



Reviewing the demographic evidence for North Somerset to establish local housing need

May 2023

Introduction

1. The National Planning Policy Framework published in July 2021 sets out the Government's objective of significantly boosting the supply of homes, and states:

61. To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for.

2. Planning Practice Guidance sets out the following information:

What is housing need? [ID 2a-001-20190220]

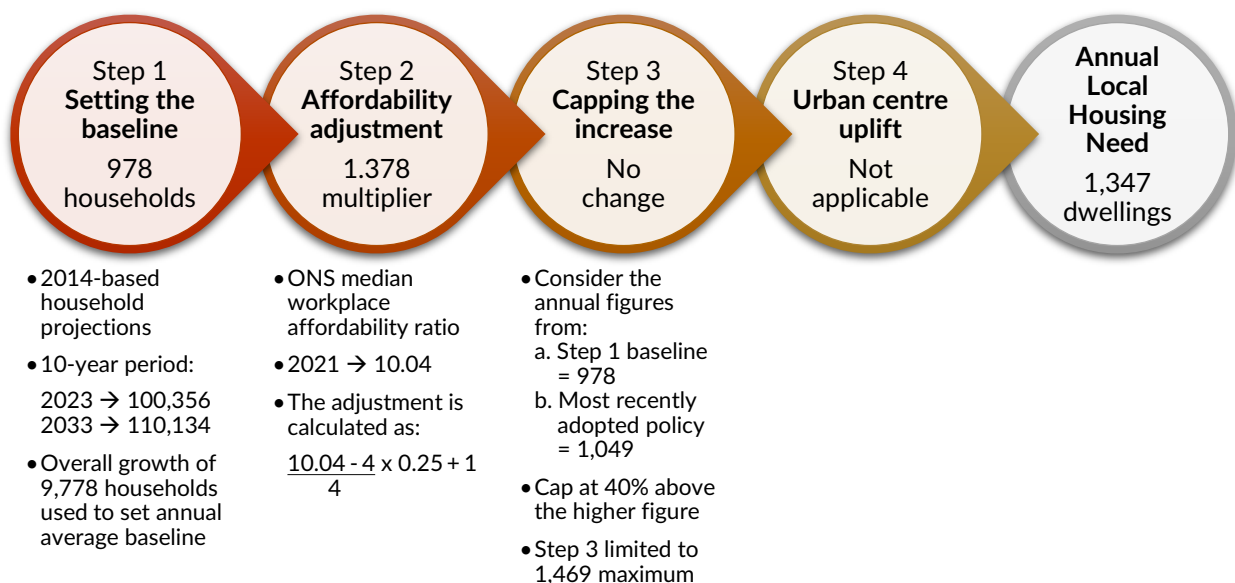
Housing need is an unconstrained assessment of the number of homes needed in an area...

What is the standard method for assessing local housing need? [ID 2a-002-20190220]

...The standard method uses a formula to identify the minimum number of homes expected to be planned for, in a way which addresses projected household growth and historic under-supply...

3. The standard method calculation set out in Planning Practice Guidance [ID 2a-004-20201216] establishes a minimum Local Housing Need of 13,469 dwellings for North Somerset over the 10-year period 2023-2033 (an average of 1,347 dwellings per year). This is equivalent to the district growing by 14% in a decade: i.e. one new dwelling for every seven existing homes.

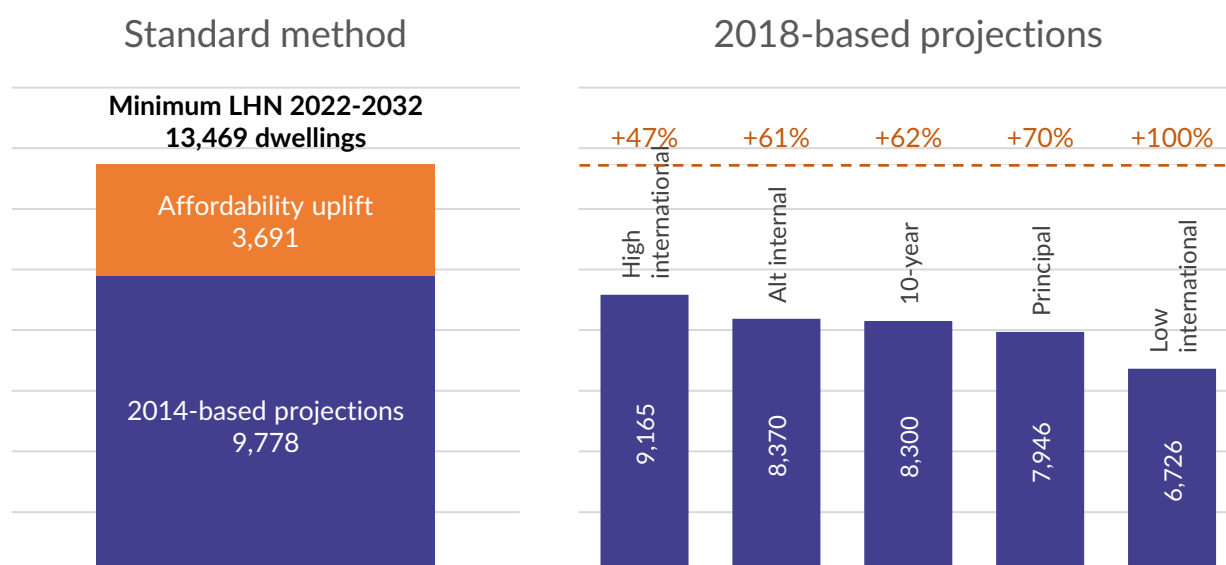
Fig 1 Annual Local Housing Need for North Somerset based on the Government's standard method calculation



Context for the Standard Method Local Housing Need

4. The minimum Local Housing Need figure that the Government's standard method calculation identifies for North Somerset can be set in the context of the current and future demographic trends.
5. The latest figures published by the Office for National Statistics (ONS) are the 2018-based household projections, informed by the 2018-based sub-national population projections. The Office for Statistics Regulation (OSR) has designated both publications as National Statistics, which means that they are fully compliant with the Code of Practice for Statistics and meet the highest standards of trustworthiness, quality and value.
6. There is often debate around how many years of data should be used to inform the projected population change at local level. In general, the ONS uses five years of data, but just two years of data was used for internal migration in the 2018-based principal population projection as only two years of data was available using the current method. The ONS also published a range of variant projections:
 - High international migration variant
 - Low international migration variant
 - Alternative internal migration variant
 - 10-year migration variant.
7. The high and low international migration variants assume either higher or lower levels of net international migration to England as a whole, but the proportional distribution at local authority level remains the same. The alternative internal migration variant uses five years of data for internal migration (two using the new method and three using the old method); and the 10-year migration variant uses 10 years of data for all migration trends (internal, cross-border and international).

Fig 2 Comparing the standard method figure with official household projections for North Somerset 2023-33



8. For the 10-year period 2023-2033, the latest official projections identify a growth of between 6,726 and 9,165 households for North Somerset, which are based on the low international and high international variant projections respectively. On this basis, the Local Housing Need figure identified by the Government's standard method calculation represents an uplift of between 47% and 100% of the projected household growth.

