Herefordshire Council

Local Housing Requirements Study

Final Report: July 2011

PREPARED BY

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Date July 2011
Ref: J:\Planning\Job Files\J024755 - Herefordshire Housing Assessment\Reports

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Date	Originator	Approved
	Nick Ireland	Graeme Tulley
	Planning Associate Director	Planning Director

Limitations

EXECUTIVE SUMMARY

INTRODUCTION

I. Herefordshire Council commissioned GL Hearn supported by Justin Gardner Consulting to undertake a technical assessment of future local housing requirements to support and inform the development of the LDF Core Strategy.

II. The adopted Regional Spatial Strategy (RSS) for the West Midlands, published in 2004 (with a partial review published in 2008) sets a gross housing requirement for 800 dwellings per annum in Herefordshire up to 2007 and for 600 per annum over the period 2007-21.

III. Before the change of Government in 2010, preparation of the Phase 2 Revisions to the RSS were well advanced. A report of the Panel was published in September 2009 which recommended provision of 18,000 dwellings (900 per annum) in Herefordshire over the 2006-26 period, of which 8,500 were to be located at Hereford. The Council has progressed its draft Core Strategy to date on this basis.

IV. The Coalition Government has made clear its intention to revoke the RSS and return responsibilities for determining housing provision to individual local authorities. This is being taken forward through the Localism Bill which, at the time of writing, is working its way through Parliament. Given the proposed timeframe for taking forward the Core Strategy, it is likely be for Herefordshire Council to determine the appropriate level of housing provision to plan for in the County.

V. This Study has considered need and demand for housing over the period from 2006 to 2031. This is driven by growth in the population and changing structure and size of households. This Study uses a scenarios-based approach to develop understanding and quantify housing need and demand, taking account of population trends and economic performance. It considers future requirements for the County of Herefordshire as a whole and for each of the seven constituent housing market areas within the County. The Study builds on and is presented as an addendum to the Herefordshire Local Housing Market Assessment report, prepared by GL Hearn and Justin Gardner Consulting in Spring 2011.

HOUSING MARKET DYNAMICS

VI. Herefordshire had an estimated population in 2009 of 179,100. The population over the last 20 years has consistently grown at a faster rate than across the West Midlands. The population structure has an above average proportion aged over 50 and a particularly low proportion aged 15-34. Over the last 30 years, the proportion of the population aged over 34 has been increasing, whist the numbers aged 15-34 has been declining.

VII. Herefordshire has a relatively low value economy, with GVA per head in 2008 which was 25% below the UK average and 8.6% below the West Midlands average. Total employment increased in Herefordshire in the period 2001 – 2008 at a rate of about 1000 additional jobs a year. It grew more strongly than the resident working-age population.

VIII. House prices in Herefordshire increased by 77% between 1996 Q1 – 2002 Q1 (representing an average increase of £41,750 in value) which was similar to nationwide trends but more rapid than house price growth across the West Midlands. However we saw a sharp correction in house prices in late 2008, with median prices in Herefordshire falling by £32,000 between Q3 2008 – Q1 2009: a loss of -16% of their value. While there has been some subsequent growth, prices have yet to regain their peak values of £197,000 in Q3 2008.

IX. Transaction levels (sales) reflect the relative buoyancy of the market and provide an indication of effective demand for market housing. From Q3 2007 the market turned sharply downwards; with average sales volumes over the last year have been around half those achieved at the peak of the market and 44% below levels over the past decade as a whole. This is indicative of a reduction in effective demand for market housing. However demand is being primarily displaced towards the rented tenures – the availability of mortgage finance which is the critical constraint to market demand does not affect underlying household growth which influences overall housing requirements.

PROJECTIONS OF HOUSING REQUIREMENTS

X. Projections for population and household growth have been constructed based on demographic trends within the County. Births, deaths and migration have been analysed to construct projections of population trends. The projections assume an average of 2.1 births per woman of childbearing age and that life expectancy continues to improve over the next 20 years. A number of scenarios for migration are constructed with past migration trends indicating net in-migration of both families and retired households to the County. Headship rates are used to project the number of households: these describe the proportion of people of different ages who are heads of household. To project dwelling requirements, an allowance is made for vacancy of 2.5% of newly-built homes to allow for turnover.

XI. A number of projections have been developed to understand the relationship between population, employment and housing numbers. The headline results are shown below:

Figure A: Projections of Population, Dwellings & Employment, 2011-31

Projection		Population Growth		Housing Numbers			Employment growth	
		2011-31	% change	2011-31	Per Annum	% change	2011-31	% change
MAIN PROJECTIONS								
Short-Term Population Trends (5 Year Trend Migration of 740 pa)	PROJ 1	5,734	3.2%	9,509	475	11.5%	-5,736	-6.7%
Medium-Term Population Trends (10 Year Trend Migration of 940 pa)	PROJ 2	10,052	5.5%	11,445	572	13.9%	-3,449	-4.0%
Long-Term Population Trends (15 Year Migration of 1120 pa)	PROJ 3	13,937	7.7%	13,188	659	16.0%	-1,391	-1.6%
Economic-Led Growth Projection (Oxford Economics)	PROJ 7	31,264	17.3%	21,043	1,052	25.5%	8,123	9.5%
Projection to Support 5% Employment Growth	PROJ 8	24,645	13.6%	17,991	900	21.8%	4,279	5.0%
COMPONENT PROJECTIONS								
Zero Net Migration	PROJ 4	-10,240	-5.7%	2,343	117	2.8%	-14,196	-16.6%
Zero Employment Growth	PROJ 5	16,565	9.1%	14,367	718	17.4%	0	0.0%
Zero Population Growth	PROJ 6	0	0.0%	6,936	347	8.4%	-8,773	-10.3%

XII. The projections show that migration is an important driver of population dynamics within Herefordshire. With zero net migration, where in-migration balances out-migration, just 2,300 homes are required over the 2011-31 period. However this scenario sees the population drop by over 10,000 and an even more substantial reduction in the workforce by over 14,000. The projections indicate that over the 2011-31 period, 6,900 homes would be required to maintain the size of the population. This will help to protect local services. Because of the ageing of the population, 14,000 homes would be required to maintain existing employment levels. The Council's emerging Economic Development Strategy seeks to increase the number and range of jobs.

XIII. A number of projections have then been developed which take account of migration trends in the short, medium and long-term. Long-term migration trends over the last 15 years are highest and projected forward result in a housing requirement of 13,200 (660 pa). In comparison, levels of net in-migration in the short-term have been more moderate, in part influenced by planning policy. Projecting 5 year trends in migration forward results in a housing requirement of 9,500 between 2011-31 (475 pa).

XIV. A number of economic-driven projections have also been developed. A scenario has been developed based on the forecast of employment growth by Oxford Economics within the Council's 2010 Employment Land Review (Drivers Jonas Deloitte 2010). This forecasts employment growth of 9.5% over the next 20 years, with job growth of just over 400 per annum. This compares to average employment growth of 1000 in the decade before the recession (1998-2008). This results in a housing requirement of 21,000 (1050 per annum). Recognising that there are some downside risks to this associated with macro-economic conditions in the short-term, a second economic-driven projection was developed based on achieving 5% growth in employment between 2011-31. This results in a housing requirement of 18,000 (900 per annum).

XV. For comparison, the Government's latest official projections (2008-based) would result in a requirement for 14,600 homes between 2011-31.

XVI. Projections have been undertaken for each of the seven Housing Market Areas (HMAs) in Herefordshire to provide an understanding of the relationships between changes in the population, labour supply and housing requirements. The Housing Market Areas include both the market towns and their hinterlands and were defined in the Strategic Housing Market Assessment (Outside Consultants, June 2008) and used in the Local Housing Market Assessment (GL Hearn, July 2011).

Figure B: Overview of Projection Results for Local Housing Markets

Housing Required by HMA (2011-31) …	To Maintain Population Base	To Maintain Working-Age Population	Based on 5 Year Migration Trends	Based on 15 Year Migration Trends
Hereford	3463	6529	6171	7940
Bromyard	408	967	391	612
Ledbury	775	1422	793	1167
Ross	982	2570	1031	1591
Kington	236	671	163	344
Leominster	807	1715	822	1284
Golden Valley	220	492	138	248
Herefordshire	6890	14367	9509	13187

XVII. This analysis indicates that the draft Core Strategy Preferred Options published by the Council in 2010 directed a higher proportion of development to Hereford and Leominster relative to local needs to Hereford and Leominster, in part to support the delivery of necessary infrastructure.

STUDY CONCLUSIONS

XVIII. The results of the main projections vary widely between 9,500 homes based on short-term migration trends, through to 21,000 homes based on forecast requirements of the county's economy. The Study has therefore considered what would be an appropriate scenario to plan for. Around 14,400 homes are required over the next 20 years to maintain a stable working population, which is similar to the latest official projections (14,600). GL Hearn would consider this to be a minimum to provide a positive planning framework for the County.

XIX. Delivery of 21,000 homes based on forecast economic growth of 9.5% over the 2011-31 period equates to an average of 1050 per annum, which is similar to rates achieved in the late 1990s. However there are a number of downside risks associated with achieving these levels of employment growth and housing delivery, linked in particular to macro-economic conditions in at least the short-term. Against this context, 5% employment growth over the 2011-31 period may be a more realistic aspiration. This would require provision of 18,000 homes.

XX. GL Hearn consider that a realistic assessment of housing need and demand would fall within these parameters, for provision of between 14,400 – 18,000 homes between 2011-31.

XXI. The Council has undertaken a Strategic Housing Land Availability Study which indicates that there appears to be sufficient land available which could be brought forward for development to meet any of the projections developed. At the County-wide level, this suggests that availability of land is unlikely to act as a strategic constraint to levels of housing provision although it is likely to affect the distribution of development within the district alongside other factors such as the spatial strategy and assessment of infrastructure needs and requirements.

XXII. In planning for housing provision, the Council is bringing together the findings of this Study with assessment of infrastructure needs and requirements and the availability of suitable land for housing provision in refining its preferred strategy for the level and distribution of housing. In developing the plan, alternative options are being tested against social, environmental and economic criteria through Sustainability Appraisal. Thus this Study is intended to provide one of a number of inputs to determining policies for housing provision which include consultation through the plan-making process with local communities and other stakeholders.

1 INTRODUCTION

1.1 Herefordshire Council is currently preparing its LDF Core Strategy as part of its Local Development Framework (LDF). The Council has commissioned GL Hearn supported by Justin Gardner Consulting to undertake a technical assessment of future local housing requirements to support and inform the development of the LDF Core Strategy.

PLANNING FOR HOUSING PROVISION

1.2 National planning policies in Planning Policy Statement 3 (PPS3: Housing) set out that there are a range of factors which come together to inform consideration of housing requirements. This Study specifically considers housing need and demand, and draws on the conclusions of the Strategic Housing Land Availability Assessment (SHLAA) published in March 2011.

1.3 PPS3 sets out that infrastructure constraints and requirements should also be considered in identifying housing requirements, and that alternative policy options should be tested against social, economic and environmental objectives through Sustainability Appraisal. This, as well as public and stakeholder consultation on proposed levels of housing provision are beyond the scope of this Study, but form part of the wider plan-making process.

1.4 The adopted Regional Spatial Strategy (RSS) for the West Midlands, published in 2004 (with a partial review published in 2008) sets a gross housing requirement for 800 dwellings per annum in Herefordshire up to 2007 and for 600 per annum over the period 2007-21.

1.5 Before the change of Government in 2010, preparation of the Phase 2 Revisions to the RSS were well advanced. In December 2007 the Phase 2 Revision Draft was submitted to the Secretary of State. This proposed provision of 16,600 dwellings (830 pa) over the 2006-26 plan period of which 8,300 were to be located at Hereford.

1.6 Following Examination in Public into the draft Phase 2 Revision, a report of the Panel was published in September 2009 which recommended provision of 18,000 dwellings (900 per annum) in Herefordshire over the 2006-26 period, of which 8,500 were to be located at Hereford. The Council has progressed its draft Core Strategy to date on this basis.

1.7 The Coalition Government has however made clear its intention to revoke the Regional Spatial Strategy and return responsibilities for determining housing provision to individual local authorities. This is being taken forward through the Localism Bill which, at the time of writing, is working its way through Parliament. It will thus likely be for Herefordshire Council to determine the appropriate level of housing provision to plan for in the Core Strategy, given the prospective timescale for preparation of the Core Strategy.

1.8 The Government however has made it clear that even when the Localism Bill has been enacted, local authorities will still need to be able to justify housing numbers in their plans and be able to defend them during the LDF examination process. Housing numbers must be based on reliable information.

1.9 In this context, the Study provides an assessment of housing need and demand to inform the development of the LDF Core Strategy.

OVERVIEW OF APPROACH

1.10 This Study considers housing need and demand together. Housing need and demand is driven by growth in the population and changing structure and size of households. This Study uses a scenarios-based approach to develop understanding and quantify the impacts of various housing market drivers, including demographic and economic trends, in order to provide an informed assessment of housing need/demand. The Study looks at five year periods between 2006 – 2031.

1.11 As part of this project, projections of population and household growth have been prepared by GL Hearn and JGC. Herefordshire Council produces population projections and forecasts for strategic planning purposes. The latest are developed from a 2006 base and at the time of writing the Council is working on updating these to a 2010 base. The Council's 2006 forecasts take account of planned housing supply policies, whereas projections in this report are based on trends and assumptions and no not take account of supply-side factors.

1.12 The Study builds on and is presented as an addendum to the Herefordshire Local Housing Market Assessment report, prepared by GL Hearn and Justin Gardner Consulting in Spring 2011. It considers housing requirements at two levels, firstly at a county-wide level; and then for each of the seven constituent housing markets within the County.

REPORT STRUCTURE

1.13 The remainder of this report is structured as follows:

- Section 2: National Planning Policy;
- Section 3: Housing Market Performance & Drivers;
- Section 4: Main Population Projections;
- Section 5: Economic-Driven Population Projections;
- Section 6: Household & Housing Growth Projections;
- Section 7: Projections for Local Housing Markets;
- Section 8: Considering Housing Provision Options;
- Section 8: Conclusions.

2 NATIONAL PLANNING POLICY

2.1 In this section we set out the context to the Study addressing current national planning policy.

2.2 Planning Policy Statement 3 (PPS3) sets out national policy regarding the appropriate range of factors to be taken into account in determining levels of housing provision. It makes it clear that there are a range of factors which come together to inform consideration of housing requirements, as the box below outlines.

Assessing an Appropriate Level of Housing: Extract from Planning Policy Statement 3: Housing (PPS3)

The level of housing provision should be determined taking a strategic, evidence-based approach that takes into account relevant local, sub-regional, regional and national policies and strategies achieved through widespread collaboration with stakeholders.

In determining the local, sub-regional and regional level of housing provision, Local Planning Authorities [and Regional Planning Bodies, working together,] should take into account:

- Evidence of current and future levels of need and demand for housing and affordability levels based upon:
  - Local and sub-regional evidence of need and demand, set out in Strategic Housing Market Assessments and other relevant market information such as long term house prices.
  - [Advice from the National Housing and Planning Advice Unit (NHPAU) on the impact of the proposals for affordability in the region].
  - The Government's latest published household projections and the needs of the regional economy, having regard to economic growth forecasts.
- Local and sub-regional evidence of the availability of suitable land for housing using Strategic Housing Land Availability Assessments and drawing on other relevant information such as the National Land Use Database and the Register of Surplus Public Sector Land.
- The Government's overall ambitions for affordability across the housing market, including the need to improve affordability and increase housing supply.
- A Sustainability Appraisal of the environmental, social and economic implications, including costs, benefits and risks of development. This will include considering the most sustainable pattern of housing, including in urban and rural areas.
- An assessment of the impact of development upon existing or planned infrastructure and of any new infrastructure required.

2.3 This Study focuses on housing need and demand, but considers a number of the wider factors at a headline level to provide an indication of the potential approach which could robustly be adopted through the LDF. PPS3 is clear that evidence of need and demand should to be brought together with information on land availability, infrastructure constraints and requirements, and sustainability appraisal which must consider alternative policy options against social, economic and environmental objectives in determining housing requirements.

2.4 Housing targets have previously been set through Regional Spatial Strategies (RSS) which identified specific targets for local authorities. In the case of Herefordshire, the housing target was set through the West Midlands Regional Spatial Strategy.

2.5 On 6th July 2010 the Coalition Government sought to revoke the Regional Spatial Strategies (RSS) under s76(6) of the Local Democracy Economic Development and Construction Act 2009. This has however been successfully challenged in the High Court by CALA Homes. At the time of writing therefore, the RSS remains part of the development plan; however the Government has made clear that it will be abolished in due course by a forthcoming Localism Bill which is progressing through Parliament. In late May 2011 the Court of Appeal ruled that Council development plans would be unlawful if they were based on the Government's stated intention to abolish the Regional Spatial Strategies. It would be unlawful for a local planning authority preparing, or a planning inspector examining, development plan documents to have regard to the proposal to abolish regional strategies. In reality this will impact primarily on Core Strategies which are examined or potentially submitted before the revocation of RSS, following enactment of the Localism Bill. The RSS is highly likely to be revoked in due course meaning that it will no longer forms part of the development plan and that the Council's Local Development Framework will not have to accord with it. Instead, it will be for the Council itself to determine through the LDF Core Strategy what represents an appropriate level of housing provision in the County.

2.6 Government however has made it clear that local authorities will still need to be able to justify the housing numbers in their plans and be able to defend them during the LDF examination process. Housing numbers must be based upon reliable information.

2.7 The Coalition Government has emphasised that the impetus behind the change of national policy is to reduce unnecessary bureaucracy and enhance community involvement in planning, in accordance with the principles of localism. We would thus expect that community consultation would be a key input in determining any revised housing requirement.

2.8 In proposing to return powers in determining levels of housing provision to local authorities, the Government is also implementing a system to provide Councils with financial incentives to build new homes, allowing them to retain council tax receipts from new homes for six years. This 'New Homes Bonus' was introduced in February 2011. It aims to support investment in infrastructure required alongside housing growth.

2.9 Clause 90 of the Localism Bill proposes a duty to cooperate on local authorities in the preparation of development plans. The Government had recently indicated that it will seek to strengthen this measure to support sub-regional planning to address issues, which include housing supply and transport, which can have an impact beyond local authority boundaries.

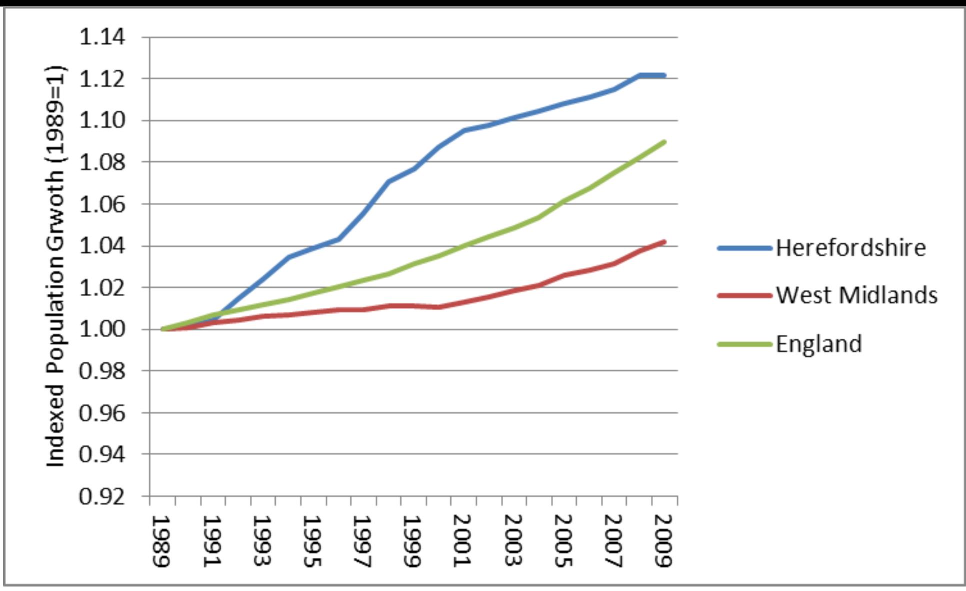
3 OVERVIEW OF HOUSING MARKET DYNAMICS

3.1 Hereford is a predominantly rural county covering 842 square miles situated in the south-west corner of the West Midlands region bordering Wales. Population density is low. The City of Hereford is the centre of the County for employment, administration, health, education and shopping facilities. The other principal locations are the five market towns (in descending order of size) of Leominster, Ross-on-Wye, Ledbury, Bromyard and Kington.

