68,240	80,210	11,970	599	636
2014-based	68,240	79,386	11,146	557	592
10-year migration	68,240	81,287	13,047	652	693
10-year migration/100% UPC	68,240	80,810	12,570	628	668
10-year migration/50% UPC	68,240	81,048	12,808	640	680

Source: CLG and demographic projections

3.84 The tables below show the same information for individual local authorities. On the basis of the analysis and a view about the most robust projection it is concluded that the housing need in North Devon is in the range of 287-332 dwellings per annum while in Torrige the range is between 348-356 dwellings per annum. These figures are based on the 2012-based SNPP and Long-term migration with 50% UPC adjustment shown in the tables below.

Table 27: Projected housing need – range of demographic based scenarios and 2012-based headship rates – North Devon

	Households 2011	Households 2031	Change in households	Per annum	Dwellings (per annum)
2012-based SNPP	40,174	45,555	5,381	269	287
2012-based SNPP (as updated)	40,174	45,447	5,274	264	281
2014-based	40,174	44,774	4,601	230	245
Long-term migration	40,174	46,010	5,836	292	311
UPC adjustment	40,174	46,790	6,616	331	353
Long-term migration/50% UPC	40,174	46,400	6,226	311	332

Source: CLG and demographic projections

Table 28: Projected housing need – range of demographic based scenarios and 2012-based headship rates – Torrige

	Households 2011	Households 2031	Change in households	Per annum	Dwellings (per annum)
2012-based SNPP	28,066	34,791	6,725	336	356
2012-based SNPP (as updated)	28,066	34,763	6,697	335	354
2014-based	28,066	34,611	6,545	327	346
Long-term migration	28,066	35,277	7,211	361	382
UPC adjustment	28,066	34,020	5,954	298	315
Long-term migration/50% UPC	28,066	34,649	6,583	329	348

Source: CLG and demographic projections

Alternative Methods for Looking at Headship Rates

3.85 Although it is considered that the 2012-based headship rates are sound, it is worthwhile looking at potential alternative ways of looking at the interpretation of these rates. A number of methods have been considered in the past and many of these put weight on the use of the 2008-based CLG projection headship rates. The sort of methods used include:

- Blended headship – where the rates are comprised of a combination of the 2012- and 2008-based rates. In some cases, this ‘blending’ is only carried out for specific age groups (generally with the aim of increasing the apparent housing need); an approach which is not considered to be robust as it is clear that patterns of formation vary across different age bands and any analysis should be viewed for the population as a whole.
- Full-return to trend – a second approach is to return all household formation rates back to those observed in the 2008-based projections. This is also not considered to be a robust approach given that the 2008-based figures were prepared at a point in time at which interest rates had been at a historical low point for some time; coupled with availability of a range of mortgage deals (including 100% mortgages) which in a historical context would be seen as somewhat exceptional.

3.86 Overall, it is not considered that there is any merit in using the 2008-based rates in the analysis (whether as a partial or full adjustment). Not taking account of these historic figures has some considerable support from academic analysts with Alan Holmans for example noting that part of the shift away from 2008-based household formation rates relates to international migration and different household structures within new migrant communities. He identifies that this “*will not be reversed.*”¹³

3.87 More recent research by Ludi Simpson and Neil McDonald has also considered these issues and is clear that it is not appropriate to revert to the 2008-based household representative rates, 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.*”

3.88 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.*’

¹³ Holmans, A. (2013) *New estimates of housing demand and need in England*, TCPA.

3.89 The Simpson/McDonald Report does however make a suggestion as to household projections can be sensitivity tested and they provide two alternatives as described below:

- Household formation increasing: No further decrease in household representative rates for any age-sex-relationship group, leaving increases in place.
- Household formation not increasing: No further increase in household representative rates for any age-sex-relationship group, leaving decreases in place.

3.90 They do not specify which age groups these sensitivities might be applied to and it is considered that such an approach is only really suitable for younger people. Looking at the headship rate changes for older age groups (say 65+), it can be seen that these are generally expected to decrease over time. This does not mean that the projections are building in suppression moving forward but will be related to other demographic changes – in particular increased life expectancy meaning that people will live together as couples for longer before the first partner dies.

3.91 Hence to carry out an analysis in line with the Simpson/McDonald suggestion an analysis has been carried out to look just at those age groups aged up to 44. This considers firstly, holding constant any headship rate that is projected to decrease and secondly holding constant any headship rate which is projected to increase.

3.92 The output of this sensitivity analysis is presented in Table 29 below and is based on the SNPP population projection (alternative scenarios would show the same direction of travel). This shows that with no decreases to the rates for the population aged up to 44 there would be a modest increase (of about 2%) from the start point position; if the modelling assumes no future increases then the need drops by about 5%.

Table 29: Sensitivity Testing CLG headship rates (annual housing need with a range of scenarios)

	CLG household projections	Sensitivity 1 (no decreases)	Sensitivity 2 (no increases)
North Devon	287	301	269
Torridge	356	357	340
Northern Devon	643	658	609

Source: Demographic Projections

3.93 Overall, it is considered that the 2012-based headship rates are sound and it is not considered that there is any merit in using the 2008-based rates in the analysis (whether as a partial or full adjustment).

Trend based Demographic Projections: Summary and Implications

- The 2012-based sub-national population projections (SNPP) look to be a sound demographic projection in technical terms and future population growth is projected to be towards the top end of past trends (whether long- or short-term trends are considered).
- It is however observed that net migration and population growth has been lower in the short-term (since about 2008) than when looking back over the period to 2004. Alternative projections based on 10-year trends have therefore been developed. This includes more up-to-date information from ONS mid-year population estimates to 2014 and also a recognition that UPC may influence some of the older trends). The core projection (with a 50% adjustment for UPC) suggests a higher level of future population growth and is considered to be a sound scenario to use when considering demographic needs – this scenario projects population growth to be about 10% higher than the most recent ‘official’ population projections with nearly all of this increase being in North Devon (and a very modest decrease in Torrige).
- The household formation rates in the 2012-based household projections appear reasonable. There is no substantive evidence that these project forward suppressed household formation based on interrogation of the data.
- The 2012-based population and household projections suggest a need for about 643 dwellings per annum to be provided across the HMA when linked to the SNPP (i.e. the start point for analysis identified in the PPG) A higher figure (of 680 dwellings per annum) is derived based on a projection which takes account of 10-year migration trends and a 50% UPC adjustment – this increase is focussed on North Devon.
- The demographic objectively assessed need for housing therefore sits somewhere in the range from 643 to 680 dwellings per annum. There is some case for arguing that it would be appropriate basis to plan for 680 dwellings per annum based on an understanding of 10-year trends (and recognising that there has been some change in level of migration and population growth since about 2008, influenced by economic factors).

4 FUTURE ECONOMIC PERFORMANCE

4.1 In this section we move on to assess economic dynamics and consider future economic growth potential.

Characteristics of Northern Devon's Economy

4.2 The Northern Devon Housing and Employment Land Study (GLH, 2014) provides an analysis of economic characteristics in Northern Devon. This report seeks to draw on the analysis in this earlier report, rather than repeating it; and consider further potential future economic performance.

4.3 We start out therefore by summarising key findings from the 2014 Study regarding the economic characteristics of Northern Devon's economy. We have selectively updated key statistics¹⁴ where appropriate.

4.4 Northern Devon is a predominantly rural area which is focused on the towns of Barnstaple and Bideford which form the economic hub of the sub-region. Its economy is influenced by its distance from larger economic centres, both in the region and nationally; and its relative peripherality has historically influenced levels of economic and business investment. Of the two main towns, Barnstaple's economy is the stronger.

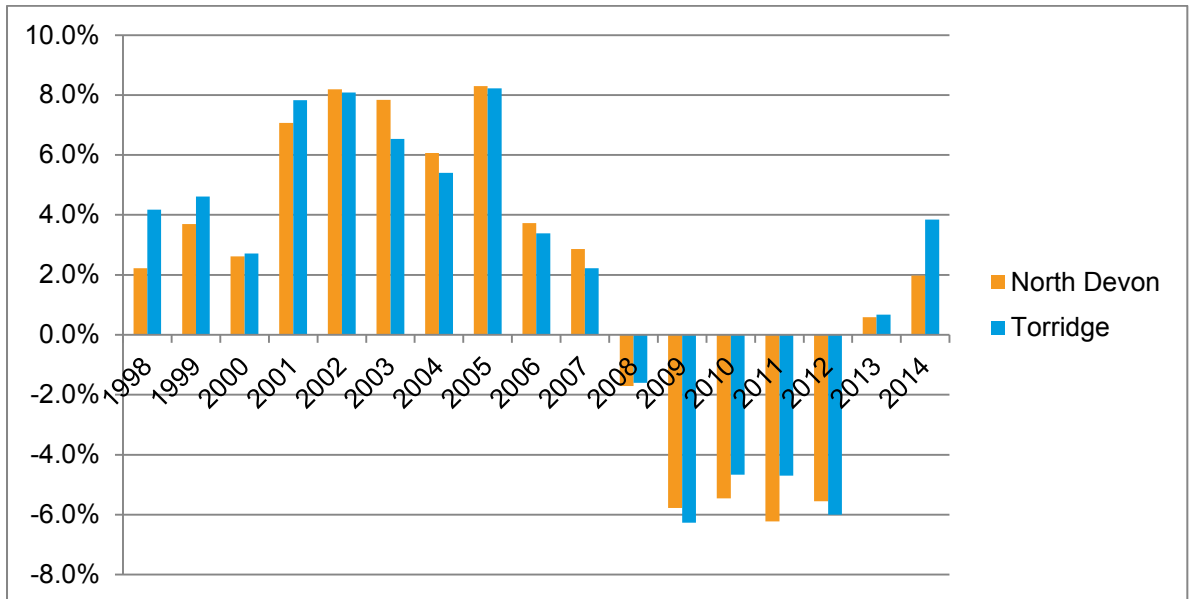
4.5 Northern Devon's economy is characterised by low paid and generally lower value-added employment, with an economic structure which is driven to some degree by agriculture and service sectors – key economic drivers are residents' and tourists' spending and footloose small business activities (often lifestyle businesses) which are located in the area as a result of its strong quality of life offer. Growth in population and visitor numbers are thus important economic drivers locally.

4.6 Northern Devon is a £2.9 billion economy. Figure 25 considers historical economic performance in terms of GVA from 1998 to 2014. GVA (Gross Value Added) describes in effect the size of the local economy – it measures the total value of goods and services produced annually.

4.7 The impact of the 2008 recession can be clearly seen, with both districts seeing negative economic growth from 2008 to 2012. 2013 saw modest economic recovery; with economic performance accelerating in 2014.

¹⁴ Statistics used in this section for North Devon cover the District area inclusive of Exmoor National Park.

Figure 25: Annual Growth in GVA, 1998-2014



Source: Experian

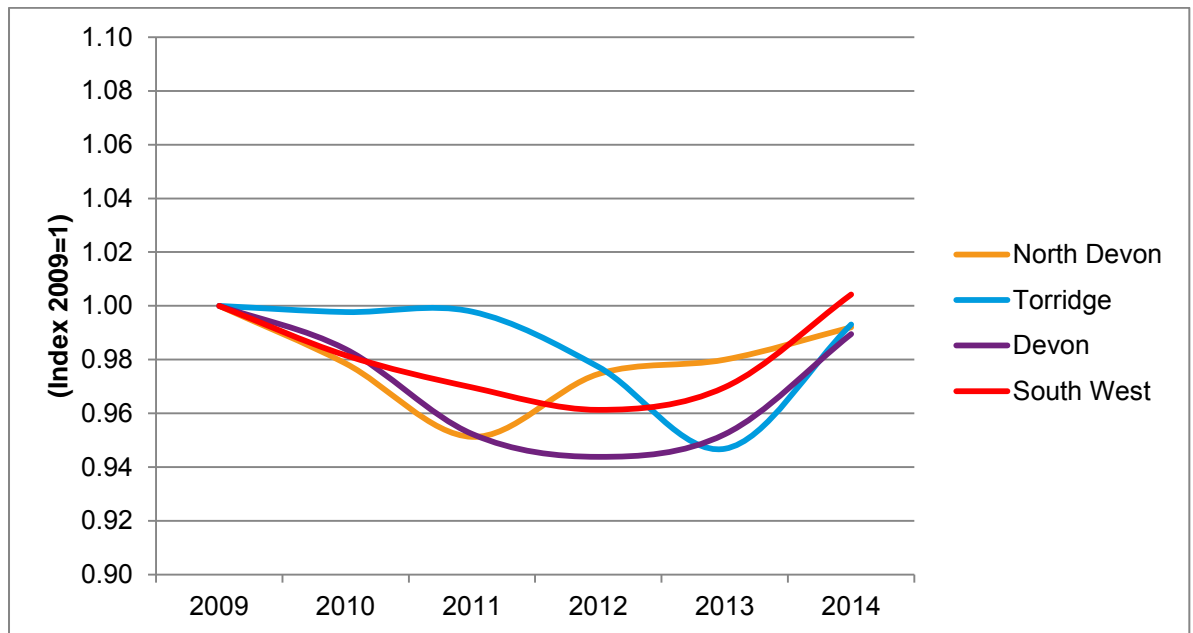
4.8 The Business Register and Employment Survey (BRES) identified around 61,800 jobs in 2011 in Northern Devon (as set out in the 2014 Housing & Employment Study), excluding farm agriculture.¹⁵ Of the two authorities, there is a greater concentration of jobs in North Devon which had an estimated 42,800 jobs in 2011¹⁶. In contrast Torridge had an estimated 19,100 jobs.

4.9 The 2014 Study analysed employment growth up to 2011. At this point in time, both districts had seen a trend of reduction in total employment figures. Figure 26 extends this to 2014 and shows that this trend has reversed and as of 2014 both districts – as well as wider areas – have started to see an increase in total jobs numbers as the economy moves away from recession. However, total employment remains below 2009 levels.

¹⁵ Business Register & Employment Survey, Total Employment 2011

¹⁶ Experian, 2011

Figure 26: Total Employment – Indexed, 2009-2014



Source: BRES

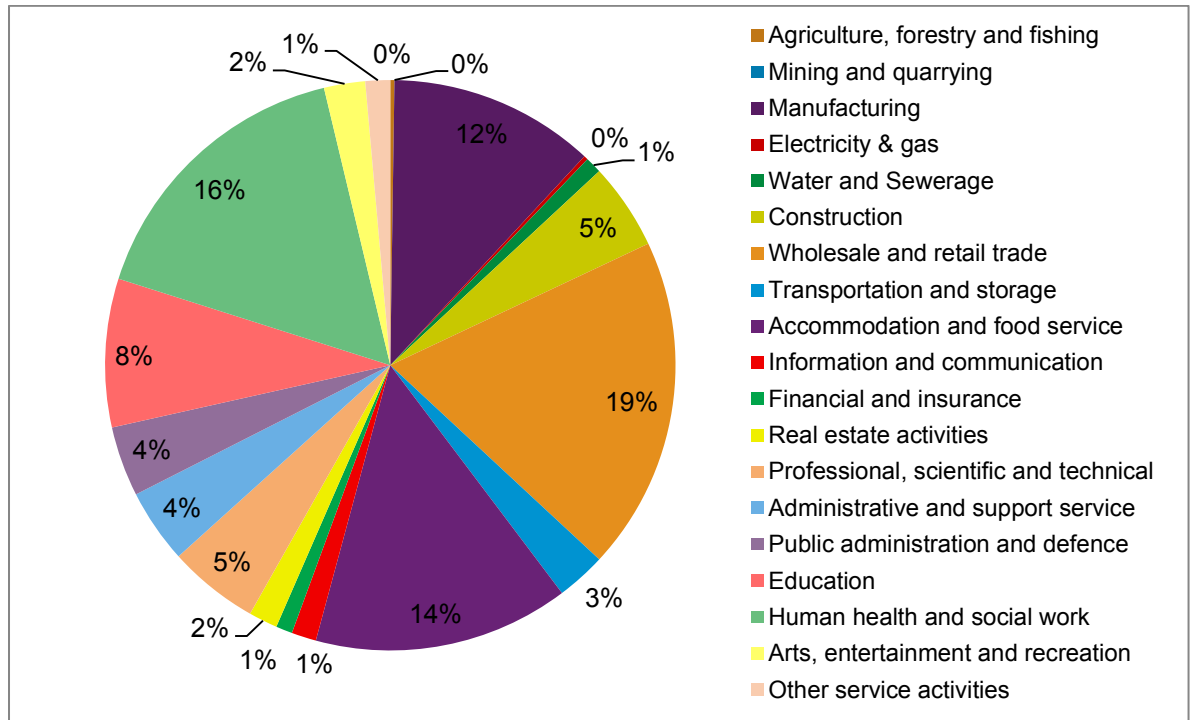
4.10 North Devon's employment is broken down by sector in figure 27. This shows that the largest sectors in the District are:

- Wholesale and Retail Trade – 8,100 jobs;
- Human Health and Social Work Activities – 7,000 jobs;
- Accommodation and Food Services – 6,200 jobs;
- Manufacturing – 5,000 jobs;
- Education – 3,000 jobs.

4.11 These top five sectors are the same as in Torridge.

4.12 Over the past five years the sector with the largest increase in the number of jobs is Human Health and Social Work Activities with an increase of 1,100 jobs (18%). Professional, Scientific and Technical jobs saw an increase of 500 jobs (26%) over this period. Conversely, the Wholesale and Retail Trade sector saw a net loss of 1,000 jobs (-11%), while the Transport and Storage sector saw a net loss of 500 jobs (-28%).

Figure 27: North Devon – Employment by Sector, 2014



Source: BRES

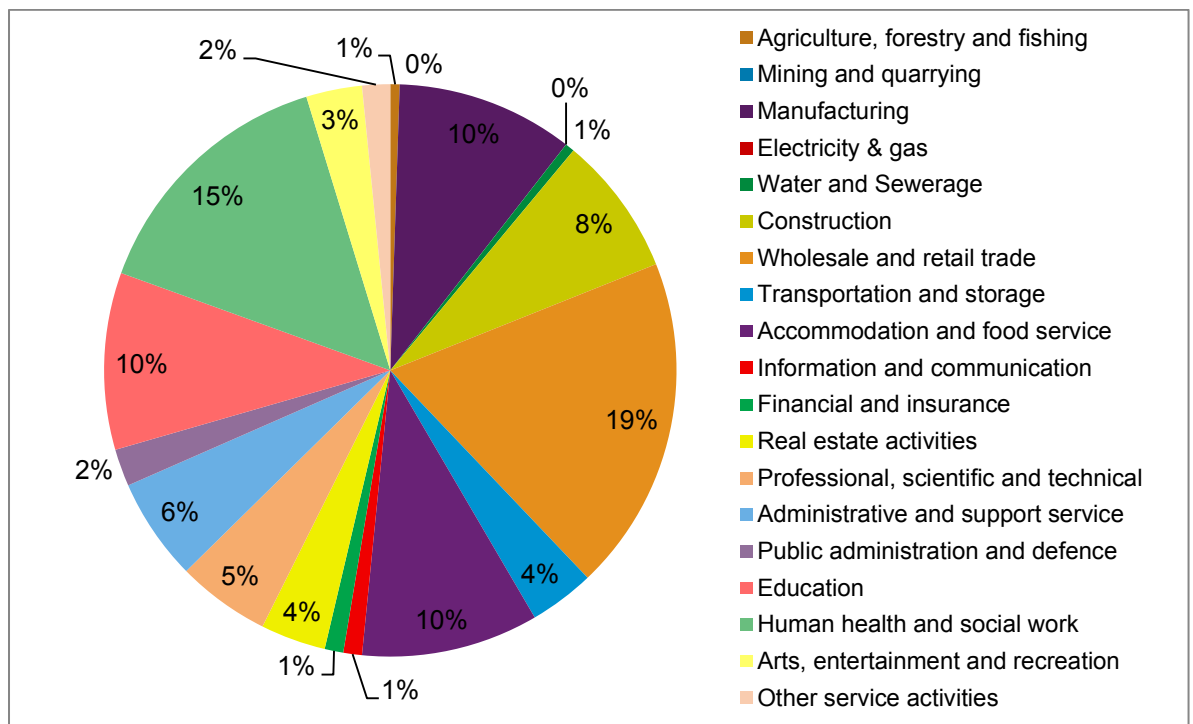
4.13 Torridge’s employment is broken down by sector in figure 28. This shows that the largest sectors in the District are:

- Wholesale and Retail Trade – 3,600 jobs;
- Human Health and Social Work Activities – 2,800 jobs;
- Accommodation and Food Services – 1,900 jobs;
- Manufacturing – 1,900 jobs;
- Education – 1,900 jobs.

4.14 These top five sectors are the same as in North Devon.

4.15 Over the past five years the sectors with the largest increase in the number of jobs are Administrative and Support Services which saw a growth of just under 400 jobs (a growth of 52%) and Real Estate Activities which also saw a growth of just under 400 jobs (a very high growth of 124%). Human Health Activities also saw an increase of 300 jobs (13%). The sector with the largest number of losses is Manufacturing, which saw a loss of 600 jobs (-23%) over this period.

Figure 28: Torrridge – Employment by Sector, 2014



Source: BRES

- 4.16 As with the 2014 Study we have used location quotients to analyse specialisms within the local economy. Location quotients (LQ) have been used to describe the proportion of employment in a sector relative to a wider area (in this case the South West region). So an LQ of 1.0 means that there is the same level or concentration of employment in the sector as is the case across the region. An LQ above 1.0 means there is a higher proportional degree of employment where for instance an LQ of 2.0 would equate to twice the proportion of employment in the industry locally as is the case across the region. An LQ below 1.0 indicates a lower relative concentration of employment in the sector.
- 4.17 As was found in the 2014 Study – which used 2011 data – the sector with the largest location quotient in North Devon is Accommodation and Food Services. Although the 2014 figure of 1.67 is slightly lower than the 2011 figure of 1.77, this still represents a very high concentration of jobs in the sector. This emphasises the importance of local services and tourism to the economy.
- 4.18 In Torrridge the sectors with the largest location quotients are Construction and Real Estate Activities. These sectors showed the strongest relative strength in the previous Study although the considerable jobs growth in the Real Estate sector in recent years has driven the location quotient up – 1.68 up from 1.31. The other sector with particular local strength is the Arts, Entertainment, and Recreation sector with a location quotient of 1.43, up from a more average 1.06 previously.

- 4.19 The data shows particularly low values for the Agriculture, forestry and fishing sector which is not reflective of the rural nature of Northern Devon. This is due to a lack of accuracy in recording jobs in this sector in the BRES data.

Table 30: Location Quotient Analysis by Sector – Relative to South West, 2014

	North Devon	Torrige	Devon
Agriculture, forestry and fishing	0.07	0.23	0.11
Mining and quarrying	0.27	1.18	1.44
Manufacturing	1.33	1.14	0.91
Electricity & gas	0.89	0.35	0.51
Water and Sewerage	1.31	0.47	1.38
Construction	0.97	1.57	1.23
Wholesale and retail trade	1.16	1.16	1.12
Transportation and storage	0.82	1.05	1.03
Accommodation and food service	1.67	1.16	1.18
Information and communication	0.47	0.35	0.92
Financial and insurance	0.27	0.29	0.47
Real estate activities	0.74	1.68	1.12
Professional, scientific and technical	0.72	0.75	0.86
Administrative and support service	0.61	0.85	0.89
Public administration and defence	0.91	0.49	1.05
Education	0.99	1.17	1.02
Human health and social work	1.13	1.02	1.08
Arts, entertainment and recreation	1.01	1.43	1.06
Other service activities	0.86	0.81	1.12

Source: BRES

- 4.20 As of 2014 the economic activity rate¹⁷ in North Devon stood at 76.4% while in Torrige the figure was 79.1%. Both figures are lower than the Devon average of 80.1% and the South West average of 79.8%. There is scope for economic participation to improve.
- 4.21 SQW produced a report ‘An Analysis of Devon’s Productivity Performance’ for Devon County Council, published June 2015. This provides an analysis of Devon’s economy, and includes analysis of Northern Devon’s performance relative to that of the County. This highlights that economic performance in recent years in Northern Devon has been particularly strong:

“The data point to the resilience of the Northern Devon economy since the economic recession in 2008. Albeit from a low base, Northern Devon’s GVA grew in absolute terms by 5.1% between 2008 and 2014, outpacing county (2.2%), regional (1.9%) and national (3.6%) growth.” (Para 2.3).

¹⁷ The percentage of the population aged 16-64 who are employed, self-employed, or unemployed and actively seeking work.

4.22 This has resulted in Northern Devon's contribution to countywide GVA rising over the period 2000-2014, increasing from 19% of Devon's total GVA in 2000 to 21% in 2014.

4.23 Northern Devon has also outperformed the County trend in terms of GVA per job:

"In 2000, GVA per job was the lowest among the three Devon subareas; but by 2014, it appeared to be the highest. In Northern Devon, GVA per job rose by 1.3% a year (CAGR) between 2000 and 2014, a faster rate than the county (0.72% per annum), South West (0.81% per annum) and national average (1.07% per annum). It is quite substantially therefore "bucking" the county trend. The narrative is also significant in absolute terms with GVA per job rising from £31,300 in 2000 (below the Devon average) to £36,000 in 2014 (above the county average). It lends further weight to the overall – and relative – strengthening of the Northern Devon economy." (Para 2.15).¹⁸

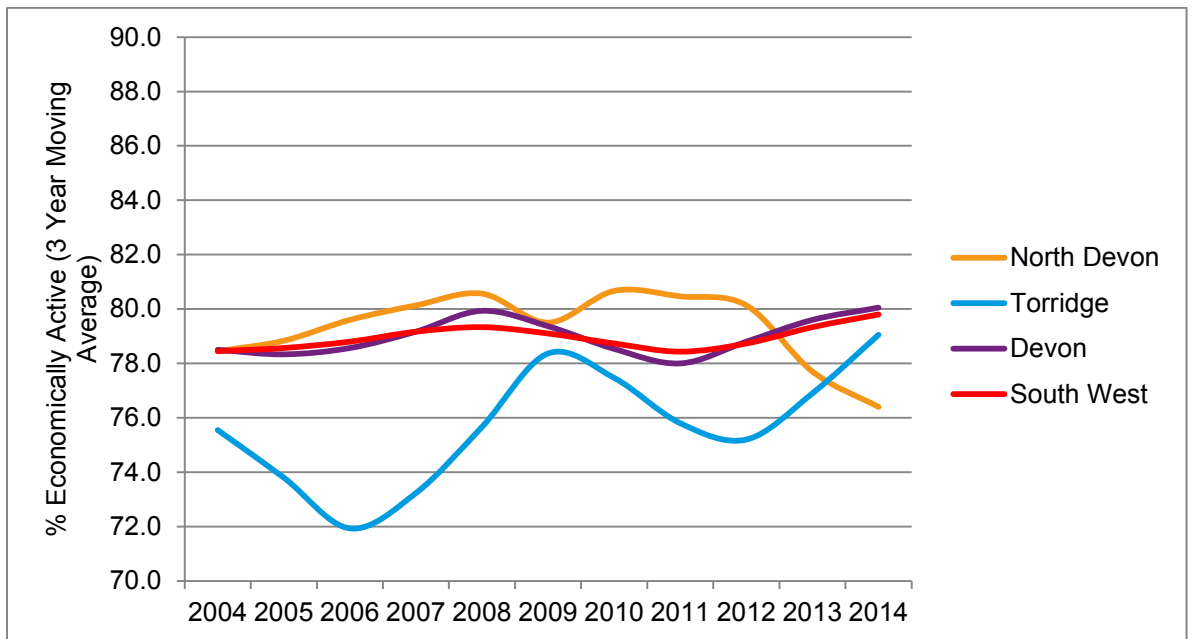
4.24 This notwithstanding, the GVA per head of population in Devon remains relatively low. In 2013, the Devon figure was £17,300 (2010 prices) which is only 80% of the England average (£21,700). SQW suggest the GVA per head gap between Devon and the England average is attributable to:

- the relatively low proportion of Devon's total population which is of working age (16-64 years);
- the relatively high proportion part-time working; and
- a "more fundamental weakness" in labour productivity on a GVA per job – based on the above two issues as well as sectoral mix.

4.25 Figure 29 shows economic activity rates in North Devon and Torridge over the past decade. Historically, the economic activity rate in North Devon has been the higher and has been consistently higher than the County and Regional averages. However, since 2012 there has been a sharp decline. Conversely, economic activity rates in Torridge have remained consistently below average, although the relative performance differential improved notably between 2006-9. Economic activity levels have held up better over the last few years (since onset of the recession) in Northern Devon than across Devon or the South West Region.

¹⁸ This is based on analysis of Cambridge Econometrics' forecast data

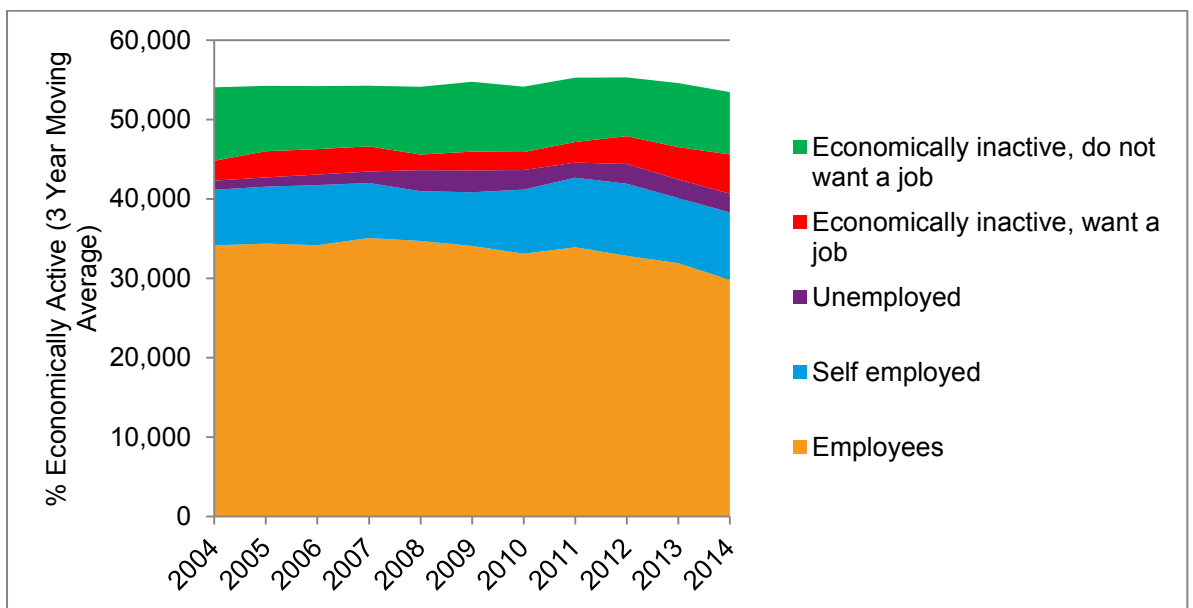
Figure 29: Economic Activity Rate, 2004-14



Source: Annual Population Survey

4.26 Figures 30 and 31 show a more detailed breakdown of economic activity for North Devon and Torrridge respectively. Figure 30 shows that in North Devon since 2012 there has been an overall decrease in the working age population (aged 16-64). Over this period there has been a stronger decrease in the number of employees in the District. This is reflected in the downturn in economic activity in the District shown in Figure 29 above.

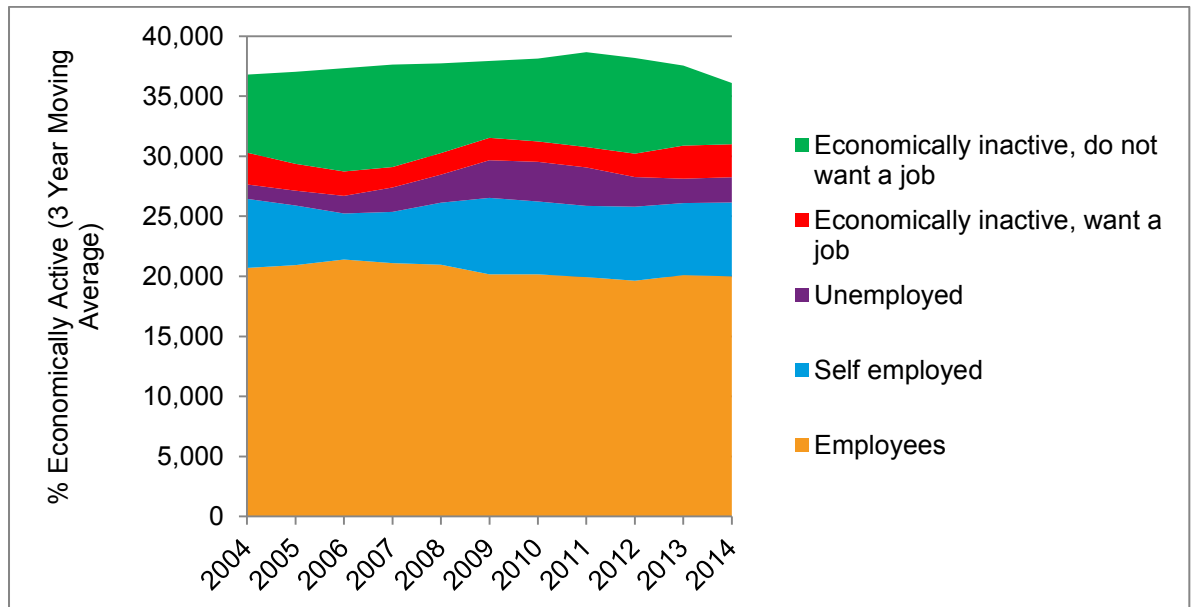
Figure 30: Economic Activity Aged 16-64, North Devon, 2004-14



Source: Annual Population Survey

4.27 Torrridge has also seen a decrease in the working age population (age 16-64) in recent years. It has seen a decrease in the number of people who are economically inactive and do not want a job. The number of employees and self-employed residents has remained steady over this period. This has resulted in the percentage increase of economically active residents shown in Figure 29.

Figure 31: Economic Activity Aged 16-64, Torrridge, 2004-14



Source: Annual Population Survey

Economic Performance: Implications

- Northern Devon has a rural economy. It is a lower value economy with an above average representation of part-time; lower paid/ skilled jobs key sectors include tourism, agriculture and public services.
- Population growth and visitor numbers are important drivers of the economy, given the strong representation of service-based employment and tourism economy.
- Economic participation is below the Devon and South West levels and in North Devon in recent years has dipped below historic levels. Moving forward, we would expect the activity rates to become more aligned with these wider areas; this could be improved to support stronger economic growth.

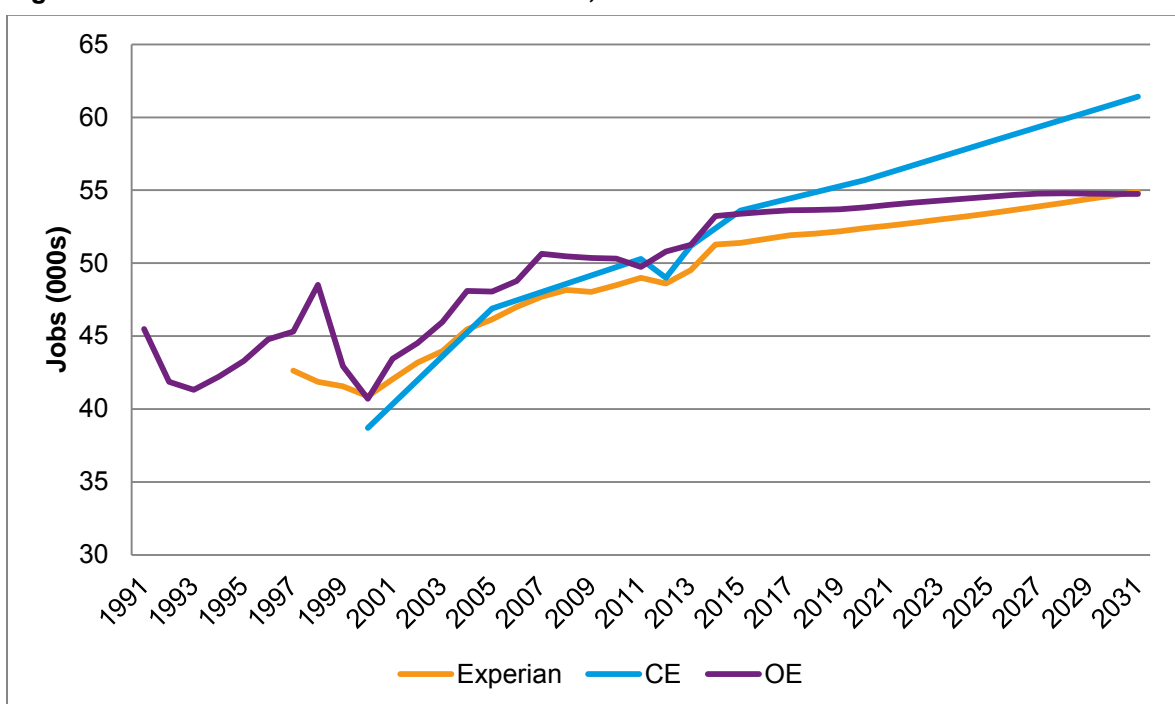
Scenarios for Future Economic Performance

- 4.28 To consider future economic performance, three up-to-date econometric forecasts have been assessed, namely:
- Cambridge Econometrics (CE) forecasts provided by Devon County Council, dated August 2015;
 - Experian forecasts, dated September 2015; and
 - Oxford Economics (OE) forecasts, dated November 2015.
- 4.29 The Experian and OE forecasts run to 2035 and 2036 respectively. The CE forecast runs to 2025. GL Hearn have extrapolated this to 2031 by continuing the forecast average annual growth rate over the 2020-2025 period.
- 4.30 These forecasts provide different conclusions on future jobs growth in Torridge and North Devon both in terms of sectoral and overall jobs.
- 4.31 Economic models can be used as a tool in considering future economic performance. The three forecasts provide alternative 'views' on how the economy might perform, based on its sectoral composition; past performance; and the three companies' respective views regarding how different sectors may perform in the future.
- 4.32 The forecasts should thus be interpreted as 'trend-based' and should not be considered uncritically. They provide a tool for considering future economic performance - rather than necessarily an answer in themselves.
- 4.33 The models invariably assume that 'historical relationships' hold true between performance at a local level relative to the region/ national picture. They do not take account of 'policy factors' in terms of whether these might result in differential performance (overall or by specific sectors) relative to the past (recognising that 'policy' may have influenced past economic performance). Nor do they take account of supply-side factors (in either supporting or constraining economic growth).
- 4.34 GL Hearn has compared and contrasted the three forecasts, and taken account of the commercial market and economic baseline evidence (in this and previous reports), to create a Synthesis forecast combining the three forecasts.
- 4.35 The Synthesis forecast is then assessed in comparison to the labour demand scenarios set out in the 2014 Northern Devon Housing and Employment Land Study.

North Devon

4.36 Figure 32 shows the longer-term trend of total jobs in North Devon and the three forecasts to 2031. This shows the much stronger forecast growth rate of the CE forecast in comparison to the more conservative Experian and OE forecasts. The CE forecast shows the number of jobs in the district growing to 61,400 by 2031 and has an average annual growth rate of 1.0%. The Experian and OE forecasts both show the job total reaching just under 55,000. The average annual growth rate for Experian is 0.57%, and for OE the figure is 0.48%.

Figure 32: North Devon – Forecast Total Jobs, 1991-2031



Source: Experian, CE, OE

4.37 Table 31 shows the forecast total employment growth (including both B and non-B class uses) in North Devon over the period 2011-2031. The CE forecast shows a total jobs growth of 11,120 over this period, which is equivalent to a growth rate of 1.0% per annum. This is considerably higher than the other forecasts. The Experian forecast shows a total jobs growth of 5,910 over this period – a growth rate of 0.57% per annum. The OE forecast shows a total jobs growth of 5,020 – 0.48% growth per annum.

