

Report for:

**Mendip, Sedgemoor,
South Somerset
and Taunton Deane**

**Strategic Housing
Market Assessment**

Final Report

October 2016

Contents

Summary.....	1
1. Introduction.....	21
2. Somerset Profile – Statistical Analysis.....	31
3. Qualitative Overview of Study Area	65
4. Trend-based Demographic Projections.....	89
5. Future Employment and the Link to Housing	115
6. Affordable Housing Need – Affordability.....	135
7. Affordable Housing Need.....	149
8. The Role of Starter Homes.....	169
9. Market Signals	185
10. Housing Mix (Size of Homes Needed).....	203
11. Older Persons’ Housing Needs	215
12. Self and Custom-Building	227
13. Space Standards.....	235
14. Impact of Hinkley Point C on the Housing Market	247
Appendix 1: Demographic Projections – Background Data.....	279

Summary

Overall Summary

1. Through the Strategic Housing Market Assessment (SHMA) this report provides an objective assessment of housing need (OAN) for Mendip, Sedgemoor, South Somerset and Taunton Deane Councils. The detail of the various stages of analysis follow; however initially a summary of the key scenarios tested are set out below. This includes scenarios based on both demographic trends and economic trends/forecasts (jobs-led projections).
2. The table shows the range of scenarios; highlighted in bold is the scenario which is considered to represent the upper end of the OAN in the County and for individual local authorities (note: figures for Somerset also include West Somerset). Based on migration trends over the past decade (decade to 2015) an overall need for 2,320 dwellings per annum is highlighted.

Projection scenario	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
2014-based Sub National Household Projections	411	568	547	474	2,076
2014-based Sub National Household Projections + adjustment for mid-year population estimates	417	568	540	482	2,085
Oxford Economics jobs-led projection + 2014-based Sub National Household Projections headship rates	437	479	589	520	2,088
10-year based migration trend projection + adjustment for unattributable population change + 2014-based Sub National Household Projections headship rates	442	561	597	481	2,185
10-year based migration trend projection + 2014-based Sub National Household Projections headship rates	491	593	597	507	2,320
Past trend jobs-led projection, 2014-based Sub National Household Projections headship rates	674	688	720	421	2,731

3. In taking this figure forward; it is also necessary to consider a range of potential issues to see if any adjustment needs to be made to the figures derived. The main considerations include:
- Economic growth – the evidence here suggests that overall there is likely to be a good alignment between homes and jobs (when both forecasts and past trends are considered);
 - Affordable housing need (including the need for Starter Homes) – the evidence does not suggest that there is any need to increase overall provision due to affordable needs;
 - Market signals – the evidence does not identify any particular mismatch between supply and demand or affordability issues in the County, such that housing provision should be changed from the OAN estimates.
4. The analysis did however identify an increase in the number of concealed households across the County and an adjustment to the need figures is suggested due to this (noting that concealed households do not feature within the projection scenarios developed). Hence the final conclusion about the OAN is as shown in the table below.

Figure 2: Upper End of the range for Objectively Assessed Need – including allowance for concealed households (per annum housing need (2014-39))					
Projection scenario	Mendip	Sedge-moor	South Somerset	Taunton Deane	Somerset
10-year based migration trend projection + 2014-based Sub National Household Projections headship rates	491	593	597	507	2,320
Annual allowance for concealed households	8	8	10	6	35
TOTAL OAN (upper end of the range suggested)	498	601	607	512	2,355

5. The study also highlights an additional need for 'older person' C2 accommodation (e.g. care home bedspaces). This is not included in these figures.
6. Whilst these figures are for the overall provision of housing, there will be a series of choices to be made by the local authorities in terms of the types, tenures and locations of housing. To some extent this will be driven by land availability and viability issues (as well as funding from the County Council with regard to housing with an element of care), as well as any specific policy decisions (for example to focus development in urban areas for sustainability reasons).
7. Overall, as a 'policy-off' assessment (as required by the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG)) the assessment shows a need for up to 2,355 additional homes per annum (average) over the 2014-39 period. However, in moving from an OAN to a housing requirement, there may be specific policy decisions to be made; this might include a desire to boost economic growth above the level shown in the baseline forecast (from Oxford Economics), to provide housing to help balance commuting dynamics, to meet unmet needs from other areas or due to land supply constraints.

Introduction

8. This report provides a Strategic Housing Market Assessment (SHMA) for Mendip, Sedgemoor, South Somerset and Taunton Deane Councils. The purpose of the SHMA is to develop a robust understanding of housing market dynamics, to provide an assessment of future needs for both market and affordable housing and the housing needs of different groups within the population. The analysis in this report looks at needs over the 25-year period from 2014 to 2039 (which aligns with the latest published population and household projections).
9. The SHMA has been commissioned by four of the five local authorities in Somerset but much of the analysis has also been presented at a County-wide level. Data for West Somerset is generally not presented, but can be inferred from the information provided.
10. National planning policies require the SHMA to define the 'full objectively assessed need for market and affordable housing.' This provides a starting point for considering policies for housing provision. The assessment must 'leave aside' constraint factors (including land availability and Green Belt) however these are relevant in drawing together evidence and testing options in the development of local plans. The SHMA does not set targets for housing provision.
11. Government's Planning Practice Guidance (PPG) sets out how the objectively assessed need for housing should be defined. It sets out that the starting point should be demographic projections, with appropriate assumptions regarding household formation rates. Consideration then needs to be given to economic growth, market signals and affordable housing need. The SHMA follows this approach to identifying objectively assessed housing need (OAN).
12. Previous research by Opinion Research Services has identified Housing Market Areas (HMA) across Somerset – this research (which uses up-to-date sources) identifies each local authority as forming its own HMA, although a functional economic market area (FEMA) does group Sedgemoor with Taunton Deane (due to the M5 corridor) – links generally with West Somerset are also identified. The identification of a single HMA for each local authority provides support for the undertaking of analysis for individual local authorities; however, there are clear Duty-to-Cooperate issues with other parts of the County and therefore this report also considers needs at a County-wide level.

Somerset Profile – Statistical Analysis

13. A range of variables have been considered to look at the profile of the population and housing in the County (and for urban/rural areas separately). Key variables have looked at population, household characteristics, housing profile, the economic profile of residents and house prices/incomes.
14. The analysis identifies a relatively old population age structure (notably in rural areas) with population growth (in the 2004-14 period) having been fairly modest – population growth is concentrated in age groups of 65 and over. The Black and Minority Ethnic population of the County is low when compared with other areas and is focussed on the more urban parts of the areas. The tenure profile sees a relatively large proportion of outright owners (which will to some extent be linked to the age structure) and a small social rented sector (relative to the national position) – levels of owner-occupation are particularly high in rural areas.

15. Dwelling sizes in the County are relatively large, with homes in rural areas having a higher average number of bedrooms; to some extent this is driven by rural areas seeing a greater proportion of detached homes (and relatively few flats). Overcrowding in the County is also low (and particularly low in rural areas). The economic profile of the County is similar to that seen in other locations (in terms of levels of economic activity, qualifications and occupation groups) although there are notable differences between urban and rural areas.
16. A final analysis looked at house prices and incomes; this revealed higher house prices in rural areas; partly linked to the profile of dwellings (e.g. more detached homes). Income levels in rural areas were also higher. Generally, homes in rural areas look to be less affordable, although a standardising of dwelling types does bring an affordability ratio more in line across areas.
17. Analysis of different local authority areas suggests that there is really little difference between locations when studying the range of variables undertaken. However, throughout the analysis, there are clear differences between urban and rural locations (and also within these areas based on the degree of 'rurality'). Generally, the rural areas have more 'prosperous' characteristics in terms of the range of variables studied and the analysis clearly identifies that characteristics vary more within individual local authorities, than across them.
18. The analysis would suggest that policy responses might seek to differentiate between different types of location (e.g. in terms of housing mix or affordability). However, the function of different locations does also need to be recognised; for example, households seeking larger homes may well look to rural locations to secure such accommodation (and it may not be appropriate to build lots of flats in rural areas just because they do not currently exist in these locations). However, certain issues, such as a relative lack of social rented housing in rural areas may require consideration through policy responses.

Qualitative Overview of the Study Area

19. An initial part of the project was to undertake a series of qualitative research with estate/letting agents and other stakeholders into housing market conditions across Somerset. The aim was to add a local perspective to the study and provide a 'how and why' perspective to support SHMA findings. The consultation exercise sought to inform the following research questions:
 - To what extent do agents' area of operation mirror housing market boundaries?
 - What are the main gaps in supply for each local housing market area for new build, resale and affordable housing?
 - To what extent does new build housing meet local need?
 - What contribution does the private rented sector make to meeting local need?
 - What impact is the Hinkley Point C construction project likely to have on the private rented sector?
20. Most resale agents identified a high demand from up-sizers for 2 and 3-bedroom family homes at up to local median prices. They also identified that retired households seeking to downsize were a significant part of market demand and can lead to high proportions of re-sale housing being acquired by incomers taking advantage of relatively low house prices. Higher priced new build attracts a disproportionate number of incomers some of whom are newly retired people, otherwise most new build is occupied by local households seeking to upsize.

21. Agents believe that the private rented sector investment market will adjust with higher rents and some rationalization of landlords' portfolios. They point to evidence of the long-term success of the sector due to very high levels of demand being sustained.
22. Market conditions in Somerset (and Sedgemoor in particular) are also being affected by proposals for Hinkley Point. Agents noted that the delay in starting the major construction was proving a problem for some landlords that had made early investment decisions to accommodate workers. The National Landlords Association commented that they believe that most demand will come from workers wishing to share self-contained houses.
23. Registered providers consider it a priority to improve supply of social and affordable rented housing whilst local authority managers stated that 1 and 2 bedroom homes are in short supply and vulnerable single unemployed people are particularly affected. Particular issues were also raised with regard to people in low paid jobs (who are benefit claimants) as well as rent rises affecting people aged under 35.

Trend-based Demographic Projections

24. The start point for assessing housing need in line with the PPG is the most recent official household projections; these are the 2014-based CLG projections which suggest a need for around 2,076 dwellings per annum to be provided (2014-39) – including an allowance for vacant homes drawn from Council Tax data. These projections were underpinned by the most recent ONS subnational population projections (SNPP – also 2014-based). The 2014-based subnational population projections (SNPP) look to be a sound demographic projection in technical terms and future population growth is projected to be in line with past trends in population growth (when taking account of both long- and short-term trends).

Figure 3: Annual housing need (2014-39) – CLG household projections (2014-based)	
	Per annum housing need
Mendip	411
Sedgemoor	568
South Somerset	547
Taunton Deane	474
Somerset	2,076

25. Alternative projections based on long-term (10-year) trends were developed (and this includes more up-to-date information from ONS mid-year population estimates to 2015). This projection 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 18% higher than the most recent 'official' population projections. The housing need linked to 10-year migration trends is for 2,320 dwellings per annum (2014-39). Other sensitivity scenarios developed tend to show levels of need close to those in the 2014-based projections or in between the 2014-based and 10-year scenario.

Figure 4: Annual housing need (2014-39) – 10-year migration trends	
	Per annum housing need
Mendip	491
Sedgemoor	593
South Somerset	597
Taunton Deane	507
Somerset	2,320

26. When looking at the data about headship rates underpinning the 2014-based CLG household projections it was observed that the 25-34 age group had reduced slightly in the 2001-11 period, although this trend was not projected to continue into the future. When considering changes to the population structure in this age group (a substantial growth in the BME population) and other age groups within the projections (e.g. projected increases in headship for those aged 35-44) there was no evidence of any suppression of household formation and hence the 2014-based CLG projections can readily be used as published to translate population figures into household growth and housing need.
27. Overall, the analysis identifies a demographic based need for between 2,076 and 2,320 dwellings per annum (the latter based on 10-year migration trends).
28. The figures presented above are all for the 2014-39 period which have then been annualised (by simply dividing by 25). In reality, the level of need will vary over time depending on when population growth is projected to happen. The modelling undertaken (presented in Appendix 1) shows for all areas, and Somerset as a whole, that the need is projected to decline over time (mainly due to ONS projections of reducing international migration). This information should be considered when looking to set housing targets/requirements or possibly the phasing of delivery. This information will also be particularly important if plan periods are to be used which do not extent as far as 2039.

Future Employment and the Link to Housing

29. Analysis has sought to estimate the likely level of housing needed to be delivered if the resident workforce is to increase sufficiently to meet both job-growth forecasts and an analysis of past trends. The main purpose of the analysis was to establish if there was an imbalance between where population growth is projected to occur and where the jobs might be provided.
30. The analysis took account of both commuting patterns and double jobbing, as well as making a series of assumptions about how economic activity rates might change in the future. This latter point is a key difficulty in matching job-growth to population growth – a range of potential sources are available to undertake this step, but many cannot be considered as robust given that they do not relate to economic forecasts.
31. The approach in this report used information published by Experian; Experian are the only one of the three main forecasting houses who publish age and sex specific economic activity rate data and it is therefore the most robust source to use. This is not however without problems, as the data is at a national level and the economy locally could potentially develop differently. Due to the assumptions made, all outputs should be treated as indicative.

32. In running the modelling, it is estimated that to meet the job growth forecast there would need to be provision of about 2,088 dwellings per annum across the County (2014-39) with a similar analysis based on past trends identifying a higher figure of 2,731. These figures sit comfortably with the demographic projection linked to 10-year migration trends (a need for 2,320 dwellings per annum) and across the County there can be expected to be a good balance between jobs and the population to take up employment opportunities.
33. Looking at individual local authorities, there was no suggestion in any area of any labour-force shortage (or indeed any notable surpluses). In all areas, the outputs from the two economic-based projections fell either above or below the demographic based projections (when using the higher (10-year migration) of the demographic projections). Therefore, the analysis also suggests at the smaller area level (i.e. local authority) that the balance between population and jobs does not mean that the Councils need to consider an alternative spatial distribution of housing from that suggested by demographic modelling.

Figure 5: Annual housing need (2014-39) – economic-led projections		
	Job growth forecast	Past trends
Mendip	437	674
Sedgemoor	479	688
South Somerset	589	720
Taunton Deane	520	421
Somerset	2,088	2,731

34. Cross-checking the outputs from the modelling with other outputs in the economic forecasts and past trends (around population growth and economic activity rates) confirmed the findings of the main modelling (i.e. that there is a good balance between homes and jobs across the County and for individual local authorities).
35. Finally, the analysis considered the potential impact of Hinkley Point C on the number of residents in employment and hence housing need. The analysis focussed on permanent jobs created once the site is operational rather than jobs through the construction phase (although this is considered in this report). Overall, the analysis did not identify any need to increase housing provision above the sort of levels suggested by demographic-based projections in order for there to be a sufficient labour force.

Affordable Housing Need – Affordability

36. There are a range of different tenures of housing available to households. In terms of the income likely to be required to access different products; these would run from open market purchase through to social rent. There is however a significant overlap between tenures with households potentially able to afford or access a range of products.

37. Analysis has considered five main tenures; open market purchase, Starter Homes, private rent, affordable rent and social rent. This does not reflect the full range of tenures available, and for example, it would be the case that the income required to buy a Starter Home is likely to be similar to the income needed for other forms of discounted ownership. Additionally, the analysis could have specifically looked at shared ownership, in this case it looks as if the income requirement would sit somewhere between that needed to rent privately and an affordable rent (i.e. shared ownership fills the gap between the bottom end of the market and the upper end of affordable rented products) – this would make shared ownership an intermediate product in line with the definition in the NPPF. It should also be recognised that there are restrictions on access for certain type of accommodation (e.g. age restrictions for Starter Homes). Hence any analysis should only be considered as indicative.
38. In looking at overall affordability of different products, the analysis is slightly complicated due to purchase products typically being looked at with mortgage multiples and rental product affordability being based on proportions of income spent on housing. In both cases, there are no standard assumptions to be used.
39. Across the whole of the County, the analysis has suggested that an income of around £33,300 would be needed to buy a lower quartile property and that the income drops (to about £29,900) to access a Starter Home (with a 20% discount on open market value). The typical incomes needed to access rented products are notably lower with a figure of £21,000 being shown for access to the private rented sector. This means for example, that a household able to afford a Starter Home could also afford to rent in the market without any level of discount or subsidy.
40. Overall, the analysis identifies that around 24% of households have an income that would be insufficient to afford social rent without some form of subsidy, with smaller proportion fitting in the gaps between different tenures. Arguably the most notable finding is the large proportion of households whose income sits in the gap between affording the private rented sector and affording a Starter Home. Such households can technically afford market housing but are unable to afford to buy a home – there is likely to be a limited supply of housing in this gap although products such as shared ownership may be affordable to these households (although this then raises the question as to whether shared ownership is technically affordable in terms to the definitions in the NPPF).

Affordable Housing Need

41. 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 Somerset. Affordable housing has been defined in a consistent manner to Annex 2 of the NPPF – this definition can be found in Section 6 of this report. Overall, in the period from 2014 to 2039 a net deficit of 955 affordable homes per annum is identified. There is thus a requirement for new affordable housing in the County and the Councils are justified in seeking to secure additional affordable housing.

Figure 6: Estimated Annual Need for Affordable Housing – by location

	Current need	Newly forming households	Existing households falling into need	Total Need	Relet Supply	Net Need
Mendip	17	351	191	559	319	240
Sedgemoor	15	408	232	655	354	301
South Somerset	20	466	379	865	659	206
Taunton Deane	17	363	393	774	613	161
Somerset	74	1,665	1,274	3,013	2,058	955

42. How affordable housing need sits with the overall need for housing needs to be properly understood, 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. Additionally, the modelling includes newly forming households, who are already part of the demographic projections (i.e. they are already included within the need). Furthermore, many households secure suitable housing within the Private Rented Sector, supported by housing benefit.
43. Once account is taken of the range of outputs with the modelling and the fact that many of the households in need are already living in accommodation (existing households) and the role played by the private rented sector, the analysis does not suggest that there is any strong evidence of a need to consider additional housing to help meet the affordable need. There are however a number of concealed households within the modelling who are not picked up by demographic projections (and are without housing). There is merit in considering these households as an additional need and this is addressed in the market signals section of the report.
44. Additional analysis was carried out to look at how much of the affordable need could be met by different products, with a conclusion that around 10-15% of housing should be of an intermediate tenure (e.g. shared ownership) and the remainder being social or affordable rented housing. The analysis identified a particular need for social rented housing; although it is recognised that with the inclusion of housing benefit, many of these households would potentially be able to access an affordable rented product.
45. A number of proposals were introduced in the Housing and Planning Act (and previous announcements regarding welfare reforms) which may impact on the future supply of and demand for affordable housing. The impact of these proposals should be monitored by the local authorities to understand the likely impact these are having on levels of affordable housing need.

The Role of Starter Homes

46. Analysis of the 'need' for Starter Homes from both current and newly forming households identifies a potential need for 273 homes to be provided each year to 2039. This figure represents about 12-13% of the total need for housing identified by the analysis (a need for 2,076-2,320 dwellings each year). This proportion could increase (to 30-34%) if the current 'need' is assessed over a shorter time frame.

47. 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.
48. The analysis has been based on a 20% discount to Open Market Value (OMV). There seems to be 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 County. Much higher discounts could however potentially provide housing within the intermediate band described above (i.e. the 10-15%); however, issues around viability and the ability to provide other forms of affordable housing would remain.
49. 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.
50. 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. Questions do remain about the extent to which such housing is genuinely affordable as the income levels required to access such housing are above those typically required to access market housing as currently available (in the private rented sector). If there is flexibility of the proportion of homes to be provided as Starter Homes, then the Council will need to consider the balance between Starter Homes and other forms of affordable housing carefully (particularly noting that those able to afford a Starter Home will already be able to afford market housing within the private rented sector).

Affordable Housing Need – Discussion

51. The range of analysis around affordable housing and the need for different types of housing does provide the Councils with a series of choices. The analysis clearly identifies a need for affordable housing based on the current NPPF definition, as well as a potential role of Starter Homes (although it is recognised that this may not meet 'needs' as currently defined). Within the main affordable housing analysis, a particular need for social rented housing is also identified.
52. In terms of the choices, the delivery of affordable housing will be limited by the finance available to provide such housing and this will need to be balanced against the need for different types of accommodation. For example, the analysis clearly shows the main need to be for social rented homes, however, such accommodation is typically less viable to provide than say affordable rented housing or shared ownership – therefore fewer social rented homes would be able to be provided than homes of other tenures.

53. Additionally, Starter Homes may not meet the current NPPF definitions of affordable housing, however all planning authorities in England are under a general duty to promote the supply of such accommodation (although in the absence of regulations, it is unclear exactly what form of housing this might take). Hence, there will be further choices to make regarding the provision of Starter Homes and this will include consideration of issues such as the discount on OMV.
54. There are further considerations when looking at the tenures of affordable homes to be provided. This includes the cost to the public purse of Housing Benefit and also the extent to which households might get caught in a benefit trap if rent levels are too high (which could act as a disincentive to seek employment). Differences in the pricing and availability of housing in rural areas will also be a consideration when deciding what mix of housing is most appropriate (e.g. rural housing is more expensive, and these areas typically have a lower proportion of social rented homes currently).
55. Overall, whilst the SHMA provides an evidence base about the need for affordable housing and the different types of housing to meet this need, it remains the case that local authorities will need to recognise that there are a series of choices to be made with regard to the provision of new homes; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided.

Market Signals

56. Analysis of a range of market signals has been undertaken to consider if any adjustments should be made to the demographic-based assessment of housing need. The market signals studied are consistent with those in the PPG and included; house prices, rents, affordability ratios, land values, rates of development and overcrowding/concealed households.
57. The analysis did not identify any particular issue to suggest that provision in Somerset (or specific local authorities) should be increased.
58. Even if the market signals were to suggest an uplift in provision, then any adjustments would need to be carefully considered. For example, if additional provision were to simply increase migration and population growth then this would be a Duty-to-Cooperate issue impact on other areas (where population growth and housing need would therefore be lower). If, however, an uplift is reasonable due to particularly suppressed household formation, then this could be done without impacting on other locations. In Somerset, the evidence did not point to any particular suppression within the CLG 2014-based household projections.
59. The market signals did however identify an increase in the number of concealed households in the County. These households are not captured by demographic projections and do not currently have housing. It is therefore reasonable to increase the level of need by the increase in concealed households seen in the 2001-11 period – this increases need by some 867 dwellings (about 35 per annum over the 2014-39 period. On the basis of 10-year migration trends (the highest of the demographic projections developed) this would mean that the objectively assessed housing need in Somerset is for 58,870 dwellings (2,355 per annum); with a figure of 2,111 if the uplift is applied to the 2014-based CLG projections.

Figure 7: Annual housing need (2014-39) – including uplift for concealed households		
	2014-based CLG	10-year migration
Mendip	419	498
Sedgemoor	576	601
South Somerset	557	607
Taunton Deane	480	512
Somerset	2,111	2,355

60. The figure of 2,355 represents a 13% uplift from the start point of analysis (as identified in the PPG) – a need for 2,076 dwellings.

Housing Mix (Size of Homes Needed)

61. 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 (25-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes:

Figure 8: Suggested mix of housing in the market and affordable sectors				
	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	30-35%	40-45%	15-20%
Social/Affordable Rented	35-40%	35-40%	20%	5%
Intermediate/Starter Homes	15-20%	50-55%	25-30%	0-5%

62. 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.
63. 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.
64. 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.
65. 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.

Older Persons' Housing Needs

66. 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.
67. At present the population of older people in the County is relatively high when compared with other areas – some 23% of people were aged 65 and over in 2015. Over the 2014-39 period the number of people aged 65 and over is expected to increase by 61% with a higher (150%) increase in the number of people aged 85 and over.
68. This demographic change would be likely to see an increase in the number of people with specific disabilities (e.g. dementia and mobility problems) as well as a general increase in the numbers with a long-term health problem or disability.
69. The analysis identifies over the 2014-39 period that there may be a need for 395 specialist units of accommodation for older people (generally considered to be sheltered or extra-care housing) per annum. This figure represents about 17%-19% of all housing provision suggested in demographic modelling. However, this could be artificially limited by the lack of support services funding forthcoming from the County Council. Such provision would be within a C3 use class and would therefore be part of the objective assessment of need.
70. Additionally, the analysis highlights a potential need for an additional 186 registered care bedspaces per annum for older people (aged 75 and over) in the 2014-39 period. As these would be in use class C2, they would be in addition to the estimates of housing need from demographic modelling.

Self and Custom Build

71. The Government is seeking a proportion of new housing to be delivered by this route and has identified that land supply is a major barrier to realising this aim. It has recently introduced legislation for local authorities to maintain a register of demand and ensure that the planning system ensures an adequate supply of land.
72. It is self-evident that the self and especially the custom build sectors have made a significant contribution over the last century, or more, in terms of scale and in terms of contributing to the character and diversity of many towns, villages and hamlets. Our investigation has revealed a small number of households on the local authority register because they are unable to find appropriate land. However, evidence from trade sources such as BuildStore suggests that the sector is thriving. Accordingly, we have examined the local authority planning portal for evidence of self and custom building projects reaching the planning consent stage. We found a significant number of applications that might be self or custom build projects but are not identified as such because the application form does not ask for the information. Similarly, the information collected for the register could be widened. These changes would provide the local authorities with evidence about the true scale of activity within the sector.

Space Standards

73. The Government has recently devised a national space standard for new build dwellings which local authorities may adopt if evidence supports them doing so. Accordingly, a literature review has been undertaken; current and recent new build market housing house types have been assessed in relation to the standard; readily available data has been analysed to profile Somerset and stakeholder views have been sought.
74. The assessment of local house types has been problematic due to incomplete information. Some sales brochures and information to support the planning application do not include the key dimensions needed for the assessment and sales brochures point out that sizes stated are indicative. Scaling will have introduced an error margin in the assessment against the standard. That said we have found that many housebuilders building locally are currently some way off achieving the national standard especially in respect of smaller homes at the least expensive end of the market.
75. The literature review involved understanding the standard and the reasons for its introduction and the reasons for and against introduction of the standard. Census 2011 data has been used to profile the borough in terms of dwelling size tenure and occupancy and to compare the profile to nearby cities associated with the County. The comparison has been made in this way as the literature suggests that there are negative health and wellbeing effects associated with living in small homes with a high building density. The data suggests that this is not a feature of the housing stock in Somerset.
76. However, stakeholders suggest that many households factor in lifestyle choices when deciding whether or not to live in a dwelling and may use a bedroom or other living space for purposes other than for conventional use or example office space study or hobby space some of which might involve electrical or fitness equipment.
77. Literature and stakeholders believe that introduction of the standard is likely to lead to housebuilders re-visiting their designs especially for smaller homes, adjusting dwelling mixes in favour of higher densities or lead to them prioritising development in local authority areas that have not adopted space standards where planning permission for existing designs may be granted.
78. Our key finding is that the case for adopting the space standard for market housing is mixed. Compared to nearby cities (i.e. Bristol) Somerset's housing stock generally has more rooms per dwelling, is relatively under-occupied and has a high proportion of detached and owner occupied housing. There is no lack of demand locally for new build homes objectively assessed as smaller than the standard. These dwellings are offered at competitive prices in relation to resale housing and many households can afford to buy more space than they need and under-occupy their housing at these prices. The local culture of demand for houses rather than flats or apartments results in no pressure from the market to deliver value through higher densities or more spacious homes.

79. Overall, in the market sector, the analysis did not find any strong evidence for adopting the national space standard, this is due to the way households occupy homes (e.g. using a small third bedroom for an office). However, we urge the local authorities to encourage house builders to address issues raised in this study concerning the space provided in the smallest homes, especially if they are intended for families. They should also address the lack of transparency in sales literature regarding whether bedrooms are designed for one or two-person occupancy.
80. For affordable housing, there is a case for adopting the standard, however, the Registered Providers we discussed this issue with said, in any case, they would build to the former housing quality standards. Where new social or affordable rented homes are provided by house builders there is a stronger case for adopting the standard, although this would need to be balanced against viability issues, which could impact on the ability of the housebuilding industry to meet affordable housing targets. As with other aspects of the analysis (e.g. affordable housing); there are choices to be made by the local authorities when considering adopting the space standard (e.g. the balance between overall delivery and meeting the standard).

Impact of Hinkley Point C on the Housing Market

81. EDF Energy (EDFE) plans to build a new nuclear power station ('nuclear new-build') termed 'Hinkley Point C' (HPC) at Hinkley Point on the Somerset Coast, north-west of Bridgwater. The nuclear new-build will take place on a site adjoining the existing nuclear power plant at Hinkley Point. At the time of writing, the final investment decision has been pushed to September 2016. EDF has also provided further assurances that despite a widespread debate around recent Brexit, it is committed to going ahead with the project. Because of the delays in making a final investment decision, the new power station is not now envisaged to be operational until 2025.
82. Once operational it is estimated that HPC will support around 700 operational and 200 contractor jobs. However, the construction of the power plant is a substantial undertaking – and it is estimated that this will create 26,600 Full-Time Equivalent (FTE) construction jobs over the lifetime of the build, with a peak workforce of around 5,600 FTEs. Analysis has been undertaken to consider:
- The expected economic and population impact of HPC in terms of the size of the construction workforce and how this is expected to change over time;
 - EDFE's assumptions regarding how this construction workforce will be accommodated in terms of levels of people living in different areas and types of housing;
 - How reasonable these assumptions are taking account of the available information, stakeholder engagement and wider work undertaken in developing this SHMA, and the possibility of alternative outcomes.
83. Drawing the analysis together it is difficult to be definitive regarding the proportion of the construction workforce (and particularly peak workforce) which might live in different accommodation sectors, and indeed in different areas. This reflects the difficulty in predicting workers' individual subjective choices. There are however some conclusions which can be drawn from the analysis.

84. Campus accommodation is likely to be attractive, particularly if (as we expect) is it priced relatively competitively. Over 90% occupancy could be achieved. It is likely to be attractive in particular to those working on the project for shorter periods. The key question is will delivery happen on time, relative to the wider HPC programme?
85. The evidence of capacity within the Private Rented Sector (PRS) in the EDFE Accommodation Strategy is relatively weak, but this is understandable given the evidence available. The analysis suggests that the key question is will the construction workforce provide an additional stimulant to growth in the PRS stock? If it does rental levels could remain stable; if not, they may rise.
86. There are some deeper challenges here. One relates to the nature of properties. The qualitative analysis undertaken suggests that landlords are reluctant to provide furnished accommodation, which is what is most likely to be sought by construction workers. This reflects their repair liability and in some cases insurance costs and loan terms. This issue could have a notable impact on the scale of the construction workforce which could be accommodated in the PRS – and could feasibly result in an increasing number seeking alternative forms of accommodation or looking further afield.
87. The broader evidence suggests however that there is not an incentive in terms of rental costs to look further afield for rental accommodation. We thus might expect workers to look beyond Sedgemoor/ West Somerset particularly in terms of seeking to find furnished PRS properties.
88. The overall scale of workers estimated to be accommodated in the PRS (750 at peak) is however relatively modest set against the size of the sector as a whole and turnover of properties. It could be accommodated fully within Sedgemoor with a 4% growth in stock, which compares to growth rates in the stock of 7% pa over the 2001-11 decade. Stock growth may however be moderated moving forwards by the Stamp Duty and tax changes as identified.
89. The issue perhaps is more one of competition for cheaper properties within the 'lower quartile.' Here there is potential for competition with other tenant groups (particularly LHA-supported tenants). This segment of the market is however also being affected by welfare reforms, making it somewhat difficult (but not impossible) to disaggregate HPC impacts. Monitoring LQ rents and PRS tenants joining the Housing Register, as well as homelessness presentations (particularly where linked to ends of tenancies), will be important. It is feasible that competition at this end of the market could drive growth in LQ rents and reduce available supply to local residents with a 'housing need'.
90. The analysis suggests a potential significant supply of 'spare rooms' but the issue is how many households will – when push comes to shove – want to accommodate construction workers (particularly given an improving macro-economic environment); and will households seek to take-on the second or third worker during the middle and latter phases of the construction programme? These are unknowns which will need to be monitored.

91. It is difficult to precisely judge the capacity of the tourist accommodation sector. The headline numbers regarding supply look considerable, albeit that capacity within the immediate Sedgemoor and West Somerset areas of serviced accommodation looks quite modest (with peak capacity for c. 185 workers). Capacity is likely to be greater “out of season.” The EDF figures are thus fairly reliant on a significant supply coming forward from campsites, caravans and holiday dwellings or from people travelling from accommodation further afield. Neither is unfeasible but it is difficult to be definitive.
92. The evidence does not suggest that the owner-occupied demand generated by the HPC Construction Workforce will have a notable impact on the housing market; but the issue is potentially more one of the combined market impact of owner occupier and investment demand for properties. This said recent new-build supply has been relatively strong and there are a number of pipeline schemes capable of delivery. Monitoring of relative price trends will help to gauge impacts.
93. Whilst the HPC position is summarised at the point of drafting, the project position will evolve quickly. Base assumptions which underpinned the planning process to inform the Development Consent Order Accommodation Strategy will change. Local unemployment figures and the workforce profile and projections will also evolve. The project makes provision for the Socio-Economic Advisory Group (SEAG) to monitor the housing impacts and the Councils have secured housing mitigation funds to respond to local concerns. The HCA are also directly engaged locally to expedite a complimentary programme of ‘Starter Homes’ and EDFE own a large tranche of land with outline planning consent for housing. It will be important for the Councils to monitor and review impacts on the housing market and to maintain a dynamic view of housing need.

Overall Conclusion

94. The main overall conclusion is around the objective assessment of housing need (OAN). On the basis of the analysis carried out, this is concluded (annually over the 2014-39 period) to be:
- Mendip – 411-498
 - Sedgemoor – 568-601
 - South Somerset – 547-607
 - Taunton Deane – 474-512
 - Somerset – 2,076-2,355
95. Whilst any figure within this range would be reasonable and justified, it is considered that figures at the top end of the range best reflect a reasonable view about the need for housing. This is partly because they are based on longer-term migration trends (and therefore arguably do not include any recessionary impact) but also because the higher level of need does align slightly better with the economic forecasts and trends, and would therefore ensure that there is not workforce shortage in the future.

Particular Local Issues when Interpreting the OAN

96. This report has studied the need for housing using a consistent methodology and time period for analysis (i.e. 2014-39) across the four local authorities. There are however some specific local issues that should be flagged up with regard to the findings in Sedgemoor and Taunton Deane.

Sedgemoor

97. Shortly before the finalisation of this report a similar report (also by JGC) was published by Sedgemoor. The single authority report was produced ahead of the combined report to assist in the progress of the Council's emerging Local Plan. The methodology employed in both reports is the same, as are the core data sources used; however, it should be noted that the Sedgemoor only SHMA suggested an OAN of 644 dwellings per annum, rather than the figure of 601 (at the top end) in this report. The difference between the two figures is simply due to the time period studied and the fact that the OAN is expressed as an annual average.

98. The Sedgemoor only report looked at a 21-year period (2011-32 – consistent with the emerging Local Plan), whereas this report has looked at a 25-year period to 2039. The different annual averages are affected by the time period chosen, with Figure A1.22 (in Appendix 1) showing that need generally reduces over time (both in Sedgemoor and across Somerset). This will explain why the two report, despite being based on the same methodology and data, show a different OAN. The difference between figures can broadly be summarised as follows:

- The 2014-2039 analysis doesn't include the 2011 – 2014 period when OAN is expected to be higher (650+ per annum), therefore lowering the per annum average for Sedgemoor in the County wide report;
- The 2014-2039 analysis includes the period 2032-2039 when OAN is expected to lower (450 – 550 per annum), therefore lowering the per annum average for Sedgemoor further in the County wide report;
- The 2011-2032 applies the 207 concealed households over a shorter period (21 years), compared to the 2014-2039 analysis (25 years), again (very) slightly pushing up the per annum average for the 2011-2032 period (an additional 10 vs 8 dwellings per annum).

Taunton Deane

99. The situation in Taunton Deane is interesting; the Council adopted a Core Strategy in September 2012, this seeks to provide 17,000 homes over the 2008-28 period (850 per annum) along with 11,900 net additional jobs (595 per annum if averaged over the same period). This report however suggests a much lower OAN of up to 512 dwellings per annum.

100. This might on the face of it suggest that the Council could consider promoting a lower housing need figure moving forward, however, the situation is more complex. The evidence base for the Core Strategy was developed through projections by Fordham Research (report dated May 2011), which sought to understand how many homes would be needed to support the forecast number of jobs (data which in turn came from Roger Tym and Partners) – the forecast number of additional jobs (595 per annum) is substantially higher than is shown in this report (274-438 per annum). Therefore, to maintain the economic strategy in the Core Strategy would arguably require more homes to be provided than has been assessed in this report (notwithstanding issues about needing to understand the population dynamics related to the higher population growth this would bring).
101. Additionally, there are some particular characteristics in Taunton Deane which are of note. Firstly, the Borough is the only part of the County which sees net in-commuting; if a better balance were to be provided between homes and jobs (i.e. to move towards having as many in- as out-commuters) then this would imply a higher level of homes relative to the growth in jobs.
102. Additionally, it is the case that any policy (such as the planned target of 850 dwellings per annum (average)) will take time to start being effective. Because this report largely looks at population trends back to 2005, it will include a significant number of years not impacted by the Core Strategy (adopted September 2012) and will cover a trend period where housebuilding was quite low – generally it would be expected that levels of housebuilding could have some impact on migration and population growth, as homes are available for people to move into in an area. Between April 2005 and March 2013, there were an average of just over 450 net completions per annum in the Borough; a level that is not inconsistent with the OAN suggested in this report.
103. Since the Core Strategy started to take effect, it is clear that completions have increased, moving from 567 in 2013/14, to 778 in 2014/15 and 883 in 2015/16; this looks to have coincided with some upturn in net migration, which ‘jumped’ from 720 people in 2013/14 to 1,271 in 2014/15 (data is not yet available for 2015/16). If this trend were to continue then future assessments of need would be expected to be higher, as trend based migration figures would rise. The OAN in this report may therefore to some extent be due to historical data which is unlikely to continue in the future.
104. The uplift in both completions and migration suggests that there may well be a demand for additional homes over and above the OAN in this report. It is reported that nine of the top ten housebuilding companies in the country are currently building or promoting land in the Borough – this would indicate a strong market demand.
105. Therefore, in moving from an OAN (as derived in this report, based on following the PPG) through to a housing requirement, there are several pointers to suggest that a higher requirement figure might be appropriate; to summarise, this includes a higher level of job growth being promoted by the Core Strategy, a jobs/homes imbalance in terms of commuting, increasing completions (coinciding with increases in migration) and significant interest in the area from major housebuilders.
106. Any future housing requirement set by the Council will need to take account of all of these factors (as well as the analysis in this report). It is however suggested that setting (or maintaining) a requirement above the OAN should involve discussions with other local authorities.

1. Introduction

Introduction

- 1.1 Justin Gardner Consulting (JGC), working in association with GL Hearn and Chris Broughton Associates have been commissioned by four of the five Somerset local authorities (Mendip, Sedgemoor, South Somerset and Taunton Deane) to develop a Strategic Housing Market Assessment (SHMA). The purpose of the SHMA is to develop a robust understanding of housing market dynamics, to provide an assessment of future needs for both market and affordable housing and the housing needs of different groups within the population.
- 1.2 The SHMA does not set housing targets. It provides an assessment of the need for housing, making no judgements regarding future policy decisions which the Councils may take. Housing targets will be set in local plans. The SHMA provides an important input into setting targets for housing provision, but the housing targets as set out in local plans will also take into account factors such as the supply of land for new development, Green Belt and other nationally and internationally significant landscapes and environmental designations, local infrastructure capacity and environmental constraints. These factors may limit the amount of development which can be sustainably accommodated.
- 1.3 The SHMA responds to and is compliant with the requirements of the National Planning Policy Framework (the NPPF). It is informed by Planning Practice Guidance (PPG). It provides an assessment of the future need for housing, with the intention that this will inform future development of planning policies. According to the PPG, housing need:
- “refers 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 that demand.”*
- 1.4 This report, in discussing housing need, is thus referring to both the need for market and affordable housing, taking account of both local need and that associated with net migration. This is required by national policy.
- 1.5 The SHMA provides specific evidence and analysis of the need for different sizes of homes, to inform policies on the mix of homes (both market and affordable). The SHMA also analyses the needs of specific groups within the population, such as older people.
- 1.6 The SHMA was commissioned by four of the five local authorities in Somerset although to provide a complete and consistent picture of needs across the County, much of the analysis also includes data (analysed in a consistent manner) for West Somerset.

National Planning Policy Framework and Guidance

- 1.7 The former Coalition Government reformed the policy framework for planning for housing. Regional strategies were revoked and responsibility for planning on cross-boundary issues were returned to local authorities.

- 1.8 The primary legislation to support this is the 2011 Localism Act which now imposes a ‘duty to cooperate’ on local authorities, requiring them to “engage constructively, actively and on an on-going basis” with the other authorities and relevant bodies. The Duty to Cooperate is applied as both a legal and soundness test to which development plans must comply. Housing provision is an issue of cross-boundary relevance which local authorities both within and beyond the HMA will need to engage with each other on.
- 1.9 National policies for plan-making are set out within the National Planning Policy Framework. 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)

- 1.10 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 (including policies relating to Green Belt and other nationally and internationally significant landscapes and environmental designations) indicate that development should be restricted.
- 1.11 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.
- 1.12 This is reaffirmed in the NPPF in Paragraph 50. The SHMA is intended to be prepared for the housing market area, and include work and dialogue with neighbouring authorities where the HMA crosses administrative boundaries.
- 1.13 Paragraph 181 sets out that Local Planning Authorities (LPAs) will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examining. This highlights the importance of collaborative working and engaging constructively with neighbouring authorities, as required by Section 33A of the 2004 Planning and Compulsory Purchase Act, and ensuring that there is a robust audit trail showing joint working to meet the requirements of paragraph 181 of the NPPF.
- 1.14 Paragraph 158 of the NPPF also emphasises the alignment of the housing and economic evidence base and policy. Paragraph 17 in the NPPF reaffirms this, and outlines that planning should also take account of market signals, such as land prices and housing affordability.

- 1.15 In regard to housing mix, the NPPF sets out that authorities should plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community. Planning authorities should identify the size, type, tenure and range of housing that is required in particular locations reflecting local demand. Where a need for affordable housing is identified, authorities should set policies for meeting this need on site.
- 1.16 The NPPF states that to ensure a Local Plan is deliverable, the sites and the scale of development identified in the plan should not be subject to a scale of obligations and policy burdens such that their ability to be developed is threatened and should support development throughout the economic cycle. The costs of requirements likely to be applied to development, including affordable housing requirements, contributions to infrastructure and other policies in the Plan, should not compromise the viability of development schemes. To address this, affordable housing policies would need to be considered alongside other factors including infrastructure contributions – a ‘whole plan’ approach to viability. Where possible the NPPF encourages local authorities to work up Community Infrastructure Levy (CIL) charges alongside their local plan.

Planning Practice Guidance

- 1.17 Planning Practice Guidance (PPG) was issued by Government in March 2014 on ‘Assessment of Housing and Economic Development Needs’ and is maintained online and updated periodically. The PPG is relevant to this SHMA in that it provides clarity on how key elements of the NPPF should be interpreted, including the approach to deriving an objective assessment of the need for housing. The approach in this report takes account of this Guidance.
- 1.18 The Guidance defines “need” as referring to “the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need.” It sets out that the assessment of need should be realistic in taking account of the particular nature of that area (for example the nature of the market 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.”*
- 1.19 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 2014-based Household Projections. It also outlines that the latest population projections and mid-year population estimates should be considered. The latest projections are the 2014 Sub-National Population Projections published by ONS in May 2016 and 2015 mid-year population estimates (published in June 2016).

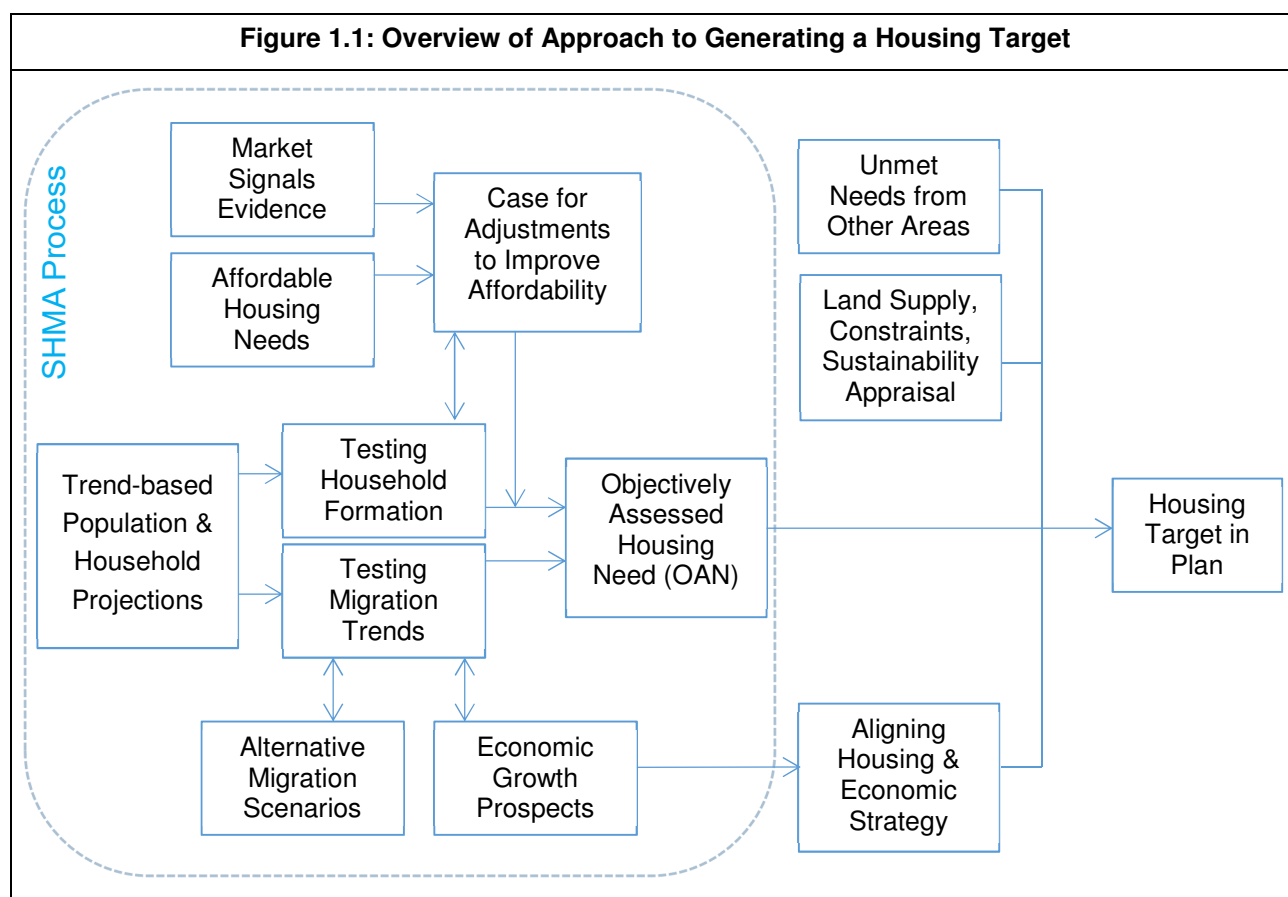
- 1.20 It sets out that there may be instances where these national projections require adjustment to take account of factors affecting local demography or household formation rates, in particular where there is evidence that household formation rates are or have been constrained by supply. This is considered in the subsequent chapters. Guidance indicates that proportional adjustments should be made (increasing the assessed housing need relative to demographic led projections) where the market signals point to supply being constrained relative to long-term trends or to other areas in order to improve affordability.
- 1.21 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. It indicates that this may provide a case for increasing the level of overall housing provision – in order to increase the delivery of affordable housing.
- 1.22 In regard to employment trends, the Guidance 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.
- 1.23 The Guidance indicates that the assessment should consider the need for different types of housing and the needs of different groups, including family housing, housing for older people, and households with specific needs and those looking to build their own home. It sets out that the need for older persons housing should be broken down by tenure and type, and should include an assessment of need for residential institutions.

Planning Advisory Service (PAS) – technical advice note

- 1.24 In June 2014 PAS published a technical advice note '*Objectively Assessed Need and Housing Targets*'. The advice has no official status but has been developed based on existing good practice and the recommendations of Planning Inspectors. This advice note was updated in July 2015 (Second edition). Where relevant, key parts of the PAS guidance have been quoted within this report – this is particularly in relation to affordable housing need.

Overview of the Approach to Deriving Objectively Assessed Need (OAN)

- 1.25 Based on the above, the diagram below summarises the approach we have used to deriving conclusions regarding the Objectively-Assessed Need (OAN) for Housing. This is driven by the approach in the Planning Practice Guidance (PPG).



Current Policy Position

- 1.26 This section reviews relevant planning policies for housing provision in each of the local authorities within the housing market area. It should be noted that this SHMA in time will form part of the evidence base to inform future policy development.

Mendip

- 1.27 Mendip District Council adopted its Part I Local Plan 2006-29 in December 2014. The Council is progressing a Part 2 plan to identify additional housing and employment sites.
- 1.28 Core Policy 2 in the Part I plan identifies a housing requirement for 9,635 dwellings over the 2006-29 plan period, with provision of an annual average of 420 dpa expected between 2011-29. Core Policy 1 directs the majority of development to the five principal settlements, with the largest share allocated to Frome. Provision is made for 9,400 jobs.
- 1.29 Policy DP11 sets out an affordable housing requirement for 30% provision (subject to viability), but with the expectation that this is treated as a minimum in rural areas. A 40% requirement is set in/around Wells. The policy outlines an expected affordable housing tenure mix of 80% social rent, 20% intermediate housing provision. The Council is applying a 10 dwelling/ 1,000 sq.m threshold in line with national policy.

- 1.30 The Part I Plan sets out policies regarding development of rural exception sites (Policy DP12), accommodation for rural workers (Policy DP13), and housing mix and type (Policy DP14). The latter sets out that the mix of dwellings on residential schemes should reflect local needs evidence. It promotes delivery of small family sized units and housing suitable for older persons.
- 1.31 The Part II plan is intended to identify sites to deliver the additional district-wide allocation to meet 9,635 dwellings.

Sedgemoor

- 1.32 Sedgemoor District Council adopted a Core Strategy in 2011. This derived a housing requirement from a jobs-led approach, targeting 9,160 jobs over the 2006-26 period and seeking to improve self-containment to 75%. Extending provision to cover the plan period 2006-27, the Plan makes provision for 10,605 dwellings (Policy D5) and 9,620 jobs.
- 1.33 The spatial strategy within the Plan distributes 70% of housing provision to Bridgewater; 15% to Burnham-on-Sea/Highbridge; 12% to Key Rural Settlements; and 3% to Other Sustainable Settlements.
- 1.34 Policy D5: Housing supports a mix of housing which meets local needs and takes account of evidence within the latest Strategic Housing Market Assessment. It supports provision of care homes and specialist accommodation and sets out policies relating to agricultural occupancy. Table 5.2, drawing on a 2008 Household Survey, outlines the mix of homes expected by type and size.
- 1.35 Policy D6 sets out policies regarding affordable housing. Beyond 2016 (and taking into account national policy), 30% affordable housing would be expected (subject to viability) on schemes of 10-14 units; and 40% provision on schemes of 15+ dwellings. 70% social rented affordable housing provision is expected, subject to local circumstances. Policy D7 supports development of rural exception sites.
- 1.36 Sedgemoor District Council is working on a new Local Plan 2011-32. An initial consultation was undertaken in January 2016, with some further consultation on specific proposals undertaken since. The January 2016 Consultation Document proposed 12,300 homes and 9,791 jobs – drawing on the Council's then latest evidence. The SHMA will provide an updated assessment of housing need.

South Somerset

- 1.37 South Somerset's Local Plan 2006-28 was adopted in March 2015. The Council is engaged in an early review of this.
- 1.38 The adopted Plan sets out to meet an OAN of 15,960 dwellings, 2006-28, which is treated in Policy SS4 as a minimum requirement. Of this, the highest level of development is directed towards Yeovil (at least 7,441 dwellings), followed by Chard (1,852 dwellings).

- 1.39 Policy HG3 seeks provision of 35% affordable housing (subject to viability). The national thresholds would not apply. A tenure mix of 67% social rent, 33% intermediate housing provision is sought. Policy HS5 outlines that market housing provision should include a range of house types and sizes, taking account of the local context and support sustainable and balanced communities. Policy HG6 sets out policies regarding care homes and specialist accommodation.

Taunton Deane

- 1.40 Taunton Deane Borough Council adopted a Core Strategy in September 2012. Policy CP4 within this sets a housing requirement for at least 17,000 homes over the 2008-2028 plan period, phased to provide 3,500 homes between 2011-16; 4,500 between 2016-21; and 7,500 thereafter. Provision of around 11,900 net additional jobs is planned for (Policy CP2).
- 1.41 Taunton Urban Area is expected to deliver the largest share of new development – 13,000 homes and 9,500 additional jobs – followed by Wellington (2,500 homes).
- 1.42 Policy CP4 deals with affordable housing and seeks 25% provision (subject to viability). The mix of affordable homes on sites is expected to reflect local needs evidence.
- 1.43 The Council has submitted a Site Allocations and Development Management Plan and the examination of this is nearing completion. This includes policies regarding rural worker dwellings (Policies H1a/b), extensions and ancillary accommodation (Policies D5 and D6) and sets minimum dwelling sizes (Policy D10). Policy D11 deals with the sub-division of residential properties.

Local Plans Expert Group: Report to the Secretary of State

- 1.44 The former Communities Secretary, Greg Clark MP, and the Minister for Housing and Planning, Brandon Lewis MP, established a “Local Plan Expert Group” in September 2015, with a remit to consider how plan-making could be made more efficient and effective. The Local Plan Expert Group (LPEG) reported back to Ministers in March 2016, with recommendations to improve the guidance on how to prepare SHMAs, specifically to standardise, simplify, and increase transparency in the SHMA making process. The findings were released for consultation in March and April this year and publication of the results of consultation are currently pending.
- 1.45 These recommendations could change the approach to assessing overall housing need if taken forward. There is not however consensus support for these; and it not clear to what degree future amendments to the PPG will take forward the specific LPEG proposals (either in part or in full) as currently drafted. Some change to the Guidance does however seem likely. In this context, it is important that the Councils are mindful of potential changes to Planning Practice Guidance and the impact this may have on the assessment of housing need.

Housing Market Geographies

- 1.46 The Somerset authorities commissioned a detailed assessment of housing market geographies in 2015, which was reported in *Housing Market Areas and Functional Economic Market Areas in Somerset: Report of Findings* (ORS, Sept 2015).

- 1.47 The Study approach followed that set out in Planning Practice Guidance for defining Housing Market Areas (HMAs) – considering house prices, migration patterns and contextual information such as travel to work boundaries. It also included a review of previous research, including national research undertaken by CURDS for Government, and a detailed programme of stakeholder engagement. It represents a thorough and detailed exercise in considering housing market geographies, and draws on the latest available information.
- 1.48 The analysis places particular emphasis on interrogation of commuting data to define housing market geographies, in particular as information on spatial flows and self-containment can be disaggregated to below local authority level. The consultants' own analysis, and independently published ONS 2011-based geographies, pointed to separate travel to work areas in Somerset as follows:
- Bridgwater – including Burnham-on-Sea;
 - Minehead – including Porlock and part of the Exmoor National Park;
 - Taunton – including Wellington
 - Wells – including Glastonbury, Shepton Mallet and Street;
 - Yeovil – including Chard, Ilminster and Wincanton.
- 1.49 The Study found a relatively close fit between these functional geographies and local authority boundaries. Taunton's functional area included the Borough but extending to include the south-eastern part of West Somerset, and slightly into Sedgemoor, South Somerset and Mid Devon. A Bridgwater-focused functional area included much of Sedgemoor District, with the exception of the north-eastern part of the District (including Cheddar) which related more strongly towards Bristol. A Yeovil-focused functional area included much of South Somerset, and stretched into West Dorset. Mendip District was shown to have links in a number of directions, with a number of the main settlements in a Wells commuting zone, but influences from Trowbridge, Bath and Bristol.
- 1.50 The Study's analysis of migration showed relatively high levels of self-containment (excluding long distance flows) within individual authorities, with both supply and demand-side self-containment exceeding the 70% threshold set out in the PPG. Mendip had the lowest self-containment.
- 1.51 The house price analysis showed an urban/ rural distinction. Overlaying Broad Rental Market Areas, the analysis pointed to commonality between Sedgemoor, Taunton Deane and West Somerset; but supported separate HMAs covering Mendip and South Somerset.
- 1.52 Drawing the analysis together, the ORS Study put particular weight on the commuting analysis in drawing conclusions, defining five HMAs on this basis, as set out above. Dulverton was included within the Minehead HMA. However, it recommended that a 'best fit' to administrative boundaries would show each of the five Somerset authorities as representing an HMA in its own right.
- 1.53 The conclusions drawn are not entirely dissimilar from that identified in the CURDS Study, which identified Taunton, Yeovil and Bridgwater HMAs; but identified a Bath-based HMA which extended to much of Mendip and did not identify a separate West Somerset market. Whilst this is a consistent national analysis, it is however now based on old 2001-based data, and thus it is reasonable to draw alternative conclusions.

- 1.54 It is notable that the HMAs are defined on a tighter basis than the Functional Economic Market Areas within the Study, where a West Somerset Coast; M5, A303 and A361 Corridor market areas are identified. This points to some interactions in particular between Taunton Deane and Sedgemoor.
- 1.55 Overall, it is considered that the HMA definitions are robust and based on credible, well researched analysis but would note that it is important to recognise that cross-boundary inter-relationships in terms of migration and commuting do exist and therefore it is important that boundaries are not used to unduly 'shut down' duty-to-cooperate discussions where issues of unmet need arise. This point has been made clearly in the Local Plan Expert Group's Report which identifies that an unmet housing need in one HMA should be considered in adjoining areas. Major investment projects, in respect of economic growth or infrastructure, can also alter geographies and inter-relationships over time.
- 1.56 Overall, the ORS analysis identifies each local authority in Somerset as a single HMA; it does however also identify links between Sedgemoor and Taunton Deane (particularly due to the M5 corridor) and West Somerset. Hence whilst it would be reasonable for Councils to progress with a single authority SHMA, relationships with other areas need to be recognised. This report therefore considers needs for each local authority and across the whole County.

Introduction: Key Messages

- National planning policies require the SHMA to define the 'full objectively assessed need for market and affordable housing.' This provides a starting point for considering policies for housing provision. The assessment must 'leave aside' constraint factors (including land availability and Green Belt) however these are relevant in drawing together evidence and testing options in the development of local plans. The SHMA does not set targets for housing provision.
- Government's Planning Practice Guidance sets out how the objectively assessed need for housing should be defined. It sets out that the starting point should be demographic projections, with appropriate assumptions regarding household formation rates. Consideration then needs to be given to economic growth, market signals and affordable housing need. The SHMA follows this approach to identifying objectively assessed housing need (OAN).
- Previous research by Opinion Research Services has identified Housing Market Areas (HMA) across Somerset – this research (which uses up-to-date sources) identifies each local authority as forming its own HMA, although a functional economic market area (FEMA) does group Sedgemoor with Taunton Deane (due to the M5 corridor) – links generally with West Somerset are also identified. The identification of a single HMA for each local authority provides support for the undertaking of analysis for individual local authorities; however, there are clear Duty-to-Cooperate issues with other parts of the County and therefore this report also considers needs at a County-wide level.

2. Somerset Profile – Statistical Analysis

Introduction

- 2.1 This section provides some background analysis about population and housing in Somerset and for each of the local authorities (excluding West Somerset, although data for this area is included in County totals). Data is compared with regional and national data. Much of the analysis draws on 2011 Census information and can be summarised as covering five main topic headings:
- Population (age/ethnic group)
 - Household characteristics (type/tenure)
 - Housing profile (size/accommodation type)
 - Economic profile
 - House prices and incomes
- 2.2 The study focuses on the four local authorities of Mendip, Sedgemoor, South Somerset and Taunton Deane; however, by way of understanding how circumstances vary in different locations within these areas, the analysis also contrast rural and more urban locations. The definitions of these have been taken from ONS (2011 Census-based) area classifications. These are shown in the table below – all wards in the County fall into one of three classifications (Urban city and town (UCT), Rural town and fringe (RTF) or Rural village and dispersed (RVD)), whilst none are considered to be part of an urban conurbation.
- 2.3 For most of the remainder of the report, the focus of analysis is on individual local authorities (and not at geographies below this). This is partly because of the ‘strategic’ nature of the document which is largely to be used to support district-wide policies, and also due to data availability, for example, the key demographic and economic data is typically only available at a local authority levels. The analysis below does however help to provide some indication of how the housing and socio-economic situation varies in different parts of each local authority.

Figure 2.1: Urban/Rural Classifications and wards in Somerset

	Urban city and town	Rural town and fringe	Rural village and dispersed
Mendip	Frome Berkley Down, Frome College, Frome Keyford, Frome Market, Frome Oakfield, Frome Park, Shepton East, Shepton West, Street North, Street South, Street West, Wells Central, Wells St Cuthberts, Wells St Thomas	Creech, Glastonbury St Benedicts, Glastonbury St Edmunds, Glastonbury St Johns, Glastonbury St Marys	Ammerdown, Ashwick, Chilcompton and Stratton, Beckington and Selwood, Butleigh and Baltonsborough, Chewton Mendip and Ston Easton, Coleford and Holcombe, Cranmore, Doultling and Nunney, Croscombe and Pilton, Moor, Postlebury, Rode and Norton St Philip, Rodney and Westbury, St Cuthbert Out North, The Pennards and Ditcheat, Wookey and St Cuthbert Out West
Sedgemoor	Berrow, Bridgwater Dunwear, Bridgwater Eastover, Bridgwater Fairfax, Bridgwater Hamp, Bridgwater Victoria, Bridgwater Westover, Bridgwater Wyndham, Burnham Central, Burnham North, Highbridge and Burnham Marine	Cannington and Wembdon, Cheddar and Shipham, Kings Isle, North Petherton, Puriton and Woolavington	Axevale, East Polden, Huntspill and Pawlett, Knoll, Quantocks, Wedmore and Mark, West Polden
South Somerset	Brympton, Chard Avishayes, Chard Combe, Chard Crimchard, Chard Holyrood, Chard Jocelyn, Yeovil Central, Yeovil East, Yeovil South, Yeovil West, Yeovil Without	Bruton, Cary, Crewkerne, Curry Rivel, Eggwood, Hamdon, Ilminster, Langport and Huish, Martock, Milborne Port, South Petherton, Tatworth and Forton, Wessex, Wincanton	Blackdown, Blackmoor Vale, Burrow Hill, Camelot, Coker, Islemoor, Ivelchester, Neroche, Northstone, Parrett, St Michaels, Tower, Turn Hill, Windwhistle
Taunton Deane	Bishops Hull, Comeytrove, Norton Fitzwarren, Staplegrove, Taunton Blackbrook and Holway, Taunton Eastgate, Taunton Fairwater, Taunton Halcon, Taunton Killams and Mountfield, Taunton Lyngford, Taunton Manor and Wilton, Taunton Pyrland and Rowbarton, Trull, Wellington East, Wellington North, Wellington Rockwell Green and West, West Monkton	Bishops Lydeard, Ruishton and Creech, Wiveliscombe and West Deane	Blackdown, Bradford-on-Tone, Milverton and North Deane, Monument, Neroche, North Curry and Stoke St Gregory

Source: Classifications from ONS (2011)

Population

2.4 The table below shows the overall size of the population in 2014 in each local authority and by urban/rural classification. This shows across the County that just over half of people live in an urban area with the remaining half being split roughly equally between the two rural classifications. The proportion living in an urban area is highest in Taunton Deane, with South Somerset seeing the greatest proportion in Rural town and fringe areas. Mendip has the highest proportions in the Rural village and dispersed category. The data used is for mid-2014, this is because at the time of writing this was the only data for which ward level data was available. Analysis later in this report at a local authority level uses data up to 2015.

Figure 2.2: Overall population size and urban/rural classification

		Urban city and town (UCT)	Rural town and fringe (RTF)	Rural village and dispersed (RVD)	TOTAL
Mendip	Population	60,308	11,472	39,064	110,844
	% of population	54.4%	10.3%	35.2%	100.0%
Sedgemoor	Population	63,285	30,252	25,520	119,057
	% of population	53.2%	25.4%	21.4%	100.0%
South Somerset	Population	60,772	60,611	43,186	164,569
	% of population	36.9%	36.8%	26.2%	100.0%
Taunton Deane	Population	84,232	14,354	14,231	112,817
	% of population	74.7%	12.7%	12.6%	100.0%
Somerset	Population	280,355	125,381	135,873	541,609
	% of population	51.8%	23.1%	25.1%	100.0%

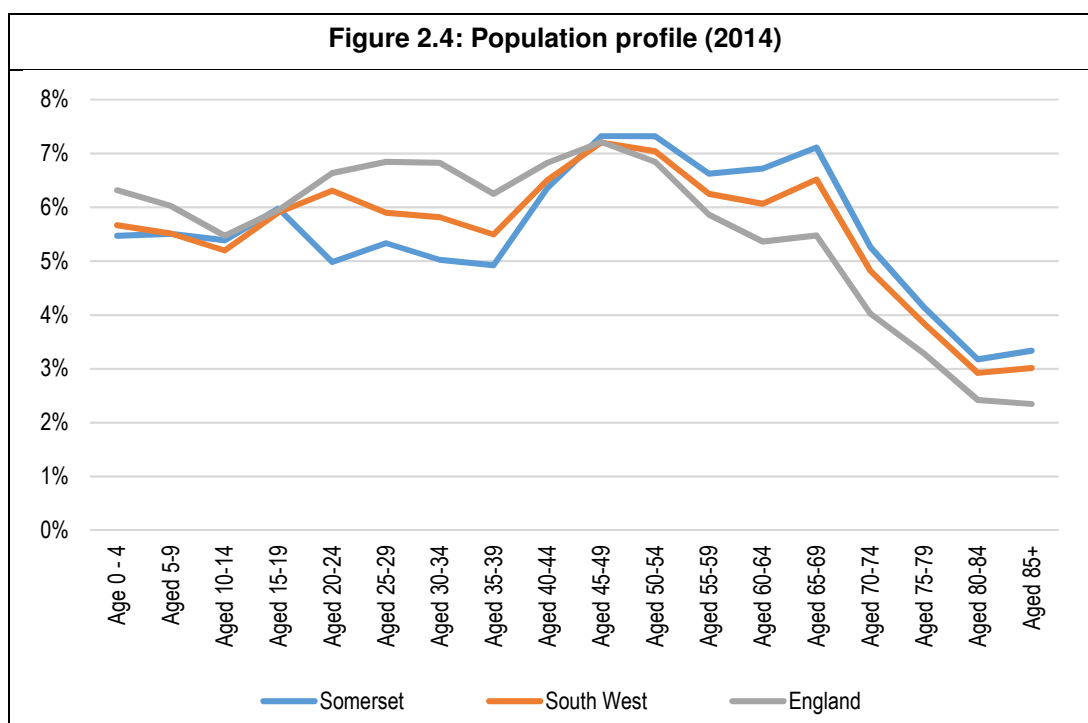
Source: ONS mid-year population estimates

2.5 The table below shows the population profile of Somerset in five-year age bands compared with a range of other areas. The data shows a relatively old age structure with particularly notable differences from ages 45 onwards.

Figure 2.3: Population profile (2014)				
	Somerset		South West	England
	Population	% of population	% of population	% of population
Age 0 - 4	29,628	5.5%	5.7%	6.3%
Aged 5-9	29,833	5.5%	5.5%	6.0%
Aged 10-14	29,184	5.4%	5.2%	5.5%
Aged 15-19	32,365	6.0%	5.9%	5.9%
Aged 20-24	27,007	5.0%	6.3%	6.6%
Aged 25-29	28,896	5.3%	5.9%	6.8%
Aged 30-34	27,214	5.0%	5.8%	6.8%
Aged 35-39	26,674	4.9%	5.5%	6.3%
Aged 40-44	34,419	6.4%	6.5%	6.8%
Aged 45-49	39,663	7.3%	7.2%	7.2%
Aged 50-54	39,645	7.3%	7.0%	6.8%
Aged 55-59	35,880	6.6%	6.3%	5.9%
Aged 60-64	36,383	6.7%	6.1%	5.4%
Aged 65-69	38,516	7.1%	6.5%	5.5%
Aged 70-74	28,537	5.3%	4.8%	4.0%
Aged 75-79	22,469	4.1%	3.8%	3.3%
Aged 80-84	17,207	3.2%	2.9%	2.4%
Aged 85+	18,089	3.3%	3.0%	2.3%
All Ages	541,609	100.0%	100.0%	100.0%

Source: ONS mid-year population estimates

- 2.6 The differences between Somerset and other areas can more clearly be seen in the figure below. This identifies a relatively low proportion of the population aged about 20 to 39 and higher proportions for all age bands from about 45 upward.



- 2.7 The analysis below summarises the above information by assigning population to three broad age groups (which can generally be described as a) children, b) working-age and c) pensionable age. This analysis shows that Somerset has a relatively high proportion of people aged 65 and over (23%) and a lower proportion of people of working-age.

Figure 2.5: Population profile (2014) – summary age bands

	Somerset		South West	England
	Population	% of population	% of population	% of population
Age under 16	95,239	17.6%	17.5%	19.0%
Aged 16-64	321,552	59.4%	61.4%	63.5%
Aged 65+	124,818	23.0%	21.1%	17.6%
All Ages	541,609	100.0%	100.0%	100.0%

Source: ONS mid-year population estimates

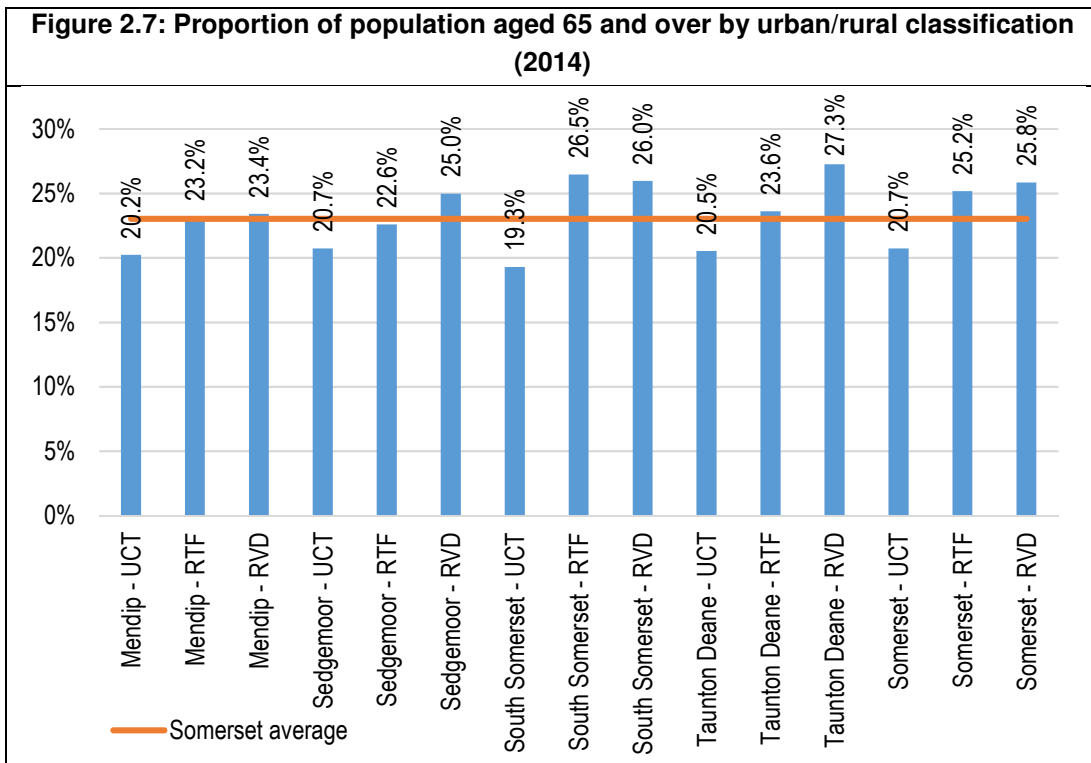
- 2.8 The analysis below provides the same information for each local authority, this shows that there is relatively little difference between areas, all having a similar proportion of the population in each of the three broad age bands.

Figure 2.6: Population profile (2014) – summary age bands – local authorities

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
Age under 16	18.0%	18.0%	17.6%	18.0%	17.6%
Aged 16-64	60.4%	59.9%	58.7%	60.2%	59.4%
Aged 65+	21.7%	22.1%	23.7%	21.8%	23.0%
All Ages	100.0%	100.0%	100.0%	100.0%	100.0%

Source: ONS mid-year population estimates

2.9 The figure below takes this data forward to look at some differences by urban/rural classification. This focusses on the population aged 65 and over. The analysis identifies quite a variation in the proportion of people in this age group in different types of location. The proportion aged 65+ varies from 19% in urban parts of South Somerset up to 27% in the more rural parts of Taunton Deane. Overall, some 25-26% of the population in rural areas is aged 65 and over, compared with just 21% in urban locations.



Source: ONS mid-year population estimates

2.10 As well as looking at the population profile analysis has been carried out (below) to look at overall population change over the 10-year period to 2014 (a 10-year period being chosen as this is a fairly standard period over which to look at population change). The analysis shows over the period that the population of Somerset increased by 6.1%; slightly lower than seen in either of the comparator areas (the South West and England).

- 2.11 Some areas have seen relatively high population growth and in particular the Rural town and fringe area of Sedgemoor (which saw growth of 16.5%) – this is likely to some degree to be driven by the locations of new housing development over this period. Generally, the most rural of areas (Rural village and dispersed) have seen lower levels of population growth although all locations have seen some increases over the decade studied.

Figure 2.8: Change in population (2004-14) by urban/rural classification

	Population (2004)	Population (2014)	Change	% change
Mendip – UCT	56,574	60,308	3,734	6.6%
Mendip – RTF	10,863	11,472	609	5.6%
Mendip – RVD	38,361	39,064	703	1.8%
Mendip – total	105,798	110,844	5,046	4.8%
Sedgemoor – UCT	57,939	63,285	5,346	9.2%
Sedgemoor – RTF	25,971	30,252	4,281	16.5%
Sedgemoor – RVD	24,855	25,520	665	2.7%
Sedgemoor – total	108,765	119,057	10,292	9.5%
South Somerset – UCT	55,887	60,772	4,885	8.7%
South Somerset – RTF	57,144	60,611	3,467	6.1%
South Somerset – RVD	41,936	43,186	1,250	3.0%
South Somerset – total	154,967	164,569	9,602	6.2%
Taunton Deane – UCT	78,791	84,232	5,441	6.9%
Taunton Deane – RTF	13,438	14,354	916	6.8%
Taunton Deane – RVD	13,716	14,231	515	3.8%
Taunton Deane – total	105,945	112,817	6,872	6.5%
Somerset – UCT	261,072	280,355	19,283	7.4%
Somerset – RTF	116,408	125,381	8,973	7.7%
Somerset – RVD	133,179	135,873	2,694	2.0%
Somerset – total	510,659	541,609	30,950	6.1%
South West	5,038,284	5,423,303	385,019	7.6%
England	50,194,600	54,316,618	4,122,018	8.2%

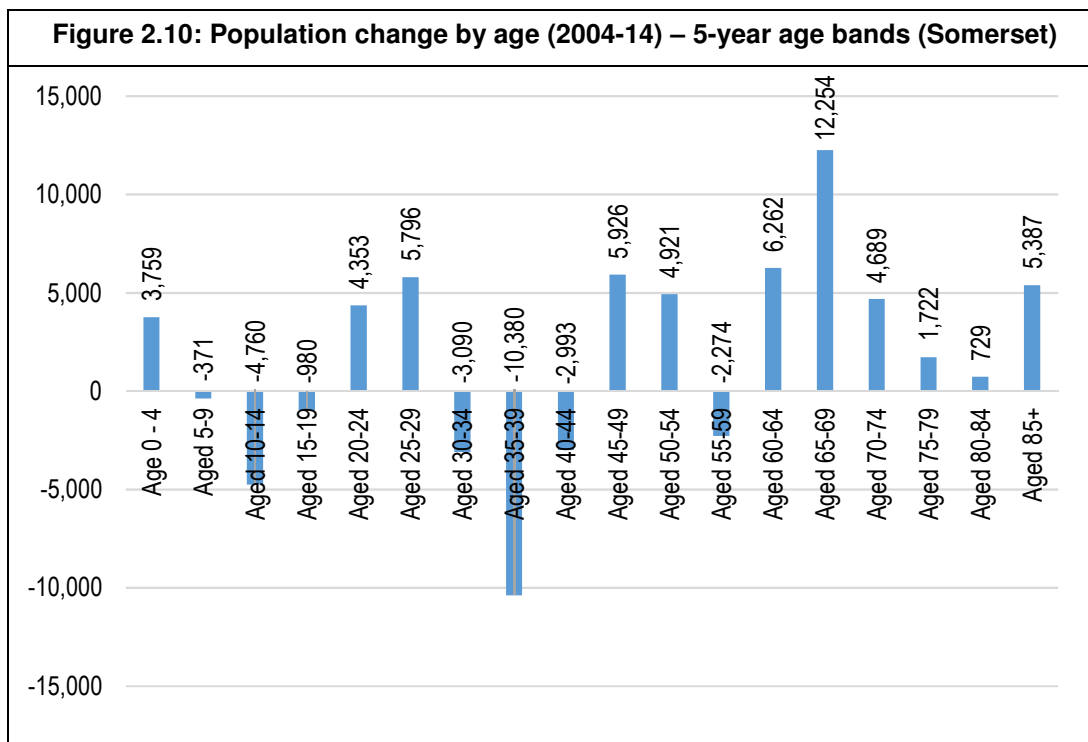
Source: ONS mid-year population estimates

- 2.12 The table and figure below show population change by age (again for the 2004-14 period). This generally identifies the greatest increases to be in older age groups (aged 60 and over) along with some notable population declines (particularly in the 30-44 age group).

Figure 2.9: Population change by age (2004-14) – 5-year age bands (Somerset)

	Population (2004)	Population (2014)	Change	% change
Age 0 - 4	25,869	29,628	3,759	14.5%
Aged 5-9	30,204	29,833	-371	-1.2%
Aged 10-14	33,944	29,184	-4,760	-14.0%
Aged 15-19	33,345	32,365	-980	-2.9%
Aged 20-24	22,654	27,007	4,353	19.2%
Aged 25-29	23,100	28,896	5,796	25.1%
Aged 30-34	30,304	27,214	-3,090	-10.2%
Aged 35-39	37,054	26,674	-10,380	-28.0%
Aged 40-44	37,412	34,419	-2,993	-8.0%
Aged 45-49	33,737	39,663	5,926	17.6%
Aged 50-54	34,724	39,645	4,921	14.2%
Aged 55-59	38,154	35,880	-2,274	-6.0%
Aged 60-64	30,121	36,383	6,262	20.8%
Aged 65-69	26,262	38,516	12,254	46.7%
Aged 70-74	23,848	28,537	4,689	19.7%
Aged 75-79	20,747	22,469	1,722	8.3%
Aged 80-84	16,478	17,207	729	4.4%
Aged 85+	12,702	18,089	5,387	42.4%
All Ages	510,659	541,609	30,950	6.1%

Source: ONS mid-year population estimates



Source: ONS mid-year population estimates

- 2.13 This information has been summarised into three broad age bands to ease comparison. The table below shows a modest decrease in the number of children living in the County (reducing by about 2.1%) along with a modest increase in the 'working-age' population. The key driver of population growth has therefore been in the 65 and over age group, which between 2004 and 2014 saw a population increase of about 24,800 people; this age group increasing in size by 25% over the decade.

Figure 2.11: Change in population by broad age group (2004-14) – Somerset				
	2004 population	2014 population	Change	% change
Under 16	97,324	95,239	-2,085	-2.1%
16-64	313,298	321,552	8,254	2.6%
65+	100,037	124,818	24,781	24.8%
TOTAL	510,659	541,609	30,950	6.1%

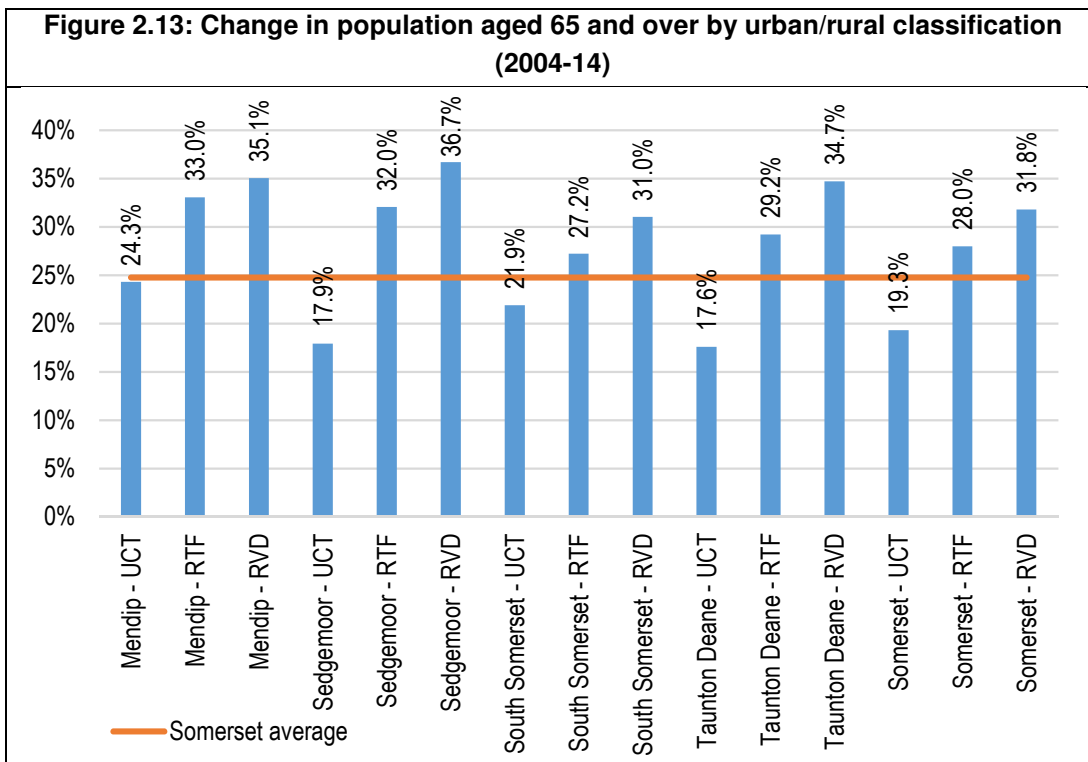
Source: ONS mid-year population estimates

- 2.14 The table below shows the same information for each local authority; all areas have seen a similar profile of population growth, with this focussed on the population aged 65+. Sedgemoor has also seen larger increases in the 'working-age' population when compared to other areas – this will be linked to a higher level of growth overall, which in turn will be linked to higher levels of migration (which tends to be focussed on people of working age and their children).

