Purbeck Local Plan

Submission January 2019

Strategic housing market assessment (SHMA) update for Purbeck

Thriving communities in balance
with the natural environment

Purbeck
District Council

SHMA Update for Purbeck

Purbeck District Council

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Quality Standards Control

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

This document must only be treated as a draft unless it is has been signed by the Originators and approved by a Business or Associate Director.

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Limitations

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

1 INTRODUCTION

1.1 This report provides an updated assessment of housing needs for Purbeck District. It provides an update to the Eastern Dorset Strategic Housing Market Assessment (SHMA) (GL Hearn, Justin Gardner Consulting, and Chris Broughton Associates) produced in October 2015. It provides an update to the objectively assessed need (OAN) for housing for Purbeck District as well as providing an assessment of housing need to support economic growth, an assessment of affordable housing need, and the mix of different tenures of housing in the District.

National Policy Context

1.2 The new National Planning Policy Framework (NPPF) was published on the 24th July 2018. The NPPF states that *"To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals."* (para 60).

1.3 The standard method seeks to simplify the approach to housing need and has three components:

- Starting Point or Baseline;
- Market Signals Adjustment; and
- Cap.

1.4 The starting point or demographic baseline continues to be the latest official household projections, at the time of writing these are the 2014-based projections. The proposed approach would be to take an average annual household growth from these for the period 2014 to 2024. The baseline household growth is then modified to account for market signals. Specifically the local median price of homes relative to local workplace median earnings. This data is published annually by the DCLG with the most recent data from 2016. In order to ensure that the proposed housing need is as deliverable as possible the housing need is capped at 40% above the housing target in adopted local plans where these plans are less than 5 years old. Where local plans are older than five years then the OAN is capped 40% above the higher of either the baseline growth from official projections or the annual housing requirement figure currently set out in their local plan.

1.5 The standard method, unlike the previous methodology for assessing housing need, does not take account of economic growth factors.

1.6 However, in the government response document to the NPPF consultation, published alongside the new Framework, recognises that the 2016-based Household Projections – which are due to be

published in September 2018 – will likely result in the minimum need numbers generated by the standard method to result in a significant reduction in housing need nationally.

1.7   In the housing white paper the government was clear that reforms set out (which included the introduction of a standard method for assessing housing need) should lead to more homes being built. In order to ensure that the outputs associated with the method are consistent with this, the standard method may be adjusted upon release of the new Household Projections. This is to ensure that the starting point in the plan-making process is consistent in aggregate with the proposals in Planning for the right homes in the right places consultation and continues to be consistent with ensuring that 300,000 homes are built per year by the mid-2020s.

1.8   The Government have suggested that they intend to consult on the specific details of any change post-September 2018.

Time Period

1.9   All outputs are provided for the period 2013-33, as this was the period covered by the 2015 SHMA. However, all outputs are provided in term of annualised figures, and it is considered appropriate for these annualised outputs to be extrapolated on a 'pro rata' basis in order to cover a Plan period which extends beyond 2033.

The Eastern Dorset Housing Market Area

1.10   The 2015 SHMA defined the Housing Market Area (HMA) in accordance with national policy and guidance. The 2015 SHMA identified an Eastern Dorset HMA, which was defined as a 'best fit' to the 6 Eastern Dorset local authority boundaries. The best fit approach follows a generally accepted approach and is established in the PAS guidance for defining the HMA.

1.11   Dorset is identified as housing two HMAs – the Eastern Dorset HMA and the Western Dorset HMA comprising West Dorset and Weymouth and Portland. Again, the Western Dorset HMA was defined using a 'best fit' approach and as such covers the two local authorities in their entirety. However, the SHMA does acknowledge that there are links between the two Dorset HMAs, as there commonly are between any neighbouring areas. This update report does not reconsider the HMA boundaries.

2   DEMOGRAPHIC BASED NEED – STANDARD METHOD

2.1   The new NPPF makes it clear that when assessing housing needs, local authorities are expected to follow the standard approach for assessing local housing need unless there are exceptional circumstances that justify an alternative.

2.2   The standard methodology seeks to simplify the approach to housing need and has three components:
- Demographic Starting Point or Baseline;
- Market Signals Adjustment; and
- Cap.

2.3   The standard methodology takes the latest official household projections as the starting point. This is then adjusted on the basis of market signals. However, that adjustment is then capped to 40% above a shifting figure depending on the status of the local authority's Local Plan.

Demographic Baseline

2.4   The guidance states that projections of household growth should be the demographic baseline for each local authority using household projections to estimate levels of future growth – the published figures are calculated using the 2014-based household projections. The guidance sets out that the annual average household growth over a 10 year period should constitute the demographic baseline.

2.5   The table below shows the household growth projected in Purbeck over the ten year period from 2016 to 2026. These projections are underpinned by the 2014-based Subnational Population Projections (SNPP). This shows the average annual household growth of 118 (5.8%) over this ten year period.

Table 1:   Household Change, 2016-26

	Households 2016	Households 2026	% Growth	Average Annual Change
Purbeck	20,163	21,341	5.8%	118

Source: DCLG

Affordability Adjustment

2.6   The standard method seeks to adjust the demographic baseline on the basis of the affordability ratio of house prices to earnings. The adjustment increases the housing need where house prices are high relative to workplace incomes. This uses the published affordability ratios from the Office for National Statistics from 2016.

2.7   The 2016 affordability ratio for Purbeck is 10.79. This means that the median house price in the District is 10.79 times the median earnings of people who work within the District. This is very similar to the affordability ratio for Dorset, but is above the figures for both the South West and England figures.

Table 2:   Median House Price to workplace-based earnings, 2016

	Affordability 2016
Purbeck	10.79
Dorset	10.73
South West	8.54
England	7.72

Source: ONS

2.8   The methodology applies an adjustment to the housing need derived from the household projections by 0.25% for every point the affordability ratio is above four (4.0). This is justified on the basis that four is the typical multiple used by mortgage providers to gauge affordability. The equations is as follows:

Adjustment factor = (Local affordability ratio – 4) / 4 X 0.25

2.9   When considering the adjustment factor the proposed methodology focuses solely on affordability while the PPG sets out that studies should also assess house prices and rents, land values, rates of development as well as overcrowding, concealed and shared households.

Table 3:   Affordability Adjustment Factor

	Affordability Ratio	Adjustment Factor
Purbeck	10.79	142%

Source: DCLG

Capping

2.10   The final stage of the proposed methodology is to cap the OAN to a level which is deliverable. Paragraph 25 of the proposed methodology paper sets out the parameters of this cap setting out that:

> *a) for those authorities that have adopted their local plan in the last five years, we propose that their new annual local housing need figure should be capped at 40 per cent above the annual requirement figure currently set out in their local plan; or*
>
> *b) for those authorities that do not have an up-to-date local plan (i.e. adopted over five years ago), we propose that the new annual local housing need figure should be capped at 40 per cent above whichever is higher of the projected household growth for their area over the plan period (using Office for National Statistics' household projections), or the annual housing requirement figure currently set out in their local plan.*

2.11   On this basis there is no cap applied to Purbeck.

Overall Housing Need

2.12   Taking the analysis forward the CLG standard method results in an OAN for Purbeck of 168 dwellings per annum. Overall, the standard method identified a need for 3,566 dpa across the Eastern Dorset HMA – based on the sum of each authority's OAN figure[1]. The breakdown by authority is shown in the table below:

Table 4:   Standard Method OAN

	Dwellings Per Annum
Bournemouth	1,458
Christchurch and East Dorset	792
North Dorset	366
Poole	782
Purbeck	168
Eastern Dorset HMA	3,566

Updated Forecasts and Data

2.13   Since publication of the standard method there have been a number of data sources which have been updated. In this section we set out the most up to date data for Purbeck relating to population growth and affordability. However, the standard method OAN is a nationally published figure using data which was, at the time, the most up to date data. The publication of new data does not supersede the standard method OAN figure, but is included here for completeness.

