

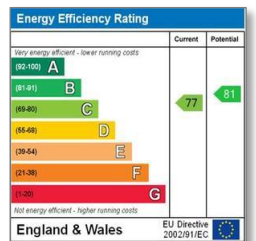


Luton & Central Bedfordshire

Strategic Housing Market Assessment Refresh 2014

Report of Findings

June 2014





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Summary of Key Findings

Luton and Central Bedfordshire SHMA Refresh 2014

1. The Luton and Central Bedfordshire Strategic Housing Market Assessment Refresh 2014 (SHMA) has been undertaken at a time of considerable change, both locally and nationally. The Refresh highlights the complexity of understanding housing need in a dynamic housing market. Key drivers such as the proximity of London, complex population change and the need to support growth in the local economy – all these factors interact to make the establishment of objectively assessed housing need a significant challenge.
2. The SHMA has considered various factors regarding the housing needed in Luton and Central Bedfordshire; critically, it has updated the current evidence base regarding population and households, and considered the impact of wider Market Signals. From this, the SHMA has derived an objectively assessed housing need to inform housing and planning policies.
3. This Executive Summary, therefore, summarises both the key strategic challenges facing the Housing Market Area, and highlights the housing needed to meet these.

Key Challenges

Private Rented Sector

4. One of the most significant housing changes in the past decade, both in Luton and Central Bedfordshire and nationally, has been the rise in the private rented sector and the decline in owner occupation. The trend seems likely to continue further due the interaction of growing demand against inadequate supply.

Local Economy

5. The connectivity between future housing need and the success of the local economy is a key challenge. As a relatively successful area, there is a continuing focus on sustained economic success via a range of local strategies and initiatives.
6. A key question concerns the type of housing that is required to support the future economy, not only in terms of the type of housing but also in terms of its tenure. A successful economy requires a broad range of people - the type of housing offered, therefore, has to respond to meet the aspirations of all types of workers.

Housing Delivery

7. New housing delivery nationally has fallen substantially in recent years relative to demand. The complexities of the housing delivery supply chain are well evidenced in other studies and are not explored in this SHMA. However, there is a need to continue to support housing delivery for Luton and Central Bedfordshire if wider strategy goals are to be achieved.

Benefit Reform

- Benefit reforms pose a considerable risk to existing households renting within Luton and Central Bedfordshire in both the Private and Public housing sectors. The combination of the Benefit 'cap', changes regarding under-occupation and changes in Local Housing Allowance are likely to mean significant adjustment in the sectors. The full implications of this are not yet known but need to be recognised.

Duty to Co-operate

- Section 110 of the Localism Act 2011 imposes a 'duty to co-operate' on Councils who submit plans for Examination after 15 November 2011. The scale of objectively assessed housing need identified in this SHMA refresh has meant a proactive approach to co-operation between Luton and Central Bedfordshire authorities and their neighbours. The key challenge facing the various authorities remains how assessed need can be met.

Housing Market Area

- The identification of Housing Market Areas (HMAs) is the first relevant building block in the evidence for identifying the objectively assessed housing needs for Luton & Central Bedfordshire.
- Historic Housing Market Area analysis (2008), undertaken in previous SHMA studies, is still relevant pending data release from Census 2011; the identified HMA, on the basis of current evidence, is robust. This has been tested with more recent relevant data as part of the preparation of the SHMA refresh and shows that the functional HMA is not the same as the local authority boundaries, but is formed of all of Luton borough and a substantial part of Central Bedfordshire, together with a more marginal interaction with parts of Buckinghamshire and Hertfordshire.

Population and Household Growth

- A key input into the modelling of housing need is the rate of household growth. Guidance states:

Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need.

Planning Policy Guidance (CLG, March 2014), para 015

- While CLG Household projections are a useful starting point, there is a need to test these further to ensure that they are a robust basis for modelling need.

Luton

- Population and household forecasts are a key input into the modelling of future housing need.
- Our review of various official data sources regarding the Luton population highlight that no one source provides a consistent evidence base and it has been necessary, therefore, to consider the full range of available data. Based on this detailed analysis, we have established components of population change that provide outputs that can be reconciled with different data sources.

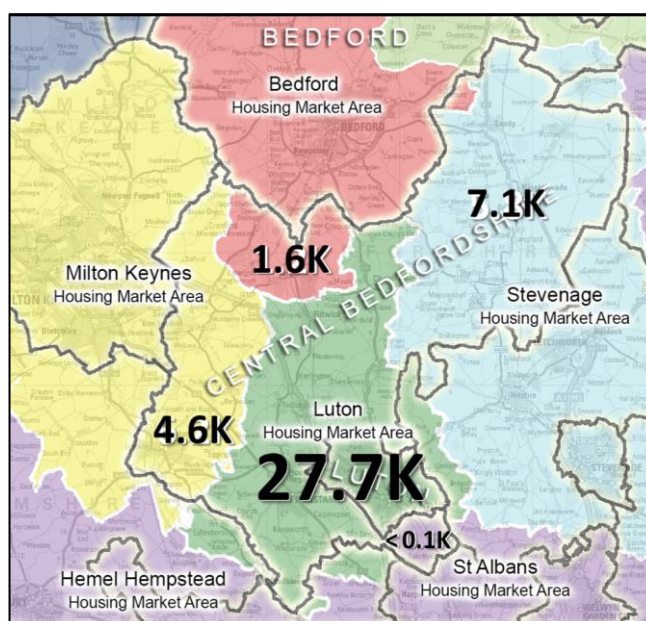
16. Our analysis demonstrates that the 2001 Census probably underestimated Luton's resident population. Further, although subsequent ONS population estimates still appear to underestimate the population, the *rate* of change over the last 10 years is likely to be less than official figures would suggest.
17. Our review highlights that the alternative components of population change that have been developed provide the most appropriate, robust and reliable evidence base available for Luton. Therefore, it is this data that has been used to inform future demographic projections that have been input into the modelling of future housing need.
18. From this, we have concluded that the **demographic projections for Luton suggest a growth of 810 households each year on average over the 20-year period to 2031, but that this sits within a range of between 670 and 950 households each year.**

Central Bedfordshire

19. For Central Bedfordshire, we have balanced various population trend scenarios to derive a robust basis for projections. In addition, we have also sought to ensure consistency with the analysis for Luton. While we have sought to be consistent with CLG household projections (a key data source) we have used a longer term trend period for migration. CLG projections are based on 5-year migration trends and interim 2011 Household Representative Rates; the SHMA uses a 20-year trend with updated HRR as a more appropriate basis for the projection. This is also consistent with the approach taken for Luton.
20. On this basis of analysis for Central Bedfordshire, we have concluded that the **demographic projections suggest a growth of 1,230 households each year on average over the 20-year period to 2031, but that this sits within a range of between 1,140 and 1,320 households each year.**

Overall Total

21. When considering the combined HMA area, the **projections identify an increase of 39,600 households over the 20-year period (almost 2,000 households each year on average).** It is evident from the analysis that some of the differences seen when considering the areas in isolation are balancing against each other – so the combined range is much smaller (from 39,100 to 40,400 households over 20 years).
22. **This increase in household, therefore, yields a Housing Need for 41,000 dwellings over the period 2011-31 on the basis of household projections. This includes 27,700 dwellings in the Luton HMA.**



Market Signals

23. Current Guidance states that Market Signals should be taken into account when considering assessed housing need:

The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings.

Planning Policy Guidance (CLG, March 2014), para 019

A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections ... Plan makers should set this adjustment at a level that is reasonable

Planning Policy Guidance (CLG, March 2014), para 020

24. On the basis of the Market Signals, we can conclude that **there are acute pressures in Luton Borough and a worsening trend** relating in particular to affordability and overcrowding:
- » **Current affordability ratio is 7.4x:** 12% higher than England (6.6x). There has been no real change over last 5 years, while England has improved by 9%
 - » **Overcrowding is 15%:** 77% higher than England (9%) and has increased by a third over last decade (England increased by a quarter)
25. Therefore, although conditions across the Luton HMA are less acute than for Luton borough itself, there is evidence to suggest that the level of **Objectively Assessed Need for the HMA should be higher than suggested by household projections in isolation.**

Objectively Assessed Need

26. In summary, the key evidence regarding objectively assessed housing need for Luton and Central Bedfordshire show:
- » **Demographic projections:** an increase of 39,600 households over the 20-year period 2011-31.
 - » **Housing Need:** 41,000 dwellings based on household projections in isolation; which includes 27,700 dwellings in Luton Housing Market Area and 13,300 dwellings in the other surrounding Housing Market Areas (Stevenage, Milton Keynes and Bedford).
 - » **Market Signals:** these identify that **there are acute pressures in Luton borough** relating in particular to affordability and overcrowding. Furthermore, whilst Market Signals for the HMA indicate that most problems are less acute, there are still pressures identified. This conclusion is key: it means that in establishing the Objectively Assessed Need for future housing it is probably **appropriate to move away from the estimate identified by the demographic projections and consider a higher figure.**
 - » **Employment projections:** a further consideration is the housing needed to meet growth projections in the local economy. These suggest that 41,000 additional dwellings is likely to provide sufficient workforce for the future increase in jobs – 38,000 extra workers in the context of between 36,600 and 42,200 extra jobs (based on forecasts) or 26,000 jobs (based on trends). However, given that the increase in workers is lower than the highest estimate for the increase in jobs, there may also be **some argument to increase future housing** to ensure that an appropriate balance is maintained.
27. **We have concluded that the Objectively Assessed Need for Luton HMA should be increased from 27,700 dwellings over the 20-year period to 2031.** However, the next key question is how the negative impact of Market Signals should be incorporated.

28. While there is no single formula that can be used to consolidate the implications of the Market Signals information, it would seem reasonable to **increase the provision in Luton HMA to 30,000 dwellings** (an average of 1,500 dwellings annually over the period 2011-31).
29. This represents an increase of 8.5% on the household projections across the HMA, with an increase in Luton borough (insofar as the adjustment is primarily responding to pressures in Luton town) from 15,400 to 17,800 dwellings: an increase of more than 15%.
30. **The Objectively Assessed Need for Luton and Central Bedfordshire has thus been increased from the 41,000 suggested by household projections to 43,300 dwellings. The Objectively Assessed Need for Luton HMA is 30,000 dwellings, of which 17,800 dwellings is in Luton borough. Central Bedfordshire has an Objectively Assessed Need of 25,600 dwellings, which includes needs for the Luton HMA and parts of other surrounding HMAs that are within Central Bedfordshire.**
31. This clearly responds to market signals, provides a workforce within the upper end of the jobs range and is higher than demographic projections, even based on recent short-term migration trends. Therefore, this level of housing should provide for the future needs of Luton borough and the wider Luton HMA, and help alleviate the pressures currently identified through market signals.
32. Whilst the NPPF rightly focusses on the Objectively Assessed Need for the Housing Market Area, the local authorities in Luton and Central Bedfordshire will need to focus on the Objectively Assessed Need for the whole of their respective administrative areas as an appropriate starting point for establishing their Housing Requirement figure and as the basis for discussions under the Duty to Cooperate.

Summary of Objectively Assessed Need

	Luton Borough		Central Bedfordshire		TOTAL	
	Dwellings	%	Dwellings	%	Dwellings	%
Market housing	12,700	71.6%	17,000	66.3%	29,700	68.5%
Intermediate affordable housing	1,300	7.3%	3,200	12.5%	4,500	10.4%
Social rent/affordable rent housing	3,800	21.1%	5,400	21.3%	9,200	21.2%
All dwellings	17,800	100.0%	25,600	100.0%	43,300	100.0%
<i>Annual average</i>	<i>890</i>	<i>-</i>	<i>1,280</i>	<i>-</i>	<i>2,170</i>	<i>-</i>

Conclusion

33. Luton and Central Bedfordshire have a relatively positive housing offer which continues to attract people to the area. However, there remain considerable challenges in both the current and future housing market: fundamental tenure adjustment, the challenge of new housing delivery, Benefit reform and a changing population. Overall, therefore, the need for a continued co-ordinated approach towards the varied housing challenges faced are essential to ensure future success.

1. Introducing the Study

Background to the project and wider policy context

Project Overview

- 1.1 Opinion Research Services (ORS) were commissioned by Luton & Central Bedfordshire Councils to undertake a Strategic Housing Market Assessment Refresh (SHMA). The purpose was to support the Partnership in objectively assessing and evidencing development needs for housing (both market and affordable) and provide evidence to inform local policies, plans and decision making.

What is a Strategic Housing Market Assessment?

- 1.2 SHMAs identify the future quantity of housing needed including by type, tenure, and size. SHMA evidence assists with the production of the Local Plan (which sets out the spatial policy for a local area). SHMA's also provide information to support local housing and economic development strategies as well as inform the planning of other services such as education, health and transport.
- 1.3 The SHMA specifically:
- » Provides evidence-based forecasts of need and demand for housing using population and household projections.
 - » Considers market signals about the balance between demand for and supply of dwellings.
 - » Addresses the needs for all types of housing and the particular needs of specialist groups
- 1.4 The SHMA is based on a wide range of information collated from many sources, including:
- » Secondary data and official statistics from a wide range of local, regional and national sources.
 - » Existing policy documents and supporting information published by the Local Authority and their partners;
 - » Stakeholder fieldwork with various representative agencies;
- 1.5 It is important to recognise that the information from the SHMA should not be considered in isolation, but forms part of a wider evidence base to inform the development of housing and planning policies. The SHMA does not seek to determine rigid policy conclusions, but instead provides a key component of the evidence base required to develop and support a sound policy framework.

National Policy and Strategy Context

- 1.6 The National Planning Policy Framework (NPPF) was introduced in March 2012. The SHMA has taken into consideration the relevant key aspects of the NPPF 2012 and these are set out in Appendix A.

- 1.7 In regard to the production of SHMAs, the NPPF states (paragraph 159) that:

“Local planning authorities should have a clear understanding of housing needs in their area. They should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment 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;*
- » *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and*
- » *caters for housing demand and the scale of housing supply necessary to meet this demand;”*

- 1.8 In the absence of any direct guidance on matters such as housing targets, responsibility for establishing the level of future housing provision required rests with the local planning authority. The key objective of this SHMA, therefore, is to produce objectively assessed and evidenced development needs for housing (both market and affordable) for the local authority area(s) and meet the requirements of NPPF.

SHMA Guidance

- 1.9 New guidance on assessing housing and economic development needs was published in August 2013 and updated in March 2014 (‘Assessment of housing and economic development needs’ also known as National Planning policy Guidance or NPPG).
- 1.10 The approach taken in preparation of this SHMA meets the requirements of NPPG. The SHMA is structured to reflect the Guidance requirements regarding the need for housing and the methodology set out there.

Other Policy and Strategy

- 1.11 The SHMA has also been undertaken at a time of other significant policy changes in England – in particular:
- » Welfare Benefit Reform (Welfare Reform Act 2012)
 - » Reform of Health Services (Health & Social Care Act 2012)
 - » Reform of Adult Social Care (Draft Care and Support Bill 2012)

Duty to Co-operate

- 1.12 The Duty to Co-operate was introduced in the 2011 Localism Act and is a legal obligation. The National Planning Policy Framework (NPPF) has an expectation (Paragraphs 178-181 – see Appendix 1) that local authorities co-operate with others on issues with any cross-boundary impact. This co-operation will need to be demonstrated as sound when plans are submitted for examination. One key issue is how any unmet development and infrastructure requirements can be provided by co-operating with adjoining authorities (subject to tests of reasonableness and sustainability). Co-operation is ‘a continuous process of engagement’ from ‘thinking through to implementation’.

Developing the Strategic Housing Market Assessment

- 1.13 The objective of the SHMA study was to give both Luton and Central Bedfordshire objectively assessed and evidenced development needs for housing (both market and affordable) and to ensure these were compliant with the requirements of the National Planning Policy Framework and Guidance.
- 1.14 The methodology used was predominantly based on secondary data. Overall, the methodology sought to:
- » Define the housing market area
 - » Establish the need for housing (both market and affordable)
 - » Take market signals into account

Local Policy and Strategy Context

- 1.15 The SHMA has also considered the range of local strategies, plans and assessments carried out by Luton and Central Bedfordshire, with summaries of each set out below:

Joint Core Strategy 2008-2026

- 1.16 Luton and South Bedfordshire had been working on a Joint Core Strategy although this approach has subsequently been set aside as there have been changes to joint planning policy working arrangements locally.
- 1.17 Until 2011, the intention had been to develop a joint local authority-planning framework for Luton and southern Central Bedfordshire. Subsequently it has been decided that the two local authorities will produce separate plans.
- 1.18 The local authorities are working together under the Duty to Cooperate: on the SHMA and to ensure consistency of approach and ensure a common understanding of housing market requirements across the sub-region; on preparing planning policy that meets these objectively assessed requirements of the housing market.
- 1.19 Given that each LPA will be undertaking its own Local Plan, the SHMA will generate separate outputs for each local authority area as well as the aggregated requirements for the housing market area. The SHMA covers the relevant Plan Periods for each local authority.

Other Strategies: Luton Borough Council

Sustainable Community Strategy 2008-2026

- 1.20 LBC's Sustainable Community Strategy defines three key principles – Equality, Inclusion, Cohesion - which underpin the strategy and the priorities and actions within it, to ensure that Luton's community is one where all residents:

“Enjoy fair access to goods, services, employment and justice – equality

“Are able to participate in and feel part of that community – inclusion

“Feel respected and able to live with dignity and in harmony with others and our environment – cohesion”

1.21 One of the Strategy's four themes, Environment and Economic Development, sets out how:

"The Environment and Economy Thematic Partnership will work with local people and businesses to improve our existing green spaces, so they support more species, and ensure cleaner rivers so Luton is an attractive and safe place to visit and play.

"We will ensure best practice sustainable design and construction is undertaken to reduce consumption and protect resources for current and future residents.

"Through partnership working we will have reduced our carbon footprint, flood risk, adapted and mitigated for climate change, and minimised our impact on our local environment. We will also be passionate about the image of the town and safeguarding what we have for future generations, including valuable water supplies, parks and green spaces."

1.22 In terms of demographic change, the Strategy identifies a significant increase in the number of households and the need for new jobs, and also acknowledges the need to work with neighbouring authorities to deliver growth:

"By 2021 there will be 26,300 new households in Luton, Dunstable and Houghton Regis, and by 2031 we will have provided at least 20,000 new jobs. The business sector will be thriving due to a better educated and better trained workforce, having achieved NVQ Level 2 qualifications or above. Local employers will recognise the importance of qualifications and support lifelong learning and skills development. Local graduates will want to return to work in Luton. New businesses, including social enterprise and community development trusts will be supported, existing businesses will be encouraged to grow, and inward investment will have improved local supply chains.

"People will be supported to overcome barriers to work with high quality provision of care for young people and older people to allow carers opportunities to access employment. There will be local provision of centres to develop skills to match local employment needs. There will be good access by public transport to key employment sites.

"We will work closely with our local authority neighbours to manage and deliver growth, both housing and economic."

Corporate Plan 2011-2014

1.23 The Corporate Plan Vision for Luton Borough Council is that:

"Luton Borough Council will be a high performing, financially viable authority, delivering high quality services that improve health and opportunity for local people and protect the most vulnerable.

"Together with our partners, we will help make Luton a place where everyone can learn and thrive and where business can grow and prosper.

"Celebrating and building on Luton's rich history and its vibrant, cultural mix, we will develop safe, strong, sustainable communities.

"We will be responsive, accountable and innovative – a leader in what we do and a voice for our town."

1.24 The Corporate Plan sets out eight key strategic priorities:

1. *Empower, support and protect the vulnerable*
2. *Improve health and promote health equality*
3. *Improve life and learning opportunities for all*
4. *Create a vibrant environment where businesses thrive and prosper*
5. *Reduce crime, antisocial behaviour and the fear it causes*
6. *Protect and enhance the quality of the natural and built environment*
7. *Strengthen community cohesion*
8. *Ensure a financially sound and efficient Council*

Housing Strategy 2012-2015

1.25 The current Housing Strategy focuses on providing new housing, preventing homelessness and improving existing private and public sector stock. It identifies four key housing priority objectives:

- » Place shaping and maintaining sustainable communities
- » Improving housing conditions across all tenures
- » Meeting housing need
- » Tackling homelessness

1.26 For the purposes of the SHMA, the four themes interweave although a key issue is housing supply which we have explored in some depth within the SHMA Report.

Bedfordshire and Luton Joint Economic Development Strategy 2008

1.27 This Strategy draws on other regional and local visions which have been prepared for the Bedford, Luton and South Bedfordshire areas and show evidence of a powerful consensus around *“job growth to more than match labour force growth, ideas, technology, knowledge based, for all, excellence, quality, high skills, high value, competitive, low carbon and environmentally efficient.”*

1.28 The Strategy seeks:

“quality economic growth delivering at least 50,000 additional jobs from 2001 to 2021, with a high skills, high value bias, reduced carbon emissions and increased environmental efficiency, in which more of those of working age are participating”

1.29 The delivery of the Economic Development Strategy is also set within the context of extensive partnership working between Luton and the other partners in the South East Midlands Local Enterprise Partnership (SEMLEP) as part of the Localism agenda. SEMLEP develops further existing partnership working to strengthen the performance of what is a functioning sub regional economy.

1.30 The Economic Development Strategy is supported by Luton’s Local Economic Assessment (LEA) produced in 2010 and the data used within the LEA has been considered as part of the production of the SHMA.

Other Strategies: Central Bedfordshire Council

- 1.31 Central Bedfordshire Council was created as a unitary council on 1 April 2009. Central Bedfordshire took over the services previously provided for the area by Bedfordshire County Council, Mid Beds District Council and South Beds District Council.

Sustainable Community Strategy 2010-2031

- 1.32 Central Bedfordshire Council's Sustainable Community Strategy was developed by the Local Strategic Partnership, known as Central Bedfordshire Together, which is made up of the Children's Trust, Healthier Communities and Older People Partnership, Community Safety Partnership, Stronger Communities Thematic Partnership and Environment and Economy Thematic Partnership. The Strategy sets out two key themes:

"Creating the conditions for economic success and community prosperity

"Raising standards and tackling Inequalities"

- 1.33 These themes underpin the Strategy's eight priorities, which include:

"Maximising employment opportunities and delivering housing growth to meet the needs of our communities."

- 1.34 The vision on which the Strategy is based is for:

"...greater economic prosperity based on sustainable growth. We need to ensure that Central Bedfordshire fulfils its economic potential, and that there are more local jobs for local people. We will experience considerable population growth over the next 20 years and we need to make sure that we have the houses and facilities needed to support this growth, so that Central Bedfordshire remains a desirable place."

- 1.35 The Strategy identifies amongst the challenges faced that:

"The area is one of the most rapidly growing in England, and is planning for substantial additional development as part of the Milton Keynes and South Midlands Growth Area. This planned housing and employment growth means that the population is expected to increase to over 320,000 by 2031. Affordable housing is an important local issue, as house prices are generally above average compared to other areas both regionally and nationally."

- 1.36 It also notes that just over half the population lives in rural areas.

Plan for Central Bedfordshire 2012-2016

- 1.37 The plan 'Delivering your Priorities' identifies amongst the challenges faced by the Council that:

"As our population is set to grow (from 255,000 to 276,500 by 2016) we need to ensure we are able to provide for this 8.5% increase by supporting affordable housing developments and working with businesses to help them to create local jobs. As our residents are enjoying longer lives, rising numbers of older people will need our services."

1.38 The plan sets out six key priorities:

1. *Enhancing Central Bedfordshire – creating jobs, managing growth, protecting our countryside and enabling businesses to grow.*
2. *Improved educational attainment.*
3. *Promote health and wellbeing and protecting the vulnerable.*
4. *Better infrastructure – improved roads, broadband reach and transport.*
5. *Great universal services – bins, leisure and libraries.*
6. *Value for money – freezing council tax.*

1.39 The plan includes in the targets for achieving the first priority – Enhancing Central Bedfordshire – “to ensure the availability of high quality, appropriate housing including affordable, supported by suitable infrastructure.”

Core Strategy and Management Development Policies 2009

1.40 The policies in the Core Strategy refer only to the geographical area of the former Mid Bedfordshire District, because

“Since April 2009, Central Bedfordshire Council has provided public services as an all-purpose unitary authority. It delivers all the previous services of the former Mid and South Bedfordshire District Council as well as those which were run by Bedfordshire County Council in these areas. The Local Development Framework for the former Mid Bedfordshire area remains in place... The LDF for the South Bedfordshire area remains as a joint working arrangement with Luton Borough Council.”

1.41 The Core Strategy sets out the policies which “provide the long term vision and the direction for future development in the district over the period 2001–2026”. The document describes the District as follows:

“Mid Bedfordshire currently has a population of around 132,200 and approximately 54,000 households. This is predicted to rise to around 144,000 by 2021. The age profile is changing – the population is getting older and more elderly people are relocating here. Currently people over 65 years of age make up 13.4% of the population. This will rise by around 20% up to 2021. At the same time young people are moving out of the area. There is a low proportion of ethnic minority groups compared to the national picture. The gypsy and traveller population in the district broadly reflects the regional average.

“Mid Bedfordshire is a relatively affluent district but localised problems of deprivation do exist. Escalating house prices, partly due to the influence of London, put homeownership beyond the means of many residents. Housing is mainly detached and semi-detached and is built at a relatively low density.”

1.42 The Strategy notes that:

“More homes are needed in Mid Bedfordshire for two main reasons, because the number of local households is growing and because it is part of a designated growth area to which people will relocate. Whilst population growth is relatively constant, the growth in the number of households includes young people leaving their family home to set up home, people staying single for longer, more couples or families separating and people living longer

and continuing to live in their home, often alone. The main challenge for the district is to provide the right amount of homes, in the right places, with enough of them being affordable to those on lower incomes.”

1.43 The document identifies six key challenges facing the District, including:

“Building Communities:

- Integrating new development with existing communities;*
- Providing appropriate infrastructure (physical, social and green) in line with new homes and jobs*

“Providing Homes:

- Meeting increasing demand for housing, particularly affordable housing;*
- Increasing provision of accommodation for elderly persons*
- Providing for Gypsies and Travellers.”*

1.44 Strategic Objective 8 addresses the challenge of housing provision:

“To provide the right mix of new high quality homes, including enough affordable homes to meet identified needs.

- A minimum of 14,230 dwellings will have been delivered between 2001 and 2021 and 3,560 between 2021 and 2026.*
- Provision made will reflect more closely local needs and will include at least 35% affordable housing to reach the target of 28% overall.”*

Housing Strategy 2011/12 – 2015/16

1.45 The Housing Strategy is the first for Central Bedfordshire Council since its creation in 2009 and *“aims to set out the strategic direction for housing in Central Bedfordshire”*.

1.46 In order to fulfil the strategic housing role and meet housing issues within Central Bedfordshire, the Housing Strategy identifies four Key Strategic Priorities:

- » Economic development and sustainable communities
- » Using council assets to aid the delivery of growth and housing
- » Meeting the accommodation and support needs of older persons and vulnerable people
- » Providing housing options for the whole community

1.47 For the purposes of the SHMA, the four priorities interweave although a key issue is housing supply which we have explored in some depth within the SHMA Report.

Central Bedfordshire Economic Development Plan 2009

1.48 This Plan has as its vision that the area will be *“Globally connected, delivering sustainable growth to ensure a green, prosperous and ambitious place for the benefit of all”*. The plan seeks to *“meet the challenge of creating 27,000 new jobs by 2026 to accompany the anticipated level of housing growth of 26,000 new homes”*

1.49 The delivery of the Economic Development Plan is set within the context of extensive partnership working between Central Bedfordshire and the other partners in the South East Midlands Local Enterprise

Partnership (SEMLEP) as part of the Localism agenda. Central Bedfordshire was an active partner in the formation and development of SEMLEP and is *“committed to continuing its integral role in the LEP, positively engaging with partner organisations to make SEMLEP a success, delivering the area’s key priorities.”*

- ^{1.50} The Economic Development Plan is supported by Central Bedfordshire’s Local Economic Assessment (LEA) produced in 2012 and the data used within the LEA has been considered as part of the production of the SHMA.

2. Housing Market Area

Identifying the local functional housing markets

- 2.1 The identification of Housing Market Areas (HMAs) is the first relevant building block in the evidence for identifying the objectively assessed housing needs for the Luton & Central Bedfordshire authorities. This Chapter, therefore, considers the historic and current evidence regarding the Housing Market Area.

Guidance

- 2.2 A key issue concerns whether the Housing Market Area aligns with the geographic coverage of the local authorities in the study or whether the functional area is wider or narrower. Effectively, evidence needs to be scrutinised to test the current HMA and see if this provides an adequate basis for the objective assessment of housing needs. Guidance regarding HMAs is found in:

- » National Planning Policy Framework (2012)
- » Planning Practice Guidance on the Assessment of housing and economic development needs (March 2014):
- » Advice Note on “Identifying sub-regional housing market areas” (CLG; 2007)
- » Geography of Housing Market Areas’ (CLG; 2010)

- 2.3 NPPF advises local planning authorities that (Paragraph 159):

“They should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries.”

- 2.4 Paragraph 47 refers to Local Plans meeting the full objectively assessed needs for market and affordable housing in the housing market area.

- 2.5 Planning Practice Guidance on the Assessment of housing and economic development needs (March 2014) states:

‘Needs should be assessed in relation to the relevant functional area’

‘A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work’.

‘The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries’.

- 2.6 This is consistent with the definition set out by previous Government Guidance (DETR 2001), which stated that a:

‘Housing Market Area is the geographical area in which a substantial majority of the employed population both live and work, and where most of those changing house without changing employment choose to stay’.

- 2.7 Planning Practice Guidance, therefore, requires an understanding of the housing market area and says this can be defined using three different sources of information:
- » House prices and rates of change in house prices
 - » Household migration and search patterns
 - » Contextual data (e.g. travel to work area boundaries, retail and school catchment areas)
- 2.8 CLG also published an earlier report ‘Geography of Housing Market Areas’, which explored a range of potential methods for calculating housing market areas for England and applied these methods to the whole country to show the range of housing markets which would be generated. ‘Geography of Housing Market Areas’ (page 35) outlines three overlapping tiers of geography for housing markets:
- » **Tier 1:** framework housing market areas defined by long distance commuting flows and the long-term spatial framework with which housing markets operate;
 - » **Tier 2:** local housing market areas defined by migration patterns that determine the limits of short term spatial house price arbitrage;
 - » **Tier 3:** sub-markets defined in terms of neighbourhoods or house type price premiums.
- 2.9 Critically, both CLG publications outline that no one single approach (nor one single data source) provides a definitive solution to identifying local housing markets. However, by using a range of available data, judgements on appropriate geography can be made.
- 2.10 A further issue to consider is with regard to the alignment between local authority boundaries and HMA boundaries. Essentially, boundaries should reflect the evidence and it is common for local authorities to be ‘split’ between HMAs:

‘The splitting of local authorities is to be expected because the analyses use wards to produce more precise boundaries than would be possible with groupings of whole local authorities (especially with the large newer unitary local authorities in some former Shires). It is crucial to the robustness of the results that the initial ‘gold standard’ definitions are not constrained to be groupings of whole local authorities. That said, the research specification does require that – to support the NHPAU’s plans for modelling – there is subsequently a ‘silver standard’ version of the final housing market area geography which is best-fit to the housing market area boundaries from whole local authorities.’

Geography of housing market areas in England – CLG paper B 2010 P8

- 2.11 In addition, there is a regional issue to consider regarding the previous East of England region where the identification of sub-regions was not based on a study of HMAs but on other considerations. The Bedfordshire and Luton SHMA 2008 (which forms the basis for this HMA Chapter) undertook analysis to address this.

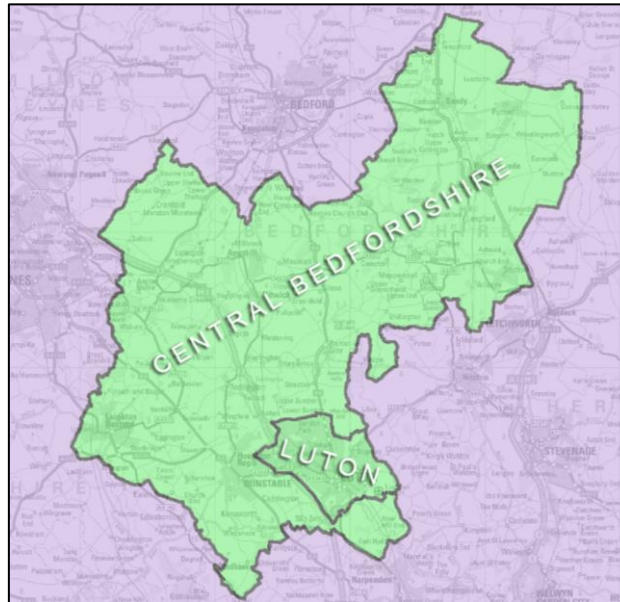
‘it appears that the identification of these sub-regions is actually linked to an earlier, and broader, consideration of the identification of economic sub-regions within the East of England region rather than any specific research on housing markets in particular.’

Geography of housing market areas in England – CLG paper A 2010 P23

The Local Authority Boundaries

- ^{2.12} Figure 1 shows the current boundaries of the local authorities of Luton and Central Bedfordshire. There has been change since the last SHMA in that Central Bedfordshire has formed as a unitary authority, on 1 April, 2009, combining the 2 former authorities of Mid-Bedfordshire and South Bedfordshire.

Figure 1: Local Authorities (Source: Ordnance Survey)



Functional Relationships between Settlements

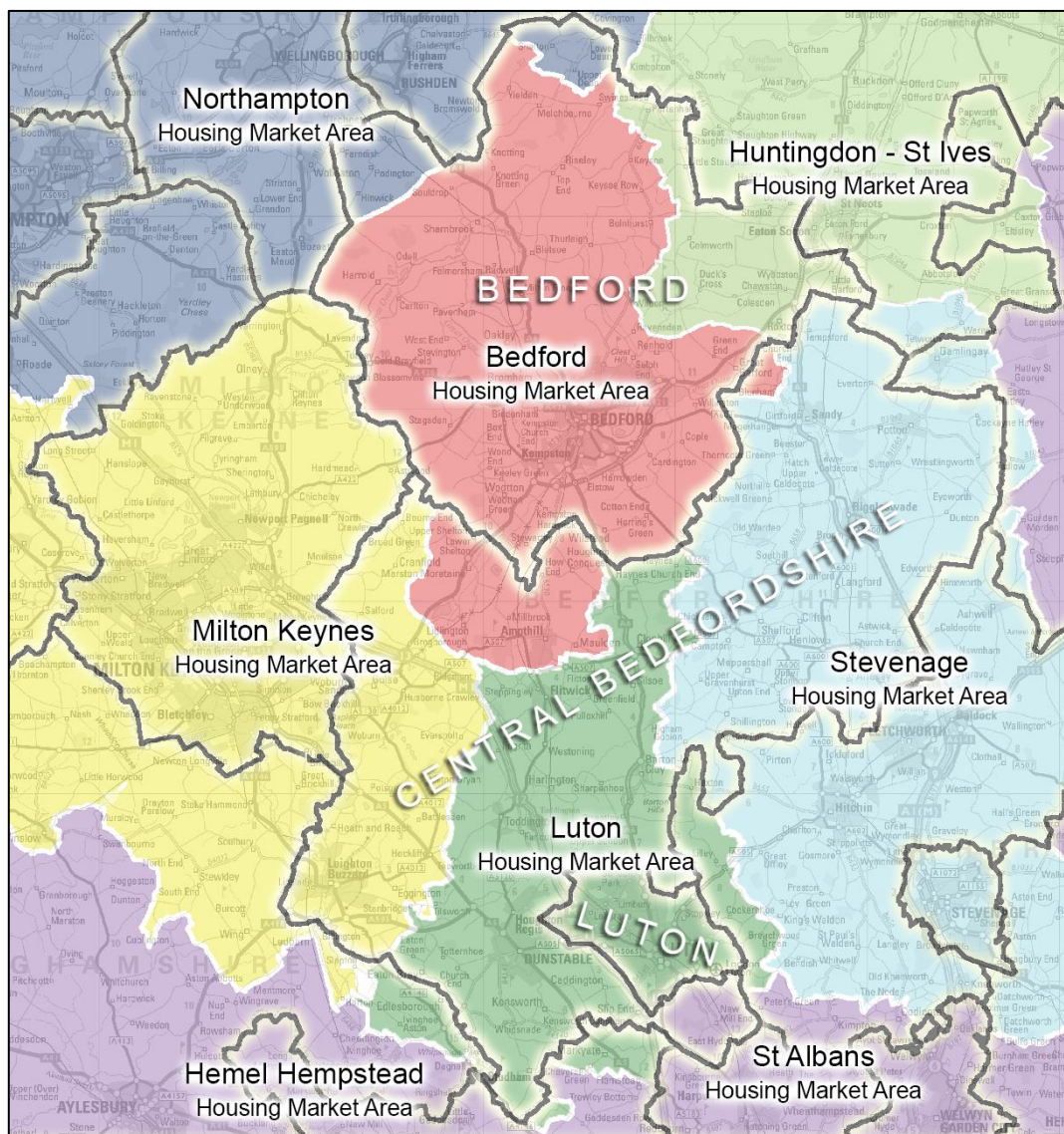
- ^{2.13} The functional area for the SHMA was defined as part of previous SHMAs in 2009 based on evidence of migration, travel to work and house price data. The HMA analysis was compliant with existing Guidance at that time; arguably this has not changed significantly in subsequent guidance issued as part of NPPG/NPPG.
- ^{2.14} Data sources which underpinned the 2009 analysis were based on Census 2001 data; relevant data for Census 2011 has not yet been released so a definitive re-examination of the evidence for the HMA is not yet available. However, the data release from Census 2011 is likely later in 2014 and it is recommended that the HMA analysis be revised when this is available.
- ^{2.15} The approach adopted by the previous SHMA combined the use of three strands of evidence: commuting, migration and house prices. The methodology evaluated the inter-relationships between areas within the Bedfordshire and Luton sub-region, where those Census Output Areas that are either (i) classified “urban” by the DEFRA classification or (ii) had large workplace populations, were grouped together to form nodes. Surrounding areas outside the sub-region were also included for completeness.
- ^{2.16} The urban centres (or nodes) were colour coded according to their relative self-containment. The figure inside the settlement denotes the number of residents who both live and work in that urban centre. The colour of the node represents this as a proportion of all workers living in the area (excluding those who commute to London) as an indicator of the areas self-containment, on the basis of the following bands:
- » Green = above 65% of employees living in the area also work in the area;
 - » Amber = 50 to 65% of employees living in the area also work in the area; and
 - » Red = below 50% of employees living in the area also work in the area.