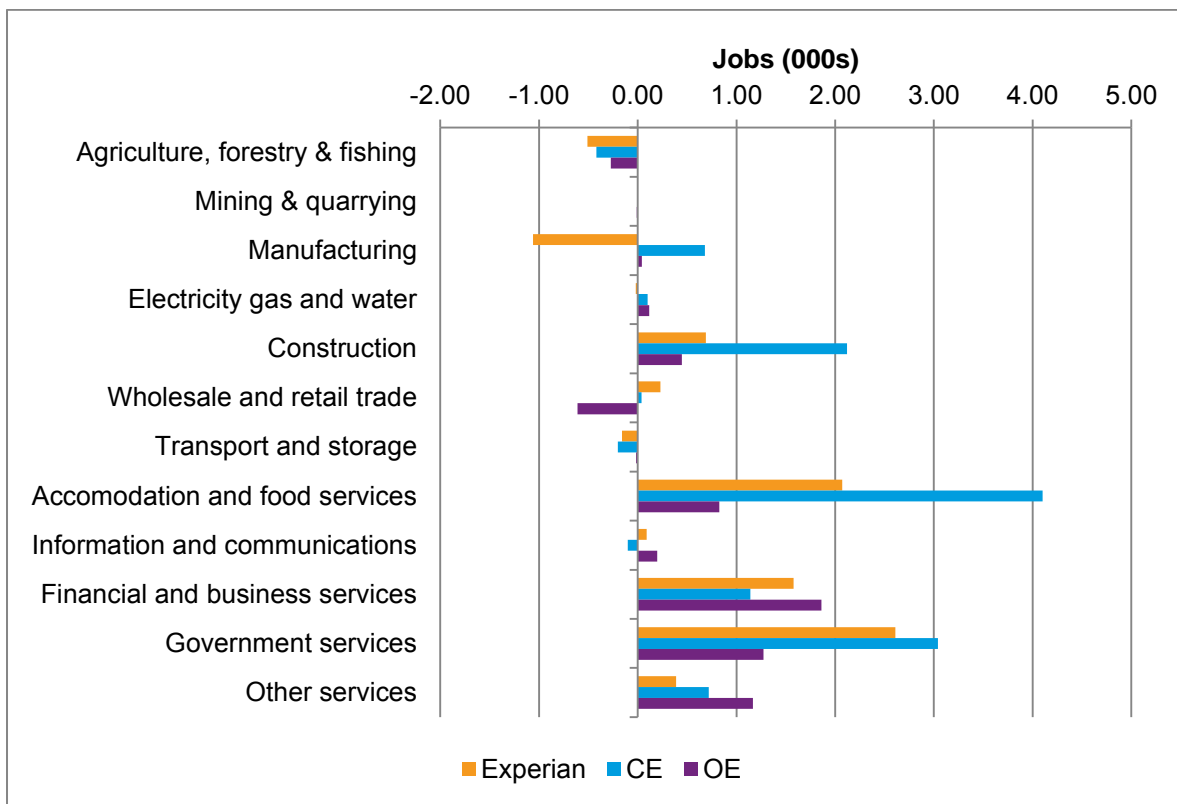
Table 31: North Devon – Comparison of Forecast Jobs Growth, 2011-2031

Forecast	Total Jobs Growth
Experian	5,910
CE	11,120
OE	5,020

Source: Experian, CE, OE

- 4.38 We next consider the forecasts in more detail to see the sectoral breakdown of jobs growth and which sectors are driving growth in the district.
- 4.39 Again, there are some considerable differences between the different forecasts. However, there are some sectors where all three forecasts predict substantial jobs growth over the 2011-31 period. In North Devon the sectors with the largest forecast jobs growth are:
- Accommodation and Food Service;
 - Government Services – driven by strong performance in the Education and Health sectors. Conversely, the Public Administration and Defence sector is forecast a net loss of jobs;
 - Financial and Business Services;
 - Other services – including creative industries and recreation services; and
 - Construction.
- 4.40 However, as shown in Figure 33, CE forecasts a particularly strong jobs growth in Accommodation and Food Service and Construction sectors. CE forecasts a growth of just over 4,000 jobs in Accommodation and Food Services; this represents an overall increase of 67% on 2011 numbers. CE also forecasts a growth of 2,100 jobs in the Construction sector; representing a growth of 53%. We consider that these forecast levels of jobs growth are unrealistic and would expect jobs growth more in line with the Experian or OE forecasts in these sectors. It is noted that this was also the case for the previous CE forecasts considered in the 2014 Northern Devon Housing and Employment Land Study.
- 4.41 All of the forecasts show a reduction of jobs in the Agriculture, Forestry, and Fishing sectors, ranging from -270 in the OE forecast to -500 in Experian. All the forecasts show zero or negligible growth/loss in Mining and Quarrying, Utilities, Transport and Storage, and Information and Communications sectors. The forecasts are split with regards to the manufacturing sector with Experian forecasting a net loss of 1,000 jobs while CE forecasts a growth of 680. Similarly, the Distribution sector is forecast a net loss of 600 jobs in the OE forecasts but a small positive growth in the other forecasts.

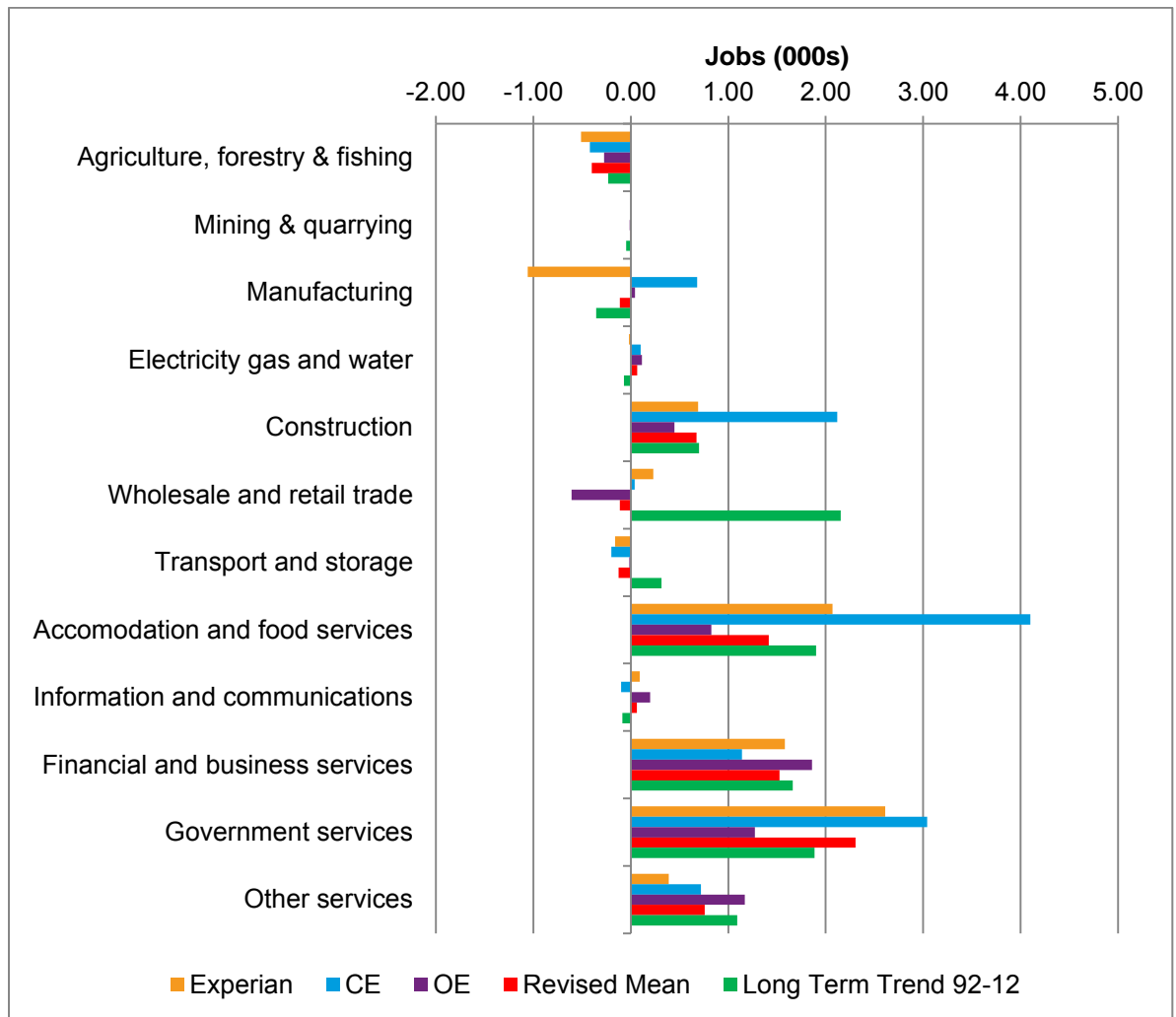
Figure 33: North Devon – Jobs Forecasts Growth by Sector, 2011-31



Source: Experian, CE, OE

- 4.42 In order to further assess the three jobs growth forecasts, we have compared the forecasts, the average (mean) of the three, and the long-term jobs growth trend from 1992 to 2012 by sector. This period was chosen as it provides a twenty-year span which covers a complete market cycle to act as a comparator period.
- 4.43 In light of the very high figures in the CE forecast in the Accommodation and Food Service and Construction sectors, GL Hearn has calculated revised figures for these sectors by applying the CE average jobs growth rate for North Devon to these sectors. This results in sectoral jobs growth of 1,300 jobs in Accommodation and Food Service (instead of 4,100), and 900 jobs in Construction (instead of 2,200). GL Hearn has then calculated a mean for three forecasts but has included these revised figures instead of the CE figures. This is shown in Figure 34 as the ‘Revised Mean’.
- 4.44 Figure 34 shows the revised mean along with the Experian, OE, and (non-revised) CE forecasts. Also shown is the long-term trend based on OE figures. This shows that the revised mean is, for most sectors, similar to the long-term trend.

Figure 34: North Devon – Analysis of Jobs Growth by Sector, 2011-31



Source: Experian, CE, OE, GLH

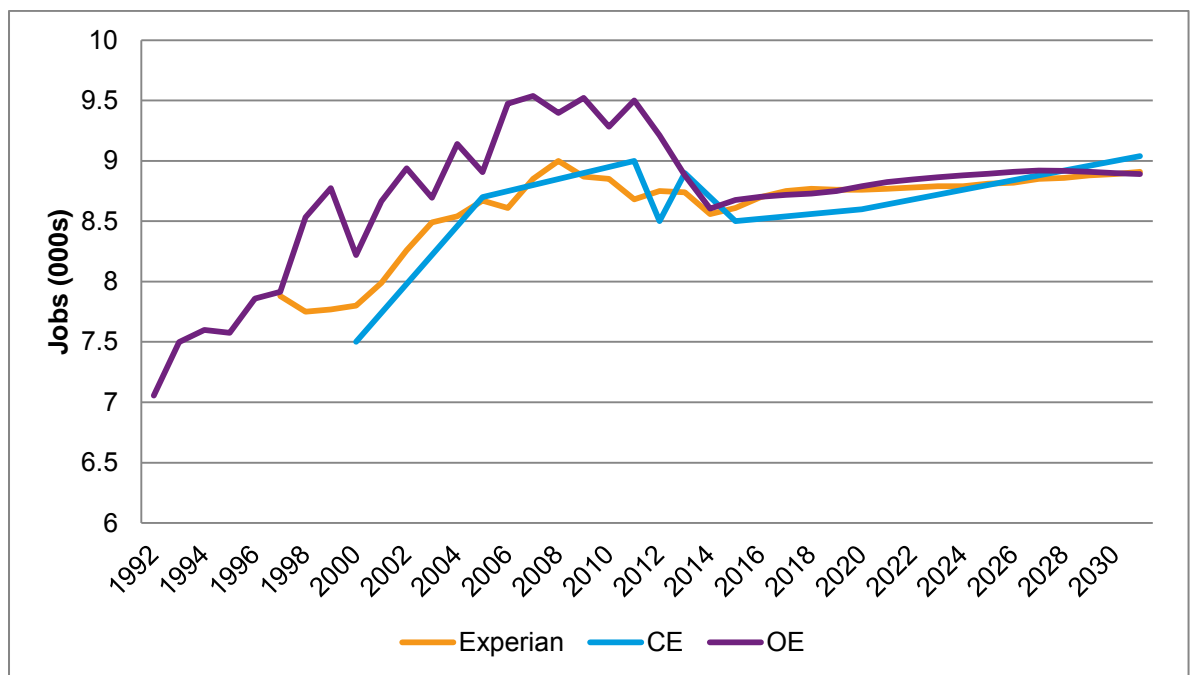
4.45 The Wholesale and retail trade sector is notable in that the revised mean shows a slight net decrease in jobs over the 2011-31 period, while the long term trend shows a considerable jobs growth of 2,100. Analysing this sector in greater detail we can see that this disparity is due to the forecasts showing a strong growth in this sector over the period 1992 to 2011, which is not continued into future forecast growth. The forecasts (particularly the OE forecast) show a considerable decrease in jobs within this sector over the period 2011-2014. After 2014 the forecasts all show a shallower but steady growth in the sector. This explains the low (Experian and CE) or negative (OE) net growth for this sector over the 2011-31 period.

4.46 The forecasts show a significant decrease in jobs in the Wholesale and retail trade sector between 2011 and 2014. The Business Register and Employment Survey records a loss of around 900 jobs in this sector over this period – almost identical to the losses shown in the OE forecasts. The

evidence for this scale of job losses (or lack thereof) suggests this is the result of a realignment of the survey data¹⁹ rather than an actual loss of jobs. Nonetheless, these losses are shown to have happened between 2011 and 2014 and are not being modelled forward – i.e. after 2014 all three forecasts return to long-term trends.

4.47 This means that, by taking a start date of 2011, the net forecast jobs growth in the Wholesale and retail trade sector is considerably lower than if we were to take a start date from 2014. Taking 2014 as a start date, the forecasts (average of the three) show a growth of around 330 jobs in this sector to 2031. We consider this 2014-31 figure to be a more reasonable estimate of jobs growth in this sector and have used this figure instead of the 2011-31 figure. As this period is 3 years shorter than that used for the forecasts of the other sectors, we have adjusted the figure to, in effect, model growth over a twenty-year period. This results in a sectoral jobs growth of 380 jobs.

Figure 35: Wholesale and Retail Trade Sector Forecast – North Devon, 1992-2031



Source: Experian, CE, OE

4.48 The Government services sector – including Education, Health, and Public Administration and Defence – shows considerable differences between the three forecasts. The highest forecast (CE) forecasts a jobs growth of over 3,040 jobs in this sector while the lowest (OE) forecasts a growth of 1,270 – a difference of 1,770 jobs. We have therefore considered this sector in greater detail.

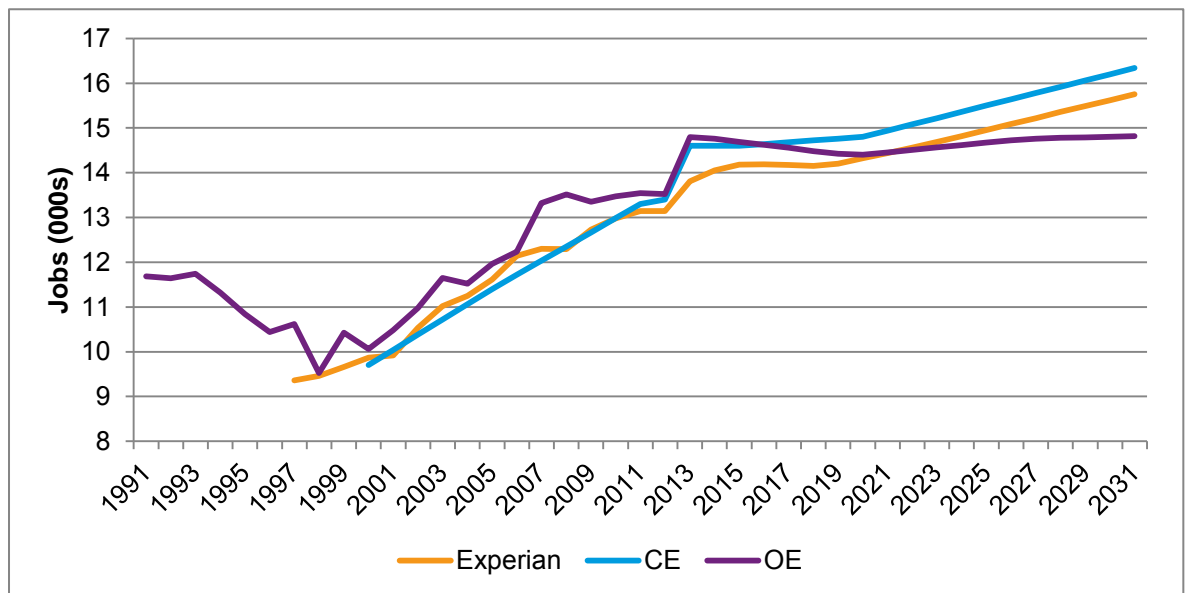
4.49 All three forecasts show a sharp increase in sectoral jobs numbers between 2012 and 2013. Assessing the BRES data for this period shows an increase of 1,100 jobs in this year. The majority

¹⁹ For example, a reclassification of sub-sector jobs, or an adjustment to compensate for past over-estimates.

(700) of these jobs were in human health and social work activities. Over 300 were in the Administration of the state and the economic and social policy of the community sub-sector – a growth of 44%. As with the Wholesale and retail trade sector above we consider this reported growth is likely a reclassification issue. We have therefore recalculated the growth figure for this sub-sector using the South West regional figure (4% growth).

4.50 We have recalculated the Government service sector forecasts using the BRES figures from 2011 to 2014 with the adjustment for Administration of the state and the economic and social policy of the community sub-sector jobs. From 2014 to 2031 we have used an average of the three forecasts. This results in a sectoral growth of 1,900 jobs over the period 2011-2031.

Figure 36: Government Service Sector Forecast – North Devon, 1992-2031



Source: Experian, CE, OE

4.51 In the Manufacturing sector there are considerable differences between the three forecasts with CE and OE forecasting a growth in manufacturing jobs over this period while Experian forecast a jobs reduction. Taking the mean of the CE, OE, and Experian forecasts shows an overall loss of 110 jobs over the period 2011-31.

4.52 However, certain manufacturing sectors are currently performing strongly – both nationally and in North Devon – and have seen jobs growth in recent years. GL Hearn has therefore undertaken analysis of the manufacturing sector at a sub-sector level, and considered the level of sectoral growth forecast in the CE, OE, and Experian economic forecasts and cross referenced this against the medium-term (15 year) performance, and future growth opportunities in the North Devon.

4.53 This results in a more positive economic outlook and employment growth forecast (relative to the CE, OE, and Experian forecasts) in key higher value-added manufacturing sub-sectors:

- Pharmaceuticals;
- Computer, and electronic products;
- Electrical equipment;
- Machinery & equipment.

4.54 GL Hearn considers therefore that there is a reasonable justification to provide an uplift for these sub-sectors to reflect this positive outlook. In North Devon this results in an increase of 680 jobs in these sub-sectors over and above the mean of the forecasts. This is mostly due to the strong performance of Pharmaceutical manufacturing in the district. This results in a net increase of 570 jobs in the Manufacturing sector over the period 2011-31.

North Devon Synthesis Jobs Growth Forecast

4.55 GL Hearn has used the above analysis to create a Synthesis Forecast combining the Experian, CE, and OE forecasts. The Synthesis Forecast uses the mean for the majority of sectors. However, for the Manufacturing sector the sub-sector adjustment has been added. It uses the revised mean for the Construction and Accommodation and Food Service sectors. For the Wholesale and retail trade and Government service sectors the amended 2014-31 trend with 2011-2014 BRES adjustment has been used.

4.56 The Synthesis Forecast for North Devon is shown in the table below.

Table 32: North Devon – Synthesis Forecast – Jobs Growth by Sector, 2011-31

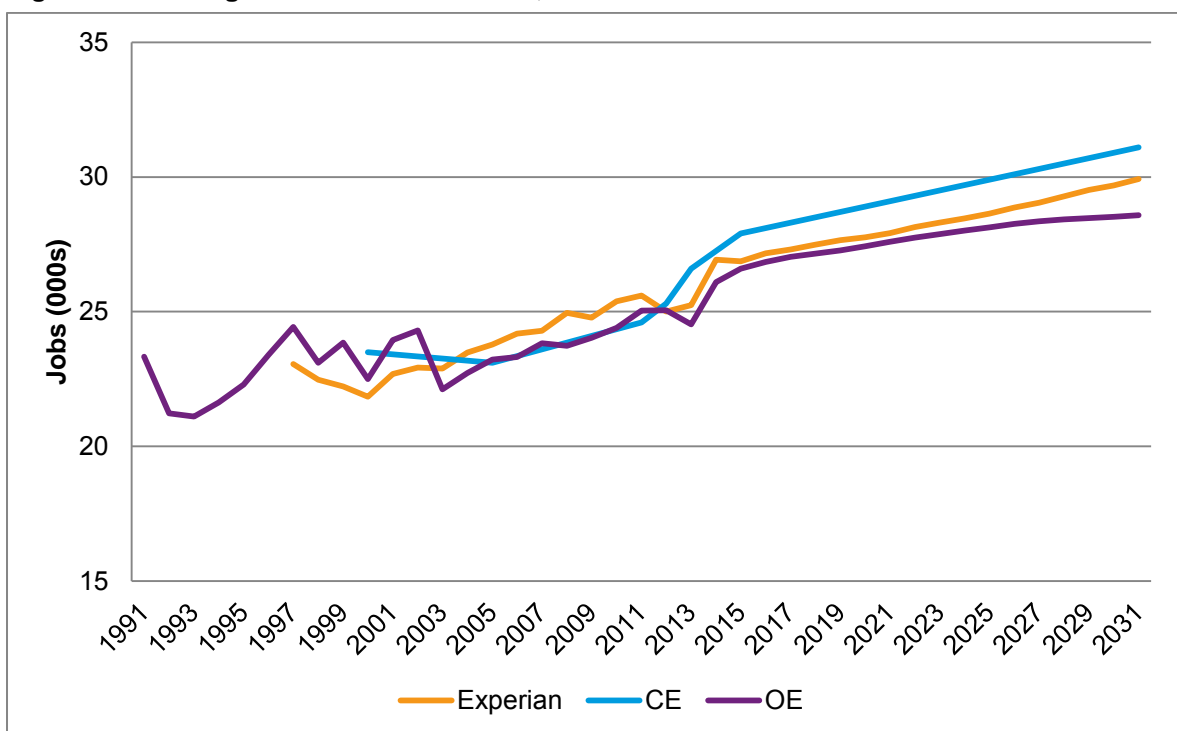
Sector	Jobs Growth	Source
Agriculture, forestry & fishing	- 400	Mean
Mining & quarrying	-	Mean
Manufacturing	570	Sub-Sector Adjustment
Electricity gas and water	70	Mean
Construction	670	Revised Mean
Wholesale and retail trade	380	Amended 2014-31 Trend
Transport and storage	- 130	Mean
Accommodation and food services	1,420	Revised Mean
Information and communications	60	Mean
Financial and business services	1,530	Mean
Government services	1,900	Amended 2014-31 Trend
Other services	760	Mean
Total	6,830	-

Source: GLH

Torrridge

4.57 Figure 37 below shows the total jobs growth forecasts in Torrridge. This shows more alignment between the three forecasts than in North Devon however the CE forecast are again the most optimistic. The CE forecast shows the district's total jobs reaching 31,100 by 2031, and has an average annual growth rate of 1.18%. For Experian, the total jobs figure is 29,900 and an annual average growth rate of 0.78%. For OE these figures are 28,600 and 0.66% respectively.

Figure 37: Torrridge – Forecast Total Jobs, 1991-2031



Source: Experian, CE, OE

4.58 Table 33 below shows the growth in total jobs over the 2011-31 period. The CE forecast shows a total jobs growth of 6,500 over this period. This is equivalent to a growth rate of 1.18% per annum. The Experian forecast shows a total jobs growth of 4,320 – a per annum growth of 0.78%. The OE forecast shows a total jobs growth of 3,533 – a growth of 0.66% per annum.

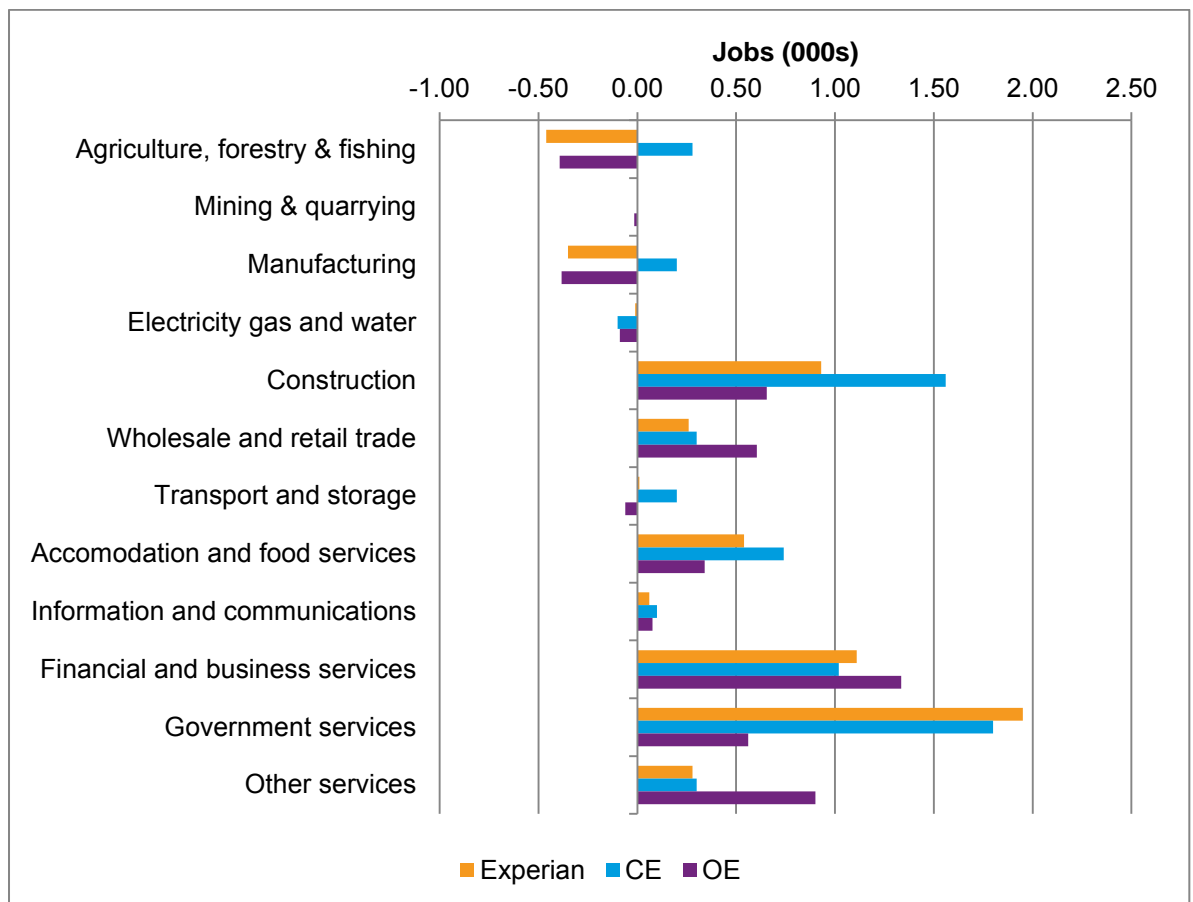
Table 33: Torrridge – Comparison of Forecast Jobs Growth 2011-2031

Forecast	2011-2031
Experian	4,320
CE	6,500
OE	3,533

Source: Experian, CE, OE

- 4.59 We next consider the forecasts in more detail to see the sectoral breakdown of jobs growth and which sectors are driving growth in Torrige.
- 4.60 Again, there are some considerable differences between the forecasts. However, there are some sectors where all three forecasts predict substantial jobs growth over the 2011-31 period. In Torrige the sectors with the largest forecast jobs growth are:
- Government Services – as with North Devon, this is driven by strong performance in the Education and Health sectors. Conversely, the Public Administration and Defence sector is forecast a net loss of jobs;
 - Financial and Business Services;
 - Construction;
 - Accommodation and Food Services;
 - Wholesale and retail trade; and
 - Other Services.
- 4.61 The sector with the largest forecast growth (according to Experian and CE) is Government Services. The Experian forecasts break this down further and show a strong growth in Education (580 jobs) and Health (440 jobs) but a loss of around 150 jobs in Public Administration and Defence.
- 4.62 The Experian and OE forecasts show a net reduction in the number of jobs in the Agriculture, Forestry, and Fishing sectors while CE forecasts a net increase. Similarly, Experian and OE show a net reduction in Manufacturing jobs while CE again shows a net increase. As with North Devon, all of the forecasts show zero or negligible growth/ loss in Mining and Quarrying, Utilities, Transport and Storage, and Information and Communications sectors.

Figure 38: Torridge – Jobs Forecasts Growth by Sector, 2011-31



Source: Experian, CE, OE

4.63 Figure 39 shows the Experian, OE, and CE forecasts as well as the average (mean) of these and the long term jobs growth trend over the period 1992-2012. This shows that the mean is, for most sectors, similar to the long-term trend. There are two notable exceptions to this – one is the manufacturing sector which has seen considerable long term net losses, however the mean of the forecasts also forecasts a net loss, albeit a much smaller one. This is representative of wider trends in the manufacturing sector, which saw considerable contraction over the 1992-2012 period. However, the sector has since stabilised and consolidated. As such we would not expect such severe losses in the future, as indicated by the forecasts.

4.64 The second is the Wholesale and retail trade sector where the long term trend shows considerably more growth than the forecasts – as was the case in North Devon. As with in North Devon we have assessed this sector in more detail. In Torridge, the forecasts for this sector from 2011 generally look fairly reasonable. Over the 2011 to 2014 period the Experian and OE forecasts show negligible sectoral growth. This aligns with the BRES data for this period. The CE forecast shows a sectoral growth of 350 jobs over this period; however the CE forecast beyond 2014 is less optimistic than

the other forecasts, meaning that this short-term growth is not modelled forward. Accordingly, the forecast growth in the three forecasts looks broadly reasonable for this sector.

Figure 39: Torridge – Analysis of Jobs Growth by Sector, 2011-31



Source: Experian, CE, OE, GLH

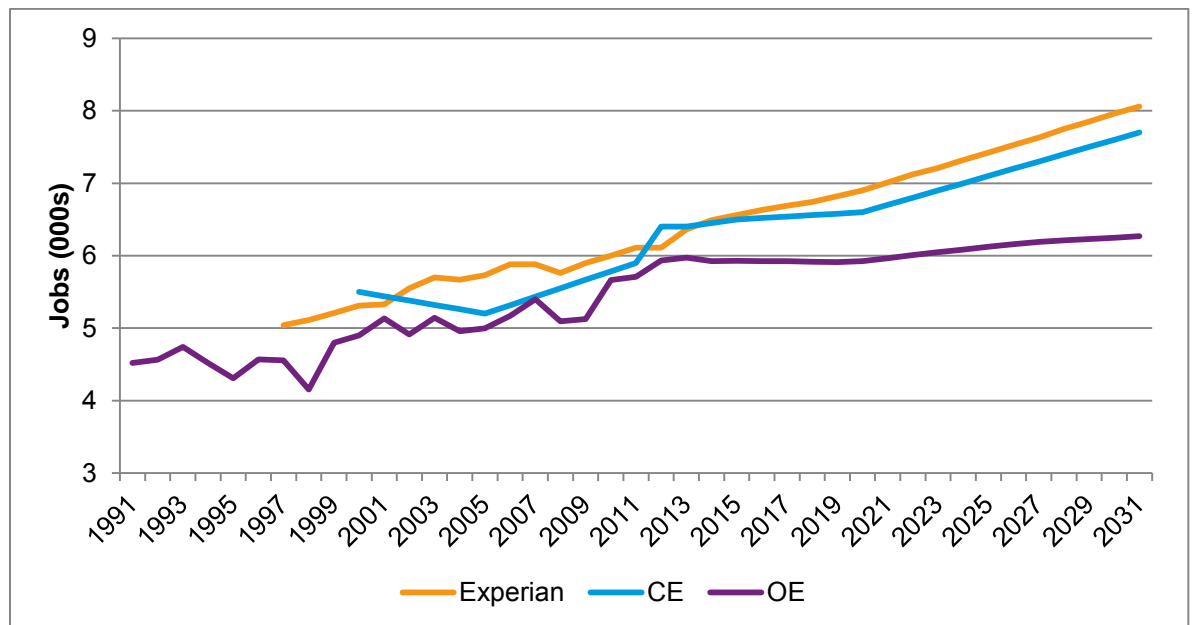
4.65 The Government services sector – including Education, Health, and Public Administration and Defence – shows considerable differences between the three forecasts. The highest forecast (CE) forecasts a jobs growth of over 1,950 jobs in this sector while the lowest (OE) forecasts a growth of 560 – a difference of 1,390 jobs. We have therefore considered this sector in greater detail.

4.66 The Experian and CE forecasts show a sharp increase in sectoral jobs numbers between 2011 and 2014: Experian show an increase of 400 and CE an increase of 600. The OE forecast shows a smaller growth of 200 over this period. Assessing the BRES data for this period shows that there was actually a smaller increase of only 100 jobs over this period, all of which were in the Human health and social work activities sub-sector. There were small losses in jobs in the Education and Public administration and defence sectors. This shows that the actual recorded increase in sectoral

jobs over this period is much smaller than shown in any of the forecasts. This suggests that a re-calibration of the forecasts to reflect the BRES data would be appropriate.

4.67 We have recalibrated the Government service sector forecasts using the BRES figures from 2011 to 2014. From 2014 to 2031 we have used an average of the three forecasts. This results in a sectoral growth of 1,160 jobs over the period 2011-2031.

Figure 40: Government Service Sector Forecast – Torridge, 1992-2031



Source: Experian, CE, OE

4.68 In the Manufacturing sector there were considerable differences between the three forecasts with CE forecasting a growth in manufacturing jobs over this period while OE and Experian forecast a jobs reduction. Taking the mean of the CE, OE, and Experian forecasts shows an overall loss of 180 jobs over the period 2011-31.

4.69 However, certain manufacturing sectors are currently performing strongly – both nationally and in Torridge – and have seen jobs growth in recent years. GL Hearn has therefore undertaken analysis of the manufacturing sector at a sub-sector level, and considered the level of sectoral growth forecast in the CE, OE, and Experian economic forecasts and cross referenced this against the medium-term (15 year) performance, and future growth opportunities in the Torridge.

4.70 This results in a more positive economic outlook and employment growth forecast (relative to the CE, OE, and Experian forecasts) in key higher value-added manufacturing sub-sectors. GL Hearn considers therefore that there is a reasonable justification to provide an uplift for these sub-sectors to reflect this positive outlook. In Torridge this results in a modest increase of 50 jobs in these sub-sectors over and above the mean of the forecasts. This results in a net loss of 130 jobs in the manufacturing sector over the period 2011-31.

Torrige Synthesis Jobs Growth Forecast

4.71 GL Hearn has used the above analysis to create a Synthesis Forecast combining the Experian, CE, and OE forecasts. The Synthesis Forecast uses the mean for the majority of sectors. For the Manufacturing sector the sub-sector adjustment has been added. For the Government service sectors, the Amended 2014-31 Trend with 2011-2014 BRES adjustment has been used. The Synthesis Forecast for Torrige is shown in the table below.

Table 34: Torrige – Synthesis Forecast – Jobs Growth by Sector, 2011-31

Sector	Jobs Growth	Source
Agriculture, forestry & fishing	- 190	Mean
Mining & quarrying	-	Mean
Manufacturing	- 130	Sub-Sector Adjustment
Electricity gas and water	- 70	Mean
Construction	1,050	Mean
Wholesale and retail trade	390	Mean
Transport and storage	50	Mean
Accommodation and food services	540	Mean
Information and communications	80	Mean
Financial and business services	1,150	Mean
Government services	1,160	Amended 2014-31 Trend
Other services	490	Mean
Total	4,520	

Source: GLH

Northern Devon Jobs Growth Forecast

4.72 Combining the Synthesis Forecasts for North Devon and Torrige results in a total jobs growth for Northern Devon of 11,350 jobs over the period 2011-31.

Table 35: Northern Devon – Synthesis Forecast, 2011-31

	North Devon	Torrige	Northern Devon
Total Jobs Growth	6,830	4,520	11,350

Full Time Equivalent (FTE) Jobs Growth

4.73 The figures above consider total jobs growth. This includes all jobs: full-time and part-time. GL Hearn has translated this to Full Time Equivalent (FTE) jobs. This is done by calculating the proportion of full-time and part-time jobs in each sector at present (the most recent data is from 2014) and, assuming these trends continue, use this to calculate the FTE job growth to 2031. Sectors with higher levels of part-time jobs – Accommodation and food services, Government services, and Other Services – have seen a larger drop in FTE jobs compared to total jobs.

Table 36: Full Time Equivalent (FTE) Jobs Growth – Synthesis Forecast, 2011-31

	North Devon	Torrridge	Northern Devon
Agriculture, forestry & fishing	- 380	- 180	- 560
Mining & quarrying	-	-	-
Manufacturing	550	- 120	430
Electricity gas and water	70	- 70	-
Construction	640	1,000	1,640
Wholesale and retail trade	300	300	600
Transport and storage	- 110	40	- 70
Accommodation and food services	1,060	400	1,460
Information and communications	50	70	120
Financial and business services	1,310	990	2,300
Government services	1,420	870	2,290
Other services	570	360	930
Total	5,480	3,660	9,140

Comparing Findings against the 2014 Housing & Employment Study

- 4.74 We can compare these figures to the forecast FTE jobs growth in the 2014 Northern Devon Housing and Employment Study. This considered two forecasts – CE forecast dated Autumn 2012 and Experian forecast published in January 2013.
- 4.75 The 2014 study calculated a ‘Policy-On’ scenario for employment growth for the 2011-31 period. This sees an FTE employment growth of 7,400 over the 2011-31 period across Northern Devon²⁰. The ‘Policy On’ scenario was a 54% increase on the Experian Baseline Projection. The modifications made include adjustments to the short-term outlook in the Experian model for the agricultural sector, education and public administration; and longer-term “above trend” performance in the identified sectors with growth potential.
- 4.76 The 2014 ‘Policy On’ figure of 7,400 for Northern Devon is below the 9,140 figure calculated in the Synthesis Forecast. This shows the greater level of optimism in the 2015 forecasts than there was in late 2012 / early 2013, which is a reflection of the improvements in the national and local economies which saw considerable strengthening through the second half of 2013 and throughout 2014.

²⁰ The modelling of this scenario treats Northern Devon as a single local economy (i.e. the figures cannot be split between North Devon and Torrridge).

Future Economic Performance: Implications

- An analysis of econometric forecasts has been undertaken – including the latest forecasts from Cambridge Econometrics, Oxford Economics and Experian. A comparison between the forecasts has been undertaken.
- Set against historical performance and wider benchmarks, the Cambridge Econometrics forecasts look to be overly optimistic for both authorities. At a sectoral level there are significant discrepancies between the three forecasts.
- Taking account of analysis of the three forecasts, and historical performance, as the PPG suggests, a Synthesis Forecast is presented which forecasts 6,830 new jobs to be created in North Devon District between 2011-31; and 4,520 jobs to be created in Torrige over this period.
- The Full Time Equivalent (FTE) jobs growth is calculated by using the proportion of full-time and part-time jobs in each sector. This results in a FTE jobs growth of 9,140 across Northern Devon: 5,480 in North Devon, and 3,660 in Torrige.

5 ECONOMIC-LED HOUSING NEEDS

5.1 In Section 4, analysis was presented considering future economic performance in Torridge and North Devon²¹. This section moves on to consider the implications of this on housing need, taking account of Planning Practice Guidance which outlines that:

'Plan makers should make an assessment of the likely growth 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'

5.2 And that:

'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'

Conclusions on Employment Growth

5.3 Table 37 summarises the conclusions drawn in Section 4 on economic growth (total employment) over the 2011-31 plan period:

Table 37: Employment Growth (2011-31)

	Jobs (2011)	Jobs (2031)	Change (2011-31)	% change from 2011
North Devon	49,675	56,505	6,830	13.75%
Torridge	25,081	29,601	4,520	18.02%
Northern Devon	74,756	86,106	11,350	15.18%

Source: Forecasters/ GL Hearn/ DCC

Assumptions in Modelling Housing Need

5.4 To relate jobs and housing need is not a simple process. To do so, it is necessary to take account of:

- Commuting patterns;
- Double jobbing (i.e. the number of people with more than one job), reflecting the high incidence of part time working in Northern Devon; and
- Changes to employment rates (e.g. as a result of more people working or people working longer).

Commuting Patterns

5.5 Table 38 shows summary data from the 2011 Census about commuting to and from each of the local authorities and Northern Devon as a whole. The data shows that North Devon sees a level of

²¹ Statistics used in this section for North Devon cover the District area inclusive of Exmoor National Park.

net in-commuting for work (about 3,000 more people work in the District than live in the area (and are working)); the opposite is seen in Torridge, with a net out-commuting of about 4,700 people. The commuting ratios shown at the bottom of the table are calculated as the number of resident workers divided by the number of people who work in the District.