Population and Socio-Economic Profile

3.2 Herefordshire had an estimated population in 2009 of 179,100. The population over the last 20 years has consistently grown at a faster rate than across the West Midlands (and England since 1996). Looking more specifically at the decade to 2009, Herefordshire's population increasing by 4.0% over the decade to 2009 compared to 3.7% growth across the West Midlands.

Figure 3.1: Population Growth, 1989 – 2009



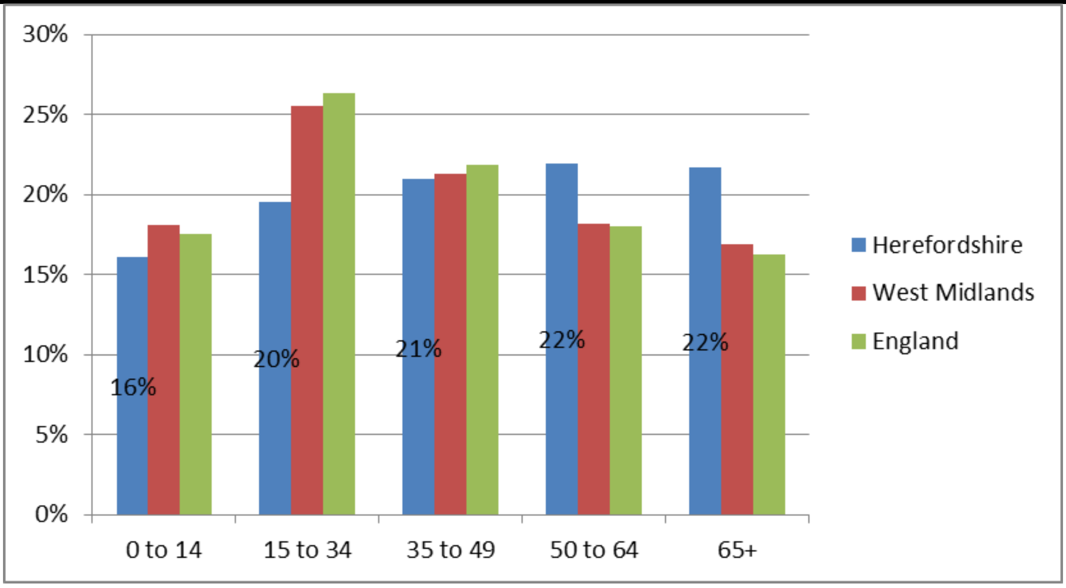
Source: ONS Mid-Year Population Estimates

3.3 The population is not particularly diverse, with 96% of the population of White British origin compared to 83% across the West Midlands[1].

3.4 The population structure has an above average proportion aged over 50 and a particularly low proportion aged 15-34 relative to the regional and national profiles.

[1] ONS Estimates, Mid 2007

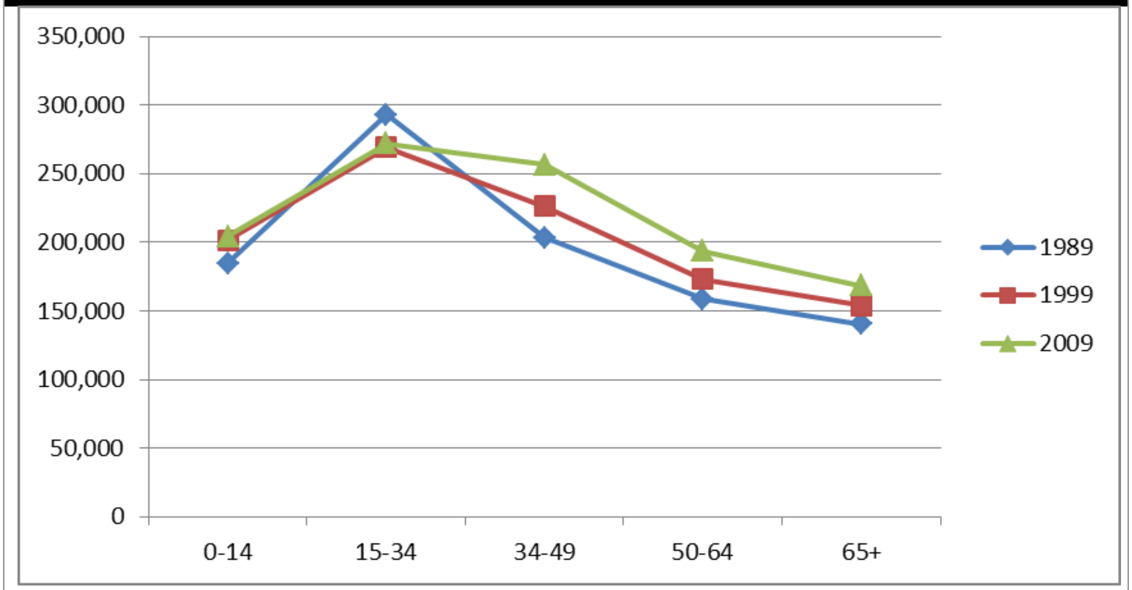
Figure 3.2: Population Structure, 2009



Source: ONS Mid-Year Population Estimates

3.5 Over the last 30 years, the proportion of the population aged over 34 has been increasing, whist the numbers aged 15-34 has been declining. Population growth has been driven by growth in the number of people aged over 35.

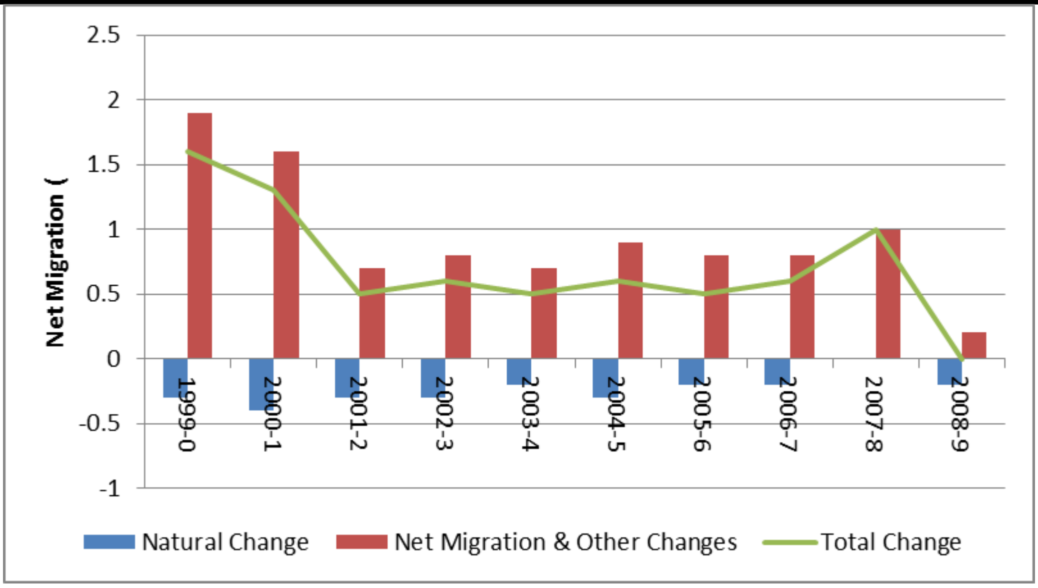
Figure 3.3: Changes in the Population Structure



Source: ONS Mid Year Population Estimates

3.6 Looking at the components of population change between 1999-2009, the death rate has generally exceeded the birth rate by an average of 240 persons per year resulting in natural decrease. This has been countered by net in-migration which averaged over 900 per annum and driven population growth.

Figure 3.4: Analysis of Components of Population Change, 1999-2009



Source: ONS Mid-Year Population Estimates

Economic Performance and Commuting

3.7 Herefordshire has a relatively low value economy, with GVA per head in 2008 which was 25% below the UK average and 8.6% below the West Midlands average. With a high 85% self-containment of travel to work patterns in 2001, this is borne out in the wages of residents. Gross weekly pay in 2010 at £417.70 for full-time workers was 11% below average for the region (£469.20) and 17% below the national average (£501.80). Low wage levels are borne out in housing affordability issues. The Council's Local Economic Assessment suggests that rather than narrowing, the gap in wages is widening.

3.8 The low value economy is partly a function of the County's economic structure. There are a high proportion of jobs in manufacturing (accounting for 14.9% of employee jobs compared to 13.8% across the West Midlands and 10.2% across the UK), but these are primarily in low and medium technology activities including food and beverage production, rather than higher value-added activities. Distribution, hotels and restaurants are also strongly represented (accounting for 26.2% of employee jobs compared to 13.8% across the West Midlands) and includes jobs in tourism-related sectors. The agricultural sector is also well represented.

3.9 There is a low level of employment in finance, IT and other business activities which has been a key growth sector nationally in recent decades. This sector accounts for 11.9% of employment in Herefordshire compared to 18.6% across the West Midlands and 22.0% nationally. Overall, just 34% of employment is in knowledge-intensive industries compares to 44% across the West Midlands and 48% nationally (and the majority of these are in the public sector, which is expected to contract in the short-term).

3.10 A key feature of the economic structure is a low representation of higher-value private sector businesses.This is a structural economic weakness which partly reflects the County's relative 'peripherality' in a national or regional context, together with the size of its population and key centre and the strength (or weakness) of the road and rail links. However this needs to be set against supply-side regeneration measures, including proposals in the emerging Core Strategy for additional employment land provision together with regeneration projects such as Edgar Street Grid in Hereford which is anticipated to generate up to 900 jobs.

3.11 Evidence of the skills profile tends to suggest that the qualifications levels are reasonable: with 27.3% of the working-age population being qualified to NVQ Level 4 or above (equivalent to degree level) which is above the West Midlands average, 24.8%, although below average nationally (29.3%)[2]. The level with NVQ3 and above is also above the regional average. This suggests that skills are not constraining the local economy (not withstanding skills shortages in particular sectors or occupations).

3.12 Total employment increased in Herefordshire in the period 2001 – 2008 faster than growth in the resident working age population, resulting in an increase in the jobs density from 0.81 to 0.88. In 2008 the jobs density exceeded the regional average of 0.77 and taking into account economic activity the suggestion is that total employment actually exceeded the number of people in work.

3.13 Evidence of commuting patterns from 2001 suggests that there was a moderate net outflow of people to work of 4,000, although the level of self-containment of travel to work patterns was relatively high.

3.14 Levels of economic participation are strong. Economic activity in Herefordshire stood at 80.1% in 2009/10[3] which was above both the regional and national averages (75.2% and 76.4% respectively). Similarly the employment rate at 75.2% was above average (although this had fallen from a peak of 77.8% in 2008/9).

3.15 A total of 9.2% of the resident working-age population are in receipt of key out-of-work benefits (including job seekers allowance, incapacity benefit and employment and support allowance). This is below levels across the West Midlands and nationally (13.9% and 12.4%

[2] ONS Annual Population Survey July 2009 – June 2010
[3] ONS Annual Population Survey July 2009 – June 2010

respectively). 2.4% of the resident working-age population was in receipt of Job Seekers Allowance in May 2011: again below GB and West Midlands averages (3.7% and 4.7%). The number of JSA claimants has fallen since the beginning of the year but is still above the low point of 1.2% in late 2007. Of the total of 2,643 claimants in May 2011, 75% had been claiming for over 6 months and long-term unemployment is a particular issue for the County. Total unemployment was modelled at 5.3% in 2010.

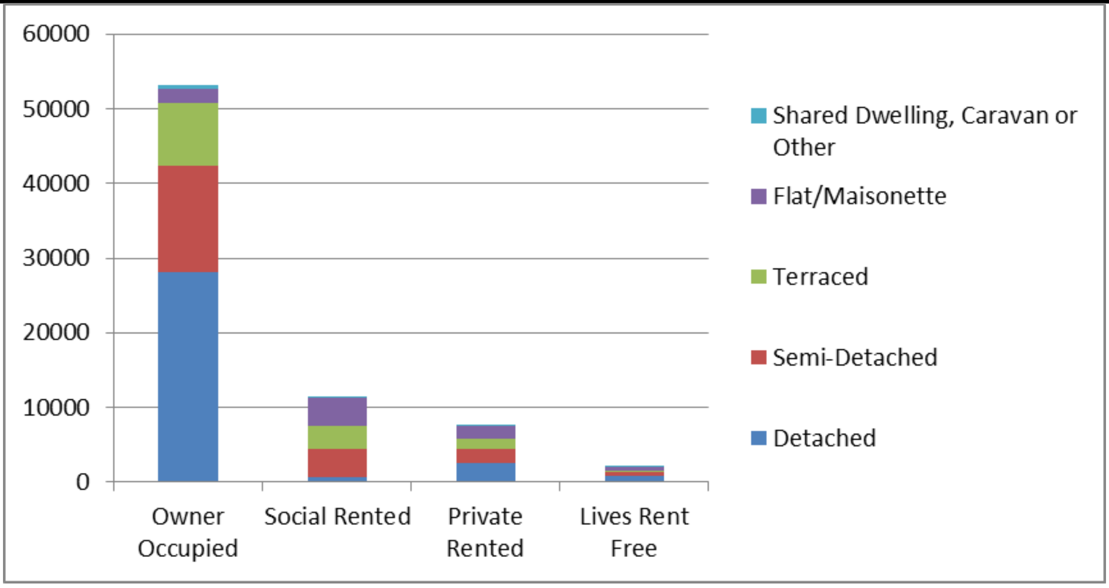
Current Housing Offer

3.16 A higher proportion of housing in Herefordshire is owner occupied, with 70.8% of households being owner occupiers in 2001 in Herefordshire compared to 69.6% across the West Midlands and 68.7% across England. The social rented sector accommodated a lower proportion of households in 2001 at 15.2% compared to 20.6% across the West Midlands and 19.3% across England. Private renting in Herefordshire at 10.4% was marginally above the national average (10.0%), and more notably above the regional average (7.3%).

3.17 A particular feature of the County is a very high proportion of detached housing, which represents 43.1% of the housing stock compared to 23.9% across the West Midlands and 22.6% across England.

3.18 Figure 3.5 below outlines the profile of house types by tenure.

Figure 3.5: House Types by Tenure in Herefordshire



Source: Census 2001

3.19 The County has a higher proportion of properties in Council Tax Bands E-G than the regional or national profile. These bands accommodate 25.6% of properties compared to 18% nationally. There are a low proportion of cheaper properties in Band A and to a lesser extent Band B.

3.20 The housing offer has a relatively low proportion of cheaper property types, which is likely to contribute to affordability pressures.

Recent Housing Market Dynamics

3.21 The housing market context has changed since 2007. Over the decade to 2007, housing demand grew strongly across the country – supported by a period of sustained economic stability and growth, historically low interest rates and increased choice and competition in the mortgage market. Housing supply was shown to be relatively inelastic, contributing to a period of sustained and strong price growth. The sustained growth in house prices together with mortgage availability supported growth in investment in the residential sector, and with it the size of the private rented sector. A combination of growing costs of home ownership (relative to earnings) and a decline in the size of the social sector (generally as right-to-buys outstripped new housing construction) contributing to increasing levels of housing need.

3.22 Market conditions have changed dramatically since 2007. The 'Credit Crunch' has severely constrained access to mortgage finance resulting in a substantial reduction in mortgage product availability, tightened lending controls and a reduction in loan to value ratios. This, coupled with market and subsequent economic uncertainty, have severely curtailed market activity and led to a substantial withdrawal of First-Time Buyers (the lifeblood of the market) and other marginal groups from the housing market.

3.23 There has been a notable reshaping of the dynamics between different segments of the housing market – with the indication that this is not over yet. Uncertainty coupled with restricted lending criteria have significantly restricted home purchases, but also impacted on the buy-to-let market. This has resulted in growth in demand for private renting – but one which has not been matched by increases in supply; with the result that rental levels have grown. Increased difficulties in accessing private housing have had a knock-on effect on the social sector, with growth in both waiting lists and housing benefit costs set against reductions in turnover and new supply.

House Prices

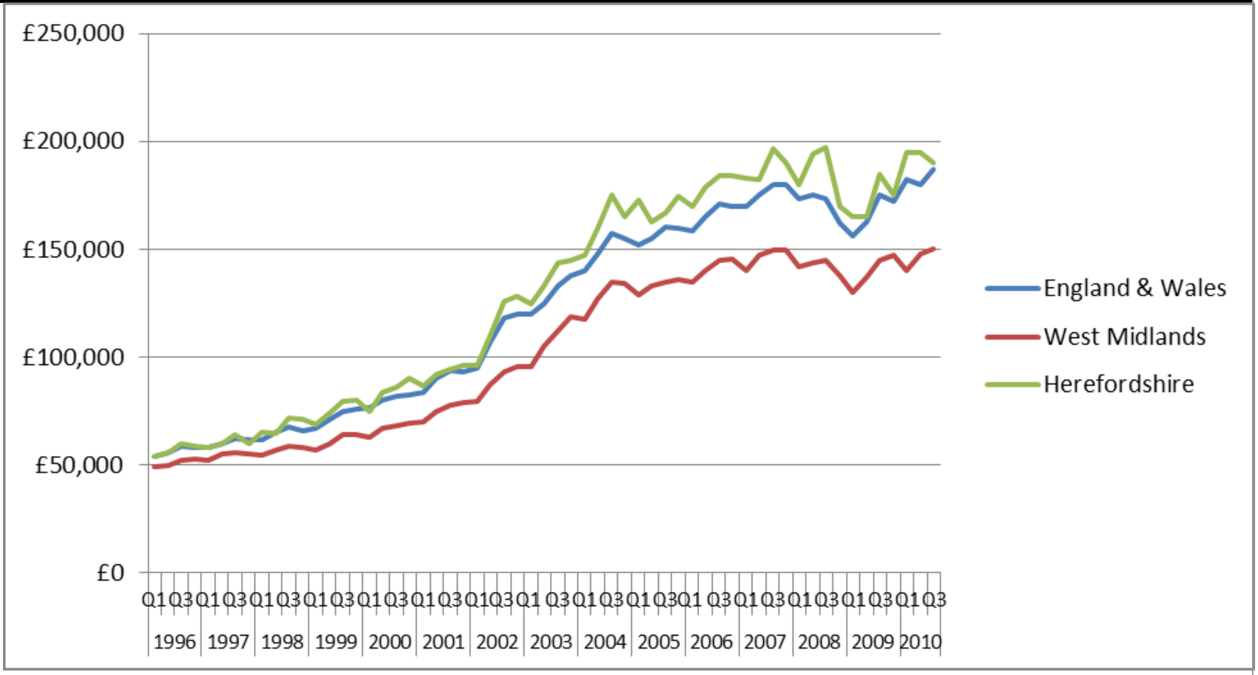
3.24 House prices in Herefordshire increased by 77% between 1996 Q1 – 2002 Q1 (representing an average increase of £41,750 in value) which was similar to nationwide trends but more rapid than house price growth across the West Midlands (62% for the same period). House price growth accelerated between Q1 2002 – Q3 2004, with average prices in Herefordshire increasing by 83% in this period (an average increase of £79,500 in value) which exceeded growth across the West Midlands (70%/ £55,600) and England and Wales (66%/ £62,500).