2.19 Whilst there is no definitive answer to the final groupings, it can be seen that the Luton and Central Bedfordshire aligns with the existing authority boundaries although with some exceptions:

- » Luton links strongly with Dunstable and Houghton Regis but these areas have no strong links to outside towns such as those in Hertfordshire.
- » Leighton Buzzard shows a close connection with Milton Keynes while it does not appear to link to Luton, Houghton Regis or Dunstable.
- » The Central Bedfordshire towns of Ampthill and Flitwick link equally strongly to Luton and Bedford and could potentially link to either of these areas to form a larger housing sub-market.
- » There is a link between Biggleswade and Sandy, and also a link from Sandy to Bedford
- » A number of smaller settlements in Central Bedfordshire, such as Biggleswade, Shefford and Henlow show weak or no connection to the larger surrounding settlements. Therefore, these settlements could potentially link with a number of housing markets.

2.20 Following further analysis and refinement, these functional relationships can be summarised as below.

Figure 3: Functional Housing Sub-Markets in and around Luton and Central Bedfordshire (Source: UK Census of Population 2001 combined with DEFRA Classifications)



- 2.21 The SHMA (2009) showed that the HMA study area was identified as being focussed on Luton yet extended beyond the authority's boundaries mainly into Central Bedfordshire, but also parts of Aylesbury Vale, Dacorum and North Hertfordshire.
- 2.22 No new data has been published since the previous analysis and new Census data is not expected until 2014 at the required granularity, therefore the analysis undertaken for the original SHMA remains relevant.

Key Statistics for the HMA Study Area

- 2.23 Figure 4 shows the distribution of the HMA resident population by local authority area, together with information about the remaining population in these areas. It is evident that the substantial majority of the HMA study area population (over 64%) live in the Luton local authority area and all of the Luton local authority's population live in the identified HMA. Central Bedfordshire has 33% of its population in the HMA study area, while other local authority areas account for less than 2.5% of the HMA's population.

Figure 4: Resident Population in 2011 by Housing Market Area (as defined in the ORS SHMA) and Local Authority Area

Local Authority Area	Luton HMA		Elsewhere	% of LA	
	Number	% of HMA	Number	HMA study area	Elsewhere
RESIDENT POPULATION					
Luton	203,200	64.4%	0	100.0%	0.0%
Central Bedfordshire	104,600	33.2%	149,800	41.1%	58.9%
Dacorum	3,600	1.1%	141,200	2.5%	97.5%
Aylesbury Vale	2,500	0.8%	171,600	1.4%	98.6%
North Hertfordshire	1,700	0.5%	125,400	1.3%	98.7%
TOTAL	315,600	100.0%	-	-	-

Land Distribution by Local Authority

- 2.24 When the distribution of land is considered, it is apparent that only 13% of the Luton HMA falls within the Luton local authority area, with over two thirds (68%) in Central Bedfordshire and almost 20% in other local authority areas (combined). Therefore, in planning the appropriate location of any new housing provision, Luton Borough Council will need to work in partnership with neighbouring authorities to ensure that housing is provided in the most appropriate location in the context of the entire HMA.

Figure 5: Distribution of Land by Housing Market Area (as defined in the ORS SHMA) and Local Authority Area

Local Authority Area	Luton HMA		Elsewhere	% of LA	
	Number	% of HMA	Number	HMA study area	Elsewhere
SQUARE KILOMETRES					
Luton	43.2	13.1%	0.0	100.0%	0.0%
Central Bedfordshire	225.6	68.6%	487.8	31.6%	68.4%
Dacorum	26.1	8.0%	348.0	7.0%	93.0%
Aylesbury Vale	18.3	5.6%	881.7	2.0%	98.0%
North Hertfordshire	15.4	4.7%	196.5	7.3%	92.7%
TOTAL	328.7	100.0%	-	-	-

Migration Patterns

- 2.25 Migration patterns (see table below) identifies the migratory relationship with other authorities in terms of the net migration to and from Luton Borough. Highest net in-migration is from London Boroughs (Brent, Barnet, Harrow). Highest net out-migration is largely to Milton Keynes and Bedford.
- 2.26 The migration flow from London suggests pressures from housing costs in the capital and movement in search of more affordable accommodation.

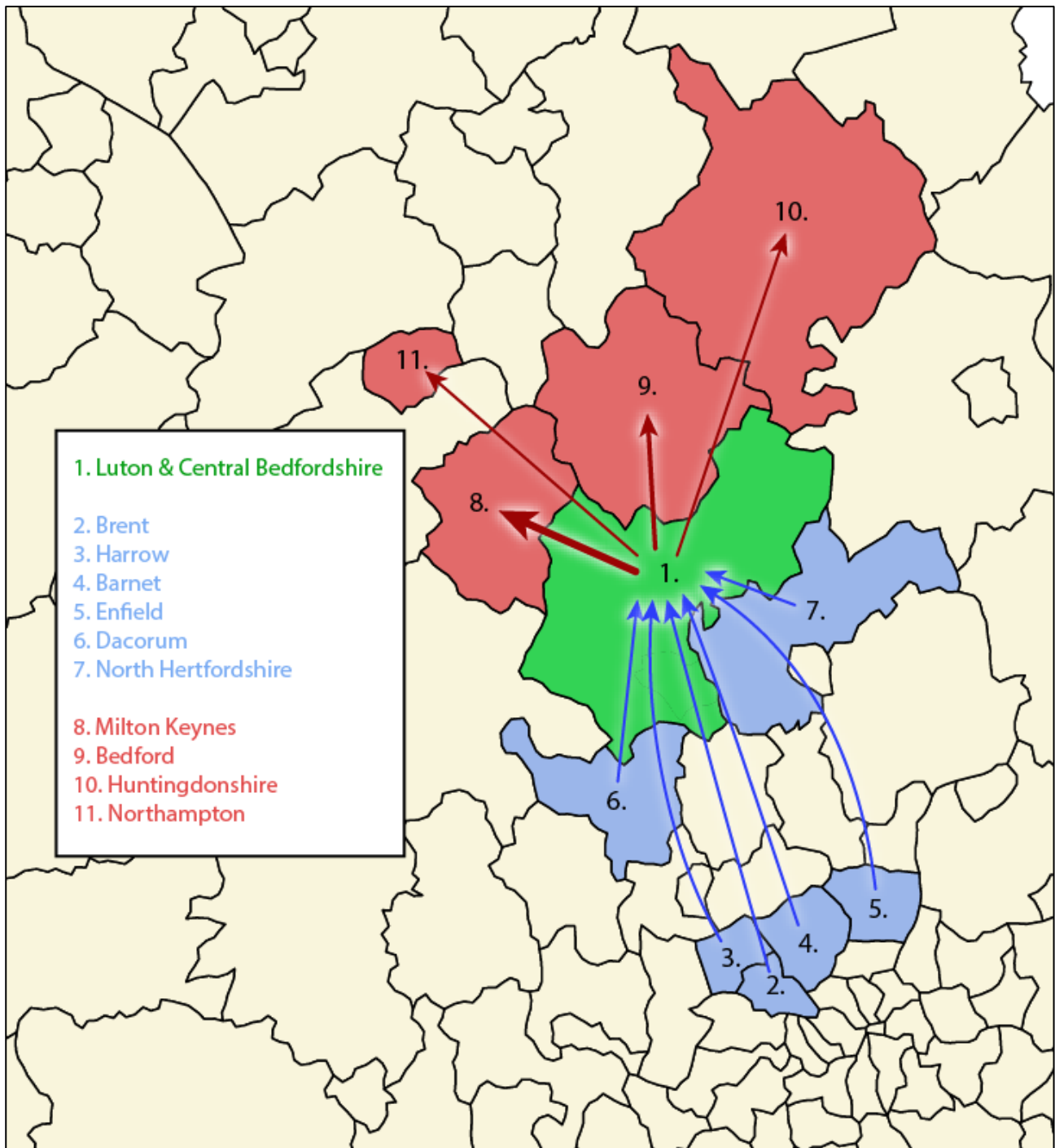
Figure 6: Top 10 Local Authorities with the Highest Net In-migration to Luton and Central Bedfordshire over the period 2007-2012 (Source: ONS Migration Statistics Unit)

Local Authority Area	Net migration		
	Luton	Central Bedfordshire	TOTAL
Brent	+630	+250	+880
Barnet	+360	+460	+820
Dacorum	-20	+670	+650
Harrow	+230	+320	+550
North Hertfordshire	-480	+1,020	+540
Enfield	+170	+330	+500
Welwyn Hatfield	+40	+430	+470
Stevenage	-50	+490	+440
Watford	+30	+350	+380
Hertsmere	+80	+270	+350

Figure 7: Top 10 Local Authorities with the Highest Net Out-migration from Luton and Central Bedfordshire over the period 2007-2012 (Source: ONS Migration Statistics Unit)

Local Authority Area	Net migration		
	Luton	Central Bedfordshire	TOTAL
Milton Keynes	-1,320	-1,060	-2,380
Bedford	-790	-1,200	-1,990
Huntingdonshire	-80	-480	-560
Northampton	-340	-200	-540
Nottingham	-240	-150	-390
East Northamptonshire	-120	-200	-320
Cornwall	-90	-220	-310
Birmingham	-250	-50	-300
South Cambridgeshire	-70	-140	-210
Wellingborough	-110	-80	-190

Figure 8: Leading Local Authorities with the Highest Net Migration (net moves 500+) to and from Luton and Central Bedfordshire over the period 2007-12 (Source: ONS Migration Statistics Unit)



^{2.27} When we consider migration the detailed patterns for the housing market area (based on Census data), a total of 50,000+ residents currently living in the HMA study area had moved from another address in the HMA in the 12 months prior to the Census 2001. However, in determining the proportion of movers within the HMA, it is necessary to consider the appropriate base for the calculation.

^{2.28} One of the ways to define a Housing Market Area is to consider an area “where most of those changing house without changing employment choose to stay”. Unfortunately, no data is available that relates migration with changes in employment circumstances; but given that most working people will live

relatively close to their job, it is reasonable to assume that those migrants moving longer distances will tend to also change their place of work.

- 2.29 The figure below shows that 73.9% of HMA study area residents that had moved in the 12 months prior to the Census previously lived in the HMA; where the move was up to 60km. Similarly, 78.1% of residents that moved from an address in the HMA study area stayed within the HMA. Of course, the percentage depends on the distance threshold that is adopted, but migrants moving 60km or more are more likely to change their place of work.

Figure 9: Previous Area of Residence (12 months prior to Census) by Area of Residence (Source: 2001 Census of Population)

Previously lived in...	Live in HMA study area			
	Previously lived in HMA study area		Previously lived Elsewhere	
	Number	% of moves	Number	% of moves
Moves of up to 40km	50,500	80.2%	12,500	19.8%
Moves of up to 60km	50,600	73.9%	17,900	26.1%
Moves of up to 80km	50,600	71.4%	20,300	28.6%
Moves of up to 100km	50,600	70.0%	21,600	30.0%

Figure 10: Area of Residence by Previous Area of Residence (12 months prior to Census) (Source: 2001 Census of Population)

Live in...	Previously lived in HMA study area			
	Live in HMA study area		Live Elsewhere	
	Number	% of moves	Number	% of moves
Moves of up to 40km	50,500	83.7%	9,900	16.3%
Moves of up to 60km	50,600	78.1%	14,200	21.9%
Moves of up to 80km	50,600	75.4%	16,500	24.6%
Moves of up to 100km	50,600	73.3%	18,400	26.7%

- 2.30 Planning Practice Guidance on the Assessment of housing and economic development needs (Paragraph 11) states:

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

- 2.31 It is evident from the above analysis that the Housing Market Area identified for Luton satisfies this requirement, with a high proportion of moves (excluding those due to a change of lifestyle or retirement) being contained within the area.

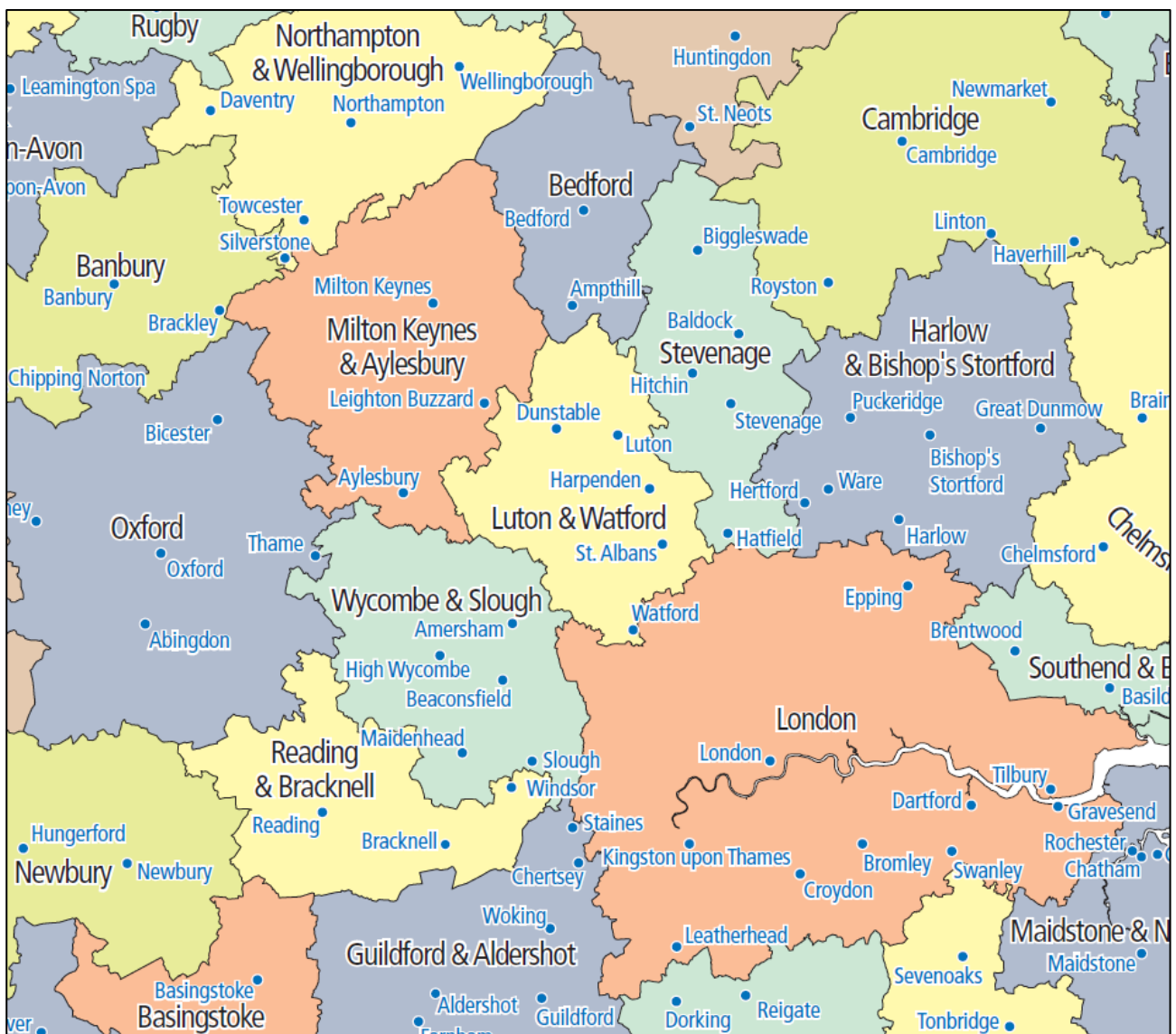
Travel to Work Patterns

- 2.32 Housing Market Areas reflect “the key functional linkages between places where people live and work” and therefore it is important to consider travel to work patterns within the identified area alongside the migration patterns. The Guidance (Paragraph 11) states:

‘Travel to work areas can provide information about commuting flows and the spatial structure of the labour market, which will influence household price and location. They can also provide information about the areas within which people move without changing other aspects of their lives (eg work or service use).’

- 2.33 One of the suggested data sources is the Office for National Statistics travel to work areas (TTWAs). Figure 11 shows the latest ONS TTWAs. These were published in 2007 and they are also based on the origin-destination data from the 2001 Census. It is apparent that Luton and Dunstable have been grouped with other urban centres to the south, which together form the Luton & Watford TTWA.

Figure 11: ONS Travel To Work Areas (Source: ONS 2007)



2.34 Figure 12 summarises the underlying travel to work data for the Luton HMA, and shows that over 77% of people that work in the HMA also live in the HMA; whilst Figure 13 shows that over two thirds (68%) of people that live in the HMA study area also work in the HMA.

Figure 12: Residence Location by Area of Workplace

Live in...	Work in HMA study area			
	Live in HMA study area		Live Elsewhere	
	Number	% of HMA	Number	% of HMA
Luton	61,600	49.5%	0	0.0%
Central Bedfordshire	32,600	26.2%	5,900	4.7%
Dacorum	800	0.6%	1,300	1.0%
Aylesbury Vale	600	0.5%	1,000	0.8%
North Hertfordshire	500	0.4%	1,800	1.5%
Elsewhere	0	0.0%	18,400	14.8%
TOTAL	96,000	77.2%	28,400	22.8%

Figure 13: Workplace Location by Area of Residence

Work in...	Live in HMA Study Area			
	Work in HMA study area		Work Elsewhere	
	Number	% of HMA	Number	% of HMA
Luton	65,600	47.0%	0	0.0%
Central Bedfordshire	28,700	20.5%	4,600	3.3%
Dacorum	900	0.6%	4,300	3.1%
Aylesbury Vale	400	0.3%	600	0.5%
North Hertfordshire	400	0.3%	1,600	1.1%
Elsewhere	0	0	32,600	23.3%
TOTAL	96,000	68.7%	43,800	31.3%

2.35 The ONS criteria for defining Travel To Work Areas is that:

“The current criteria for defining TTWAs is that generally at least 75% of an area's resident workforce work in the area and at least 75% of the people who work in the area also live in the area. The area must also have a working population of at least 3,500. However, for areas with a working population in excess of 25,000, self-containment rates as low as 66.7% are accepted. TTWA boundaries are non-overlapping and contiguous, and cover the whole of the UK. TTWAs do cross national boundaries, although no account is taken of commuting between Northern Ireland and the Republic of Ireland.”

2.36 It is evident that over 75% of the people who work in the HMA also live in the area. Furthermore, given that the area has a working population of 96,000 (which is clearly in excess of the 25,000 threshold), the proportion of the area's resident workforce that work in the area is also than the 66.7% acceptable minimum. Therefore, the Housing Market Area identified for Luton satisfies the ONS definition for a Travel To Work Area without any need to include Watford or any other urban centres.

Geography of Housing Market Areas in England (NHPAU/CURDS; 2010)

- 2.37 The ONS have not defined Housing Market Areas, however CLG published the ‘Geography of Housing Market Areas’ (CLG; 2010) based on work undertaken by the Centre for Urban and Regional Development Studies (CURDS) on behalf of the National Housing and Planning Advisory Unit (NHPAU) prior to their abolition.
- 2.38 The study ‘aimed to produce the first rigorously defined geography of HMAs taking account of all the three strands of evidence: commuting, migration and house prices’. It also acknowledged the difficulties in establishing HMA geographies: ‘There are no easy answers to the construction of a geography of HMAs as there are both theoretical and practical challenges’ – but the research demonstrated a structured approach to HMAs based on a range of differing assumptions.
- 2.39 Despite the emphasis placed by the current Government on Housing Market Areas in the NPPF, the Government has archived this report – so it’s probably not appropriate to place too much emphasis on its conclusions. It is also important to recognise that the analysis provided a number of different outcomes that satisfied the definitions that were specified – but even these were not the only outcomes possible. In particular, the boundaries and shape of the London HMA have a particularly strong influence on neighbouring areas. Nevertheless, accepting these caveats, Figure 14 below shows one of the outcomes of the CURDS HMA analysis and shows Luton and Central Bedfordshire relative to other HMA areas.

Figure 14: Excerpt from Geography of Housing Market Areas in England: Lower based tier based on migration (50%) within commuting-based upper tier (77.5%) (Source: NHPAU/CURDS; 2010)

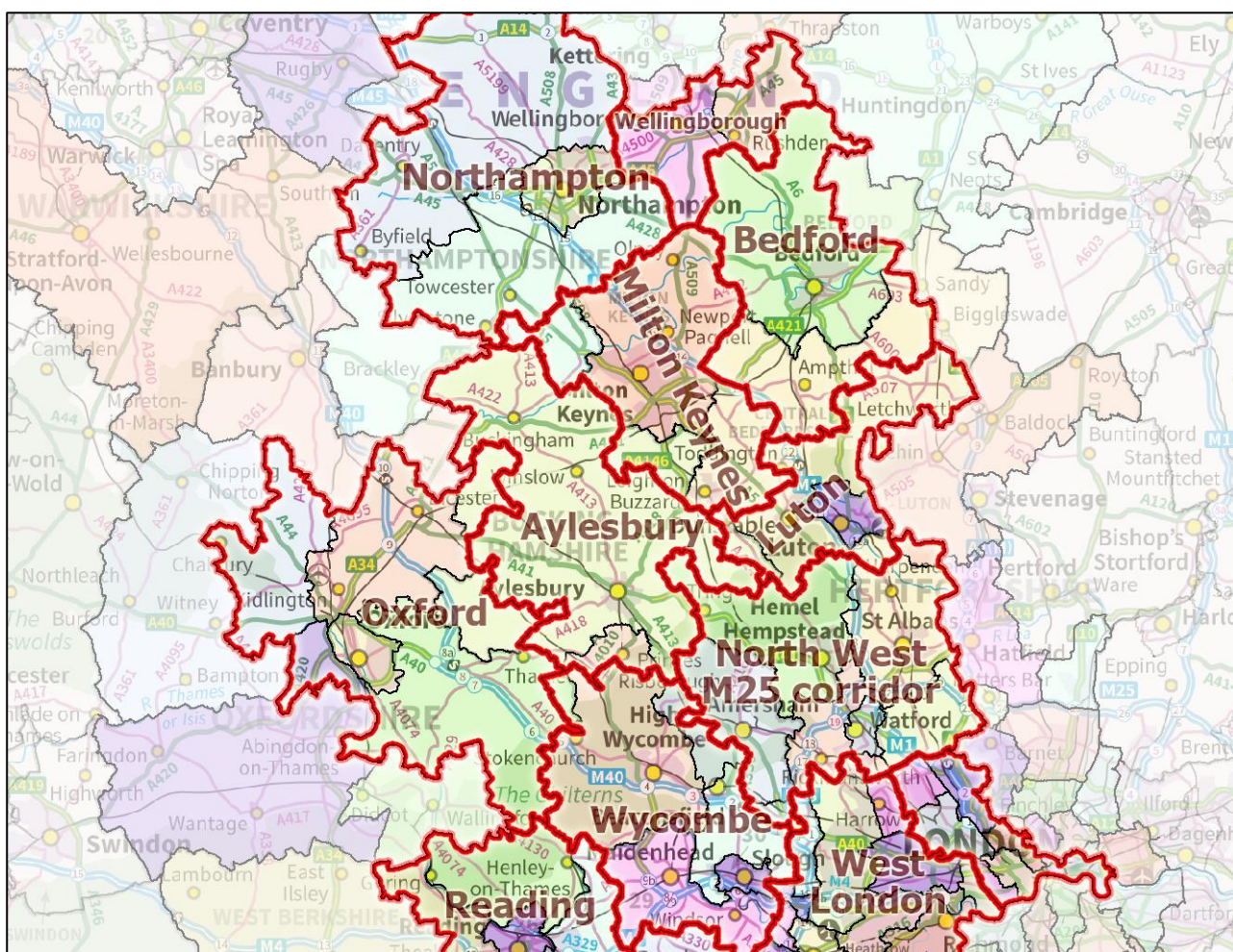
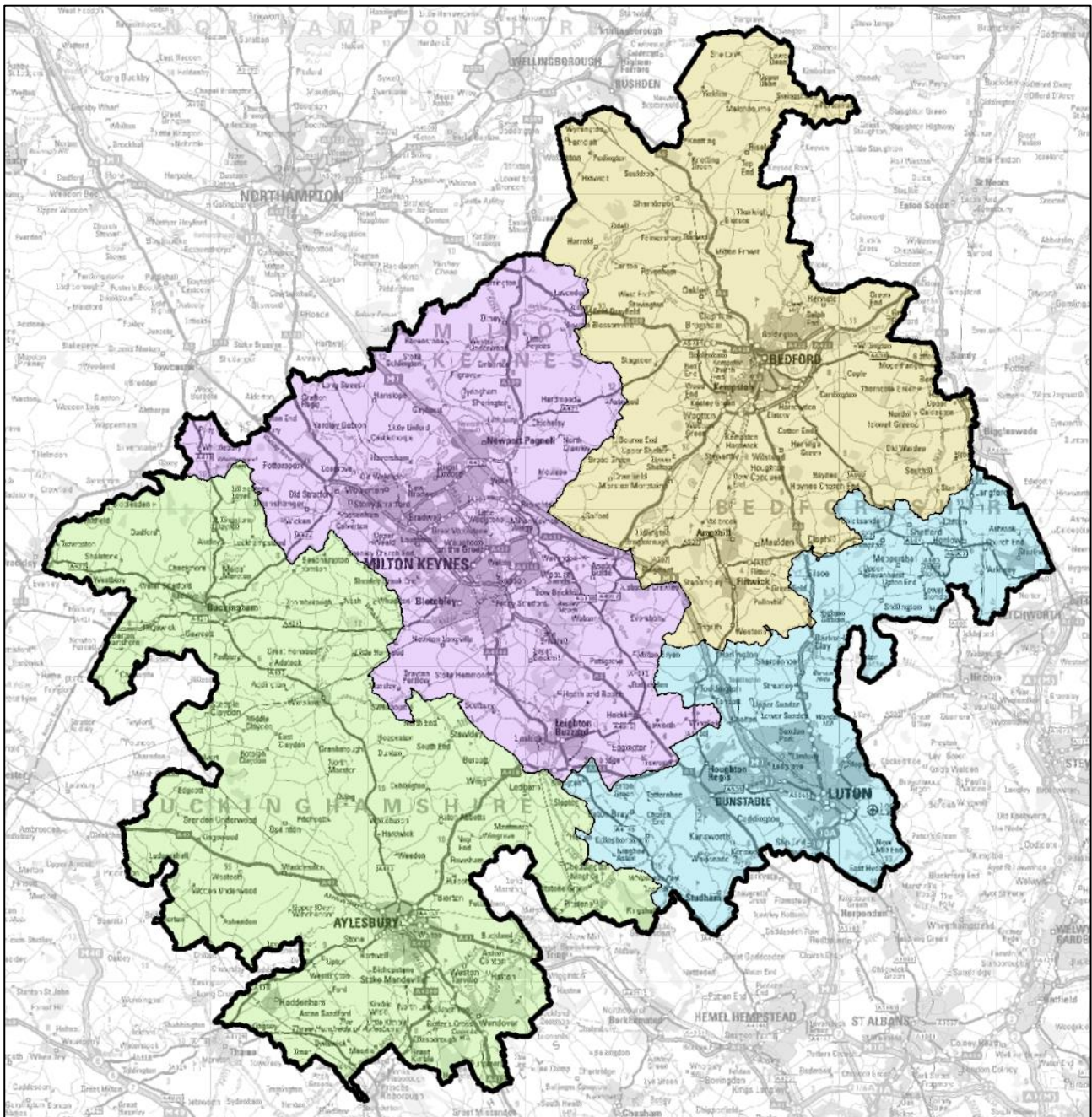


Figure 15: Commuting-based upper tier (77.5%) and migration-based lower tier (50%) Housing Market Areas (Source: NHPAU/CURDS; 2010)

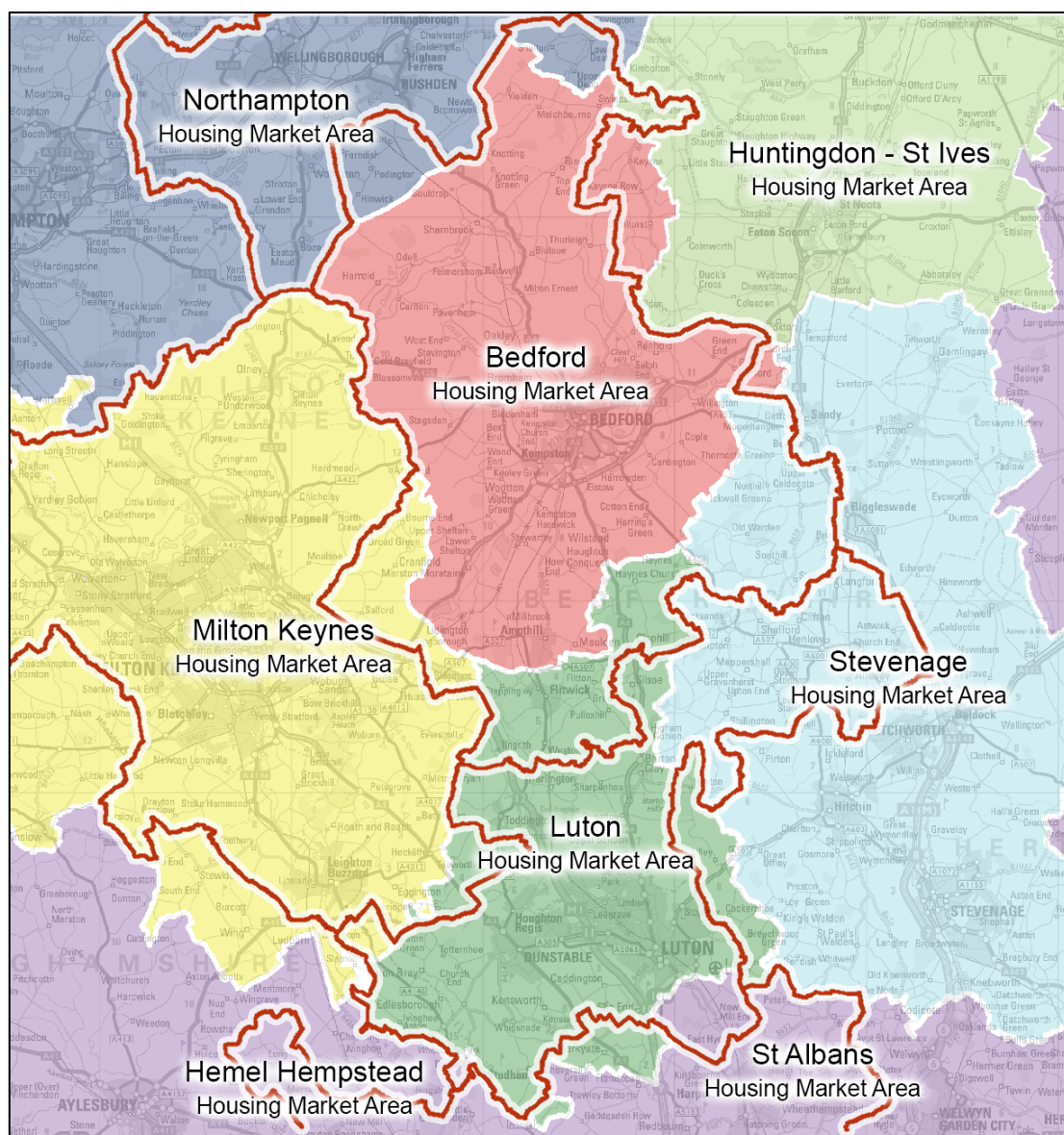


- 2.40 The Luton urban area has been grouped with Aylesbury, Bedford and Milton Keynes to achieve the 77.5% target for commuting; and within this boundary, an area has been defined surrounding each of these urban centres to satisfy the 50% migration threshold. Whilst these areas satisfy the required thresholds mathematically, it is evident that some of the geographies are relatively artificial. In particular, the settlements to the north of Letchworth being included in the Luton area does not reflect any underlying transport infrastructure – it is merely a consequence of the upper-tier constraint.
- 2.41 It is also important to recognise that the upper-tier itself (based on commuting patterns) is only one possible configuration – and when we consider the official boundaries for Travel To Work Areas, the ONS have linked Milton Keynes and Aylesbury, but Bedford is considered independently and Luton has been merged with Watford and other areas to the south – so other permutations exist.

Comparing the ORS Luton & Central Bedfordshire HMA analysis with CURDS (Centre for Urban and Regional Development Studies)

- 2.42 Figure 16 illustrates the outcome of the ORS analysis with CURDS studies (red lines) to consider the alignment between them. This shows that the ORS and CURDS HMAs broadly align for Luton (except for the settlements to the north of Letchworth, as previously discussed). Nevertheless, the boundaries differ in Central Bedfordshire where several HMAs intersect in both CURDs and ORS analysis. Being a relatively rural area without major urban centres, this is, perhaps, not surprising. Different judgements can and are applied regarding the ‘belonging’ of settlements to various housing markets – but the key point to note is that both ORS and CURDS have agreed on the same areas (i.e. both have HMAs for Luton, Bedford, Milton Keynes and Stevenage), it is simply the extent of each area that differs.
- 2.43 In terms of population: 88% of residents living in the CURDS area are also within the ORS HMA, and 91% of residents living in the ORS HMA are also within the CURDS area – so they are broadly consistent.

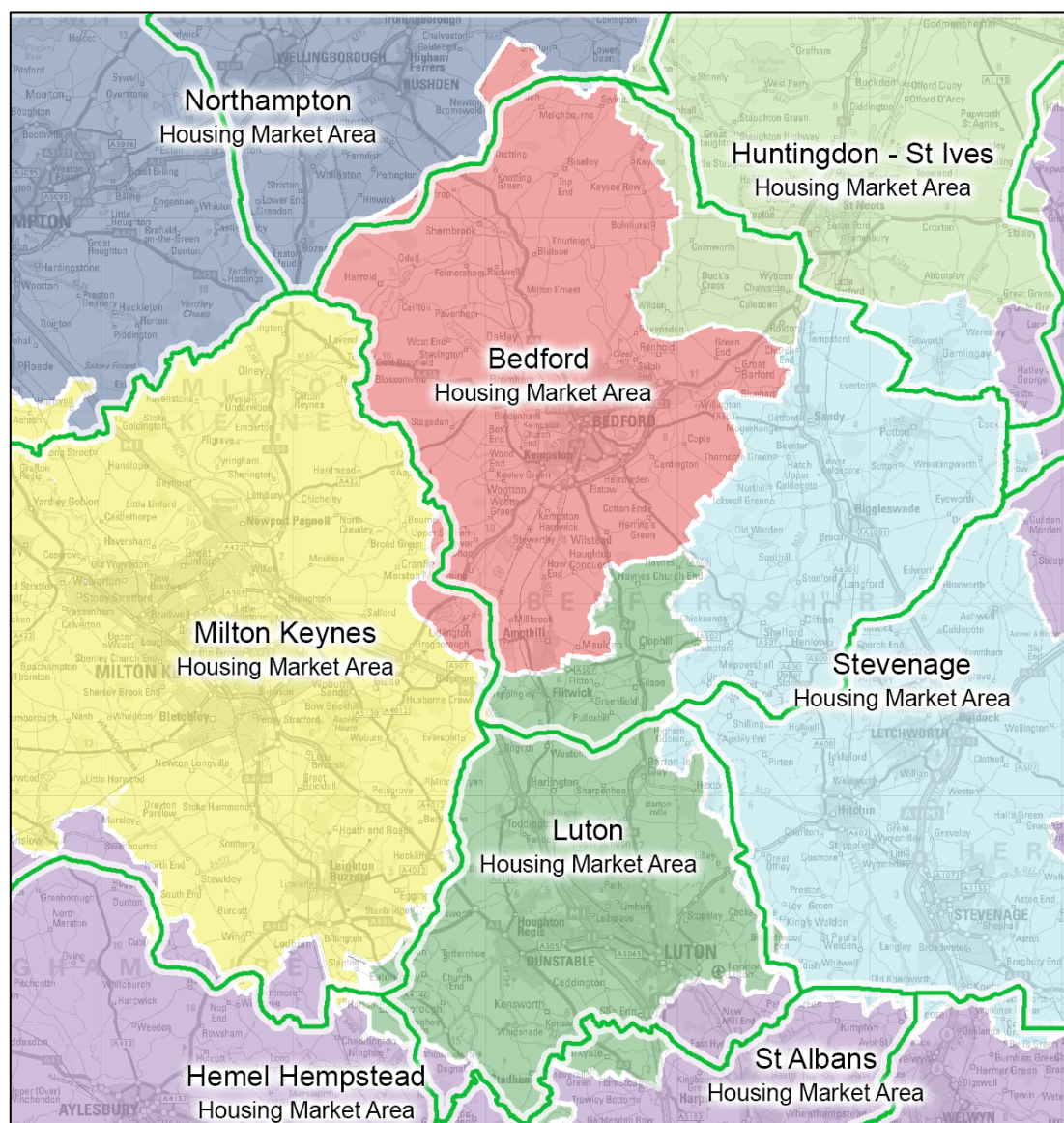
Figure 16: Comparison of CURDS and ORS HMA analysis



Valuation Office Agency Broad Rental Market Areas

- 2.44 The Broad Rental Market Area (BRMA) is the geographical area used by the valuation Office Agency (VOA) to determine the Local Housing Allowance rate (LHA), the allowance paid to Housing Benefit applicants. The BRMA area takes into account local house prices and rents, and is based on where a person could reasonably be expected to live taking into account access to facilities and services for the purposes of health, education, recreation, personal banking and shopping. When determining BRMAs the Rent Officer takes account of the distance of travel, by public and private transport, to and from these facilities and services. The boundaries of a BRMA do not have to match the boundaries of a local authority and BRMAs will often fall across more than one local authority area.
- 2.45 The BRMA areas for Luton and Central Bedfordshire are shown in green lines in the Figure below. This shows a relatively high degree of alignment between the HMA identified by ORS and the VOA BRMA area. In terms of population: 99% of residents living in the Luton BRMA are also within the ORS HMA, and 92% of residents living in the ORS HMA are also within the Luton BRMA.