Sub-National Population Projections

2.14   On 24 May 2018 ONS published a new round of Sub-National Population Projections (SNPP) based on 2016-based data. In Purbeck the 2016-based SNPP showed a very small change in projected population growth than that shown in the 2014-based SNPP. The 2016-based SNPP shows a growth of 415 fewer persons over the 20 year period 2013-33 – equivalent to 21 persons per annum.

Table 5:   Comparisons of SNPP – Purbeck (2013-2033)

	Population 2013	Population 2033	Change in population	% change
2014-based SNPP	45,411	49,085	3,674	8.1%
2016-based SNPP	45,441	48,700	3,259	7.2%

Source: Demographic projections

Revised Mid-Year Estimates

2.15   In March 2018 ONS published its revised mid-year population estimates (MYE) for each local authority in England and Wales. The revisions reflect improved methods for international emigration

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[1] For Christchurch and East Dorset a single OAN figure is provided.

and previously unavailable data for international immigration at the local authority level as well as improvements to ONS accounting of the dependents of foreign armed forces personnel.

2.16   While at a national level there is no change in the population estimate for 2016, its distribution has been moved around considerably. Thirty-three local authorities have had their 2016 population revised upwards by more than 1,000 people. In contrast thirty five local authorities have had their population estimate revised downwards by the same amount.

2.17   However, in Purbeck the revisions do not change the previous population estimates.

Table 6:   Revised MYE, 2011-2016

	2011 (Census)	Original MYE		Revised MYE		Difference 11-16
		2016	Growth 11-16	2016	Growth 11-16	
Purbeck	45,200	46,300	1,200	46,300	1,200	0

Source: ONS

Affordability Ratios

2.18   The published standard method OAN figures include an affordability uplift based on the 2016 based earnings to house price affordability ratio. The 2016 based figures were the latest data available at the time.

2.19   In April 2018 ONS released updated House price to workplace-based earnings ratio data. This included figures for 2017 as well as slight revisions to previous years' data. The data shows the Median House Price to workplace-based earnings ratio for Purbeck at 11.05 in 2017. This is an increase from 10.84 in the revised 2016 figures, which has been revised slightly upwards from the 2016 figure in the previous release which was 10.79 for 2016.

Table 7:   Median House Price to workplace-based earnings, 2016 and 2017

	Affordability Ratio 2016	Affordability Ratio 2017	Change
Purbeck	10.84	11.05	0.21
Dorset	10.75	11.14	0.39
South West	8.53	8.81	0.28
England	7.72	7.91	0.19

Source: ONS

2.20   Please note these figures are slightly different to those set out in table 2. This is because they are drawn from a newer (April 2018) version of the affordability ratio statistics whereas the MHCLG

published standard methodology figures relied on April 2017. While in theory historic data should not change it often can if house sales are registered late.

3 FUTURE EMPLOYMENT AND THE LINK TO HOUSING

The Scope for Deviating from the Standard Method

3.1 The new NPPF states that *"To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals."* (para 60).

3.2 The draft PPG provides further details of when deviation from the standard method may be appropriate:

3.3 *"There may be circumstances where it is justifiable to identify need above the need figure identified by the standard method. The need figure generated by the standard method should be considered as the minimum starting point in establishing a need figure for the purposes of plan production. The method relies on past growth trends and therefore does not include specific uplift to account for factors that could affect those trends in the future. Where it is likely that additional growth (above historic trends identified by household projections) will occur over the plan period, an appropriate uplift may be applied to produce a higher need figure that reflects that anticipated growth.* (Draft PPG, p26).

3.4 Where an alternative approach identifies a need above that identified by the standard method the local housing need figure should be reflected as a range, with the lower end of the range being as a minimum the figure calculated using the standard method.

3.5 When considering whether the identified need could be lower than the number identified by the standard method the draft PPG states that *"Plan-making authorities should use the standard method for assessing local housing need unless there are exceptional circumstances to justify an alternative approach. Any deviation which results in a lower housing need figure than the standard approach will be subject to the tests of soundness and will be tested thoroughly by the Planning Inspectorate at examination. The plan-making authority will need to make sure that the evidence base is robust and based on realistic assumptions, and that they have clearly set out how they have demonstrated joint working with other plan-making authorities. In such circumstances, the Planning Inspector will take the number from the standard method as a reference point in considering the alternative method."* (Draft PPG, p26).

3.6   It should be noted however that this text was omitted from the new guidance published in July 2018, which includes the caveat that "*this new guidance for housing needs assessment does not constitute the full guidance for this section – further content will be added in due course.*"

Economic-led Assessment of Housing Needs

3.7   In this section consideration is given to economic growth and how this may align with the level and distribution of housing need in Purbeck. The analysis considers three econometric forecasts:

- Baseline Scenario prepared by Local Economy Forecasting Model for Dorset by Cambridge Econometrics (CE) (dated 2016/17);
- Trend Scenario developed from baseline data by Dorset County Council in consultation with Dorset local authorities;
- Strategy Scenario developed from baseline data and Trend scenario by Dorset County Council in consultation with Dorset local authorities.

3.8   The economic scenarios are comparable to the scenarios considered in the 2015 SHMA. This considered a baseline scenario from CE and a 'Local Knowledge' scenario by Dorset County Council (DCC).

3.9   All three economic scenarios forecast jobs growth over the period from 2013-33. Across Eastern Dorset as a whole the Baseline Scenario forecasts the lowest jobs growth (40,600 jobs) with the Trend Scenario forecasting nearly 4,000 more jobs, and the Strategy forecasting nearly 12,000 more jobs over this period. However, the forecasts provide a different distribution at local authority level to reflect local circumstances and growth potential in each area. In Purbeck the Trend and Strategy scenarios both show lower growth than the Baseline scenario.

Table 8:   Scenarios Total Jobs Growth (2013-33)

	Baseline	Trend	Strategy
Purbeck	3,100	1,700	1,700
Eastern Dorset	40,600	44,400	52,500

Source: CE and Dorset County Council

3.10   The table below shows the annual forecast growth in the number of total jobs in Purbeck for each of three forecasts. The data is for jobs from 2016-33; whilst the outputs in this report look at needs in the 2013-33 period, the calculation of economic-led housing need draws upon the MYE data to inform population growth (and therefore housing need) over the period from 2013-16. Hence the projections are only variable from 2016 onwards.

Table 9:   Annual total job growth (2016-33)

	Baseline	Trend	Strategy
Purbeck	113	59	59

Source: CE and Dorset County Council

3.11   The relationship between economic growth and housing need is complex, influenced by a number of factors including:

- The inter-relationship between jobs and people, recognising that some people hold down more than one job;
- Levels of economic participation, with employment rates a function of a number of factors including the availability of jobs and skills; and
- Commuting patterns and ratios, which can influence the balance between residents in employment and jobs in an area. These are influenced by transport connections, investment, the availability of employment opportunities and earnings levels.

3.12   The complexity of these factors, coupled with the inevitable uncertainties associated with predicting long-term economic performance, makes accurate modelling of the numbers of homes needed to support future economic growth inherently difficult to accurately predict.

3.13   The series of sub-headings below set out the key assumptions used in the analysis of the link between jobs and homes. Under many of the headings additional sensitivity analysis has been carried out. This is noted as relevant with core outputs in relation to the number of homes needed being provided at the end of the section.

Double jobbing

3.14   The analysis 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 to estimate double jobbing has been taken from the Annual Population Survey (available on the NOMIS website) and uses an average over the period since 2004. This period of time has been used to reflect relatively high error margins associated with data for individual years. The data suggests that in Purbeck, 5.3% of the population work more than one job.