Figure 2.12: Change in population by broad age group (2004-14) – local authorities					
	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
Age under 16	-5.4%	2.2%	-2.5%	0.2%	-2.1%
Aged 16-64	1.2%	6.7%	2.3%	3.8%	2.6%
Aged 65+	29.2%	25.6%	26.6%	21.5%	24.8%
All Ages	4.8%	9.5%	6.2%	6.5%	6.1%

Source: ONS mid-year population estimates

- 2.15 The figure below shows the change in the proportion of the population aged 65 and over in each area by urban/rural classification. All areas have seen an increase in the proportion of older people with the increase in the population in this age group ranging from 18% in urban parts of Sedgemoor and Taunton Deane, up to 37% in the most rural parts of Sedgemoor. Generally, the more rural areas have seen the largest increases in the older person population. Overall, the Rural village and dispersed category has seen a 32% increase in the population aged 65 and over, compared with just 19% in urban areas.



Source: ONS mid-year population estimates

2.16 The table below shows the ethnic group of the population (as of 2011) and compares this with a range of other areas. It can be seen that the Black and Minority Ethnic (BME) population of Somerset is low when compared with other areas; only 4.9% of people are from a BME group, compared with 8% across the South West and 19% nationally. The main BME group in Somerset is White (Other) which makes up 2.9% of all people – this group is likely to contain a number of Eastern European migrants.

Figure 2.14: Ethnic Group (2011)

	Somerset		South West	England
	Population	% of population	% of population	% of population
White (British)	503,815	95.1%	92.3%	80.7%
White (Other)	15,440	2.9%	3.1%	4.7%
Mixed	4,241	0.8%	1.4%	2.3%
Asian	4,873	0.9%	2.0%	7.8%
Black	1,013	0.2%	0.9%	3.5%
Other	590	0.1%	0.3%	1.0%
TOTAL	529,972	100.0%	100.0%	100.0%
Non-White (British)	26,157	4.9%	7.7%	19.3%

Source: 2011 Census

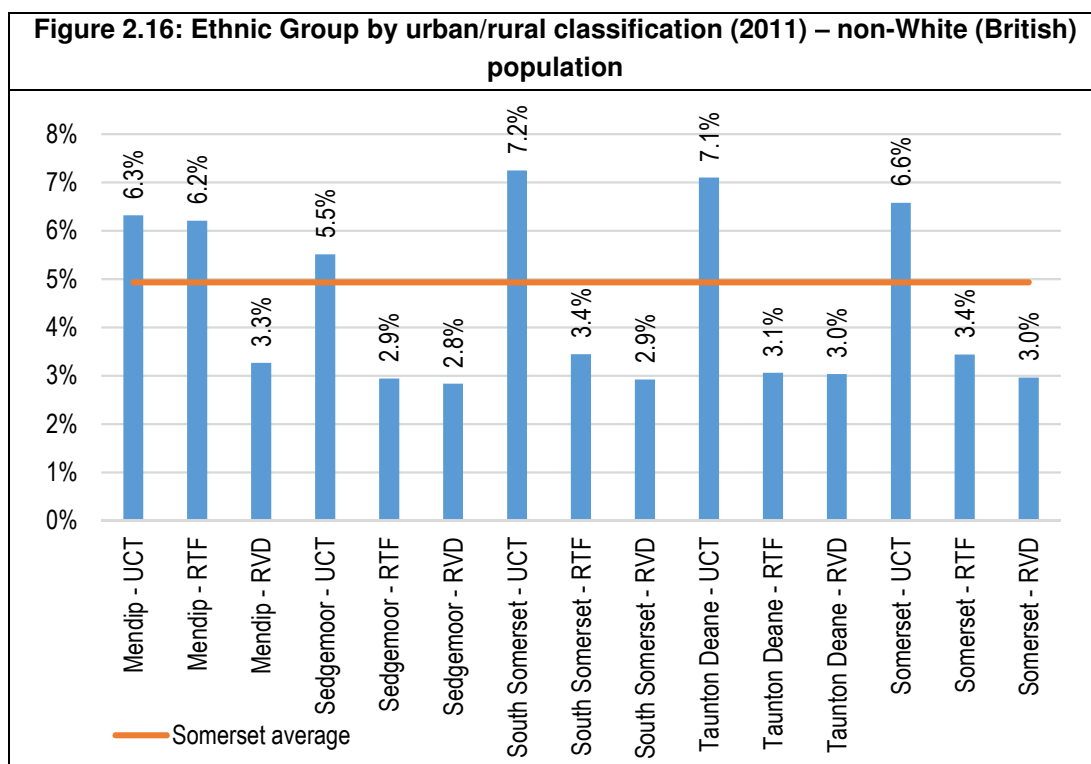
2.17 The table below shows the same information for each local authority; this shows broadly similar patterns in each area, with between 4% and 6% of the population being from a BME group. All areas also show White (Other) to be the main ethnic group (around 3% of the population in all locations).

Figure 2.15: Ethnic Group (2011) – local authorities

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
White (British)	94.8%	95.7%	95.3%	93.9%	95.1%
White (Other)	3.2%	2.7%	2.8%	3.3%	2.9%
Mixed	0.9%	0.8%	0.7%	0.9%	0.8%
Asian	0.9%	0.6%	0.9%	1.5%	0.9%
Black	0.2%	0.1%	0.2%	0.3%	0.2%
Other	0.1%	0.1%	0.1%	0.2%	0.1%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%
Non-White (British)	5.2%	4.3%	4.7%	6.1%	4.9%

Source: 2011 Census

- 2.18 The figure below shows the proportion of the population who are from a non-White (British) ethnic group by area and urban/rural classification. This identifies that rural areas typically have very low proportions from BME groups; in total, some 7% of the population of urban areas are from a BME group, compared with just 3% in rural locations.



Source: 2011 Census

Household Characteristics

- 2.19 The table below shows household types (from 2011) in Somerset and compared with other areas. Of note are the relatively high proportions of households with people aged 65 and over (particularly couple households) and relatively low levels of lone parent households. The analysis also shows a higher than average proportion of childless couples but a lower proportion of single adult households (aged under 65).

Figure 2.17: Household Types (2011)				
	Somerset		South West	England
	Households	% of households	% of households	% of households
One person 65 and over	33,500	14.8%	13.8%	12.4%
Couple 65 and over	25,223	11.1%	10.1%	8.1%
One person (under 65)	34,037	15.0%	16.5%	17.9%
Couple (no children)	46,516	20.5%	19.7%	17.6%
Couple (dependent children)	43,117	19.0%	18.6%	19.3%
Couple (non-dependent children only)	13,105	5.8%	5.6%	6.1%
Lone parent (dependent children)	12,709	5.6%	5.9%	7.1%
Lone parent (non-dependent children only)	6,341	2.8%	2.9%	3.5%
Other households	12,441	5.5%	6.8%	8.0%
TOTAL	226,989	100.0%	100.0%	100.0%

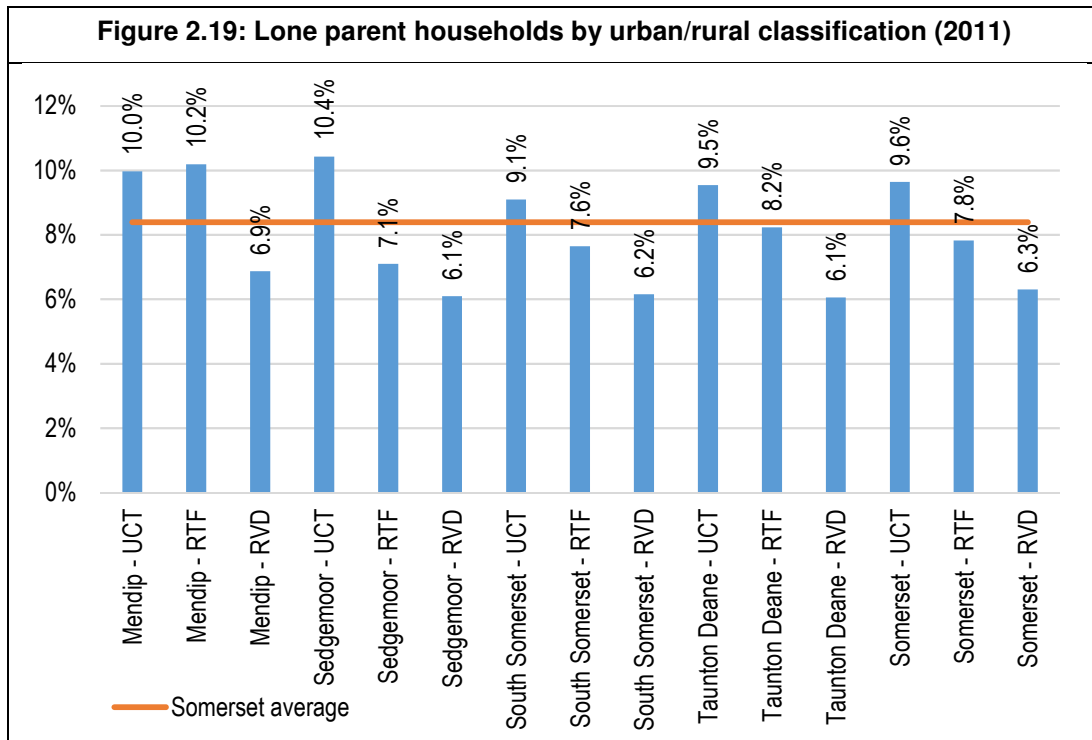
Source: 2011 Census

2.20 The table below shows the same information for each local authority, this analysis suggests relatively little difference between areas in terms of household composition.

Figure 2.18: Household Types (2011) – local authorities					
	Mendip	Sedge-moor	South Somerset	Taunton Deane	Somerset
One person 65 and over	13.8%	14.2%	14.8%	14.7%	14.8%
Couple 65 and over	10.2%	10.8%	11.7%	10.3%	11.1%
One person (under 65)	16.2%	14.1%	14.7%	15.5%	15.0%
Couple (no children)	20.1%	20.9%	21.1%	19.5%	20.5%
Couple (dependent children)	19.5%	19.6%	19.0%	19.6%	19.0%
Couple (non-dependent children only)	6.0%	6.0%	5.9%	5.4%	5.8%
Lone parent (dependent children)	6.1%	5.8%	5.2%	6.0%	5.6%
Lone parent (non-dependent children only)	2.9%	3.0%	2.6%	2.9%	2.8%
Other households	5.3%	5.7%	5.0%	6.0%	5.5%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

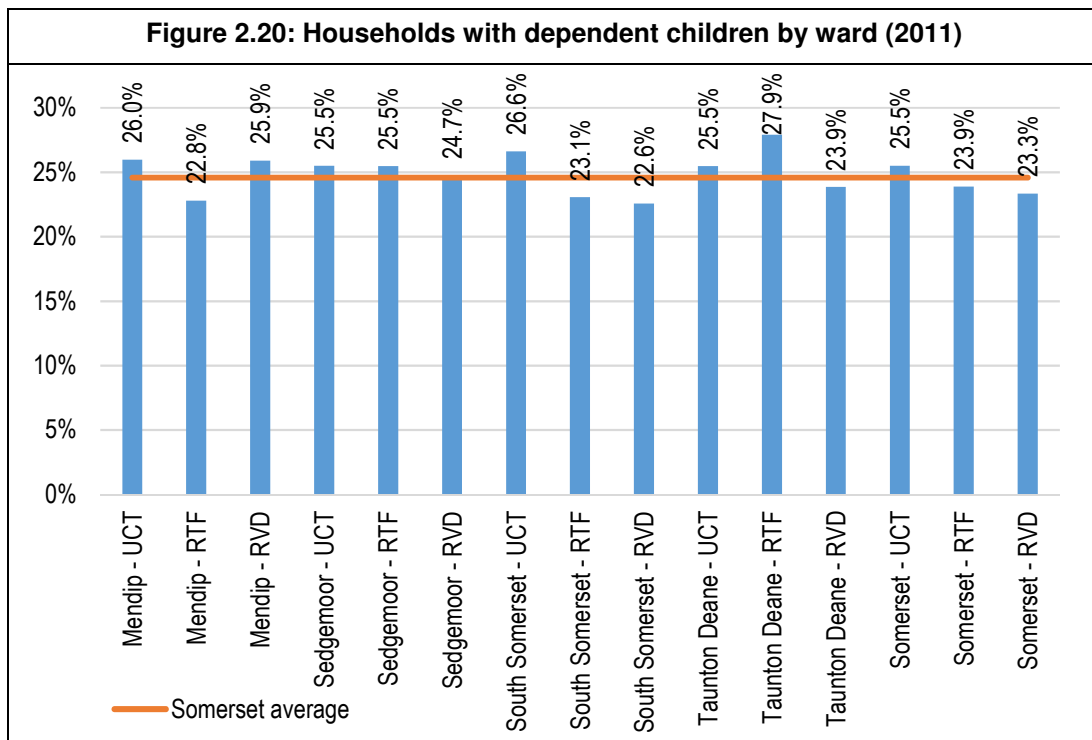
Source: 2011 Census

2.21 The figure below focuses on the proportion of lone parent households by area and urban/rural classification (the figures are for lone parent households with both dependent and non-dependent children combined). This shows a notable range with the proportion of lone parent households going from about 6% in the most rural of locations (Rural village and dispersed), up to 10% in urban areas (seen generally in all locations).



Source: 2011 Census

2.22 A similar analysis has been undertaken below focussing on all households with dependent children. This shows less variation across areas although the range of proportions of such households does go from 23% up to 28% in. When looking at urban and rural areas as a whole the differences are fairly minor – 26% of households in urban areas have dependent children and 23-24% for rural locations.



Source: 2011 Census

- 2.23 The table below shows household tenure compared with a number of other locations. The analysis identifies a relatively high proportion of owner-occupiers and particularly outright owners. The proportion of households living in the social rented sector is relatively low (in a national context) whilst the proportion living in private rented accommodation is slightly lower than in observed in other areas.

	Somerset		South West	England
	Households	% of households	% of households	% of households
Owns outright	85,778	37.8%	35.4%	30.6%
Owns with mortgage/loan	73,618	32.4%	32.8%	33.6%
Social rented	30,730	13.5%	13.3%	17.7%
Private rented	33,258	14.7%	17.1%	16.8%
Other	3,605	1.6%	1.4%	1.3%
TOTAL	226,989	100.0%	100.0%	100.0%

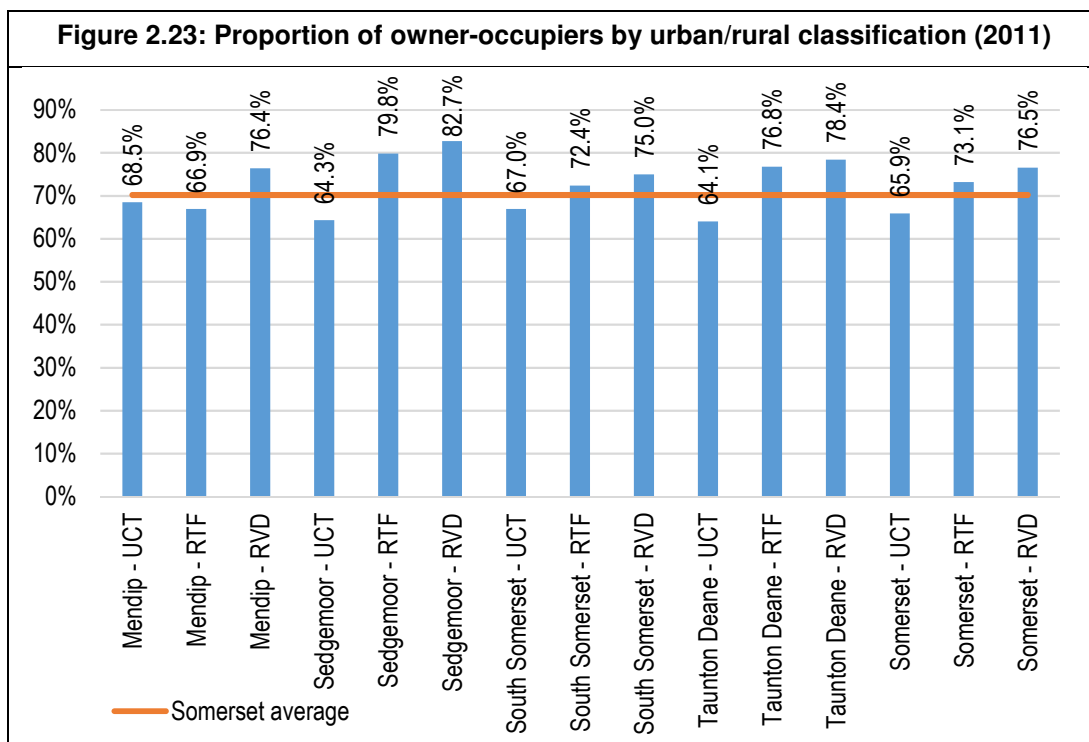
Source: 2011 Census

- 2.24 The table below shows the same information for each local authority. Broadly the patterns are similar in each area, although Taunton Deane does see a slightly higher proportion living in the social rented sector and fewer households who are owner-occupiers (particularly outright owners).

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
Owns outright	37.7%	37.5%	38.4%	34.8%	37.8%
Owns with mortgage/loan	33.4%	34.3%	32.6%	32.6%	32.4%
Social rented	11.9%	12.2%	14.0%	15.6%	13.5%
Private rented	15.5%	14.6%	13.3%	15.4%	14.7%
Other	1.6%	1.4%	1.6%	1.5%	1.6%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

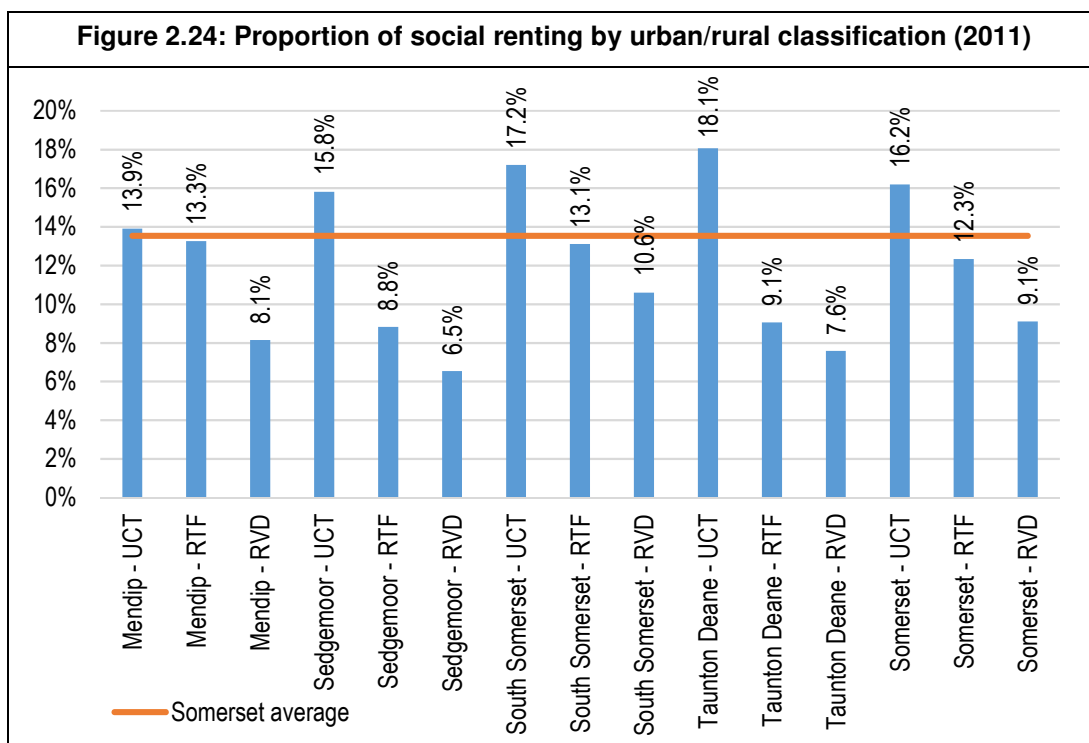
Source: 2011 Census

- 2.25 The three figures below show urban/rural classification level data for three key tenure groups: a) owner-occupied (combining those with and without a mortgage/loan), b) social rent and c) private rent (this excludes data for the 'other' tenure group which in any case is quite low).
- 2.26 When looking at owner-occupation the analysis shows a range from about 64% of households in the urban areas of Sedgemoor and Taunton Deane up to 83% in the most rural parts of Sedgemoor. Across all urban wards, some 66% of households are owner-occupiers, notably lower than in rural locations (73-77%).



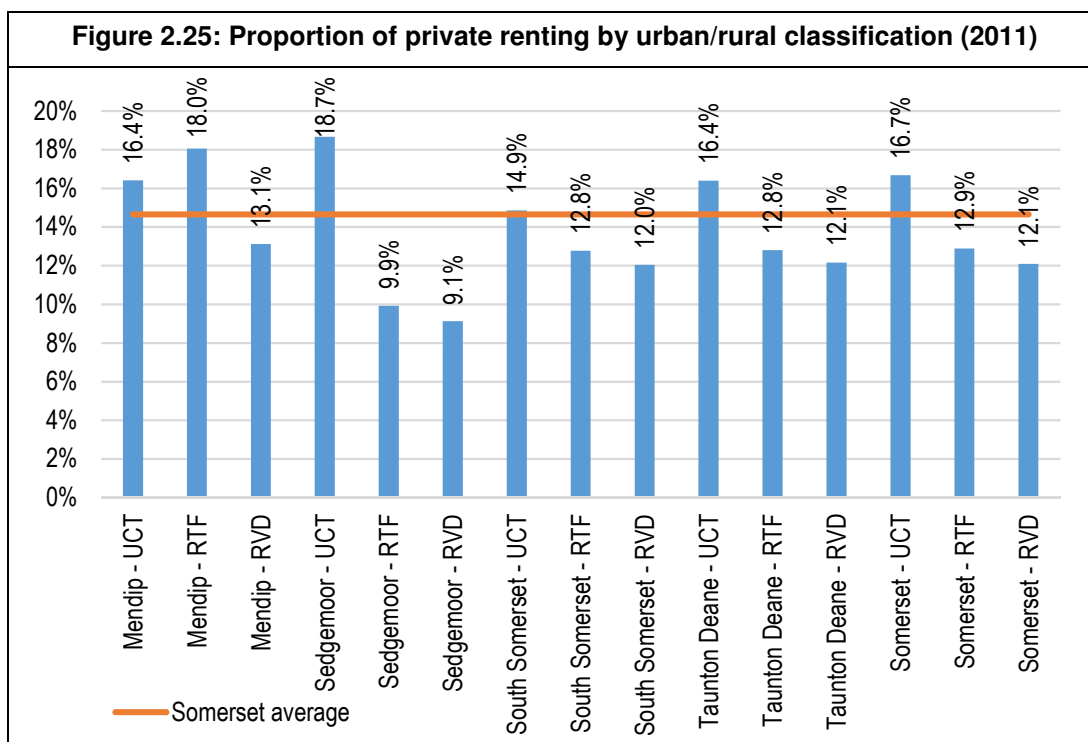
Source: 2011 Census

2.27 The proportion of households living in social rented housing (figure below) shows some significant variation by area with proportions varying from around 7% in the most rural parts of Sedgemoor up to 18% in urban areas of Taunton Deane. Overall, the proportion of households living in social rented accommodation is notably higher in urban areas with 16% of households living in social rented accommodation (as of 2011) compared with just 9-12% in rural locations.



Source: 2011 Census

- 2.28 The final tenure analysis below focusses on the private rented sector; as with other tenures there is some notable variation between areas with the proportion of households living in this sector varying from 9% in the most rural parts of Sedgemoor to 19% in the urban areas of the same local authority. Overall, the analysis shows a higher proportion of households living in private rented accommodation in urban than rural areas (17% compared with 12-13%).



Source: 2011 Census

- 2.29 As well as looking at the current tenure profile, it is of interest to consider how this has changed over time; the table below shows (for the whole of Somerset) data from the 2001 and 2011 Census. From this it is clear that there has been significant growth in the number of households living in privately rented accommodation as well as a notable increase in outright owners. There has been a decline in the number of owners with a mortgage and relatively little change in the numbers in the social rented sector.

Figure 2.26: Change in tenure (2001-11) – Somerset

	2001 households	2011 households	Change	% change
Owns outright	74,648	85,778	11,130	14.9%
Owns with mortgage/loan	81,775	73,618	-8,157	-10.0%
Social rented	29,100	30,730	1,630	5.6%
Private rented	19,705	33,258	13,553	68.8%
Other	5,359	3,605	-1,754	-32.7%
TOTAL	210,587	226,989	16,402	7.8%

Source: 2001 and 2011 Census

2.30 The table below shows the same information each local authority. All areas have seen a notable increase in the proportion of households living in the private rented sector, and reduction in owners with a mortgage. The growth in the private rented sector in Sedgemoor is particularly notable, with the number of households nearly doubling over the 10-year period studied.

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
Owns outright	18.8%	14.7%	17.9%	13.6%	14.9%
Owns with mortgage/loan	-12.3%	-8.3%	-9.1%	-9.5%	-10.0%
Social rented	4.3%	7.2%	9.5%	1.4%	5.6%
Private rented	63.1%	93.5%	65.0%	72.2%	68.8%
Other	-28.9%	-31.8%	-32.8%	-38.5%	-32.7%
TOTAL	7.6%	9.8%	9.0%	6.9%	7.8%

Source: 2001 and 2011 Census

Housing Profile

2.31 The analysis below shows the number of bedrooms available to households as of the 2011 Census. Generally, the size profile in Somerset is one of larger homes with an average of 2.85 bedrooms compared with 2.78 in the South West and 2.72 nationally. The analysis shows that 23% of dwellings have 4 or more bedrooms (other areas being in the range of 19%-21%) and 35% have two or fewer bedrooms (compared with 40% seen nationally).

	Somerset		South West	England
	Households	% of households	% of households	% of households
1 bedroom	20,634	9.1%	10.9%	12.0%
2 bedrooms	58,547	25.8%	27.3%	27.9%
3 bedrooms	95,049	41.9%	40.4%	41.2%
4 bedrooms	39,723	17.5%	16.1%	14.4%
5+ bedrooms	13,036	5.7%	5.3%	4.6%
TOTAL	226,989	100.0%	100.0%	100.0%
Average bedrooms	2.85		2.78	2.72

Source: 2011 Census

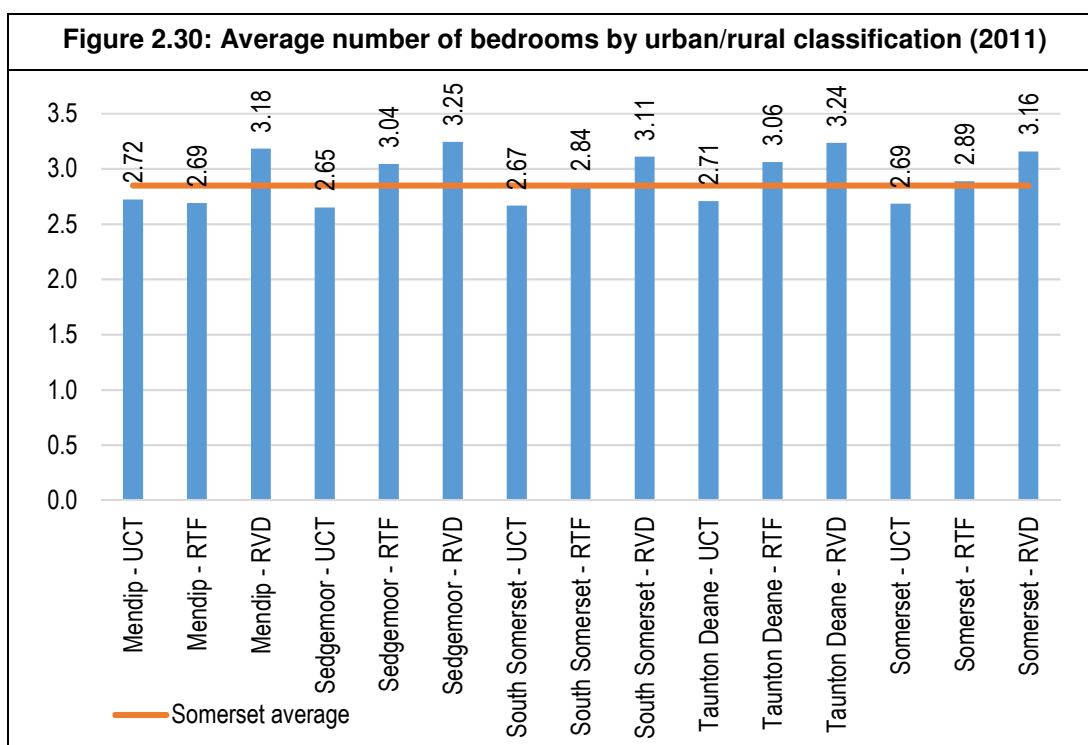
2.32 The table below shows the same information for each of the individual local authorities, overall, there is little difference in the profile of dwelling sizes across areas, varying from 2.82 bedrooms per household in Taunton Deane, up to 2.88 in Mendip.

Figure 2.29: Number of bedrooms (2011) – local authorities

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
1 bedroom	9.5%	8.5%	8.6%	10.2%	9.1%
2 bedrooms	24.5%	25.8%	25.7%	26.1%	25.8%
3 bedrooms	41.3%	41.7%	43.2%	40.8%	41.9%
4 bedrooms	18.1%	18.4%	17.1%	17.6%	17.5%
5+ bedrooms	6.6%	5.6%	5.3%	5.4%	5.7%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%
Average bedrooms	2.88	2.87	2.85	2.82	2.85

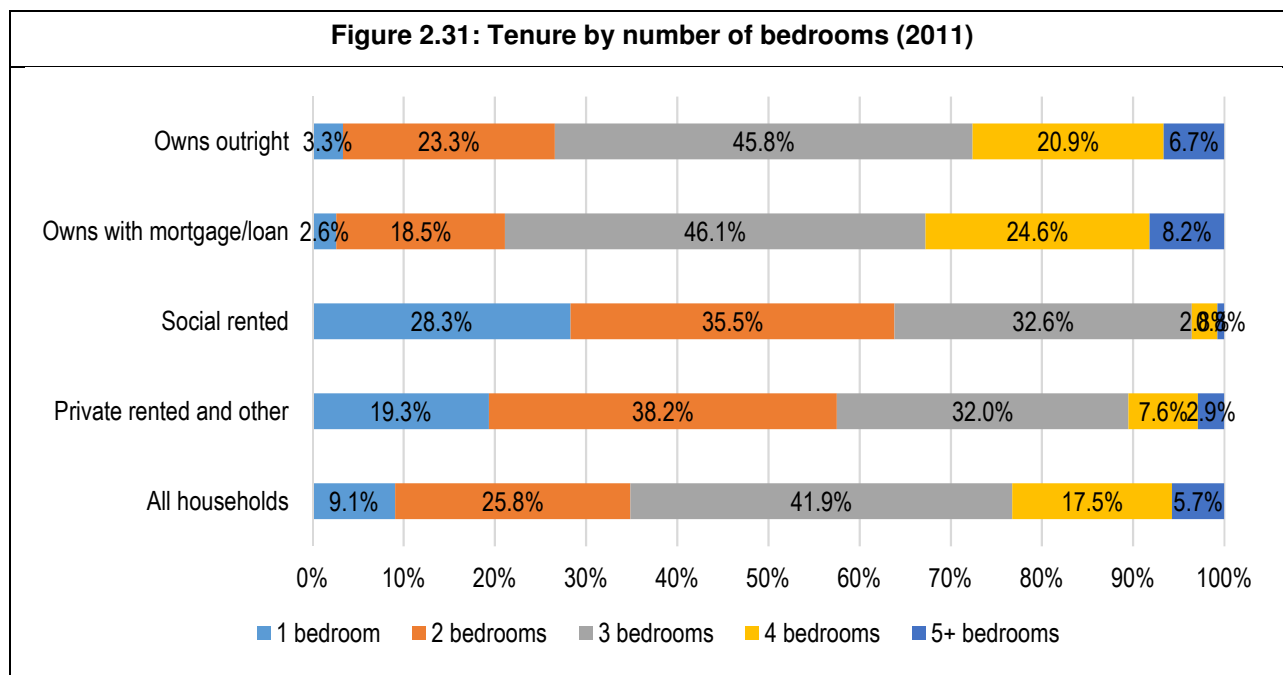
Source: 2011 Census

2.33 There is some variation in the average number of bedrooms across different locations as shown in the figure below – the average number of bedrooms varies from 2.65 in urban parts of Sedgemoor, up to 3.25 in the most rural parts of the same location. Overall, households living in rural areas tend to have a notably higher average number of bedrooms than households living in urban areas; households in the Rural village and dispersed category have an average of 3.16 bedrooms, compared with 2.69 in urban locations.



Source: 2011 Census

2.34 The figure below shows how the size of homes varies by tenure (for the whole of Somerset). From this it is clear that homes in the owner-occupied sector are significantly larger than either the private or social rented sectors. Some 76% of all owner-occupied homes have at least three bedrooms with 30% having four or more bedrooms. In the social rented sector, only 36% of homes have three or more bedrooms, along with 42% of private rented accommodation.



Source: 2011 Census

2.35 The table below shows the average number of bedrooms in each area (and urban/rural category) for each tenure group. The analysis shows some variation across areas with Somerset overall seeing higher dwelling sizes in all sectors when compared with other locations. It is also notable that average dwelling sizes are larger for all tenure groups in rural areas when compared with urban locations.

Figure 2.32: Average number of bedrooms by tenure and location

	Owns outright	Owns with mortgage/ loan	Social rented	Private rented and other	All households
Mendip – UCT	2.94	3.07	1.96	2.28	2.74
Mendip – RTF	2.94	3.10	2.00	2.08	2.69
Mendip – RVD	3.32	3.42	2.24	2.55	3.13
Mendip – total	3.09	3.20	2.04	2.35	2.88
Sedgemoor – UCT	2.80	3.00	2.16	2.22	2.65
Sedgemoor – RTF	3.11	3.35	2.13	2.54	3.04
Sedgemoor – RVD	3.30	3.55	2.29	2.55	3.25
Sedgemoor – total	3.02	3.21	2.17	2.32	2.87
South Somerset – UCT	2.82	3.00	2.10	2.25	2.67
South Somerset – RTF	3.03	3.13	2.08	2.37	2.84
South Somerset – RVD	3.26	3.32	2.35	2.66	3.09
South Somerset – total	3.04	3.13	2.15	2.40	2.85
Taunton Deane – UCT	2.96	3.08	2.08	2.24	2.71
Taunton Deane – RTF	3.17	3.33	2.20	2.61	3.06
Taunton Deane – RVD	3.35	3.53	2.17	2.73	3.24
Taunton Deane – total	3.06	3.17	2.09	2.33	2.82
Somerset – UCT	2.88	3.04	2.08	2.24	2.69
Somerset – RTF	3.05	3.21	2.12	2.40	2.89
Somerset – RVD	3.28	3.42	2.28	2.63	3.14
Somerset – total	3.04	3.17	2.12	2.37	2.85
South West	2.98	3.10	2.08	2.31	2.78
England	2.96	3.05	2.09	2.30	2.72

Source: 2011 Census

2.36 Leading on from the analysis of dwelling sizes, the analysis below looks at accommodation types. This identifies that Somerset has a particularly high proportion of detached homes and relatively few flats – around 33% of homes are detached, compared with 30% across the region and 22% nationally; only 13% of homes are flats, compared with 22% nationally and around 19% across the region.

Figure 2.33: Accommodation type (2011)

	Somerset		South West	England
	Households	% of households	% of households	% of households
Detached	73,866	32.5%	30.0%	22.4%
Semi-detached	70,415	31.0%	27.9%	31.2%
Terraced	53,732	23.7%	23.3%	24.5%
Flat/other	28,976	12.8%	18.8%	21.9%
TOTAL	226,989	100.0%	100.0%	100.0%

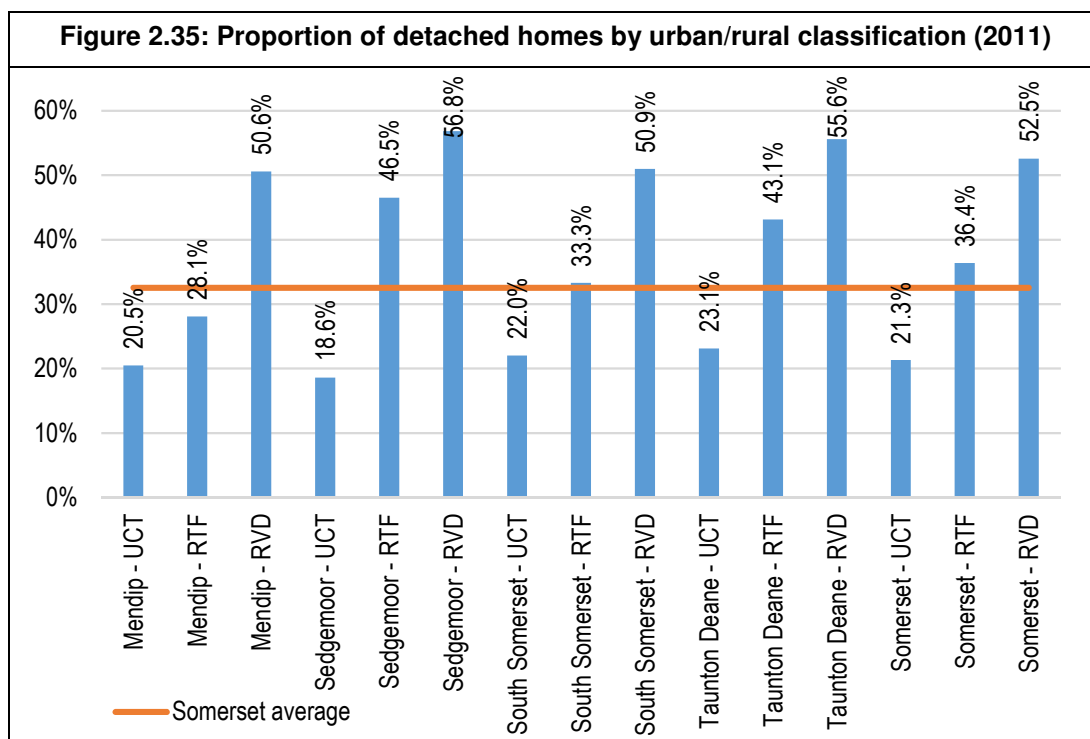
Source: 2011 Census

- 2.37 The table below shows the same information for each of the individual local authorities, overall, there is little difference in the profile of dwelling types across areas, although Taunton Deane does see a higher proportion of flats and relatively few detached homes, the differences are not however particularly substantial.

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
Detached	31.6%	33.3%	33.7%	29.7%	32.5%
Semi-detached	32.1%	31.5%	31.2%	29.1%	31.0%
Terraced	24.5%	22.7%	24.0%	25.3%	23.7%
Flat/other	11.8%	12.5%	11.1%	15.9%	12.8%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

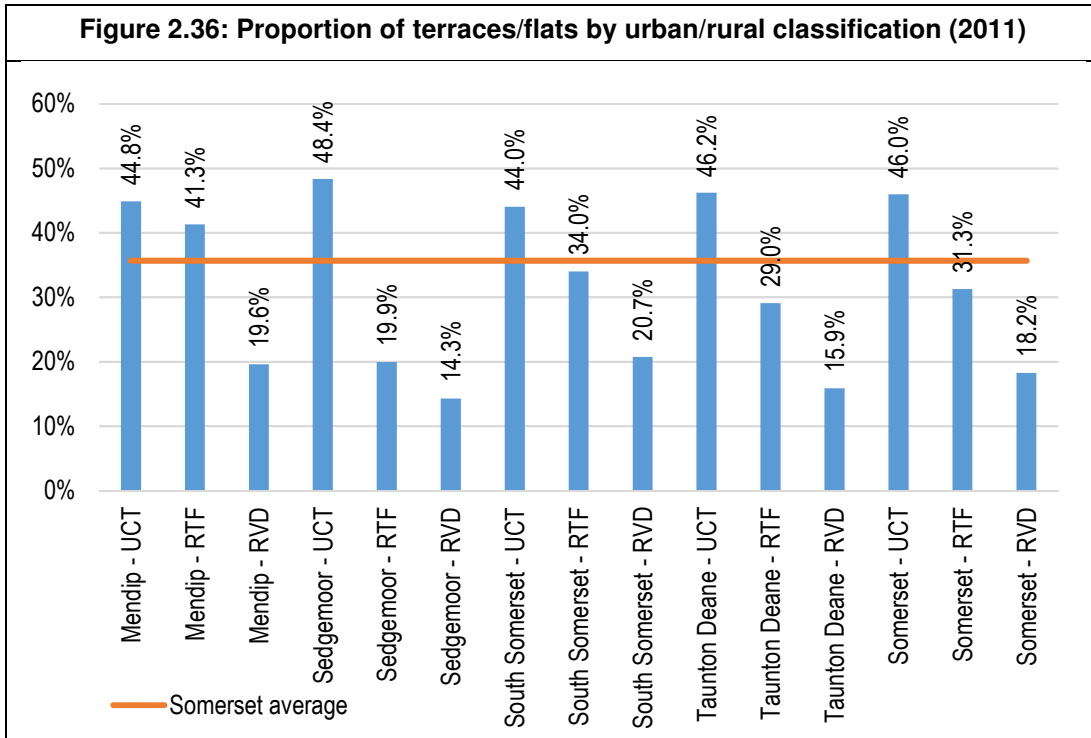
Source: 2011 Census

- 2.38 The figure below shows the proportion of detached homes in each area and urban/rural classification. There is a notable variation with figures ranging from 19% in urban parts of Sedgemoor, up to 57% in the most rural parts of the same location. Generally, rural locations have much higher proportions of detached homes; overall 53% of homes in the Rural village and dispersed category are detached, compared with 21% in urban locations.



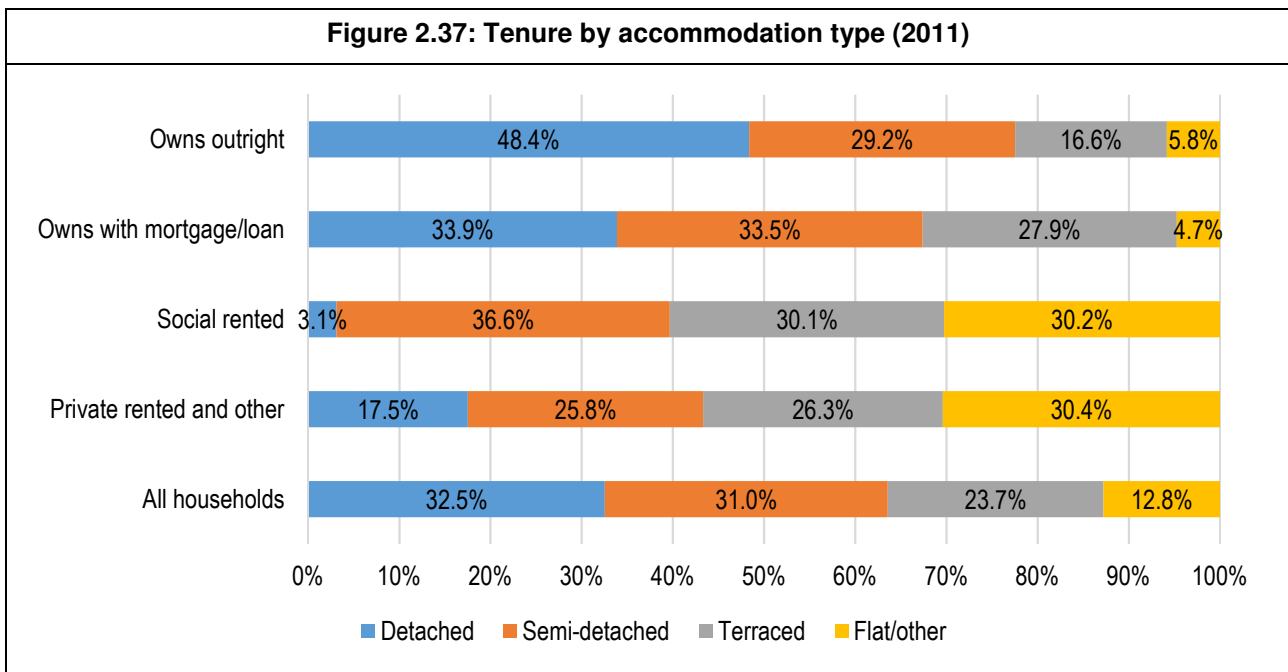
Source: 2011 Census

- 2.39 A similar analysis (below) focuses on the proportion of terrace homes and flats. This typically shows the opposite pattern to that for detached homes with the proportion of households living in terraces/flats ranging from 14% in the most rural parts of Sedgemoor, up to 48% in the urban areas of the same location. Across the whole of urban areas of Somerset, some 46% of households live in a flat or terraced home; this compares with 18% in the Rural village and dispersed category.



Source: 2011 Census

2.40 The figure below shows how accommodation type varies by tenure (for the whole of Somerset). From this it is clear that homes in the owner-occupied sector are more likely to be detached with relatively few terraced homes or flats. The private rented sector has a more equal split between different dwelling types whilst the social rented sector is focussed on flattened accommodation (making up 30% of all households living in this sector).



Source: 2011 Census

- 2.41 The analysis below studies levels of overcrowding and under-occupation – this is based on the bedroom standard with data taken from the 2011 Census. The box below shows how the standard is calculated and this is then compared with the number of bedrooms available to the household (with a negative number representing overcrowding and a positive number being under-occupation). Households with an occupancy rating of +2 or more have at least two spare bedrooms.

For the purposes of the bedroom standard a separate bedroom shall be allocated to the following persons –
(a) A person living together with another as husband and wife (whether that other person is of the same sex or the opposite sex)
(b) A person aged 21 years or more
(c) Two persons of the same sex aged 10 years to 20 years
(d) Two persons (whether of the same sex or not) aged less than 10 years
(e) Two persons of the same sex where one person is aged between 10 years and 20 years and the other is aged less than 10 years
(f) Any person aged under 21 years in any case where he or she cannot be paired with another occupier of the dwelling so as to fall within (c), (d) or (e) above.

- 2.42 The analysis shows that levels of overcrowding in Somerset are low with only 2.3% of households being overcrowded in 2011 (compared with 2.8% across the South West and 4.6% nationally). Levels of under-occupation are however high with around 42% of households having a rating of +2 or more – this is notably higher than seen in any of the comparator areas.

Figure 2.38: Overcrowding and under-occupation (2011) – bedroom standard				
	Somerset		South West	England
	Number of households	% of households	% of households	% of households
+2 or more	96,412	42.5%	38.7%	34.3%
+1 or more	77,046	33.9%	34.7%	34.4%
0	48,413	21.3%	23.9%	26.7%
-1 or less	5,118	2.3%	2.8%	4.6%
TOTAL	226,989	100.0%	100.0%	100.0%

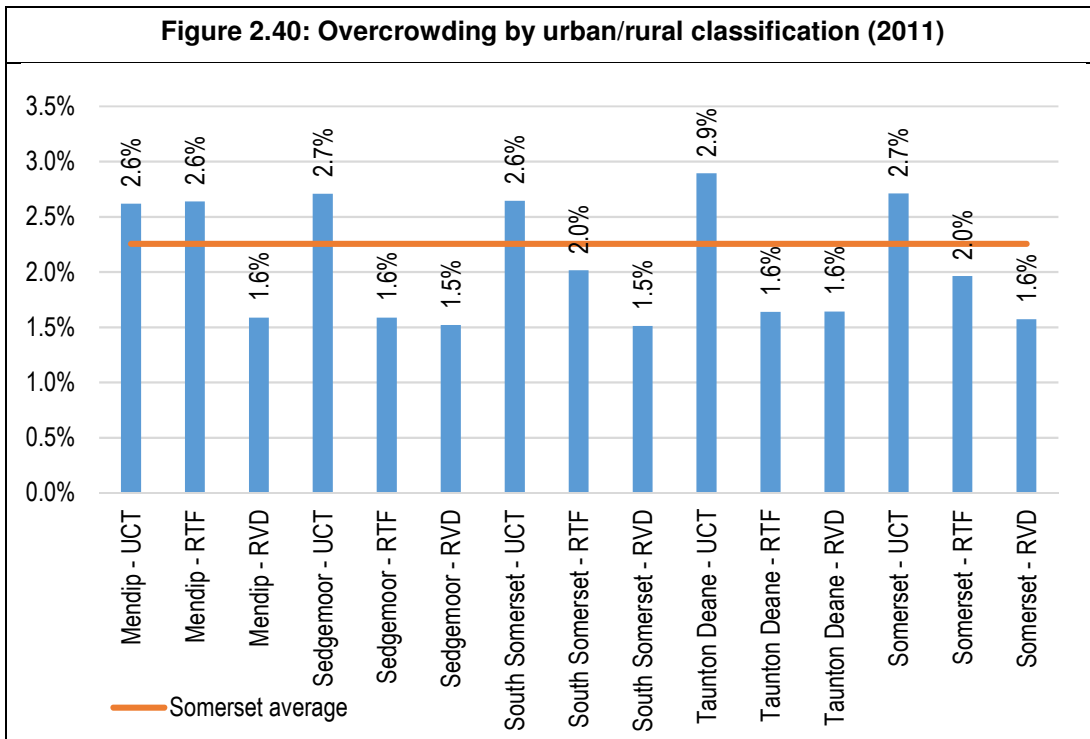
Source: 2011 Census

- 2.43 The table below shows the same information for each of the individual local authorities, overall, there is little difference between areas.

Figure 2.39: Overcrowding and under-occupation (2011) – bedroom standard – local authorities					
	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
+2 or more	43.0%	42.3%	42.9%	41.0%	42.5%
+1 or more	33.1%	34.5%	34.1%	33.7%	33.9%
0	21.7%	21.0%	20.8%	22.7%	21.3%
-1 or less	2.3%	2.2%	2.1%	2.6%	2.3%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

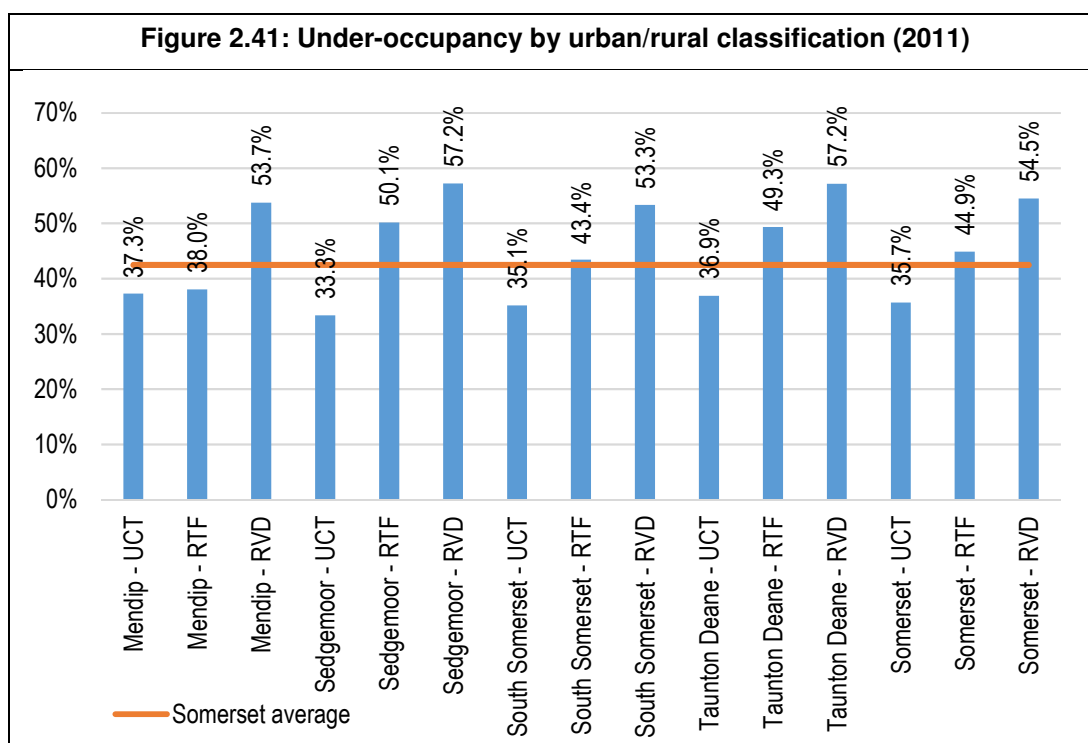
Source: 2011 Census

2.44 The figure below shows levels of overcrowding by area and urban/rural classification. This identifies a range of overcrowding from about 1.5-1.6% in Rural villages and dispersed locations, up to 2.6-2.9% in urban areas.



Source: 2011 Census

2.45 A similar analysis (below) focuses on under-occupancy (using figures for the proportion of households with an occupancy rate of +2 or more). This shows that levels of under-occupancy are higher than the County average in the most rural of areas (Rural village and dispersed); levels of under-occupancy range from 33% in urban parts of Sedgemoor, up to 57% in the most rural parts of Sedgemoor and Taunton Deane. Overall the level of under-occupancy in the most rural of areas (55%) is notably higher than in urban locations (36%).



Source: 2011 Census

Economic Profile

2.46 The series of analysis below looks at a range of economic issues (economic activity, qualifications and occupation profiles). The table below shows in comparison with other areas that Somerset has a low level of unemployment and a high proportion of people who are self-employed; the proportion of people in the 'other' category (which includes those who are sick/disabled) is also low. Overall, the proportion of people (aged 16 and over) who are working is similar to other areas – 59% - this is despite Somerset having a relatively old population age structure and a higher proportion of people who are retired.

Figure 2.42: Economic Activity (2011) – population aged 16 and over

	Somerset		South West	England
	Population	% of population	% of population	% of population
In employment (part-time)	67,929	15.6%	15.4%	14.4%
In employment (full-time)	142,772	32.8%	33.5%	35.4%
Self-employed	48,127	11.1%	10.2%	9.1%
Unemployed	13,039	3.0%	3.5%	4.7%
Retired	115,318	26.5%	24.7%	21.2%
Other	48,197	11.1%	12.7%	15.2%
TOTAL	435,382	100.0%	100.0%	100.0%

Source: 2011 Census

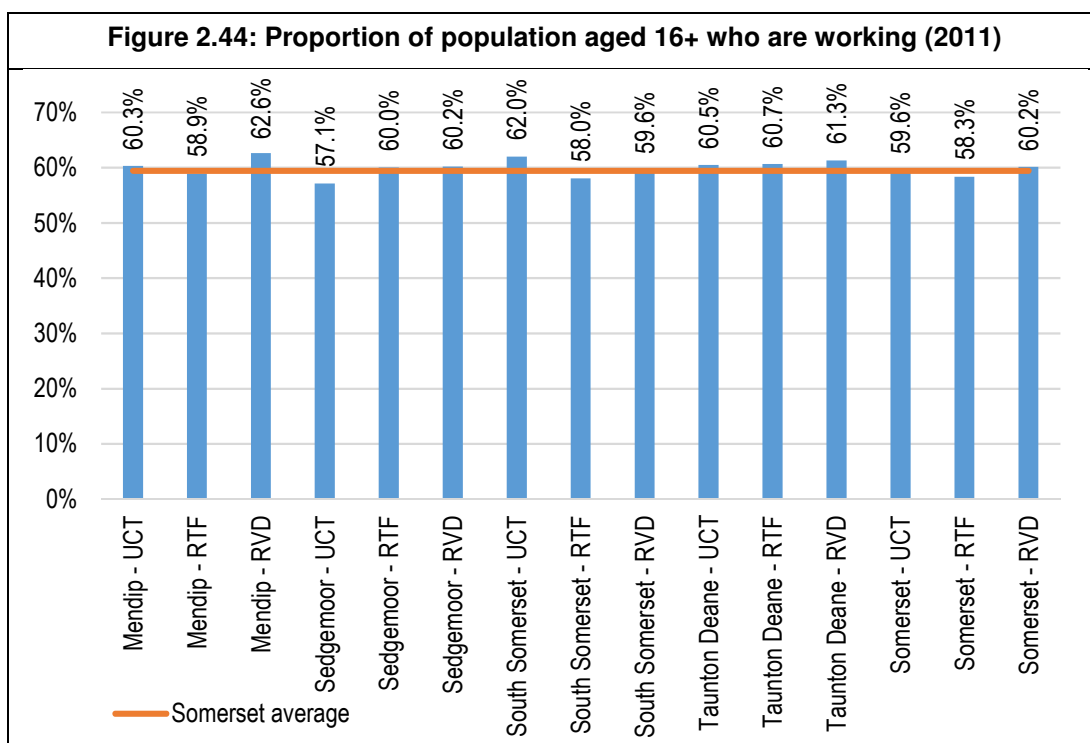
2.47 The table below shows the same information for each of the individual local authorities, overall, each area shows similar patterns, although the proportion of people who are self-employed in Mendip is relatively high (at 13%), Mendip also has a slightly lower proportion of people who are retired.

Figure 2.43: Economic Activity (2011) – population aged 16 and over – local authorities

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
In employment (part-time)	16.0%	15.7%	15.4%	16.2%	15.6%
In employment (full-time)	32.1%	32.4%	34.0%	34.8%	32.8%
Self-employed	12.9%	10.4%	10.5%	9.6%	11.1%
Unemployed	2.9%	3.7%	2.7%	2.9%	3.0%
Retired	24.2%	26.0%	27.5%	25.2%	26.5%
Other	11.8%	11.9%	9.9%	11.3%	11.1%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

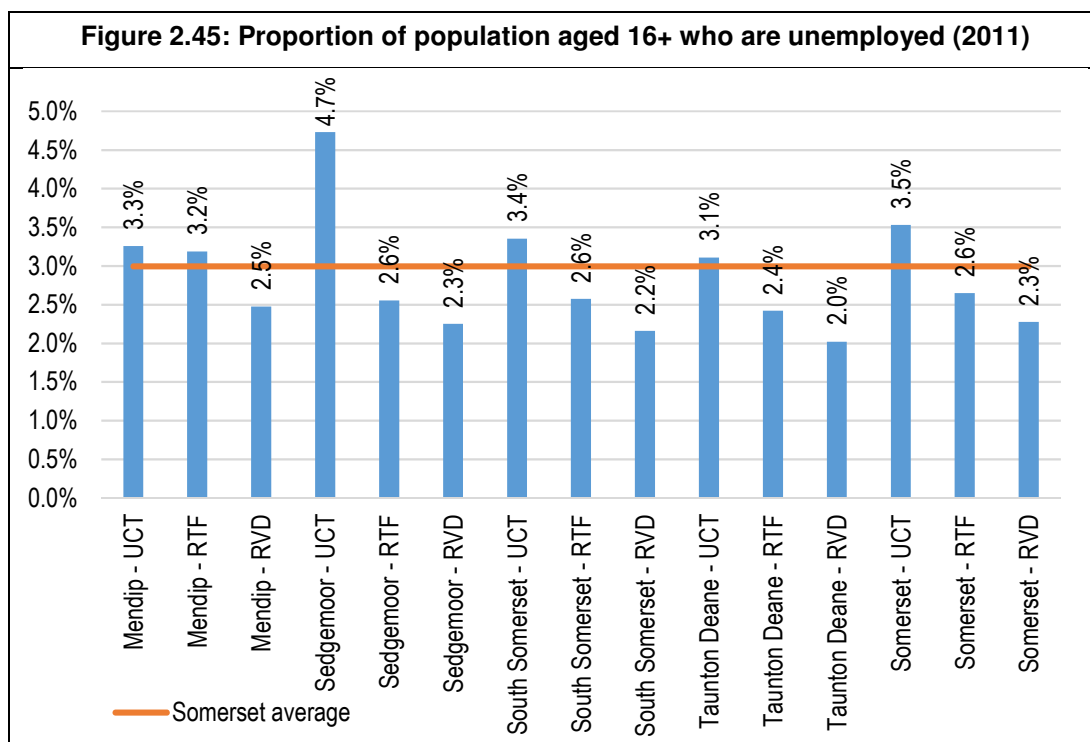
Source: 2011 Census

2.48 The figure below shows the proportion of people (aged 16+) who are working by urban/rural classification. Although there are some variations, it is the case that all areas see between 57% and 62% of people with a job (including self-employed). There is also little difference between the proportion who are working in urban compared with rural areas when considering the data for the whole of the County – this is despite rural areas having higher proportions of the population aged 65 and over.



Source: 2011 Census

- 2.49 A similar analysis (below) focuses on the proportion of the population who are unemployed (by area and urban/rural classification). In this case the range of unemployment is from about 2% in the most rural areas (similar figures in all local authorities), up to 4.7% in urban parts of Sedgemoor; generally, unemployment is higher in urban areas (3.5%) than rural locations (2.3%-2.6%) although it should be stressed that unemployment is low when compared with wider benchmark areas (notably the national position).



Source: 2011 Census

- 2.50 The table below shows the level of qualifications in the population aged 16 and over. Generally, this suggests that Somerset has a slightly less qualified population with a relatively low proportion at Level 4 and above (degree level). Although differences are shown between Somerset and other areas these are not as notable as for some of the other analysis carried out in this section.

Figure 2.46: Qualifications (2011) – population aged 16 and over

	Somerset		South West	England
	Population	% of population	% of population	% of population
No qualifications	97,590	22.4%	20.7%	22.5%
Level 1 qualifications	59,803	13.7%	13.6%	13.3%
Level 2 qualifications	74,821	17.2%	16.4%	15.2%
Apprenticeship	19,408	4.5%	4.3%	3.6%
Level 3 qualifications	52,538	12.1%	13.2%	12.4%
Level 4 qualifications and above	111,538	25.6%	27.4%	27.4%
Other qualifications	19,684	4.5%	4.5%	5.7%
TOTAL	435,382	100.0%	100.0%	100.0%

Source: 2011 Census

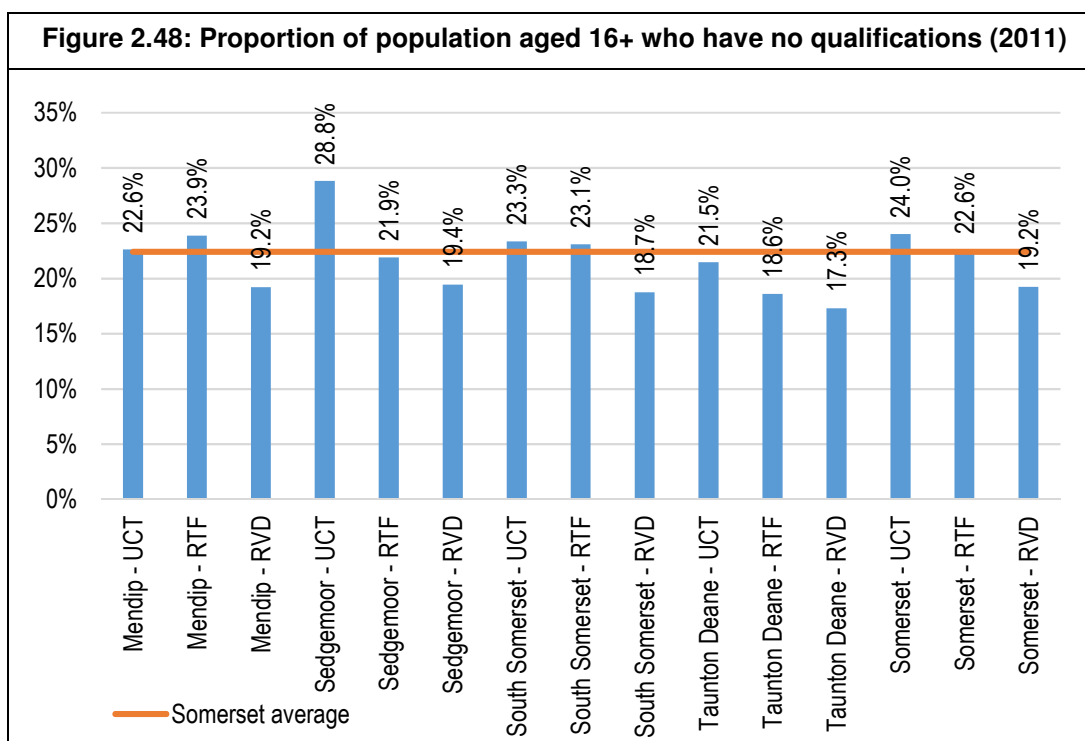
2.51 The table below shows the same information for each of the individual local authorities; there are some differences between locations, with Mendip and Taunton Deane seeing higher proportions of people with qualifications at Level 4 and above. Additionally, Sedgemoor sees a higher proportion of people (25%) with no qualifications. For other qualification categories, there is little difference between locations.

Figure 2.47: Qualifications (2011) – population aged 16 and over – local authorities

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
No qualifications	21.4%	25.1%	21.9%	20.5%	22.4%
Level 1 qualifications	13.5%	14.7%	13.7%	13.0%	13.7%
Level 2 qualifications	17.1%	17.1%	17.0%	17.9%	17.2%
Apprenticeship	4.1%	4.7%	5.2%	3.7%	4.5%
Level 3 qualifications	12.0%	11.8%	12.4%	12.3%	12.1%
Level 4 qualifications and above	27.9%	22.1%	25.1%	28.1%	25.6%
Other qualifications	4.0%	4.5%	4.7%	4.6%	4.5%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

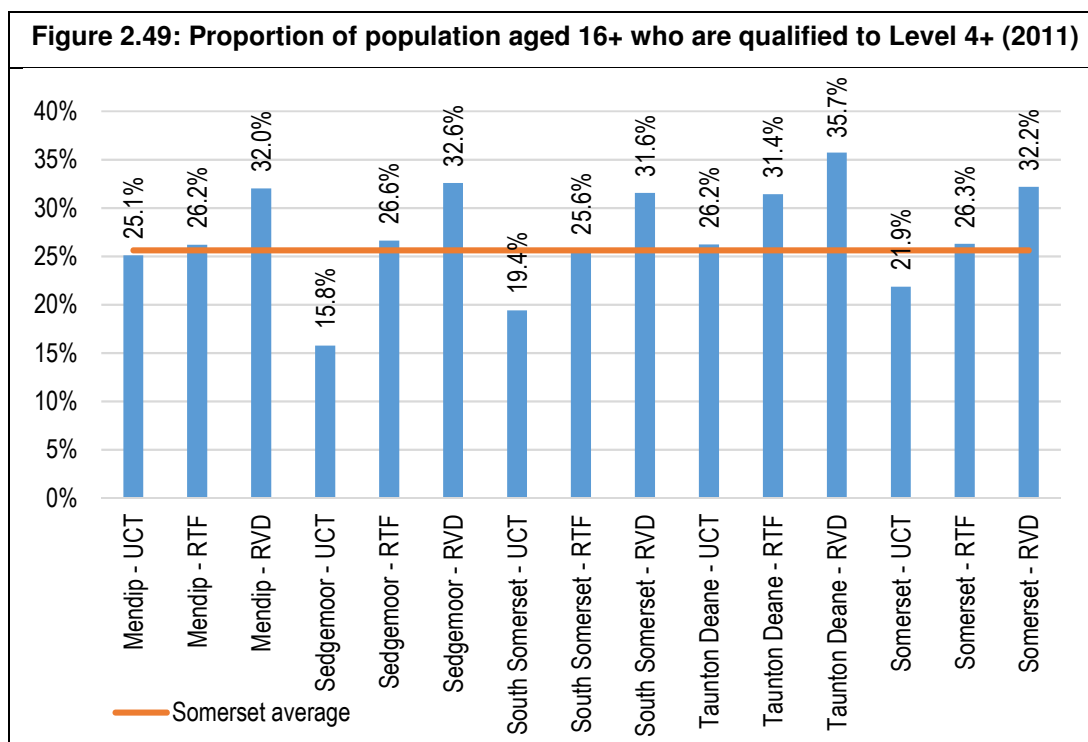
Source: 2011 Census

2.52 The figure below shows the proportion of people (aged 16+) who have no qualifications by area and urban/rural classification. Generally, the population in rural areas are less likely to have no qualifications; overall, some 24% of the population of urban areas have no qualifications, compared with 19% in the most rural of locations (Rural village and dispersed).



Source: 2011 Census

- 2.53 A similar analysis (below) focuses on the proportion of the population who are qualified to Level 4 and above (degree level). This typically shows the opposite pattern that found for no qualifications with higher proportions being seen in rural areas. The proportion of people with a Level 4 and above qualification varies from 16% in urban parts of Sedgemoor to 36% in the most rural parts of Taunton Deane; overall 32% of the population of rural areas (Rural village and dispersed) has a Level 4+ qualification, compared with 22% in urban areas.



Source: 2011 Census

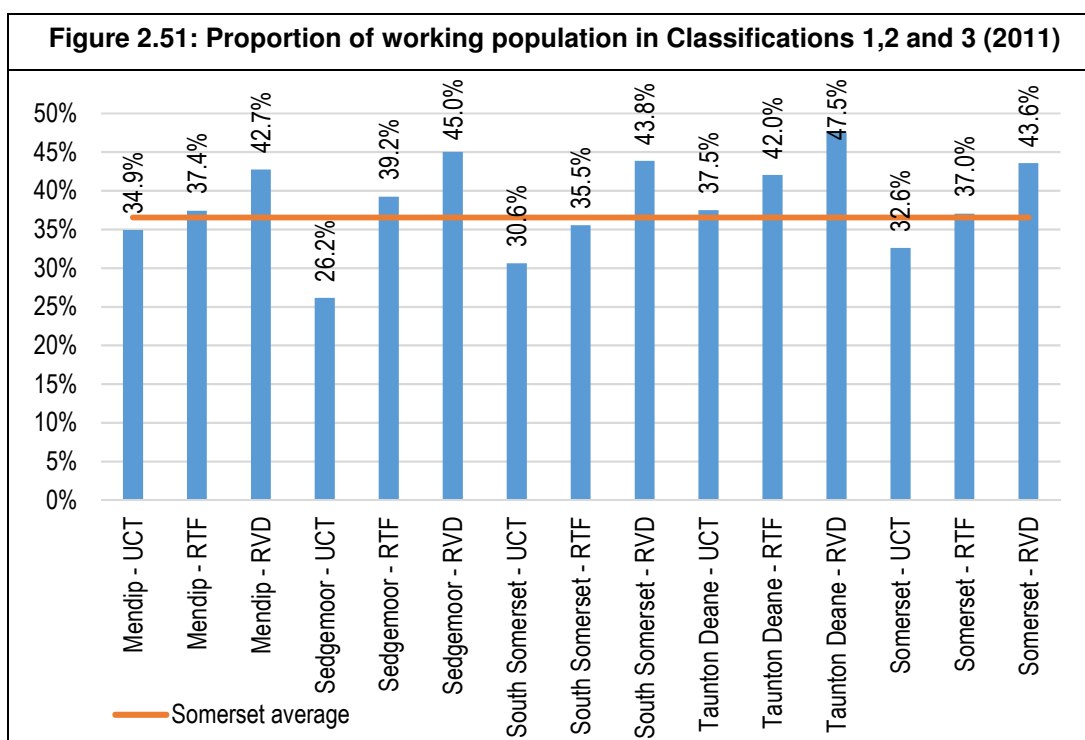
- 2.54 The final analysis under the economic activity heading looks at the types of occupations undertaken by people who are working – this analysis uses a slightly different base to those above in that it only uses data from people in employment (including self-employed). This analysis suggests that the occupation profile in the County does not vary notably from other comparator areas although there are a slightly lower proportion of people in Classifications 1-3 than in other locations (37% compared with 40%-41%). The main difference in the other direction is a relatively high proportion of people in skilled trades occupations (occupation group 5).

Figure 2.50: Occupation group (2011) – working population aged 16 and over

	Somerset		South West	England
	Population	% of population	% of population	% of population
1: Managers, directors and senior officials	28,436	11.0%	11.1%	10.9%
2: Professional occupations	38,125	14.7%	16.5%	17.5%
3: Associate professional and technical occupations	28,053	10.8%	12.1%	12.8%
4: Administrative and secretarial occupations	26,396	10.2%	11.0%	11.5%
5: Skilled trades occupations	39,045	15.1%	13.5%	11.4%
6: Caring, leisure and other service occupations	27,584	10.7%	9.8%	9.3%
7: Sales and customer service occupations	20,825	8.0%	8.4%	8.4%
8: Process, plant and machine operatives	20,478	7.9%	6.7%	7.2%
9: Elementary occupations	29,886	11.5%	11.0%	11.1%
TOTAL	258,828	100.0%	100.0%	100.0%

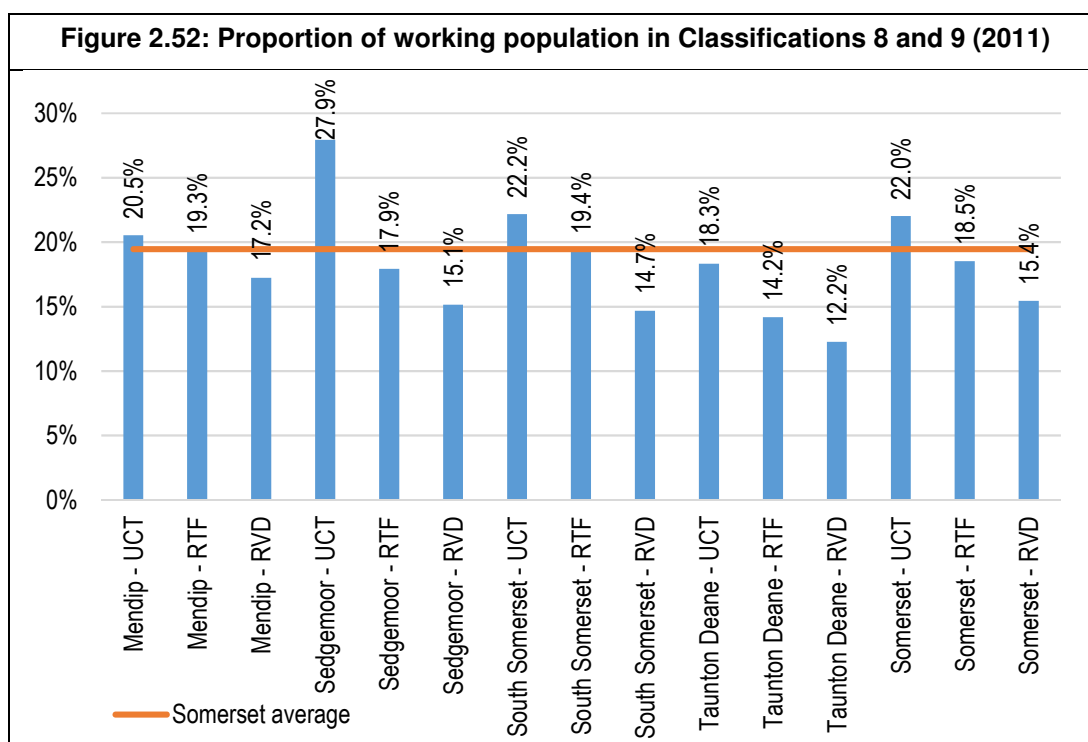
Source: 2011 Census

2.55 The figure below shows the proportion of workers (aged 16+) who are in the three highest classification bands by area and urban/rural classification. Generally, the working population in rural areas are more likely to be in bands 1,2 and 3; at an area level the proportions vary from 26% in urban parts of Sedgemoor, up to 47% in the most rural locations in Taunton Deane. Overall, some 33% of the working population of urban areas are in classifications 1,2 and 3, compared with 44% in the most rural locations.



Source: 2011 Census

- 2.56 A similar analysis (below) focuses on the proportion of the working population who are in the two lowest classifications (8 and 9). This typically shows the opposite pattern that found above with lower proportions being seen in rural areas. The proportion of working people in classifications 8 and 9 varies from 12% in the most rural parts of Taunton Deane up to 28% in urban locations of Sedgemoor; overall 15% of the working population in rural areas (rural village and dispersed) is in a classification 8 or 9 occupation, compared with 22% in urban areas.



Source: 2011 Census

House prices and incomes

- 2.57 The final piece of analysis looks at how house prices and incomes vary between different areas – this includes looking at an indicative affordability ratio (i.e. comparing average house prices with average incomes).
- 2.58 The table below shows average (median) house prices by type from Land Registry data (covering the period from Q2 2015 to Q1 2016). This clearly shows higher overall prices in rural areas than urban locations. Taking the overall average for Somerset, the data shows an average price of £174,000 in urban areas, this rises to £195,000 in the Rural town and fringe category and increases again to £270,000 in the Rural village and dispersed category. All areas see a similar pattern apart from Mendip where the Urban category has a higher average than in Rural town and fringe (but still some way below Rural village and dispersed).
- 2.59 To some extent the differences are driven by the profile of stock in different locations (e.g. more detached homes and fewer terraces and flats in rural areas), however, in most instances it remains the case that rural properties are more expensive than homes of a similar built-form in urban areas. When looking at the different dwelling types, it is however the case that differences between urban areas and the Rural town and fringe are less marked.

Figure 2.53: Average (median) house price by type and location (year to end March 2016)

	Detached	Semi-detached	Terraced	Flat	All dwellings
Mendip – UCT	£286,250	£198,000	£180,000	£122,000	£195,000
Mendip – RTF	£262,500	£181,750	£162,500	£122,000	£176,500
Mendip – RVD	£386,000	£227,500	£199,475	£154,500	£275,000
Mendip – total	£315,000	£200,000	£180,000	£123,500	£210,000
Sedgemoor – UCT	£235,000	£175,000	£135,000	£99,375	£152,500
Sedgemoor – RTF	£259,000	£180,000	£152,250	£120,000	£190,000
Sedgemoor – RVD	£333,000	£202,500	£199,950	£120,000	£275,000
Sedgemoor – total	£263,475	£180,000	£142,000	£106,475	£177,500
South Somerset – UCT	£251,500	£170,000	£143,000	£100,000	£160,000
South Somerset – RTF	£280,000	£183,500	£165,000	£102,500	£193,500
South Somerset – RVD	£350,000	£201,000	£171,000	£91,000	£259,000
South Somerset – total	£289,000	£180,000	£155,000	£100,000	£186,500
Taunton Deane – UCT	£274,995	£186,750	£158,000	£120,000	£180,475
Taunton Deane – RTF	£293,000	£198,000	£170,000	£127,500	£239,950
Taunton Deane – RVD	£375,000	£244,975	£234,000	£108,100	£296,000
Taunton Deane – total	£287,000	£189,950	£160,000	£120,000	£190,000
Somerset – UCT	£264,000	£182,250	£153,500	£112,000	£174,000
Somerset – RTF	£277,000	£184,000	£162,500	£112,250	£195,000
Somerset – RVD	£347,500	£215,000	£190,000	£121,500	£270,000
Somerset – total	£287,500	£186,000	£159,000	£112,000	£190,000

Source: Land Registry

- 2.60 The table below investigates average incomes by different locations. The data has been taken from ONS small area income estimates and is for the 2001/2 period. The analysis differs slightly from previous information in that this data is presented for middle layer super outputs areas (MSOA) which are generally bigger than wards. ONS does however provide an urban/rural classification for MSOA but it should be noted that the boundaries will not be the same as for other analysis.
- 2.61 The data shows higher incomes in rural areas than urban locations and in particular in the Rural village and dispersed category (where across the County incomes are 19% higher than in urban areas). Generally individual local authorities show a pattern of higher incomes in the most rural areas, the exception being in Taunton Deane where the Rural town and fringe income figure is the highest (this is however based on only one MSOA); additionally, the data suggests higher incomes in urban areas of Mendip than within the Rural town and fringe category.

Figure 2.54: Average (mean) household income by location (2011/12)

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
Urban city and town	£33,749	£30,324	£32,951	£34,661	£32,800
Rural town and fringe	£31,650	£36,286	£34,242	£45,313	£34,975
Rural village and dispersed	£40,498	£41,151	£38,442	£39,454	£39,098
All households	£35,783	£33,718	£35,332	£36,161	£34,971

Source: Land Registry

- 2.62 The two pieces of information described above can be brought together to construct a price:income ratio. This analysis should only be used for the purposes of comparing areas as the data sources are not directly comparable (e.g. median house prices and mean incomes (for different time periods), plus slightly different area boundaries).
- 2.63 The table below identifies a higher price:income ratio in rural areas and this is the case in all local authorities. There is some difference between urban areas and the Rural town and fringe category although this is not as notable as the difference with the Rural village and dispersed group.

Figure 2.55: Price:income ratios by location					
	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
Urban city and town	5.78	5.03	4.86	5.21	5.30
Rural town and fringe	5.58	5.24	5.65	5.30	5.58
Rural village and dispersed	6.79	6.68	6.74	7.50	6.91
All households	5.87	5.26	5.28	5.25	5.43

Source: Land Registry

- 2.64 As noted previously, there is a different profile of homes in rural areas and so a final analysis has sought to standardise the figures by using price data for terraced homes only. This shows relatively little difference between urban and rural areas with rural areas actually showing as being more 'affordable' in Mendip than other locations.