9. Considering the other projections:

The principal projection identifies a growth of 7,946 households (based on 2-year trends for internal migration) and the standard method figure represents an uplift of 70%

The alternative internal migration variant identifies a growth of 8,370 households (based on 5 years of data for all migration trends) and the standard method figure represents an uplift of 61%

The 10-year migration variant identifies a growth of 8,300 households, and the standard method figure represents an uplift of 62%.

10. For the purposes of assessing housing need, ORS would normally recommend a 10-year migration trend as this typically provides a more stable projection for plan-making. This was the approach that was recommended by the Strategic Housing Market Assessment that ORS produced for the West of England before the Government's standard method was introduced.

11. Paragraph 61 of the current Framework states that any departure from the standard method needs to "*justify an alternative approach which also reflects current and future demographic trends and market signals*" (emphasis added). Given that an alternative approach must "also" reflect demographic trends and market signals, we can conclude that the standard method must reflect these factors too. Similarly, Planning Practice Guidance confirms that the standard method formula "*addresses projected household growth and historic under-supply*" [ID 2a-002-20190220]. On this basis, we can conclude that (consistent with the original version of the Framework) the two fundamental elements for assessing housing needs are still:

Projected household growth, which reflects current and future demographic trends

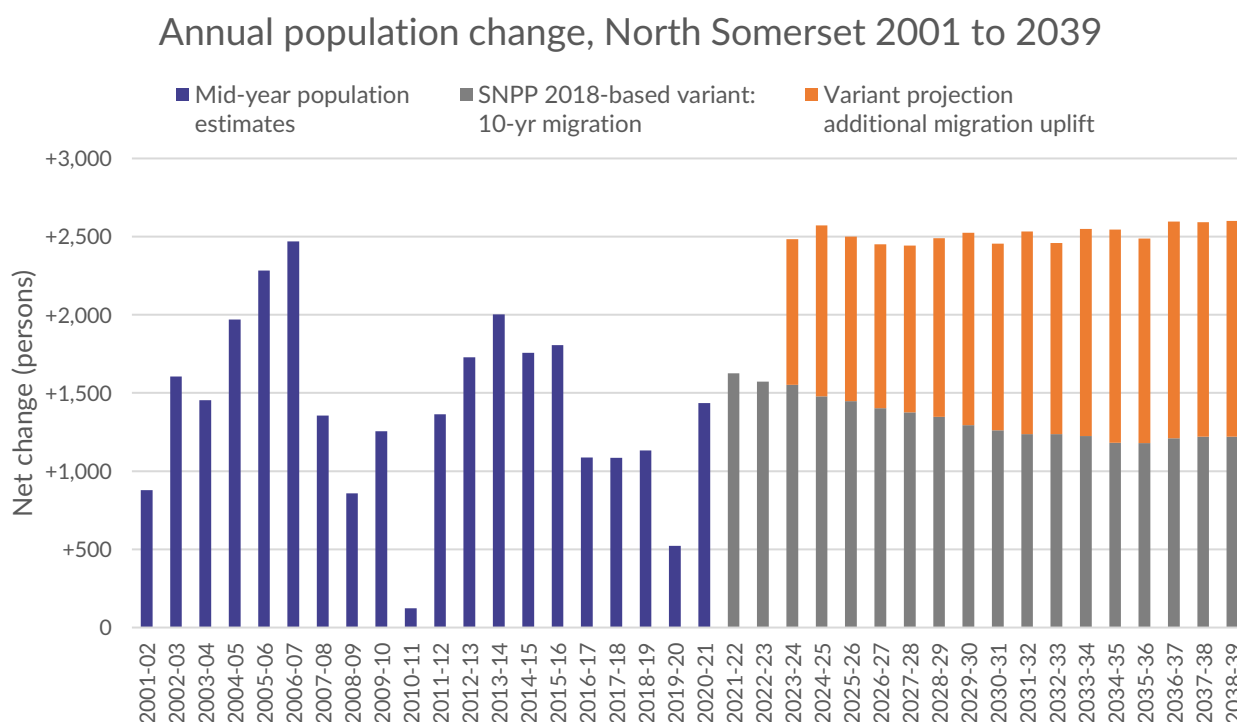
Market signals, which address historic under-supply.

12. Based on the latest official projections, the 10-year migration variant provides the mid-point of household growth for North Somerset (though only around 10% lower than the high international variant) and provides a reasonable basis for understanding current and future demographic trends – so the Housing Need figure for North Somerset would need to provide for growth of 8,300 households over the 10-year period 2023-2033.

13. Given that the standard method calculation establishes a minimum Local Housing Need of 13,469 dwellings for the same 10-year period, we can conclude that 5,169 dwellings will be needed (in addition to the 8,300 household growth) as a response to market signals and to meet historic undersupply. This is equivalent to an uplift of 62% and means that the housing need is approaching two thirds higher the projected household growth based on official projections.

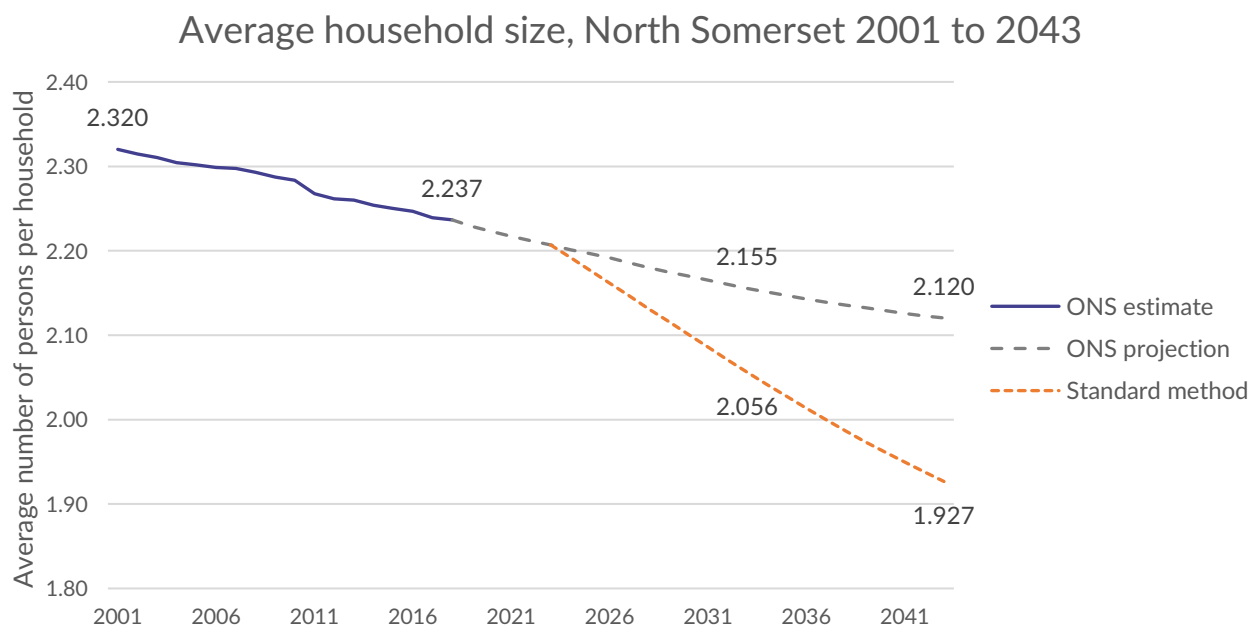
14. Providing this number of additional homes will either result in the same population living in more households, with a smaller average household size; or the population growing with a higher rate of migration than identified by past trends.
15. The ONS population projections identify a growth of 13,630 persons over the standard method 10-year period 2023-2033. This compares to the standard method figure of 13,469 dwellings. The projected population growth is consistent with the increase of 13,918 persons that was recorded for the 10-year period 2011-2021 which takes account of Census data, but there may still be an argument for assuming a higher rate of population growth than suggested by recent trends when planning for housing need.
16. If the level of household growth was in line with the standard method figure and the average household sizes continued to change as projected (reducing from 2.207 to 2.155 persons over the period 2023-2033) then population growth would increase to 23,913 persons between 2023 and 2033, equivalent to a sustained average of 2,391 persons per year.
17. Although this rate of population growth was previously recorded in 2006-2007, that related to a single year and the highest sustained rate for any 10-year period was 15,409 persons. That is equivalent to an average of 1,541 per year, which is 850 fewer than implied by the current standard method figure.
18. The standard method figure suggests that annual population growth over the 10-year period 2023-2033 would be 10,283 higher (75%) than projected by the ONS, and 8,504 higher (55%) than recorded in any previous 10-year period.

