

## Discussion Paper: Considering the Implications of latest data on Housing Need in Woking

- 1.1 The Inspector in his findings at the Waverley Local Plan Examination stated that “re-calculating Woking’s OAN in the light of the 2014 household projections is outside the scope of this examination. The SHMA figure has therefore been referred to but with a recognition that lower household projections may result in some reduction to the degree of unmet need”.<sup>1</sup>
- 1.2 This paper provides some context as to what the OAN in Woking would be based on the latest available data and information, including the ONS 2016-based Sub-National Population Projections, economic assumptions consistent to those in the SHMA Guildford Addendum 2017 Report, and the Government’s proposed standard methodology for calculating housing need.
- 1.3 The Paper has been prepared by GL Hearn on behalf of Guildford BC to take account of the latest information. It has adopted a consistent approach to the 2015 West Surrey SHMA and Guildford Addendum. It has been prepared by GL Hearn as a discussion paper.
- 1.4 On the 24<sup>th</sup> May 2018, ONS published a new set of subnational population projections (SNPP). We start out by considering these. In the accompanying statistical bulletin it is noted that these will *‘be used in the production of the 2016-based household projections for local authorities, to be published in September 2018’*. The population projections provide information on how the size and structure of the population is expected to change, which is a major input to projecting household growth. It is therefore possible to use this new information to form a view about likely household growth ahead of publication of the 2016-based household projections.
- 1.5 Household growth can be projected by applying household formation rates (by age and sex) from the 2014-based household projections. The key information in these projections is based on Census data (and will therefore not have changed) whilst ONS (as part of their consultation on the 2016-based household projections) stated in June 2017 that they intend to ‘use the current methods as a starting point for the next release of the projections’.

### Key methodological differences from between the 2014- and 2016-based SNPP

- 1.6 In reality there are no methodological differences between the 2014- and 2016-based SNPP, with both using past trend data about births, death and migration, which is then projected forwards. The differences which arise in the results reflect the inclusion of more recent data.

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<sup>1</sup> Report on the Examination of the Waverley Borough Local Plan Part 1, Footnote 7

- 1.7 The 2016-based SNPP draw on ONS' 2016-based national population projections (NPP) which were published in October 2017. The NPP project notably lower population growth than in the previous (2014-based) set, with the UK population projected to be 2 million fewer in mid-2041. This is driven by lower assumptions about future birth rates and international migration, and an assumption of a slower rate of increase in life expectancy. The key differences are:
- ONS' long-term international migration assumptions have been revised downwards to 165,000 pa (beyond mid 2022) compared to 185,000 in the 2014-based Projections. This is based on a 25 year average;
  - The latest projections assume that women will have fewer children, with the average number of children per woman expected to be 1.84 compared to 1.89 in the 2014-based Projections; and
  - ONS is no longer assuming a faster rate of increase in life expectancy of those borne between 1923 – 1938, based essentially on more recent evidence. Life expectancy still increases, just not as fast as previously projected.
- 1.8 For local authorities, the 2016-based SNPP use a different base period to study migration trends (the 5-years to 2016 for internal migration and the 6-years to 2016 for international migration). In projecting migration, it takes account of the updated mid-year population estimates (MYE) which ONS published in March 2018.
- 1.9 The revised MYE indicate that past population growth in Woking is likely to have been underestimated, with ONS recent analysis pointing to lower levels of international out migration between 2011-16 than previously estimated. Table 1 below shows the migration trends for Woking that would have fed into each of the 2014- and 2016-based SNPP. There was a net out migration in the 2014-based SNPP base period of 289 persons per annum, compared to net out-migration of 267 persons per annum in the 2016-based period.
- 1.10 The input period to the 2016-based SNPP therefore sees, based on the updated data, modest net international in-migration of 116 persons per annum; but this is offset by internal net out-migration of 383 persons per annum.
- 1.11 Reductions in fertility projections and in the rate of improvement in life expectancy in the 2016-based SNPP (relative to the previous projections) would be expected to have a downward impact on levels of population growth.