- 5.6 The figures for Northern Devon show that 47,748 people live and work in the area – 6,600 higher than the combined totals for each of the Districts. This indicates around 6,600 people commuting between the two Districts. The in-commuting figure for Northern Devon is lower than for North Devon and the out-commuting is lower than Torridge, meaning that Northern Devon has a net out-commuting of around 1,600, and a commuting ratio of 1.02.

Table 38: Commuting patterns in Northern Devon (2011)

			North Devon	Torridge	Northern Devon
A		Live and work in area	28,722	12,399	47,748
B		Home workers	7,836	6,026	13,862
C		No fixed work-place	3,877	2,926	6,803
D		In-commute	7,754	3,579	4,706
E		Out-commute	4,669	8,297	6,339
F	A+B+C+D	Total working in area	48,189	24,930	73,119
G	A+B+C+E	Total living in area (and working)	45,104	29,648	74,752
H	G / F	Commuting ratio	0.94	1.19	1.02

Source: 2011 Census

- 5.7 In translating the commuting pattern data into growth in the labour-force it is assumed that the commuting ratios remain at the same level as shown by the 2011 Census (e.g. assumes that 6% (net) of additional jobs will be taken up by in-commuters in North Devon). This is a “policy off” assumption. It essentially means that there would be expected to be a lower increase in working residents for a given number of jobs in North Devon and the opposite pattern in Torridge. The figures have been applied on a local authority by local authority basis using data as shown in Table 38 above.

Double Jobbing

- 5.8 As well as commuting patterns, we can also consider that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in each District divided by the number of jobs. Double jobbing figures in Northern Devon are relatively high due to the high proportion of part-time jobs and low wage jobs in the area.
- 5.9 Data from the Annual Population Survey (available on the NOMIS website) suggests that across Northern Devon around 6.2% of workers have a second job (based on data averaged from data for the 2004-14 period to recognise relatively high error margins associated with data for individual

years). This gives a double jobbing ratio of 0.938 (i.e. the number of jobs can be discounted by 6.2% to estimate the required change in the workforce). Again data has been used on an individual local authority basis with the double jobbing percentages for each area being:

- North Devon – 5.1%
- Torridge – 7.4%

5.10 To calculate the change in the resident workforce required to match the forecast number of jobs we can multiply the commuting ratio by the amount of double jobbing and in turn multiply this by the number of jobs – this is shown in Table 39.

5.11 Overall, the Synthesis Forecast expects an increase of 11,350 jobs across Northern Devon. If commuting patterns and levels of double jobbing remain the same then this would require a slightly lower level of growth in the resident workforce (of 11,077 people).

Table 39: Jobs growth and change in resident workforce (2011-31)

	Change in jobs in Synthesis Forecast	Commuting Ratio	Double Jobbing Ratio	Adjustment factor	Change in resident workforce
North Devon	6,830	0.94	0.949	0.89	6,085
Torridge	4,520	1.19	0.926	1.10	4,992
Northern Devon	11,350	-	-	-	11,077

Source: GL Hearn, NOMIS and 2011 Census

Changes to Employment Rates

5.12 As well as studying commuting levels and double jobbing the analysis needs to consider how economic participation and employment rates will change in the future. Although the past few years have seen an increase in unemployment there have generally been increases in the proportion of people who are economically active (particularly for females and people aged over 50). In the future we may see a continuation of these trends – particularly in relation to people working longer (partly linked to pensionable ages) and have modelled for there to be some increase in employment rates as we move through to 2031.

5.13 Table 40 shows the age/sex specific rates assumed in the analysis. These have been based on consideration of a range of different forecasting houses' forecasts and also take account of the 2011 Census and trends over the period since 2001. It should be stressed that these figures reflect what we would consider to be a reasonable set of assumptions although there would be a case for alternatives (both in an upwards and downwards direction).

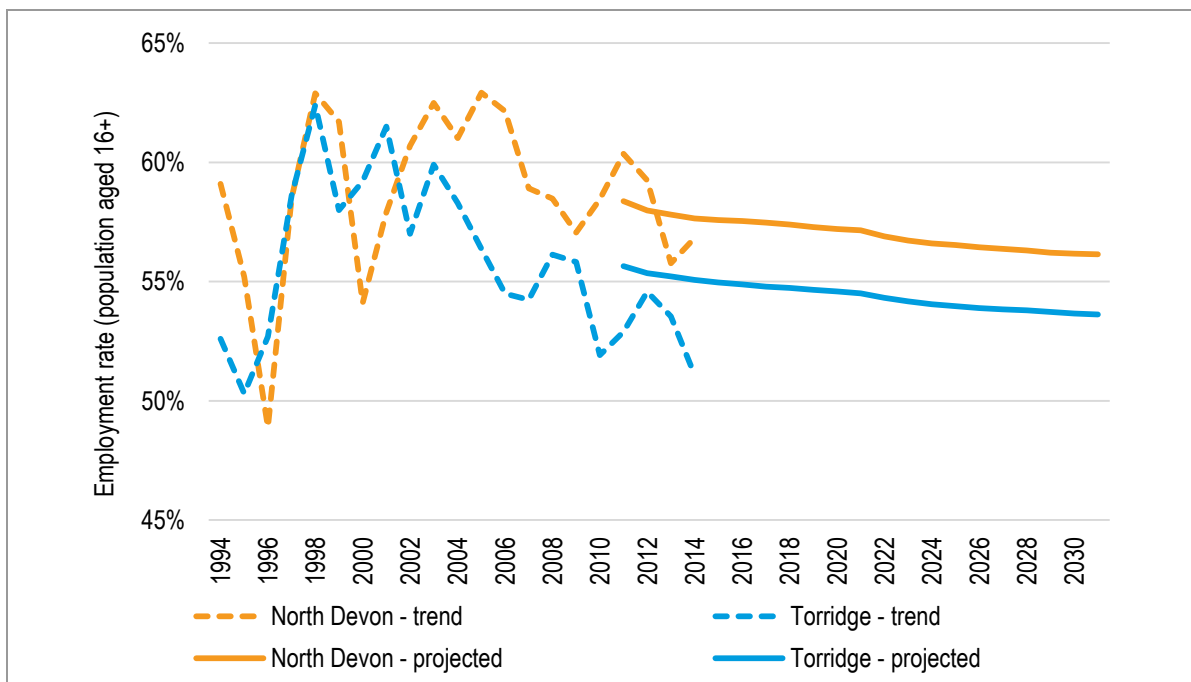
Table 40: Employment Rates by Age and Sex

		Sex	Year	Aged 16 to 24	Aged 25 to 34	Aged 35 to 49	Aged 50 to 64	Aged 65 and over
North Devon	Male	2011		64.5%	89.2%	89.1%	75.8%	16.1%
		2031		64.5%	89.3%	89.5%	80.0%	21.8%
	Female	2011		61.4%	77.2%	81.1%	62.2%	8.9%
		2031		61.4%	79.8%	83.7%	71.1%	13.6%
Torridge	Male	2011		61.2%	86.6%	88.1%	72.9%	16.4%
		2031		61.2%	86.7%	88.6%	77.1%	22.6%
	Female	2011		59.0%	74.0%	79.3%	59.4%	8.9%
		2031		59.0%	76.6%	81.9%	68.3%	13.9%

Source: Derived from Census (2001 and 2011), Annual Population Survey and Economic forecasts

- 5.14 Figure 41 shows how the overall employment rate in each local authority is expected to change over time, a past trend analysis from the Annual Population Survey (APS) back to 1994 has also been shown although some caution should be used in comparing figures given that the sources are different (and the APS has a large margin of error). The employment rate is based on the number of people in employment divided by the population aged 16 and over. The rate is therefore affected by changes in age structure (including for instance a growing older population).
- 5.15 The analysis shows in both areas that there is expected to be a small decrease in this rate over time. The past trend analysis shows a picture of highly fluctuating rates although this is generally also in a slightly downward direction. The rates shown in the figure below are derived from the 2012-based SNPP and it should be noted that these change very slightly with different assumptions about population growth.

Figure 41: Past and projected change in employment rate (1994-2031)



Source: Derived from Annual Population Survey, Labour Force Survey, economic forecasts and demographic projections

- 5.16 To estimate what level of housing provision might be required to meet the economic forecasts, adjustments are made to levels of migration within the demographic model such that the growth in the resident workforce equals the change required to match the number of jobs. This calculation incorporates the changes in employment rates shown in the figure above.
- 5.17 The outputs from the analysis show that for the resident workforce to increase in line with the forecast number of jobs would require around 837 homes per annum to be delivered. This figure sits 30% above the demographic need based on the SNPP, and 23% above the need shown based on projecting forward long-term migration trends (adjusted for UPC). It indicates that this forecast level of economic growth will require higher longer-term migration than seen historically – to support stronger workforce growth, taking account of the ageing of the population.
- 5.18 The outputs are again based on household formation rates linked to the 2012-based CLG Household Projections. As done previously, when calculating the number of dwellings per annum, a vacancy allowance has been added to allow for existing levels of vacant properties (as set out at para 3.80).

Table 41: Meeting job growth forecasts (with 2012-based CLG headship rates)

	Households 2011	Households 2031	Change in households	Per annum	Dwellings (per annum)	Dwellings 2011-31
North Devon	40,174	48,429	8,255	413	440	8,807
Torridge	28,066	35,578	7,511	376	397	7,949
Northern Devon	68,240	84,006	15,766	788	837	16,757

Source: CE, NOMIS and 2011 Census

5.19 The analysis shows that around 837 dwellings per annum would need to be delivered in Northern Devon in order to meet the levels of economic growth shown in the Synthesis Forecast. The Synthesis Forecast is informed by three forecasts from the Cambridge Econometrics, Oxford Economics, and Experian forecasting houses. However, it should be recognised that there is significant variance between these three forecasts, which highlights the unpredictable nature of forecasting employment growth up to fifteen years into the future. The Synthesis Forecast draws upon all three forecasts, as well as on other data sources, in order to ensure it is as robust as possible. However, when considering a twenty-year period, we consider it is reasonable to expect a level of variance in jobs growth over this length of time. The economic-led housing need figures should be viewed in this context.

Economic-led Housing Need: Implications

- A range of economic forecasts have been assessed to assist in understanding the likely level of future job growth in Northern Devon. The analysis concludes that around 6,830 jobs in North Devon and around 4,520 in Torridge (11,350 in total across Northern Devon) can be expected over the 2011-31 plan period. This would imply an increase in the number of working residents of about 11,077 (once commuting patterns and double jobbing are considered).
- The analysis indicates that this level of growth in working residents would require provision of around 837 homes per annum across the Northern Devon area. The analysis suggests that economic performance can be expected to support net migration which is above the 2012-based SNPP (this projections showing a need for 643 dpa), and the long-term (10 year) migration, adjusted for UPC (this projection showing a need for 680 dpa).
- In regard to housing distribution between the two local authority districts, whilst the 'long-term trends' demographic projection suggests a 49%:51% distribution between North Devon and Torridge; the economic evidence suggests a 53%:47% distribution.

6 AFFORDABLE HOUSING NEED

Introduction

- 6.1 In this section we discuss levels of affordable housing need in Northern Devon and the two local authorities. Affordable housing need is defined in the NPPF as ‘*social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market*’.
- 6.2 The PPG sets out a model for assessing affordable housing need – this model largely replicates the model set out in previous 2007 SHMA Practice Guidance. The 2007 Guidance contained more detail about specific aspects of the analysis and so is referred to in this section as appropriate. The analysis is based on secondary data sources. It draws on a number of sources of information including 2011 Census data, demographic projections, house prices/rents and income information.
- 6.3 The affordable housing needs model is based largely on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing which can be used to meet the need. The base date for analysis is 2014 (e.g. data about housing costs and incomes is for 2014). However, it is recognised that the analysis should align with other research and hence estimates of affordable housing need are provided in this section on an annual basis for the 20-year period between 2011 and 2031 (to be consistent with the demographic projections described in the previous sections).

Key Definitions

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

Affordable Housing

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

“Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.”

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

“Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided

under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.”

6.7 Affordable rented housing is defined as:

“Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).”

6.8 The definition of intermediate housing is shown below:

“Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.”

Current Affordable Housing Need

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

Newly-Arising Need

6.10 Newly arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future. In this assessment we have used trend data from Continuous Recording (CoRe) – a national information source on social rented lettings – along with demographic projections about the number of new households forming (along with affordability) to estimate future needs.

Supply of Affordable Housing

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

Affordability

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

a. *Assessing whether a household can afford home ownership: A household is considered able to afford to buy a home if it costs 3.5 times the gross household income – CLG guidance suggests*

using different measures for households with multiple incomes (2.9x) and those with a single income (3.5x), however (partly due to data availability) we have only used a 3.5 times multiplier for analysis. This ensures that affordable housing need figures are not over-estimated – in practical terms it makes little difference to the analysis due to the inclusion of a rental test (below) which tends to require lower incomes for households to be able to afford access to market housing;

- b. *Assessing whether a household can afford market renting: A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (of 2007) suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area). Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics). Consideration of a reasonable proportion of income to use in analysis can be found later in this section although outputs are provided for a range of thresholds (from 25% to 40%).*

- 6.13 It should be recognised that a key challenge in assessing affordable housing need using secondary sources is the lack of information available regarding households' existing savings. This is a key factor in affecting the ability of young households to purchase housing. However, in many cases households who do not have sufficient savings to purchase have sufficient income to rent housing privately without support, and thus the impact of deposit issues on the overall assessment of affordable housing need is limited.

Local Prices & Rents

- 6.14 An important part of the SHMA is to establish the entry-level costs of housing to buy and rent – this data is then used in the assessment of the need for affordable housing. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need.'
- 6.15 In this section we establish the entry-level costs of housing to both buy and rent across the study area. Our approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to establish lower quartile prices and rents. For the purposes of analysis (and to be consistent with CLG Guidance) we have taken lower quartile prices and rents to reflect the entry-level point into the market.
- 6.16 Table 42 shows estimated lower quartile property prices by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £90,000 for a flat in North Devon rising to £225,000 for a detached home in the same area. In Torridge these figures range from £96,000 for a flat to £215,500 for a detached house. Looking at the lower quartile price across all dwelling types the analysis shows a range from £143,500 in Torridge, up to £155,000 in North Devon. Other than for flats, the lower quartile price for all dwelling types is higher in North Devon than Torridge.

Table 42: Lower quartile sales prices by type (year to March 2015)

	Flat	Terraced	Semi-detached	Detached	All dwellings
North Devon	£90,000	£141,000	£164,500	£225,000	£155,000
Torridge	£96,000	£125,000	£147,500	£215,500	£143,500

Source: Land Registry (2014)

- 6.17 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data – this covers a 12-month period to March 2015. For the rental data information about dwelling sizes is provided (rather than types). The analysis shows an average lower quartile cost (across all dwelling sizes) of between £475 per month (North Devon) and £495 per month (Torridge); however, the data shows higher costs for all dwelling sizes in North Devon – the higher overall average in Torridge therefore reflects a slightly different profile of dwellings let in the 12-month period.

Table 43: Lower quartile private rents by size and location (year to March 2015) – per month

	Room only	Studio	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	All dwellings
North Devon	£303	£325	£400	£525	£625	£770	£475
Torridge	-	£285	£390	£495	£575	£700	£495

Source: Valuation Office Agency

- 6.18 The analysis in the report works on the basis of a single housing cost for affordability testing, which in turn is taken to be the lower quartile price and rent shown above (i.e. £155,000 for purchase or £475 per month to rent in North Devon). A single price point is taken due to the analysis (particularly income data) not being readily able to look at different household groups. It is however recognised in reality that different households will have different needs (for example in terms of a size requirement).
- 6.19 For analysis, the cheaper of buying or renting (in terms of income requirements) is taken to be the entry-level point to the market. In Northern Devon (as in most areas) the incomes required to access the private rented sector are typically lower and hence it is rented housing costs which are used for affordability testing.
- 6.20 As an example, with a lower quartile price of £155,000 and a 10% deposit, a household would need an income of £39,900 per annum (based on 3.5 times income). For renting (based on a rent of £475 pcm) the income would need to be in the range of £14,250 to £22,800 depending on the threshold for affordability used (i.e. between 25% and 40%).

How much might households reasonably spend on housing costs?

- 6.21 Having undertaken an analysis of the cost of housing, it is necessary to consider what might be a reasonable figure to use as an affordability threshold (in terms of the amount of income that could be spent on housing costs). As noted previously there is no guidance on this topic within the PPG and our own analysis shows that calculations based upon 25% to 40% could be considered a reasonable starting point.
- 6.22 The threshold of income to be spent on housing should be set by asking the question '*what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy (e.g. through Housing Benefit)?*'
- 6.23 The choice of an appropriate threshold will to some degree be arbitrary and will be linked to the cost of housing rather than income. Income levels are only relevant in determining the number (or proportion) of households who fail to meet the threshold. It would be feasible to find an area with very low incomes and therefore conclude that no households can afford housing, alternatively an area with very high incomes might show the opposite output. The key here is that local income levels are not setting the threshold, but are simply being used to assess how many households can or cannot afford market housing.
- 6.24 It is therefore useful to look at housing costs in the two local authorities and contrast this with other areas. The analysis in this section has shown a lower quartile rent (across all dwelling sizes) of between £475 and £495 per month. This rent level can be compared with other areas nationally; the highest rents (outside London) being in Elmbridge (£975 per month) and the lowest in Liverpool (at £325 per month). More locally within the South West the lower quartile rents range from £420 in Gloucester up to £700 in East Dorset. We have therefore considered Liverpool and Gloucester as the (national and regional) starting points for considering 'residual income' in Northern Devon.
- 6.25 For context, compared against all local authorities in England and Wales, Torrige ranks in the 57th percentile in terms of lower quartile rents while North Devon ranks in the 63rd percentile. Compared to authorities within South West England both authorities rank in the lowest 20% - Torrige ranking in the 81st percentile and North Devon in the 89th.
- 6.26 However, the key point when looking at thresholds and housing costs is one of 'residual income' – i.e. the amount of money a household has after housing costs are paid for. Using the South West examples, if a household in Gloucester spent 25% of income on housing then their residual income would be £1,260 per month, the same threshold in East Dorset would show a residual income of £2,100 – if the threshold in East Dorset were increased to 40% then the residual income would be around £1,050. Hence it could be concluded that a 40% threshold in East Dorset is too high (a

figure of 36% would see the same level of residual income as Gloucester). This analysis is not conclusive given that such an analysis would need to be predicated on a) an assumption that 25% in Gloucester is an appropriate benchmark; b) that living costs (other than housing) are equal across areas and c) to note that the analysis is based on gross income (households with higher gross incomes would be expected to be paying more tax). It does however serve to show why the cost of housing is the key input into understanding a reasonable threshold for affordability.

6.27 Returning to the question for the two local authorities, we can as an indicative analysis look at this residual income method by considering housing costs both nationally and within the South West region. If Liverpool is taken as a 25% benchmark, then the income multiple required in Northern Devon to achieve the same residual income would be between 33% and 34%; if Gloucester is taken as the 25% benchmark, then this percentage drops to 27% to 28%. Estimates of relevant income thresholds are shown in the table below.

Table 44: Estimated affordability thresholds using a residual income method and comparing with regional and national benchmarks

	Benchmark – Liverpool	Benchmark – Gloucester
North Devon	33%	27%
Torridge	34%	28%

Source: Derived from VOA data

6.28 Overall, this analysis is somewhat convoluted and does not definitively show what income multiple is most suitable in the two local authorities – indeed it confirms that no such ‘single’ figure exists. However, for the purpose of analysis we would suggest on the basis of the range set out above that assuming around 30% of income to be spent on housing costs would be a reasonable benchmark.

6.29 It is therefore concluded in seeking to establish the need for affordable housing that the outputs should be based on a 30% affordability threshold (although summary data is also provided to show what the outputs would be with a full range of potential thresholds (25%, 30%, 35% and 40%).

Income Levels and Affordability

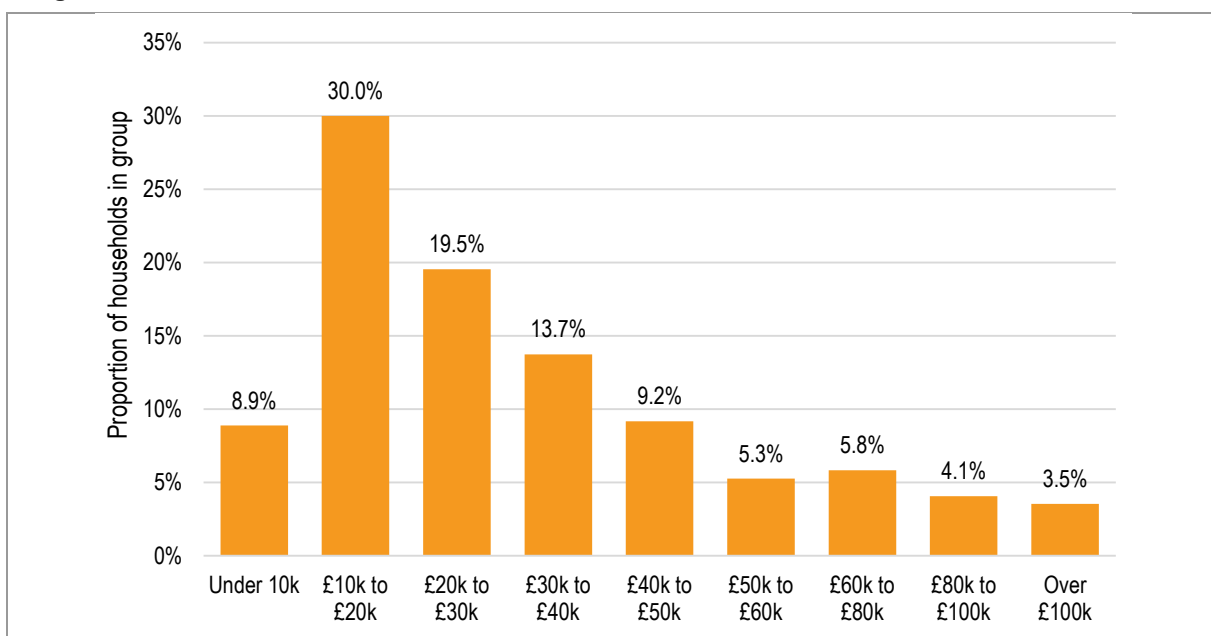
6.30 Following on from our assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability and also provide an indication of the potential for intermediate housing to meet needs. Data about total household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

- CACI from *Wealth of the Nation 2012* – to provide an overall national average income figure for benchmarking
- English Housing Survey (EHS) – to provide information about the distribution of incomes

- Annual Survey of Hours and Earnings (ASHE) – to assist in looking at how incomes have changed from 2012 to 2014 (a 4% increase per annum was identified from this source for the South West region)
- ONS modelled income estimates – to assist in providing more localised income estimates (i.e. for each of the local authority areas)

6.31 Drawing all of this data together we have therefore been able to construct an income distribution for the Northern Devon HMA in 2014. The data shows that around a two-fifths of households have incomes below £20,000 with a further third in the range of £20,000 to £40,000. The overall average (median) income of all households in the HMA was estimated to be around £25,300 with a mean income of £33,300.

Figure 42: Distribution of Household Income in Northern Devon



Source: Derived from ASHE, EHS, CACI and ONS data

6.32 Table 45 shows how income levels vary for each of the local authorities. Incomes were found to be slightly higher in North Devon than Torrridge.

Table 45: Income levels by local authority

	Mean income	Median income
North Devon	£34,061	£25,906
Torrridge	£32,192	£24,485
Northern Devon	£33,284	£25,302

Source: Derived from ASHE, EHS, CACI and ONS data

6.33 To assess affordability, we have looked at households' ability to afford either home ownership or private rented housing (whichever is the cheapest), without financial support. The distribution of

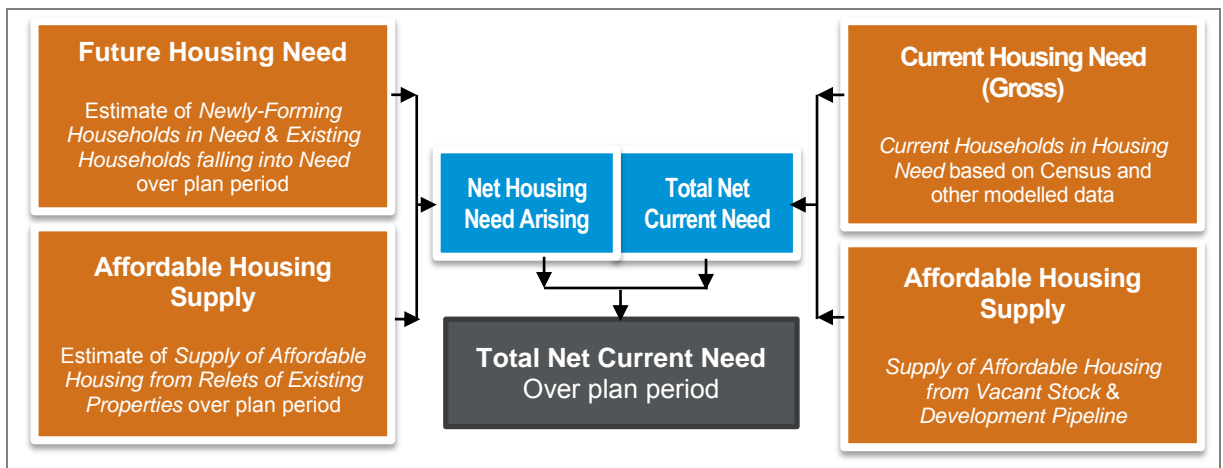
household incomes is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing.

- 6.34 Different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households). Assumptions about income levels are discussed where relevant in the analysis that follows.

Affordable Housing Needs Assessment

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

Figure 43: Overview of Basic Needs Assessment Model



- 6.36 The figures presented in this report for affordable housing needs have been based on secondary data sources including analysis of 2011 Census data. The modelling undertaken provides an assessment of affordable housing need for a 20-year period from 2011 to 2031 (which is then annualised). Each of the stages of the affordable housing needs model calculation are discussed in more detail below.

Further Methodological Issues

- 6.37 As the analysis is being based on secondary data sources only, there are a number of assumptions that need to be made to ensure that the analysis is as robust as possible. Key assumptions include considering the number of households who have a need due to issues such as insecure tenancies or housing costs – such households form part of the affordable need as set out in guidance (see paragraph 023 of the PPG for example) but are not readily captured from secondary data sources. Assumptions also need to be made about the likely income levels of different groups of the

population (such as newly forming households), recognising that such households' incomes may differ from those in the general population.

6.38 To overcome the limitations of a secondary-data-only assessment, additional data has been taken from a range of survey-based affordable needs assessments carried out by GL Hearn over the past five years or so. These surveys (which cover a range of areas and time periods) allow the assessment to consider issues such as needs which are not picked up in published sources and different income levels for different household groups. This data is then applied to actual data for Northern Devon (e.g. from the Census) as appropriate. It is the case that outputs from surveys in other areas show remarkably similar outputs to each other for a range of core variables (for example the income levels of newly forming households when compared with existing households) and are therefore likely to be fairly reflective of the situation locally in Northern Devon. Where possible, data has also been drawn from national surveys (notably the English Housing Survey).

6.39 It should also be stressed that the secondary data approach is consistent with the PPG. Specifically, guidance states that:

'Plan makers should avoid expending significant resources on primary research (information that is collected through surveys, focus groups or interviews etc. and analysed to produce a new set of findings) as this will in many cases be a disproportionate way of establishing an evidence base. They should instead look to rely predominantly on secondary data (e.g. Census, national surveys) to inform their assessment which are identified within the guidance.'

6.40 The analysis that follows is therefore consistent with the requirements of the Planning Practice Guidance.

6.41 CLG Guidance also suggests that the housing register can be used to estimate levels of affordable housing need. Experience working across the country is that housing registers can be highly variable in the way allocation policies and pointing systems work. This means that in many areas it is difficult to have confidence that the register is able to define an underlying need (this is particularly an issue with multi-authority commissions such as this). Many housing registers include households who might not have a need whilst there will be households in need who do not register (possibly due to being aware that they have little chance of being housed). For these reasons, the method linked to a range of secondary data sources is preferred.

Current Affordable Housing Need

6.42 In line with PPG, the current need for affordable housing need has been based on considering the likely number of households with one or more housing problem. A list is initially set out in paragraph 023 of the PPG and provides the following.

What types of households are considered in affordable 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.

Source: PPG [ID 2a-023-20140306]

6.43 Table 46 sets out the data used in each part of the assessment of current needs. All efforts have been made to avoid double counting; this includes excluding households living in non-hostel and B&B properties from the number of 'other' households in need (such households will be included in the homeless in temporary accommodation). However, there may be some issues with looking at both concealed households and overcrowding – it is likely that providing housing for some concealed households would remove an overcrowding issue – no account has been taken of this and therefore arguably the figures presented could be slightly too high. On the other hand, the analysis of concealed households only includes those with children and it is possible that some 'childless' concealed households also have a need (which would make the figures too low). On balance it is considered that the analysis and outputs (whilst noting some potential deficiencies of using a secondary data approach) will be as accurate and plausible as is reasonably possible.

Table 46: Main sources for assessing the current unmet need for affordable housing

	Source	Notes
Homeless households	CLG Live Table 784	Total where a duty is owed but no accommodation has been secured
Those in priority need who are currently housed in temporary accommodation	CLG Live Table 784	Total in temporary accommodation
Households in overcrowded housing	Census table LC4108EW	Analysis undertaken by tenure
Concealed households	Census table LC1110EW	Number of concealed families (with dependent or non-dependent children)

Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Will include households with many of the issues in the first box above (e.g. insecure tenure). Figures exclude those living in LA/HA or private sector/Other temporary accommodation)
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [ID 2a-024-20140306]

6.44 Table 47 therefore shows the initial estimate of the number of households who potentially have a current housing need. These figures are before any consideration of affordability has been made and has been termed ‘the number of households in unsuitable housing’. Overall, the analysis suggests that there are 3,372 households living in unsuitable housing (or without housing) – this is 4.9% of the estimated total number of households living in the study-area in 2011.

Table 47: Estimated number of households living in unsuitable housing

Category of ‘need’	North Devon	Torridge	Northern Devon
Homeless households	0	0	0
Those in priority need who are currently housed in temporary accommodation	16	13	29
Households in overcrowded housing	757	460	1,217
Concealed households	226	165	391
Existing affordable housing tenants in need	94	55	149
Households from other tenures in need	944	643	1,586
Total	2,036	1,335	3,372

Source: CLG Live Tales, Census (2011) and data modelling

6.45 In taking this estimate (3,372 households) forward, the data modelling estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are taken into account. Additionally, the ‘temporary accommodation’ group are split depending on whether or not they are currently housed (with those temporarily housed in LA/HA accommodation then being excluded as per the analysis for affordable housing (i.e. they would be a transfer)). A final adjustment is to slightly reduce the unsuitability figures in the private rented sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be considered as being in affordable housing need (this does not really have any impact in the Northern Devon area). Once these households are removed from the analysis, the remainder are taken forward for affordability testing.

6.46 Table 48 shows that as of mid-2011 it is estimated that there were 1,943 households living in unsuitable housing (excluding current social tenants and the majority (90%) of owner-occupiers) – this represents 2.8% of all households in the area in 2011.

Table 48: Unsuitable housing by tenure and numbers to take forward into affordability modelling

	In unsuitable housing	Number to take forward for affordability testing		
		Northern Devon	North Devon	Torridge
Owner-occupied	1,030	103	61	42
Social rented	501	0	0	0
Private rented	1,421	1,420	883	537
No housing (homeless/concealed)	420	420	242	178
Temporary accommodation *	0	0	0	0
Total	3,372	1,943	1,186	757

Source: CLG Live Tales, Census (2011) and data modelling (* all households potentially in this group are picked up in the no housing (homeless/concealed) category – the numbers are small and CLG data suggests that such households are all living in hostel or B&B accommodation)

6.47 Having established the figure of 1,943, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy, because they could afford a suitable market housing solution. For an affordability test the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces the level of income to 69% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing other than in temporary accommodation). A lower figure (of 42%) has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing and those in temporary accommodation. These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (and excluding social tenants and the majority of owners) along with typical income levels of households accessing social rented housing (for those without accommodation). These figures are considered to be best estimates, and likely to approximately reflect the differing income levels of different groups with a current housing problem.

6.48 Overall, using a 30% affordability threshold, around three-fifths of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is reduced to 1,166 households across Northern Devon. Table 49 shows how current need is estimated to vary across the two local authorities.

Table 49: Estimated Current Need – 30% income threshold

Area	In unsuitable housing (taken forward for affordability test)	% Unable to Afford	Revised Gross Need (including Affordability)
North Devon	1,187	58.0%	688
Torridge	756	63.3%	478
Northern Devon	1,943	60.0%	1,166

Source: CLG Live Tales, Census (2011), data modelling and affordability analysis

6.49 Table 50 shows the current need split by broad category of current housing. The analysis shows that an estimated 329 of the households do not have housing – these are the important numbers within this analysis as it is this group who will need additional accommodation to be provided. The remaining households (837) have a need but if they were to move to alternative accommodation would free-up a home for use by another household (and hence no need for additional accommodation overall is required).

Table 50: Estimated Current Need by broad type of current accommodation

Area	Households in housing	No housing (homeless/ concealed)	TOTAL
North Devon	502	186	688
Torridge	335	143	478
Northern Devon	837	329	1,166

Source: CLG Live Tales, Census (2011), data modelling and affordability analysis

Newly Arising Need

6.50 To estimate newly arising (projected future) need we have looked at two key groups of households based set out in the PPG. These are:

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

Newly-Forming Households

6.51 The number of newly-forming households has been estimated through the demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below 5 years previously to provide an estimate of gross household formation. This differs from numbers presented in the demographic projections which are for net household growth. The figures will include newly forming households in-migrating to the area as well as households who form in the

future from the previously migrant population (in a technical sense the figures will exclude out-migrant newly forming households).

- 6.52 The numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG 2007 SHMA Practice Guidance which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.
- 6.53 The estimates of gross new household formation have been based on outputs from the 2012-based SNPP/household projections (as updated to take account of latest mid-year population data) to allow for a consistent approach across areas (use of a different projection would not significantly change estimates of the number of new households). In looking at the likely affordability of newly-forming households we have drawn on data from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).
- 6.54 We have therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this we are able to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). The assessment suggests that overall around 45% of newly-forming households will be unable to afford market housing and that a total of 473 new households will have a need on average in each year to 2031.

Table 51: Estimated Level of Affordable Housing Need from Newly Forming Households (per annum) – 30% affordability threshold

Area	Number of new households	% unable to afford	Total in need
North Devon	588	43.4%	255
Torridge	453	48.1%	218
Northern Devon	1,041	45.4%	473

Source: Projection Modelling/Income analysis

Existing Households falling into Affordable Housing Need

- 6.55 The second element of newly arising need is existing households falling into need. To assess this, we have used information from CoRe. We have looked at households who have been housed over the past two years – this group will represent the flow of households onto the Housing Register over

this period. From this we have discounted any newly forming households (e.g. those currently living with family) as well as households who have transferred from another social rented property. An affordability test has also been applied (again based on 30% of income to be spent on housing).

- 6.56 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that *‘Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)’*.
- 6.57 Following the analysis through suggests a need arising from 184 existing households each year; a notably higher proportion of these being in North Devon.

Table 52: Estimated level of Housing Need from Existing Households (per annum – based on data for 2012-15 period)

Area	Number of Existing Households falling into Need	% of Need
North Devon	128	69.4%
Torridge	56	30.6%
Northern Devon	184	100.0%

Source: CoRe/affordability analysis

Supply of Affordable Housing

- 6.58 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social/affordable rent relets and the annual supply of relets/sales within the intermediate sector.
- 6.59 The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. We have used information from the Continuous Recording system (CoRe) to establish past patterns of social housing turnover. Our figures include general needs and supported lettings but exclude lettings of new properties plus an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock. Additionally, an estimate of the number of ‘temporary’ supported lettings have been removed from the figures (the proportion shown in CoRe as being lettings in direct access hostels or foyer schemes (of which there were relatively few in the study area)).
- 6.60 On the basis of past trend data it has been estimated that 300 units of social/affordable rented housing are likely to become available each year moving forward, with a higher proportion of these being in North Devon.

Table 53: Analysis of past social/affordable rented housing supply (per annum – based on data for 2012-15 period)

	Total lettings	% as non-newbuild	Lettings in existing stock	% non-transfers	Sub-total	% non-temporary housing	Total lettings to new tenants
North Devon	430	81.0%	348	53.9%	188	100.0%	188
Torrige	212	94.4%	200	56.0%	112	100.0%	112
Northern Devon	642	85.4%	548	54.7%	300	100.0%	300

Source: CoRe

6.61 The supply figure is for social/affordable rented housing only and whilst the stock of intermediate housing in Northern Devon is not significant compared to the social/affordable rented stock it is likely that some housing does become available each year (e.g. resales of shared ownership). For the purposes of this assessment we have again utilised CoRe data about the number of sales of homes that were not newbuild. From this it is estimated that around 18 additional properties might become available per annum. The total supply of affordable housing is therefore estimated to be 318 per annum.

Table 54: Supply of affordable housing

Area	Social/affordable rented relets	Intermediate housing 'relets'	Total supply (per annum)
North Devon	188	11	198
Torrige	112	8	120
Northern Devon	300	18	318

Source: CoRe

6.62 In addition to the year-on-year supply of affordable housing through turnover of existing stock, the PPG sets out that the committed supply of new affordable units at the point of the assessment should be considered. Based on analysis of planning records from the two authorities, a committed supply of 212 affordable homes is identified in Torrige; and of 859 affordable homes in North Devon. This comprises sites with planning permission for development (excluding those where the S106 has yet to be signed).

Table 55: Committed Supply of Affordable Housing²²

Area	Committed Supply
North Devon	859
Torrige	212
Northern Devon	1,071

²² Note, this data excludes supply within the Exmoor National Park

Net Affordable Housing Need

6.63 Table 56 shows our overall calculation of affordable housing need. The analysis shows with a 30% affordability threshold that there is a need for 345 dwellings per annum to be provided. A need for 171 affordable homes per annum is shown in Torrige; and 174 per annum in North Devon.

Table 56: Estimated annual level of Affordable Housing Need

	Torrige	North Devon	Northern Devon HMA
Current Need (Gross)	478	688	1,166
Pipeline Supply	212	859	1,071
Net Current Need	264	-171	95
Annual Flow to Address Current Need (PA)²³	17	-11	6
Need from Newly-Forming Households (PA)	218	255	473
Existing Households falling into Need (PA)	56	128	184
Total Newly-Arising Need (PA)	274	383	657
Supply through Relets of Existing Stock (PA)	120	198	318
Total Net Need (PA)	171	174	345

Sensitivity to Income Thresholds

6.64 The analysis in this section has looked at affordable housing need using a threshold of affordability of 30%²⁴. This figure has been based on an understanding of the proportion of income which households might reasonably spend on housing; along with an analysis of the cost of housing locally. It is however recognised that a number of different assumptions could justifiably have been used and so the analysis below briefly considers the implications of alternative thresholds. The sensitivity analysis is shown below.

²³ Annual flow is the net current need as calculated from the most up to date supply figures, divided across the remaining period to 2031 (15.5 years).

²⁴ The rationale for using a figure of 30% is set out in paragraphs 6.21-6.29.

Table 57: Estimated level of Housing Need (per annum) at Variant Income Thresholds

	@ 25%	@ 30%	@ 35%	@ 40%
Backlog Need	66	58	51	45
Newly forming households	568	473	399	338
Existing households falling into need	199	184	168	152
Total Need (per annum)	833	715	618	535
Relet Supply	318	318	318	318
Net Need	515	398	300	217
North Devon	288	219	162	113
Torrige	227	178	138	104

Source: 2011 Census/CoRe/Projection Modelling and affordability analysis

- 6.65 This sensitivity analysis shows how assuming a different income threshold (other than 30%) could impact on affordable housing need. In North Devon this results in range from 113-288 dwellings per annum while in Torrige the range is 104-227. Using a threshold of 30% results in figures towards the higher end of these ranges.

Relating Affordable Need and OAN – legal judgements and guidance

- 6.66 The analysis above clearly indicates a need for affordable housing across the two HMAs and individual local authorities. However, the link between affordable need and the OAN is complex and has been subject to a number of recent High Court decisions. The Planning Advisory Service's Technical Advice Note on *Objectively-Assessed Need and Housing Targets* (2nd Edition, July 2015) also deals with this issue. Below we have summarised some of the key judgements and guidance in Chronological Order.