Fig 3 Estimated and projected annual population change for North Somerset 2001 to 2039, ONS estimates and projections based on past-trends, and implication of growth based on the standard method calculation (Source: Mid-Year Population Estimates, ONS; 2018-based Household Projections, ONS)



19. When considering the average number of persons in each household, the ONS estimates that household sizes in North Somerset reduced from an average of 2.320 persons per household in 2001 to 2.237 persons in 2018. The 2018-based household projections identified that this average would reduce from 2.207 to 2.155 persons over the 10-year period 2023-2033 used for the standard method calculation, with 2.120 persons on average by the end of the projection period in 2043.
20. The changes in average household size are based on the projected household growth of 8,300 households over the 10-year period 2023-2033.
21. If the level of household growth was in line with the standard method figure (13,469 over the 10-year period and 1,347 per year thereafter) then the 2018-based population growth implies average household sizes would reduce from 2.207 to 2.056 persons over the 10-year standard method period 2023-2033 and would be 1.927 persons on average by the end of the projection period in 2043. An average household size below 2.0 implies that there would be more single person households resident in the area than households with more than two persons.

Fig 4 Average number of persons per household for North Somerset 2001 to 2043, ONS estimates and projections based on past-trends, and implication of household growth based on the standard method calculation (Source: 2018-based Household Projections 10-year migration trend variant scenario, ONS)



22. Therefore, having considered the minimum Local Housing Need figure that the Government's standard method calculation identifies for North Somerset in the context of the current and future demographic trends, it is evident that it does not appear to provide a realistic assessment of Local Housing Need for North Somerset.
23. Providing that number of homes would require population growth to be sustained at 55% above the highest ever recorded trends, or see average household sizes fall at a rate that would appear implausible. It seems most unlikely that the Government calculation provides an accurate reflection of current and future demographic trends and market signals for the district.

Establishing an evidence-based Local Housing Need figure

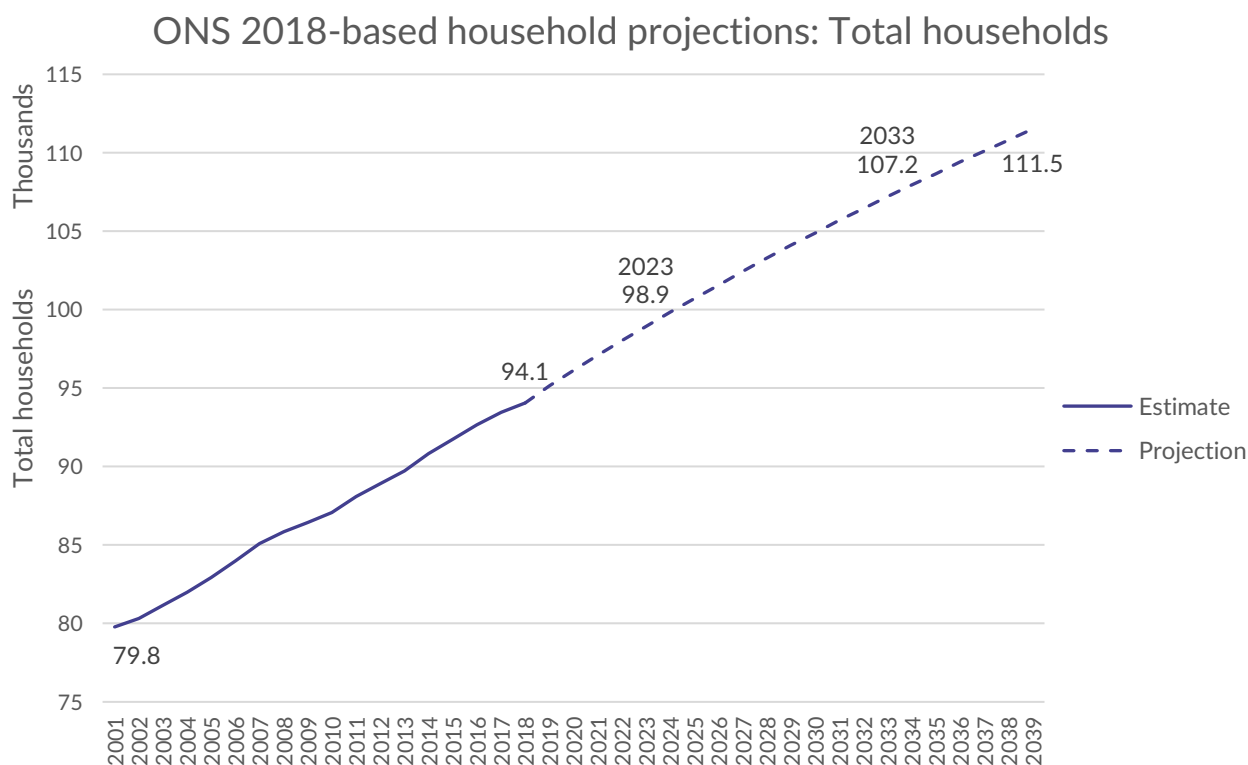
24. We need to provide more homes for two main reasons:

The population is growing; and more people means more homes

Households are getting smaller on average; and fewer people living in each home means more homes are needed.

25. Household projections provide an appropriate starting point for establishing the level of future household growth, but these assume that past trends will continue unchanged into the future. When assessing housing need, it is therefore necessary to consider appropriate adjustments to take account of any past undersupply of housing.
26. Considering the Local Plan period 2024 to 2039, the latest official figures from the 2018-based projections show 99.8 thousand households in 2024 and suggest that this will increase to 111.5 thousand households over the period to 2039 based on the 10-year migration trend variant scenario (Fig 5); a growth of 11.7 thousand, equivalent to 11.7%.