3.25 Following a period of relative price stability in late 2004 and early 2005 influenced by a deterioration in housing market confidence, house prices again increased but at a more moderate rate. Average prices grew by 12% in Herefordshire between Q4 2004 and Q3 2007 (gaining £21,000 in value, again similar to growth across England and Wales but higher than elsewhere in the West Midlands). They then remained broadly static over the following year to Q4 2008, regaining in the second half of the year losses in the first. In this initial period of the market downturn, prices in Herefordshire remained more robust than elsewhere (with a fall in prices of £5,000 recorded across the West Midlands and £6,500 nationally).

3.26 However we saw a sharp correction in house prices in late 2008, with median prices in Herefordshire falling by £32,000 between Q3 2008 – Q1 2009: a loss of -16% of their value. While there has been some subsequent growth, prices have yet to regain their peak values of £197,000 in Q3 2008.

3.27 During 2009 house prices increased in Herefordshire by £30,000: again this was similar to growth nationally (18%/ £26,500) but stronger than average across the West Midlands (8%/ £10,000). However in the first three quarters of 2010, there has been a further moderate correction in Herefordshire with prices falling by -£5,000 / 3% relative to continued price growth at the regional and national levels.

Figure 3.6: Median House Prices, 1996 – 2010



Source: CLG 2010

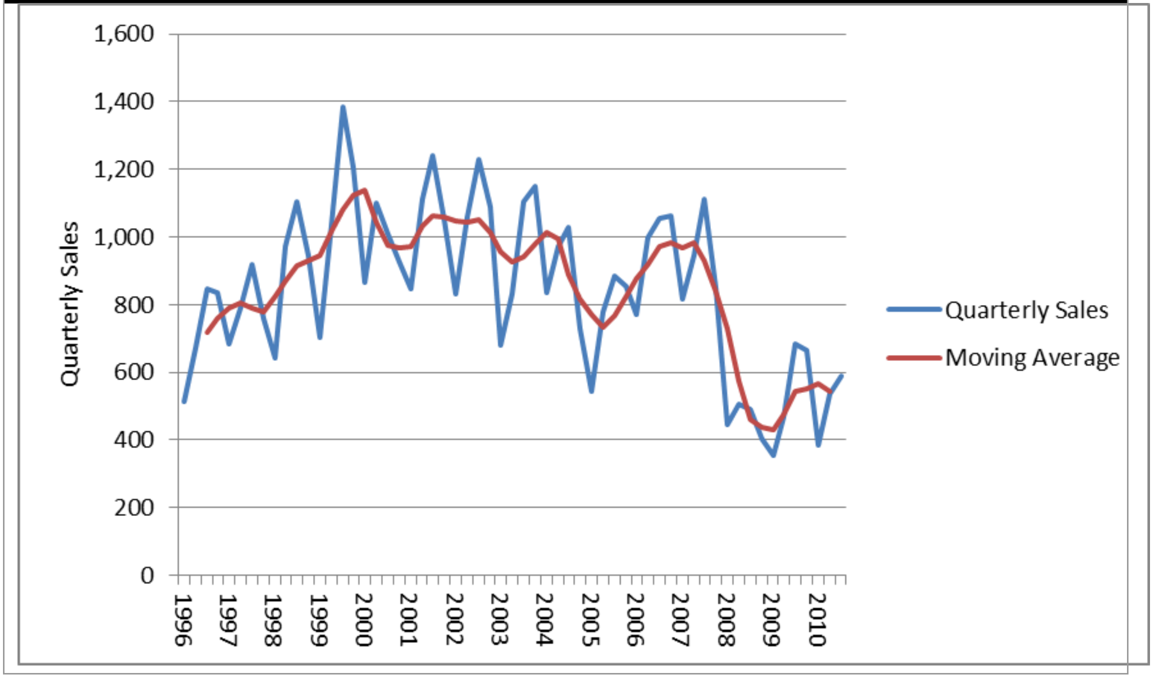
Sales

3.28 Transaction levels (sales) reflect the relative buoyancy of the market and provide an indication of effective demand for market housing. As Figure 3.7 below shows, total sales in Herefordshire increased by 50% from 717 in 1996 to 1083 in 1999 and remained around the 1000 mark until 2003 reflecting strong housing market conditions.

3.29 There was a strong downturn in housing market activity in late 2004 and early 2005, but the market and sales volumes improved in 2006 and remained stable in 2007. However from Q3 2007 the market turned sharply downwards, sales falling from a peak of 1,113 sales to 445 sales two quarters later.

3.30 There has been very limited subsequent recovery, with average sales over the past three years averaging 532 per quarter and remaining substantially below the average over the preceding decade of 954. Average sales volumes have been around half those achieved at the peak of the market and 44% below levels over the past decade as a whole. This is indicative of effective demand for market housing.

Figure 3.7: Quarterly Sales in Herefordshire, 1996 – 2010



Source: HM Land Registry

3.31 Analysis in Local Housing Market Assessment indicates that demand has been displaced towards rented tenures. Evidence from estate and letting agents indicates that demand for private renting from would-be first-time buyers has increased, contributing to increasing in rents in a number of areas of the County.

Considering Future Housing Market Dynamics

3.32 In looking at what might happen in the future, the ability of the banks to lend is likely to be affected by both future regulation of the sector and investors' appetite for mortgage-backed securities (which shows some signs of improving) as banks need to refinance their loan books. These will be critical to the revival of the housing market. However it will impact primarily on the need/demand by tenure. Aggregate need and demand is primarily likely to be influenced by demographic trends, economic performance (in terms of influencing economic migration) and lifestyle migration.

4 MAIN POPULATION PROJECTIONS

Introduction

4.1 In this section we examine the structure of the existing population in Herefordshire, fertility and mortality rates and levels of migration into and out of the local authority area. This information is used to construct our principal trend-based population projections.

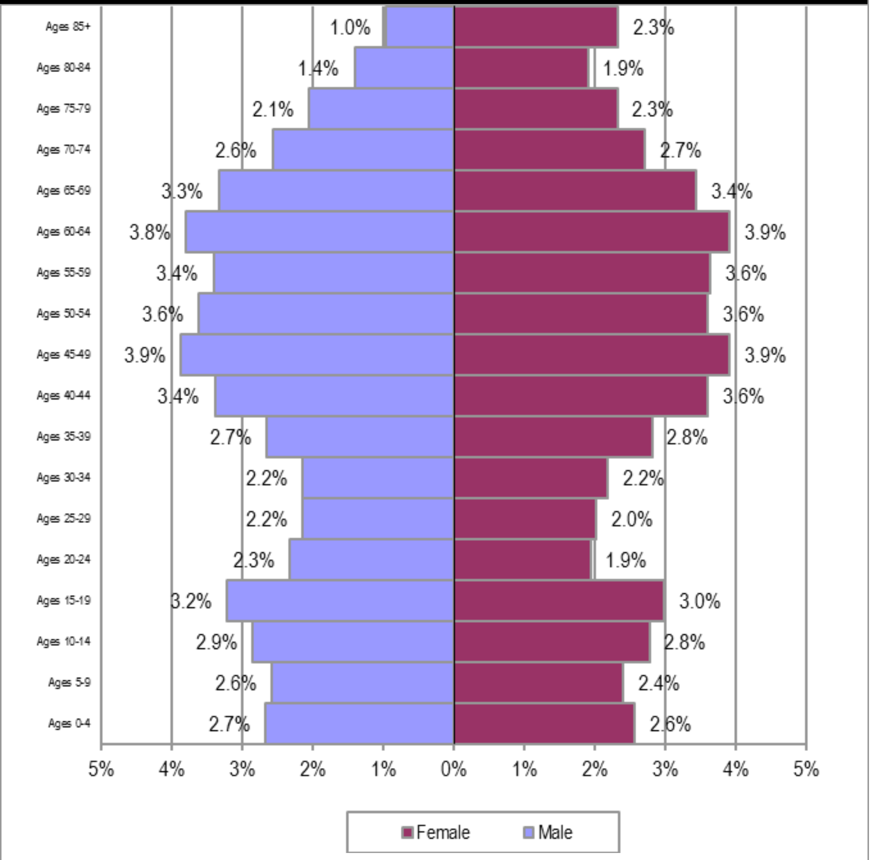
4.2 As part of this project, projections of population and household growth have been prepared by GL Hearn and JGC. Herefordshire Council produces population projections and forecasts for strategic planning purposes. The latest are developed from a 2006 base and at the time of writing the Council is working on updating these to a 2010 base. The Council's 2006 forecasts take account of planned housing supply policies, whereas projections in this report are based on trends and assumptions and no not take account of supply-side factors.

Baseline Population

4.3 The baseline for our projections is taken to be mid-2011 with the projection run for five year intervals over the period up to 2031. The estimated population profile as of 2011 has been taken from the ONS 2008-based population projections updated to reflect actual and estimated levels of births, deaths and migration in the period from 2008 to 2011. The overall population in mid-2011 was estimated to be 181,209 with slightly more females than males.

Figure 4.1: Population of Herefordshire (5 year age bands) – 2011

Age group	Male	Female
Ages 85+	1,739	4,200
Ages 80-84	2,553	3,435
Ages 75-79	3,725	4,193
Ages 70-74	4,664	4,909
Ages 65-69	6,048	6,230
Ages 60-64	6,884	7,072
Ages 55-59	6,176	6,577
Ages 50-54	6,561	6,506
Ages 45-49	7,021	7,090
Ages 40-44	6,144	6,516
Ages 35-39	4,823	5,084
Ages 30-34	3,897	3,958
Ages 25-29	3,901	3,651
Ages 20-24	4,223	3,506
Ages 15-19	5,831	5,386
Ages 10-14	5,180	5,021
Ages 5-9	4,682	4,353
Ages 0-4	4,837	4,637
All Ages	88,885	92,324



Source: Derived from ONS 2008-based population projections

Fertility Rates

4.4 To project the number of births we have projected age specific fertility rates. This is the number of births to women in particular age groups (taken in five year bands from 15 to 44). Below we have highlighted various data about fertility rates in Herefordshire (and other areas for comparative purposes) before moving on to set out the assumptions about future fertility used in our projection.

4.5 The data shows that in 2009, Herefordshire had a Total Fertility Rate (TFR) of 2.12; this compares with a regional figure of 2.07 and a national average of 1.95. The Total Fertility Rate describes the average number of children a woman has in her childbearing years.

Figure 4.2: Live Births by residence of Mother and Total Fertility Rate (2009)		
Area	Live births	TFR
Herefordshire	1,824	2.12
West Midlands	71,042	2.07
England	671,058	1.95

Source: Office for National Statistics

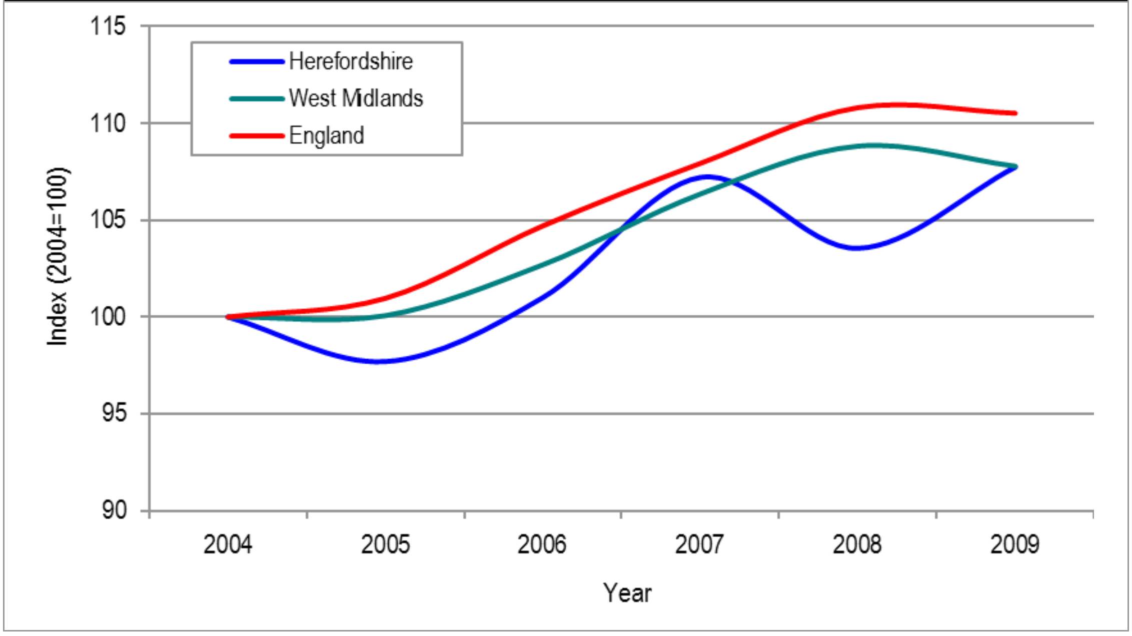
4.6 Local level figures can be quite variable year on year and we have therefore looked at the period from 2004. The table and figure below shows the number of live births in Herefordshire, the West Midlands and England. In Figure 4.4 these have been based to 100 for 2004.

4.7 The data shows that the number of births in England has steadily increased over this period (with roughly the same pattern for the West Midlands). Since 2008, the number of births nationally and regionally has levelled off (or dropped slightly). The figures for Herefordshire generally follow national and regional trends although the figures are more variable year-on-year.

Figure 4.3: Live Births, 2004 to 2009			
Year	Herefordshire	West Midlands	England
2004	1,693	65,911	607,185
2005	1,654	65,958	613,028
2006	1,710	67,688	635,748
2007	1,815	70,098	655,357
2008	1,753	71,726	672,809
2009	1,824	71,042	671,058

Source: Office for National Statistics

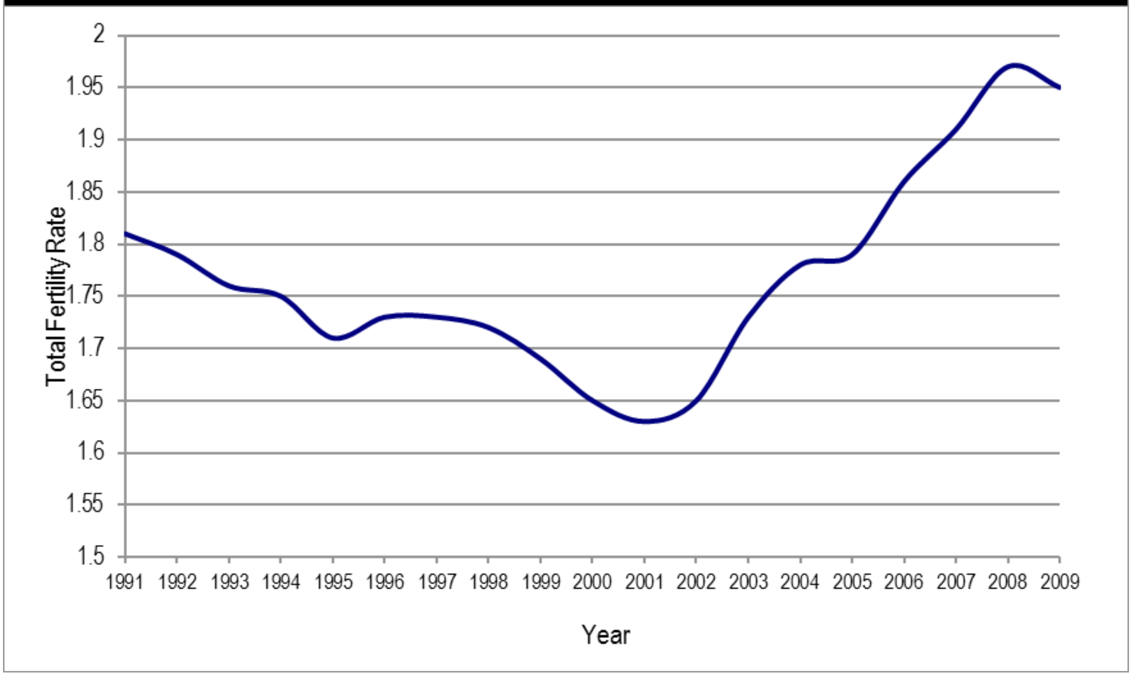
Figure 4.4: Number of Live Births 2004 to 2009 (Indexed 2004=100)



Source: Office for National Statistics

4.8 We can also look at longer term trends. Figure 4.5 shows the TFR in England from 1991 to 2009. The data shows that fertility rates dropped between 1991 and 2001 and have been steadily rising since then. The data also shows a slight drop in TFR since 2008.

Figure 4.5: Total Fertility Rate in England 1991 to 2009



Source: Office for National Statistics

Fertility Rate Assumptions

4.9 Given the evident trends, as described above, it is clear that assumptions about future fertility rates will be difficult to accurately predict. The general position taken by ONS in their 2008-based population projections is that fertility rates will be fairly constant over the next 25-years and at a level about 5% below 2008 estimates (nationally a TFR of 1.95). We have therefore projected forward on this basis with a TFR of around 2.1 being estimated as the typical rate over the period from 2007 to 2009. A TFR in Herefordshire of 2.0 has therefore been assumed in the projection. Tthis figure is held constant throughout the projection period.

Age-Specific Fertility Rates

4.10 In addition to establishing overall fertility rates it is necessary to make an estimate of the distribution of births amongst women of different ages. We have assumed that the national distribution of Age-Specific Fertility Rates (ASFRs) applies to Herefordshire (suitably adjusted for differences in the overall fertility rate). The table below sets out the ASFRs by age. The data again remains unchanged throughout the projection period for our main analysis.

4.11 The data shows that the number of births is predicted to rise from 28 per thousand for females aged under 20 to peak at around 113 in the 30-34 age group (figures are births per year) before dropping off to reach around 12-13 per thousand in the over 40 age group. To be consistent with national projections the fertility rates for the youngest age group are applied to the female population aged 15-19 whilst the figures for the oldest age group are applied to the population aged 40-44.

Figure 4.6: Age Specific Fertility Rates in Herefordshire

Age group	Rate (per thousand)
Under 20	28.4
20-24	78.8
25-29	108.3
30-34	113.4
35-39	58.6
Over 40	12.5

Source: Based on ONS data

Ratio of Male to Female Births

4.12 A further consideration required for projecting the population is the ratio between male and female births. For the purpose of our projection we have assumed a ratio of 1.05 male births per female birth which is consistent with national data for the period from 2004 to 2009.

Death Rates

4.13 Death rates input into the model are based on life tables produced by ONS for use in national projections. These are then adjusted to take account of life expectancy in the local authority area. A life table is a table which shows, for each age, what the probability is that a person of that age will die before their next birthday. Life tables are constructed separately for men and for women because of their different mortality rates.

4.14 For data on death rates we have looked at estimates of life expectancy at birth. The table below shows average life expectancy from January 2007 to December 2009 for Herefordshire, the West Midlands and England. The data shows that life expectancy in Herefordshire for both males and females is better than national averages and significantly better than regional figures.