Figure 2.56: Price:income ratios by location – price data for terraced homes only					
	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
Urban city and town	5.33	4.45	4.34	4.56	4.68
Rural town and fringe	5.13	4.20	4.82	3.75	4.65
Rural village and dispersed	4.93	4.86	4.45	5.93	4.86
All households	5.03	4.21	4.39	4.42	4.55

Source: Land Registry

Somerset Profile – Statistical Analysis: Key Messages

- A range of variables have been considered to look at the profile of the population and housing in the County (and for urban/rural areas separately). Key variables have looked at population, household characteristics, housing profile, the economic profile of residents and house prices/incomes.
- The analysis identifies a relatively old population age structure (notably in rural areas) with population growth (in the 2004-14 period) having been fairly modest – population growth is concentrated in age groups of 65 and over. The Black and Minority Ethnic population of the County is low when compared with other areas and is focussed on the more urban parts of the areas. The tenure profile sees a relatively large proportion of outright owners (which will to some extent be linked to the age structure) and a small social rented sector (relative to the national position) – levels of owner-occupation are particularly high in rural areas.
- Dwelling sizes in the County are relatively large, with homes in rural areas having a higher average number of bedrooms; to some extent this is driven by rural areas seeing a greater proportion of detached homes (and relatively few flats). Overcrowding in the County is also low (and particularly low in rural areas). The economic profile of the County is similar to that seen in other locations (in terms of levels of economic activity, qualifications and occupation groups) although there are notable differences between urban and rural areas.
- A final analysis looked at house prices and incomes; this revealed higher house prices in rural areas; partly linked to the profile of dwellings (e.g. more detached homes). Income levels in rural areas were also higher. Generally, homes in rural areas look to be less affordable, although a standardising of dwelling types does bring an affordability ratio more in line across areas.
- Analysis of different local authority areas suggests that there is really little difference between locations when studying the range of variables undertaken. However, throughout the analysis, there are clear differences between urban and rural locations (and also within these areas based on the degree of 'rurality'). Generally, the rural areas have more 'prosperous' characteristics in terms of the range of variables studied and the analysis clearly identifies that characteristics vary more within individual local authorities, than across them.
- The analysis would suggest that policy responses might seek to differentiate between different types of location (e.g. in terms of housing mix or affordability). However, the function of different locations does also need to be recognised; for example, households seeking larger homes may well look to rural locations to secure such accommodation (and it may not be appropriate to build lots of flats in rural areas just because they do not currently exist in these locations). However, certain issues, such as a relative lack of social rented housing in rural areas may require consideration through policy responses.

3. Qualitative Overview of Study Area

Introduction

- 3.1 This part of the report presents the key findings of consultation with estate and letting agents and qualitative research with other stakeholders into housing market conditions across Somerset (with the exception of West Somerset). The aim is to add a local perspective to the study and provide a 'how and why' perspective to support SHMA findings. The research undertaken covered the whole of the County (excluding West Somerset) – specific analysis for each District is however highlighted as appropriate.
- 3.2 The consultation exercise has sought to inform the following research questions:
- To what extent do agents' area of operation mirror housing market boundaries?
 - What are the main gaps in supply for each local housing market area for new build, resale and rented housing?
 - To what extent does new build housing meet local need?
 - What contribution does the private rented sector make to meeting local need?
 - What impact is the Hinkley Point C construction project likely to have on the private rented sector?

Evidence from estate agents, letting agents and new build on site sales staff

- 3.3 Our findings are based upon 35 face to face interviews with sales and lettings agents based in all of the major towns of the districts of Mendip, Sedgemoor, South Somerset, Taunton Deane – interviews were carried out in February 2016. Estate and letting agents were asked to provide information about their local market and it should be noted that this covers the town in which they are based and their surrounding villages.
- 3.4 Interviews were designed to broadly understand local housing market conditions, trends and drivers, and which parts of the market serve the needs of important groups such as local people, incomers, first time buyers, investors, those on low income and vulnerable people. The research also explores the interfaces between the sales and letting markets and these markets with sub market and affordable housing.
- 3.5 Additional homes are mostly supplied from new build housing. It is important to understand the characteristics of new build housing and households that purchase or occupy it to establish whether the characteristics of this group differs from purchasers of re-sale housing. To inform this we interviewed 12 house-builders with on-site sales staff. We also came across numerous infill sites being developed by local builders, none of which had on site viewing and or sales facilities.
- 3.6 The local private rented sector is facing a number of challenges and opportunities. The Government recently announced changes to the fiscal regime for private landlords. The Hinkley Point C project will potentially increase demand for private rented sector housing but this may have implications for local households seeking to rent. Part of our stakeholder consultation seeks insights into how the private rented sector will react. In addition, we undertook a bespoke survey of landlords in order to gain first-hand information from them.

Rightmove data

- 3.7 Rightmove provides a nationwide searchable database of property currently for sale or rent by estate and letting agents. We have used Rightmove data where appropriate to supplement the evidence from agents and help define an area's re-sale and rental market in terms of price range, property size/type and target market. These data are a snapshot of vacancies and asking prices at the time our fieldwork was undertaken. Prices quoted here will differ from price analysis elsewhere in this report that are based upon agreed prices. It is noteworthy that the data does not include sales and lettings offered by owners not using lettings agents.

General findings from the qualitative evidence

- 3.8 We present the general findings first then the supporting evidence. This is because the area based evidence that follows is detailed and is sometimes repetitious as some factors are common to more than one local authority. Based upon the perceptions of estate and letting agents, the following provides an overview of the evidence and the key features of the local housing market.

Gaps in supply

- Most resale agents say that there is very high demand for 2 and 3-bedroom family homes at up to local median prices. They are sought after by households seeking to upsize from their first home and higher income first time buyers.
- In tourist areas such as Cheddar and Wells housing with private parking is in very high demand.
- Agents cited local shortages of some other house types. Notably in Yeovil the view was that apartments and bungalows were in short supply.
- All agents recognised that retired households seeking to downsize were a significant part of market demand and can lead to high proportions of re-sale housing being acquired by incomers.
- Throughout the study area agents cited demand from people in London and the South East re-locating to the area to take advantage of lower prices of the areas many character houses and village settings.
- In Mendip and Sedgemoor interest for resale housing from Bath and Bristol residents is strong. This is driven by lower house prices and the M5 Motorway. The Bristol effect is also apparent in Taunton due to the rail link.
- Other factors exacerbate the gap in supply for local households. Some of the Fiscal measures being introduced affecting the private rented sector are aimed at levelling the playing field between the private rented sector and first time buyers. At the time of our study the measures were having the opposite effect with investors reflecting unusually high levels of demand to beat the stamp duty deadline.
- Supply for first time buyers through new build with the Help to Buy scheme assistance is very strong and the re-sale market is affected by this. This is due to chains being unable to complete. Although investors are temporally improving matters.
- Most letting agents say the crucial gap in supply is of good quality family homes although demand continues to be very strong right across the private rented sector.
- Premium rentals can be slow to let and often occur due to premium market homes being slow to sell. There is a market for the premium rental from households seeking to re-locate and rent until 'the right' property comes along for sale.

New build

- Taunton, Wellington and Bridgwater have large numbers of new-build housing either planned, under construction or for sale.
- Agents say competition is stiff but sales are buoyant.
- Higher priced new build attracts a disproportionate number of incomers some of whom are newly retired people;
- Lower priced new build attracts mostly local people (first/second time buyers) and investors.
- The majority of sales at the more affordable end of the market have been assisted with the help to buy. However most second time buyers seeking to upsize would take advantage of part exchange schemes offered by volume house builders.

Landlords and Investors

- Market conditions are being distorted by changes to the fiscal regime affecting the private rented sector;
- Agents reported unusually high sales levels to investors. Agents believe that the market will adjust with higher rents and some rationalization of landlords' portfolios. They point to evidence of the long term success of the sector due to very high levels of demand being sustained;
- Market conditions in Somerset (and Sedgemoor in particular) are also being affected by proposals for Hinkley Point. Agents told us that the delay in starting the major construction was proving a problem for some landlords that had made early investment decisions to accommodate workers;
- The NLA told us that they believe that most demand will come from workers wishing to share self-contained houses;
- Many landlords told us that they had registered as accommodation providers with EDF however demand due to preliminary projects so far had come from other channels;
- Many landlords told us that their portfolio's had grown over the last 5 years and would continue to grow over the next 5 years;
- Landlords were focusing their attention on Bridgwater, Taunton and to a lesser extent Minehead;
- Agents cautioned that landlords would suffer in the long term if they neglected their long term residential market especially in key areas of worker mobility such as hospitals.
- Owners of tourist accommodation told us that they would welcome enquires from workers, especially professionals in the off season weekdays. Weekend trade was good all year round and they would not give up on the seasonal tourist trade as they could get better prices from tourists;
- Many landlords told us that they will consider offering tenancies to working households that claim top up benefits provided they can provide references, finance a bond and supply a guarantor.
- Most landlords in our survey let and manage their portfolios directly and do not employ agents.

Self and custom build

- We found anecdotal evidence of significant demand for custom building. There is strong evidence of the lack of supply of plots coming to the market although agents believe that many plots are sold privately. There was little awareness amongst sales agents of the government's policy initiative in this area.

The evidence by Local Authority Area

Mendip

- 3.9 Resale and letting agent interviews were achieved at the market towns of Frome, Glastonbury, Shepton Mallet and the City of Wells.
- 3.10 According to Rightmove, median and lower quartile house prices on a like for like basis are highest in Wells. The lowest prices are to be found in Shepton Mallet. The volume of homes for sale were highest at Frome (144) and Wells 108) and lowest in Shepton Mallet (56). This information provides valuable context to the interviews.

Frome

- 3.11 Frome is the largest town in the district. Agents based there cover significant areas when the rural areas to the north south and west are taken into account. To the east the border with Wiltshire is nearby as are the smaller Wiltshire towns of Westbury and Warminster. Estate and letting agents described a housing market with a high proportion of incomers. We were told that vacancies are as likely to be purchased or rented by incomers as existing residents. The establishment of the Steiner School was responsible for heightened interest in the area from parents and staff seeking to re-locate from abroad, London, Bristol and Bath. Agents described a very active market with re-sales selling quickly. Agents also provided evidence of recent price rises, both asking prices and rents due to heightened demand. Agents were concerned about the lack of supply of 3 bedroom homes affordable to 'everyday' purchasers. Agents used this term to distinguish between the customers for town based property rather than large rural homes with land that have upper quartile prices – some over £1m. Their view is informed by our estimate of the median house price for Frome of around £280,000 based upon our analysis of Rightmove vacancies for the town. A high proportion of all property for sale was terraced housing at a price of around £200,000.
- 3.12 Agents told us that there was considerable interest in the latter from investors who were trying to avoid the stamp duty that would apply to second homes from April 2016. They commented that investors were attracted by growth in value rather than return on investment in Frome. It still made sense to invest in Frome even though the taxation rules for private landlord businesses were becoming less favourable.
- 3.13 There is evidence of recent new build housing however at the time of our visit no volume housebuilder was active in the area.

Shepton Mallet

- 3.14 Re-sale prices in this are the lowest in the district. We also noted some vacant commercial buildings one of which was in a prominent location and in severe disrepair. Agents told us that around two thirds of sales and lettings were to local households making this one of the most self-contained local housing markets in Mendip.

- 3.15 We were told that there is a serious shortage of 2 and 3-bedroom family houses. This was a supply side problem as low prices meant that such homes were sought after by investors. One agent told us that he had not had such a vacancy for over a month and when they do come onto the market they sell very quickly. The last 3-bedroom home available had 6 viewings in 24hrs.
- 3.16 Agents told us that many incomers were from Bristol and Bath, taking advantage of much lower prices and commuting to their place of work.
- 3.17 A current development is marketed via an estate agent and he told us that around 45% of these new homes were purchased by incomers. Typically, the smaller homes were acquired by first time buyers using help to buy and investors. Larger more expensive homes mostly used the house builder's part exchange scheme. The latter group was taking advantage of lower prices in the town to 'move up' to a larger home.
- 3.18 The letting agent explained that the agency business was configured as a social enterprise with the aim of assisting households in urgent need to access private rented sector housing. This operated across the district. The agent told us that local landlords were generally willing to accept working households who were eligible for to-up benefits. Earlier in the year the agency had a successful landlord recruitment event. The agency offers a lettings and management service on a fee earning basis. It did not advertise within the choice based lettings scheme as lettings were urgently needed and took place very quickly.

Wells

- 3.19 Wells is a small cathedral city and civil parish with the highest median prices in the district. According to Rightmove, the characteristics of dwellings for sale at the time of our survey were notable. A high proportion of dwellings were advertised as retirement housing which is leasehold and the presence of this housing has the effect of reducing lower quartile prices below that of Frome. Entry level family house prices are similar to Frome if retirement housing is ignored. Another characteristic is the large proportion of detached houses offered for sale.
- 3.20 Agents told us that the house prices and lack of supply meant that younger households struggled to find accommodation in Wells. Most sales were to older people wishing to downsize and a high proportion of these were incomers, seeking to enjoy Wells' architecture and market town services. An agent specialising in premium market dwellings in the surrounding villages told us that there was a good supply at this level with plenty of choice. Interest was from Bath and Bristol as well as further afield. One household had re-located as its employment was Hinkley Point construction related and would be a long term as well as long distance re-location.
- 3.21 We were told that in spite of higher prices than the district average investors were buying a higher proportion of vacancies than normal due to the forthcoming rise in stamp duty on second homes and change to the tax relief system for landlords. Due to purchase prices rentals were in high demand and high rents could be achieved. Accordingly, few landlords would let to tenants needing housing benefit.

3.22 Resale agents told us that they thought larger new build homes had been slow to sell. The on-site new build agent for the Bishops Brook development told us that many purchasers for 4 and 5 bedroom homes were aged between 50 and 80 years and were downsizing. 2-3 bedroom homes had attracted some younger purchasers. Smaller homes including the coach houses had sold with help to by assistance. The agent checked the sales records and told us that the majority of sales were to households previously located in the BA 3, 4, and 5 postcode areas.

Glastonbury

3.23 Agents told us that whilst Glastonbury has international recognition for its music festival, the presence of the Millfield school, sites and buildings of historical importance and its role as a market town and service centre drive its local economy and housing market.

3.24 Millfield comprises of a preparatory school at Glastonbury and a co-educational public school based in Street. Agents told us that Millfield school is internationally recognised, is a major employer and leads to a high proportion of second homes owned or rented by households seeking to visit their children.

3.25 Property for sale listed by Rightmove showed very high proportion of detached houses and an equally high proportion of flats. Closer examination revealed a most of the flats were leasehold retirement apartments and agents told us that these could be slow to sell because of high service charges.

3.26 Agents told us that there was a serious undersupply of 2 and 3-bedroom family homes. There was considerable demand from first and second time buyers who needed an extra bedroom. Prices had risen sharply over the last year and entry level purchasers were in competition with investors. An agent reviewed sales from company records over the last 6 months and told us that sales were 33% local people, 33% incomers and 33% investors. We were told that incomers were mostly professionals working in financial services, real estate and the education sector.

3.27 A letting agent told us that there was considerable demand for 1 bedroom homes and they were very easy to let. Few landlords would let to households claiming top up benefits. The agent said that they would rarely recommend such tenants to their client landlords as the agent worked for landlords not tenants. Their experience of working with Mendip's benefit team was 'not great'.

3.28 The new build sales agents for the current phase of the Dunstan Park development told us that 50% of sales had been to incomers and they came from all over the country. A large proportion were older people seeking to downsize or live nearer their family. Another notable group were Millfield employees and parents a small number of which had re-located from elsewhere in the EU. Investors had only been interested in the less expensive smaller units. These had also attracted local households using help to buy.

Street

3.29 This town is close to Glastonbury. Whilst it is mainly a residential area, notable features of its local economy are the Millfield School and the Clarks Shoes outlet.

- 3.30 Further insight into the retirement market was obtained from a re-sale agent. We remarked that during an earlier study the McCarthy and Stone development was on sale at that time as new build leasehold housing for older people. On this visit we noted a large proportion of property for sale in Street being leasehold housing for older people – 8 out of 59 vacancies priced at between £92,500 and £140,000. The agent told us that due to service charges the new build value had not been sustained in the re-sale market for this type of property.
- 3.31 The agent told us that there was a shortage of 3-bedroom semi-detached homes for local families. We were told that these were in the price range £180,000 - £220,000 and were needed by people needing to upsize. During our visit to Street we noted that such homes were commonplace. The agent explained that few were coming on to the market, however prices were stable.
- 3.32 The agent told us that local purchasers tended to outnumber incomers. Millfield School was the driver for some incomers seeking to re-locate or have second homes to maintain contact with their children. Some would rent whilst investigating the local re-sale market. Other incomers were polish workers who were employed in retail and agriculture some of whom were becoming long term residents of the town.
- 3.33 We were told that investors were active in the market and they had made additional purchases ahead of the new tax year.
- 3.34 We noted the presence of a new development by Barratt Homes at Houndwood but no sales agent was present when we visited. We note that a marketing feature of this development is that dwellings have a number of eco credentials.

Sedgemoor

- 3.35 Resale and letting agent interviews were achieved in, or in relation to the areas of North Petherton, Bridgwater, Burnham-on-Sea/Highbridge, Cheddar and Wedmore.

North Petherton

- 3.36 Two 'villages' are under construction off M5 J24, Stockmoor village and Wilstock Village. We were told that both are proving very popular with commuters as junction 24 is regarded as a relatively less congested junction at peak times. We were told that Stockmoor village will be the local service centre for both villages with a primary school and shops.
- 3.37 Bloor Homes is offering homes for sale at Wilstock Village. Prices range from £196,000 to £285,000 and we were told that accordingly the customer was mostly second time movers and very few investors. After consulting records, the sales agent told us that 50% of sales had been from within a 10-mile radius, 25% were 60 miles plus. The agent told us that for some households the motorway link was the crucial factor enabling household members commuting to different places of work. House prices were also a factor as local prices were cheaper than Taunton and considerably cheaper than Bristol.

- 3.38 At Stockmoor village Persimmon are offering homes at Wren Gardens. Prices start at £145,000 and as such are attracting a greater proportion of younger people and investors especially for their 'Coach Houses'. The smaller number of incomers (20%) are coming from South Coast destinations including Bournemouth. We recall that from an earlier SHMA for Sedgemoor that the agent had remarked that there had been some interest from people employed in the forces. We were told that the interest had not resulted in sales and there had been no recent enquiries.

Bridgwater

- 3.39 Bridgwater agents told us that there was an undersupply of 2 and 3-bedroom family homes both for sale and rent and that prices were rising for property under £180,000. Such property had recovered lost value from the recession. Property over £250,000 was slow to sell and had not fully recovered value. We pointed out that Bridgwater has a considerable amount of recent and current housebuilding and wondered how resale prices of recent new-build were performing. We were told that that only minor drops in re-sale prices were being experienced. Agents believed that this was due to high levels of demand due to the Bridgwater house prices being lower than at Taunton and Bristol.
- 3.40 One agent told us that investors were more interested in new build than re-sale. External landlords are 'lining up for Hinkley Point.' They were trying to tap into advance workers employed by major sub-contractors such as Kier with some workers believed to have £1,500 pcm bed and breakfast allowance. Investors were also servicing the market for migrant workers from Goa and East Timor, explaining that workers had access to UK labour markets if they held Portuguese passports.
- 3.41 Another agent was more cautious about investors and Hinkley Point. He cited a local conversion scheme (office to small residential flats) that was in difficulty due to lack of demand. He said there was a glut of 1 bedroom and studio vacancies due to benefit changes making this accommodation unaffordable for local people. Additionally, it was noted that such lettings were of no interest to Hinkley Point workers seeking accommodation. He went further: 'EDF is doing damage'. The delay in major work commencing has wrong footed investors. Demand has not materialized and they have had to offload as their business case depended upon higher rent levels. He said he was encouraging his clients to look for long term markets for renting citing hospital employees as an example. Professional staff especially needed good quality accommodation near to their place of work and the rental market assisted their mobility to support their need to re-locate for wider experience and career progression.
- 3.42 An agent echoed a remark made by a new build sales agent. Both asserted that the Bridgwater re-sale market was very flat. The re-sale agent believed that the real estate sector was not financially sustainable. Agents (both resale and rental) are charging unrealistic fees for commissions. They are depressing house prices and rentals in order to achieve quick sales and keep the cash flow going. People wishing to sell are holding back as they believe their property to be worth more. Although not specifically mentioned by Bridgwater agents we cite an additional factor raised by Taunton Agents. The consequence of high levels of new build at low prices with 'help to buy' and competition from investors is that fewer first time buyers are active in the re-sale market and this frustrates chains trying to complete.

- 3.43 We were unable to achieve an interview with Redrow at Chilton Waters where we were seeking a perspective on the higher cost end of the market. However, we achieved an interview at Summerfield Homes' Haygrove Park. Here nearly all sales had been made to local households seeking to move up the property ladder in what is perceived as the better residential area of Bridgwater the agent described as 'The West Side'. The agent told us that only the smallest dwelling had been sold to a first time buyer and that the largest unit sold had been to a downsizer.
- 3.44 We visited the Barratt development at Kings Down which had sold its last home and the agent was being withdrawn. We interviewed the agent 3 years ago as part of the Sedgemoor SHMA. We were told that interest in the development was employment led. The agent said 'no one wanted to live in Bridgwater.' Customers were seeking a location that had them close to their place of work or able to access the M5 to get them there. The development is a short distance from M5 J23. The agent told us that their continued to be strong interest from Eastern European and Portuguese migrants. The community that had established was settled, cohesive and had a strong work/save ethic. Entry level pricing for a 2-bedroom house at £130,000 was affordable to double income, low income households with assistance from help to buy. A high proportion of the apartments on site had been sold to investors.

Burnham-on-Sea and Highbridge

- 3.45 Sales agents told us that sales peaked on a seasonal basis. Sales were highest in spring and autumn and were mostly made to local people moving within the market to suit their changing needs. More 2 and 3 bedroom homes priced below £250,000 were needed to keep up with demand. Incomers to Burnham were mostly retired households seeking a coastal town with a full range of services.
- 3.46 Lettings agents also said there was a shortage of 2/3-bedroom family homes for local households and there was considerable interest from companies seeking to acquire housing for use by Hinkley Point Workers.
- 3.47 We noted two newbuild sites specifically for rent and shared ownership but no new build speculative build for market housing. We saw a significant amount of small scale recent new build noting that it was largely designed to blend in with the Victorian appearance of certain streets in both Burnham and Highbridge.

Cheddar

- 3.48 The agent told us new households tended to be priced out of the local market. Some returned after getting onto the property ladder. Other interest came from incomers came from Bristol and London.
- 3.49 Agents told us that the factors that both attracted and retained households was the landscape, a good range of services within the town and that the town and supporting villages supported a 3 tier school system (first, middle and high schools).
- 3.50 We were told that a recent new build scheme was designed for local households and discounted to 80% of market value with a local occupancy clause.

- 3.51 We were told that 2 and 3 bedroom homes with private parking were in short supply for both the resale and lettings market. Buy to let investors were interested in property in Cheddar and Axbridge.

Wedmore

- 3.52 The agent told us that resales attracted a high proportion of households from Bristol who were able to afford housing in either location but chose to live in a village in a rural area. The proportion of incomers to the area of all sales was around 35% which is higher than elsewhere in Sedgemoor. We were told that a new build estate would be resisted by residents but local builders were continuing to infill, recent completions were priced at £400,000 to £450,000.
- 3.53 The agent described the rental market as a 'pit stop' market with customers seeking high quality rentals until suitable housing to buy became available. Some customers for this were re-locating from overseas. Some owners seeking to relocate away from Wedmore would rent out their home if it was slow to sell.

South Somerset

Yeovil

- 3.54 The estate agents told us that the outer suburbs of Yeovil and its surrounding villages tended to attract incomers and local families that could afford to re-locate there. Many incomers came from London and the Home Counties and there was a great deal of out-commuting facilitated by the road and rail network. The AugustaWestland plant is an important employer in the town as well as a tourist attraction.
- 3.55 The agents drew attention to the intense competition between investors and first time buyers for lower priced property. It was clear that the investors were winning at the moment but it was thought that this would decline mid-February as investment purchasers would not be able to complete before the 6th April. Agents drew attention to the Barratt Development at Wyndham Park with 2 bedroom homes priced at £127,000 close to Yeovil's lower quartile prices. The combination of investor competition and new build meant that few first time buyers were in the re-sale market at this time and this was preventing some chains from completing.
- 3.56 Agents believed that there were shortages of bungalows and apartments.
- 3.57 We came across a significant amount of new build around the periphery of Yeovil and achieved interviews from three sales agents.
- 3.58 The Wyatt Development at Brimsmore offered houses from £299,000 to £485,000 which according to Rightmove are well above local median prices for Yeovil as a whole. The agent told us that 50% of sales were incomers and gave examples of households moving from Surrey, Essex and Cornwall. The larger homes were being bought by downsizers who had retired or were preparing to. There were 2 first time buyers in the present phase. Local households were purchasing in order to upsize, some with the Help to Buy scheme.

- 3.59 The sales agent at Wyndham Park (David Wilson Homes) provided detailed information about incomers. Of the 23 sales achieved in the last 6 months 9 were from Yeovil, 4 from Dorchester, 3 from Taunton. The remainder were from Bournemouth, Guildford, London, Preston, Southampton and Swansea. None were young households (under 35) and 50% had no children. Two were second homes.
- 3.60 We were told that the Barratt development at Wyndham Park because of its dwelling mix and pricing had housed mainly local households both as home owners many of whom had used the Help to Buy scheme, and tenants of buy to let landlords.

Larger towns (excluding Yeovil)

- 3.61 The larger towns visited were Chard, Crewkerne, Ilminster and Wincanton. These shared the characteristics of being significant market towns but they also have significant employment and in some cases manufacturing, notably in food production and distribution.
- 3.62 The Wincanton estate agent told us that there were high levels of incoming households to the town. It attracted incomers from Kent and the South East because of its lower house prices. Interest from investors was always high with the majority of lettings going to local households a high proportion of which were Polish or other Eastern European EU workers. We noted a high vacancy rate in a recent residential development to the west of the town. The agent told us that this was built during the recession and was mostly purchased by investors. Some investors were now selling and other tenancies were available for letting. The agent said this was a market adjustment rather than a symptom of over-supply. We were told that there is an undersupply of 2 and 3-bedroom family homes.
- 3.63 The Crewkerne estate agent told us that the town had a high proportion of incomers – estimated at 50% of sales to non-investors, due to low house-prices and the presence of the railway station. The town is also only 15 miles from the coast. Data from Rightmove confirmed that lower quartile and median prices were the lowest in South Somerset. People came mostly from the South East Region and at the present time and many of them were older people. Investors were active due to the good returns that could be achieved from the relatively low purchase prices – typically 5%-6%. The letting agent told us there was insatiable demand for rented 2 and 3 bedroom homes from lower income households unable to purchase and working households claiming top up benefits unable to access social housing.
- 3.64 The Ilminster estate agent identified local shortages of 3-bedroom family homes priced up to £200,000. There was a great deal of interest from incomers and investors. Incomers were mostly older people moving from Oxfordshire and the Home Counties.

3.65 The agent at Chard told us that it was notable that most incomers came from the Home Counties. They were typically older people and cash buyers seeking ‘the good life’. We were also told that investors were competing with first time buyers at the cheaper end of the market. Many local households would live but not work in Chard. That said there was a significant amount of local employment but much of this was production work at or near minimum wage. Accordingly, there was a strong market for rented housing from people in receipt of top u benefits and we were told that landlords would let to this group. The agent thought that one implication of the stamp duty increases to apply to second homes would be a disincentive to the option of being an accidental landlord if a household needed to re-locate. The agent concluded that there was a significant gap of 2 and 3-bedroom family homes for sale at median prices and a concern that future new-build would be at prices only affordable to incomers.

Smaller towns

3.66 Smaller towns visited were Castle Cary, Langport and Somerton. Many of the towns share similar characteristics with Langport cited in some publications as the smallest town in England.

3.67 Castle Cary, Langport and Somerton have similar characteristics in that they are situated in areas of high landscape value and are very distinctive small towns. The other towns have a more industrial heritage but nevertheless also have considerable character as market towns .

3.68 Other common features that distinguish them from the other towns in this section are:

- The smallest towns visited;
- A high proportion of re-sale homes are purchased by incomers (c. 30%);
- The highest asking prices and median prices in the district according to Rightmove;
- A retail offer nearly all of which are small local independent businesses; and
- East access to the A303 leading to Yeovil, Poole/Bournemouth, Andover and the M3 to the east.

3.69 The Somerton sales and letting agent told us that people were attracted to the area because of the landscape and proximity to the A303. The town attracted economically active households and people seeking to downsize from London, Kent and Sussex. The agent thought that the critical shortage was of 2 or 3 bedroom houses priced up to £225,000. Larger and more expensive homes were much slower to sell. The rental market was described as ‘crazy’ with few dwellings being advertised before they were ‘snapped up’. Prospective tenants had to get ‘their faces in front of agents’ if they were to be offered a tenancy. The agent told us that facilities existed for older people which attracted them in the first place and enabled them to stay put. We were told that a proposed development near the sports pitch was being resisted by residents as it would mean more visits to the village centre to access services by car. We were told (and observed) a very busy town centre which became easily congested when public transport and delivery vehicles were loading or unloading due to narrow streets.

3.70 Regarding Langport, we noted a larger proportion of premium property for sale in the surrounding countryside. We were advised that the rental market was smaller although there is strong demand for property when it becomes available.

- 3.71 Castle Cary is also accessible to the A303 and also has a main line station on an important junction. In contrast with Somerton, agents cited a shortage of apartments, bungalows and supporting services for older people so they tended to move away if they needed care and support. Significant development is proposed and this is being resisted because the town might grow to the point that national retailers would become interested. This would harm the independent retailers which provided the town with a lot of character. There are very few rentals and little interest from investors. There is demand from London households who will rent before buying.

Taunton Deane

Taunton (including Norton Fitzwarren and Bishop's Hull)

- 3.72 Taunton is the County Town of Somerset and largest town in the study area and has a diverse housing market. A significant amount of new build housing development is in progress and we were told that more is planned and proposed.
- 3.73 Four estate and letting agents were visited. One local independent resale agent told us that in his experience around 25% of all sales were incomers and these were mostly from the South East of England. Some sales were for employment reasons but many were older people seeking to release equity for their retirement. He drew our attention to the many character properties on the market that were attractive to this buyer both in the town and the immediate surrounding countryside. He told us that Taunton was preferred to Bridgwater by these clients as Bridgwater was perceived to be a more industrial town. Character residences would sell more slowly than the smaller family houses sought after by local households seeking to 'right-size'. The agent considered that there was a local shortage of 3 and 4 bedroom homes affordable to local families. Conversely there was an oversupply of 2-bedroom housing. He considered that the market for flats and apartments was balanced and noted that some of the larger Victorian terraced houses that had previously been converted in to flats were now being returned to use as single dwellings and this was having a positive effect on the neighbourhood.
- 3.74 The agent suggested that we interviewed one of the national agencies as they may have a different view of the local market due to their wider client base. The agent from the national chain agreed with the local agent about the proportion and origin of incomers. He went on to describe Somerset as a 'bit of a bubble' compared to Devon and counties neighbouring Somerset where in his experience interest from incomers was significantly higher.
- 3.75 We were told that investor activity was 'manic'. He was concerned that the sales local authority search services and legal conveyancing would be stretched to the limit due to the number if completions were to be achieved by the end of this fiscal year.

- 3.76 Two letting agents were visited. The first agent described the areas of choice for the rental customer and explained that his agency tended to deal with the middle and upper range of the market. His customers were professionals working in local enterprises and services especially Taunton's hospital. Incomers were common but may only stay for a year or so to gain work experience. He thought that there would only be a small adjustment in the lettings market due to fiscal measures to be introduced for landlords but there would be a more significant adjustment when interest rates rise. Apartments were regarded as 'super popular' with investors and let quickly to young professionals and young people seeking to leave the parental home. However, the agent said that demand was especially strong for family homes especially in catchment areas for the better schools. He commented that some parents would prefer to rent in such an area rather than buy in an area with a less well performing school. The agent cautioned however that although there was strong demand for rented housing especially from younger people, he thought that the employment base was not growing as quickly.
- 3.77 The second letting agent told us that many of his clients were letting to tenants claiming top up benefits. In some ways landlords would prefer this to a tenant that was 'pushing the limit' of what they could afford. The agent told us that there was very strong demand for tenancies at the lower end of the market.
- 3.78 Interviews with new build sales staff were achieved at several locations around the periphery of the town of Taunton. At Creech St Michael the David Wilson agent told us that 85% of sales were to local people. Because of prices, the buyer would be an existing home owner with equity, many of whom were older people choosing to re-locate to a development in a village rather than town environment. Few sales had help to buy assistance.
- 3.79 The Taylor Wimpey development at Norton Fitzwarren had a similar story. We were told that a similar number of incomers had come to the development as it offered good value for money compared to sites in places such as Bath or Bristol. Investors and first time buyers had bought into the development on a significant scale however only larger homes were for sale at the present time and these were mostly purchased by mature people approaching retirement many of whom chose to live in relatively large houses compared to their household size.
- 3.80 We visited a large development at Monkton Heathfield. One sales agent was unable to answer our questions, and on another, dwelling completions were insufficient to enable our questions to be based on sales evidence.
- 3.81 In the town centre we visited the Crest Nicholson development at Fire Pool Lock. The current phase consists of 1 and 2 bedroom apartments, 3 and 4 bedroom traditional houses (some waterside) and 4-bedroom town houses. The sales agent told us that there was interest from Taunton and Bridgwater residents, Bristol commuters and Investors. It was estimated that these groups each accounted for 25% of sales. Bristol residents re-locating here would have been renting in Bristol but could get onto the property ladder here with the Help to Buy scheme. They could travel to their employment in Bristol by train as the development was within easy walking distance of the main line railway station.

- 3.82 In its publicity the company was claiming that investors could achieve a 5% return from Fire Pool Lock and we were told that investors were still looking provided completion could be achieved. Their client was the local young professional seeking to rent.
- 3.83 Smaller dwellings were attracting young people and a minority were retirees. Young professionals with families were buying the larger homes – many first time buyers using the Help to Buy scheme. There were also older people who were cash purchasers seeking to downsize from much larger dwellings able to top up their pensions with the equity they had released.

Wellington

- 3.84 An in depth interview took place with a re-sale agent. We were redirected to an agency in Taunton for information about residential lettings as the agency in question based its lettings business there for a wider area of operation.
- 3.85 The re-sale agent looked at the sales ledger for us in detail. The proportion of incomers was much higher at 33% than for other parts of Taunton Deane – and most other parts of the study area. However, the places of origin were very diverse with no strong pattern emerging.
- 3.86 The agent explained that prices were a little lower in Wellington than the better parts of Taunton and the surrounding villages. Our analysis of Rightmove does not support this in terms of median and lower quartile prices however the range of prices on offer is more compressed than for the Taunton area.
- 3.87 We were told that there was strong demand for 3-bedroom family homes at around median prices. They sold very quickly and more supply would sell. The customer was typically a household with partners working in different places choosing Wellington as the mid-way point for commuting. These would be multi car households that found car parking to be inadequate in new developments.
- 3.88 The town was popular with older people whether already local or incomers. The support infrastructure was good and the market had responded with a growing number of leasehold residences for older people.
- 3.89 The agent told us that the large amount of new build nearby was having an adverse effect on both the market and the town. New build housing was proving very attractive to first time buyers due to help to buy and the low cost of ownership associated with new build housing. However, this meant that it was harder for chains to complete in the re-sale market.
- 3.90 Regarding residential lettings, our remarks about Taunton mostly apply here, noting that in Wellington, many lettings customers would also be commuting households. The re-sale agent also spoke of heightened investor activity in the town which was thought to be temporary accounting for around 15% of recent sales.

3.91 We obtained interviews from two new-build sales agents. The Persimmon agent told us that prices started at £135,000 and these were very popular with investors and first time buyers. The more expensive, larger housing on offer was very popular with older and retired people. This attracted a higher proportion from incomers from all over the South East and parts of the South West. Pricing of the current development by Wainhomes was higher than the Persimmon development. The level of incomers was lower than for resale housing at around 25% and we were told that it attracted buyers from Taunton. Around 25% of buyers were first time buyers which was a lower proportion than for the Persimmon development. Overall both schemes attracted incomers, but the majority of purchasers were from within the study area.

Wiveliscombe

3.92 This is a small town to the west of Taunton. We achieved an interview with the estate and letting agent and the sales agent based at the current Willow Mead development by David Wilson Homes.

3.93 For comparison purposes we noted from Rightmove that although it has a relatively small volume market, lower quartile and median prices were the highest in the district by some margin, possibly due to the high proportion of detached homes for sale at the time of our survey.

3.94 The resale estate and letting agent told us that the town had expanded by 150 homes in recent years not including the current development, and planning permission had been given for a further development. In addition, a small amount of infill development was evident from local builders. The agent welcomed modest growth in the town which in his view would sustain the high level of retail and other services such as the primary school and health services present in the town without destroying its character. He told us that employment in the town was unusually high citing a recent survey which revealed that more people travelled to work in the town than travelled out to work elsewhere.

3.95 The agent told us that 2/3 of transactions in the last year were local people upsizing and downsizing. The local housing profile was of a type or scale that enabled most households to remain in the town as their circumstances changed. Older people could be retained because of adequate health services. He thought that the level of incomers kept the market stimulated as there was little change in sales volumes year on year unlike many other towns across the UK.

3.96 Whilst he did not think there was a gap in the market he would welcome a greater supply of 3 bedroom homes. He regarded this as the 'utility' house suited to up-sizers as well as down-sizers. He cited local prices for these at around £250,000 and because of the quality of life in the town he thought that these were more expensive than Taunton and Wellington. Data from Rightmove supports this view. There were very few houses for sale under £250,000.

3.97 He told us that in his view the current development was well designed and properly integrated the affordable tenures that would be owned and managed by the Yarlinton Housing Group.

- 3.98 The new build sales agent told us that the range of prices for the 39 units for sale ranged from £217,000 for 3-bedroom semi-detached to £375,000 for 5 bedroom detached. We were told that around 50% of sales were to incomers from Bristol, the Home Counties, Oxfordshire and parts of the midlands. Incomers, some of whom were retired, were attracted by the location and good value for money compared to where they had moved from. Four sales had help to buy assistance and two sales were to local first time buyers. Local people tended to be upsizing.
- 3.99 Regarding residential lettings, the agent told us that vacancies occurred anywhere in the range of £400-£1,400 pcm. It is not an area for investors as prices are higher than other parts of the district, landlords are mostly accidental or reluctant landlords. Some tenants at the higher end of the market rent for 6 months until they find suitable housing to buy.

Further Remarks about the Private Rented Sector

The National Landlords Association (NLA)

- 3.100 A senior official of the NLA provided important high level insights into the impact on the private rented sector of the Hinkley point project. He explained that the private rented sector market had many segments and some would be affected more than others. He distinguished between those engaged for the construction project and the balance of skills needed as the project progresses and those needed to operate and maintain the plant.
- 3.101 He explained that an influx of French and Chinese engineers and construction workers was anticipated together with others from across the UK. He described a scenario whereby these workers would be relatively well paid and would seek various kinds of accommodation.
- 3.102 This was economically driven in that 3 construction workers sharing a self-contained dwelling at £500 pcm would have weekly accommodation costs of £38 per week each (plus food and utility charges). These arrangements would be much more cost effective than cheaper hotels and Bed and Breakfast even if proprietors were willing to offer discounts.
- 3.103 The market will be sensitive to the price charged by EDF for its 3 accommodation campuses.
- 3.104 Long term project managers and senior staff both from the UK and beyond were expected to seek premium rented housing and possibly re-locate their families.
- 3.105 The representative cautioned against the local authorities reacting negatively to a large number of workers sharing previously self-contained accommodation. There was concern about putting barriers in the way if the private rented sector was to deliver the temporary housing needed for the Hinkley project. He drew attention to the Government's recent changes to taxation measures affecting landlord's stating that his members felt that this would reduce landlords' willingness to increase supply. He cautioned that rents would rise if additional supply did not become available and this would affect local households especially those on low income.

Landlords' Survey

- 3.106 The Somerset West Private Sector Housing Partnership requested landlords on its contact list to take part in a short online survey devised and managed by us. The aim of the survey was to understand how the sector was preparing to respond to the Government's fiscal changes, effective April 2016 and understand the extent to which landlords were gearing up for additional demand on the sector due to the Hinkley Point project. As some landlords have portfolios that go beyond the study area boundary landlords were asked to respond with regard to the part of their portfolio that was within a 30-mile radius of Hinkley Point. Local authorities outside this radius were offered a separate survey targeted on their circulation list but none decided to participate.
- 3.107 Some 40 landlords participated in our survey and after examining the information we have 36 complete and valid responses. The survey was designed to be qualitative and a random sample was not employed so numbers should not be extrapolated.
- 3.108 40% of landlords that participated told us they were based in Somerset or Devon. Smaller groups of landlords were based in South Wales with individuals based in London, the Midlands, Gloucestershire and one overseas.
- 3.109 Between them they had 225 properties within a 30-mile radius of Hinkley Point equivalent to 463 bed spaces. Landlords told us that they had in total 89 dwellings in Bridgwater. Portfolios ranged from 1-170 but most landlords had portfolios in single figures. 10 Landlords told us that over the last 5 years they had increased the size of their portfolio and 25 told us that their portfolio had remained roughly the same. Only 1 landlord told us that he had disinvested to some extent. Reasons given for increase were: investment opportunity, converted an existing property and because of good returns and capital growth compared to stocks and shares. Reasons given for disinvesting were: bad tenants, red tape, frustration with the local authority and advice agencies, high cost of maintenance, the tax regime and old age. Note that some landlords not considering disinvestment also made these remarks.
- 3.110 Landlords seeking to invest were targeting Taunton, and Bridgwater with Minehead to a lesser extent. Landlords seeking to disinvest cited Bridgwater and Burnham-on-sea but not Taunton. Reasons cited for choosing these locations for investment included: understand the market, local to home, great demand, low house prices. Three of the eight landlords targeting growth said demand from the Hinkley project was the main factor. The only reason for disinvestment in the towns mentioned was due to 'the ludicrous changes to taxation'. It is noteworthy that disinvestment was not linked to the place.
- 3.111 Taking investment, disinvestment and past performance of their portfolio into account, landlords estimated that there would be 284 vacancies over the next 5 years.
- 3.112 Two thirds of landlords told us that they would let as self-contained dwellings the balance saying that they would let as shared accommodation or a mixture of the two. However, 21 landlords said they would allow a lead tenant to accommodate colleagues and friends. Half the landlords said they would let unfurnished; the others would let as furnished or part furnished.

- 3.113 Twenty-two landlords told us they would let to tenants directly. Five used agents to let but not manage, five would use agents to let and manage. Seven landlords would consider benefit claimants as tenants 17 would not. Ten said they would decide on a case by case basis.
- 3.114 Of the landlords likely to increase their portfolio, four said they anticipated that this would be new build; 6 would convert existing dwellings and the balance would be re-sale housing. Landlords told us that growth was likely to take the form of both houses and flats, and a smaller proportion of homes with shared amenities. No one anticipated offering studio apartments.
- 3.115 Only two landlords identified that they had found it difficult to let dwellings. They estimated that it they would take between 12 and 30 weeks to let.
- 3.116 Twenty-one landlords told us that they had registered with EDF and nine had not. Three said they were considering doing so. 4 landlords had let to construction workers engaged on preliminary project for Hinkley Point – all had been multi-let houses.
- 3.117 Finally, landlords were invited to expand on their responses or express any views or suggestions that they would wish the local authorities to consider. The remarks are shown below:

Realistically I'm not pinning any hopes on Hinckley C tenants but rather investing in a generator!

Our rental properties overlap different council areas and we are accredited landlords with Sedgemoor for example but not with others. Please could they all be working together with same criteria if within the Hinkley catchment area. All of our properties are subject to AST agreements and we would require 2 months' notice to serve a notice on existing tenants to accommodate Hinkley workers, if appropriate. I am personally looking for long term white collar workers from Hinkley point like we have had before.

In view of the Chancellor's attack on landlords of privately rented property we will not invest in any more property. All our property is less than 5 years old and is in very good condition.

Funding should be made available for landlords who rehouse local residents on benefits. Support for these landlords should be made available

Bad experience with non-paying tenants, they tell me they were advised by CAB to stay put until evicted also same advised from housing authority. If this is true I don't know, but if it is? Put me right off renting. The excuses from them everyone from granddad being mug and having a stroke to father being diagnosed with cancer. I must have lived a very sheltered life as I have never been used to people like this and I don't want to have to

Stop changing policies. It's difficult enough to follow existing ones without changing people departments etc.

We would have expected to increase our portfolio, but with the changes in taxation coming up we will be reducing our portfolio instead.

Have had no enquiries from the Somerset lets website or from Hinckley Point Accommodation Office direct. They have all come from word of mouth or Spareroom.co.uk. They should be better advertised or combined with other providers.

Accommodation most suitable for single and short-term occupancy/possibly for short-term construction workers. French spoken.

The spare room market

3.118 We also undertook on line investigations into the spare room market. According to Spareroom.co.uk, as at late February 2016 there was around 400 spaces available throughout the study area. However, the largest choice was available in the main towns:

- Bridgwater – 61
- Taunton – 62
- Yeovil – 43

3.119 There were a handful of spaces available in each of the market towns. It was notable that a high proportion of these were in the rural areas surrounding the market towns.

3.120 Our Landlord Survey suggests that this is the preferred route for enquiries from Hinkley Point workers engaged on preliminary projects.

3.121 Based on our experience of other towns we suggest that the spare room market is not a major part of the local housing market. The market appears to assist professionals seeking an alternative to hotels and guest houses.

Self- and Custom Build

3.122 We asked all estate agents about demand for self-build and custom build plots. In summary, demand for custom was high in the market towns and surrounding villages but was less apparent in the major towns.

3.123 Agents told us that demand was high from clients seeking to build bespoke dwellings to suit their lifestyle and need for design features not offered by the re-sale market or volume house builders.

3.124 Agents told us that the problem was the supply of suitable plots and were not generally aware of the government's policy proposals to improve supply. Some agents we spoke to pointed out that some deals were done privately not involving agents. We came across a small number of plots for sale in agent's shop windows and on Rightmove.

3.125 In our experience any attempt to quantify demand and the nature of demand should be focused on the planning system rather than sales and marketing. A more detailed analysis of self- and custom-build housing can be found in Section 12 of this report.

Local authority perspectives on affordable housing

3.126 All local authority housing options teams were invited to provide information about supply issues affecting the service and trends in demand especially from those in the most urgent housing need. Three of the 4 local authorities responded.

- 3.127 They told us that the most urgent unmet need was of 1 and 2-bedroom accommodation. One local authority provided supply and demand data showing that in 2014/15 supply was only one third of demand for one bedroom homes and one half of what was needed for 2 bedroom homes. The bedroom tax had been a significant factor in boosting demand for smaller homes. The local authorities told us that there was a growing number of low income single person households with health and mental health issues including addictions seeking housing. Authorities told us that introduction of the single room rate for applicants aged under 35 had severely affected demand from this group.
- 3.128 One authority indicated that the shared house market was still developing and that many local people claiming benefits have a difficulty in accepting that they might have to share. The same authority questioned if there is sufficient shared accommodation to meet needs but did comment that an increase in the number of rooms being advertised had been noticed.
- 3.129 One local authority told us that demand was non-existent for new social or affordable housing in some villages provided by housebuilders under S106 agreements.
- 3.130 The local authorities also told us that between 18% and 40% of households presenting as homeless were as a result of failed or ended private rented sector tenancies. The local authority with the higher rate described the process as a revolving door and was commissioning an initiative to address this. We were also told that benefit reform was having an effect on private rented sector supply to households claiming housing benefit as fewer landlords were willing to accept such households.
- 3.131 A small number of private rented sector properties were leased to the local authorities or registered provider partners to address supply shortages for households in the most acute housing need. Other initiatives to help sustain private rented sector tenancies for low income groups were a credit union, bond and rent in advance schemes and tenancy support for the under 25s.
- 3.132 South Somerset District Council highlighted the disposal by Housing Associations of properties to the open market in recent years – originally as part of their 2015-18 HCA funding programme. The idea was that a limited number of disposals would raise some funding which could be ploughed into the development programme (under their HCA programme contract) and thus reduce the pro rata level of grant – making available public subsidy funds stretch further. In the original HCA contracts, it was an expected sum rather than a defined number of disposals.
- 3.133 Typically Housing Associations have identified 'isolated' properties with high potential maintenance (and possibly management) costs. In theory, a Housing Association could now adopt an asset management strategy whereby it decides to dispose of all stock beyond a certain age or requiring above a certain sum to undertake void works – provided these are not covered by s106 – and put the money into newer, better designed and intrinsically cheaper to maintain homes.
- 3.134 The observation in South Somerset is that the majority of requests for disposal are from the LSVT HA (Yarlington) and, since 2012, the Council have been consulted on around 35 proposed disposals (most of which have been agreed to). The observation made by the Council is that these disposals are leading to an 'further erosion' of rural housing (RTB/pRTB already being disproportionate), with 31 of the disposals having been in villages below 3,000 population.

3.135 Whilst the total number of disposals may not have a substantial impact on future estimates of supply through relets (which is quantified in Section 7 of the report), the Council were particularly keen to emphasise the geographical typology of the disposals. Given that evidence in the previous section has highlighted higher house prices and a lower stock of affordable housing in rural areas; it is recommended that future relets are monitored to highlight if these losses (and potential future losses) are having a significant impact on the availability of affordable housing in rural areas. The situation highlighted for South Somerset is likely to also be relevant to other parts of the County (and including disposals of Council owned accommodation where there are stock holding local authorities). Changes to the number of households on the Housing Register in rural areas should also be monitored.

Registered provider perspectives on affordable housing

- 3.136 We achieved in depth interviews with senior development staff of registered providers. The topics were registered provider support for affordable housing development moving forward, their perceptions of gaps in supply or demand, self-build projects and space standards. Registered provider views on the introduction of space standards are reported in Section 13 of this report.
- 3.137 Discussion on registered provider support for affordable housing centred on government policy and funding, starter homes and the impact on s106 agreements and the uneven development activity across the study area.
- 3.138 Registered provider representatives told us that for the time being public funding for affordable housing was being prioritised for starter homes and shared ownership. We were told that demand for shared ownership is very strong in Bristol and Bath, but less strong in the study area.
- 3.139 All registered providers we spoke to within the study area and recently conducted interviews elsewhere said that development of social and affordable rented housing (SARH) remained one of their priorities. Many elaborated that shortages of social and rented housing was a significant problem which disproportionately affected vulnerable people. Helping to close this gap was central to their aims.
- 3.140 There were options for funding SARH using S106 funding, local authority funding, registered provider self-funding. Registered providers believed that S106 funding might be under pressure if housebuilders adopted a strategy for fulfilling affordable housing obligations through starter homes. Many registered providers expressed the concern that housebuilders would find starter homes a better option financially and would be more popular with customers. One registered provider summarised his views on the attitude of housebuilders to providing starter homes which were generally supporting the initiative.
- 3.141 They also believed that development economics would be affected if space standards were introduced. This is considered in more detail in Section 13 of this report.

- 3.142 We remarked that the amount of new (market) house building varied considerably across the study area. The high number of completions near to M5 junctions 24, 25, 26 had produced a great deal of market and affordable housing through S106 and we understand that there are still many new homes to be built in this area. In response registered providers told us that this was developer led and that the additional supply of SARH was needed. They were confident that developer interest would also focus on other towns but cautioned that housebuilders active along the M5 (Bristol to Exeter) were unlikely to work in South Somerset. One registered provider considered that the scale of development near to M5 junctions 24/25 and 26 was because it took time to get the momentum going after the 2008 recession. Some housebuilders had started sites prior to 2008 and scaled back activity considerably until the last few years as the market picked up.
- 3.143 In response to our question on gaps in supply all registered providers told us that there was strong demand across the boards however several of the registered providers drew attention to their experience that some single unemployed non-pensioner households found it difficult to financially sustain tenancies. One registered provider added that an implication of the EDF Hinkley Point proposal was that private landlords would be reluctant to let to households on housing benefit, favouring guest workers and resulting in increased demand for SARH.
- 3.144 One registered provider drew our attention to their train and build projects in partnership with the Custom and Self-Build Association (CSBA). Here the registered provider would find the site and a construction partner and a trainer. The CSBA would target ex-servicemen who would train in construction skills and eventually take a tenancy on the scheme. The registered provider was now on the 3rd project, the second being within the study area.

Qualitative Overview of Study Area: Key Messages

- Most resale agents told us that there is very high demand from up-sizers for 2 and 3-bedroom family homes at up to local median prices;
- Retired households seeking to downsize were a significant part of market demand and can lead to high proportions of re-sale housing being acquired by incomers taking advantage of relatively low house prices.
- Higher priced new build attracts a disproportionate number of incomers some of whom are newly retired people, otherwise most new build is occupied by local households seeking to upsize.
- Agents believe that the private rented sector investment market will adjust with higher rents and some rationalization of landlords' portfolios. They point to evidence of the long term success of the sector due to very high levels of demand being sustained;
- Market conditions in Somerset (and Sedgemoor in particular) are also being affected by proposals for Hinkley Point. Agents told us that the delay in starting the major construction was proving a problem for some landlords that had made early investment decisions to accommodate workers. The NLA told us that they believe that most demand will come from workers wishing to share self-contained houses.
- Registered providers consider it a priority to improve supply of social and affordable rented housing.
- Local authority managers told us that 1 and 2 bedroom homes are in short supply and vulnerable single unemployed people are particularly affected.

4. Trend-based Demographic Projections

Introduction

- 4.1 In this section consideration is given to demographic evidence of housing need and trend-based projections. Such projections are critical to the SHMA process and this is emphasised in the NPPF (para 158) which states that local planning authorities should prepare a SHMA to identify the scale of housing which *'meets household and population projection, taking account of migration and demographic change'*.
- 4.2 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 projections in 2a-017 where it is noted that *'the household projections... are statistically robust and are based on nationally consistent assumptions'*.
- 4.3 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.
- 4.4 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 should 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'*.
- 4.5 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 'start 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)

- 4.6 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).
- 4.7 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 linked to 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.
- 4.8 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 – this needs to recognise that migration may well be expected to change over time as the age structure of the population changes.
- 4.9 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’*.

Demographic Profile of Somerset

- 4.10 The analysis below looks at the population profile in Somerset, including past levels of population change, the components of this change (e.g. births, deaths and migration) and the age structure. Where relevant, comparisons are made with other areas (the South West region and England). The analysis uses 2015 as a base date, due to this being the date for which the most recent information was available at the time of writing (from ONS mid-year population estimates).

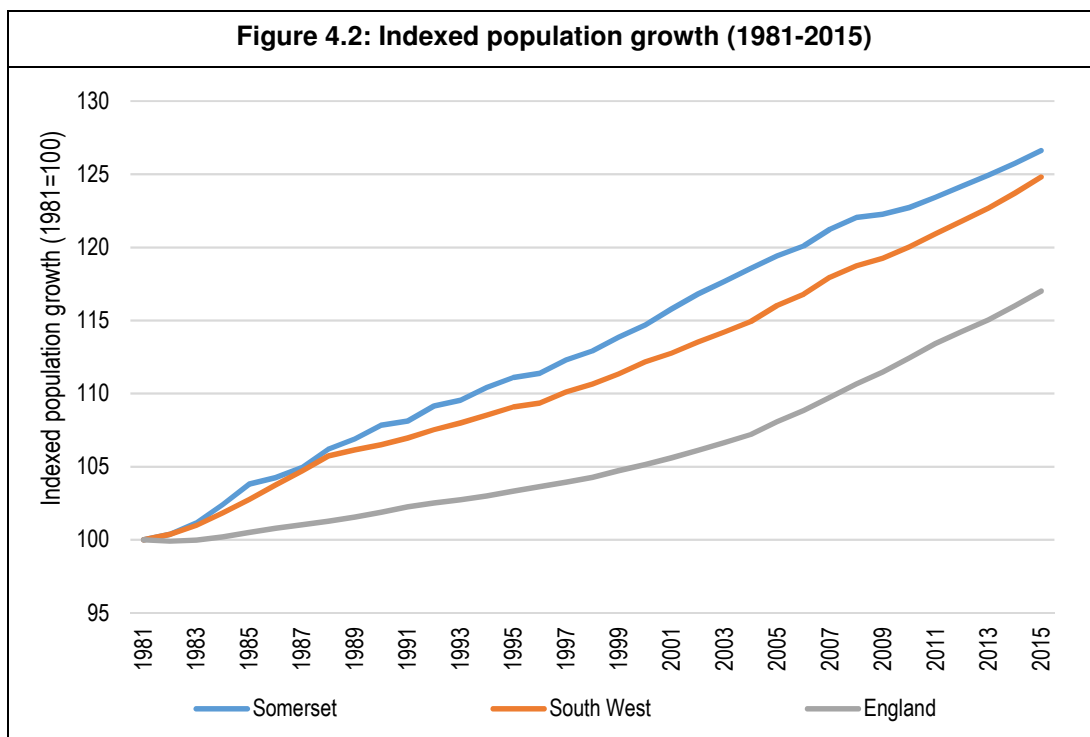
Overall population levels and changes

- 4.11 The population of Somerset in 2015 was estimated to be 545,400, this is an increase of 46,700 people since 2001 – a 9.4% increase over the 14-year period. This level of population growth is slightly below that seen across both the South West (10.7%) and England (10.8%). The data also shows notably stronger growth in Sedgemoor and a lower level of growth in Mendip.

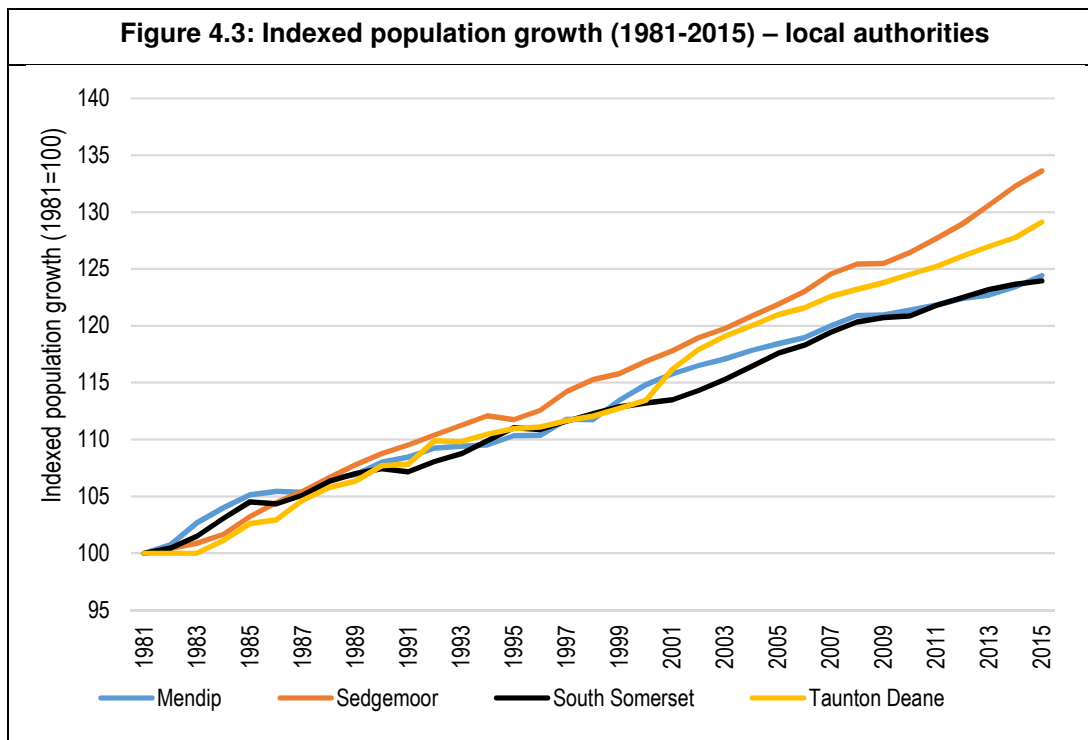
Area	Population 2001	Population 2015	Change in Population	% change
Mendip	103,964	111,724	7,760	7.5%
Sedgemoor	106,030	120,260	14,230	13.4%
South Somerset	151,059	164,982	13,923	9.2%
Taunton Deane	102,585	114,021	11,436	11.1%
Somerset	498,707	545,390	46,683	9.4%
South West	4,943,364	5,471,180	527,816	10.7%
England	49,449,746	54,786,327	5,336,581	10.8%

Source: ONS (mid-year population estimates)

- 4.12 Analysis can also be provided to consider longer-term trends in population growth with data being available back to 1981. The data shows that over the longer-term population growth across the County has been quite strong in comparison with other areas (particularly when compared with England. From 1981 to 2015 the population of the County grew by 27%, compared with 25% across the South West and 17% nationally. Over this same period, the population of Sedgemoor grew most strongly, increasing by 34% from 1981 to 2015.



Source: ONS (mid-year population estimates)



Source: ONS (mid-year population estimates)

Components of past population change

- 4.13 The figure and table below consider the drivers of population change in Somerset from 2001 to 2015 (2001 being the base date from which detailed figures are available). 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) – this is an adjustment made by ONS to mid-year population estimates where Census data has suggested that population growth had either been over- or underestimated in the inter-Census years. Because UPC links back to Census data a figure is only provided for 2001 to 2011.
- 4.14 The figure 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. The number of death has typically exceeded the number of births by around 180 per annum over the period from 2001. The level of natural change has generally been increasing over time (becoming less negative and indeed turning positive) although the more recent evidence suggests that this trend may now be reversing. When looking at migration, the data shows an average level of net migration of about 3,800 people per annum on average (with about 2,900 of this being internal migration). Levels of migration have generally been lower since the onset of recession in 2008. In the 2001-8 period net migration averaged 4,700 people per annum and this has fallen to an average of 3,000 in the 2008-15 period.
- 4.15 Other changes are quite small and the data also shows a small (but not insignificant) negative level of UPC. This latter finding would suggest that ONS may have previously over-estimated migration and population growth in Somerset – this could potentially have an impact on forward projections. The implication of UPC for housing need is discussed later in this section.

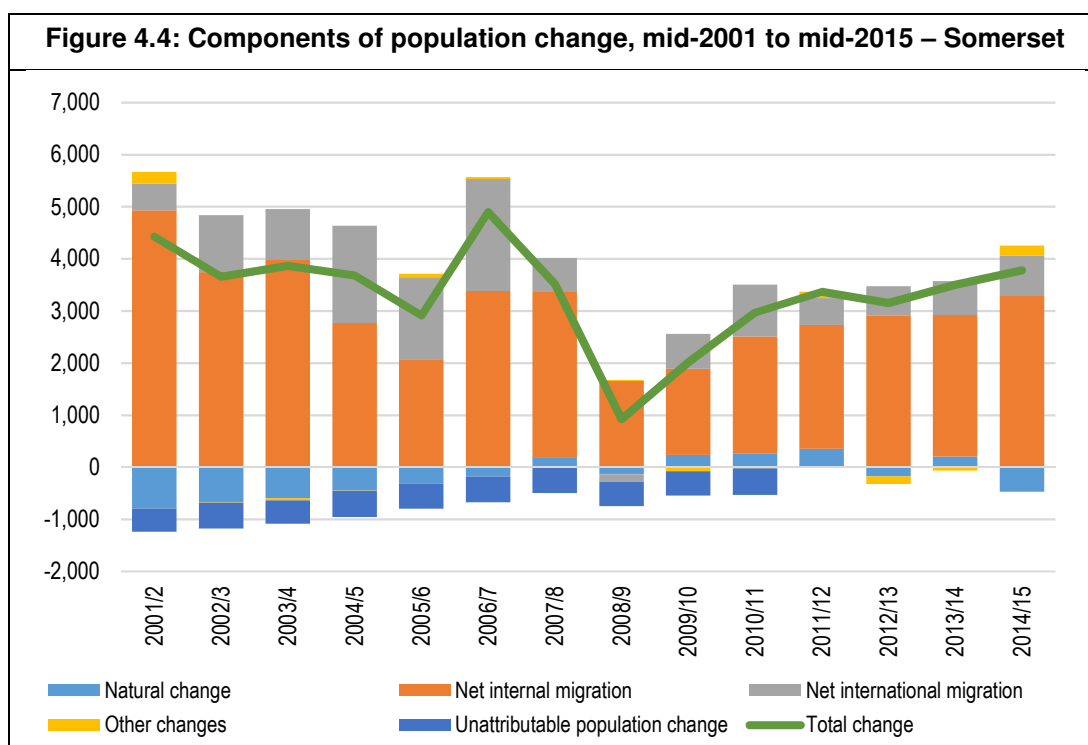


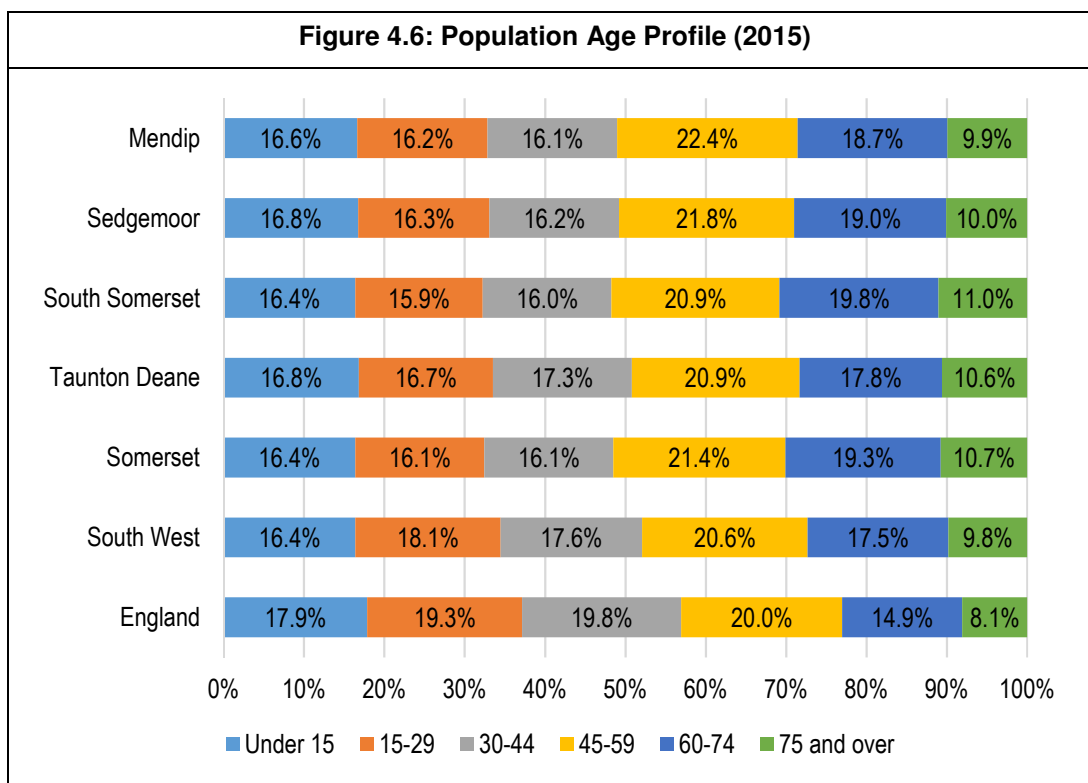
Figure 4.5: Components of population change, mid-2001 to mid-2015 – Somerset

Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	-795	4,931	509	225	-445	4,425
2002/3	-667	3,743	1,091	-13	-496	3,658
2003/4	-596	3,975	981	-42	-449	3,869
2004/5	-444	2,767	1,867	-10	-501	3,679
2005/6	-316	2,070	1,576	65	-481	2,914
2006/7	-185	3,383	2,148	40	-488	4,898
2007/8	194	3,168	651	-12	-483	3,518
2008/9	-142	1,652	-137	20	-469	924
2009/10	233	1,653	673	-80	-462	2,017
2010/11	268	2,238	996	-22	-508	2,972
2011/12	350	2,377	518	124	0	3,369
2012/13	-176	2,915	561	-146	0	3,154
2013/14	204	2,715	653	-67	0	3,505
2014/15	-470	3,304	754	193	0	3,781

Source: ONS

Age Profile and Past Changes

4.16 The age profile of the population of Somerset is generally ‘older’ in comparison with regional and national comparisons – a total of 30% of the population of Somerset 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 Somerset, the population of Taunton Deane is slightly ‘younger’ than in other areas.



Source: ONS 2015 mid-year population estimates

4.17 The table below shows how the age structure of the population has changed over the 2001 to 2015 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 around 13%). The population aged 75 and over has increased by around 10,800 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).

Age group	2001	2015	Change	% change
Under 15	90,296	89,353	-943	-1.0%
15-29	77,905	87,618	9,713	12.5%
30-44	103,666	87,659	-16,007	-15.4%
45-59	102,833	116,740	13,907	13.5%
60-74	76,188	105,438	29,250	38.4%
75 and over	47,819	58,582	10,763	22.5%
Total	498,707	545,390	46,683	9.4%

Source: ONS mid-year population estimates

- 4.18 The same analysis has been carried out for the individual local authorities and a range of comparator areas (in the table below). The data identifies that population profile changes in Somerset are fairly similar to that seen regionally and nationally – the main difference being a greater ageing of the population over this period. For the individual authorities, the patterns of change are broadly similar with differences mainly being linked to overall population change from 2001 to 2015.

Area	Under 15	15-29	30-44	45-59	60-74	75 and over	Total
Mendip	-5.8%	10.2%	-20.4%	14.9%	44.8%	23.8%	7.5%
Sedgemoor	3.6%	23.2%	-12.9%	18.1%	39.0%	23.3%	13.4%
South Somerset	-1.9%	11.6%	-15.4%	11.5%	40.3%	24.6%	9.2%
Taunton Deane	4.6%	9.8%	-8.7%	16.4%	34.4%	22.9%	11.1%
Somerset	-1.0%	12.5%	-15.4%	13.5%	38.4%	22.5%	9.4%
South West	2.2%	17.4%	-8.6%	14.2%	32.1%	17.3%	10.7%
England	5.5%	13.0%	-3.7%	17.7%	25.8%	18.9%	10.8%

Source: ONS mid-year population estimates

Demographic Evidence of Housing Need – Start Point

- 4.19 The PPG [2a-015] 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'*.
- 4.20 The most up-to-date projections are the 2014-based CLG household projections published in July 2016. These projections were underpinned by ONS (2014-based) subnational population projections (SNPP) – published in May 2016. The table below sets out levels of household growth expected by the CLG household projections in the 2014-39 period. Data is also provided for the South West and England for comparative purposes.

- 4.21 Across the whole County, the CLG household projections show household growth of about 50,200 – this is a 21% increase; slightly below equivalent figures for both the South West (22%) and England (23%). Growth is projected to be highest in Sedgemoor (27%) and Taunton Deane (24%) and lower in South Somerset (18%).

Area	Households 2014	Households 2039	Change in households	% change
Mendip	47,453	57,433	9,980	21.0%
Sedgemoor	50,921	64,624	13,703	26.9%
South Somerset	71,585	84,824	13,239	18.5%
Taunton Deane	48,743	60,246	11,503	23.6%
Somerset	234,353	284,532	50,179	21.4%
South West	2,334,994	2,838,543	503,549	21.6%
England	22,746,487	28,003,598	5,257,111	23.1%

Source: CLG household projections

- 4.22 Whilst the 2014-based data is the latest 'official' population projection and therefore forms the start point for analysis in line with the PPG, it is worth testing the assumptions underpinning the projection to see if it broadly reasonable in the local context – this involves considering both the population projections (the SNPP from ONS) and also the way CLG have converted this data into households. The analysis below 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 2015).

2014-based Subnational Population Projections (SNPP)

- 4.23 The latest SNPP were published by ONS on the 29th May 2014. They replaced the 2012-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 2014-based national population projections. The new SNPP are largely based on trends in the 2009-14 period (2008-14 for international migration trends).
- 4.24 They 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.

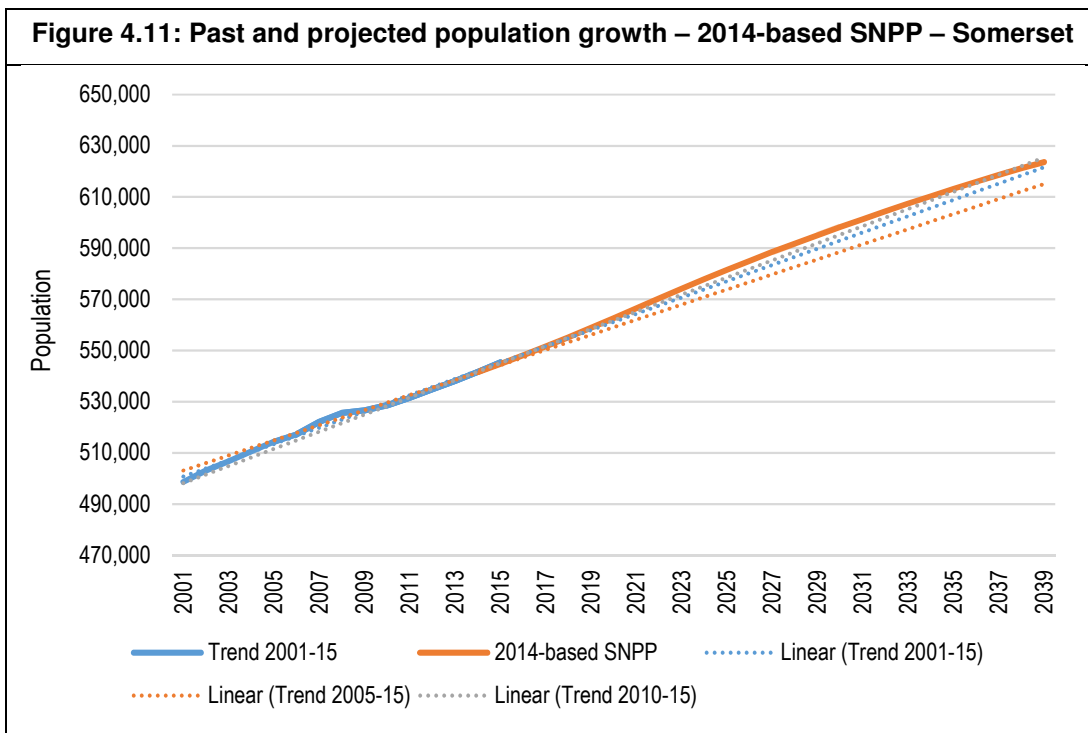
Overall Population Growth

- 4.25 The table below shows projected population growth from 2014 to 2039 in each of the four local authorities and a range of comparator areas. The data shows that the population of Somerset is projected to grow by around 82,000 people; this is a 15% increase – slightly below that projected across the South West (16%) and also England as a whole (17%). Population growth is projected to be strongest in Sedgemoor and weaker in South Somerset.

Figure 4.10: Projected population growth (2014-2039) – 2014-based SNPP				
Area	Population 2014	Population 2039	Change in population	% change
Mendip	110,844	126,354	15,510	14.0%
Sedgemoor	119,057	144,740	25,683	21.6%
South Somerset	164,569	184,611	20,042	12.2%
Taunton Deane	112,817	131,753	18,936	16.8%
Somerset	541,609	623,649	82,040	15.1%
South West	5,423,303	6,311,495	888,192	16.4%
England	54,316,618	63,281,523	8,964,905	16.5%

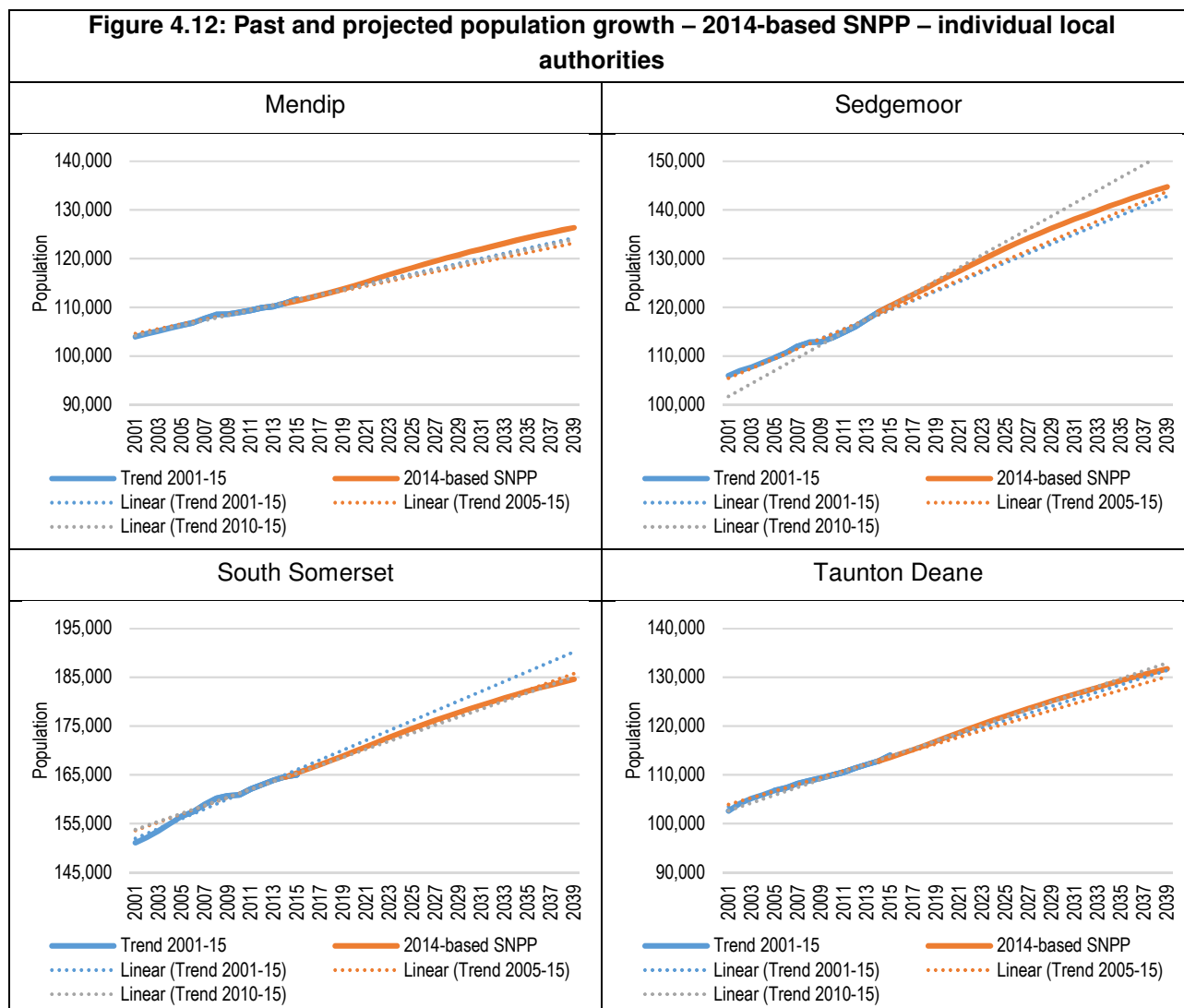
Source: ONS and demographic projections

- 4.26 The figure below shows past and projected population growth in the period 2001 to 2039. The data also plots a linear trend line for the last five years for which data is available (2010-15) and also longer-term periods from 2005 to 2015 (a 10-year trend) and 2001-15 (14-years) – 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 both short- and long-term past trends. 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).



Source: ONS and demographic projections

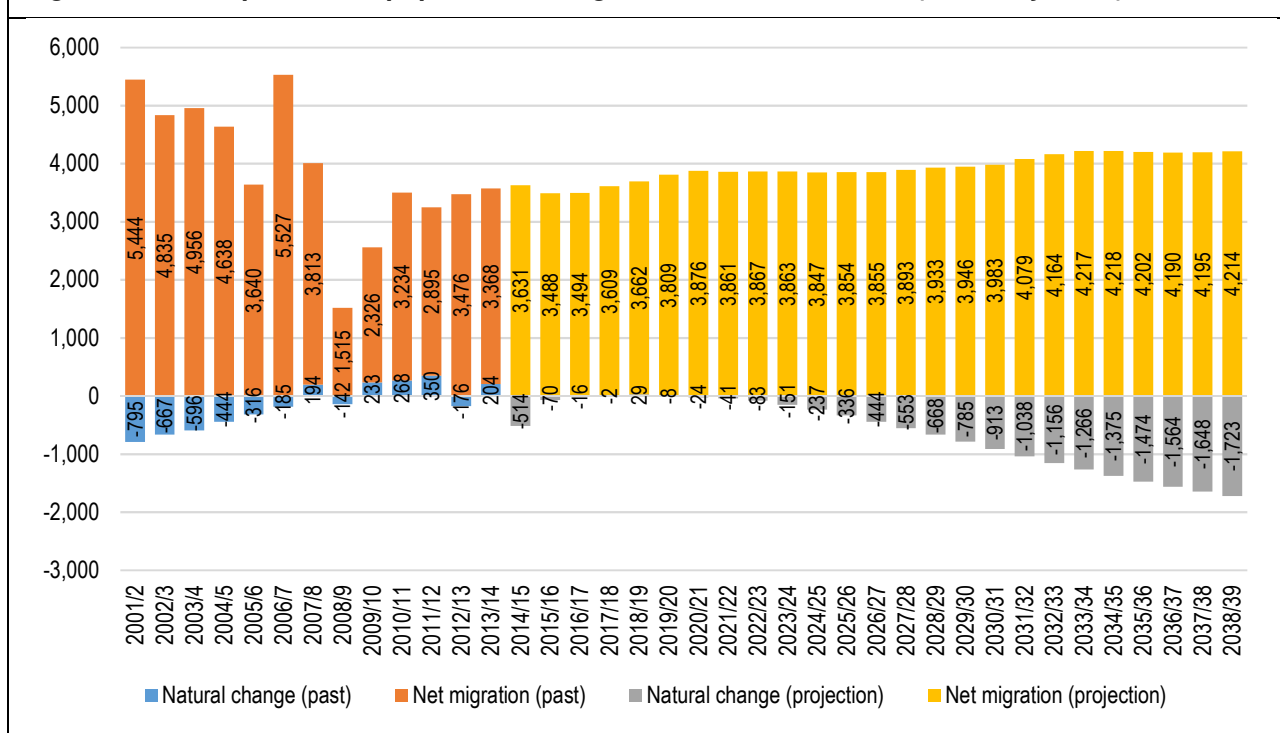
- 4.27 The figures below show the same data for individual local authorities. In Mendip, projected population growth is slightly above past trends (regardless of the past trend period studied) whilst in Taunton Deane the projected growth is very much in line with past trends. In Sedgemoor the projected growth is in line with long-term trends but below short-term growth whereas the opposite is seen in South Somerset (growth in line with short-term figures but below the longer-term).
- 4.28 Overall, when just visually looking at the comparison between past trends and the future projection it looks as if the SNPP (as updated) is a sound demographic projection. This finding also holds true for the individual local authorities where no areas are showing a significantly different projection to that suggested by past trends.



Source: ONS and demographic projections

Components of population change

- 4.29 The figure 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 (returning to a situation where there is a notable excess of deaths over births). Expected levels of migration show the opposite pattern – generally increasing over time.
- 4.30 When compared with the past trends in migration, the projected figures look to be reasonable. For the whole of the projection period (2014-39) the average level of migration is expected to be around 3,918 people (net) per annum – this figure is higher than the level seen in short-term past trends (3,406 per annum over the past 5-years) and also higher than average figures over the past 10- or 14-years (3,387 and 3,838 respectively). On this basis the conclusion above (about the soundness of the SNPP) seems to be supported by this additional analysis.