Fig 5 Estimated and projected household growth, North Somerset 2001 to 2039 (Source: 2018-based Household Projections 10-year migration trend variant scenario, ONS)

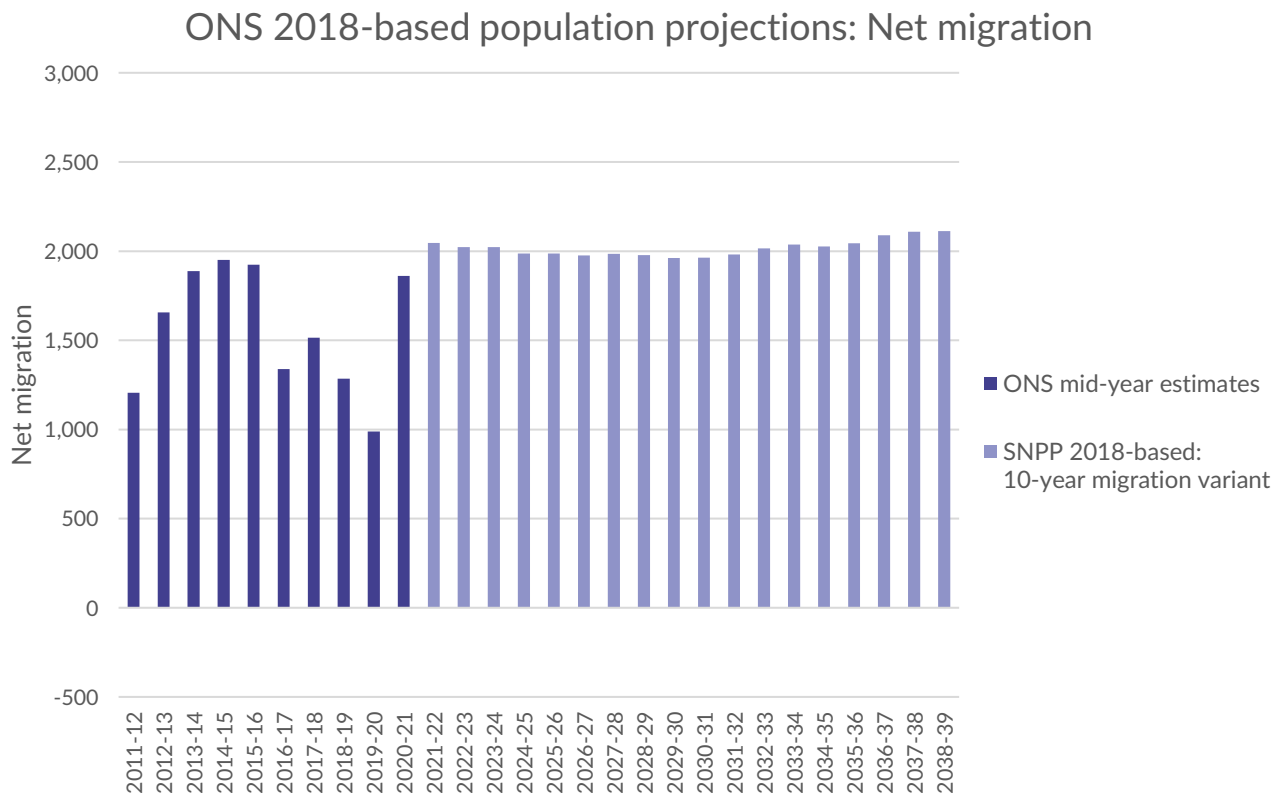


27. This growth of 11.7 thousand households over the Local Plan 15-year period 2024 to 2039 is based on the population increasing by 19.3 thousand persons, equivalent to 1.3 thousand per year on average. As previously noted, the projected population growth based on the 10-year migration trend variant scenario is comparable with the increase of 1.4 thousand persons on average record each year for the 10-year period 2011 to 2021.

Migration

28. Data for the district from the 10-year migration variant scenario projected that total net migration would remain stable with a gain of around 2,000 persons each year throughout the whole projection period.

Fig 6 Estimated and projected annual net migration, North Somerset 2010-11 to 2038-39 (Source: Mid-Year Population Estimates, ONS; 2018-based Sub-National Population Projections 10-year migration trend variant, ONS)

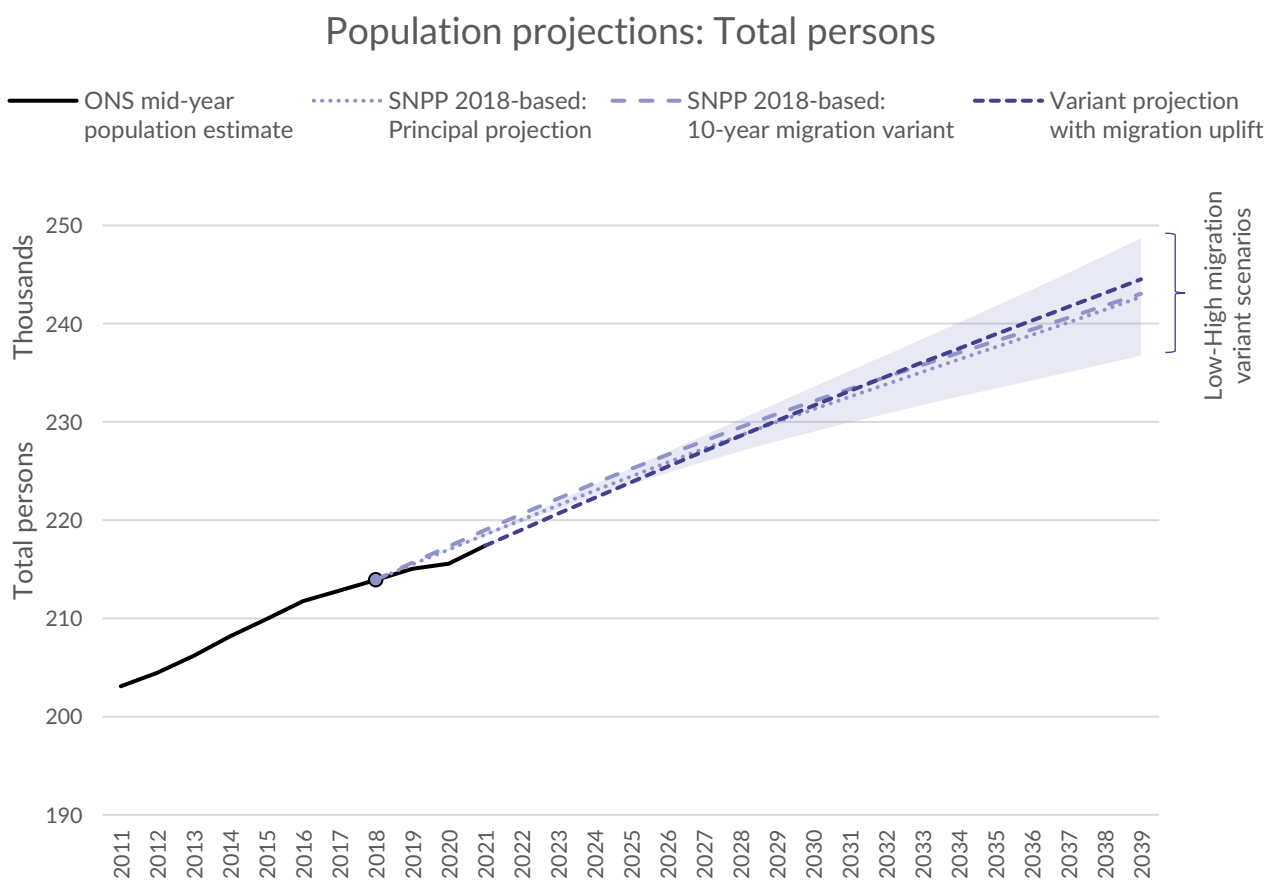


29. The level of annual net migration takes account of two key assumptions.
30. The ONS National Population Projections assume that international migration flows will revert to longer-term trends over the first five-years of the projection, and these are lower than more recent years. As a significant proportion of moves to North Somerset are domestic rather than overseas migrants, the assumption taken for the official projections that international migration will reduce nationally has no significant impact on future net migration projected for the district.
31. Another important assumption is that outward migration is calculated using probability rates. As the overall population grows, so too does the number of out-migrants. Given that the population is projected to increase, more residents will live in the district and therefore more will be projected to move away – in terms of the overall number of people – despite the rate (or percentage) staying the same. However, the district gains population from other areas (including Bristol) and as the number of outward migrants from those areas increases, so too does the number of inward migrants to North Somerset. The changes to inward and outward domestic migration offset each other, meaning that the overall number stays relatively stable.