Figure 4.7: Life Expectancy at Birth, 2007-2009

Area	Males	Females
Herefordshire	79.1	83.3
West Midlands	77.5	81.9
England	78.3	82.3

Source: Office for National Statistics

4.15 When projecting changes in death rates in to the future, we are driven by the assumptions used in national projections. The national figures set out three options for mortality plus a scenario where there is no change in mortality (which has been called a 'special case' scenario). We believe that death rates are likely to improve and have therefore used the 'principal variant' scenario from ONS and applied this to data for Herefordshire. The ONS data looks at a period from 2008 to 2033 (i.e. 25 years) and we have assumed a linear improvement in death rates over this period.

4.16 The table below sets out the key scenario used in ONS projections and how this is estimated to apply to Herefordshire. The ONS figures are for 2008 and 2033 whilst we are principally looking at the period 2011 to 2031. The figures show improvements for both sexes with greater improvements in areas with currently lower life expectancy (consistent with ONS projections). In addition, for females the improvements in life expectancy are slightly lower than for males. This pattern is consistent with ONS assumptions '*that for most ages these improvements will gradually converge to common 'target rates' of improvement'*.

Figure 4.8: Life Expectancy, 2008 to 2033

Year	England		Herefordshire	
	Male	Female	Male	Female
2008	77.9	82.0	-	-
2011	-	-	79.7	83.9
2031	-	-	84.1	87.7
2033	83.5	87.1	-	-

Source: Based on ONS data

Migration

4.17 Probably the hardest assumption to make for a local level projection is around migration. Although the 2001 Census would be considered as the main source of information about the profile of migrants it is slightly problematic, particularly as international out-migration is not measured; and the Census is for one year only.

4.18 We have therefore looked at past trend data about the overall level of in and out-migration (including estimates of international out-migration) and data from ONS about the projected profile of in and out migrants (split between male and female and in 5 year age bands). These two pieces of information are discussed below.

Overall Level of Migration

4.19 The figure below shows annual estimates of net in-migration to Herefordshire over the past 15 years. The data shows how variable migration rates have been over this period with data for individual years ranging from a net in-migration of 200 people to net in-migration of 2,600. Taking trends over the past five years suggests a net in-migration of 740 people per annum whilst figures for ten years suggests an annual net in-migration of 940 - if we were to take a longer-term (15 year) view on migration then the average annual figure is higher (at 1,120 per annum).

4.20 The longer-term trend we understand is influenced by greater levels of rural development before the current Unitary Development Plan came into place.

Figure 4.9: Net in-migration to Herefordshire 1994-2009

Period	Net in-migration	Period	Net in-migration	Period	Net in-migration
1994-95	800	1999-2000	1900	2004-05	900
1995-96	800	2000-01	1600	2005-06	800
1996-97	2,100	2001-02	700	2006-07	800
1997-98	2,600	2002-03	800	2007-08	1,000
1998-99	1,100	2003-04	700	2008-09	200
Average 1994-99	1,480	Average 1999-2004	1,140	Average 2004-09	740
				Average 1999-2009	940
				Average 1994-2009	1,120

Source: Office for National Statistics

Migration assumptions used for modelling

4.21 To develop trend-based projections we have used the average level of net in-migration over the short (5 years), medium (10 years) and long-term (15 years). ONS in their sub-national projections tend to look at short-term trends but there is a benefit to looking at longer time periods to iron out any year-on-year variations which might by atypical when compared with normal trends.

4.22 In addition to the trend-based migration projections we have modelled the implications for population (and household) growth if there were no net in-migration to the County.

Profile of Migrant Population

4.23 In looking at the profile of in and out-migrants in Herefordshire we have again drawn on information provided by ONS about their migration assumptions in the 2008-based population projections. Data from the ONS projections has been taken and then adjusted to meet the net migration levels required for analysis. To adjust the figures we have increased or decreased levels of in-migration until the net figure is met.

4.24 The table below shows annual migration patterns for the first and last 5-year periods of our projection. The data shows that the figures do not vary substantially over time although there is a general increase in both in- and out-migration (consistent with a growing population) whilst figures for older people tend to get larger later on in the projection (this is again consistent with a greater proportion of the population being in older age groups). The figures provided below are taken from our 5-year trend based projection.

Figure 4.10 Estimated Trend-based Levels of In- and Out-Migration (PROJ 1) by Age and Sex – Herefordshire

Age group	2011-2016						2026-2031					
	Male			Female			Male			Female		
	In	Out	Net	In	Out	Net	In	Out	Net	In	Out	Net
Ages 0-4	254	191	63	241	174	67	247	186	61	234	170	64
Ages 5-9	189	148	41	173	134	38	187	146	42	171	136	35
Ages 10-14	152	142	10	155	140	15	158	146	12	160	143	18
Ages 15-19	224	467	-242	237	582	-345	218	446	-228	232	562	-330
Ages 20-24	522	524	-2	655	606	50	487	485	2	617	556	61
Ages 25-29	423	428	-5	476	453	22	381	386	-6	428	406	22
Ages 30-34	339	286	53	359	272	87	339	301	38	358	280	78
Ages 35-39	276	213	64	262	196	66	308	245	63	283	214	69
Ages 40-44	252	202	50	214	162	52	260	207	53	211	157	54
Ages 45-49	219	164	55	208	158	50	194	142	53	176	131	45
Ages 50-54	205	154	52	219	146	73	173	125	48	183	121	62
Ages 55-59	198	139	59	200	133	67	205	135	70	207	134	73
Ages 60-64	187	122	65	184	113	72	215	135	80	212	128	84
Ages 65-69	154	99	56	140	100	40	161	106	55	147	108	39
Ages 70-74	82	62	20	80	74	6	91	72	19	90	88	2
Ages 75-79	57	48	9	59	60	-1	69	65	5	72	81	-9
Ages 80-84	36	36	0	61	50	11	53	60	-7	85	77	8
Ages 85+	38	44	-6	107	78	29	69	91	-22	154	126	28
All Ages	3,808	3,467	341	4,028	3,629	399	3,815	3,477	338	4,019	3,618	402

Source: Derived from ONS 2008-based population projections

4.25 In translating the above figures into data for use in our projection modelling there are two other factors that need to be taken into account. These relate to the fact that we are running a projection model for five year periods and for five year age bands.

4.26 Firstly we need to recognise that within each five year age band people of certain ages are more likely to move than others. The key group affected by this is the 15-19 age group where typically the majority of migrants are aged 18 or 19 (normally reflecting moves to educational establishments). We have therefore adjusted figures on the basis of Census data to reflect a greater proportion of those in the 15-19 age group being aged 18 or 19.

4.27 Secondly, the data from ONS is for single years – when translating this into a projection over five years we also need to recognise that some people will be both an in- and an out-migrant to or from an area. Whilst this doesn't make a difference to net migration figures it will impact on the gross levels of both in- and out-migration. Again the figures have been adjusted to take account of likely multiple moves (based on the proportions of each age group who are in and out-migrants). This adjustment mainly affects those groups with high levels of both in- and out-migration (particularly the 20-29 age groups).

4.28 When projecting migration patterns for other scenarios we have used the figures in the above tables and adjusted levels of in-migration to match the requirements of our scenario (e.g. when testing what level of migration is required to support a workforce of a particular size). This approach has consistently been adopted across all analysis.

Population Projections: Initial Trend-Based Scenarios

4.29 The figure below shows the four initial population projections carried out. The first (PROJ 1) is based on our short-term trend-based assumptions about migration (net in-migration of 740 people per annum – the average over the past 5-years). The second projection (PROJ 2) is based on projecting net in-migration on the basis of a 10-year trend (i.e. 940 per annum) and the third (PROJ 3) looks at migration patterns over a 15-year period (averaging 1,120 per annum).

4.30 The final initial projection is modelled under the assumption of zero net migration - this projection sets levels of in and out-migration the same but does allow for changes in the population due to different age profiles of in and out migrants. In addition to these we have reproduced the 2008-based ONS projections for comparison – these have been rebased to our mid-2011 start point.

Figure 4.11: Description of Projections used for Population Modelling	
Projection	Description
PROJ 1	Trend based – linked to migration over past five years
PROJ 2	Trend based – linked to migration over past ten years
PROJ 3	Trend based – linked to migration over past fifteen years
PROJ 4	Zero net-migration
ONS 2008-Based	2008-based ONS population projections

4.31 The figure below summarises the results from each of the above projections (for 5 year periods up to 2031). The table shows that under our initial trend based projection, PROJ 1, the population is expected to rise by 3.2% to 2031. This represents growth in the population of around 5,735 people over the 20 years to 2031.

4.32 With the 10-year migration trend (PROJ 2) we would expect to see a population increase over the 20-year period of 5.5% whilst the projection based on a 15-year trend (PROJ 3) shows population increase of 7.7% over the 20-year period. With no net-migration (PROJ 4) it would be expected that the population would decline (by around 5.7% between 2011 and 2031) -this is consistent with earlier data showing that natural increase in the County has generally been negative over the past few years.

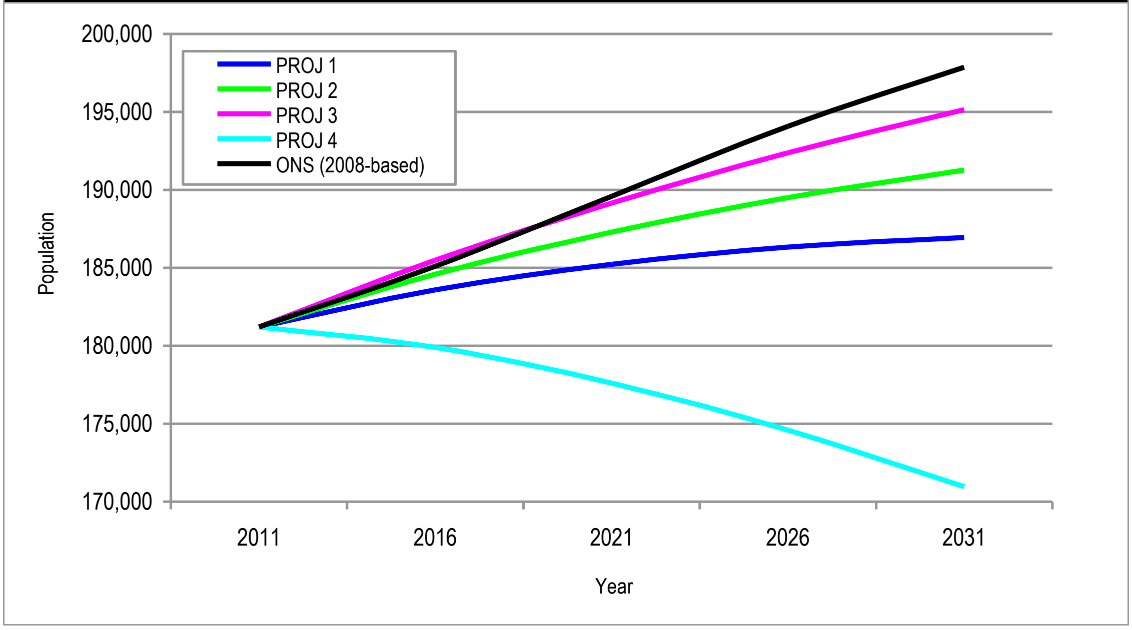
4.33 Finally, ONS projections show a higher level of population growth over the 20-year period. This is mainly due to assumptions about migration with the ONS figures suggesting that migration will increase over time and that the average level of net in-migration over the 20-year period from 2011 to 2031 will be about 1,200 per annum.

Figure 4.12: Population Estimates 2011 to 2031 – Initial Scenarios					
	2011	2016	2021	2026	2031
PROJ 1	181,209 0.0%	183,591 1.3%	185,235 2.2%	186,342 2.8%	186,944 3.2%
PROJ 2	181,209 0.0%	184,591 1.9%	187,297 3.4%	189,517 4.6%	191,261 5.5%
PROJ 3	181,209 0.0%	185,491 2.4%	189,152 4.4%	192,373 6.2%	195,147 7.7%
PROJ 4	181,209 0.0%	179,891 -0.7%	177,609 -2.0%	174,598 -3.6%	170,969 -5.7%
ONS 2008-Based*	181,209 0.0%	185,104 2.1%	189,580 4.6%	194,083 7.1%	197,859 9.2%

* ONS figures have been rebased to our 2011 baseline position

4.34 The figure below shows the results of the initial demographic-driven projections in graphical form. The figure confirms that under our 5-year trend based assumptions the population of Herefordshire is expected to continue to grow at an average of about 0.2% per annum.

Figure 4.13: Population Change, 2011 – 2031 – Initial Scenarios



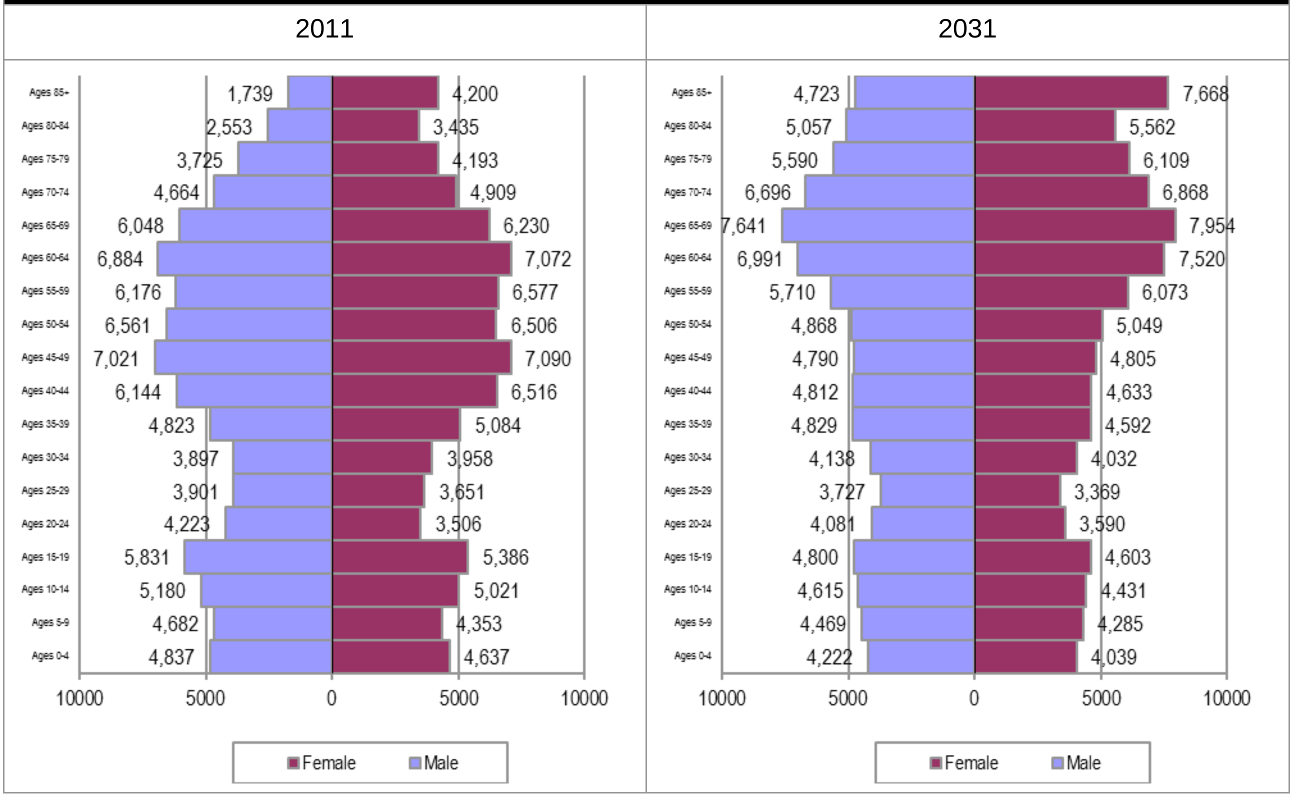
4.35 The graph clearly indicates the influence of assumptions on migration on population projections for the County.

Main Trend-Based Projection, PROJ 1

4.36 With an increase in the population there will also be a change in the demographic structure. The figure below shows population pyramids for 2011 and 2031 under our initial (5-year) trend based assumptions (PROJ 1). The 'pyramids' clearly highlight the ageing of the population with a greater proportion of the population expected to be in age groups aged 60 and over (and even more so for older age groups) - in particular the oldest age group (85+) shows an increase from 5,939 people to 12,391.

4.37 Migration is important in supporting the population of working-age, thus lower housing numbers in general will result in a stronger skew of the population structure over time towards older age groups.

Figure 4.14: Distribution of Population 2011 and 2031 for PROJ 1 – Main trend-based Assumptions



4.38 The figure below summarises the findings for key (15 year) age groups under PROJ 1. The largest growth will be in people aged over 60. In 2031 it is estimated that there will be 78,380 people aged 60 and over. This is an increase of 22,730 from 2011, representing growth of 45%. The population aged 75 and over is projected to increase by an even greater proportion, 75%.

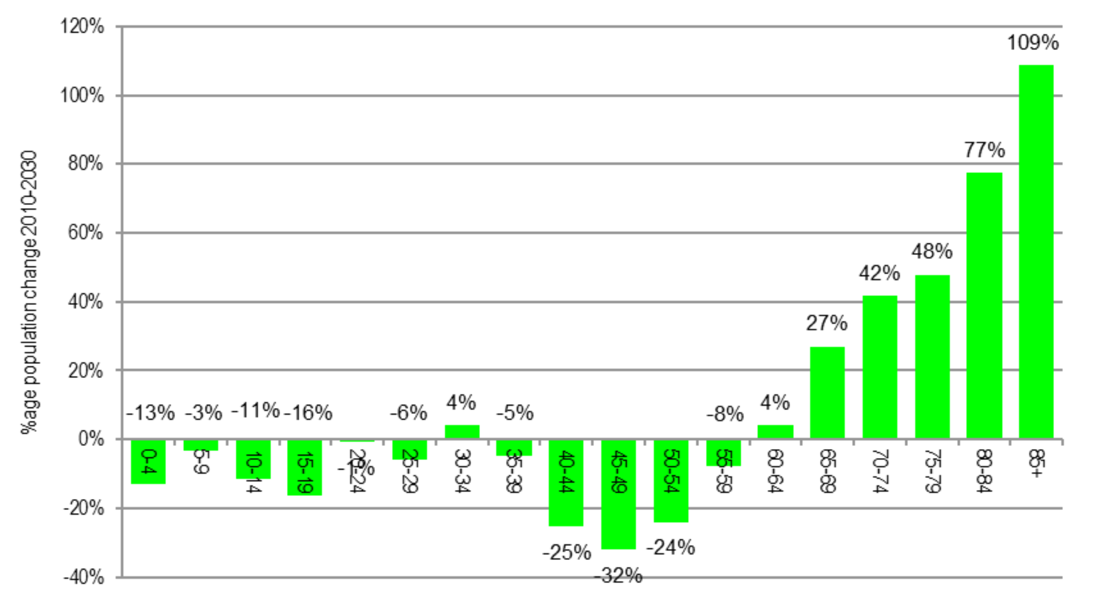
4.39 Looking at the other end of the age spectrum we can see that there are projected to be around 9% less people aged under 15 with population decline also seen for all age groups up to 60. These findings are particularly important as this influences the size of the economically active population, and the school age population.

Figure 4.15: PROJ 1 population changed 2011 to 2031 by five year age bands

Age group	Population 2011	Population 2031	Change in population	% change from 2011
Under 15	28,709	26,061	-2,648	-9.2%
15-29	26,498	24,171	-2,326	-8.8%
30-44	30,422	27,036	-3,385	-11.1%
45-59	39,930	31,295	-8,635	-21.6%
60-74	35,807	43,671	7,864	22.0%
75+	19,843	34,709	14,866	74.9%
Total	181,209	186,944	5,734	3.2%

4.40 The figure below shows the percentage changes for each five year age group. The figure shows that all age groups aged 60 and over are expected to increase in size (significantly for the older groups) whilst most age groups aged under 60 are expected to see population decline. The main groups showing drops in population are projected to be those aged 40 to 54.