Figure 17: Comparison of Luton Broad Rental Market Area and ORS Housing Market Area analysis



The Housing Market Area - Conclusion

- ^{2.46} On the basis of the evidence, we would conclude that the functional HMA is a Housing Market Area that is:
- » An area incorporating Luton borough and part of Central Bedfordshire (and identified in the 2009 SHMA Study). The HMA is not the same as the Luton local authority area but is larger.
 - » Luton HMA satisfies NPPG requirements for a high proportion of moves (excluding those due to a change of lifestyle or retirement) being contained within the area.
 - » Luton HMA satisfies the ONS definition for a Travel To Work Area in terms of self-containment.
 - » The majority of the population within the HMA identified lives within the Luton administrative area (over 64%). Central Bedfordshire has 33% of its population in the HMA study area, while other local authority areas account for less than 3% of the Luton HMA population.
 - » The identified HMA is broadly consistent with the area identified by the CURDS analysis and its boundaries broadly align with the official Broad Rental Market Area defined by VOA (based on local housing costs).
- ^{2.47} Given this context, it is appropriate for the SHMA analysis to focus upon the core area (i.e. the HMA area established in the 2009 SHMA; therefore, results presented in this study relate to the administrative area of Luton and Central Bedfordshire. Nevertheless, it will be important that both authorities
- » Consider the needs of other authorities in surrounding areas, their relationship with Luton and Central Bedfordshire and that these issues are explored under Duty to Co-operate arrangements.
 - » The HMA analysis should be updated when further data is available as relationships and patterns can change over time. In particular, flow data from the 2011 Census will be published in the second half of 2014 which will allow a comprehensive review of the migration and travel-to-work patterns that underwrite this analysis.

Chapter Summary

- » *The Housing Market Area analysis undertaken in the previous 2009 SHMA remains consistent with high-level migration patterns.*
- » *Overall, no new data has been published at the required granularity subsequent to previous studies and therefore previous HMA conclusions continue to apply. New Census data, which could inform a revised view, is not expected at the required granularity until later in 2014. It will be appropriate to review the HMA boundary when new data is available.*
- » *The functional HMA for Luton is not the same as the Luton administrative area but is a larger area, which also includes a substantial proportion of the Central Bedfordshire administrative area. The Luton HMA satisfies migration requirements for a Housing Market Area set out in NPPG and the ONS definition for a Travel to Work area.*
- » *The vast majority of the Luton HMA population lives within these two local authority areas. Consequently, this SHMA focuses upon the area formed by the administrative areas served by Luton and Central Bedfordshire Councils.*
- » *Luton and Central Bedfordshire (and their environs), therefore, form a Housing Market Area which extend, to a small extent, into other parts of Bedfordshire, Buckinghamshire and Hertfordshire.*

3. Luton Population Trends

An evidence base for demographic projections

- 3.1 Luton Council believes that official population estimates have tended to underestimate their resident population. This has largely been due to problems associated with estimating the level of international migration at a local authority level. Furthermore, the 2001 Census only achieved a response rate of 86.3% in Luton, and the Council believes that this low response rate led to average household size and the overall number of residents being underestimated (insofar as no actual data was available for around 1 in every 7 addresses in the borough).
- 3.2 Given this context, the official population estimates are unlikely to provide a reliable basis for future demographic projections; and the official Sub-National Population Projections are also likely to be unreliable due to their reliance on recent population estimates. Luton Council has therefore asked Opinion Research Services (ORS) to review the available evidence to establish appropriate assumptions for future demographic projections that can inform their Strategic Housing Market Assessment (SHMA) and establish an Objectively Assessed Need for housing.

Official Population Estimates

- 3.3 Figure 18 shows the current and historic mid-year population estimates and Census estimates for Luton over the period since 1981. The data suggests that the borough's population increased rapidly over the period 1987-1994 and again over the period since 2004; but suggests much slower growth was experienced before 1987 and from 1994-2001, and that the population actually reduced from 2001-2004 (Figure 19).

Figure 18: Official population estimates for the period 1981-2012 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded)

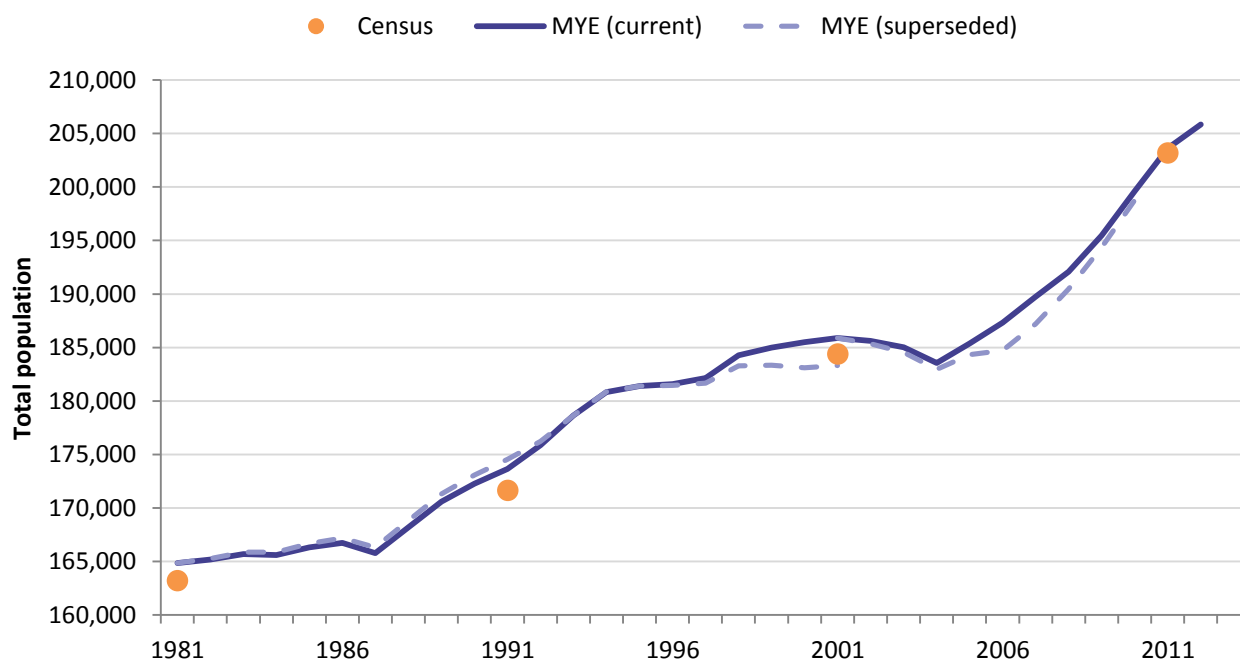
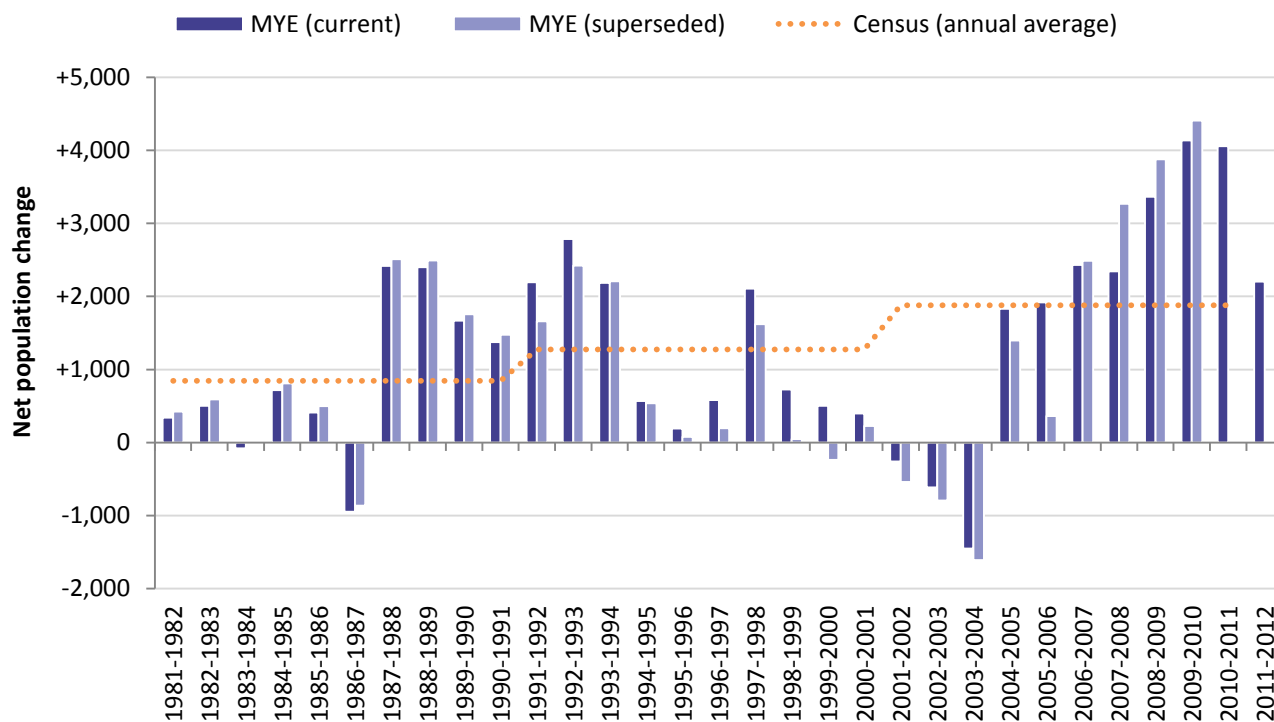


Figure 19: Annual net change in population based on official population estimates for the period 1981-2012 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded)



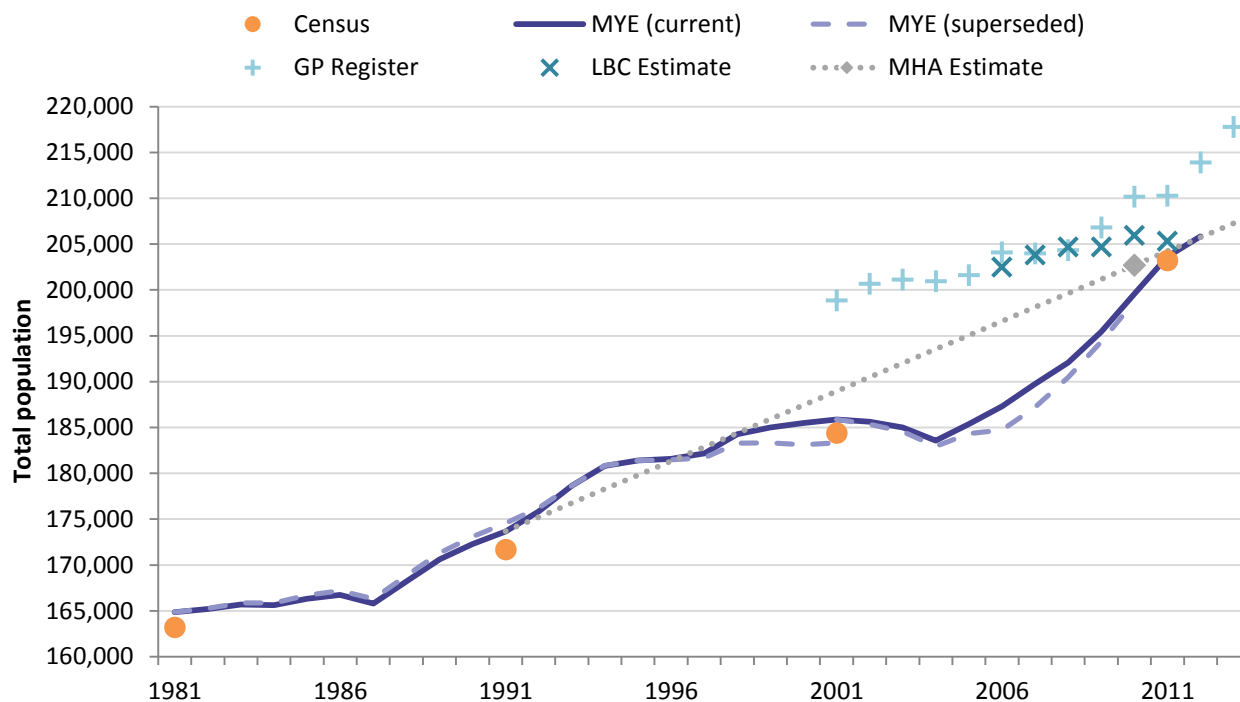
3.4 On the basis of the administrative data available at the time, Luton Council considered that the original mid-2001 population estimate of 183,300 people was a more significant underestimate than the 2001 Census suggested. For example, the GP register included 198,800 patients at that time – so over 15,000 more people than the original population estimate, although these figures cannot be directly compared for a number of reasons:

- » The GP register includes any “visitors” to the UK (who are planning to stay for less than a year) who have registered for GP services, but these short-term residents are not counted in the resident population figures;
- » The GP register could include some patients that no longer live in Luton (and have not registered with a GP elsewhere); and
- » The GP register doesn’t include residents that haven’t registered with a GP.

3.5 The revised mid-2001 population estimate was 185,900 people, which represented an increase of 2,600 on the original estimate; nevertheless, whilst the Council did not produce an official alternative population estimate for 2001, they believed that the resident population was likely to be at least 190,000 people at that time. More recently, the Council has produced independent population estimates based on a range of data sources.

3.6 An analysis undertaken by Mayhew Harper Associates (MHA) identified a minimum confirmed population of 202,700 people in 2010; and Figure 20 shows a simple linear trend based on the official mid-year population estimate for 1991 and the MHA estimate for 2010. This suggests a population of 189,000 people in 2001, higher than the official population estimates and the Census, and broadly consistent with the Council’s estimate of around 190,000 people. Whilst the actual trend will inevitably have varied from year-to-year, this linear trend provides a useful context for considering average population growth over the last 20 years.

Figure 20: Official population estimates for the period 1981-2012 and local authority estimates (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded; NHS Central Register; Luton Council Research Team; Mayhew Harper Associates)



- 3.7 The Council has also produced internal population estimates each year for the period 2006-2011, informed by a range of administrative sources such as the GP register and Pupil Level Annual School Census (PLASC). Figure 20 includes this data, together with the number of patients on the GP register each year since 2001.
- 3.8 In reviewing this range of data sources together, it is apparent that there is now broad consistency around the resident population for Luton in 2011:
- » 203,200 people based on the 2011 Census
 - » 203,600 people based on the ONS Mid-2011 Population Estimate
 - » 205,300 people based on the Council's internal estimate
 - » 204,200 people based on extrapolating the MHA long-term trend
- 3.9 The GP register remains substantially higher, with 210,200 patients registered in 2011; but as previously noted, the number of patients is not the same as the resident population.
- 3.10 Nevertheless, and very importantly in the context of preparing future demographic projections, the "shape" of the historic trends are very different:
- » Census data suggests more population growth in 2001-2011 than experienced 1991-2001, and ONS Mid-Year Population Estimates suggest that this population growth was not evenly distributed across the decade but that the rate of growth has been much higher since 2004.
 - » Conversely, administrative data suggests that there was actually a much higher population in 2001, implying higher population growth in 1991-2001 and consequently less population growth from 2001-2011; a slower rate of growth that is consistent with the Council's internal estimates.
- 3.11 Given these fundamental inconsistencies, it is necessary to critically consider the data underlying the official estimates and not simply adopt it without challenge; and also consider other data sources available.

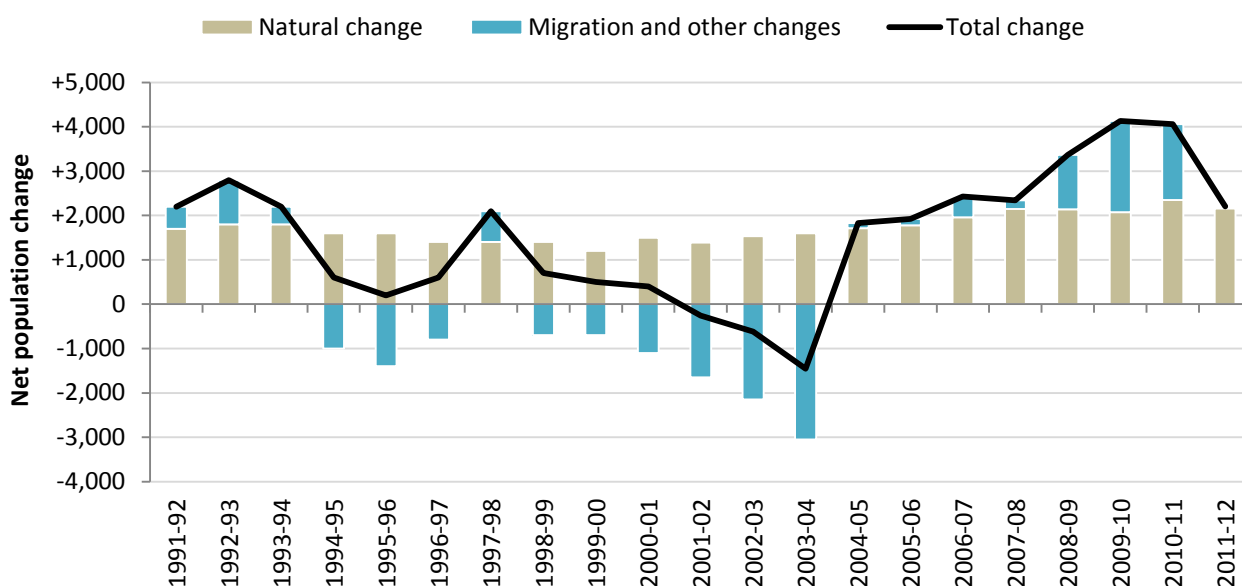
Components of Population Change

- 3.12 Changes in the population can be broadly classified into two categories: natural change in the population (in terms of births and deaths) and changes due to migration, both in terms of international migration and also moves within the UK. Whilst it is relatively straightforward to measure natural population change, it is much more difficult to measure migration. Furthermore, the number of migrants can vary substantially from year to year; and relatively small changes in gross flows can have a significant impact on overall net migration, and it is recognised that the impact of international migration has been particularly difficult to measure; and although current estimates have been improved, some historic data can be unreliable.
- 3.13 Although we have identified concerns with the mid-year population estimates for Luton in terms of the overall population, the underlying data can still provide useful evidence in relation to individual elements of population change. Figure 21 presents the components of annual population change from 1991 to 2012.

Figure 21: Components of population change, revised in the light of the 2011 Census (Source: ONS Mid-Year Population Estimates, revised. Note: “Other Changes” includes adjustments for prisoners, armed forces and other unattributable changes. Figures for 2001-02 onward presented unrounded for transparency, but should only be treated as accurate to the nearest 100. Figures for earlier years rounded to the nearest 100)

Year	Births	Deaths	Natural Change	UK Migration		International Migration		Asylum Seekers (Net)	Other Changes	Migration and Other Changes	Total Change
				In	Out	In	Out				
1991-92	3,200	1,500	1,700	-	-	-	-	-	-	500	2,200
1992-93	3,200	1,400	1,800	-	-	-	-	-	-	1,000	2,800
1993-94	3,200	1,500	1,800	-	-	-	-	-	-	400	2,200
1994-95	3,100	1,500	1,600	-	-	-	-	-	-	-1,000	600
1995-96	3,000	1,400	1,600	-	-	-	-	-	-	-1,400	200
1996-97	2,900	1,500	1,400	-	-	-	-	-	-	-800	600
1997-98	2,900	1,500	1,400	-	-	-	-	-	-	700	2,100
1998-99	2,900	1,500	1,400	-	-	-	-	-	-	-700	700
1999-00	2,800	1,600	1,200	-	-	-	-	-	-	-700	500
2000-01	2,900	1,500	1,500	-	-	-	-	-	-	-1,100	400
2001-02	2,953	1,565	1,388	7,574	10,242	2,476	1,688	210	24	-1,646	-258
2002-03	3,089	1,557	1,532	7,263	10,709	2,251	1,245	267	26	-2,147	-615
2003-04	3,098	1,503	1,595	6,644	10,661	2,450	1,663	131	51	-3,048	-1,453
2004-05	3,210	1,498	1,712	7,167	10,182	3,910	867	72	17	117	1,829
2005-06	3,219	1,443	1,776	6,999	10,547	5,308	1,690	48	26	144	1,920
2006-07	3,368	1,406	1,962	6,988	10,599	5,385	1,367	59	2	468	2,430
2007-08	3,611	1,461	2,150	7,012	9,913	4,370	1,318	51	-10	192	2,342
2008-09	3,522	1,385	2,137	7,095	8,958	4,896	1,839	103	-69	1,228	3,365
2009-10	3,473	1,396	2,077	7,474	9,594	5,465	1,256	53	-85	2,057	4,134
2010-11	3,642	1,291	2,351	7,469	9,297	4,888	1,253	50	-150	1,707	4,058
2011-12	3,544	1,379	2,165	8,201	10,362	3,626	1,419	0	-9	37	2,202
Average	3,182	1,466	1,726	7,262	10,097	4,093	1,419	95	-16	-190	1,536
<i>Minimum</i>	<i>2,800</i>	<i>1,291</i>	<i>1,200</i>	<i>6,644</i>	<i>8,958</i>	<i>2,251</i>	<i>867</i>	<i>0</i>	<i>-150</i>	<i>-3,048</i>	<i>-1,453</i>
<i>Maximum</i>	<i>3,642</i>	<i>1,600</i>	<i>2,351</i>	<i>8,201</i>	<i>10,709</i>	<i>5,465</i>	<i>1,839</i>	<i>267</i>	<i>51</i>	<i>2,057</i>	<i>4,134</i>

Figure 22: Components of population change (Source: ONS Mid-Year Population Estimates, revised)



3.14 It is evident that natural change has remained relatively consistent over the period, averaging an additional 1,700 persons each year. Nevertheless, it is worth noting that recently rates have consistently exceeded 2,000 persons annually; with a higher number of births and fewer deaths recorded. Migration and other changes vary much more – ranging from a net loss of more than 3,000 persons recorded for 2003-04 up to a net gain of more than 2,000 persons recorded for 2009-10; with an **annual average loss of 200 persons each year over the period due to migration and other changes.**

3.15 The ONS published a Local Area Migration Indicators Tool in August 2013, which also includes estimates of gross migration flows for each local authority for the period 2003-04 to 2011-12. This information is based largely on the same underlying data sources as the mid-year population estimates components of change, but information about asylum seekers has been factored in to the gross international migration flows. Figure 23 summarises the data for Luton alongside the comparable data from the mid-year estimate components of change.

Figure 23: UK and International Migration Flows (Source: ONS Local Authority Migration Indicators Tool; ONS Mid-Year Population Estimates, revised)

Year	Local Area Migration Indicators Tool						Mid-Year Population Estimates Components of Change						
	UK Migration			International Migration			UK Migration			International Migration			
	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Asylum (Net)	Net
2003-04	6,600	10,700	-4,100	2,700	1,800	900	6,644	10,661	-4,017	2,450	1,663	131	918
2004-05	7,200	10,200	-3,000	4,000	900	3,100	7,167	10,182	-3,015	3,910	867	72	3,115
2005-06	7,000	10,500	-3,500	5,500	1,800	3,700	6,999	10,547	-3,548	5,308	1,690	48	3,666
2006-07	7,000	10,600	-3,600	5,500	1,400	4,100	6,988	10,599	-3,611	5,385	1,367	59	4,077
2007-08	7,000	9,900	-2,900	4,500	1,400	3,100	7,012	9,913	-2,901	4,370	1,318	51	3,103
2008-09	7,100	8,900	-1,900	5,000	1,900	3,200	7,095	8,958	-1,863	4,896	1,839	103	3,160
2009-10	7,500	9,600	-2,100	5,600	1,300	4,300	7,474	9,594	-2,120	5,465	1,256	53	4,262
2010-11	7,500	9,300	-1,800	5,000	1,300	3,700	7,469	9,297	-1,828	4,888	1,253	50	3,685
2011-12	8,200	10,400	-2,200	3,600	1,400	2,200	8,201	10,362	-2,161	3,626	1,419	0	2,207

National Insurance Registrations to Non-UK Nationals

- 3.16 Figure 24 presents the total number of national insurance numbers issued to non-UK nationals each year over the period since 2001-02. The data shows the total figures for the UK and also those issued to people that were living in Luton at the time of their application. It is important to recognise that anyone wishing to work in the UK is required to obtain a national insurance number, which therefore includes short term international migrants (resident in the UK for less than a year) who would not be counted in the resident population. Conversely, not all international migrants will register for work – for example children and other dependents would not typically apply for a national insurance number. Nevertheless, the number of national insurance registrations to non-UK nationals is a useful indicator of international migration, and an increase in registrations is likely to imply increased international migration.
- 3.17 Given this context, we have established the ratio between national insurance registrations to non-UK nationals and all international migrants to the UK each year as an indicator of how the relationship between these two figures has changed since 2001-02. By applying the UK ratio to the number of registrations for Luton, we can imply a likely level of international migration; and this is presented together with the ONS estimate and the difference between the two figures.
- 3.18 It is evident that the national insurance registrations imply that international in migration may be underestimated by a total of around 4,300 over the period 2001-05 (an average of 1,100 per year), overestimated by around 2,100 over the period 2005-10 (an average of 400 per year) and underestimated by 700 over the period 2010-12 (an average of 300 per year).

Figure 24: National Insurance Registrations to non-UK nationals (Source: DWP; ONS Local Authority Migration Indicators Tool. Note: “ONS Estimate” for 2001-02 and 2002-03 based on international in migration gross flow and asylum seeker net flow data from ONS Mid-Year Population Estimates, revised. Figures for difference rounded to the nearest 100)

Year	UK			Luton			
	International Migration	NI Number Registrations	Ratio	NI Number Registrations	International Migration		
					Implied based on NI ratio	ONS Estimate	Difference
2001-02	498,000	251,821	0.5057	1,438	2,844	2,700	+100
2002-03	513,000	365,118	0.7117	2,692	3,782	2,500	+1,300
2003-04	533,400	390,760	0.7326	2,616	3,571	2,700	+900
2004-05	647,800	492,391	0.7601	4,570	6,012	4,000	+2,000
2005-06	617,200	647,086	1.0484	5,294	5,049	5,500	-500
2006-07	665,300	738,092	1.1094	5,697	5,135	5,500	-400
2007-08	627,900	742,694	1.1828	4,943	4,179	4,500	-300
2008-09	598,900	628,318	1.0491	4,979	4,746	5,000	-300
2009-10	589,000	604,342	1.0260	5,065	4,936	5,600	-700
2010-11	604,900	688,605	1.1384	5,866	5,153	5,000	+200
2011-12	517,700	588,742	1.1372	4,713	4,144	3,600	+500
2012-13	503,000	572,877	1.1389	4,005	3,516	-	-

- 3.19 This suggests that the data sources have become more consistent in the period since 2005, but it seems likely that international in migration may have been significantly underestimated over the period 2001-05. This underestimate would be consistent with those concerns previously noted about the reduction in total population in the mid-year population estimates from 2001-04.

GP patients previously living outside the UK: “Flag 4” registrations

- 3.20 Another relevant source of information is data from the NHS Central Register about patients registering with GPs who previously lived outside the UK. These are referred to as “Flag 4” registrations, and again provide a useful indication of international migration. As previously noted, the GP register may also include short term international migrants (resident in the UK for less than a year) who would not be counted in the resident population; but any international migrant not registering with a GP would not be captured.
- 3.21 Given this context, Figure 25 presents the “Flag 4” registrations for England and Wales alongside the data for those patients that were living in Luton at the time that they registered with a GP. Once again, we have established a ratio based on national data to imply a likely level of international migration; and this is presented together with the ONS estimate and the difference between the two figures.
- 3.22 It is evident that the “Flag 4” registrations also imply that international in migration may be underestimated over the period 2001-05, overestimated over the period 2005-10 and underestimated over the period 2010-12. This data suggests that international migration was around 5,100 higher over the period 2001-05 (an average of 1,300 per year), around 2,500 lower over the period 2005-10 (an average of 500 per year) and 800 higher over the period 2010-12 (an average of 400 per year).

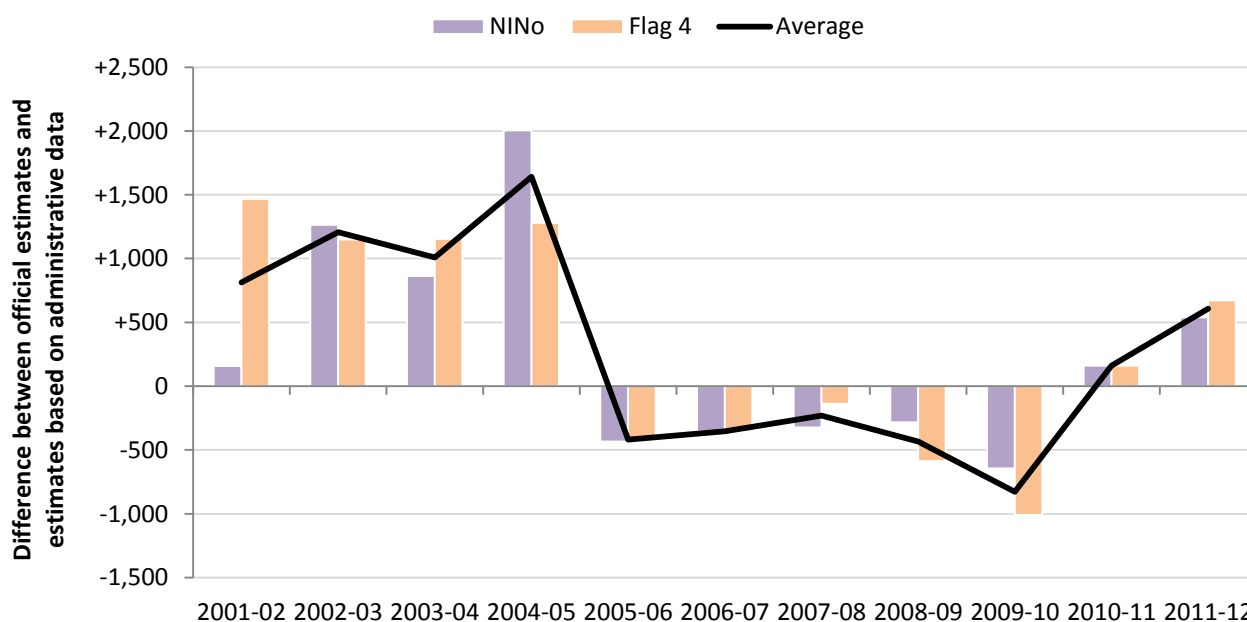
Figure 25: GP Registrations from patients previously resident outside the UK: “Flag 4” records (Source: NHS Central Register; ONS Local Authority Migration Indicators Tool. Note: “ONS Estimate” for 2001-02 and 2002-03 based on international in migration gross flow and asylum seeker net flow data from ONS Mid-Year Population Estimates, revised. Figures for difference rounded to the nearest 100)

Year	England and Wales			Luton			
	International Migration	NHS “Flag 4” Registrations	Ratio	NHS “Flag 4” Registrations	International Migration		
					Implied based on Flag 4 ratio	ONS Estimate	Difference
2001-02	459,700	429,752	0.9348	3,882	4,153	2,700	+1,500
2002-03	477,400	456,757	0.9567	3,507	3,666	2,500	+1,200
2003-04	498,100	473,409	0.9504	3,671	3,862	2,700	+1,200
2004-05	598,700	534,995	0.8936	4,724	5,287	4,000	+1,300
2005-06	564,000	567,474	1.0062	5,109	5,078	5,500	-400
2006-07	607,700	598,841	0.9854	5,060	5,135	5,500	-400
2007-08	571,100	605,676	1.0605	4,627	4,363	4,500	-100
2008-09	541,800	595,341	1.0988	4,883	4,444	5,000	-600
2009-10	529,000	622,178	1.1761	5,379	4,573	5,600	-1,000
2010-11	549,200	631,524	1.1499	5,925	5,153	5,000	+200
2011-12	468,900	594,842	1.2686	5,425	4,276	3,600	+700

Estimating International In Migration

3.23 The consistency between these two alternative data sources is notable, as illustrated in Figure 26. The differences between these administrative sources and the ONS estimates lends weight to the argument that official population estimates may not have accurately captured international migration to Luton.

Figure 26: Differences between ONS estimates for international in migration and implied international in migration based on national insurance registrations from non-UK nationals and “Flag 4” GP Registrations



3.24 On the basis of these alternative data sources, Figure 27 provides an adjusted estimate for international in migration to Luton each year for the period 2001-02 to 2011-12. Overall, the adjustment increases international in migration from an average of 4,200 per year to an average of 4,500 per year; but perhaps more importantly the adjustment affects the pattern of international in migration over the period.