Population Growth

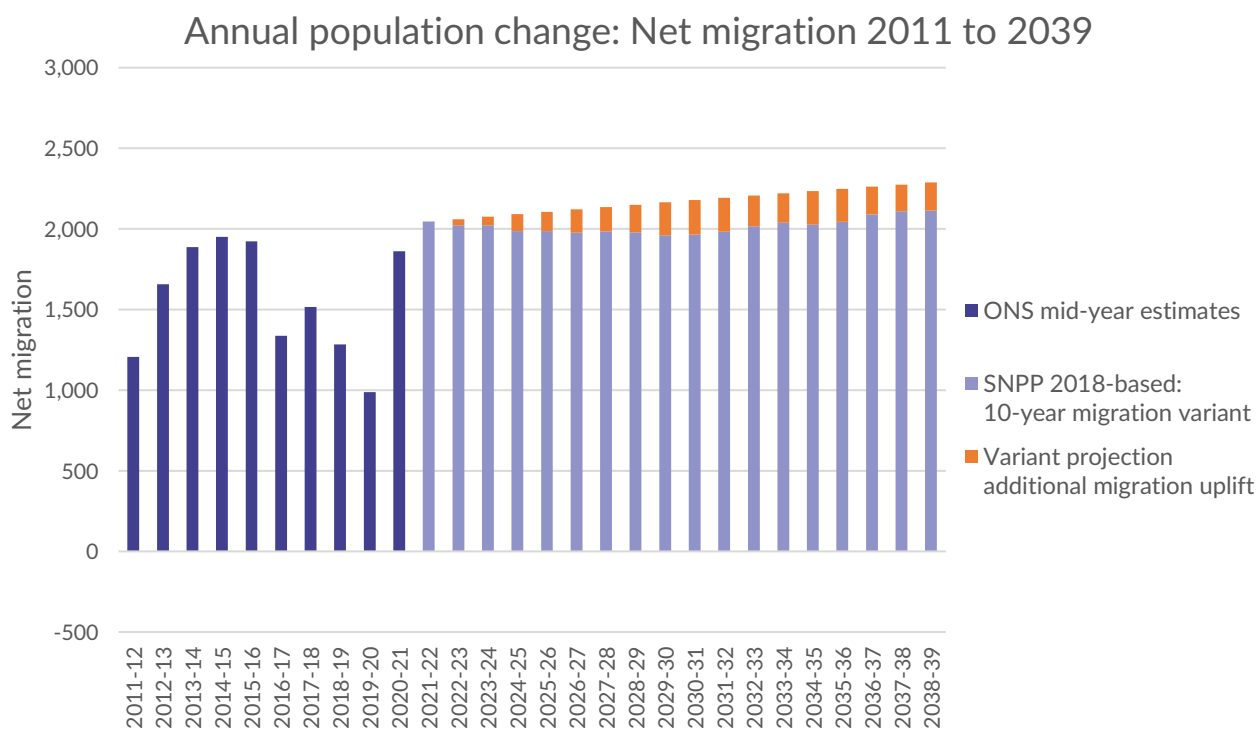
32. The official projections provide an appropriate starting point for establishing housing need, and as previously noted, the 10-year migration trend variant scenario projects a higher rate of population and household growth than the principal projection (Fig 2). However, it would seem appropriate to plan future growth based on more recent international migration trends; and whilst the official projections assume that a larger population will result in higher levels of outward migration, it would seem reasonable to expect population growth to be sustained.
33. Given this context, an alternative population projection has been developed to inform the evidence-based Local Housing Need figure. This assumes that future levels of net migration will vary pro-rata to the overall population, so the number of people moving to the area will progressively increase year-on-year.
34. This alternative variant also takes account of the ONS population estimates for mid-2019 to mid-2021, which were published after the 2018-based projections had been produced. The following charts show these population estimates and the projected growth based on official projections together with the variant projection with the assumed uplifts to migration.

Fig 7 Estimated and projected population growth, North Somerset 2010 to 2039 (Source: Mid-Year Population Estimates, ONS; 2018-based Sub-National Population Projections, ONS; Variant projection with migration uplift, ORS)



35. It is evident that population estimates for mid-2020 and mid-2021 depart from longer-term trends. The figures show that North Somerset’s population increased by only 522 persons between mid-2019 and mid-2020 which is likely to be impacted to some extent by the early months of the Covid-19 pandemic and associated national lockdowns.
36. As a result of the actual population change in these two years, a total of 217.4 thousand persons were estimated to be resident in mid-2021 which is approaching 1,600 fewer than had been projected by the 2018-based projections. However, although the variant projection starts from a lower population base in 2021 than had been projected by the official projections, the charts show that it results in a higher population (around 1,500 more persons) by the end of the Plan period in 2039.
37. The variant projection yields a growth of 22,269 persons over the 15-year period 2024-2039 (from 222.2 to 244.5 thousand persons) which is 15% higher than the 10-year migration trend variant scenario from the 2018-based projections (19,317 persons over the same period) as a consequence of the migration uplifts resulting in net migration increasing year-on-year.

Fig 8 Estimated and projected annual population change due to net migration for North Somerset 2011 to 2039, ONS estimates and projections based on past-trends, showing the impact of the proposed adjustments to future migration (Source: Mid-Year Population Estimates, ONS; 2018-based Sub-National Population Projections, ONS; Variant projection with migration uplift, ORS)