Satnam Millennium Limited v Warrington Borough Council (February 2015)

- 6.67 In this case, a challenge to the adoption of the Warrington Local Plan Core Strategy succeeded, resulting in the quashing of the Plan's housing provision policies. With regard to affordable housing the judge found that the assessment of full, objectively assessed needs for housing had not taken account of the (substantial) need for affordable housing.
- 6.68 In paragraph 43 of the judgement it is concluded that *'the Local Plan should then meet the OAN for affordable housing, subject only to the constraints referred to in the NPPF, paragraphs 14 and 47'*. This quote has been taken by some parties to imply that the need for affordable housing (as shown in modelling such as within the section) needs to be met in full – for example, if the affordable need is 200 per annum and delivery is likely to be 20% then an OAN for 1,000 homes would be appropriate.

- 6.69 It is not clear if this is exactly what the judge in this case had in mind. What is clear that such an approach in many areas would be impractical as it would require huge increases to have any significant impact.

Oadby and Wigston v Bloor Homes (July 2015)

- 6.70 In this case, a challenge by Oadby & Wigston Borough Council to the granting of planning permission through a Section 78 inquiry was dismissed.
- 6.71 The key issue in front of the Judge was whether or not the original inspector's adoption of a figure of 147 dwellings per annum as the full objectively assessed need for housing (FOAN) was sound. In essence the Council's position was that the need was in the range of 80-100 dwellings per annum and that this was a policy-off figure based on the most up-to-date population and household projections. The appellant suggested a need in the range of 147-161 based on long-term migration trends and the needs of the local economy (in terms of matching job growth and housing need).
- 6.72 The Judge's initial conclusion was that he considered the SHMA position (of 80-100 dwellings per annum) to be policy-on. He based this on a recognition that other analysis in the SHMA had indicated a need for 173 dpa to meet economic growth and a slightly lower figure (of 160 per annum) as the affordable housing need.
- 6.73 The uncertainty in this decision is whether or not the FOAN must include all of the affordable housing need. Some of the wording of the judgment would suggest that this was the case with Judge Hickinbottom stating that the assessment of need '*becomes policy on as soon as the Council takes a course of not providing sufficient affordable housing to satisfy the FOAN*'. This however is inconsistent with the more recent judgement in Kings Lynn (below) and also contrasts with the approach recommended in the PAS Technical Advice Note.

Planning Advisory Service – Technical Advice note (July 2015)

- 6.74 At about the same time as the Oadby & Wigston judgement, the Planning Advisory Service (PAS) published the second edition of their technical advice note on Objectively Assessed Need and Housing Targets – this replaced/updated a version from June 2014.
- 6.75 The consideration of affordable housing need and its relationship to overall housing need is covered in some detail within Section 9 of the document. PAS set out a suggested approach for looking at the relationship between OAN and affordable housing (which is broadly in line with the approach in this report) before going on to consider their own view about the relationship.

- 6.76 They initially suggest that affordable housing is “a policy consideration” that bears on housing targets rather than OAN and note that they are not comparable because they relate to different meanings of the term “need.” They also highlight that the OAN relates to new dwellings whereas much of the affordable need relates to existing households, who, when moving, would free up dwellings to be occupied by other households.
- 6.77 PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need before concluding that the affordable need cannot be a component part of the OAN. PAS do however note that their views ‘may be’ contradicted by the Satnam judgement referred to above.

Kings Lynn v Elm Park Holdings (July 2015)

- 6.78 The final case of reference is Kings Lynn and West Norfolk Council vs. SSCLG and Elm Park Holdings. The case involved the Council’s challenge to an Inspector’s granting of permission for 40 dwellings in a village. Although much of the case was about the approach to take with regards to vacant and second homes, the issue of affordable housing was also a key part of the final judgment.
- 6.79 Focussing on affordable housing, Justice Dove considered the “ingredients” involved in making a FOAN and noted that the FOAN is the product of the Strategic Housing Market Assessment (SHMA) required by paragraph 159 of the NPPF. It is noted that the SHMA must identify the scale and mix of housing to meet household and population projections, taking account of migration and demographic change, and then address the need for all housing types, including affordable homes.
- 6.80 He continued by noting that the scale and mix of housing is ‘*a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgement*’. Crucially, in paragraph 35 of the judgment he says that the ‘*Framework makes clear that these needs [affordable housing needs] should be addressed in determining the FOAN, but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice*’.
- 6.81 This is an important point, given the previous judgements in Satnam and Oadby & Wigston. And indeed in relation to Oadby and Wigston he notes that ‘*Insofar as Hickinbottom J in the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 might be taken in paragraph 34(ii) of his judgment to be suggesting that in determining the FOAN, the total need for affordable housing must be met in full by its inclusion in the FOAN I would respectfully disagree. Such a suggestion is not warranted by the Framework or the PPG*’.

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

6.83 The approach in Kings Lynn is also similar to that taken by the inspector (Simon Emerson) to the Cornwall Local Plan. His preliminary findings in June 2015 noted in paragraph 3.20 that *‘National guidance requires consideration of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites.’*

Relating Affordable Need and OAN

6.84 The analysis above indicates a clear need for affordable housing. The table below sets out the annual affordable housing need as a proportion of the need identified from a range of demographic and economic-led projections. The affordable need represents some 41%-54% of the overall need identified. This percentage would drop to 12%-16% if the affordable need were to be based on a 40% income threshold. These figures are however calculated in different ways and are not strictly comparable.

Table 58: Affordable Need as % Demographic-based Projections (30% affordability threshold)

Projection	Area	Overall housing need	Affordable Housing Need	Affordable as % of overall housing need
2012-based SNPP ('start point')	North Devon	287	171	59.6%
	Torridge	356	174	48.9%
	Northern Devon	643	345	53.7%
Demographic (long-term migration & UPC)	North Devon	332	171	51.5%
	Torridge	348	174	50.0%
	Northern Devon	680	345	50.7%
Economic-led	North Devon	440	171	38.8%
	Torridge	397	174	43.8%
	Northern Devon	838	345	41.2%

Source: Affordable Needs Assessment and Demographic Modelling

6.85 The Planning Practice Guidance sets out how it expects the affordable housing need to be considered as part of the plan-making process. It outlines in Paragraph 029 that:

“The total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing 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.”

- 6.86 The likely delivery of affordable housing on mixed market housing-led developments will be influenced both by affordable housing policies (themselves influenced by development viability evidence), the mix of homes which are delivered and the viability of individual development schemes. Some schemes will not be able to viably deliver policy-compliant levels of affordable housing.
- 6.87 Draft Policy ST18 in the emerging Local Plan sets out that all residential development will be expected to deliver affordable housing equivalent to 30% of all dwellings (or equivalent financial contribution), subject to viability.
- 6.88 Whilst recognising that not all sites may viably be able to deliver policy-compliant levels of affordable housing provision, it should be borne in mind that besides delivery of affordable housing on mixed-tenure development schemes, there are a number of other mechanisms which deliver affordable housing. These include:
- National Affordable Housing Programme – this (administered by the HCA) provides funding to support Registered Providers in delivering new housing including on sites owned by RPs;
 - Building Council Homes – following reform of the HRA funding system, Councils can bring forward affordable housing themselves;
 - Empty Homes Programmes – where local authorities can bring properties back into use as affordable housing. These are existing properties, and thus represent a change in tenure within the current housing stock; and
 - Rural Exception Site Development – where the emphasis is on delivering affordable housing to meet local needs.
- 6.89 Funding for specialist forms of affordable housing, such as extra care provision, may also be available from other sources; whilst other niche agents, such as Community Land Trusts, may deliver new affordable housing. Net changes in affordable housing stock may also be influenced by estate regeneration schemes, as well as potentially by factors such as the proposed extension of the Right to Buy to housing association properties. Affordable housing can be met by changes in the ownership of existing housing stock, not just by new-build development. The current pipeline of schemes delivering affordable housing shows a significant number which are delivering 30% affordable housing.
- 6.90 In interpreting the relationship between affordable need and total housing provision, it is important to understand the basis of the affordable housing needs model. As the Planning Practice Guidance sets out, the calculation of affordable need involves *“adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable stock.”* The affordable housing need does therefore not represent an assessment of what proportion of additional households might require affordable housing. Instead the model considers:

- What need can be expected to arise from both existing and newly-forming household who require financial support to access suitable housing;
 - This is then compared with the projected supply of affordable housing expected to arise from the turnover of existing stock, and affordable housing in the development pipeline.
- 6.91 The affordable housing model thus includes supply-side factors. The net need figures derived are influenced by the current stock of affordable housing and turnover of this. This has been influenced by past policies and investment decisions (at both the national and local levels). Funding mechanisms for affordable housing have influenced past delivery, which in turn influence the need today.
- 6.92 Given that there have been only modest increases in the stock of affordable housing over the last 15 years or so, the Private Rented Sector has in effect taken on an increasing role in providing housing for households who require financial support in meeting their housing needs, supported by Local Housing Allowance.
- 6.93 Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF 'for planning purposes', it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS.
- 6.94 It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: '*Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market*' [emphasis added]. Clearly where a household is able to access suitable housing in the private rented sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market.
- 6.95 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Local Housing Allowance supported private rented homes. As of August 2015 it is estimated that there were around 5,650 benefit claimants in the private rented sector in Torridge and North Devon.
- 6.96 From English Housing Survey we estimate that the proportion of households within the private sector who are "new lettings" each year (i.e. stripping out the effect of households moving from one private rented property to another) is around 13%. Applying this to the number of LHA claimants in the Private Rented Sector in Torridge and North Devon gives an estimate of around 735 private sector lettings per annum to new LHA claimants in the HMA. This serves to illustrate that there is some flexibility within the wider housing market.

6.97 However, national planning policy does not specifically seek to meet the needs identified through the Basic Needs Assessment Model through the Private Rented Sector. Government's benefit caps may reduce the contribution which this sector plays in providing a housing supply which meets the needs of households identified in the affordable housing needs model herein. In particular future growth in households living within the PRS and claiming LHA cannot be guaranteed.

6.98 Secondly, and perhaps more critically, it is important to recognise that the model includes needs arising from both new households and existing households. Part of the needs included are from households who might require an additional home, such as:

- Newly-forming households;
- Those in temporary accommodation;
- Concealed households; and
- Homeless households.

6.99 But the figures also include needs arising from households who will require a different form of home, but who – by moving to another property – would release an existing property for another household. These households do not generate a need for more dwellings overall. They include households who need to move as they are:

- Overcrowded;
- Coming to the end of a tenancy;
- Living in unsuitable housing; and
- Cannot afford to remain in their current home.

6.100 Such households do not generate a net need for additional homes, as by moving they would release a home for other households. On this basis, these elements of the affordable housing need are not directly relevant to considering overall housing need and housing targets (which are typically measured in terms of net dwellings).

6.101 In considering the overall need for housing, only those who are concealed or homeless would be likely to result in an additional need for housing. From the modelling undertaken, this totals 143 households in Torridge; and 186 households in North Devon²⁵. Numbers of newly-forming households in the modelling are established specifically from the demographic projections.

6.102 The analysis undertaken arguably provides some evidence to justify considering an adjustment to the assessed housing need to address the needs of concealed households, and support improvements household formation for younger households; although any adjustment will also need to take account of any future changes already within the household projections (e.g. in terms of

²⁵ Taken from Table 50.

improving household formation). The issue of a need for any uplift is considered alongside the analysis of market signals which follows.

Affordable Housing Need: Implications

- An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in Northern Devon.
- Overall, in the period from 2011 to 2031 a net deficit of 345 affordable homes per annum is identified (based on a 30% affordability threshold). There is thus a requirement for new affordable housing in the HMA (and each District) and the Councils are justified in seeking to secure additional affordable housing.
- The identified affordable housing need represents 41% of the need arising through the economic-led projections. However, in considering this relationship, it is important to bear in mind that the affordable housing needs model includes existing households who require a different size or tenure of accommodation rather than new accommodation per se.
- However, the range of outputs with the modelling (including for different affordability thresholds) must be taken into account. Many of the households in need are already living in accommodation (existing households) which will become available should they move into more suitable accommodation. It also should be recognised that, in reality, the private rented sector also plays a role in meeting needs. Accordingly, the analysis does not suggest that there is any strong evidence of a need to consider additional housing to help meet the affordable need.
- However, in combination with the market signals evidence some additional housing might be considered appropriate to help improve the supply of housing for younger households. A modest uplift would not be expected to generate any significant population growth (over and above that shown by demographic projections) but would contribute to reducing concealed households and increasing new household formation. The additional uplift would also provide some additional affordable housing. Such an uplift will however also need to consider the extent to which improved access to housing is already built into the household formation rates used in the demographic modelling.

7 HOUSING MARKET SIGNALS

7.1 In line with the Planning Practice Guidance, we have sought to analyse in detail the housing market dynamics. We specifically analyse the market signals set out in the PPG.

Overview of the Housing Market and Economy

House Prices

7.2 The table below shows that both authorities, together with wider benchmarks, saw notable growth in house prices over the pre-recession decade (1998-2007). Relative to other local authorities in Cornwall, Devon and Somerset, house price growth (in absolute terms) was around average in Torridge and in North Devon, with the median prices increasing by £135,995 and £130,995 respectively.

Table 59: House Price Growth Compared to Surrounding Authorities, Pre-Recession Decade (1998-2007)

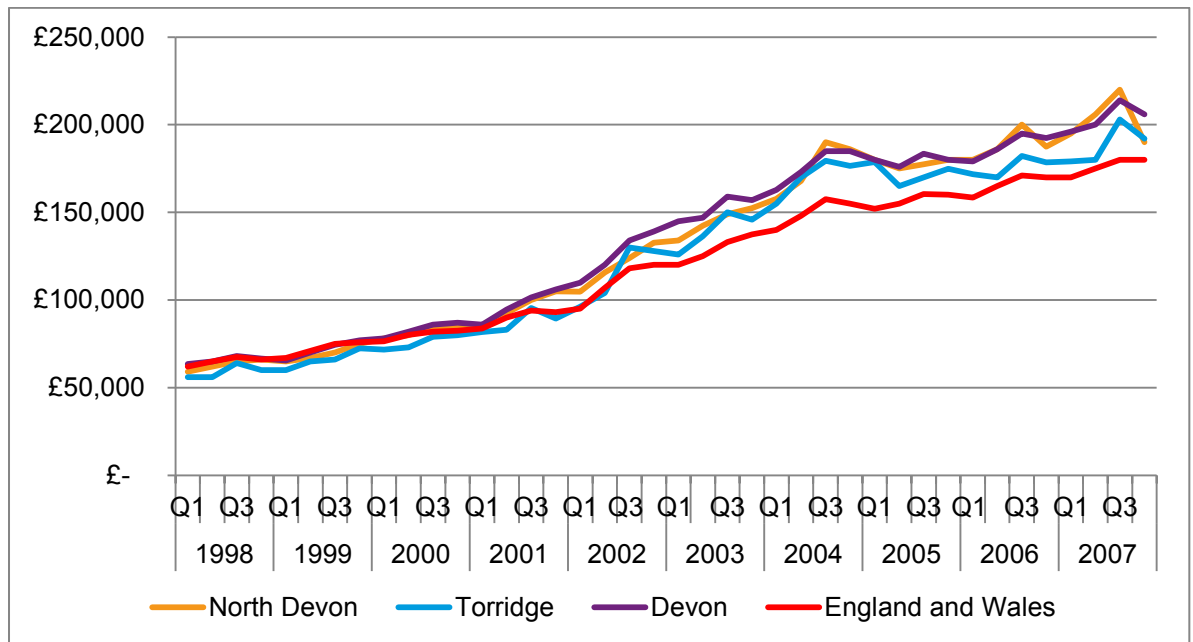
	Change	% Change
Plymouth UA	102,000	222%
Torbay UA	115,900	203%
England and Wales	118,000	190%
Sedgemoor	118,525	201%
Taunton Deane	123,875	203%
South Somerset	127,000	212%
Exeter	127,250	221%
North Devon	130,995	222%
Mendip	134,500	232%
Mid Devon	135,500	220%
Torrige	135,995	243%
Teignbridge	136,000	209%
North Somerset UA	136,000	213%
Cornwall	141,592	246%
West Somerset	141,975	217%
Devon	142,500	224%
East Devon	154,000	220%
West Devon	163,480	272%
South Hams	185,000	247%

Source: GLH Analysis of CLG Live Tables

7.3 In proportional terms, price growth in the two authorities was relatively strong; however, this reflects relatively lower 1998 figures – particularly in Torridge which had the second lowest median price in 1998.

7.4 As Figure 44 shows, price growth in North Devon quite closely tracked the Devon average; whilst in Torridge, house price inflation was more modest over the later period between 2004-7.

Figure 44: Median house prices (1998-2007)



Source: DCLG Live Tables: Land Registry Data

7.5 Over the last seven years (since 2008), house prices in Torrridge have increased by 10.0% and in North Devon by 11.7%. In both cases these are below the rates of growth in prices seen across Devon and nationally. In proportional terms growth has also been lower.

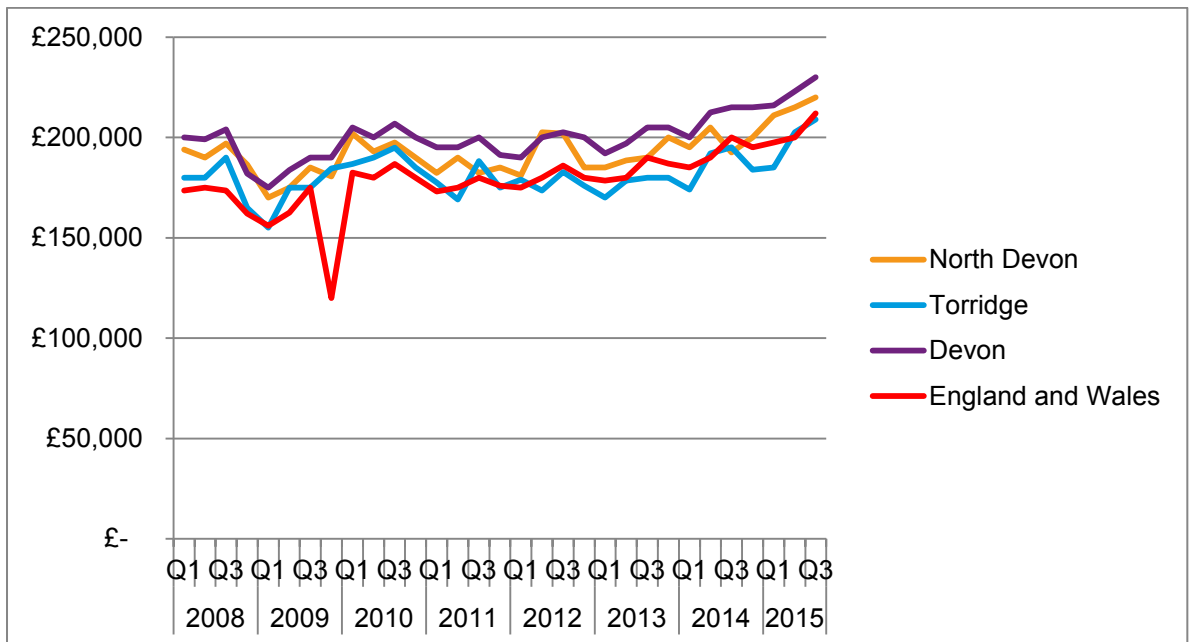
Table 60: Change in Median House Prices, 2008-2015

	2008	2015	% Change
	Q3	Q3	2008-15
Torrridge	£190,000	£209,000	10.0%
North Devon	£197,000	£220,000	11.7%
Devon	£204,000	£230,000	12.7%
England and Wales	£173,500	£212,000	22.2%

Source: GLH Analysis of HM Land Registry Data

7.6 Figure 45 shows the median house price growth since 2008. The evidence shows that house prices over this period have remained relatively flat.

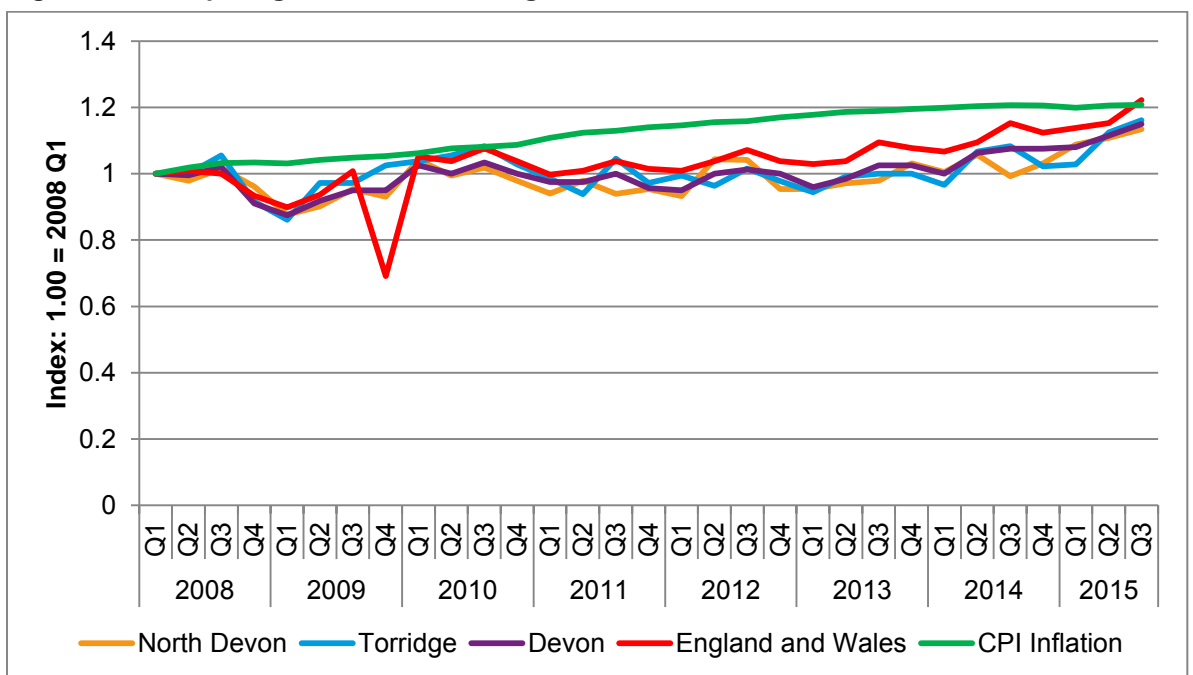
Figure 45: Median House Prices (2008-2015)



Source: DCLG Live Tables: Land Registry Data

7.7 Indeed, house price growth in Northern Devon over this period has fallen below that seen nationally and indeed below rates of inflation, suggesting that in 'real' terms, the value of housing (relative to other goods and services) has fallen.

Figure 46: Comparing House Price Changes and CPI Inflation, 2008-2015

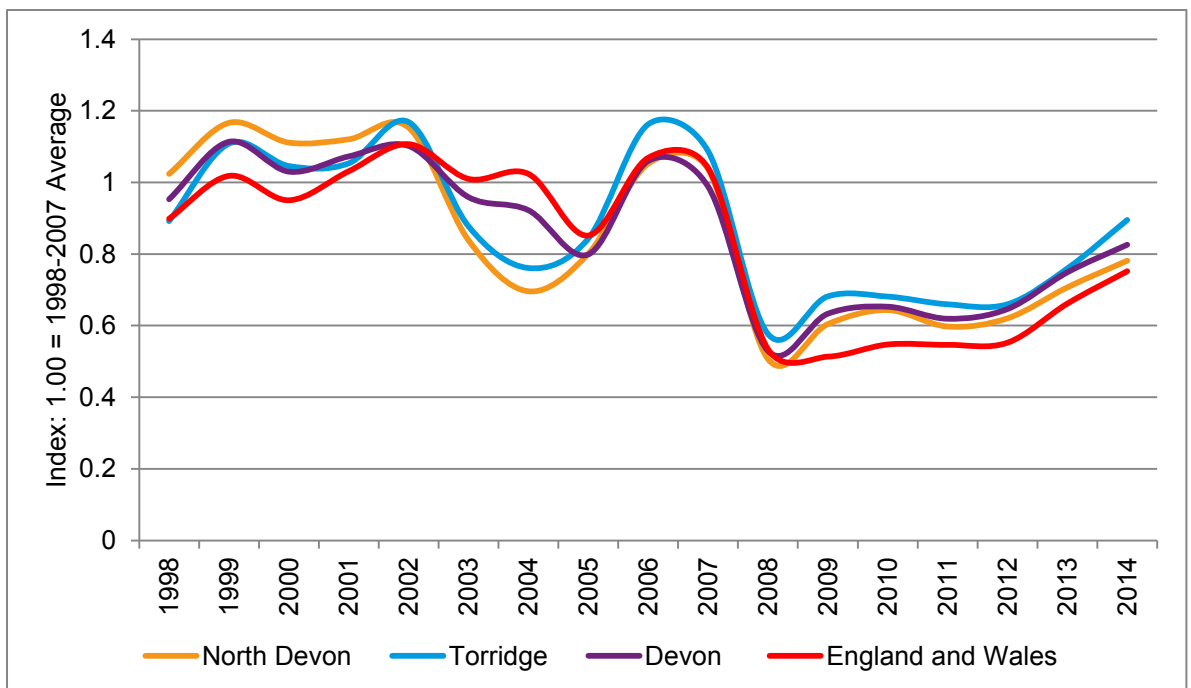


Source: GLH Analysis of HM Land Registry and ONS CPI Inflation Data

Sales Volumes and Effective Demand

- 7.8 Sales are an important indicator of effective demand for market housing. We have benchmarked sales performance against long-term trends to assess relative demand. Figure 47 benchmarks annual sales across authority, region and national levels and compares areas over the period of 1998 to 2014. It uses an index where 1.00 is the average annual sales over the 1998-2007 pre-recession decade.
- 7.9 As seen in Figure 47, the impact of the recession was experienced across all geographical areas with sales volumes experiencing a significant drop between 2007 and 2008. Following the recessionary slump, sales volumes have remained well below pre-recession levels; with some recovery in sales volumes / effective demand since 2012.
- 7.10 The recovery in sales volumes has been modestly greater in Northern Devon than that seen nationally or across Devon as a whole, with sales recovering to 78% of the pre-recession average in North Devon and 89% in Torridge relative to 82.5% across Devon.
- 7.11 Compared to 2011, sales levels increased by almost a third. Sales are 31% up in North Devon and 36% up in Torridge, compared to 33% across Devon and 38% nationally.

Figure 47: Indexed Analysis of Sales Trends (1998-2014)

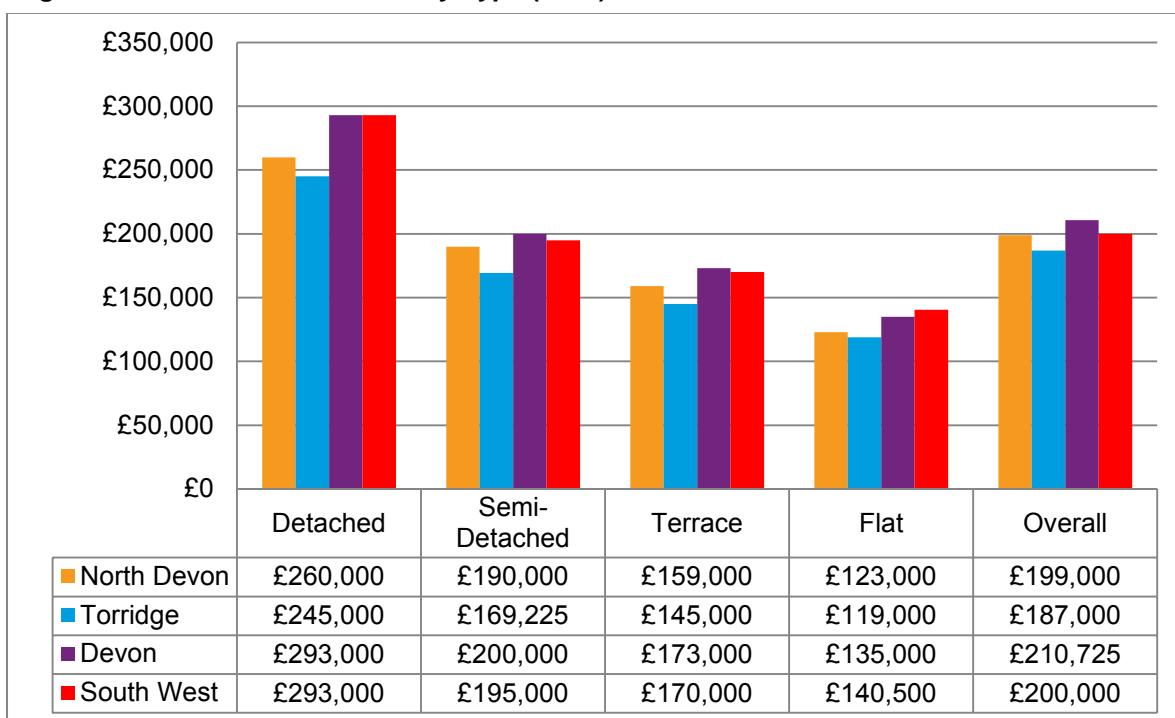


Source: DCLG and HM Land Registry Price Data

Sales by Type

7.12 We have also analysed house prices by property type, considering all sales in 2014. Figure 48 shows the median house prices by different dwelling type. Across all property types, house prices in Northern Devon are below the Devon and South West averages. Overall, the median property price in North Devon is 99.5% of the South West median, while in Torrridge this figure is 94%. However, on a type-by-type basis the median prices in North Devon and Torrridge are further below the regional figures. For example, the median price for detached properties in North Devon is 89% of the South West figure, and in Torrridge this figure is 84%. For flats, the median price in North Devon is 88% of the regional figure, and in Torrridge this figure is 85%. The authorities' relatively average overall median values reflects a higher proportion of more expensive property types (detached houses) within the housing stock.

Figure 48: Median House Prices by Type (2014)



Source: GLH Analysis: Land Registry Price Paid Data

Rental Trends

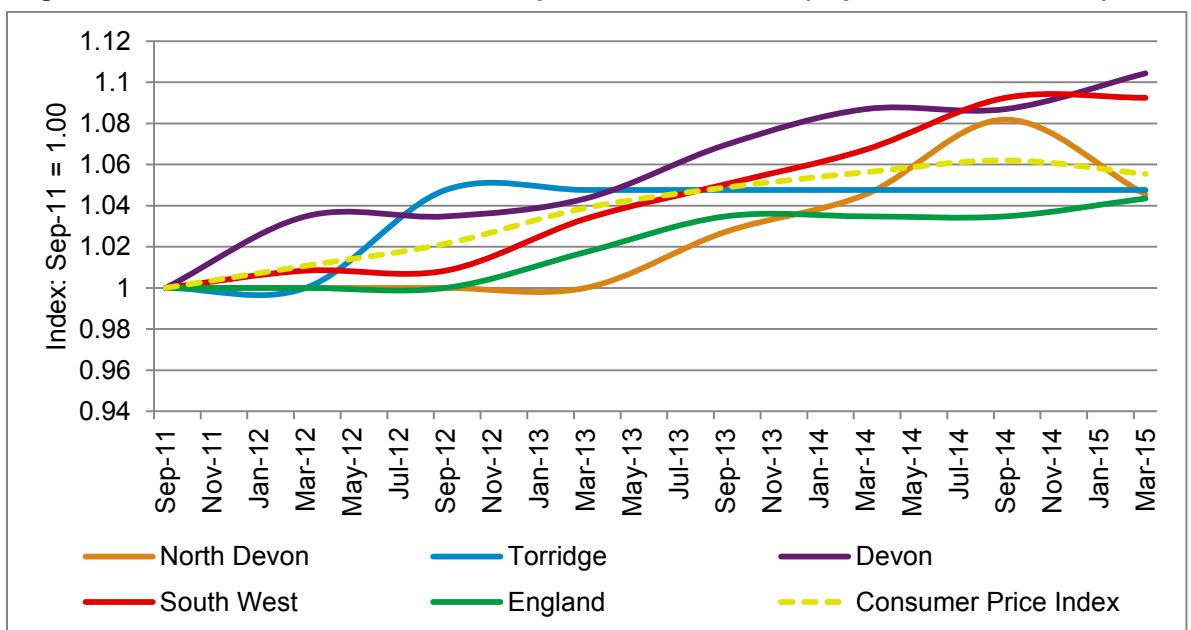
7.13 The most recent VOA private rental data (over the year to March 2015) shows the median rental price in South West region is £650 per calendar month (pcm). This is above the national averages. Rental prices across the country are estimated at £600.

7.14 Average rents in both Torrridge (£500 pcm) and North Devon (£575 pcm) are below the regional average (by 23% and 12% respectively) and those across Devon (£635 pcm).

7.15 Figure 49 shows the median rental values benchmarked to September 2011 values (data pre 2011 is not published). Over the period since 2011, rental costs across Devon and the South West have grown in real terms (taking account of inflation) – with 10% growth across Devon, and 9% growth in rents across the region.

7.16 In contrast rental growth in Northern Devon has been more modest; with rents growing by 5%. Rental growth has been modestly below levels of inflation – suggesting that costs of housing to rent has fallen modestly in real terms over this period.

Figure 49: Benchmarked trend in median private rental values (Sep 2011 – March 2015)

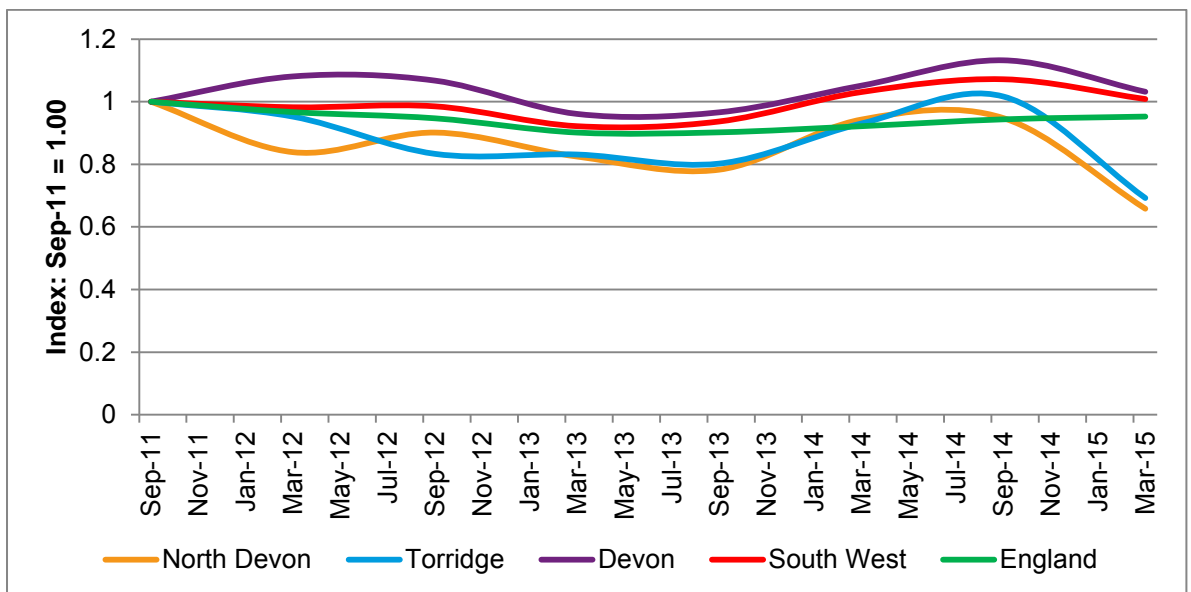


Source: VOA Private Rental Data

7.17 Figure 50 shows trends in the number of private rental transactions recorded by the VOA benchmarked against September 2011 figures. Transactions levels have on average been relatively stable, varying modestly quarter-on-quarter. The data suggests a lower number of rental transactions recorded in the Northern Devon authorities in the early part of 2015. The number of transactions in March 2015 reflects 66% of the levels in 2011 in North Devon and 69% in Torrridge.

7.18 This may be an indication of households returning to owner occupation as a result of improved mortgage availability and the impact of Government schemes such as Help to Buy.

Figure 50: Trend in private rental transactions (Sep 2011 – March 2015)

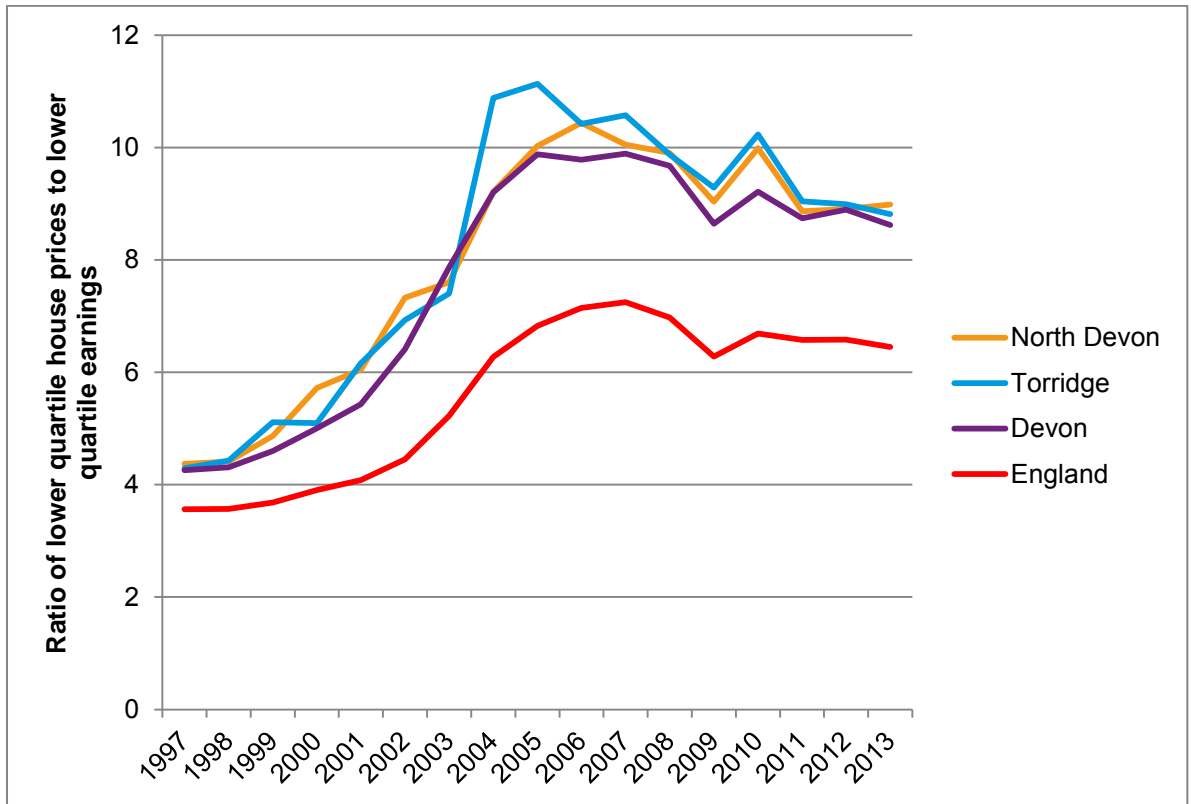


Source: VOA Private Rental Data

Affordability of Market Housing

- 7.19 We have considered evidence of affordability by looking specifically at the relationship between lower quartile house prices and lower quartile earnings.
- 7.20 As a general observation, we can see that across all areas the affordability of property has worsened quite markedly over the past 15 years. However much of this growth was prior to 2005, and there has been limited change in affordability over the last decade.
- 7.21 The general trend shows a strong increase in the lower quartile house prices in relation to lower quartile earnings between 1998 and 2005. However, over much of the last decade, the situation has been relatively different – with the evidence suggesting that affordability has been improving.
- 7.22 Whilst lower quartile affordability ratio in Torridge is above the national average, it is similar to that across Devon and has fallen from 11.1 in 2005 to 8.8 in 2013. In North Devon, the ratio again is similar at 9.0, but has fallen from a ratio of 10.0 in 2005. Affordability in both authorities has been improving in this market cycle.

