



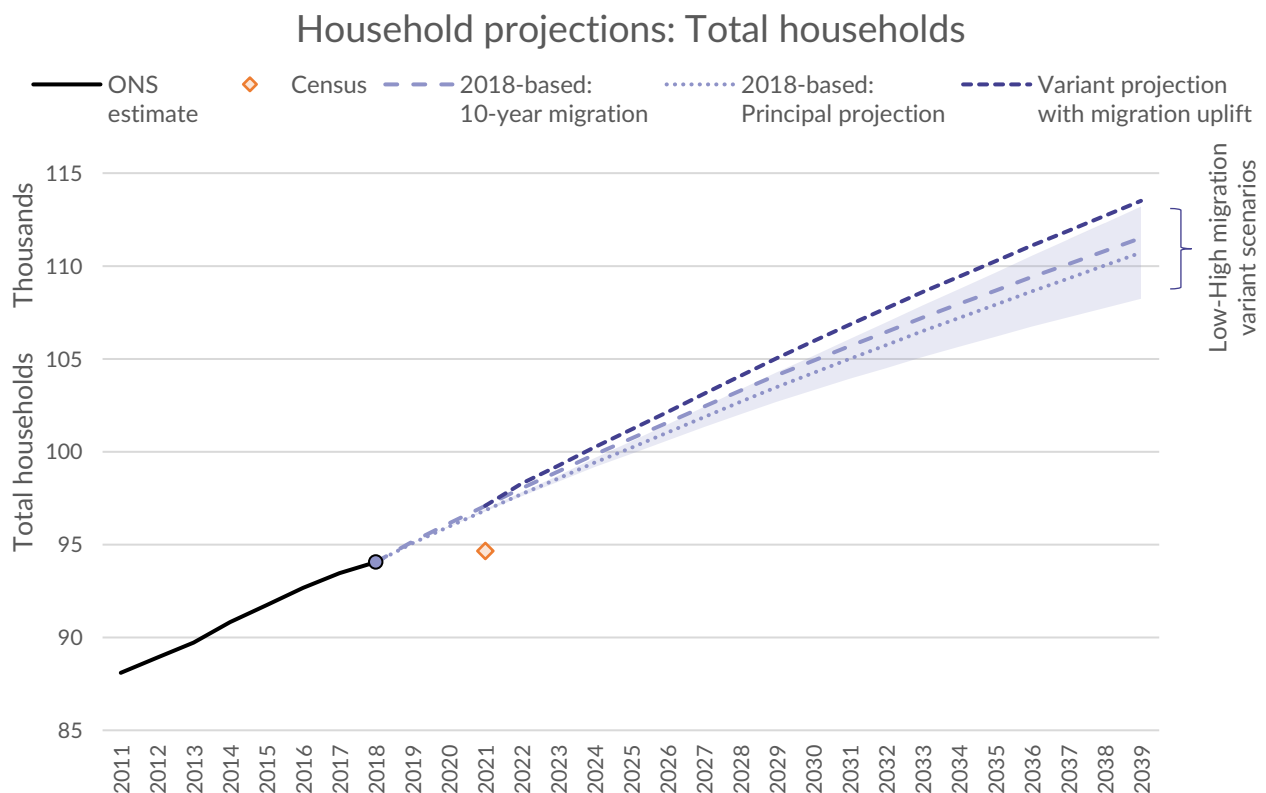
Reviewing the demographic evidence for North Somerset to establish local housing need