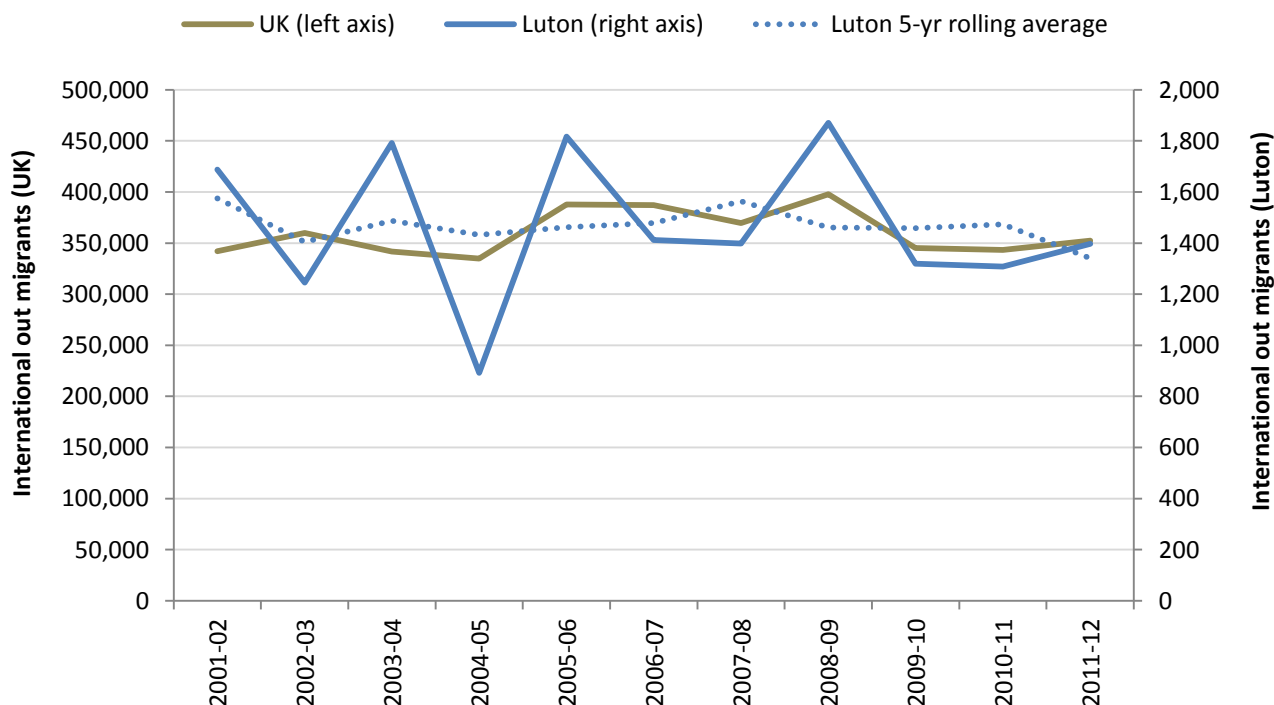
Figure 27: Adjusted estimate of international in migration

Year	International In Migration						Adjusted estimate
	ONS Estimate	Implied based on NI ratio		Implied based on Flag 4 ratio		Average difference	
		Total flow	Difference from ONS Estimate	Total flow	Difference from ONS Estimate		
2001-02	2,700	2,844	+200	4,153	+1,500	+800	3,500
2002-03	2,500	3,782	+1,300	3,666	+1,100	+1,200	3,700
2003-04	2,700	3,571	+900	3,862	+1,200	+1,000	3,700
2004-05	4,000	6,012	+2,000	5,287	+1,300	+1,600	5,600
2005-06	5,500	5,049	-400	5,078	-400	-400	5,100
2006-07	5,500	5,135	-400	5,135	-400	-400	5,100
2007-08	4,500	4,179	-300	4,363	-100	-200	4,300
2008-09	5,000	4,746	-300	4,444	-600	-400	4,600
2009-10	5,600	4,936	-600	4,573	-1,000	-800	4,800
2010-11	5,000	5,153	+200	5,153	+200	+200	5,200
2011-12	3,600	4,144	+500	4,276	+700	+600	4,200

Estimating International Out Migration

- 3.25 Many of the problems associated with estimating international in migration also affect estimates of international out migration, but administrative data sources do not typically capture migrants leaving the UK: there is no requirement to de-register a national insurance number or formally leave the GP register.
- 3.26 Figure 28 presents the estimates for international out migration from Luton alongside equivalent data for the UK. It is evident that international out migration from the UK has remained relatively consistent over the period 2001-02 to 2011-12, with an average loss of 360,000 persons each year and a standard deviation of only 22,000 over the period (equivalent to 6% of the average, indicating only small variation in the data from year-to-year). The estimates of international out migration from Luton vary much more each year, with an average loss of 1,500 persons and a standard deviation of 300 over the period (equivalent to 20% of the average, confirming the larger differences in the annual data).
- 3.27 On the basis of relatively consistent international out migration from the UK over this period, it is likely that the variations in the data for Luton are associated more with difficulties in estimating the numbers rather than real differences in actual migration flows. When we consider the 5-year rolling average for the annual estimates, it is apparent that this “smoothed” data for Luton is much more stable over the whole period – the average remains at 1,500 persons annually, but with a standard deviation of less than 100 (equivalent to 5% of the average, broadly in line with the UK estimate).

Figure 28: International Out Migration Flows for UK and Luton (Source: ONS Local Authority Migration Indicators Tool; ONS Mid-Year Population Estimates, revised)



- 3.28 On this basis, we have used the 5-year rolling average as an adjusted estimate for international out migration to Luton each year for the period 2001-02 to 2011-12. Overall, the adjustment does not affect the overall level of international out migration; but the adjustment affects the pattern of international out migration over the period.

Population Estimates based on Adjusted International Migration

3.29 Having considered both international in and out migration, Figure 29 presents adjusted estimates for the gross flows (and the resulting net flow) each year for the period 2001-02 onwards. Figure 30 then illustrates the impact of these adjusted flows on overall population trends.

3.30 It is evident that the adjustments suggest that population changes over the last decade were less variable from year-to-year than the official estimates suggested and that there was probably no population decline between 2001 and 2004. Furthermore, if we assume that the mid-2001 population estimate was correct, the adjusted flows are broadly consistent with the MHA estimate for 2010 and the LBC estimate for 2011 – but if the population was underestimate in 2001 (as the Council believes), then these adjusted flows would not be consistent with the latest figures as illustrated when the data is rebased.

Figure 29: Summary of ONS Estimates and Adjusted Estimates for International Migration Flows

Period	ONS Estimates			Adjusted Estimates			Difference		
	In	Out	Net	In	Out	Net	In	Out	Net
2001-02	2,700	1,700	1,000	3,500	1,600	2,400	+1,300	-100	+1,400
2002-03	2,500	1,200	1,300	3,700	1,400	2,200	+1,100	+200	+900
2003-04	2,700	1,800	900	3,700	1,500	2,300	+1,100	-300	+1,400
2004-05	4,000	900	3,100	5,600	1,400	3,600	+1,000	+500	+500
2005-06	5,500	1,800	3,700	5,100	1,500	3,600	-400	-300	-100
2006-07	5,500	1,400	4,100	5,100	1,500	3,600	-400	+100	-500
2007-08	4,500	1,400	3,100	4,300	1,600	2,900	0	+200	-200
2008-09	5,000	1,900	3,200	4,600	1,500	3,200	-300	-400	0
2009-10	5,600	1,300	4,300	4,800	1,500	3,500	-600	+200	-800
2010-11	5,000	1,300	3,700	5,200	1,500	4,100	+500	+200	+400
2011-12	3,600	1,400	2,200	4,200	1,300	3,500	+1,300	-100	+1,300

Figure 30: Official population estimates for the period 1981-2012 with an adjusted estimate for the period 2001-12 based on alternative international migration flows (Source: Luton SHMA)

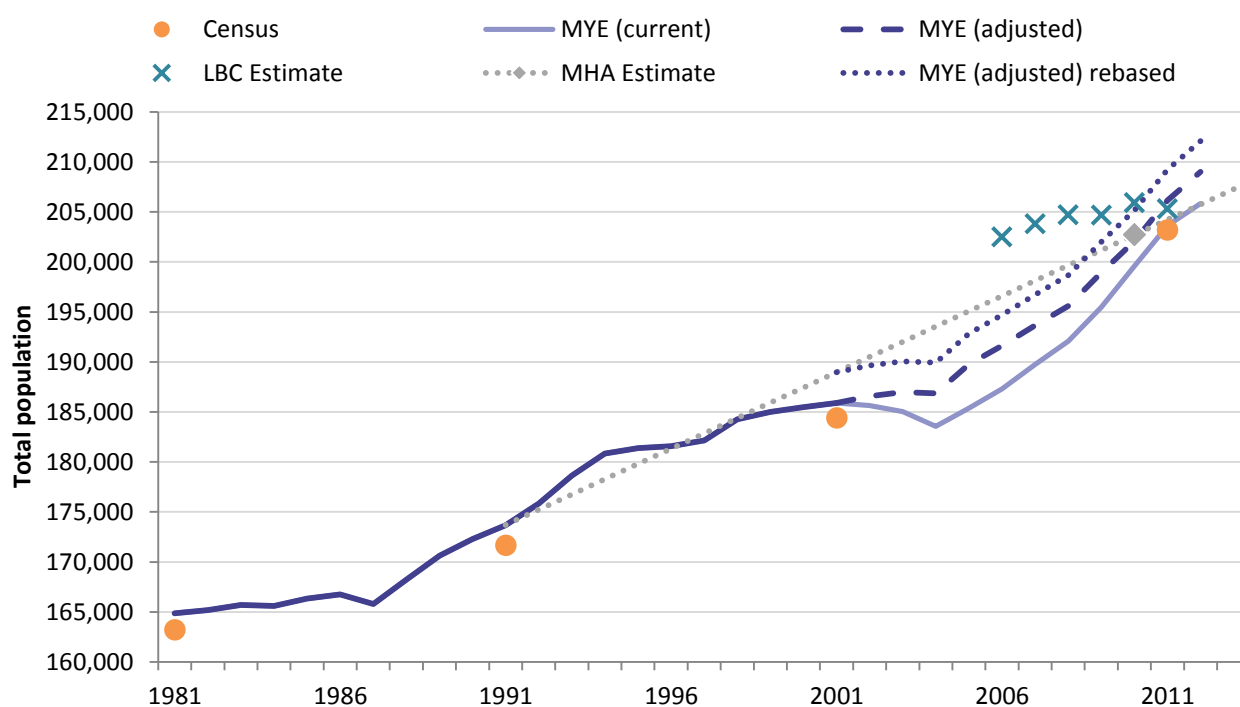
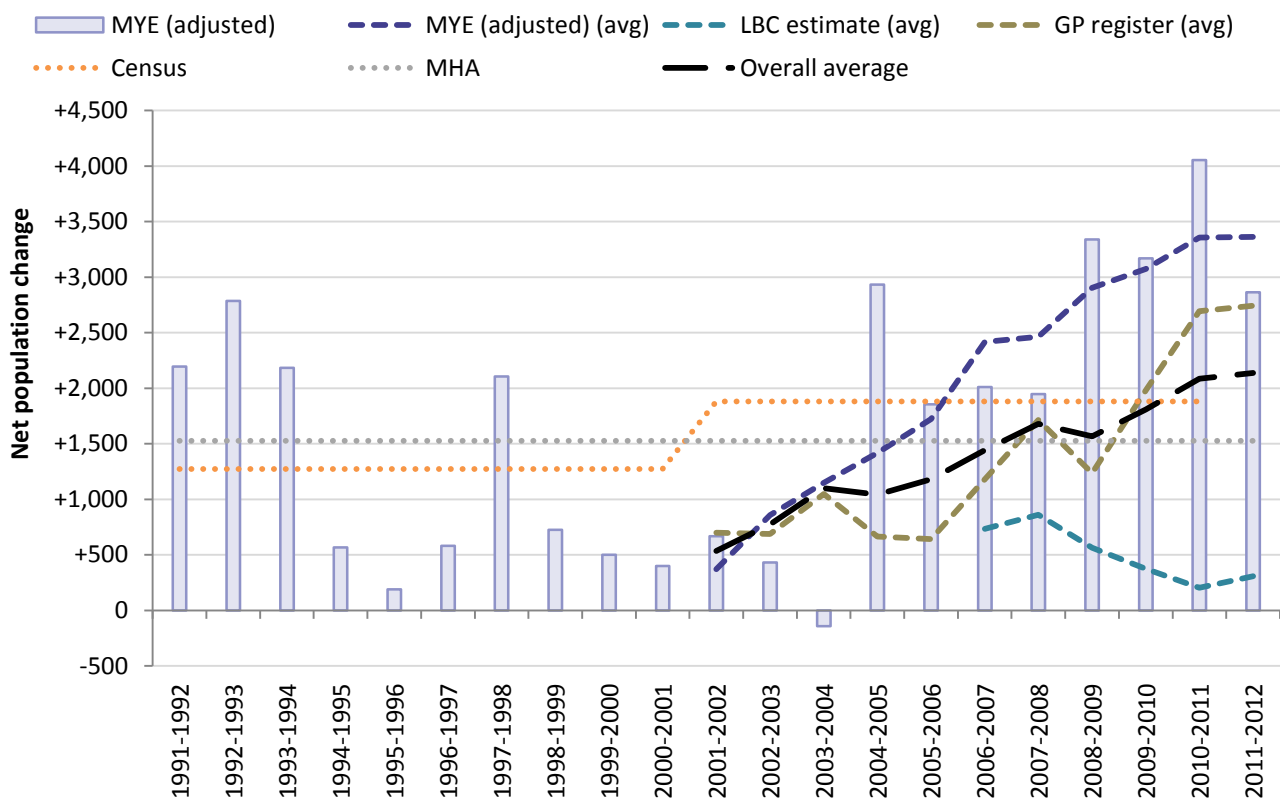


Figure 31: Comparison of annual net change in population based on official population estimates for the period 1981-2012 (with an adjusted estimate for the period 2001-12 based on alternative international migration flows) with annual net change in population estimates based on LBC estimates and the GP register (Source: Luton SHMA)



^{3.31} Figure 31 brings together a large amount of data to illustrate the differences between the range of available data.

- » The light blue bars show the net annual change in population based on the adjusted mid-year estimates that have been derived, and this data is also presented as a short-dashed dark blue line based on the rolling 5-year average;
- » Short-dashed lines also present the rolling 5-year averages of net annual change in population based on the Council's internal population estimates (turquoise) and the GP register (brown);
- » The long-dashed black line shows the average of the 5-year averages from the three sources; and
- » The dotted lines provide a longer-term context, showing an annual average for the net change in population based on Census estimates (orange) and the long-term annual average implied by the MHA estimate (grey).

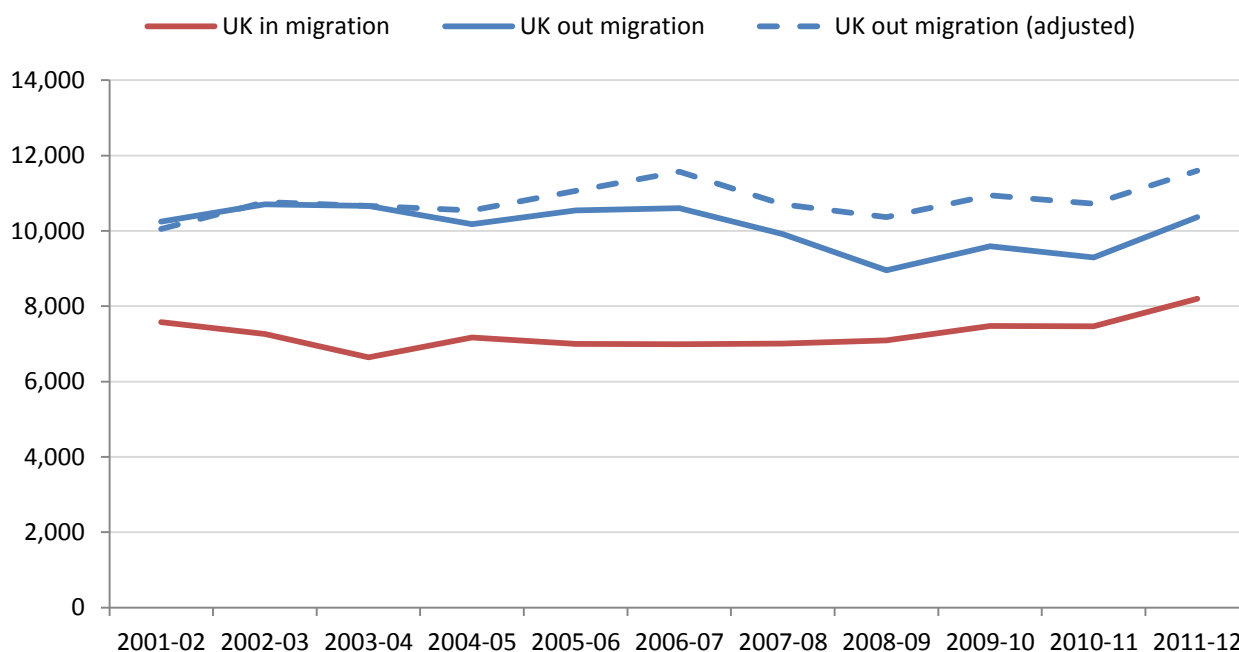
^{3.32} The adjusted mid-year estimates that have been derived suggest that Luton has gained around 3,000 people on average each year for the last 5 years: a total gain of 15,400 over the 5-year period. This compares with a gain of 10,400 based on averages from the GP register (2,100 per annum) and 2,300 based on averages from the Council's internal estimates (500 per annum). Nevertheless, despite these differences, it is interesting to note that the trends didn't diverge until 2004-05 onwards: the data for earlier years is broadly consistent.

^{3.33} Whilst we cannot be certain about the accuracy of any of the data sources, it would seem reasonable to adopt an estimate based on the overall average.

Estimating UK Migration

- 3.34 We have recognised that estimates for natural growth tend to be more accurate than migration estimates, and whilst we have considered international migration flows in detail it is also important to consider UK migration. Any further adjustments to the net change in population would inevitably impact on migration flows between Luton and other parts of the UK, as these are the only flows that haven't already been considered.
- 3.35 The estimates of internal migration in the ONS mid-year population estimates components of change are based primarily on data from the NHS Central Register, i.e. patients changing GP. Given this context, migrants that hadn't registered with a GP in Luton may not be captured in the data (in terms of both in and out migration flows); so the estimates are more likely to underestimate rather than overestimate migration. Insofar as the previous analysis has suggested that the adjusted population estimates are too high, it seems unlikely that UK in migration is significantly underestimated. It is more likely that the UK out migrant flow should be adjusted.
- 3.36 Figure 32 shows the UK migration flows from the ONS mid-year population estimates components of change. The chart also shows the impact of constraining the out migrant flow to take account of the required adjustments to the overall net change in population previously identified.

Figure 32: UK Migration Flows for Luton (Source: ONS Mid-Year Population Estimates, revised)



- 3.37 In migration to Luton from elsewhere in the UK has remained relatively consistent from year-to-year (although data for the last three years shows a marginal increase); however the data suggests that there was a sustained lower level of out migration to elsewhere in the UK over the period 2008-11 in particular. The adjusted rate suggests a more stable rate of UK out migration over the period, with the long-term trend fractionally increasing (which is consistent with the fractional increase in the long-term trend for UK in migration that is also evident).
- 3.38 Given this context, it would appear that the adjustment to the UK out migration flow is likely to be appropriate.

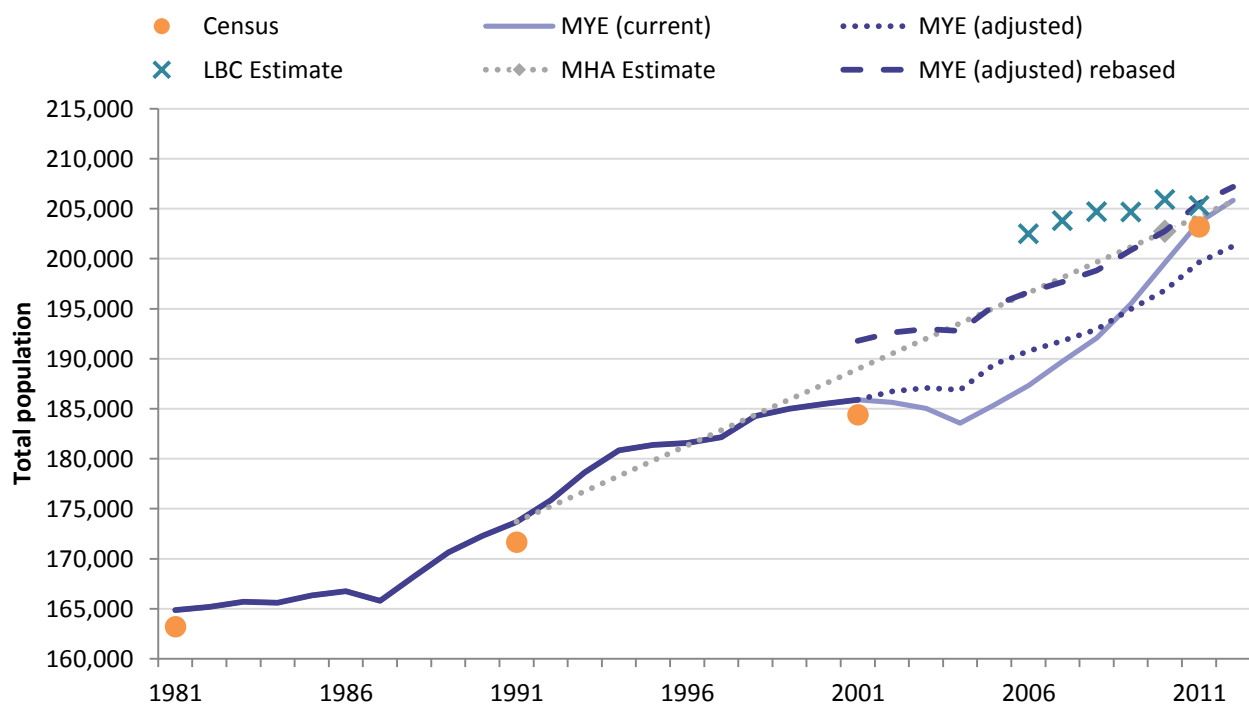
Adjusted Population Estimates

- 3.39 Figure 33 summarises the components of population change based on the adjusted estimates that have been individually considered and discussed.
- 3.40 Figure 34 presents this information alongside the current ONS Mid-Year Estimates, Luton Borough Council estimates and the MHA estimate of total population for the period 1981-2012. The adjusted estimates are shown as a continuation of the ONS Mid-2001 Population Estimate (the dotted blue line) and also rebased to the MHA population estimate for 2010 (the dashed blue line).

Figure 33: Components of population change, based on data from the ONS Mid-Year Estimates with adjustments based on secondary data and other administrative data sources (Source: Luton SHMA. Figures presented unrounded for transparency, but should only be treated as accurate to the nearest 100)

Period	Natural Change			UK Migration		International Migration		Overall Net Migration	Total Change
	Births	Deaths	Net	In	Out	In	Out		
2001-02	2,953	1,565	1,388	7,574	10,055	3,499	1,575	-557	831
2002-03	3,089	1,557	1,532	7,263	10,767	3,724	1,404	-1,185	347
2003-04	3,098	1,503	1,595	6,644	10,661	3,717	1,487	-1,787	-192
2004-05	3,210	1,498	1,712	7,167	10,541	5,650	1,431	844	2,556
2005-06	3,219	1,443	1,776	6,999	11,061	5,064	1,462	-461	1,315
2006-07	3,368	1,406	1,962	6,988	11,571	5,135	1,478	-926	1,036
2007-08	3,611	1,461	2,150	7,012	10,707	4,271	1,563	-987	1,163
2008-09	3,522	1,385	2,137	7,095	10,363	4,595	1,461	-134	2,003
2009-10	3,473	1,396	2,077	7,474	10,943	4,755	1,458	-173	1,904
2010-11	3,642	1,291	2,351	7,469	10,719	5,153	1,473	430	2,781
2011-12	3,544	1,379	2,165	8,201	11,596	4,210	1,341	-526	1,639

Figure 34: Official population estimates for the period 1981-2012 with an adjusted estimate for the period 2001-12 based on alternative international and UK migration flows (Source: Luton SHMA)



- ^{3.41} The rebased data series suggests that the population for mid-2011 was 205,500 people, which is broadly consistent with the Council's estimate of 205,300 for that year. The rebased data series shows a population of 207,200 people for mid-2012, which is only marginally higher than the latest ONS estimate of 205,800 people. Nevertheless, the rebased data series shows a population of 191,800 people for mid-2001; and whilst this is broadly consistent with the Luton Council estimate of around 190,000 people at that time, it strongly supports that the Census and official mid-year estimates were too low at the time (184,400 people and 185,900 people respectively).

Chapter Summary

- » *It is apparent that the different official data sources available about the Luton population do not provide a consistent evidence base; so we cannot rely on any individual source in isolation. It is therefore essential to consider the full range of available data.*
- » *Based on detailed analysis, we have established components of population change that provide outputs that can be reconciled with the different data that is available. This analysis supports the Council's view that the 2001 Census underestimated their resident population; but consequently, although the ONS estimates would still appear to underestimate the population, the rate of change over the last 10 years is likely to be less than official figures would suggest.*
- » *Having reviewed the available data, we believe that the alternative components of population change that have been developed provide the most appropriate, robust and reliable evidence base available for Luton. Therefore, this data can be used to inform appropriate assumptions for future demographic projections for the population that will inform the Strategic Housing Market Assessment (SHMA).*

4. Demographic Projections

Establishing the future need and demand for housing

- 4.1 Modelling future need and demand for housing requires a consideration of the future housing market from a high-level, strategic perspective; in this way an understanding of how key drivers and long-term trends impact on the structure of households and population over the full planning period can be delivered. Further, it needs to be produced in a way that is consistent, strategic and robust.
- 4.2 The National Planning Policy Framework contains a presumption in favour of sustainable development, and states that Local Plans should meet objectively assessed needs for market and affordable housing based on household and population projections that take account of migration and demographic change:

*At the heart of the National Planning Policy Framework is a **presumption in favour of sustainable development**, which should be seen as a golden thread running through both plan-making and decision-taking.*

Local planning authorities should positively seek opportunities to meet the development needs of their area.

Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole.

National Planning Policy Framework (NPPF), paragraph 14

To boost significantly the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area.

National Planning Policy Framework (NPPF), paragraph 47

Local planning authorities ... should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries.

The Strategic Housing Market Assessment 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.

National Planning Policy Framework (NPPF), paragraph 159

Official Population and Household Projections

- 4.3 Planning Practice Guidance published in March 2014 places emphasis on the role of CLG Household Projections as the appropriate starting point in determining objectively assessed need. However, the Guidance does allow for the use of sensitivity testing of CLG Household projection to ‘test’ whether these are appropriate, allowing for alternative assumptions to be used.

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.

Planning Practice Guidance 2014, section 3

Plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates. Account should also be taken of the most recent demographic evidence including the latest Office of National Statistics population estimates

Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.

Planning Practice Guidance 2014, section 3

- 4.4 Given this context, Figure 35 sets out the range of household projections that CLG has produced for the borough over the last three rounds of projections.

Figure 35: CLG Household Projections (Source: CLG Household Projections)

CLG Household Projections	10-year period			25-year period		
	Period	Total Change	Annual Average	Period	Total Change	Annual Average
Luton						
2006-based	2006-16	7,000	700	2006-31	18,000	720
2008-based	2008-18	8,000	800	2008-33	20,000	800
Interim 2011-based	2011-21	10,300	1,000	-	-	-
Central Bedfordshire						
2006-based	2006-16	21,000	2,100	2006-31	46,000	1,840
2008-based	2008-18	15,000	1,500	2008-33	35,000	1,400
Interim 2011-based	2011-21	15,870	1,590	-	-	-

- 4.5 It is clear that the projections have varied over time, with the projected increase in households in Luton ranging from 700 up to 1,000 additional households each year and from 1,400 up to 2,100 additional households each year in Central Bedfordshire. Each set of household projections will be influenced by a wide range of underlying data and trend-based assumptions, and it is important to consider the range of projected growth and not simply defer to the most recent data.

- 4.6 It is also important to recognise that the 2011-based projections are classed as “interim” given that they do not take full account of all the information that will become available from the 2011 Census; as a consequence these statistics only project forward over the 10-year period 2011-21. Further CLG household projections that take full account of the 2011 Census and project forward over the normal 25-year period are likely to be released in late 2014, and it will be important for the Council to consider this information when it is published.

Demographic Projections for Luton borough

- 4.7 There are concerns that official population estimates have tended to underestimate Luton’s resident population, and ORS has undertaken an independent review of the range of evidence available. That analysis was presented chapter 3, which established that historic rates of migration appeared unreliable, in particular rates of in-migration from overseas and rates of out-migration from Luton to elsewhere in the UK. The chapter concluded that the most recent official population estimates were broadly consistent with other evidence, but that the borough’s population increased more rapidly over the period 1991-01 than official estimates suggest, with more moderate growth over the period 2001-11.
- 4.8 Given that the ONS Sub-National Population Projections depend on recent population estimates, they could be unreliable; therefore we have reviewed the available evidence to establish appropriate assumptions for future demographic projections that can inform their Strategic Housing Market Assessment (SHMA) and establish an Objectively Assessed Need for housing. The projections have been prepared using the PopGroup model, however a range of scenarios have been developed which adopt both standard and bespoke inputs that have been derived as part of the analysis.
- 4.9 It is important to recognise that no one scenario will provide a definitive assessment of the future population; but taken collectively the different scenarios can help determine the most likely range of projections. SHMA Practice Guidance recognises that a variety of approaches to deliver a robust SHMA are possible and so is not prescriptive as to the methodology to be followed and the data to be used:

There is no one methodological approach or use of a particular dataset(s) that will provide a definitive assessment of development need.

Planning Practice Guidance: Assessment of housing and economic development needs (March 2014), section 1

- 4.10 Guidance also recognises that SHMAs need to be robust and credible assessments, but their analysis should not be seen as definitive:

Housing markets are dynamic and complex. Because of this, strategic housing market assessments will not provide definitive estimates of housing need, demand and market conditions.

CLG Practice Guidance 2007, page 9

- 4.11 Our initial projection is based on standard data, with the ONS Mid-2011 Population Estimate as a base population (in terms of the number of people by age and gender) and applying the standard PopGroup data schedules that have been derived from the ONS 2010-based Sub-National Population Projections (SNPP).
- 4.12 Figure 36 shows the outputs, which project that the population will grow from 203,600 in 2011 up to 262,700 over the 20-year period to 2031; a growth of 59,100 people, equivalent to an average gain of almost 3,000 people each year. This is in the context of official estimates showing an increase of 17,800

people over the 10-year period 2001-11, and an increase of 20,100 people over the 7-year period 2004-11: average annual rates of 1,800 and 2,900 respectively.

Figure 36: Population projection based on ONS Mid-2011 estimate and PopGroup ONS 2010 SNPP standard data schedules (Note: light solid line shows historic trend based on official estimates; heavy solid line shows projection)

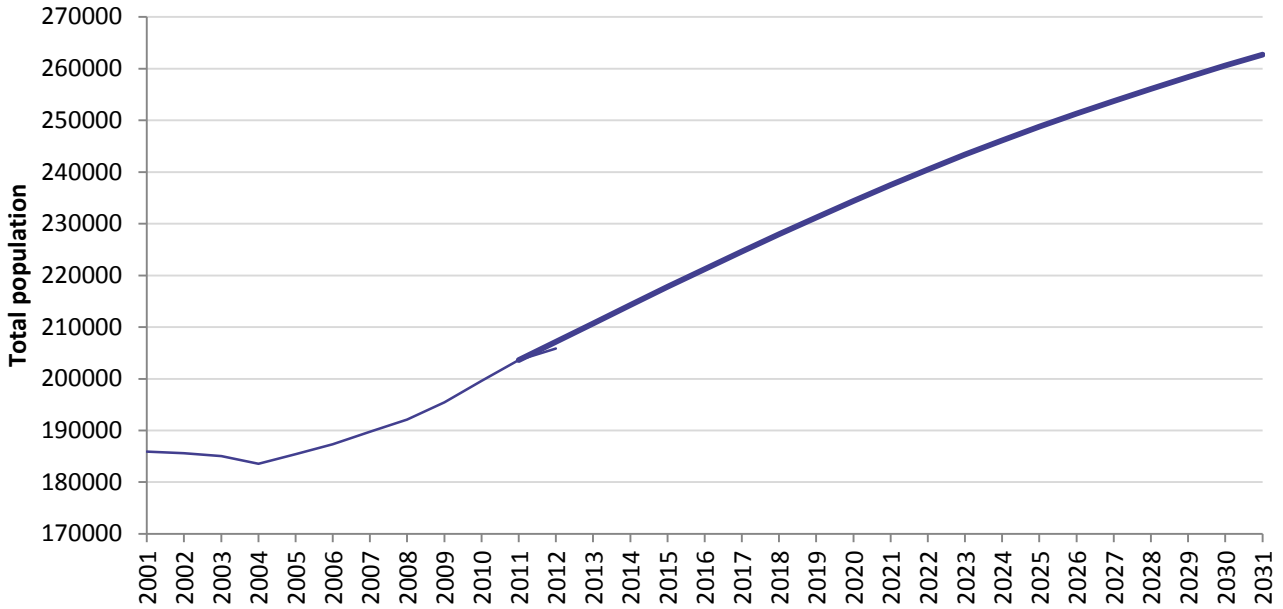
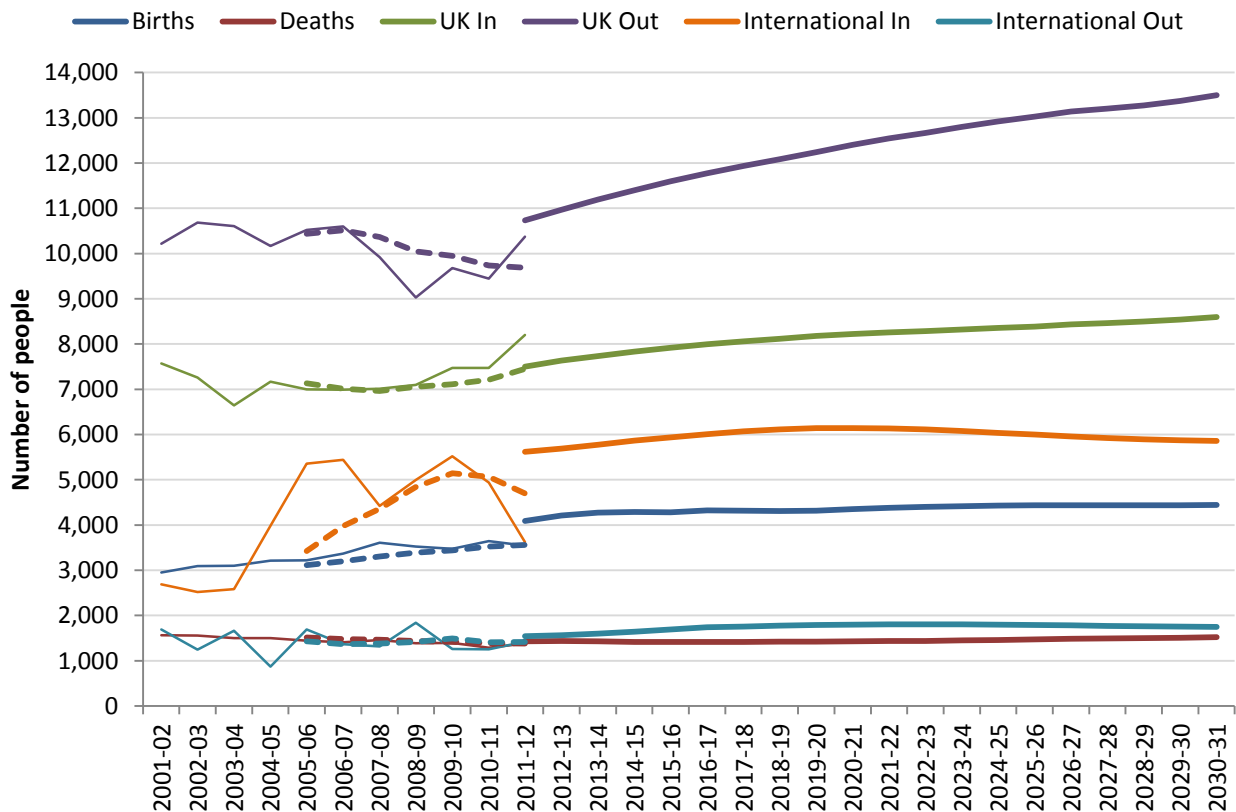


Figure 37: Components of population change based on ONS Mid-2011 estimate and PopGroup ONS 2010 SNPP standard data schedules (Note: light solid line shows historic trends based on official estimates; heavy dashed line shows 5-year rolling averages for historic trends; heavy solid line shows projections)

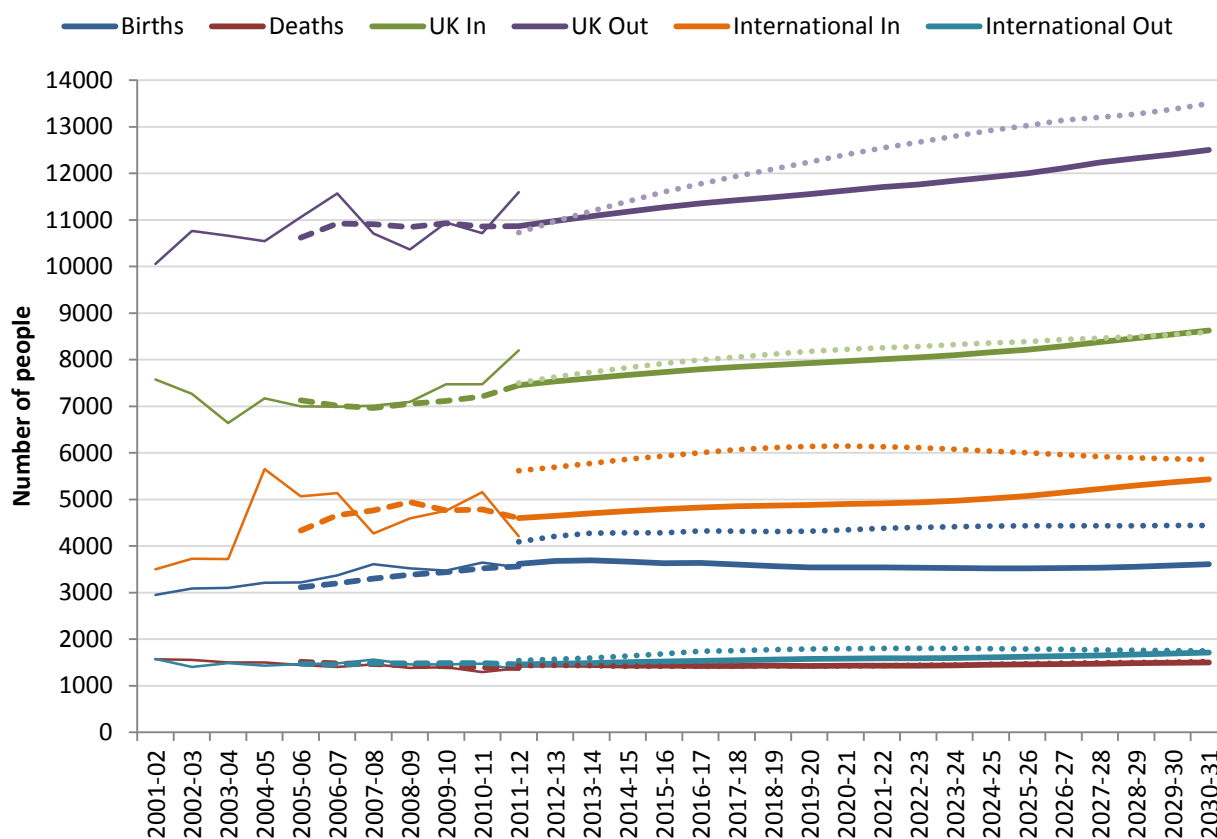


- 4.13 The ONS Sub-National Population Projections are informed by 5-year trends from the Mid-Year Estimates (MYE) Components of Change (in the case of the 2010-based SNPP, MYE data from 2005-06 to 2009-10). It is therefore to be expected that the rate of change over the period 2005-10 is broadly consistent with the projected future rate of change. It is worth noting, however, that the 2010-based SNPP were produced before MYE data was revised following the 2011 Census; so recent adjustments to the MYE and any data since 2010 did not inform that analysis.
- 4.14 Figure 37 considers the components of change projected by the model alongside historic trends (in terms of annual figures and 5-year rolling averages) it is evident that the projections for these individual components are not necessarily consistent with recent official trends. In summary:
- » Deaths, UK in migration and International out migration are projected in line with official trends;
 - » Births are projected to be notably higher than recent trends (4,100 projected for 2011-12 compared with 3,500 actually recorded for the year and an average of 3,600 for the period 2007-12; therefore this projection is around 15% higher than trend);
 - » International in migration appears to continue the increasing trend observed in the 5-year averages from 2001-06 to 2005-10, but official data for the period 2006-11 and 2007-12 suggest that the rate had started to reduce;
 - » UK out migration showed a reducing trend in the 5-year averages from 2001-06 to 2007-12 (although data for individual years has increased year-on-year over the period since 2008-09); whereas the projection shows a notably higher rate (consistent with the conclusions from the previous analysis of population trends) and this is projected to increase over the period to 2031.