Commuting dynamics

3.15   As well as recognising that some people may have more than one job, the analysis takes account of 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/working population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting).

3.16   The core analysis in this report uses commuting data from the Census and assumes that the relationships seen in 2011 remain the same going forward. This is essentially the same core

assumption as in the SHMA with detailed information being found in Table 18 of the 2015 SHMA report. For Purbeck the commuting ratio is 1.058. This implies a slight degree of out-commuting.

3.17   By way of a sensitivity, analysis has been prepared where a 1:1 commuting ratio is modelled for additional jobs. This would mean that there is essentially a growth in one resident worker for every additional jobs (subject to any adjustments for double jobbing). In terms of the commuting ratios, this assumption would see the figures tend towards 1 although there would remain some out-commuting.

Growth in residents in employment

3.18   The tables below bring together analysis of forecast job growth with double jobbing and commuting dynamics to estimate the required change in the number of residents in employment. The table shows figures for the Baseline scenario results in a growth in the resident labour supply of 113 persons, while the Trend / Strategy scenarios both result in a growth of 113 persons.

Table 10:   Estimated growth in resident labour supply – per annum (2016-33)

	Jobs	Double jobbing	Jobs × double jobbing	Commuting ratio	Resident labour supply
Baseline	113	0.948	107	1.058	113
Trend / Strategy	59	0.948	56	1.058	59

Source: Derived from a range of sources

Economic activity/employment rates

3.19   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). This entails making assumptions about how economic participation might change in the future.

3.20   The approach taken in this report is to derive a series of age and sex specific employment rates and use these to estimate how many people in the population will be working as projections develop. This is a fairly typical approach and the analysis uses the same information as in the 2015 SHMA[2].

3.21   By way of a sensitivity, two alternatives have been developed; these are both based on economic activity rates and are described below:

- Office of Budget Responsibility (OBR) – the latest set of OBR rates date from January 2017 and have been widely used in analysis of this nature (mainly by the development industry). It is not considered that these rates are very useful as they do not relate to economic forecasts and they tend to show rates of change in the economically active population that are at odds with the expectations of the main forecasting houses; and

[2] A full schedule of rates can be found in Table 21 of the 2015 SHMA.

- Experian – in February 2016, Experian published a set of economic activity rates and these underpinned the document *'Comparison between Experian and OBR Participation Rate Projections'*. Generally it is considered that the Experian rates can be used in analysis of this nature. However, this is most appropriate when Experian forecasts form part of the suite of forecasts (which is not the case here). They do still form a useful sensitivity.

3.22   Where using the two sensitivities, it should be noted that the rates are for economic activity rather than employment, and hence an additional consideration of how unemployment might change is necessary. However, as of 2016 (the point at which projections become variable) it was the case that unemployment was already at very low levels. Hence any future changes are likely to be modest and therefore no additional adjustments for unemployment have been applied.

Summary of assumptions and sensitivities

3.23   The table below sets out the range of assumptions used to look at the link between jobs and population growth/housing need. The various sensitivities are shown below. However, in drawing conclusions we consider the double jobbing, commuting, and economic activity rates assumptions from the SHMA (as shown in bold in Table 11) provide the most appropriate modelling assumptions for considering economic-led employment growth[3].

Table 11:   Assumptions used in modelling of link between jobs and homes

	Modelling Assumptions
Job growth	Baseline job growth
	Trend forecast
	Scenario forecast
Double jobbing	**Data from APS for the period since 2004**
Commuting patterns	**Based on 2011 Census**
	1:1 relationship between jobs and workers for additional jobs
Employment/economic activity rates	**2015 SHMA assumptions**
	Office of Budget Responsibility (OBR)
	Experian
Household Representative Rates (HRRs)	2014-based Household Projections
	Adjusted HRR (as was included in the 2015 SHMA)

Housing Need linked to Job-Growth Forecasts

3.24   Having studied the various issues above, the analysis moves on to consider what level of housing might be required for forecasts 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. 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.

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[3] Outputs using the alternative modelling assumptions are set out in Appendix A.

3.25   The outputs of the economic-led housing need scenarios are shown in the table below. Two approaches are included:

- One using the household representative rates (HRRs) of the 2014-based Household Projections.
- One using adjusted HRRs which have been tweaked to improve the formation rates for households aged 25-44.

3.26   The scenarios show a range of economic-led housing need for Purbeck of 151-157 dwellings per annum for the Trend and Strategy scenarios, and 185-192 dwellings per annum for the Baseline scenario.

Table 12:   Economic-led housing need scenarios (dwellings per annum)

	Baseline	Trend / Strategy
Using 2014-based HRRs	185	151
Using adjusted HRRs	192	157

3.27   The above figures compare to Purbeck's OAN identified using the standard method of 168 dwellings per annum. This suggests that by pursuing the Baseline jobs growth, the Council could consider a housing need figure ranging from 168-192 dwellings per annum in order to support economic growth.

3.28   Conversely, the Trend and Strategy scenarios suggest that the OAN identified using the standard method would be sufficient to support future economic growth in Purbeck. If the Council were to plan for this level of growth there would be no justification to increase the housing target above the standard method figure.

4   AFFORDABLE HOUSING NEED

4.1   This section provides an update to the assessment of affordable housing in the 2015 SHMA.

4.2   The new NPPF extends the definition of affordable housing and introduces a new category of household in affordable housing need, this is defined as 'households that can afford to rent in the private rental market, but cannot afford to buy despite a preference for owning their own home'. In terms of a revised definition of affordable housing (as found in the NPPF – Annex 2) it is considered that households falling into the definition would be suitable for Starter Homes or Discounted market sales housing, although other forms of affordable home ownership (such as shared ownership) might also be appropriate. The scale of need for these forms of affordable housing are considered at the end of this section.

4.3   Whilst the (supply) definition of affordable housing has changed in the new NPPF, it remains the case that the measure of (demand) 'need' remains the same, namely: households whose needs are not met by the market.

4.4   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 (through relets of current stock) which can be used to meet affordable housing need. Given the range of data available, a base date of 2016 is used. For the purposes of consistency with the end date of demographic projections, data is presented as per annum data for the period 2016-33. The analysis does not seek to fully recalculate levels of affordable need from previous SHMA research and is provided as a selective update.

Updated Affordable Housing Need

4.5   A full assessment of affordable housing need was carried out in the Eastern Dorset SHMA (October 2015) and so this report provides just a selected update to key variables where new information is available. The methodology used in the previous assessment is largely unchanged for this study and full details can be found in the previous SHMA. Specifically, this assessment seeks to update the following variables:

- Housing costs (private sector rent levels) – drawing on the latest Valuation Office Agency data covering a 12-month period to March 2017
- Income data – taking account of new data about local incomes (including information from the Annual Survey of Hours and Earnings (2016) and small area income estimates from ONS (published in October 2015)
- Estimates of the number of newly forming households – this is a direct output of the demographic modelling; and

- Estimates of the supply of affordable housing from relets – taken from Continuous Recording of Lettings data (CoRe) up to 2016

4.6   Other more minor changes have been made; for example estimates of the current need for affordable housing have been updated but this does not substantially change the figures. The text below therefore discusses the main updating undertaken in the assessment.

Rent Levels

4.7   An important part of the study is to establish the entry-level costs of housing. In previous assessments, it has been established that the private rented sector typically requires lower incomes to access than owner-occupation and so the focus is on costs in this sector. The affordable housing needs assessment compares rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need.'

4.8   The entry-level costs of housing have been established from Valuation Office Agency (VOA) data. For the purposes of analysis, lower quartile (LQ) rents have been taken to reflect the entry-level point into the market – the data covers a 12-month period to March 2017. The analysis below shows LQ rents across all dwelling sizes.