Figure 51: Lower Quartile Affordability Trend (1997-2013)

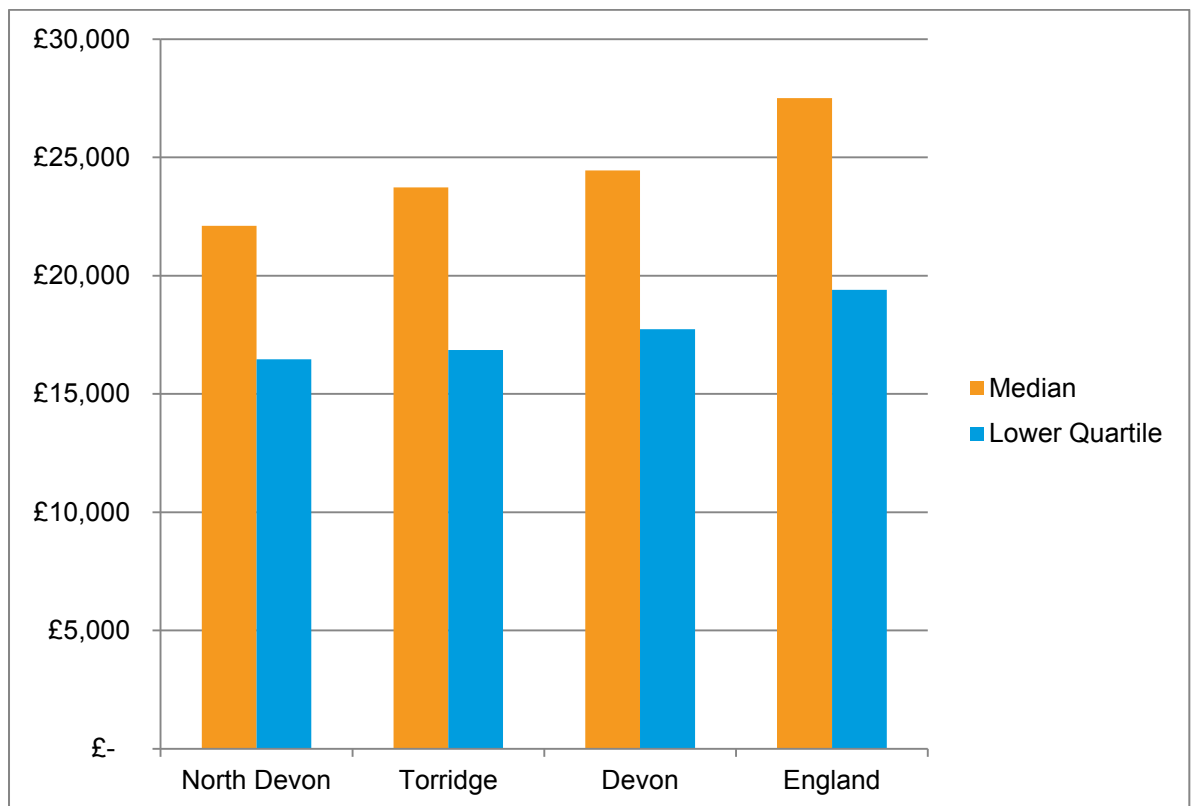


Source: CLG Housing Statistics

7.23 Affordability is influenced by house prices and earnings. Figure 52 presents the lower and median annual earnings of full time workers in North Devon, Torrridge, Devon, and England. The median earnings in Devon is £25,452 per annum (pa), while the lower quartile is £17,736 pa. The figures for North Devon and Torrridge fall below this level, with £22,105 pa for median values and £16,464 pa at a lower quartile in North Devon; and £23,724 pa and £16,859 pa in Torrridge.

7.24 The evidence clearly indicates that affordability issues in Northern Devon are influenced by the characteristics of the area’s economy, which is structured towards low-wage employment. Median earnings for full-time workers are 20% below the national average in North Devon, and 14% below the national average in Torrridge. Above average levels of part-time working also contributes to affordability pressures.

Figure 52: Annual earnings (gross) of full time workers by place of residence (2014)

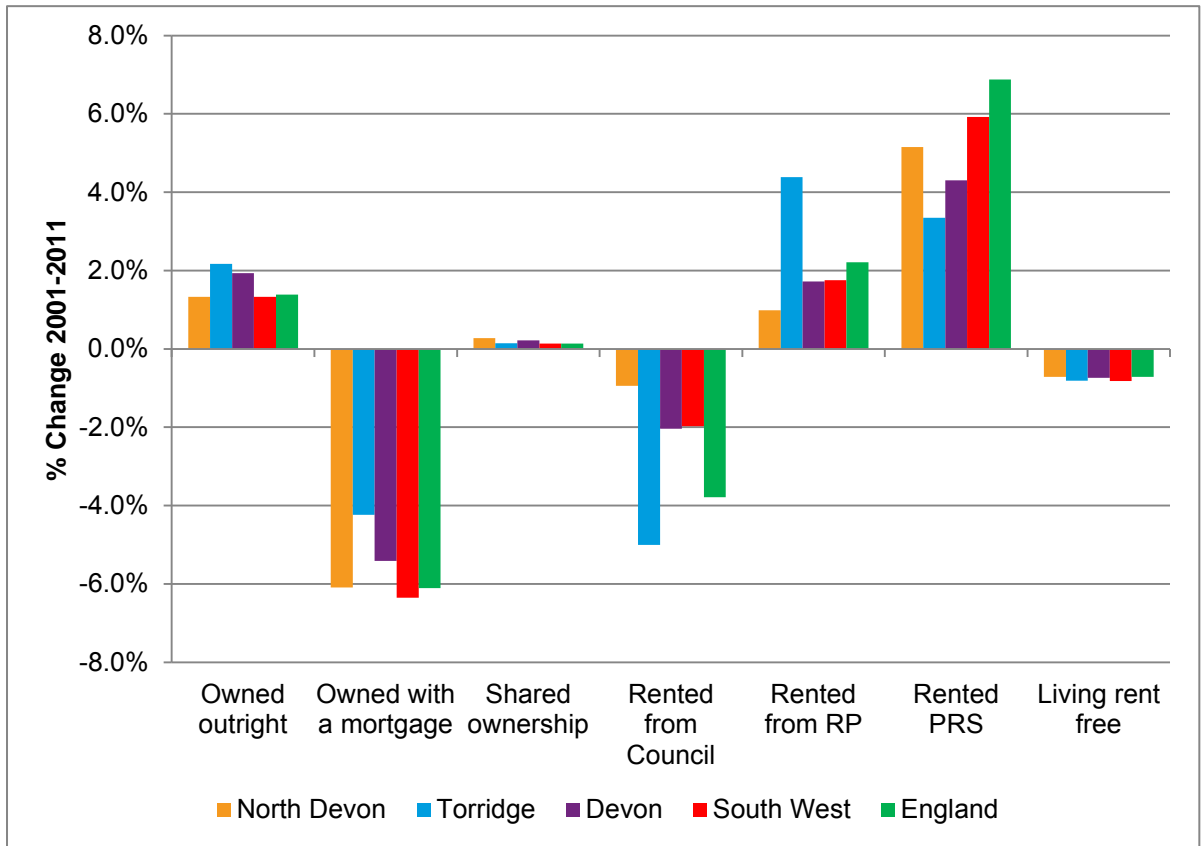


Source: Annual Survey of Hours and Earnings

Tenure Changes

- 7.25 Figure 53 provides a breakdown for changes in households by tenure in years 2001-2011. Over this period there has been a fall in home ownership at a national and regional level (of 4.9 percentage points (pp) and 4.6 pp respectively). The fall in home ownership in Northern Devon has been less substantial but still evident – with a decrease of 1.9% in Torridge and 4.5% in North Devon recorded over the 2001-11 period. With a growing older population, the number of outright owners has increased – the fall reflects a declining ability of younger households to buy a home.
- 7.26 In particular, it is the Private Rented Sector which has grown. The sector has increased in size across all areas, and in 2011 accommodated 18.4% of households in North Devon (compared to 13.2% in 2001). It accommodated 17.0% of households in Torridge (compared to 13.2% in 2001). The percentage point increase in the size of the sector over this period is notable, but below that seen across the region and nationally.

Figure 53: Change in Households by Tenure (2001-11)

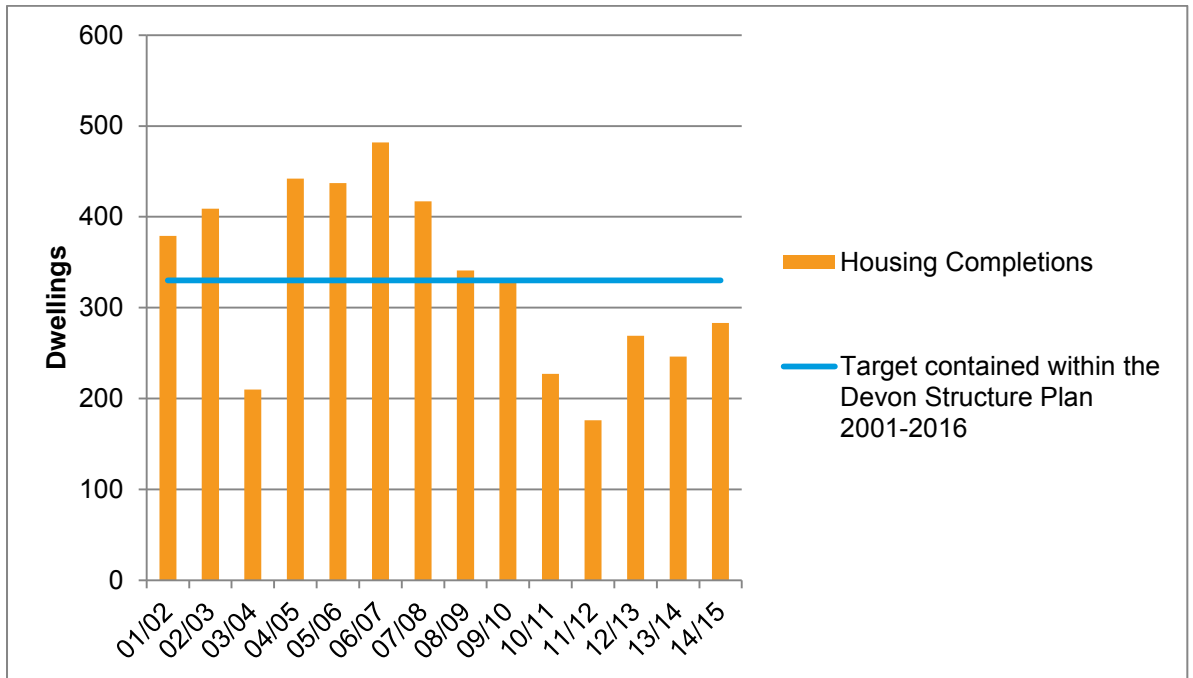


Source: 2001 & 2011 Censuses

Housing Supply Trends

- 7.27 Figures 54 and 55 overleaf consider housing delivery against that planned. The analysis uses targets set out in the Devon Structure Plan for the 2001-6 period; and those in the Revised RSS thereafter.
- 7.28 Figure 54 shows completion trends in North Devon over 2001/02-2014/15 period. Housing delivery generally exceeded the Structure Plan target over the period to 2009/10; but has fallen below this level since 2010/11.

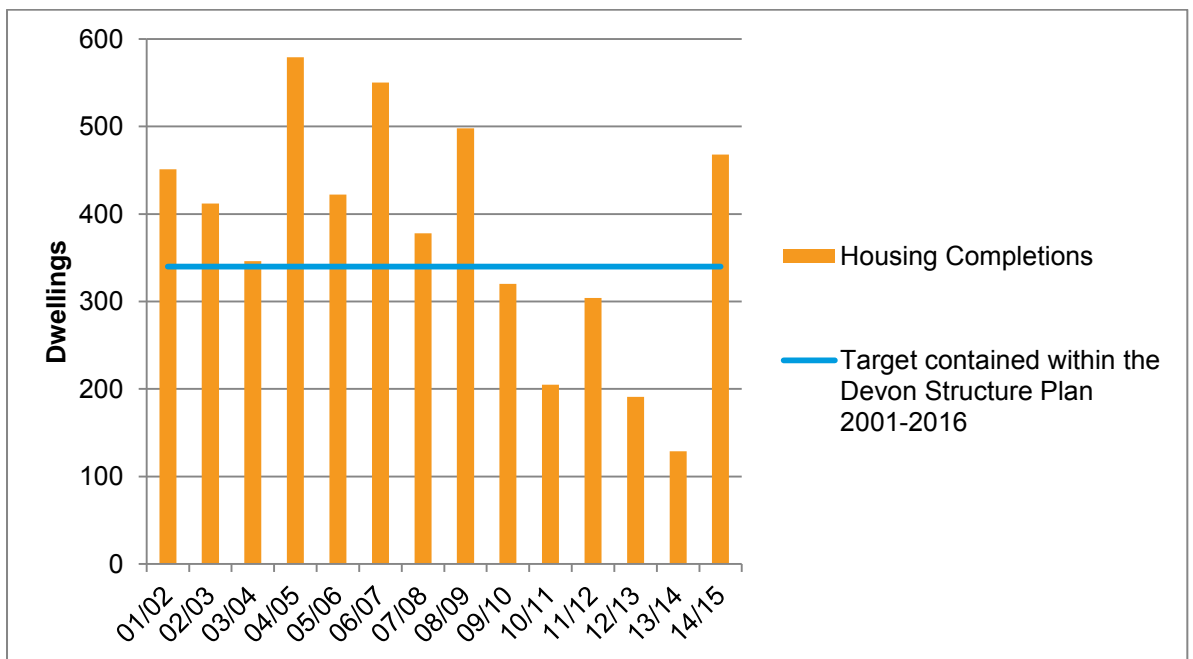
Figure 54: North Devon – Housing Supply vs Target (2001/02 – 2014/15)



Source: NDC

7.29 In Torrige, housing delivery exceeded the Structure Plan target over the period to 2008/09, but has fallen below this every year since 2009/10, with the exception of the most recent year's figures (2014/15) which exceed target.

Figure 55: Torrige – Housing Supply vs Target (2001/02 – 2014/15)



Source: TDC

- 7.30 Housing delivery since 2008 has clearly been influenced by the economic climate and effective demand; and there is a clear correlation between recent delivery and overall housing sales volumes suggesting market factors have strongly influenced the decline in delivery since 2008/9.

Implications of Market Signals

- 7.31 There has been a fundamental shift in housing market conditions nationally since 2007, particularly in relation to confidence and credit availability. Housing market conditions have been relatively stable over the past few years but sales market activity has been low in historical terms, albeit that we have seen an improvement since 2012.
- 7.32 House prices have remained fairly constant during this period. The analysis indicates that relative to inflation, the value of housing has fallen over the period. Rental costs have also not grown in real terms since 2011.
- 7.33 Sales volumes have begun to improve over the last two years as confidence starts to return to the market. In 2014 they were a third up, in Northern Devon, on 2011 levels – but remained 17% below the pre-recession average.
- 7.34 Housing costs in Northern Devon, for both purchasing and renting, are generally below the wider comparators. Affordability pressures (measured using the LQ ratio) are lower than in some other parts of the region, with a LQ house price to income ratio of 8.6 in Devon, although above the national average. However, the evidence points to below inflation increases in housing costs since 2008, and below earnings growth – which have contributed to improving affordability of market housing.
- 7.35 House price to earnings ratio are a reflection as much of low incomes and the nature of the Districts' economy, as house prices. Coupled with constraints on access to mortgage finance, the cost of housing is however likely to preclude some households from accessing home ownership.
- 7.36 The evidence does however point to a longer-term decline in affordability, which has contributed to a shift in the tenure profile across the HMA - with a reduction in the number of homeowners with a mortgage or loan and a similarly significant growth in the Private Rented Sector. This trend is area sensitive, with some areas such as Torridge less affected, when compared to other authorities across the country.
- 7.37 Overall the analysis of market signals is mixed. They clearly point towards some affordability pressures although these are less than the wider South West region. It would therefore be appropriate to consider a modest upward adjustment to the demographic assessment of housing

need to improve affordability over time, in line with the approach outlined in the Planning Practice Guidance.

7.38 The PPG sets out that:

“In areas where an upward adjustment [to the assessment of housing need] is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.”

7.39 The Guidance does not however set out how such an adjustment should be quantified. It simply sets out that it should be ‘reasonable.’ Indeed, inspectors at various Local Plan Inquiries have taken a range of different views, even when faced with similar evidence.

Inspector’s Views on Market Signals Uplifts

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

Eastleigh (February 2015) – *‘It is very difficult to judge the appropriate scale of such an uplift. I consider a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only part of a much larger HMA. Exploration of an uplift of, say, 10% would be compatible with the “modest” pressure of market signals recognised in the SHMA itself’*

Uttlesford (December 2014) – *‘I conclude that it would be reasonable and proportionate, in Uttlesford’s circumstances, to make an upward adjustment to the OAN, thereby increasing provision with a view to relieving some of the pressures. In my view it would be appropriate to examine an overall increase of around 10%...’*

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

Mendip (October 2014 – Appendix 7) – *‘these findings indicate that trends in Mendip sit fairly comfortably alongside county, regional and national trends and do not, therefore, justify an upward adjustment of the housing numbers that came out of the housing projection’*

Crawley (May 2015 – Appendix 8) – *‘I am not convinced that the market signals uplift is justified by the evidence, for the various indicators reveal a situation in Crawley which is not as severe as in other North West Sussex authorities, and one that has not worsened in recent years’* (this is an interesting case given that the Council themselves had suggested an uplift for market signals)

Stratford-on-Avon (March 2015 – Appendix 9) – *‘On balance I conclude, despite the SHMA’s finding that there is a case for an uplift, that an upward adjustment in housing numbers has not been justified in terms of market signals in the District’.*

Cornwall (June 2015) – *‘National guidance is that a worsening trend in any relevant market signal should result in an uplift. But for the reasons given below I do not consider that I should require such an uplift to be made for Cornwall at this time.’* The Inspector in this case was the same as that in Eastleigh.

Adjustments to Improve Affordability in Northern Devon

- 7.42 To consider what level of uplift or adjustment might be appropriate in Northern Devon the analysis has gone beyond simply looking at the various market signals; understanding how these have changed and how they compare with other areas. The analysis seeks to understand the market signals in terms of the following question:

What has been the impact of market signals on local demography (particularly the formation of households) and how is this expected/projected to change in the future?

- 7.43 The analysis therefore seeks to use the demographic analysis to assess the degree to which household formation levels have been constrained for younger age groups, and what scale of adjustment to housing provision would be necessary for these to improve. This methodology has been used in studies by GL Hearn over the past year or so and has recently been accepted at a number of recent local plan examinations (including in Herefordshire, Horsham and Chichester). The Inspector’s report in respect of the Horsham District Planning Framework (October 2015) found that:

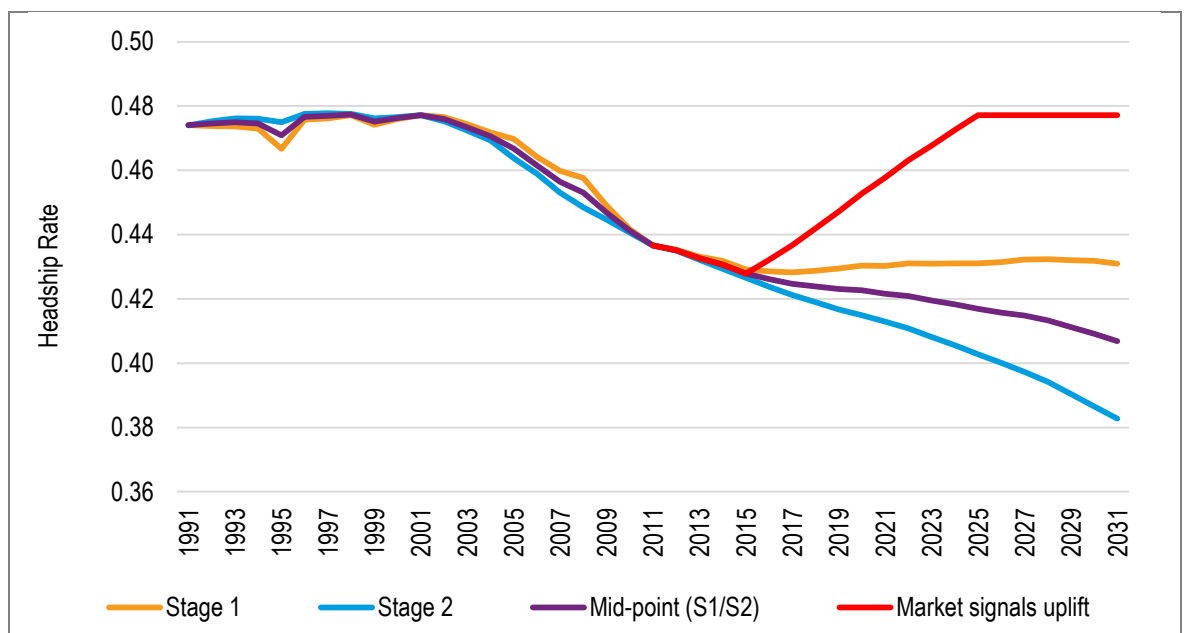
‘The Council have included a modest upwards adjustment in their OAN figure of 22 dpa to account for affordability pressure in the 25-34 age group, evidenced by substantial growth in private rented sector accommodation and the number of persons in HMOs, even though these indicators are again in line with HMA and national trends. I consider there is no strong case for a significant uplift to account for market signals in Horsham district, which are very similar to those elsewhere across virtually all of the southeast. The Council’s modest increase appears appropriate therefore’.

- 7.44 The projections so far developed have used data on household formation rates from the 2012-based CLG Household Projections. It is important to consider how these housing market trends relate through to demographic projections in considering, as the Planning Practice Guidance recommends, whether there is a case for adjusting levels of housing provision in effect to improve affordability over the longer-term.

- 7.45 National research undertaken for the RTPi by the Neil McDonald and Peter Williams at Cambridge University indicates a particular effect of the decline in affordability between 2001 and 2011 and the economic recession has seen young adults living within a parental home for longer or living in shared accommodation rather than separate accommodation. The impact of this, their research shows, has been most significant for the 25-34 age group. This is also the case in Northern Devon where other age groups typically show flat or increasing formation over the 2001-11 period (the main exception being some older age groups although this will be more strongly influenced by improving life expectancy rather than any suppression).

- 7.46 A detailed interrogation of demographic dynamics in Northern Devon therefore indicates that in demographic terms, the deterioration in affordability of market housing and the economic recession over the 2001-11 decade mostly have influenced – at least in part – a decline in household formation rates in younger people, particularly amongst those aged between 25 and 34.
- 7.47 Figures 56 and 57 show household formation rates for this age group falling between 2001-11. These figures show the CLG 2012-based household projections Stage 1 and Stage 2 projections²⁶, the midpoint of these two projections, and the impact of a proposed market signals uplift.
- 7.48 An improvement in affordability can be expected to be manifest in a recovery in household formation rates for this age group and an improvement in household formation might be expected. We have modelled a scenario where household formation rates of the 25-34 age group return back to 2001 levels, by 2025 (from 2015). In other words, this assumes that headship rates will improve between 2015 and 2025 and then remain constant thereafter.
- 7.49 This sensitivity in effect seeks to consider a scenario in which the access to housing for younger households improves, and quantifies what level of housing provision might be associated with this, all other factors being equal. If achieved, the effect would be to reduce the proportions of shared households and persons within this age group living with parents. We term this sensitivity analysis the ‘affordability adjustment.’ It responds both to the affordable housing evidence – which showed a level of concealed/ homeless households – and to that from market signals.

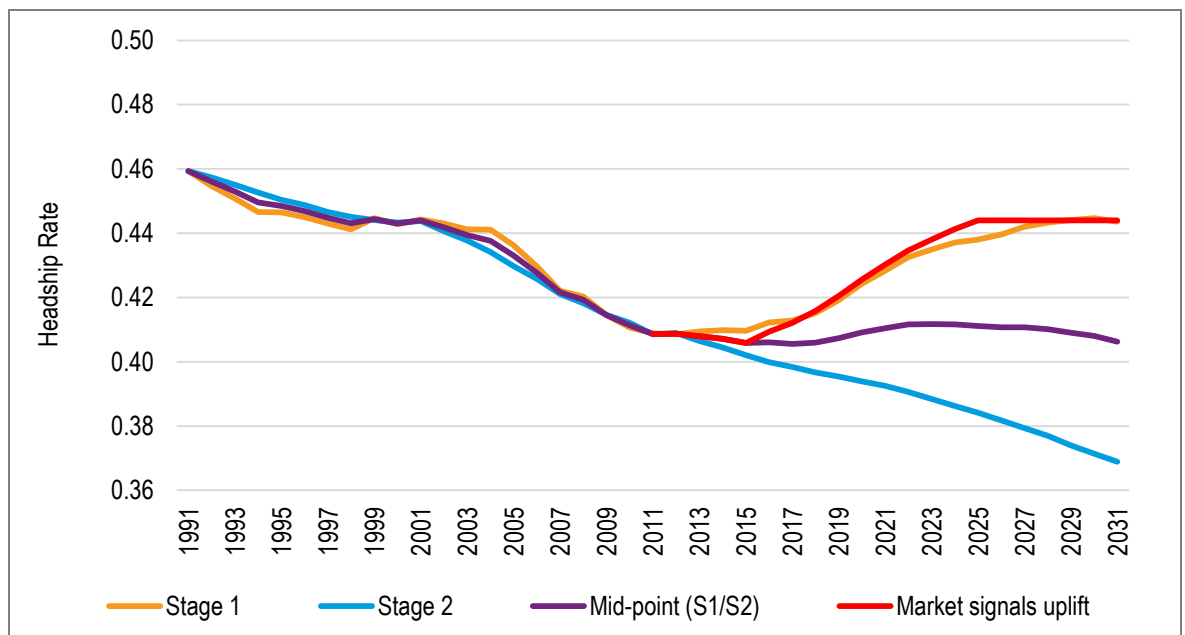
Figure 56: Projected Household Formation Rates for those aged 25-34 – North Devon



Source: Derived from CLG data

²⁶ Further detail on the Stage 1 and Stage 2 projections is provided from paragraph 3.72 onwards.

Figure 57: Projected Household Formation Rates for those aged 25-34 – Torridge



Source: Derived from CLG data

- 7.50 Tables 61, 62, and 63 show the household growth and dwelling growth figures calculated including an uplift for market signals. These tables show the recalculated dwellings per annum figures (in bold) for Northern Devon, North Devon, and Torridge respectively. They also provide the comparable dwellings per annum figure that was calculated from the demographic model with no uplift (see Tables 27 and 28). The potential market signals uplift is the difference between these two figures.
- 7.51 The sensitivity analysis indicates that, all other things being equal, an uplift of around 50 homes per annum across Northern Devon would return the formation rates of the population aged 25-34 back to the levels seen in 2001 by 2025 (as shown in red on Figures 56 and 57). Much of this uplift is seen in North Devon, this is consistent with the observation that the CLG Projections are expecting to see a further decline to formation rates in this area in the 25-34 age group (unlike in Torridge where the figures level off).
- 7.52 This analysis suggests that across Northern Devon an uplift of 6-7% would be appropriate to address issues of affordability and improve the ability of younger households to form. In North Devon an uplift of 9-12% is appropriate, while in Torridge an uplift of around 3% would be appropriate.

Table 61: Projected household growth 2011-31 – range of demographic scenarios and 2012-based headship rates – with market signals uplift – Northern Devon

	SNPP	10-year migration/50% UPC	Economic-led
Households 2011	68,240	68,240	68,240
Households 2031	81,210	81,943	84,983
Change in households	12,970	13,703	16,743
Households per annum	649	685	837
Dwellings per annum (including uplift)	689	728	890
Comparable figure from demographic model (dpa)	643	680	837
Potential uplift	46	48	52
% uplift	7%	7%	6%

Source: Demographic Projections

Table 62: Projected household growth 2011-31 – range of demographic scenarios and 2012-based headship rates – with market signals uplift – North Devon

	SNPP	10-year migration/50% UPC	Economic-led
Households 2011	40,174	40,174	40,174
Households 2031	46,191	47,069	49,164
Change in households	6,017	6,895	8,990
Households per annum	301	345	449
Dwellings per annum (including uplift)	321	368	480
Comparable figure from demographic model (dpa)	287	332	440
Potential uplift	34	36	39
% uplift	12%	11%	9%

Source: Demographic Projections

Table 63: Projected household growth 2011-31 – range of demographic scenarios and 2012-based headship rates – with market signals uplift – Torrige

	SNPP	10-year migration/50% UPC	Economic-led
Households 2011	28,066	28,066	28,066
Households 2031	35,019	34,874	35,819
Change in households	6,953	6,808	7,753
Households per annum	348	340	388
Dwellings per annum (including uplift)	368	360	410
Comparable figure from demographic model (dpa)	356	348	397
Potential uplift	12	12	13
% uplift	3%	3%	3%

Source: Demographic Projections

- 7.53 The affordable needs and market signals evidence justifies this uplift in housing numbers. In reality, other factors such as real growth in disposable income (allowing people to save), the availability of and access to mortgage finance, interest rates and economic confidence will all influence trends in household formation. There is a complex set of factors at play, and it is difficult to predict how these factors might interact in the future and the impact on household formation rates (in the absence of any supply-side constraints). Furthermore, part of the changes in household formation rates for this age group may have been due to international migration.
- 7.54 The approach modelled however is considered to represent a proportionate response, which plans positively for household formation to increase, and levels of younger households who are forced to share or live with parents fall. Levels of concealed households should thus reduce.

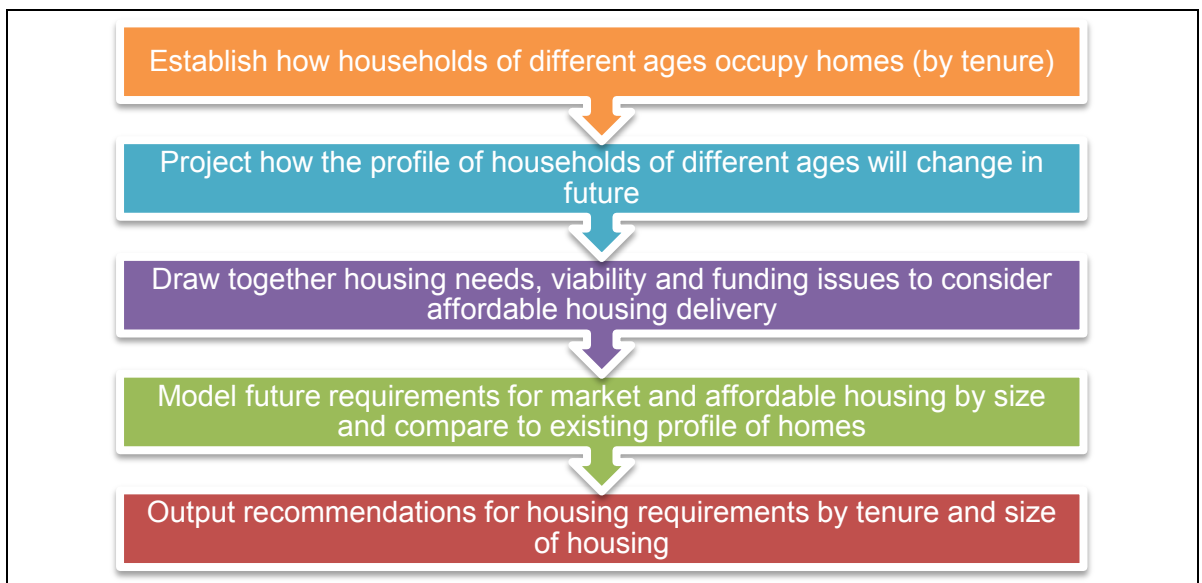
8 NEED FOR DIFFERENT SIZES AND TYPES (TENURES) OF HOMES

- 8.1 As noted in Section 2, there are a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.
- 8.2 The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes of housing required in the future. For analysis purposes, the analysis assumes population and household growth in line with our jobs led scenario, as set out in Section 4 of this report. This projection indicates a need for 16,787 homes across Northern Devon between 2011 and 2031 (839 dwellings per annum).
- 8.3 This figure is slightly different from some of the previous analysis, this is due to it being based on the Stage 1 household projection data (which is necessary given that the modelling looks separately at male and female household reference persons) and also because it does not include any uplift to headship rates for the 25-34 age group (again due to being linked to the Stage 1 projections). Were a projection with a different housing figure used then the outputs would be expected to be broadly similar.

Methodology

- 8.4 Figure 58 describes the broad methodology employed in the housing market model which is used to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections.

Figure 58: Stages in the Housing Market Model



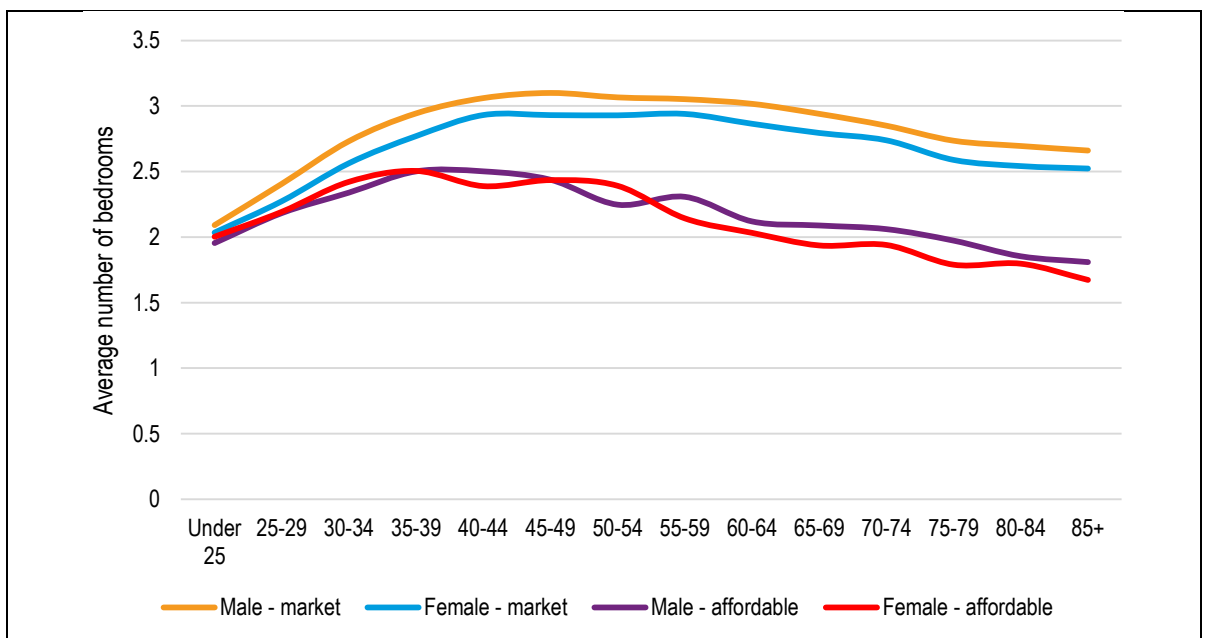
Understanding how Households Occupy Homes

- 8.5 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 8.6 The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four-bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate into a need for smaller units. This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to continue to under-occupy their current homes.
- 8.7 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age and sex group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table C1213 which provides relevant data for all local authorities in England) with data then calibrated to be consistent with 2011 Census data (e.g. about house sizes in different tenure groups and locations).

8.8 Figure 59 shows an estimate of how the average number of bedrooms varies by different ages of HRP and different sexes by broad tenure group. In the market sector the average size of accommodation rises over time to typically reach a peak around the age of 40-50. In the affordable sector this peak appears earlier. After this peak the average dwelling size decreases – as typically some households downsize as they get older.

8.9 It is also notable that the average size for affordable housing dwellings are lower than those for market housing whilst in market housing male HRPs live in larger accommodation for all age groups (with no particular trend being seen in the affordable sector).

Figure 59: Average Bedrooms by Age, Sex and Tenure – Northern Devon



Source: Derived from ONS Commissioned Table C1213 and 2011 Census

Establishing a Baseline Position

8.10 As of 2011 it is estimated that there were 38,928 households living in Northern Devon. Analysis of Census data linked to the demographic baseline provides an estimate of the profile of the housing stock in 2011, as shown in Table 64. This shows that an estimated 11% of households live in affordable housing with 89% being in the market sector. The size of the affordable sector has been fixed by reference to an estimate of the number of occupied social rented and shared ownership homes in the 2011 Census. The data also suggests that homes in the market sector are generally bigger than in the affordable sector with 67% having three or more bedrooms compared to 35% for affordable housing.

8.11 These figures are for households rather than dwellings as information about the sizes of vacant homes across the whole stock (i.e. market and affordable) is not readily available. For the purposes

of analysis this will not make any notable difference to the outcome. The household projections have however been translated into dwelling figures by including a vacancy allowance when studying the final outputs of the market modelling.

Table 64: Estimated Profile of Dwellings in 2011 by Size – Northern Devon

Size of housing	Market		Affordable		Total	
	Number	%	Number	%	Number	%
1 bedroom	3,730	6.1%	2,247	30.7%	5,978	8.8%
2 bedrooms	16,116	26.4%	2,499	34.2%	18,614	27.3%
3 bedrooms	25,828	42.4%	2,253	30.8%	28,081	41.1%
4+ bedrooms	15,261	25.0%	309	4.2%	15,570	22.8%
Total	60,935	100.0%	7,308	100.0%	68,243	100.0%
% in tenure	89.3%		10.7%		100.0%	

Source: Derived from 2011 Census

Tenure Assumptions

- 8.12 The housing market model has been used to estimate the future need for different sizes of property over the 20-year period from 2011 to 2031. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier). Thus it is necessary to consider what the mix of future housing will be in the market and affordable sectors.
- 8.13 It is necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing. For modelling purposes, the analysis assumes that 25% of net completions are of affordable housing. This is not a policy target, but does take account of the Councils' proposed policy (30%). Policy targets for affordable housing on new development schemes are above the 25% level; but not all sites deliver policy-compliant affordable housing provision, whilst some delivery is on sites below affordable housing policy thresholds. Equally some housing development is brought forward by Registered Providers and local authorities and may deliver higher proportions of affordable housing than in current policy. In addition, a large number of developments, including site allocations, will have been approved prior to the 30% policy being implemented. It should be stressed that this is not a policy position and has been applied simply for the purposes of providing outputs from the modelling process.

Key Findings: Market Housing

- 8.14 There are a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are

expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 20-year period from 2011 to 2031.

- 8.15 On the basis of the modelling assumptions, an increase of 11,845 additional households is modelled. The majority of these need two- and three-bed homes. The data suggests that housing need can be expected to reinforce around the existing profile, but with a slight shift towards a requirement for smaller dwellings relative to the distribution of existing housing (particularly towards a need for 2-bedroom homes). This is understandable given the fact that household sizes are expected to fall slightly in the future – particularly as a result of a growing older population living in smaller households.

Table 65: Estimated Size of Dwellings Needed 2011 to 2031 – Market Housing – Northern Devon

Size	2011	2031	Additional households 2011-2031	% of additional households
1 bedroom	3,730	4,405	675	5.7%
2 bedrooms	16,116	20,209	4,094	34.6%
3 bedrooms	25,828	30,980	5,152	43.5%
4+ bedrooms	15,261	17,186	1,925	16.2%
Total	60,935	72,781	11,845	100.0%

Source: Housing Market Model

- 8.16 The statistics are based upon the modelling of demographic trends. As has been identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand; this may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people. In determining policies for housing mix, policy aspirations are also relevant.
- 8.17 At the strategic level, a local authority in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.
- 8.18 Tables 66 and 67 provide the same information for each individual local authority. Both areas show a similar patterns of need, with a particular focus on two- and three bedroom homes.

Table 66: Estimated Size of Dwellings Needed 2011 to 2031 – Market Housing – North Devon

Size	2011	2031	Additional households 2011-2031	% of additional households
1 bedroom	2,418	2,820	402	6.4%
2 bedrooms	9,237	11,390	2,153	34.5%
3 bedrooms	14,917	17,585	2,668	42.8%
4+ bedrooms	9,015	10,030	1,014	16.3%
Total	35,587	41,825	6,237	100.0%

Source: Housing Market Model

Table 67: Estimated Size of Dwellings Needed 2011 to 2031 – Market Housing – Torridge

Size	2011	2031	Additional households 2011-2031	% of additional households
1 bedroom	1,312	1,585	273	4.9%
2 bedrooms	6,879	8,820	1,941	34.6%
3 bedrooms	10,911	13,395	2,484	44.3%
4+ bedrooms	6,246	7,156	910	16.2%
Total	25,348	30,956	5,608	100.0%

Source: Housing Market Model

Key Findings: Affordable Housing

- 8.19 Tables 68, 69, and 70 show estimates of the need for different sizes of affordable homes based on the analysis of demographic trends. The data suggests in the period between 2011 and 2031 that the main need is for homes with one- or two-bedrooms across the HMA with a need for around a quarter of homes to be larger, three or more bedroom dwellings.
- 8.20 This analysis provides a longer-term view of the need for different sizes of affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition, it should be noted that smaller properties (i.e. one-bedroom homes) typically offer limited flexibility in accommodating the changing needs of households, whilst delivery of larger properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller properties. That said, there may in the short-term be an increased requirement for smaller homes as a result of welfare reforms limiting the amount of housing benefit being paid to some working-age households.