Refining the Assumptions for Luton

- 4.15 Given the concerns previously identified about the official population estimates for Luton, we have further developed the baseline position and refined the PopGroup data schedules on the basis of the following assumptions, taking the ONS 2010 SNPP schedules as a starting point in each case:
- » Birth (fertility) rates have been adjusted based on the actual number of births recorded for Luton in 2009, 2010 and 2011; no adjustments have been made to the way in which birth rates are projected to change in future;
 - » Death rates have been adjusted based on the actual number of deaths recorded for Luton each year over the period 2006-11; no adjustments have been made to the way in which death rates are projected to change in future;
 - » Migration rates (in and out for UK and overseas) have been adjusted based on the components of change derived from the ORS population trends analysis; future rates would normally be constrained to SNPP outputs, but to establish a baseline these rates have initially assumed to be constant over the projection period.
- 4.16 We have therefore produced a second projection based on the Luton Borough Council population estimate for 2011 as a base population (in terms of the number of people by age and gender), and have applied the refined PopGroup data schedules described above. The projections are inevitably consistent with the trends for each component, as the projection schedules have been adjusted using this trend-based data as a constraint.

Figure 38: Components of population change based on Luton BC Mid-2011 population estimate and refined PopGroup data schedules (Note: light solid lines show historic trends based on adjusted estimates; heavy dashed lines show 5-year rolling averages for historic trends; heavy solid lines show projections; dotted lines show projections from Figure 37)



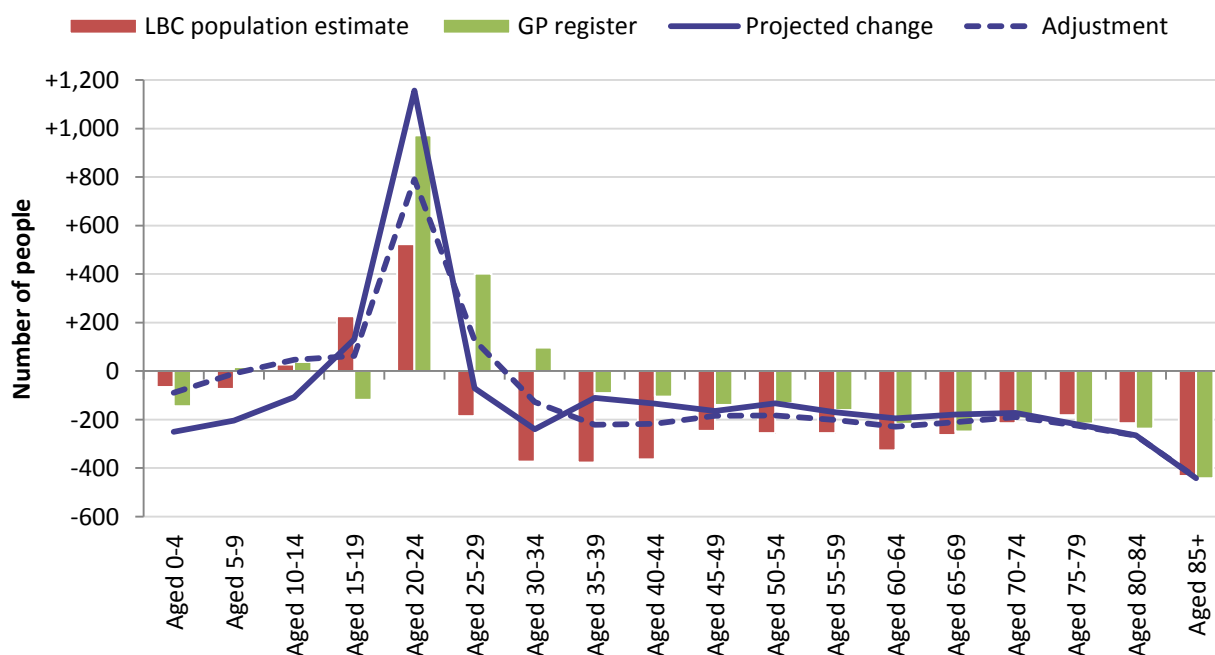
^{4.17} In comparing with the previous projection, it is evident that:

- » There has been little change in projected Deaths, UK in migration and International out migration;
- » There are fewer Births projected, and this number remains relatively consistent over the projection period;
- » UK out migration starts in line with the previous projection; and whilst this number is projected to increase, the increase is smaller than previously projected;
- » International in migration is lower than the previous projection, although the two projections start to converge towards the end of the projection period.

Reviewing Changes in Age Structure

- 4.18 When we consider the changes to the age structure of the population, it is evident that these initial projections suggest a year-on-year reduction in the number of children (a net loss of around 600 children) – but administrative data sources (including both the Council’s population estimate and the GP register) suggest that the number of children remains relatively stable from year-to-year (a net loss of only around 100 children).
- 4.19 Given that the model is projecting a net loss of around 600 children in the context of administrative data suggesting a net loss of around 100 children each year, it would appear that the current assumptions lead to around 500 too many children leaving the borough in this projection. As we have previously established the change in population overall, any reduction in the number of children assumed to leave the borough will have a direct impact on the number adults projected to leave – so 500 fewer children leaving the borough requires 500 additional adults to leave.
- 4.20 This change only has a moderate impact on the projected population as the overall number of people doesn’t change; although there is some change in age structure which will influence the number of births, deaths and future migrants projected. Nevertheless, the change is likely to have a significant impact on future household projections:
- » No children are counted as household representatives (“heads of household”), so the number of children leaving the area will not affect the number of households (although it will affect the type of household and the housing that they require);
 - » A proportion of all adults will be counted as household representatives, so a higher number of adults leaving the area will inevitably reduce the projected number of households.
- 4.21 Given this context, it is important to take account of these differences; so we have further refined the PopGroup data schedules with a marginal adjustment to the age structure for UK out migration.

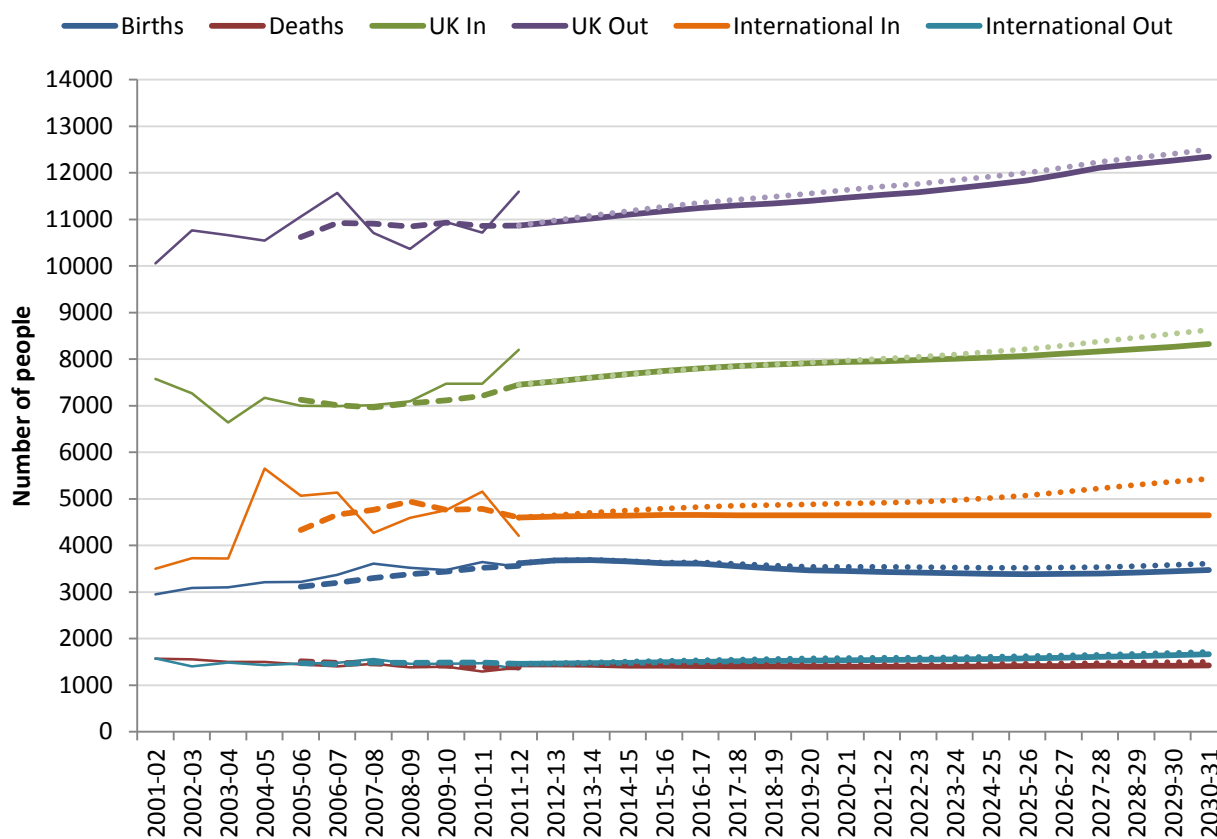
Figure 39: Annual net population change by individual age cohort (excluding births) summarised in 5-year bands
 (Note: LBC population estimate data based on annual average changes 2006-11; GP register data based on annual average changes 2008-13; projected change 2011-12 based on the initial refined PopGroup data schedules)



Establishing Assumptions for the Baseline Projection for Luton

- 4.22 In addition to refinements to the age structure, the future in migration rates (for both UK and International migrants) have been indexed based on changes in the SNPP – as inward migration rates are inherently more influenced by the population outside Luton, which isn't included within the PopGroup model. The impact of this is to maintain a relatively stable level of International in migration over the projection period, rather than assuming that the number of migrants from overseas would inevitably increase as Luton's population grows. Nevertheless, these further modifications have very little effect on the overall number of people in each of the other components (albeit there are changes within the age structures).

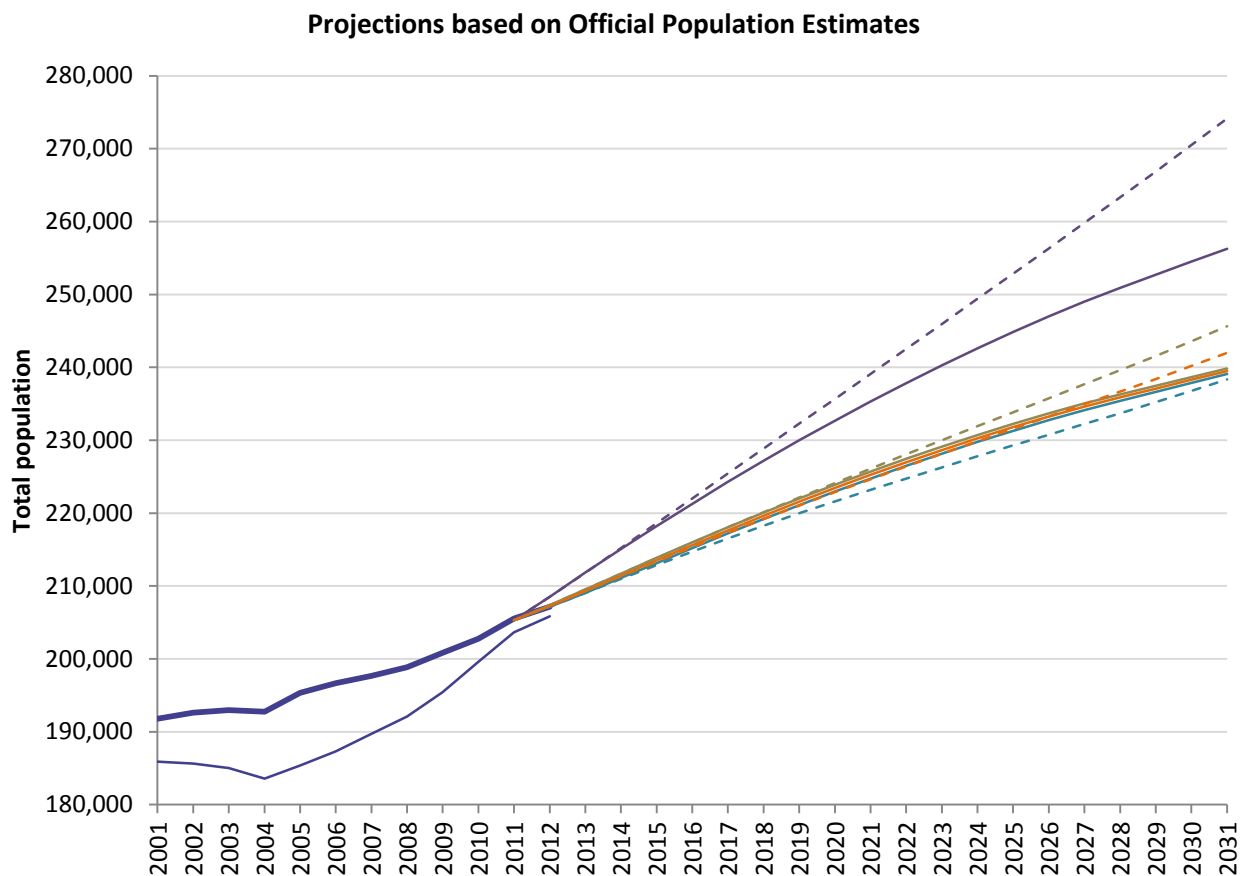
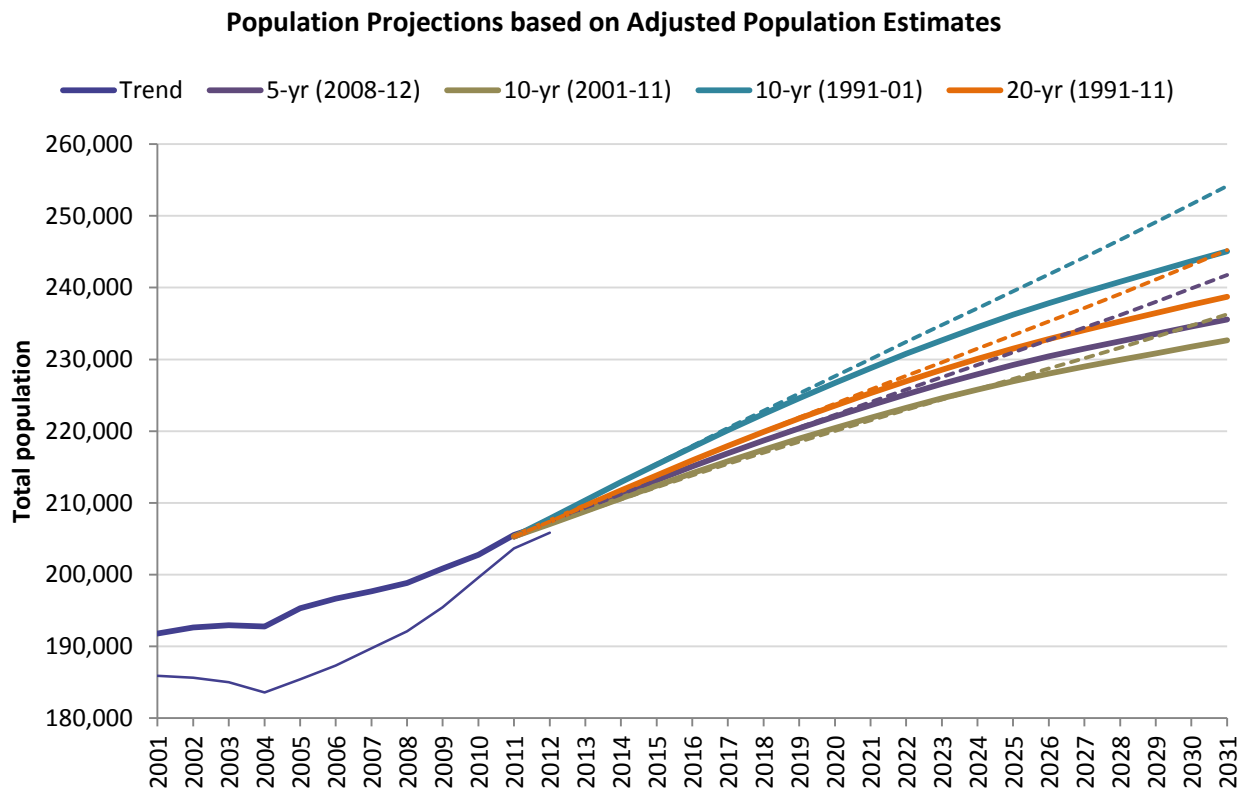
Figure 40: Components of population change based on Luton BC Mid-2011 population estimate and refined PopGroup data schedules with updated age profile (Note: light solid lines show historic trends based on adjusted estimates; heavy dashed lines show 5-year rolling averages for historic trends; heavy solid lines show projections; dotted lines show projections from Figure 38)



Sensitivity Testing Future Migration to and from Luton

- 4.23 Having established this baseline projection, we have then considered a range of different migration scenarios. As previously noted, the baseline projection adopts migration trends for the most recent 5-year period (2007-12) using data from the components of change that were derived by the population trend analysis. Using this data, we have derived scenarios based on average migration for the 10-year periods 1991-2001 and 2001-2011, and the 20-year period 1991-2011.
- 4.24 For comparison, we have also considered scenarios for the same time periods based on the original ONS Mid-Year Estimates components of change.

Figure 41: Population projection based on migration components from official and adjusted population trends (Note: light solid line shows historic trend shows official estimates; heavy solid line shows historic trend shows adjusted estimates; solid line projections based on applying rates such that migration levels vary over the projection period; dashed line projections based on applying fixed values such that migration levels remain constant over the projection period)

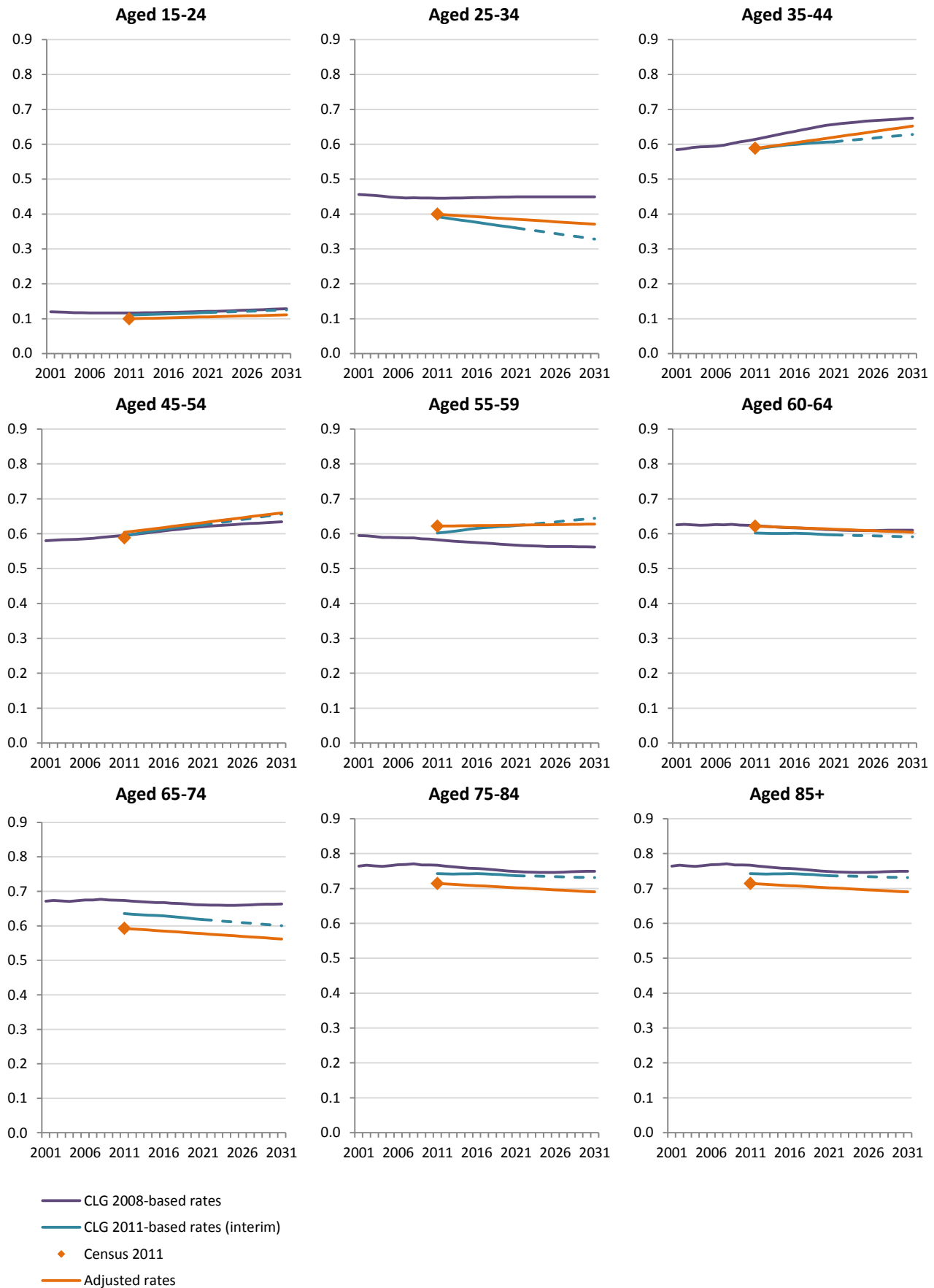


- 4.25 When we consider migration rates derived from official population estimates, the overall population is projected to reach 239,500 people by 2031 when based on average migration over the last 20 years, an overall increase of 34,200 people over the 20-year period. Adopting 10 year migration rates based on trends from official estimates for the 10-year periods from 1991-01 and 2001-11 yield projected populations of 239,100 and 239,800 people respectively by 2031 (increases of 33,800 and 34,500); both very similar to the 20-year migration rates. Nevertheless, migration data from official population estimates for the most recent 5-year period (2007-12) yields a much higher projection with a population of 256,300 people by 2031, an increase of 51,000 people over the 20-year period. This is due to official estimates suggesting a relatively rapid population increase over the period on which the migration trends are based.
- 4.26 As discussed in the separate analysis of Luton’s population trends, there is evidence to suggest that the 2001 Census probably under-enumerated the population resident at that time – which implies a faster population growth over the period 1991-01 and more moderate growth over the period 2001-11, and that analysis also suggested that growth over the most recent 5-year period was broadly in-line with longer-term trends.
- 4.27 Applying migration rates from the adjusted population estimates yields a similar projection when based on 20-year migration trends – a projected population of 238,800 by 2031, an increase of 33,400 people over the 20-year period. Nevertheless, the 10-year trends suggest a wider range for the projections – with the projected population being between 232,600 and 245,100 by 2031 (an increase between 27,400 and 39,800 people). As previously noted, the alternative 5-year trends are consistent with the longer-term range – this data suggests a projected population of 235,600 people by 2031, an increase of 30,300 over the 20-year period.
- 4.28 It is evident that applying rates to establish future migration tends to yield lower population projections than when fixed values are applied. This is mainly due to the assumed levels of out migration increasing as the population grows over the projection period; whereas out migration inevitably doesn’t change over the projection period when fixed values are used. Assuming that Luton’s population did grow in line with the projections, it is likely that out-migration would also increase in future; but if in practice the population growth is dispersed (with a proportion of the growth accommodated in surrounding areas), future out-migration levels from the borough would also not increase to the same extent – so the consequences of these higher figures should also be considered.

Establishing Household Projections for Luton

- 4.29 Headship Rates are a demographic tool used to convert population into households and are based on those members of the population who can be classed as “household representatives” or “heads of household”.
- 4.30 The proportion of people in any age cohort who will be household representatives vary between people of different ages; for example, fewer teenagers will be household representatives than say those aged 85 or over. However, the Headship Rates used are key to the establishment of the number of households and, further, the number of households are key to the number of homes that will be required.
- 4.31 Rates are published as part of the household projections produced by CLG. Interim 2011-based Household Projections were published in April 2013, and this included updated Headship Rates which took account of initial data from the 2011 Census. Figure 42 shows the rates for each cohort taken from this interim data and the previous 2008-based projections, and also shows data more recently published from the 2011 Census. Using the full range of available data, we have derived adjusted rates for each cohort.

Figure 42: Household headship rates (Note: CLG 2011-based rates only published for 2011-21; Adjusted rates based on 2011 Census with rate of change based on average change between CLG 2008-based rates and CLG 2011-based rates)



4.32 We have considered the range of population projections based on the different migration periods and population trends to establish the projected number of additional households based on CLG 2008-based headship rates, CLG interim 2011-based headship rates (with trends in headship rates rolled forward for the period beyond 2021, as illustrated by the dashed line in Figure 42) and the adjusted rates based on further information from the 2011 Census and a rate of change based on the mid-point between the changes in the two CLG rates (also illustrated in Figure 42). The projected increase in households across the various scenarios is summarised in Figure 43.

Figure 43: Projected increase in households over the 20-year period 2011-31 based on alternative migration periods, population trends and headship rates

	20-year migration (1991-11)		10-year migration (1991-01)		10-year migration (2001-11)		5-year migration (2007-12)	
	Rates	Fixed	Rates	Fixed	Rates	Fixed	Rates	Fixed
Trends based on Adjusted Population Estimates								
2008-based rates	16,100	18,500	18,600	22,000	13,700	15,100	14,700	17,100
Interim 2011-based rates	14,800	17,100	17,300	20,400	12,500	13,800	13,500	15,600
Adjusted rates	15,000	17,300	17,500	20,700	12,700	14,000	13,700	15,900
Trends based on Official Population Estimates								
2008-based rates	16,100	17,400	15,900	15,900	16,300	18,900	22,600	30,000
Interim 2011-based rates	15,000	16,200	15,000	15,000	15,000	17,400	20,800	27,600
Adjusted rates	15,100	16,300	15,000	15,000	15,200	17,600	21,200	28,100

4.33 Based on these outputs, we have identified three scenarios to consider further (Figure 44):

- » **Mid-trend migration** scenario based on 20-year migration trends from the adjusted population estimates; and
- » **High-trend migration** and **Low-trend migration** scenarios based on the two 10-year migration trends from the adjusted population estimates.

Figure 44: Projected increase in households over 20-years and over 5-year periods 2011-31 based on high-trend, mid-trend and low-trend migration scenarios

	2011-31		2011-16		2016-21		2021-26		2026-31	
	20-yr total	Annual average	5-yr total	Annual average	5-yr total	Annual average	5-yr total	Annual average	5-yr total	Annual average
High-trend migration										
Migration based on rates	17,500	870	4,300	860	4,800	970	4,400	880	3,900	780
Fixed migration levels	20,700	1,030	4,300	870	5,200	1,040	5,400	1,070	5,700	1,150
Mid-trend migration										
Migration based on rates	15,000	750	3,600	720	4,200	840	3,800	770	3,400	680
Fixed migration levels	17,300	870	3,600	720	4,400	880	4,500	900	4,800	970
Low-trend migration										
Migration based on rates	12,700	630	2,900	580	3,600	720	3,300	660	2,900	580
Fixed migration levels	14,000	700	2,900	570	3,600	720	3,600	720	3,900	790

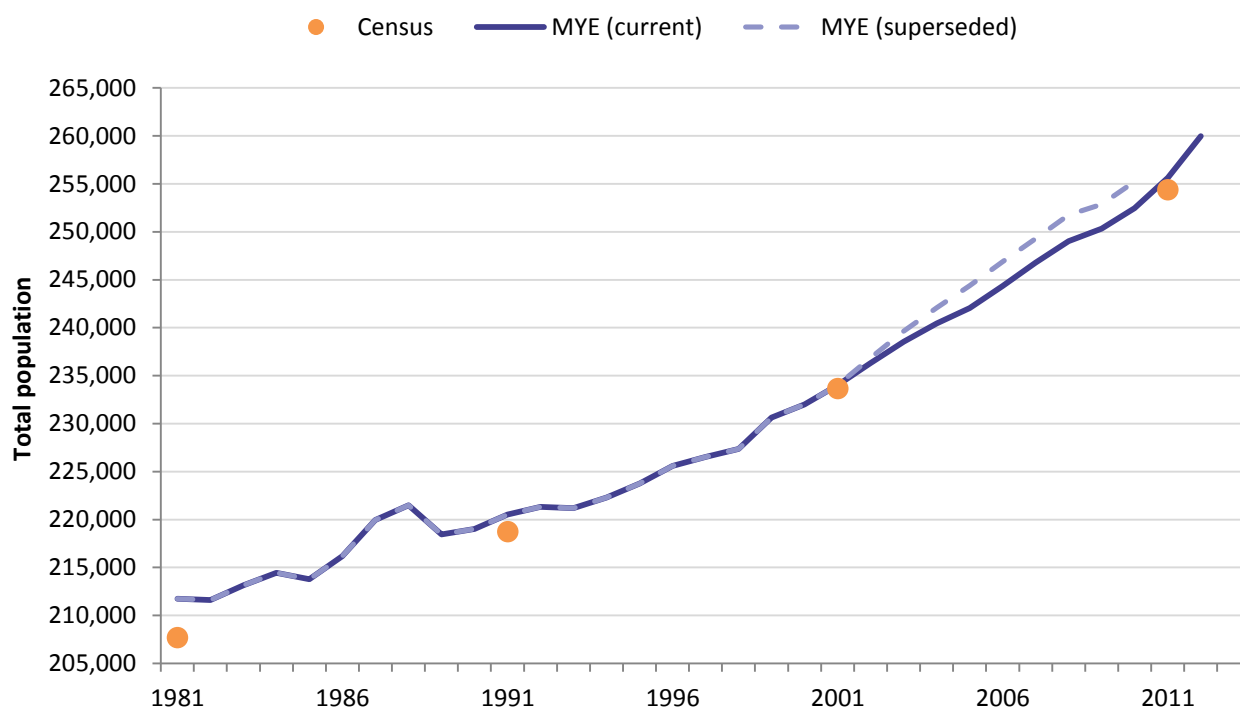
Luton's Future Household Growth

- 4.34 The mid-trend migration scenarios suggest an annual increase of 750-870 households each year on average over the 20-year period, but this ranges from an average low of 680 to an average high of 970 households per annum during the period across the scenarios. This is based on migration for the last 20 years from the adjusted population trends.
- 4.35 Whilst it is important to recognise that there is no single correct figure, a growth of around 810 households each year on average over the 20-year period to 2031 provides a reasonable mid-point estimate. This estimate is broadly consistent our analysis using migration assumptions based on official population trends (for the last 20 years and also both of the 10-year periods); and although we have significant reservations about some of this data, it is still worth noting this consistency.
- 4.36 Furthermore, this mid-point estimate is consistent with the CLG 2008-based household projections which showed an average annual increase of 800 households (Figure 35). The figure is lower than the more recent 2011-based household projections (which project a growth of 1,000 households per year) – but these are only interim projections, and the concerns identified about official population estimates are likely to have had a more significant impact on these figures. We would note that our projections using official trends for the most recent 5-years suggest an increase of between 1,100 and 1,400 households each year, so it is possible that the next round of projections from CLG could also be higher; although other changes, such as new headship rates, could moderate any increase to some extent.
- 4.37 To understand the possible range of future household growth, we have established high-trend migration and low-trend migration scenarios, based on migration for 10-year periods from the adjusted population trends. The high-trend migration scenarios suggest an annual increase of 870-1,030 households each year (with a full range of 780-1,150) whilst the low-trend migration scenarios suggest a more moderate 630-700 households per year (with a full range of 570-790).

Demographic Projections for Central Bedfordshire

4.38 Figure 45 shows the official population estimates for Central Bedfordshire for the period since 1981, based on Census data and ONS Mid-Year Population Estimates. It is evident that the 2011 Census was broadly consistent with the previous Mid-Year Estimates, and there no substantial change was required to the overall population.

Figure 45: Official population estimates for Central Bedfordshire for the period 1981-2012 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded. Note: For the period before Central Bedfordshire being established, data for Mid Bedfordshire and South Bedfordshire has been combined)

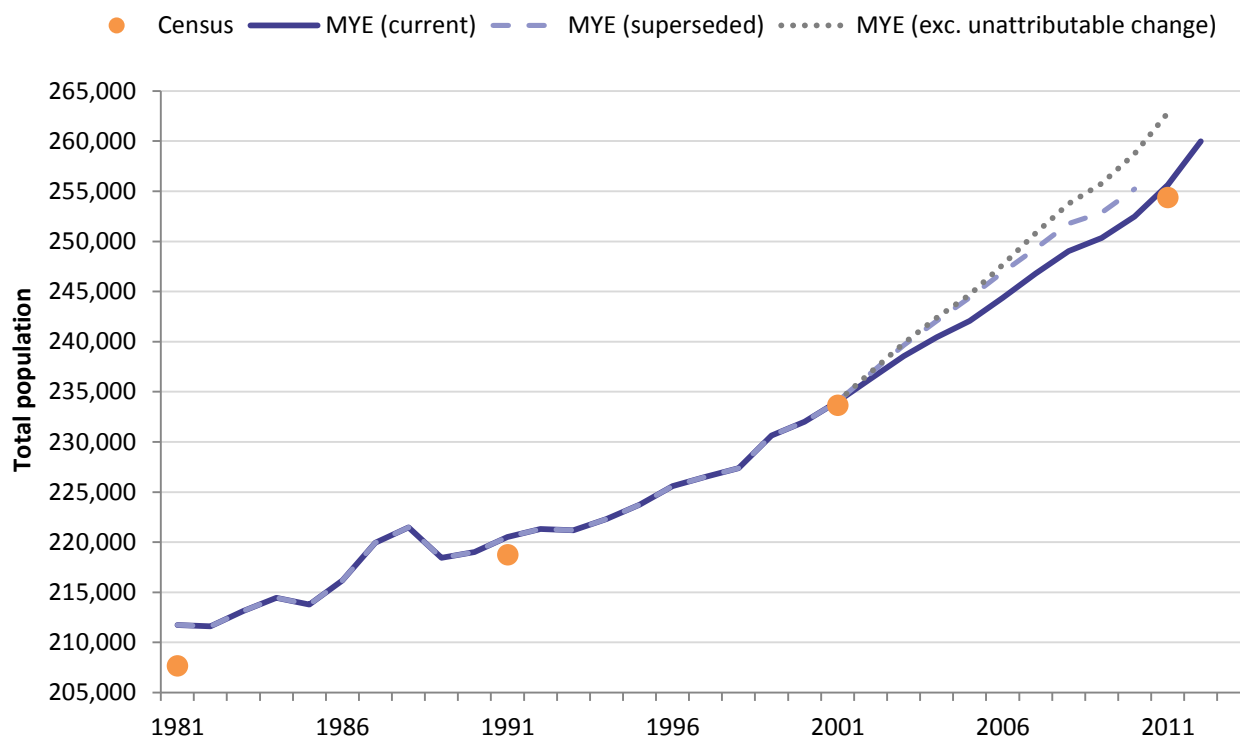


4.39 Whilst the overall population estimates did not significantly change, the ONS also incorporated other changes to the underlying components of population change. Most changes were only marginal, but the estimate for international in migrants increased by an average of 418 persons each year (Figure 46). Incorporating this increase in net international migration meant that the original estimates for total population changed from being marginally too high to being markedly higher than was suggested by the 2011 Census.