May 2023

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

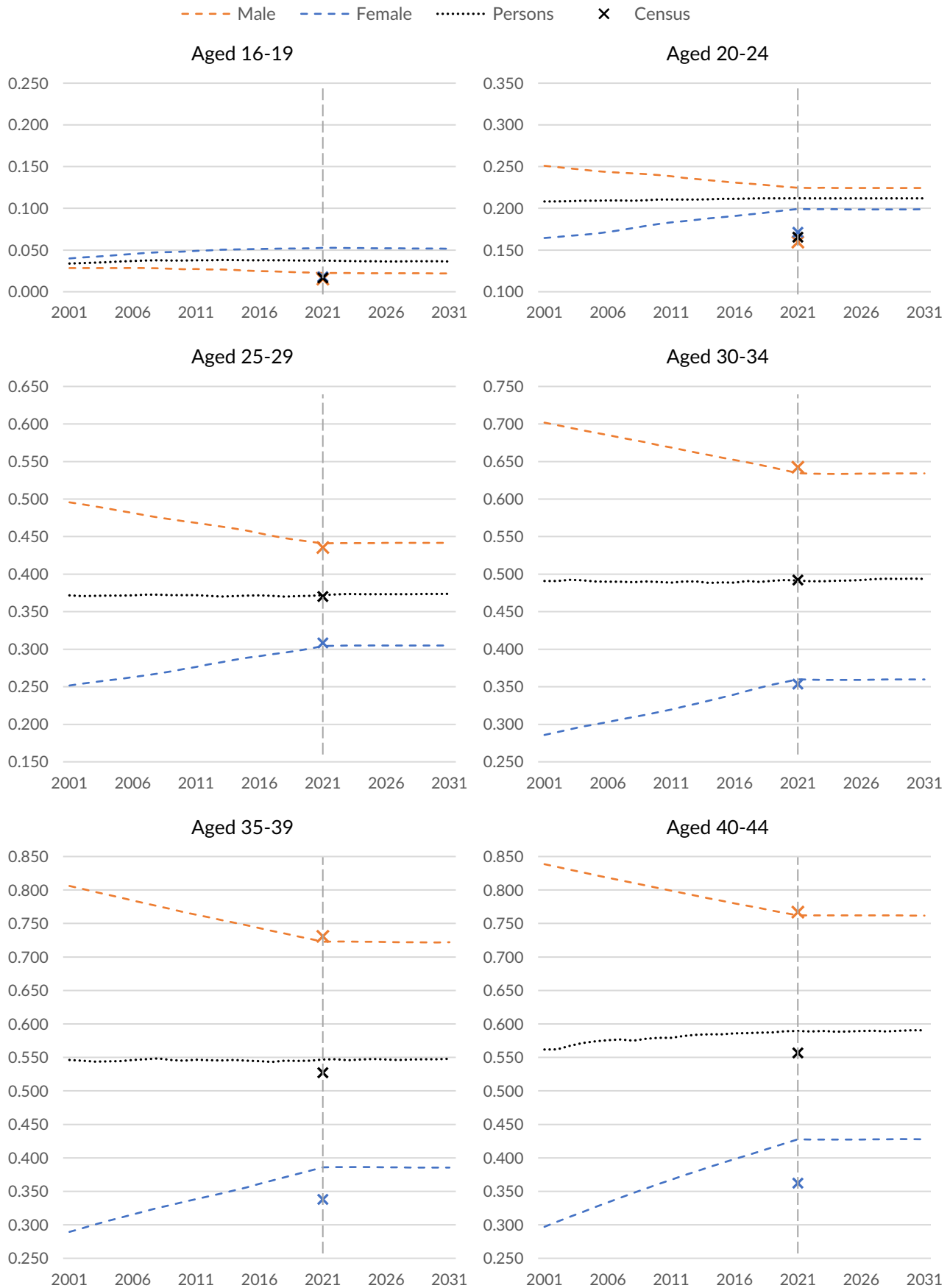
There are different cultural approaches to young adults living independently, with some groups choosing to live as extended families, so changes in the ethnic mix of the population over time has also impacted on household formation.

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)