Figure 4.16: Forecast Population Change by Age Group 2011 – 2031 (PROJ 1)



5 ECONOMIC-DRIVEN POPULATION PROJECTIONS

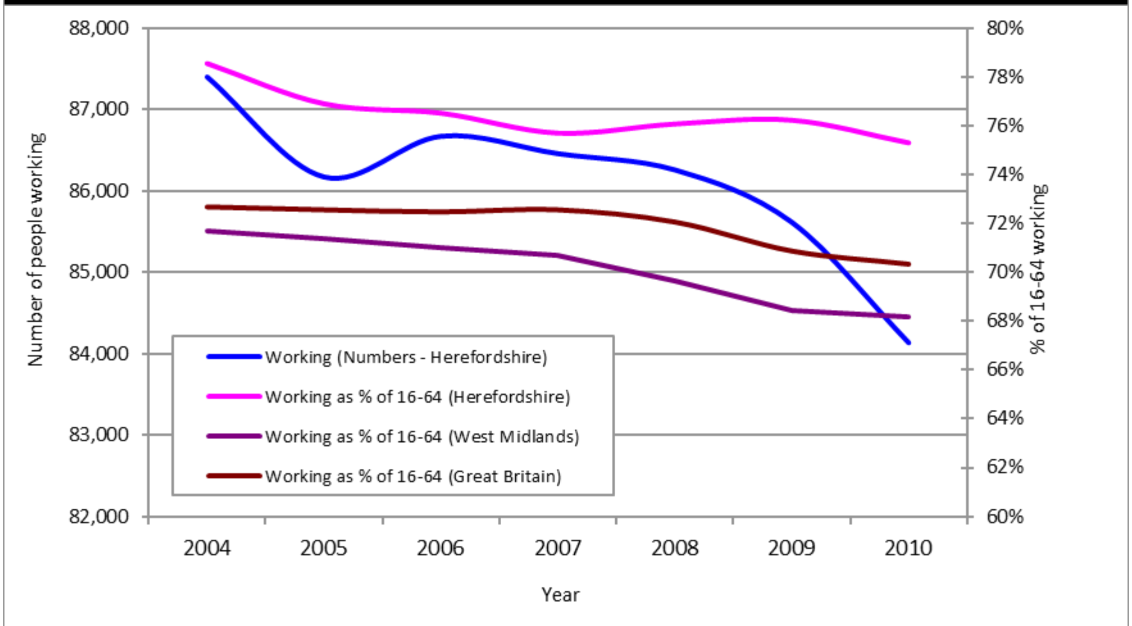
5.1 In this section we consider the relationship between the economy and the housing market in terms of aggregate demand for housing. We assess changes in the working-age population which would arise from the trend-based projections (PROJ 1 to PROJ 3) and the zero net-migration projection (PROJ 4). We then consider a number of potential scenarios for employment growth to 2031, and consider what growth in the labour force would be necessary to support this. This is used to adjust levels of in-migration, recognising that employment growth will influence housing need/demand.

Employment Rates

5.2 It is necessary first to consider the demographic make-up of the current labour force in Herefordshire. The figure below shows data from Annual Population Survey about the number of people who are working and the proportion of people of working age who are working.

5.3 The data shows that the number of people working has generally decreased over time, as has the employment rate – the latter trend is consistent with both national and regional trends. It is also worth noting that employment rates are consistently above both regional and national estimates.

Figure 5.1 Number of People Working and Proportion of Population Working



Source: NOMIS/Annual Population Survey

5.4 For our projections we want to estimate the number of people who are working by both age and sex and we have therefore drawn on information from the 2001 Census to give us a steer on the likely proportions of different groups who work and how this might change as the population changes over time. The figure below shows the total number of people in each age/sex group and the number who are working.

5.5 It should be noted that the Census does not record persons aged over 74 who might be in work and so it is possible that a small number of people who are working are not included in the table below.

Figure 5.2: Estimated Employment Rate by Age and Sex (2001)						
Age group	Male			Female		
	Working	Persons	% working	Working	Persons	% working
Aged 16 to 19	1,313	3,838	34.2%	1,014	3,702	27.4%
Aged 20 to 24	2,741	3,592	76.3%	2,323	3,459	67.2%
Aged 25 to 29	3,928	4,499	87.3%	3,263	4,532	72.0%
Aged 30 to 34	4,997	5,576	89.6%	4,125	5,917	69.7%
Aged 35 to 39	5,909	6,561	90.1%	4,664	6,419	72.7%
Aged 40 to 44	5,538	6,147	90.1%	4,736	6,126	77.3%
Aged 45 to 49	5,187	5,845	88.7%	4,831	6,095	79.3%
Aged 50 to 54	5,654	6,667	84.8%	4,747	6,625	71.7%
Aged 55 to 59	4,483	5,830	76.9%	3,334	5,796	57.5%
Aged 60 to 64	2,711	4,895	55.4%	1,478	5,093	29.0%
Aged 65 to 69	894	4,488	19.9%	584	4,784	12.2%
Aged 70 to 74	431	3,868	11.1%	235	4,478	5.2%
Total	43,786	61,806	70.8%	35,334	63,026	56.1%
Aged 16-64	42,461	53,450	79.4%	34,515	53,764	64.2%

Source: NOMIS (from 2001 Census)

5.6 Using the information in this table we are able to calculate that around 71.8% of people in the age range 16 to 64 were working at the time of the Census. This figure is much lower than more recent estimates from NOMIS presented above. In making an estimate of the number of people working to use in our projection we have therefore adjusted the Census proportions to match the more recent figures shown by NOMIS.

5.7 In addition, during the projection period the pensionable age for both men and women is due to change. The key changes can be summarised as:

- The State Pension age for women born on or after 6 April 1950 will increase gradually to 65 between 2010 and 2020;
- From 6 April 2020 the State Pension age will be 65 for both men and women; and
- State Pension age for men and women will increase from 65 to 66 between April 2024 and April 2026.

5.8 In addition we need to consider the scope for changes in the underlying employment rate as the projection develops. As shown in the data earlier in this section, the employment rate in Herefordshire has dropped noticeably from around 78%-79% (in 2004) down to around 75% in 2011.

5.9 For the purposes of our modelling we have therefore assumed that employment rates start (in 2011) at around 75% and then improve to reach 79% by 2021 and level off thereafter. The changes to pensionable age have also been applied to employment rates as they become relevant during the projection period. The figure below shows our adjusted employment for all age groups for 2011 and 2031. The adjusted figures also take account of NOMIS data for the period 2004 to 2010 about age specific employment rates.

Figure 5.3 Adjusted Employment Rates by Age and Sex – Herefordshire

Age group	Male			Female		
	2001 Census	Adjusted 2011	Projected 2031	2001 Census	Adjusted 2011	Projected 2031
Aged 16 to 19	34.2%	48.4%	50.9%	27.4%	54.3%	55.9%
Aged 20 to 24	76.3%	78.0%	81.9%	67.2%	67.7%	69.7%
Aged 25 to 29	87.3%	85.8%	90.1%	72.0%	75.4%	77.5%
Aged 30 to 34	89.6%	88.1%	92.5%	69.7%	73.0%	75.1%
Aged 35 to 39	90.1%	90.0%	94.5%	72.7%	76.4%	78.6%
Aged 40 to 44	90.1%	90.0%	94.5%	77.3%	81.3%	83.6%
Aged 45 to 49	88.7%	88.7%	93.1%	79.3%	83.3%	85.7%
Aged 50 to 54	84.8%	90.1%	94.6%	71.7%	85.6%	88.1%
Aged 55 to 59	76.9%	81.7%	85.8%	57.5%	68.7%	70.7%
Aged 60 to 64	55.4%	58.8%	61.8%	29.0%	38.1%	53.4%
Aged 65 to 69	19.9%	26.3%	31.7%	12.2%	19.7%	27.3%
Aged 70 to 74	11.1%	14.7%	15.4%	5.2%	8.5%	8.7%

Source: NOMIS (from 2001 Census) adjusted using NOMIS data

5.10 When we apply the employment rates to our base population for 2011 we find an estimated 85,586 people who are working, with an employment rate (per person aged 16-64) of 75.2%. Both of these figures are consistent with the trend data presented above.

Commuting Patterns

5.11 In addition to studying the age profile of people in work it is worthwhile to consider commuting patterns to and from Herefordshire. The table below summarises the data about commuting from the 2001 Census. The table shows that around 3,500 more people commute out of Herefordshire for work than commute in. The data also shows that around 87% of people working in Herefordshire also live in the area whilst around 84% of people who live in the area (and are working) actually work in the area.

5.12 ONS neighbourhood statistics provide 2008 based estimates of commuting patterns based upon the annual population survey (APS) - estimates are compared to the 2001 Census. As the APS is based upon sampling ONS states whether findings can be regarded as statistically significant and generally this is not the case for Herefordshire suggesting that commuting patterns have not changed to any great degree since 2001. The only statistically significant change recorded by the APS is a slight increase in residents commuting to Worcester.

Figure 5.4: Travel to work patterns to and from Herefordshire (2001)			
Area	Live in Herefordshire work in…	Work in Herefordshire live in…	Net flow out of Herefordshire
Herefordshire, County of	68,658	68,658	0
Malvern Hills	1,780	1,287	493
Worcester	1,242	561	681
Rest of West Midlands	2,698	2,054	644
Forest of Dean	1,109	1,382	-273
Gloucester	772	126	646
Tewkesbury	509	114	395
Rest of South West	1,977	1,685	292
Monmouthshire	569	711	-142
Powys	820	1,043	-223
Rest of Wales	470	408	62
All other areas	1,460	567	893
Total	82,064	78,596	3,468
Total in/out migration for work	13,406	9,938	-
% self-containment	83.7%	87.4%	-

Source: 2001 Census (NB Figures exclude people working abroad or off-shore)

5.13 Additional employment creation could have a number of impacts. It could create demand for additional housing, leading to more people living and working within the area. It could provide more local job opportunities for those current commuting out of the area, reducing the number commuting out and the net level of out-commuting. Alternatively it could result in an increase in the level of people commuting into Herefordshire to work.

5.14 For the purposes of our projections we are only assessing the number of people living locally who are working and so the data about commuting patterns is mainly presented to assist an overall understanding of local employment. It is however important information when considering the potential impact of additional employment opportunities locally.

Initial Results

5.15 The tables below show the estimated number of people working under each of our four initial projections. The data shows that under the 5-year trend based assumptions (PROJ 1) the number of people working is projected to decrease by 5,700 from 2011 to 2031. The 10-year trend projection (PROJ 2) shows a lesser drop in employment whilst the projection linked to longer-term demographic trends (PROJ 3) shows a drop in employment of around 1,400 over the 20-year period (an annual average drop of about 70), but does support some growth in the working-age population over the initial period to 2021.

5.16 The zero net-migration scenario (PROJ 4) shows a significant drop in the number of people working. Under these assumptions we would expect to see a drop in people working of around 14,000 over the 20-year period.

Figure 5.5 Estimated Number of People Working 2011 to 2031 (PROJ 1 and PROJ 2)

Year	PROJ 1			PROJ 2		
	Number of People Working	Change in Working	Cumulative Change	Number of People Working	Change in Working	Cumulative Change
2011	85,586	-	-	85,586	-	-
2016	86,608	1,022	1,022	87,186	1,600	1,600
2021	85,948	-661	362	87,119	-67	1,533
2026	83,307	-2,640	-2,279	85,052	-2,067	-534
2031	79,850	-3,457	-5,736	82,137	-2,915	-3,449
Average PA		-287			-172	

Figure 5.6 Estimated Number of People Working 2011 to 2031 (PROJ 3 and PROJ 4)

Year	PROJ 3			PROJ 4		
	Number of People Working	Change in Working	Cumulative Change	Number of People Working	Change in Working	Cumulative Change
2011	85,586	-	-	85,586	-	-
2016	87,706	2,120	2,120	84,471	-1,115	-1,115
2021	88,174	468	2,588	81,613	-2,858	-3,973
2026	86,622	-1,552	1,036	76,852	-4,760	-8,734
2031	84,195	-2,427	-1,391	71,390	-5,463	-14,196
Average PA		-70			-710	

Component Analysis

5.17 As well as looking at the employment numbers related to a range of different migration driven scenarios we have looked at the number of people working and the population profile related to two additional scenarios as described below.

Figure 5.7: Description of additional migration lead projections

Projection	Description
PROJ 5	Zero employment growth – to assess the population change (and migration) required to maintain current employment levels
PROJ 6	Zero population growth – to assess the consequences on the size of the working population with no increase in population

Zero Employment Growth

5.18 Under PROJ 5 it can be seen that to maintain the size of the current workforce in the County there would need to be a notable increase in the population. This is due to the ageing of the population and the fact that as the number of older persons increases there are a lower proportion of people of working age. It is estimated that to maintain the workforce at 2011 levels would require an increase in the population of around 9.1% to 2031 – an increase of about 16,600 people (or 830 per annum).

Figure 5.8: Population Estimates 2011 to 2031 – PROJ 5 – Zero Employment Growth

	2011	2016	2021	2026	2031
PROJ 5	181,209 0.0%	186,099 2.7%	190,406 5.1%	194,305 7.2%	197,774 9.1%

Zero Population Growth

5.19 If there were no increase in the overall size of the population in the County – with the population remaining at 2011 levels - there would be a decrease in the number of people who are working (again mainly linked to the ageing population). Maintaining a stable population throughout the projection period would see an estimated loss of about 8,800 people working in the period 2011 to 2031 – an average loss of about 440 people per annum.

5.20 This scenario would result in a notably change in the age structure of the population, with a higher proportion of people of retirement age compared to any of the trend-based projections.

Figure 5.9: Estimated Number of People Working 2011 to 2031 (PROJ 6 – zero population growth)

Year	Number of People Working	Change in Working	Cumulative Change
2011	85,586	-	-
2016	85,841	255	255
2021	84,391	-1,450	-1,195
2026	80,990	-3,401	-4,596
2031	76,813	-4,177	-8,773
Total/average		-439	

5.21 We conclude that because of the ageing of the population, population growth of 830 per annum is needed just to maintain the number of people in work to 2011 levels without which the workforce would shrink at a rate of 439 persons per annum to 2031.

Economic-Driven Projections

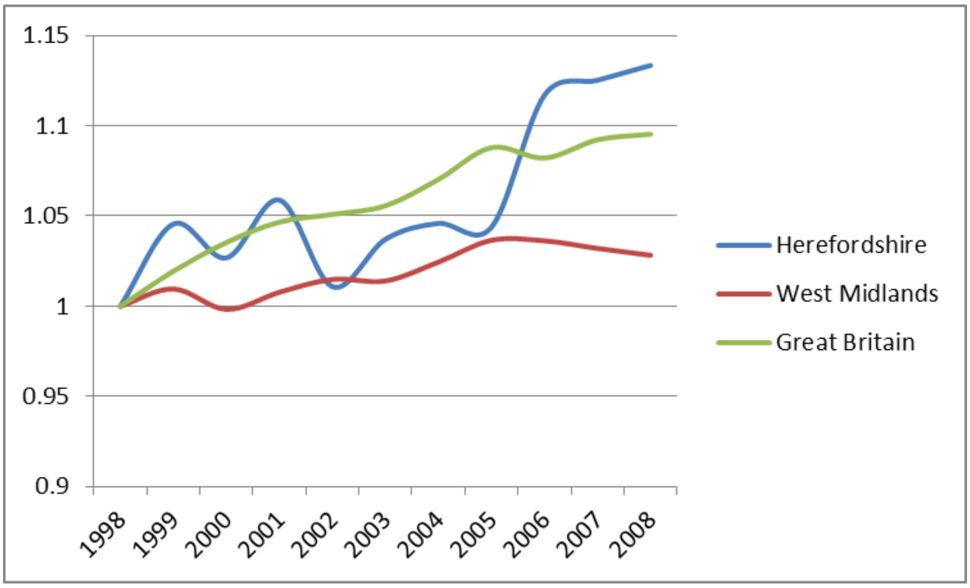
5.22 Having estimated the likely number of people working for each time period under our main trend-based and zero net migration projections we proceed by building a scenario based on future employment growth.

5.23 As we have explained, a key question which has arisen in the course of this project is what level of net migration we might expect to see in Herefordshire. The initial trend based projections indicate that future population growth is particularly sensitive to assumptions regarding future levels of net migration. Migration to Herefordshire is driven by a range of factors, including employment opportunities and its quality of life offer.

5.24 While recognising that the reasons why people move to Herefordshire vary, we consider that economic performance will be a key driver of trends. We have sought to examine what level of migration the economy might be able to support, aiming to deliver a sustainable future for the area where there is balanced growth in housing and employment.

5.25 In the pre-recession period, employment growth in Herefordshire was relatively strong, with growth in employee jobs of 13% between 1998-2008 compared to 10% nationally. Employment growth was much stronger than across the wider West Midlands region.

Figure 5.10: Growth in Employee Jobs, Pre-Recession



Source: NOMIS

5.26 However in many respects the recession marks a structural break. The economic climate for economic forecasting is currently somewhat unhelpful. The UK economy is struggling to shrug off the effects of the recession and it is becoming clear that these effects are going to be with us for some time to come. The Bank of England has recently been revising its output forecasts downwards, as has the Treasury, which in turn raise the level of uncertainty associated with predictive work. We can assume that this significantly heightens the degree of 'error' in any forecasting work in the current climate.

5.27 To address this we have sought to consider a number of potential employment forecasts.

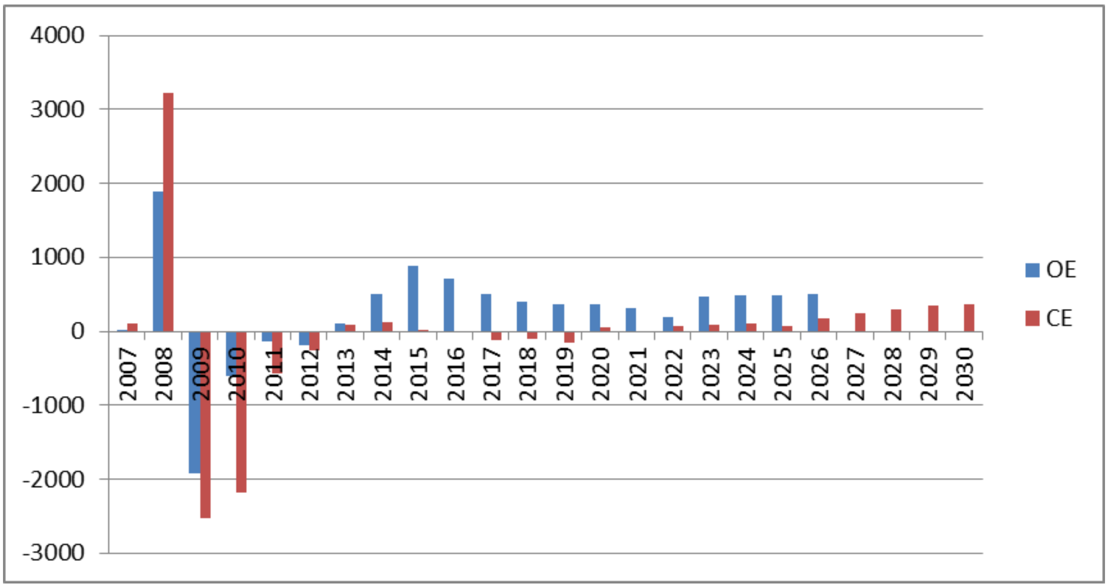
5.28 In the pre-recession decade (1998-2008) employment in Herefordshire was growing by around 1000 jobs a year. Employment grew by 13.3% compared to 9.5% across Great Britain and 2.8% across the West Midlands.