Figure 46: Components of population change, revised in the light of the 2011 Census (Source: ONS Mid-Year Estimates, original and revised. Note: "Other Changes" includes adjustments for prisoners, armed forces and other unattributable changes. Figures presented unrounded for transparency, but should only be treated as accurate to the nearest 100)

Annual Average 2002-10	Births	Deaths	UK Migration (Net)	International Migration		Asylum Seekers (Net)	Other Changes (Net)	Unattributable Change
				In	Out			
Original estimate	2,999	1,940	+943	1,109	818	+4	+8	-
Revised estimate	2,999	1,940	+940	1,527	799	+4	-6	-705
Net change	0	0	-3	+418	-19	0	-14	-705

Figure 47: Official population estimates for Central Bedfordshire for the period 1981-2012 showing the impact of the adjustments to international migration (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded. Note: For the period before Central Bedfordshire being established, data for Mid Bedfordshire and South Bedfordshire has been combined)



- 4.40 After incorporating the adjustments to migration, the component of population change data identified a net gain of 28,800 people in Central Bedfordshire over the 10-year period 2001-11. This was based on a natural growth of 10,700 people, a net gain of 18,200 migrants, and a net loss of 100 persons due to changes in the prison and armed forces populations and other technical adjustments. **Nevertheless, the population of Central Bedfordshire did not actually increase by 28,800 people; in fact, the population increase was only 21,600 people over this period – a difference of 7,200 persons.**
- 4.41 Given that the population estimates in 2001 and 2011 are far more accurate and robust than the component of change data from year-to-year, the ONS factor in an “accountancy” adjustment to the components of change to ensure that this data reconciles with the more accurate estimates for the total population in the two Census years. Therefore, in addition to the known population flows, an element of “unattributable change” is included in the figures. This averages to be a net annual reduction of 718 persons each year from 2001-02 to 2010-11 in the figures for Central Bedfordshire.
- 4.42 Figure 48 presents a full breakdown of the most recent data published by the ONS, detailing the components of population change for Central Bedfordshire area over the period since 1991. It is clear that the adjustment for “other changes” (which is dominated by unattributable change) has become more important in the estimates for later years; increasing year-on-year from a net loss of around 650 persons in 2001-02 to a loss of more than 900 persons in 2010-11.
- 4.43 It is important to recognise that “unattributable change” isn’t factored in for the 2011-12 period, as this would only be incorporated once data is published from the 2021 Census – but given the scale of adjustment required post-2011, it is important to recognise that the flow data that is recorded for the period may be overstating the actual level of population increase.

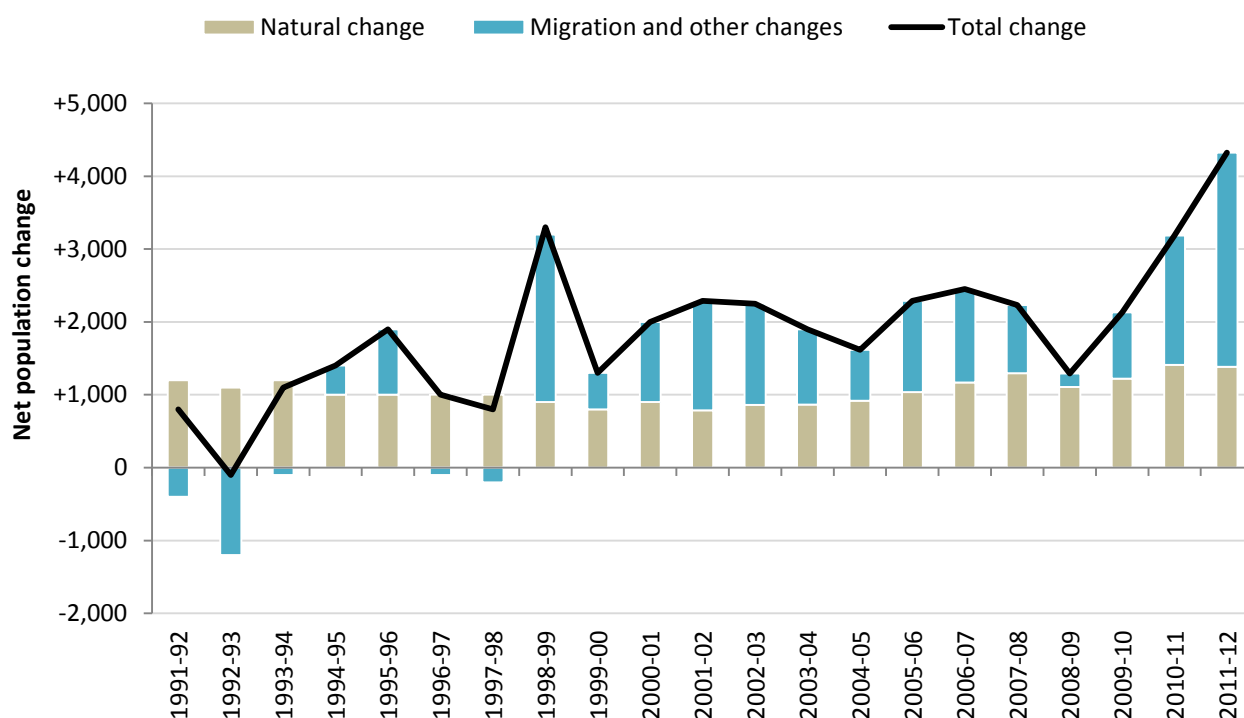
Figure 48: Components of population change, revised in the light of the 2011 Census (Source: ONS Mid-Year Estimates, revised. Note: “Other Changes” includes adjustments for asylum seekers, prisoners, armed forces and other unattributable changes. Figures for 2001-02 onward presented unrounded for transparency, but should only be treated as accurate to the nearest 100. Figures for earlier years rounded to the nearest 100)

Year	Births	Deaths	Natural Change	UK Migration		International Migration		Asylum Seekers (Net)	Other Changes	Migration and Other Changes	Total Change
				In	Out	In	Out				
1991-92	3,200	1,900	+1,200	-	-	-	-	-	-	-400	+800
1992-93	3,000	1,900	+1,100	-	-	-	-	-	-	-1,200	-100
1993-94	3,100	1,900	+1,200	-	-	-	-	-	-	-100	+1,100
1994-95	3,000	1,900	+1,000	-	-	-	-	-	-	+400	+1,400
1995-96	2,900	1,900	+1,000	-	-	-	-	-	-	+900	+1,900
1996-97	2,900	2,000	+1,000	-	-	-	-	-	-	-100	+1,000
1997-98	2,800	1,900	+1,000	-	-	-	-	-	-	-200	+800
1998-99	2,900	2,000	+900	-	-	-	-	-	-	+2,300	+3,300
1999-00	2,900	2,000	+800	-	-	-	-	-	-	+500	+1,300
2000-01	2,800	1,900	+900	-	-	-	-	-	-	+1,100	+2,000
2001-02	2,756	1,970	+786	13,839	12,824	1,955	756	-60	-649	+1,505	+2,291
2002-03	2,784	1,924	+860	13,601	12,537	1,661	693	+5	-647	+1,390	+2,250
2003-04	2,811	1,947	+864	13,309	12,252	1,388	762	+5	-655	+1,033	+1,897
2004-05	2,899	1,980	+919	12,949	11,837	780	498	+5	-700	+699	+1,618
2005-06	3,004	1,969	+1,035	13,298	12,056	1,525	803	+1	-711	+1,254	+2,289
2006-07	3,051	1,880	+1,171	13,721	12,428	1,577	889	+1	-701	+1,281	+2,452
2007-08	3,218	1,921	+1,297	12,727	11,659	1,543	971	+4	-709	+935	+2,232
2008-09	3,101	1,993	+1,108	10,930	10,752	1,758	1,047	+6	-709	+186	+1,294
2009-10	3,127	1,905	+1,222	12,048	11,540	1,980	731	+1	-849	+909	+2,131
2010-11	3,291	1,881	+1,410	12,518	11,203	2,148	771	+1	-919	+1,774	+3,184
2011-12	3,275	1,890	+1,385	14,022	12,033	1,496	551	+6	0	+2,940	+4,325
Overall Average	2,991	1,931	+1,055	12,997	11,920	1,619	770	-2	-659	+815	+1,879
Annual Averages											
20-years 1991-2011	2,977	1,934	+1,039	12,894	11,909	1,632	792	-3	-725	+708	+1,757
10-years 1991-2001	2,950	1,930	+1,010	-	-	-	-	-	-	+320	+1,350
10-years 2001-2011	3,004	1,937	+1,067	12,894	11,909	1,632	792	-3	-725	+1,097	+2,164
5-years 2007-2012	3,202	1,918	+1,284	12,449	11,437	1,785	814	4	-637	+1,349	+2,633

Future Population Projections for Central Bedfordshire

^{4.44} In establishing future population projections, it is important to recognise the importance of migration and other changes; in particular the way in which the numbers can vary significantly from year-to-year. These differences are partly due to changes in the underlying trends, but can also be associated with uncertainties in measuring the flows. Figure 49 clearly shows that whilst natural change is relatively stable, the overall impact from migration is much more volatile – with data for individual years ranging from an annual loss of 1,200 people to annual gains of 2,000-3,000 people (although the highest figure relates to 2011-12, for which there is a caveat previously noted in para 4.43).

Figure 49: Components of population change (Source: ONS Mid-Year Population Estimates, revised)



^{4.45} For this reason, when preparing population projections we consider migration trends averaged over longer periods of time. The appropriate period will vary depending on the purpose of the projection – but longer-term projections typically benefit from longer-term trends. Therefore, consistent with the previous analysis for Luton borough, we have developed scenarios based on four migration periods: a 20-year period (1991-2011), two 10-year periods (1991-2001 and 2001-2011) and also the most recent 5-year period (2007-2012).

^{4.46} All of the longer term periods are constrained based on intercensal population change, so “other changes” reported in the Mid-Year Estimate components of change have to be factored into the population flows. Given that data on births and deaths is likely to be accurate, the adjustment is only applied to the migration flows and these are all adjusted on a proportionate basis. For consistency, “other changes” are also factored into the projection based on 5-year migration trends – although no adjustment has been assumed for the 2011-12 data.

Figure 50: Assumed migration flows for population projections based on 5-, 10- and 20-year migration scenarios

Scenario	Base Data						Adjusted Flows				Migration and Other Changes
	UK		International		Asylum Seekers (Net)	Other Changes	UK		International		
	In	Out	In	Out			In	Out	In	Out	
5-years 2007-2012	12,449	11,437	1,785	814	4	-637	12,154	11,713	1,743	835	+1,349
10-years 2001-2011	12,894	11,909	1,632	792	-3	-725	12,551	12,226	1,584	813	+1,097
10-years 1991-2001	-	-	-	-	-	-	12,861	13,388	1,627	780	+320
20-years 1991-2011	-	-	-	-	-	-	12,706	12,807	1,605	797	+708

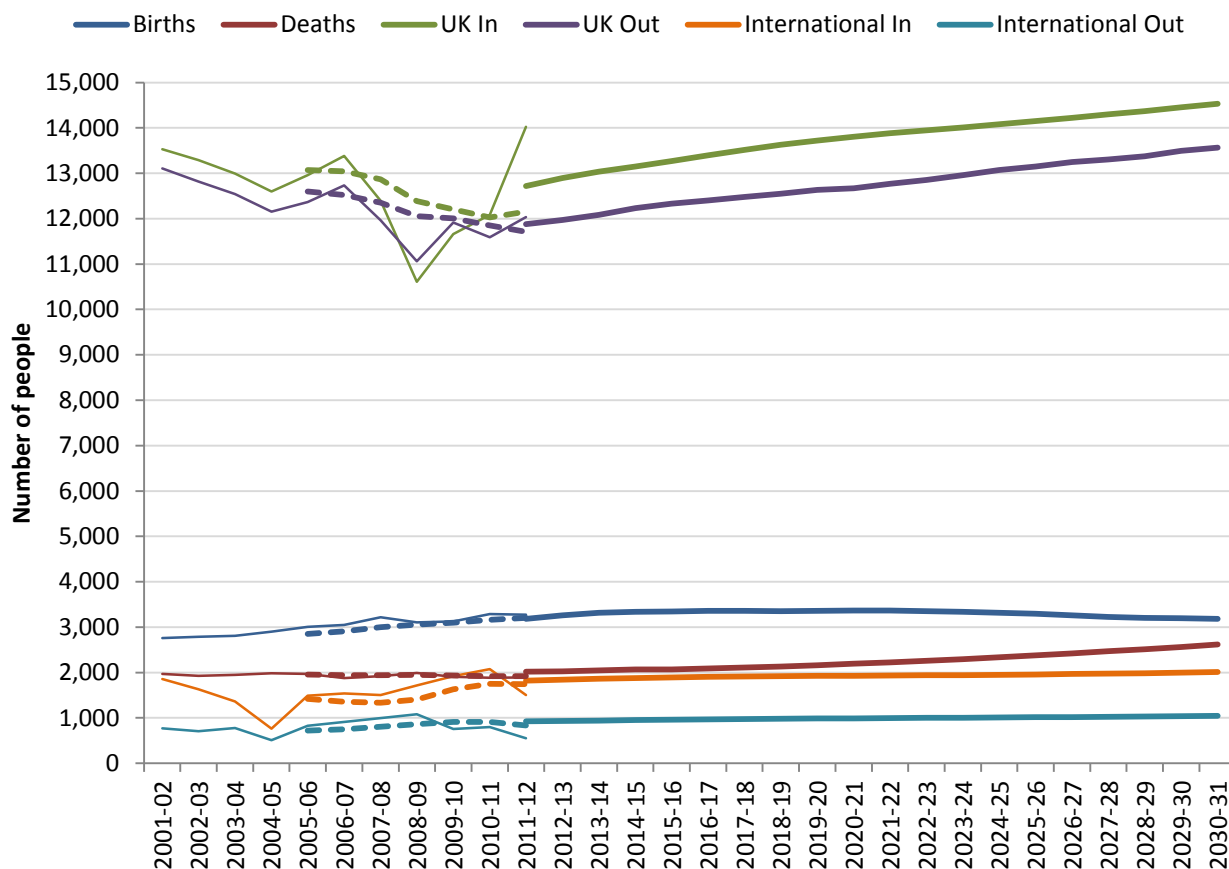
4.47 Our initial population projection for Central Bedfordshire is based on standard data, with the ONS Mid-2011 Population Estimate as a base population (in terms of the number of people by age and gender) and applying the standard PopGroup data schedules that have been derived from the ONS 2010-based Sub-National Population Projections (SNPP).

4.48 This projects that the population will grow from 255,600 in 2011 up to 315,500 over the 20-year period to 2031; a growth of 59,800 people, equivalent to an average gain of almost 3,000 people each year. This is in the context of official estimates showing an increase of 21,600 people over the 10-year period 2001-11, and an increase of 13,200 people over the 5-year period 2007-12: average annual rates of 2,200 and 2,600 respectively.

4.49 Figure 51 considers the components of change projected by the model alongside historic trends (in terms of annual figures and 5-year rolling averages) it is evident that the projections for these individual components are broadly consistent with recent official trends, although there are clear differences in UK migration flows to and from the area. In summary:

- » Births and Deaths, and International migration are projected in line with official trends;
- » UK in migration and UK out migration have both showed a reducing trend in the 5-year averages from 2001-06 to 2007-12; but the projections show migration steadily increasing over the period to 2031, with higher baseline rates in 2011-12 than identified by recent trends (in particular for in migration).

Figure 51: Components of population change based on ONS Mid-2011 population estimate and PopGroup ONS 2010 SNPP standard data schedules (Note: light solid line shows historic trends based on official estimates; heavy dashed line shows 5-year rolling averages for historic trends; heavy solid line shows projections)



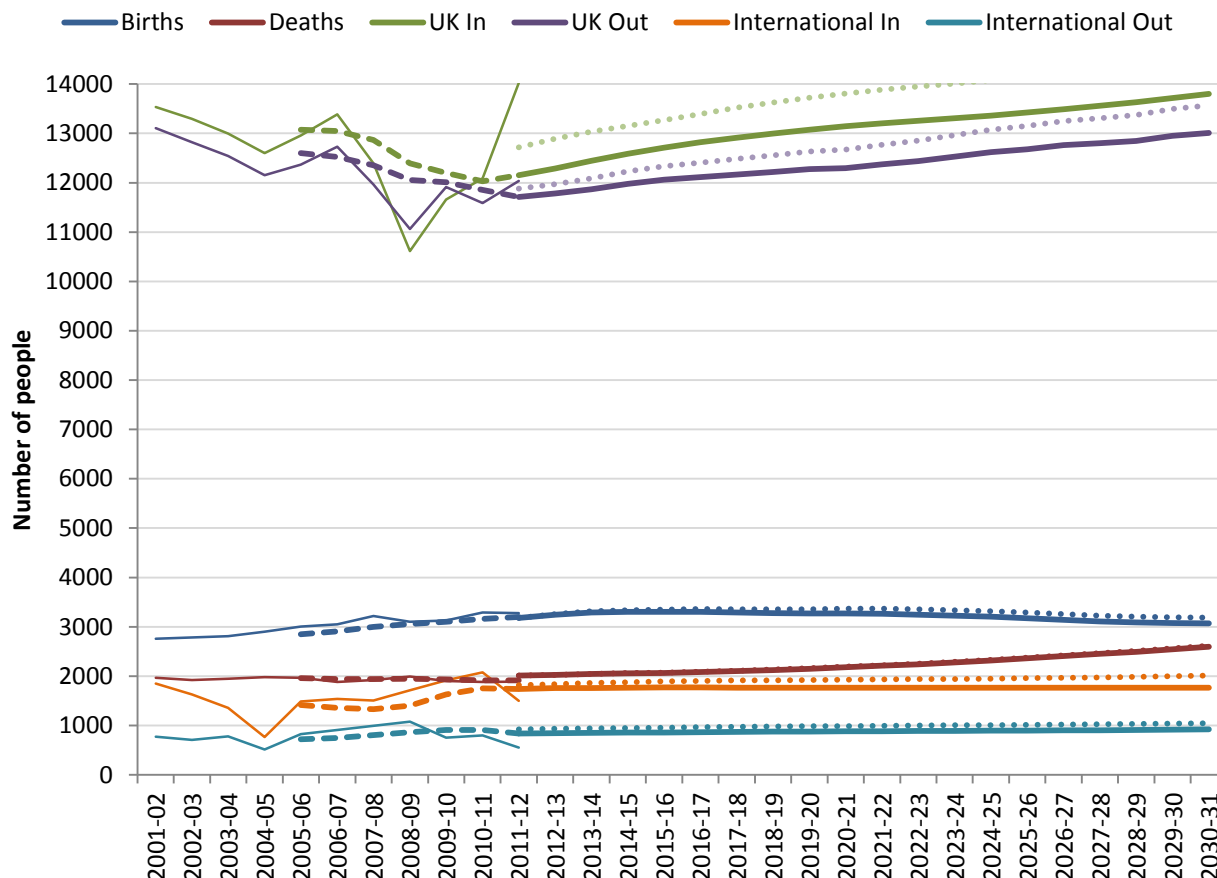
Establishing Assumptions for the Baseline Projection for Central Bedfordshire

4.50 Given the differences between past trends and future projections identified in the initial outputs, we have refined the PopGroup data schedules on the basis of the following assumptions, taking the ONS 2010 SNPP schedules as a starting point in each case:

- » Birth (fertility) rates have been adjusted based on the actual number of births recorded for Central Bedfordshire in 2009, 2010 and 2011; no adjustments have been made to way in which birth rates are projected to change in future;
- » Death rates have been adjusted based on the actual number of deaths recorded for Central Bedfordshire each year over the period 2006-11; no adjustments have been made to way in which death rates are projected to change in future;
- » Migration rates (in and out for UK and overseas) have been adjusted based on the components of change derived from the population trends analysis presented in Figure 50 for the most recent 5-year period, with future rates constrained to SNPP outputs (which is consistent with the analysis undertaken for Luton).

4.51 Figure 52 shows the consequences of these adjustments on the projected components of population change. The projections are inevitably consistent with the trends for each component, as the projection schedules have been adjusted using this trend-based data as a constraint.

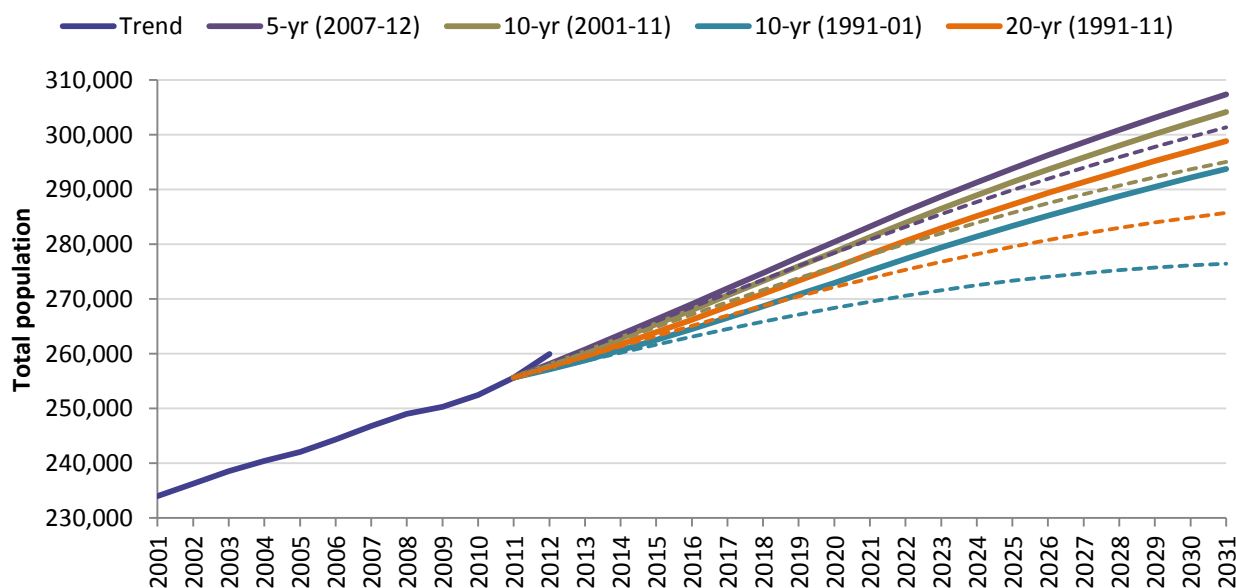
Figure 52: Components of population change based on ONS Mid-2011 population estimate and constrained PopGroup data schedules (Note: light solid lines show historic trends based on adjusted estimates; heavy dashed lines show 5-year rolling averages for historic trends; heavy solid lines show projections; dotted lines show projections from Figure 51)



Sensitivity Testing Future Migration to and from Central Bedfordshire

- 4.52 Having established this baseline projection, we have then considered a range of different migration scenarios. As previously noted, the baseline projection adopts migration trends for the most recent 5-year period (2007-12) using data from the components of change that were derived by the population trend analysis. Using this data, we have derived scenarios based on average migration for the 10-year periods 1991-2001 and 2001-2011, and the 20-year period 1991-2011.
- 4.53 For comparison, we have also considered scenarios for the same time periods based on the original ONS Mid-Year Estimates components of change. As for Luton borough, the population projections have been produced using the PopGroup software. The analysis is informed by a range of assumptions which have been based on the most up-to-date information about the population in Central Bedfordshire.
- 4.54 Figure 53 shows the overall population projections for the migration trend-based scenarios over the period 2011-31. The dotted lines show the impact of holding future migration levels constant, whereas the solid lines show the impact of basing migration on rates. The projections based on fixed migration range from 285,800 to 301,400 persons, which represent 20-year increases of 30,100 persons and 45,700 persons respectively. The projections based on migration rates range from 298,900 to 307,400 persons, 20-year increases of 43,200-51,700 persons.

Figure 53: Population projection based on migration trends (Note: solid line projections based on applying rates such that migration levels vary over the projection period; dashed line projections based on applying fixed values such that migration levels remain constant over the projection period)

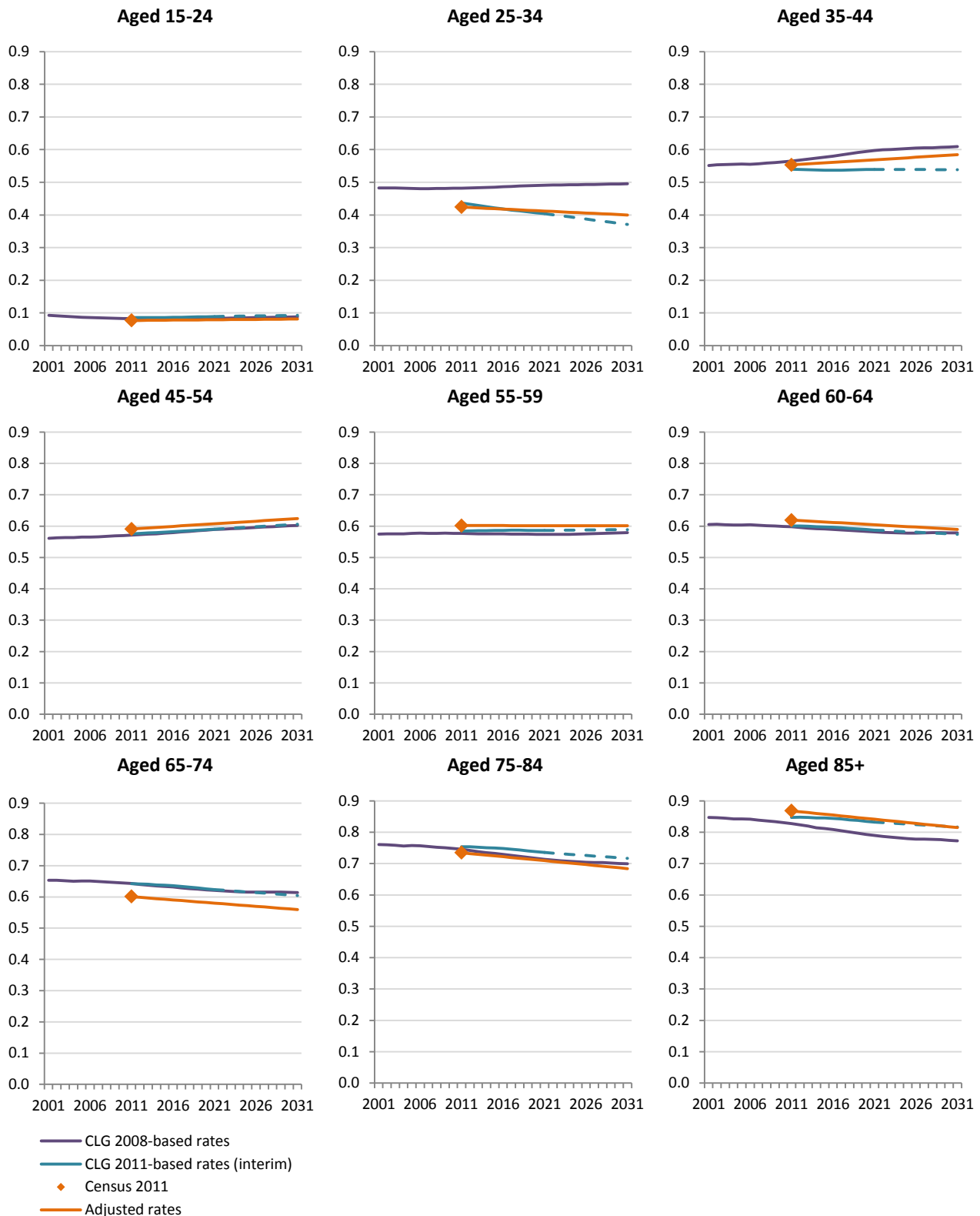


Establishing Household Projections for Central Bedfordshire

- 4.55 Headship Rates are a demographic tool used to convert population into households and are based on those members of the population who can be classed as “household representatives” or “heads of household”.
- 4.56 The proportion of people in any age cohort who will be household representatives vary between people of different ages; for example, fewer teenagers will be household representatives than say those aged 85 or over. However, the Headship Rates used are key to the establishment of the number of households and, further, the number of households are key to the number of homes that will be required.

4.57 Rates are published as part of the household projections produced by CLG. Interim 2011-based Household Projections were published in April 2013, and this included updated Headship Rates which took account of initial data from the 2011 Census. Figure 54 shows the rates for each cohort taken from this interim data and the previous 2008-based projections, and also shows data more recently published from the 2011 Census. Using the full range of available data, we have derived adjusted rates for each cohort.

Figure 54: Household headship rates (Note: CLG 2011-based rates only published for 2011-21; Adjusted rates based on 2011 Census with rate of change based on average change between CLG 2008-based rates and CLG 2011-based rates)



- 4.58 We have considered the range of population projections based on the different migration periods and population trends to establish the projected number of additional households based on CLG 2008-based headship rates, CLG interim 2011-based headship rates (with trends in headship rates rolled forward for the period beyond 2021, as illustrated by the dashed line in Figure 54) and the adjusted rates based on further information from the 2011 Census and a rate of change based on the mid-point between the changes in the two CLG rates (also illustrated in Figure 54). The projected increase in households across the various scenarios is summarised in Figure 55.

Figure 55: Projected increase in households over the 20-year period 2011-31 based on alternative migration periods, population trends and headship rates

	20-year migration (1991-11)		10-year migration (1991-01)		10-year migration (2001-11)		5-year migration (2007-12)	
	Rates	Fixed	Rates	Fixed	Rates	Fixed	Rates	Fixed
2008-based rates	27,400	22,100	25,600	18,700	29,300	25,600	30,500	27,900
Interim 2011-based rates	23,700	18,800	22,000	15,700	25,400	22,000	26,400	24,100
Adjusted rates	24,600	19,600	22,900	16,300	26,400	22,800	27,400	25,000

- 4.59 The 20-year trend migration scenarios suggest an annual increase of 940-1,110 households on average over the 20-year projection period based on fixed migration levels, or 1,180-1,370 households annually when we base future migration flows on rates.
- 4.60 Data for the most recent intercensal 10-year period (2001-11) suggest a higher rate of increase: 1,100-1,280 households per year based on fixed migration levels; 1,270-1,470 households per year on average when using migration rates. The projections are higher still when based on the most recent 5-year period: 1,200-1,400 annually based on fixed migration; 1,320-1,530 per year based on migration rates.
- 4.61 When we compare this data to the CLG projections, applying interim 2011-based headship rates to population projections based on 5-year migration trends (using rates) the number of households is projected to increase by 26,400 over the 20-year period – equivalent to an average rate of 1,320 households per year. The CLG interim 2011-based projections identify a projected increase of 15,870 households over 10 years (1,590 per year), however this difference is likely to be associated with revisions to the ONS Mid-Year Estimates following the 2011 Census which would not be factored in to the interim data from CLG.
- 4.62 It is then necessary to consider the most appropriate basis on which to plan future household growth. Whilst projections would typically be based on 5-year trends for demographic purposes, the planning process is based on much longer periods. In projecting forward for 20 years, it is appropriate to look back over a comparable period (i.e. 20 years) to avoid focussing on periods of particularly high or particularly low growth. This is also consistent with the approach taken for the Luton projections. Of course, we cannot consider that trend in isolation and it is appropriate to also consider migration trends based on 10-year averages. However, 5-year trends are far more susceptible to variability and exceptionally high (or exceptionally low) migration levels are unlikely to persist over the whole planning period, and therefore this doesn't provide a robust basis for longer-term planning.
- 4.63 With regard to headship rates, concerns have been raised that the interim 2011-based rates have been influenced by recent economic circumstances and that household formation has been suppressed (for example, by an increase in adult children living at home longer and not forming independent household). Nevertheless, it is generally recognised that 2008-based rates were artificially high and that it is unlikely

that headship rates will simply revert to those projections. Given that context, the adjusted rates provide a realistic assessment of likely future rates, identifying more household growth than suggested by the interim 2011-based rates but less than the 2008-based rates.

4.64 Therefore, we would recommend that household growth is based on 20-year migration trends using adjusted headship rates; but recognise that there may be need to plan for growth based on the most recent 10-year intercensal trends. Furthermore, given that Central Bedfordshire is likely to accommodate its natural growth locally, it seems appropriate to base future household numbers on projections that adopt migration rates (rather than fixed migration).

Combined Household Growth for Luton and Central Bedfordshire

4.65 Figure 56 sets out the projected growth in households for Luton alongside the Central Bedfordshire growth. In combining the figures to understand the overall household growth that is projected, it is important that we retain consistent assumptions across the two areas. It is therefore important that:

- » The periods adopted for migration trends are consistent;
- » Projections based on migration rates and projections based on fixed migration remain separate; and
- » Headship rates are derived in the same way.

Figure 56: Projected increase in households for Luton and Central Bedfordshire over the 20-year period 2011-31 based on alternative migration periods, population trends and headship rates

	20-year migration (1991-11)		10-year migration (1991-01)		10-year migration (2001-11)		5-year migration (2007-12)	
	Rates	Fixed	Rates	Fixed	Rates	Fixed	Rates	Fixed
2008-based Rates								
Luton	16,100	18,500	18,600	22,000	13,700	15,100	14,700	17,100
Central Bedfordshire	27,400	22,100	25,600	18,700	29,300	25,600	30,500	27,900
TOTAL	43,500	40,600	44,200	40,700	43,000	40,700	45,200	45,000
Interim 2011-based Rates								
Luton	14,800	17,100	17,300	20,400	12,500	13,800	13,500	15,600
Central Bedfordshire	23,700	18,800	22,000	15,700	25,400	22,000	26,400	24,100
TOTAL	38,500	35,900	39,300	36,100	37,900	35,800	39,900	39,700
Adjusted Rates								
Luton	15,000	17,300	17,500	20,700	12,700	14,000	13,700	15,900
Central Bedfordshire	24,600	19,600	22,900	16,300	26,400	22,800	27,400	25,000
TOTAL	39,600	36,900	40,400	37,000	39,100	36,800	41,100	40,900

4.66 When we consider the combined data, it is evident that some of the differences previously observed when considering the two areas in isolation are balancing against each other. In particular, it is useful to note that:

- » Luton migration trends yield higher figures for the period 1991-2001 whilst Central Bedfordshire figures are higher based on trends from 2001-2011; and
- » Luton projections yield higher figures based on fixed migration whilst Central Bedfordshire figures are higher when based on migration rates; however

- » Luton and Central Bedfordshire projections are consistently higher when derived using 2008-based headship rates; lower when derived using the interim 2011-based rates and between the projections from these scenarios when the adjusted rates are used.

- ^{4.67} Given this context, the differences between the various periods of migration trends become less significant: based on the adjusted headship rates, the overall growth based on migration rates ranges from 39,100 to 40,400 additional households, and based on fixed migration ranges from 36,800 to 37,000 additional households. Trends based on the most recent 5-year period remain marginally higher, but as previously discussed this approach does not provide an appropriate basis for planning over the mid- to long-term.
- ^{4.68} It is apparent that the overall figures based on migration rates exceed those based on fixed migration levels – mainly due to the projected increase in UK migrants moving to Central Bedfordshire that are identified by the 2010 Sub-National Population Projections. Nevertheless, as the rates figures would normally be the preferred approach, given that this already yields a higher household growth there is no need for any adjustment as was required when considering Luton borough in isolation – it is appropriate to simply adopt the figure based on rates.
- ^{4.69} The final consideration is the most appropriate headship rates; and given that the adjusted rates take account of all of the relevant data, including information from the 2011 Census as well as both the 2008-based and interim 2011-based rates published by CLG, we believe that these present the most appropriate basis to inform the overall Objectively Assessed Need.