Figure 4.13: Components of population change, mid-2001 to mid-2039 (summary chart) – Somerset

Source: ONS and demographic projections

4.31 Components of change data for each of the individual local authorities is shown in Appendix 1. This generally shows for all areas that natural change is projected to fall and net migration projected to increase – the only exception is Sedgemoor where net migration is projected to fall slightly moving towards 2039.

4.32 The table below brings together a series of average net migration levels in both past trends and the projection (a range of different time periods are analysed). This generally shows a close fit between past trends and the projection and suggests that the SNPP is a sound assessment of future population growth in the County – figures for local authorities are also shown.

Figure 4.14: Average net migration in a range of past and projected time periods (annual averages)

	Average net migration				
	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
Past 14-years (2001-15)	631	1,086	999	886	3,838
Past 10-years (2005-15)	574	1,063	794	759	3,387
Past 5-years (2010-15)	547	1,201	744	825	3,406
Next 5-years (2014-19)	575	1,109	855	843	3,577
Next 10-years (2014-24)	650	1,079	885	870	3,716
Next 14-years (2014-28)	675	1,054	898	872	3,758
Next 25-years (2014-39)	741	1,003	950	917	3,918

Source: ONS

Age Structure Changes

- 4.33 With growth in the population will also come age structure changes. The table below summarise the findings for key (15-year) age groups in the 2014-based SNPP. The data shows that largest growth will be in the number of people aged 60 and over; it is estimated that there will be 236,400 people aged 60 and over in 2039 – this is an increase of 75,200 from 2014, representing growth of 47%. The population aged 75 and over is projected to increase by an even greater proportion, 101%. Looking at the other end of the age spectrum the data shows that there is projected to be modest growth in the population aged under 45 along with a decline in the number of people aged 45-59.

Figure 4.15: Population change 2014 to 2039 by fifteen-year age bands (2014-based SNPP) – Somerset				
Age group	Population 2014	Population 2039	Change in population	% change from 2014
Under 15	88,645	96,720	8,075	9.1%
15-29	88,268	91,766	3,498	4.0%
30-44	88,307	90,909	2,602	2.9%
45-59	115,188	107,878	-7,310	-6.3%
60-74	103,436	120,497	17,061	16.5%
75+	57,765	115,880	58,115	100.6%
Total	541,609	623,649	82,040	15.1%

Source: ONS and demographic projections

- 4.34 Tables in Appendix 1 show the same information for each of the individual local authority areas. In all cases the pattern of age structure changes is broadly similar, with a particular emphasis on population growth in age groups of 60+ (and also 75 and over).

Alternative Demographic Scenarios

- 4.35 As noted above, the SNPP looks to be a sound projection with regard to population growth in the County. However, it is noted that levels of migration and population growth have been variable over time. On this basis it would be reasonable to consider alternative (sensitivity) scenarios – such an approach is set out in para 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...'*
- 4.36 The sensitivity scenarios take account of longer-term migration trends and also the 'unattributable' component of population change within ONS population data for the 2001-11 period. Additionally, data from the ONS 2015 mid-year population estimates (MYE) is considered. The analysis below therefore considers three potential sensitivities to the figures. These can be described as:
- Implications 2015 mid-year population data – 2014-based SNPP (+MYE)
 - Implications of 10-year migration trends – 10-year migration
 - Implications of Unattributable Population Change (UPC) and 10-year migration trends – 10-year migration (+UPC)

2014-based SNPP (+MYE)

- 4.37 This projection takes assumptions from the 2014-based SNPP, but overwrites the population projection figures for 2015 by those in the ONS MYE (by age and sex). Moving forward from 2015, this sensitivity uses the same birth and death rates as contained in the 2014-based SNPP and the actual projected migration figures (by age and sex). Due to age structure differences in the MYE compared to the projection, this does mean that population growth from 2015 onwards does not exactly match that in the actual projections as published.

10-year migration

- 4.38 This projection uses information about migration levels in the 10-year period (2005-15) and therefore includes the most up-to-date MYE figures (for 2015). The projection does not just look at the migration figures and roll these forward but recognises that migration can be variable over time as the age structure changes. With international migration, this projection also takes account of the fact that ONS are projecting for international net migration to decrease in the longer-term.
- 4.39 To overcome the issue of variable migration, the methodology employed looks at the share of migration in each local authority compared to the share in the period feeding into the 2014-based SNPP (which is 2009-14 for internal migration and 2008-14 for international migration). Where the share of migration is higher in the 10-year period, the projection applies an upward adjustment to migration, and vice versa.

10-year migration (+UPC)

- 4.40 As noted earlier there is a modest level of Unattributable Population Change (UPC) in the ONS data for 2001-11 in Somerset. In this instance UPC is negative, this suggests that the components of change feeding into the SNPP may over-estimate migration and population growth.
- 4.41 Whilst making an adjustment for UPC could be an alternative scenario, it is not considered, on its own, 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. On this basis, whilst it is not considered that UPC should be included on its own as a projection to take forward into the modelling of objectively assessed need it is considered that there is merit in looking at UPC when also considering longer-term trends.
- 4.42 Hence, this sensitivity projection takes the outputs from the long-term (10-year) migration scenario and makes a further additional adjustment for UPC (based on the years in which this arises). For the purposes of analysis, it has been assumed that UPC is equally split between international and internal migration.

Migration Assumptions in the Alternative Demographic Projections

4.43 The table below sets out the assumptions modelled (shown as average figures for the 2014-39 projection period). This figures are presented as net migration although the modelling itself looks separately at in- and out-migration (for each of internal and international migration). The estimate of net migration linked to long-term (10-year) trends is slightly higher than in the 2014-based SNPP; with an additional UPC adjustment the level of net migration comes down, to a level still slightly above that in the 2014-based SNPP.

Figure 4.16: Average net migration assumptions used in demographic modelling (per annum 2014-39)

		2014-based SNPP	2014-based SNPP (+MYE)	10-year migration	10-year migration/ UPC
Mendip	Internal migration	651	668	765	710
	International migration	90	87	140	97
	Total net migration	741	755	905	808
Sedgemoor	Internal migration	790	787	797	761
	International migration	214	214	254	225
	Total net migration	1,003	1,001	1,050	986
South Somerset	Internal migration	807	798	861	861
	International migration	143	133	188	188
	Total net migration	950	931	1,048	1,049
Taunton Deane	Internal migration	781	802	849	821
	International migration	136	132	140	117
	Total net migration	917	934	989	938
Somerset	Internal migration	3,310	3,345	3,656	3,507
	International migration	608	590	763	643
	Total net migration	3,918	3,935	4,418	4,150

Source: Demographic analysis based on ONS data

Outputs from different demographic projections

4.44 The table below shows the estimated level of population growth in the SNPP and the alternative projections developed. Across the whole County, the SNPP shows population growth (2014-39) of 15.1% - this figure increases slightly when more recent population and migration data is included in the modelling (i.e. to include 2015 MYE data). When looking at 10-year trends the projected population growth increases notably (to 17.8%) and when this data is overlaid with an adjustment for UPC the figure comes down slightly (to 16.3%).

Figure 4.17: Projected population growth (2014-2039) – alternative scenarios – Somerset

	Population 2014	Population 2039	Change in population	% change
2014-based SNPP	541,609	623,649	82,040	15.1%
2014-based SNPP (+MYE)	541,609	623,828	82,219	15.2%
10-year migration	541,609	638,121	96,512	17.8%
10-year migration (+UPC)	541,609	630,113	88,504	16.3%

Source: Demographic projections

4.45 The five tables below show the same range of scenarios for each of the local authorities. For all areas other than South Somerset the highest level of population growth is seen in the scenario linked to 10-year migration trends. In South Somerset, the highest scenario is when a UPC adjustment is included; however, the figure is virtually identical to that without such an adjustment.

Figure 4.18: Projected population growth (2014-2039) – alternative scenarios – Mendip

	Population 2014	Population 2039	Change in population	% change
2014-based SNPP	110,844	126,354	15,510	14.0%
2014-based SNPP (+MYE)	110,844	126,967	16,123	14.5%
10-year migration	110,844	131,460	20,616	18.6%
10-year migration (+UPC)	110,844	128,537	17,693	16.0%

Source: Demographic projections

Figure 4.19: Projected population growth (2014-2039) – alternative scenarios – Sedgemoor

	Population 2014	Population 2039	Change in population	% change
2014-based SNPP	119,057	144,740	25,683	21.6%
2014-based SNPP (+MYE)	119,057	144,532	25,475	21.4%
10-year migration	119,057	146,017	26,960	22.6%
10-year migration (+UPC)	119,057	144,116	25,059	21.0%

Source: Demographic projections

Figure 4.20: Projected population growth (2014-2039) – alternative scenarios – South Somerset

	Population 2014	Population 2039	Change in population	% change
2014-based SNPP	164,569	184,611	20,042	12.2%
2014-based SNPP (+MYE)	164,569	184,003	19,434	11.8%
10-year migration	164,569	187,457	22,888	13.9%
10-year migration (+UPC)	164,569	187,474	22,905	13.9%

Source: Demographic projections

	Population 2014	Population 2039	Change in population	% change
2014-based SNPP	112,817	131,753	18,936	16.8%
2014-based SNPP (+MYE)	112,817	132,158	19,341	17.1%
10-year migration	112,817	133,834	21,017	18.6%
10-year migration (+UPC)	112,817	132,305	19,488	17.3%

Source: Demographic projections

- 4.46 Having developed a range of scenarios, it is worth briefly considering which are the most appropriate to use when taking the data forward into estimates of housing need. The 2014-based SNPP is the only projection that is directly linked to official projections and should therefore be given some credence. It is also the projection which is identified in the PPG as the start point for the analysis of housing need.
- 4.47 The projection linked to 10-year migration trends should be given some weight. As the analysis of housing need has developed over time, it has become common practice to consider 10-year trends as well as the most recent official projections. Given that in Somerset there does appear to have been some short-term reduction in migration (particularly since the onset of recession in about 2008) it is considered that this projection is a useful scenario to use when looking at housing need.
- 4.48 Additionally, it is notable that the scenario which includes a UPC adjustment sits in the middle of the range of projections developed and is arguably showing a fairly balanced level of population growth. The projection including UPC can therefore be given some consideration, however, it is noted that including UPC within projections is not an approach universally supported by planning inspectors.
- 4.49 Hence, overall, whilst the modelling to follow continues to look at the four scenarios developed, it is considered in drawing conclusions about a reasonable level of population growth to plan for, that both the official (2014-based) and the 10-year trends should be the main ones used to understand potential housing need. These two projections set out a range of population growth (and hence housing need).

Age Structure Changes

- 4.50 Analysis has previously shown changes in the age structure when using the 2014-based SNPP and below a similar analysis has been carried out with the 10-year migration trend projection (which is the main alternative suggested as being reasonable to use in the modelling). As with the SNPP, there is projected to be a notable ageing of the population; however, it is also noteworthy that the higher population growth in this scenario is concentrated in younger age groups – this reflects the fact that younger people (particularly of working-age) are more migrant than the older population.

Figure 4.22: Population change 2014 to 2039 by fifteen-year age bands (10-year migration trends) – Somerset				
Age group	Population 2014	Population 2039	Change in population	% change from 2014
Under 15	88,645	99,762	11,117	12.5%
15-29	88,268	94,560	6,292	7.1%
30-44	88,307	94,881	6,574	7.4%
45-59	115,188	109,508	-5,680	-4.9%
60-74	103,436	122,251	18,815	18.2%
75+	57,765	117,160	59,395	102.8%
Total	541,609	638,121	96,512	17.8%

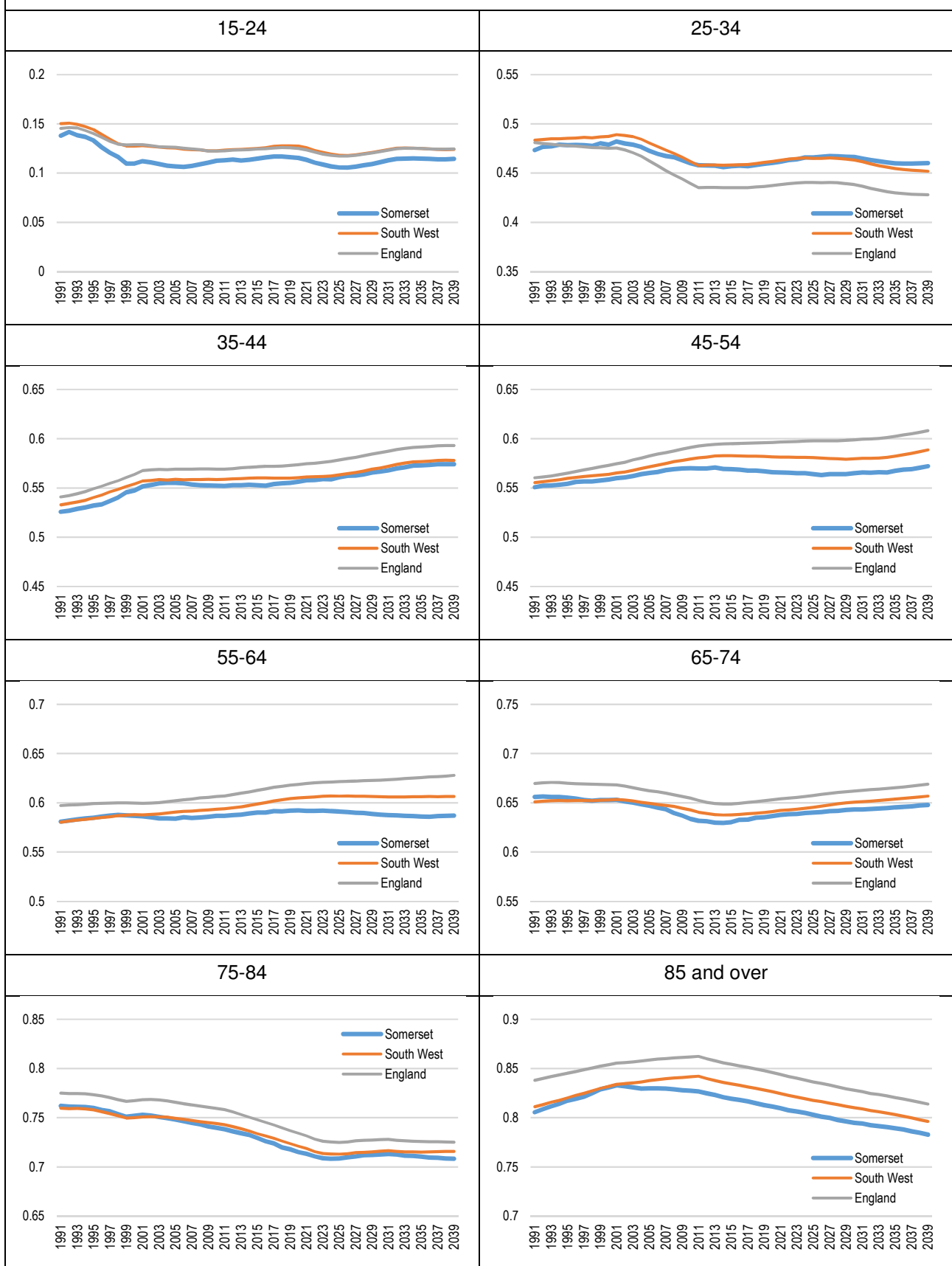
Source: ONS and demographic projections

Household Growth (Household Formation (Headship) Rates)

- 4.51 Having studied the population size and the age/sex profile of the population the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of headship rates is used. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).
- 4.52 On the 12th June 2016, CLG published a new set of (2014-based) household projections – the projections contain two core analyses. The Stage 1 household projections project household formation based on data from the 1971, 1981, 1991, 2001 and 2011 Censuses with outputs for age, sex and marital status. For younger age groups greater weight was given in the CLG projections methodology to the dampened logistical trend than the simple logistics trend; the effect of which is to give greater weight to the shorter-term trends.
- 4.53 The Stage 2 household projections consider household types and the methodology report accompanying the projections is clear that these projections are based on just two data points – from the 2001 and 2011 Census. Overall outputs on total household growth are constrained to the totals from the Stage 1 Projections. This means that both sets of projections show the same level of overall household growth (when set against the last set of SNPP) but some of the age specific assumptions differ. Differences can however occur between the Stage 1 and 2 headship rates when modelled against different population projections (due to differences in the age structure).
- 4.54 Overall, it is considered that the Stage 1 projections should be favoured over the Stage 2 figures for the purposes of considering overall household growth; this is for two key reasons: a) the Stage 1 figures are based on a long-term time series (dating back to 1971 and using 5 Census data points) whereas the Stage 2 figures only look at two data points (2001 and 2011) and b) the Stage 2 figures are constrained back to Stage 1 values, essentially meaning that it is the Stage 1 figures that drive overall estimates of household growth in the CLG household projections themselves. The analysis to follow therefore focuses on Stage 1 figures.

- 4.55 The figure below shows how Stage 1 figures differ for different age groups. It is evident from the analysis that household formation amongst households in their late 20s and early 30s fell slightly over the 2001-11 decade. The projections are however showing that there will not be any further reduction. The 2014-based household projections also expect household formation rates amongst older age groups to fall over time. Given improving life expectancy this 'trend' looks to be reasonable (as it would be expected that more people would remain living as couples).
- 4.56 The figure also shows a comparison between Somerset, the South West region and England. Generally, figures in Somerset are at similar levels and with similar changes to equivalent data in other areas. This comparison does not suggest there is anything within the 2014-based CLG household formation rates which is particularly unusual or concerning. Appendix 1 contains the same information for local authorities – this tends to be broadly consistent with data as observed across the County.

Figure 4.23: Projected household formation rates by age of head of household – Somerset



Source: Derived from CLG data

Critical Review of Headship Rates

- 4.57 The headship rates in the 2014-based CLG household projections should not be used uncritically. Paragraph 2a-015 of the PPG is clear that the *'household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends'*. Essentially this is suggesting, where the projections include a suppression of household formation that some sort of adjustment should be made.
- 4.58 It is not straightforward to determine if the projections contain any level of suppression (either in the past or projected forward) given that household formation rates can be influenced by a range of factors. One person to recognise this was the late Alan Holmans in the September 2013 Town and Country Planning Association (TCPA) publication *'new estimates of housing demand and need in england, 2011 to 2031'* where he stated:
- 'The working assumption in this study is that a considerable part but not all of the 375,000 shortfall of households relative to trend was due to the state of the economy and the housing market. 200,000 is attributed to over-projection of households due to the much larger proportion of recent immigrants in the population, whose household formation rates are lower than for the population as a whole. This effect will not be reversed. The other 175,000 is attributed to the economy and the state of the housing market and is assumed to gradually reverse'*.
- 4.59 Broadly what Mr Holmans was saying is that about half of changes to household formation are due to market factors and about half due to international migration. Whilst the international migration impact is not expected to change, any suppression as a result of the economy and housing market could improve in the future.
- 4.60 When looking specifically at data for Somerset, it is clear that the only age group where suppression can potentially be identified is for people aged 25-34. There is a downward trend in the headship rates of this group from 2001-11 although moving forward from 2011, the rate remains fairly flat. However, it is not clear if the changes in the rates is due to market factors or international migration.
- 4.61 The analysis below seeks to understand the impact of international migration. At a local level it is difficult to use international migration figures because of the way such migration works – typically most international migrants start in a major city (e.g. London) and then filter out into other areas (and hence are registered by ONS as an internal migrant). Hence one way at looking at international migration is to consider changes to the Black and Minority Ethnic (BME) population. BME populations tend to have different household structures (typically larger households) and so this picks up on the point made by Mr Holmans.
- 4.62 The table below shows changes to the BME population in each of the age groups for which headship rate data is provided above (data for the White (British/Irish) population is also provided) with equivalent local authority data to be found in Appendix 1. This analysis shows an increase in the BME population of 11,042 people aged 15 and over in the 10-year period – a 114% increase. Some 39% (4,289 people) of this increase was in the age group 25-34. In contrast, the White (British/Irish) population aged 25-34 fell by over 11,000 people.

Figure 4.24: Changes to Black and Minority Ethnic and White (British/Irish) Population by age (2001-11) – Somerset

	Black and Minority Ethnic			White (British/Irish)		
	Population 2001	Population 2011	Change	Population 2001	Population 2011	Change
15-24	2,016	3,814	1,798	50,514	57,529	7,015
25-34	1,861	6,150	4,289	57,135	45,940	-11,195
35-44	1,855	4,337	2,482	68,130	62,819	-5,311
45-54	1,543	3,011	1,468	69,235	73,116	3,881
55-64	1,017	1,788	771	57,811	72,295	14,484
65-74	711	900	189	48,323	56,563	8,240
75-84	511	507	-4	34,377	37,081	2,704
85+	164	213	49	12,591	16,396	3,805
TOTAL	9,678	20,720	11,042	398,116	421,739	23,623

Source: Census (2001 and 2011)

- 4.63 From this it is clear that a major part of the changes in the headship rates of the 25-34 age group is likely to be due to international migration and growth in BME communities. Given that moving forward from 2011 the projections are expecting headship rates in this age group to stabilise; there is no suggestion of any suppression being built into the projections.
- 4.64 In looking at potential suppression amongst the 25-34 age group it is also useful to look at the 35-44 age group (noting that, for example, people aged 25-34 in 2011 will be aged 35-44 by 2021). The 35-44 age group shows little change in headship rates in the past and continuing in the future (slightly upwards in the future). On this basis there is no significant evidence of 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 2039) fully reflect the needs of the local population with no suppression being evident in the long-term.
- 4.65 Since Holmans work was published there have been further articles on the topic of household formation rates. One of note is *new estimates of housing requirements in england, 2012 to 2037* (Neil McDonald and Christine Whitehead – TCPA – November 2015). In this it is stated that:

'The 2012-based projections, which use the 2011 Census and up-to-date population figures, are more immediately relevant and more strongly based than earlier estimates. The latest projections can therefore be taken as a reasonable indication of what is likely to happen to household formation rates if recent trends continue. This is because, although economic growth might be expected to increase the household formation rate, there are both longer-term structural changes and other factors still in the pipeline (such as welfare reforms) that could offset any such increase'

4.66 Whilst this refers to the 2012-based projections, it is the case that the household formation rates in the 2014-based figures are almost identical. Overall, on the basis of the evidence available, it seems unlikely that the 2014-based household formation rates include any degree of suppression and can therefore realistically be used to assess levels of household growth when set against population projections.

Housing Need (linked to 2014-based headship rates)

4.67 The tables below bring together outputs in terms of household growth and housing need using the 2014-based headship rates and the full range of scenarios developed. To convert households into dwellings the data includes an uplift to take account of vacant homes. This has been based on 2015 Council Tax data with a summary of the key statistics shown below. This shows that the total number of dwellings is some 3.6% higher than the number of occupied homes (which is taken as a proxy for households) and hence household growth figures are uplifted by around 3.6% to provide an estimate of housing need (figures are applied on a local authority basis). It is assumed that such a level of vacant homes will allow for movement within the housing stock and includes an allowance for second homes.

Figure 4.25: Vacant homes (Council Tax data)					
	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
Dwellings	50,479	53,605	75,516	51,739	249,183
Second Homes	389	508	826	341	3,087
Other vacant homes	1,047	1,371	1,630	1,204	5,576
Total vacant	1,436	1,879	2,456	1,545	8,663
Total occupied	49,043	51,726	73,060	50,194	240,520
Vacancy allowance	2.9%	3.6%	3.4%	3.1%	3.6%

Source: CLG

4.68 The analysis shows an overall housing need for 2,076 dwellings per annum across Somerset when using the 2014-based SNPP as the underlying population projection. This figure increases slightly (to 2,085) when the assumptions include MYE data for 2015. With long-term (10-year) migration assumptions the housing need is shown to be for some 2,320 dwellings per annum and this figure reduces slightly (to 2,185) when a UPC adjustment is additionally included.

4.69 On the basis of the information below it is concluded that the demographic need for housing falls in the range of 2,076-2,320 dwellings per annum. The bottom end of the range being the 'start 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.

Figure 4.26: Projected housing need – range of demographic based scenarios and 2014-based headship rates – Somerset

	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
2014-based SNPP	234,355	284,527	50,172	2,007	2,076
2014-based SNPP (+MYE)	234,355	284,741	50,386	2,015	2,085
10-year migration	234,355	290,374	56,020	2,241	2,320
10-year migration (+UPC)	234,355	287,121	52,766	2,111	2,185

Source: Demographic projections

4.70 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 linked to 2014-based CLG household formation rates in each local authority falls in the range of:

- Mendip – 411-491 dwellings per annum
- Sedgemoor – 568-593 dwellings per annum
- South Somerset – 547-597 dwellings per annum
- Taunton Deane – 474-507 dwellings per annum

Figure 4.27: Projected housing need – range of demographic based scenarios and 2014-based headship rates – Mendip

	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
2014-based SNPP	47,456	57,432	9,976	399	411
2014-based SNPP (+MYE)	47,456	57,578	10,122	405	417
10-year migration	47,456	59,371	11,916	477	491
10-year migration (+UPC)	47,456	58,181	10,725	429	442

Source: Demographic projections

Figure 4.28: Projected housing need – range of demographic based scenarios and 2014-based headship rates – Sedgemoor

	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
2014-based SNPP	50,922	64,627	13,705	548	568
2014-based SNPP (+MYE)	50,922	64,635	13,713	549	568
10-year migration	50,922	65,225	14,303	572	593
10-year migration (+UPC)	50,922	64,451	13,529	541	561

Source: Demographic projections

Figure 4.29: Projected housing need – range of demographic based scenarios and 2014-based headship rates – South Somerset					
	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
2014-based SNPP	71,582	84,820	13,238	530	547
2014-based SNPP (+MYE)	71,582	84,646	13,064	523	540
10-year migration	71,582	86,023	14,440	578	597
10-year migration (+UPC)	71,582	86,029	14,447	578	597

Source: Demographic projections

Figure 4.30: Projected housing need – range of demographic based scenarios and 2014-based headship rates – Taunton Deane					
	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
2014-based SNPP	48,748	60,247	11,499	460	474
2014-based SNPP (+MYE)	48,748	60,433	11,685	467	482
10-year migration	48,748	61,033	12,285	491	507
10-year migration (+UPC)	48,748	60,404	11,657	466	481

Source: Demographic projections

- 4.71 The figures presented above are all for the 2014-39 period which have then been annualised (by simply dividing by 25). In reality, the level of need will vary over time depending on when population growth is projected to happen (as well as being impacted by the growth that has happened in the 2014-15 period). Figures A1.20 and A1.21 (in Appendix 1) show the year-by-year figures for need derived from the modelling for key scenarios; this shows for all areas, and Somerset as a whole, that the need is projected to decline over time (mainly due to ONS projections of reducing international migration). This information should be considered when looking to set housing targets/requirements or possibly the phasing of delivery. This information will also be particularly important if plan periods are to be used which do not extent as far as 2039.

Trend-Based Demographic Projections: Key Messages

- The start point for assessing housing need in line with the PPG is the most recent official household projections; these are the 2014-based CLG projections which suggest a need for around 2,076 dwellings per annum to be provided (2014-39). These projections were underpinned by the most recent ONS subnational population projections (SNPP – also 2014-based). The 2014-based subnational population projections (SNPP) look to be a sound demographic projection in technical terms and future population growth is projected to be in line with past trends in population growth (when taking account of both long- and short-term trends).
- Alternative projections based on long-term (10-year) trends were developed (and this includes more up-to-date information from ONS mid-year population estimates to 2015). This projection 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 18% higher than the most recent ‘official’ population projections. The housing need linked to 10-year migration trends is for 2,320 dwellings per annum (2014-39). Other sensitivity scenarios developed tend to show levels of need close to those in the 2014-based projections or somewhere in the middle of the range between official projections and the 10-year migration scenario.
- When looking at the data about headship rates underpinning the 2014-based CLG household projections it was observed that the 25-34 age group had reduced slightly in the 2001-11 period, although this trend was not projected to continue into the future. When considering changes to the population structure in this age group (growth in BME communities) and other age groups within the projections (e.g. projected increases in headship for those aged 35-44) there was no evidence of any suppression of household formation and hence the 2014-based CLG projections can readily be used as published to translate population figures into household growth and housing need.
- Overall, the analysis identifies a demographic based need for between 2,076 and 2,320 dwellings per annum (the latter based on 10-year migration trends).

5. Future Employment and the Link to Housing

Introduction

- 5.1 The PPG sets out that consideration should be given to future economic performance in drawing conclusions on the overall need for housing. Where the evidence suggests that a different level of migration might be needed than seen in past trends in order to support economic growth, consideration should be given to adjusting the spatial distribution of housing. Specifically, the Guidance [2a-018] outlines that:

'Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area. Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate. Failure to do so will mean that there would be an increase in unmet housing need.'

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.'

- 5.2 The actual wording of the PPG needs to be carefully considered. It is clear that understanding the link between jobs and population/housing is an important part of looking at the OAN, however, the PPG is clear that this issue is one in relation to the location of housing rather than overall housing numbers per se. Indeed, the wording of the PPG shows a notable departure from the wording in the draft PPG (of August 2013) where it was stated that *'in such circumstances [a shortfall in labour supply], plan makers will need to consider increasing their housing numbers to address these problems'*.
- 5.3 This is a clear, conscious and logical change to the PPG between draft and final version. Clearly it would be illogical for an area to increase population growth above the levels shown in trend-based projections (and hence increase housing need) without consideration of the impact this would have on other locations – i.e. given that there is a finite level of population growth projected nationally (as informed by national population projections) any increase in one area would need to come with a commensurate decrease in other locations.

- 5.4 Despite the entirely logical wording in the PPG it is the case that a number of areas have sought to show a higher need linked to job growth than in trend-based projections; and this has often been done without consideration of the impact in other locations. Such an approach has been accepted by inspectors in some instances with the PAS technical advice note (para 8.2) noting for example that *‘planning inspectors have interpreted this [the PPG] to mean that demographic projections should be tested against future jobs, to see if housing supply in line with the projections would be enough to support those future jobs. If that is not the case, the demographically projected need should be adjusted upwards accordingly.’*
- 5.5 To be clear, it appears from the PPG that the jobs/housing link is very much in relation to the locations of housing rather than the overall OAN. This position has support in the NPPF which in para 159 (bullet 1) states that the SHMA should *‘identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which: - meets household and population projections, taking account of migration and demographic change’* [emphasis added].
- 5.6 Hence it is considered that any upward (or indeed downward) adjustment to the OAN as a result of job growth will need to be undertaken alongside an analysis of where the additional population will come from (or go to) and therefore include proportionate adjustments to the need in other locations.
- 5.7 It is however recognised that the NPPF seeks to *‘boost significantly the supply of housing’* (para 47) and this is often used to support the ‘need’ for an uplift to housing numbers (often expressed as the OAN). This point does not seem right; the NPPF is clear of the need to boost housing supply, and such a boost is in relation to the low levels of delivery seen in the recent past – over the past 10-years (to 2015) the number of completions (in England) averaged about 130,000 per annum. This figure can be compared in light of the most recent (2014-based) CLG household projections which show household growth of about 210,000 per annum (2014-39) which once account is taken of vacant homes would arguably rise to approaching 220,000. Hence the ‘boost’ sought in the NPPF (and PPG) is to increase delivery to the sort of levels required by the growing population.
- 5.8 If every local authority planned (and delivered) on the basis of official projections, then the national OAN would be met; regardless of any consideration of the jobs/homes balance. It would still be the case that a number of authorities would be unable to meet their OAN (due to constraints); however, this is an issue to be dealt with through the Duty-to-Cooperate and not one of OAN.
- 5.9 Regardless of the discussion above, it is still considered that an understanding of the jobs/homes link is important. This will particularly be in areas where the evidence shows strong demographic growth (and weaker job growth) in one location and weak demographic growth (but strong job growth) in another. In such circumstances, 2a-018 of the PPG is logically used to consider the location of new housing, although this will to some extent be an issue for the plan making process; ensuring that the OAN is met across all areas but providing a spatial distribution that better fits the locations where job growth is forecast to occur.

- 5.10 It is also considered that there are some circumstances where an individual authority might consider a higher OAN due to job growth. A couple of examples are provided below:
- a) In an area with low future population growth and potentially a minimal change in the economically active population (due to an ageing population). In such circumstances it may be sensible to suggest an above trend level of housing delivery to encourage a slightly younger age structure and to support economic growth.
 - b) In an area with a known 'shock' to the employment base such as a major new employment site which will generate many more jobs above a baseline forecast position. In such a case it may be reasonable to consider that more homes will be needed to accommodate the growing workforce (although recognising commuting patterns and the 'draw' of workers will also be important along with an understanding of the displacement impacts of sizeable development)
- 5.11 In such circumstances an 'economic-based' approach to looking at housing need may be appropriate. However, it would still be the case that any uplift would need to be considered in the light of the impact in other areas; for example, if an economic-based approach suggests an increase in population (and related housing need) of 2,000 people (over and above the levels in trend-based demographic projections) then some consideration of where the additional population will come from will be necessary, and assumptions about growth be agreed with the relevant authorities through the plan making process.
- 5.12 Of course it is arguable that an opposite set of scenarios might point towards the lowering of housing need (i.e. strong population growth relative to likely job increases or known future job losses). This is again something that should be considered when looking at housing need in the round.
- 5.13 There is also an issue of scale to be considered when looking at moving away from trend-based demographic projections. For example, a 20% uplift to housing need may be realistic and potentially deliverable (depending on local circumstances) but increases of say 50%+ may not be. To some extent this will be a matter of judgement although the PPG is clear [2a-003] that *'Assessing development needs should be proportionate and does not require local councils to consider purely hypothetical future scenarios, only future scenarios that could be reasonably expected to occur'*.
- 5.14 Finally, the general issue of the link between jobs and population/housing is complicated by the number of assumptions that need to be made to understand this link. This will include the assumptions to be made about commuting and double jobbing (the proportion of people with more than one job). However, this biggest issue is about assumptions with regard to how employment or economic activity rates might change in the future. A range of different assumptions are available and these can show radically different outputs (these approaches are discussed in more detail later in this section).
- 5.15 Overall, whilst it is possible to use job growth as a way of considering the OAN, this should be treated with extreme caution. If an increase in housing need is suggested, then this will need to be supported by an understanding of the impact in other areas; any increase will need to be based on robust and locally specific assumptions (so far as this is possible) and the outputs of modelling should be proportionate and reflect a scenario that could reasonably be expected to occur. The link between jobs and homes is really rather complex and therefore to some extent and modelled outputs can only be considered as indicative.
-

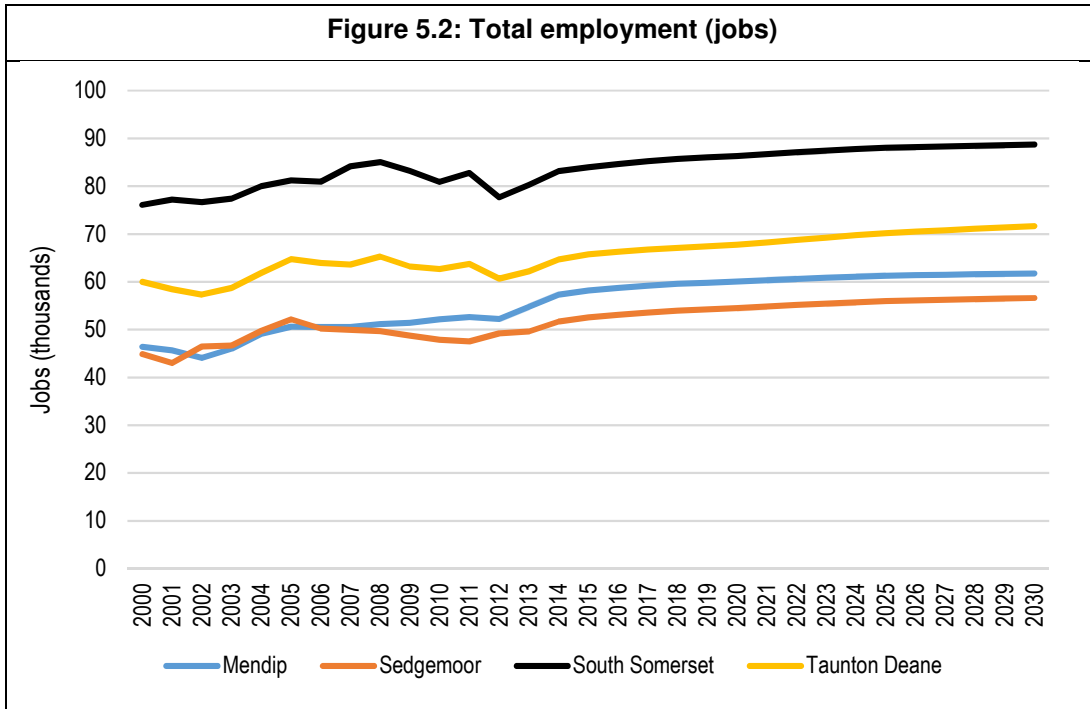
Economic Forecasts

- 5.16 An Oxford Economics (OE) forecast from May 2015 has been used to look at both past trends in job growth and also forecast future growth; the forecasts are a 'baseline' position which can broadly be called a 'business as usual' approach. The forecasts are from the Heart of the South West LEP Model 2012. The forecast essentially considers how the national and regional economy might perform before considering the local situation. At the local level consideration is given to past job growth as well as an understanding of how different sectors have performed; this is used to predict what might happen in the future.
- 5.17 Economic forecasts need to be treated with some degree of caution; they often show widely different outputs depending on the time of the forecast and the forecasting house. Additionally, they can be influenced by past trend 'shocks' (e.g. where an area has seen strong growth in the past, it is generally assumed that this will continue in the future; in reality it may be that high past trends are influenced by individual schemes that are not likely to be repeated).
- 5.18 The OE forecasts provided show an estimated level of jobs (both past trends and in the future) for the 2000 to 2030 period. Because the modelling in this report looks to 2039, the estimated number of jobs have typically been annualised for the purposes of data modelling.
- 5.19 The table below shows past and forecast job growth as in the OE forecast. This shows an average of around 2,300 additional jobs per annum in the 2000-14 period with a significantly higher proportion of these having been in Mendip. Moving forward from 2014, the forecast expects a lower level of job growth across the County (of about 1,369 jobs per annum). A lower level of future jobs than seen in the past is consistent with the views of a range of forecasting houses (such as Cambridge Econometrics and Experian, as well as OE). When looking at individual local authorities it is notable that all areas apart from Taunton Deane are forecast to see lower levels of job creation than has been seen in the past.

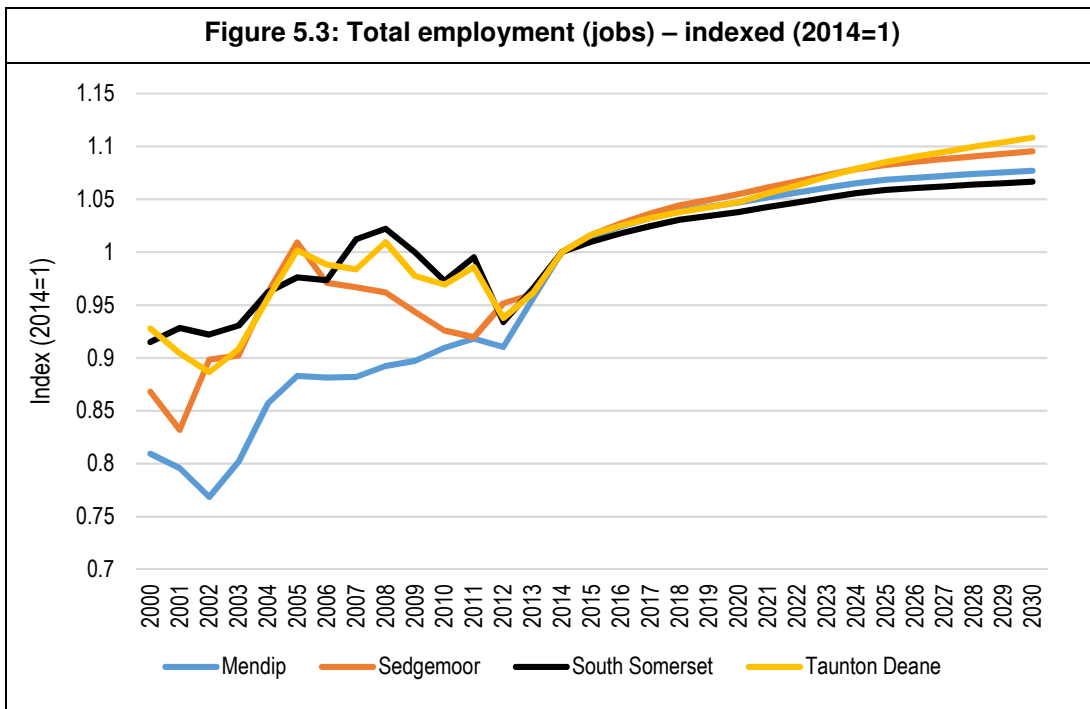
Figure 5.1: Past and forecast job growth				
	Past growth		Forecast growth	
	2000-14	Per annum	2014-30	Per annum
Mendip	10,920	780	4,410	276
Sedgemoor	6,810	486	4,930	308
South Somerset	7,070	505	5,550	347
Taunton Deane	4,670	334	7,000	438
Somerset	31,680	2,263	21,910	1,369

Source: Oxford Economics (from Heart of the South West LEP)

- 5.20 The figures below show past and forecast job growth (the first chart showing the total number of jobs in each area and the second showing the same information indexed to 2014). The key finding to note from these charts is the variation in the past trend figures; in some areas a year-on-year change of in excess of 5,000 jobs can be seen. In reality, such a change is unlikely and will be driven more by the quality of data available than any real changes that may have occurred.



Source: Oxford Economics (from Heart of the South West LEP)



Source: Oxford Economics (from Heart of the South West LEP)

5.21 Whilst the figures above provide an indication of what has happened in the past (and what might happen in the future) it needs to be remembered that such forecasts are highly uncertain. Indeed, even estimates of past trends can vary from source to source. This can be seen through an analysis of ONS job data (shown in the table below) which covers a period from 2000 to 2014. Across the whole of the County the ONS data suggests a similar level of job growth (of just over 2,000 per annum); however, some of the local authority estimates are quite different. These differences are likely to be due to the methodologies employed in different sources along with the fact that underlying data (often drawn from the Business Register and Employment Survey (BRES)) is a sample survey which is subject to quite large margins of error at a smaller area level (which means that figures can see substantial changes which are associated with the accuracy of the data rather than any real change) – as an example, Sedgemoor sees an apparent increase of 4,000 jobs, just between 2013 and 2014.

	2000-14	Per annum
Mendip	6,000	429
Sedgemoor	9,000	643
South Somerset	8,000	571
Taunton Deane	3,000	214
Somerset	30,000	2,143

Source: ONS

5.22 Whilst the analysis above of past trends and future job growth are interesting (and will be used in some of the analysis to follow) it should continue to be stressed that the figures can only be considered as indicative. Within the OE forecast data there are other variables which can be used to look at the link between jobs and population/housing. In particular, the OE data includes its own population projection; later in this section the OE population data is used as a check on the SHMA analysis.

Linking Job Growth and Changes to Resident Labour Force

5.23 The analysis above has set out a range of potential scenarios for changes in the number of jobs in the County and individual local authorities. However, for the purposes of analysis linked to demographic data it is necessary to convert this into estimates of the required change to the economically active population. The number of jobs and resident workers required to support these jobs will differ depending on two main factors:

- Commuting patterns – where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting);
- Double jobbing – some people hold down more than one job and therefore the number of workers required will be slightly lower than the number of jobs.

Commuting patterns

5.24 The table below shows summary data about commuting to and from each local authority from the 2011 Census. Overall the data shows that Somerset sees a small level of net out-commuting for work with the number of people resident in the County who are working being about 3% higher than the total number who work in the area. This number is shown as the commuting ratio in the final row of the table and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live). For individual local authorities, only Taunton Deane sees net in-commuting with net out-commuting being particularly high in Sedgemoor.

Figure 5.5: Commuting patterns in Somerset and local authorities (2011)

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
Live and work in LA	24,531	25,804	46,159	33,771	-
Home workers	8,764	7,339	10,805	6,815	-
No fixed workplace	4,926	4,685	6,246	4,009	-
In-commute	11,464	9,214	15,228	15,737	-
Out-commute	16,051	17,128	16,214	10,024	-
Total working in LA	49,685	47,042	78,438	60,332	250,622
Total living in LA (and working)	54,272	54,956	79,424	54,619	258,828
Commuting ratio	1.09	1.17	1.01	0.91	1.03

Source: 2011 Census

- 5.25 In translating the commuting pattern data into growth in the labour-force it is assumed that the commuting ratio remains at the same level as shown by the 2011 Census (i.e. it is assumed that the growth in the number of residents who are economically active will need to be 3% higher than the increase in the number of jobs (across the County)) – individual local authority figures have been used in the analysis.
- 5.26 It should be noted that whilst holding these commuting ratios constant is common practice in SHMA research, it is the case that these could well change in the future. Indeed, analysis of the OE forecast suggests that by 2014 there had already been some changes to commuting patterns (particularly in Mendip). Whilst this change may not be a real change as it will be influenced by the quality of the trend data, it does need to be borne in mind when interpreting the findings that commuting in reality is unlikely to remain the same in the future.

Double jobbing

5.27 As well as commuting patterns, the analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the local authority divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) suggests across the County that around 5.3% of workers have a second job (data averaged from data for the 2004-15 period to recognise relatively high error margins associated with data for individual years). This gives a double jobbing ratio of 0.947 (i.e. the number of jobs can be discounted by 5.3% to estimate the required change in the workforce). The double jobbing percentages for each of the individual local authorities has been estimated as:

- Mendip – 4.8%
- Sedgemoor – 4.6%
- South Somerset – 5.1%
- Taunton Deane – 5.2%

5.28 As with the commuting data, it has been assumed in the analysis that the level of double jobbing will remain constant over time. Again, in reality, this is likely to change and it should be noted that OE (in general and at a national level) expect the proportion of people with more than one job to increase slightly in the future.

Labour-force growth

5.29 To work out the change in the resident workforce required to match the forecast number of jobs, the commuting ratio is multiplied by the amount of double jobbing (to give an adjustment factor) and in turn multiply this by the number of jobs – this is shown in the table below. Overall, the table shows that to meet the forecast growth in jobs (of 1,370 per annum) a slightly lower level of resident workforce growth would be needed (of about 1,341 people each year). If past trends in job growth are to be repeated the analysis suggests an increase in the resident workforce of about 2,215 people per annum (it should be noted that in looking at past growth data has been combined from the OE analysis and the analysis of ONS job data). These figures give a total change in the resident workforce of 33,514 based on forecast growth and 55,373 based on past trends (over the 2014-39 period).

Figure 5.6: Forecast job growth/past trends in job growth and change in resident workforce

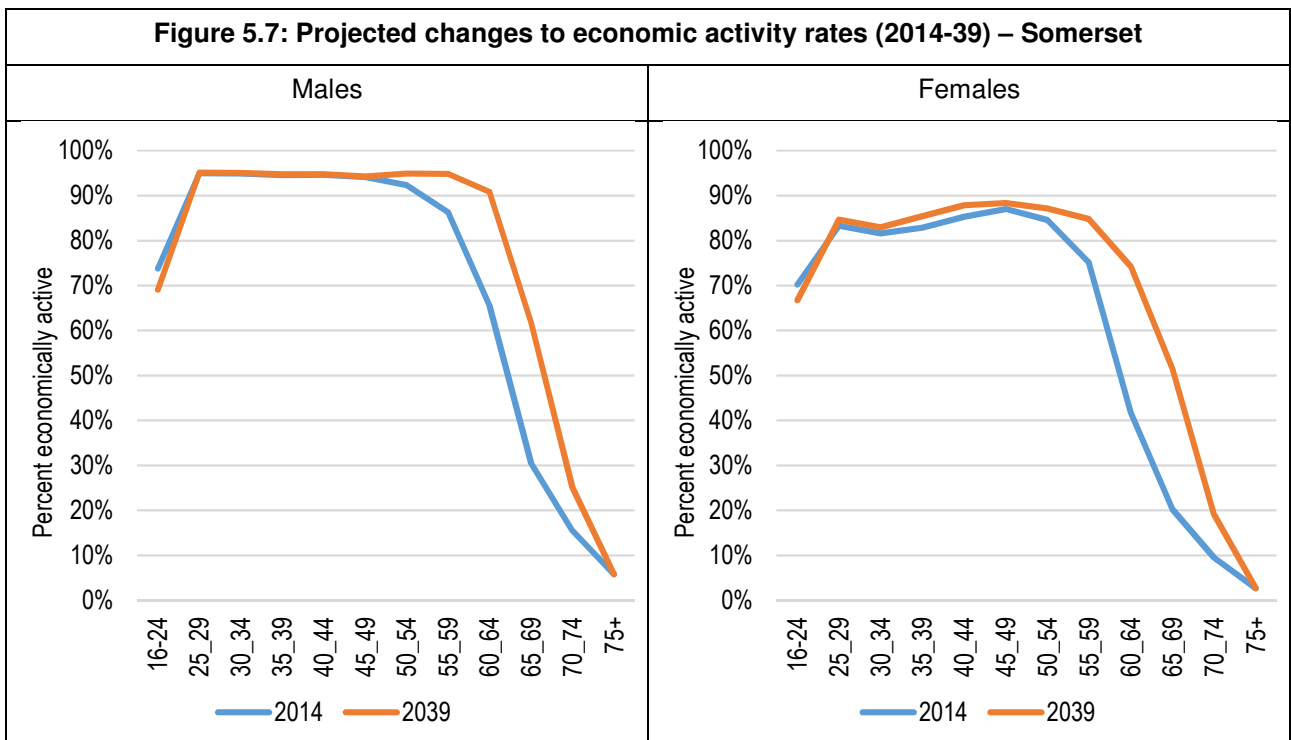
	OE estimate of future growth			Past trend analysis (combined sources)		
	Additional jobs (pa)	Change in resident workforce (pa)	Change in resident workforce (2014-39)	Additional jobs (pa)	Change in resident workforce (pa)	Change in resident workforce (2014-39)
Mendip	276	287	7,175	604	628	15,710
Sedgemoor	308	343	8,585	564	629	15,732
South Somerset	347	333	8,332	538	517	12,923
Taunton Deane	438	376	9,399	274	235	5,883
Somerset	1,370	1,341	33,514	2,203	2,215	55,373

Source: OE, NOMIS and 2011 Census

Linking resident workforce change to demographic projections

- 5.30 Having estimated the likely required change to the workforce under a range of scenarios the next stage is to estimate how much growth is implied by demographic projections (to allow for a comparison between jobs and workforce growth). Making the link between population and the resident workforce is a very thorny issue with no set methodology and a range of different methods and views being used. It is considered, having studied this for many years that it is impossible to robustly project how economic activity or employment rates will change in the future and hence any approach must be treated with extreme caution.
- 5.31 For example, all of the main forecasting houses (Experian, Oxford Economics and Cambridge Econometrics) use population data as an input to their forecasts and each will estimate different levels of job growth (and indeed other variables such as the growth in the resident workforce). Inherently, each of the forecasting houses are therefore suggesting that whatever level of job growth they expect, this will be met by the population (and the population as it is projected to change). At a national level all of the three main forecasting houses typically forecast a similar level of job growth (or changes to the number of residents in employment when the forecasts are worked through in detail). However, only Experian publish age and sex specific data about how economic activity rates might change (this data is available directly from Experian and underpins the document '*Comparison between Experian and OBR Participation Rate Projections*' (February 2016)). The data from Experian has therefore been used in this assessment.
- 5.32 Some consultancies (both for public and private sector clients) have looked for other sources of employment or economic activity rate data; the most commonly used being a set of figures published by the Office for Budget Responsibility (OBR). These however are at a national level and are not robustly applicable to smaller areas. Perhaps more significantly, the level of job growth (growth in residents in employment) estimated by OBR is significantly lower than from any of the main forecasting houses (a growth in residents in employment of about 2,000,000 from 2014-35 compared with a figure in excess of 4,000,000 in the most recent Experian forecast for the United Kingdom). This means that the OBR employment/activity rate figures cannot realistically be used when testing job growth levels from forecasts, as they relate to a completely different set of national assumptions.
- 5.33 One final set of rate data that is utilised is that published by Kent County Council (KCC) in November 2014. This is specific to Kent and so not applicable in other areas, however, more importantly many of the rates used in the model draw from a 2006 ONS publication (about projecting economic activity rates); this publication can (by 2014) be seen to have been substantially wrong for all age groups where a reasonable comparison can be made with more up-to-date information.
- 5.34 Hence, there is no clear and agreed set of figures which can be used to estimate how economic activity rates might change in the future. At best, any rates will be informed guesswork and at worse they can simply be unrealistic when set against the forecasts being used (either being too positive or too negative).

- 5.35 However, it is accepted, to provide an estimate of the link between jobs and homes, that some assumptions need to be made. The figure and table below show the assumptions used in this assessment. As noted these are based on Experian figures, which have been adjusted on the basis of Census data to match actual age/sex specific data for each local authority in Somerset – the Somerset figures below are therefore indicative with the actual local authority assumptions to be found in Appendix 1. These figures are based on national estimates, and it is clear for a local area that any changes could be greater or lesser than the national figures.
- 5.36 The analysis shows that the main changes to economic activity rates are projected to be in the 60-69 age groups – this will to a considerable degree link to changes to pensionable age, as well as general trends in the number of older people working for longer (which in itself is linked to general reductions in pension provision). Intuitively the figures look to be reasonable.



Source: Based on Experian and Census (2011) data

Figure 5.8: Projected changes to economic activity rates (2014-39) – Somerset

	2014	2039	Change	2014	2039	Change
16-24	73.8%	69.1%	-4.7%	70.2%	66.7%	-3.5%
25_29	95.0%	95.2%	0.2%	83.3%	84.6%	1.3%
30_34	94.9%	95.1%	0.2%	81.6%	82.9%	1.3%
35_39	94.6%	94.8%	0.2%	82.9%	85.5%	2.5%
40_44	94.6%	94.8%	0.2%	85.3%	87.9%	2.6%
45_49	94.1%	94.3%	0.2%	87.0%	88.4%	1.4%
50_54	92.4%	94.9%	2.6%	84.6%	87.1%	2.5%
55_59	86.3%	94.9%	8.6%	75.1%	84.8%	9.7%
60_64	65.6%	90.9%	25.3%	41.8%	74.3%	32.5%
65_69	30.6%	61.8%	31.2%	20.2%	51.5%	31.2%
70_74	15.5%	25.1%	9.6%	9.4%	19.1%	9.6%
75+	5.8%	5.8%	0.0%	2.7%	2.7%	0.0%

Source: Based on Experian and Census (2011) data

What is the change to the economically-active population?

5.37 Working through an analysis of age and sex specific economic activity rates it is possible to estimate the overall change in the number of economically active people in the County – this is set out in the table below. The analysis shows that linked to the 2014-based SNPP there would be an increase in the economically active population of about 33,360 people. This figure is very similar to the growth in the resident workforce suggested as being required by the OE forecast (33,514). The highest of the demographic projections (linked to 10-year migration trends) would provide a workforce growth of about 41,451; some way above that suggested as required by the OE forecast, but notably below the figure linked to past trends (55,373).

Figure 5.9: Estimated change to the economically active population (2014-39) – Somerset

	Economically active (2014)	Economically active (2039)	Total change in economically active	Per annum change
2014-based SNPP	277,185	310,545	33,360	1,334
2014-based SNPP (+MYE)	277,185	310,408	33,223	1,329
10-year migration	277,185	318,636	41,451	1,658
10-year migration (+UPC)	277,185	313,868	36,683	1,467

Source: Derived from demographic projections

5.38 A similar analysis has been provided below for each of the individual local authorities. This shows in all areas that the growth in the economically active population (when linked to 10-year migration trends) is between the level implied by the OE forecasts and the past trend analysis. If the growth in the 2014-based SNPP is analysed, then the change in the economically active population is lower than suggested by both the forecast and past trends in Mendip and South Somerset.

Figure 5.10: Estimated change to the economically active population (2014-39) – Mendip

	Economically active (2014)	Economically active (2039)	Total change in economically active	Per annum change
2014-based SNPP	57,792	63,939	6,147	246
2014-based SNPP (+MYE)	57,792	64,242	6,450	258
10-year migration	57,792	66,902	9,110	364
10-year migration (+UPC)	57,792	65,142	7,350	294

Source: Derived from demographic projections

Figure 5.11: Estimated change to the economically active population (2014-39) – Sedgemoor

	Economically active (2014)	Economically active (2039)	Total change in economically active	Per annum change
2014-based SNPP	60,615	72,400	11,785	471
2014-based SNPP (+MYE)	60,615	72,261	11,646	466
10-year migration	60,615	73,151	12,536	501
10-year migration (+UPC)	60,615	72,028	11,413	457

Source: Derived from demographic projections

Figure 5.12: Estimated change to the economically active population (2014-39) – South Somerset

	Economically active (2014)	Economically active (2039)	Total change in economically active	Per annum change
2014-based SNPP	84,320	91,372	7,052	282
2014-based SNPP (+MYE)	84,320	90,927	6,607	264
10-year migration	84,320	92,932	8,612	344
10-year migration (+UPC)	84,320	92,941	8,622	345

Source: Derived from demographic projections

Figure 5.13: Estimated change to the economically active population (2014-39) – Taunton Deane

	Economically active (2014)	Economically active (2039)	Total change in economically active	Per annum change
2014-based SNPP	58,602	66,426	7,824	313
2014-based SNPP (+MYE)	58,602	66,643	8,041	322
10-year migration	58,602	67,589	8,987	359
10-year migration (+UPC)	58,602	66,663	8,061	322

Source: Derived from demographic projections

Housing Need linked to job-growth forecasts

- 5.39 Given that the level of growth in the economically active population is typically somewhere between the figures shown based on both past trends and the OE forecast it is of use to consider what level of housing might be required for forecasts or past trends to be met. This analysis is predominantly designed to see if there are any areas where there is either a clear workforce shortage or a workforce surplus. In line with the PPG this analysis could provide an indication of where the locations of housing might need to be amended when compared with the outputs of the demographic projections. Within the modelling, migration assumptions have been changed so that across each local authority the increase in the economically active population matches the increase in the resident workforce required.
- 5.40 The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%). Once the level of economically active population matches the job growth trend/forecast the population (and its age structure) is modelled against CLG headship rates to see what level of housing provision that might imply.
- 5.41 The table below shows estimates of housing need set against each of the job growth scenarios. The analysis shows a range of housing need between 2,088 dwellings per annum (linked to the OE forecasts) up to 2,731 when linking the data to past trends. The lower of these figures is very similar to the outputs of the SNPP based demographic projection (a need for 2,076 dwellings per annum) whilst the two figures taken together sit neatly either side of the demographic projection linked to 10-year migration trends (a need for 2,320 dwellings per annum). Taking all of this evidence together suggests that across the County there is a good match between potential job growth and the likely growth in the resident workforce.

Figure 5.14: Projected housing need – range of job-led scenarios and 2014-based headship rates – Somerset					
	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
OE forecast	234,355	284,839	50,485	2,019	2,088
Past trends (average)	234,355	300,210	65,856	2,634	2,731

Source: Demographic projections

- 5.42 The tables below show the same information for each of the individual local authorities. In the case of all areas other than Taunton Deane, the data shows that the range of outputs when linked to job growth fall both above (OE forecast) and below (trend-based) the need shown by demographic modelling linked to 10-year migration trends and therefore there is on balance a reasonable match between jobs and population/housing moving forward. In Taunton Deane, the outputs are the other way around (i.e. below OE and above past trends).

- 5.43 Overall, this analysis does not therefore identify any areas where there is likely to be a labour-force shortage and does not suggest that the Councils need to consider any different spatial distribution of housing from that suggested in the demographic modelling (particularly if using 10-year migration trends which is the highest of the demographic projections developed).

Figure 5.15: Projected housing need – range of job-led scenarios and 2014-based headship rates – Mendip					
	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
OE forecast	47,456	58,067	10,612	424	437
Past trends (average)	47,456	63,836	16,380	655	674

Source: Demographic projections

Figure 5.16: Projected housing need – range of job-led scenarios and 2014-based headship rates – Sedgemoor					
	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
OE forecast	50,922	62,470	11,548	462	479
Past trends (average)	50,922	67,526	16,604	664	688

Source: Demographic projections

Figure 5.17: Projected housing need – range of job-led scenarios and 2014-based headship rates – South Somerset					
	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
OE forecast	71,582	85,835	14,253	570	589
Past trends (average)	71,582	88,999	17,417	697	720

Source: Demographic projections

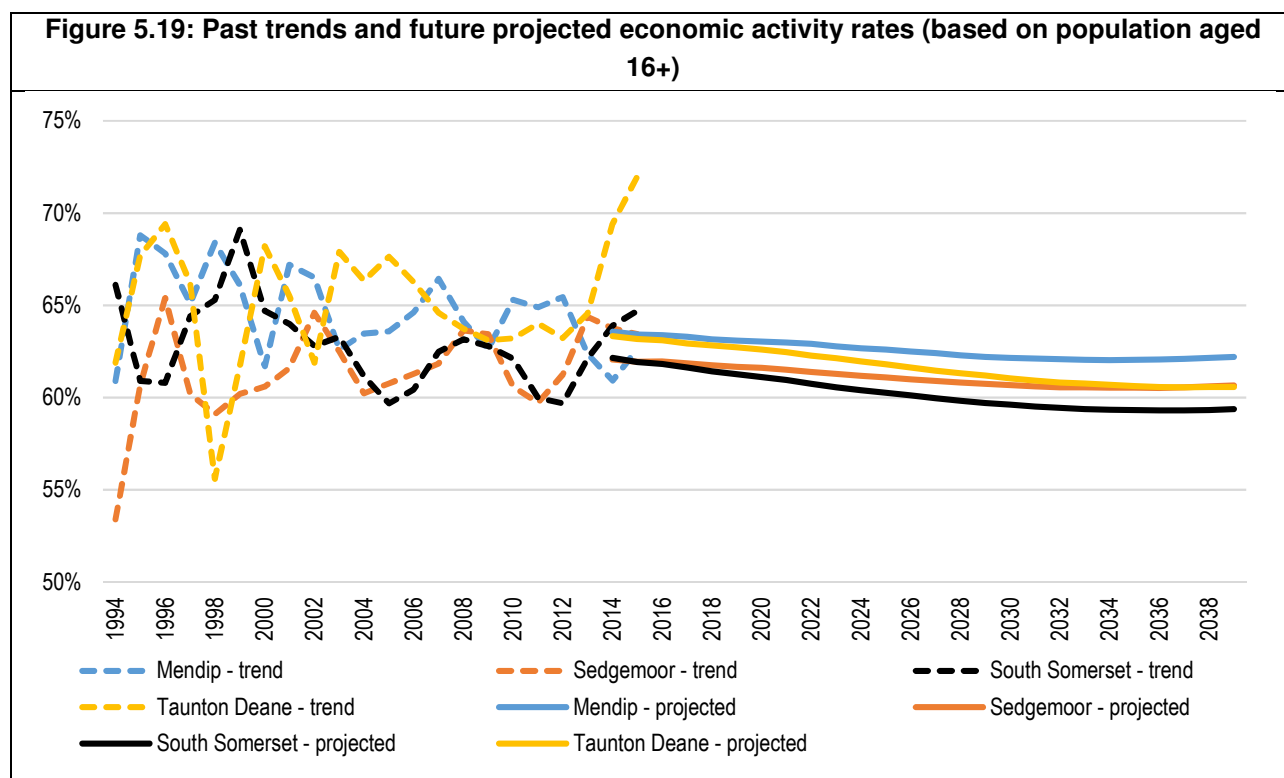
Figure 5.18: Projected housing need – range of job-led scenarios and 2014-based headship rates – Taunton Deane					
	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
OE forecast	48,748	61,357	12,609	504	520
Past trends (average)	48,748	58,966	10,218	409	421

Source: Demographic projections

Sense Checking the Outputs

- 5.44 The analysis above is based on taking levels of job growth from both past trends and a future forecast and then applying a series of assumptions about commuting, double jobbing and economic activity to give an overlay with population change and hence housing need. Clearly in doing this there are a range of assumptions made which could potentially be challenged (i.e. whilst they are considered to be reasonable it is accepted that different assumptions (particularly around economic activity) could have been used).

- 5.45 The analysis below therefore seeks to ‘sense check’ the assumptions by testing some of the analysis. Firstly, the method used to look at economic activity provides an indication of how the overall economic activity rate is likely to change (for the population aged 16 and over), this can be contrast with past trends drawn from the Annual Population Survey and Labour Force Survey. The figure below shows the past trends and how this is expected to change in the future; the analysis is based on the proportion of the population aged 16 and over who are economically active.
- 5.46 The data shows considerable year-on-year variation in the past trends (which is due to a considerable degree to the error margins associated with the data). Overall the data suggests little change in economic activity rates going back over the past 20-years or so (back to 1994). Moving forward the projections are suggesting that economic activity rates will remain broadly steady (or even decrease slightly).
- 5.47 It should be recognised that the past trends are likely to be slightly less affected by the ageing of the population although over this period the proportion of older people in the population did increase. On this basis it might be expected that in the future there would be some decline in economic activity rates (which is to some degree shown). However, the future trends do need to be considered in light of changes to pensionable age, which are likely to keep many people in the workforce for longer.
- 5.48 Overall, taking account of the data and various factors feeding into the information, it is considered that there is a reasonable alignment between past trends and the future projection in terms of the overall economic activity rate of the resident population.



- 5.49 The second sense check uses the population projection data underpinning the OE forecast. OE provides an estimate of the total population in each local authority for each year through to 2030. An analysis has therefore been developed to match the population growth through to 2030 (with consistent incremental changes assumed thereafter). In modelling this change in population it is then possible to overlay the CLG headship rates to see what level of housing need this might imply.
- 5.50 The table below shows that by using the OE population data, there would be a need for around 2,130 additional dwellings per annum to be provided; this figure is slightly higher than that derived from projections linked to the SNPP (2,076 dwellings per annum) but below that when looking at 10-year migration trends (2,320 dwellings per annum). This finding again suggests a good alignment between jobs and housing across the County.
- 5.51 When looking at individual local authorities (and comparing the figures with the outputs from 10-year migration trends) it is notable that all areas (other than South Somerset and Taunton Deane) show a lower level of need when modelling with the OE forecasts than with demographic projections. The differences in South Somerset and Taunton Deane are not however particularly substantial.
- 5.52 Overall, this analysis again does not suggest that the evidence is pointing to any substantial mismatch between the locations of population growth and jobs.

Figure 5.20: Projected housing need using OE population estimates within modelling and 2014-based headship rates					
	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
Mendip	47,456	55,975	8,519	341	351
Sedgemoor	50,922	64,387	13,465	539	558
South Somerset	71,582	86,806	15,223	609	629
Taunton Deane	48,748	62,347	13,599	544	561
Somerset	234,355	285,887	51,532	2,061	2,130

Source: Demographic projections

Additional Growth in Relation to Hinkley Point C

- 5.53 The analysis above has used a baseline economic forecast and also information about past trends. For Sedgemoor in particular, it is also useful to consider the potential impact of Hinkley Point C (HPC) on the size of the resident workforce in the future – additional jobs from this source are not included within the forecast.
- 5.54 When fully operational, HPC is expected to provide around 900 additional jobs; many more jobs will be created in the construction phase although it is not considered that these jobs will require additional permanent dwellings to be provided (a discussion about the impact of the construction phase can be found in Section 14 of this report). This analysis therefore focusses on the long-term permanent jobs that would be created.

- 5.55 Whilst it is recognised that HPC will have an impact on Somerset (and particularly Sedgemoor) it should also be remembered that the site itself is within West Somerset – hence the jobs would show up in any forecast as being within West Somerset but with the population and housing impacts being felt outside of the District. To look at where the new workers might live an analysis has been carried out to look at the residential location of people who currently work at Hinkley Point.
- 5.56 Hinkley Point is within ONS Output Area (OA) E00149489 and the table below shows the residence of people who work in this OA. The data shows that around two-thirds (64%) of workers in the OA actually live in Sedgemoor with only 14% being resident in West Somerset and 10% in Taunton Deane. If this pattern of commuting were to remain the same for HPC then it would be expected that of the 900 jobs, some 578 might be filled by people living in Sedgemoor (900×0.642), along with 5 in Mendip, 15 in South Somerset and 88 in Taunton Deane.

	Current residence	% of total
Mendip	6	0.5%
Sedgemoor	766	64.2%
South Somerset	20	1.7%
Taunton Deane	117	9.8%
West Somerset	168	14.1%
Somerset	1,077	90.3%
Rest of South West	92	7.7%
Elsewhere	24	2.0%
Total	1,193	100.0%

Source: 2011 Census

- 5.57 It is not clear to what extent people taking up jobs at HPC might have other employment (i.e. double jobbers) but for the purposes of analysis it is assumed that the figure of 578 (in Sedgemoor) reflects the increase in residents in employment (i.e. to assume no double jobbing).
- 5.58 As well as the jobs at HPC, there is likely to be a degree of additionality (i.e. other jobs created as a result of the direct new jobs at HPC). Data from previous work carried out by the Council *Levels of Growth Study – establishing strategic housing and employment options for Sedgemoor* (Peter Brett – December 2014) suggests that the impact of HPC would be for 176 additional jobs to be created in Sedgemoor (it is not clear if additional jobs might be expected in other parts of Somerset but given the statistics above about travel to work it would be fair to say that any other additionality would be minimal). Again not all of these would necessarily be filled by workers' resident in the area and below is an analysis of where workers in Sedgemoor live.
- 5.59 This shows that 73.7% of workers in Sedgemoor also live in the area and hence it would be reasonable to assume that some 130 additional resident workers would be needed for the 176 jobs (176×0.737). In total, the impact of HPC looks to be an additional 708 residents in employment ($578+130$) in Sedgemoor (plus 11 in Mendip, 19 in South Somerset and 100 in Taunton Deane).

	Current residence	% of total
Mendip	1,247	3.6%
Sedgemoor	25,804	73.7%
South Somerset	814	2.3%
Taunton Deane	2,385	6.8%
West Somerset	587	1.7%
Somerset	30,837	88.1%
Rest of South West	3,607	10.3%
Elsewhere	569	1.6%
Total	35,013	100.0%

Source: 2011 Census

5.60 The table below shows estimates of the change in the resident workforce if additional HPC figures are added on to the baseline and trend-based scenarios. This shows an increase of residents in employment of between about 34,500 (forecast) and 56,300 (trend-based).

	OE forecast			Past trends (average)		
	Baseline	+ HPC	Total	Baseline	+ HPC	Total
Mendip	7,175	11	7,186	15,710	11	15,721
Sedgemoor	8,585	708	9,292	15,732	708	16,440
South Somerset	8,332	19	8,351	12,923	19	12,942
Taunton Deane	9,399	100	9,500	5,883	100	5,983
Somerset	33,514	967	34,482	55,373	967	56,340

Source: Range of sources as described

5.61 The table below shows the housing need outputs related to these two uplifted scenarios. With HPC added on to the OE forecast the level of housing need can be seen to be 2,117 dwellings per annum. With an uplift added to past trends, the figure is higher (at 2,759 per annum). These figures are less than 30 dwellings per annum higher than equivalent outputs excluding HPC. Hence the overall conclusion (that there is a good match between potential job growth and the likely growth in the resident workforce) continues to hold true. There is no evidence that the impact of HPC will necessitate an increase in housing provision over and above the level seen through demographic trend-based projections.

	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
OE forecast (+HPC)	234,355	285,525	51,171	2,047	2,117
Past trends (average) (+HPC)	234,355	300,896	66,541	2,662	2,759

Source: Demographic projections

5.62 Equivalent figures for individual local authorities are shown in the tables below. It can be seen that there is really only a notable impact in Sedgemoor (and to a much lesser extent Taunton Deane).

Figure 5.25: Projected housing need – range of job-led scenarios and 2014-based headship rates – Mendip

	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
OE forecast (+HPC)	47,456	58,075	10,619	425	437
Past trends (average) (+HPC)	47,456	63,843	16,388	656	675

Source: Demographic projections

Figure 5.26: Projected housing need – range of job-led scenarios and 2014-based headship rates – Sedgemoor

	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
OE forecast (+HPC)	50,922	62,970	12,048	482	499
Past trends (average) (+HPC)	50,922	68,027	17,105	684	709

Source: Demographic projections

Figure 5.27: Projected housing need – range of job-led scenarios and 2014-based headship rates – South Somerset

	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
OE forecast (+HPC)	71,582	85,848	14,266	571	590
Past trends (average) (+HPC)	71,582	89,012	17,430	697	721

Source: Demographic projections

Figure 5.28: Projected housing need – range of job-led scenarios and 2014-based headship rates – Taunton Deane

	Households 2014	Households 2039	Change in households	Per annum	Dwellings (per annum)
OE forecast (+HPC)	48,748	61,425	12,677	507	523
Past trends (average) (+HPC)	48,748	59,034	10,286	411	424

Source: Demographic projections

Future Employment and the Link to Housing: Key Messages

- Analysis has sought to estimate the likely level of housing needed to be delivered if the resident workforce is to increase sufficiently to meet both job-growth forecasts and an analysis of past trends. The main purpose of the analysis was to establish if there are any clear spatial imbalances between where population growth is projected to occur and where the jobs might be provided.
- The analysis took account of both commuting patterns and double jobbing, as well as making a series of assumptions about how economic activity rates might change in the future. This latter point is a key difficulty in matching job-growth to population growth – a range of potential sources are available to undertake this step, but many cannot be considered as robust given that they do not relate to economic forecasts.
- The approach in this report used information published by Experian; Experian are the only one of the three main forecasting houses who publish age and sex specific economic activity rate data and it is therefore the most robust source to use. This is not however without problems, as the data is at a national level and the economy locally could potentially develop differently. Due to the assumptions made, all outputs should be treated as indicative.
- In running the modelling, it is estimated that to meet the job growth forecast there would need to be provision of about 2,088 dwellings per annum across the County (2014-39) with a similar analysis based on past trends identifying a higher figure of 2,731. These figures sit comfortably with the demographic projection linked to 10-year migration trends (a need for 2,320 dwellings per annum) and across the County there can be expected to be a good balance between jobs and the population to take up employment opportunities.
- Looking at individual local authorities, there was no suggestion in any area of any labour-force shortage (or indeed any notable surpluses). Therefore, the analysis also suggests at the smaller area level (i.e. local authority) that the balance between population and jobs does not mean that the Councils need to consider an alternative spatial distribution of housing from that suggested by demographic modelling.
- Cross-checking the outputs from the modelling with other outputs in the economic forecasts and past trends (around population growth and economic activity rates) confirmed the findings of the main modelling (i.e. that there is a good balance between homes and jobs across the County and for individual local authorities).
- Finally, the analysis considered the potential impact of Hinkley Point C on the number of residents in employment and hence housing need. The analysis focussed on permanent jobs created once the site is operational rather than jobs through the construction phase (although this is considered in this report). Overall, the analysis did not identify any need to increase housing provision above the sort of levels suggested by demographic-based projections in order for there to be a sufficient labour force.

6. Affordable Housing Need – Affordability

Introduction

6.1 This section is the first of three to consider affordable housing need in Somerset and each of the four local authorities. This section provides an overview of housing costs and incomes, which in turn leads to estimates of the proportion of households who can afford a range of different housing products (both market and affordable housing). The affordability estimates are then fed through into the following sections which separately look at the need for affordable housing and also the role of Starter Homes. For clarity, affordability is considered for the following range of housing products (broadly working up from the cheapest to the most expensive):

- Social rent
- Affordable rent
- Private rent
- Starter Home
- Open market purchase

6.2 This list does not reflect the full range of tenures available, for example, there may be other forms of discounted ownership as well as specific products such as shared ownership. The likely costs and income requirements of other products are discussed in this section; although detailed analysis of affordability has not been undertaken.

6.3 Affordable housing need is defined in the NPPF (Annex 2) as *‘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.”

6.4 Within the NPPF 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.”

6.5 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).”

6.6 The Welfare Reform and Work Act 2016 requires registered providers of social housing in England to reduce rents by 1% a year for 4 years from a frozen 2015 to 2016 baseline (this applies to both social and affordable rents). This means that the NPPF definition of affordable rented housing is no longer fully accurate.

6.7 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.”

6.8 In interpreting the definition of intermediate housing, it should be noted that affordable rents are typically more expensive than social rents. This arguably means that affordable rents fall into the definition of intermediate housing, despite the NPPF having a separate affordable rent category.

6.9 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 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;
- available for purchase by qualifying first-time buyers only;
 - First Time Buyer, aged 23 or over and 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.

6.10 The range of tenures studied does not represent the full range that might be available; however, there will be a notable level of overlap which means that the five noted above should broadly cover the spectrum of housing tenures. For example, other discounted market products might be expected to have a similar cost to a Starter Home, whilst shared ownership would sit between access to the market and the cost of a social rented home.

6.11 The analysis to follow therefore considers the likely cost of housing in each of these tenures and then considers what sort of income level might be required for a household to access different products. The analysis should be seen as indicative as affordability will to a considerable degree depend on a household’s individual circumstances; however, the overview in this section will give an indication of the relative affordability of different housing products.

Local Prices and Rents

6.12 The table below shows estimated lower quartile property prices by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £80,000 for a flat in South Somerset and rising to £250,000 for a detached home in Mendip. Looking at the lower quartile price across all dwelling types the analysis shows a range from £137,500 in Sedgemoor, up to £160,000 in Mendip.

	Flat	Terraced	Semi-detached	Detached	All dwellings
Mendip	£100,000	£155,000	£175,000	£250,500	£160,000
Sedgemoor	£85,750	£123,000	£157,500	£222,000	£137,500
South Somerset	£80,000	£134,000	£156,000	£237,000	£146,000
Taunton Deane	£93,000	£140,000	£162,500	£240,000	£150,000
Somerset	£88,000	£137,500	£162,000	£235,000	£148,000

Source: Land Registry (2016)

6.13 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 £480 per month (Sedgemoor) and £525 per month (Mendip).

	Room only	Studio	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	All dwellings
Mendip	£332	£325	£425	£550	£675	£850	£525
Sedgemoor	£368	£338	£400	£500	£625	£795	£480
South Somerset	£321	£330	£395	£540	£650	£850	£485
Taunton Deane	£303	£325	£425	£550	£675	£850	£500
Somerset	£321	£330	£400	£535	£650	£850	£500

Source: Valuation Office Agency

Cost of Affordable Housing

6.14 Traditionally the main type of affordable housing available in an area is social rented housing and the cost of social rented accommodation by dwelling size can be obtained from Continuous Recording (CORE) – a national information source on social rented lettings. Figure 6.3 below illustrates the average cost of lettings of social rented properties in 2014/15.

- 6.15 Additionally, the table shows an estimate of the cost of an Affordable Rented home. Affordable Rented housing can be considered to be similar to social rented housing but at a potentially higher rent (up to 80% of the open market rental value of a property (actually 79% at the time of writing and falling)). For the purposes of the analysis in this report the cost of affordable rent is taken to be 80% of the lower quartile private rent figure previously identified. In reality, it is not possible to say exactly what 80% of the market will mean in terms of cost (for example the rent for a two-bedroom flat is likely to be significantly different to a two-bedroom detached bungalow, whilst market rents for newbuild homes are likely to be higher than within the existing stock). Hence the analysis should be seen as indicative for the purposes of data modelling.
- 6.16 As can be seen the costs of social rented housing are significantly below those for the private rented sector with affordable rents being somewhere in between. The overall lower quartile private rent has also been shown in the table for comparative purposes. The figures below do not include service charges which in the social rented sector (and particularly for flats) could increase the actual housing cost.

Figure 6.3: Indicative costs of different tenures of rented housing – per month

	Private rent (lower quartile)	Affordable rent	Social rent
Mendip	£525	£420	£324
Sedgemoor	£480	£384	£299
South Somerset	£485	£388	£321
Taunton Deane	£500	£400	£309
Somerset	£500	£400	£316

Source: Valuation Office Agency and CoRe

Cost of Starter Homes

- 6.17 In looking at the cost of a Starter Home it needs to be recognised that this will be a newbuild 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 newbuild properties 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 newbuild market. In 2015/16, the lower quartile newbuild price in Somerset, from the Land Registry source, was estimated to be around £166,200 – with a 20% discount this would equate to a purchase price of £132,960.
- 6.18 The table below shows the estimated purchase price of a Starter Home in each local authority area (with the 20% discount) and this is compared with the earlier analysis of the cost of a lower quartile home (the majority of which will be second-hand housing). The analysis shows that a Starter Home is potentially cheaper than open market purchase in all areas although the difference in cost is quite marginal in Mendip. This means that households able to afford a Starter Home will in most cases also be able to afford a second-hand home (although financially this may not be as attractive an option).

Figure 6.4: Indicative purchase price of Starter Homes and comparison with lower quartile purchase prices		
	Open market purchase (lower quartile)	Starter Home
Mendip	£160,000	£158,560
Sedgemoor	£137,500	£116,000
South Somerset	£146,000	£136,000
Taunton Deane	£150,000	£135,200
Somerset	£148,000	£132,960

Source: Valuation Office Agency and CoRe

Income Required to Access Different Tenures of Housing

6.19 Having established the likely cost of housing, the next step is to estimate what level of income might be required to access the different products. Separate tests are applied for home ownership and private renting; home ownership is based on looking at mortgage multiples (mortgage affordability) with accessing private rented housing being based on consideration of the proportion of income that might need to be spent on housing (rental affordability).

Mortgage affordability

6.20 A household is considered able to afford to buy a home if it costs less than four times the gross household income; it has also been assumed that a household will have a 10% deposit.

6.21 Previous CLG guidance (of 2007) suggests using thresholds of 2.9× for households with multiple incomes and 3.5× for those with a single income. The use in this study of a four times multiple 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 example, with the Help-to-Buy Scheme, the maximum income multiple is 4.5). Additionally, a brief review of a number of lenders indicates that four times income is generally available across the market; although the exact availability of finance will also depend on an individual household's circumstances.

6.22 The 10% deposit is used to reflect the typical minimum deposit required to access mortgage finance. Again deposit availability will vary by household and raising this sort of level of capital would potentially be an issue for a number of households. However, there are initiatives available to help households to raise a deposit (such as Help-to-Buy ISAs).