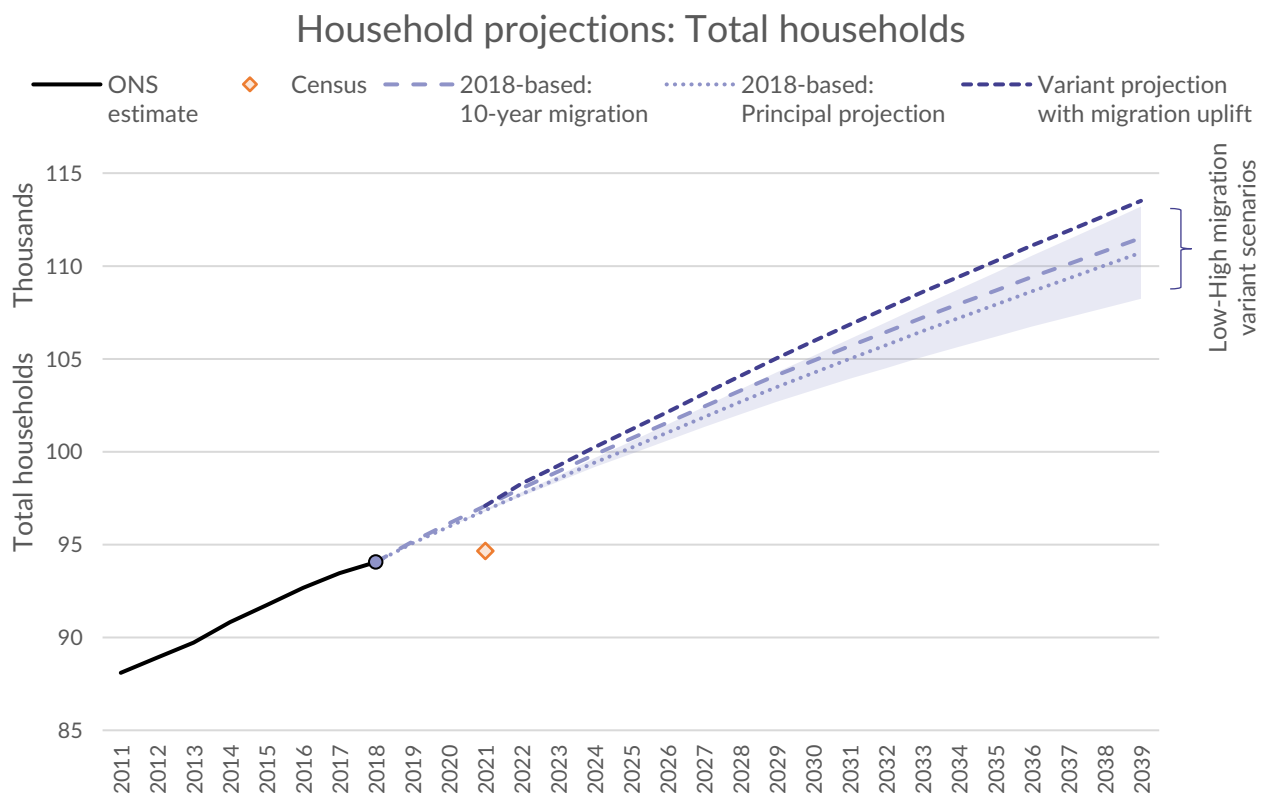


38. Based on the variant projection, net migration is projected to average a gain of 2,192 persons annually over the 15-year period 2024-2039 which is 40% higher than the annual average rate of net migration recorded from 2011 to 2021 (1,561 persons per year). The variant projection is higher than both the official projections and past trends, based on a credible yet ambitious level of population growth. On that basis, the variant projection provides an appropriate basis for a positively prepared, evidence-based Local Housing Need figure for North Somerset.

Household Projections

39. To establish the number of homes needed, the variant population projection (with the uplifts to migration) is used as the basis for developing a variant household projection. This is calculated using data from the ONS 2018-based household projections.
40. The number of households is calculated by applying household representative rates to each age group in the population. The 2018-based household projections establish these rates by considering the proportion of residents in each age group that were household representatives in 2001 and 2011. These trends are projected to continue up until 2021 and the rates are then held constant for the remainder of the projection period.
41. The following chart shows the household estimates and projected growth based on the official projections, together with the variant projection with the assumed uplifts to migration.

Fig 9 Estimated and projected household growth, North Somerset 2010 to 2039 (Source: 2018-based Sub-National Population Projections, ONS; UK Census of Population 2021, ONS; Variant projection with migration and household formation uplifts, ORS)



42. The variant projection yields a growth of 13,267 households over the 15-year period 2024-39 (from 100.2 to 113.5 thousand households) which is higher than all of the scenarios from the 2018-based projections. The variant projection also identifies a growth of 959 residents in communal establishments, which equalise to an additional 538 households over the period.
43. However, the 2018-based household formation rates identify 97.1 thousand households at the base data in 2021 whereas the Census identified only 94.6 thousand were actually resident. It is therefore necessary to review the household formation rates.

Household Formation

44. Aside from providing homes for population growth, households are getting smaller on average; and fewer people living in each home means that more homes are needed. This reduction in average household sizes is a long-term national trend, largely due to the population ageing: many older persons tend to live as couples or single person households, and this increase in one- and two-person households results in a fall to the average size overall.
45. Census data identifies that this long-term national trend was previously also reflected in North Somerset, with average household sizes having reduced from 2.66 persons in 1981 to 2.31 persons by 2001, and to 2.26 persons by 2011. However, 2021 Census data identifies no change over the last decade 2011-2021, with the average remaining at 2.26 persons.
46. It is often argued that if more housing had been delivered over the period since 2001 at a price that was sufficiently affordable for local residents, more young people would have been able to form new households and average household sizes would have continued to fall. However, there are many socio-economic factors driving the change in household formation.

Increased participation rates for higher education mean that many young adults will no longer seek a job when they leave school; and whilst youngsters entering employment would often leave home permanently at that time and many would not return, far more tend to return to their family home after completing university – especially those that have yet to secure employment after graduating

Young couples are now less likely to form lifetime partnerships in their late teens and early twenties than had been the norm for previous generations; and the absence of such long-term relationships inevitably leads to fewer couples choosing to get married or otherwise cohabit

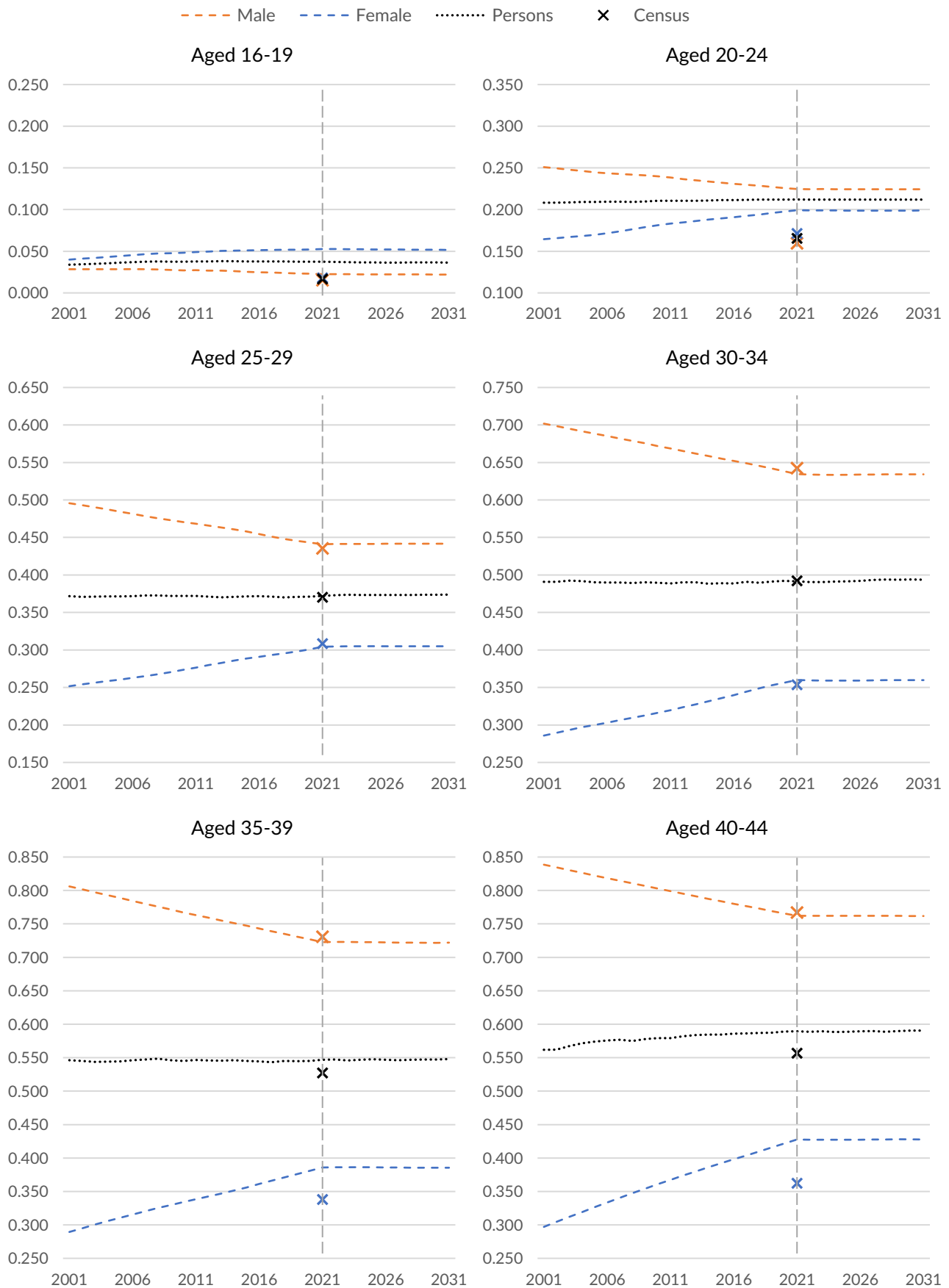
There are different cultural approaches to young adults living independently, with some groups choosing to live as extended families, so changes in the ethnic mix of the population over time has also impacted on household formation.