Table 13:   Lower quartile private rents by size and location (year to March 2017)

	Monthly rent
Room only	-
Studio	-
1 bedroom	£525
2 bedrooms	£675
3 bedrooms	£795
4+ bedrooms	£983
All dwellings	£695

Source: Valuation Office Agency (2017)

4.9   The figures presented above can be compared with equivalent data from the previous assessment of affordable housing need (which used data for the year to March 2014). This analysis (shown below) identifies that there has been an increase in the overall lower quartile rent over the period since the last affordable needs assessment was carried out.

Table 14:   Change in lower quartile private rents (all dwellings) since previous SHMA research

	Previous assessment (year to March 2014)	Updated position (year to March 2017)	Change in monthly rent	% change
Purbeck	£625	£695	£70	11%

Source: Valuation Office Agency

Affordability Thresholds

4.10 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%. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).

4.11 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.

4.12 Rent levels in the study area are higher than those seen nationally (a lower quartile rent of £500 per month across England) and are some way higher than seen in a number of areas (the lowest lower quartile rents nationally are around £350 per month). If the cheapest areas were to be considered as '25%' areas then it is clear that a higher threshold would be reasonable where rents are higher. In taking a consideration of rent levels in the study area and levels of residual income it is considered that for the purposes of affordability, a threshold of around 30% would be reasonable – this is the same figure as used in core modelling in the previous SHMA. However, sensitivity tests have also been provided to look at alternative scenarios in the range of 25% to 40%.

Incomes

4.13 Following on from the assessment of local housing costs it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy); the analysis also provides 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:

- ONS modelled income estimates (published in October 2015 with a 2011/12 base) – this information is provided for middle layer super output areas (MSOA) and is therefore used to build up to local authority areas;
- English Housing Survey (EHS) – to provide information about the distribution of incomes; and
- Annual Survey of Hours and Earnings (ASHE) – to assist in looking at how incomes have changed since the ONS base date and to provide an alternative source about how incomes in different areas vary.

4.14 Drawing all of this data together, an income distribution for the local authority for 2016 has been constructed. The table below shows a comparison with average (mean) income figures in previous assessments (which have a 2013 base). It can be seen that the incomes assumed in this report are 15% higher than previous assessments. As these increases are well above wage inflation this potentially indicates that more earners are being forced into shared households over the last 3 years.

Table 15: Average (mean) income estimates – households

	2013-based estimate	2016-based estimate	% change
Purbeck	£33,517	£38,616	15%

Source: Derived from a range of data as discussed

4.15 To assess affordability, a household's ability to afford private rented housing without financial support has been studied. 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.

4.16 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 (this has consistently been shown to be the case in the English Housing Survey and the Survey of English Housing). Assumptions about income levels for specific elements of the modelling are the same as in previous assessments of affordable need.

Newly Forming Households

4.17   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 (e.g. the analysis considers the number of households aged under 45 in a particular year and subtracts the number aged under 40 five-years previously – this provides an indication of the number of new household (i.e. that didn't exist five years earlier). This differs from numbers presented in the demographic projections which are for net household growth.

4.18   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.

4.19   The table below shows estimates of the annual number of newly forming households from the updated demographic modelling and compares figure with those in previous assessments of affordable need. In Purbeck the figures remain broadly the same.

Table 16:   Estimated number of newly forming households (per annum)

	Previous assessment(s) estimate	This study
Purbeck	272	278

Source: Demographic projections

Supply of Affordable Housing from Relets

4.20   The final area of updating is around the supply of affordable housing from relets of current stock. For this analysis, information has been taken from CoRe for the 2013-16 period – the previous assessment looked at data for a three-year period to 2014. The estimated future supply of relets is higher than in the SHMA (99 vs. 63). This looks to be for two reasons: a) closer investigation of the data used in the SHMA suggests that information from CoRe for 2013/14 was only partial data (missing about half of relets for that year) and b) in the assessment below, temporary lettings have been included (e.g. in hostel accommodation) – this is because people/households accessing such lettings are included as a need, so it would be necessary to exclude such households from both sides of the equation (in reality this does not have a significant impact on the figures).

4.21   The figures include a small number of relets of intermediate housing (e.g. shared ownership) – these figures have not been recalculated from the earlier SHMA.

Table 17:   Estimated future supply of relets/sales of social/affordable/intermediate housing

	Previous assessment(s) estimate	This study
Purbeck	63	99

Source: CoRe

Summary of Information Used

4.22   The table below provides a summary of some of the key sources of information and analysis used in the assessment.
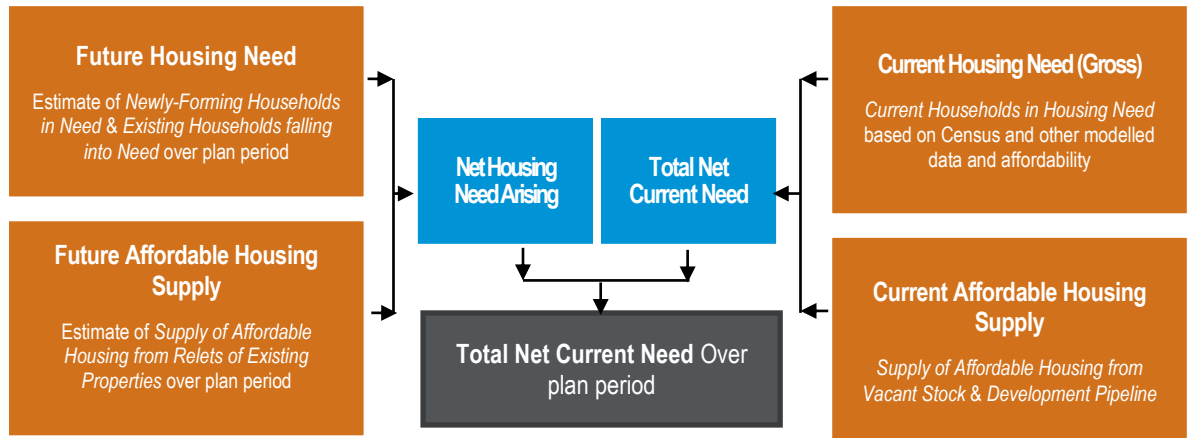
Table 18:   Affordable Needs Model – summary of core analysis and sources

Aspect of analysis	Sources	Notes
Lower quartile private sector rents	Valuation Office Agency (VOA) data for the year to March 2017.	Used to establish the entry level cost of housing.
Incomes	ONS small area income estimates, English Housing Survey (EHS), Annual Survey of Hours and Earning (ASHE).	Used to estimate the average household income in 2016 and the distribution of income. Different distributions are developed for different household groups (e.g. newly forming households).
Affordability ratio	Valuation Office Agency (VOA) data for the year to March 2017.	Consideration of the relative cost of housing in the area compared with national benchmarks. The analysis suggests that spending 30% of income on housing is an appropriate affordability threshold.
Current need	2011 Census, CLG live table 784 (homelessness), EHS, income and housing cost data.	Analysis using the categories of need set out in 2a-023 and 2a-024 of the PPG (along with affordability testing).
Future need (newly forming households)	Demographic projections – number of newly forming households aged under 45, income and housing cost data.	Analysis consistent with 2a-025 of PPG, including affordability testing.
Future need (existing households)	Continuous Recording of Sales and Lettings (CoRe), income and housing cost data.	Analysis consistent with 2a-025 of PPG, including affordability testing.
Supply of affordable housing (through relets)	Continuous Recording of Lettings and Sales (CoRe) – 2013-16.	Takes account of new-build and transfers as well as including resales of intermediate housing (e.g. shared ownership).