**Table 1: Comparing migration assumptions in the original and revised MYE for Woking and SNPP averages**

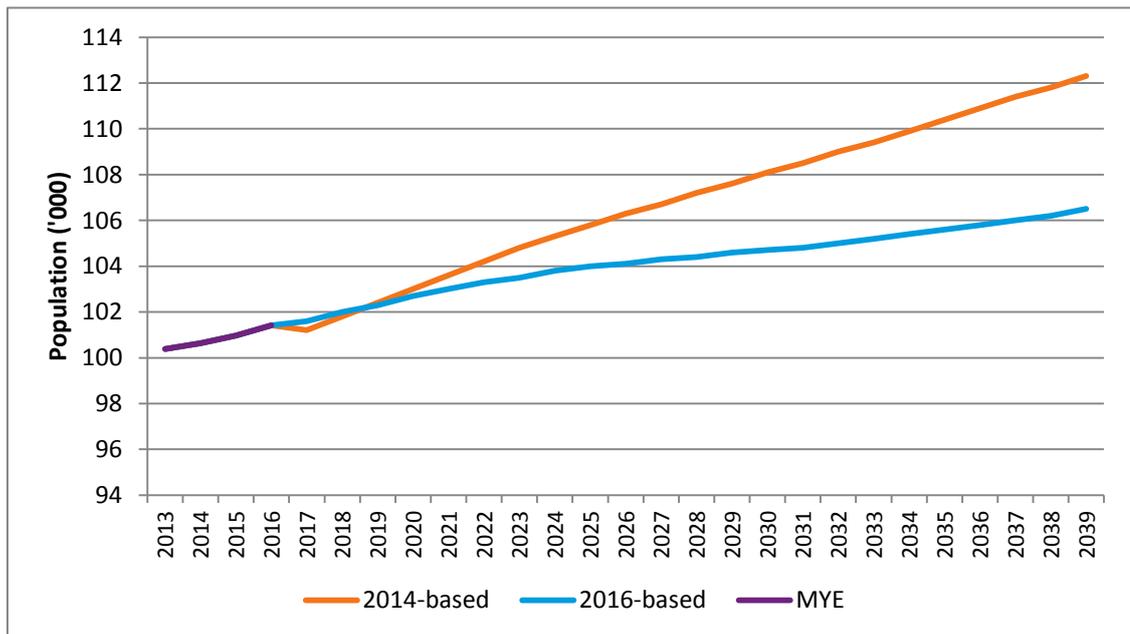
	Original MYE		Revised MYE	
	Net internal migration	Net international migration	Net internal migration	Net international migration
2008/9	-	-3	-	-
2009/10	17	345	-	-
2010/11	112	14	-	14
2011/12	-304	-566	-304	-168
2012/13	-45	-429	-45	-14
2013/14	-544	-179	-544	210
2014/15	-	-	-541	272
2015/16	-	-	-483	381
2014-based	-153	-136	-	-
2016-based	-	-	-383	116

Source: ONS

### Comparing 2014- and 2016-based SNPP

1.12 As shown in Figure 1 below, the 2016-based sub-national population projections show a considerably lower population growth in Woking in comparison to the previous, 2014-based, population projections.

**Figure 1: Projected Population Growth in Woking**



Source: ONS

1.13 Table 2 below shows that over the period considered in the West Surrey SHMA (2013-33) the projected population growth in the 2016-based projections is some 4,200 people lower than in the 2014-based version. The base demographic projection in the 2015 SHMA is shown for comparative purposes: The latest 2016-based projections are also notably lower than this.

**Table 2: Projected population growth in 2014- and 2016-based SNPP**

Woking	Population 2013	Population 2033	Change in population	% change
2014-based	100,387	109,400	9,013	9.0%
2016-based	100,387	105,200	4,813	4.8%
2015 SHMA (2012 based)	99,567	111,531	11,964	12.0%

Source: ONS

- 1.14 Table 3 shows the components of population change for the 2014- and 2016-based SNPP in Woking. The average number of births projected to be some 84 lower each year, along with an increase of 11 deaths. The net impact of this is for natural change to be around 100 people lower per annum on average for the 2013-33 period. These reflect ONS' revised assumptions on fertility and mortality.
- 1.15 Internal migration is expected to be lower than in the 2014-based SNPP (with net internal out-migration), but with positive international net in-migration. The higher international migration projected reflects the revisions ONS has made to the Mid-Year Estimates (reduced out-migration), and its lower projection at a national level of international migration. There is some difference between the different base periods. The overall net effect is that migration is projected to be on average around 160 people per annum lower over the 2013-33 period.
- 1.16 It should be noted that the figures in the table below do not exactly sum to the overall population change, this is due to the inclusion in the SNPP of a consolidation factor, this is included by ONS as an adjustment to ensure that all subnational projections sum exactly to national projections.