5.29 A lot of the pre-recession employment growth in the 2003-8 period, was in agriculture, wholesale/retail, real estate/business activities and education. In this period employment grew by 1790 per annum, compared to growth of 260 per annum on average over the preceding five years.

5.30 Looking forwards, we have considered a number of econometric forecasts. We have assessed a forecast from the July 2010 run of the West Midlands Integrated Policy Model (IPM) based on forecasts from Cambridge Econometrics. We have also considered the baseline forecasts in the Council's September 2010 Employment Land Review: it is based on forecasts dated February 2010 from Oxford Economics.

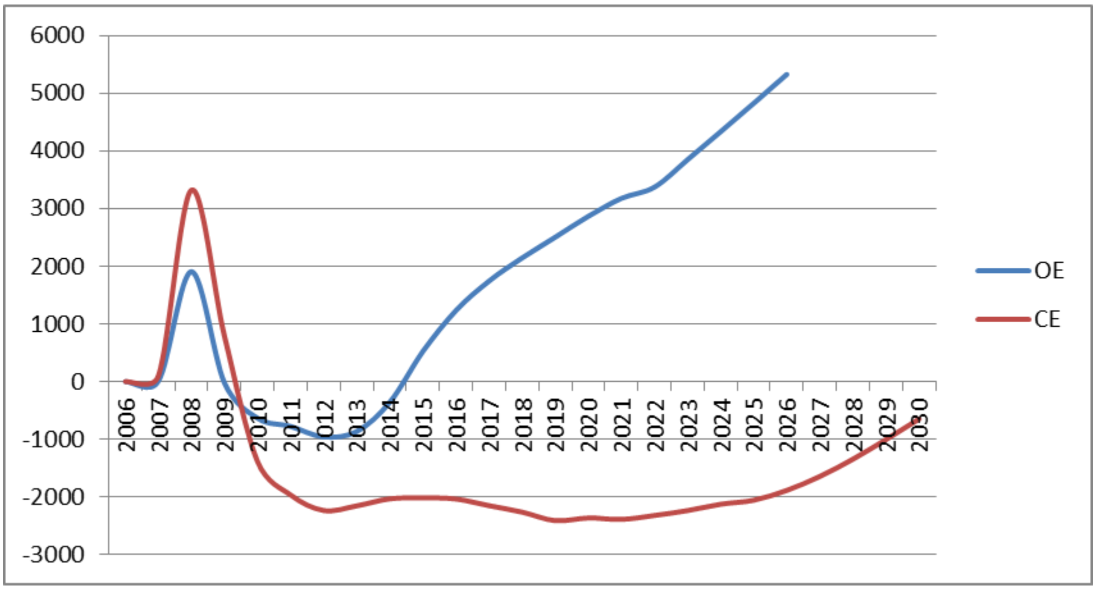
5.31 Figures 4.11 and 4.12 below compares these two economic forecasts for Herefordshire. GLH has projected the forecasts forward from 2026 to 2031 based on a linear trend for the 2016-26 period for the Oxford forecasts and from 2028 to 2031 for the Cambridge forecasts. Both of the projections are for relatively modest growth relative to the rate of 1000 additional jobs per annum in the pre-recession period.

Figure 5.11: Comparison of Forecast Employment Growth



Source: Cambridge Econometrics (2010), Oxford Economics (2010), GL Hearn

Figure 5.12: Comparison of Cumulative Forecast Employment Growth, 2006-30



Source: Cambridge Econometrics (2010), Oxford Economics (2010), GL Hearn

5.32 The forecasts are significantly different. The County's economy appears to have performed relatively well in the pre-recession period; and between 2008-9 lost around -3.3% of jobs which was less than the -4.3% losses recorded across the region (albeit above the national average).

5.33 Herefordshire Council is finalising a new Economic Development Strategy which is due to be published shortly. Key objectives of the draft Strategy include to increase the number and range of jobs in the County, and to have a skilled population to meet future work needs.

5.34 As a basis for positive planning and in light of the emerging Economic Strategy objectives, we have some concerns regarding the forecast from the West Midlands Integrated Policy Model. It does not seem appropriate to plan on the basis of virtually no recovery from the recession in terms of employment until 2022 as the Cambridge forecast indicates. Thus we have constructed a scenario based on the Oxford baseline forecasts in the Employment Land Review (2010 Update). This forecast is set out below.

Figure 4.13: Projected Employment Growth in 5 Year Periods

2006-11	2011-16	2016-21	2021-26	2026-31
-778	2012	1943	2150	2018

Source: Oxford Economics/GLH

5.35 Given the level of travel to work self-containment recorded in the County, we have assumed a 1:1 relationship between changes in employment and demand for labour. PROJ 7, our Economic-Driven Projection, is developed on this basis.

5.36 It should be recognised that there are some notable downside risks to the forecast, including:

- Weak economic performance in late 2010;
- The impact of fiscal austerity measures;
- Downgrading of forecasts for 2011 and medium-term forecasts to 2015, particularly linked to inflationary pressures, weak consumer spending growth and tight credit conditions.

5.37 Notwithstanding these factors, the Cambridge forecasts does not seen to be an appropriate basis for long-term strategic planning. It forecasts virtually no growth in employment in the County in the next decade which contrasts strongly with performance in the pre-recession period. It would not be consistent with national planning policy and the Government's Plan for Growth (HM Treasury and BIS, March 2011), nor the Council's own emerging Economic Development Strategy.

5.38 The table below indicates the projected population change arising from the Oxford Economics forecasts, which we have termed PROJ 7. The data shows that to achieve employment growth in line with the projections by Oxford Economics, the population would need to increase by 17.3% to 2031.

Figure 5.11: Population estimates 2011 to 2031 for Different Projection Variants

Projection	2011	2016	2021	2026	2031
PROJ 7	181,209 0.0%	185,304 2.3%	191,484 5.7%	201,279 11.1%	212,473 17.3%

5.39 PROJ 7 is based on achieving 9.5% employment growth in the 2011-31 period. However there are evidently some downside risks to this linked to the factors described above. A further projection (PROJ 8) has been developed which models a more modest growth in employment which reflects the influence of these factors but could still be considered to represent a positive framework for planning for growth in employment in Herefordshire.

5.40 PROJ 8, has thus been developed which is based on achieving a notional 5% employment growth in the County between 2011-31. PROJ 8 results in population growth of 24,645 (13.6%) between 2011-31 and employment growth of just under 4,300.

Figure 5.12: Population estimates 2011 to 2031 – 5% employment growth

Projection	2011	2016	2021	2026	2031
PROJ 8	181,209 0.0%	187,971 3.7%	194,263 7.2%	200,246 10.5%	205,854 13.6%

6 HOUSEHOLD & HOUSING GROWTH PROJECTIONS

6.1 Having estimated the population size and the age/sex profile of the population the next step in the process is to convert this information in to estimates of the number of households in the area. To do this we use the concept of headship rates. For the purpose of this analysis we have used information contained in the 2008-based CLG household projections about the relationship between the total population in an age group and the number of household reference persons (HRPs) in that age group. This method is described in more detail below.

Methodology

6.2 Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)). For the purposes of our analysis we have used data in the CLG 2008-base household projections, these take males to be the default HRP in cases where the household is headed by a couple.

6.3 This approach is different to that taken in the Census where defining the HRP is based on economic activity and age (ahead of sex). For example, in a household with only one adult (e.g. a lone parent household) the HRP is taken as that person. In a household with more than one adult (e.g. a couple household) the HRP is chosen on the basis of their economic activity (in the priority order of full-time job, part-time job, unemployed, retired, other). If both (or all) people have the same economic activity, the HRP is defined as the elder of the two, or if they are the same age, the first member on the form.

6.4 The table below shows headship rates derived from the 2008-based CLG projections for each of the key periods of 2011 and 2031. The data shows that whilst most headship rates remain at a fairly constant level over time there are a number of groups where notable changes are projected to occur (both in an upward and downward direction and particularly in relation to females).

Figure 6.1 Estimated Headship Rates by Age and Sex (2011 and 2031) – Herefordshire				
Age group	Male		Female	
	2011	2031	2011	2031
Ages 15-19	3.0%	3.1%	2.9%	3.5%
Ages 20-24	25.2%	26.0%	15.7%	17.8%
Ages 25-29	58.9%	59.5%	22.8%	26.0%
Ages 30-34	76.4%	77.4%	24.7%	30.3%
Ages 35-39	89.0%	90.3%	21.3%	25.1%
Ages 40-44	91.4%	92.3%	21.5%	22.5%
Ages 45-49	92.4%	92.0%	22.9%	22.7%
Ages 50-54	93.8%	93.0%	21.3%	23.2%
Ages 55-59	95.9%	96.3%	21.8%	25.9%
Ages 60-64	96.7%	96.7%	23.2%	24.2%
Ages 65-69	97.7%	97.6%	26.7%	30.7%
Ages 70-74	97.2%	97.2%	35.8%	36.4%
Ages 75-79	96.0%	95.5%	47.4%	42.7%
Ages 80-84	93.1%	93.5%	58.4%	50.4%
Ages 85+	83.1%	84.9%	59.5%	52.2%

Source: CLG 2008-based household projections

6.5 When applying these headship rates to our population we derive an estimated number of households in 2011 of 80,492.

Findings for Main Projections

6.6 By applying these headship rates we find the following household estimates under our principal projections (PROJ 1 to PROJ 4). The data shows that under our 5-year trend based projection (PROJ 1) there will be an additional 464 households per annum in the period 2011 to 2031 (9,277 in total). This figure rises to 643 per annum under our longer-term migration pattern projection (PROJ 3).

6.7 The zero net-migration projection (PROJ 4) show a lower level of household growth –the estimated increase in households is just over 100 per annum.

Figure 6.2 Estimated Household Growth under PROJ 1 and PROJ 2						
Year	PROJ 1			PROJ 2		
	Total hhs	Change in hhs	Cum. change	Total hhs	Change in hhs	Cum. change
2011	80,492	-	-	80,492	-	-
2016	83,450	2,958	2,958	83,878	3,386	3,386
2021	86,056	2,606	5,564	86,948	3,070	6,456
2026	88,111	2,055	7,619	89,493	2,545	9,001
2031	89,769	1,658	9,277	91,659	2,165	11,166
Average PA		464			558	

Figure 6.3: Estimated Household Growth under PROJ 3 and PROJ 4						
Year	PROJ 3			PROJ 4		
	Total hhs	Change in hhs	Cum. change	Total hhs	Change in hhs	Cum. change
2011	80,492	-	-	80,492	-	-
2016	84,263	3,771	3,771	81,867	1,375	1,375
2021	87,751	3,488	7,259	82,755	888	2,263
2026	90,737	2,986	10,245	82,998	243	2,505
2031	93,359	2,622	12,867	82,778	-220	2,286
Average PA		643			114	

Estimated Household Growth under CLG Projections

6.8 Below we have provided an analysis of the growth in households estimated under the 2008-based CLG household projections (for Herefordshire). The data shows that these projections expect an increase in households of around 14,270 over the period from 2011 to 2031 – 714 per annum.

Figure 6.4: Estimated Household Growth under national household projections			
Year	CLG 2008-based household projections		
	Total households	Change in households	Cumulative change
2011	80,492	-	-
2016	84,284	3,792	3,792
2021	88,149	3,865	7,657
2026	91,697	3,548	11,205
2031	94,762	3,065	14,270
Average PA		714	

* CLG figures have been rebased to our 2011 baseline position

Component Projections

6.9 The data shows that under PROJ 5 (no change in the size of the workforce) the number of households is expected to rise from 80,492 in 2011 to 94,509 in 2031 – an average of 701 households per annum. This level of household growth is thus necessary just to maintain the current size of the labour force. Under the no growth in population projection (PROJ 6) the increase in households is significantly lower (338 per annum).

Figure 6.5 Estimated Household Growth under PROJ 5 and PROJ 6						
Year	PROJ 5			PROJ 6		
	Total hhs	Change in hhs	Cum. change	Total hhs	Change in hhs	Cum. change
2011	80,492	-	-	80,492	-	-
2016	84,523	4,031	4,031	82,882	2,390	2,390
2021	88,294	3,771	7,802	84,871	1,989	4,379
2026	91,578	3,284	11,086	86,276	1,405	5,783
2031	94,509	2,930	14,016	87,259	984	6,767
Average PA		701			338	

Economic Projection

6.10 As well as estimating the number of household from our trend based projections we can apply the same process to our economically driven projection (PROJ 7). The data shows that under PROJ 7 (Oxford Economics forecast employment growth) the number of households is expected to rise from 80,492 in 2011 to 101,022 in 2031 – an average of 1,027 households per annum.

Figure 6.6 Estimated Household Growth under PROJ 7			
Year	PROJ 7		
	Total households	Change in households	Cumulative change
2011	80,492	-	-
2016	84,183	3,691	3,691
2021	88,766	4,583	8,274
2026	94,653	5,887	14,161
2031	101,022	6,369	20,530
Average PA		1,027	

Vacant dwellings

6.11 The analysis so far has concentrated on the number of additional households and has then translated this into an estimate of the number of additional homes required. In reality there are always likely to be some vacant homes in the area and so the number of properties required to house all of these households will be slightly greater than the projected household numbers. We have therefore added a vacancy allowance of 2.5% to all of the above figures to make estimated housing requirements with figures shown in the table below.

Figure 6.7 Estimated annual housing numbers with 2.5% vacancy allowance (to 2031)		
Projection variant	Household growth	Annual requirement with vacancy allowance
PROJ 1	464	475
PROJ 2	558	572
PROJ 3	643	659
PROJ 4	114	117
PROJ 5	701	718
PROJ 6	338	347
PROJ 7	1,027	1,052
CLG 2008-based household projections	714	731

Combined Results

6.12 The headline results of all of the scenarios in terms of population, housing requirements (i.e. including a vacancy allowance) and employment numbers between 2011 and 2031 are summarised below. The first table shows annual figures with the second table showing these figures for the full twenty year projection period. Firstly we summarise the nine projections carried out:

PROJ 1 – Short-term trend based projection (5-year migration average of 740 per annum)
PROJ 2 – Medium-term trend based projection (10-year migration average of 940 per annum)
PROJ 3 – Long-term trend based projection (15-year migration average of 1,120 per annum)
PROJ 4 – Zero net migration
PROJ 5 – Zero employment growth
PROJ 6 – Zero population growth
PROJ 7 – Economic-led projection (Oxford Economics)
PROJ 8 – 5% Employment Growth

Figure 6.8: Summary of projections 2011 to 2031 - annual						
Projection	Population growth		Housing numbers		Employment growth	
	Per annum	% change	Per annum	% change	Per annum	% change
PROJ 1	287	0.2%	475	0.6%	-287	-0.3%
PROJ 2	503	0.3%	572	0.7%	-172	-0.2%
PROJ 3	697	0.4%	659	0.8%	-70	-0.1%
PROJ 4	-512	-0.3%	117	0.1%	-710	-0.8%
PROJ 5	828	0.5%	718	0.9%	0	0.0%
PROJ 6	0	0.0%	347	0.4%	-439	-0.5%
PROJ 7	1,563	0.9%	1,052	1.3%	406	0.5%
PROJ 8	1,232	0.7%	900	1.0%	214	0.3%

Figure 6.9: Summary of projections 2011 to 2031 – total						
Projection	Population growth		Housing numbers		Employment growth	
	Total	% change	Total	% change	Total	% change
PROJ 1	5,734	3.2%	9,509	11.5%	-5,736	-6.7%
PROJ 2	10,052	5.5%	11,445	13.9%	-3,449	-4.0%
PROJ 3	13,937	7.7%	13,188	16.0%	-1,391	-1.6%
PROJ 4	-10,240	-5.7%	2,343	2.8%	-14,196	-16.6%
PROJ 5	16,565	9.1%	14,367	17.4%	0	0.0%
PROJ 6	0	0.0%	6,936	8.4%	-8,773	-10.3%
PROJ 7	31,264	17.3%	21,043	25.5%	8,123	9.5%
PROJ 8	24,645	13.6%	17,991	21.8%	4,279	5.0%

7 PROJECTIONS FOR LOCAL HOUSING MARKETS

Introduction

7.1 This section starts to consider issues related to the distribution of housing provision within the County. It includes demographic projections for housing requirements for each of the seven constituent local housing markets in the County as defined in the Strategic Housing Market Assessment (Outside Consultants, June 2008) and used in the Local Housing Market Assessment undertaken by GL Hearn and JGC (July 2011). The seven local housing markets in the County comprise:

- Hereford HMA
- Ross-on-Wye HMA
- Ledbury HMA
- Golden Valley HMA
- Bromyard HMA
- Leominster HMA
- Kington HMA

7.2 The HMAs are based on groups of wards and are shown in the table below.

Figure 7.1 Herefordshire Housing Market Areas

HMA	Wards
Hereford	Aylestone, Belmont, Central, St Martins & Hinton, St Nicholas, Three Elms, Tupsley, Burghill, Holmer & Lyde, Credenhill, Hagley, Hollington, Sutton Walls, Stoney Street, Backbury, Wormsley Ridge
Bromyard	Bromyard, Bringsty, Hampton Court
Ledbury	Ledbury, Hope End, Frome
Ross-on-Wye	Ross-on-Wye West, Ross-on-Wye East, Penyard, Llangarron, Kerne Bridge, Old Gore, Pontrilas, Valletts
Kington	Kington Town, Castle, Pembridge & Lyonshall with Titley
Leominster	Leominster North, Leominster South, Bircher, Upton, Golden Cross with Weobley, Mortimer
Golden Valley	Golden Valley North, Golden Valley South

7.3 There are a number of difficulties with preparing demographic projections at below local authority-level linked to the availability of robust data. It is thus necessary to make a number of assumptions to inform the projections. On this basis the projections should be regarded as indicative only. They are however of use in understanding the implications of differences in the population structure in different parts of the County and the implications of this on potential demographic trends.

7.4 Below we follow the same process of analysis as for the County-wide projections before providing projections based on a range of assumptions. For all projections the figures derived for individual HMAs once summed are in-line with those derived from the main County-wide projection modelling. However, due to the rounding of data there are some (very small) differences between figures.

Baseline Population and households

7.5 The figure below shows the estimated population size and number of households in each HMA as of 2011 (the start point of the projection). The data shows that the Hereford HMA is by far the largest with around 45% of both the population and households in the whole of the County. Golden Valley is the smallest HMA, representing 3.4% of both households and population.