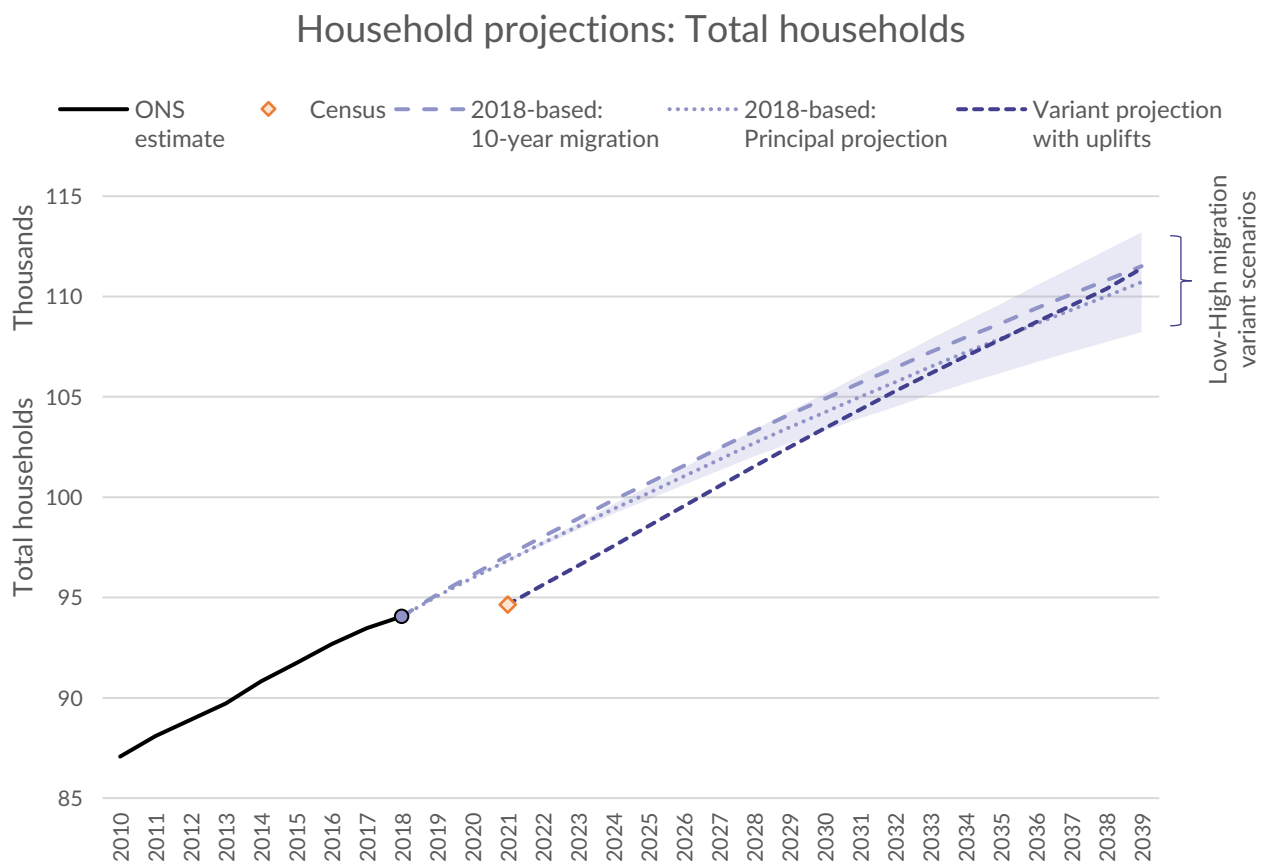


49. The ONS 2018-based household projections are based on the household representative rates observed from 2001 to 2011, with trends projected to continue up until 2021 and rates then held constant for the remainder of the projection period. However, whilst data from the Census confirms that the actual 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

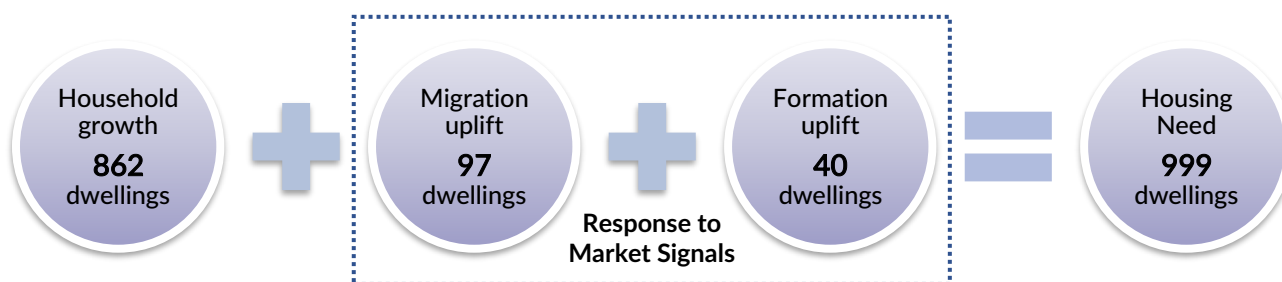
57. To establish an evidence-based Local Housing Need for North Somerset for the 15-year period 2024-2039, it is necessary to consider two fundamental elements:

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**.