**Table 3: Components of population change in the 2014- and 2016-based SNPP**

	2014-based	2016-based	Difference
Births	1,301	1,217	-84
Deaths	817	828	11
Natural change	485	389	-96
Internal net	166	-218	-384
International net	-164	59	223
<b>Total net migration</b>	<b>2</b>	<b>-159</b>	<b>-161</b>

Source: ONS

- 1.17 Given the differences in the overall population growth, there will also be differences in the age profile of the population. Table 4 shows projected population change in five-year age bands in each of the two releases. Both projections see notable increases in those aged 50+, and also of people in their teens.

**Table 4: Population change by age in the 2014- and 2016-based SNPP**

	2014-based	2016-based	Difference
0-4	-729	-1,339	-610
5-9	206	-316	-523
10-14	1,157	827	-330
15-19	800	808	8
20-24	289	-10	-299
25-29	-277	-866	-589
30-34	-1,583	-2,243	-660
35-39	-685	-1,429	-744
40-44	37	-494	-531
45-49	-150	-312	-162
50-54	662	629	-34
55-59	1,055	1,189	134
60-64	1,247	1,219	-28
65-69	1,208	1,203	-5
70-74	1,801	1,681	-120
75-79	1,262	1,197	-65
80-84	1,161	1,050	-111
85 & over	2,413	2,005	-408
<b>Total</b>	<b>9,875</b>	<b>4,798</b>	<b>-5,076</b>

Source: ONS

- 1.18 The 2016-based projections see a much lower change in the number of children (this will be linked to lower fertility) and also a lower change in older age groups, particularly those aged 85 and over (linked to mortality assumptions). There are also lower levels of growth and indeed decline of people in their late 30s and 40s – this may well be linked to lower levels of international migration.

### Household Growth and Housing Need

- 1.19 By applying the household representative rates (HRRs) from the 2014-based household projections, which are the latest available, it is possible to calculate household growth and housing need associated with the new SNPP. A 3.1% vacancy allowance is then applied in calculating housing need, consistent to the 2015 SHMA.
- 1.20 Table 5 shows that the starting point for assessing housing need will have fallen from 341 dwellings per annum (using the 2014-based demographic projections) to 218 dpa (using the 2016-based SNPP).

**Table 5: Estimated housing need associated with the 2014- and 2016-based SNPP – Woking**

	Households 2013	Households 2033	Change in households	Per annum	Dwellings per annum
2014-based	39,757	46,380	6,623	331	341
2016-based	40,113	44,375	4,262	213	218

Source: Demographic projections

## Sensitivity Analysis – Adjusting Household Formation Rates

- 1.21 In the West Surrey SHMA adjustments were also made to household formation rates to address affordability. The modelling undertaken saw HRRs for the population 25-34 return to the levels seen in 2001.
- 1.22 Table 6 below shows the impact of applying this adjustment to the 2016-based SNPP projection. This shows a need for some 255 dwellings per annum, some 17% above the starting point of 218 dpa.

**Table 6: Estimated housing need associated with the 2014- and 2016-based SNPP – Woking (with uplift to HRRs for 25-34 age group)**

	Households 2015	Households 2034	Change in households	Per annum	Dwellings per annum
2014-based	39,757	47,204	7,446	372	384
2016-based	40,113	45,116	5,003	250	255

Source: Demographic projections

## Addressing Economic Growth

### SHMA Job Growth Assumptions

- 1.23 The West Surrey SHMA (2015) calculated an economic-led housing need in Woking of 517 dpa based on jobs growth of 479 jobs per annum (2013-33). As set out above, the 2016-based SNPP results in a lower demographic need. However given the age structure changes shown in Table 4, and lower overall population growth, it is reasonable that higher net migration may be required to support economic growth.
- 1.24 Using the 2016-based SNPP as the base projection, and holding assumptions on jobs growth (479 jobs pa), economic participation rates, double jobbing and commuting consistent to those set out in the Section 5 of the West Surrey SHMA, the economic led need would be 464 dpa (246 dpa above the 218 dpa 2016-based SNPP starting point). This is modelled using headship rates from the 2014-based household projections.
- 1.25 GL Hearn have also modelled through sensitivity analysis an adjustment to headship rates for the 25-34 age group back to 2001 levels as per the West Surrey SHMA. This results in a further upward adjustment, resulting in a revised OAN of 510 dpa. This is 134% above the demographic starting point.