Affordable Housing Needs Assessment

4.23   Affordable housing need has been assessed using the model is summarised below.

Figure 1:   Overview of Affordable Housing Needs Assessment Model

Future Housing Need	Current Housing Need (Gross)
Estimate of *Newly-Forming Households in Need* & *Existing Households falling into Need* over plan period	*Current Households in Housing Need* based on Census and other modelled data and affordability

Net Housing Need Arising — Total Net Current Need

Future Affordable Housing Supply	Current Affordable Housing Supply
Estimate of *Supply of Affordable Housing from Relets of Existing Properties* over plan period	*Supply of Affordable Housing from Vacant Stock* & *Development Pipeline*

Total Net Current Need Over plan period

4.24   The table below shows the overall calculation of affordable housing need. This excludes supply arising from sites with planning permission (the 'development pipeline') to allow for a comparison with the demographic projections set out in the report. The analysis has been based on meeting affordable housing need over the 17-year period from 2016 to 2033. Whilst most of the data in the model are annual figures the current need has been divided by 17 to make an equivalent annual figure. As the table sets out, the analysis calculates an overall need for affordable housing of 149 units per annum over the 17-years to 2033 in Purbeck.

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

Table 19:   Estimated level of Affordable Housing Need per annum

	Current need	Newly forming house-holds	Existing house-holds falling into need	Total Need	Supply from existing stock	Net Need
Purbeck	25	156	67	248	99	149

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

Comparison with Previous Assessment of Affordable Housing Need

4.25   Overall, the updated assessment shows an identical level of need as the previous assessment. However, it needs to be remembered that all of the outputs are based on information available at the time of the assessment (and this can vary; as is seen with the income estimates and rental costs). Additionally, small methodological and data source changes can have an impact (e.g. in the case of projecting re-let supply). However, it remains the case that there is a notable need for affordable housing in Purbeck; the Council should therefore seek to maximise the delivery of affordable housing where opportunities arise.

Table 20:   Comparing assessments of affordable housing need

	Previous assessment	This study	Difference
Purbeck	149	149	0

Source: This study and previous (2014-based) assessments

Sensitivity to Income Thresholds

4.26   The PPG does not provide any guidance about what an appropriate threshold for affordability is (i.e. the maximum proportion of income that a household should spend on housing costs). Whilst 25% of income is the threshold suggested by 2007 SHMA Guidance, it is recognised that what is considered

affordable can vary and that local circumstances may justify an alternative figure. Given the socio-economic profile of the population in the study area, particularly with respect to earnings and the cost of housing, in practice, many households locally will spend a greater proportion of their income on housing.

4.27   A 30% threshold has been used in the main modelling following analysis of the relative costs of housing in Purbeck although it is worthwhile considering the implications of alternative thresholds. To understand the implications of the income threshold, we sensitivity tested affordable housing need assuming variant levels of income spent on housing costs. The table below summarises the findings. In particular, we can see that with an assumption of households spending 40% gross income on housing costs, the affordable housing need falls to 97 households per annum (down from 149 using a 30% threshold).

Table 21:   Estimated Level of Affordable Housing Need (per annum) at Variant Income Thresholds

	@ 25%	@30%	@35%	@40%
Purbeck	179	149	121	97

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

Widening the definition of Affordable Housing Need

4.28   The new NPPF introduces a new category of household in affordable housing need, and widens the definition of affordable housing (as found in the NPPF – Annex 2). It is considered that households falling into the definition would be suitable for Starter Homes or Discounted market sales housing, although other forms of affordable home ownership (such as shared ownership) might also be appropriate.

4.29   This section considers the level of need for these types of dwellings in Purbeck, as a proportion of overall housing delivery. The NPPF states *"Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups."* (NPPF, para 64).

4.30   The analysis in this section seeks to establish the potential market for housing in the 'gap' between privately renting and home ownership. Whilst there is no methodology for assessing this (unlike for a more traditional assessment of affordable housing need) 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.

4.31   One issue with trying to establish need in rent/buy gap is about the supply of housing. By definition 25% of all housing sales will be 'affordable' (on the assumption that the entry-level price is the lower quartile). However, it should be noted that the figures can only be an estimate, as this supply cannot be controlled in terms of who buys a home (e.g. someone with a higher income could theoretically buy a cheaper home than they can afford, whilst some stock could go into the private rented sector). For this reason, the net need figures are provided as a range, with supply being a proportion of lower quartile sales – somewhere between 0% and 25% of all sales.

4.32   From secondary data sources it is difficult to establish what proportion of the private rented sector want to be a home owner, however, national data (from the Survey of English Housing) shows that 59% of private renters expect to be a home owner at some point in the future (and presumably a higher proportion again who would like to be a home owner). On the basis of these statistics, this section assumes that anyone in the gap between buying and renting would have buying a home as a preference.

Target groups

4.33   The target group for the new definitions of affordable housing are households who can afford to rent privately but cannot afford to buy a home. One of the key reasons for the Government introducing this definition is likely to be due to the fall in the number of younger owner-occupiers across the Country over the past 15-years or so (and an increase in private renting). 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 almost 700. This represents a growth of 41%, however this is less than half the rate of growth seen across the Eastern Dorset HMA over this period. The trend over the decade has been of a falling number of young households able to move into home ownership and increases in those renting.

**Table 22:   Change in number of households in private rented sector 2001-11**

	2001	2011	Change	% change
Purbeck	1,698	2,391	693	41%
Eastern Dorset	23,270	43,308	20,038	86%

Source: Census (2001 and 2011)

4.34   The PRS has clearly been growing rapidly over time; it is also worth considering what further changes may have occurred since 2011. Unfortunately, robust local data on this topic is not available, however

a national perspective can be drawn from the English Housing Survey (EHS) which has data up to 2016. The figure below shows changes in three main tenures back to 1980. This clearly shows the increase in the number of households living in private rented accommodation from about 2001 and also a slight decrease in the number of owners.

Figure 2: Trends in tenure, 1980 to 2015-16 – England
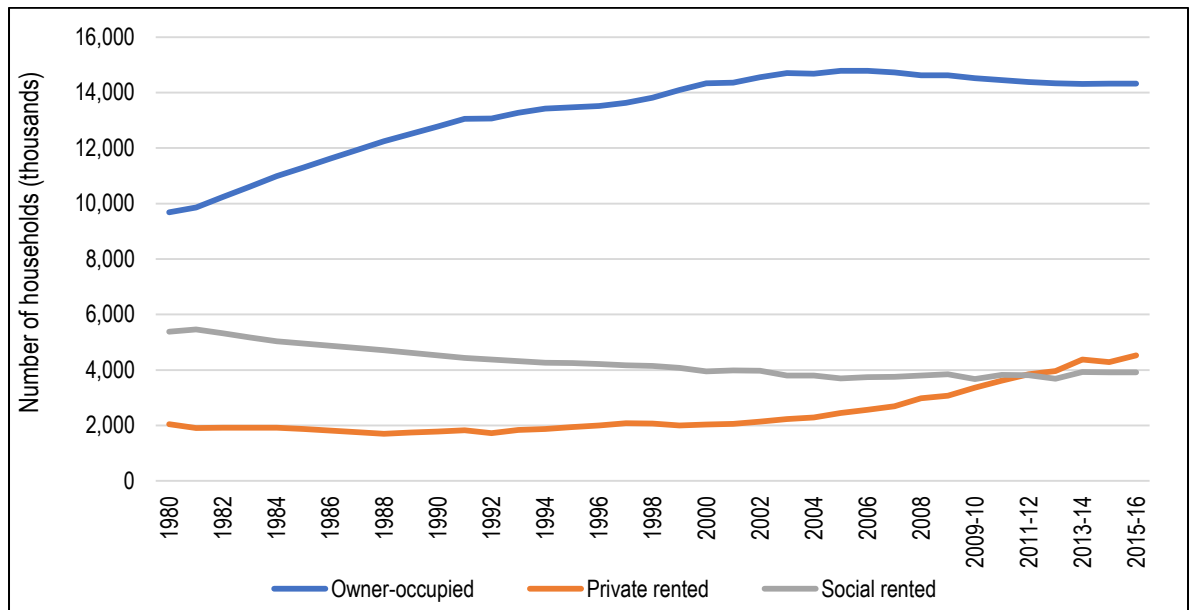
Source: English Housing Survey

4.35 Since 2011, the EHS data shows that that PRS has risen by a further 25% and if Purbeck has seen a similar level of increase then this would imply about 600 additional households in the sector (potentially bringing the number to about 3,000).