6.23 Hence, as with other analysis, the affordability measure used should be treated as indicative given that there are a number of variables that will differ based on the circumstances of individual households – this cannot be captured within this study.

Rental affordability

- 6.24 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).
- 6.25 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)?*' 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 can or can't afford market housing.
- 6.26 To look at a reasonable threshold in Somerset a national benchmarking exercise has initially been carried out. Across the Country, evidence (from VOA) points to the cheapest areas having lower quartile rents of around £350 per month (this includes Liverpool, Hull and Leicester). It is assumed that these areas would have a 25% affordability threshold (i.e. the bottom end of the threshold range reflects the bottom end of the housing cost range).
- 6.27 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 £350 pcm example, if a household spent 25% of income on housing then their residual income would be £1,050 per month, the same threshold in Somerset would show a residual income of £1,500 (i.e. 43% higher). Hence it is arguably not appropriate to use the same (25%) threshold in each area.
- 6.28 This analysis is not conclusive given that such an analysis would need to be predicated on a) an assumption that a 25% threshold is an appropriate benchmark at the bottom end of the market; 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.
- 6.29 Returning to the question for Somerset, the analysis seeks to recognise residual income and also issues about tax and the cost of living. If it were assumed that the residual income (i.e. £1,050) should be held constant for all areas, then this would suggest a threshold in Somerset of 32%, however as noted keeping the residual income figure constant is probably not realistic. Hence, the analysis takes a simple average between the bottom line 25% and the 32% figure; this gives a threshold for affordability in Somerset of 29%. For information this threshold would give a level of residual income in Somerset of around £1,275.

- 6.30 A similar analysis has been carried out to look at appropriate thresholds for different types of housing (including affordable rented and social rented). This shows thresholds below the figures used for market affordability and in some cases (for social rent) actually falls below 25%.

	LQ private rent	Affordable rented	Social rented
Mendip	29%	27%	24%
Sedgemoor	28%	26%	24%
South Somerset	28%	26%	24%
Taunton Deane	29%	26%	24%
Somerset	29%	26%	24%

Source: Housing costs from VOA and CoRe

Income thresholds for different tenures of housing

- 6.31 The table below brings together an analysis of the different tenures of housing to consider what level of income would indicatively be required to access. Although the measures for mortgage and rental affordability are different; both ultimately lead to an estimate of the income required. Looking at figures for the whole of the County it can be seen that it is estimated that an income of around £33,000 would be required for open market purchase; a lower figure of just under £30,000 would be needed for a Starter Home and notably lower figures again when looking at the rental options.
- 6.32 The analysis shows a figure of around £15,800 is shown for social rented housing and therefore it is assumed that any household with an income below this level would need this tenure of housing (probably supported by Housing Benefit). In reality, affordable rented housing might also be a solution for such a household, as long as sufficient Housing Benefit were to be available. There are therefore overlaps in the affordable sector as well as with market housing (i.e. the fact that many able to afford a Starter Home could also afford to buy a home in the open market).

	LQ purchase	Starter Home	LQ private rent	Affordable rented	Social rented
Mendip	£36,000	£35,676	£21,600	£18,816	£15,997
Sedgemoor	£30,938	£26,100	£20,435	£17,799	£15,215
South Somerset	£32,850	£30,600	£20,567	£17,914	£15,916
Taunton Deane	£33,750	£30,420	£20,958	£18,256	£15,521
Somerset	£33,300	£29,916	£20,958	£18,256	£15,762

Source: Derived from a range of sources as described

- 6.33 With regard to the use of Housing Benefit (particularly to assist households affording affordable rented homes) it should be noted that there are a number of implications. The most obvious one is that the higher rents potentially charged will see a greater burden on the public purse. Additionally, with households being subject to the tapering of Housing Benefit as their income rises, the higher rents potentially provide for a longer 'benefit trap'.

- 6.34 One additional question arising from this analysis is to study at what point increasing the discount on a Starter Homes (above the minimum 20% assumed above) will put this tenure on an equal footing (in affordability/income requirement terms) as intermediate housing. The simplest way to consider this is to look at the discount required so that the income required is in line with that needed to access a lower quartile private rented home – this tenure essentially sets the upper bound for intermediate housing. Hence an additional analysis has been undertaken to test what level of discount might be needed for Starter Homes to be an intermediate product, as currently defined in the NPPF.
- 6.35 The table below shows for a Starter Home to just fall into the bracket of intermediate housing, that the discount from OMV would need to be in the order of 44% across the County; this figure varies from 38% in Sedgemoor, up to 52% in Mendip.

Figure 6.7: Theoretical discount needed from OMV to make a Starter Home as 'affordable' as intermediate housing

	Discount from OMV
Mendip	52%
Sedgemoor	38%
South Somerset	47%
Taunton Deane	45%
Somerset	44%

Source: Derived from a range of sources as described

- 6.36 Whilst these discounts would theoretically mean that a Starter Home meets the current NPPF definition of affordable housing; it will remain the case, without any restriction on the income level of households accessing such housing, that many households affording such a product, could already afford open market housing without the need for subsidy/discount.

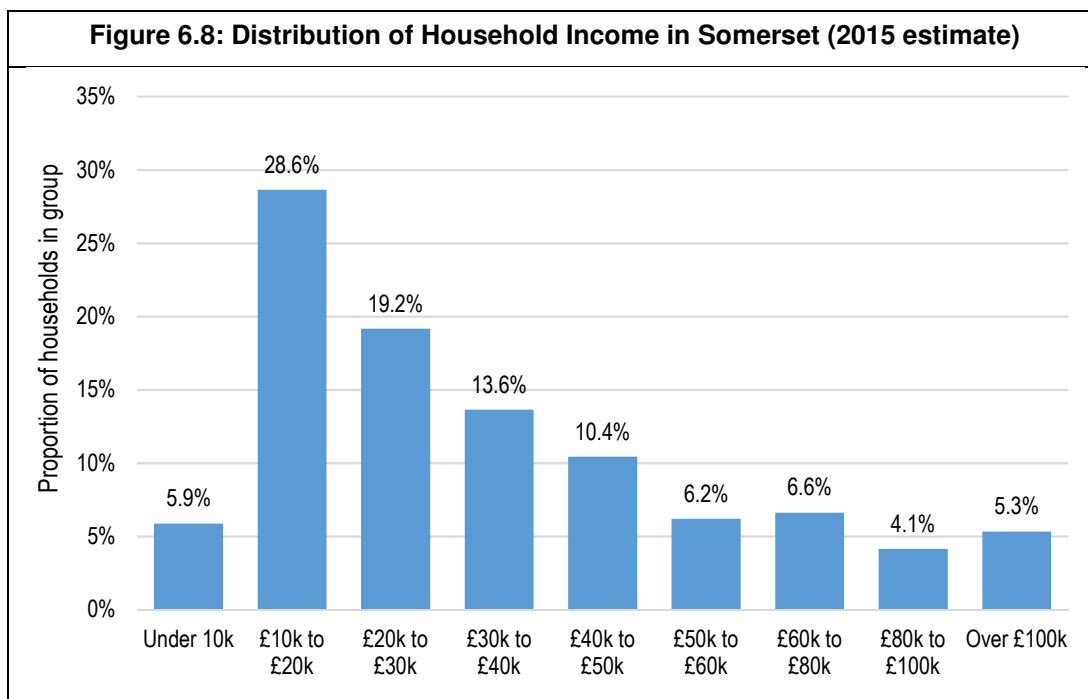
Income thresholds for shared ownership

- 6.37 The analysis above has looked at a broad range of tenures, which are now taken forward into an understanding of affordability. One specific product not considered is shared ownership and it is worthwhile providing a brief discussion of where this tenure fits into those described above. With shared ownership a household buys a share in a property (typically 25% or 50%) and then pays a low cost rent on the remaining share.
- 6.38 It is difficult to be precise about the income level required for shared ownership as this will depend on the share purchased and the rental cost on the unsold equity (as well as the open market value of the home). It is however possible to provide some indicative calculations to show where on the income scale such a product might fit. The worked example uses a 25% share of ownership and an annual rent of 2.75% on the unsold equity.

- 6.39 On the basis of a newbuild price of £166,200 (the lower quartile newbuild price across the County), the income required for the purchase part of the tenure would be around £9,350 (this assumes a 10% deposit and 4× income multiple). The rental element would be about £3,400 per annum and based on 33% of income for this (which seems to be a fairly standard figure) an additional income of about £10,200 would be needed. The overall income required for shared ownership would therefore be around £19,600.
- 6.40 This figure sits firmly between the estimates of the income required to rent privately, and the income needed for an affordable rented home. Hence shared ownership would be considered as an intermediate product in terms of the definition set out in the NPPF. In interpreting the figures to follow, the proportion of households in the gap between private rents and affordable rents can therefore be seen to be in an intermediate category, for which shared ownership would be a suitable tenure.

Income Levels and Affordability

- 6.41 Following on from the 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:
- 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 in the period to 2015; and
 - ONS modelled income estimates – to assist in providing more localised income estimates (i.e. for local authorities).
- 6.42 Drawing all of this data together an income distribution for the whole of the County for 2015 has been constructed. The data shows that around a third 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 County was estimated to be around £27,900 with a mean income of £36,800.



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

- 6.43 The table below shows how income levels vary for each of the local authorities. Incomes were found to be highest in Taunton Deane (closely followed by Mendip) and lowest in Sedgemoor.

Figure 6.9: Income Levels by Local Authority

	Mean income	Median income
Mendip	£37,620	£28,613
Sedgemoor	£35,448	£26,961
South Somerset	£37,146	£28,253
Taunton Deane	£38,016	£28,915
Somerset	£36,771	£27,949

Source: Derived from ASHE, EHS and ONS data

Affordability

- 6.44 Having worked through a range of housing products and local income levels, it is possible to bring the data together to look at the proportion of households able to afford different housing products. The table below shows that some 41.4% of households would be able to buy a lower quartile property on the basis of their income and that this figure rises to 45.4% for Starter Homes.
- 6.45 There is a relatively big gap between the income required for a Starter Home and Private Rented accommodation with some 18% of households having an income in this range. It is most probable that this group of households would be able to afford a product such as shared ownership although technically such housing would not be affordable (given that all households in this 'gap' can afford private rented housing).

- 6.46 Around 6% of households fall in the gap between private rent and affordable rent and affordable rent and social rent. The former of these categories would be intermediate housing (as defined by the NPPF) although, as noted, it may be the case that some intermediate products actually require a higher income than is needed to access the private rented sector; in such cases, the housing may be described as 'affordable' but it is not affordable in terms of the NPPF.
- 6.47 Finally, the analysis shows some 24% of households in the 'below social rent' category. These households have incomes that are insufficient to afford any of the housing products without spending a high proportion of their income on housing (or without claiming Housing Benefit). Whilst these households are placed in a 'social rented' category for the purposes of analysis, it remains the case that other products (notably affordable rent) may be suitable, as long as sufficient Housing Benefit can be accessed.
- 6.48 The total figure of 63.7% who can afford a private rent (or a product requiring a higher income), broadly suggests that the need for affordable housing is around 36.3%.

Figure 6.10: Proportion of households able to afford different housing tenures – Somerset

	% of households	Cumulative %
Market purchase	41.4%	41.4%
Starter Home	4.1%	45.4%
Private Rent	18.2%	63.7%
Affordable Rent	6.1%	69.8%
Social Rent	6.4%	76.2%
Below social rent	23.8%	100.0%

Source: Derived from a range of sources as described

- 6.49 The figures provide a good indication of the relative affordability of different housing products. However, this should not be seen as indicating what tenure split is appropriate for new development – there are significant overlaps between the tenures which mean that households may be able to afford or access a range of different products.
- 6.50 The table below shows the same information for each of the individual local authorities. This shows that households in Sedgemoor are relatively more likely to be able to afford market purchase, this area also sees the largest gap between market purchase and the potential cost of Starter Homes. At the other end of the spectrum, the analysis suggests that all areas have a similar proportion of households who are only able to afford social rented housing, and indeed a similar proportion able to access the private rented sector. This latter finding is important for the initial analysis of affordable housing need (in the following section) as access to the private rented sector is set (as per the NPPF/PPG) as the access level to the market.

Figure 6.11: Proportion of households able to afford different housing tenures – by local authority

		Market purchase	Starter Home	Private Rent	Affordable Rent	Social Rent	Below social rent
Mendip	% of households	38.8%	0.4%	23.9%	6.1%	7.3%	23.4%
	Cumulative %	38.8%	39.2%	63.1%	69.2%	76.6%	100.0%
Sedgemoor	% of households	43.0%	8.6%	11.3%	6.1%	7.1%	23.9%
	Cumulative %	43.0%	51.6%	62.9%	69.0%	76.1%	100.0%
South Somerset	% of households	42.4%	3.4%	18.9%	6.2%	5.2%	23.9%
	Cumulative %	42.4%	45.8%	64.7%	70.9%	76.1%	100.0%
Taunton Deane	% of households	42.3%	5.1%	17.6%	6.1%	7.3%	21.6%
	Cumulative %	42.3%	47.4%	65.0%	71.1%	78.4%	100.0%
Somerset	% of households	41.4%	4.1%	18.2%	6.1%	6.4%	23.8%
	Cumulative %	41.4%	45.4%	63.7%	69.8%	76.2%	100.0%

Source: Derived from a range of sources as described

- 6.51 The analysis above provides an initial overview about the cost and affordability of different housing products. However, when looking at the need for affordable housing the analysis (to follow) considers the specific characteristics of different groups. For example, newly forming households (e.g. those forming an independent household for the first time (having possibly previously lived with parents) have a slightly different income profile to 'all households' as used in the analysis above). Additionally, when looking at the affordability of Starter Homes, it is important to make estimates of the income profile of non-owners aged 23-39.

Affordable Housing Need - Affordability: Key Messages

- There are a range of different tenures of housing available to households. In terms of the income likely to be required to access different products; these would run from open market purchase through to social rent. There is however a significant overlap between tenures with households potentially able to afford or access a range of products.
- Analysis has considered five main tenures; open market purchase, Starter Homes, private rent, affordable rent and social rent. This does not reflect the full range of tenures available, and for example, it would be the case that the income required to buy a Starter Home is likely to be similar to the income needed for other forms of discounted ownership. Additionally, the analysis could have specifically looked at shared ownership, in this case it looks as if the income requirement would sit somewhere between that needed to rent privately and an affordable rent (i.e. shared ownership fills the gap between the bottom end of the market and the upper end of affordable rented products) – this would make shared ownership an intermediate product in line with the definition in the NPPF. It should also be recognised that there are restrictions on access for certain type of accommodation (e.g. age restrictions for Starter Homes). Hence any analysis should only be considered as indicative.
- In looking at overall affordability of different products, the analysis is slightly complicated due to purchase products typically being looked at with mortgage multiples and rental product affordability being based on proportions of income spent on housing. In both cases there are no standard assumptions to be used.
- Across the whole of the County, the analysis has suggested that an income of around £33,300 would be needed to buy a lower quartile property and that the income drops (to about £29,900) to access a Starter Home (with a 20% discount on open market value). The typical incomes needed to access rented products are notably lower with a figure of £21,000 being shown for access to the private rented sector. This means for example, that a household able to afford a Starter Home could also afford to rent in the market without any level of discount or subsidy.
- Overall, the analysis identifies that around 24% of households have an income that would be insufficient to afford social rent without some form of subsidy, with smaller proportion fitting in the gaps between different tenures. Arguably the most notable finding is the large proportion of households whose income sits in the gap between affording the private rented sector and affording a Starter Home. Such households can technically afford market housing but are unable to afford to buy a home – there is likely to be a limited supply of housing in this gap although products such as shared ownership may be affordable to these households (although this then raises the question as to whether shared ownership is technically affordable in terms to the definitions in the NPPF).

7. Affordable Housing Need

Introduction

- 7.1 This section discusses the level of affordable housing need in Somerset and each of the four commissioning local authorities. This builds on the affordability analysis discussed in the previous section. The PPG (2a-022) describes affordable housing need as being an estimate of *'the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market'*.
- 7.2 The PPG sets out a model for assessing affordable housing need – this model largely replicates the model set out in previous SHMA guidance (of 2007). The 2007 guide 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 the Somerset Homefinder Housing Register, 2011 Census data, demographic projections, house prices/rents and income information.
- 7.3 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 2015 (e.g. data about housing costs and incomes is for 2015). 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 25-year period between 2014 and 2039 (to be consistent with the demographic projections described in the previous sections).

Key Definitions

- 7.4 The analysis begins by setting out key definitions relating to affordable housing need, affordability and affordable housing.

Current Affordable Housing Need

- 7.5 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

- 7.6 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 trend data from CoRe has been used along with demographic projections about the number of new households forming (along with affordability) to estimate future needs.

Supply of Affordable Housing

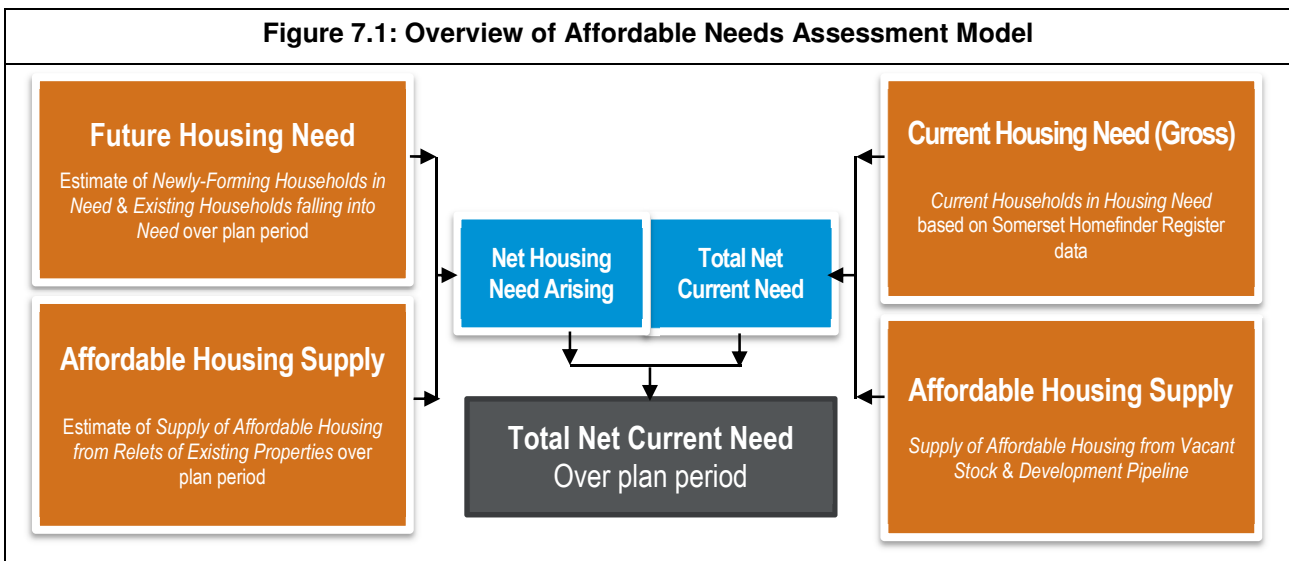
- 7.7 An estimate of the likely future supply of affordable housing is also made (drawing on secondary data sources about past lettings). The future supply of affordable housing is subtracted from the newly-arising need to make an assessment of the net future need for affordable housing.

Affordability

- 7.8 A general discussion of affordability was provided in the previous section. Within the modelling to follow, the analysis has 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.
- 7.9 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

- 7.10 Affordable housing need has been assessed using the Affordable Needs Assessment Model as set out in the PPG (2a-023 to 2a-029) which is virtually identical to models set out in previous guidance (such as the 2007 CLG SHMA guide). This model is summarised in the chart below.



Source: Derived from CLG Planning Practice Guidance

- 7.11 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 25-year period from 2014 to 2039 (which is then annualised). Each of the stages of the affordable housing needs model calculation are discussed in more detail below.

Further Methodological Issues

- 7.12 Due to the analysis 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 understanding 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.
- 7.13 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 JGC (and 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 Somerset (e.g. about income levels) 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 Somerset. Where possible, data has also been drawn from national surveys (notably the English Housing Survey).
- 7.14 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'.*
- 7.15 The analysis that follows is therefore consistent with the requirements of the Planning Practice Guidance.

Current Affordable Housing Need

- 7.16 In line with the PPG the current need for affordable housing is assessed through analysis of Housing Register information. In Somerset there is a register which is consistently maintained across the whole County (the Homefinder register). Information is collected from applicants on a range of issues, including their current circumstances and income levels. As part of this project a download of the whole register was provided (as of January 2016) which has been interrogated to estimate the number of households with an affordable housing need.
- 7.17 The table below shows the number of households on the Housing Register in each local authority area as well as the current location of their housing. The analysis shows a total of 8,881 households registered with around a quarter of these in each of Sedgemoor, South Somerset and Taunton Deane. The analysis also shows that the vast majority of applicants currently live in the same area as they are seeking housing and that around 5% currently live outside the County. Whilst these latter households (the 5%) might arguably not have a need in the County, it is the case that some households within Somerset do get rehoused by providers outside the county.

Figure 7.2: Number of households on Somerset Homefinder Register (January 2016)

Area seeking housing	Current area of residence								TOTAL	% of total
	Mendip	Sedgemoor	South Somerset	Taunton Deane	West Somerset	Outside Somerset	Unknown			
Mendip	1,233	1	2	0	0	65	5	1,306	14.7%	
Sedgemoor	5	2,198	7	2	1	140	10	2,363	26.6%	
South Somerset	4	1	1,966	2	2	99	1	2,075	23.4%	
Taunton Deane	1	8	4	2,381	2	120	4	2,520	28.4%	
Somerset	1,243	2,208	1,982	2,387	591	448	22	8,881	100.0%	
% of Somerset	14.0%	24.9%	22.3%	26.9%	6.7%	5.0%	0.2%	100.0%		

Source: Somerset Homefinder Housing Register

7.18 Not all of the households registered for housing will have significant housing needs and the analysis below shows the banding of need as assessed on the Homefinder Register. In line with Registers in many parts of the Country, households are allocated to one of four bands (from emergency to bronze). Generally, for analysis it would be assumed that all households in bands other than bronze have a housing need that would best be met through provision of an affordable home. Across Somerset some 3,647 households fall into the bands from emergency to silver and would be considered as having an assessed housing need (and not just an expressed need) – this is 41% of all households on the register).

Figure 7.3: Number of households on Somerset Homefinder Register by housing need banding (January 2016)

	Emergency	Gold	Silver	Bronze	Unknown	TOTAL
Mendip	1	147	589	569	0	1,306
Sedgemoor	1	192	583	1,585	2	2,363
South Somerset	3	271	708	1,092	1	2,075
Taunton Deane	3	330	571	1,616	0	2,520
Somerset	8	1,020	2,619	5,231	3	8,881
% of Somerset	0.1%	11.5%	29.5%	58.9%	0.0%	100.0%

Source: Somerset Homefinder Housing Register

7.19 As well as looking at the level of need of households on the register, it is important to understand the living circumstances of those households. In particular, this focusses on current tenure, recognising that households already living in affordable housing would release a home for use by another household if they were to move and hence there is no additional need for housing to be provided (although there may be a mismatch between the homes needed and those released, both in terms of size and location). The table below shows that around 1,630 households are currently living in affordable housing leaving 2,017 within private sector housing or without accommodation (e.g. concealed households). For this analysis it is assumed that the 94 households for which information is not available are not currently living in affordable accommodation.

Figure 7.4: Current tenure of households on Housing Register and in need				
	LA/RP housing	Private sector	Unknown	Total
Mendip	287	436	14	737
Sedgemoor	348	403	25	776
South Somerset	428	553	1	982
Taunton Deane	454	413	37	904
Somerset	1,630	1,923	94	3,647

Source: Somerset Homefinder Housing Register

- 7.20 The final part of the assessment of current need is to consider whether or not these households might be able to afford market housing without the need for subsidy. The Homefinder data contains information about households' income which has been compared with the cost of housing information already set out in this section. As can be seen in the table below, less than 10% of households have an income that might allow them to afford market housing and as such the estimate of current need is reduced to 1,858 households – this data excludes those assessed as being in a bronze housing need band.

Figure 7.5: Estimated Current Affordable Housing Need			
	On Housing Register and in need (excluding LA/RP)	% Unable to Afford	Revised Gross Need (including Affordability)
Mendip	450	92.2%	415
Sedgemoor	428	90.2%	386
South Somerset	554	92.1%	510
Taunton Deane	450	95.1%	428
Somerset	2,017	92.1%	1,858

Source: Somerset Homefinder Housing Register

Newly-Arising Need

- 7.21 To estimate newly-arising (projected future) need two key groups of households based on the PPG (2a-025) have been studied. These are:

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

Newly-Forming Households

- 7.22 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 numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates 'plateau'. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.
- 7.23 The estimates of gross new household formation have been based on outputs from the 2014-based CLG household projections 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, data has been drawn from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).
- 7.24 The analysis has 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 it is possible 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 44% of newly-forming households will be unable to afford market housing and that a total of 1,665 new households will have a need on average in each year to 2039.

Figure 7.6: Estimated Level of Affordable Housing Need from Newly Forming Households (per annum)

	Number of new households	% unable to afford	Total in need
Mendip	787	44.7%	351
Sedgemoor	909	44.9%	408
South Somerset	1,085	42.9%	466
Taunton Deane	850	42.7%	363
Somerset	3,784	44.0%	1,665

Source: Projection Modelling/Income analysis

Existing Households falling into Affordable Housing Need

- 7.25 The second element of newly arising need is existing households falling into need. To assess this, information from CoRe has been used. This looked at households who have been housed over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. An affordability test has also been applied.
- 7.26 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)’*.
- 7.27 Following the analysis through suggests a need arising from 1,274 existing households each year; a notably higher proportion of these being in South Somerset and Taunton Deane.

	Number of Existing Households falling into Need	% of Need
Mendip	191	15.0%
Sedgemoor	232	18.2%
South Somerset	379	29.8%
Taunton Deane	393	30.9%
Somerset	1,274	100.0%

Source: CoRe/affordability analysis

Supply of Affordable Housing

- 7.28 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social/affordable rent relets and the annual supply of relets/sales within the intermediate sector.
- 7.29 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. Information from the Continuous Recording system (CoRe) has been used to establish past patterns of social housing turnover. The 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.

- 7.30 On the basis of past trend data it has been estimated that 2,009 units of social/affordable rented housing are likely to become available each year moving forward, with the highest proportion of these being in South Somerset. Further analysis of data provided from the Homefinder Register indicates that about 14% of these lettings were made at 'affordable' rent levels (i.e. at 80% of market rents); this included a notably higher proportion (of about 30%) in Mendip.

Figure 7.8: 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	Total lettings to new tenants
Mendip	587	89.4%	525	59.2%	311
Sedgemoor	743	78.5%	583	59.3%	346
South Somerset	1,261	87.0%	1,097	58.0%	636
Taunton Deane	1,041	90.5%	942	64.5%	608
Somerset	3,843	86.8%	3,336	60.2%	2,009

Source: CoRe

- 7.31 The supply figure is for social/affordable rented housing only and whilst the stock of intermediate housing in Somerset 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 data from CoRe about the number of sales of homes that were not newbuild has been used. From this it is estimated that around 49 additional properties might become available per annum. The total supply of affordable housing is therefore estimated to be 2,058 per annum.

Figure 7.9: Estimated Future Supply of Affordable Housing – per annum

	Social/affordable rented relets	Intermediate housing 'relets'	Total supply (per annum)
Mendip	311	8	319
Sedgemoor	346	8	354
South Somerset	636	23	659
Taunton Deane	608	5	613
Somerset	2,009	49	2,058

Source: CoRe

- 7.32 The analysis of future supply is based on past trends; the Councils should monitor the number of relets moving forward, noting that there are a range of policies which might impact on future relets – this will include the sale of higher value Council owned homes, potential disposals of Housing Association properties and the extension of the Right to Buy to RP tenants; losses may however be offset over time through relets of new homes. The Councils should also monitor the locations of relets; as noted in Section 3, there was some concern (at least in South Somerset) of the higher relative proportion of Housing Association disposals in rural areas.

Net Affordable Housing Need

7.33 The table below shows the overall calculation of affordable housing need. This excludes supply arising from sites with planning consent (the 'development pipeline'). The analysis shows that there is a need for 955 dwellings per annum to be provided – a total of 23,877 over the 25-year period (2014-39).

Net Need = Current Need + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing

	Per annum	2014-39
Current need	74	1,858
Newly forming households	1,665	41,619
Existing households falling into need	1,274	31,850
Total Gross Need	3,013	75,327
Relet Supply	2,058	51,450
Net Need	955	23,877

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

7.34 The table below shows the annualised information for each local authority. This shows a need in all areas.

	Current need (annualised)	Newly forming households	Existing households falling into need	Total Need	Relet Supply	Net Need
Mendip	17	351	191	559	319	240
Sedgemoor	15	408	232	655	354	301
South Somerset	20	466	379	865	659	206
Taunton Deane	17	363	393	774	613	161
Somerset	74	1,665	1,274	3,013	2,058	955

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

Relating Affordable Need and OAN – Legal Judgments

7.35 The analysis above clearly indicates a need for affordable housing across the County. However, the link between affordable need and the OAN is complex and has been subject to a number of recent High Court decisions. Below some of the key judgments and guidance have been summarised in Chronological Order.

Satnam Millennium Limited v Warrington Borough Council (February 2015)

- 7.36 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.
- 7.37 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.
- 7.38 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)

- 7.39 In this case, a challenge by Oadby & Wigston Borough Council to the granting of planning permission through a Section 78 inquiry was dismissed.
- 7.40 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).
- 7.41 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.
- 7.42 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.

Kings Lynn v Elm Park Holdings (July 2015)

- 7.43 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.
- 7.44 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.
- 7.45 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*'. 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*'.
- 7.46 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.
- 7.47 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.*'

Legal judgments – conclusions

- 7.48 The various legal judgments above are useful background. However, the main concern is that none of these really seek to understand exactly how affordable housing sits within estimates of the overall need for housing – this is a significant shortcoming.

Planning Advisory Service – Technical Advice note (July 2015)

- 7.49 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 – this also looks at affordable housing.
- 7.50 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.
- 7.51 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.
- 7.52 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.

Relating Affordable Need and OAN

- 7.53 In fact, the PAS view looks to be entirely sensible. When the components of need are looked at it is clear that the relationship between affordable housing and overall housing need is complex. Firstly, the modelling contains a category in the projection of ‘*existing households falling into need*’; these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is no net need to provide additional homes. The modelling also contains ‘*newly forming households*’; these households are a direct output from the demographic modelling and are therefore already included in the overall housing need figures.
- 7.54 This just leaves the ‘*current need*’; much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a number will be households without housing (mainly concealed households) – these households are not included in the demographic modelling and so are arguably an additional need. The Housing Register source used in this report to look at current need does not specifically separate out concealed households and so this analysis is carried out separately (from Census data) in the following section of the report.

7.55 The analysis above does however indicate a clear need for affordable housing. 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.”

7.56 This ‘consideration’ is difficult to quantify – as noted most of the affordable need is not a need for additional dwellings over and above the overall need identified through demographic modelling. If the Councils were to consider an uplift then this would mean additional provision of market homes – the demographic modelling itself does not demonstrate a market demand for these additional dwellings. Additionally, if the Councils were to increase planned housing figures, then this would generate increased migration and population growth, which would mean a lower level in other areas (and hence other locations would logically be expected to plan for fewer dwellings).

7.57 Overall, it is difficult to see a situation where a Council should provide additional homes due to the affordable need, unless this is agreed under the Duty-to-Cooperate, which would then become a policy decision.

7.58 Given the level of affordable housing need, the Councils should however seek to maximise delivery where possible and 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:

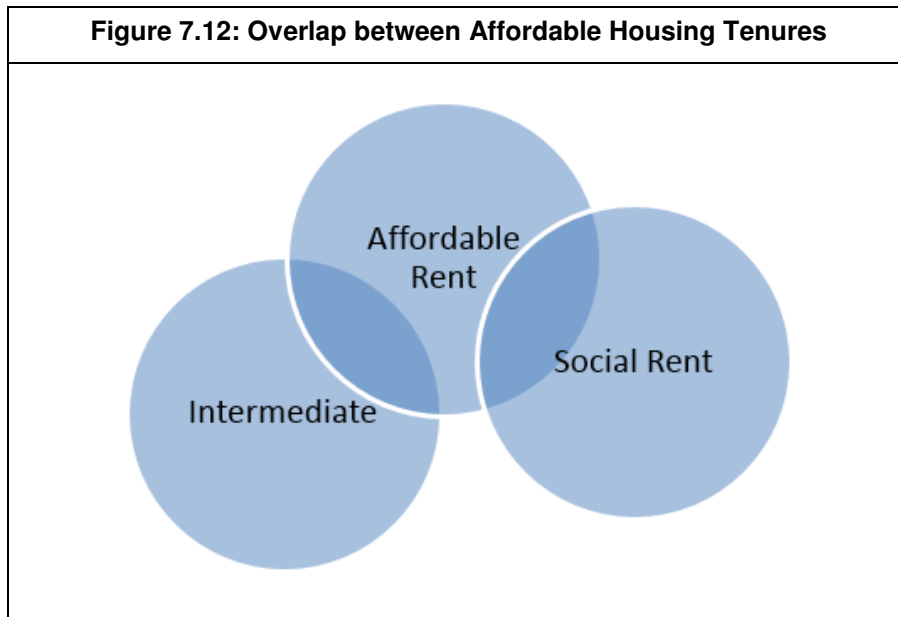
- National Affordable Housing Programme – this (outside London this is administered by the HCA) provides funding to support Registered Providers in delivering new housing including on sites owned by RPs;
- Building Council Homes (where there is a stock holding council) – following reform of the HRA funding 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;
- Rural Exception Site Development – where the emphasis is on delivering affordable housing to meet local needs (this could also form part of the three mechanisms above).

7.59 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 and increased disposals of vacant dwellings. Affordable housing can be met by changes in the ownership of existing housing stock, not just by new-build development.

- 7.60 The discussion above has already noted that the need for affordable housing does not generally lead to a need to increase overall provision (with the exception of potentially providing housing for concealed households). It is however worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the increasing role played by the Private Rented Sector (PRS) in providing housing for households who require financial support in meeting their housing needs should be recognised.
- 7.61 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.
- 7.62 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. There are however issues with the use of Housing benefit in the private rented sector, including the cost to the public purse and a disincentive barrier to reduce benefit dependency (i.e. there is potentially a disincentive for households to work if benefit losses are greater than the income they can earn).
- 7.63 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of May 2016 it is estimated that there were around 11,400 benefit claimants in the private rented sector in Somerset (2,301 in Mendip, 3,086 in Sedgemoor, 2,807 in South Somerset and 2,154 in Taunton Deane) – this serves to illustrate that there is some flexibility within the wider housing market.
- 7.64 However, national planning policy does not specifically seek to meet the needs identified through the Needs Assessment Model in 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. In particular future growth in households living within the PRS and claiming LHA cannot be guaranteed.

Need for Different Types (Tenures) of Affordable Housing

- 7.65 Having studied housing costs, incomes and affordable housing need the next step is to make an estimate of the proportion of affordable housing need that should be met through provision of different housing products. We therefore use the income information presented earlier in this section to estimate the proportion of households who are likely to be able to afford intermediate housing and the number for whom only social or affordable rented housing will be affordable. There are three main types of affordable housing that can be studied in this analysis:
- Intermediate
 - Affordable rent
 - Social rent
- 7.66 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.
- 7.67 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 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. However, we would expect that few Registered Providers would build intermediate rented homes, given that the level of potential occupants for affordable rented homes is greater (as it includes households who could claim housing benefit to supplement their incomes).
- 7.68 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).
- 7.69 For these reasons it is difficult to exactly pin down what proportion of additional affordable homes should be provided through different affordable tenure categories and there is a degree of overlap between different affordable housing tenures, as the figure below shows. In looking at different tenures, local authorities would also need to consider issues such as keeping the cost of Housing Benefit to the public purse down and to incentivise households to increase earnings and reduce benefit dependency.



7.70 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 (although it would be perfectly legitimate for a local authority to seek to keep the cost to the public purse down and also to encourage a reduction in benefit dependency). For these reasons the last two categories are considered together for the purposes of drawing conclusions. However, for analytical purposes we have defined the following three categories:

- Intermediate housing – households who can afford 80% or more of market rent levels – this will include equity-based intermediate products such as shared ownership and shared equity homes;
- Affordable rented – 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 would be able to afford a social rent without the need for housing benefit; and
- Social rented – households unable to afford even the cheapest tenure (social rent) without claiming housing benefit or spending too high a proportion of income on housing costs.

7.71 Detailed information on households' savings is not readily available. 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.

7.72 When working the above assumptions through the affordability models developed in the affordable needs analysis it is estimated that around a tenth of households would be able to afford a product priced at 80% of the market cost – most of the remaining households fall into the social rented category. The proportions do not vary significantly by area. If the Councils could provide this tenure split (that roughly three-quarters of all affordable housing should be social rent, an eighth affordable rent and an eighth intermediate), this would potentially keep the benefit bill down and maintain maximum work incentives.

Figure 7.13: Gross need for Intermediate and affordable/social rented housing				
Component of need (all per annum)	Intermediate housing	Affordable rented	Social rented	TOTAL
Current need	3	5	66	74
Newly forming households	234	244	1,187	1,665
Existing households falling into need	105	115	1,054	1,274
Total	342	364	2,307	3,013
Percentage of total	11%	12%	77%	100%
Mendip	12%	14%	75%	100%
Sedgemoor	12%	13%	75%	100%
South Somerset	11%	10%	79%	100%
Taunton Deane	11%	13%	76%	100%

Source: Affordable Housing Needs Analysis

7.73 However, the figures in the table 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 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.

7.74 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 County:

- 10-15% - intermediate housing
- 10-15% - affordable rented housing
- 70-80% - social rented housing

- 7.75 Depending on views about the cost of Housing Benefit and related work incentives, the proportion of affordable rent could be increased at the expense of social rents.
- 7.76 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'.

Housing and Planning Act and Welfare Reform

- 7.77 The reforms introduced over recent years – alongside future planned reforms – could continue to impact upon the calculated need for affordable housing presented in this SHMA. This includes from announcements made in the Summer Budget of 2015 and the Housing and Planning Act.
- 7.78 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). This set out a number of government initiatives which are likely to directly influence the supply and demand for housing and affordable housing. The key change looks likely to be the introduction of Starter Homes and analysis of this topic is provided in the following section.
- 7.79 There were also a number of other initiatives (from both the Act and previous announcements) which may impact on the supply and demand for general and affordable homes, although the full impact is yet to be understood. These include:
- **A requirement for social/affordable rents to be reduced by 1% for four years from April 2016.** The likely impact of this will be to reduce income for both the local authorities (which have housing stock) and housing associations. This in turn may reduce the LA or RP reinvestment funding/borrowing power and may subsequently reduce the capacity for new affordable homes to be developed.
 - **The extension of the Right to Buy to RP tenants.** Although voluntary, this could reduce affordable housing stock and reduce thus the number of re-lets. Research by Joseph Rowntree Foundation predicts that nationally 8.3% of housing association tenants will be eligible for and could afford the RTB, and that 71% of those will purchase their home over the first five years. The Housing and Planning Act empowers Government to reimburse Registered Providers the cost of the discount but does not confer any rights on any tenants.
 - **Local authorities to sell high value social housing stock as it becomes vacant.** Whilst the detail has yet to be confirmed, this is will reduce the number of available properties which are available for re-lets each year. Higher value areas will be impacted most although it may provide additional funding for smaller affordable properties. At the time of writing it looks as if Government will estimate potential revenues and deduct these from Councils regardless of whether or not properties have been sold, and also regardless of whether or not what has been sold provides the sums of money the Government estimated.

- **Increasing rent to market rates for social housing tenants earning over £30,000.** This “pay to stay” initiative will ensure those who can afford to pay market rates will do so. However, it may mean that people are more likely to exercise their right to buy thus reducing the stock level of affordable housing. There is likely to be an administrative burden of tracking all existing tenants incomes.
- **Capping social housing rents at Local Housing Allowance.** For some Registered Providers this will limit their income to a multiple of the Local Housing Allowance. In the long term this is likely to influence the type of homes they build with more smaller homes being likely. The proposal will see any single claimants under 35 only being eligible for the LHA Shared Accommodation Rate which at present is much lower than the LHA for one bedroom flats. This could result in reduced demand for RP properties with a shift toward the PRS.
- **The introduction of 3% higher stamp duty on buy to let properties and second homes.** This may result in the number of Buy-to-let landlords being reduced; through both sales of their existing properties and new landlords seeing the market as unviable. The Bank of England expressed their concerns that the proliferation of Buy-to-let landlords could result in a housing crash if they flood the market with their unwanted property. While the introduction of the new rules may not result in a flood of sales it may well reduce the supply of PRS properties.

7.80 It is too early to fully quantify the impact these changes will have on the supply and demand for affordable homes. However, the local authorities should monitor the situation. We would however add that any reduction in the supply would need to be offset with increasing the need within the affordable housing calculations.

Affordable Housing Need: Key Messages

- 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 Somerset and each individual local authority. Overall, in the period from 2014 to 2039 a net deficit of 955 affordable homes per annum is identified. There is thus a requirement for new affordable housing in the County and the Councils are justified in seeking to secure additional affordable housing.
- How affordable housing need sits with the overall need for housing needs to be properly understood, 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. Additionally, the modelling includes newly forming households, who are already part of the demographic projections (i.e. they are already included within the need). Furthermore, many households secure suitable housing within the Private Rented Sector, supported by housing benefit.
- Once account is taken of the range of outputs with the modelling and the fact that many of the households in need are already living in accommodation (existing households) and the role played by the private rented sector, the analysis does not suggest that there is any strong evidence of a need to consider additional housing to help meet the affordable need. There are however a number of concealed households within the modelling who are not picked up by demographic projections (and are without housing). There is merit in considering these households as an additional need and this is addressed in the market signals section of the report.
- Additional analysis was carried out to look at how much of the affordable need could be met by different products, with a conclusion that around 10-15% of housing should be of an intermediate tenure (e.g. shared ownership) and the remainder being social or affordable rented housing. The analysis identified a particular need for social rented housing (70-80% of the total); although it is recognised that with the inclusion of housing benefit, many of these households would potentially be able to access an affordable rented product.
- A number of proposals were introduced in the Housing and Planning Act which may impact on the future supply of and demand for affordable housing. The impact of these proposals should be monitored by the local authorities to understand the likely impact these are having on levels of affordable housing need.

8. The Role of Starter Homes

Introduction

- 8.1 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;
 - available for purchase by qualifying first-time buyers only;
 - First Time Buyer, aged 23 or over and 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.
- 8.2 The Act includes powers to allow the Secretary of State to make regulations which prevent the granting of planning permission unless a minimum number of Starter Homes are included (or a financial contribution paid). In March 2016, the Government published its proposed approach to the Starter Homes regulations, these can be summarised as:
- Starter Homes required on developments of 10 or more units (or on sites of 0.5 hectares or above);
 - 20% of all homes should be delivered as Starter Homes;
 - Sale of a Starter Home for full market value is prevented in the first 5-years from initial sale, with a tapered approach for up to 8-years (i.e. the owner (and occupier) will get an increasing proportion of market value after the initial 5-year period);
 - The property is not to be rented out during the restricted period (i.e. in the first 8-years from purchase); and
 - Exemptions are possible when provision is unviable and also potentially for particular types of housing (such as residential care, estate regeneration and student housing)
- 8.3 These regulations are not finalised and have been subject to consultation (which finished on the 30th June 2016). However, the general direction seems to be clear and allows for an analysis of the potential role of Starter Homes to be developed.
- 8.4 Starter Homes are to be included within the definition of affordable housing, although it is difficult to see how such accommodation will be 'affordable' in the traditional meaning of the word – this is because the sort of income levels likely to be required to access a Starter Home will be above the levels needed to access market housing generally (e.g. in the private rented sector). The issue of income levels is discussed later in this section. Additionally, Starter Homes are not affordable in perpetuity; with shared ownership, staircasing receipts are assumed to be recycled, but with Starter Homes, once the discount period is over the discount is entirely 'lost'.

- 8.5 Unlike some other forms of affordable housing, Starter Homes will not have a local connection criteria; this means that rural starter homes are likely to be attractive to households currently living in urban areas; such households may well already be able to afford market housing in their current location.
- 8.6 Whilst Starter Homes will not meet affordable need in a traditional sense (and 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 para 50 to '*widen opportunities for home ownership*'. Starter Homes can therefore be seen to be meeting an aspiration rather than a need and the analysis in this section is therefore primarily aimed at establishing the scope for households (within a defined target group) to access Starter Homes.
- 8.7 The analysis to follow seeks to establish the potential market for Starter Homes in Somerset (defined for simplicity as the potential 'need'). Whilst there is no published methodology for assessing this (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.
- 8.8 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

- 8.9 As a precursor it is perhaps of interest to understand why the Starter Home initiative has been introduced. One of the key reasons is the fall in the number of younger owner-occupiers across the Country over the past 15-years or so (and certainly since 2001). Using Census data, it is possible to look at this in some detail with the table below showing that the number of households living in private rented accommodation has increased by around 13,600, whilst the number of owners with a mortgage has dropped by around 8,200. The trend over the decade has been of a falling number of young households able to move into homeownership, and increases in those renting.

Figure 8.1: Change in Tenure 2001-11 (all households) – Somerset				
Tenure	2001	2011	Change	% change
Outright owner	74,648	85,778	11,130	14.9%
Owned with mortgage	81,775	73,618	-8,157	-10.0%
Social rented	29,100	30,730	1,630	5.6%
Private rented	19,705	33,258	13,553	68.8%
Other	5,359	3,605	-1,754	-32.7%
TOTAL	210,587	226,989	16,402	7.8%

Source: Census (2001 and 2011)

- 8.10 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.

Tenure	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
Outright owner	18.8%	14.7%	17.9%	13.6%	14.9%
Owned with mortgage	-12.3%	-8.3%	-9.1%	-9.5%	-10.0%
Social rented	4.3%	7.2%	9.5%	1.4%	5.6%
Private rented	63.1%	93.5%	65.0%	72.2%	68.8%
Other	-28.9%	-31.8%	-32.8%	-38.5%	-32.7%
TOTAL	7.6%	9.8%	9.0%	6.9%	7.8%

Source: Census (2001 and 2011)

- 8.11 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 21,240 households living in the private rented sector. The actual number is about 12,000 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.
- 8.12 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 23 or over and 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, nor any differentiation at age 23. It is however possible to provide an indication of the change in tenure by looking at households aged under 35 and this is shown in the table below. 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 the table above.
- 8.13 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 40% in just 10-years). This analysis does provide some support for widening access to owner-occupation for younger people.

Tenure	2001	2011	Change	% change
Owned	18,760	10,746	-8,014	-42.7%
Social rented	5,740	5,636	-104	-1.8%
Private rented	8,270	12,943	4,673	56.5%
TOTAL	32,770	29,325	-3,445	-10.5%

Source: Census (2001 and 2011)

- 8.14 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 Sedgemoor.

Figure 8.4: Change in tenure 2001-11 (all households aged under 35) – Mendip				
Tenure	2001	2011	Change	% change
Owned	3,989	2,150	-1,839	-46.1%
Social rented	1,071	1,050	-21	-2.0%
Private rented	1,700	2,470	770	45.3%
TOTAL	6,760	5,670	-1,090	-16.1%

Source: Census (2001 and 2011)

Figure 8.5: Change in tenure 2001-11 (all households aged under 35) – Sedgemoor				
Tenure	2001	2011	Change	% change
Owned	4,098	2,448	-1,650	-40.3%
Social rented	1,149	1,095	-54	-4.7%
Private rented	1,547	2,900	1,353	87.5%
TOTAL	6,794	6,443	-351	-5.2%

Source: Census (2001 and 2011)

Figure 8.6: Change in tenure 2001-11 (all households aged under 35) – South Somerset				
Tenure	2001	2011	Change	% change
Owned	5,916	3,434	-2,482	-42.0%
Social rented	1,870	1,921	51	2.7%
Private rented	2,406	3,732	1,326	55.1%
TOTAL	10,192	9,087	-1,105	-10.8%

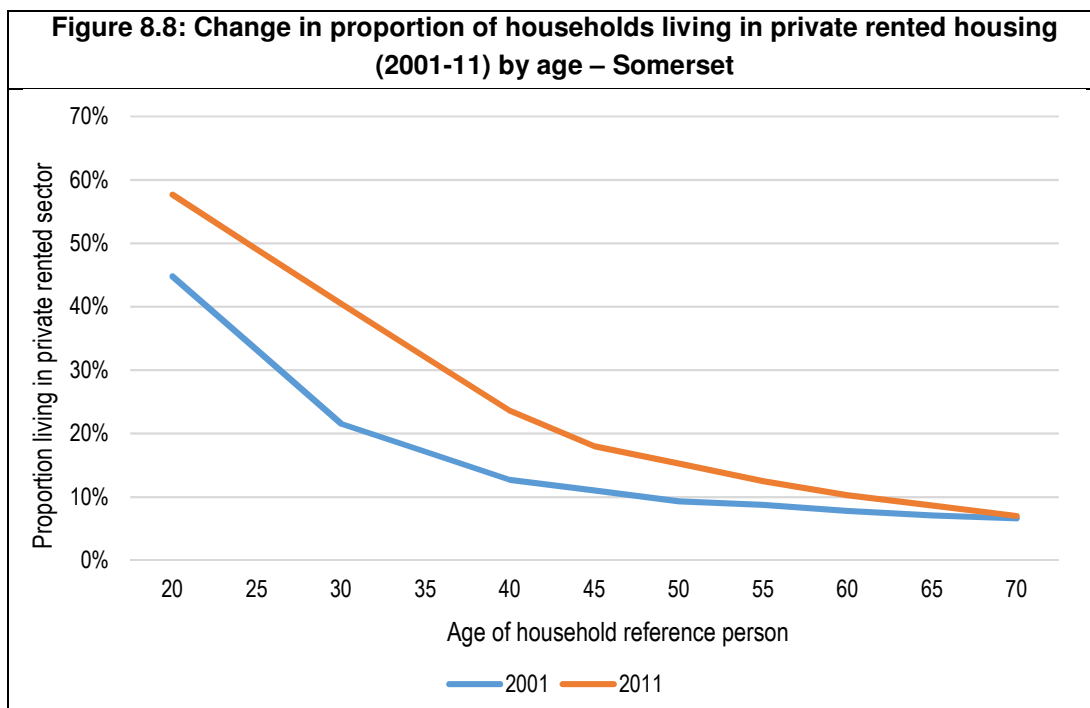
Source: Census (2001 and 2011)

Figure 8.7: Change in tenure 2001-11 (all households aged under 35) – Taunton Deane				
Tenure	2001	2011	Change	% change
Owned	4,131	2,339	-1,792	-43.4%
Social rented	1,309	1,270	-39	-3.0%
Private rented	2,091	3,140	1,049	50.2%
TOTAL	7,531	6,749	-782	-10.4%

Source: Census (2001 and 2011)

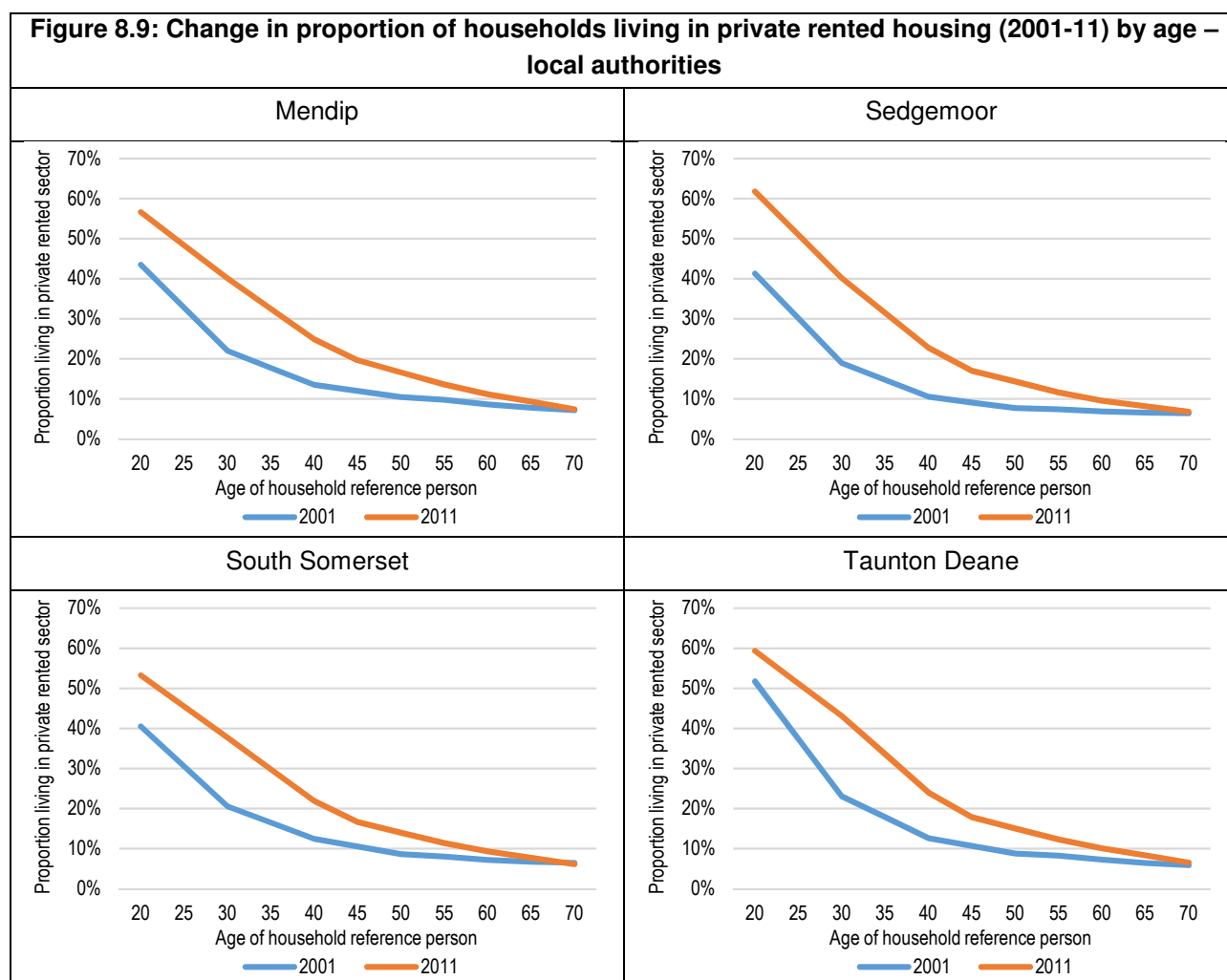
Estimates of the number of households in the target group

- 8.15 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 and aged 23 or over).
- 8.16 Arguably there will be other households who might be in this target group, particularly those currently living with parents; however, these are not included in the current need as it is assumed that they will be picked up as part of the projection of need (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).
- 8.17 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.
- 8.18 The figure below shows this analysis, this 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 40%, compared with about 22% in 2001.



Source: Census (2001 and 2011)

8.19 All 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.



Source: Census (2001 and 2011)

8.20 The table below summarises the information from the figures above to make an estimate of the changes in the proportions living in the private rented sector for various age bands up to age 40 – whilst Starter Homes are not available for people aged under 23 a band from age 20 is included due to data availability issues. The analysis clearly identifies an increase in the proportion in the private rented sector for all age groups.

Figure 8.10: Change in proportion of households living in private rented housing (2001-11) by age – Somerset

	2001	2011	Change
20-24	39.0%	53.4%	14.4%
25-29	27.4%	44.7%	17.4%
30-34	19.3%	36.2%	16.9%
35-39	14.9%	27.8%	12.9%

Source: Census (2001 and 2011)

- 8.21 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 the table below and identifies around 6,500 households as currently being a potential target for Starter Homes.

	Number of households (2014)	% in target group	Number in target group (2014)
23-24	2,228	14.4%	327
25-29	11,414	17.4%	1,990
30-34	13,538	16.9%	2,294
35-39	14,262	12.9%	1,845
TOTAL	41,442		6,456

Source: Census (2001 and 2011) and demographic projections

- 8.22 When applying the data for individual local authorities the target group is as shown in the table below; this shows a particularly large group in South Somerset and a lower number in Mendip – these findings are substantially influenced by both the overall population in each area and the age structure.

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
23-24	61	112	94	53	327
25-29	354	524	593	460	1,990
30-34	426	559	630	591	2,294
35-39	386	442	505	440	1,845
TOTAL	1,227	1,638	1,821	1,544	6,456

Source: Census (2001 and 2011) and demographic projections

- 8.23 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 of 2014 to 2039 and shows that each year an additional 447 households are expected to fall into the target group for Starter Homes.

Figure 8.13: Estimated Projected Target Group for Starter Homes (per annum)– Somerset			
	Number of newly forming households	% in target group	Number in target group
23-24	365	14.4%	54
25-29	1,269	17.4%	221
30-34	655	16.9%	111
35-39	463	12.9%	62
TOTAL	2,752		447

Source: Census (2001 and 2011) and demographic projections

8.24 Again this information can be provided for each local authority – this is shown in the table below.

Figure 8.14: Estimated Projected Target Group for Starter Homes (per annum) – by local authority					
	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
23-24	10	19	16	9	54
25-29	40	56	67	55	221
30-34	21	26	31	27	111
35-39	19	20	7	12	62
TOTAL	89	121	121	102	447

Source: Census (2001 and 2011) and demographic projections

Affordability of Starter Homes

8.25 To understand the likely affordability of Starter Homes in the County a similar analysis to that for the affordable housing needs 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 23 to 39). Income estimates are then compared with the estimated level of income required to access such housing.

Access level for Starter Homes

8.26 As previously discussed; in looking at the cost of housing it needs to be recognised that Starter Homes will be a newbuild 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 newbuild properties in the year to March 2016 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 newbuild market. In the 12-month period studied, the lower quartile newbuild price in Somerset was £166,200.

8.27 To convert the property price into an income level it has been assumed that there will be a 20% 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 possible 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 (as previously discussed).

- 8.28 The table below 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 £29,900 would be needed (with a 20% discount, 10% deposit and 4 times income mortgage multiple). The analysis shows that the highest incomes are likely to be needed in Mendip and the lowest in Sedgemoor.

Figure 8.15: Estimated income levels required to access Starter Homes (20% discount on OMV)

	Open Market Value	With discount	Minus deposit (amount of mortgage)	Income required
Mendip	£198,200	£158,560	£142,704	£35,676
Sedgemoor	£145,000	£116,000	£104,400	£26,100
South Somerset	£170,000	£136,000	£122,400	£30,600
Taunton Deane	£169,000	£135,200	£121,680	£30,420
Somerset	£166,200	£132,960	£119,664	£29,916

Source: Derived from Land Registry data

- 8.29 It is worth briefly reflecting on the estimated level of income required to afford a Starter Home. The latest Valuation Office Agency data for private rental costs suggests in the year to March 2016 that the 'average' lower quartile property cost £500 per month to rent across the County; on the basis of a 25% affordability threshold (i.e. the proportion of income to be spent on housing costs) this would equate to an annual income of £24,000 (note: that 25% is at the very bottom end of what might be a reasonable range to use). This compares with the figure of £29,900 for Starter Homes derived above. This shows that Starter Homes are not 'affordable' in the traditional sense of the definition as those households able to afford a Starter Home will 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.
- 8.30 In interpreting the analysis it should be noted that this does not take account of differences in price between urban and rural areas (as was highlighted in Section 2). It is therefore possible that someone eligible for a Starter Home in a rural area might be unable to afford, but could actually afford in an urban area. This could potentially impact on levels of discount to be offered, however, this would need to be balanced against viability, and the potential provision of other types of affordable housing.
- 8.31 Additionally, higher discounts than 20% could be provided; this would potentially bring the housing costs in each of urban and rural areas more in-line and therefore make it more 'affordable' in rural locations. However, a higher discount, would reduce viability, and would make it more difficult to provide other forms of affordable housing (e.g. with a 20% discount it might also be possible to provide some social rented housing, but with a 40% discount this option could disappear (or at least reduce in scope)). Also, as noted previously, with a lack of local connection criteria, it is possible that any Starter Homes in rural areas are bought by those from urban locations; hence any additional discount on the OMV would not necessarily advantage the specific target group.

Income levels

8.32 The next step in the process is to consider income levels. The difficulty here is that we are wanting to focus on a very particular group of households (non-owners aged 23-39) 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?

8.33 The table below 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.

8.34 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.

Age group	Median income (before tax)	% of all taxpayers
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

8.35 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.

8.36 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. The table below shows estimated median incomes in Somerset for the target group for Starter Homes by age; the figure shown are calculated as a proportion of the overall median income in the County which has been estimated to be £27,950 per annum.

- 8.37 The analysis suggests that younger households in the target group will have relatively low incomes, however by the time a household reaches age 30-34, income levels are similar to those seen across the whole County.

Age group	Multiplier from all household income	Estimated median income
23-24	0.60	£16,743
25-29	0.80	£22,250
30-34	0.95	£26,436
35-39	1.03	£28,749

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

- 8.38 The analysis above is indicative for the whole County with the actual data used being assessed on a local authority basis. The table below therefore provides equivalent data (just for incomes) in each area.

Age group	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
23-24	£17,140	£16,151	£16,925	£17,321	£16,743
25-29	£22,779	£21,464	£22,492	£23,019	£22,250
30-34	£27,064	£25,502	£26,723	£27,349	£26,436
35-39	£29,432	£27,733	£29,061	£29,742	£28,749

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

Affordability

- 8.39 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 the table below and shows that about 22% of households aged 23-24 would be expected to be able to afford a Starter Home; this figure rises to 47% when considering the 35-39 age group. This would suggest that only the best off minority of households age Under 40 will be able to afford Starter Homes in Somerset. The analysis suggests that Starter Homes are likely to be most affordable in Sedgemoor and least affordable in Mendip.
- 8.40 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 new build option.

Figure 8.19: Affordability of Starter Homes by age band					
Age group	% able to afford Starter Home				
	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
23-24	16.9%	26.8%	21.7%	22.9%	21.7%
25-29	28.2%	40.5%	35.2%	36.5%	34.5%
30-34	36.6%	48.8%	43.1%	44.5%	42.7%
35-39	40.5%	53.1%	47.2%	48.8%	46.8%

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

Bringing the analysis together – the potential need for Starter Homes

- 8.41 The analysis below 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 25-years from 2014 to 2039).
- 8.42 The table below shows the estimated current need for Starter Homes; this is 2,642 households. Annualised, this represents 106 homes per annum over the period to 2039.

Figure 8.20: Estimated Current Need for Starter Homes – Somerset			
	Size of target group	% able to afford	Number able to afford
23-24	327	21.7%	74
25-29	1,990	34.5%	704
30-34	2,294	42.7%	993
35-39	1,845	46.8%	871
TOTAL	6,456	-	2,642
Annualised	-	-	106

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

- 8.43 The table below shows a similar analysis for future newly forming households; this analysis indicates a potential need for around 167 Starter Homes each year.

Figure 8.21: Estimated Future Need for Starter Homes (per annum)			
	Size of target group	% able to afford	Number able to afford
23-24	54	21.7%	12
25-29	221	34.5%	78
30-34	111	42.7%	48
35-39	62	46.8%	29
TOTAL	447	-	167

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

- 8.44 The analysis can also be brought together (i.e. adding the current and future need) to provide an annual estimate of the likely need for Starter Homes. The analysis as presented above annualises the current need as if this were to be met over the remainder of the projection period (to 2039). However, it should be noted that it is currently the Government’s pledge to get Starter Homes delivered by 2020 (200,000 Starter Homes out of a total of 1 million homes). Hence the analysis below also looks at meeting the current need over five years. The table below shows that over the five-year period to 2020, the potential ‘need’ for Starter Homes is around 696 per annum, but this figure more than halves if this ‘need’ is sought to be met by 2039 rather than earlier.

Figure 8.22: Estimated annual need for Starter Homes – by local authority

	2014-39			2015-20		
	Current need (pa)	Future need (pa)	Total need (pa)	Current need (pa)	Future need (pa)	Total need (pa)
Mendip	17	28	45	85	28	113
Sedgemoor	30	51	81	150	51	201
South Somerset	30	44	73	148	44	192
Taunton Deane	26	40	66	132	40	172
Somerset	106	167	273	528	167	696

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

- 8.45 The annual estimated need for Starter Homes can be compared with the overall need for housing as assessed through demographic projections – this suggested a range of need for between 2,076 and 2,320 dwellings per annum. Concentrating on the top end of this range it can be seen that the Starter Home need represents between about 12% and 30% of the household projections – depending on the time period over which the current need is addressed.
- 8.46 On balance, this analysis would suggest that there is likely to be sufficient demand for 20% of housing to be provided as Starter Homes although issues about the affordability of such a product remain. As currently worded, the Housing and Planning Act seems likely to require local authorities to provide at least 20% of housing as Starter Homes. Were there to be a degree of flexibility in the proportion of homes to be provided within this tenure then the Councils will need to consider this by balancing the needs for more traditional forms of affordable housing. This could well be through seeking a lower proportion of Starter Homes (or possibly none); recognising that these households with the potential to afford such a product will already be able to meet their own needs in the housing market (through renting privately). That said, taking the pressure off the PRS might have some positive consequences in terms of the availability of accommodation and a reduced pressure on rent levels (which may help to minimise any impacts of rent caps).

Figure 8.23: Proportion of overall housing need potentially met by Starter Homes						
	Annual housing need		% of need linked to 2014-based CLG		% of need linked to 10-year migration trends	
	2014-based CLG	10-year migration	5-years (2015-20)	25-years (2014-39)	5-years (2015-20)	25-years (2014-39)
Mendip	411	491	27%	11%	23%	9%
Sedgemoor	568	593	35%	14%	34%	14%
South Somerset	547	597	35%	13%	32%	12%
Taunton Deane	474	507	36%	14%	34%	13%
Somerset	2,076	2,320	34%	13%	30%	12%

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

The Role of Starter Homes: Key Messages

- Analysis of the 'need' for Starter Homes from both current and newly forming households identifies a potential need for 273 homes to be provided each year to 2039. This figure represents about 12-13% of the total need for housing identified by the analysis (a need for 2,076-2,320 dwellings each year). This proportion could increase (to 30-34%) if the current 'need' is assessed over a shorter time frame.
- 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.
- The analysis has been based on a 20% discount to Open Market Value (OMV). 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 County.
- 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.
- 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. Questions do remain about the extent to which such housing is genuinely affordable as the income levels required to access such housing are above those typically required to access market housing as currently available (in the private rented sector). If there is flexibility of the proportion of homes to be provided as Starter Homes, then the Council will need to consider the balance between Starter Homes and other forms of affordable housing carefully (particularly noting that those able to afford a Starter Home will already be able to afford market housing within the private rented sector).

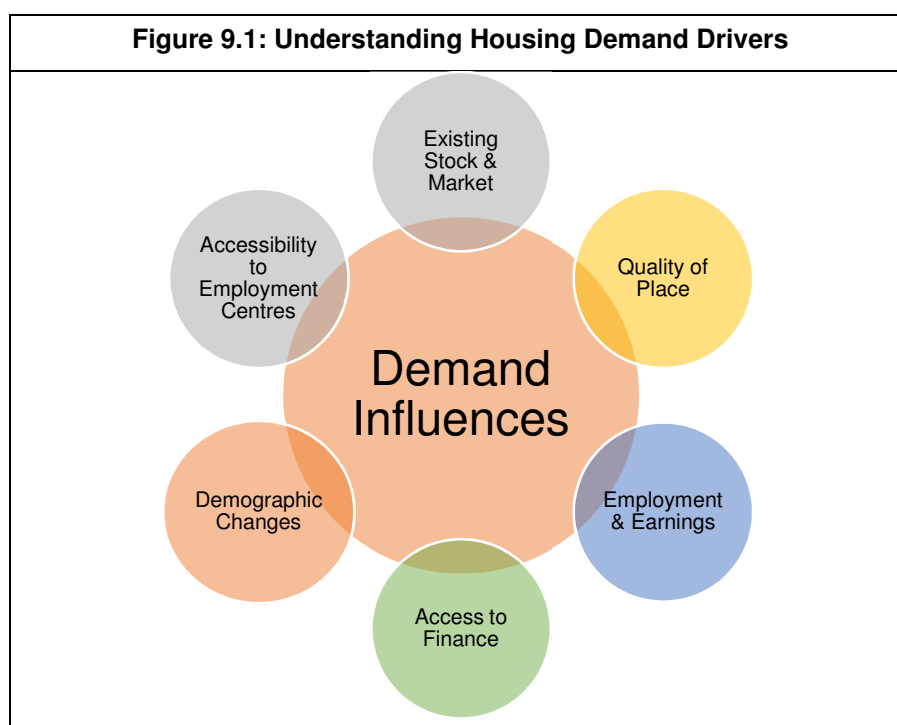
9. Market Signals

Introduction

- 9.1 In line with the PPG, this section has sought to analyse in detail the housing market dynamics. This section, initially reviews housing market dynamics including national and macro- economic drivers. This is then developed at a more local level with quantitative analysis of local prices, sales volumes and affordability. The analysis should be read alongside the qualitative analysis through engagement with estate/letting agent and new-build sales staff which is reported separately.

Conceptual Framework

- 9.2 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:



Source: GL Hearn

- 9.3 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). Economic uncertainty resulting from the Brexit vote appears to be impacting on confidence within the housing market at the time of writing.
- 9.4 The market is also influenced by the economy at both regional and local levels, recognising that employment trends will influence migration patterns (as people move to and from areas to access jobs) and that the nature of employment growth and labour demand will influence changes in earnings and wealth (which influences affordability).

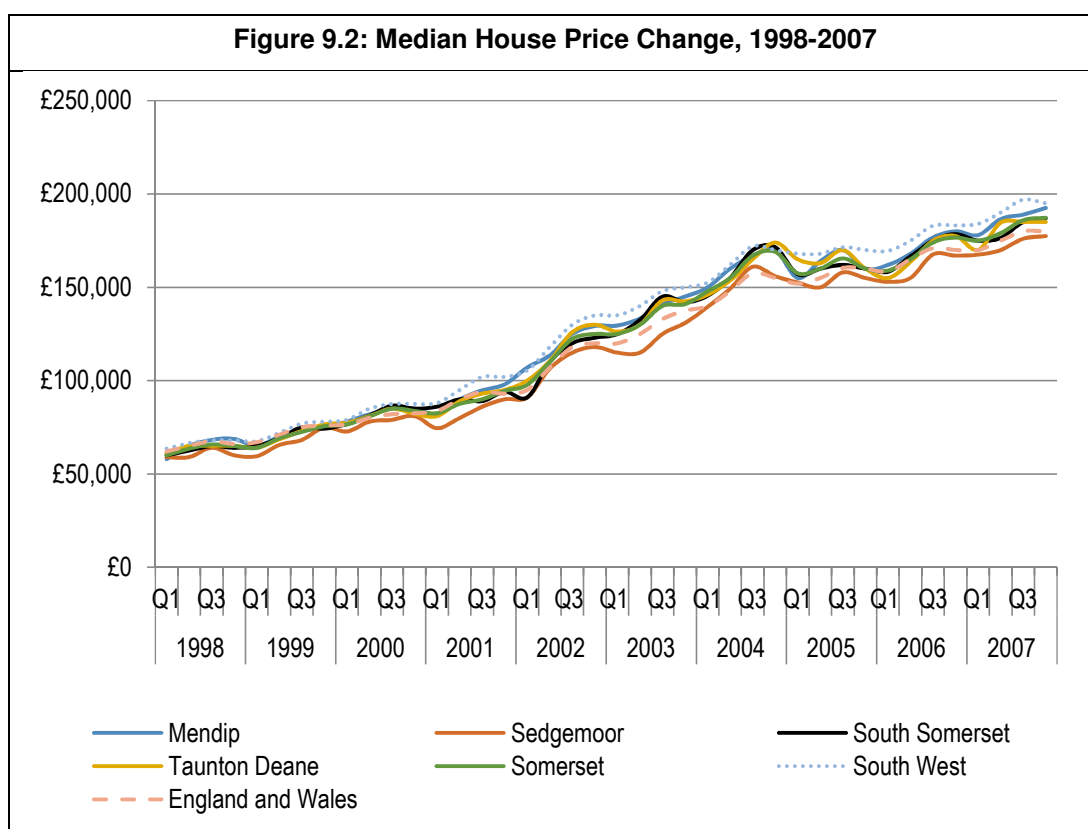
- 9.5 Housing demand over the longer-term is particularly influenced by population and economic trends: changes in the size and structure of the population directly influence housing need and demand, and the nature of demand for different housing products. There are then a number of factors which play 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.
- 9.6 The influence of these factors can be particularly local and thus there is a limit to the extent that they can be covered in a strategic study; however key market characteristics and local trends are picked up through the qualitative research undertaken.
- 9.7 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 and consequently reinforce to some degree the existing stock profile. However, regenerative investment or delivery of new transport infrastructure can influence the profile of housing demand in a location, by affecting its attractiveness to different households. Equally the construction of Hinckley Point C represents an external influence on the housing market.
- 9.8 Local housing markets or sub-markets are also influenced by dynamics in surrounding areas, in regard to the relative balance between supply and demand in different markets; and the relative pricing of housing within them. Understanding relative pricing and price trends is thus important.

Local Demand Indicators and Market Signals

- 9.9 The PPG outlines that the housing need suggested by household projections should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between supply and demand for housing. Prices or rents rising faster than the national/ local average may well indicate market undersupply.
- 9.10 In assessing market signals, the PPG outlines that as individual indicators can be volatile, consideration should be given to longer-term trends (in terms of absolute and relative changes), as well as to similar demographic/ economic areas and nationally.
- 9.11 It is also considered important to understand how trends relate to different market cycles and thus consider trends over the 1998-2007 period; and 2007-2016 in the analysis. The analysis considers dynamics within each local authority and compares these to County, regional and national trends.

House Prices

- 9.12 The figure below shows the growth in median house prices over the pre-recession decade 1998-2007. Strong, sustained house price growth was seen at both a national and regional level over this period, growing by an average of 13% per annum. As the figure shows, a similar trend was seen across each of the Somerset authorities with each seeing 13-14% pa price growth.
- 9.13 The analysis particularly points to national, macro-economic factors as driving house price growth, rather than a particular acute lack of supply in any of the Somerset local authorities. However, it does highlight a general supply/demand imbalance over this period which contributed to strong house price growth. The availability of mortgage finance and buy-to-let investment, coupled with the inelasticity of housing supply, contributed to house price growth over this period.



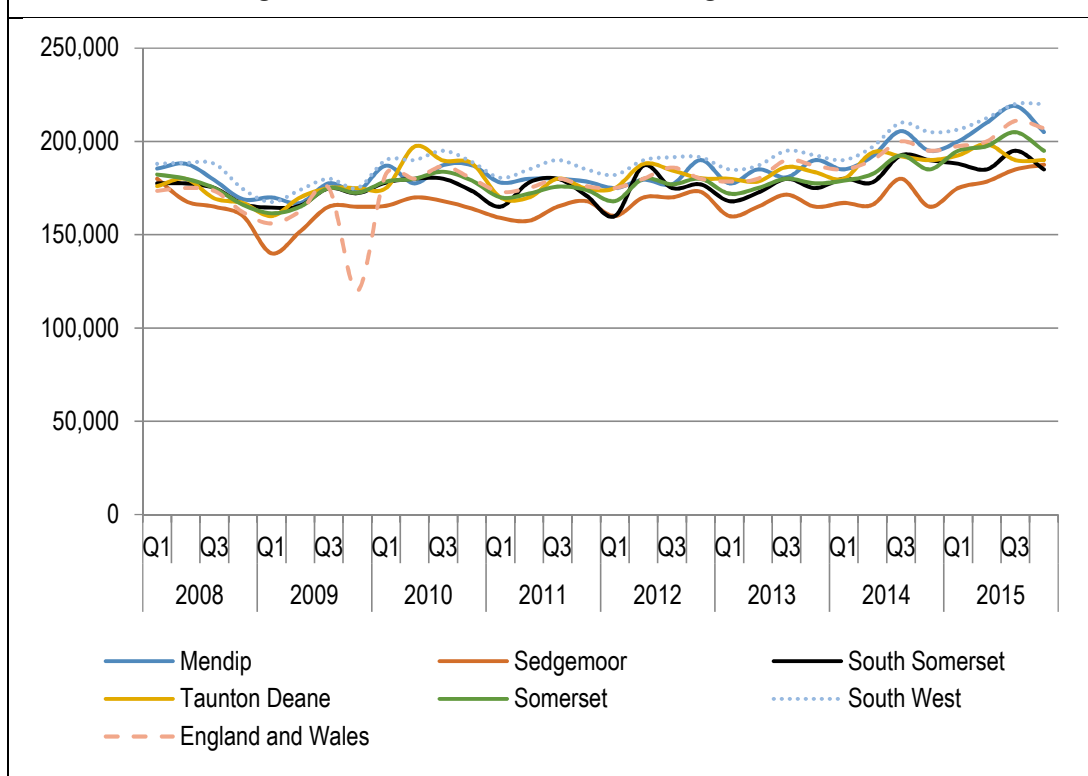
- 9.14 In absolute terms, house price growth in most of the Somerset authorities was marginally above that seen nationally, in common with other areas within the South West. Mendip was the only authority which saw absolute growth which was above the regional average.

Figure 9.3: Absolute and Relative House Price Changes, 1998-2007

	1998 (Q1)	2007 (Q4)	Price Change	Price Change (%)	% Change PA
Mendip	£58,000	£192,500	£134,500	232%	14%
Sedgemoor	£58,975	£177,500	£118,525	201%	13%
South Somerset	£60,000	£187,000	£127,000	212%	13%
Taunton Deane	£61,125	£185,000	£123,875	203%	13%
Somerset	£60,000	£187,250	£127,250	212%	13%
South West	£63,500	£195,000	£131,500	207%	13%
England and Wales	£61,950	£179,950	£118,000	190%	13%

Source: Analysis of CLG Live Tables: Land Registry Data

9.15 Housing market conditions in the last economic cycle, since 2008, have been notably different. This period has seen more subdued market demand, associated with weaker economic conditions – particularly in the earlier part of the period – coupled with enhanced mortgage market regulation and more prudent lending attitudes. Using a consistent scale to the previous figure, the different trend seen in house prices is self-evident.

Figure 9.4: Median House Price Change, 2008-2015

Source: Analysis of CLG Housing Statistics & HMLR Price Paid Data

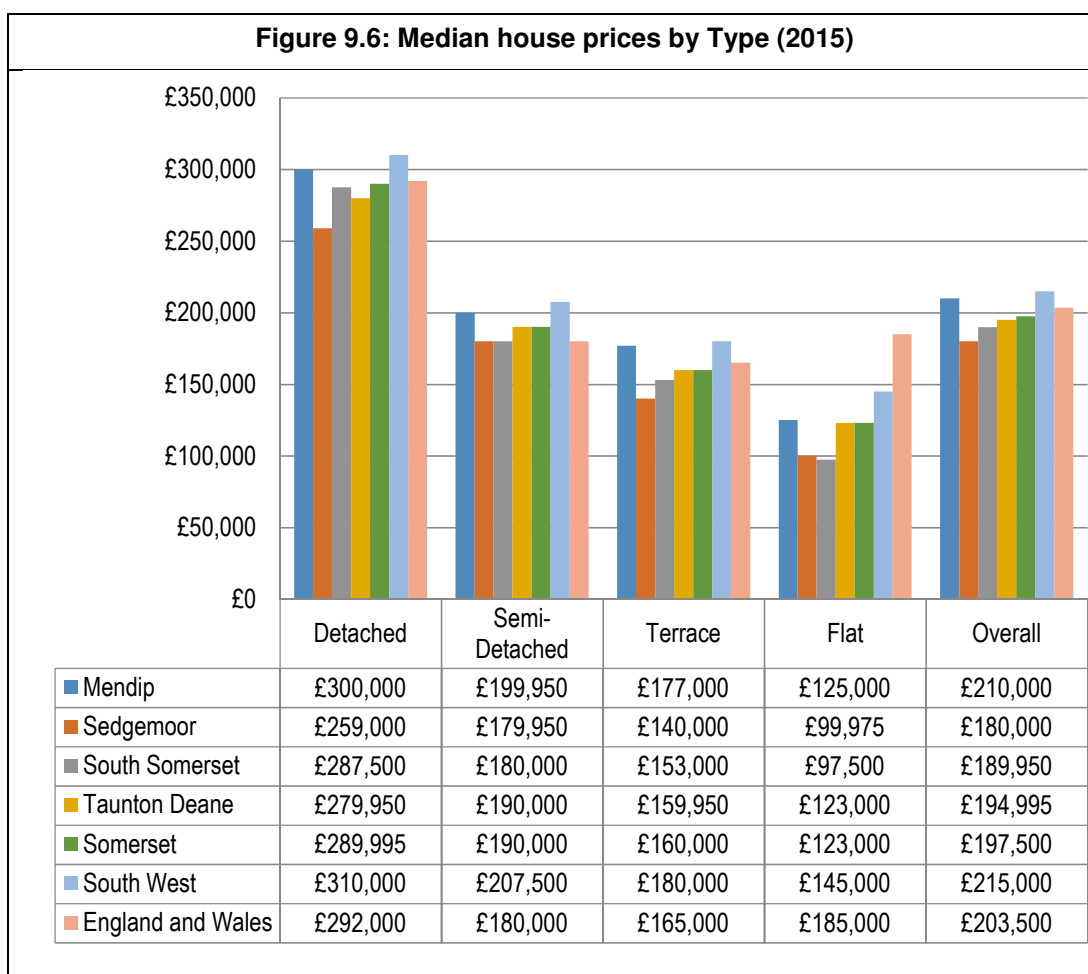
9.16 Over the market cycle since 2008, house price growth of just 1% per annum has been seen in Somerset. This falls below inflation and indicates that **the value of housing in real terms has fallen over the past 7 years.**

- 9.17 In proportional and absolute terms, house price growth over this period has fallen below that seen at a regional and national level. Mendip has seen price growth of £19,525 over this period but this still represents a below-inflation increase, and thus a real term fall in prices.