47. On this basis, it is clear that housing supply and affordability is one of many drivers affecting household formation – but when establishing housing need, it is important to also take account of any historic under-supply which could have resulted in higher numbers of multi-adult and multi-family households and more young adults living with their parents.
48. The consequences of any historic under-supply would be evident in household representative rates, with fewer households forming now than would have done so in the past (Fig 10). However, considering the overall proportion of persons who are household representatives in North Somerset, data from the official projections showed that:

Rates have remained largely unchanged for those aged 16 to 19 and 25 to 39, with reductions in male rates being offset against increases in female rates

Rates for those aged 20 to 24 and 40 to 44 have increased, with more households projected to form now than in 2001.

Fig 10 Household representative rates by age and gender, North Somerset 2001 to 2031 (Source: UK Census of Population 2021, ONS; 2018-based Household Projections, ONS. Note: ONS method assumes no change in rates from 2021 onwards)

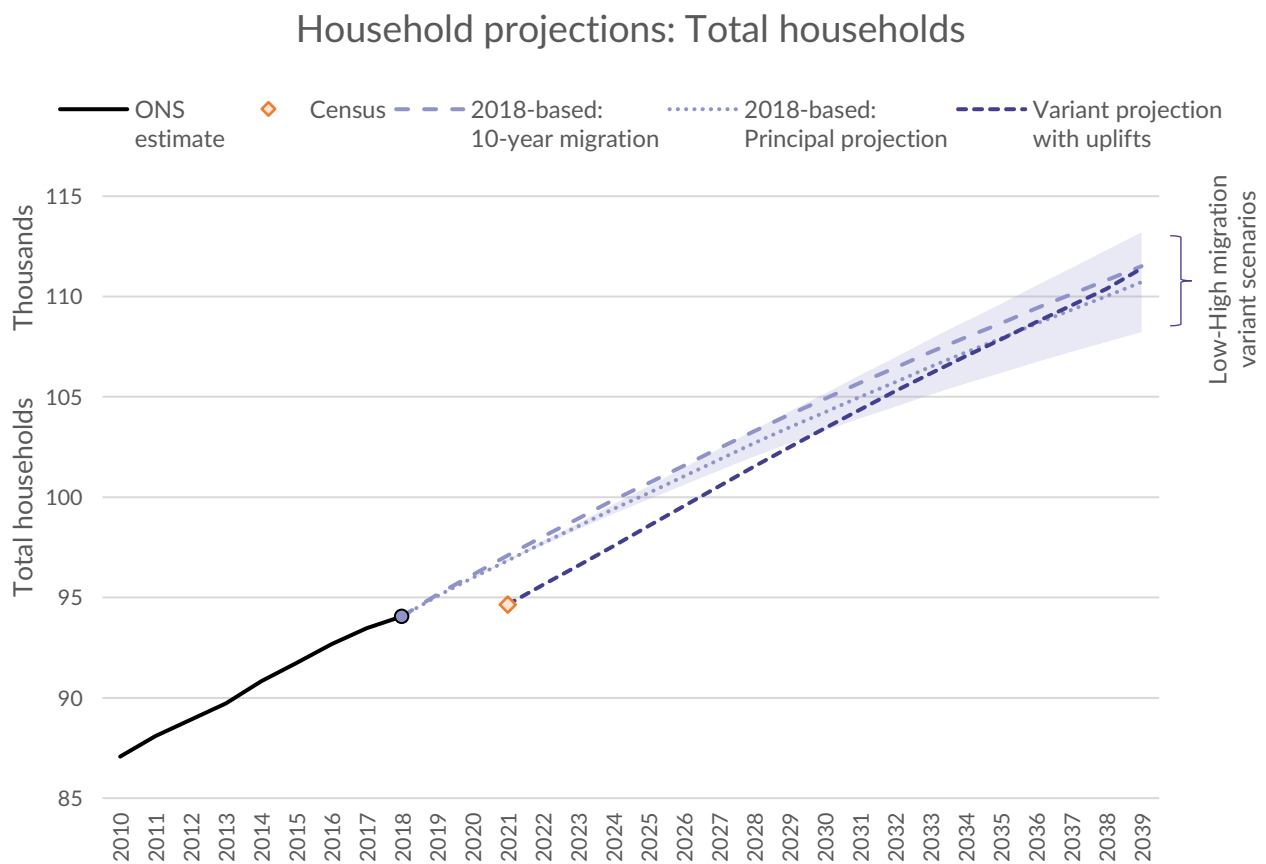


49. The ONS 2018-based household projections are based on the household representative rates observed from 2001 to 2011, with trends projected to continue up until 2021 and rates then held constant for the remainder of the projection period. However, whilst data from the Census confirms that the actual proportion of household representatives was consistent with the projected rates for those aged 25 to 29 and 30 to 34, the actual rates were lower than had been projected for other age groups.
50. Whilst it is unlikely that all of this reduction was due to housing supply and affordability, if there had more homes been available at prices that young people could afford then more households would probably have formed – and more household formations would have resulted in a continued reduction in average household sizes.
51. Given this context, an alternative household projection has been developed to inform the evidence-based Local Housing Need figure. This is based on the variant population projection (with the uplifts to migration) but updates the household formation rates from the 2018-based projections to take account of the 2021 Census. Consistent with the methodology developed by the ONS for the 2018-based projections, the rates are based on Census data for 2001 and 2011; but instead of these trends being projected forward, rates from the Census data for 2021 have been used, with these rates then held constant for the remainder of the projection period.
52. The alternative projection also recognises that housing supply and affordability are likely to have constrained past rates of household formation. To ensure that future rates of household formation are not impacted by past under-supply, the household representative rates for all age groups under 45 are adjusted to ensure that no rates are lower than the rates that were recorded in 2001, or the rates recorded in 2011 if these were higher.