4.36 For the purposes of modelling need, it is therefore assumed that the target group for affordable home ownership options will be around 3,000 households. To be consistent with other analysis, a small allowance is made for existing households falling into need (but able to afford housing in the gap between renting and buying) – the number of households in this category is relatively small as it is assumed that most existing households will be captured within the 3,000 figure.

Affordability and housing need

4.37 Table 23 shows the lower quartile price in each local authority (based on Land Registry data) and the indicative income required to buy a lower quartile home. The income is based on assuming a 10% deposit and a 4 times mortgage multiple. The analysis also shows the indicative income required to privately rent a lower quartile priced property (based on a household not spending more than 30% of their income on housing). Any household with an income in the gap between renting and buying potentially falls into the new definition of affordable housing. It should be noted that all data is for the year to March 2017 – this is to be consistent with the assessment of affordable housing already undertaken.

Table 23:   Indicative income to buy or rent lower quartile property

	Lower quartile price	Indicative income to buy	Indicative income to rent privately
Purbeck	£225,000	£50,625	£27,800

Source: Derived from Land Registry and VOA data

4.38   In looking at affordability, it has been assumed that incomes for the target group are generally lower than the 'all households' average. When looking at the current need average incomes are assumed to be 88% of the all households figure (this being based on the difference between private renters and all households shown in the English Housing Survey (2016)); for newly forming households the figure is 84% (reflecting the analysis already carried out to look at affordable need) and for the existing households falling into need a much lower figure of 42% is used (this reflects that this category is picking up households with significant need and who are generally expected to be of low income).

4.39   Overall it is estimated that there is a gross need for 131 dwellings per annum over the 17-year period to 2033 for the need in the rent/buy gap to be met. There is however a potential supply of up to 202 dwellings per annum, meaning that potentially the current market can provide sufficient homes. However, as noted previously, not all of this supply can realistically be taken into account, as there is no way of allocating properties to those who have a 'need' for them.

Table 24:   Estimated need for housing in the gap between privately renting and owning (per annum)

	Purbeck, 2016-33
Current need	48
Newly forming households	73
Existing falling into need	9
Total need (per annum)	131
Annual supply	0-202
Net need (low)	-71
Net need (high)	131

Source: Affordability modelling

4.40   The analysis clearly indicates that there are a substantial number of households who fall into the gap between buying and renting. However, there is also a notable 'supply' of homes at prices up to the lower quartile.

4.41   Overall, the analysis highlights a very large range of net needs for this type of housing. However, it does not suggest that the 10% target in the NPPF is unachievable. On the basis of this analysis it is suggested that the local authorities should consider seeking 10% of all housing to be affordable home ownership (as set out in the NPPF).

4.42   However, it needs to be recognised that there are a series of choices to be made with regard to the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided. For example, by providing 10% of homes as affordable home ownership it is likely that the number of social/affordable rented homes able to be delivered will decrease (previous analysis has also shown a notable need for homes priced at below the private rented sector) and so the need for affordable home ownership needs to be assessed against the needs for other affordable housing products. That said, providing affordable home ownership units is likely to be more viable and so overall 'affordable' delivery could be enhanced.

Affordable home ownership price points

4.43   As well as providing an indication of the potential need for affordable home ownership, it is worth setting out some indicative findings about how much such housing should cost. Essentially, because housing is designed to be available to those who can afford to rent but not buy, it is logical to suggest that the costs should be roughly equivalent to those in the private rented sector. The table below therefore provides a suggested range of sales costs based on the gap between an entry-level (lower quartile) and median private rent.

4.44   The analysis essentially works back from an income requirement to include a four times multiple and 10% deposit. For example, if the income to access the private rented sector is £25,000, then four times this would be a mortgage for £100,000, and an effective sale price of around £111,000 (taking account of the £100,000 being 90% of the sale price). It should be noted that the initial analysis below uses data for the year to March 2017 (to be consistent with other analysis) but it is possible to update the figures twice a year based on data published by the Valuation Office Agency. The second table below therefore provides the same information for the year to March 2018 (the latest available data at the time of writing).

Table 25:   Affordable home ownership prices (aligned with cost of accessing private rented sector) – Purbeck

	March 2017	March 2018
1-bedroom	£93,000-£98,000	£97,000-£105,000
2-bedroom	£120,000-£129,000	£119,000-£129,000
3-bedroom	£141,000-£151,000	£140,000-£151,000
4+-bedroom	£175,000-£213,000	£169,000-£221,000

Source: derived from VOA data

4.45   It should be noted that setting out housing costs in the way suggested above will help to ensure that homes are genuinely affordable (in the context of the changing definition of affordable housing). It is

considered that an approach setting a sales cost is better than simply looking for some level of discount from Open Market Value (OMV) – for example a 20% discount. The reason for this is that it would be possible for a 20% discount on OMV for a new home to still be more expensive than an equivalent sized second-hand property.

4.46   One final point is about how to ensure that homes are made available to those who genuinely 'need' them. Putting a discounted market sales home on the market could arguably see a household with a high income (who can already afford to buy) being able to access the housing. To ensure that affordable home ownership products are accessed by those with the greatest need it is suggested that the Council considers setting up a register for households seeking some form of affordable home ownership. Such a register could include information about household incomes, access to a deposit and household characteristics – this would allow the Council to ensure that homes are most effectively sold to those for whom there will be the greatest benefit.

Summary of the Need for Affordable Home Ownership

4.47   Through the new NPPF and PPG, Central Government is seeking to widen the definition of affordable housing and also the definition of households with an affordable need. Essentially, the new definitions will include households who can afford to rent privately but not afford to buy, with solutions including Starter Homes and Discounted Market Sales Housing, both sold at a discount to OMV. The NPPF recommends that at least 10% of homes should be available for affordable home ownership as part of the overall affordable housing contribution.

4.48   The analysis for Purbeck identifies that there are a substantial number of households who fall into the gap between renting and buying, although the potential supply of cheaper (lower quartile) homes to buy means that it cannot definitively be concluded that there is a need for additional affordable home ownership products.

4.49   Given there are clearly households who could access homes price in the rent/buy gap (setting aside any questions about supply) it is suggested that the Council should consider seeking 10% of all homes on larger sites as some form of affordable home ownership – this approach is consistent with suggestions in the NPPF.

4.50   It is not recommended that more than 10% should be sought given some uncertainties about the overall need, and recognising that there are also a number of households whose affordability falls below accessing the private rented sector. There is arguably a case for seeking less than 10%, however, given that the Government has set this figure, and the clear evidence of a number of housing

in the relevant affordability band, it is probably prudent to conform with the NPPF. Providing affordable home ownership could potentially increase the overall level of delivery of affordable housing, as such products are likely to be more viable than social/affordable rented housing (or possibly shard ownership).

4.51   It is recommended that the price of affordable home ownership is set by reference to current costs in the private rented sector, in doing this it will be possible to ensure that housing costs are at the right sort of level of the intended target group.

4.52   Finally, the Council could consider setting up a register for people with an interest in affordable home ownership products. This would help to ensure that any homes becoming available can be 'allocated' to household for whom they are most suited (for example in terms of income and household structure).