**Table 7: Difference between 2014-based and 2016-based SNPP on Woking OAN (2013-33)**

	2015 SHMA	2016-based
Demographic Starting point	341	218
Additional Migration to Support Economic Growth	+130	+246
Headship Adjustment	+46	+46
Total OAN	517	510

Source: GL Hearn based on ONS Data

- 1.26 Overall the implication of the 2016-based SNPP on its own on Woking's OAN, if other factors are held constant, is modest with the OAN falling slightly from 517 to 510 dpa. This is largely a function of lower life expectancy improvements modelled in the 2016-based SNPP.

**More Recent Economic Evidence**

- 1.27 Alongside the SNPP, there is more recent information on economic growth and economic participation assumptions which could impact on Woking's OAN. These were taken into account in the SHMA Addendum for Guildford, and the impact of the more recent information on these issues can similarly be considered for Woking.
- 1.28 The West Surrey SHMA - Guildford Addendum (2017) utilised late 2016 econometric forecasts provided to the Council from the three main forecasting houses – Cambridge Econometrics, Experian and Oxford Economics. Consistent forecasts to these are also produced for Woking Borough, and we have therefore sought to consider what impact these may have on the OAN.
- 1.29 The economic growth set out in the West Surrey SHMA (2015) for Woking and Guildford was based on the average Compound Annual Growth Rate (CAGR) from earlier (2015) versions of the same forecasts applied to an adjusted employment figure from BRES. The CAGR derived from the 2015 forecasts was 0.83% per annum.
- 1.30 The BRES figures were adjusted to reflect the regional difference between the total employment levels set out in the BRES dataset and the latest Workforce Jobs (WFJ) figure. The WFJ dataset is arguably a more robust count of jobs but only available at a regional level. This approach resulted in an anticipated jobs growth of around 479 jobs per annum over the 2013-33 period.
- 1.31 Using the latest data, the modelling adjusts migration to support economic growth from 2016 forwards. Applying the same method to calculating jobs growth for the residual period (2016-33) using the most recent BRES, WFJ and the average CAGR from the updated forecasts (0.7% per annum) results in a lower jobs growth of 427 jobs per annum over the same period (7,259 in total, 2016-33). This is 53 less jobs per annum than the 2015 SHMA calculations.

1.32 In translating jobs growth to a labour force supply we have maintained the same assumptions on commuting (1.16 commuting ratio) and double jobbing (3.8% of employed persons) as that set out in the 2015 West Surrey SHMA 2015. As set out in Table 8 below, these adjustments results in change in resident workforce of 8,093 persons over the 2016-33 period reflecting the levels of net out commuting from the Borough.

**Table 8: Jobs Growth and Change in Resident Workforce (2016-33) – Table 28: economic forecasts**

	Change in Workforce Jobs	Adjustment Factor	Change in Resident Workforce
Woking	7,259	1.11	8,093

Source: GL Hearn

1.33 Within the West Surrey SHMA the change in resident workforce was translated into a population growth using a set of bespoke set of age- and sex-specific employment rates. These took account of assumptions from a range of different forecasting houses and trends shown between the 2001 and 2011 census. The SHMA Guildford Addendum however considered a number of scenarios, and drew conclusions based on economic activity rates changes derived from the Office for Budget Responsibility (OBR) 2015 Fiscal Sustainability Report, adjusted to ensure there was no reduction within any specific age groups economic activity rate.

1.34 Subsequent to the production of the West Surrey SHMA - Guildford Addendum, the OBR produced an updated set of economic activity rate assumptions in 2017. As the latest available information, these have also been considered in the Council's responses to the Inspector's MIQs.

1.35 The results are shown in Table 9 below. As with our analysis elsewhere we have calculated household growth based on household representative rates (HRR) from the 2014-based household projections and with adjustments to the HRR for 25-34 age group back to 2001 levels. Housing need is expressed over the 2013-33 period to allow comparison to the 2015 SHMA findings.