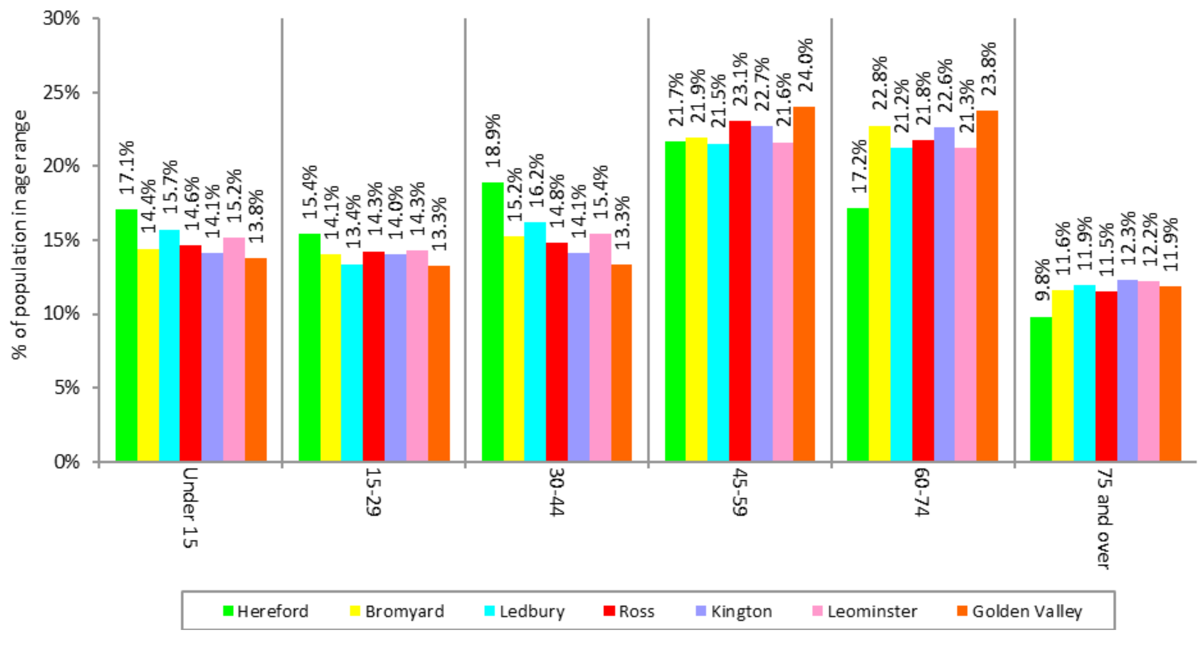
Figure 7.2 Population and households in 2011 by HMA

HMA	Population		Households	
	Population	% of population	Population	% of population
Hereford	81,150	44.8%	36,146	44.9%
Bromyard	11,717	6.5%	5,142	6.4%
Ledbury	19,193	10.6%	8,620	10.7%
Ross-on-Wye	29,875	16.5%	13,012	16.2%
Kington	9,522	5.3%	4,253	5.3%
Leominster	23,613	13.0%	10,606	13.2%
Golden Valley	6,142	3.4%	2,713	3.4%
Total	181,211	100.0%	80,492	100.0%

7.6 The figure below shows the estimated age structure in each HMA split into six broad age bands. The data shows that compared with other areas Hereford has a younger age profile with a greater proportion of people in all age bands up to 44. Golden Valley stands out as having the oldest age profile although the proportion of people aged 75 and over is highest in Kington.

7.7 Hereford's younger age structure means that natural change is a stronger component of the population dynamics, whereas in the other HMAs net in-migration is required to support the population base and local services.

Figure 7.3: Herefordshire HMA age profile (2011)



Methodology

7.8 The methodology for the HMA projections is virtually the same as for the main County-wide projections and involves consideration of fertility, mortality and migration patterns along with an understanding of employment levels and headship rates. Below we briefly discuss the method in relation to each of the different parts of the modelling.

7.9 In general terms, the projections are largely driven by the proportion of the County's population which falls within them and differences in the age structure within each HMA.

Fertility Rates

7.10 No specific information on fertility is available for wards and so we have assumed that age-specific fertility at an HMA level is consistent with the County profile. The number of births this generates will however vary given the slightly different age profiles. It is also worth noting that assumptions about birth rates will have little impact on our assessment of housing numbers as those born in the period 2011 to 2031 are unlikely to form a significant number of households.

Death Rates

7.11 There is some ward level death rate (life expectancy) information available from ONS although the most recent we have found is for the period 1999-2003. Generally the error margins associated with ward level life expectancy data are quite large and whilst some variation is shown (Leominster and some parts of Hereford tend to show lower life expectancy) this is offset by higher life expectancy in the rural parts of the HMAs. For the purposes of our projections we have assumed the same life expectancy as for our County-wide projections although (as with births) the number of deaths will vary depending on the age structure of the population in each HMA.

7.12

Migration

7.13 It is difficult to get accurate data for migration below County level in Herefordshire. The only potential source is the 2001 Census which is now rather out of date and also has the drawback of not including international migration (no estimate of international out-migration). However the main problem with Census data is that it only covers one year and as our main analysis of migration (county-wide) has shown this can be quite variable year on year.

7.14 For the purposes of our projections we have therefore applied our County-wide migration figures to the population profile estimated for 2011. Technically this will underestimate both in- and out- migration at an HMA level due to migration between HMAs – however, because we have adjusted the profile based on the age/sex structure in each HMA the overall profile will be close to that which might be expected if a full analysis were possible. Overall levels of net migration which are particularly important for the analysis are not affected by additional assumptions made.

7.15 This approach limits the impact at the local level of past completions, recognising that these are likely to have influenced past migration patterns.

Employment Rates

7.16 Employment rates in each HMA have been estimated by combining ward data from the 2001 Census. This information has then been updated consistently with our assumptions for the whole of the County (on an age/sex specific basis) with additional assumptions about how employment rates might change and also around changes in pensionable age also being applied where appropriate.

Headship Rates

7.17 The final part of the projection process is to estimate headship rates at a HMA level. This is important as different areas will have a different number of households depending on the general household structure. Typically rural areas have more couples and less single adult households and this leads to fewer households in rural areas for a given population (and lower headship rates). For HMA headship assumptions we have again drawn on 2001 Census data and updated this to be consistent with the assumptions used in the main County-wide projections (drawn from CLG household projection data). In converting household numbers into housing we have assumed a 2.5% vacancy allowance in all areas.

Overview of Projections

7.18 We have run a number of projections at HMA level based on two differing sets of assumptions. The first six projections follow our main County-wide projections and adjust migration levels consistently across all areas based on the population profile. The next three projections are component projections (for zero net migration, zero employment growth and zero population growth) with the assumptions being applied individually to each HMA.

7.19 It is important to understand the distinction between the two types of projection. Taking the example of zero net-migration, the first set of projections set net migration at zero for the whole County but allows either positive or negative levels for individual HMAs whilst the second set fixes net migration at zero for each HMA. Whilst total County-wide figures do not vary, this approach does show very different housing requirements in different locations.

Main Projections

7.20 The tables below show outputs at HMA for each of our initial six County-side projections. These can be summarised as:

PROJ 1 – Short-term trend based projection (5-year migration average of 740 per annum)
PROJ 2 – Medium-term trend based projection (10-year migration average of 940 per annum)
PROJ 3 – Long-term trend based projection (15-year migration average of 1,120 per annum)
PROJ 4 – Zero net migration
PROJ 5 – Zero employment growth
PROJ 6 – Zero population growth

PROJ 1 – Short-term trend based projection (5-year migration average of 740 per annum)

7.21 The tables show that with a net in-migration of 740 people per annum there would be expected to be population growth over the twenty year period of around 5,700 and a housing requirement of about 9,500. Under these assumptions all areas other than Hereford would expect to see very little change in overall population size whilst about 65% of the housing requirement would be in Hereford. For all areas this projection shows a decline in the number of people in employment – significant in all areas other than Hereford.

Figure 7.4: Summary of projections 2011 to 2031 – annual (PROJ 1)						
Area	Population growth		Housing numbers		Employment growth	
	Per annum	% change	Per annum	% change	Per annum	% change
Hereford	297	0.4%	309	0.8%	-21	-0.1%
Bromyard	-2	0.0%	20	0.4%	-34	-0.6%
Ledbury	2	0.0%	40	0.4%	-37	-0.4%
Ross	6	0.0%	52	0.4%	-92	-0.7%
Kington	-8	-0.1%	8	0.2%	-30	-0.7%
Leominster	2	0.0%	41	0.4%	-51	-0.5%
Golden Valley	-9	-0.2%	7	0.2%	-22	-0.7%
TOTAL	287	0.2%	475	0.6%	-287	-0.3%

Figure 7.5: Summary of projections 2011 to 2031 – total (PROJ 1)						
Area	Population growth		Housing numbers		Employment growth	
	Total	% change	Total	% change	Total	% change
Hereford	5,938	7.3%	6,171	16.7%	-424	-1.1%
Bromyard	-40	-0.3%	391	7.4%	-682	-12.5%
Ledbury	41	0.2%	793	9.0%	-743	-8.4%
Ross	113	0.4%	1,031	7.7%	-1,837	-13.1%
Kington	-164	-1.7%	163	3.7%	-600	-13.4%
Leominster	33	0.1%	822	7.6%	-1,020	-9.7%
Golden Valley	-187	-3.0%	138	5.0%	-431	-14.6%
TOTAL	5,735	3.2%	9,509	11.5%	-5,736	-6.7%

PROJ 2 – Medium-term trend based projection (10-year migration average of 940 per annum)

7.22 The second projection (based on net in-migration of 940 per annum shows a higher level of population and housing growth. Again this is mainly focussed on Hereford which shows 62% of the housing requirement. Under this scenario all areas other than Hereford show a decline in the number of people working whilst Golden Valley also shows a slight population decline.

Figure 7.6: Summary of projections 2011 to 2031 – annual (PROJ 2)						
Area	Population growth		Housing numbers		Employment growth	
	Per annum	% change	Per annum	% change	Per annum	% change
Hereford	399	0.5%	355	1.0%	34	0.1%
Bromyard	11	0.1%	25	0.5%	-27	-0.5%
Ledbury	24	0.1%	49	0.6%	-26	-0.3%
Ross	40	0.1%	66	0.5%	-74	-0.5%
Kington	2	0.0%	13	0.3%	-24	-0.5%
Leominster	29	0.1%	53	0.5%	-37	-0.4%
Golden Valley	-3	0.0%	10	0.4%	-18	-0.6%
TOTAL	503	0.3%	572	0.7%	-173	-0.2%

Figure 7.7: Summary of projections 2011 to 2031 – total (PROJ 2)						
Area	Population growth		Housing numbers		Employment growth	
	Total	% change	Total	% change	Total	% change
Hereford	7,981	9.8%	7,102	19.2%	680	1.7%
Bromyard	226	1.9%	507	9.6%	-544	-10.0%
Ledbury	479	2.5%	990	11.2%	-510	-5.8%
Ross	796	2.7%	1,326	9.9%	-1,485	-10.6%
Kington	49	0.5%	258	5.9%	-488	-10.9%
Leominster	576	2.4%	1,065	9.8%	-742	-7.0%
Golden Valley	-55	-0.9%	196	7.0%	-361	-12.3%
TOTAL	10,052	5.5%	11,444	13.9%	-3,450	-4.0%

PROJ 3 – Long-term trend based projection (15-year migration average of 1,120 per annum)

7.23 With the higher trend-based migration assumption (of 1,120 per annum) we find that all HMAs are expected to see a positive population growth. However, only Hereford shows positive employment growth. Under this scenario, Hereford makes up 60% of the projected housing requirement.

Figure 7.8: Summary of projections 2011 to 2031 – annual (PROJ 3)						
Area	Population growth		Housing numbers		Employment growth	
	Per annum	% change	Per annum	% change	Per annum	% change
Hereford	491	0.6%	397	1.1%	84	0.2%
Bromyard	23	0.2%	31	0.6%	-21	-0.4%
Ledbury	44	0.2%	58	0.7%	-15	-0.2%
Ross	71	0.2%	80	0.6%	-58	-0.4%
Kington	12	0.1%	17	0.4%	-19	-0.4%
Leominster	53	0.2%	64	0.6%	-25	-0.2%
Golden Valley	3	0.1%	12	0.4%	-15	-0.5%
TOTAL	697	0.4%	659	0.8%	-70	-0.1%

Figure 7.9: Summary of projections 2011 to 2031 – total (PROJ 3)						
Area	Population growth		Housing numbers		Employment growth	
	Total	% change	Total	% change	Total	% change
Hereford	9,819	12.1%	7,940	21.4%	1,673	4.3%
Bromyard	466	4.0%	612	11.6%	-420	-7.7%
Ledbury	873	4.5%	1,167	13.2%	-301	-3.4%
Ross	1,411	4.7%	1,591	11.9%	-1,168	-8.3%
Kington	241	2.5%	344	7.9%	-387	-8.7%
Leominster	1,064	4.5%	1,284	11.8%	-492	-4.7%
Golden Valley	64	1.0%	248	8.9%	-298	-10.1%
TOTAL	13,938	7.7%	13,187	16.0%	-1,393	-1.6%

PROJ 4 – Zero Net Migration

7.24 With zero net-migration we would expect to see a population decline in all HMAs and only a moderate housing requirement. Indeed under these assumptions only Hereford and Ledbury would see a positive housing requirement. In all areas this scenario would see large decreases in the number of people in employment.

Figure 7.10: Summary of projections 2011 to 2031 – annual (PROJ 4)						
Area	Population growth		Housing numbers		Employment growth	
	Per annum	% change	Per annum	% change	Per annum	% change
Hereford	-81	-0.1%	136	0.4%	-225	-0.6%
Bromyard	-51	-0.4%	-2	0.0%	-60	-1.1%
Ledbury	-79	-0.4%	3	0.0%	-80	-0.9%
Ross	-121	-0.4%	-3	0.0%	-157	-1.1%
Kington	-48	-0.5%	-9	-0.2%	-51	-1.1%
Leominster	-99	-0.4%	-4	0.0%	-102	-1.0%
Golden Valley	-34	-0.6%	-4	-0.1%	-35	-1.2%
TOTAL	-512	-0.3%	117	0.1%	-710	-0.8%

Figure 7.11: Summary of projections 2011 to 2031 – total (PROJ 4)						
Area	Population growth		Housing numbers		Employment growth	
	Total	% change	Total	% change	Total	% change
Hereford	-1,619	-2.0%	2,725	7.4%	-4,506	-11.5%
Bromyard	-1,025	-8.7%	-41	-0.8%	-1,192	-21.9%
Ledbury	-1,579	-8.2%	64	0.7%	-1,602	-18.2%
Ross	-2,414	-8.1%	-58	-0.4%	-3,140	-22.4%
Kington	-953	-10.0%	-189	-4.3%	-1,014	-22.7%
Leominster	-1,975	-8.4%	-79	-0.7%	-2,048	-19.4%
Golden Valley	-676	-11.0%	-75	-2.7%	-690	-23.4%
TOTAL	-10,239	-5.7%	2,347	2.8%	-14,192	-16.6%

PROJ 5 – Zero Employment Growth

7.25 To achieve zero employment growth across the whole County it is estimated that around 718 additional units of housing would be required each year – of which 59% would be in Hereford. This scenario suggests that there would be positive employment growth in Hereford and losses in the number of people working in all other areas.

Figure 7.12: Summary of projections 2011 to 2031 – annual (PROJ 5)

Area	Population growth		Housing numbers		Employment growth	
	Per annum	% change	Per annum	% change	Per annum	% change
Hereford	553	0.7%	425	1.1%	117	0.3%
Bromyard	31	0.3%	34	0.6%	-17	-0.3%
Ledbury	57	0.3%	64	0.7%	-8	-0.1%
Ross	91	0.3%	89	0.7%	-48	-0.3%
Kington	19	0.2%	20	0.5%	-16	-0.4%
Leominster	70	0.3%	72	0.7%	-16	-0.2%
Golden Valley	7	0.1%	14	0.5%	-13	-0.4%
TOTAL	828	0.5%	718	0.9%	0	0.0%

Figure 7.13: Summary of projections 2011 to 2031 – total (PROJ 5)

Area	Population growth		Housing numbers		Employment growth	
	Total	% change	Total	% change	Total	% change
Hereford	11,062	13.6%	8,507	23.0%	2,344	6.0%
Bromyard	628	5.4%	683	13.0%	-336	-6.2%
Ledbury	1,139	5.9%	1,287	14.6%	-160	-1.8%
Ross	1,827	6.1%	1,770	13.3%	-954	-6.8%
Kington	371	3.9%	402	9.2%	-319	-7.1%
Leominster	1,395	5.9%	1,432	13.2%	-323	-3.1%
Golden Valley	144	2.3%	283	10.2%	-255	-8.7%
TOTAL	16,565	9.1%	14,364	17.4%	0	0.0%

PROJ 6 – Zero Population Growth

7.26 To maintain the current population size in the County it is estimated that there will be a requirement to provide around 347 additional units of housing per annum between 2011 and 2031. The majority of this (over 70%) would be in Hereford with very low requirements in Kington and Golden Valley. However, for all areas this scenario would see a drop in employment numbers whilst all areas other than Hereford would also be expected to see a decline in population.

Figure 7.14: Summary of projections 2011 to 2031 – annual (PROJ 6)						
Area	Population growth		Housing numbers		Employment growth	
	Per annum	% change	Per annum	% change	Per annum	% change
Hereford	161	0.2%	247	0.7%	-94	-0.2%
Bromyard	-20	-0.2%	12	0.2%	-43	-0.8%
Ledbury	-27	-0.1%	27	0.3%	-53	-0.6%
Ross	-40	-0.1%	32	0.2%	-115	-0.8%
Kington	-22	-0.2%	2	0.0%	-37	-0.8%
Leominster	-34	-0.1%	25	0.2%	-69	-0.7%
Golden Valley	-18	-0.3%	3	0.1%	-26	-0.9%
TOTAL	0	0.0%	347	0.4%	-439	-0.5%

Figure 7.15: Summary of projections 2011 to 2031 – total (PROJ 6)						
Area	Population growth		Housing numbers		Employment growth	
	Total	% change	Total	% change	Total	% change
Hereford	3,225	4.0%	4,934	13.3%	-1,889	-4.8%
Bromyard	-393	-3.4%	236	4.5%	-865	-15.9%
Ledbury	-540	-2.8%	531	6.0%	-1,051	-11.9%
Ross	-794	-2.7%	640	4.8%	-2,305	-16.5%
Kington	-447	-4.7%	37	0.8%	-749	-16.7%
Leominster	-688	-2.9%	498	4.6%	-1,389	-13.2%
Golden Valley	-363	-5.9%	61	2.2%	-524	-17.8%
TOTAL	0	0.0%	6,938	8.4%	-8,772	-10.2%

Component Projections

7.27 Below we have provided the outputs from the three component projections at HMA level. These can be summarised as:

PROJ 4A – Zero net migration
PROJ 5A – Zero employment growth
PROJ 6A – Zero population growth

PROJ 4A – Zero net migration

7.28 The tables below show that if there was no net migration in each HMA then all areas would see a drop in population and with the exception of Hereford a negative housing requirement. All areas see a significant drop in the working population. The figures in this projection do not differ significantly from the zero net migration (PROJ 4) that was run on the basis of no net migration County-wide.

Figure 7.16: Summary of projections 2011 to 2031 – annual (PROJ 4A)						
Area	Population growth		Housing numbers		Employment growth	
	Per annum	% change	Per annum	% change	Per annum	% change
Hereford	-80	-0.1%	137	0.4%	-225	-0.6%
Bromyard	-52	-0.4%	-3	0.0%	-60	-1.1%
Ledbury	-79	-0.4%	3	0.0%	-80	-0.9%
Ross	-120	-0.4%	-3	0.0%	-157	-1.1%
Kington	-50	-0.5%	-10	-0.2%	-52	-1.2%
Leominster	-96	-0.4%	-3	0.0%	-101	-1.0%
Golden Valley	-33	-0.5%	-4	-0.1%	-34	-1.2%
TOTAL	-512	-0.3%	117	0.1%	-710	-0.8%

Figure 7.17: Summary of projections 2011 to 2031 – total (PROJ 4A)						
Area	Population growth		Housing numbers		Employment growth	
	Total	% change	Total	% change	Total	% change
Hereford	-1,601	-2.0%	2,733	7.4%	-4,497	-11.4%
Bromyard	-1,048	-8.9%	-51	-1.0%	-1,204	-22.1%
Ledbury	-1,584	-8.3%	62	0.7%	-1,604	-18.2%
Ross	-2,408	-8.1%	-56	-0.4%	-3,140	-22.4%
Kington	-998	-10.5%	-210	-4.8%	-1,037	-23.2%
Leominster	-1,928	-8.2%	-58	-0.5%	-2,023	-19.2%
Golden Valley	-669	-10.9%	-72	-2.6%	-687	-23.3%
TOTAL	-10,236	-5.6%	2,348	2.8%	-14,191	-16.6%

PROJ 5A – Zero Employment Growth

7.29 If we model for no employment growth in each HMA we do find quite different results to the County-wide zero employment growth projection (PROJ 5). To achieve no employment growth in each HMA would require population growth of between 0.4% and 0.6% per annum and housing growth of between 0.8% and 1.0%. Under this projection the housing requirement in Hereford is estimated to be around 45% of the total – this compares with 59% of the total under PROJ 5. As a consequence all other HMAs show a higher housing requirement.