5 HOUSING MIX

5.1 This section assesses the need for different sizes of homes in the future, modelling the implications of demographic drivers on need/demand for different sizes of homes in different tenures. The assessment is intended to provide an understanding of the implications of demographic dynamics on need and demand for different sizes of homes.

5.2 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. The analysis is based on 168 dwellings per annum in the 2013-33 period, based on the District's standard method OAN figure.

5.3 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. The methodology is essentially the same as in previous SHMA, but with the inclusion of more up-to-date Census information and data from population/household projections.

Figure 3: Stages in the Housing Market Model
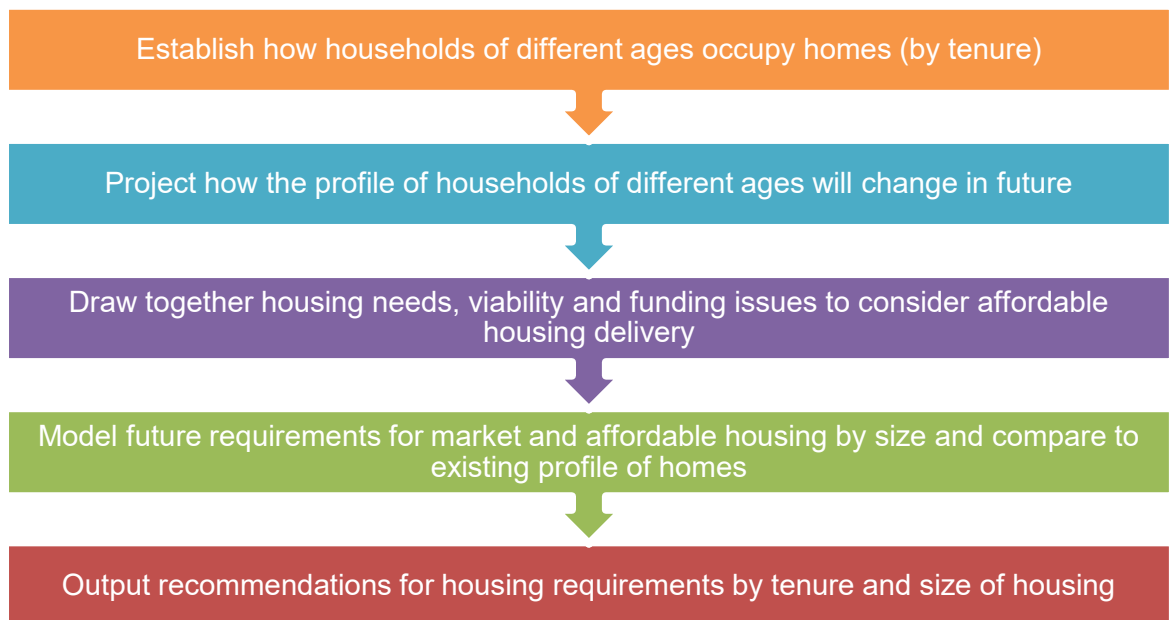
5.4 It should be noted that the current stock of housing (by size) can have a notable impact on the outputs of the modelling. The table below shows a comparison of the size profile of accommodation in a range

of areas in three broad tenure groups. This suggests that Purbeck has a similar stock profile to the South West and England and that the stock can be considered to be fairly balanced.

Table 26:   Number of bedrooms by tenure and a range of areas

		Purbeck	South West	England
Owner-occupied	**1 bedroom**	3%	4%	4%
	2 bedrooms	27%	23%	23%
	3 bedrooms	45%	46%	48%
	4+ bedrooms	25%	28%	25%
	TOTAL	100%	100%	100%
Social rented	**1 bedroom**	25%	30%	31%
	2 bedrooms	37%	36%	34%
	3 bedrooms	33%	30%	31%
	4+ bedrooms	5%	4%	4%
	TOTAL	100%	100%	100%
Private rented	**1 bedroom**	14%	23%	23%
	2 bedrooms	36%	38%	39%
	3 bedrooms	38%	28%	28%
	4+ bedrooms	13%	11%	10%
	TOTAL	100%	100%	100%

Source: Census 2011

Understanding how Households Occupy Homes

5.5   Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households 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.

5.6   The size of housing which households occupy relates more to their wealth and age than the number of people that 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.

5.7   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).

5.8   In terms of the analysis to follow, the outputs have been segmented into three broad categories. These are market housing, which is taken to follow the occupancy profiles in the owner-occupied sector; affordable home ownership, which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government's desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting) and affordable (rented) housing, which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include affordable rented housing.

Tenure Assumptions

5.9   The housing market model has been used to estimate the future need for different sizes of property over the 20-year period from 2013 to 2033. 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.

5.10   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 35% of net completions are either affordable housing (rented) or affordable home ownership and therefore that 65% are market housing (designed to be sold for owner-occupation). Within the 35% affordable a split of roughly 70:30 has been used; this means an estimated total of 25% of completions as affordable housing (rented) and 10% as affordable home ownership.

5.11   It should be stressed that these figures are not policy targets. 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, whist 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. The figures

used are not a policy position and has been applied simply for the purposes of providing outputs from the modelling process.

5.12   To confirm, it has been assumed that the following proportions of different tenures will be provided moving forward:

- Market housing – 65%
- Affordable home ownership – 10%
- Social/affordable rent – 25%

Key Findings: Size Mix

5.13   The modelling assumptions set out above have been used to quantify demand for different sizes of properties over the 20-year period from 2013 to 2033. The estimated size of dwellings needed in Purbeck is set out in the table below:

Table 27:   Estimated Size of Dwellings Needed 2013 to 2033 – Purbeck

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Market Housing	4%	34%	44%	18%
Affordable Home Ownership	15%	40%	35%	10%
Affordable Rented	30%	39%	27%	3%

Source: Housing Market Model

5.14   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.

5.15   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.

Indicative Targets by Tenure

5.16   Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, 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 (as well as allocations to older person

households) – e.g. one-bedroom homes provide limited flexibility for households (e.g. a couple household expecting to start a family) and as a result can see relatively high levels of turnover – therefore, it may not be appropriate to provide as much one-bedroom stock as is suggested by the modelling exercise. At the other end of the scale, conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited.

5.17   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.

5.18   There are thus a range of factors which are relevant in considering policies for the mix of affordable housing (rented) sought through development schemes. The analysis would support policies for the mix of affordable housing (rented) of:

Table 28:   Recommended mix of affordable housing (rented)

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Purbeck	20-25%	40-45%	25-30%	5-10%

5.19   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.

5.20   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.

5.21   In the affordable home ownership sector a profile of housing that more closely matches the outputs of the modelling is suggested, although some consideration of the current stock profile and household composition is also relevant. On the basis of these factors it is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of affordable home ownership is suggested:

Table 29: Potential mix of affordable housing (affordable home ownership)

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Purbeck	15-20%	45-50%	25-30%	5-10%

5.22   Finally, in the market sector, a balance of dwellings is suggested that largely takes account of the outputs of the modelling. The conclusions see a slightly larger recommended profile compared with other tenure groups. The following mix of market housing is suggested:

Table 30: Potential mix of market housing

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Purbeck	0-5%	30-35%	40-45%	20-25%

5.23   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.

6 SUMMARY AND CONCLUSIONS

6.1 This report has been prepared for Purbeck District Council to provide an update to the findings of the Eastern Dorset Strategic Housing Market Assessment (2015) relating to Purbeck District. It provides an update to the objectively assessed need (OAN) for housing to take account of the latest policy position and drawing upon the latest demographic and economic data. This Update report provides an assessment of:

- The OAN for housing using the Standard Method;
- An assessment of the future need for housing to support economic growth;
- An update to the assessment of affordable housing need;
- An assessment of the required housing mix for different tenure types.