Table 68: Estimated Size of Dwellings Required 2011 to 2031 – Affordable Housing – Northern Devon

Size	2011	2031	Additional households 2011-2031	% of additional households
1 bedroom	2,247	3,759	1,512	38.3%
2 bedrooms	2,499	3,879	1,380	34.9%
3 bedrooms	2,253	3,175	921	23.3%
4+ bedrooms	309	444	135	3.4%
Total	7,308	11,256	3,948	100.0%

Source: Housing Market Model

8.21 As with market housing, the data again shows that relative to the current profile there is a slight move towards a greater proportion of smaller homes being needed (again related to the ageing population and the observation that older person households are more likely to occupy smaller dwellings).

8.22 Tables 69 and 70 show the same information for the two local authorities separately. Both areas show the majority of the need to be for one- and two-bedroom homes and about a quarter of homes to have three or more bedrooms. There are however some differences within the smaller dwelling category, with North Devon seeing a higher need for one bedroom homes and Torridge a greater need for homes with two bedrooms.

Table 69: Estimated Size of Dwellings Required 2011 to 2031 – Affordable Housing – North Devon

Size	2011	2031	Additional households 2011-2031	% of additional households
1 bedroom	1,618	2,572	955	45.9%
2 bedrooms	1,380	1,977	598	28.7%
3 bedrooms	1,411	1,871	460	22.1%
4+ bedrooms	179	245	67	3.2%
Total	4,587	6,666	2,079	100.0%

Source: Housing Market Model

Table 70: Estimated Size of Dwellings Required 2011 to 2031 – Affordable Housing – Torridge

Size	2011	2031	Additional households 2011-2031	% of additional households
1 bedroom	630	1,186	557	29.8%
2 bedrooms	1,119	1,901	782	41.9%
3 bedrooms	842	1,303	461	24.7%
4+ bedrooms	130	199	68	3.7%
Total	2,721	4,590	1,869	100.0%

Source: Housing Market Model

Indicative Targets by Dwelling Size

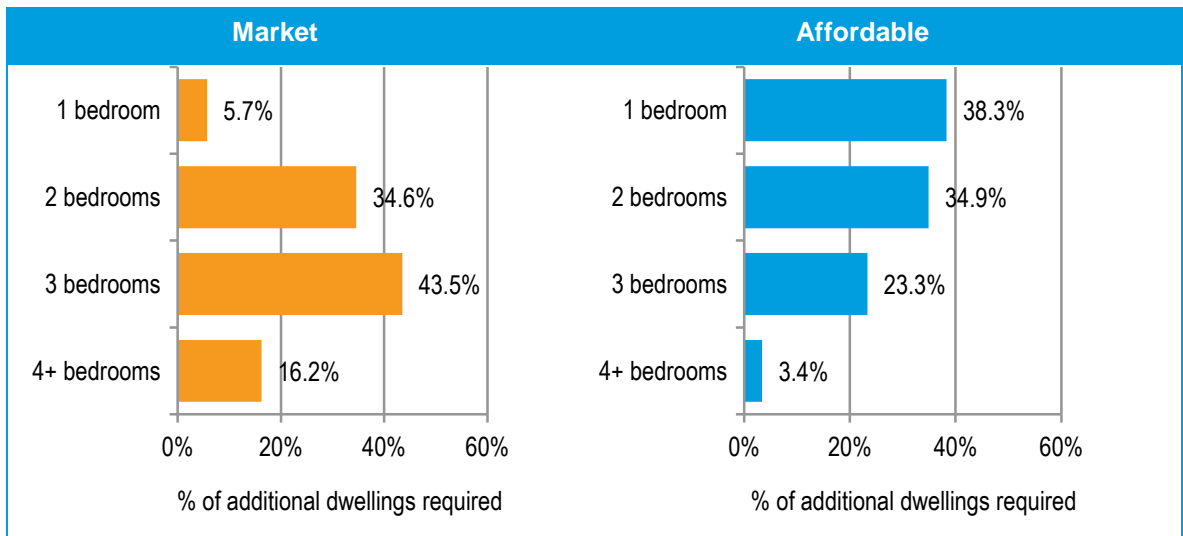
8.23 Table 71 and Figure 60 summarises the above data in both the market and affordable sectors under the modelling exercise. A vacancy allowance has been factored in when moving from household figures to estimates of housing need/demand (the same figures have been used as in the demographic modelling).

Table 71: Estimated dwelling requirement by number of bedrooms (2011 to 2031) – Northern Devon

Number of bedrooms	Market			Affordable		
	Households	Dwellings	% of dwellings	Households	Dwellings	% of dwellings
1 bedroom	675	718	5.7%	1,512	1,608	38.3%
2 bedrooms	4,094	4,351	34.6%	1,380	1,466	34.9%
3 bedrooms	5,152	5,476	43.5%	921	979	23.3%
4+ bedrooms	1,925	2,046	16.2%	135	144	3.4%
Total	11,845	12,590	100.0%	3,948	4,197	100.0%

Source: Housing Market Model

Figure 60: Size of housing required 2011 to 2031 – Northern Devon



Source: Housing Market Model

- 8.24 Whilst the outputs of the modelling provide estimates of the proportion of homes of different sizes that should be provided there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one-bedroom homes. Conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited.
- 8.25 It should also be recognised that local authorities have statutory homeless responsibilities towards families with children and would therefore prioritise the needs of families over single person households and couples. On this basis the profile of affordable housing to be provided would be further weighted to two or more-bedroom housing.
- 8.26 For these reasons it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate.
- 8.27 There are thus a range of factors which are relevant in considering policies for the mix of affordable housing sought through development schemes. At a HMA-wide level, the analysis would support policies for the mix of affordable housing of:
- 1-bed properties: 30-35%
 - 2-bed properties: 35-40%

- 3-bed properties: 20-25%
- 4-bed properties: 5-10%

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

8.29 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

8.30 The analysis at local authority level does indicate that a slightly different profile might be appropriate in different locations; with a potentially higher proportion of one-bedroom homes being needed in North Devon and a higher proportion of two bedroom homes in Torrige.

8.31 In the market sector a profile of housing that closely matches the outputs of the modelling is suggested. The recommendations take some account of the time period used for the modelling and the fact that the full impact of the ageing population will not be experienced in the short-term. In addition, as noted earlier, current constraints on mortgage finance is likely to suppress demand for smaller units in the short-term (particularly those which would normally have high demand from first-time buyers).

8.32 On the basis of these factors it is considered that the provision of market housing should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of market housing is recommended:

- 1-bed properties: 5-10%
- 2-bed properties: 30-35%
- 3-bed properties: 40-45%
- 4-bed properties: 15-20%

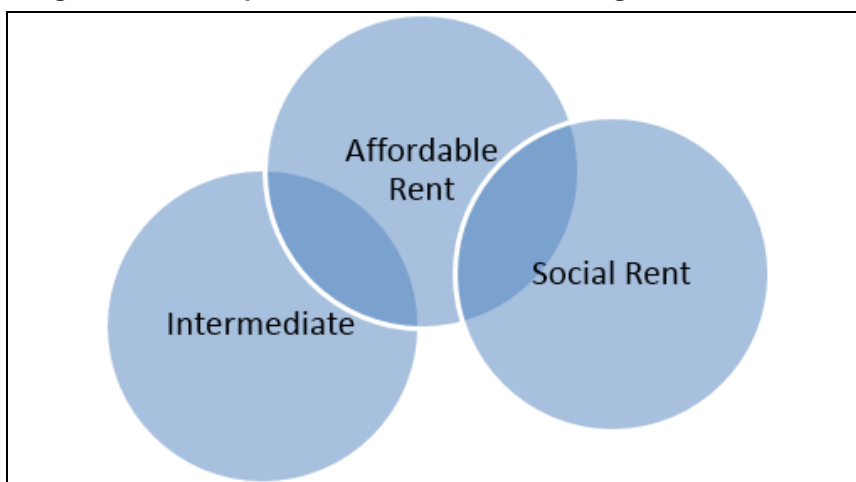
8.33 Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market it does not necessarily follow that such prescriptive figures should be included in the plan making process. The 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time, and demand can change over time linked to macro-economic factors and local supply. The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area. The analysis at a local authority level

did not indicate any differences sufficient to suggest that a different mix would be appropriate in different areas.

Need for Different Types of Affordable Housing

- 8.34 As well as considering the sizes of homes required the analysis makes an estimate of the proportion of affordable housing need that should be met through provision of different housing products. The income information used in the affordable needs analysis is used to estimate the proportion of households who are likely to be able to afford intermediate housing and the number for whom only social or affordable rented housing will be affordable. There are three main types of affordable housing that can be studied in this analysis:
- Intermediate
 - Affordable rent
 - Social rent
- 8.35 Whilst the process of separating households into different income bands for analytical purposes is quite straightforward, this does not necessarily tell us what sort of affordable housing they might be able to afford or occupy.
- 8.36 For example, a household with an income close to being able to afford market housing might be able to afford intermediate or affordable rent but may be prevented from accessing certain intermediate products (such as shared ownership) as they have an insufficient savings to cover a deposit. Such a household might therefore be allocated to affordable rented or intermediate rented housing as the most suitable solution.
- 8.37 The distinction between social and affordable rented housing is also complex. Whilst rents for affordable rented housing would be expected to be higher than social rents, this does not necessarily mean that such a product would be reserved for households with a higher income. In reality, as long as the rent to be paid falls at or below LHA limits then it will be accessible to a range of households (many of whom will need to claim housing benefit). Local authorities' tenancy strategies might set policies regarding the types of households which might be allocated affordable rented homes; and many authorities will seek to avoid where possible households having to claim higher levels of housing benefit. This however needs to be set against other factors, including viability and the availability of grant funding. Over the current spending period to 2015 grant funding is primarily available to support delivery of affordable rented homes. A significant level of affordable housing delivery is however through developer contributions (Section 106 Agreements).
- 8.38 For these reasons it is difficult to exactly pin down what proportion of additional affordable homes should be provided through different affordable tenure categories. In effect there is a degree of overlap between different affordable housing tenures, as Figure 61 shows.

Figure 61: Overlap between Affordable Housing Tenures



8.39 The intermediate category would include equity-based intermediate products such as shared ownership and shared equity homes. The other two categories are both rented housing and in reality can be considered together (both likely to be provided by Registered Providers (or the Council) with some degree of subsidy). Additionally, both affordable rented and social rented housing is likely to be targeted at the same group of households; many of whom will be claiming Housing Benefit. For these reasons the last two categories can be considered together for the purposes of drawing conclusions. However, for analytical purposes we have defined the following three categories:

- Households who can afford 80% or more of market rent levels (termed intermediate housing) – this will include equity-based intermediate products such as shared ownership and shared equity homes;
- Households who cannot afford 80% of market rent levels (or would require housing benefit, or an increased level of housing benefit to do so) but who can afford a social rent (without the need to claim housing benefit) – this is termed affordable rented housing;
- Households whose income would not allow them to afford a social rent (i.e. the rent would be more than 30% of their income and in most cases such households would need to claim housing benefit) – this is termed social rented housing although again it should be stressed that there is an overlap with the affordable rented category.

8.40 We do not have detailed information on households' savings. For the purposes of the analysis of affordability it has been assumed that all households with an income which would allow them to afford 80% or more of market rents would represent the potential market for equity-based intermediate products such as shared ownership and shared equity homes with the remainder needing a rented product.

8.41 When working the above assumptions through the affordability models developed in the affordable needs analysis (taking account of the different elements of need and using a 30% affordability threshold) it is estimated that around a fifth of households would be able to afford a product priced

at 80% of the market cost (this does not vary notably by area). This proportion is in line with the previous Northern Peninsula SHMA (2008).

8.42 Within the affordable/social rented category, the analysis shows a greater need for social rented housing – making up about four-fifths of the total in this combined category. It should however be remembered that this analysis is based purely on an assessment of income and takes no account of the availability of housing benefit to assist households in meeting their housing costs.

Table 72: Gross need for Intermediate affordable housing

Component of need (all per annum)	Intermediate housing	Affordable rented	Social rented	TOTAL
Current need (with housing)	8	5	28	42
Current need (without housing)	2	2	13	16
Newly forming households	105	76	292	473
Existing households falling into need	25	18	142	184
TOTAL	140	100	475	715
Percentage of total	20%	14%	66%	100%
North Devon	20%	13%	67%	100%
Torridge	19%	15%	65%	100%

Source: Affordable Needs Modelling

8.43 However, the figures in Table 72 above should not be directly taken to be the proportion of housing that should be provided as intermediate. There are two factors which need to be considered and these are described below:

- Savings and or access to a deposit – as noted, there is no information about household savings and their ability to afford an equity-based intermediate product. In reality, many households with a modest income may not be able to afford intermediate housing due to this factor. For this reason, the figures presented in the table above for the proportion able to afford intermediate housing are arguably too high.
- Supply of intermediate housing – however, the current supply of affordable housing also needs to be considered. As previous analysis has shown, the vast majority of the affordable housing stock and relets is in the social/affordable rented category with only a modest supply of intermediate housing. Therefore, it is arguable that a higher proportion of intermediate housing would be needed due to this imbalance

8.44 As can be seen these two factors suggest that the need is either higher or lower than presented in the table above. Given this, it is suggested that a prudent response would be to consider the figures in the table as being broadly reflective of the need for intermediate products. Given the range of figures the following is suggested as a reasonable tenure mix for affordable housing across the HMA:

- 20% - intermediate housing
- 80% - social and affordable rented housing

8.45 In determining policies for affordable housing provision on individual sites, the analysis should be brought together with other local evidence such as from the Housing Register. Consideration could also be given to areas with high concentrations of social rented housing where additional intermediate housing might be desirable to improve the housing mix and to create 'housing pathways'.

The Need for Starter Homes

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

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

8.47 Whilst the inclusion of Starter Homes within the definition of affordable housing looks to be quite a radical change there is some consistency with the current NPPF which seeks in paragraph 50 to '*widen opportunities for home ownership*'.

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

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

Starter Homes – target group

8.50 As a precursor it is perhaps of interest to understand why the Starter Home initiative has been introduced. Whilst it is not stated, it is considered that one of the key reasons is the fall in the number of younger owner-occupiers across the Country over the past 15-year or so (and certainly since 2001). Using Census data, it is possible to look at this in some detail with Table 73 showing that the number of households living in private rented accommodation has increased by around 3,850, whilst the number of owners with a mortgage has dropped by around 1,275. The trend over the decade has been of a falling number of young households able to move into homeownership, and increases in those renting.

Table 73: Change in Tenure 2001-11 (all households) – Northern Devon

Tenure	2001	2011	Change	% change
Outright owner	24,011	27,636	3,625	15.1%
Owned with mortgage	21,487	20,213	-1,274	-5.9%
Social rented	6,348	6,840	492	7.8%
Private rented	8,238	12,087	3,849	46.7%
Other	1,562	1,211	-351	-22.5%
TOTAL	61,646	67,987	6,341	10.3%

Source: Census (2001 and 2011)

8.51 A similar pattern can be seen in each of the individual local authorities with all seeing a notable increase in the number of households who are privately renting and a decrease in owners with a mortgage.

Table 74: Change in Tenure 2001-11 (all households) – by local authority

Tenure	North Devon	Torridge	Northern Devon
Outright owner	12.6%	18.5%	15.1%
Owned with mortgage	-8.9%	-1.3%	-5.9%
Social rented	9.2%	5.3%	7.8%
Private rented	51.3%	40.2%	46.7%
Other	-23.1%	-21.7%	-22.5%
TOTAL	8.8%	12.5%	10.3%

Source: Census (2001 and 2011)

8.52 If the proportion of households in each tenure group had stayed the same in 2011 as it was in 2001 then it would have been expected that there would be 9,100 households living in the private rented sector. The actual number is about 3,000 higher than this and therefore it is arguable that this is the number of households who might be considered as ‘would be owner-occupiers’ and therefore a

potential target group for Starter Homes. For some young households, renting may have however been a lifestyle choice or desired because of its flexibility.

8.53 The data above shows information for all households and it needs to be recognised that the Starter Home Initiative is to be targeted at non-owners aged under 40. Interrogating changes for this age group is difficult as the two Census (2001 and 2011) use different age bandings and do not typically include an 'up to 40' band in the data. It is however possible to provide an indication of the change in tenure by looking at households age under 35 and this is shown in Table 75. It should be noted that to provide consistent analysis, both groups of owners have been merged, whilst the private rented category also includes the 'Other' category as shown in Table 74.

8.54 For the Under 35 age group the analysis again shows a sharp increase in the number of households living in private rented accommodation. Surprisingly the growth in this age group is slightly below that for all households although it does need to be borne in mind that overall this age group also saw a decrease generally. The analysis also highlights a very significant decrease in the number of owner occupiers (decreasing by over 35% in just 10-years). This analysis does provide some support for widening access to owner-occupation for younger people.

Table 75: Change in tenure 2001-11 (all households aged under 35) – Northern Devon

Tenure	2001	2011	Change	% change
Owned	4,370	2,808	-1,562	-35.7%
Social rented	1,158	1,187	29	2.5%
Private rented	3,301	4,304	1,003	30.4%
TOTAL	8,829	8,299	-530	-6.0%

Source: Census (2001 and 2011)

8.55 For each of the individual local authorities the same pattern is again shown with a notable increase in the number of households aged Under 35 in the private rented sector and large decreases in the number of owners with a mortgage. The growth of younger households in the private rented sector is particularly notable in North Devon.

Table 76: Change in tenure 2001-11 (all households aged under 35) – North Devon

Tenure	2001	2011	Change	% change
Owned	2,724	1,643	-1,081	-39.7%
Social rented	737	729	-8	-1.1%
Private rented	2,062	2,722	660	32.0%
TOTAL	5,523	5,094	-429	-7.8%

Source: Census (2001 and 2011)

Table 77: Change in tenure 2001-11 (all households aged under 35) – Torridge

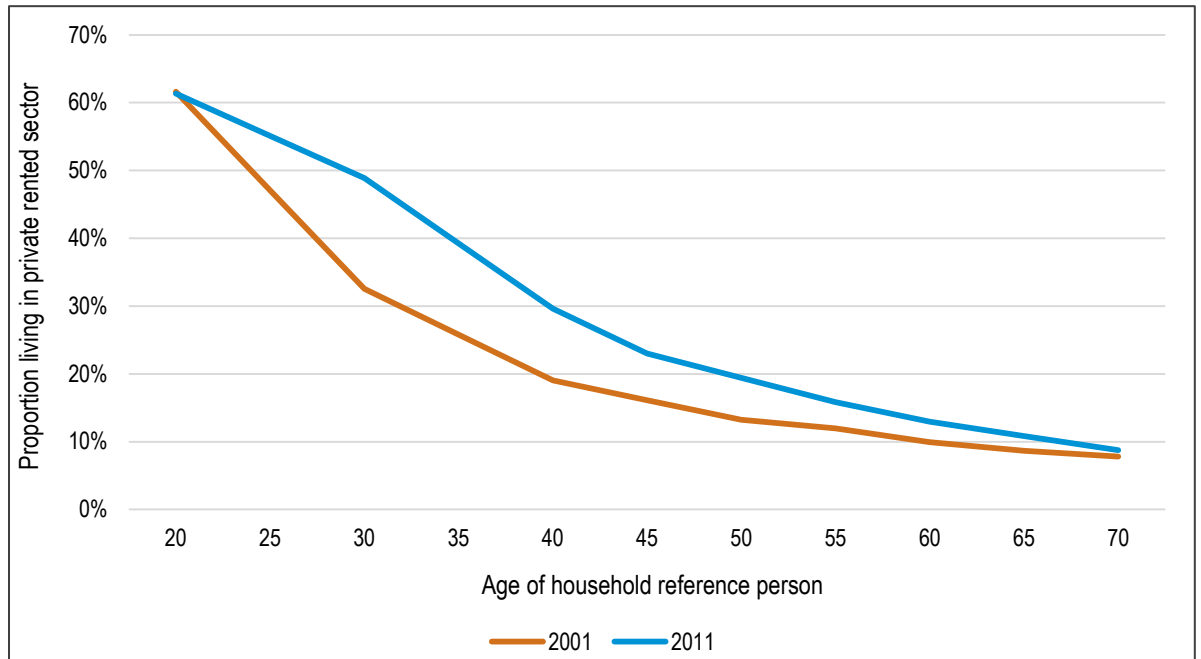
Tenure	2001	2011	Change	% change
Owned	1,646	1,165	-481	-29.2%
Social rented	421	458	37	8.8%
Private rented	1,239	1,582	343	27.7%
TOTAL	3,306	3,205	-101	-3.1%

Source: Census (2001 and 2011)

Estimates of the number of households in the target group

- 8.56 To look at the current need for Starter Homes an analysis has been undertaken to estimate the size of the target group for such housing. This has been assumed to be the difference between the number of households living in the private rented sector in 2011 with the number that might have been expected if there were no changes in the proportion of households in this sector from 2001 (the analysis then being limited to households who are aged Under 40 (where the household reference person is aged under 40).
- 8.57 Arguably there will be other households who might be in this target group, particularly those currently living with parents; these are not included in the current need figures as they will be picked up as part of the projected future need figures (i.e. at the time at which they might be expected to form an independent household). Additionally, there could be some households living in social rented housing who might be part of this target group; however, in this case it is not considered that many (if any) would have sufficient levels of income to afford a Starter Home (and even if they did, they might well wish to remain in their current subsidised housing).
- 8.58 The first part of the analysis looks at the proportion of people (by age) who live in private rented accommodation. As noted above this analysis is slightly imperfect as the Census source used does not allow for a split to be made at age 40. Additionally, data from each of the 2001 and 2011 Census use slightly different age bandings within published analysis. We have therefore plotted the data available and drawn a trend line between the available data points to establish what proportion of different age bands live in the private rented sector – this analysis includes the ‘other’ tenure category due to this not being able to be separated out within the 2001 Census data.
- 8.59 Figure 62 shows this analysis, which clearly identifies high levels of private renting amongst younger age groups, the analysis also shows an increase in the proportion of households privately renting in 2011 compared with 2001 – the biggest increase looks to be for households aged about 30 with the proportion privately renting in 2011 estimated to be 49%, compared with about 33% in 2001.

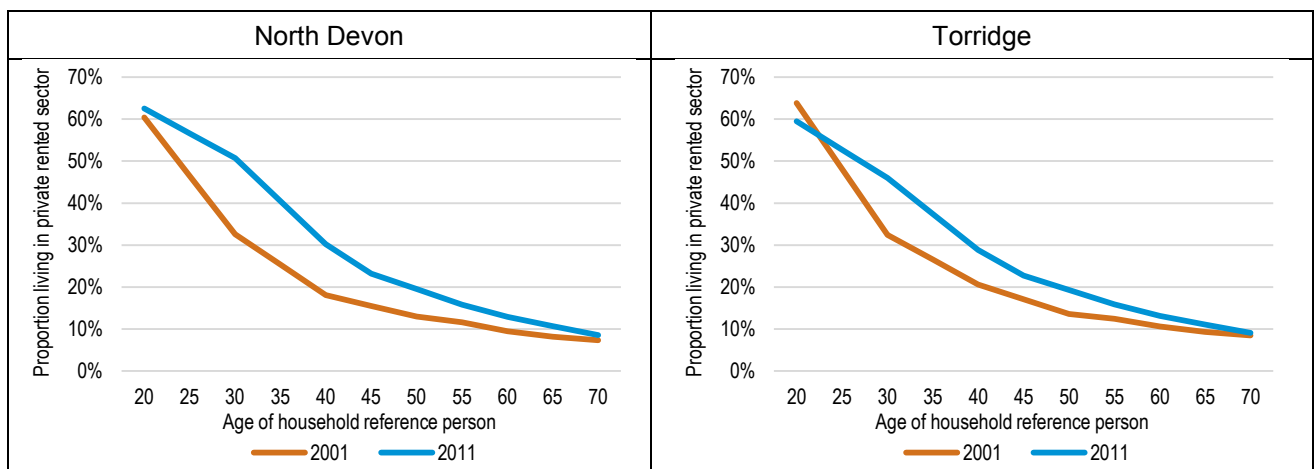
Figure 62: Change in proportion of households living in private rented housing (2001-11) by age – Northern Devon



Source: Census (2001 and 2011)

8.60 Both areas see a broadly similar pattern of change in the proportion of households living in the private rented sector by age as is shown in the figure below although difference between 2001 and 2011 look to be more marked in North Devon.

Figure 63: Change in proportion of households living in private rented housing (2001-11) by age – local authorities



Source: Census (2001 and 2011)

8.61 Table 78 summarises the information from Figure 63 to make an estimate of the changes in the proportions living in the private rented sector for various age bands up to age 40. For the analysis the percentages are taken as the midpoint between age groups; the exception being for those Under 20, where the estimated proportion aged 20 is taken to reflect the value; this will not have any significant impact on the analysis as the proportion of households in this age group is quite small. The analysis clearly identifies an increase in the proportion in the private rented sector for all age groups above 20.

Table 78: Change in proportion of households living in private rented housing (2001-11) by age – Northern Devon

	2001	2011	Change
Under 20	61.6%	61.3%	-0.3%
20-24	54.4%	58.2%	3.9%
25-29	39.8%	52.0%	12.2%
30-34	29.2%	44.1%	14.9%
35-39	22.4%	34.5%	12.0%

Source: Census (2001 and 2011)

8.62 To work out the current size of the target group of households for Starter Homes, the change in the proportion of households in the private rented sector is multiplied by the number of households in each age band. This analysis is shown in Table 79 and identifies around 1,400 households as currently being a potential target for Starter Homes.

Table 79: Estimated Current Target Group for Starter Homes – Northern Devon

	Number of households (2014)	% in target group	Number in target group (2014)
Under 20	222	-0.3%	-1
20-24	1,491	3.9%	58
25-29	2,883	12.2%	352
30-34	3,488	14.9%	521
35-39	3,976	12.0%	478
TOTAL	12,060		1,408

Source: Census (2001 and 2011) and demographic projections

8.63 When applying the data for individual local authorities the target group is as shown in Table 80; this shows a particularly large group in North Devon and relatively few in Torridge. It should be noted that the sum of figures for individual local authorities are slightly different to the HMA total due to the way data has been taken from different sources.

Table 80: Estimated Current Target Group for Starter Homes – by local authority

	North Devon	Torridge	Northern Devon
Under 20	3	-4	-1
20-24	58	1	58
25-29	264	92	352
30-34	350	168	521
35-39	333	146	478
TOTAL	1,008	404	1,408

Source: Census (2001 and 2011) and demographic projections

8.64 The analysis above has considered the current target group for Starter Homes. It is also necessary to understand how many new households will be expected to join this group moving forward. To study this, a similar analysis is carried out to that in the main affordable needs modelling; this seeks to estimate the number of new households in each of the age bands up to age 40. The new households are calculated as the number of household reference persons (HRP) in an age band who were not an HRP five years previously. The analysis is based on annual figures over the full projection period to 2031 and shows that each year an additional 106 households are expected to fall into the target group for Starter Homes.

Table 81: Estimated Projected Target Group for Starter Homes (per annum) – Northern Devon

	Number of newly forming households	% in target group	Number in target group
Under 20	45	-0.3%	0
20-24	244	3.9%	9
25-29	334	12.2%	41
30-34	221	14.9%	33
35-39	192	12.0%	23
TOTAL	1,037		106

Source: Census (2001 and 2011) and demographic projections

8.65 Again this information can be provided for each local authority with data applied for individual local authorities – this is shown in Table 82 overleaf.

Table 82: Estimated Projected Target Group for Starter Homes (per annum) – by local authority

	North Devon	Torridge	Northern Devon
Under 20	1	-1	0
20-24	10	0	9
25-29	31	10	41
30-34	15	16	33
35-39	19	5	23
TOTAL	75	31	106

Source: Census (2001 and 2011) and demographic projections

Affordability of Starter Homes

8.66 To understand the likely affordability of Starter Homes in the HMA a similar analysis to that in the main affordability modelling has been undertaken. This essentially seeks to estimate the income levels likely to be required to access housing and the income profile of the target group (i.e. non-owners aged under 40). Income estimates are then compared with the estimated level of income required to access such housing.

Access level for Starter Homes

8.67 In looking at the cost of housing it needs to be recognised that Starter Homes will be a new build product (and therefore may have a small premium) and that discounts on open market value (OMV) of at least 20% will be available. To establish the likely OMV we have looked at Land Registry data for new build properties in 2015 and taken a lower quartile value to equate to a typical cost; the use of a lower quartile is trying to recognise that Starter Homes are likely to be towards the bottom end (in price terms) of the new build market.

8.68 In 2015 the lower quartile new build price in Northern Devon was £175,000²⁷. To convert this into an income level it has been assumed that there will be either a 20% or 30% discount and it has also been assumed that a household will have a 10% deposit. Whilst a deposit may potentially be an issue for a number of households, it is the case that Starter Homes will be able to be bought in conjunction with other incentives (such as Help-to-Buy ISAs). Finally, it is assumed that a mortgage could be secured for four times the household income. This is slightly higher than the typical multiples used in such analysis (which often use 3 to 3.5 times income) but again reflects the fact that there is likely to be some keenness from Government to ensure that prospective households are able to access the finance they need. For the Help-to-Buy Scheme, the maximum income multiple is for instance 4.5.

²⁷ Lower quartile new build figures of £180,500 in North Devon and £167,250 in Torridge have been used in the analysis.

8.69 Table 83 therefore works through the calculations to determine what level of income might be required to be able to buy a Starter Home. The analysis shows that an income of about £31,500 would be needed if the discount were 20% and that this falls to £27,600 with a 30% discount on OMV.

Table 83: Estimated income levels required to access Starter Homes at different levels of discount – Northern Devon

	20% discount	30% discount
Open Market Value	£175,000	£175,000
With discount	£140,000	£122,500
Minus deposit (amount of mortgage)	£126,000	£110,250
Income required	£31,500	£27,563

Source: Derived from Land Registry data

8.70 The figures above are for the whole of the HMA and should be seen as indicative; the analysis carried out uses similar data for each local authority and Table 84 below shows the estimated income levels required to access a ‘Starter Home’ with each of a 20% and 30% discount. As with the HMA-wide analysis the figures are based (as a starting point) on the lower quartile cost of a new build home in each local authority. The analysis shows that the highest incomes are likely to be needed in North Devon.

Table 84: Estimated income levels required to access Starter Homes at different levels of discount – by local authority

	20% discount	30% discount
North Devon	£32,490	£28,429
Torridge	£30,105	£26,342
Northern Devon	£31,500	£27,563

Source: Derived from Land Registry data

8.71 It is worth briefly reflecting on the estimated level of income required to afford a Starter Home. The figures are typically in the range of £26,000 to £32,500 and this compares with thresholds in the main analysis of affordable housing need of about £19,000-£20,000 (based on a 30% affordability threshold). This means that Starter Homes are not ‘affordable’ in the traditional sense of the definition as those households able to afford a Starter Home will in most cases also be able to afford private rented housing. There may however be non-owners who can afford a Starter Home with the analysis below now seeking to look at the likely numbers.

Income levels

8.72 The next step in the process is to consider income levels. The difficulty here is that we need to focus on a very particular group of households (non-owners aged under 40) about which specific data does not readily exist. However, it is considered that the majority of the target group will be households living in private rented accommodation and so some consideration of income levels in this sector will help to get an idea of our target group. Additionally, it is possible to look at HMRC data about the incomes of people in different age bands. The analysis of the incomes of the target group of households therefore essentially has two stages:

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

8.73 Table 85 shows average (median) income before tax for people aged both under and over 40 (the data is from the Survey of Personal Incomes 2013-14) for the whole of the Country but only includes taxpayers. This indicates that the income levels of people aged under 30 are lower than those of people aged over 40 but that people aged 30-39 typically have slightly higher incomes.

8.74 It should however be remembered that this is an imperfect analysis and in reality it is probable that income levels amongst older people are relatively higher (if for example there are other non-tax incomes such as from dividends). Additionally, the figures are for individual taxpayers rather than households (which is the category used for the affordability analysis); hence the figures in the last column should be given some weight although the actual income levels shown are of limited use.

Table 85: Estimated income levels by age (United Kingdom)

Age group	Median income (before tax)	% of all taxpayers
Under 20	£12,100	55.3%
20-24	£15,200	69.4%
25-29	£20,200	92.2%
30-34	£24,000	109.6%
35-39	£26,100	119.2%
All ages (including 40 and over)	£21,900	-

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

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

8.76 On the basis of this analysis, it is concluded for the purposes of modelling the incomes of the target group by age can be calculated by multiplying age specific differences in incomes by the typical

proportion of all household income seen in the private rented sector. Table 86 shows estimated median incomes in Northern Devon for the target group for Starter Homes by age; the figure shown are calculated as a proportion of the overall median income in the HMA which as of 2014 has been estimated to be £25,300 per annum.

- 8.77 The analysis suggests that younger households in the target group will have relatively low incomes, however by the time a household reaches about age 30, income levels are similar to those seen across the whole HMA.

Table 86: Estimated income levels by age for Starter homes target group – Northern Devon

Age group	Multiplier from all household income	Estimated median income
Under 20	0.48	£12,066
20-24	0.60	£15,157
25-29	0.80	£20,142
30-34	0.95	£23,932
35-39	1.03	£26,026

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

- 8.78 The analysis above is indicative for the whole HMA with the actual data used being assessed on a local authority basis. Table 87 below therefore provides equivalent data (just for incomes) in each area. Estimated incomes for all age groups are shown to be slightly higher in North Devon than in Torridge.

Table 87: Estimated (median) income levels by age for Starter homes target group – by local authority

Age group	North Devon	Torridge	Northern Devon
Under 20	£12,354	£11,676	£12,066
20-24	£15,519	£14,667	£15,157
25-29	£20,624	£19,492	£20,142
30-34	£24,503	£23,159	£23,932
35-39	£26,648	£25,185	£26,026

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

Affordability

- 8.79 In taking this information forward an income distribution has been constructed for each age group based on the distribution for all households. This is then applied to the income thresholds already derived to estimate the likely proportion of households in each age group who might be able to afford a starter home. This is shown in Table 88 for each local authority and shows that only about 11%-12% of households aged Under 20 would be expected to be able to afford a Starter Home with

a 20% discount on OMV; this figure rises to 47%-48%% when considering the 35-39 age group and a 30% discount. There is little difference between the areas in terms of affordability.

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

Table 88: Affordability of Starter Homes by age band and level of discount

Affordability/discount level		Age group				
		Under 20	20-24	25-29	30-34	35-39
North Devon	% able to afford (20% discount)	11.1%	16.9%	28.0%	36.5%	40.3%
	% able to afford (30% discount)	14.2%	21.3%	34.6%	42.6%	46.7%
Torridge	% able to afford (20% discount)	11.6%	17.5%	29.0%	37.4%	41.2%
	% able to afford (30% discount)	14.7%	22.1%	35.6%	43.5%	47.7%

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

Bringing the analysis together – the potential need for Starter Homes

8.81 Table 89 brings together the analysis of the number of households in a target group for Starter Homes along with the affordability estimates. Analysis is provided separately for the current and future need and then brought together into a single annual estimate of the potential need for Starter Homes. To be consistent with the analysis of affordable housing need, the figures are presented as an annual figure for the whole of the projection period (i.e. the 15.5 years to 2031).

8.82 Table 89 shows the estimated current need for Starter Homes; this varies from 496 to 584 depending on the level of discount assumed. Annualised, this represents between 32 and 38 homes per annum over the period to 2031.

Table 89: Estimated Current Need for Starter Homes

Size of target group	20% discount		30% discount		
	% able to afford	Number able to afford	% able to afford	Number able to afford	
Under 20	-1	11.3%	0	14.4%	0
20-24	58	17.1%	10	21.6%	12
25-29	352	28.4%	100	35.0%	123
30-34	521	36.8%	192	42.9%	223
35-39	478	40.6%	194	47.1%	225
TOTAL	1,408		496		584
Annualised			32		38

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

8.83 Table 90 below shows a similar analysis for future newly forming households; this analysis indicates a potential need for between 35 and 41 Starter Homes each year (depending on the level of discount applied).

Table 90: Estimated Future Need for Starter Homes (per annum)

Size of target group	20% discount		30% discount		
	% able to afford	Number able to afford	% able to afford	Number able to afford	
Under 20	0	11.3%	0	14.4%	0
20-24	9	17.1%	2	21.6%	2
25-29	41	28.4%	12	35.0%	14
30-34	33	36.8%	12	42.9%	14
35-39	23	40.6%	9	47.1%	11
TOTAL	106		35		41

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

8.84 The analysis can also be provided for individual local authorities with summary data shown in Table 91 overleaf. Across the whole of the HMA the analysis suggests a need for between 67 and 79 Starter Homes per annum depending on the level of discount. The Starter Home 'need' is particularly high in North Devon and relatively low in Torrige.

Table 91: Estimated annual need for Starter Homes (to 2031) – by local authority

	20% discount			30% discount		
	Current need (pa)	Future need (pa)	Total need (pa)	Current need (pa)	Future need (pa)	Total need (pa)
North Devon	22	23	46	26	28	54
Torridge	10	11	21	11	13	24
Northern Devon	32	35	67	38	41	79

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

8.85 The annual estimated need for Starter Homes can be compared with the overall need for housing as assessed through demographic projections (with adjustments to take account of economic growth and affordability). This is shown in Table 92 below and shows across the HMA that the need for Starter Homes represents up to 9% of the total need for housing (using a 30% discount). With a 20% discount this figure is 8% of all housing. On the basis of this latter figure there is however some difference between locations with the potential need being 5% in Torridge and rising to 10% in North Devon.

Table 92: Proportion of overall housing need potentially met by Starter Homes

	Annual housing need (OAN)	'Need' for Starter Homes		% of need as Starter Homes	
		20% discount	30% discount	20% discount	30% discount
North Devon	480	46	54	10%	11%
Torridge	410	21	24	5%	6%
Northern Devon	890	67	79	8%	9%

8.86 Source: Derived from a range of analysis (as described) and demographic projections

8.87 This analysis might suggest that a target for Starter Homes of 20% (which is the level being suggested by Government) is too high. However, it needs to be borne in mind that this is based on looking at meeting the potential current need over a 15.5-year period to 2031. If the need is sought to be addressed over a 5-year period, then the proportion of Starter Homes increases to about 18% (based on a 20% discount). There is still some notable variation between areas with Torridge showing a relatively low need for such housing.

Table 93: Proportion of overall housing need potentially met by Starter Homes (current 'need' met over next 5 years)

	Annual housing need (OAN)	Annual need for Starter Homes	% of need as Starter Homes
North Devon	480	110	23%
Torridge	410	48	12%
Northern Devon	890	158	18%

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

- 8.88 Analysis of the need for Starter Homes from both current and newly forming households identifies a potential need for between about 67 and 79 homes to be provided each year to 2031. These figures represent between 8% and 9% of the total need for housing identified by the analysis (a need for 890 dwellings each year). Looking at the current need over a shorter (5-year) period suggests that up to 18% of homes could potentially be Starter Homes.
- 8.89 Evidently not all households who could potentially afford a Starter Home will choose to buy one – some may choose to continue renting; whilst others may choose to purchase properties within the second hand market. It seems likely that in a number of instances there will be properties available at a comparable price in the second hand market to levels at a 20% discount to new-build values. Including a cap on income levels in modelling would reduce the potential need for Starter Homes.
- 8.90 The difference between the estimated need based on either a 20% or 30% discount is not particularly significant (12 dwellings per annum) and would suggest, on the basis of this analysis, that there is little merit in seeking discounts on Open Market Value (OMV) which are higher than the minimum position (of 20%) suggested by the Housing and Planning Act. With a 20% discount (rather than higher discounts) it is possible that additional affordable housing (e.g. social/affordable rent) will be able to be viably provided to help meet the needs of lower income households in the HMA.
- 8.91 Additionally, it should be noted that the need for Starter Homes derived in this assessment should not be seen as a need for additional homes over and above the numbers suggested in the main analysis of objectively assessed need. As can clearly be seen from the analysis, it is considered that the provision of Starter Homes will enable some households in the private rented sector to move into owner-occupation. In doing so a dwelling would be released for use by another household and hence there is no net additional need for housing as a result of including Starter Homes within the mix of housing to be delivered.
- 8.92 Overall, it is concluded that a 'target' for up to 20% of new homes to be Starter Homes is realistic and that these should be provided at a 20% discount to OMV. Further discounts do not look like they would bring significantly more households into the affordability bracket and providing higher discount is likely to impact on the ability to viably provide other forms of affordable housing.

8.93 The potential ‘need’ for Starter Homes looks to be concentrated in North Devon rather than Torridge (largely linked to the size of the target group for such housing). However, a differential policy may not be appropriate given that the Housing and Planning act is quite prescriptive about the proportion of homes that should be provided in this ‘tenure’.