Figure 9.5: Absolute and Relative House Price Changes, 2008-2015					
	2008 (Q1)	2015 (Q4)	Price Change	Price Change (%)	% Change PA
Mendip	£185,475	£205,000	£19,525	11%	1%
Sedgemoor	£180,000	£187,500	£7,500	4%	1%
South Somerset	£177,500	£185,000	£7,500	4%	1%
Taunton Deane	£176,000	£190,000	£14,000	8%	1%
Somerset	£182,250	£195,000	£12,750	7%	1%
South West	£188,000	£220,000	£32,000	17%	2%
England and Wales	£173,500	£207,000	£33,500	19%	3%

Source: GLH Analysis of CLG Housing Statistics & HMLR Price Paid Data

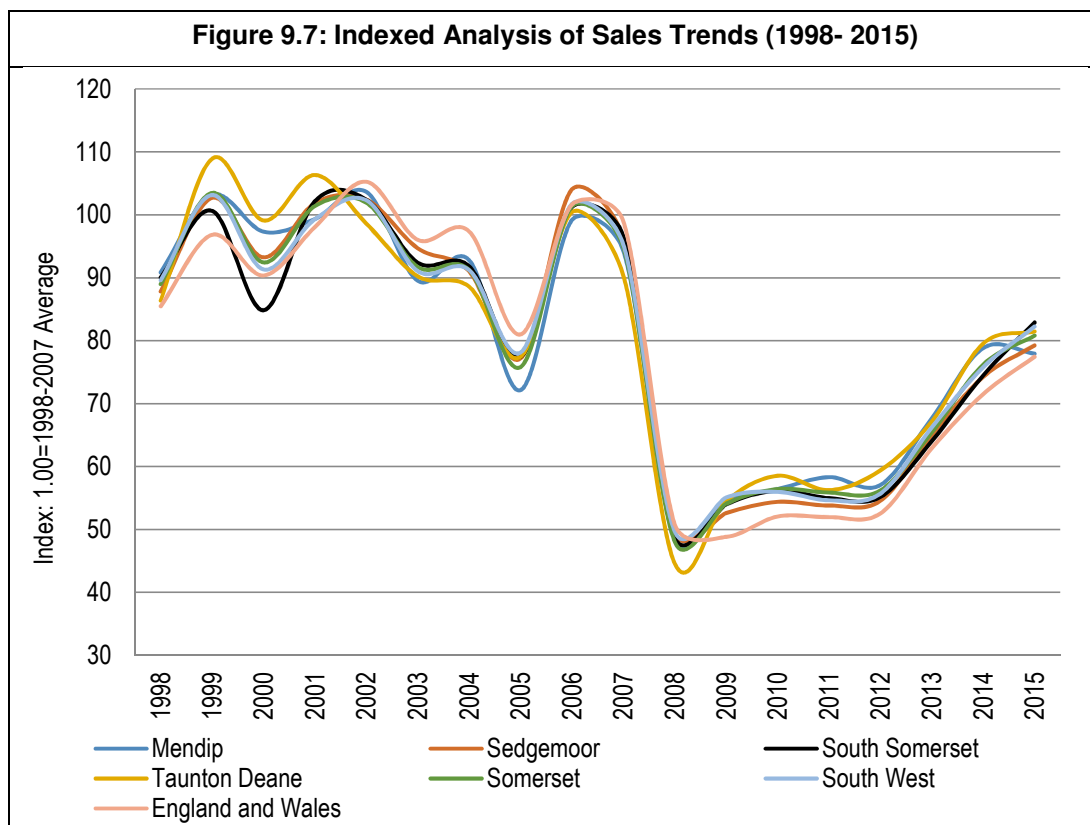
- 9.18 The highest house prices in Somerset in 2015 were in Mendip (£205,000), **however, prices in all of the Somerset authorities fall below regional and national averages.**
- 9.19 Differentials in absolute house prices by area within Somerset are influenced in part by the housing mix. The figure below shows median house prices for different dwelling types. This points to higher relative housing costs (for similar products) in Mendip, and lower values in Sedgemoor.



Source: CLG Live Tables: Land Registry Price Paid Data

Sales Volumes and Effective Demand

- 9.20 Sales are an important indicator of effective demand for market housing. Analysis below has benchmarked sales performance against long-term trends to assess relative demand. The figure below benchmarks annual sales over the period of 1998 to 2015. It uses an index where 1.00 is the average annual sales over the 1998-2007 pre-recession decade.
- 9.21 The analysis points to a significant and sustained impact of the 2008-9 economic recession on the housing market, with a reduction in sales of around 45-50%. Sales volumes (and thus effectively demand) remained low through the 2010-12 period. Sales volume were improving significantly year-on-year between 2013-15. During 2016 this momentum has been lost. What is notable however is that sales volumes in 2015 remained generally around 20% down on the averages seen in the pre-recession decade (1998-2007).
- 9.22 Trends in sales at a local authority level have largely mirrored those seen at a regional and national level, highlighting the influence of macro-economic factors on the market. Relative to the pre-recession trend, sales volumes in 2015 had recovered the greatest in South Somerset.



Rental Costs

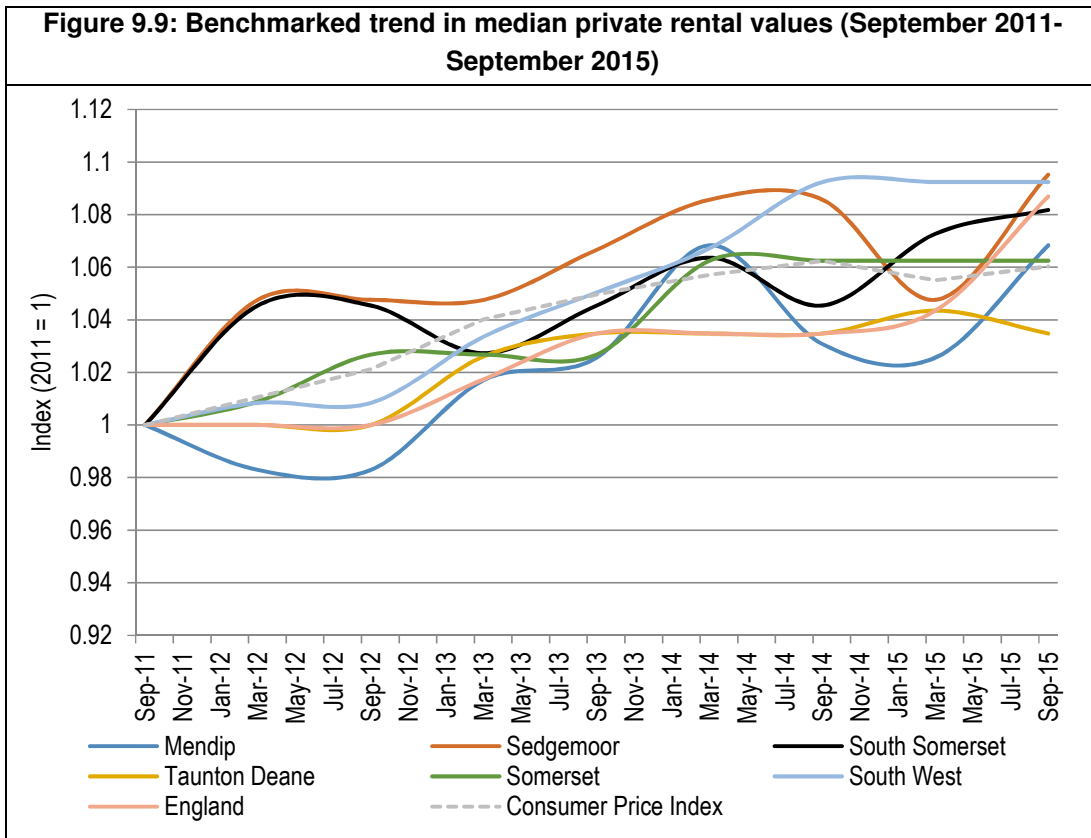
9.23 Median rental costs in each of the Somerset authorities are below the South West average. Rents in Mendip are equal to the national average: in all other Somerset authorities they are below. The lowest rents, at £575 per calendar month, are in Sedgemoor.

Figure 9.8: Median Private Rents, Year to September 2015

	Median Rent, Year to Sept 2015	% Difference to South West
Mendip	£625	-3.8%
Sedgemoor	£575	-11.5%
South Somerset	£595	-8.5%
Taunton Deane	£595	-8.5%
Somerset	£595	-8.5%
South West	£650	0.0%
England	£625	-3.8%

Source: Analysis of VOA Private Rental Market Statistics

9.24 The figure below shows trends in rents over the period since 2011 (the longest period consistently available from VOA data). Rental growth has been above inflation only in Sedgemoor and South Somerset, as seen across both the South West region and nationally. Sedgemoor is the only authority which has seen rental growth over this period which is above regional/ national benchmarks albeit only marginally so (9.5% growth vs. 9.2% across the South West and 9.2% across England). Rental costs in Taunton Deane have fallen in real terms.



Source: VOA Private Rental Data

Affordability of Market Housing

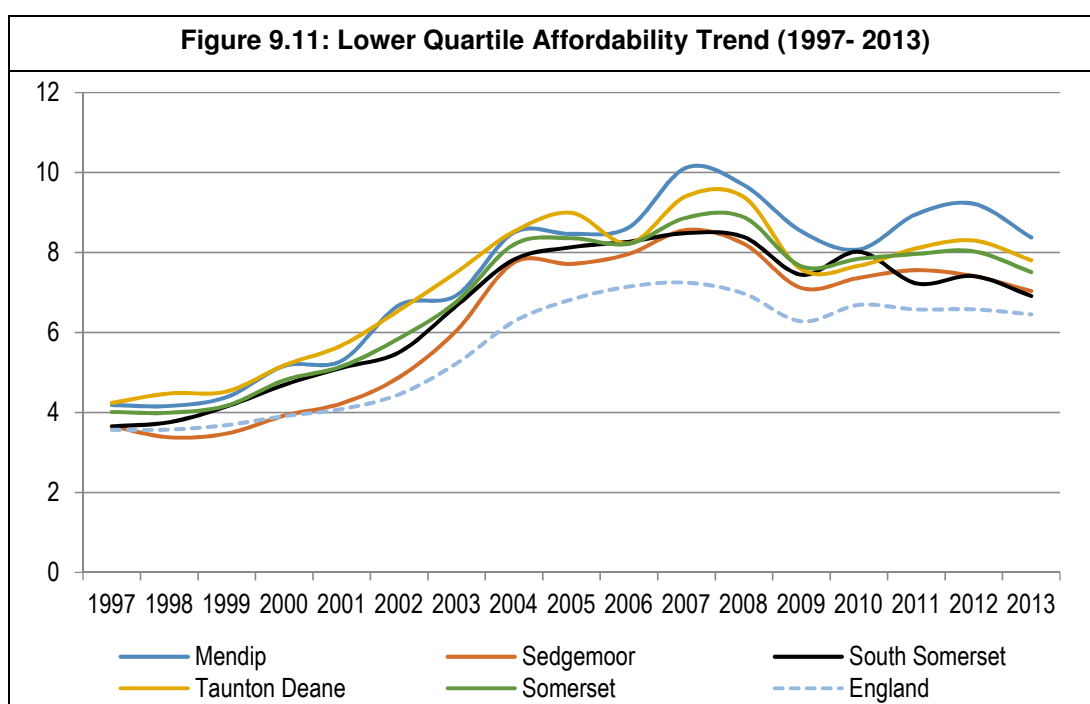
9.25 Evidence of affordability has been studied by looking specifically at the relationship between lower quartile house prices and lower quartile earnings, as published by CLG. CLG has discontinued its previous dataset, and therefore two time periods are considered: 1997-2013; and 2013-15. These are some minor differences between the two datasets.

9.26 The latest data points to lower quartile house price-to-income ratios across Somerset which are above the national average, ranging from 7.8 in South Somerset to 9.1 in Mendip. This does point to affordability pressures for younger would-be first-time buyers.

	2013	2014	2015	Change
Mendip	8.41	8.84	9.05	0.64
Sedgemoor	7.19	7.93	8.12	0.93
South Somerset	7.17	7.52	7.79	0.62
Taunton Deane	7.86	8.46	8.19	0.33
England	6.66	6.95	7.02	0.36

Source: CLG Table 576

- 9.27 There has been some deterioration of the house price to income ratio over the 2013-15 period, however this is a relatively short period and follows a period in which affordability had improved since 2008 in most of the Somerset authorities, as the figure below shows.



- 9.28 The table below compares the LQ house price-to-income ratio in 2005 and 2015. Over this decade, relatively modest changes in the ratio were seen, with an increase of 0.6 percentage points in Mendip being the highest growth. In contrast, the ratio fell in both Taunton Deane and South Somerset.

	2005	2015	Change
Mendip	8.5	9.0	0.6
Sedgemoor	7.7	8.1	0.4
South Somerset	8.1	7.8	-0.3
Taunton Deane	9.0	8.2	-0.8
England	6.8	7.0	0.2

Source: Analysis based on CLG Housing Statistics

- 9.29 If we overlay the analysis by market cycle, in the 2008-2015 period, the lower quartile house price-to-income ratio has fallen in each of the Somerset authorities. The greatest improvement has been in Taunton Deane (where the ratio fell by 0.8 points).

Land Values

- 9.30 As the PPG sets out, residential land values can provide direct information on the shortage of land in any locality for a particular use. Data published by CLG indicates residential land values in Somerset local authorities which all fall below regional and national averages. This does not particularly point to a shortage of residential land.
- 9.31 The lowest land values seen in the County are in Mendip and Sedgemoor, both at more than 50% below the South West average. The highest are in Taunton Deane, although these are still some way below the regional (and national) average.

	Residential Land Value per Ha	% Difference to South West Average
Mendip	£990,000	-51%
Sedgemoor	£865,000	-57%
South Somerset	£1,240,000	-38%
Taunton Deane	£1,445,000	-28%
South West	£2,000,000	0%
England (excl. London)	£2,100,000	5%

Source: CLG Land Value Estimates for Policy Appraisal, December 2015

Housing Delivery

- 9.32 The PPG sets out that rates of development should be considered, including the flow of actual completions relative to the planned number. It sets out that if the historic rate of development shows actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan.
- 9.33 It needs to be recognised that housing delivery will be influenced by wider economic conditions, and thus to appraise an area's housing delivery record a reasonable period of time needs to be considered. The time period considered herein is in part influenced by data availability.

- 9.34 The analysis points to some modest under-provision in South Somerset (10%) and Taunton Deane (9%), and to a lesser extent Mendip. The data in contrast points to an over-provision against planned targets by 16% in Sedgemoor. Overall, the figures do not point to any significant under-delivery of housing in the County or individual local authorities. It should be noted that under-provision could suggest a lack of market demand (although over-provision in itself is potentially a market indicator of demand for new-build homes).

	Time Period	Housing Requirement	Housing Delivery	Shortfall/ Surplus	% Over/ Under-Provision
Mendip	2007-15	3,469	3,352	-117	-3%
Sedgemoor	2006-15	4,545	5,276	731	16%
South Somerset	2006-15	7,210	6,473	-737	-10%
Taunton Deane	2008-16	5,000	4,529	-471	-9%

Source: Analysis of LA Monitoring Data

Overcrowding and wider indicators

- 9.35 The PPG sets out that consideration should be given to long-term increases in overcrowded, concealed and shared households, as well as those in homelessness and temporary accommodation. Long-term increases may point to a need to increase housing provision.
- 9.36 The analysis below firstly looks at levels of overcrowding in Somerset compared with other areas (based on the bedroom standard) before moving on to consider how overcrowding has change over time (in this case using the room standard as historical bedroom standard data is not available from the Census source used).
- 9.37 The table below shows that in 2011 some 2.3% of households in Somerset were overcrowded. This is below the average for the South West and also below the national average. All of the individual local authorities in the County show low levels of overcrowding.

	Overcrowded (no.)	Overcrowded (%)
Mendip	1,046	2.3%
Sedgemoor	1,069	2.2%
South Somerset	1,470	2.1%
Taunton Deane	1,209	2.6%
Somerset	5,118	2.3%
South West	62,349	2.8%
England	1,024,473	4.6%

Source: Census (2011)

- 9.38 The table below shows overcrowding (as measured through the room standard) in 2001 and 2011. The data confirms that levels of overcrowding in Somerset are lower than regional and national figures. Across Somerset, the number of overcrowded households (measured using the Census occupancy rating) increased by just under 2,500 (0.2 pp) between 2001-11. The largest increases in absolute and proportional terms were in Taunton Deane, South Somerset and Mendip.

Figure 9.16: Change in Overcrowded Households 2001-11

	Overcrowded, 2001		Overcrowded, 2011		Change: Nos	Change: PP
	No.	%	No.	%		
Mendip	1,739	4.1%	2,255	4.9%	516	0.8%
Sedgemoor	1,745	3.9%	2,129	4.4%	384	0.4%
South Somerset	2,208	3.5%	3,029	4.4%	821	0.9%
Taunton Deane	1,823	4.2%	2,563	5.5%	740	1.3%
Somerset	8,126	3.9%	10,615	4.7%	2,489	0.8%
South West	104,589	5.0%	144,657	6.4%	40,068	1.4%
England and Wales	1,510,422	7.0%	1,995,860	8.5%	485,438	1.6%

Source: Census data

- 9.39 As well as studying overcrowding the table below looks at the number of Houses in Multiple Occupation (HMOs). For the purposes of this analysis, data has been taken from the Census about the number of households in the 'Other' household composition category – this category is largely made up of multi-adult households where residents are unrelated. This therefore provides an indication of the number of sharing households.
- 9.40 The table below shows that the proportion of households sharing accommodation is below regional and national averages. The level of sharing households has increased slightly over the decade to 2011 – although the increases are generally more modest than seen regionally and nationally.

Figure 9.17: Changes in sharing households (2001-2011)

	2001	2011	Change
Mendip	2.6%	3.3%	0.6%
Sedgemoor	2.8%	3.4%	0.6%
South Somerset	2.5%	3.0%	0.5%
Taunton Deane	3.0%	3.8%	0.9%
Somerset	2.7%	3.4%	0.6%
South West	3.3%	4.0%	0.7%
England and Wales	3.7%	4.5%	0.8%

Source: Census (2001 and 2011)

- 9.41 The final analysis in this section concerns the number of concealed households. A concealed household is defined in the Census as 'a family living in a multi-family household in addition to the primary family, such as a young couple living with parents'. The concept of concealed households is important in studying objectively assessed need as such households will not be included within demographic projections (as the projections work on the basis of one family per household).

9.42 The table below shows in 2011 that there were 2,009 concealed families in Somerset; generally, the proportion of concealed families in the County is low when compared with regional and (especially) national data. However, the number of concealed households has increased over time and in 2011 there were 867 more such households in the County than were recorded in 2001.

	Concealed families (2011)	% of all families	Concealed families (2001)	Change from 2001
Mendip	421	1.3%	226	195
Sedgemoor	500	1.4%	293	207
South Somerset	548	1.1%	301	247
Taunton Deane	376	1.2%	227	149
Somerset	2,009	1.3%	1,142	867
South West	20,995	1.4%	13,068	7,927
England and Wales	275,954	1.9%	161,254	114,700

Source: Census (2001 and 2011)

Drawing the analysis together

9.43 Drawing the analysis together, conclusions can be made on whether an adjustment to overall housing provision should be made for market signals. Planning Practice Guidance outlines where the evidence points to a worsening trend, an adjustment should be made to planned housing provision relative to the *'starting point'* demographic projections (2a-019).

9.44 The evidence for Mendip indicates:

- House prices and rents which are below national and regional averages, albeit above other Somerset authorities. Price growth (2008-15) which has been higher in absolute and relative terms than other Somerset authorities, but again modest relative to regional/ national trends. A real term decline in prices. Rents which have not grown in real terms since 2011;
- LQ affordability ratio at 9.1 which is above wider benchmarks, and the national average, but which has grown only modestly over the last decade;
- Modest under-provision of housing (-3%) relative to planned provision over the 2005-15 decade. Relatively low land values, at 51% below the regional average, which do not point to a particular shortage of residential land; and
- Wider indicators which point to a low level of overcrowding, and growth in overcrowding in relative terms.

9.45 The evidence for Sedgemoor indicates:

- House prices and rents which are below national and regional averages, and amongst the lowest of the Somerset authorities. Below trend price growth (1% pa) since 2008, which has been below other Somerset authorities and wider benchmarks, and represents a real term decline in prices. Rental costs however have grown in real terms, but remain relatively affordable compared to other parts of Somerset and wider benchmarks;
- A lower quartile affordability ratio of 8.1 which is above the national average, but towards the lower end of the range of the Somerset authorities. The ratio has grown only modestly over the last decade;
- An over-provision of housing relative to planned provision over the 2005-15 decade, by 16%. Lowest land values of the Somerset authorities, at 57% below the regional average;
- Wider indicators point to modest increase in overcrowding, but low levels in overall terms

9.46 The evidence for South Somerset indicates:

- House prices which are below national and regional averages and other Somerset authorities. Rents which are equal the Somerset average, but are below regional/ national benchmarks. Below trend price growth (1% pa) since 2008, with growth which has been below other Somerset authorities and wider benchmarks, and represents a real term decline in prices. Rental costs however have grown in real terms, but remain relatively affordable compared to wider benchmarks;
- LQ affordability ratio of 7.8 which is above the national average, but the least unaffordable of the Somerset authorities. The ratio has grown only modestly over the last decade;
- A 10% under-provision of housing relative to planned provision over the 2006-15 period. Land values which are 38% below the regional average; and
- Wider indicators point to modest increase in overcrowding, but low levels in overall terms

9.47 The evidence for Taunton Deane indicates:

- House prices which are below national and regional averages and other Somerset authorities. Rents which are equal the Somerset average, but are below regional/ national benchmarks. Below trend price growth (1% pa) since 2008, with growth which has been average relative to other Somerset authorities but below wider benchmarks, and represents a real term decline in prices. Rental costs which have fallen in real terms, and remain relatively affordable compared to wider benchmarks;
- LQ affordability ratio of 8.2 which is above the national average, but the second lowest the Somerset authorities. The ratio has grown only modestly over the last decade: with lower growth than seen in other Somerset authorities;
- A 9% under-provision of housing relative to planned provision over the 2008-16 period. Land values which are 28% below the regional average; and
- Wider indicators point to stronger increase in overcrowding relative to other authorities, but to levels which remain below regional/ national benchmarks.

9.48 Overall the analysis of market signals points towards some affordability pressures although the analysis suggests this is not dissimilar to that seen in other locations and therefore there is no strong evidence that housing provision should be increased. The only topic where some increase might be merited is in relation to concealed households – as noted in the affordable housing section, these households do not form part of the demographic assessment of need.

- 9.49 The analysis above identifies that the number of concealed households in the County increased by 867 from 2001 to 2011 to reach a total of 2,009. It is not considered that all of this 2,009 should be added to the need as it would be expected at any point in time that there will be a number of concealed households and some of this will be through choice. However, the increase in the number of such households is likely to reflect some difficulties in the housing market; it is therefore suggested that the housing need figure should be increased by 867 dwellings (35 per annum) to reflect the change in the number of concealed households.
- 9.50 On the basis of the various analysis carried out (in relation to demographic trends, the economy, affordable housing and market signals) it is concluded that the objectively assessed need for housing in Somerset is in the range of 52,772 and 58,870 dwellings (2014-39) – this is 2,355 per annum.

Figure 9.19: Estimated housing need including uplift for concealed households (uplift to 2014-based CLG household projections)

	Demographic need (2014-39)	Additional concealed households	Total need (2014-39)	Per annum
Mendip	10,268	195	10,463	419
Sedgemoor	14,203	207	14,410	576
South Somerset	13,683	247	13,930	557
Taunton Deane	11,853	149	12,002	480
Somerset	51,905	867	52,772	2,111

Source: Demographic projections and Census (2001 and 2011)

Figure 9.20: Estimated housing need including uplift for concealed households (uplift to projection based on 10-year migration trends)

	Demographic need (2014-39)	Additional concealed households	Total need (2014-39)	Per annum
Mendip	12,265	195	12,460	498
Sedgemoor	14,823	207	15,030	601
South Somerset	14,926	247	15,173	607
Taunton Deane	12,663	149	12,812	512
Somerset	58,003	867	58,870	2,355

Source: Demographic projections and Census (2001 and 2011)

- 9.51 It should be remembered that the PPG states that any uplift for market signals should be set against the start point projection. If the Councils were to use the higher of the figures above as the OAN (i.e. 10-year migration trends with an uplift for concealed households) then this would represent an uplift of 13% across the County – figures for individual authorities are shown in the table below.

Figure 9.21: Potential uplift to demographic start point of using 10-year migration trends and an adjustment for concealed households				
	Start point (dwellings per annum)	Upper end OAN (dwellings per annum)	Uplift	% uplift
Mendip	411	498	88	21%
Sedgemoor	568	601	33	6%
South Somerset	547	607	60	11%
Taunton Deane	474	512	38	8%
Somerset	2,076	2,355	279	13%

Source: Demographic projections and Census (2001 and 2011)

Market Signals: Key Messages

- Analysis of a range of market signals has been undertaken to consider if any adjustments should be made to the demographic-based assessment of housing need. The market signals studied are consistent with those in the PPG and included; house prices, rents, affordability ratios, land values, rates of development and overcrowding/concealed households.
- The analysis did not identify any particular issue to suggest that provision in Somerset (or specific local authorities) should be increased.
- Even if the market signals were to suggest an uplift in provision, then any adjustments would need to be carefully considered. For example, if additional provision were to simply increase migration and population growth then this would be a Duty-to-Cooperate issue impact on other areas (where population growth and housing need would therefore be lower). If, however, an uplift is reasonable due to particularly suppressed household formation, then this could be done without impacting on other locations. In Somerset, the evidence did not point to any particular suppression within the CLG 2014-based household projections.
- The market signals did however identify an increase in the number of concealed households in the County. These households are not captured by demographic projections and do not currently have housing. It is therefore reasonable to increase the level of need by the increase in concealed households seen in the 2001-11 period – this increases need by some 867 dwellings (about 35 per annum over the 2014-39 period). On the basis of 10-year migration trends (the highest of the demographic projections developed) this would mean that the objectively assessed housing need in Somerset is for 58,870 dwellings (2,355 per annum).
- Moving forward, the Councils should continue to monitor the market signals for any evidence of a significant change at least annually). Not all of the market signals can be periodically reviewed; the key ones which can include: house prices and rents, income levels (leading to affordability assessments) and completions.

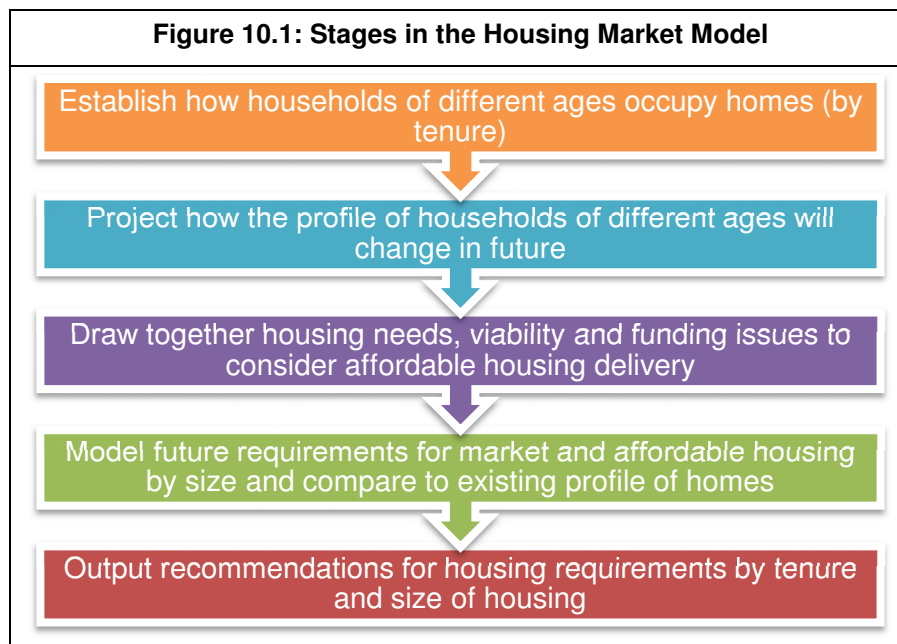
10. Housing Mix (Size of Homes Needed)

Introduction

- 10.1 There are a range of factors which influence housing demand; these factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.
- 10.2 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 the demographic projection linked to the 2014-based household projections. This projection indicates a need for around 47,600 additional homes across Somerset between 2014 and 2039.
- 10.3 It should be noted that this projection will not necessarily be translated into policy, but has been used to indicate the likely need for different sizes of homes moving forward. Were a projection with a different housing figure used then the outputs would be expected to be broadly similar.

Methodology

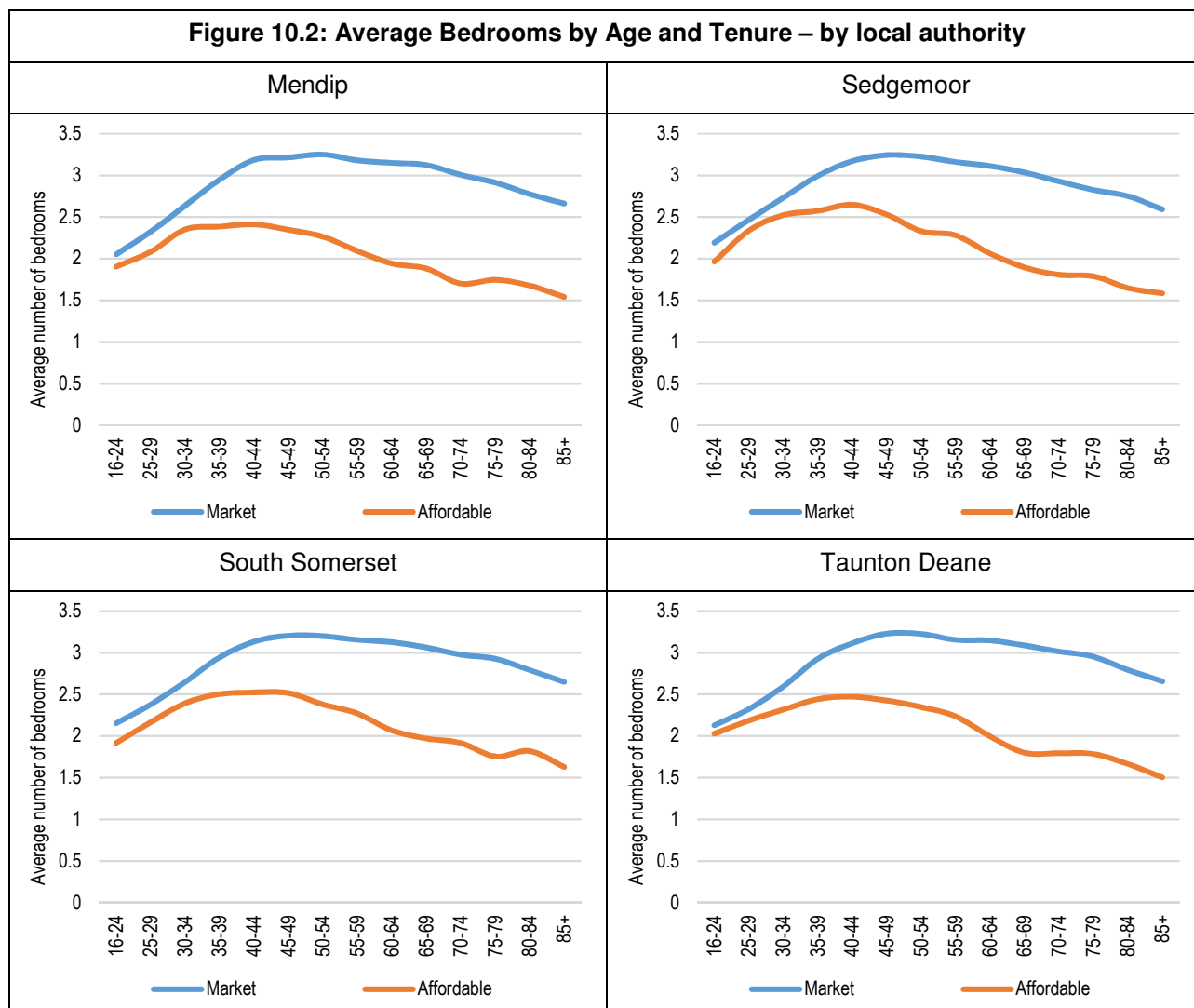
- 10.4 The figure below describes the broad methodology employed in the housing market model which is used to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections.



- 10.5 Where the analysis refers to affordable housing, this is typically based on information about the social rented sector (due to Census data availability). Additional analysis about size profiles for other forms of affordable housing (intermediate, Starter Homes) is separately provided towards the end of the section.

Understanding how Households Occupy Homes

- 10.6 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 10.7 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 in to 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 under-occupy housing.
- 10.8 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age 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 CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).
- 10.9 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group. In the market sector the average size of accommodation rises over time to typically reach a peak around the age of 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. It is also notable that the average size for affordable housing dwellings are lower than those for market housing for all age groups.



Source: Derived from ONS Commissioned Table CT0621

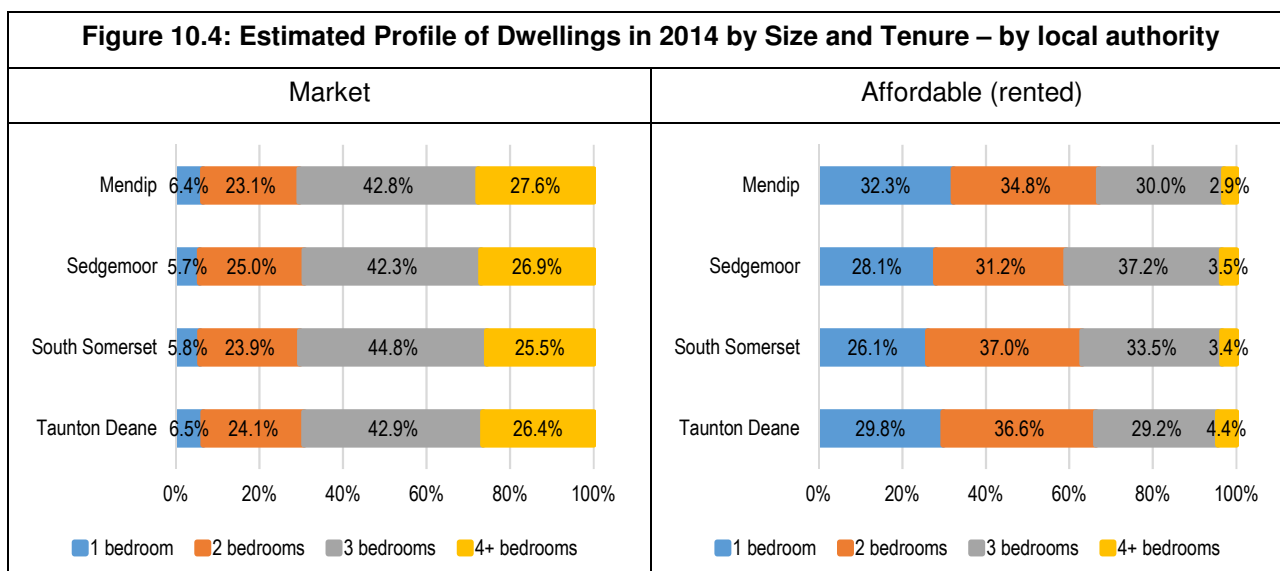
Establishing a Baseline Position

- 10.10 As of 2014 it is estimated that there were 234,355 households living in Somerset. Analysis of Census data linked to the demographic baseline provides an estimate of the profile of the housing stock in 2014, as shown in the table below. This shows that an estimated 14% of households live in affordable housing with 86% 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 homes in the 2011 Census and updated using data from CLG Live Tables (LT100). The data also suggests that homes in the market sector are generally bigger than in the affordable sector with 70% having three or more bedrooms compared to 36% for affordable housing.
- 10.11 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 outcomes.

Size of housing	Market		Affordable (rented)		Total	
	Number	%	Number	%	Number	%
1 bedroom	12,288	6.1%	9,121	28.3%	21,409	9.1%
2 bedrooms	49,042	24.3%	11,436	35.5%	60,478	25.8%
3 bedrooms	87,559	43.3%	10,539	32.7%	98,099	41.9%
4+ bedrooms	53,220	26.3%	1,149	3.6%	54,369	23.2%
Total	202,110	100.0%	32,245	100.0%	234,355	100.0%
% in tenure	86.2%		13.8%		100.0%	

Source: Derived from 2011 Census

10.12 The figure below shows how dwelling sizes are estimated to vary across different local authority areas. The analysis does show some differences across areas (and particularly in the affordable sector). As of 2014, the analysis estimates that the proportion of households living in affordable housing varies from 11.6% in Mendip up to 15.4% in Taunton Deane (with figures of 12.9% in Sedgemoor and 14.3% in South Somerset).



Source: Derived from 2011 Census

Tenure Assumptions

10.13 The housing market model has been used to estimate the future need for different sizes of property over the 25-year period from 2014 to 2039. 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.

10.14 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. Policy targets for affordable housing on new development schemes in some cases are above this; 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. 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

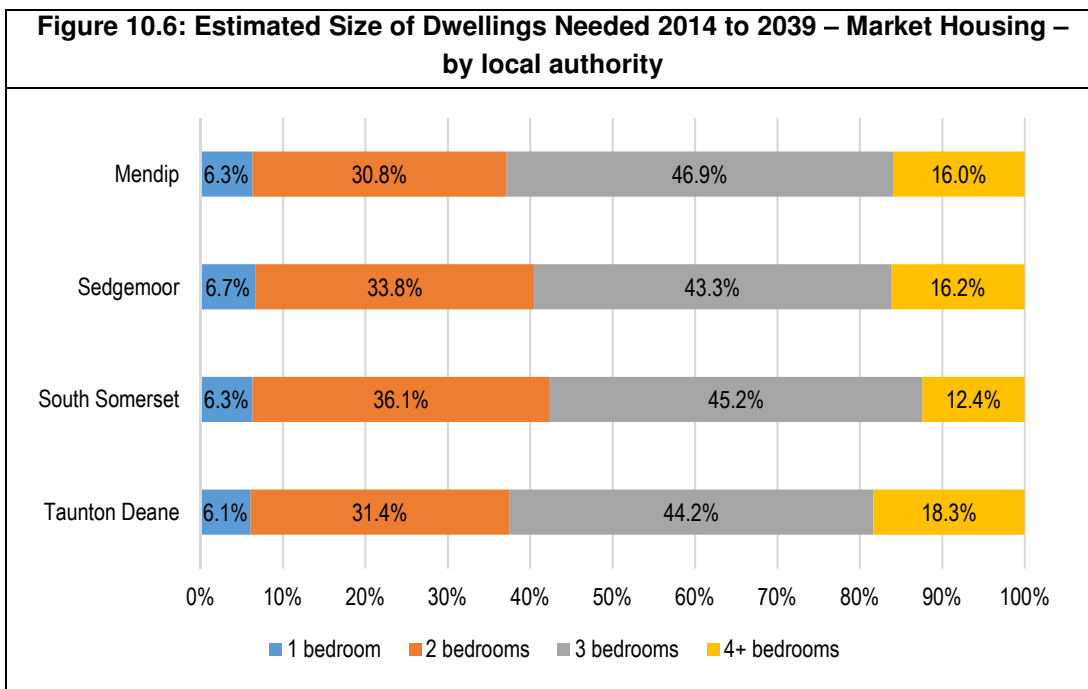
- 10.15 There are a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 25-year period from 2014 to 2039.
- 10.16 On the basis of the modelling assumptions, an increase of 37,600 additional households is modelled. The majority of these need two- and three-bed homes. The data suggests that housing need can be expected reinforce around the existing profile (i.e. showing a similar size profile as the current stock), 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.

Figure 10.5: Estimated Size of Dwellings Needed 2014 to 2039 – Market Housing – Somerset				
Size	2014	2039	Additional households 2014-2039	% of additional households
1 bedroom	12,288	14,673	2,385	6.3%
2 bedrooms	49,042	61,718	12,677	33.7%
3 bedrooms	87,559	104,354	16,795	44.6%
4+ bedrooms	53,220	58,993	5,773	15.3%
Total	202,110	239,739	37,629	100.0%

Source: Housing Market Model

- 10.17 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.
- 10.18 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.

10.19 The figure below provides the estimated need by size for each individual local authority. All areas show a similar patterns of need, with a particular focus on two- and three bedroom homes.



Source: Housing Market Model

Key Findings: Affordable Housing (rented)

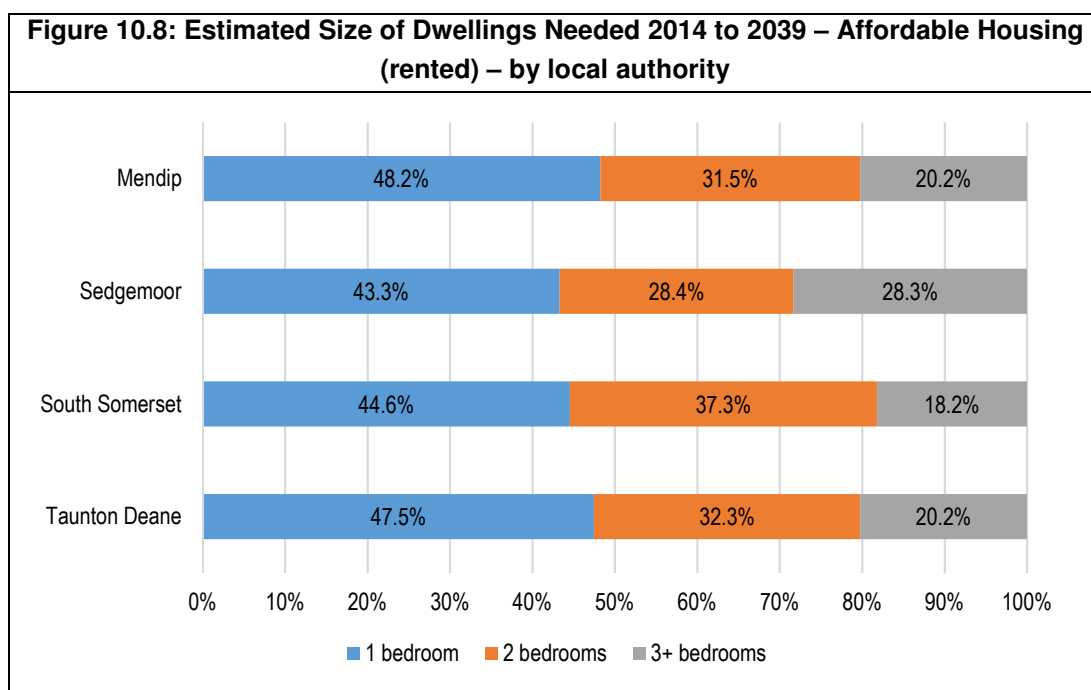
10.20 The table below shows estimates of the need for different sizes of affordable homes based on the analysis of demographic trends. The data suggests in the period between 2014 and 2039 that the main need is for homes with one- or two-bedrooms across the County with a need for around a quarter of homes to be larger, three or more bedroom dwellings.

10.21 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; although this will potentially reduce when people aged under 35 switch to the single room rate.

Size	2014	2039	Additional households 2014-2039	% of additional households
1 bedroom	9,121	14,890	5,769	46.0%
2 bedrooms	11,436	15,542	4,106	32.7%
3 bedrooms	10,539	13,045	2,506	20.0%
4+ bedrooms	1,149	1,311	163	1.3%
Total	32,245	44,788	12,543	100.0%

Source: Housing Market Model

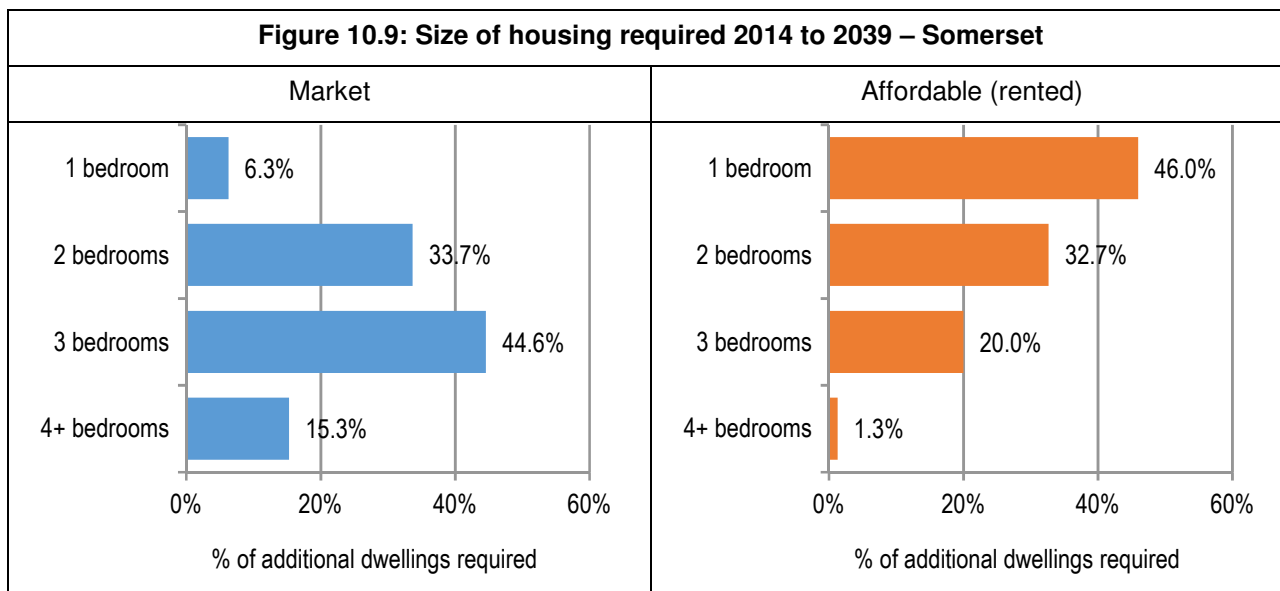
- 10.22 As with market housing, the data again shows that relative to the current profile there is a slight move towards a greater proportion of smaller homes being needed (again related to the ageing population and the observation that older person households are more likely to occupy smaller dwellings).
- 10.23 The figure below shows outputs for each local authority. All areas show the majority of the need to be for one- and two-bedroom homes and about a fifth of homes to have three or more bedrooms. There are however some differences for individual areas with Mendip and Taunton Deane showing a relatively high need for one bedroom homes and Sedgemoor showing a relatively high proportion of need within the three or more-bedroom category.



Source: Housing Market Model

Indicative Targets by Dwelling Size

10.24 The figure below summarises the above data in both the market and affordable sectors under the modelling exercise. The analysis clearly shows the different profiles in the two broad tenures with affordable need being more heavily skewed towards smaller dwellings.



10.25 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 or more 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.

10.26 It should also be recognised that local authorities have statutory homeless responsibilities towards families with children and would therefore prioritise the needs of families over single person households and couples. On this basis the profile of affordable housing to be provided would be further weighted to two or more-bedroom housing. In the short-term however there may be a need to increase the supply of one-bedroom homes due to the social sector size criteria.

10.27 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.

10.28 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 County-wide level, the analysis would support policies for the mix of affordable housing of:

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

10.29 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.

10.30 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.

10.31 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 Mendip and a higher proportion of three or more bedroom homes in Sedgemoor. At a smaller area level, the following might therefore be considered as a reasonable mix:

Figure 10.10: Indicative Targets for Affordable Housing (rented) by local authority					
	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
1-bedroom	40-45%	35-40%	35-40%	40-45%	35-40%
2-bedrooms	30-35%	30-35%	35-40%	30-35%	35-40%
3-bedrooms	20%	25%	20%	20%	20%
4+-bedrooms	5%	5%	5%	5%	5%

10.32 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).

10.33 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 suggested:

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

10.34 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.

10.35 The analysis at a local authority level indicated only moderate differences between areas and the table below shows indicative targets by area based on the outputs of the modelling.

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
1-bedroom	5-10%	5-10%	5-10%	5-10%	5-10%
2-bedrooms	30-35%	30-35%	35%	30-35%	30-35%
3-bedrooms	40-45%	40-45%	45%	40-45%	40-45%
4+-bedrooms	15-20%	15-20%	10-15%	15-20%	15-20%

Intermediate Housing and Starter Homes

10.36 The analysis above has considered needs in each of the market and affordable sectors. In the affordable sector, the data is largely based on households within or projected to need rented accommodation (social/affordable rented housing). It is therefore useful to also consider what profile of dwellings might be appropriate in the intermediate sector; for the purposes of this analysis it is assumed that the size need for Starter Homes will be broadly the same as for Intermediate Housing (e.g. shared ownership products).

10.37 Unfortunately, similar data about occupancy patterns in the intermediate sector is not readily available and so it is not possible to undertake the same sort of analysis. In addition, with the intermediate sector in Somerset being relatively small (less than 1% of households were living in shared ownership accommodation as of the 2011 Census) it is difficult to provide robust local data.

10.38 Hence, the approach to looking at potential size requirements in the intermediate sector, an analysis has been carried out to look at the size of shared ownership homes sold over the past three years at a national level. It is assumed that the profile of sales will be broadly consistent with the need for such accommodation. This analysis draws on data from CoRe and shows that the majority of sales are of two-bedroom homes (over half) with virtually all of the remaining sales being of 1 and 3-bedroom homes.

Figure 10.12: Past sales of shared ownership accommodation (England)				
	2012/13	2013/14	2014/15	Average
1-bedroom	19.5%	17.0%	17.5%	18.0%
2-bedrooms	54.2%	52.5%	52.4%	53.0%
3-bedrooms	24.4%	28.4%	28.4%	27.0%
4+ bedrooms	2.0%	2.1%	1.7%	1.9%
TOTAL	100.0%	100.0%	100.0%	100.0%

Source: CoRe

Housing Mix (Size of Homes Needed): Key Messages

- 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 (25-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%
Social/Affordable Rented	35-40%	35-40%	20%	5%
Intermediate/Starter Homes	15-20%	50-55%	25-30%	0-5%

- 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.

11. Older Persons' Housing Needs

Introduction

- 11.1 As well as looking at the overall need for housing and specific segments within this (such as affordable housing and Starter Homes) it is important to look at the needs of particular groups of the population. In Somerset (as in many areas) a growing older person population is likely to have some impact on the future need and demand for homes. The PPG (2a-021) recognises the need to provide housing for older people as part of achieving a good mix of housing.
- 11.2 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. 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).
- 11.3 The context to older persons housing provision can be summarised as below:
- A rising population of older people;
 - Many older households are equity rich and are able to exercise housing choice;
 - A move away from residential institutions towards providing care support in someone's home through adaptation and visiting support; and
 - An increased diversity of specialist housing to reflect different levels of care support.

Current Population of Older People

- 11.4 The table below provides baseline population data about older persons and compared this with other areas. The data 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 Somerset has a higher proportion of older persons. In 2015 it is estimated that 23% of the population of Somerset was aged 65 or over.

		Under 65	65-74	75-84	85+	Total	Total 65+
Mendip	Popn	87,102	13,552	7,674	3,396	111,724	24,622
	% of popn	78.0%	12.1%	6.9%	3.0%	100.0%	22.0%
Sedgemoor	Popn	93,251	14,924	8,408	3,677	120,260	27,009
	% of popn	77.5%	12.4%	7.0%	3.1%	100.0%	22.5%
South Somerset	Popn	125,125	21,661	12,499	5,697	164,982	39,857
	% of popn	75.8%	13.1%	7.6%	3.5%	100.0%	24.2%
Taunton Deane	Popn	88,820	13,154	7,957	4,090	114,021	25,201
	% of popn	77.9%	11.5%	7.0%	3.6%	100.0%	22.1%
Somerset	Popn	417,458	69,350	40,109	18,473	545,390	127,932
	% of popn	76.5%	12.7%	7.4%	3.4%	100.0%	23.5%
South West	% of popn	78.6%	11.6%	6.8%	3.0%	100.0%	21.4%
England	% of popn	82.3%	9.6%	5.7%	2.4%	100.0%	17.7%

Source: ONS 2015 Mid-Year Population Estimates

Future Changes in the Population of Older Persons

- 11.5 As well as providing a baseline position for the proportion of older persons in the County we can use population projections to provide an indication of how the numbers might change in the future compared with other areas. The information presented below uses data from the 2014-based SNPP.
- 11.6 The data shows that the County (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 61% over the 25-years to 2039; this compares with overall population growth of 15% and a modest increase in the Under 65 population.
- 11.7 The projected growth in the population aged 65 and over is slightly higher than that projected for other areas although differences are not significant. When looking at individual local authorities the data shows the strongest growth in older people to be projected to be in Mendip with the lowest growth seen in South Somerset (although again the differences are not substantial).

	Under 65	65-74	75-84	85+	Total	Total 65+
Mendip	-0.7%	32.8%	85.6%	159.4%	14.0%	67.3%
Sedgemoor	9.0%	33.4%	85.2%	151.0%	21.6%	65.8%
South Somerset	-1.9%	22.6%	74.8%	150.8%	12.2%	57.5%
Taunton Deane	2.8%	31.3%	80.8%	154.3%	16.8%	66.9%
Somerset	1.3%	27.6%	78.0%	150.2%	15.1%	61.4%
South West	5.4%	27.3%	72.1%	137.4%	16.4%	57.4%
England	7.4%	33.3%	70.1%	137.5%	16.5%	59.2%

Source: ONS (2014-based SNPP)

Health Related Population Projections

- 11.8 In addition to providing projections about how the number and proportion of older people is expected to change in the future the analysis has looked at the likely impact on the number of people with specific illnesses or disabilities. For this, data from the Projecting Older People Information System (POPPI) website has been used; this 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.
- 11.9 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.
- 11.10 The figure below shows that both of the illnesses/disabilities are expected to increase significantly in the future although this would be expected given the increasing population. In particular, there is projected to be a large rise in the number of people with dementia (up 110%) along with an 86% increase in the number with mobility problems.

	Type of illness/disability	2014	2039	Change	% increase
Mendip	Dementia	1,689	3,680	1,991	117.9%
	Mobility problems	4,395	8,514	4,119	93.7%
Sedgemoor	Dementia	1,824	3,888	2,064	113.1%
	Mobility problems	4,776	9,064	4,288	89.8%
South Somerset	Dementia	2,772	5,763	2,991	107.9%
	Mobility problems	7,167	13,157	5,990	83.6%
Taunton Dene	Dementia	1,851	3,996	2,145	115.8%
	Mobility problems	4,687	8,985	4,298	91.7%
Somerset	Dementia	8,930	18,758	9,827	110.0%
	Mobility problems	23,065	42,997	19,932	86.4%

Source: Data from POPPI and demographic projections

People with Disabilities

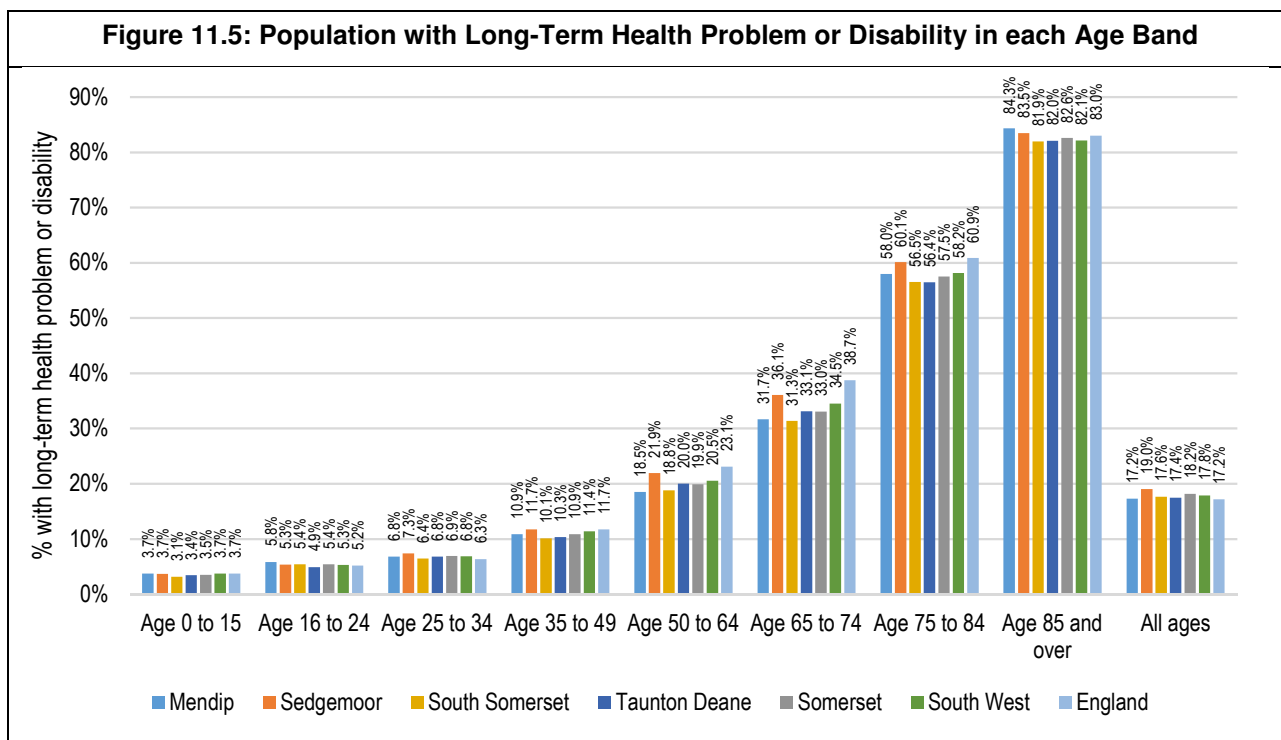
- 11.11 Linked to the number of older persons and the analysis above about dementia and mobility problems will be levels of disability generally. The table below shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across the County some 26% of households contain someone with a LTHPD. This figure is broadly the same as seen across the South West region and England. The figures for the population with a LTHPD again show a similar proportion as in other areas (an estimated 19% of the population of the County have a LTHPD).

Figure 11.4: Households and people with Long-Term Health Problem or Disability (2011)

	Households containing someone with health problem		Population with health problem	
	Number	%	Number	%
Mendip	11,973	25.9%	19,474	17.8%
Sedgemoor	13,300	27.3%	22,513	19.6%
South Somerset	17,891	25.7%	29,299	18.2%
Taunton Deane	12,000	25.6%	20,127	18.3%
Somerset	60,057	26.5%	99,664	18.8%
South West	591,316	26.1%	973,696	18.4%
England	5,659,606	25.7%	9,352,586	17.6%

Source: 2011 Census

11.12 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, the figure below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD – for example some 83% of people aged 85 and over have a LTHPD.



Source: 2011 Census

11.13 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 2014-based SNPP) it is estimated that the number of people with a LTHPD will increase by around 45,800 (a 44% increase).

- 11.14 Across the County, all of this increase and more (101%) is expected to be in age groups aged 65 and over. The population increase of people with a LTHPD represents 56% of the total increase in the population estimated by the projections.

	Population with LTHPD		Change (2014-39)	% change from 2014
	2014	2039		
Mendip	20,164	29,645	9,481	47.0%
Sedgemoor	23,568	34,676	11,109	47.1%
South Somerset	30,379	43,334	12,954	42.6%
Taunton Deane	20,686	30,666	9,980	48.2%
Somerset	103,160	148,984	45,823	44.4%

Source: Derived from demographic modelling and Census (2011)

Indicative Need for Specialist Housing

- 11.15 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

- 11.16 The table below shows the current supply (stock) of specialist housing for older people. This is split between sheltered housing (which contains two categories) and extra-care housing; analysis is also provided of the tenure of the housing (split between market and affordable). The categories of specialist housing are defined as:

- *Sheltered housing*: Schemes/properties are included where some form of scheme manager (warden) service is provided on site on a regular basis but where no registered personal care is provided. A regularly visiting scheme manager service may qualify as long as s/he is available to all residents when on site. An on-call-only service does not qualify a scheme to be included in sheltered stats. In most cases schemes will also include traditional shared facilities - a residents' lounge and possibly laundry and garden.
- *Enhanced sheltered housing*. Schemes/properties are included where service provision is higher than for sheltered housing but below extra care level. Typically, there may be 24/7 staffing cover, at least one daily meal will be provided and there may be additional shared facilities.
- *Extra care housing*: Schemes/properties are included where care (registered personal care) is available on site 24/7.

- 11.17 At present it is estimated that there are just over 7,600 units of specialist accommodation across the County; this is equivalent to 132 units per 1,000 people aged 75 and over (ranging from 112 per 1,000 in Sedgemoor up to 151 per 1,000 in Mendip). The analysis shows a significantly higher proportion of the stock is in the affordable than the market sector (73% vs. 27%).

Figure 11.7: Current Supply (Stock) of Specialist Housing for Older People

	Type of housing	Market	Affordable	Total	Supply per 1,000 aged 75+
Mendip	Sheltered	442	1,060	1,502	137
	Extra-Care	0	152	152	14
	Total	442	1,212	1,654	151
Sedgemoor	Sheltered	373	951	1,324	112
	Extra-Care	0	0	0	0
	Total	373	951	1,324	112
South Somerset	Sheltered	413	1,410	1,823	102
	Extra-Care	0	304	304	17
	Total	413	1,714	2,127	118
Taunton Deane	Sheltered	567	1,108	1,675	142
	Extra-Care	58	0	58	5
	Total	625	1,108	1,733	146
Somerset	Sheltered	2,008	5,018	7,026	122
	Extra-Care	58	553	611	11
	Total	2,066	5,571	7,637	132

Source: Housing LIN

Projected Future Need for Specialist Housing

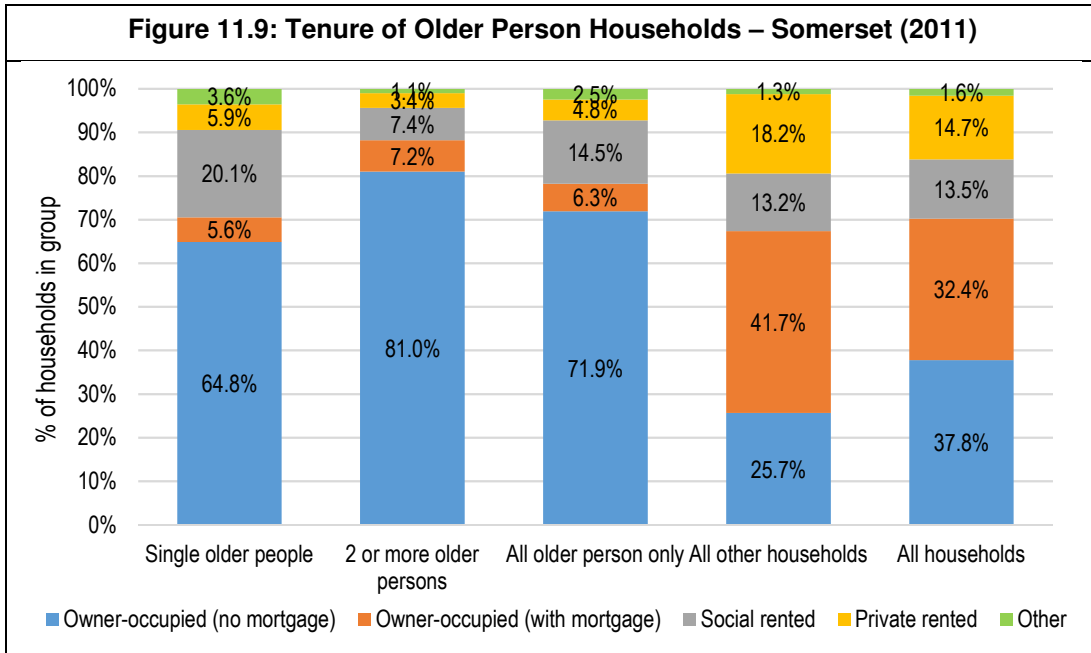
- 11.18 A toolkit has been developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health, to identify potential demand for different types of specialist housing for older people and model future range of housing and care provision. It suggests that there should be around 170 units of specialised accommodation (other than registered care home places) per thousand people aged over 75 years.
- 11.19 The table below 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 9,879 units – 395 per annum in the 2014-39 period. This is around 19% of the total need identified in the demographic modelling linked to the 2014-based household projections and a slightly lower proportion (of 17%) when linked to 10-year migration trends. Using the 10-year migration trends the proportion of the need as specialist accommodation varies from 14% in Sedgemoor up to 20% in South Somerset.
- 11.20 The figures provided about the number and proportion of homes that might need to be specifically for older persons should be treated as indicative of potential need and not some sort of delivery target. In reality, the ability for such housing to be provided will also be influenced by the ability for this to be financed by the County Council.

Figure 11.8: Projected need for Specialist Housing for Older People (2014-39)					
	Population aged 75+ (2014)	Population aged 75+ (2039)	Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)	Per annum need (2014-39)
Mendip	10,938	22,800	11,862	2,017	81
Sedgemoor	11,852	24,341	12,489	2,123	85
South Somerset	17,951	35,601	17,650	3,001	120
Taunton Deane	11,836	24,277	12,441	2,115	85
Somerset	57,765	115,880	58,115	9,879	395

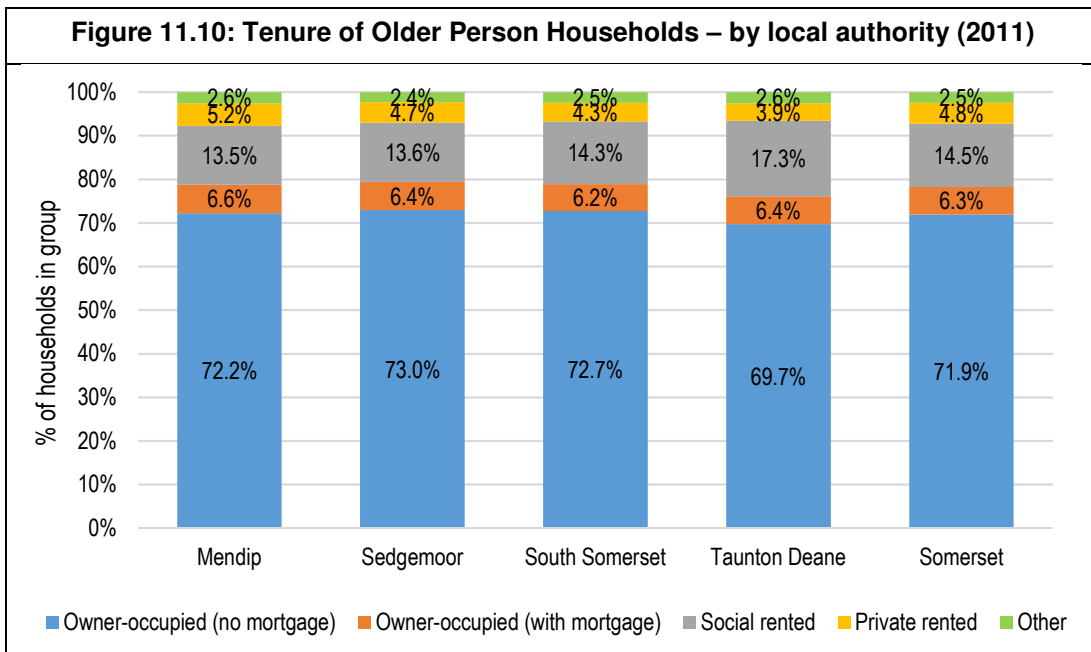
Source: Derived from demographic projections and Housing LIN

Types and Tenures of Specialist Housing

- 11.21 The figure below 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 (72%) 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 (5% compared with 15% of all households in the County).
- 11.22 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.
- 11.23 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.
- 11.24 For individual local authorities (data in the second figure below) the tenure profile of older persons is broadly similar with all areas showing between 70% and 73% being outright owners and relatively low proportions in the private rented sector. The data shown is for all older person households (i.e. combining single person households and those with two or more older people).



Source: 2011 Census



Source: 2011 Census

11.25 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).

- 11.26 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.
- 11.27 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.
- 11.28 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.
- 11.29 Additionally, in the social rented sector, it should also be noted that many older person households live in family-sized accommodation (which will largely be under-occupied). Better provision of older persons' dwellings could therefore free up family-sized homes for other households; this would potentially have some impact on size profile of new homes required; although it should be noted that the analysis does take account of downsizing, to the extent to which this currently happens in the County.

Registered Care Housing

- 11.30 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 5,700 spaces in nursing and residential care homes in Somerset (1,243 – Mendip, 968 – Sedgemoor, 1,487 – South Somerset and 1,611 – Taunton Deane). Registered care housing is defined in two categories as set out below:
- *Residential care:* Where a care homes is registered to provide residential (personal) care only, all beds are allocated to residential care.
 - *Nursing care:* Where a care homes is registered to provide nursing care all beds are allocated to nursing care, although in practice not all residents might be in need of or receiving nursing care.

- 11.31 Given new models of provision (including Extra-care housing) it may be the case that an increase in this number would not be required (although this would also be assuming that the County Council would (and could) fund the care and housing related support required to operate extra care housing). 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.
- 11.32 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 indicates an increase of 4,652 people living in institutions over the 2014-39 period (186 per annum). 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.

Figure 11.11: Potential Need for Residential Care Housing				
	Institutional population aged 75+ (2014)	Institutional population aged 75+ (2039)	Change in institutional population aged 75+	Per annum 'need' (2014-39)
Mendip	895	1,936	1,041	42
Sedgemoor	752	1,592	840	34
South Somerset	1,178	2,449	1,271	51
Taunton Deane	1,091	2,320	1,229	49
Somerset	4,258	8,910	4,652	186

Source: Derived from demographic projections

Older Persons' Housing Needs: Key Messages

- 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 County is relatively high when compared with other areas – some 23% of people were aged 65 and over in 2015. Over the 2014-39 period the number of people aged 65 and over is expected to increase by 61% with a higher (150%) increase in the number of people aged 85 and over.
- This demographic change would be likely to see an increase in the number of people with specific disabilities (e.g. dementia and mobility problems) as well as a general increase in the numbers with a long-term health problem or disability.
- The analysis identifies over the 2014-39 period that there may be a need for 395 specialist units of accommodation for older people (generally considered to be sheltered or extra-care housing) per annum. This figure represents about 17%-19% 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 186 registered care bedspaces per annum for older people (aged 75 and over) in the 2014-39 period. As these would be in use class C2, they would be in addition to the estimates of housing need from demographic modelling.

12. Self and Custom-Building

Introduction

- 12.1 We have considered what value a SHMA can add to this subject given that the local authority must maintain a register of those interested in pursuing this route in its administrative area.
- 12.2 The following advice is contained within the Custom and Self-Build Toolkit, a document researched and produced by the National Custom and Self-Build Association (NaCSBA). The toolkit is structured to guide local authorities and individuals through the process of how local authorities can enable projects:
- Introduction (to the genre);
 - Initiation (of projects);
 - Action (needed to establish projects);
 - Promotion and technical considerations.
- 12.3 The following statement was obtained from the NaCSBA portal:
<http://customandselfbuildtoolkit.org.uk/briefing-notes/registers-and-assessing-demand/#>
- “To avoid double counting, SHMAs should not attempt to replicate or re-run a Register. Instead councils should consider using the SHMA to build on and qualify the information captured by Registers by drawing on secondary data sources and inviting qualitative feedback. They can do this through opinion polls, surveys of local residents and community organisations, focus groups and feedback from estate agents and developers. This layered approach will help build a strong local evidence base that can guide informed local planning and investment decisions”*
- 12.4 It also occurs to us that much can be learned from individual planning applications. We have therefore based the analysis in this document on evidence from:
- estate letting and land agents;
 - the local authority register;
 - planning applications;
 - supply and demand information from portals run by NaCSBA and BuildStore.

Evidence from estate agents and land agents

- 12.5 We asked all estate agents about demand for self-build and custom build plots. In summary, demand for custom was high in the market towns and surrounding villages but was less apparent in the major towns.
- 12.6 Agents told us that demand was high from clients seeking to build bespoke dwellings to suit their lifestyle and need for design features not offered by the re-sale market or volume house builders.

- 12.7 Agents told us that the problem was the supply of suitable plots and were not generally aware of the government's policy proposals to improve supply. Some agents we spoke to pointed out that some deals were done privately not involving agents. We came across a small number of plots for sale in agent's shop windows and on Rightmove.
- 12.8 In our experience any attempt to quantify demand and the nature of demand should be focused on the planning system rather than sales and marketing.
- 12.9 We have interviewed a great many estate agents outside the study area on this subject over several years. The evidence points to the conclusion that significant demand exists for self and custom build projects and the biggest barrier to success is the lack of available land. To date, most projects rely upon potential self and custom builders investigating potential plots many of which were not actively being offered for sale. This confirms the view of local agents that many transactions proceed without estate or land agents being involved in the public marketing of sites. We have also been told by many agents that local builders are the most pro-active group in identifying plots. The local housebuilder may choose to build for the speculative market but is exposed to less risk if he is working and eventually building for a custom build client. We always ask agents about the customer for self and custom build. We are always told that the true self builder is rare. The custom builder may be building with retirement in view or through a desire not to compromise on location and design. However, many agents have drawn our attention to the needs of the self-employed or those running small businesses who need to incorporate storage and small offices into their project and have outgrown their present accommodation.
- 12.10 We have only come across 2 large sites out of the 100's of speculative new build sites we have visited offering serviced plots as part of the mix and can therefore provide no evidence of the success of these projects. However, we have conducted interviews with a small number of regional builders outside the study area and they have been negative about incorporating self or custom build into the project. They are concerned that the self-builder may not complete the project in a timely manner exposing their conventional purchasers to prolonged building site conditions. They expressed no interest in constructing a custom design. We interviewed a regional builder operating in East Yorkshire who had established a reputation for providing a considerable degree of customization of the basic product but did not offer the option for the customer to self-fit the shell.

Self and custom build portals

- 12.11 We visited two self and custom build portals. The BuildStore has 80,000 plot search subscribers and listed 1,000's of people seeking land across the Country with 40 across Somerset. There were also multiple plots for sale advertised as 'plotshare' opportunities. 6 in Bridgewater at around £150,000 each, and 4 in Burnham-on-Sea- at around £100,000 each. It is noteworthy that registration on this site claims to link to the local authority register but we had no means of verifying this. The NaCSBA self-build portal also offered plot search facilities.
- 12.12 Our experience of the sector has revealed many examples of local authorities working with stakeholders and portal owners to stimulate interest by means of events, seminars and trade fayres. BuildStore runs exhibitions across the country at regular intervals.

Information from planning applications

- 12.13 Project resource constraints did not facilitate a detailed analysis of planning applications over an extended period of time. However, we undertook a snapshot analysis of planning applications over a 4 week using the weekly planning list (applications received) on each Council's planning application portal.
- 12.14 The applications for either change of use and conversion of an existing building or erection of a new single dwelling were as follows
- Mendip: 24;
 - Sedgemoor: 18;
 - South Somerset: 25; and
 - Taunton Deane: 1
- 12.15 It must be stressed that the above is merely a snapshot and it is possible that greater numbers of applications are received over a year as the snapshot was taken over a holiday period. Nevertheless, a conservative estimate of the number of single dwellings provided through conversion or new-build, sometimes demolition of an existing dwelling and new-build, is likely to be in excess of 900 dwellings across the study area.
- 12.16 In this period South Somerset and Taunton Deane had also applications for significant numbers of multiple new dwellings on larger sites.
- 12.17 We looked at the case notes of a sample of applications. On a case by case basis there was no consistent information from applicants about whether the intended use was personal or destined for the speculative market. We removed overtly speculative market applications from the local authority numbers above. We believe that the intended use is key to the definition of self and custom build versus the speculative market. There are other grey areas such as whether an annexe should be counted. Many planning officers in our wider experience tell us that they might as many are intended for supported living for a relative. However, from examining a small number of planning applications we noted that the application pro-forma did not capture information that would enable self and custom build projects to be identified.
- 12.18 This evidence suggests that the scale of self and custom build is much larger than evidence from the local authority register and estate agents suggest. Most of the planning applications for individual dwellings appear to be from landowners that understand the planning process i.e. 'savvy' applicants. These are people who understand the economic potential of the land they own and desire to use the land to suit their personal housing needs and aspirations. They have no need of the local authority register.

Information from the local authority register

12.19 The local authorities provided us with anonymous details of people who had applied to join their local authority registers. Since each register records different information, it is difficult to summarise the findings of our analysis so we summarise our findings for each local authority. The numbers on the register was as at May 2016. It is difficult to draw conclusions about the characteristics about development proposals as many questions invited a range of possibilities rather than preferences.

Mendip

12.20 Fourteen people had registered.

- 4 indicated they were considering shared or outright ownership;
- 3 were registered on the Homefinder system;
- 13 were very interested, 1 quite interested;
- 12 had registered within the last 6 months
- 6 indicated they would self-build; 1 would self-finish; 2 said they would custom build;
- 2 said they would build a detached dwelling; 1 semi-detached and 1 bungalow;
- 1 proposed 1-bedroom; 4 proposed 2-bedroom; 2 proposed 3-bedroom and 6 proposed 4 bedroom homes.

Sedgemoor

12.21 Thirteen people had registered.

- The age range of the person completing the form was 20-30 yrs.=3; 41-60 yrs.=5; 61 and over=2;
- The intended occupancy of the completed project was 1 person=6; 2-4 persons=4; did not say=2;
- All proposed dwellings were to be detached with 2 bedrooms=2; 3 bedrooms=6, 4 bedrooms =4 and 5 bedrooms=1
- The preferred locations were Bridgwater=1, Burnham=1; Cheddar=3 and named villages 7;
- Households indicated they were mostly already resident in the village of choice;
- Most will fund from savings their pension pot or equity in their existing home; 3 would mostly fund via mortgage; 4 would use a mix of funding methods;
- All appeared to be custom build projects methods but 1 indicated that it would mostly be self- build using personal building skills.
- It is difficult to isolate the main project type from the register as respondents could express options but it is clear that a minority would consider community schemes and refurbishment projects most were seeking to build on individual plots with many considering kit based projects.

South Somerset

12.22 Twenty-four people had registered.

- The first choice of 22 was for a plot within South Somerset, two were seeking a plot outside South Somerset;
- 4 had identified plots of land;
- 10 indicated they were seeking to build detached houses; 2 indicated bungalows;
- 1 indicated a 2-bedroom dwelling; 3 indicated 3-bedrooms; 6 indicated 4 bedrooms; and 1 indicated 5 bedrooms
- There was no indication about whether the proposal was self or custom build or any of sub-divisions.

Taunton Deane

12.23 Twenty-one people had registered.

- Reasons given for the project were: employment 7; schooling 6; family and social reasons 5;
- 7 said they would definitely proceed, 14 said they were very likely to proceed;
- 15 were seeking a non-serviced plot; 2 were seeking a serviced plot and 1 was looking to be part of a community self-build.

Insights from a self and custom builder

12.24 A member of the public approached us and told us of his experiences as a self and custom builder. Over his working life he has undertaken several projects. His first project was mainly a self-build project motivated by the need to provide a larger home for his family and self-building was the most affordable route at that time. He was able to spread the cost of construction over time. He and his family lived on-site in a caravan. He was a full-time employee. Since then successive projects have increasingly become custom building projects, employing others to do most of the work.

12.25 His advice to would-be self and custom builders (SCBs) was:

- Make sure that the project will meet household current and future needs for example design loft space so that it can potentially add living space if required;
- Regard the project as a means of providing bespoke housing to meet personal needs and aspirations rather than a means of making money; and
- Learn from more experienced SCBs.

12.26 He believed that SCBs should have more recognition from local authorities in view of their contribution to housing supply over the years. He believed that land shortages were behind a growing practice of demolishing viable dwellings on existing plots and rebuilding with larger or multiple dwellings.

12.27 He suggested that local planning authorities should consider taking the following steps to assist SCBs:

- Advertise the register;
- Provide consistent advice;
- Be proactive about the custom and self-build sector;
- Consider options to make land available; and
- Consider adopting policies to resist small scale rural homes being replaced by disproportionately large dwellings.

Summary

12.28 The Government's self and custom build initiative is likely to raise the profile of a sector that has existed and successfully provided additional bespoke housing for many years which has made a significant contribution to the character of neighbourhoods, innovations in energy efficiency, new methods of construction and design. A review of the work of BuildStore and other commercial facilitators suggest that the sector is booming. However, this is not the picture we get from Estate and Land agents or local authority registers.

12.29 A snapshot of planning applications that are potentially custom build projects (some of which had eco credentials) revealed that the local authority pro forma does not readily enable a distinction between custom and speculative building to be made – this is key to assessing the level of activity from the self or custom build applicant.

12.30 The analysis suggests that there are two groups of potential self or custom builder: the 'planning savvy' custom builder that already owns land or has identified land for custom building and the aspirational self or custom builder that is has entered the local authority register, many of whom have been unable to find appropriate land for their project.

12.31 It would appear that the local authorities manage their registers register passively. Generally, it is not promoted other than by the self and custom build sector which in its widest definition, accounts for a significant amount of investment in additional housing.

12.32 The council's registers reveal that few people had registered up to May 2016. Those that had were mostly people seeking detached houses across villages where they had strong local connections suggesting that the self or custom build route is the only way that their housing aspirations can be met. Our review of planning applications suggests that potentially many more were able to 'getting on with it' because they had land in their ownership or had secured it.

12.33 Overall the Councils should widen its view of the sector and support for the self and custom build contribution to meeting housing supply shortfalls. It should alter its planning application pro-forma so that It has a fuller picture of activity in the sector.

Self and Custom-Build: Key Messages

- The Government's self and custom build initiative is likely to raise the profile of a sector that has existed and successfully provided additional bespoke housing for many years, contributes to the distinctiveness of neighbourhoods and advances building technology.
- This is evidenced by a snapshot of planning applications that are potentially custom build projects some of which had eco-credentials;
- Local authority pro forma does readily enable us to distinguish between custom and speculative building which is key to assessing the level of activity from the self or custom build applicant;
- We also conclude that there is the self or custom builder that already owns land or has identified land for custom building and the aspirational self or custom builder that is has entered the local authority register;
- The local authorities tend to manage their register passively. Generally, it is not promoted other than by the self and custom build sector;
- An overview of the registers reveals that few people had registered up to May 2016. Those that had were mostly people seeking detached houses across villages where they had strong local connections suggesting that the self or custom build route is the only way that their housing aspirations can be met; and
- The Councils should work with a wider definition of self and custom building review the questions contained in their registers and systematically collect information from planning applications.

13. Space Standards

Introduction

13.1 The project brief states that the contractor should:

'Provide evidence of the relative need to adopt the Government's new national space standard for all new housing or whether to partially adopt for affordable housing or some sub-market housing products only. Consultants should examine the size and type of dwellings currently being built in constituent housing market areas and consider these in the light of usable space required by the different household types that might be expected to purchase, or be allocated, each property type, particularly in the light of recent welfare reforms.'