Chapter Summary

- » *Overall, there is a need to balance various trend scenarios with a need to be relatively consistent with CLG in order to derive a robust basis for projections. By using 2011 Household Representative Rates we achieve consistency with CLG. Nevertheless, whilst CLG use 5-yr trend and 2011 Household Representative Rates, we are recommending a 20-yr trend (or at least 10-yr trend) with adjusted HRR as a more appropriate basis for forecast. This is also consistent with the approach taken for Luton.*
- » *On this basis of the various population and household information considered, we would conclude that the demographic projections suggest a growth for Luton of 810 households each year on average over the 20-year period to 2031, but that this sits within a range of between 670 and 950 households each year.*
- » *On this basis of consistent analysis for Central Bedfordshire, we would conclude that the demographic projections suggest a growth of 1,230 households each year on average over the 20-year period to 2031, but that this sits within a range of between 1,140 and 1,320 households each year.*
- » *When considering the combined area, the projections identify an increase of 39,600 households over the 20-year period (almost 2,000 households each year on average). It is evident from the analysis that some of the differences seen when considering the areas in isolation are balancing against each other – so the combined range is much smaller (from 39,100 to 40,400 households over the 20-year period).*

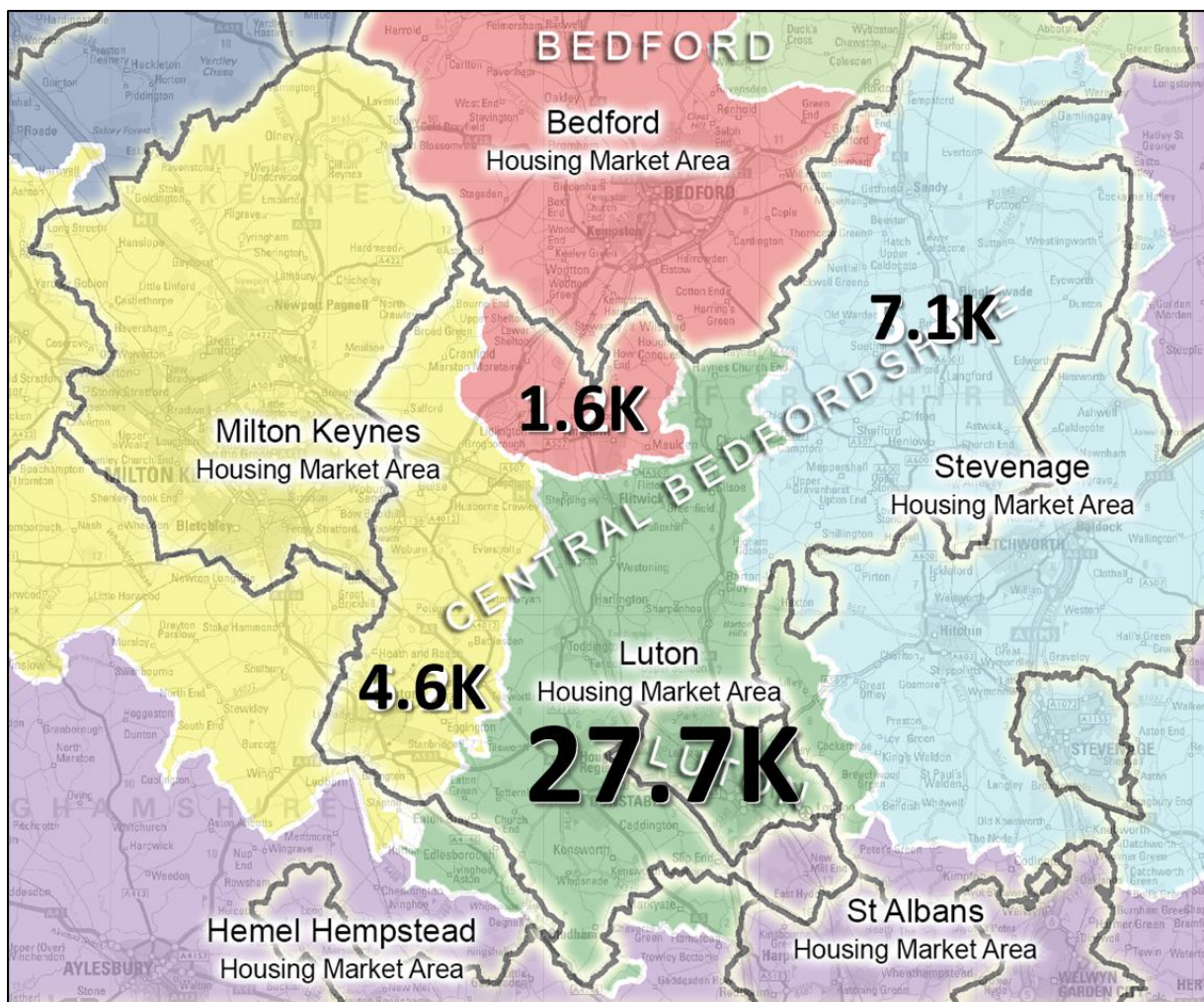
5. Objectively Assessed Need

Developing the projections to establish housing numbers

Housing Need based on Household Projections

- 5.1 Chapter 4 identified a likely increase of 39,600 households over the 20-year period 2011-31. This comprises an increase of 15,000 households in Luton and 24,600 households in Central Bedfordshire; although a significant proportion of the Central Bedfordshire growth is associated with population gains due to net migration from Luton, and as much as 70% of the combined growth is “driven” by Luton.
- 5.2 The 2011 Census identified that 97.4% of all dwellings in Luton were occupied by households as their primary residence (i.e. not second homes), whilst this was 96.0% of dwellings in Central Bedfordshire. Based on these occupancy rates, we can conclude that an increase of 39,600 households would require an additional 41,000 dwellings to be provided (15,400 in Luton borough and 25,600 in Central Bedfordshire). Figure 57 shows the distribution of Housing Need by HMA (within Luton and Central Bedfordshire LPAs) given a simple pro rata distribution based on the existing population in 2011.

Figure 57: Housing Need based on Household Projections by Housing Market Area within Luton and Central Bedfordshire LPAs



Market Signals

5.3 It is also important to consider current Market Signals and how these may affect housing needs. Various signals are considered and their implications are considered especially where these may indicate a need to deviate from household forecasts and housing need.

5.4 Planning Practice Guidance (March 2014) identifies a range of housing market signals that should be considered when determining the future housing number. Key to this is how market signals should be taken into account:

The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings (Paragraph 019)

A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections. (Paragraph 020)

Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)

5.5 The Market Signals include:

- » Land prices and house prices;
- » Rents and affordability;
- » Rate of development; and
- » Overcrowding.

Appropriate comparisons of indicators should be made. This includes comparison with longer term trends (both in absolute levels and rates of change) in the housing market area; similar demographic and economic areas; and nationally. (Paragraph 020)

Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)

5.6 Using data from the ONS area classifications together with data from the CLG Index of Multiple Deprivation, we have identified that Luton shares similar demographic and economic characteristics with Coventry, Peterborough and Slough. These areas also form the core of wider areas that share similar characteristics with the HMA study area. The local authorities that form each of the relevant groups can be summarised:

- » **Coventry:** Coventry and Nuneaton and Bedworth
- » **Peterborough:** Peterborough, Fenland, South Kesteven and Rutland
- » **Slough:** Slough, South Buckinghamshire and Windsor & Maidenhead

5.7 Therefore, in considering market signals, we have considered these areas as appropriate comparators and compared them against:

- » The main urban authority in the HMA (Luton borough);
- » The more widely defined Luton HMA incorporating both Luton Borough and Central Bedfordshire

Luton Borough

5.8 Figure 58 summarises the key indicators for each of the market signals in Luton Borough itself, against comparator areas and nationally. Data is included based on current values and longer-term trends, both in absolute terms and as rates of change.

Figure 58: Market signals for Luton, similar demographic and economic areas, and nationally (Source: House Prices and Affordability: CLG Live Tables; Rents: Valuation Office Agency, DataSpring; Overcrowding and Rate of Development: Census 2001 and 2011)

		Luton	Similar demographic and economic areas			England
			Coventry	Peterborough	Slough	
INDICATORS RELATIING TO PRICE						
House prices						
Lower quartile house price	2011 value	£125,000	£95,000	£105,000	£155,000	£122,500
	Relative to England	+2%	-22%	-14%	+26%	-
	2006 value	£124,000	£101,500	£110,000	£144,000	£120,000
	5-year change	+1%	-6%	-5%	+8%	+2%
Rents						
Average monthly rent	2013 value	£620	£520	£561	£810	£724
	Relative to England	-14%	-28%	-23%	+12%	-
	2008 value	£496	£354	£461	£697	£502
	5-year change	+25%	+47%	+22%	+16%	+44%
Affordability						
Lower quartile house price to earnings	2012 ratio	7.4	5.0	5.4	6.7	6.6
	Relative to England	+12%	-24%	-19%	+2%	-
	2007 ratio	7.5	6.3	6.8	7.0	7.3
	5-year change	-2%	-21%	-22%	-4%	-9%
INDICATORS RELATIING TO QUANTITY						
Overcrowding						
Overcrowded households	2011 proportion	15%	10%	8%	21%	9%
	Relative to England	+77%	+9%	-5%	+139%	-
	2001 proportion	12%	8%	6%	16%	7%
	10-year change	+33%	+17%	+50%	+27%	+23%
Rate of development						
Increase in stock	2001-11 change	+5%	+5%	+12%	+13%	+8%
	Relative to England	-35%	-39%	+48%	+60%	-

5.9 It must be recognised that there is no single formula that can be used to consolidate the implications of this information; and furthermore the housing market signals will have been predominantly influenced by the pressures introduced by recent housing market trends, particularly where housing delivery has tended to be lower than the demographic projections would suggest is currently required.

5.10 Nevertheless, on the basis of this data we can conclude:

- » **House Prices** (in terms of lower quartile prices) are currently in line with the national average (with a lower quartile price of £125,000) and prices are broadly consistent with prices in 2006 in

both Luton and nationally. The current price in Luton is higher than both Coventry and Peterborough, but lower than Slough; probably due to their relative proximity to and connectivity with London. This pattern is consistent with changes over the last 5-years, where prices have reduced in Coventry and Peterborough, but increased in Slough;

- » **Rent** (in terms of average private sector rents) is 14% lower than the national average. Rents in Coventry and Peterborough are lower, whilst rents in Slough are higher; consistent with house prices in those areas. Nevertheless, average rents in all areas have increased significantly in the last 5 years – although the increase in Luton is lower than that for England (25% cf. 44%). It is also interesting to note that the differential between current house prices and rents, both relative to the national average, is similar in Luton and Slough. Luton has a difference of +2% on house prices and -14% on rent, therefore a 15 point difference; Slough has a difference of +26% on house prices and +12% on rent, a 14 point difference;
- » **Affordability** (in terms of the ratio between lower quartile house prices and lower quartile earnings) is currently 12% worse in Luton than across England as a whole (7.4x cf. 6.6x), and the rate in Luton is also worse than in the three comparator areas. Furthermore, whilst national affordability ratios have improved over the last 5 years (as have ratios in the comparator areas), the ratio has remained constant in Luton. This measure is probably more significant than both house prices and rent, as it is the only indicator that considers both cost and the ability to pay;
- » **Overcrowding** (in terms of Census occupancy rates) shows that almost 1-in-7 households in Luton (15%) are overcrowded based on an objective measure. The proportion of overcrowded households has increased by a third over the last 10 years and is now approaching double the national rate for England (9%). Overcrowding in Luton is significantly more of an issue than in Coventry and Peterborough, but issues of overcrowding in Slough are even more acute, with over 1-in-5 households being overcrowded (21%).
- » **Rate of development** (in terms of increase in dwelling stock over the last 10 years) shows that development in Luton has been proportionately lower than the national average for England (5% cf. 8%). The rate in Luton is consistent with Coventry, but lower than both Peterborough and Slough. Of course, these figures will inevitably be influenced by local constraints as well as individual policies.

^{5.11} On the basis of the market signals, we can conclude that **there are acute pressures in Luton borough** relating in particular to **affordability** and **overcrowding**.

Luton Housing Market Area

^{5.12} The appropriate definition for the Luton Housing Market Area was set out in detail in Chapter 3 of the SHMA report; this concluded that Luton and Central Bedfordshire local planning authority areas provided the “best fit” for analysing the HMA study area.

^{5.13} Figure 59 summarises the key indicators for each of the market signals in Luton borough, the wider HMA (based on Luton and Central Bedfordshire local planning authority areas combined), the wider comparator areas and nationally. Data is included based on current values and longer-term trends, both in absolute terms and as rates of change.

Figure 59: Market signals for HMA study area, similar demographic and economic areas, and nationally (Source: House Prices and Affordability: CLG Live Tables; Rents: Valuation Office Agency, DataSpring; Overcrowding and Rate of Development: Census 2001 and 2011. Note: data published in summary format has been combined using weighted averages based on the relevant population sizes)

		Luton Borough	Luton & Central Beds	Similar demographic and economic areas			England
				Coventry wider area	Peterborough wider area	Slough wider area	
INDICATORS RELATIING TO PRICE							
House prices							
Lower quartile house price	2011 value	£125,000	£137,400	£95,600	£111,600	£215,800	£122,500
	Relative to England	+2%	+12%	-22%	-9%	+76%	-
	2006 value	£124,000	£138,600	£101,100	£116,300	£197,600	£120,000
	5-year change	+1%	-1%	-5%	-4%	+9%	+2%
Rents							
Average monthly rent	2013 value	£620	£646	£517	£568	£1,117	£724
	Relative to England	-14%	-11%	-29%	-22%	+54%	-
	2008 value	£496	£508	£363	£434	£689	£502
	5-year change	+25%	+27%	+43%	+31%	+62%	+44%
Affordability							
Lower quartile house price to earnings	2012 ratio	7.4	8.3	5.1	6.3	9.7	6.6
	Relative to England	+12%	+25%	-22%	-4%	+47%	-
	2007 ratio	7.5	8.5	6.4	7.7	10.1	7.3
	5-year change	-2%	-2%	-20%	-17%	-4%	-9%
INDICATORS RELATIING TO QUANTITY							
Overcrowding							
Overcrowded households	2011 proportion	15%	9%	8%	6%	11%	9%
	Relative to England	+77%	+4%	-7%	-36%	+31%	-
	2001 proportion	12%	7%	7%	4%	9%	7%
	10-year change	+33%	+27%	+15%	+34%	+27%	+23%
Rate of development							
Increase in stock	2001-11 change	+5%	+9%	+7%	+13%	+10%	+8%
	Relative to England	-35%	+10%	-21%	+52%	+14%	-

5.14 As acknowledged earlier in this section, there is no single formula that can be used to consolidate the implications of this information; and furthermore the housing market signals will have been predominantly influenced by relatively recent housing market trends. Nevertheless, on the basis of this data we can conclude:

- » **House Prices:** lower quartile prices are higher than the national average (with a lower quartile price of £137,400 compared to England's £122,500). The current price in Luton & Central Beds is higher than both Coventry and Peterborough, but lower than Slough; probably due to their relative proximity to and connectivity with London. This pattern is consistent with changes over the last 5-years, where prices have reduced in Coventry and Peterborough, but increased in Slough;
- » **Rents:** for average private sector rents, Luton & Central Beds is lower than the national average. While rents in Coventry and Peterborough are lower than Luton & Central Beds, rents in Slough are significantly higher; consistent with house prices in those areas. Nevertheless, average

rents in all areas have increased significantly in the last 5 years – although the increase in Luton & Central Beds is lower than for comparator areas;

- » **Affordability** (in terms of the ratio between lower quartile house prices and lower quartile earnings) is currently 28% ‘worse’ in Luton & Central Beds than across England as a whole (8.3x cf. 6.6x), and the rate in Luton & Central Beds is also worse than in Coventry and Peterborough, although not as ‘bad’ as Slough. Furthermore, whilst national affordability ratios have improved in Coventry, Peterborough and (to a lesser extent) Slough over the last 5 years, the ratio has remained almost unchanged in Luton & Central Beds. This measure is probably more significant than both house prices and rent, as it is the only indicator that considers both cost and the ability to pay;
- » **Overcrowding** (in terms of Census occupancy rates) shows that 9% of households in Luton & Central Beds are overcrowded based on an objective measure. The proportion of overcrowded households has increased by 27% over the last 10 years although is comparable with England (9%). Overcrowding in Luton and Central Beds is relatively similar to comparator areas in Coventry and Peterborough, and Slough;
- » **Rate of development** (in terms of increase in dwelling stock over the last 10 years) shows that development in Luton & Central Beds has been relatively similar to England (9% cf. 8%). This rate is below Slough and Peterborough but higher than Coventry. Of course, these figures will inevitably be influenced by local constraints as well as individual policies.

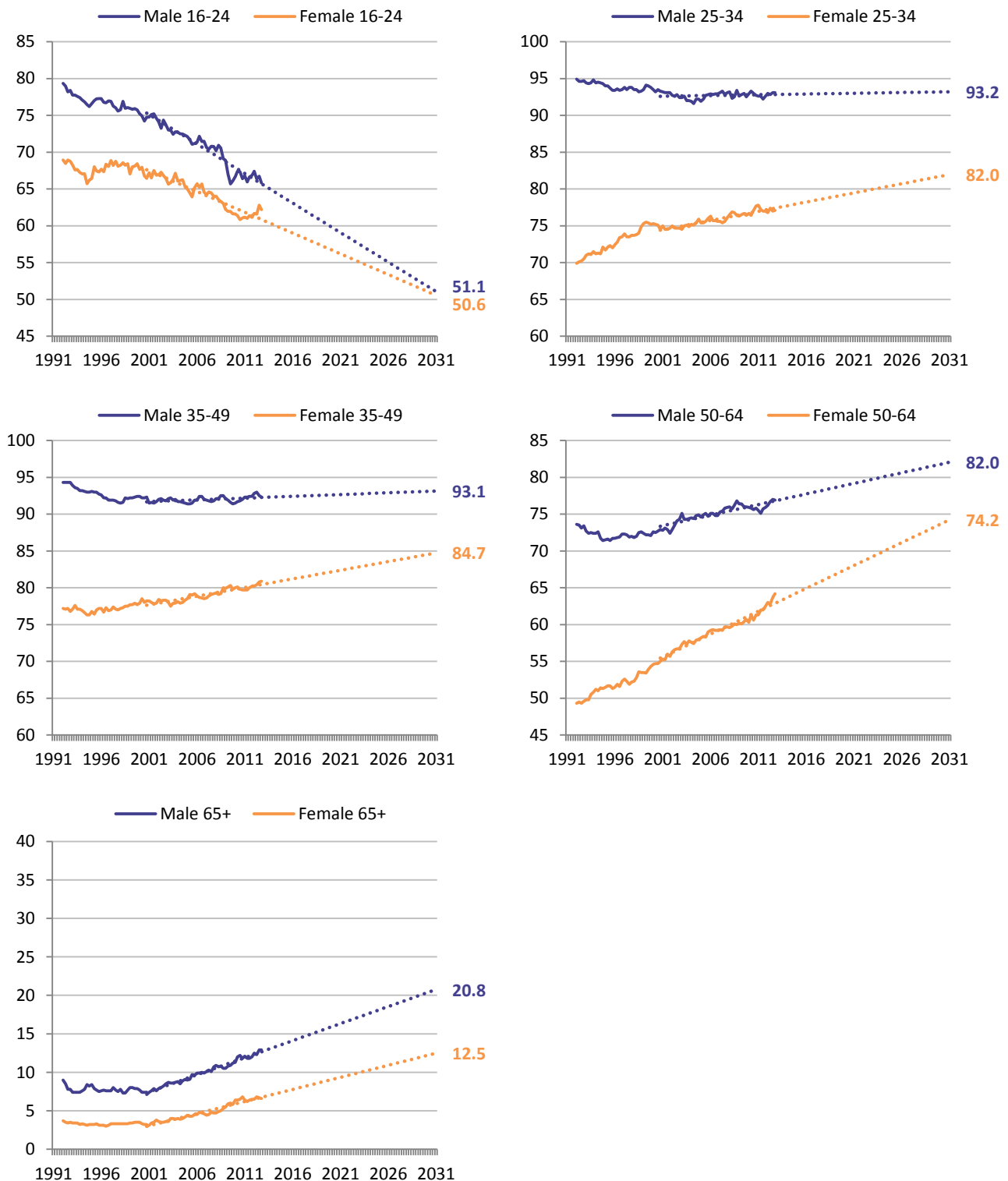
^{5.15} On the basis of the Market Signals, we can conclude that conditions across the Luton HMA (on the basis of “best fit” data for Luton and Central Bedfordshire LPAs) are less acute than for Luton borough; however there is still evidence that suggests that the level of **Objectively Assessed Need for the HMA should be higher than suggested by household projections** in isolation.

Economically Active Population

^{5.16} On the basis of the population projections, it is possible to estimate the future labour force given economic activity rates by age and gender. Nevertheless, it is important to recognise that economic activity rates are currently changing, and therefore the impact of changing rates needs to be factored into the analysis of the projected economically active population.

^{5.17} Figure 60 shows economic activity rates by age and gender for the UK over the last 20 years, based on data from the Labour Force Survey. The charts also show a linear trend for each series based on data recorded since 2001.

Figure 60: Economic Activity Rate long-term UK trends by age and gender (Source: Labour Market Statistics based on Labour Force Survey. Note: Linear trendlines based on data for period since 2001 added to illustrate possible future trends)



^{5.18} On the basis of data from the Labour Force Survey and 2011 Census, it is clear that economic activity rates across all age groups aged 25+ have tended to increase (in particular over the period since 2001). This is especially the case for the female workforce and workers aged 50+. The reduction in participation rates for those aged 16-24 is primarily as a consequence of the increased numbers remaining in full-time education.

5.19 The most recent economic activity rate projections produced by the ONS were published in January 2006 and covered the period to 2020 (“Projections of the UK labour force, 2006 to 2020” by Vassilis Madouros; published in ONS Labour Market Trends, January 2006); however these figures suggested substantially lower changes in activity rates than have actually been experienced over the last decade. Furthermore, recent research from the Institute for Fiscal Studies (IFS) and University College London concluded that:

“Future increases in the state pension age will lead to a substantial increase in employment”
(http://www.ifs.org.uk/pr/spa_pr_0313.pdf).

5.20 It is difficult to extrapolate future economic activity rates, given that the analysis is inherently complex and dependent on a range of demographic, socio-economic and structural changes in the labour market. Furthermore, the SHMA is not a detailed labour force study – but it is clearly necessary to take account of changing future participation rates when considering the likely future workforce.

5.21 Data for each local planning authority has now been published from the 2011 Census; and we have derived trends based on changes observed over the period 1991-2011 and 2001-2011 to inform the model’s projections. On the basis of a growth of 39,600 households over the 20-year period 2011-31 across Luton and Central Bedfordshire, the economically active population is projected to increase by 38,000 persons: equivalent to an average rate of 1,900 additional workers each year. It is important to recognise that this is a net growth in the number of workers, given that a large part of the total increase simply offsets the reduction of workers in the existing stock as current residents retire.

5.22 It is important to consider the future workforce in the context of the projected number of jobs in the local area. The ONS estimate the number of jobs based on the number of:

- » employees (from the Annual Business Inquiry);
- » self-employment jobs (from the Annual Population Survey);
- » government-supported trainees (from DfES and DWP); and
- » HM Forces (from MoD).

5.23 Over the period 2001-11, the ONS estimate that number of jobs in Luton has increased from 89,000 to 92,000 (a total increase of 3,000 jobs, equivalent to an average increase of 300 each year) and the number of jobs in Central Bedfordshire has increased from 97,000 to 107,000 (a total increase of 10,000 jobs, equivalent to an average increase of 1,000 each year). Nevertheless, it is important to recognise that some components of this estimate are based on survey data and therefore estimates for individual years can be imprecise. Figure 61 shows the estimated number of jobs each year over the period 2001 to 2011, together with the average annual increase based on 1-year, 5-year and 10-year periods.

5.24 It is evident that the estimate of the number of jobs has varied from year-to-year, but this is likely to be largely due to fluctuations in the estimate rather than real changes in the actual number of jobs – however, there is a clear trend evident showing that the number of jobs has increased. ONS data therefore suggests that the average increase has been around 1,300 additional jobs per year across the combined area.

Figure 61: Estimated number of jobs in Luton and Central Bedfordshire 2001-11 (Source: ONS. Note: data is published rounded to the nearest 1,000)

	Total Jobs			Annual Change in Jobs		
	Luton	Central Bedfordshire	TOTAL	1-year	5-year average	10-year average
ONS Estimate						
2001	89,000	97,000	186,000	-	-	-
2002	88,000	97,000	185,000	-1,000	-	-
2003	94,000	99,000	193,000	+8,000	-	-
2004	95,000	101,000	196,000	+3,000	-	-
2005	99,000	104,000	203,000	+7,000	-	-
2006	98,000	104,000	202,000	-1,000	+3,200	-
2007	97,000	105,000	202,000	0	+3,400	-
2008	96,000	107,000	203,000	+1,000	+2,000	-
2009	96,000	100,000	196,000	-7,000	0	-
2010	91,000	108,000	199,000	+3,000	-800	-
2011	92,000	107,000	199,000	0	-600	+1,300
<i>Average</i>	-	-	-	+1,300	+1,200	+1,300

- 5.25 Projections from the East of England Forecasting Model (EEFM) currently suggest that the number of jobs across Luton and Central Bedfordshire will increase by between 36,600 and 42,200 jobs over the 20-year period 2011-31: annual rates from 1,800-2,100. This is higher than the 1,300 per year recorded over the last decade, although not inconsistent with annual increases achieved over the early years of the last decade (which were subsequently eroded following the credit crunch and recent recession).
- 5.26 The annual increase in jobs projected by the EEFM would require the combined workforce to increase by 36,600 and 42,200 over a 20-year period (assuming that there was no change in the number of workers commuting to or from the area); broadly consistent with the net increase of 38,000 additional workers projected by the demographic projections given a growth of 39,600 households. The current demographic projections would sustain almost 2,000 additional jobs each year without any further increase, which represents a growth rate that is more than 50% higher than seen over the period 2001-11.
- 5.27 Given this context, the projected future jobs and future workers are broadly in line with each other; although an increase of 39,600 households would not provide enough workers for the highest level of job growth without a change in commuting patterns. Similarly, if either Council was to adopt higher jobs targets than the forecasts would suggest, it is likely that additional housing would also need to be provided.
- 5.28 Furthermore, whilst we have adopted a “best fit” housing market area for this analysis, it is important to recognise that parts of Central Bedfordshire fall within Bedford, Milton Keynes and the Stevenage/A1(M) corridor housing market areas; and given the well-established travel to work patterns that already exist, it may be necessary for some of the projected workforce growth to be considered within the wider needs of these surrounding areas. It will therefore be important for the Councils to continue discussions with neighbouring local authorities under the Duty to Cooperate to understand the possible wider demands on their projected workforce.

Establishing Objectively Assessed Need

- 5.29 Demographic projections identify an increase of 39,600 households over the 20-year period 2011-31. This equates to an overall Housing Need figure of 41,000 dwellings based on household projections in isolation; which includes 27,700 dwellings in Luton Housing Market Area (as illustrated in Figure 57) and 13,300 dwellings in the other surrounding Housing Market Areas (Stevenage, Milton Keynes and Bedford).
- 5.30 As outlined above, Market Signals identify that **there are acute pressures in Luton borough** relating in particular to affordability and overcrowding. Furthermore, whilst Market Signals for the HMA indicate that most problems are less acute, there are still pressures identified. This conclusion is key: it means that in establishing the Objectively Assessed Need for future housing it is probably **appropriate to move away from the estimate identified by the demographic projections and consider a higher figure**.
- 5.31 Employment projections suggest that 41,000 additional dwellings is likely to provide sufficient workforce for the future increase in jobs – 38,000 extra workers in the context of between 36,600 and 42,200 extra jobs (based on forecasts) or 26,000 jobs (based on trends). However, given that the increase in workers is lower than the highest estimate for the increase in jobs, there may also be **some argument to increase future housing** to ensure that an appropriate balance is maintained.
- 5.32 Therefore, we can conclude that the Objectively Assessed Need for **Luton HMA** should be increased from 27,700 dwellings over the 20-year period to 2031. There is no single formula that can be used to consolidate the implications of the Market Signals information; but it would seem reasonable to **increase the provision in Luton HMA to 30,000 dwellings**, an average of 1,500 dwellings annually over the period 2011-31. This represents an increase of 8.5% on the household projections across the HMA, with an increase in Luton borough (insofar as the adjustment is primarily responding to pressures in Luton town) from 15,400 to 17,800 dwellings: an increase of more than 15%.
- 5.33 **The Objectively Assessed Need for Luton and Central Bedfordshire has thus been increased from the 41,000 suggested by household projections to 43,300 dwellings. The Objectively Assessed Need for Luton HMA is 30,000 dwellings, of which 17,800 dwellings is in Luton borough. Central Bedfordshire has an Objectively Assessed Need of 25,600 dwellings, which includes needs for the Luton HMA and parts of other surrounding HMAs that are within Central Bedfordshire.**
- 5.34 This clearly responds to market signals, provides a workforce within the upper end of the jobs range and is higher than demographic projections, even based on recent short-term migration trends. Therefore, this level of housing should provide for the future needs of Luton borough and the wider Luton HMA, and help alleviate the pressures currently identified through market signals.

Chapter Summary

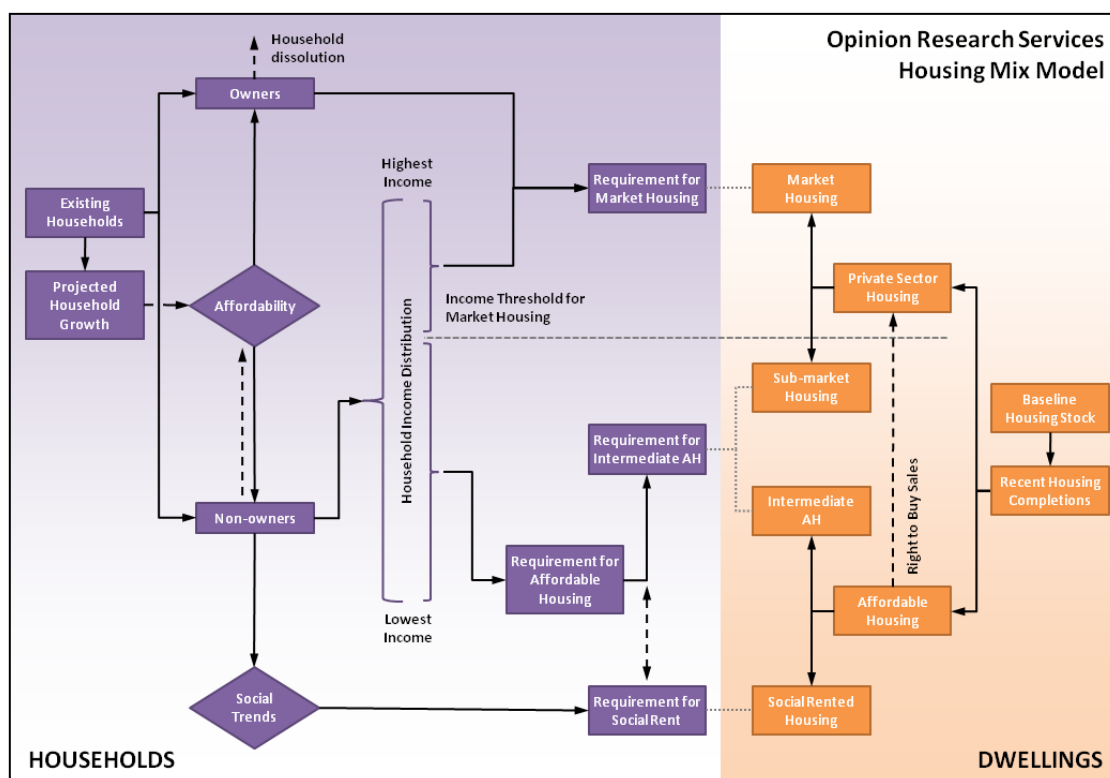
- » *Planning Practice Guidance (March 2014) requires various housing market signals to be taken into account in order to derive robust figures for Objectively Assessed Need. By comparing house prices, rents, affordability, overcrowding and rates of development against similar demographic and economic areas and England, an assessment can be made of whether the Objectively Assessed Need for Luton and Central Bedfordshire produced from demographic projections should be adjusted and in which direction. Comparing the demographic projections with projections for the working population and projected number of jobs allows an assessment of whether the Objectively Assessed Need based on demographic projections will meet projected needs of the economically active population. Taken together these factors indicate that the Objectively Assessed Need in Luton and Central Bedfordshire should be increased.*
- » *On the basis of acute pressures in Luton Borough relating to affordability and overcrowding, together with the increase in jobs projected by the EEFM of up to 42,200 jobs over the 20 year period 2011-31 compared to 38,000 extra workers who could be housed based on the demographic projections, we conclude that the overall housing number for Luton and Central Bedfordshire should be increased from 41,000 to 43,300, an average of 2,170 annually.*
- » *The major part of this increase is an increase in the Objectively Assessed Need for the Luton HMA, predominantly to ease pressure in Luton town, from 15,400 to 17,800 dwellings or 890 dwellings per year. Central Bedfordshire would require 25,600 new dwellings, or 1,280 dwellings per year.*

6. Modelling Future Housing Mix

Establishing the type and tenure of housing required

- 6.1 The ORS Housing Mix Model considers the need for market and affordable housing on a longer-term basis, providing robust and credible evidence about the required mix of housing over the full planning period and understanding how key housing market drivers (such as affordability) will impact on the appropriate housing mix.
- 6.2 The model uses a wide range of secondary data sources to build on existing household projections and profile how the housing stock will need to change in order to accommodate the projected future population. These secondary data sources are readily updateable as new information is published, and a range of assumptions can be varied to enable effective sensitivity testing to be undertaken. In particular, the model has been designed to help understand the key issues and provide insight into how different assumptions will impact on the required mix of housing over future planning periods.
- 6.3 Figure 62 provides a detailed overview of the structure of the Housing Mix Model and the way in which the different stages of the model interact.
- » The left hand section of the diagram considers households in terms of the baseline population and projected household growth, and their associated affordability and housing needs.
 - » The right hand section of the diagram considers the dwelling stock in terms of the tenure and housing costs for both the existing stock and the recent housing completions.

Figure 62: Detailed Overview of the ORS Housing Mix Model (Note: Social Rented Housing also includes Affordable Rent)



Overview of the Modelling Process

- 6.4 The Housing Mix Model considers the projected household population alongside the existing dwelling stock in order to establish the necessary balance between Market Housing and Affordable Housing in relation to the additional dwellings to be provided, and within the Affordable Housing dwelling provision the appropriate role of Intermediate Affordable Housing, Affordable Rent and Social Rent Housing.
- 6.5 The first stage of the model starts by separating households into two groups, owners and non-owners, on the basis of baseline information about existing households from the Census.
- 6.6 Household projections do not typically provide information about changing tenure patterns so the model estimates the number of households likely to become owners and non-owners on the basis of an affordability assessment. The affordability assessment considers both the likely affordability of newly forming households and the changing affordability patterns of existing households.
- 6.7 The model also takes account of the dissolution of households that are existing owner occupiers that is projected to occur over the household projection period. This is based on Government Actuaries Department survival rates and Census data on the tenure mix for older households. This enables the loss of owner occupiers to be offset against any new owners identified through the affordability analysis.
- 6.8 The outcome is to establish the number of households who are owners and non-owners at each stage of the household projection.
- 6.9 In developing the Housing Model, ORS recognised the need for local level data about household incomes and originally secured a licence to use the CACI Paycheck data within the model. This dataset provides information at postcode level, detailing the mean and median income for the area and also the number of households in each £5,000 income band. ORS has compared this distribution to that obtained using ORS collected household survey data and has found that the results from the CACI model tend to underestimate the proportion of households in the lower income bands.
- 6.10 ORS has developed and applied a tool that improves the accuracy of the distribution of local household incomes. The model integrates existing household survey data with local secondary data sources including income data from the Annual Population Survey (and previously the Annual Survey of Hours and Earnings) together with national secondary data sources including the Retail Price Index. The ORS Income Model also identifies the income distribution of owners and non-owners to directly inform the Housing Mix Model affordability profiling.
- 6.11 By taking information from the Land Registry transaction database, it is possible to profile the distribution of purchase prices for transactions over time across a given area. Combining the Land Registry data with information from the Census on the balance between owner occupiers and private renters, specific to the location and property type of each sale, the model establishes the likelihood of the transaction being a property that will be occupied by the purchaser or let privately.
- 6.12 The Housing Mix Model considers housing cost distribution profiles for both owned and privately rented housing in order to establish the distribution of incomes required to access all market housing. This profile is considered alongside the income distribution profile for non-owners. The household income threshold for market housing is set at the lowest level where there is sufficient market housing available. If there is less market housing available than households can afford, 'affordable' housing will be required to address the shortfall and therefore the threshold price for market housing must be set above this level.

- 6.13 Once the income threshold for market housing has been established, the Housing Mix Model estimates the number of households who are non-owners that can afford market housing. Combining this with the projected number of owner occupiers estimates the total number of households requiring market housing within the area.
- 6.14 The requirement for affordable housing is estimated by subtracting the total number of households requiring market housing from the overall household projections.
- 6.15 The Housing Mix Model considers the need for social rent/affordable rent housing on the basis of social trends. The social trends for each household type, for example, single person or single parent households, are then applied to the household projection data to establish the level of social rented requirement for future years for each type of household. The model establishes a total requirement for social rent/affordable rent housing.
- 6.16 The requirement for intermediate affordable housing is estimated by offsetting the total number of households requiring social rent/affordable rent housing from the projected number of households requiring affordable housing overall.
- 6.17 To establish the current housing stock profile, the Model considers the baseline housing stock from the 2001 Census broken down by tenure. It supplements this information with data on housing completions broken down by tenure reported in local authority annual monitoring reports. The Housing Mix Model also considers data on losses from the affordable housing stock based on right-to-buy sales, and projects the likely future losses from stock on the basis of trends in sales since the recent change in legislation.
- 6.18 The Housing Mix Model considers the future requirement for market housing alongside the current stock of market housing and establishes the net additional dwellings that are required as market housing.
- 6.19 The future requirement for intermediate affordable housing is considered alongside the stock of existing intermediate affordable housing and the stock of sub-market housing, which is affordable to households on incomes below the income threshold for market housing, to establish the net additional dwellings that are required to be provided as intermediate affordable housing.
- 6.20 The future requirement for social rented housing is considered alongside the stock of existing social rented housing to establish the net additional dwellings that are required to be provided as social rented housing.
- 6.21 The Housing Mix Model considers the size and tenure of housing that was occupied by different household types recorded by the Census. The Model recognises that many households under-occupy their homes, choosing to live in larger properties than they need on the basis of the bedroom standard set out in the Housing Act. However, housing allocation policies mean that new social tenants are less likely to under-occupy their homes.
- 6.22 A trend-based occupancy profile is applied to the projected household mix of households in each housing tenure to establish an overall size mix of future housing. This is then set alongside information about the existing housing stock to establish the net additional dwellings that are required by size and tenure.