Implications – Need for Different Sizes and Tenures of Homes

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

	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	30-35%	40-45%	15-20%
Affordable	30-35%	35-40%	20-25%	5-10%
All dwellings	15%	35%	35%	15%

- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.
- The mix identified above should inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.
- Based on the evidence, it is expected that the focus of new market housing provision will be on two- and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.
- The analysis of an appropriate mix of dwellings should also inform the ‘portfolio’ of sites which are considered through by each local authority through its local plan process. Equally it will be of relevance to affordable housing negotiations.
- Some 20% of the net need identified could be met through intermediate housing, with 80% of the need for social or affordable rented homes. The types of intermediate housing could include products such as shared ownership or shared equity, although the cost of such products should be carefully considered to ensure they are genuinely affordable – this will need to include consideration of any deposit requirements which may be a barrier to access for a number of households as well as the

current supply of such housing.

- The analysis on the need for Starter Homes shows an annual need for 158 Starter Homes per annum in Northern Devon. This is equivalent to 8-9% of the OAN. Looking at the current need over a shorter (5-year) period suggests that up to 18% of homes could potentially be Starter Homes. Therefore a 'target' for up to 20% of new homes to be Starter Homes is realistic and that these should be provided at a 20% discount to OMV.

9 SPECIALIST HOUSING NEEDS

9.1 We have considered in the previous section the needs for different sizes of property. In this section we move on to consider the need for specialist (supported) housing. The focus is therefore on the needs of older person households and the ageing population although the analysis also considers the number of people with disabilities and how that might change in the future (recognising that there is a strong link between age and disability).

9.2 Planning Practice Guidance sets out that “plan makers will need to consider the size, location and quality of dwellings needed in the future for older people in order to allow them to live independently and safely in their own home for as long as possible, or to move to more suitable accommodation if they so wish” (2a-021-20150326). Additionally, specialist accommodation (e.g. sheltered, enhanced sheltered, extra care, registered care) should be assessed.

Older Persons Housing Needs

9.3 Planning Practice Guidance recognises the need to provide housing for older people as part of achieving a good mix of housing. A key driver of change in the housing market over the next few years is expected to be the growth in the population of older persons.

9.4 Indeed, as population projections show, the number of older people is expected to increase significantly over the next few years. In this section we draw on a range of sources including our population projections, 2011 Census information and data from POPPI (Projecting Older People Population Information).

9.5 The context to older persons housing provision can be summarised as below:

- A need to provide housing for older people as part of achieving a good mix of housing, but recognizing that many older people are able to exercise choice and control over housing options – e.g. owner occupiers with equity in their homes;
- Falling demand for residential care in some areas, and a rapidly rising average age of people living in sheltered housing, requiring higher levels of support. However, many local authorities have struggled to contain expenditure on services for older people;
- New models of enhanced and extra care housing have emerged. These aim to meet the needs of those who require high levels of care and support alongside those who are still generally able to care for themselves. These models often allow for changing circumstances in situ rather than requiring a move; and
- Providing choice, including supporting people to stay in their own homes including through supporting adaptations to properties and through provision of floating support.

Current Population of Older People

9.6 Table 94 provides baseline population data about older persons and compared this with other areas. The data for has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and upwards. The data shows, when compared with both the region and England, that Northern Devon has a notably higher proportion of older persons (and indeed slightly higher than Devon). In 2014 it is estimated that 25% of the population of Northern Devon was aged 65 or over.

Table 94: Older Person Population (2014)

		Under 65	65-74	75-84	85+	Total	Total 65+
North Devon	Population	71,175	12,448	7,235	3,201	94,059	22,884
	% of population	75.7%	13.2%	7.7%	3.4%	100.0%	24.3%
Torridge	Population	48,835	9,554	5,159	2,070	65,618	16,783
	% of population	74.4%	14.6%	7.9%	3.2%	100.0%	25.6%
Northern Devon	Population	120,010	22,002	12,394	5,271	159,677	39,667
	% of population	75.2%	13.8%	7.8%	3.3%	100.0%	24.8%
Devon	% of population	75.7%	13.1%	7.7%	3.6%	100.0%	24.3%
South West	% of population	78.9%	11.3%	6.8%	3.0%	100.0%	21.1%
England	% of population	82.4%	9.5%	5.7%	2.3%	100.0%	17.6%

Source: ONS 2014 Mid-Year Population Estimates

Future Changes in the Population of Older Persons

9.7 As well as providing a baseline position for the proportion of older persons in the Northern Devon HMA we can use population projections to provide an indication of how the numbers might change in the future compared with other areas. The data presented below uses the projection linked to the jobs-led scenario for Northern Devon, the 2012-based SNPP for Devon and the region and 2014-based data for England.

9.8 The data shows that the Northern Devon HMA (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 57% over the 20-years from 2011. This compares with overall population growth of 18% and an increase in the under 65 population of 7%. The projected growth in the population aged 65 and over is slightly higher than that projected for other areas although differences are not particularly significant.

9.9 The finding of no change in the population aged under 65 across Devon is noteworthy given that all other areas show some growth. Such a finding is however not unusual in predominantly rural areas and it should be remembered that figures for Devon are based on the SNPP with no adjustments. Were the SNPP figures substituted in for Northern Devon (rather than drawing on outputs from

economic-based projections) then this would also show no change in the number of people aged under 65 (a 2.3% decrease in North Devon being offset by a 4.0% increase in Torridge).

Table 95: Projected Change in Population of Older Persons (2011 to 2031)

	Under 65	65-74	75-84	85+	Total	Total 65+
North Devon	6.6%	31.8%	58.9%	110.2%	16.7%	52.1%
Torridge	7.4%	40.4%	77.7%	126.3%	20.7%	63.6%
Northern Devon	6.9%	35.5%	66.6%	116.5%	18.4%	56.9%
Devon	0.0%	33.8%	59.1%	95.0%	11.7%	51.8%
South West	3.4%	39.4%	60.4%	99.5%	13.6%	55.4%
England	6.8%	43.5%	56.8%	88.3%	14.6%	54.1%

Source: ONS (2012- and 2014-based projections) and SHMA demographic projections

Health-related Population Projections

- 9.10 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website which provides prevalence rates for different disabilities by age and sex. For the purposes of the SHMA analysis has focussed on estimates of the number of people with dementia and mobility problems.
- 9.11 For both of the health issues analysed the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.
- 9.12 Table 96 shows that both of the illnesses/disabilities are expected to increase significantly in the future although this would be expected given the increasing population. In particular, there is projected to be a large rise in the number of people with dementia (up 89%) along with a 74% increase in the number with mobility problems.

Table 96: Estimated Population Change for range of Health Issues (2011 to 2031)

Type of illness/disability		2011	2031	Change	% increase
North Devon	Dementia	1,521	2,789	1,268	83.4%
	Mobility problems	3,916	6,586	2,670	68.2%
Torridge	Dementia	1,031	2,046	1,015	98.4%
	Mobility problems	2,720	4,945	2,225	81.8%
Northern Devon	Dementia	2,552	4,835	2,283	89.5%
	Mobility problems	6,636	11,531	4,895	73.8%

Source: Data from POPPI and demographic projections

People with Disabilities

9.13 Linked to the number of older persons and the analysis above about dementia and mobility problems will be levels of disability generally. Table 97 shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across the HMA some 28% of households contain someone with a LTHPD. This figure is slightly higher than seen across Devon, the South West region or England. The figures for the population with a LTHPD again show a higher proportion than in other areas (an estimated 20% of the population of the HMA have a LTHPD).

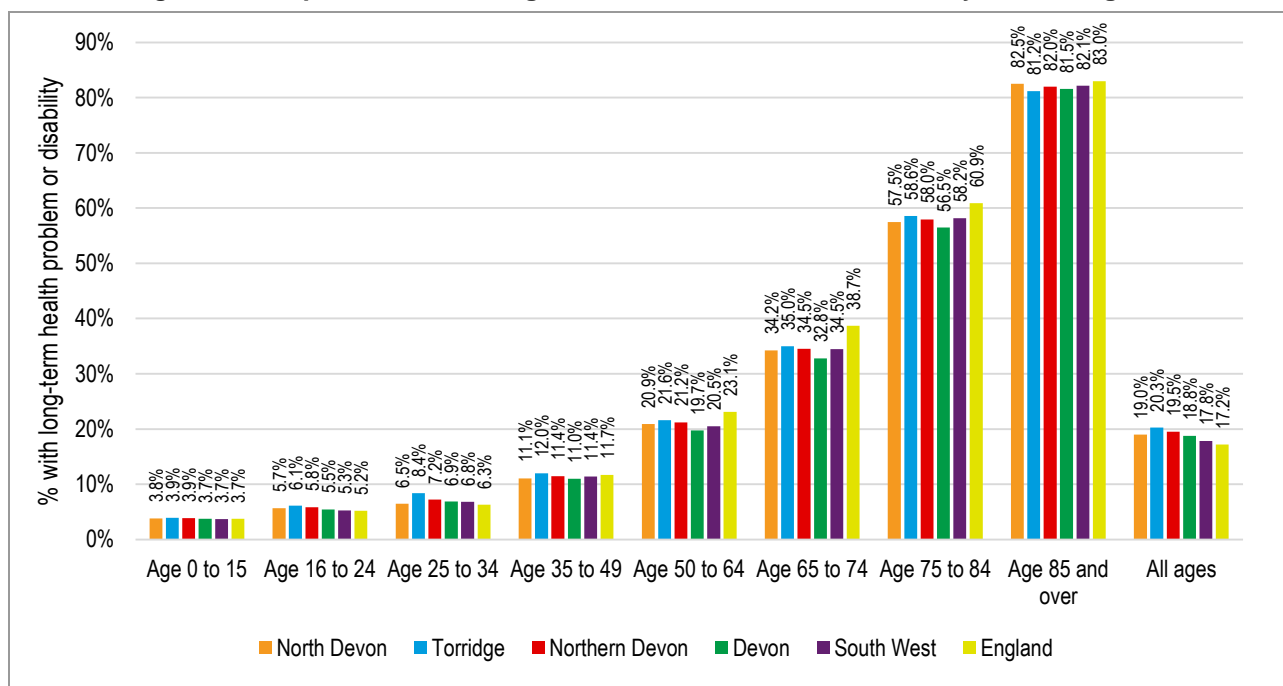
Table 97: Households and people with Long-Term Health Problem or Disability (2011)

Area	Households containing someone with health problem		Population with health problem	
	Number	%	Number	%
North Devon	10,808	27.0%	18,399	19.6%
Torridge	7,890	28.2%	13,440	21.1%
Northern Devon	18,698	27.5%	31,839	20.2%
Devon	87,039	27.0%	145,179	19.5%
South West	591,316	26.1%	973,696	18.4%
England	5,659,606	25.7%	9,352,586	17.6%

Source: 2011 Census

9.14 It is likely that the age profile of the area will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. Therefore, Figure 64 shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD – for example some 82% of people aged 85 and over have a LTHPD.

Figure 64: Population with Long-Term Health Problem or Disability in each Age Band



Source: 2011 Census

- 9.15 The age specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. In applying this information to the demographic projections (linked to the economic projection) it is estimated that the number of people with a LTHPD will increase by around 12,200 (a 39% increase).
- 9.16 Across the HMA, virtually all of this increase (96%) is expected to be in age groups aged 65 and over. The population increase of people with a LTHPD represents 42% of the total increase in the population projected by the projections.

Table 98: Estimated change in population with LTHPD (2011-31)

Area	Population with LTHPD		Change (2011-31)	% change from 2011
	2011	2031		
North Devon	18,199	24,702	6,503	35.7%
Torridge	13,238	18,898	5,660	42.8%
Northern Devon	31,437	43,600	12,163	38.7%

Source: Derived from demographic modelling and Census (2011)

Indicative Need for Specialist Housing for Older Persons

- 9.17 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 in this section draws on data from the Housing Learning and Information Network

(Housing LIN) along with our demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

Current Stock of Specialist Housing

- 9.18 Table 99 shows the current supply of specialist housing for older people. At present it is estimated that there are around 1,700 units; this is equivalent to 102 units per 1,000 people aged 75 and over. The analysis shows a significantly higher proportion of the stock is in the affordable than the market sector (80% vs. 20%). The data has been taken from Housing LIN and in addition (for Torridge) data is included for an Extra-care facility run by Sanctuary Housing which was completed in 2015 and does not appear in the Housing LIN information.

Table 99: Current Supply of Specialist Housing for Older People

	Type of housing	Market	Affordable	Total	Supply per 1,000 aged 75+
North Devon	Sheltered	221	935	1,156	116
	Extra-Care	0	45	45	5
	Total	221	980	1,201	121
Torridge	Sheltered	100	347	447	65
	Extra-Care	18	41	59	9
	Total	118	388	506	74
Northern Devon	Sheltered	321	1,282	1,603	95
	Extra-Care	18	86	104	6
	Total	339	1,368	1,707	102

Source: Housing LIN and Torridge Council

Projected Future Need for Specialist Housing

- 9.19 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.
- 9.20 Table 100 shows the change in the population aged 75 and over and what this would mean in terms of provision at 170 units per 1,000 population. The analysis shows a potential need for 2,330 units – 117 per annum. This is around 13% of the total need identified in the demographic modelling (linked to jobs-led scenario).

Table 100: Projected need for Specialist Housing for Older People (2011-31)

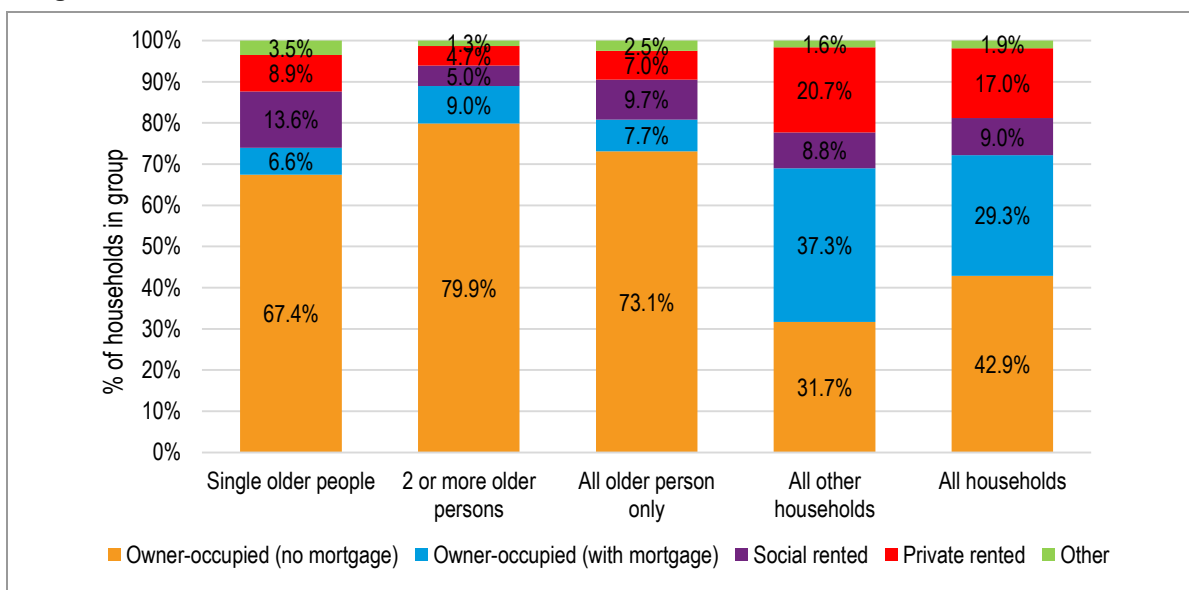
	Population aged 75+ (2011)	Population aged 75+ (2031)	Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)
North Devon	9,964	17,389	7,425	1,262
Torridge	6,844	13,123	6,279	1,067
Northern Devon	16,808	30,512	13,704	2,330

Source: Derived from demographic projections and Housing LIN

Types and Tenures of Specialist Housing

- 9.21 Figure 65 shows the tenure of older person households – the data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that older person households are relatively likely to live in outright owned accommodation (73%) and are also slightly more likely than other households to be in the social rented sector. The proportion of older person households living in the private rented sector is relatively low (7% compared with 17% of all households in the HMA). Data for the two local authorities separately shows the same pattern as across the HMA.
- 9.22 There are however notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.
- 9.23 Given that the number of older people is expected to increase in the future and that the number of single person households is expected to increase this would suggest (if occupancy patterns remain the same) that there will be a notable demand for affordable housing from the ageing population. That said, the proportion of older person households who are outright owners (with significant equity) may mean that market solutions will also be required to meet their needs.

Figure 65: Tenure of Older Person Households – Northern Devon



Source: 2011 Census

- 9.24 The analysis therefore shows that the current profile of older person households is significantly biased towards outright ownership, with the current supply having a notably higher proportion of affordable homes. Moving forward we would suggest that additional specialist housing should be split roughly 50:50 between the market and affordable sectors. This reflects the likely 'market' for specialist housing products as well as the current tenure profile of older person households (including the likely increase in the number of single person older households where levels of home ownership are slightly lower).
- 9.25 The analysis is not specific about the types of specialist housing that might be required; we would consider that decisions about mix should be taken at a local level taking account of specific needs and the current supply of different types of units available (for example noting that at present the dominant type of housing is traditional sheltered accommodation). There may also be the opportunity moving forward for different types of provision to be developed as well as the more traditional sheltered and Extra-Care housing.
- 9.26 Within the different models and assumptions made regarding the future need for specialist retirement housing (normally defined as a form of congregate housing designed exclusively for older people which usually offers some form of communal space, community alarm service and access to support and care if required), there may for example be an option to substitute some of this specialist provision with a mix of one and two bedroomed housing aimed to attract 'early retired' older people which could be designated as age specific or not. Such housing could be part of the general mix of one and two bedroom homes but built to Lifetime Homes standards in order to attract

retired older people looking to 'down size' but perhaps not wanting to live in specialist retirement housing.

- 9.27 Our experience when carrying out stakeholder work as part of other SHMA commissions typically identifies a demand for bungalows. Where developments including bungalows are found it is clear that these are very popular to older people downsizing. It should be acknowledged that providing significant numbers of bungalows involves cost implications for the developer given the typical plot size compared to floor space – however providing an element of bungalows should be given strong consideration on appropriate sites, allowing older households to downsize while freeing up family accommodation for younger households.

Registered Care Housing

- 9.28 As well as the need for specialist housing for older people the analysis needs to consider Registered Care. At present (according to Housing LIN) there are around 1,564 spaces in nursing and residential care homes (958 in North Devon and 606 in Torrige). New models of provision such as extra care housing provide an alternative to residential care provision for some households. 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.
- 9.29 As with the analysis of potential need for specialist accommodation, 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 which considers growth in the household and institutional population separately. The institutional population is held constant for those under 75 in absolute terms, but held constant in proportional terms for those aged 75+. Thus with a growing population aged over 75, it projects some increase in absolute terms in the number of older persons in care and nursing homes. This approach is consistent with that in the CLG 2012-based Household Projections.
- 9.30 The modelling indicates an increase of 990 people living in institutions over the 2011-31 period (50 per annum). This figure is important to note if the Councils intend 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 101: Potential Need for Residential Care Housing

	Institutional population aged 75+ (2011)	Institutional population aged 75+ (2031)	Change in institutional population aged 75+
North Devon	688	1,224	536
Torridge	481	936	455
Northern Devon	1,169	2,160	991

Source: Derived from demographic projections

- 9.31 This C2 need for 50 bedspaces per annum is separate from the objectively assessed need for housing identified in this report, which deals with a C3 Use Class.
- 9.32 If delivery of C2 bedspaces exceeds the levels of need shown above it would be reasonable to assume that this would result in additional movement of households from households to nursing/ care homes, and thus count the additional contribution (over and above the C2 use shown herein) towards the housing requirement based on an estimate of the dwellings which it would release.

Custom / Self-Build

- 9.33 SHMAs need to investigate the contribution that self-build makes toward the local supply. *Laying the Foundations – a Housing Strategy for England 2010* sets out that only one in 10 new homes in Britain were custom built – a lower level than in other parts of Europe. It identifies barriers to self or custom-build development²⁸ as including:
- A lack of land;
 - Limited finance and mortgage products;
 - Restrictive regulation; and
 - A lack of impartial information for potential custom homebuilders.
- 9.34 Government aspires to make self-build a ‘mainstream housing option’ by making funding available to support self- and custom-builders and by asking local authorities to champion the sector. Up to £30m of funding has been made available via the Custom Build programme administered by the HCA to provide short-term project finance to help unlock group custom build or self-build schemes. The fund can be used to cover eligible costs such as land acquisition, site preparation, infrastructure, S106 planning obligations etc.
- 9.35 Local authorities are now required to establish and maintain a register of those interested in building or commissioning their own home. This was introduced by the Self- and Custom Homebuilding Act 2015. North Devon and Torridge established a self-build register of interest and a plot register in

²⁸ Self-build is generally considered to refer to situations where a household individually organises and designs the construction of their own home. With custom-build development, a household would work with a specialist developer to design their home.

September 2015²⁹. To date there have been 60 registrations on the register of interest and 5 submissions to the plot register.

9.36 Additional data on the availability of plots is held on the Buildstore website, which maintains a register of those wishing to build a custom or self-build property as well as a register of plots available for this type of development.

9.37 As of February 2016, there are 459 people registered their details on the Custom Build register and 209 active members on the Plotsearch register within the North Devon local authority area. There are 419 people registered their details on the Custom Build register and 228 active members on the Plotsearch register within the Torridge local authority area.

9.38 Within North Devon there are 9 locations available with capacity for 14 plots. Within Torridge there are 21 locations available with capacity for 22 plots.

Table 102: Availability of Custom/Self-Build Plots (February 2016)

	Locations	Plots
North Devon	9	14
Barnstaple	3	5
Woolacombe	1	1
Braunton	1	1
Chulmleigh	1	1
Ilfracombe	2	5
South Molton	1	1
Torridge	21	22
Bideford	4	5
Holsworthy	5	5
Winkleigh	2	2
Torrington	10	10
Total	30	36

Source: Buildstore, 2016

9.39 From a development point of view, key issues with this market are associated with skills and risk: whilst there may be a notable number of people with an 'interest' in self-build, there is in some circumstances a significant financial outlay, risk and time-cost associated with self-build.

9.40 We would expect most new delivery to be on small windfall sites; although there is some potential through policy to encourage developers of larger schemes to designate parts of these as plots available for custom build.

²⁹ <http://consult.torridge.gov.uk/portal/planning/selfbuild/>

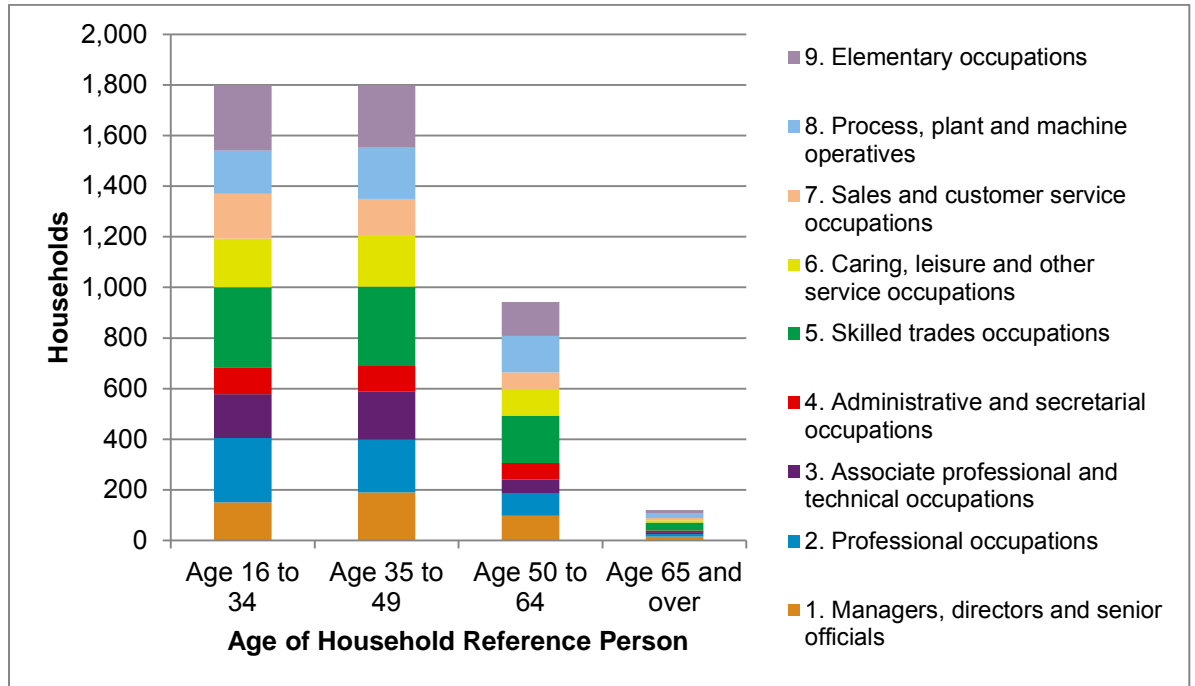
Private Rented Sector

- 9.41 In North Devon there are 6,400 households living in the PRS. In Torridge there are 4,300. The analysis in Section 7 highlighted strong growth in the Private Rented Sector (PRS) between 2001-11 at a national level, and in Northern Devon. In North Devon the number of households living in the PRS increased by 5.2% between 2001 and 2011. In Torridge there was a 3.3% growth over this period.
- 9.42 Given the demographic and macroeconomic trends, institutional investors are becoming more interested in “build to rent” housing. Government is keen to support this sector, and has set aside funds to support new developments. The Government set up a Private Rented Sector Taskforce in 2013 and created a £1 billion fund to help kick start development. Now it is helping to create cheap finance through Government-backed bonds in a scheme³⁰ managed by Venn Partners, an alternative lender. The market is still however relatively embryonic, and focused in the larger cities and locations with a large population of young people/ students.
- 9.43 Key issues will relate to the values and occupancy levels which can be achieved. From the institutional investor’s perspective, there is a clear appetite for unlocking additional funds for investment. It is important however to recognise that the viability of Build-to-Rent schemes differ from traditional schemes of houses built for sale, or from mixed-tenure (market/ affordable) developments. For a scheme of homes sold for sale or typical mixed tenure development, a capital receipt is generated through the sale of homes. In contrast for a Build-to-Rent scheme, the costs of construction are borne upfront, but receipts through rents (to repay this) are phased over a 10-30-year period.
- 9.44 Build-to-Rent has the potential to help boost overall housing delivery, but will likely require a greater degree of flexibility in s.106 negotiations, the application of CIL and affordable housing obligations. The viability of build-to-rent is quite different from that of a standard mixed-tenure housing scheme where private sales generate receipts immediately on sale of the units.
- 9.45 Demand for PRS can be expected to arise particularly from young professionals in their 20s and 30s, particularly in locations where there is a strong access to amenities and public transport.
- 9.46 Figure 66 identifies the age profile of tenants in the PRS in North Devon in 2011, and the profile of occupations. It shows that in the majority of households in the PRS the household reference person is aged 16 to 49. The most common occupation of the household reference person in the PRS is

³⁰ See https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/686404/PRSGS_rules.pdf

skilled trade occupations (850 households – 18%). There are 450 households (10%) where the household reference person is in a managerial occupation.

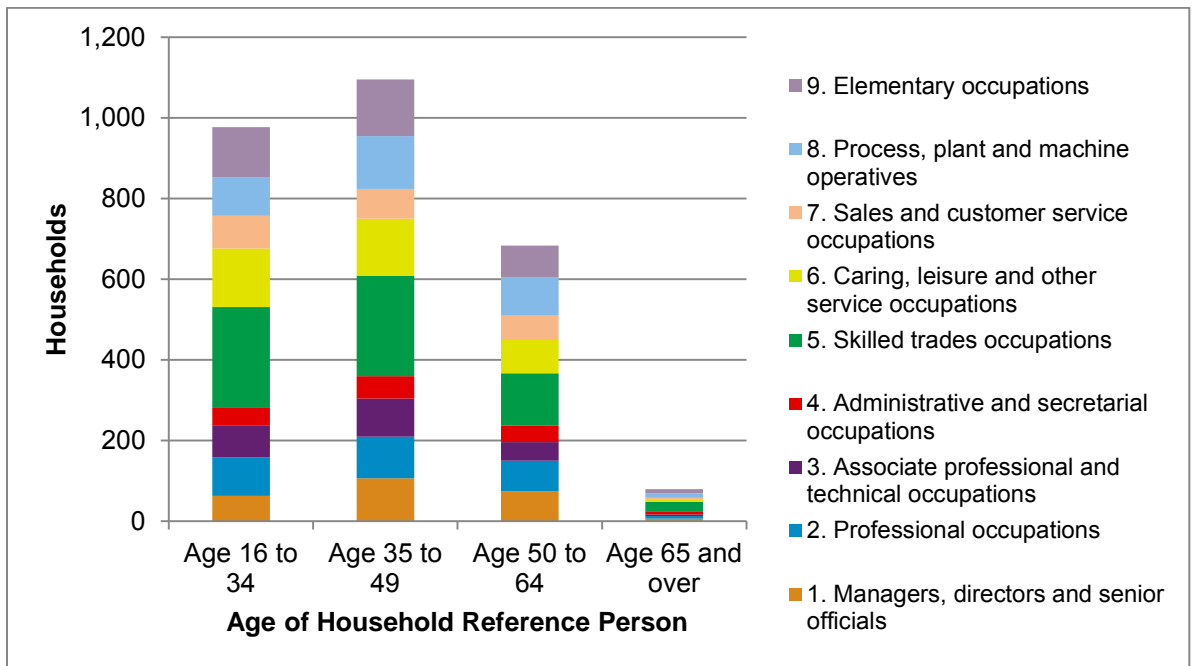
Figure 66: Occupation and Age Profile of PRS Tenants, North Devon 2011



Source: Census 2011

9.47 Figure 67 identifies the age profile of tenants in the PRS in Torridge in 2011, and the profile of occupations. It shows that in the majority of households in the PRS the household reference person is aged 16 to 49. The most common occupation of the household reference person in the PRS is skilled trade occupations (650 households – 23%). There are 250 households (9%) where the household reference person is in a managerial occupation.

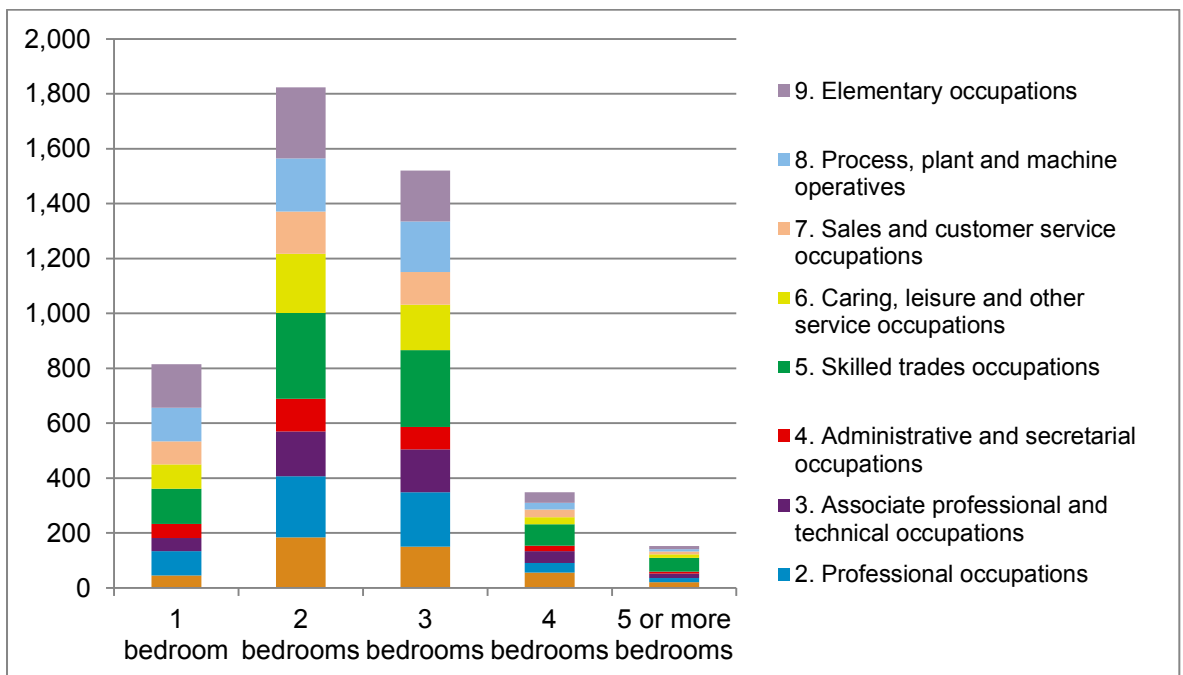
Figure 67: Occupation and Age Profile of PRS Tenants, Torrridge 2011



Source: Census 2011

9.48 Figure 68 shows the dwelling size by number of bedrooms of PRS households in North Devon. This shows that 2 and 3 bedroom properties are most common, making up 39% and 33% of the total PRS stock respectively.

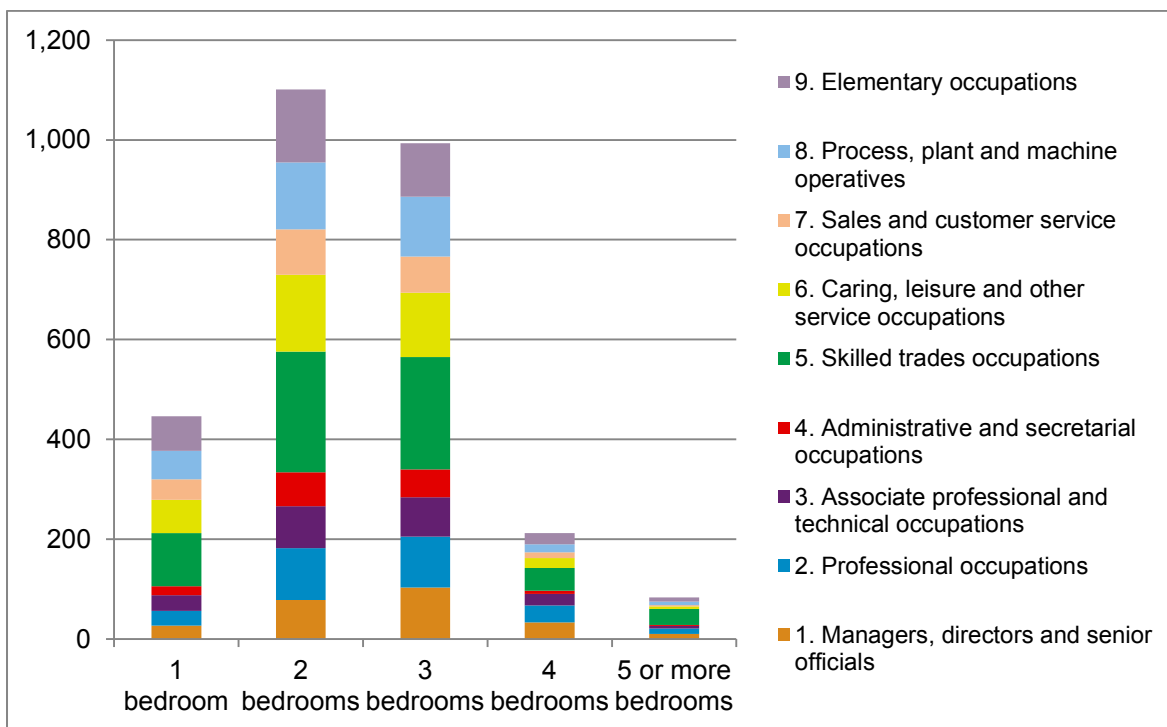
Figure 68: Dwelling Size by Number of Bedrooms of PRS, North Devon 2011



Source: Census 2011

9.49 Figure 69 shows the dwelling size by number of bedrooms of PRS households in Torrridge. This shows that 2 and 3 bedroom properties are most common, making up 39% and 35% of the total PRS stock respectively.

Figure 69: Dwelling Size by Number of Bedrooms of PRS, Torrridge 2011



Source: Census 2011

9.50 Build-to-Rent is a relatively new model of housing delivery. A growing body of evidence suggests a growing market for Build-to-Rent which is reflected in the market. However, to date most activity has been focussed in London and the big cities. In the short-term there is limited prospect of Build-to-Rents schemes coming forward in Northern Devon. However, the sector is growing and if it gains traction it could be considered as a potential mechanism for housing delivery across all parts of the country in the longer-term.

Key Findings: Specialist Housing Needs

- Within the overall need for housing there will potentially be a need to provide some specialist (supported) housing. This is particularly in response to an ageing population and the higher levels of disability experience by older persons.
- At present the population of older people in the Northern Devon HMA is high when compared with other areas (particularly the South West region and England) – some 25% of people were aged 65 and over in 2014. Over the 2011-31 period the number of people aged 65 and over is projected to

increase by 57% with a higher (117%) increase in the number of people aged 85 and over.

- This demographic change is expected to see an increase in the number of people with specific disabilities (dementia and mobility problems) as well as a general increase in the numbers with a long-term health problem or disability.
- The analysis identifies that over the 2011-31 period there may be a need for 117 specialist units of accommodation for older people (generally considered to be sheltered or extra-care housing) per annum. This figure represents about 13% of all housing provision suggested in demographic modelling. Such provision would be within a C3 use class and would therefore be part of the objective assessment of need.
- Additionally, the analysis highlights a potential need for an additional 50 registered care bedspaces per annum for older people (aged 75 and over) in the 2011-31 period. As these would be in use class C2, they would be in addition to the estimates of housing need from demographic modelling.
- There is a strong indicated potential demand in Northern Devon for custom and self-build housing. There are 878 people registered their details on the Custom Build register and 437 active members on the Plotsearch register within Northern Devon. There are 30 locations within Northern Devon available with capacity for 36 plots.
- In North Devon there are 6,400 households living in the PRS. In Torridge there are 4,300. The proportions of residents living within the PRS has grown between 2001 and 2011. Government is keen to support the "Build to Rent" sector, and has set aside funds to support new developments. However, the sector remains quite embryonic and has to date been confined to the larger cities. Any Build-to-Rent development will likely require a greater degree of flexibility in s.106 negotiations, the application of CIL and affordable housing obligations.

10 EMPLOYMENT LAND NEEDS

10.1 In this section we consider demand for employment land and floorspace over the plan period from 2011-31. The section considers requirements for employment land in the B1, B2 and B8 use classes. The analysis is of 'demand' for employment land and therefore does not take account of any supply-side factors such as existing employment land allocations or commitments – these are considered in the next section.

10.2 When considering the scale of future needs the Planning Practice Guidance (PPG) requires consideration of quantitative and qualitative need. This entails estimating the scale of future needs broken down by different market segments, such as different B use classes. The PPG recommends the use of a number of different techniques to estimate future employment land requirements, namely assessments based on:

- Labour Demand;
- Labour Supply; and
- Past Take-Up.

10.3 The analysis in this section updates the demand forecasting for employment floorspace/ land contained within the 2014 Employment Land Review. It uses a consistent methodology to that employed previously.

Labour Demand Scenario

10.4 The labour demand scenario is based on econometric forecasts, and takes its lead from the conclusions presented in Section 4. This is based on growth in Full-Time Equivalent (FTE) jobs of 9,140 over the 2011-31 plan period and replicated below in Table 103.

Table 103: Full Time Equivalent (FTE) Jobs Growth – Synthesis Forecast, 2011-31

	North Devon	Torridge	Northern Devon
Agriculture, forestry & fishing	- 380	- 180	- 560
Mining & quarrying	-	-	-
Manufacturing	550	- 120	430
Electricity gas and water	70	- 70	-
Construction	640	1,000	1,640
Wholesale and Retail Trade	300	300	600
Transport and storage	- 110	40	- 70
Accommodation and food services	1,060	400	1,460
Information and communications	50	70	120
Financial and business services	1,310	990	2,300
Government services	1,420	870	2,290
Other services	570	360	930
Total	5,480	3,660	9,140

Source: GL Hearn

Translating Sectors to Use Classes

- 10.5 GLH has considered the proportion of employment in each of these sectors which is likely to take place in office (Use Class B1a), R&D floorspace (Use Class B1b), light industrial floorspace (Use Class B1c), general industrial floorspace (Use Class B2), and warehouse / distribution floorspace (Use Class B8). We have calibrated our standard model which relates sectors and use classes for the Northern Devon economy through interrogation of the composition of employment in key sectors³¹. This is used to derive the following forecasts of net growth in FTE employment by use class over the plan period.
- 10.6 To these figures we have applied standard employment densities taking account of the HCA Employment Densities Guide: 2nd Edition (Drivers Jonas Deloitte, 2015). We have converted figures to provide employment densities for gross external floor areas on the following basis:
- General Offices (B1a): The 2015 Employment Densities Guide provides a range of plot ratios for B1a uses – broken down by sub-sector. The sub-sectors are Corporate; Professional Services; Public Sector; Technology, Media, and Telecoms; Financial and Insurance; and Call Centres. These have employment ratios ranging from 8-13 sq.m (NIA) per FTE employee. We have assumed that the gross external area of buildings is on average 20% higher than the net internal area;
 - Research and Development Offices (B1b): The 2015 Employment Densities Guide includes employment densities for research and development (B1b) uses (unlike the 2010 guide). The guide sets out that the sector can be considered to be split into two key directions; an innovation and science focussed direction which is associated with the knowledge economy and life sciences activity, and a more traditional industrial focussed direction which fits alongside manufacturing. An average of 48 sq.m GEA per FTE employee has been assumed, assuming that the gross external area of buildings is on average 20% higher than the net internal area;
 - Light and General Industrial (B1c and B2): an average of 40 sq.m GEA per employee, assumes the focus is likely to be more towards light industrial activities given small business focus of economy, assumes that the gross external area of buildings is on average 5% higher than the gross internal area;
 - Warehouse/ Distribution (B8): an average of 50 sq.m GEA per employee. This reflects a mix of generally more traditional smaller scale warehousing.
- 10.7 Applying these employment densities to the forecasts of net growth in jobs in B-class activities, we can derive forecasts for net changes in employment floorspace.
- 10.8 Applying this methodology to the Synthesis forecast identifies a net requirement for an additional 67,100 sq m of floorspace in B-class uses in Northern Devon over the 2011-31 period. The breakdown by district and use class is shown in Table 104 and Figure 70.