**Table 9: Economic led housing need in Woking based on Different Economic Activity Rates (2013-33)**

EAR Assumptions	2014 headship rates (dpa)	With headship adjustment (dpa)
SHMA employment rates:	398	441
2015 OBR rate (no reductions)	416	460
2017 OBR rates (no reductions)	411	455

Source: GL Hearn

1.36 The impact is that the annual housing need in Woking of the more recent economic forecasts, economic participation assumptions and 2016-based SNPP would reduce from the 517 dpa OAN (as set out in the 2015 West Surrey SHMA) to 455 dpa based on the most

recent (adjusted) OBR rates including an additional 44 dpa resulting from an adjustment to household formation rates. This is 108% above the demographic starting point of 218 dpa

### Working Plan Period

- 1.37 For completeness we have also looked at the housing need resulting from economic growth to 2027 to align with plan period of Woking's adopted Core Strategy. As set out in Table 10 below, the latest economic evidence points to a need for 364 dpa over the period from 2013-27. The lower need figures relative to Table 9 take account of changes in the population structure over the shorter period.

**Table 10: Economic led housing need in Woking based on Different Economic Activity Rates (2013-27)**

EAR Assumptions	Dwellings per annum
SHMA employment rates:	204
2015 OBR rate (no reductions)	376
2017 OBR rates (no reductions)	364

Source: GL Hearn

### Impact on Unmet Need

- 1.38 The Council in its response to the initial questions set out that it is appropriate to consider any unmet need from Woking over the period to 2027.
- 1.39 The above analysis firstly updated the 2015 SHMA OAN for Woking to take account of the 2016-based SNPP. Holding other assumptions consistent, this resulted in an OAN of 510 dpa. This would result in a need over the 14 year period from 2013-2027 of 7,140 dwellings (510 dpa x 14).
- 1.40 Woking Council is currently planning to deliver a minimum of 292 dpa over this period or 4,088 dwellings in total. This scenario would therefore result in an unmet need from Woking of 3,052 dwellings to 2027.
- 1.41 However taking into account more recent information on expected economic growth, and the latest OBR economic participation rates – an approach consistent to the Guildford SHMA Addendum – an OAN for Woking of 364 dpa is shown. Over the 14 year period to 2027 this results in a need for 5,096 dwellings.
- 1.42 Woking's Core Strategy plans for a minimum of 4,088 dwellings therefore the latest information points to an unmet need from Woking of 1,008 dwellings to 2027.
- 1.43 Waverley Borough Council has agreed to accept 83 dpa across their plan period (2013-32). This totals 1,577 across the 19 year Waverley Plan period. Set against the latest evidence, this would suggest that Waverley Borough is making provision to meet Woking's unmet need in full.

## Government's Standard Methodology

- 1.44 As set out in the Council's response to the Inspector's Initial Questions, any review of the Woking OAN would likely come at a time when the Government's proposed new Standard Methodology has been adopted. At the time of publication of the draft proposals in Autumn 2017 the then DCLG produced an accompanying spreadsheet which for Woking calculated a need for 409 dpa.
- 1.45 This was based on the 2014-based household projections which as demonstrated were based on a considerably higher level of population growth than that anticipated by the 2016-based sub-national population.
- 1.46 The standard methodology also drew on the 2016 based workplace based affordability ratios which were superseded in April 2018 by 2017-based data. However, as both the 2016 and 2017 affordability ratios result in an affordability adjustment capped at 40%, these do not have a material impact.
- 1.47 GL Hearn has sought herein to consider the impact of the latest sub-national population projections and affordability ratios on the standard methodology figure for Woking.
- 1.48 As set out in Table 11 the latest population projections would result in the household growth declining from 307 per annum to 215 per annum over a like for like period (2016-26). Moving the projections on a year (2017-27) to align with the latest affordability ratios only sees this increase by a single household.

**Table 11: Standard Methodology OAN for Woking using more recent data**

	Household growth	Affordability ratio (and uplift)	Uplift	Housing Need
2016-26 (2014-based Household Projections and 2016 ratio)	307	11.61 (47.6%)	40%	409
2016-26 (2016-based Household Projections and 2016 ratio)	215	11.61 (47.6%)	40%	301
2017-27 (2016-based Household Projections and 2017 ratio)	216	12.21 (51.3%)	40%	302

Source: GL Hearn based on ONS and DHCLG Data

- 1.49 Based on the most recent data with a cap of 40% applied to the affordability adjustment, then the standard methodology figure for Woking would be 302 dpa. This is only 10 dpa above the existing Woking Core Strategy figure of 292 dpa. On this basis Waverley is meeting all of the unmet need and more.