13.2 According to the Government's Housing Standards Review (HSR) Consultation 2013:

"When finalised (post consultation) each standard will carry with it a needs test i.e. the evidence criteria which local planning authorities would have to demonstrate to Planning Inspectors if they wish to apply a particular standard in their area. The test will be rigorous. The clear aim is that authorities will only be able to adopt standards that are strictly necessary and justifiable and will not default to adopting them all because they are seen as nice to have."

13.3 In assessing the need for the proposed national optional housing standards, authorities must be able to satisfy the statutory requirements of the National Planning Policy Framework (NPPF, 2012). The NPPF requires local planning authorities to ensure that:

"the Local Plan is based on adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area". This proportionate evidence base must also "take full account of relevant market and economic signals" (NPPF, para 158).

13.4 The NPPF also sets out the requirements for local planning authorities to:

"assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards" and "Evidence supporting the assessment should be proportionate, using only appropriate available evidence" (NPPF, para 174).

Method

13.5 We have assessed the nationally described space standard (CLG March 2015) and the summary of responses to the Housing Standards Review (CLG March 2015). We have visited new build market housing sites across the study area and interviewed on site sales staff. These sites were being developed by national house builders. The scope of these interviews included profiling the customer of new build housing and some description of occupancy patterns. Brochures were collected during these visits and the data relating to specific house types has been tabulated and analysed.

- 13.6 In order to provide a context to this work we have assessed an evidence of need report commissioned by the Greater London Authority (GLA)¹.
- 13.7 The Government's HSR Consultation 2013 also sets out arguments for and against space standards and we have considered how such argument might be tested by local evidence to help inform the local policy proposals.

Why have a nationally described space standard?

- 13.8 The Government's aim is to enhance residential quality and reduce the administrative burden on new housing developments by simplifying and rationalising the wide variety of standards that local authorities apply to new homes. It has updated the National Planning Policy Guidance (PPG) to reflect its policy approach.
- 13.9 Research summarised in the GLA evidence of need report indicates that nationally the housing standards policy context has become increasingly complex and fragmented. Individual local authorities have adopted different approaches to space standards and separate guidance exists for affordable housing (Homes and Communities Agency (HCA) space standards. The research also indicates that homes tend to be smaller in England than on the continent. The average dwelling size in England being 76m² compared to 137m² in Denmark.
- 13.10 National space standards have been historically driven by the need to build and housing after the 20th century world wars. Most noteworthy are the Parker Morris standards applicable to social housing which sought to reflect the functional use of space by occupants and the importance of storage space. These standards were removed in the 1980s, with the government arguing that the market would provide the right size and type of homes.
- 13.11 The GLA report cites research that evidences the importance of space and light in a home, the attitude of residents toward space and attitudes to new build housing. This work was mostly commissioned by RIBA and CABE. The broad findings of this research are that:
- the absence of cross tenure space standards has been linked to the lack of space in UK homes;
 - in England flats and small houses are most likely to fall below standards (as defined by the London Design Guide 2010);
 - homes in the UK are getting smaller (average floor space and room sizes);
 - nearly one third of people surveyed nationally said that they would not consider buying a home built over the last 10 years (2011) or would only do so as a last resort; and
 - sufficient space is an enabler of health, wellbeing, education and provides a basis for a home to meet the changing lifestyle and personal circumstances of its occupants contributing to mixed and balanced communities.

¹ GLA Housing Standards Review: Evidence of Need May 2015

The Housing Standards Review Consultation (HSR) 2013

- 13.12 Paragraphs 108-116 set out the arguments for and against space standards and the following points might prove helpful in setting out issues to test with local evidence whether or not to adopt the space standard in the local plan.

Para 108 “In particular, space standards are seen as a way of ensuring that there is sufficient room to carry out normal daily activities, socialise with family and friends, work from home or study in private and provide storage for general household goods and personal belongings.”

Para 109 “because most privately owned homes in England are under occupied (have a spare room) the overall space per person is equal to or better than many other European nations”.

Para 115 “However, this could mean that local authorities perceive there is a need to intervene in order to ensure a more balanced supply of housing representing wider (but perhaps less profitable) needs in terms of the size and type of new homes being built. There are many examples given where this is the case – for instance where two-bedroom starter homes predominate but there is a need for larger family homes; or where larger two bedroom homes are needed to encourage downsizing to free up larger family homes. There are other location specific criteria which it is argued are relevant. For instance, in high density urban areas there may be a case for minimum internal space standards to compensate for a lack of external space”.

London space standards and context

- 13.13 It is the last point regarding high density urban areas plus references to London in the Government’s published responses to the standards review consultation has led to the conclusion that it would be helpful to look at the evidence of need report produced for the GLA in May 2015.
- 13.14 The report that led to the introduction of the space standards in the London Plan stated that there is a pressing need for consolidation and consistency that the industry is expected to work with – the provision of a level playing field. The 2015 GLA report referred to above tells us that the pan-London set of space standards adopted in the London Plan 2011 are broadly similar to the nationally described space standard. The report tells us that 74% of stakeholders interviewed in for the study considered there would be minimal or no impact on the supply of new homes resulting on the imposition of national standards.
- 13.15 The introduction of the London standards it is claimed successfully established a consistent set of standards for developers in London providing clarity about the requirements for development in London. The London standards have been subject to impact assessments, were found sound at the EIP (2010) and have been adopted by one third of London Boroughs.
- 13.16 The report highlights the challenges faced by the London Housing market:
- growth of over a half million households between 2015 and 2036
 - the need to double in the number of new homes produced over a 20-year period;
 - the need to increase housing density accordingly without reducing dwelling size;
 - demand for 3 and 4 bedroom homes comprises 48% of the annual housing requirements; and
 - 16% of housing growth will be 1 person households.

13.17 The report also highlights the characteristics of the London housing stock:

- 50% of the stock is flats compared to 20% nationally;
- nearly 85% of all new construction is flats,
- 70% of completed 3 bedroom units were flats;
- home ownership is under 50% of all households and the size of the private rented sector has doubled in the decade to 2011 to 28% - exceeding the size of the social rented sector.
- a trend for home-sharing especially amongst younger people.

13.18 We will return to the significance of this scenario later in the analysis. However, the description of the London scenario prompts the question: to what extent the study area's local market differs from the unique characteristics of London's housing market or that of Bristol?

The nationally described space standard

13.19 The standard includes 9 clauses and a table. The table prescribes minimum gross internal floor areas and storage. The clauses describe the minimum area and dimensions of bed-spaces:

- A dwelling with two or more bed-spaces must have at least one double or twin bedroom;
- In order to provide 1-bed-space a bedroom must have a floor area of at least 7.5m² and a width not less than 2.15m;
- In order to provide 2-bedspaces a bedroom must have a floor area of at least 11.5m²; and
- One double or twin bedroom is at least 2.75m wide and every other double or twin bedroom at least 2.55m wide.
- Other clauses relate to storage space and room heights.

The national space standard and new build across the study area

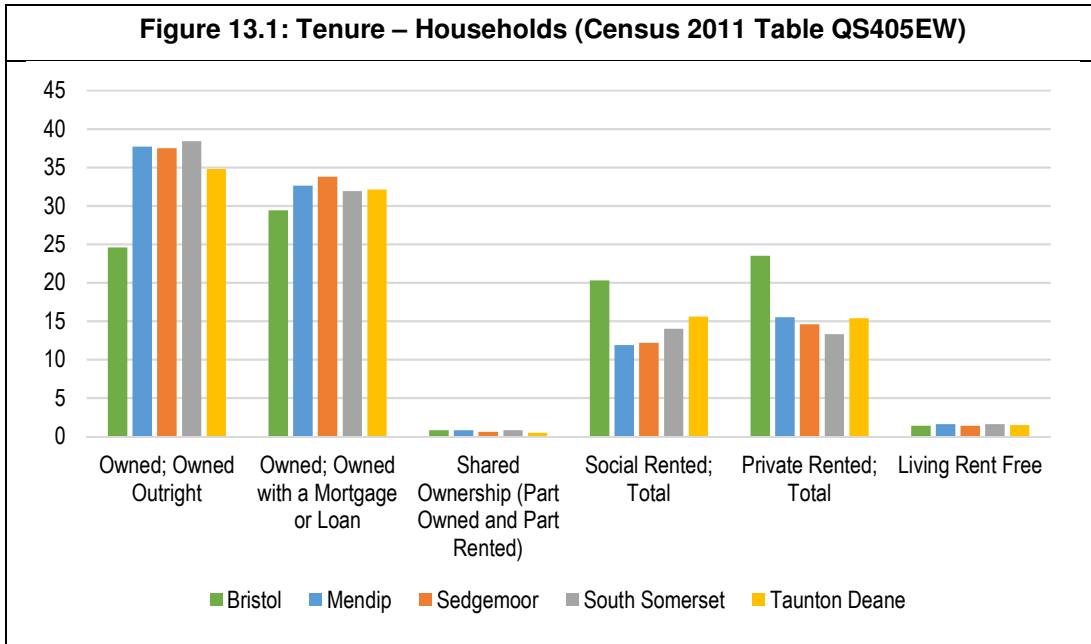
13.20 This evidence in this report only uses information regarding gross internal areas and bed-spaces. This is because only this information is readily available from brochures and on line sales information. In some cases, the information is incomplete and this has necessitated approximating certain dimensions through scaling and comparison to known dimensions. Therefore there have been limitations on the range of house-types analysed. We have avoided 3 story houses and dwellings with curved internal walls. We have sought to analyse a range of dwellings at different price points and locations. 12 dwelling types have been assessed.

13.21 Regarding gross internal areas, it has only been possible to assess 9 dwellings due to lack of information published by the house-builder. A further complication is that not all indicated the number of bed-spaces that the housebuilder has designed for. No builder states the number but five illustrate the floor plan with a double bed or single bed implying the suitability of the room for each. We have compared the gross internal area and compared it to the standard based upon the housebuilders intended occupancy and where this is missing the occupancy according to our assessment of the bedroom standard.

- 13.22 From this information we find that 3 out of 4 two-bedroom homes do not achieve the gross internal area standard. In one case the margin is considerable being 16m² or 23% below the standard. Similarly, 3 three bedroom homes do not achieve the standard two by a margin of 11m². However, one 4-bedroom home exceeds the standard by 36m² and meets the bedroom standard for 3 out of 4 bedrooms.
- 13.23 Regarding the bedroom standard, 5 dwellings in our sample fail the bedroom standard for the main designated bedroom (double or twin) with two failing the standard as a single bed-space, 8 fail the bedroom standard as a twin room for bedroom 2. Two would fail as a single bed-space room and 6 out of 8 fail the 2-bed-space standard two of which also fail the 1-bed-space standard. These rooms are less than 5m² and also fail on minimum width.
- 13.24 One 3-bedroom house fails the internal space and bedroom space standard such that its plan suggests that it is a 5-person house and comes very close to meeting the criteria for being classed as 2-bedroom 3-person dwelling. Neither of the two bedroom apartments meet the standard as neither bedroom is large enough to meet the twin room standard. A further 5 houses do not meet this standard.
- 13.25 We observe that one of the two most expensive dwellings offered for sale in the range £335,000-£395,000 fully meets the bedroom standard. This is a 4-bedroom 8 person 3 storey type. A 3-bedroom 5 person two storey type meets the internal space standard but not the bedroom standard for the second twin room making it a 4-person type according to the standard.

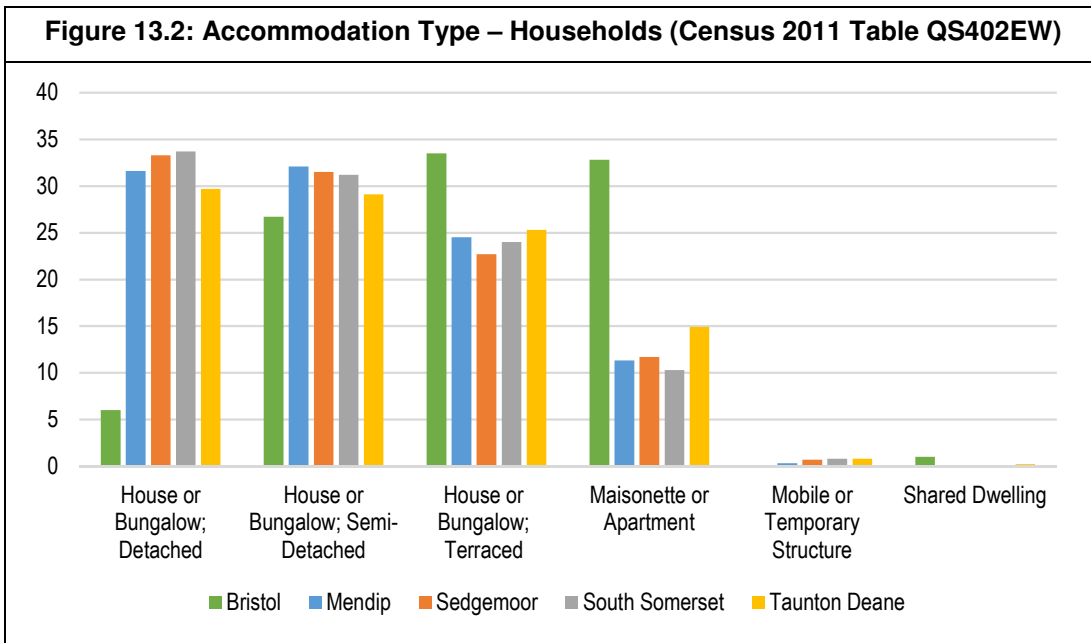
Statistical evidence

- 13.26 Taking into account the constraints that evidence should be readily available (NPPF) and drawing on the issues raised in the Government's consultation paper and responses to it we thought it is appropriate to see what extent information from the Census 2011 at local authority level might be informative. In particular data concerning house type tenure and space.
- 13.27 Taking into account earlier remarks about high density living and the proximity part of the study area to the nearby city of Bristol, we thought it appropriate, for the purposes of this paper, to examine the dwelling and household characteristics of the 4 local authority areas (collectively called the districts from this point onward) that are the subject of this study.
- 13.28 We have mined and analysed data from the census 2011 that profiles the housing stock of the districts and the City in terms of tenure, type size and occupancy.
- 13.29 The following figure shows that the districts have much higher proportions of households in home ownership and lower proportions of households in social and private rented accommodation than the city. The high proportions of 'owned outright' are particularly significant as these are likely to be older households without children living with them.



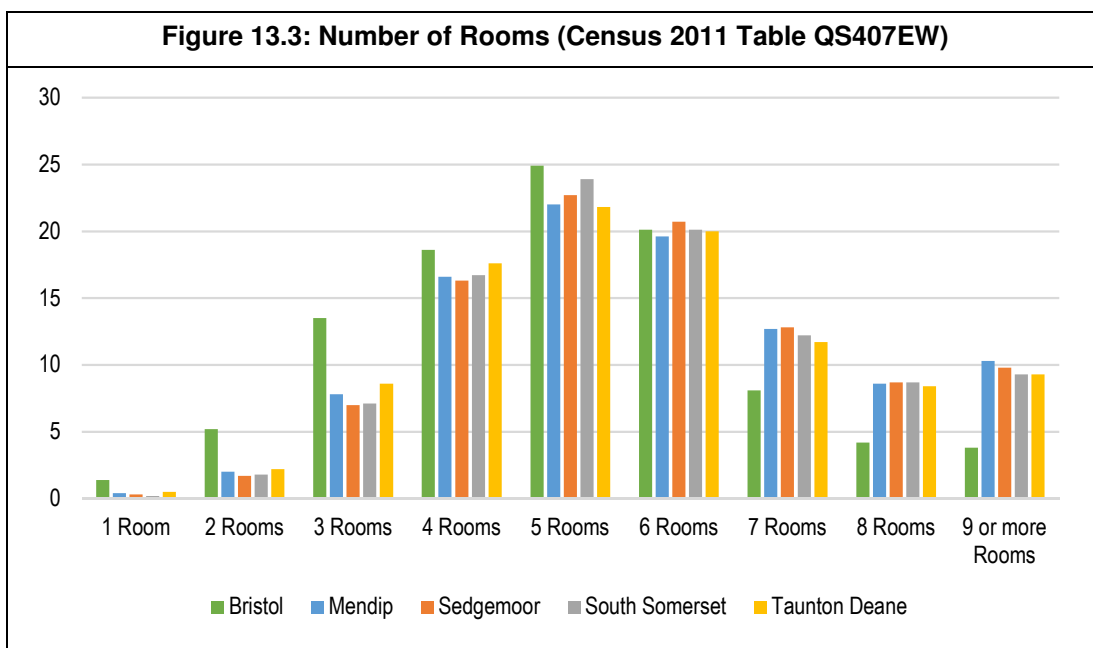
Source: 2011 Census

13.30 It is clear from the figure below that the districts have a very high proportion of detached houses and bungalows and lower proportion terraced homes, flats and apartments compared to the City. The latter are likely to be smaller dwellings. It is noteworthy that the city has a larger proportion of shared dwellings although they are a small part of the city’s overall household spaces.



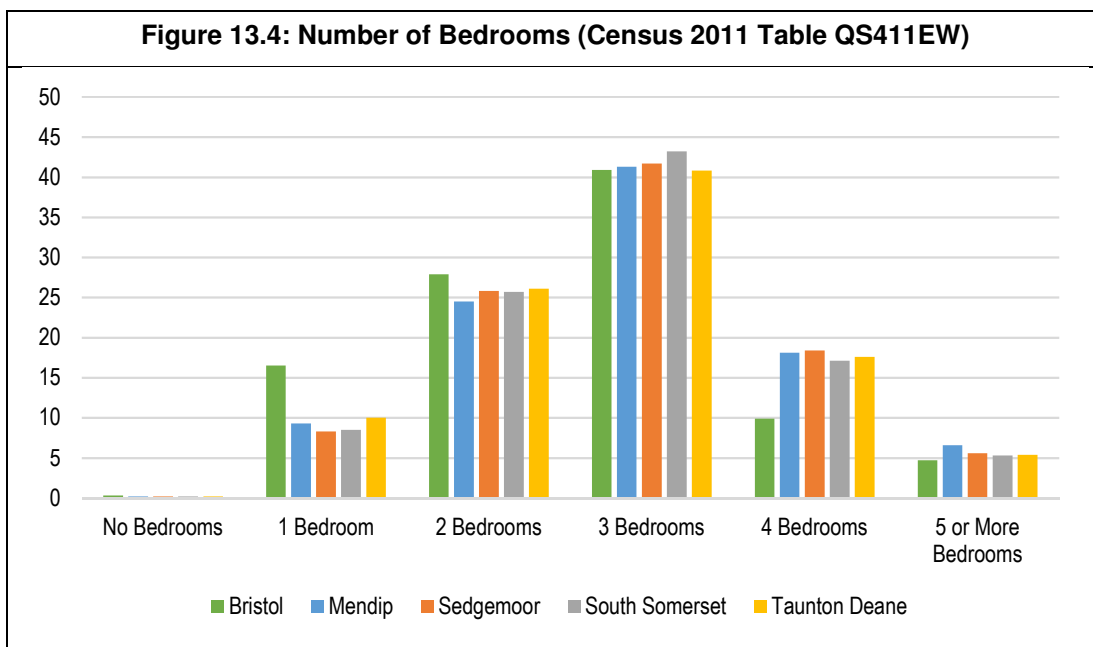
Source: 2011 Census

13.31 The following data shows that the districts have a smaller proportion of dwellings with 1-5 rooms and more dwellings with 7 to 9 or more rooms than the city.



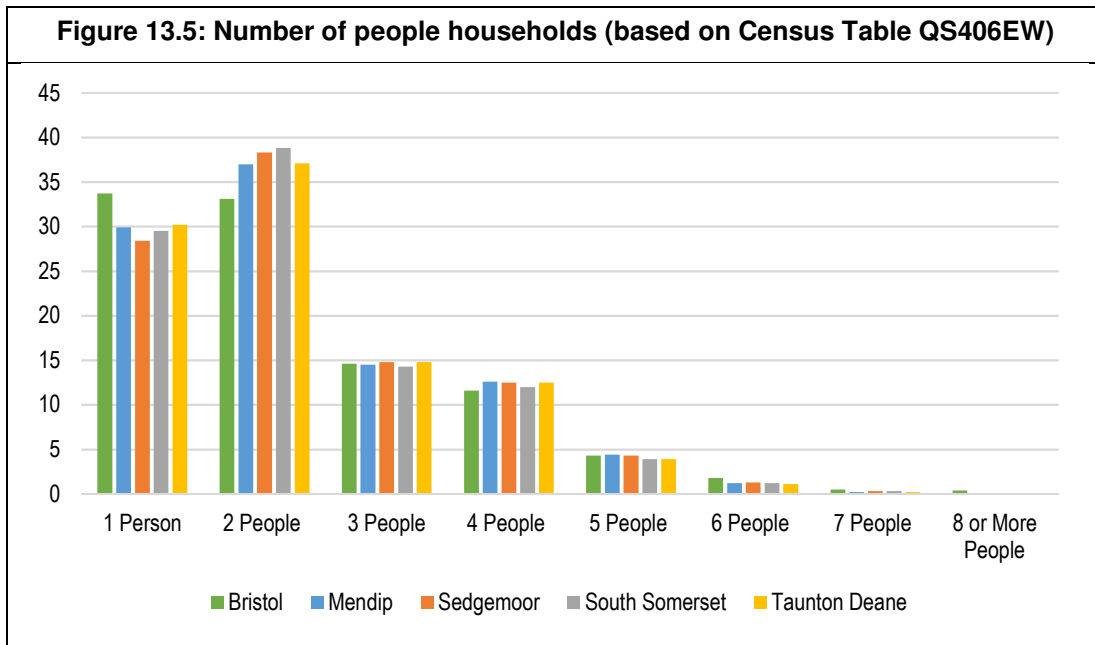
Source: 2011 Census

13.32 The districts have a smaller proportion of 1- and 2-bedroom homes and a higher proportion of households living in 3, 4 and 5+ homes than the city.



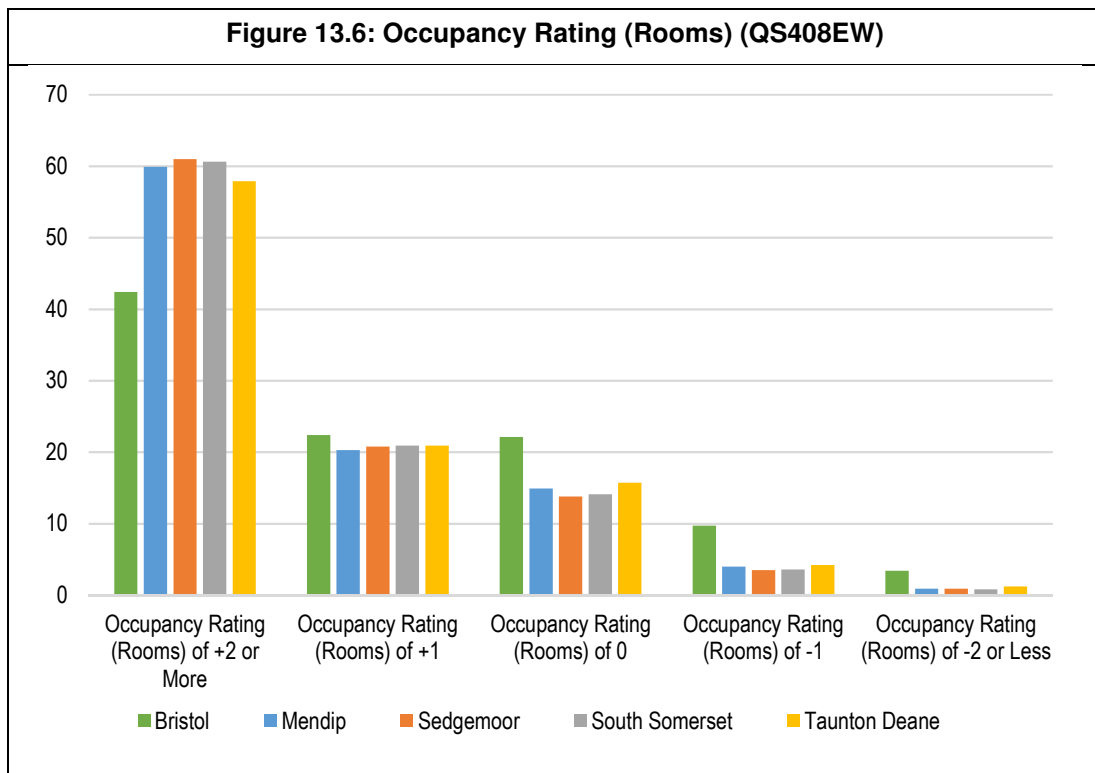
Source: 2011 Census

13.33 The next figure shows that the distribution of household sizes are comparable across the geographies with Bristol having a slightly larger proportion of 1-person households and a smaller proportion of 2-person households.



Source: 2011 Census

13.34 Finally, the figure below shows that the districts have a much higher proportion of households that have 2 or more spare rooms. Whereas the city has a higher proportion of households living in dwellings that are have no spare rooms or are over-occupied.



Source: 2011 Census

Evidence from stakeholders

13.35 The Registered Providers we interviewed had mixed views regarding the introduction of space standards. The common concerns were about the impact on scheme viability and that there should be a level playing field that would apply to all types of affordable and market housing. They explained that the Government's policy on Starter Homes and the Homes and Communities Agency decision to mostly fund shared ownership new build, meant that Registered Providers would have to rely on S106 or other funding or funding for new build social or affordable rented housing. They told us that if they built directly they would build to the former housing quality standards. However, they anticipated that most of the new social or affordable rent would be provided by house builders. They thought that viability would be affected by the introduction of space standards and this could potentially affect the willingness of the housebuilding industry to deliver the target for new build housing. Registered Providers told us it was difficult to see how an increase in cost passed onto them by housebuilders could be funded due to the way that social and affordable rents were fixed.

Bringing the evidence together

13.36 We can put the above information into context from our stakeholder interviews and responses to the government's consultation.

13.37 In response to the Government's consultation house builders told the government that space standards should be judged by the market and there was no market failure apparent in the study area, although the volume of new build was greater along the M5 corridor.

13.38 Census data shows the City of Bristol and the local authorities in the study area have different profiles. In general terms the City has a higher occupancy of its housing and smaller homes in terms of type and functional space such as rooms and bedrooms. In other words, local households have more space in dwellings due to under-occupancy and the fact that housing is generally at low density especially in rural areas. These issues are raised in paragraph 115 of the Government's housing standards review. This evidence would suggest that the introduction of space standards would have less impact than in the nearby city.

13.39 House builders responded to Government consultation by arguing that there would be an impact on price and heating costs. We have observed the pivotal role in the housing market played by small locally affordable new-build homes, enabling first time buyers to get onto the housing ladder and the considerable value delivered by housebuilders for this part of the market partly due to the low cost of financing and owning these dwellings. This is partly to do with Help to Buy and will be taken forward by initiatives such as starter homes and financial products such as the first time buyer's ISA. Nevertheless, it is clear from the analysis of new-build house types in the area that some smaller homes are very small indeed compared to the space standard.

13.40 Registered Providers told us that they had concerns about scheme viability and that supply of affordable rented housing through S106 agreements might be affected.

- 13.41 Government consultation makes reference to the London space standards which we have investigated. The body of evidence commissioned by the GLA that we have quoted from extensively demonstrates similarities with our local findings – smaller homes tend to be disproportionately small compared to space standards. The implication of this is that they will be inherently less flexible in meeting the changing needs of their occupants except that evidence cited below suggests that local households seeking new build housing tend to buy more bedrooms than they need but use the space flexibly and only occasionally as bedrooms. Lifestyle factors are ignored in the published research we have studied and the Government consultation
- 13.42 It is clear that the London housing market and City of Bristol housing market have similarities, and we have used readily available data to demonstrate that compared to the local authorities in the study area the City of Bristol has smaller dwellings and higher density due to their form and the occupancy rate is higher. There is also a larger social rented and private rented sector in the city.
- 13.43 The qualitative evidence collected for the SHMA presents some interesting insights that the local authority may want to take into account when considering the need for and scope of space standards locally. Local sales agents tell us that the local market is highly self-contained, and the rural areas attract a higher proportion of incomers some of whom have retired. Households, especially those contemplating retirement find that they get considerable value from the local housing market in terms of space and or the ability to release equity. They can afford to buy more space than they need and do so.
- 13.44 Local first time buyers are well placed compared to those in other housing markets and are able to access a supply of new build and re-sale homes along the M5 corridor but this is not as evident in South Somerset and Mendip. Current help to buy rules also enable them to buy more space than they need. Evidence from local sales agents tells us that Help to Buy enables new build purchasers to plan long term and avoid moving home if the size of their household increases.
- 13.45 The qualitative evidence collected for this study raises the question of the use of rooms and space in relation to lifestyle. New build and re-sale agents told us that it is likely that many incomers and first time buyers under occupy their homes especially when purchasing new build homes. Agents went on to tell us that the household space may not be used as living space but lifestyle space. Rooms objectively assessed by the space standard as too small for bed-spaces are in fact used for purposes such as office space, fitness or hobby space. Spare 'bedrooms' are also utilised as guest accommodation rather than permanently occupied especially by downsizers. We consider that much of the evidence cited in the GLA is rooted in the conventional use of space and does not recognise that modern households perhaps attach more priority to lifestyle factors. Further research is needed to test this.
- 13.46 We have observed car parking as a major issue on many new build estates. Agents tell us that garages where provided tend to be too small and are mostly used for storage resulting in additional pressure on street parking. This opens up wider discussion on the traditional use of space and storage space which has not been considered in this report as the information we had to hand concerned living space.

- 13.47 Finally, we are concerned about the lack of information that accompanies planning applications regarding dimensions and intended bedroom occupancy. Even if space standards are not adopted or partially adopted by the local authority we believe there is a lack of transparency about the size of the new build product. The analysis above concludes that in comparison to the space standard some bedrooms described as two-person cannot reasonably accommodate two people. We consider it would be good practice for housebuilders to indicate design occupancy of bedrooms and clearly show internal dimensions, dwelling and room areas. Otherwise the most expensive item that most households ever buy might prove not to be in accordance with expectations or prove unsuitable for the household's needs.
- 13.48 If the nationally described space standard is not adopted, we believe that the local authorities should encourage speculative house builders to address issues raised in this study concerning the space provided in the smallest homes we came across especially if they are intended for families. They should also address the lack of transparency in sales literature regarding whether bedrooms are designed for one or two-person occupancy.

Space Standards: Key Messages

- Many housebuilders building locally are currently some way off achieving the national standard especially in respect of smaller homes at the least expensive end of the market. Introduction of the standard is likely to lead to housebuilders re-visiting their designs especially for smaller homes, adjusting dwelling mixes in favour of higher densities or lead to them prioritising development in areas where planning permission for existing designs may be granted;
- The assessment of local house types undertaken here has been time consuming and problematic due to incomplete information. All brochures point out that sizes stated are indicative. The quality of this evidence should not be relied upon as its accuracy is questionable and scaling introduces error. Before policy proposals are considered that may lead to the adoption of a space standard policy we would suggest that a full off plan assessment is undertaken of a wide range of house types;
- We have no first-hand information from customers about their attitude to the space standard and the satisfaction with the space provided in the context of their life-stage and life-style;
- Policy options should be the subject of early dedicated consultation with housebuilders and registered providers.
- There is no lack of demand locally for new build homes objectively assessed as smaller than the standard from households who by their nature, can afford to buy more space than they need and under-occupy their housing. The local culture of demand for houses rather than flats or apartments (except in central Taunton) means there is no pressure from the market to deliver value through higher densities or more spacious homes;
- Based on the evidence we can say that there is a more compelling case for introducing space standards in cities such as Bristol than within the study area, much of which is rural in character, reflecting the thinking in HSR paragraph 115;
- In the market sector, the analysis did not find any strong evidence for adopting the national space standard, this is due to the way households occupy homes (e.g. using a small third bedroom for an office). However, we urge the local authorities to encourage house builders to address issues raised in this study concerning the space provided in the smallest homes, especially if they are intended for families. They should also address the lack of transparency in sales literature regarding whether bedrooms are designed for one or two-person occupancy.
- For affordable housing, there is a case for adopting the standard, however, the Registered Providers we discussed this issue with said, in any case, they would build to the former housing quality standards. Where new social or affordable rented homes are provided by house builders there is a stronger case for adopting the standard, although this would need to be balanced against viability issues, which could impact on the ability of the housebuilding industry to meet affordable housing targets.

14. Impact of Hinkley Point C on the Housing Market

Introduction

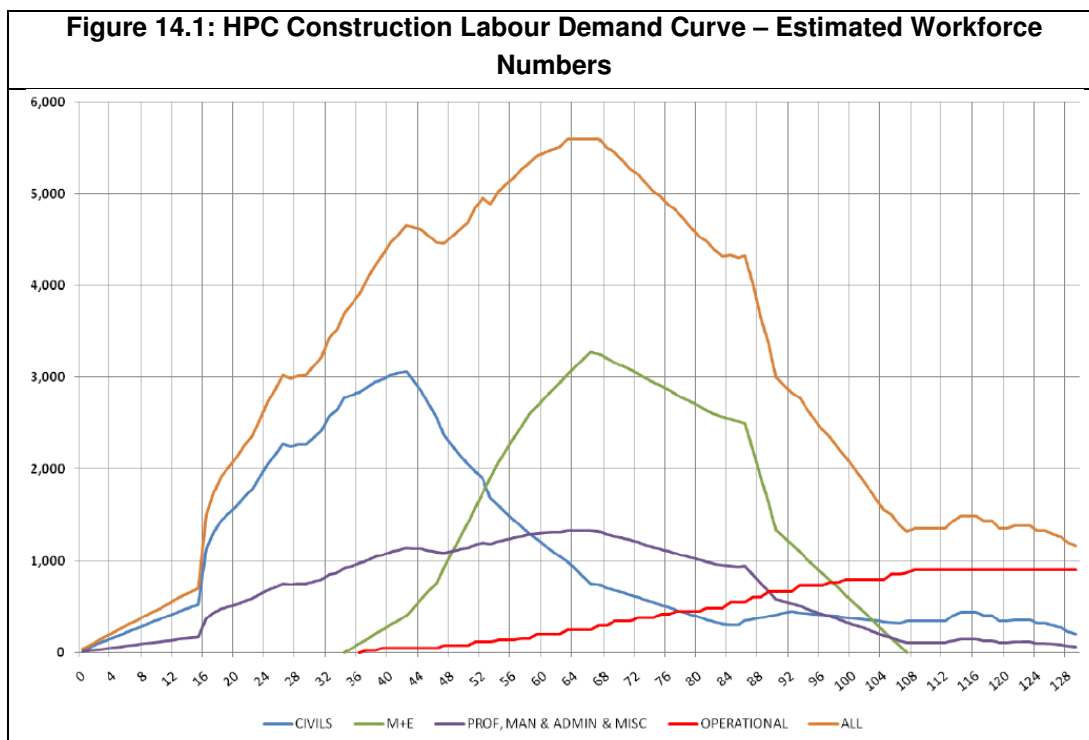
- 14.1 EDF Energy (EDFE) plans to build a new nuclear power station ('nuclear new-build') termed 'Hinkley Point C' (HPC) at Hinkley Point on the Somerset Coast, north-west of Bridgwater. The nuclear new-build will take place on a site adjoining the existing nuclear power plant at Hinkley Point.
- 14.2 At the time of drafting this section, the final investment decision had yet to be made (the Secretary of State subsequently granting development consent in September 2016). EDF has also provided further assurances that despite a widespread debate around recent Brexit, it is committed to going ahead with the project. Because of the delays in making a final investment decision, the new power station is not now envisaged to be operational until 2025.
- 14.3 Once operational it is estimated that HPC will support around 700 operational and 200 contractor jobs. However, the construction of the power plant is a substantial undertaking – and it is estimated that this will create 26,600 Full-Time Equivalent (FTE) construction jobs over the lifetime of the build, with a peak workforce of around 5,600 FTEs.²
- 14.4 The section considers the potential implications of the construction of Hinkley Point C on the housing market, addressing:
- The expected economic and population impact of HPC in terms of the size of the construction workforce and how this is expected to change over time;
 - EDFE's assumptions regarding how this construction workforce will be accommodated in terms of levels of people living in different areas and types of housing;
 - How reasonable these assumptions are taking account of the available information, stakeholder engagement and wider work undertaken in developing this SHMA, and the possibility of alternative outcomes.
- 14.5 The section is structured to consider first the workforce profile, and then to consider different "accommodation options" before drawing conclusions on potential housing market impacts. The impact of delivery of Hinkley Point C on the housing market is thus anticipated to be particularly focused on the construction phase of the project, albeit that it is not exclusively limited to this period.

Size and Composition of the Construction Workforce

- 14.6 To consider the housing market impacts of the construction workforce in delivery of HPC it is first necessary to understand:
- 1) The size of the construction workforce;
 - 2) The profile of employment of people at different skill levels;
 - 3) How the workforce, and skill levels within it change over time;
 - 4) The recruitment strategy of contractors engaged to build HPC.

² EDFE Construction Workforce Strategy

- 14.7 These effectively influence the 'demand' for accommodation arising from the HPC Construction Workforce.
- 14.8 Through discussion with EDF we understand that the latest information in respect of the above is contained within the Construction Workforce Development Strategy, Socio-Economic Chapter of the Environmental Statement and Accommodation Strategy which all formed part of the Development Consent Order (DCO) application. We are not aware of any further information or modelling regarding the construction workforce which is available.
- 14.9 EDFE's Accommodation Strategy (Oct 2011) and Construction Workforce Development Strategy (Oct 2011) summarises the expected size and structure of the HPC workforce. This is based on:
- Data from current and other power station projects, including other EDF projects overseas, including operational modelling of the skills requirements arising at different stages within the construction programme;
 - Profiling of skills requirements from other major UK construction projects and the demographic composition of the UK construction workforce;
 - Research and modelling by Oxford Brookes University, which has included estimates of the 'home-based construction workforce' which will be drawn from within a 90-minute commuting zone;
 - Work undertaken with local stakeholders in the development of the Construction Workforce Development Strategy (CWDS) which seeks to up-skill and provide employment opportunities for local people; and
 - Initial information from companies bidding to supply construction services as part of the HPC build which was available at the time.
- 14.10 The profile of the construction workforce is particularly based on information associated with the construction of the Flamanville 3 Project in Normandy, France – a nuclear new-build project by EDFE where a European Pressurised Reactor (EPR) of similar design to that proposed at HPC was under construction at the time at which the DCO was being prepared.
- 14.11 The figure below, drawn from the Construction Workforce Development Strategy, sets out how the construction workforce is expected to change over the lifetime of the build overall and by core skill group. It sets out the anticipated phasing of workers by skill over the build period. This includes the civil construction workforce ('civils'), the mechanical and electrical construction workforce ('M+E'), the professional, management and administrative staff who will oversee the project ('Prof, Man & Admin & Misc') as well as operational staff who might be involved longer-term (beyond the construction phase) in operating the power plant.



Source: EDF Construction Workforce Development Strategy (Oct 2011)

14.12 The DCO envisaged a build period of just over 9 years (108 months) from the undertaking of initial works. The construction workforce is expected to peak in Year 5 at around 5,600 workers.

14.13 The breakdown of total staff at peak, as set out in the Accommodation Strategy, is shown in the table below.

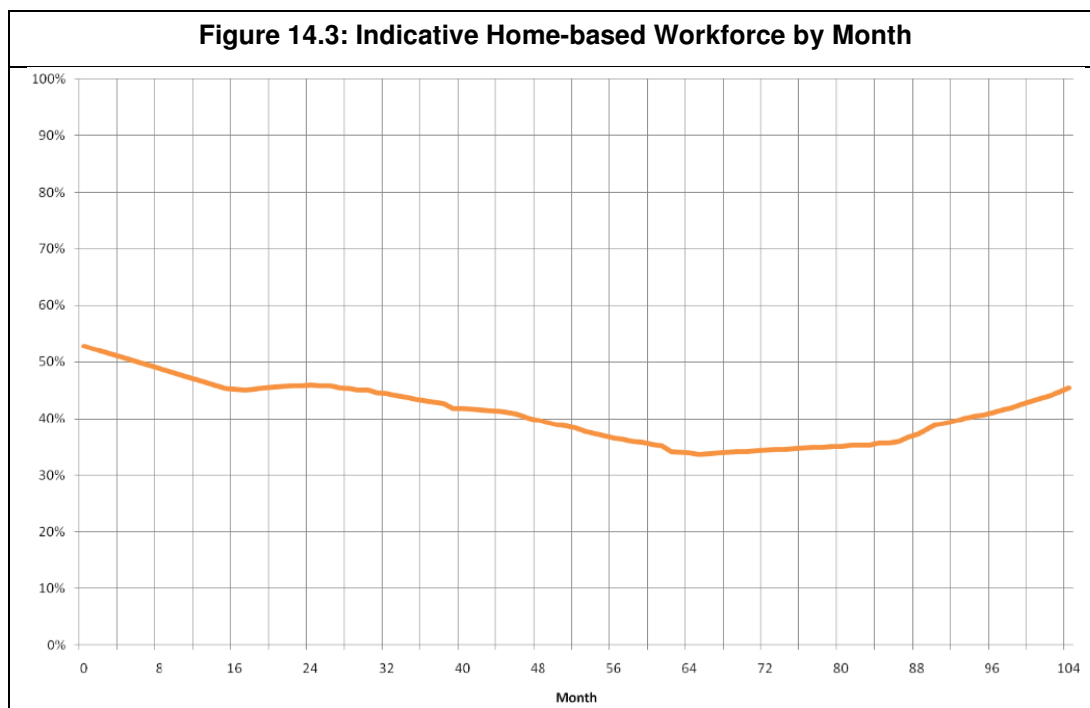
Figure 14.2: Workforce at Peak Construction	
	Workers at Peak of Construction
Civil Operatives	740
Mechanical & Engineering Operatives	3,290
Operational Staff	250
Staff and Management	1,030
Site Services, Security & Clerical	300
Total	5,600

Source: EDFE Accommodation Strategy

14.14 The start date on the chart has passed, in that preliminary works have begun. It is anticipated that once EDFE's Board makes the Final Investment Decision (shown at Month 16 in the graph) this workforce will increase more substantially.

14.15 If we assume that EDF's Board makes the decision to commit to the build (the so-called 'Final Investment Decision') in Autumn 2016, it is reasonable to assume that the peak workforce would be achieved towards the end of 2020.

- 14.16 GLH understand that the Construction Workforce Development Strategy continues to provide the most up-to-date information on the size, phasing and composition of the construction workforce. In advance of making the Final Investment Decision, we understand that EDFE has identified preferred bidders for works as follows for engineering and construction:
- Civil works – Bouygues TP and Laing O'Rourke;
 - Earthworks – BAM Nuttal and Kier Infrastructure;
 - Marine – Costain;
 - Turbine Generators – Alstom;
 - Instrumentation, Steam System Supply and Fuel – Areva.
- 14.17 In addition, Rolls Royce has been identified as a preferred bidder for heat exchange systems, and a Rolls Royce/Nivia partnership for the treatment/processing of reactor coolant.
- 14.18 The recruitment strategies of the contractors will potentially influence accommodation options. 60% of the value of existing contracts have gone to UK based firms, and thus it is reasonable to expect that a significant proportion of roles will be available to UK residents.
- 14.19 EDFE's Accommodation Strategy is based on the core assumption that a third (33%) of the peak construction workforce of 5,600 will be 'home based.' As a result, it estimates that two-thirds will require some form of accommodation. It should be borne in mind that this is at peak, and that the two-thirds requiring accommodation is described as a "maximum" in terms of the estimated workforce demand for housing.
- 14.20 The non-home based workforce is expected to change over time, linked to the types of construction employment required, with the Construction Workforce Development Strategy setting out that *"the skills that are required at the start and end of the project tend to be in skill areas that are more intrinsically local, whilst those in the middle are more specialist and tend to be resourced through national and international labour markets"* [C1.1.12]. The figure below sets out the anticipated proportion of home-based workers and how this is expected to change over the build period.



Source: EDF Construction Workforce Development Strategy (Oct 2011)

- 14.21 Clearly however the degree to which 'home-based' workers can be recruited will be influenced by the success of the Construction Workforce Development Strategy (CWDS). As the CWDS sets out, HPC is being constructed in a geographically remote location at some distances from the large construction workforce present in larger urban centres such as Bristol [C1.1.33]. The Strategy includes an Employment Brokerage Programme, employment outreach work (helping people get back into work) and initiatives to 'up-skill' those in the local area – to be delivered in partnership with Bridgwater College and West Somerset Community College – which include tailored training provision, delivery of a new Construction Skills Centre at Cannington (which is operational), and an apprenticeship programme.
- 14.22 Changes in the profile over time of the number of construction workers, and where these may be recruited from may influence the housing market impacts. These issues are considered in the table below:

Figure 14.4: Potential impacts of changes in construction workforce profile		
Indicator	Issue	Impact
Peak Size of the Construction Workforce	Peak workforce could be higher / lower	Potential stronger / lesser need for accommodation
Profile of Construction Workforce	Skills profile or phasing could be different from DCO figures.	Skill profile may influence what accommodation workers choose and can afford
	Limited information on length of work on the project	Length of work on the project and if continuous/ intermittent may influence accommodation choices
Recruitment Strategies	Limited information on expected profile of domestic and international labour	Impact on potential accommodation choices
	Home-based workforce could be different from DCO figures, and is likely to vary over time	Impact on numbers of 'non-home based workers' is a key influence on housing market impacts

Accommodation Assumptions

14.23 The assumptions within the DCO about where the construction workforce will live can be considered by addressing the following:

- 1) How many workers will require accommodation?
- 2) Where will workers live / what will be their search area?
- 3) What types of accommodation will workers seek?

14.24 Because these issues are influenced by individual workers' decision-making, it is difficult to be that precise in regard to the numbers of workers which may live in different forms of accommodation. EDF's Accommodation Strategy is based on a range of modelling assumptions. We have sought to consider these to understand their sensitivity, and to provide baseline data regarding supply and market signals against which trends can be benchmarked and assessed.

How many workers will require accommodation?

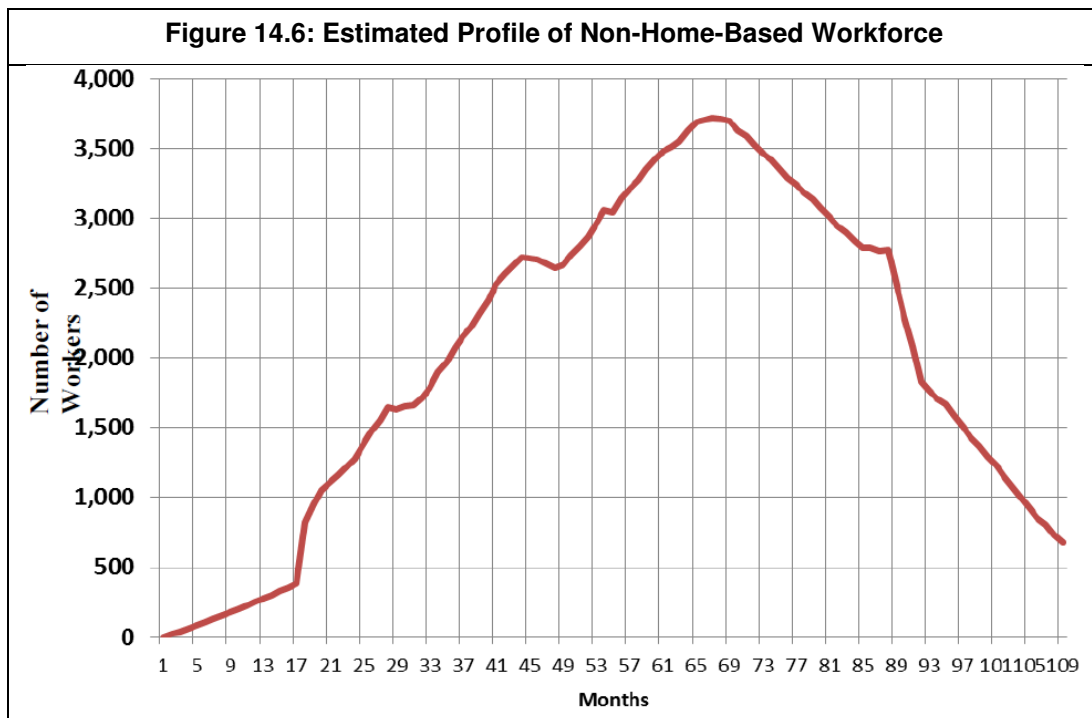
14.25 EDFE's Accommodation Strategy, which was submitted as part of the DCO Application, sets out how it envisaged that the non-home-based construction workforce might be accommodated. A core assumption within this is that two-thirds (66%) of the peak construction workforce will require accommodation in the local area, and a third (33%) will be 'home-based,' this being workers already living locally. **The two-thirds requiring accommodation is described as a "maximum"** in terms of the estimated workforce demand for housing – based on the assumption that the home-based workforce will be higher at either end of the build (as described above).

14.26 Demand for additional accommodation is driven by this non-home-based workforce. The Accommodation Strategy profiles this at the peak of construction as shown in the figure below. This is indicative and would likely be subject to change depending on the specific phasing of different elements of the build and degree to which ‘home-based workers’ are recruited. It is thus important it is monitored.

	Total	Home Based	Non Home-Based
Civil Operatives	740	370	370
M & E Operatives	3,290	990	2,300
Operational Staff	250	130	130
Staff and Management	1,030	150	880
Site Services, Security & Clerical	300	270	30
Total	5,600	1,900	3,700

Source: EDFE Accommodation Strategy (Table 2.1)

14.27 The non-home-based workforce is expected to be phased as shown in the figure below, based on the expected skills profile and modelling undertaken by Oxford Brookes University of the proportion of the workforce at different phases on the build which are expected to be home-based. If a Final Investment Decision is made in Autumn 2016, this would imply a peak workforce in 2020/21.



Source: EDFE Accommodation Strategy (Table 2.2)

Where will workers live/ what will be their search area?

14.28 Where workers live will inevitably be influenced by a number of factors including:

- The supply/ availability, cost and quality of accommodation;
- Accessibility to the HPC site including the time and cost of travel;
- Available facilities, amenities and local infrastructure;
- The length of time which they are expecting to spend working on the project;
- What they can afford and/or are willing to spend on accommodation.

14.29 These factors together can be expected to influence decision-making. The decision-making process is likely to be subjective and may be based on incomplete knowledge of options. Different people may ascribe different weight to different factors. This makes it very difficult to be precise about the numbers of people which might live in different forms of accommodation. The Accommodation Strategy suggests a degree of precision (albeit with caveats) that is difficult to substantiate.

14.30 For those working on the project for a short-time (a matter of days or weeks rather than months) we would expect hotel / tourist accommodation and the campus accommodation to be most attractive – not least as this is likely to be easier to arrange than lodging or places in private rented accommodation. Other accommodation options – owner occupied and private rented accommodation – are more likely to be attractive for those who may be staying for longer.

What types of accommodation will workers seek?

14.31 The Accommodation Strategy seeks to explore how the construction workforce might be accommodated. Its assessment takes account of both demand-side and supply-side factors in that it is based on considering the availability of accommodation in addition to what workers might seek.

14.32 The EDFE Accommodation Strategy identifies a number of sources of accommodation for the workforce whom are expected to move to the area during the construction phase of delivery of HPC.

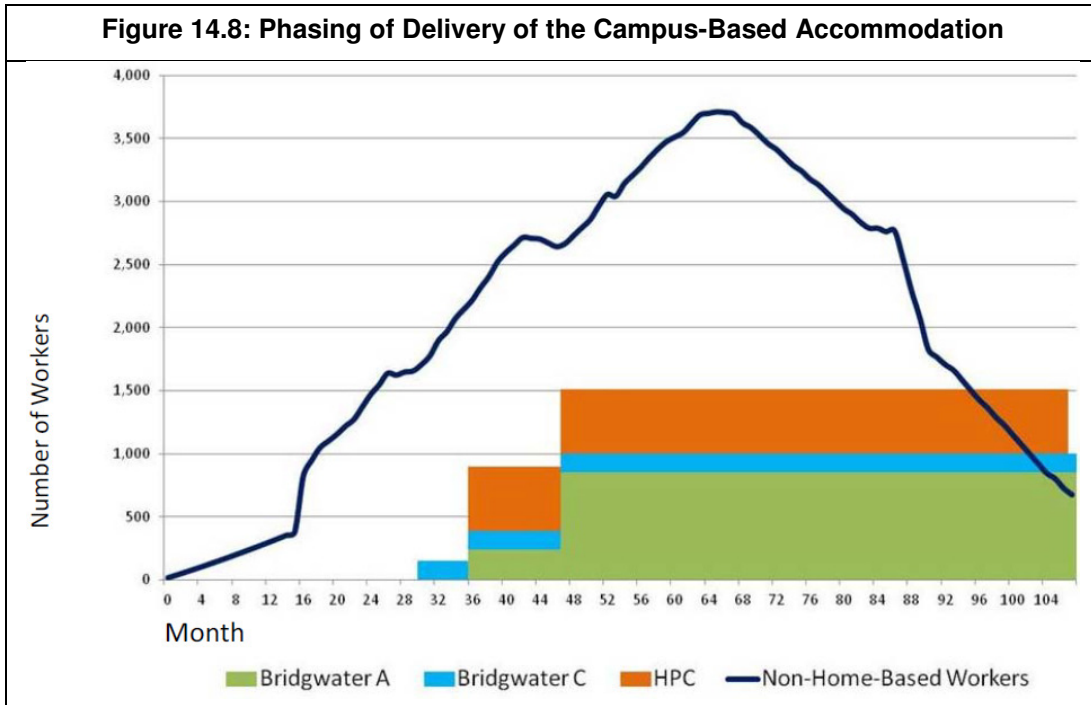
Figure 14.7: EDFE Assumptions on Accommodation of the HPC Construction Workforce	
	Peak Construction Workers Accommodated
Accommodation Campus	1,450
Private Rented Sector	750
Tourist Accommodation	600
Owner Occupied Housing	500
Latent Accommodation	400
Total	3,700

Source: Accommodation Strategy

- 14.33 The Accommodation Strategy caveats this setting out that “*EDF Energy cannot directly control these choices – many workers will not be directly employed by EDF Energy and cannot be compelled to live in any given location. However, EDF Energy can assist workers in finding suitable accommodation, both in terms of its type and location. EDF Energy will encourage workers to live in locations which are serviced by sustainable forms of transport, and will be able to take account of the availability of accommodation and any other relevant local factors (such as the availability of schools or places of worship) in signposting workers to appropriate accommodation.*”
- 14.34 The implication is that there is a clear degree of uncertainty about what accommodation choices workers will make. A challenge has also been a lack of evidence from recent comparator projects in the UK.
- 14.35 To consider this further we have therefore sought to examine the basis of the assumed level of workers living in each of the different accommodation types (from the EDFE Accommodation Strategy) and to set this in context in regard to the latest evidence.

Campus-based Accommodation

- 14.36 EDFE plans to deliver 1,510 units of campus-style accommodation to meet the needs of the construction workforce. This comprises three schemes:
- HPC Site: 510 bedspaces
 - Innovia Site, Bridgwater: 850 bedspaces
 - Bridgwater College Site, Bridgwater: 150 bedspaces
- 14.37 The Transport Strategy estimates that of the total 1,510 units, **1,450 units would be occupied at any one time** (representing a 96% occupancy rate).
- 14.38 The Accommodation Strategy set out the anticipated phasing of delivery of these and the relationship between this and the overall expected profile of the non-home-based workers.



Source: EDFE Accommodation Strategy

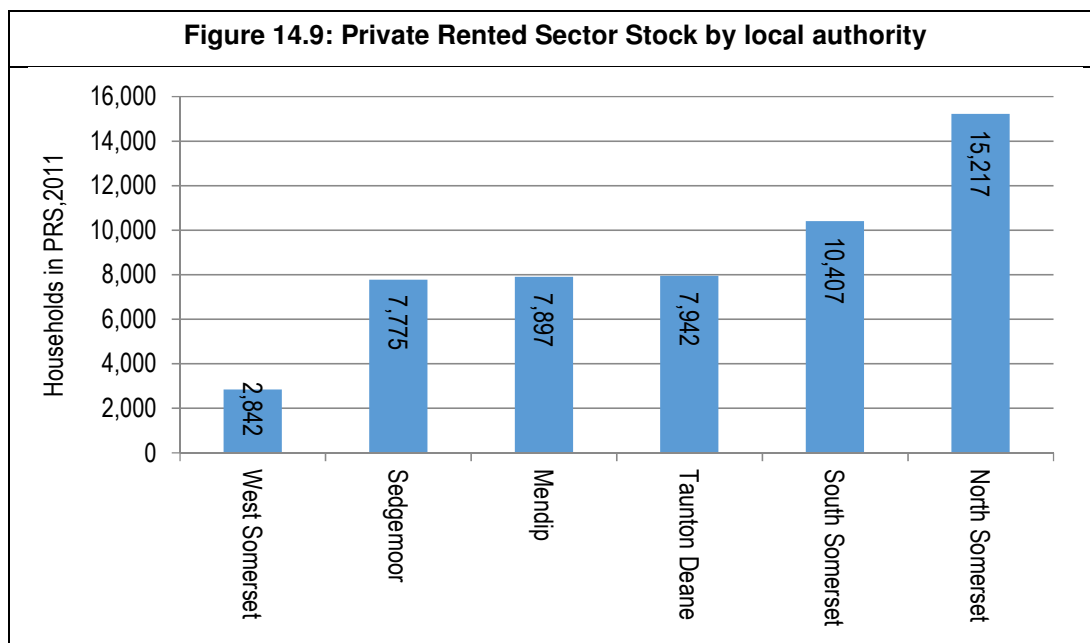
- 14.39 GL Hearn’s view is that the campus accommodation is going to be an attractive option for the construction workforce on a number of levels. They will be modern and include key facilities (TV, ensuite bathroom) and a range of amenities and things to do (catering and laundry facilities, lounge bars, and leisure facilities). Bus services will be run directly from the Bridgwater accommodation to the HPC Site providing easy (and relatively swift) access to work.
- 14.40 Accommodation will be bookable in the same way as a hotel. Importantly **the campus accommodation is also likely to be priced competitively relative to other forms of accommodation**. EDF has an incentive to price the accommodation competitively given that they are being built for the purpose of supporting the build (and EDF is incurring significant development costs); and it gives EDF a greater degree of control/ oversight over workers which can bring operational efficiencies.
- 14.41 As the Accommodation Strategy sets out “**campus accommodation tailored to the needs of the workers... is likely to be the preferred accommodation choice for many workers, particularly for those working for short periods of time on the HPC project.**” This seems reasonable. On this basis it would seem reasonable to assume that high occupancy levels of the campus accommodation are achieved (96%). The Accommodation Strategy suggests that this was the experience at Sizewell B where the 700 on-site bedspaces had a waiting list throughout the construction period.

- 14.42 Clearly (as set out above) the phasing of delivery of the Campus Accommodation is also highly relevant. Timely delivery will be important. EDF suggest that details on phasing cannot be confirmed until the Final Investment Decision has been made. However, EDF has ownership of all three sites and has undertaken decontamination works at the Innovia Site. From a commercial perspective we would consider it advantageous for these sites to be delivered as early as possible within the construction programme in order to maximise the return (through rents) on the capital investment made. This would also minimise impacts on the wider housing market and tourism sector.
- 14.43 There is no reason to believe that the timescales set out could not be achieved (particularly taking account of the proposed lightweight modular construction on the HPC and Bridgwater A sites), based on the information available; although this is obviously a risk factor.
- 14.44 What is notable from this is:
- Initial campus accommodation is expected to come on stream around Month 30 (which could theoretically be late 2017). This is the 150 bedspaces at the Bridgwater College Site. However, at this point campus accommodation will provide 150 bedspaces relative to the 'non-home-based' construction workforce of around 1,700. It is anticipated that over 1,500 construction workers will need to be accommodated within other forms of accommodation at this point.
 - The delivery of campus accommodation at the HPC Site (500 bedspaces) and an initial phase of development at the Innovia Site are expected to be completed by Month 36 (say Autumn 2019) at which point around 900 bedspaces are expected to be available. However, this compares with a total construction workforce rising towards 2,700 and thus over this period we could expect a further marginal increase in the number of construction workers accommodated in other forms of accommodation.
 - At the peak of the construction (feasibly late 2020/ early 2021) it is estimated in the Accommodation Strategy that the non-home-based workforce will be 3,700 in size. Total campus accommodation will be 1,500 (c. 40%) with 2,200 living in other sources of accommodation. Those living in other sources of accommodation are thus expected to increase by around an additional 400 broadly during 2019 and 2020.
- 14.45 Because of delays in reaching a final investment decision, it is anticipated that once the build starts it will ramp up very quickly (as EDFe would like to stay ahead of their competitions in terms of nuclear build projects in the UK). This might mean some changes to the expected construction phases, which in turn could lead to workers seeking accommodation outside the campus facilities.

Private Rented Sector

- 14.46 The EDFE Accommodation Strategy envisages that at peak 750 workers will be accommodated within the private rented sector. It uses data from the 2001 Census and 2008 Housing Needs Survey to estimate a total supply of private rented sector properties of 21,800 within a 60-minute travel time of HPC, providing 50,800 bedspaces (an average of 2.33 per property).

- 14.47 Based on national data from the 2008 English Housing Survey (EHS) it estimated that 13.3% of properties in the Private Rented Sector (PRS) were vacant, and judged that a minimum 3% vacancy rate would be necessary to support turnover or churn within a functioning market. On this basis it identified “spare capacity” of up to 10% in the sector – equating to 1,270 bedspaces across the 60 minute drivetime area. This formed the basis of the judgement that the sector could accommodate 750 workers.
- 14.48 The evidence base in regard to “spare capacity” within the sector is weak (linked particularly to a lack of data); however, this is a growing sector and it is feasible that construction workforce-related demand could support growth in the sector, driven by investors.
- 14.49 The key issues in regard to the impact of the HPC construction workforce on the PRS would seem to be:
- the number of workers which might potentially be accommodated within the private rented sector;
 - where they might live particularly the degree to which they may seek accommodation nearer to HPC rather than within a 60-minute drive time (anecdotal evidence from the Council to date would seem to support this);
 - the degree to which an increase in demand might spur growth in supply in the sector; and
 - the impacts of this in terms of for instance potential growth in rents and the ‘displacement’ of other potential tenant groups.
- 14.50 The number of workers which could potentially be accommodated within the PRS can be expected to be influenced by the availability of accommodation, the price of it (relative to other forms of accommodation, and accessibility (to the HPC site and wider amenities).
- 14.51 In terms of the location and area of search, we would expect there to be a relationship whereby those in lower paid roles would be more cost-conscious and would thus seek to limit travel and housing costs. Those in higher paid roles would likely be willing to travel further and seek better quality accommodation.
- 14.52 In looking at impacts on the housing market it is therefore useful to consider differences between rental costs between different towns, and the level of current supply of properties of different types. To do so we have drawn on data from the VOA and 2011 Census.
- 14.53 The figure below shows total households living in private rented properties by local authority area based on 2011 Census data. There are a total of 7,775 households in the PRS in Sedgemoor and 2,842 in West Somerset (10,617 combined). Within Sedgemoor there is a clear concentration of private rented properties in Bridgwater (over 40% of all private rented homes in the district can be found in the town). Taunton Deane and Mendip both have almost 8,000 PRS properties.



Source: 2011 Census

14.54 The Census also provides figures on the number of people living in the sector as shown in the Figure below.

14.55 If all of the 750 construction workers assumed to reside within the sector were 'net' to additional residents within Sedgemoor and West Somerset, this would represent an increase of 3.2% on 2011 levels. If the construction workforce is dispersed more widely this figure would fall. This is a relatively modest level and growth of this scale in the sector would be entirely reasonable set against the context of past trends (as we come onto).

Figure 14.10: Households and Residents in Private Rented Sector, 2011

	PRS Households, 2011	PRS Residents, 2011	Average Residents per Household
Sedgemoor	7,775	17,296	2.22
North Somerset	15,217	31,825	2.09
Taunton Deane	7,942	17,836	2.25
West Somerset	2,842	6,189	2.18
South Somerset	10,407	23,314	2.24
Mendip	7,897	17,090	2.16
Total	52,080	113,550	2.18

Source: 2011 Census

14.56 It is appropriate to consider where – based on market evidence – the construction workforce might choose to live. The relevant factors here would seem to be the commuting cost/ travel time and the availability of accommodation.

- 14.57 We have sought to use data from the 2011 Census and 2011-12 English Housing Survey (EHS) to estimate the level of separate lettings of properties within the PRS on an annual basis. The latest data from the EHS suggests an annual turnover of 32% of properties. Applying this to the Census figures for households we can estimate lettings per annum.
- 14.58 The analysis shows that there are estimated to be around 2,500-2,600 lettings per year in Sedgemoor and a similar level in Taunton Deane. In West Somerset around 900-1,000 PRS lettings can be expected, with a higher level in North Somerset (4,900-5,000) based on the higher stock levels.

Figure 14.11: Estimate of Private Rented Sector Lettings per Annum				
	PRS Households, 2011	% Households	Est. Turnover PA	Lettings PA
Sedgemoor	7,775	15.9%	32%	2,511
North Somerset	15,217	17.2%	32%	4,915
Taunton Deane	7,942	16.9%	32%	2,565
West Somerset	2,842	18.2%	32%	918
South Somerset	10,407	15.0%	32%	3,361
Mendip	7,897	17.1%	32%	2,551
Total	52,080	16.5%	32%	16,822

Source: 2011 Census, 2011-12 EHS, GLH

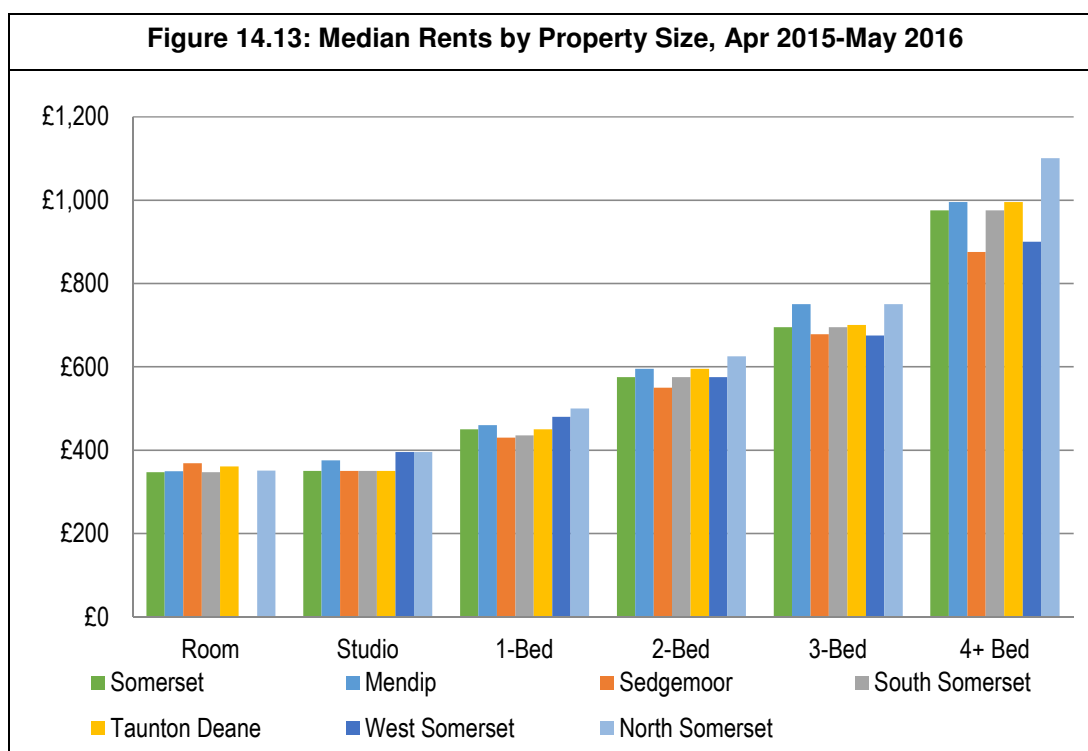
- 14.59 Based on the data in the figure below we can use this to estimate the number of people moving into PRS properties each year. This shows an estimated 5,587 people moving into PRS properties each year across Sedgemoor, around 2,000 in West Somerset and over 5,700 in Taunton Deane. The peak construction workforce can be compared against this.

Figure 14.12: Estimate of People Moving into Private Rented Sector Properties per Annum			
	Est. Lettings per Annum	Average Residents per Household	Est. People Moving into Properties PA
Sedgemoor	2,511	2.22	5,587
North Somerset	4,915	2.09	10,279
Taunton Deane	2,565	2.25	5,761
West Somerset	918	2.18	1,999
South Somerset	3,361	2.24	7,530
Mendip	2,551	2.16	5,520
Total	16,822	2.18	36,677

Source: 2011 Census, EHS 2011-12

- 14.60 The greater potential supply in North Somerset again is shown. Across Somerset it is estimated that almost 37,000 people move into PRS properties per annum (although this includes people moving from one private rented home to another and in many cases these will not be moves made by choice). Regardless, the sector has higher turnover than other segments of the housing market.

14.61 Next it is appropriate to consider pricing. The figure below sets out rental levels (based on VOA data) for different sizes of property for authorities across Somerset. It shows that although room only rents in Sedgemoor are a 4% above the average value across all of the authorities, there is a negligible difference in rents for 1-bed and 2-bed properties, and for larger properties rents are modestly below average (by 3-5%). The highest difference can be seen between Sedgemoor and North Somerset when looking at 4+ bed properties (a £225 pcm differential), and suggests that for households looking for more affordable larger properties to share many may well look to Bridgwater.



Source: VOA Private Rental Market Statistics

14.62 Looking at the individual property sizes, Sedgemoor has some of the lowest rents currently of the Somerset authorities with the exception of 'room only' values (for instance within HMOs). West Somerset has higher prices for 1-bed, 2-bed and 4+-bed properties than in Sedgemoor. Rents for 3-bed properties are marginally higher in Sedgemoor.

Figure 14.14: Median Rental Values (PCM) by Property Size, Apr 2015- May 2016

	Room	Studio	1-Bed	2-Bed	3-Bed	4+ Bed
Somerset	£347	£350	£450	£575	£695	£975
Mendip	£349	£375	£460	£595	£750	£995
Sedgemoor	£368	£350	£430	£550	£678	£875
South Somerset	£347	£350	£435	£575	£695	£975
Taunton Deane	£361	£350	£450	£595	£700	£995
West Somerset	-	£395	£480	£575	£675	£900
North Somerset	£351	£395	£500	£625	£750	£1,100

Source: VOA Private Rental Market Statistics

14.63 This is however looking at median rents. It seems likely that workers living in the PRS might seek cheaper properties, and we have therefore sought to consider lower quartile rents as well. What is notable from this is that:

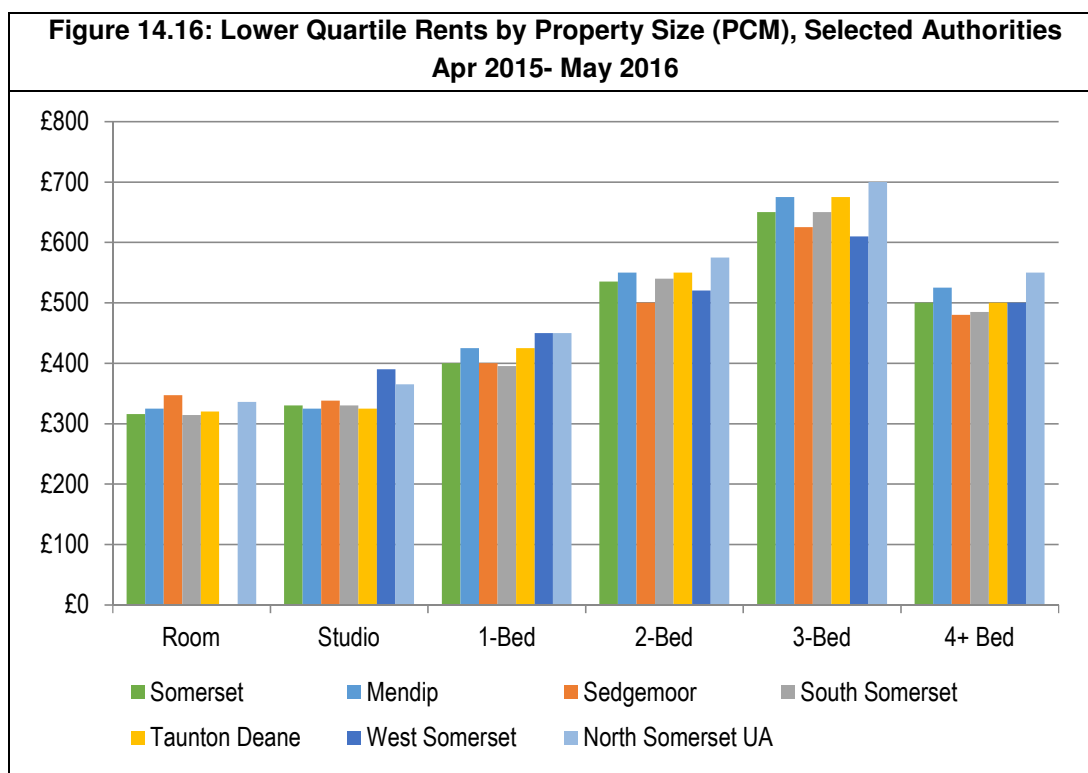
- Lower quartile rents for studio and room only properties in Sedgemoor are above average relative to other parts of Somerset – indicating existing stronger relative demand;
- In comparison rents for 1 and 2-bed properties in relative terms are lower, suggesting that demand for these property types is lower than other parts of the county;
- For larger 3 and 4+ bed properties rents are towards the cheaper end of the range for the authorities shown.

14.64 There is not a particularly significant cost differential between rents in Sedgemoor and those in Taunton Deane (noting that in Taunton values for room and studio properties are marginally lower, and 4+ bed marginally higher). There does not appear to be a substantive cost advantage from seeking to rent in Taunton.

	Room	Studio	1-Bed	2-Bed	3-Bed	4+ Bed
Somerset	£316	£330	£400	£535	£650	£500
Mendip	£325	£325	£425	£550	£675	£525
Sedgemoor	£347	£338	£400	£500	£625	£480
South Somerset	£314	£330	£395	£540	£650	£485
Taunton Deane	£320	£325	£425	£550	£675	£500
West Somerset	-	£390	£450	£520	£610	£500
North Somerset UA	£336	£365	£450	£575	£700	£550

Source: VOA Private Rental Market Statistics

14.65 This data is shown in the figure below for key authorities.



Source: VOA Private Rental Market Statistics

14.66 What is evident from this analysis is that:

- Those looking to rent a room might look beyond Sedgemoor to access suitable accommodation, including in securing furnished properties, but realistically any rental saving could well be offset by higher travel costs;
- Sedgemoor has a supply of cheaper 1- and 2-bed properties relative to adjoining areas; but prices for larger properties (for families or those sharing) are similarly priced in Sedgemoor and West Somerset. Three and four bed properties have higher lower quartile costs in Taunton Deane than in Sedgemoor or West Somerset.

14.67 Overall the cost differences are quite marginal and it is notable that there appears to be no particularly benefit from travelling further – such as to Taunton or Weston-Super-Mare – in terms of the ability to source cheaper housing. This would tend to suggest that workers are more likely to seek accommodation more locally to the HPC site. The impact is most likely to be felt in Bridgwater.

14.68 The other relevant factor here is the commuting cost and travel time. The overall transport strategy is one of consolidation of the workforce. The Park and Ride sites, capacity of these and journey time to the HPC site is shown in the figure below.

	Spaces	Assumed Car Trips	Journey Time
M5 Junction 23	1,300	842	30
M5 Junction 24	698	529	30
Williton	160	123	30
Cannington	132	179	15

Source: Transport Assessment/ GLH

- 14.69 We have estimated which settlements might relate most closely to the park and ride facilities and sought to develop indicative estimates of the overall journey time for comparative purposes. The important factor is not the precision of the journey times but an appreciation of the overall scale of difference in journey times to HPC. The journey time from Bridgwater for comparison is likely to be 20-25 minutes.

	To P&R	Bus to HPC	Total
Watchet via Williton	5	30	35
Highbridge via M5 J23	10	30	40
Burnham via M5 J23	10	30	40
Taunton via M5 J24	15	30	45
Minehead via Williton	20	30	50
Weston-Super-Mare via M5 J23	25	30	55

Source: GLH drawing on Transport Assessment

- 14.70 The purpose of this analysis is not to provide a definitive answer on where people might live, but to understand further the factors which might influence workers' choices in where to live. Together the evidence would suggest that it is more likely that those seeking private rented accommodation are more likely to do so within Sedgemoor and West Somerset Districts given the similarity in prices to Taunton and the longer travel time.
- 14.71 A key question which then arises is the degree to which the potential demand from construction workers could drive an increase in PRS Supply – or whether demand may increase but supply remain static. The issue here is a lack of regularly available (and particularly up-to-date) data on total supply.
- 14.72 Comparison between the 2001 and 2011 Censuses provides information on trends in the PRS. The PRS has been the key growth sector across the housing market over the 2001-11 decade. Growth in the sector has been stronger in Sedgemoor and North Somerset at around 7% per annum relative to other parts of the county.

	PRS Households 2001	PRS Households 2011	Change, 2001-11	% Change	% Change PA
Mendip	5,446	7,897	2,451	45%	5%
North Somerset	9,052	15,217	6,165	68%	7%
Sedgemoor	4,646	7,775	3,129	67%	7%
South Somerset	7,308	10,407	3,099	42%	4%
Taunton Deane	5,360	7,942	2,582	48%	5%
West Somerset	2,304	2,842	538	23%	2%
South West	279,597	419,047	139,450	50%	5%

Source: Census (2001 & 2011)

- 14.73 There is clearly potential for the sector to have continued to grow further since 2011 and indeed the prospect of demand arising from the HPC construction workforce may have supported this.
- 14.74 The evidence suggests that to accommodate the suggested 750 peak workers at HPC might require growth in the sector of around 4%; whilst the sector over the 2001-11 had been growing by around 7% per annum. Growth to accommodate the workforce demand arising from HPC construction is thus not unrealistic – however it is by no means guaranteed. The other issue here is that the demand for private renting could exceed the 750 bedspaces identified.
- 14.75 It is notable however that the Government has sought to deter investment in the PRS over the last couple of years, legislating to increase stamp duty on second home / investment purchases by 3 percentage points from April 2016 and reforming tax relief over the 2017-20 period meaning that landlords in the higher rate tax bands (40/ 45%) will only be able to claim tax rate relief at the basic rate (20%). These changes can be expected to make investment purchases of additional PRS properties less likely; and could lead to some stock being sold by investors (albeit that there is no specific evidence of this as yet).
- 14.76 There are some deeper challenges here. One relates to the nature of properties. The qualitative analysis undertaken suggests that landlords are reluctant to provide furnished accommodation, which is what is most likely to be sought by construction workers. This reflects their repair liability and in some cases insurance costs and loan terms. This issue could have a notable impact on the scale of the construction workforce which could be accommodated in the PRS – and could feasibly result in an increasing number of workers seeking alternative forms of accommodation.
- 14.77 It is unclear whether PRS supply will increase to meet the additional demand generated (and whether furnished properties will be provided). Data on the size of the PRS is not regularly published (between Censuses). The way of monitoring the issue is thus by looking at rental trends which provide an indication of the supply-demand balance. Should demand increase faster than supply (overall or for particular types of property), rental values can be expected to increase.

- 14.78 The relevant baseline data here is rental trends. The data below shows that over the last two years, lower quartile (LQ) rents in Sedgemoor have increased for rooms and studios (by 3.3% and 2.0% pa respectively) and for 1- and 2-bed properties (to a more modest degree); but that rents have remained fairly static for lettings of properties with 3 or more bedrooms. The table below also provides benchmark LQ rents which can be tracked.

Year Ending	Room	Studio	1- Bed	2- Bed	3- Bed	4+ Bed
Mar- 2014	£325	£325	£395	£495	£625	£795
Sep- 2014	£347	£323	£395	£495	£625	£795
Mar- 2015	£325	£325	£399	£495	£625	£795
Sep- 2015	£347	£340	£400	£500	£625	£795
May- 2016	£347	£338	£400	£500	£625	£480
% Change	6.8%	4.0%	1.3%	1.0%	0.0%	-39.6%
Change PA	3.3%	2.0%	0.6%	0.5%	0.0%	-22.3%

Source: VOA Private Rental Market Statistics (NB 2016 4+ bed figures should be treated with caution given low number of lettings)

- 14.79 We can undertake a similar analysis for median rents. This suggests relatively limited change in rents at the lower end of the market in Sedgemoor over the last couple of years.

Year Ending	Room	Studio	1- Bed	2- Bed	3- Bed	4+ Bed
Mar-14	£368	£350	£425	£525	£673	£900
Sep-14	£368	£350	£425	£535	£675	£898
Sep-15	£380	£360	£425	£550	£678	£885
May-16	£368	£360	£425	£530	£675	£895
% Change	0.0%	2.9%	0.0%	1.0%	0.3%	-0.6%
Change PA	0.0%	1.4%	0.0%	0.5%	0.1%	-0.3%

Source: VOA Private Rental Market Statistics

- 14.80 The final issue in regard to the PRS relates to the potential for displacement of other groups – particularly those “in housing need” from the Private Rented Sector. The challenge here however is disaggregating the impact of the construction workforce from that of the Government’s Welfare Reforms.
- 14.81 Data from the Department for Work and Pensions (DWP) suggests that in February 2016 there were 3,107 benefit claimants’ resident in the Private Rented Sector in Sedgemoor. We estimate that around 1,000 lettings per annum are supported by LHA in this sector. This would represent around 40% of all PRS lettings – suggesting that **the LHA supported segment of the PRS is significant**. The Council has however indicated that there is evidence from Somerset Homelet that many accommodation owners would prefer to house people in full-time employment (this can be seen by the number of potential landlords who do not indicate that they are ‘LHA friendly’).

14.82 The final issue in regard to the PRS is the degree to which constrained access to PRS properties to households “in housing need” could impact on the Council’s Housing Register, both in terms of the overall register size and homelessness presentations.