³¹ This analysis is undertaken at 4-digit SIC level

Table 104: Net Floorspace Requirement per B-Use Class (Sq m)³²

	B1a	B1b	B1c/B2	B8	Total
North Devon	26,500	11,800	23,000	100	61,300
Torridge	20,700	3,200	5,100	7,200	36,100
Northern Devon	47,200	14,900	28,000	7,300	97,500

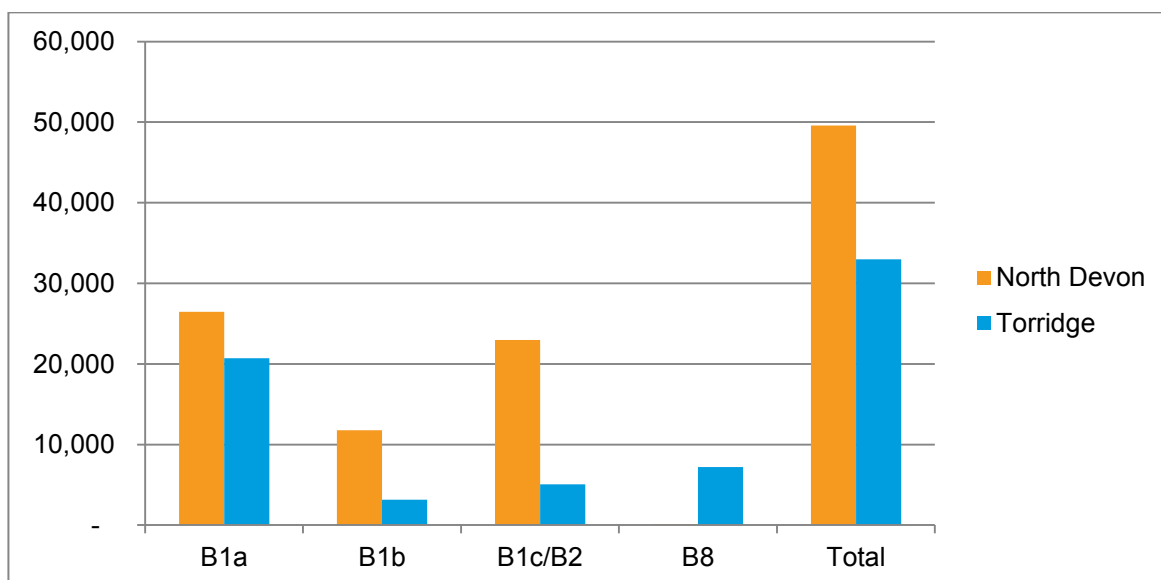
10.9 In North Devon there is a requirement for a total of 61,300 sq m of B-Class floorspace. This comprises:

- A net requirement for an additional 26,500 sq.m of general office (B1a) floorspace;
- A net requirement for an additional 11,800 sq.m of R&D office (B1b) floorspace;
- A net requirement for an additional 23,000 sq.m of light and general industrial (B1c and B2) floorspace; and
- A net requirement for an additional 100 sq.m of warehouse / distribution (B8) floorspace.

10.10 In Torridge there is a requirement for a total of 36,100 sq m of B-Class floorspace. This comprises:

- A net requirement for an additional 20,700 sq.m of general office (B1a) floorspace;
- A net requirement for an additional 3,200 sq.m of R&D office (B1b) floorspace;
- A net requirement for an additional 5,100 sq.m of light and general industrial (B1c and B2) floorspace; and
- A net requirement for an additional 7,200 sq.m of warehouse / distribution (B8) floorspace.

Figure 70: Synthesis Forecast Net Growth in Employment Floorspace (sq m) by Use Class, 2011-31



10.11 These are net changes and do not take account of frictional vacancy or replacement demand, such as from existing companies requiring upgraded floorspace. The demand assessment is trend-based.

³² Note: the figures in Table 104 may not sum exactly due to rounding errors

10.12 To calculate the land requirements to support these net changes, we have applied the following plot ratios³³. This is the ratio of gross floorspace to site area:

- 0.3 for B1a/b office and R&D uses;
- 0.45 for B1c and B2 industrial uses; and
- 0.45 for B8 warehouse / distribution floorspace.

10.13 This generates the following requirement for net additional land to support jobs growth:

Table 105: Forecast Net Land Requirements to Support Net Forecast Employment Growth

	Net Land Requirement (Hectares) 2011-31				Total
	B1a	B1b	B1c/B2	B8	
North Devon	8.8	3.9	5.1	0.0	17.8
Torrige	6.9	1.1	1.1	1.6	10.7
Northern Devon	15.7	5.0	6.2	1.6	28.5

10.14 In identifying how much land to allocate for development, we consider that it would be prudent to include a 'margin' to provide for some flexibility, recognising:

- Typically, there is some level of vacant floor space within functioning markets;
- The potential error margin associated with the forecasting process;
- To provide a choice of sites to facilitate competition in the property market;
- To provide flexibility to allow for any delays in individual sites coming forward.

10.15 We consider that it would be appropriate to make provision for a 5-year 'margin' based on past employment delivery. We consider that it would be appropriate to use long-term trends to calculate this, given that recent take-up has been influenced by supply-side constraints. We have considered completions over the period from 2004/05-2011/12. This period is bisected by the 'credit crunch' in 2008.

10.16 In North Devon, completions have averaged 1.4 hectares per annum over this period. This equates to a 5-year margin of 7 hectares. Added to the requirement identified in the jobs growth forecast gives an overall employment land requirement for North Devon of 24.8 ha over the 2011-31 period.

10.17 In Torrige, completions have averaged 1.1 hectares per annum. This equates to a 5-year margin of 5.5 hectares. Added to the requirement identified in the jobs growth forecast gives an overall employment land requirement for Torrige of 16.2 ha over the 2011-31 period.

³³ Based on figures from Employment Land Reviews: Guidance Note (Report to the Office of the Deputy Prime Minister from Environmental Resources Management, December 2004).

Table 106: Forecast Net Land Requirements to Support Net Forecast Employment Growth, with 5-Year Margin

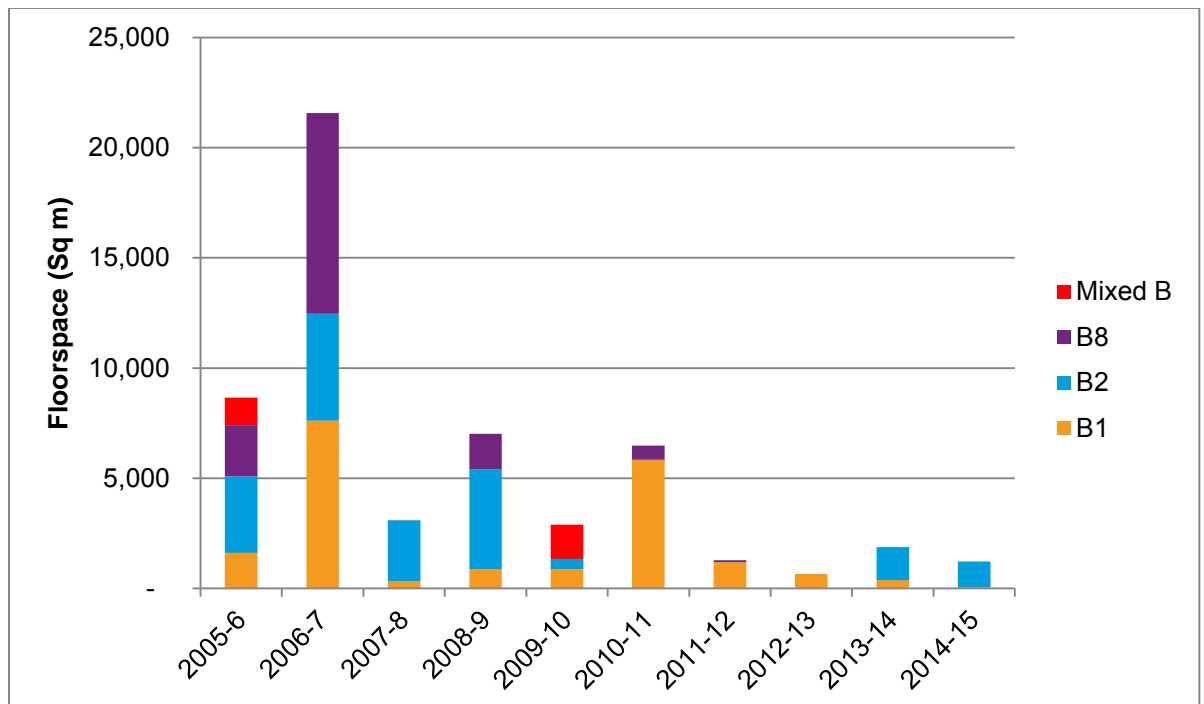
Net Land Requirement (Hectares) 2011-31			
	Labour Demand Forecast	5-Year Margin	Total
North Devon	17.8	7.0	24.8
Torridge	10.7	5.5	16.2
Northern Devon	28.5	12.5	41.0

Past Completions Trends

10.18 Next we consider an alternative forecast approach, based on projecting forward past gross completions of employment floorspace.

10.19 The Councils have provided GL Hearn with monitoring data indicating employment floorspace completions over the past ten-year period from 2005/06-2014/15. The completions trend for North Devon is shown in the figure below. Over this period there has been an annual average of 5,500 sq m of completed employment floorspace. Broken down by use class: 36% of floorspace has been for B1 use; 34% for B2; 25% for B8; and 5% for mixed B-Class uses.

Figure 71: North Devon – Employment Completions, 2005/06-2011/12



Source: NDDC

10.20 We have projected forward past completions trends over the 20-year plan period. This uses the same plot ratio assumptions used in the labour demand modelling. Table 107 shows the

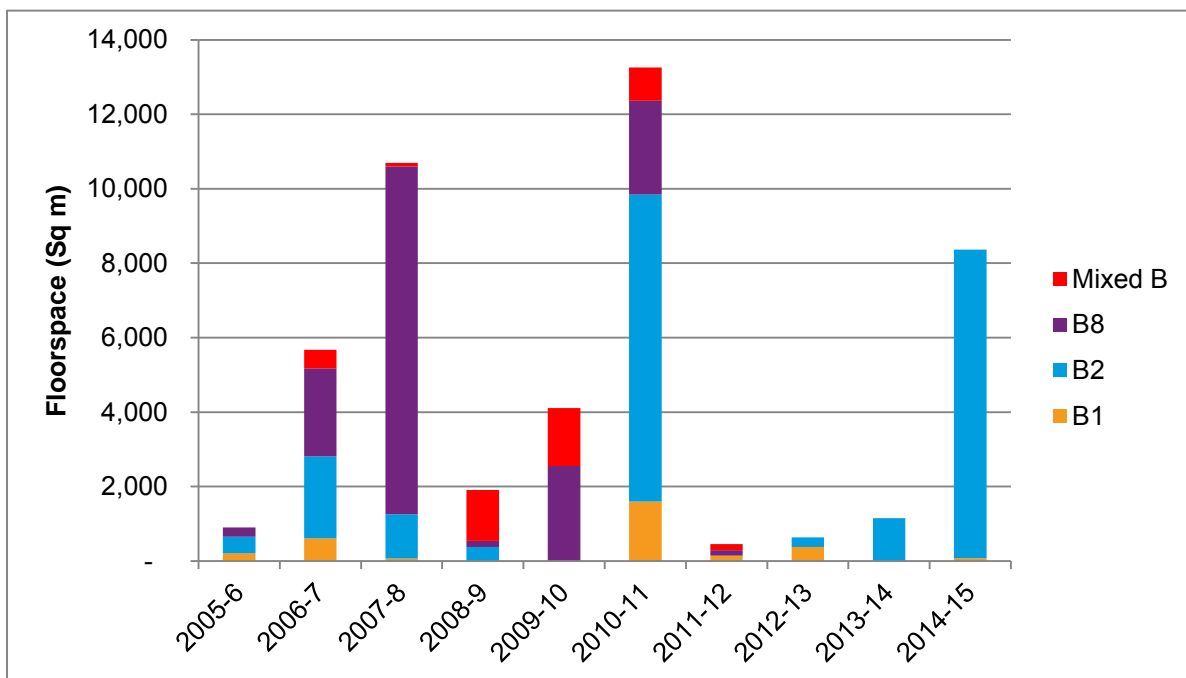
calculations. Projecting forward past completions results in a requirement of 28.7 hectares of employment land in North Devon.

Table 107: Projected Need for Employment Land based on past Completions, North Devon 2011-31

Use Class	Completions per Annum, 2004-12 (Sq m GEA)	Projected Gross Completions, 2011-31 (Sq m GEA)	Assumed Plot Ratio	Projected Land Requirement to Support Development (Ha)
B1	1,945	38,910	0.3	13.0
B2	1,874	37,488	0.45	8.3
B8	1,379	27,570	0.45	6.1
Mixed B	281	5,618	0.45	1.2
Total	5,479	109,586		28.7

10.21 The completions trend for Torridge is shown in the figure below. Over this period there has been an annual average of 4,700 sq m of completed employment floorspace. Broken down by use class: just 7% of floorspace has been for B1 use; 47% for B2; 37% for B8; and 10% for mixed B-Class uses.

Figure 72: Torridge – Employment Completions, 2005/06-2014/15



Source: TDC

10.22 We have projected forward past completions trends over the 20-year plan period. This uses the same plot ratio assumptions used in the labour demand modelling. Table 108 shows the

calculations. Projecting forward past completions results in a requirement of 21.6 hectares of employment land in Torrige.

Table 108: Projected Need for Employment Land based on past Completions, Torrige 2011-31

Use Class	Completions per Annum, 2004-12 (Sq m GEA)	Projected Gross Completions, 2011-31 (Sq m GEA)	Assumed Plot Ratio	Projected Land Requirement to Support Development (Ha)
B1	307	6,136	0.3	2.0
B2	2,215	44,305	0.45	9.8
B8	1,734	34,678	0.45	7.7
Mixed B	458	9,158	0.45	2.0
Total	4,714	94,277		21.6

10.23 Combined, this gives a forecast need for Northern Devon of around 50 ha of employment land.

Table 109: Projected Need for Employment Land based on past Completions, Northern Devon 2011-31 (Ha)

Use Class	North Devon	Torrige	Northern Devon
B1	13.0	2.0	15.0
B2	8.3	9.8	18.2
B8	6.1	7.7	13.8
Mixed B	1.2	2.0	3.3
Total	28.7	21.6	50.3

Non B-Class Uses on Employment Land

10.24 In addition to B-Class uses, employment sites in Torrige and North Devon support a variety of related non-B uses. Such uses include recycling and waste management facilities, trade counter, builders' merchant, and out of town 'retail park' uses.

10.25 It is reasonable to expect that these uses will continue to be supported at employment sites. Accordingly, it is appropriate to increase the quantum of employment land to support these alternative uses over the plan period. We have reviewed the Devon Waste Plan (Devon County Council, 2014) and the Retail and Leisure Study (PBA, 2012) in order to identify a suitable uplift to the total employment land need.

10.26 The Devon Waste Plan was adopted in December 2014 sets out the current policy framework for waste management facilities in Devon and covers the period 2011 to 2031.

10.27 The Devon Waste Plan calculates the amount of waste to be produced across Devon over this period and identifies the need for additional waste management capacity to handle this. The Waste

Plan reports that much of this capacity is already in place through the operation of current waste facilities. However, the Plan does identify a waste management capacity gap for the county which should be planned for over the period. The key findings are summarised below:

- It is not necessary to identify further strategic facilities within the County during the plan period for recycling in general, and the existing network of facilities is broadly sufficient to manage projected waste arising;
- However, this does not preclude additional facilities or indeed extensions to existing facilities from coming forward, particularly for waste streams which are not capable of being managed at existing facilities;
- Three or four additional energy recovery facilities may be required during the period;
- It is estimated that by 2031 the total annual amount of waste requiring landfill will be approximately 195,300 tonnes;
- It is difficult to firmly identify future facility requirements for hazardous waste. It is not anticipated that the level required would render a treatment facility within Devon viable;
- For other types of waste there is no identified need for waste management facilities over the period.

10.28 The Devon Waste Plan does not set out waste requirements at a local authority level. Policy W3 sets out the Spatial Strategy for the provision of new waste management facilities within Devon. This sets out that strategic recycling, recovery and disposal facilities shall be located within or close to three main towns: Barnstaple in North Devon, as well as in Exeter and Newton Abbot elsewhere in the county. Non-strategic reuse, recycling and recovery facilities should be located at these settlements or within or close to Devon's other towns: Braunton, Ilfracombe, and South Molton in North Devon; and Bideford, Great Torrington, Holsworthy, and Northam in Torridge. In addition, the Plan identifies a site at Brynsworthy Environment Centre – a greenfield site to the South West of Barnstaple – for energy recovery facilities. This site is not deemed suitable for alternative economic development uses.

10.29 The North Devon and Torridge Retail and Leisure Study (PBA, 2012) sets out the retail and leisure needs for the two authorities. For comparison retail, the report identifies a requirement of 2,468 sq m net for Torridge and 28,742 sq m net for North Devon between 2012 and 2032. The majority of this need is towards the back end of this period. For convenience goods there is a requirement for 464 sq m net for Torridge and 3,972 sq m net for North Devon.

10.30 The study recommends a preferred option for the locations of development to meet this need. The first choice for retail and leisure development should be in existing or new centres, however it acknowledges that this might not be suitable for some types of development. The study recommends the distribution of comparison goods floorspace would therefore follow the following principles:

- Maximise the town centre floorspace provision in Barnstaple but allow for some growth in the other key settlements up to 2032, ensuring the new development is sensitive to the historic

environment and that retail floorspace is able to complement and enhance the shopping functions of these centres.

- Explore opportunities in sequentially preferable sites for development types not suited to the town centre or where suitable town centre sites are limited.
- Acknowledge that in the other centres identified in the retail hierarchy there is minimal need to expand the retail offer as overall growth is more limited; however, qualitative improvements should be encouraged.

10.31 The study does not identify a need figure for out of centre retail uses but acknowledges that a number of edge-of-centre development opportunities were identified. These are more likely to come forward in the medium to long term, potentially as part of a mix of uses, when economic conditions make them more viable to deliver.

10.32 Similarly, the Study does not identify how much indoor leisure will be required. However, there are currently pressures for further indoor leisure facilities at some business parks in the area. Such uses are often quite large meaning there are limited town centre locations. Following the sequential approach means that such uses will often seek available premises at out-of-centre business parks.

Non-B Class Commitments on Employment Land

10.33 The employment land need modelling considered within this Section has, to this point, only the employment land needed to support B-Class employment uses. It is appropriate to add an additional quantum of land to the employment land requirement figures to support non-B Class uses on employment land.

10.34 A considerable amount of employment land has been subject to planning permission for employment related uses that do not fall within the definition of B Class use. We have considered such planning permissions granted since 2011 that have either been implemented or remain extant.

10.35 In North Devon these planning permissions cumulatively account for 20.1 ha of employment land which is committed to non-B class uses. In Torridge the figure is 10.7 ha.

10.36 We consider it appropriate to add an additional level of employment land – in line with the figures above – to support these committed developments.

Table 110: Uplift for Non-B Class Uses

Uplift for Non-B Class Uses (ha)	
North Devon	20.1
Torridge	10.7
Northern Devon	30.8

How Much Employment Land to Plan for?

10.37 We consider that there are a number of factors which are relevant in considering how much land to allocate for development:

- The level of housing need;
- The need for some flexibility in land supply to facilitate the growth of the indigenous business base;
- Potential losses of current employment land through redevelopment, either through a plan-led approach or through windfall development proposals for changes of use or redevelopment of employment sites/ premises.

10.38 As set out above the level of employment land required in Northern Devon can be estimated in a number of ways. These different approaches provide a range of employment land need as set out below.

Table 111: Net Land Requirement, 2011-31 (Hectares)

	Demand Forecast	Uplift for Non-B Class Uses	Demand Forecast with Uplift for Non-B Class Uses	Completion Trend	Uplift for Non-B Class Uses	Completion Trend with Uplift for Non-B Class Uses
North Devon	24.8	20.1	44.9	28.7	20.1	48.8
Torridge	16.2	10.7	26.9	21.6	10.7	32.3
Northern Devon	41	30.8	71.8	50.3	30.8	81.1

10.39 The employment land needs scenarios set out in this section give a range of employment land need in Northern Devon of between 72 and 81 ha. These scenarios consider a range of factors that will influence the level of employment land needs in Northern Devon.

10.40 In addition to the factors taken into account in the scenarios, there will likely be an additional need for employment land to account of likely development for additional non-B class uses such as waste and recycling facilities, retail, and other uses, beyond that identified as commitments. While identifying an exact need figure for these types of use is beyond the scope of this study (and there is a lack of evidence to base this on), the non-B Class commitments data that has been considered suggest that this additional demand could be considerable.

10.41 The need figure also does not include provision for losses of employment land through permitted change of use to alternative uses – particularly to residential. In 2013 the government announced a change in permitted development rights to allow the change of use of office floorspace to residential uses without the need for planning permission. This has resulted in considerable losses of office floorspace nationwide, adding to the pressures of an increasing absorption rate. In 2015, the permitted development rights were extended to include the change of use of light industrial buildings and launderettes to residential use; and to allow demolition and redevelopment of office

floorspace for residential use. This means that a quantum of existing employment land could potentially be lost to residential uses. Again, it is difficult to precisely assess what quantum might be lost.

- 10.42 We therefore recommend that it would be appropriate to plan for an employment land figure which is around the higher end of the forecast range.

11 CONCLUSIONS

11.1 This Housing and Economic Needs Assessment for Northern Devon has been produced in order to undertake an NPPF and PPG-compliant “policy-off” objectively assessed need (OAN) for housing for each of the two Northern Devon districts;³⁴ to review economic growth assumptions against up-to-date econometric forecasts and identify a forecast of jobs growth in the districts; identify the housing requirement, which aligns with economic growth; and model the need for employment land in the districts. The study considers needs over the period from 2011 to 2031.

Housing and Functional Economic Market Areas

11.2 The analysis undertaken supports the definition of Torridge and North Devon Districts being considered together, using a ‘best fit’ to local authority boundaries, as a functional housing and economic market area.

11.3 The definition of a common housing market covering the two districts is supported by national research undertaken by CURDS (using the ‘silver standard’ best fit geography). There is evidence of strong migration links between the two authorities, which collectively have a self-containment level of 82-83% - exceeding the ‘typically 70%’ threshold set out in the PPG. Commuting evidence also supports this, with the two authorities supporting a commuting self-containment of 91.5%.

11.4 The evidence does point to some cross-boundary links with neighbouring authorities, as is the case with most HMAs. The Cornwall Local Plan EIP however supports the identification of Cornwall as a separate Housing Market Area. Cross-boundary functional links with these areas may however be relevant in considering localised housing market dynamics, and the Councils should ensure that they have liaised with surrounding authorities in preparing the local plan, through the Duty to Cooperate.

Housing Need

11.5 The report has followed the approach set out in the PPG to defining housing need. It has started out by considering trend-based demographic projections; and then considered whether there is a case for adjusting the assessed housing need – to either support economic growth, or improve affordability (taking account of evidence from market signals and of affordable housing need).

Demographic Analysis

11.6 The analysis considers need across Northern Devon – comprising the local authority areas of Torridge and North Devon (as opposed to the ‘plan area’). The two authorities have a baseline population of 159,700, of which almost a third is aged over 60.

³⁴ This covers the districts of Torridge and North Devon but excludes part of North Devon which lies within Exmoor National Park.

- 11.7 The latest official household projections are CLG 2012-based Household Projections. These expect an increase of 12,100 households between 2011-31, equivalent to 17.7% household growth. This is based on a 12.1% increase in population.
- 11.8 Short-term migration has been below longer-term trends. Projecting trends over the most recent five-year period forwards would result in population growth of 11.9% over the 2011-31 period. This particularly reflects lower internal migration to the area – and is likely to have been influenced, at least in part, by housing market circumstances since 2008. Given housing under-provision against planned targets, there is some basis for considering longer-term migration trends. This approach has been accepted at other recent local plan examinations (including Cornwall).
- 11.9 The household formation rates in the 2012-based household projections appear reasonable. There is no substantive evidence that these project forward suppressed household formation based on interrogation of the data. A sensitivity analysis has been undertaken, which supports the trends shown as reasonable.
- 11.10 The 2012-based population and household projections suggest a need for about 643 dwellings per annum to be provided across the HMA when linked to the SNPP, and a figure of 680 dwellings per annum based on a projection, which takes account of 10-year migration trends and a 50% UPC adjustment.
- 11.11 The demographic based need for housing therefore sits somewhere in the range from 643 to 680 dwellings per annum.

Supporting Economic Growth

- 11.12 Northern Devon has a relatively rural economy. Barnstaple and Bideford form the economic heart of the area. Productivity is below average – partly a reflection of location, and relationship to larger economic centres; and partly a function of the economic structure, with for instance above average employment in leisure/ tourism. Services meeting the needs of the resident population and visitors are important economic drivers.
- 11.13 This report has considered econometric forecasts from the three main forecasting houses – Cambridge Econometrics, Experian and Oxford Economics. Cambridge Econometrics forecasts employment growth rates in the two authorities (1.0% pa in North Devon and 1.2% pa in Torrige) which are not considered realistic based on interrogation, and set against wider benchmarks. It projects growth in certain sectors – particularly construction, accommodation/food, and government service – that do not look realistic. This overall rate of employment growth is substantially stronger than most forecasts at a regional/ national level.

- 11.14 Taking account of the three forecasts, a Synthesis Forecast has been prepared. This results in an expected jobs growth for the period 2011-31 of 6,830 in North Devon and 4,520 in Torridge – a total of 11,350 for Northern Devon.
- 11.15 Applying assumptions on expected labour force dynamics, including double jobbing, commuting and changes to employment rates, the evidence suggests that provision of at least 837 homes per annum would be required to support this forecast. This is above the demographically derived need figures of 643 to 680 dwellings per annum.

Affordability and Market Signals

- 11.16 The report has considered the need for affordable housing; using the Basic Needs Assessment Model recommended in the PPG. Using the available information, it identifies a net need for 174 affordable homes per annum in North Devon; and 171 affordable homes per annum in Torridge.
- 11.17 As the report has explained this would represent the ‘theoretical need’ for affordable homes if all households who needed some form of support in meeting their housing need were to be allocated an affordable home. It includes needs arising from existing households who require an alternative type/ size of home, from newly forming households, and from concealed/ homeless households. However only the latter two categories would result in an overall need for additional housing.
- 11.18 The analysis of market signals points to house prices which are below those in other parts of Devon and the South West average, and which – since 2008 – have been growing at a slower rate than the Devon or national rate. Coupled with this, lower quartile affordability – whilst high (reflecting low earnings) – has been improving.
- 11.19 Private sector rental costs have increased in absolute terms since 2011, but taking account of inflation have fallen in ‘real terms.’ They are also below Devon and regional averages.
- 11.20 The evidence does not point to particular ‘market imbalance’ within the housing market. There is however some evidence that affordability deteriorated over the 2001-11 period. Over this period – like in many areas across the country – levels of renting grew and home ownership fell (albeit to a lesser extent in Northern Devon than regionally/ nationally). There were some real effects of this, with the evidence suggesting that younger people – in their late 20s and early 30s – were less able to access market housing and form households due to worsening market conditions.
- 11.21 The report concludes that it would be appropriate to make an upward adjustment to support a recovery in household formation rates amongst younger households. It recommends adjusting upwards the assessed housing need by 6% (52 homes pa) to do this. This will serve to address the levels of concealed/ homeless households shown in the affordable housing needs analysis.

OAN Conclusions

11.22 The following represent the core projections undertaken (at local authority level and for the two authorities collectively):

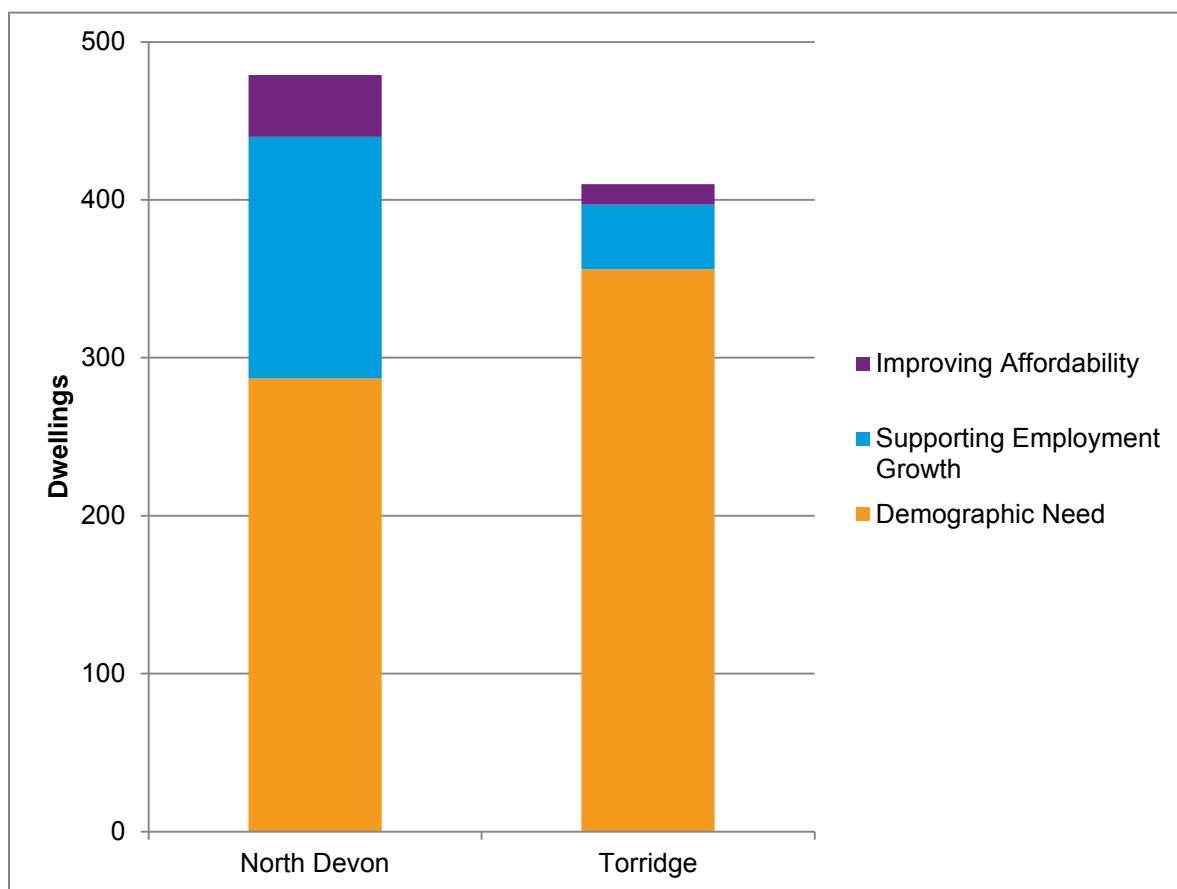
Table 112: Modelling Results – Housing Need, 2011-31

Need per Annum	North Devon	Torridge	Northern Devon
2012-based Official Projections	287	356	643
10-year migration/50% UPC	332	348	680
Economic Growth	440	397	837
Affordability Uplift	39	13	52

11.23 Whilst the economic-led projections result in a slightly different distribution of need, as a joint plan is being prepared, it is the combined results which are significant.

11.24 The housing need is built up on the following basis:

Figure 73: Derivation of Housing Need – Local Authority Level, 2011-31



- 11.25 The plan area however excludes the part of North Devon that falls within the Exmoor National Park. The National Park will need to meet its own housing need. It is therefore appropriate to exclude the housing need arising from the part of the National Park which is in North Devon.
- 11.26 The National Park accommodates 2.7% of households in North Devon. We have therefore applied a *pro rata* adjustment to the demographic-led scenario for North Devon to account for this. However, the majority the majority of economic growth in North Devon will arise outside the National Park. Accordingly, we assume that all of the additional dwellings resulting from the economic-led scenario will be delivered outside the National Park also. We have therefore assumed that all additional dwellings from the economic-led scenario will be delivered within the Plan Area.
- 11.27 This results in the following housing need figure for the Plan Area (excluding Exmoor National Park):

Table 113: Housing Need – Plan Area, 2011-31

	North Devon (excluding National Park)	Torridge	Plan Area
Demographic Need	278	356	634
Supporting Employment Growth	153	41	194
Improving Affordability	39	13	52
Dwellings per annum	470	410	880
Plan period 2011-31	9,400	8,200	17,600

- 11.28 The above housing need figure is based on the housing required to meet the economic growth identified in the Synthesis Forecast, which was higher than the need identified by the demographic scenarios. As such, this figure can be considered to be 'economic-led'.
- 11.29 The Synthesis Forecast is informed by three economic growth forecasts from the Cambridge Econometrics, Oxford Economics, and Experian forecasting houses. However, it should be recognised that there is significant variance between these three forecasts, which highlights the unpredictable nature of forecasting employment growth up to fifteen years into the future. The Synthesis Forecast draws upon all three forecasts, as well as on other data sources, in order to ensure it is as robust as possible. However, when considering a twenty-year period, it is reasonable to expect a level of variance in jobs growth – and therefore dwelling need – over this length of time. The economic-led housing need figures should be viewed in this context.
- 11.30 We therefore consider it is appropriate to provide a range to recognise the inherent uncertainty in the economic forecasting. In Northern Devon we consider that a range from 17,000 to 18,000 would be appropriate. This is the Objectively Assessed Housing Need for Northern Devon (excluding Exmoor National Park).

11.31 The OAN does not consider unmet housing need from any neighbouring areas through the duty to cooperate. Any delivery of housing arising from the duty to cooperate would need to be additional to the OAN identified through this assessment.

Housing Mix

11.32 Overall, in the period from 2011 to 2031 a net deficit of 345 affordable homes per annum is identified (based on a 30% affordability threshold). There is thus a requirement for new affordable housing in the HMA (and each District) and the Councils are justified in seeking to secure additional affordable housing.

11.33 The analysis undertaken suggests that of the affordable need, as currently defined in the NPPF, 20% of the need is for intermediate housing and 80% for social/ affordable rent.

11.34 The analysis points towards the following mix of housing of different sizes being appropriate:

Table 114: Recommended Housing Mix

	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	30-35%	40-45%	15-20%
Affordable	30-35%	35-40%	20-25%	5-10%
All dwellings	15%	35%	35%	15%

11.35 In applying policies on housing mix to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

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

11.37 The analysis on the need for Starter Homes shows an annual need for 158 Starter Homes per annum in Northern Devon. This is equivalent to 8-9% of the OAN. Looking at the current need over a shorter (5-year) period suggests that up to 18% of homes could potentially be Starter Homes. Therefore a ‘target’ for up to 20% of new homes to be Starter Homes is realistic and that these should be provided at a 20% discount to market value.

Specialist Housing and Accommodation for Older Persons

11.38 The analysis indicates that the population of persons aged over 65 accounts for a significant 25% of the two authorities’ population. The number of residents aged over 65 is projected to increase by 57% over the period to 2031, with particularly strong growth expected in those aged over 75, driven by improving life expectancy.

- 11.39 A growing older population and increasing longevity is expected to result in a substantial growth in people with dementia and mobility problems. The number of people with mobility problems is expected to increase by 4,900; with an increase of more than 2,300 persons with dementia projected to 2031. Some of these households will require adaptations to properties to meet their changing needs whilst others may require more specialist accommodation or support. There is clear evidence of need for properties which are capable of accommodating people's changing needs.
- 11.40 Based principally on the expected growth in population of older persons, the report estimates a need for an additional 2,330 specialist dwellings for older persons in Northern Devon over the 2011-31 period.
- 11.41 It may be the case that some existing sheltered housing is in a poor condition or suffers from low demand and that there remains a need for additional extra care accommodation – such as to reduce the proportion of households accommodated in residential care.
- 11.42 Specialist housing includes sheltered and extra care housing. These are considered to fall within a C3 use, and thus form part of the overall Objectively Assessed Need (OAN) for housing identified in this report.
- 11.43 Decisions about the appropriate mix of specialist housing should take account of the current stock, other local needs evidence as appropriate, and policies regarding accommodation and care for older persons. The district and county councils should liaise as appropriate in this respect.
- 11.44 The Councils should give consideration to how best to deliver the identified specialist housing need, including for instance the potential to identify sites in accessible locations for specialist housing or to require provision of specialist housing for older people as part of larger strategic development schemes.
- 11.45 In addition to specialist housing, the potential for the wider housing stock to cater for a growing older population needs to be considered. Many older people live in homes which they may have lived in for some years. Adaptions to properties and floating support may help households requiring support to remain in their home.
- 11.46 Some households may wish to downsize, should suitable, attractive properties be available locally. This has been taken into account in deriving the findings regarding the future mix of market and affordable housing above.

Need for Registered Care Provision

- 11.47 Registered care provision falls within a C2 use class, with households who live in care homes counted as part of the institutional rather than the household population. As such provision of residential care is treated in the analysis of housing need separately in this report from that for C3 dwellings.
- 11.48 The SHMA indicates a net need for 990 C2 bedspaces for older persons in Northern Devon over the 2011-31 period. The assessment should be treated as indicative, and does not seek to set policies in how older persons with care needs should be accommodated.
- 11.49 These figures are important to note if the Councils intend 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.

Housing Needs of Other Specific Groups within the Population

- 11.50 In North Devon there are 6,400 households living in the Private Rented Sector. In Torridge, there are 4,300. The proportions of residents living within the PRS have grown between 2001 and 2011. Government is keen to support the “Build to Rent” sector, and has set aside funds to support new developments. However, the sector remains quite embryonic and has to date been confined to the larger cities. Any Build-to-Rent development will likely require a greater degree of flexibility in s.106 negotiations, the application of CIL and affordable housing obligations.
- 11.51 There is a strong indicated potential demand for Custom Build housing in Northern Devon. There are 878 people registered their details on the Custom Build register and 437 active members on the Plotsearch register within Northern Devon. There are 30 locations³⁵ within Northern Devon available with capacity for 36 plots.

Employment Land Needs

- 11.52 The report has updated forecasting of employment land needs. The Synthesis Economic Forecast would require provision of 71.8 ha of employment land in Northern Devon – 44.9 ha in North Devon and 26.9 in Torridge.
- 11.53 The report also considers a scenario based on past completions over the last ten years. This suggests a higher level of need of 81.1 ha in Northern Devon – 48.8 ha in North Devon and 32.3 ha in Torridge.

³⁵ The locations are set out in Table 102

Table 115: Net Land Requirement, 2011-31 (Hectares)

	Demand Forecast	Uplift for Non-B Class Uses	Demand Forecast with Uplift for Non-B Class Uses	Completion Trend	Uplift for Non-B Class Uses	Completion Trend with Uplift for Non-B Class Uses
North Devon	24.8	20.1	44.9	28.7	20.1	48.8
Torridge	16.2	10.7	26.9	21.6	10.7	32.3
Northern Devon	41	30.8	71.8	50.3	30.8	81.1

- 11.54 The report recommends that it would be appropriate to plan for an employment land figure within the range of 72–81 ha.
- 11.55 These needs figures do not include provision for losses of employment land through permitted change of use to alternative uses – particularly to residential – and a quantum of existing employment land could potentially via be lost this way, although it is difficult to precisely assess how much might be lost. We therefore recommend that it would be appropriate to plan for an employment land figure which is around the higher end of the forecast range.