Housing need using the Standard Method

6.2 The new NPPF makes it clear that when assessing housing needs, local authorities are expected to follow the standard approach for assessing local housing need unless there are exceptional circumstances that justify an alternative.

6.3 The standard methodology seeks to simplify the approach to housing need and has three components:
- Demographic Starting Point or Baseline;
- Market Signals Adjustment; and
- Cap.

6.4 The demographic start point is assessed using the 2014-based household projections over the ten year period from 2016 to 2026. In Purbeck, the projections show an annual average growth of 118 households.

6.5 The standard method seeks to adjust the demographic baseline on the basis of market signals. This uses the ONS median house price to workplace-based earnings affordability ratios from 2016. These show an affordability ratio for Purbeck of 10.79. This means that the median house price in the District is 10.79 times the median earnings of people who work within the District.

6.6 The methodology applies an adjustment to the housing need derived from the household projections by 0.25% for every point the affordability ratio is above four (4.0). This is justified on the basis that four is the typical multiple used by mortgage providers to gauge affordability. This results in an affordability adjustment of 142%.

6.7   Taking the analysis forward the CLG standardised methodology results in **an OAN for Purbeck of 168 dwellings per annum.**

Future Employment and the Link to Housing

6.8   The analysis considers three econometric forecasts:

- Baseline Scenario prepared by Local Economy Forecasting Model for Dorset by Cambridge Econometrics (CE) (dated 2016/17);
- Trend Scenario developed from baseline data by Dorset County Council in consultation with Dorset local authorities;
- Strategy Scenario developed from baseline data and Trend scenario by Dorset County Council in consultation with Dorset local authorities.

6.9   Across Eastern Dorset as a whole the Baseline Scenario forecasts the lowest jobs growth (40,600 jobs) with the Trend Scenario forecasting nearly 4,000 more jobs, and the Strategy forecasting nearly 12,000 more jobs over this period. However, the forecasts provide a different distribution at local authority level to reflect local circumstances and growth potential in each area. In Purbeck the Trend and Strategy scenarios both show lower growth than the Baseline scenario.

Table 31:   Scenarios Total Jobs Growth (2013-33)

	Baseline	Trend	Strategy
Purbeck	3,100	1,700	1,700
Eastern Dorset	40,600	44,400	52,500

Source: CE and Dorset County Council

6.10   The analysis converts the forecast jobs growth into an assessment of housing need by considering double jobbing ratios, commuting ratios, and economic activity rates. Applying economic activity rate assumptions (the same as the 2015 SHMA) these scenarios show a range of economic-led housing need for Purbeck of 151-157 dwellings per annum for the Trend and Strategy scenarios, and 185-192 dwellings per annum for the Baseline scenario.

Table 32:   Economic-led housing need scenarios (dwellings per annum)

	Baseline	Trend / Strategy
Using 2014-based HRRs	185	151
Using adjusted HRRs	192	157

6.11   The above figures compare to Purbeck's OAN identified using the standard method of 168 dwellings per annum. This suggests that **by pursuing the Baseline jobs growth, the Council could consider a housing need figure ranging from 168-192 dwellings per annum in order to support economic growth.**

6.12   Conversely, the Trend and Strategy scenarios suggest that the OAN identified using the standard method would be sufficient to support future economic growth in Purbeck. **If the Council were to**

plan for the level of growth shown in the Trend and Strategy scenarios then there would be no justification to increase the housing target above the standard method figure.

Affordable Housing Need

6.13   The report provides an update to the assessment of affordable housing in the 2015 SHMA. This includes the new NPPF definition of affordable housing which introduces a new category of household in affordable housing need; this is defined as 'households which can afford to rent in the private rental market, but cannot afford to buy despite a preference for owning their own home.' It is considered that households falling into the definition would be suitable for Starter Homes or Discounted market sales housing, although other forms of affordable home ownership (such as shared ownership) might also be appropriate.

6.14   Whilst the (supply) definition of affordable housing has changed in the new NPPF, it remains the case that the measure of (demand) 'need' remains the same, namely: households whose needs are not met by the market.

6.15   The assessment of affordable housing need is based on the affordable housing needs model. The analysis does not seek to fully recalculate levels of affordable need from previous SHMA research and is provided as a selective update to key variables where new information is available.

6.16   The table below shows the overall calculation of affordable housing need. This excludes supply arising from sites with planning permission (the 'development pipeline') to allow for a comparison with the demographic projections set out in the report. The analysis has been based on meeting affordable housing need over the 17-year period from 2016 to 2033. Whilst most of the data in the model are annual figures the current need has been divided by 17 to make an equivalent annual figure. As the table sets out, the analysis calculates **an overall need for affordable housing in Purbeck of 149 units per annum** over the 17-years to 2033.

Table 33:   Estimated level of Affordable Housing Need per annum

	Current need	Newly forming house-holds	Existing house-holds falling into need	Total Need	Supply from existing stock	Net Need
Purbeck	25	156	67	248	99	149

The Need for Affordable Home Ownership

6.17   Through the new NPPF and PPG, Central Government is seeking to widen the definition of affordable housing and also the definition of households with an affordable need. The NPPF recommends that at least 10% of homes should be available for affordable home ownership as part of the overall affordable housing contribution.

6.18   The analysis for Purbeck identifies that there are a substantial number of households who fall into the gap between renting and buying, although the potential supply of cheaper (lower quartile) homes to buy means that it cannot definitively be concluded that there is a need for additional affordable home ownership products.

6.19   Given there are clearly households who could access homes price in the rent/buy gap (setting aside any questions about supply) it is suggested that th**e Council should consider seeking 10% of all homes on larger sites as some form of affordable home ownership** – this approach is consistent with suggestions in the NPPF.

6.20   It is not recommended that more than 10% should be sought given some uncertainties about the overall need, and recognising that there are also a number of households whose affordability falls below accessing the private rented sector. There is arguably a case for seeking less than 10%, however, given that the Government has set this figure, and the clear evidence of a number of housing in the relevant affordability band, it is probably prudent to conform with the NPPF.

Housing Mix

6.21   The assessment is intended to provide an understanding of the implications of demographic dynamics on need and demand for different sizes of homes.

6.22   The housing market model has been used to estimate the future need for different sizes of property over the 20-year period from 2013 to 2033. 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.

6.23   For modelling purposes, the analysis assumes that 35% of net completions are either affordable housing (rented) or affordable home ownership and therefore that 65% are market housing (designed to be sold for owner-occupation). Within the 35% affordable a split of roughly 70:30 has been used; this means an estimated total of 25% of completions as affordable housing (rented) and 10% as affordable home ownership.

6.24   The estimated size of dwellings needed in Purbeck is set out in the table below:

Table 34:   Recommended Mix of Housing in Purbeck

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Market Housing	0-5%	30-35%	40-45%	20-25%
Affordable Home Ownership	15-20%	45-50%	25-30%	5-10%
Affordable Rented	20-25%	40-45%	25-30%	5-10%

APPENDIX A: Economic-led Projected housing need sensitivity scenarios (housing need per annum (2013-33))

2014-based HRRs	SHMA	Experian	OBR
Baseline jobs; Census commuting	185	171	*206*
Baseline jobs; 1:1 commuting	181	167	202
Trend Jobs; Census commuting	151	138	172
Trend Jobs; 1:1 commuting	149	*136*	170
Strategy jobs; Census commuting	151	138	172
Strategy jobs; 1:1 commuting	149	*136*	170
Adjusted HRRs	**SHMA**	**Experian**	**OBR**
Baseline jobs; Census commuting	192	178	*213*
Baseline jobs; 1:1 commuting	188	174	209
Trend Jobs; Census commuting	157	144	179
Trend Jobs; 1:1 commuting	155	*142*	177
Strategy jobs; Census commuting	157	144	179
Strategy jobs; 1:1 commuting	155	*142*	177

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