Tourist Accommodation

14.83 The EDFE Accommodation Strategy assumes that 600 workers will live in tourist accommodation. It sets out that there are (conservatively) at least 35,000 tourist bed spaces within the 60 minute drivetime of HPC. Applying occupancy data to this it estimates that there are 24,500 vacant bedspaces in March and 6,500 in August and thus concludes that there is a large potential pool of tourist accommodation that could potentially be utilised – albeit with some caveats, including:

- that workers are unlikely to want to pay a premium for family accommodation/ double rooms;
- planning restrictions on the use of caravan and camping sites; and
- issues around the affordability of accommodation.

14.84 On this basis it assumes that 40% of serviced accommodation is suitable and affordable; and 25% of camping and caravan sites can be used – resulting in an estimated 2,070 spare bedspaces in August. Of these it assumes 600 could be occupied at peak by HPC construction workers.

14.85 We have sought to test some of these assumptions, again using more up-to-date data available where possible.

14.86 The chart below identifies the number of accommodation “establishments” by district. Across Sedgemoor there are 258 tourist accommodation establishments, of which 125 are providing serviced accommodation. In North Somerset there are 169 establishments, of which 111 are providing serviced accommodation. Figures for other authorities are as set out in the table below.

Area	Total establishments	Serviced accommodation	Non-serviced accommodation (“collective accommodation establishments”)			
		Hotels and similar establishments	Total	Holiday dwellings	Tourist campsites	Other collective accommodation
South Somerset	267	171	96	79	16	1
Taunton Deane	192	109	83	70	9	4
North Somerset	169	111	58	44	14	0
West Somerset	379	180	199	163	28	8
Sedgemoor	258	135	123	81	39	3
Mendip	382	244	138	120	14	4

Source: Visit England 2012

14.87 The 135 serviced accommodation establishments offer a total of 1,183 rooms in Sedgemoor, with a slightly higher number of 1,271 in West Somerset. In addition to this there is a significant supply of non-serviced accommodation including holiday dwellings and campsites, which collectively provides over 12,200 spaces across the two areas.

Area	Total rooms	Serviced accommodation	Non-serviced accommodation (“collective accommodation establishments”)			
		Hotels and similar establishments	Total	Holiday dwellings	Tourist campsites	Other collective accommodation
South Somerset	2,267	1,501	766	221	520	25
Taunton Deane	2,016	1,482	534	152	382	0
North Somerset	3,548	1,825	1,723	753	970	0
West Somerset	5,099	1,271	3,828	2,120	1,628	80
Sedgemoor	9,586	1,183	8,403	1,475	6,767	161
Mendip	3,788	1,696	2,092	397	988	707

Source: Visit England 2012

14.88 Rooms can include more than one bedspace. The table below highlights that across Sedgemoor there are 2,584 bedspaces in serviced accommodation; and 26,871 in other accommodation (of which 77% is on campsites). West Somerset provides 16,137 total bedspaces of which 2,702 are in serviced accommodation.

Area	Total bedspaces	Serviced accommodation	Non-serviced accommodation (“collective accommodation establishments”)			
		Hotels and similar establishments	Total	Holiday dwellings	Tourist campsites	Other collective accommodation
South Somerset	5,448	3,345	2,103	904	1,156	43
Taunton Deane	5,082	3,301	1,781	805	976	0
North Somerset	9,291	4,177	5,114	3,039	2,075	0
West Somerset	16,137	2,702	13,435	8,629	4,488	318
Sedgemoor	29,455	2,584	26,871	5,843	20,779	249
Mendip	25,375	4,044	21,331	1,486	18,733	1,112

Source: Visit England 2012

14.89 It seems reasonable to assume that to minimise costs some workers may choose non-serviced accommodation; and that those seeking serviced accommodation are likely to seek products towards the lower/cheaper end of the market. There are however likely to be some better paid workers on shorter contracts which may buck this general profile.

14.90 The EDFE Accommodation Strategy sets out that workers are unlikely to want to share a room or be willing to pay for larger accommodation. Therefore, in regard to hotels/ serviced accommodation the “rooms” table above probably provides a better basis for considering the stock available.

- 14.91 The Visit England Occupancy Survey results from April 2016 indicate at a national level a 70% occupancy rate for rooms and 51% for bedspaces over the preceding year. In the South West region these figures are similar at 67% and 49% respectively. Occupancy rates are highest for hotels, followed by guest houses and lowest for B&Bs (influenced in part by accommodation quality).
- 14.92 If we apply this to the data for Sedgemoor it would yield an estimated minimum capacity (at the peak period of year in August) of 224 rooms in Sedgemoor and 241 in West Somerset. If we apply EDFE's 40% affordability assumption to this, it yields a capacity of 90 rooms in Sedgemoor and around 94 in West Somerset. However, this would leave no flexibility within the market.
- 14.93 This said from the data it is clear that there is significant potential accommodation which could be drawn on from holiday dwellings and on campsites. It should also be borne in mind that the above data is for August, and occupancy rates of tourist accommodation (and thus potential capacity) are lower at other times of year.
- 14.94 There is clearly a very significant supply of non-serviced accommodation, which in Sedgemoor accounts for over 1,600 rooms plus space at campsites. The analysis suggests that part of this would need to contribute to accommodating the construction workforce.

Latent Accommodation

- 14.95 The Accommodation Strategy for HPC assumes that within the peak construction workforce, 400 workers will live in 'latent accommodation' - specifically within spare rooms within people's houses. There is little publicly-available evidence from which to judge whether this is a reasonable estimate.
- 14.96 The evidence base appears to be interest by existing households whom have 'registered an interest' in providing spare rooms. EDFE has suggested to GL Hearn that the interest expressed to date includes over '5,000 bedspaces' in terms of latent accommodation and PRS properties.
- 14.97 The 2011 Census provides information regarding the occupancy of housing in 2011. It shows that 77% of households under-occupy the homes they live in (almost 37,500 households in Sedgemoor alone). This does suggest that there could be a reasonable degree of potential for households to 'rent out their spare room.'

Figure 14.25: Occupancy of Housing, 2011				
	+2 or more Bedrooms	+1 Bedroom	Total Households	% Under-Occupied
Mendip	19,839	15,255	46,157	76%
North Somerset	37,393	30,773	88,227	77%
Sedgemoor	20,659	16,834	48,801	77%
South Somerset	29,840	23,726	69,501	77%
Taunton Deane	19,231	15,813	46,907	75%
West Somerset	6,843	5,418	15,623	78%
Total	133,805	107,819	315,216	77%

Source: 2011 Census

Owner Occupied Accommodation

14.98 The final accommodation sector is the owner occupied market. EDFE's Accommodation Strategy anticipates that 500 non-home-based workers will choose to buy a home in the area. It sets out that:

“Some, mainly professional and project management staff, will move to the area for a significant length of time (several years or for the duration of the construction) and in the case of future operational staff on a potentially permanent basis. These individuals are more likely to seek permanent housing in the local area and to bring their families with them. However, this element will form a relatively small proportion of the peak workforce equating to around 500 workers.”

14.99 The assessed '500 non-home-based owner occupiers' seems to be a high level estimate. It appears to be based on an assumption that part of the professional, management and administrative workforce will seek to buy in the area. The Accommodation Strategy sets out that these will number between c. 750-1,350 workers from Month 38 – 89 or so (a period of 4 ¼ years).

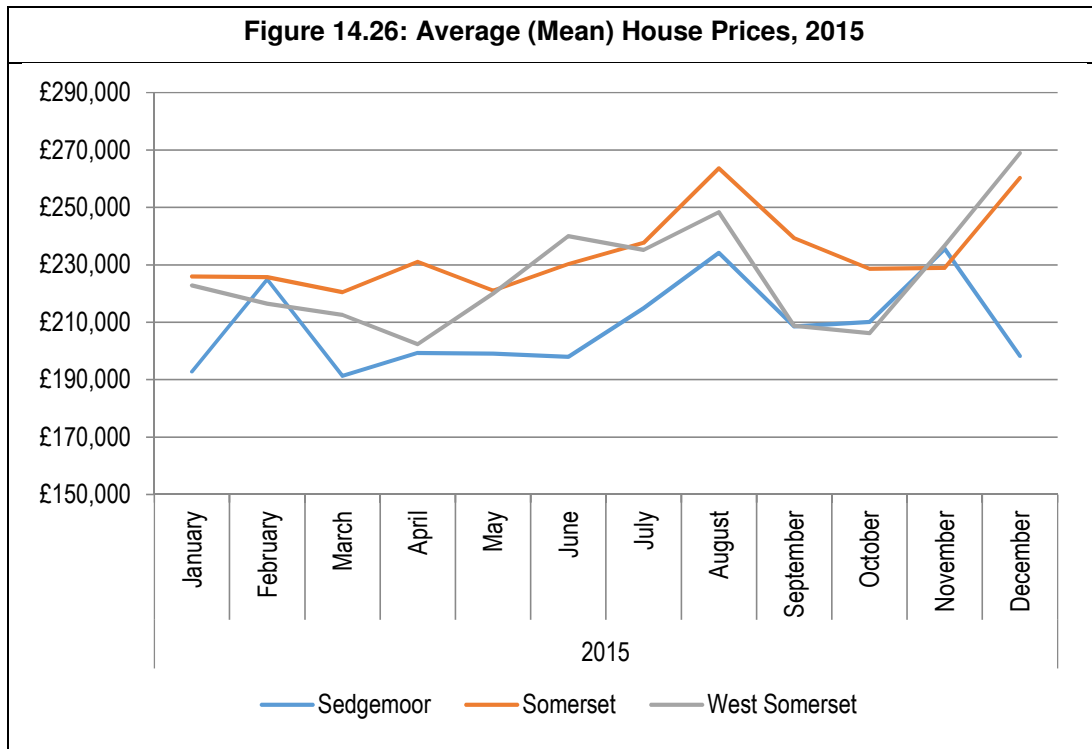
14.100 There may well be a degree of turnover of staff and different roles/ positions over this period (resulting in a higher overall number of workers). It does seem sensible to assume that some of these households may seek to live in owner occupied housing, particularly those in higher paid/skilled roles who are likely to work on the project for a number of years. These higher paid workers are also likely to be willing (and able to afford) to travel further than other occupational groups.

14.101 On the basis of the evidence the assumed 500 workers in the owner occupied sector does seem reasonable.

14.102 Owner occupied housing represented 72% of the housing stock in Sedgemoor in 2011 (over 35,000 properties). A growth of up to 500 households in this sector over four years would be modest (less than 1.5% growth), and we would thus not expect this to have a particularly significant impact on the housing market.

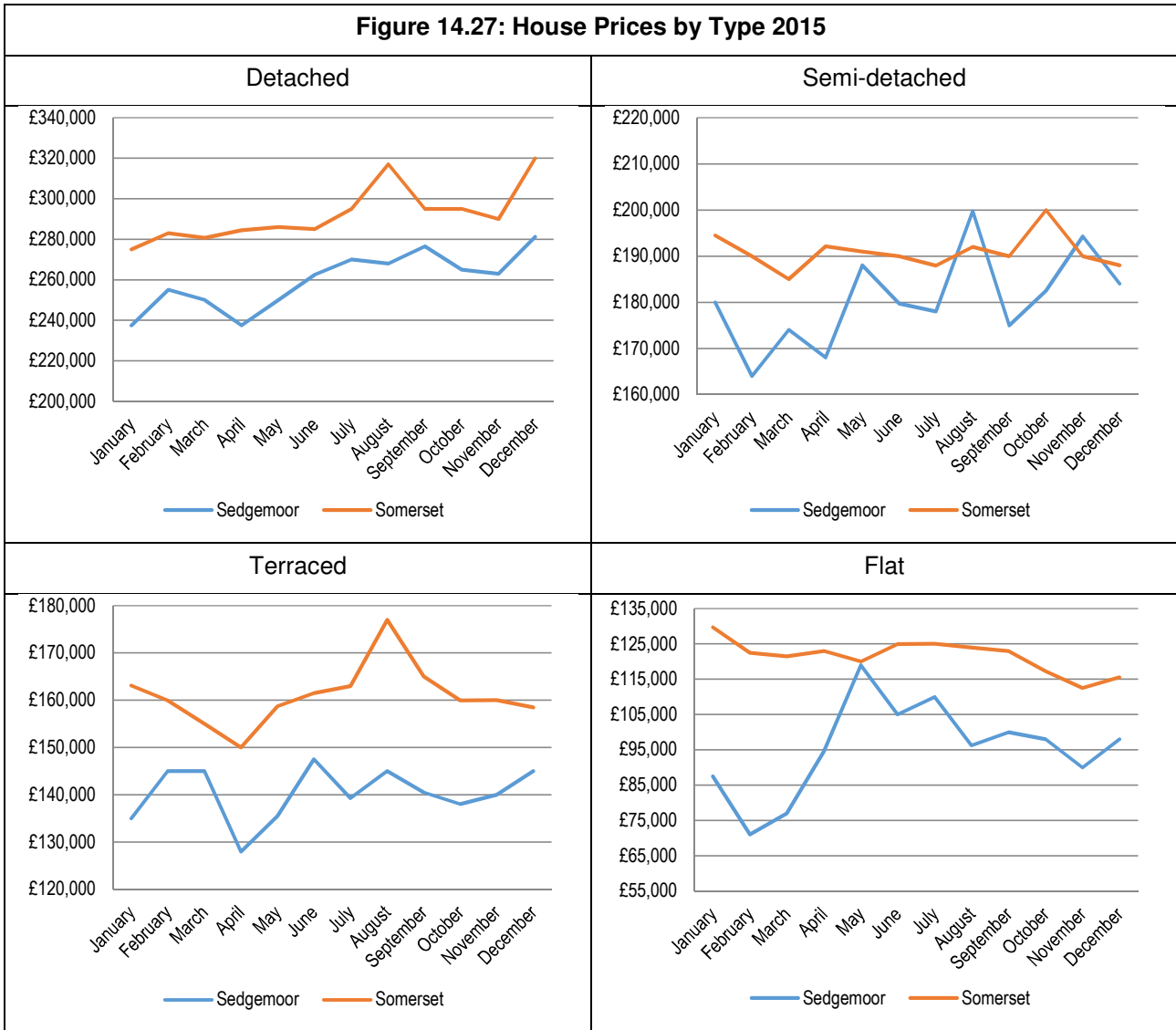
14.103 Nonetheless in monitoring housing market impacts of HPC, it will be important to monitor the impact on the sales market of both owner occupier demand and investment demand (linked to the PRS). Monitoring sales trends and pricing will be relevant in this respect.

14.104 The mean house price in Sedgemoor in December 2015 stood at £198,347. This was 31.3% below the Somerset average of £260,337. The figure below shows trends over the previous year.



Source: HM Land Registry Price Paid Data

14.105 Average prices are influenced by the mix of properties sold and it is therefore also relevant to analyse prices by type. The figure below shows trends over the last year.



Source: HM Land Registry Price Paid Data

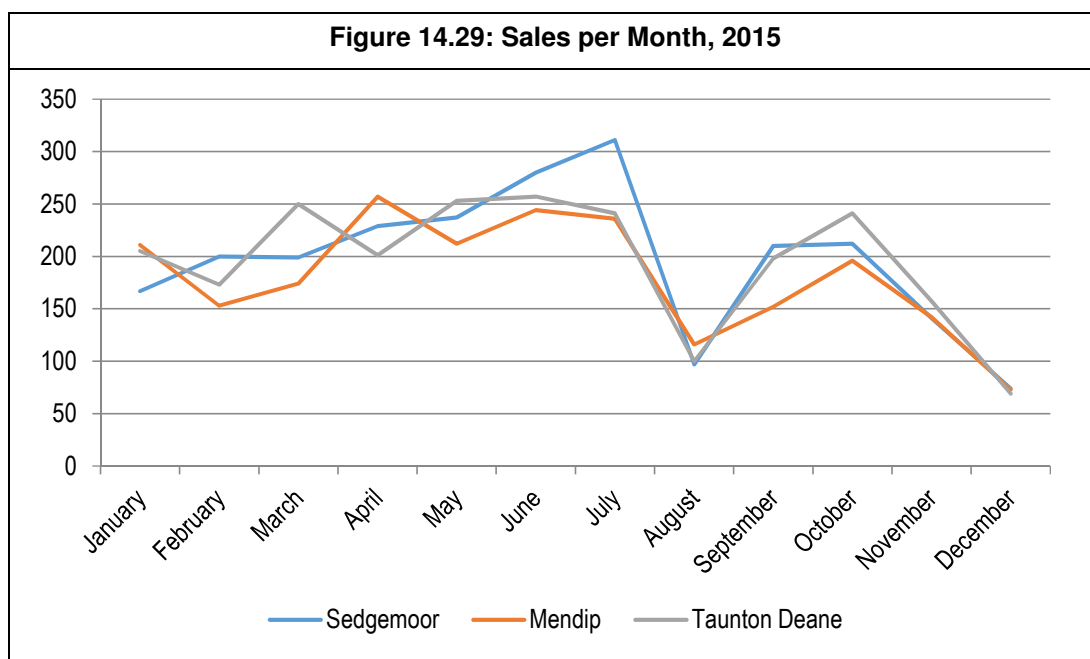
14.106 Prices overall noted a steady increase throughout the year across Somerset, with average values reaching £260,337 in December. This represents a 15.2% increase when compared to the start of the year. This trend can be broadly reflected across the different property types. The only type declining in value was flats, which median values declined from £129,725 in January to £115,500 in December.

14.107 Overall prices in Sedgemoor noted an increase up to August and then returned to the values similar to the beginning of the year. This can be seen in the table below, with median values growing by 0.2% over the 6-month period when compared to 5.9% annual increase.

	2015	Annual Change (%) 2014-2015	6-month change (June- December)
Detached	£259,000	4.2%	8.9%
Semi-Detached	£179,950	7.1%	2.0%
Terrace	£140,000	6.1%	2.7%
Flat	£99,975	4.7%	3.8%
Overall	£180,000	5.9%	0.2%

Source: HM Land Registry Price Paid Data

14.108 Prices are indicative of the supply-demand balance. It is also useful to consider sales which provide an indicator of overall demand for market housing and how this has been changing. This includes demand from owner occupiers and investors. Figure shown below presents monthly sales trends in 2015. It can be observed that the number of transactions was increasing on the monthly basis until mid-year followed by a sharp decline in the summer and a downward trend towards the end of the year. This is likely to reflect wider market conditions/ market confidence.



Source: HM Land Registry Price Paid Data

14.109 Trends in the sales market can be monitored in this way; in particular seeking to consider whether there is relatively stronger growth in sales or prices relative to other parts of Somerset.

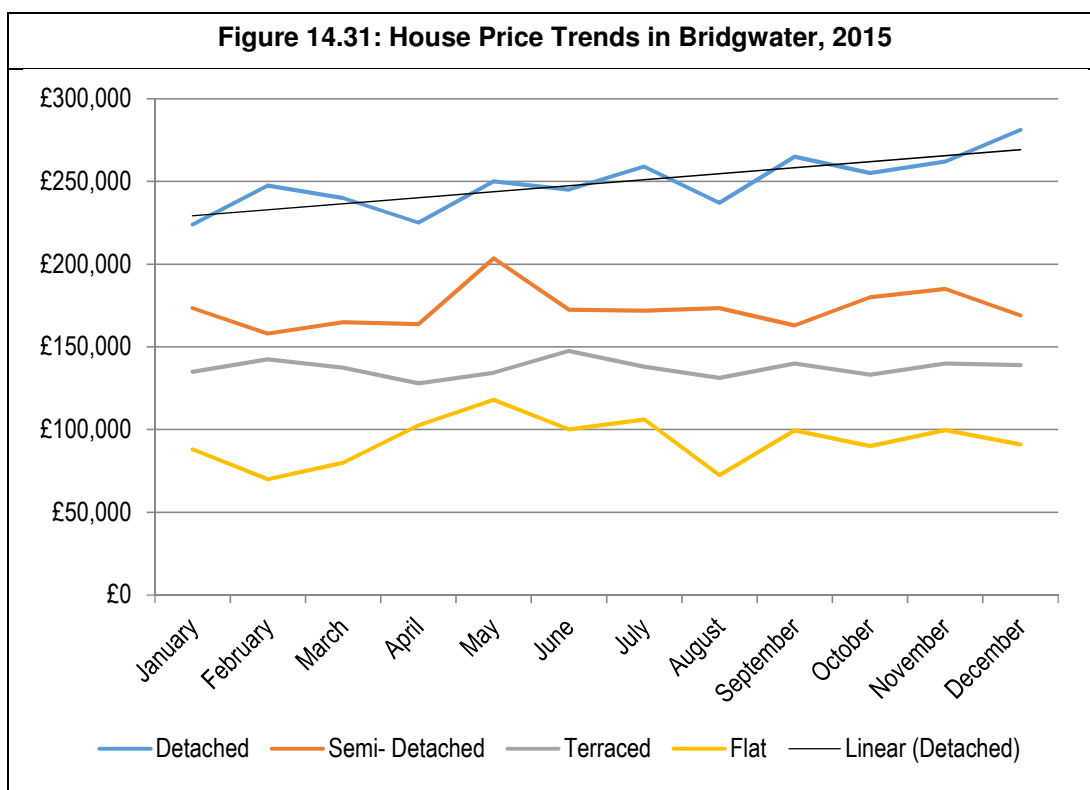
14.110 We can also break down the house prices and sales evidence at a more local level. The figure below shows house prices by type for individual towns. This is included to provide a baseline for monitoring purposes.

Figure 14.30: House Prices for Key Post Towns by Type, Sept 2015

	Detached	Semi-Detached	Terraced	Flat	Overall
Bridgwater	£246,000	£170,000	£137,500	£99,950	£164,250
Burnham	£240,000	£182,500	£147,750	£89,000	£191,000
Cheddar	£320,000	£240,000	£160,000	£120,000	£249,500
Highbridge	£280,000	£189,650	£143,000	£76,500	£190,000
Minehead	£275,000	£212,000	£165,000	£120,000	£189,950
Taunton	£292,000	£192,000	£161,250	£123,000	£199,000
Watchet	£237,500	£165,000	£166,500	£99,975	£182,000
Somerset	£289,995	£190,000	£160,000	£123,000	£197,500

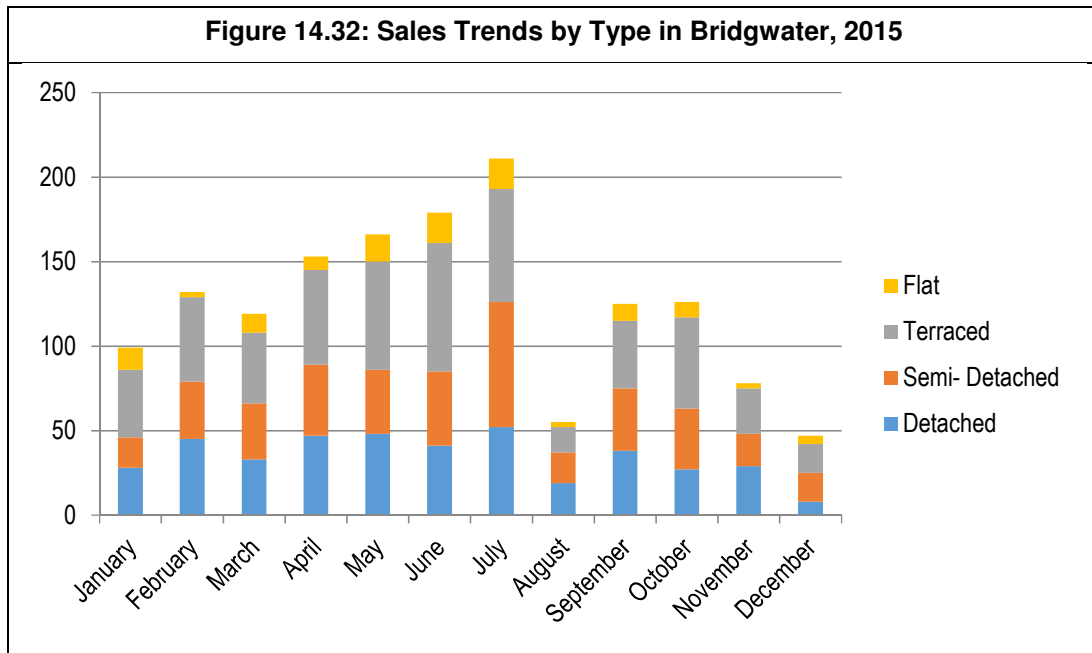
Source: HM Land Registry Price Paid Data

14.111 In Bridgwater the analysis suggests that house prices have remained relatively static, with the exception of detached homes; as the figure below shows.



Source: HM Land Registry Price Paid Data

14.112 Common with the County and District-wide trends, we have though seen an improvement in sales in Bridgwater throughout 2015.



Source: HM Land Registry

Impact of Hinkley Point C on the Housing Market: Key Messages

- Drawing the analysis together it is difficult to be definitive regarding the proportion of the construction workforce (and particularly peak workforce) which might live in different accommodation sectors, and indeed in different areas. This reflects the difficulty in predicting workers' individual subjective choices. There are however some conclusions which can be drawn from the analysis. These include:
- The campus accommodation is likely to be attractive, particularly if (as we expect) it is priced relatively competitively. Over 90% occupancy could be achieved. It is likely to be attractive in particular to those working on the project for shorter periods. The key question is will delivery happen on time, relative to the wider HPC programme?
- The evidence of capacity within the PRS in the EDFE Accommodation Strategy is relatively weak, but this is understandable given the evidence available. The analysis suggests that the key question is will the construction workforce provide an additional stimulant to growth in the PRS stock? If it does rental levels could remain stable; if not, they may rise.
- There are some deeper challenges here. One relates to the nature of properties. The qualitative analysis undertaken suggests that landlords are reluctant to provide furnished accommodation, which is what is most likely to be sought by construction workers. This reflects their repair liability and in some cases insurance costs and loan terms. This issue could have a notable impact on the scale of the construction workforce which could be accommodated in the PRS – and could feasibly result in an increasing number seeking alternative forms of accommodation or looking further afield.
- The broader evidence suggests however that there is not an incentive in terms of rental costs to look further afield for rental accommodation. We thus might not expect workers to look beyond Sedgemoor/ West Somerset particularly in terms of seeking to find furnished PRS properties.
- The overall scale of workers estimated to be accommodated in the PRS (750 at peak) is however relatively modest set against the size of the sector as a whole and turnover of properties. It could be accommodated fully within Sedgemoor with a 4% growth in stock, which compares to growth rates in the stock of 7% pa over the 2001-11 decade. Stock growth may however be moderated moving forwards by the Stamp Duty and tax changes as identified.
- The issue perhaps is more one of competition for cheaper properties within the 'lower quartile.' Here there is potential for competition with other tenant groups (particularly LHA-supported tenants). This segment of the market is however also being affected by welfare reforms, making it somewhat difficult (but not impossible) to disaggregate HPC impacts. Monitoring LQ rents and PRS tenants joining the Housing Register, as well as homelessness presentations (particularly where linked to ends of tenancies), will be important. It is feasible that competition at this end of the market could drive growth in LQ rents and reduce available supply to local residents with a 'housing need';

Impact of Hinkley Point C on the Housing Market: Key Messages (cont...)

- The analysis suggests a potential significant supply of 'spare rooms' but the issue is how many households will – when push comes to shove – want to accommodate construction workers (particularly given an improving macro-economic environment); and will households seek to take-on the second or third worker during the middle and latter phases of the construction programme? These are unknowns which will need to be monitored;
- It is difficult to precisely judge the capacity of the tourist accommodation sector. The headline numbers regarding supply look considerable, albeit that capacity within the immediate Sedgemoor and West Somerset areas of serviced accommodation looks quite modest (with peak capacity for c. 185 workers). Capacity is likely to be greater "out of season." The EDF figures are thus fairly reliant on a significant supply coming forward from campsites, caravans and holiday dwellings or from people travelling from accommodation further afield. Neither is unfeasible but it is difficult to be definitive.
- The evidence does not suggest that the owner occupied demand generated by the HPC Construction Workforce will have a notable impact on the housing market; but the issue is potentially more one of the combined market impact of owner occupier and investment demand for properties. This said recent new-build supply has been relatively strong and there are a number of pipeline schemes capable of delivery. Monitoring of relative price trends will help to gauge impacts.
- Whilst the HPC position is summarised at the point of drafting, the project position will evolve quickly. Base assumptions which underpinned the planning process to inform the Development Consent Order Accommodation Strategy will change. Local unemployment figures and the workforce profile and projections will also evolve. The project makes provision for the Socio-Economic Advisory Group (SEAG) to monitor the housing impacts and the Councils have secured housing mitigation funds to respond to local concerns. The HCA are also directly engaged locally to expedite a complimentary programme of 'Starter Homes' and EDFE own a large tranche of land with outline planning consent for housing. It will be important for the Councils to monitor and review impacts on the housing market and to maintain a dynamic view of housing need.

Appendix 1: Demographic Projections – Background Data

Figure A1.1: Components of population change, mid-2001 to mid-2015 – Mendip

Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	-55	730	80	60	-145	670
2002/3	-62	498	259	-7	-164	524
2003/4	-58	787	61	5	-155	640
2004/5	21	309	364	-4	-149	541
2005/6	76	201	378	0	-161	494
2006/7	48	571	477	-1	-173	922
2007/8	158	784	44	-16	-158	812
2008/9	79	269	-138	-2	-171	37
2009/10	160	313	109	7	-187	402
2010/11	121	368	119	6	-214	400
2011/12	162	262	66	42	0	532
2012/13	-34	374	51	-148	0	243
2013/14	47	512	99	5	0	663
2014/15	-7	754	129	4	0	880

Source: ONS

Figure A1.2: Components of population change, mid-2001 to mid-2015 – Sedgemoor

Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	-163	1,234	48	-4	-94	1,021
2002/3	-97	795	144	-12	-96	734
2003/4	-145	989	229	5	-98	980
2004/5	-106	816	325	1	-103	933
2005/6	-86	801	399	-1	-99	1,014
2006/7	-23	979	548	-14	-100	1,390
2007/8	57	661	174	0	-109	783
2008/9	-77	290	-39	-9	-116	49
2009/10	158	689	123	-12	-106	852
2010/11	134	847	280	10	-138	1,133
2011/12	116	764	266	6	0	1,152
2012/13	98	1,072	311	-8	0	1,473
2013/14	148	1,056	272	37	0	1,513
2014/15	50	777	360	16	0	1,203

Source: ONS

Figure A1.3: Components of population change, mid-2001 to mid-2015 – South Somerset

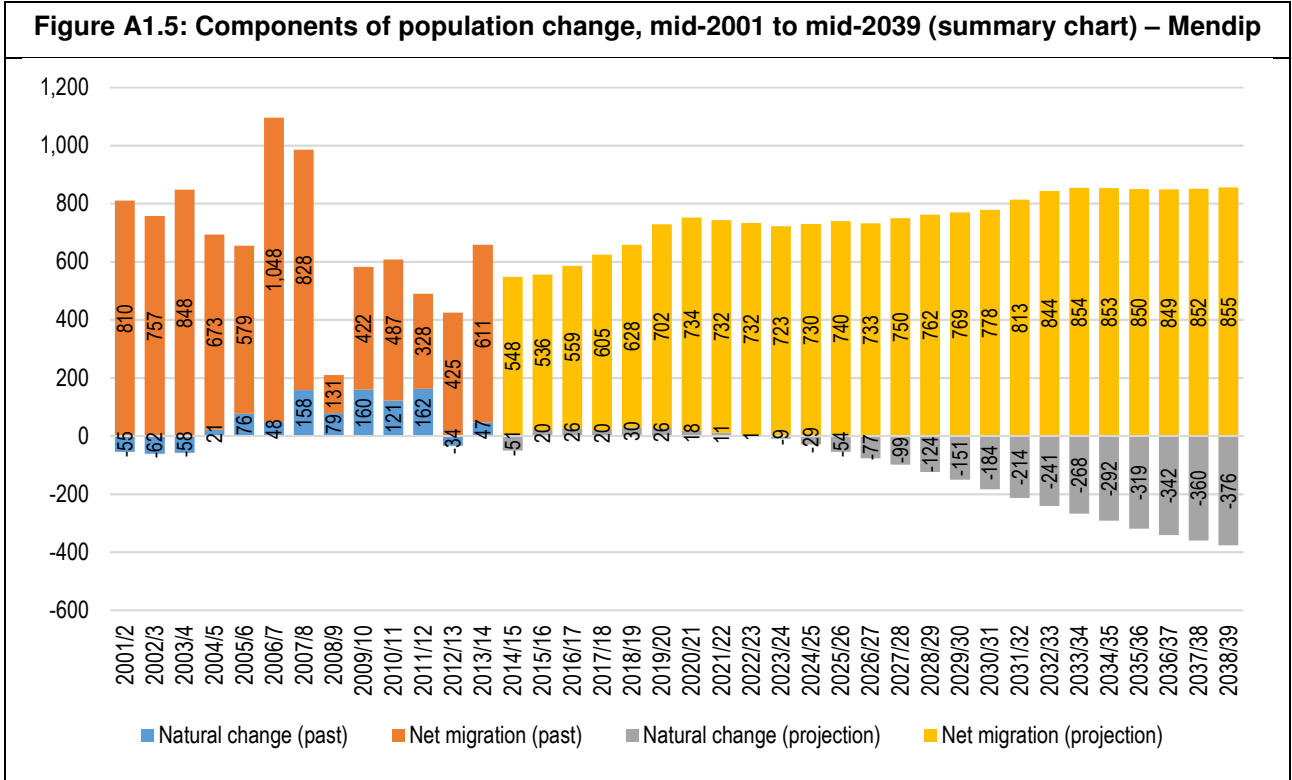
Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	-236	1,027	201	135	-21	1,106
2002/3	-172	1,134	360	11	-35	1,298
2003/4	-130	1,222	455	-28	-15	1,504
2004/5	-83	873	774	-2	-44	1,518
2005/6	-114	500	521	57	-29	935
2006/7	-25	923	619	47	-28	1,536
2007/8	158	842	207	13	-5	1,215
2008/9	43	429	15	23	-3	507
2009/10	56	-1	164	-55	29	193
2010/11	152	725	348	-27	44	1,242
2011/12	111	697	50	41	0	899
2012/13	44	828	64	-5	0	931
2013/14	91	456	125	-46	0	626
2014/15	-126	380	48	111	0	413

Source: ONS

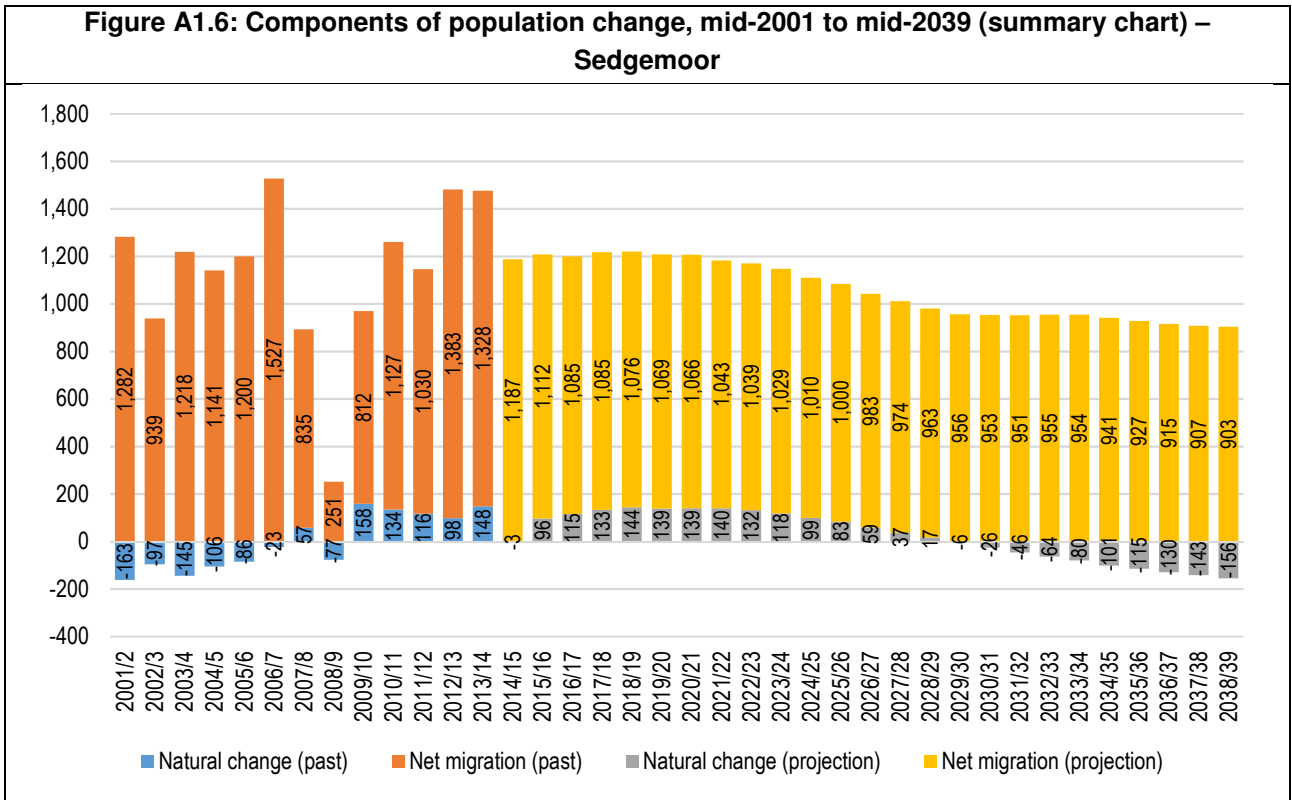
Figure A1.4: Components of population change, mid-2001 to mid-2015 – Taunton Deane

Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	-109	1,482	198	32	-71	1,532
2002/3	-65	885	324	1	-90	1,055
2003/4	-18	633	265	-25	-82	773
2004/5	-69	674	359	-7	-88	869
2005/6	-11	417	199	23	-89	539
2006/7	41	565	342	2	-72	878
2007/8	-6	578	105	0	-107	570
2008/9	18	569	-19	16	-73	511
2009/10	51	500	209	-25	-101	634
2010/11	49	463	203	-11	-95	609
2011/12	105	529	141	40	0	815
2012/13	-66	684	112	16	0	746
2013/14	50	572	148	-69	0	701
2014/15	-131	1,096	175	64	0	1,204

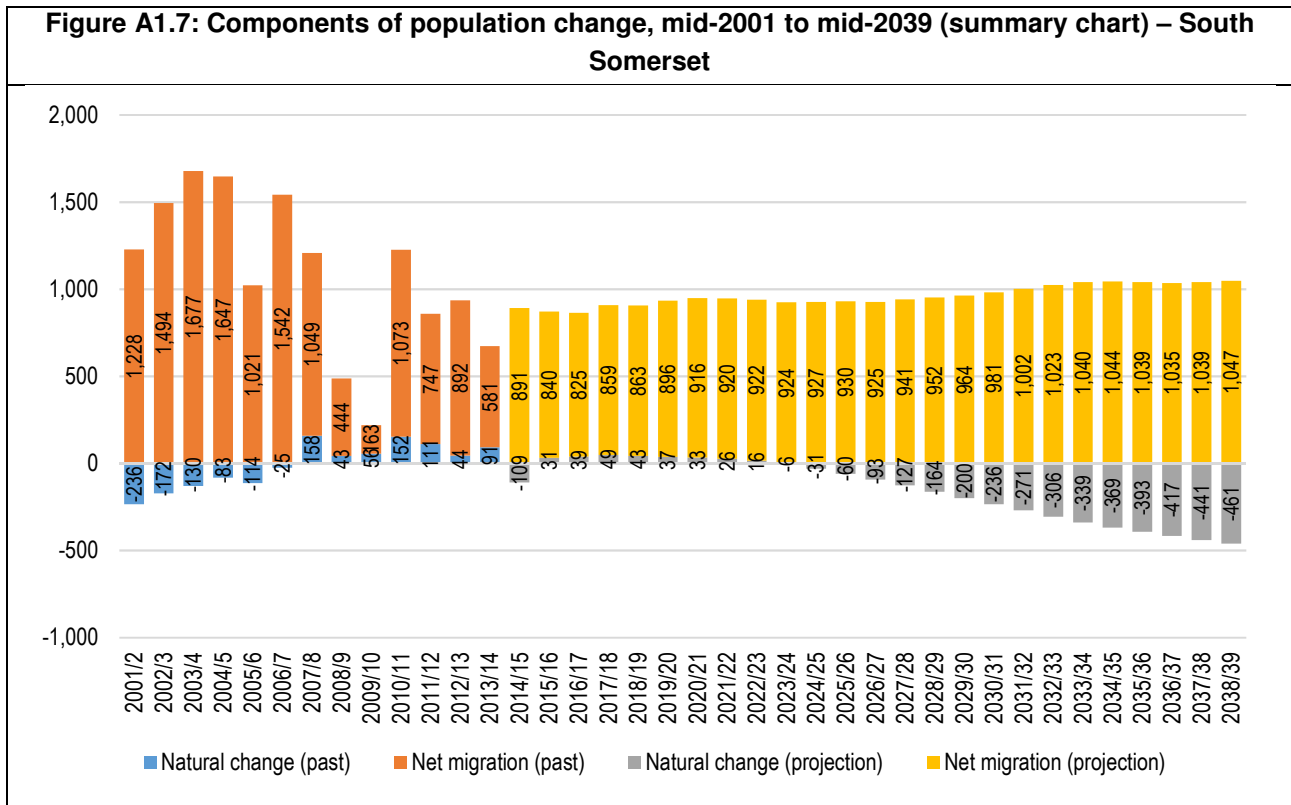
Source: ONS



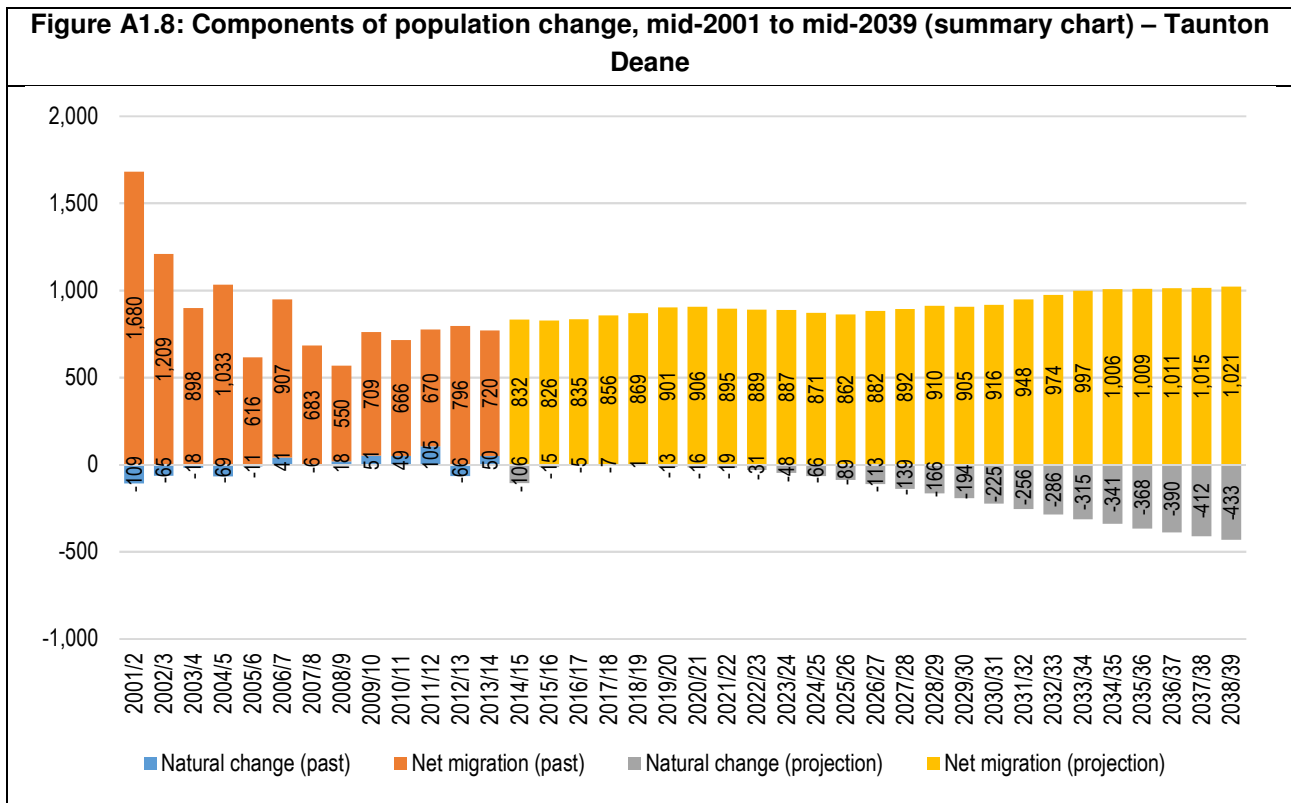
Source: ONS and demographic projections



Source: ONS and demographic projections



Source: ONS and demographic projections



Source: ONS and demographic projections

Figure A1.9: Population change 2014 to 2039 by fifteen-year age bands (2014-based SNPP) – Mendip				
Age group	Population 2014	Population 2039	Change in population	% change from 2014
Under 15	18,433	19,487	1,054	5.7%
15-29	18,102	17,992	-110	-0.6%
30-44	18,259	18,385	126	0.7%
45-59	24,704	23,069	-1,635	-6.6%
60-74	20,408	24,621	4,213	20.6%
75+	10,938	22,800	11,862	108.5%
Total	110,844	126,354	15,510	14.0%

Source: ONS and demographic projections

Figure A1.10: Population change 2014 to 2039 by fifteen-year age bands (2014-based SNPP) – Sedgemoor				
Age group	Population 2014	Population 2039	Change in population	% change from 2014
Under 15	19,931	23,641	3,710	18.6%
15-29	19,653	22,063	2,410	12.3%
30-44	19,447	21,606	2,159	11.1%
45-59	25,797	25,724	-73	-0.3%
60-74	22,377	27,366	4,989	22.3%
75+	11,852	24,341	12,489	105.4%
Total	119,057	144,740	25,683	21.6%

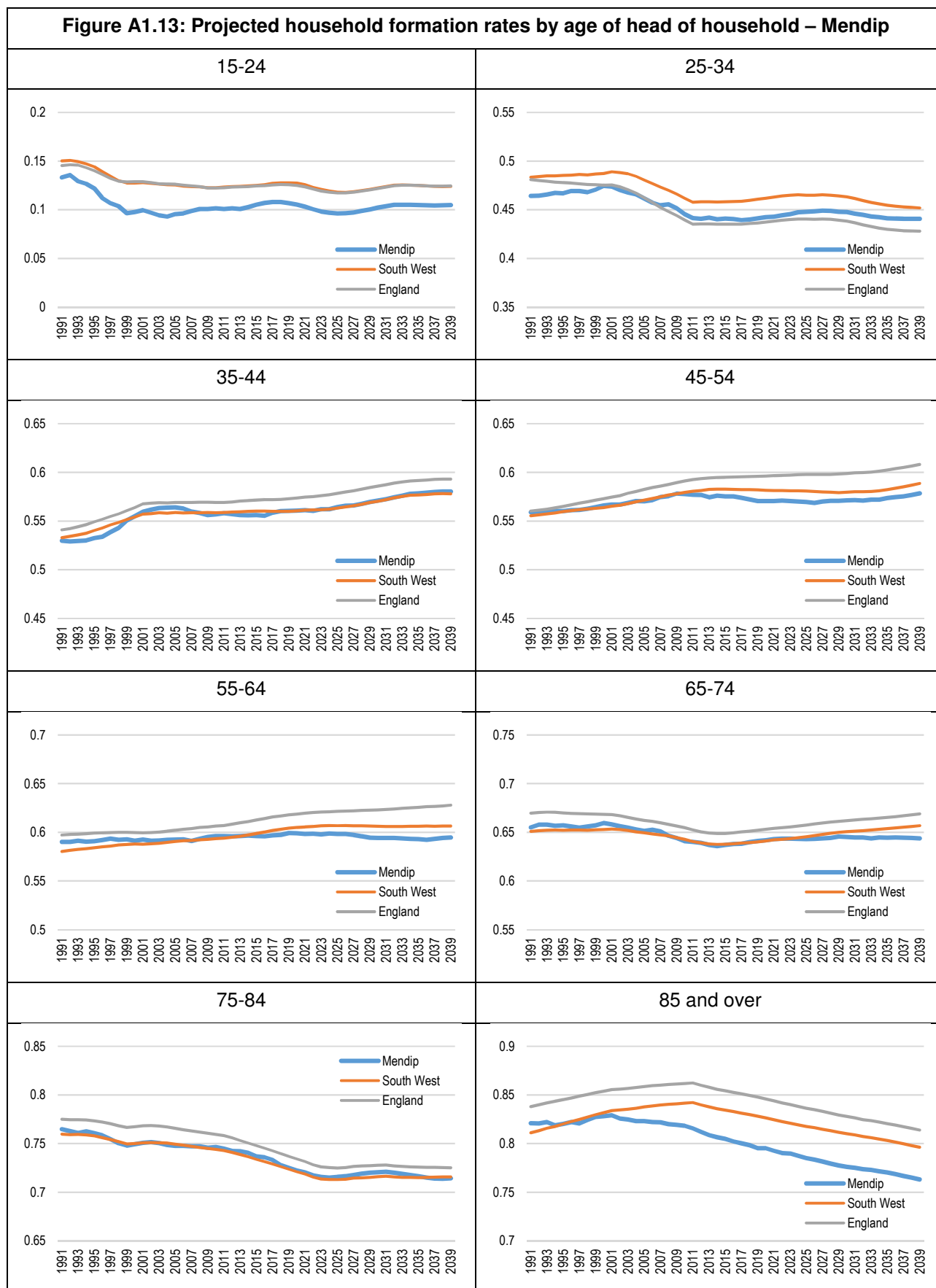
Source: ONS and demographic projections

Figure A1.11: Population change 2014 to 2039 by fifteen-year age bands (2014-based SNPP) – South Somerset				
Age group	Population 2014	Population 2039	Change in population	% change from 2014
Under 15	27,007	28,658	1,651	6.1%
15-29	26,560	27,253	693	2.6%
30-44	26,660	26,495	-165	-0.6%
45-59	34,141	30,478	-3,663	-10.7%
60-74	32,250	36,126	3,876	12.0%
75+	17,951	35,601	17,650	98.3%
Total	164,569	184,611	20,042	12.2%

Source: ONS and demographic projections

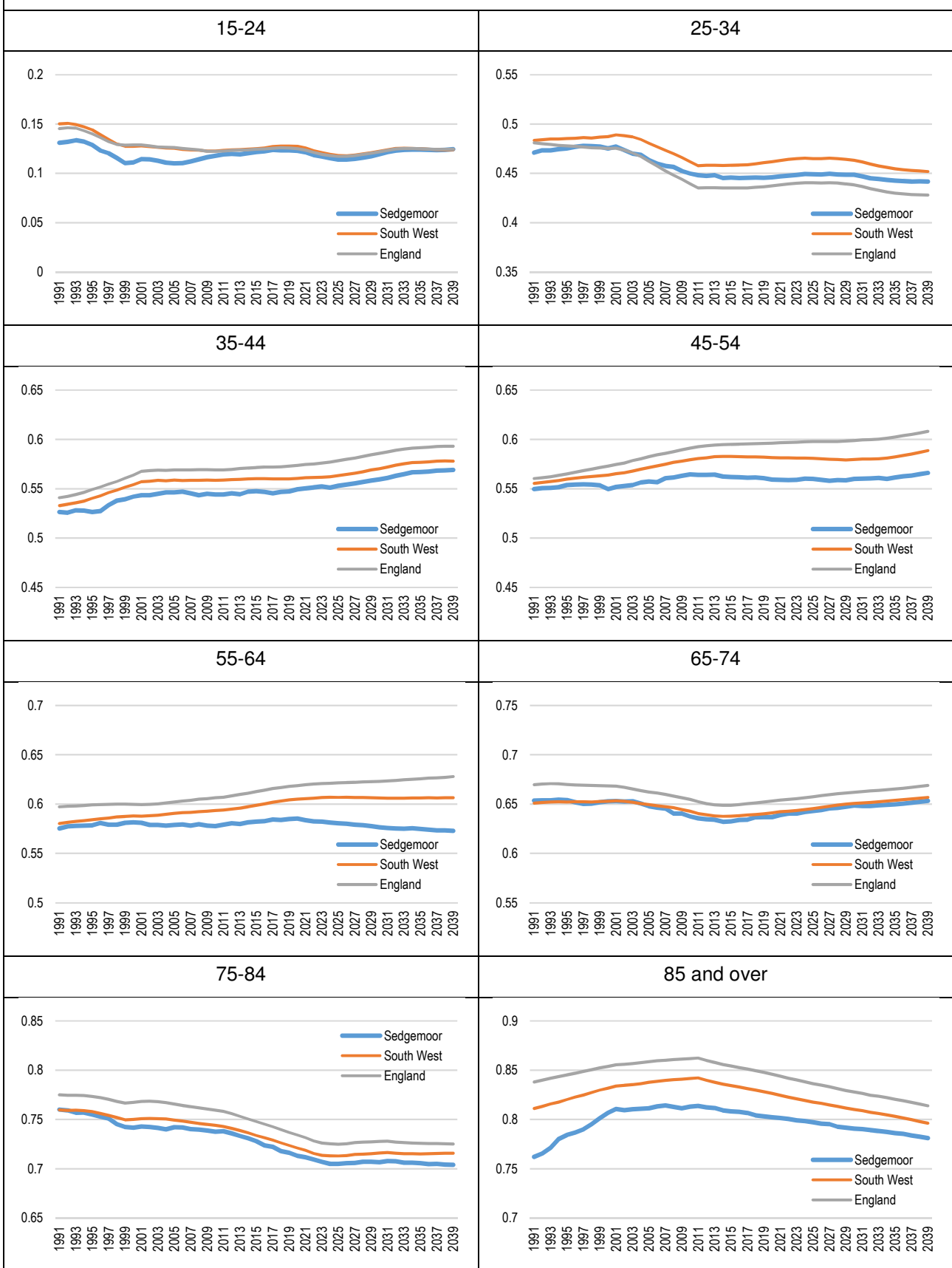
Figure A1.12: Population change 2014 to 2039 by fifteen-year age bands (2014-based SNPP) – Taunton Deane				
Age group	Population 2014	Population 2039	Change in population	% change from 2014
Under 15	18,909	20,548	1,639	8.7%
15-29	19,207	19,968	761	4.0%
30-44	19,714	20,398	684	3.5%
45-59	23,400	22,891	-509	-2.2%
60-74	19,751	23,670	3,919	19.8%
75+	11,836	24,277	12,441	105.1%
Total	112,817	131,753	18,936	16.8%

Source: ONS and demographic projections



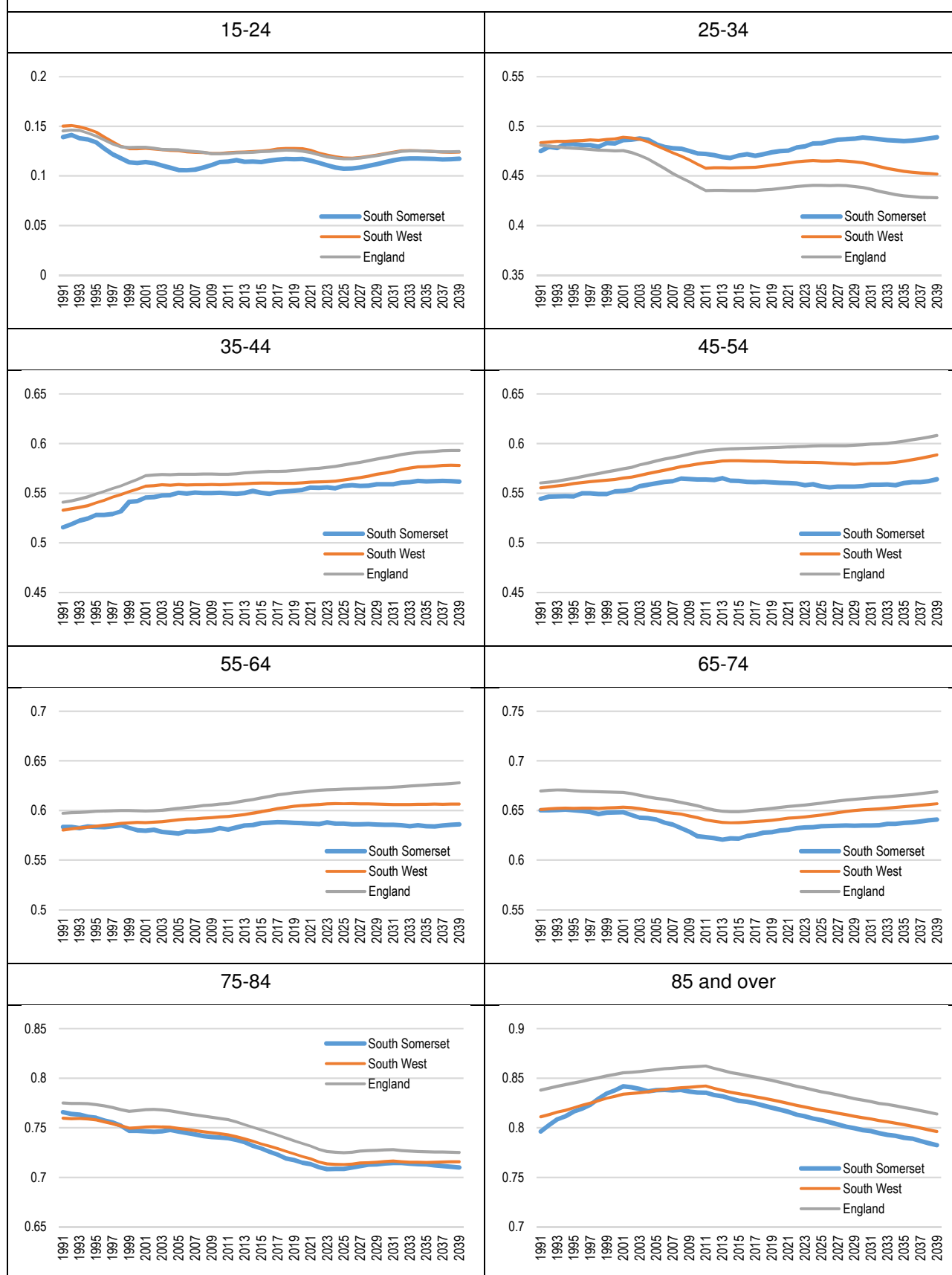
Source: Derived from CLG data

Figure A1.14: Projected household formation rates by age of head of household – Sedgemoor



Source: Derived from CLG data

Figure A1.15: Projected household formation rates by age of head of household – South Somerset



Source: Derived from CLG data

Figure A1.16: Projected household formation rates by age of head of household – Taunton Deane



Source: Derived from CLG data

Figure A1.17: Changes to Black and Minority Ethnic and White (British/Irish) Population by age (2001-11) – Mendip						
	Black and Minority Ethnic			White (British/Irish)		
	Population 2001	Population 2011	Change	Population 2001	Population 2011	Change
15-24	555	882	327	10,748	12,067	1,319
25-34	437	1,060	623	12,106	9,154	-2,952
35-44	444	930	486	14,758	13,521	-1,237
45-54	406	722	316	14,843	15,666	823
55-64	288	456	168	11,616	14,727	3,111
65-74	186	285	99	8,825	10,764	1,939
75-84	112	137	25	6,356	6,927	571
85+	23	49	26	2,417	3,116	699
TOTAL	2,451	4,521	2,070	81,669	85,942	4,273

Source: Census (2001 and 2011)

Figure A1.18: Changes to Black and Minority Ethnic and White (British/Irish) Population by age (2001-11) – Sedgemoor						
	Black and Minority Ethnic			White (British/Irish)		
	Population 2001	Population 2011	Change	Population 2001	Population 2011	Change
15-24	326	696	370	10,568	12,606	2,038
25-34	288	1,264	976	11,874	9,880	-1,994
35-44	351	756	405	14,831	13,794	-1,037
45-54	278	578	300	14,874	16,332	1,458
55-64	162	292	130	12,654	15,775	3,121
65-74	139	146	7	10,366	12,300	1,934
75-84	96	90	-6	7,148	7,663	515
85+	34	38	4	2,492	3,228	736
TOTAL	1,674	3,860	2,186	84,807	91,578	6,771

Source: Census (2001 and 2011)

Figure A1.19: Changes to Black and Minority Ethnic and White (British/Irish) Population by age (2001-11) – South Somerset

	Black and Minority Ethnic			White (British/Irish)		
	Population 2001	Population 2011	Change	Population 2001	Population 2011	Change
15-24	507	1,002	495	14,933	17,099	2,166
25-34	543	1,812	1,269	17,782	14,175	-3,607
35-44	524	1,304	780	20,446	19,140	-1,306
45-54	408	861	453	20,759	21,694	935
55-64	292	505	213	17,582	22,242	4,660
65-74	193	241	48	14,849	17,749	2,900
75-84	143	133	-10	10,574	11,617	1,043
85+	52	59	7	3,790	5,026	1,236
TOTAL	2,662	5,917	3,255	120,715	128,742	8,027

Source: Census (2001 and 2011)

Figure A1.20: Changes to Black and Minority Ethnic and White (British/Irish) Population by age (2001-11) – Taunton Deane

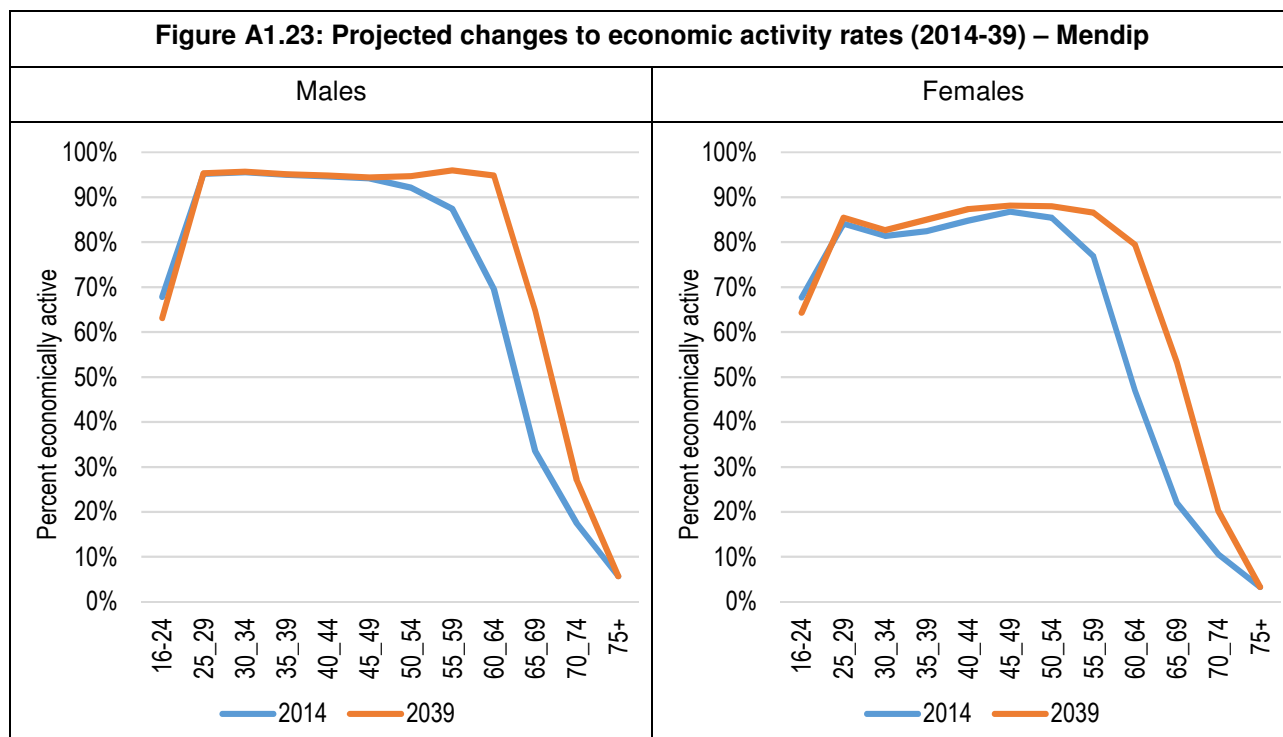
	Black and Minority Ethnic			White (British/Irish)		
	Population 2001	Population 2011	Change	Population 2001	Population 2011	Change
15-24	561	1,060	499	10,921	12,388	1,467
25-34	506	1,598	1,092	12,429	10,326	-2,103
35-44	456	1,171	715	13,961	13,196	-765
45-54	321	724	403	13,919	14,795	876
55-64	191	412	221	11,057	14,007	2,950
65-74	136	164	28	9,748	10,660	912
75-84	109	112	3	6,997	7,535	538
85+	40	51	11	2,591	3,490	899
TOTAL	2,320	5,292	2,972	81,623	86,397	4,774

Source: Census (2001 and 2011)

Figure A1.21: Projected housing need – Start Point projection (2014-based CLG household projections)					
	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
2014/15	456	634	578	518	2,193
2015/16	447	627	597	545	2,256
2016/17	456	646	621	538	2,310
2017/18	477	645	651	526	2,348
2018/19	489	630	626	557	2,373
2019/20	470	621	614	534	2,300
2020/21	426	600	587	513	2,195
2021/22	443	604	615	500	2,243
2022/23	459	601	608	486	2,232
2023/24	460	597	590	501	2,229
2024/25	448	591	590	482	2,204
2025/26	439	586	579	481	2,180
2026/27	434	575	570	493	2,179
2027/28	439	593	567	470	2,168
2028/29	430	583	546	473	2,130
2029/30	422	579	549	470	2,117
2030/31	394	556	526	466	2,030
2031/32	373	537	511	450	1,962
2032/33	352	547	483	435	1,896
2033/34	355	529	477	433	1,881
2034/35	336	490	449	416	1,775
2035/36	333	482	464	420	1,778
2036/37	322	464	453	412	1,727
2037/38	312	458	433	376	1,648
2038/39	298	428	397	361	1,552

Figure A1.22: Projected housing need – 10-year migration trends plus CLG 2014-based headship rates

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
2014/15	472	741	489	729	2,541
2015/16	523	637	654	570	2,473
2016/17	512	673	638	535	2,445
2017/18	550	652	678	531	2,508
2018/19	545	643	664	569	2,540
2019/20	547	654	670	560	2,539
2020/21	515	624	658	549	2,474
2021/22	510	639	649	510	2,435
2022/23	539	615	662	495	2,441
2023/24	523	611	636	525	2,433
2024/25	532	617	656	508	2,456
2025/26	531	609	650	520	2,465
2026/27	509	607	623	511	2,412
2027/28	525	606	633	490	2,410
2028/29	504	598	609	500	2,369
2029/30	507	608	613	500	2,379
2030/31	486	581	583	498	2,297
2031/32	464	567	566	476	2,222
2032/33	446	555	550	464	2,153
2033/34	444	548	543	468	2,153
2034/35	437	524	507	451	2,058
2035/36	424	501	527	452	2,048
2036/37	414	489	513	448	2,002
2037/38	412	479	494	409	1,922
2038/39	392	446	461	396	1,827



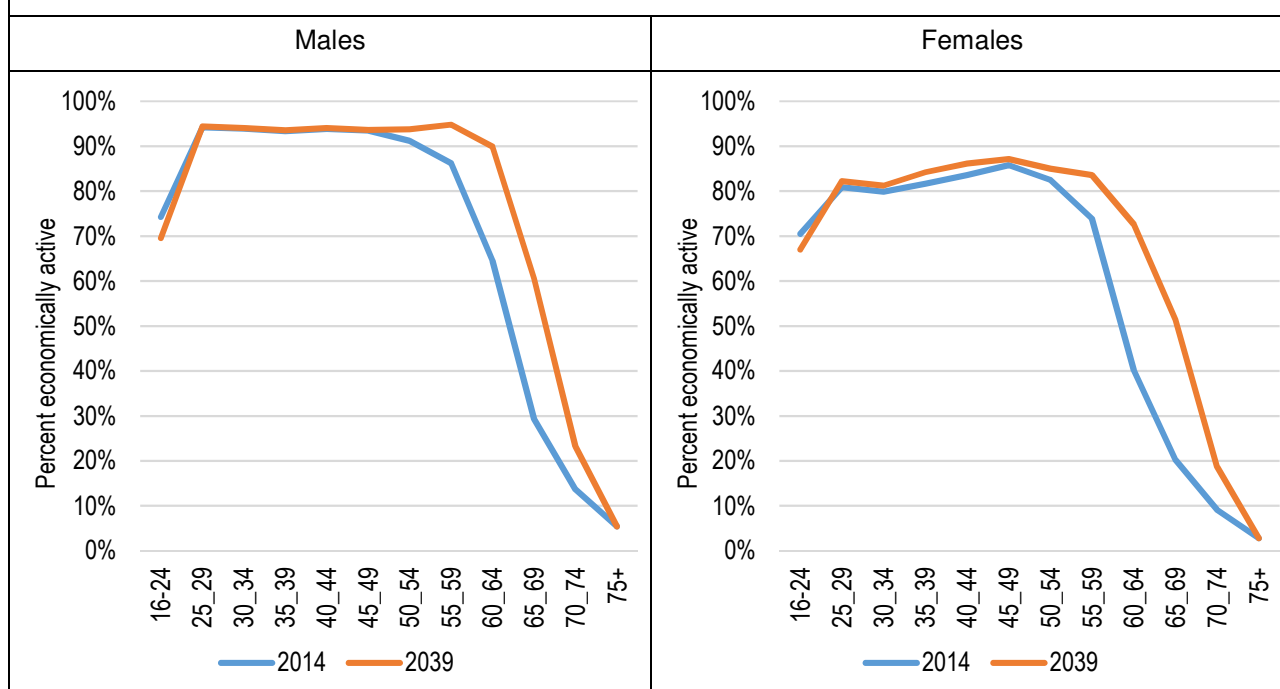
Source: Based on Experian and Census (2011) data

Figure A1.24: Projected changes to economic activity rates (2014-39) – Mendip

	2014	2039	Change	2014	2039	Change
16-24	67.8%	63.1%	-4.7%	67.7%	64.3%	-3.5%
25_29	95.2%	95.4%	0.2%	84.1%	85.4%	1.3%
30_34	95.5%	95.7%	0.2%	81.3%	82.7%	1.3%
35_39	95.0%	95.2%	0.2%	82.5%	85.0%	2.5%
40_44	94.6%	94.8%	0.2%	84.8%	87.3%	2.6%
45_49	94.2%	94.4%	0.2%	86.8%	88.1%	1.4%
50_54	92.1%	94.7%	2.6%	85.5%	88.0%	2.5%
55_59	87.4%	96.0%	8.6%	76.9%	86.6%	9.7%
60_64	69.6%	94.9%	25.3%	47.0%	79.4%	32.5%
65_69	33.5%	64.8%	31.2%	22.0%	53.2%	31.2%
70_74	17.4%	27.0%	9.6%	10.5%	20.1%	9.6%
75+	5.7%	5.7%	0.0%	3.3%	3.3%	0.0%

Source: Based on Experian and Census (2011) data

Figure A1.25: Projected changes to economic activity rates (2014-39) – Sedgemoor

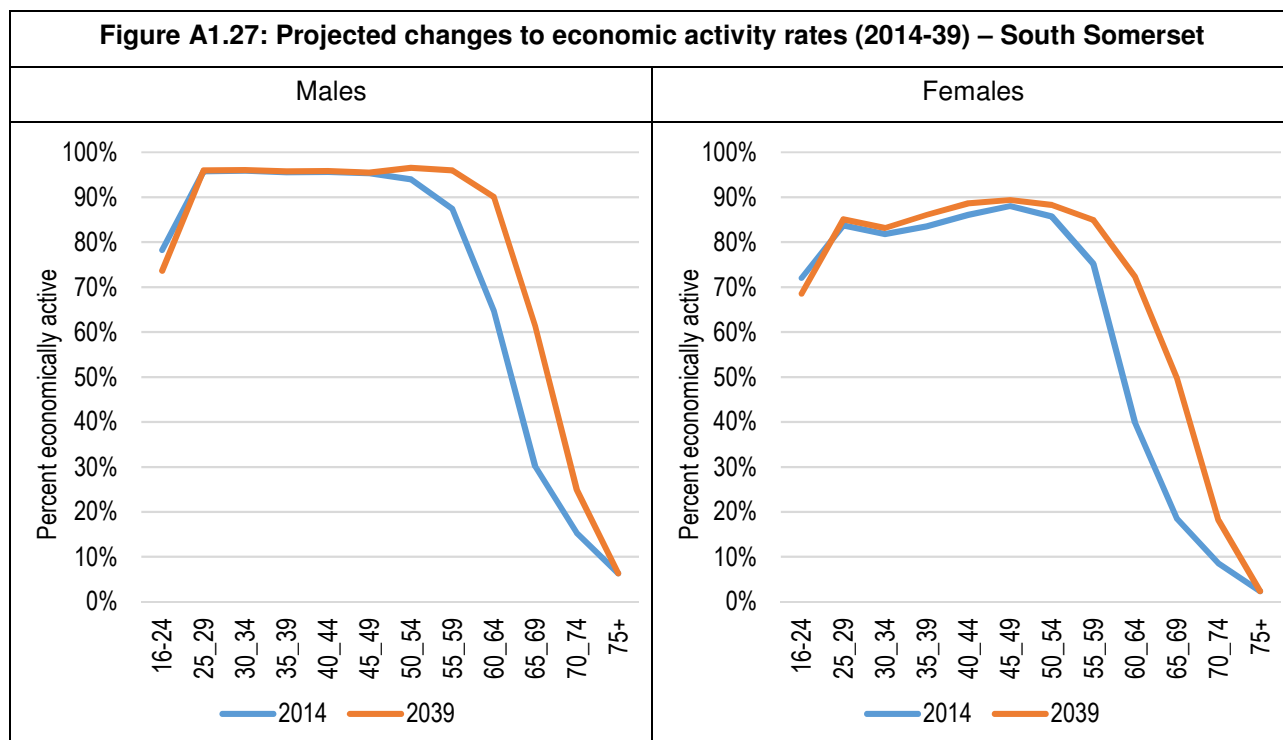


Source: Based on Experian and Census (2011) data

Figure A1.26: Projected changes to economic activity rates (2014-39) – Sedgemoor

	2014	2039	Change	2014	2039	Change
16-24	74.3%	69.6%	-4.7%	70.5%	67.0%	-3.5%
25_29	94.2%	94.4%	0.2%	80.9%	82.2%	1.3%
30_34	93.9%	94.1%	0.2%	79.9%	81.2%	1.3%
35_39	93.4%	93.6%	0.2%	81.7%	84.2%	2.5%
40_44	93.9%	94.0%	0.2%	83.6%	86.1%	2.6%
45_49	93.5%	93.6%	0.2%	85.8%	87.2%	1.4%
50_54	91.2%	93.8%	2.6%	82.5%	85.0%	2.5%
55_59	86.2%	94.8%	8.6%	73.9%	83.6%	9.7%
60_64	64.6%	89.9%	25.3%	40.1%	72.6%	32.5%
65_69	29.3%	60.6%	31.2%	20.2%	51.4%	31.2%
70_74	13.7%	23.3%	9.6%	9.1%	18.7%	9.6%
75+	5.4%	5.4%	0.0%	2.8%	2.8%	0.0%

Source: Based on Experian and Census (2011) data



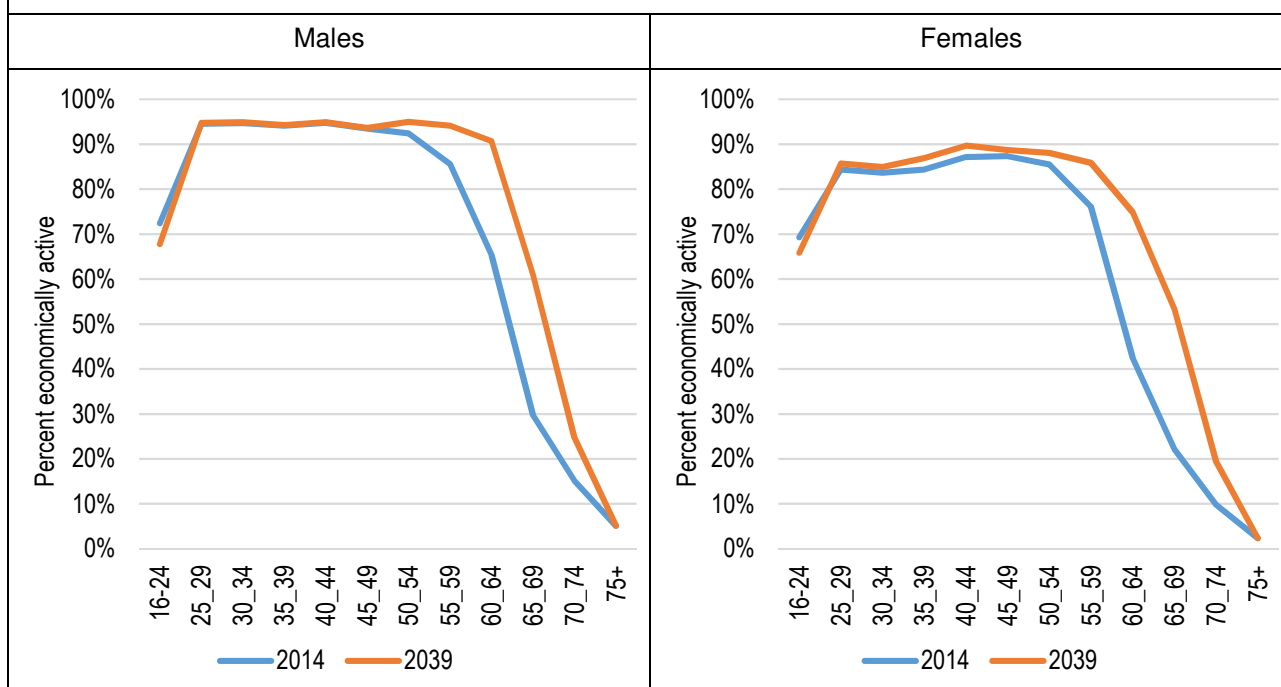
Source: Based on Experian and Census (2011) data

Figure A1.28: Projected changes to economic activity rates (2014-39) – South Somerset

	2014	2039	Change	2014	2039	Change
16-24	78.3%	73.6%	-4.7%	72.1%	68.6%	-3.5%
25_29	95.8%	96.0%	0.2%	83.7%	85.1%	1.3%
30_34	95.9%	96.0%	0.2%	81.8%	83.1%	1.3%
35_39	95.6%	95.7%	0.2%	83.5%	86.1%	2.5%
40_44	95.7%	95.8%	0.2%	86.1%	88.6%	2.6%
45_49	95.3%	95.5%	0.2%	88.0%	89.4%	1.4%
50_54	94.0%	96.5%	2.6%	85.8%	88.3%	2.5%
55_59	87.4%	96.0%	8.6%	75.2%	84.9%	9.7%
60_64	64.7%	90.1%	25.3%	39.9%	72.4%	32.5%
65_69	30.1%	61.4%	31.2%	18.5%	49.7%	31.2%
70_74	15.3%	24.9%	9.6%	8.6%	18.2%	9.6%
75+	6.3%	6.3%	0.0%	2.3%	2.4%	0.0%

Source: Based on Experian and Census (2011) data

Figure A1.29: Projected changes to economic activity rates (2014-39) – Taunton Deane



Source: Based on Experian and Census (2011) data

Figure A1.30: Projected changes to economic activity rates (2014-39) – Taunton Deane

	2014	2039	Change	2014	2039	Change
16-24	72.4%	67.8%	-4.7%	69.3%	65.8%	-3.5%
25_29	94.6%	94.8%	0.2%	84.4%	85.7%	1.3%
30_34	94.7%	94.9%	0.2%	83.6%	85.0%	1.3%
35_39	94.1%	94.3%	0.2%	84.4%	86.9%	2.5%
40_44	94.8%	94.9%	0.2%	87.2%	89.7%	2.6%
45_49	93.5%	93.6%	0.2%	87.3%	88.7%	1.4%
50_54	92.4%	95.0%	2.6%	85.5%	88.1%	2.5%
55_59	85.6%	94.1%	8.6%	76.1%	85.9%	9.7%
60_64	65.4%	90.7%	25.3%	42.3%	74.8%	32.5%
65_69	29.7%	60.9%	31.2%	22.1%	53.3%	31.2%
70_74	15.2%	24.8%	9.6%	9.8%	19.5%	9.6%
75+	5.1%	5.1%	0.0%	2.3%	2.3%	0.0%

Source: Based on Experian and Census (2011) data

Figure A1.31: Projected need for older persons' specialist accommodation					
	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
2014/15	29	41	54	26	143
2015/16	30	28	48	30	148
2016/17	55	60	82	56	269
2017/18	76	72	122	70	369
2018/19	77	79	127	78	386
2019/20	76	93	129	81	406
2020/21	83	84	125	84	407
2021/22	144	152	227	140	716
2022/23	124	122	191	117	598
2023/24	106	112	156	111	514
2024/25	92	90	145	97	456
2025/26	87	87	133	96	429
2026/27	77	81	121	93	400
2027/28	78	81	112	81	372
2028/29	78	82	107	81	376
2029/30	71	66	96	81	332
2030/31	67	69	89	78	321
2031/32	64	80	101	89	353
2032/33	87	83	107	81	381
2033/34	78	81	110	85	377
2034/35	73	85	108	88	378
2035/36	89	96	123	91	423
2036/37	90	93	130	93	433
2037/38	92	97	132	93	440
2038/39	95	106	125	97	453

Figure A1.32: Projected need for Residential Care bedspaces

	Mendip	Sedgemoor	South Somerset	Taunton Deane	Somerset
2014/15	5	4	18	15	41
2015/16	13	8	17	15	60
2016/17	25	16	21	16	82
2017/18	21	15	28	20	87
2018/19	23	20	27	29	104
2019/20	23	13	30	27	98
2020/21	31	16	27	28	111
2021/22	42	33	45	50	180
2022/23	38	31	54	40	176
2023/24	35	33	50	49	177
2024/25	37	33	52	46	172
2025/26	35	29	42	44	163
2026/27	54	40	62	64	237
2027/28	56	49	79	63	261
2028/29	58	43	68	69	251
2029/30	52	47	67	64	246
2030/31	55	42	65	64	243
2031/32	77	70	103	94	368
2032/33	72	56	85	76	308
2033/34	59	49	64	69	256
2034/35	50	42	66	63	235
2035/36	47	39	54	58	208
2036/37	42	35	51	60	201
2037/38	44	36	51	51	190
2038/39	48	41	46	54	199