Household Projection allowing for Increased Formation Rates

53. The following chart shows the household estimates and projected growth based on the official projections, together with the variant projection with the assumed uplifts to migration and household formation rates, taking account of the 2021 Census and increasing the formation rates to take account of young people forming their own independent households.
54. The variant projection starts from the number of households identified by the Census in 2021, which is lower than had been projected by the official projections. However, the larger rate of growth results in the total households being in line with the 10-year migration variant (and higher than the principal projection) from the 2018-based projections by the end of the Plan period in 2039.

Fig 11 Estimated and projected household growth, North Somerset 2010 to 2039 (Source: 2018-based Sub-National Population Projections, ONS; UK Census of Population 2021, ONS; Variant projection with migration and household formation uplifts, ORS)



55. The variant projection yields a growth of 13,837 households over the 15-year period 2024-39 (from 94.6 to 111.4 thousand households) which is 19% higher than the 10-year migration trend variant scenario from the 2018-based projections (11,665 households over the period). The variant projection also identifies a growth of 959 residents in communal establishments, which equalise to an additional 538 households over the period.
56. After allowing for a proportion of vacant and second homes, the identified growth represents an overall housing need of 14,982 dwellings over the 15-year period 2024 to 2039, equivalent to an average of 999 dwellings per annum.

Establishing Local Housing Need

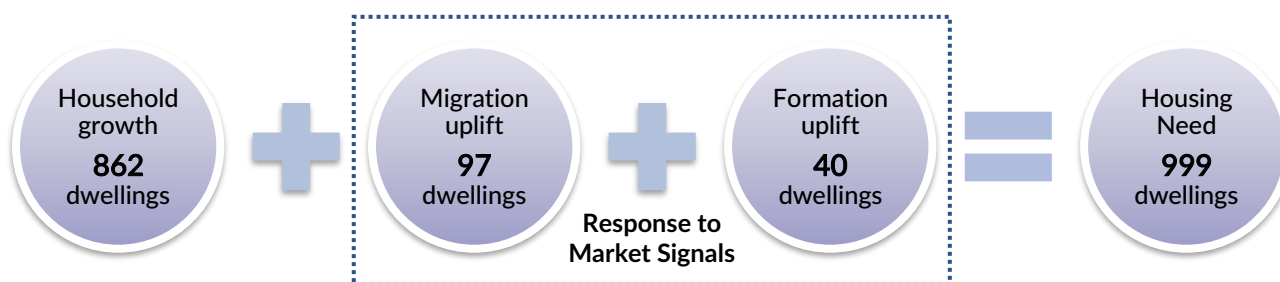
57. To establish an evidence-based Local Housing Need for North Somerset for the 15-year period 2024-2039, it is necessary to consider two fundamental elements:

Projected household growth, which reflects current and future demographic trends

Market signals, which address historic under-supply.

58. Based on the latest official projections, the ONS 2018-based 10-year migration variant scenario provides a reasonable basis for understanding current and future demographic trends. An evidence-based adjustment can then be calculated as a response to market signals, to ensure that any historic under-supply is properly accounted for.
59. Based on a detailed review of the evidence, we have concluded that the Local Housing Need for North Somerset is 999 dwellings per annum. The components of the identified annual Local Housing Need can be summarised as follows:

Fig 12 Components of the evidence-based annual Local Housing Need figure for North Somerset 2024-2039



60. This evidence-based assessment identifies an **annual Local Housing Need of 999 dwellings** equivalent to 14,985 dwellings over the 15-year Plan period. The identified Housing Need will meet the **household growth in full** and incorporates 2,056 additional dwellings as a positive response to market signals, providing sufficient homes for **net migration to increase by 40%** relative to past trends and **enabling young household formation** to return to peak rates.
61. The following table summarises the calculations for each stage of the analysis.

Fig 13 Components of the evidence-based Local Housing Need for North Somerset 2024-2039

	ONS 2018-based household projection	Uplift for migration	Uplift for household formation
Demographic growth 2024-2039			
Projected household growth	11,665 households	13,267 households	13,837 households
Projected increase of residents living in communal establishment	1,316 persons → 738 households	959 persons → 538 households	959 persons → 538 households
Total households	12,403 households	13,805 households	14,375 households
Allowance for vacant of second homes that do not have any usual residents	523 dwellings	583 dwellings	607 dwellings
Total dwellings	12,926 dwellings	14,388 dwellings	14,982 dwellings
Annual average	862 dpa	959 dpa	999 dpa
Impact of uplift on annual figure	-	+97 dpa	+ 40 dpa

Conclusions

62. The Government's Standard Method calculation identifies an annual need for 1,347 dwellings, equivalent to 20,205 dwellings over the 15-year plan period. However, providing that number of homes would require population growth to be sustained at 55% above the highest ever recorded trends or see average household sizes fall at an implausible rate, such that there are more single person households than families and other households with more than two persons.
63. It seems most unlikely that the Government calculation provides an accurate reflection of current and future demographic trends and market signals for the district, and it does not appear to provide a realistic assessment of Local Housing Need for North Somerset.
64. It is important for plan-making to be evidence-led, so in developing a Local Plan for the district it is necessary to consider a robust, evidenced approach for determining Local Housing Need. The latest official projections identify a need to provide 862 dwellings each year for growth identified by the official household projections, but it is appropriate to increase this annual starting point by 97 dwellings as a positive response to future migration and also plan to deliver an additional 40 dwellings each year to mitigate the impact of historic undersupply and enable more young people to live independently and form their own households.
65. This evidence-based assessment identifies an **annual Local Housing Need of 999 dwellings** equivalent to 14,985 dwellings over the 15-year Plan period. Whilst this figure is lower than the Government's Standard Method calculation, it will meet the **household growth in full** as well as providing sufficient homes for **net migration to increase by 40%** relative to past trends.
66. North Somerset's housing stock increased from 91.7 to 99.0 thousand dwellings over the 10-year period to 2021, an increase of 7,325 dwellings equivalent to an average of 733 dpa. Delivering 999 homes per year would represent a step-change in housing delivery, and meeting the identified need would provide a **36% increase to current rates of housing supply**.
67. Furthermore, delivering 14,985 dwellings over the 15-year period to 2039 would be equivalent to an increase of 15% to the district's existing stock, a **sustained average of 1.0% per year** for the whole Local Plan period. If this annual rate of growth was achieved nationally across England it would yield a sustained delivery of around 250,000 new homes on average over a 15-year period, which is consistent with the Government's policy objective to progressively increase housing delivery from current levels up to around 300,000 homes annually.
68. The Local Housing Need of 14,985 dwellings that has been identified for the period to 2039 is **evidence-led**, based on a **robust, reliable and realistic assessment of need**. This provides a **positive and ambitious target** which is appropriate for developing a Local Plan for North Somerset that will properly meet **the genuine Local Housing Needs of the district**.