Housing Supply

- 6.23 National Planning Policy Framework March 2012 contains the following statements on the supply of new dwellings across all tenures.
- » **Affordable housing:** Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.
 - » **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.
 - » **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).
 - » **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 Rent housing.
 - » Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.
- 6.24 Affordable Rent is now likely to be developed in place of Social Rent due to changes in the Government’s grant funding system.
- 6.25 The key issue these definitions raise is how to define market housing costs. In practice the very cheapest second hand open market dwellings can be cheaper than any intermediate (and on some occasions social rented) dwelling. Therefore, for the definitions in the NPPF to have practical relevance there is a need to identify a market housing threshold price which then sets the upper limit for the cost of intermediate affordable housing products.
- 6.26 On this point, the 2007 SHMA Practice Guidance (Chapter 3, page 27) stated that for house prices, ‘Entry-level prices should be approximated by lower-quartile house prices’. The cheapest available property prices should not be used since these often reflect sub-standard quality or environmental factors,’ and for private rents, ‘As with house prices, lower-quartile rents should be used to estimate the entry level’. Therefore SHMA Practice Guidance identifies that the threshold point for market housing commences at the lowest quartile for owner occupation and private rents. In practice private rents are more affordable in Luton and Central Bedfordshire than owner occupation, so it is these which define the point where market housing costs begin and act as the upper limit for intermediate affordable housing costs. This also means the threshold for market housing is dependent upon private rents, so if these rise then fewer households will be able to afford intermediate housing.
- 6.27 This issue is very important because the NPPF is predominantly about the delivery of new dwellings. However, while the ORS Housing Market Model is also in part about the delivery of new dwellings, the

majority of households requiring accommodation will be housed in the existing housing stock. Therefore, while the NPPF sets out clear definitions for new build dwellings, the role of second hand housing makes the classification of dwellings by tenure much more complicated.

6.28 Such an example is housing which is available to those who can afford no more than Target Social Rents. For this group, it is possible to consider the supply to comprise dedicated supply such as RP lettings, but also housing benefit supported private rented dwellings. The rationale for this is to recall the NPPF definition of households in housing need (as outlined in Chapter 5 of SHMA Practice Guidance) and the requirement for financial assistance within the definition:

- » **Housing need is:** ‘Households who are lacking their own housing or who are living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their own housing needs in the market without some financial assistance.’

6.29 Whilst housing benefit supported private rent does not have the same tenancy rights as full social rent, it nevertheless contributes to the effective supply of affordable housing in that it is affordable to households who require social housing. In practical terms there is a shortage of Affordable Rent/Social Rent housing and households unable to access it will seek housing in the private rented sector with housing benefit support.

6.30 Similarly, further supply assumptions can be considered for intermediate affordable housing. The current supply of dedicated intermediate housing products in Luton and Central Bedfordshire (as defined by the NPPF) is relatively small. However, Luton and parts of Central Bedfordshire have large private rented sectors. The lower quartile private rented sector falls below the entry threshold for ‘market’ housing as defined by the NPPF and SHMA Practice guidance. While not enjoying the same tenancy or ownership rights as dedicated intermediate affordable housing products, cheaper (lower quartile) private rented properties are affordable to households within the intermediate affordable housing income band and are counted as part of the supply to this group of households in a number of the scenarios set out below.

6.31 Support for these positions can be found in the earlier 2007 SHMA Practice Guidance where it is noted, ‘Furthermore, some households in need may choose to live in the private rented sector (possibly with the use of housing benefit) or housing that would be classified as unsuitable, even though they are eligible for affordable housing’.

6.32 This leads to a conclusion there are a number of private sector dwellings which are not market housing under the NPPF and SHMA Practice Guidance definitions because they are below market rents thresholds. Similarly, they are not intermediate or social supply under the NPPF definition because they are not a dedicated supply of affordable housing.

6.33 However, lower quartile private rented and housing benefit supported private rented sector dwellings will continue to be occupied by households despite not meeting the definition of market, intermediate or social housing in the NPPF. When considering the appropriate housing supply, the following sources of supply are therefore considered within the model:

- » **Social rented housing** – social housing provided to rent from local authorities and Registered Social Landlords, Affordable Rent with housing benefit support and housing benefit supported private rented accommodation at 2011 levels;
- » **Intermediate housing** – dedicated intermediate housing products (such as shared ownership, discount market sale, sub-market rent but not shared equity sales), Affordable Rent without

housing benefit support and a proportion of the housing in the private rented sector with rents below the market rent threshold (i.e. within the lowest quartile); and

- » **Market housing** – owner-occupied housing and housing in the private rented sector above market rent thresholds.

Understanding Housing Mix

^{6.34} Using the NPPF and SHMA Practice Guidance definitions, affordability tests are used to apportion households to specific housing tenures;

- » **Social rent/Affordable rent housing** – for those households unable to afford any more than social rents without housing benefit support;
- » **Intermediate housing** – for those households able to afford more than social rents, but unable to afford to buy owner-occupied housing or to rent privately at the market rent threshold; and
- » **Market housing** – for those households able to afford to buy owner-occupied housing or able to afford to rent privately at rents at or above the market rent threshold.

^{6.35} The requirement for housing is therefore defined purely on affordability grounds with those who have incomes above market housing thresholds being identified as requiring market housing. It is also the case that those with incomes below market housing thresholds who report no difficulties with their housing costs are also identified as requiring market housing because, using the NPPF definition:

- » **Housing need** is households who are lacking their own housing or who are living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their own housing needs in the market without some financial assistance.

^{6.36} On this basis, households meeting their own housing needs in the market are deemed to be suitably housed, do not require financial assistance and are not in affordable housing need.

^{6.37} Next we have modelled local incomes of existing households to determine the income distribution of those households without existing equity (non-owners). This enables us to start to distinguish between households who may have no choice but to seek affordable housing and those who can afford market housing. It is assumed that most households with equity who intend to move have the means to access market housing whether owned or rented. This is because equity extends the spending power of households when they are seeking to move home.

Key Findings: 2011 to 2031

6.38 To model the housing mix for Luton and Central Bedfordshire we have modelled the housing mix based upon the Objectively Assessed Need identified in chapter 5. The overall housing tenure mix required for Luton and Central Bedfordshire can therefore be summarised as in the following figures.

Figure 63: Dwelling Mix 2011-2031 based on Objectively Assessed Need (Note: The “Social” category would include Social Rented Housing as well as any other forms of Affordable Housing for rent which would be eligible for housing benefit support. Figures rounded to nearest 100. All calculations based on unrounded data)

	Luton Borough		Central Bedfordshire		TOTAL	
	Dwellings	%	Dwellings	%	Dwellings	%
Market housing	12,700	71.6%	17,000	66.3%	29,700	68.5%
Intermediate affordable housing	1,300	7.3%	3,200	12.5%	4,500	10.4%
Social rent/affordable rent housing	3,800	21.1%	5,400	21.3%	9,200	21.2%
All dwellings	17,800	100.0%	25,600	100.0%	43,300	100.0%
<i>Annual average</i>	<i>890</i>	-	<i>1,280</i>	-	<i>2,170</i>	-

6.39 These outputs are based on the following assumptions which are assumed within the model:

- » The housing stock, the size of the private rented sector and the number of HMOs are held at their configuration at the time of the 2011 Census;
- » Mortgage multiplier used is 4.0x, so households can borrow no more than four times their household income;
- » Households can spend up to 25% of their income for rent;
- » The annual rental yield for private rented dwellings is 6.0%. This is the rate of return on private rented dwellings so a property valued at £100,000 is assumed to yield a rent of £6,000 per annum. There are no official statistical sources for rental yields, so the figure used in the model is based on local house prices and rents;
- » House prices are set as a baseline rate of their levels for the period January-December 2013;
- » A vacancy rate on households to dwellings of 2.6% for all new build dwellings in Luton and 4.0% in Central Bedfordshire;
- » It is assumed that any right to buy/right to acquire sales since 2001 are required to be replaced within the model by additional new build of social rented dwellings. This is due to right to buy/right to acquire sales representing a loss of a social rented dwelling without any reduction in the number of households seeking social rent, so each sale require a new build to replace it. Projected right to buy/right to acquire sales are based upon average number of sales since 2008;
- » Intermediate affordable housing is housing whose cost is above target social rents, but below the cost of market housing (rent or owner occupier). Therefore, intermediate affordable housing it must be cheaper than the cost of renting a dwelling at the lower quartile of private rents;
- » The period for results is 2011-2031;
- » All figures are rounded to the nearest 100.

Estimate of the Size of Housing Required

6.40 The model also estimated the size mix for all tenures and shows the market requirement is more heavily focused on 3 bedroom plus properties, while predominantly smaller dwelling sizes are required in the affordable housing sectors.

Figure 64: Dwelling Size Mix 2011-31 based upon Objectively Assessed Need (Note: The “Social” category would include Social Rented Housing as well as any other forms of Affordable Housing for rent which would be eligible for housing benefit support. All figures rounded to the nearest 100. “-” denotes a total of less than 50. Figures may not sum due to rounding)

	Market Housing	Affordable Housing		TOTAL	Percentage of Total
		Intermediate Housing	Social Rent/Affordable Rent		
LUTON					
1 bedroom	1,200	300	1,200	2,700	15.4%
2 bedrooms	2,900	600	1,200	4,700	26.3%
3 bedrooms	7,000	400	1,200	8,700	48.6%
4+ bedrooms	1,600	-	200	1,700	9.7%
Total	12,700	1,300	3,800	17,800	100.0%
<i>Percentage of Total</i>	71.6%	7.3%	21.1%	100.0%	-
CENTRAL BEDFORDSHIRE					
1 bedroom	1,100	400	1,800	3,300	12.7%
2 bedrooms	4,200	1,600	1,700	7,400	29.1%
3 bedrooms	8,300	1,100	1,800	11,200	43.9%
4+ bedrooms	3,400	100	200	3,700	14.4%
Total	17,000	3,200	5,400	25,600	100.0%
<i>Percentage of Total</i>	66.3%	12.5%	21.3%	100.0%	-
OVERALL					
1 bedroom	2,300	700	3,000	6,000	13.0%
2 bedrooms	7,100	2,200	2,800	12,100	26.4%
3 bedrooms	15,300	1,500	3,000	19,900	47.0%
4+ bedrooms	5,000	100	300	5,400	11.5%
Total	29,700	4,500	9,200	43,300	100.0%
<i>Percentage of Total</i>	68.5%	10.4%	21.2%	100.0%	-

6.41 On this basis, it is apparent that the most appropriate mix is likely to include:

- » **Market housing:** around a third 1 or 2 bedroom dwellings, a further half 3 bedroom homes and the remaining sixth being dwellings with 4 or more bedrooms;
- » **Intermediate affordable housing:** around a sixth 1 bedroom dwellings, a half with 2 bedrooms, a third being three bedroom homes and only a small requirement for intermediate affordable housing with 4 or more bedrooms; and
- » **Social rent/affordable rent housing:** around a third each of 1 bedroom, 2 bedroom and 3 bedroom properties; although there is still a need for 300 properties with 4 or more bedrooms, many of which will need to be provided as soon as possible to resolve existing overcrowding.

- 6.42 In relation to social rent and affordable rent housing it is also important to consider the Councils' obligations to focus on those households in priority need. Whilst the Councils' housing registers do not directly inform the model's analysis of affordable housing needs over the 20-year projection period, they provide a useful context about those households currently seeking affordable housing.
- 6.43 For social housing, it is also important to recognise that the requirement identified by the model is that which would be necessary to prevent the number of households in the private rented sector with housing benefit support from rising. Recent policy changes will encourage more social housing need to be met in the private rented sector. These include:

Priority Need Homeless No Longer Able to Refuse Private Sector Housing

Previously, homeless applicants whom local authorities had a duty to house under Part 7 of the Housing Act 1996 could refuse an offer of private sector accommodation. Under the Localism Act 2011, priority need households are no longer be able to refuse the offer of a private sector dwelling.

The main aim of this change is to reduce the pressures on the social housing stock as most priority need is currently met in social rent. However, the indirect result of the change is that further demands are placed upon the private rented sector as Councils increasingly seek to house their priority need households outside the social rented sector.

Extending the Limit for a Single Person Receiving a Bedsit Allowance to 35 Years of Age

Previously, any single person aged 24 years or younger is entitled to only the bedsit LHA, rather the allowance for a self-contained dwelling. In January 2012 this was extended to any single person aged 34 years or younger.

The bedsit allowance enables the single person only to pay for a share of a dwelling. Therefore, a major impact of this change is likely to be a rise in the demand for shared accommodation within HMOs. More single persons will be forced to share accommodation for longer and this is likely to see more of the existing housing stock turned over to HMOs.

- 6.44 It should be also understood that, within the definitions set out in the National Planning Policy Framework, intermediate affordable housing is housing at prices and rents above those of social rent, but below market price or rents. It is evident that the growth of the private rented sector over the last decade, together with the increase in HMOs and conversions has helped to increase the amount of housing available to households unable to afford (or unable to access) home ownership. As a consequence, this has also absorbed some of the intermediate housing need.

Scenario Testing

- 6.45 SHMA Practice Guidance notes that that outputs from modelling the housing market should be sensitivity tested. Within the ORS Housing Model it is possible to vary many characteristics. Below we have chosen to illustrate these with two examples which have implications for the required volume of social rent and intermediate housing required.

Affordability Assumptions

- 6.46 The model results outlined above assume that households will contribute 25% of their gross income to pay rent and that they could borrow up to 4.0x their gross income to support home purchase. Nevertheless, it is important to consider the impact of alternative rates. Figure 65 and Figure 66 illustrate the impact of varying the mortgage multiplier and proportion of income allocated for rent.
- 6.47 It is clear that providing households with access to higher levels of borrowing increases the requirement for market housing and reduces the need for intermediate affordable housing. If households borrow more than 4.0x their income, then more are able to afford market rent and again there is less need for intermediate affordable housing; whereas if households are only able to borrow lower amounts, fewer can afford market housing and more require intermediate affordable housing.
- 6.48 Similarly, many households currently have to pay more than 25% of their income on rent, in particular when their income is too high to qualify for housing benefit and they have limited alternative housing options. On this basis, it is arguable that an affordability multiplier of 30% (or possibly even higher) provides a more accurate reflection of the current housing demand. Nevertheless, just because many households have to spend high proportions of their incomes on housing does not mean that future housing needs should be measured on this basis – there are many households in Luton and Central Bedfordshire that are in housing need and can only access market housing by allocating large proportions of their income to housing, which may not be sustainable longer-term. Therefore, it is appropriate for the baseline assessment to assume a 25% multiplier.

Figure 65: Impact of alternative affordability multipliers for mortgage borrowing: Housing mix 2011-31 based on Mid-trend Migration and 2011-based Headship Rates

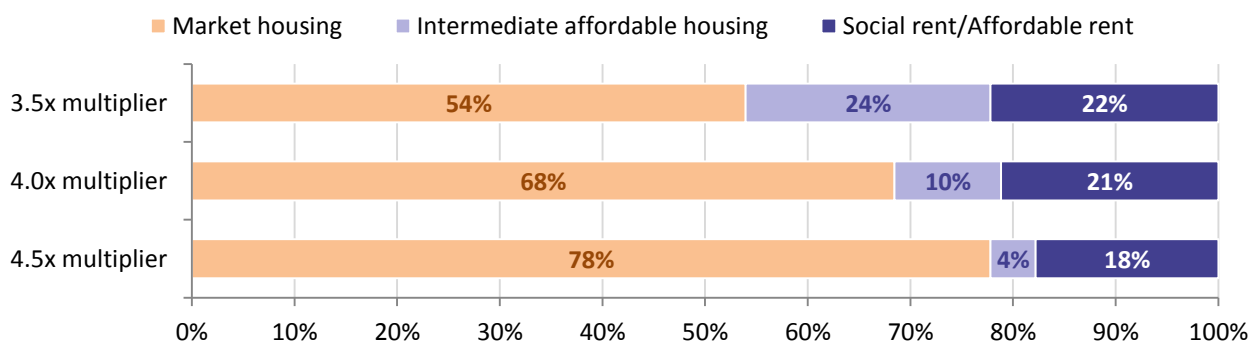
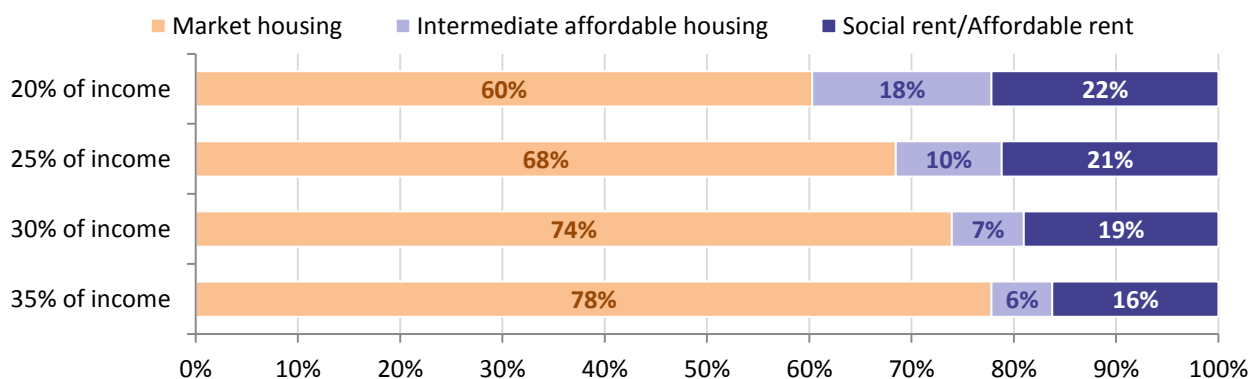


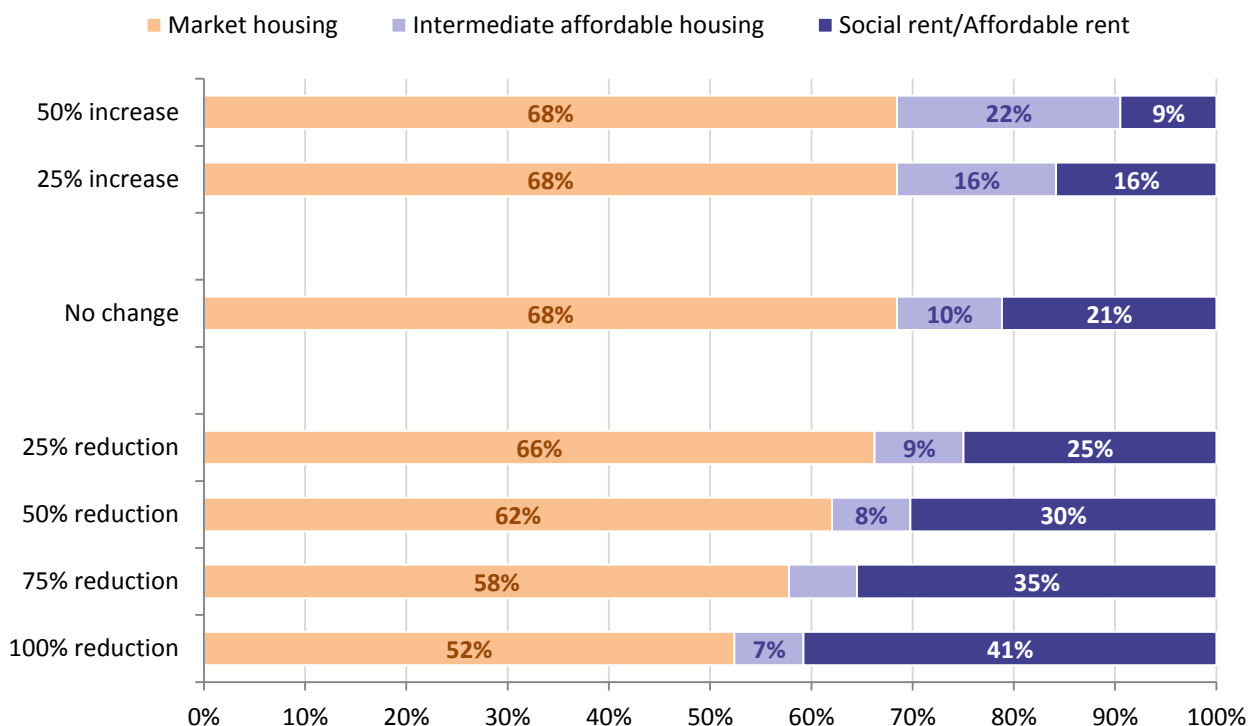
Figure 66: Impact of alternative affordability multipliers for rental payments: Housing mix 2011-31 based on Mid-trend Migration and 2011-based Headship Rates



The Role of Housing Benefit in the Private Rented Sector

- 6.49 The model results outlined above assume that housing benefit in the private rented sector is held at its current levels to 2031. As outlined earlier in this report, the housing benefit supported private rented sector has grown in recent years in line with the trend for England as a whole, so it plays a key role in meeting housing need in the area.
- 6.50 The modelled outputs below show the theoretical impact of seeking to remove all housing benefit in the private rented sector. Any attempt to reduce the number of housing benefit claimants in the private rented sector would require a larger Social Rent/Affordable Rent figure to be provided, and to eliminate all dependency on housing benefit in the private rented sector would need almost over two fifths of all properties (41%) to be delivered as Social Rent/Affordable Rent. However, the model projects that some of the properties released (i.e. typically cheaper private rented properties) would provide a housing supply that would be affordable to households within the intermediate affordability category: so the requirement for intermediate housing is seen to reduce, as well as a proportionate reduction in market housing (i.e. above lowest quartile prices).
- 6.51 Conversely, an increase in housing benefit reduces the need for additional Social Rent/Affordable Rent products – but clearly this is based on an increased burden on the Treasury through additional welfare payments. Therefore, it is probably more appropriate to consider this output as a consequence of lower delivery – for example, if the proportion of new housing provided as Social Rent/Affordable Rent was only 9% on average over the next 20 years, then the number of households claiming housing benefit in the private rented sector is likely to increase by half.

Figure 67: Theoretical impact of reducing or increasing Housing Benefit support for households living in private rented housing: Housing mix 2011-31



Chapter Summary

- » *The ORS Housing Mix Model provides robust evidence on the need for: Social rent and Affordable rent housing for those unable to afford more than social rents without housing benefit; Intermediate housing for those able to afford more than social rents, but unable to afford market housing; Market housing for those able to buy or to rent privately at rents at or above a defined market rent threshold. Therefore, the Model can be seen to be based on definitions of affordability based in turn on Government guidance.*
- » *The Model assumes that mortgages will be set at 4.0x income and that households will spend up to 25% of income on housing costs. On this basis along with Housing Benefit at 2011 levels, we conclude that the requirement in Luton and Central Bedfordshire would be for around 68% Market housing (29,700) to 10% Intermediate Housing (4,500) to 21% Social/Affordable rent (9,200).*
- » *On the basis of testing the assumptions for the Model outputs, we conclude that: Market housing would require around a third 1 or 2 bedroom dwellings, a half 3 bedroom and the remainder 4+ bedrooms; Intermediate housing would require around a sixth 1 bedroom dwellings, a half 2 bedrooms and a third 3 bedrooms, with few 4+ bed; Social and Affordable rent would require a third each of 1, 2 and 3 bedroom dwellings with the remainder being 4+ bedrooms.*

7. Duty to Co-operate

Establishing the housing needs of adjoining areas and how those needs will be met

Overview of Duty to Cooperate Requirements

- 7.1 This Chapter outlines how Luton and Central Bedfordshire are seeking to ensure the production of the SHMA is included in the wider Duty to Co-operate (DtC) requirements on particular areas of planning policy relevant to the SHMA; particularly, the Housing Market Area and the meeting of requirements in neighbouring authorities.
- 7.2 There have been several examples of DTC processes which have been of concern to Inspectors:
- » Constructive engagement with neighbouring authorities (Coventry; January 2013/Kirklees; April 2013)
 - » Comprehensive engagement with neighbouring authorities (Waverley; June 2013/Kirklees April 2013)
 - » Net nil migration scenario as basis for requirements (Waverley; June 2013)
 - » Assumed meeting of housing requirements in neighbouring authorities (Hart; January 2013/Waverley June 2013)

Legal basis

- 7.3 Section 110 of the Localism Act 2011 amends section 33 of the Planning and Compulsory Purchase Act 2004 and imposes a 'duty to co-operate' on Councils who submit plans for Examination after 15 November 2011.
- 7.4 The Planning and Compulsory Purchase Act (2004) also requires that the local authority engage constructively with its neighbours.

Duty to Co-operate Guidance

- 7.5 Recent guidance on this process is contained in 'A Simple Guide to Strategic Planning and the Duty to Co-operate' produced by the Planning Advisory Service and in 'Transition to the Localism Act and the NPPF' produced by the Planning Officers Society.

National Planning Policy Framework (2012)

- 7.6 There are various parts of the NPPF relevant to the Duty to Co-operate:

Paragraph 181 of the National Planning Policy Framework (NPPF) clarifies how co-operation should be a continuous process of engagement from initial thinking through to implementation. In determining whether the 'duty to co-operate' has been fulfilled it is necessary to consider both the process that has been gone through and the outcome. The objective is effective plan-making.

Paragraph 181 of the NPPF notes that Local Planning Authorities will be expected to demonstrate evidence of having effectively co-operated to plan for issues with cross boundary impacts.

Paragraph 47 covers housing supply and needs around “objectively assessed needs for market and affordable housing in the housing market area”

Paragraph 156 says ‘Local planning authorities should set out the strategic priorities for the area in the Local Plan. This should include strategic policies to deliver...the homes and jobs needed in the area;

Assessment of housing and economic development needs (March 2014)

7.7 New Guidance on assessing housing market needs was published in March 2014 and states:

Local planning authorities should assess their development needs working with the other local authorities in the relevant housing market area or functional economic market area in line with the duty to cooperate. (Section 1)

The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the duty to cooperate. (Section 2)

Source: Assessment of housing and economic development needs (March 2014)

The Duty to Co-operate Process

7.8 As part of the development of the SHMA, Luton and Central Bedfordshire Councils invited representatives from neighbouring authorities to join the Steering Group for the project; emerging SHMA outputs were shared and discussed as part of this process. The neighbouring authorities who were part of this process were:

- » Aylesbury Vale District Council
- » Bedford Borough Council
- » Dacorum Borough Council
- » Milton Keynes District Council
- » North Hertfordshire District Council
- » St Albans City & District Council
- » Stevenage Borough Council

7.9 The key issue which emerged from their direct involvement concerned the robustness of the Objectively Assessed Need (OAN) and, to a lesser extent, the definition of the Housing Market Area.

7.10 In response, the SHMA has sought to clearly set out the evidence base for establishing the OAN, including developing household projections and considering the relevant market signals; together with the evidence for defining the Housing Market Area.

7.11 Luton and Central Bedfordshire Councils are continuing their dialogue with neighbouring authorities.

Chapter Summary

- » *The Duty to Cooperate is primarily laid down in the Localism Act, 2011, and referenced in the NPPF, 2012, and Guidance on assessing housing market needs, 2014, among others. It requires local planning authorities to work with neighbouring authorities to plan for issues with cross boundary impact through both the processes involved and the impact.*
- » *Luton and Central Bedfordshire councils have involved seven neighbouring authorities in the process through such means as discussing SHMA outputs. The key issue which arose from that process was the robustness of the Objectively Assessed Need and the definition of the Housing Market Area (HMA).*
- » *This SHMA report clearly sets out the evidence base for establishing the Objectively Assessed Need and reviews the current evidence for the HMA being a functional HMA which meets the Guidance on assessing housing market needs.*

8. Key Findings and Conclusions

Future policy implications for the authorities to consider

- 8.1 The SHMA has considered various factors regarding the housing need in Luton and Central Bedfordshire, updating the current evidence base regarding population and households to derive an objectively assessed housing need which can inform housing and planning policies for the two authorities.

Housing Market Area

- 8.2 The historic Housing Market Area analysis (2008), undertaken in previous SHMA studies, is still relevant pending data release from Census 2011.
- 8.3 However, we have revisited data and updated where possible to consider the impact of any subsequent change and the relationships between the local authorities within the HMA area.
- 8.4 From this it can be seen that the functional HMA is not the same as the local authority boundaries but is formed of all of Luton borough and a substantial part of Central Bedfordshire with a more marginal interaction with parts of Buckinghamshire and Hertfordshire. However, the vast majority of the population is within the Luton and Central Bedfordshire areas themselves.
- 8.5 It should be noted that no new data to undertake HMA analysis has been published since the 2001 Census at the required granularity. New Census data, which could inform a revised view, is not anticipated until 2014. Therefore, both Councils should consider updating the HMA analysis when new data is available.

Population and Household Growth

Luton

- 8.6 It is apparent that the different official data sources available about the Luton population do not provide a consistent evidence base; so we cannot rely on any individual source in isolation. It is therefore essential to consider the full range of available data.
- 8.7 Based on detailed analysis, we have established components of population change that provide outputs that can be reconciled with the different data that is available. This analysis supports the Council's view that the 2001 Census underestimated their resident population; but consequently, although the ONS estimates would still appear to underestimate the population, the rate of change over the last 10 years is likely to be less than official figures would suggest.
- 8.8 Having reviewed the available data, we believe that the alternative components of population change that have been developed provide the most appropriate, robust and reliable evidence base available for Luton. Therefore, this data can be used to inform appropriate assumptions for future demographic projections for the population that will inform the Strategic Housing Market Assessment (SHMA).

- 8.9 On the basis of this information, we have concluded that the demographic projections for Luton suggest a growth of 810 households each year on average over the 20-year period to 2031, but that this sits within a range of between 670 and 950 households each year.

Central Bedfordshire

- 8.10 Overall, there is a need to balance various trend scenarios with a need to be relatively consistent with CLG in order to derive a robust basis for projections. By using 2011 Household Representative Rates we achieve consistency with CLG. Nevertheless, whilst CLG use 5-yr trend and 2011 Household Representative Rates, we are recommending a 20-yr trend (or at least 10-yr trend) with adjusted HRR as a more appropriate basis for forecast. This is also consistent with the approach taken for Luton.
- 8.11 On this basis of analysis for Central Bedfordshire that is consistent with the Luton analysis, we would conclude that the demographic projections suggest a growth of 1,230 households each year on average over the 20-year period to 2031, but that this sits within a range of between 1,140 and 1,320 households each year.

Overall Total

- 8.12 When considering the combined area, the projections identify an increase of 39,600 households over the 20-year period (almost 2,000 households each year on average). It is evident from the analysis that some of the differences seen when considering the areas in isolation are balancing against each other – so the combined range is much smaller (from 39,100 to 40,400 households over the 20-year period).
- 8.13 This increase in household yields a Housing Need for 41,000 dwellings over the period 2011-31 on the basis of household projections. This includes 27,700 dwellings in the Luton HMA.

Market Signals

- 8.14 NPPG has no arithmetic or formulaic response set out regarding negative market signals; however it does set out the need for adjustment:

A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections ... Plan makers should set this adjustment at a level that is reasonable

Planning Policy Guidance (CLG, March 2014), para 020

- 8.15 On the basis of the Market Signals, we can conclude that **there are acute pressures in Luton Borough** relating in particular to affordability and overcrowding:
- **Current affordability ratio is 7.4x:** 12% higher than England (6.6x). There has been no real change over last 5 years, while England has improved by 9%
 - **Overcrowding is 15%:** 77% higher than England (9%) and has increased by a third over last decade (England increased by a quarter)

- 8.16 On the basis of the Market Signals, we can conclude that conditions across the Luton HMA (on the basis of “best fit” data for Luton and Central Bedfordshire LPAs) are less acute than for Luton borough; however there is still evidence that suggests that the level of **Objectively Assessed Need for the HMA should be higher than suggested by household projections** in isolation.

Objectively Assessed Need

- 8.17 Demographic projections identify an increase of 39,600 households over the 20-year period 2011-31. This equates to an overall Housing Need figure of 41,000 dwellings based on household projections in isolation; which includes 27,700 dwellings in Luton Housing Market Area (as illustrated in Figure 57) and 13,300 dwellings in the other surrounding Housing Market Areas (Stevenage, Milton Keynes and Bedford).
- 8.18 As outlined above, Market Signals identify that **there are acute pressures in Luton borough** relating in particular to affordability and overcrowding. Furthermore, whilst Market Signals for the HMA indicate that most problems are less acute, there are still pressures identified. This conclusion is key: it means that in establishing the Objectively Assessed Need for future housing it is probably **appropriate to move away from the estimate identified by the demographic projections and consider a higher figure**.
- 8.19 Employment projections suggest that 41,000 additional dwellings is likely to provide sufficient workforce for the future increase in jobs – 38,000 extra workers in the context of between 36,600 and 42,200 extra jobs (based on forecasts) or 26,000 jobs (based on trends). However, given that the increase in workers is lower than the highest estimate for the increase in jobs, there may also be **some argument to increase future housing** to ensure that an appropriate balance is maintained.
- 8.20 Therefore, we can conclude that the Objectively Assessed Need for **Luton HMA** should be increased from 27,700 dwellings over the 20-year period to 2031. There is no single formula that can be used to consolidate the implications of the Market Signals information; but it would seem reasonable to **increase the provision in Luton HMA to 30,000 dwellings**, an average of 1,500 dwellings annually over the period 2011-31. This represents an increase of 8.5% on the household projections across the HMA, with an increase in Luton borough (insofar as the adjustment is primarily responding to pressures in Luton town) from 15,400 to 17,800 dwellings: an increase of more than 15%.
- 8.21 **The Objectively Assessed Need for Luton and Central Bedfordshire has thus been increased from the 41,000 suggested by household projections to 43,300 dwellings. The Objectively Assessed Need for Luton HMA is 30,000 dwellings, of which 17,800 dwellings is in Luton borough. Central Bedfordshire has an Objectively Assessed Need of 25,600 dwellings, which includes needs for the Luton HMA and parts of other surrounding HMAs that are within Central Bedfordshire.**
- 8.22 This clearly responds to market signals, provides surplus workers beyond the upper end of the jobs range and is higher than demographic projections, even based on recent short-term migration trends. Therefore, this level of housing should provide for the future needs of Luton borough and the wider Luton HMA, and help alleviate the pressures currently identified through market signals.
- 8.23 Whilst the NPPF rightly focusses on the Objectively Assessed Need for the Housing Market Area, the local authorities in Luton and Central Bedfordshire will need to focus on the Objectively Assessed Need for the whole of their respective administrative areas as an appropriate starting point for establishing their Housing Requirement figure and as the basis for discussions under the Duty to Cooperate.

Appendix A

Planning Policy

Excerpts from the National Planning Policy Framework

Paragraph 159 on cross boundary working and the scale/mix of requirements:

Local planning authorities should have a clear understanding of housing needs in their area. They should:

- *prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment 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;*
 - *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and*
 - *caters for housing demand and the scale of housing supply necessary to meet this demand;”*

Paragraph 14 on needs:

“local planning authorities should positively seek opportunities to meet the development needs of their area; Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change.”

Paragraph 47 regarding supply:

“identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land;”

Paragraph 178-181 regarding co-operation:

Planning strategically across local boundaries

178. Public bodies have a duty to co-operate on planning issues that cross administrative boundaries, particularly those which relate to the **strategic priorities** set out in paragraph 156. The Government expects joint working on areas of common interest to be diligently undertaken for the mutual benefit of neighbouring authorities.

179. Local planning authorities should work collaboratively with other bodies to ensure that strategic priorities across local boundaries are properly coordinated and clearly reflected in individual Local Plans. Joint working should enable local planning authorities to work together to meet development requirements which cannot wholly be met within their own areas – for instance, because of a lack of physical capacity or because to do so would cause significant harm to the principles and policies of this Framework. As part of this process, they should consider producing joint planning policies on strategic matters and informal strategies such as joint infrastructure and investment plans.

180. Local planning authorities should take account of different geographic areas, including travel-to-work areas. In two tier areas, county and district authorities should co-operate with each other on relevant issues. Local planning authorities should work collaboratively on strategic planning priorities to enable delivery of sustainable development in consultation with Local Enterprise Partnerships and Local Nature Partnerships. Local planning authorities should also work collaboratively with private sector bodies, utility and infrastructure providers.

181. Local planning authorities will be expected to demonstrate evidence of having effectively co-operated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examination. This could be by way of plans or policies prepared as part of a joint committee, a memorandum of understanding or a jointly prepared strategy which is presented as evidence of an agreed position. Co-operation should be a continuous process of engagement from initial thinking through to implementation, resulting in a final position where plans are in place to provide the land and infrastructure necessary to support current and projected future levels of development.

National Planning Policy Framework 2012 Annex 2

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

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.

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). 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.

Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.