Figure 7.18: Summary of projections 2011 to 2031 – annual (PROJ 5A)						
Area	Population growth		Housing numbers		Employment growth	
	Per annum	% change	Per annum	% change	Per annum	% change
Hereford	336	0.4%	326	0.9%	0	0.0%
Bromyard	64	0.5%	48	0.9%	0	0.0%
Ledbury	72	0.4%	71	0.8%	0	0.0%
Ross	184	0.6%	128	1.0%	0	0.0%
Kington	49	0.5%	34	0.8%	0	0.0%
Leominster	101	0.4%	86	0.8%	0	0.0%
Golden Valley	31	0.5%	25	0.9%	0	0.0%
TOTAL	837	0.5%	718	0.9%	0	0.0%

Figure 7.19: Summary of projections 2011 to 2031 – total (PROJ 5A)						
Area	Population growth		Housing numbers		Employment growth	
	Total	% change	Total	% change	Total	% change
Hereford	6,727	8.3%	6,529	17.6%	0	0.0%
Bromyard	1,275	10.9%	967	18.3%	0	0.0%
Ledbury	1,437	7.5%	1,422	16.1%	0	0.0%
Ross	3,682	12.3%	2,570	19.3%	0	0.0%
Kington	974	10.2%	671	15.4%	0	0.0%
Leominster	2,025	8.6%	1,715	15.8%	0	0.0%
Golden Valley	624	10.2%	492	17.7%	0	0.0%
TOTAL	16,745	9.2%	14,367	17.4%	0	0.0%

PROJ 6A – Zero Population Growth

7.30 With no population growth in each HMA we find a positive housing requirement but negative employment growth in each area. Under this scenario around 50% of the housing requirement would be in Hereford – this compares with around 71% under PROJ 6.

Figure 7.20: Summary of projections 2011 to 2031 – annual (PROJ 6A)						
Area	Population growth		Housing numbers		Employment growth	
	Per annum	% change	Per annum	% change	Per annum	% change
Hereford	0	0.0%	173	0.5%	-182	-0.5%
Bromyard	0	0.0%	20	0.4%	-33	-0.6%
Ledbury	0	0.0%	39	0.4%	-38	-0.4%
Ross	0	0.0%	49	0.4%	-95	-0.7%
Kington	0	0.0%	12	0.3%	-26	-0.6%
Leominster	0	0.0%	40	0.4%	-52	-0.5%
Golden Valley	0	0.0%	11	0.4%	-17	-0.6%
TOTAL	0	0.0%	345	0.4%	-442	-0.5%

Figure 7.21: Summary of projections 2011 to 2031 – total (PROJ 6A)						
Area	Population growth		Housing numbers		Employment growth	
	Total	% change	Total	% change	Total	% change
Hereford	0	0.0%	3,463	9.3%	-3,633	-9.2%
Bromyard	0	0.0%	408	7.7%	-661	-12.1%
Ledbury	0	0.0%	775	8.8%	-763	-8.6%
Ross	0	0.0%	982	7.4%	-1,898	-13.6%
Kington	0	0.0%	236	5.4%	-512	-11.4%
Leominster	0	0.0%	807	7.4%	-1,036	-9.8%
Golden Valley	0	0.0%	220	7.9%	-331	-11.3%
TOTAL	0	0.0%	6,890	8.4%	-8,835	-10.3%

Drawing the Analysis Together

7.31 We have sought to draw the analysis together by considering in further detail a selected number of the projections at HMA level.

7.32 Figure 7.21 draws together the projections to consider:

- What level of housing would be required to maintain the population base. This could be considered important in supporting local shops and services. It is based on PROJ 6A.
- What level of housing would be required to maintain the working-age population, taking account of expected changes to the age structure. This is based on PROJ 5A and could be considered important in supporting the economy and local businesses. It would also be more likely to support the school age population.
- What level of housing would be required to meet housing need and demand, assessed on the basis of maintaining either 5 year or 15 year migration trends. This is based on PROJ 1 and PROJ 3.

Figure 7.22: Overview of Findings				
Housing Required by HMA (2011-31) …	To Maintain Population Base	To Maintain Working-Age Population	Based on 5 Year Migration Trends	Based on 15 Year Migration Trends
Hereford	3463	6529	6171	7940
Bromyard	408	967	391	612
Ledbury	775	1422	793	1167
Ross	982	2570	1031	1591
Kington	236	671	163	344
Leominster	807	1715	822	1284
Golden Valley	220	492	138	248
Herefordshire	6890	14367	9509	13187

7.33 We have used this analysis to consider the basis of distribution of a housing requirement. We have taken projection based on 5-year migration trends to represent a low parameter, and the projection based on 15 year migration trends to represent a high parameter. These have been compared with our estimate of the distribution of the 18,000 dwelling requirement recommended in the RSS Phase 2 Report, based on the Council's 2010 Preferred Options and a pro-rata distribution of the requirement for rural areas related to their existing population base[4].

Figure 7.33: Considering Distribution Options

Housing Required …	Low Parameter		High Parameter		Est Distribution of 18000 Target	
Hereford	6200	65%	7950	51%	9847	55%
Bromyard	400	4%	950	6%	817	5%
Ledbury	800	8%	1400	9%	1295	7%
Ross	1000	11%	2500	16%	1862	10%
Kington	150	2%	650	4%	717	4%
Leominster	800	8%	1700	11%	3179	18%
Golden Valley	150	2%	500	3%	283	2%
Herefordshire	9500	100%	15650	100%	18000	100%

7.34 Analysing the preferred options housing distribution in this way, for most of the HMAs the proposed housing policies in the 2010 Preferred Options fall within the range of figures suggested. The main exceptions to this are Leominster and Hereford which the emerging Core Strategy identified as foci for growth in the County.

7.35 In the Kington and Golden Valley HMAs, a level of population growth above modelled 5-year migration trends would be necessary to support a stable population to support local services. The 2010 Preferred Options proposals plan on this basis. In Kington they propose a higher level of growth which would support some growth in the working population.

7.36 The demographic-led analysis would suggest that should the Council determine to adopt a lower housing requirement (on a per annum basis) than the RSS Panel Recommendation then the greatest scope to do so would be in Hereford and Leominster whist seeking to continue to provide a positive planning framework for all parts of the County.

4 See LHMA Report

8 CONSIDERING HOUSING PROVISION OPTIONS

8.1 In this section we start to draw the technical assessment of housing need and demand together with other factors which may impact on the identification of housing provision options and distribution. We consider the following:

- Evidence of housing need within local housing markets;
- The availability of suitable land for housing development;
- Market capacity and past completions in Herefordshire; and
- Potential infrastructure funding/delivery issues.

8.2 In this section we aim to bring together, through a high-level assessment, a number of the wider key factors which are identified in PSS3 as relevant in establishing housing requirements. The section addresses these issues at both a county level, and where appropriate for specific HMAs or market towns.

Housing Need Within Local Housing Markets

8.3 The Local Housing Market Assessment undertaken in Spring 2011 uses secondary sources to identify housing needs in each of the seven local housing markets in Herefordshire. The housing needs analysis has been undertaken in accordance with CLG Guidance and considers current housing need (the backlog), newly-arising need (from newly-forming households and existing households falling into need on an annual basis), and the supply of affordable housing (in terms of both current supply and on an annual basis). Supply and demand are brought together to identify a current deficit of affordable housing, assuming that the backlog of need is met over a five year period.

8.4 The results of the needs assessment are set out below, with levels of affordable housing need identified in the right column The analysis is based on secondary data sources. It should be noted that estimates of new household formation are gross. It does not take account of the effective role of the Private Rented Sector in meeting housing need, supported by housing benefit. Because of these factors, estimates of need are not comparable with our projections of (net) household growth.

Figure 8.1: Estimated level of housing need (2011-16)						
HMA	Backlog need	Newly forming households	Existing households falling into need	Total need	Supply	Net need
Hereford	1,347	2,039	554	3,940	2,057	1,883
Bromyard	79	209	47	335	292	43
Ledbury	150	274	71	495	352	143
Ross	266	393	126	785	514	271
Kington	69	222	37	328	178	150
Leominster	257	535	121	913	661	252
Golden Valley	65	91	27	183	87	96
Total	2,232	3,763	983	6,978	4,141	2,837

Source: HomePoint Housing Register January 2011, Projection Modelling

8.5 We can use this information to establish housing need on a 'per annum' basis and to consider the distribution of need between the seven housing markets in the County. This is set out below.

Figure 8.2: Distribution of Housing Need by HMA			
HMA	Net Need 2011-16	Net Need per Annum	% of County Housing Need
Hereford	1,883	377	66%
Bromyard	43	9	2%
Ledbury	143	29	5%
Ross	271	54	10%
Kington	150	30	5%
Leominster	252	50	9%
Golden Valley	96	19	3%
Total	2,837	567	100%

8.6 We compare in the table below, the distribution of housing need as against the high and low parameters identified based on strategic scenarios for migration, and to the indicative distribution by HMA inferred by the 2010 Core Strategy Preferred Options.

Figure 8.3: Distribution of Housing Need by HMA			
HMA	% of Net Housing Need	Low Parameter	High Parameter
Hereford	66%	65%	51%
Bromyard	2%	4%	6%
Ledbury	5%	8%	9%
Ross	10%	11%	16%
Kington	5%	2%	4%
Leominster	9%	8%	11%
Golden Valley	3%	2%	3%
Total	100%	100%	100%

8.7 Relative to the distribution parameters established, the level of need in relative terms is high in Hereford and in Kington. The 2010 Preferred Options distribution allocated higher relative levels of development to these areas (as well as to Leominster) – and the needs analysis thus supports this.

Land Availability

8.8 In considering the availability of land to accommodate housing development we have drawn on the Council's first update of the Strategic Housing Land Availability Assessment (SHLAA), which was published in January 2011.

8.9 The SHLAA has sought to identify deliverable and developable sites in Herefordshire capable of delivering 5 or more dwellings over the period 2010-26 and beyond. A total of 666 sites were assessed of which 279 sites are potentially suitable, available and achievable and could be considered further for inclusion in development plan documents. The estimated capacity of these sites suggest that they could accommodate 21,640 dwellings over the period to 2026.

8.10 These sites are subject to varying levels of constraint. It is estimated that 3,138 dwellings could be built on sites which can be regarded as deliverable in that they are available now, suitable for housing and there is a reasonable prospect that housing will be delivered in the next five years. In addition to these 8840 dwellings can be provided on developable sites with low constraints. 9662 dwellings can be provided on developable sites with significant constraints.

8.11 **At the county-wide level thus there appears to be sufficient land available which is either developable or deliverable to accommodate any of the projections developed for the 20 year period to 2031. Thus at the county-wide level, the SHLAA suggests that availability of land for development is unlikely to act as a strategic constraint to levels of housing provision.**

8.12 An assessment of land availability for each of the market towns and rural areas is included within the SHLAA. We summarise the key conclusions of this below.

8.13 The potential supply of sites which could be delivered in the period 2010-15 for each of the market towns and in the rural areas is shown below.

Figure 8.4: Five Year Housing Land Supply

	Sites with Extant Planning Permission	Allocated Sites without Planning Permission	Sites under Construction	SHLAA Sites	Total
Hereford	521	319	226	1068	2134
Bromyard	13	127	15	14	169
Kington	31	0	28	49	108
Ledbury	19	0	4	34	57
Leominster	485	46	15	449	995
Ross-on-Wye	190	93	16	161	460
Rural Areas	496	133	133	880	1642
Total	1755	718	437	2655	5565

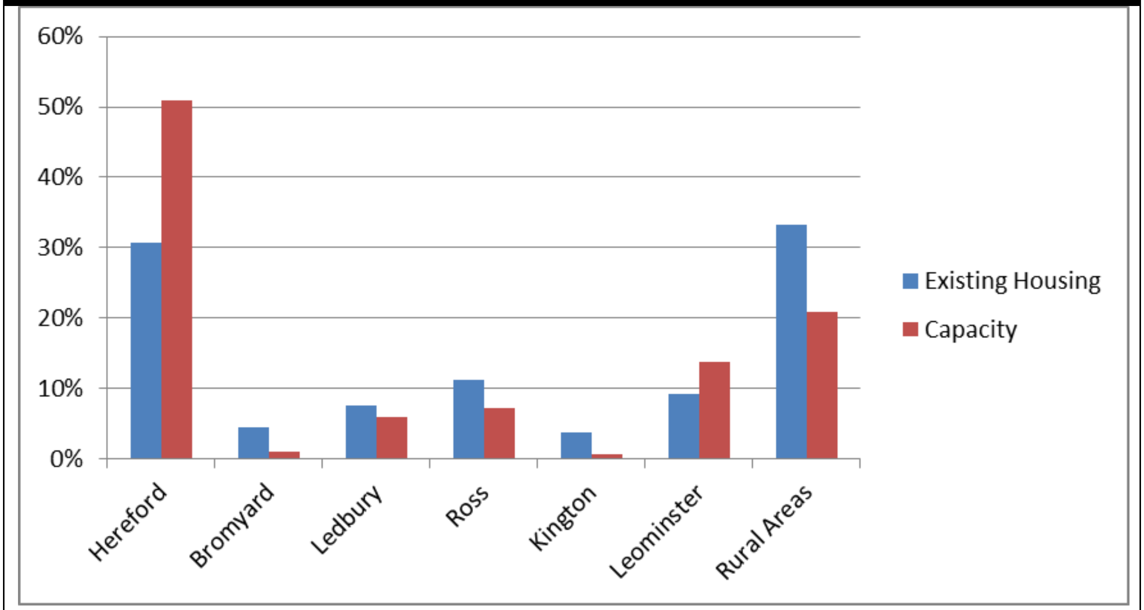
8.14 Looking over the longer-term to 2026 and beyond, Figure 8.5 outlines the potential capacity of deliverable and developable sites identified in the SHLAA. The indicative phasing of delivery is based on an assessment of site-specific factors and does not specifically consider issues related to market capacity.

Figure 8.5: Total Identified Capacity on Sites for 6+ Dwellings

	2010-15	2015-20	2020-25	2026	Total	Post 2026
Hereford	2134	3229	4312	1324	10999	5268
Bromyard	169	40	0	14	223	56
Kington	108	7	0	6	121	24
Ledbury	57	851	0	358	1266	1432
Leominster	995	870	433	673	2971	2688
Ross-on-Wye	460	475	350	252	1537	1008
Rural Areas	1642	941	1617	323	4523	1294
Total	5565	6413	6712	2950	21640	11770

8.15 We can compare this to the existing level of households to assess the relative concentration of land available for the market towns and rural areas. As Figure 8.6 indicates there is a concentration of land available at Hereford; with a low level of land availability in relative terms in Bromyard and Kington. It should be noted that the analysis does not include capacity from sites of less than 6 units, which for instance in the rural areas make up a substantial proportion of development sites.

Figure 8.6: Distribution of Land Capacity (Sites > 6 Units) vs Existing Households



Infrastructure Constraints

8.16 PPS3 identified that an assessment of the impact of development on existing or planned infrastructure, and any new infrastructure required, is one of the factors which should influence the level of housing provision to be planned for. While infrastructure capacity can restrict development potential, development can also play an important role in contributing to the funding and delivery of strategic infrastructure.

8.17 We understand that Herefordshire Council has been working to develop an Infrastructure Delivery Plan which will be taken forward alongside the Core Strategy to ensure that the necessary infrastructure is delivered to support development. This work is addressing strategic infrastructure issues, including utilities infrastructure capacity, and options for and the funding of a relief road to Hereford and a link road at Leominster. The specific costs of funding key items of strategic infrastructure, particularly the relief roads at Hereford and Leominster, contributed to the levels of development distributed to these areas in the Core Strategy 2010 Preferred Options.

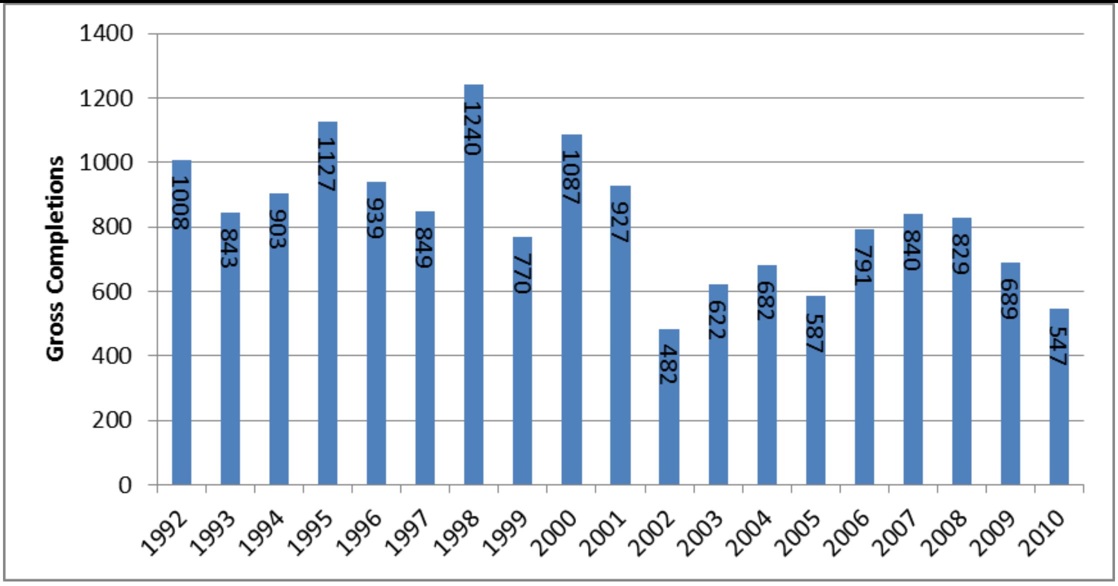
8.18 The Council has commissioned a Study to consider potential developer contributions to the funding and delivery of infrastructure including potentially through a Community Infrastructure Levy. Consideration of the potential to deliver infrastructure to support development, and the potential for development to support investment in key infrastructure should be considered by the Council in determining the level and distribution of housing provision in line with national planning policy.

Market Capacity and Absorption

8.19 In this final section we consider issues related to market capacity and absorption in regard to aggregate housing requirements.

8.20 The rate of housing completions in Herefordshire has generally decreased since the 1980s and 1990s. Between 1986-1991 completions averaged 1123 pa (gross), equating to an annual net housing increase of around 1020 dwellings. They then dropped to just below 1000 gross (910 net) per annum during the 1990s, and have fallen further to around 700 (637 net) pa over the last decade. Average completions over the past 19 years have been 828 dwellings pa gross (750 net).

Figure 8.7: Trend in Gross Completions



Source: Herefordshire Council

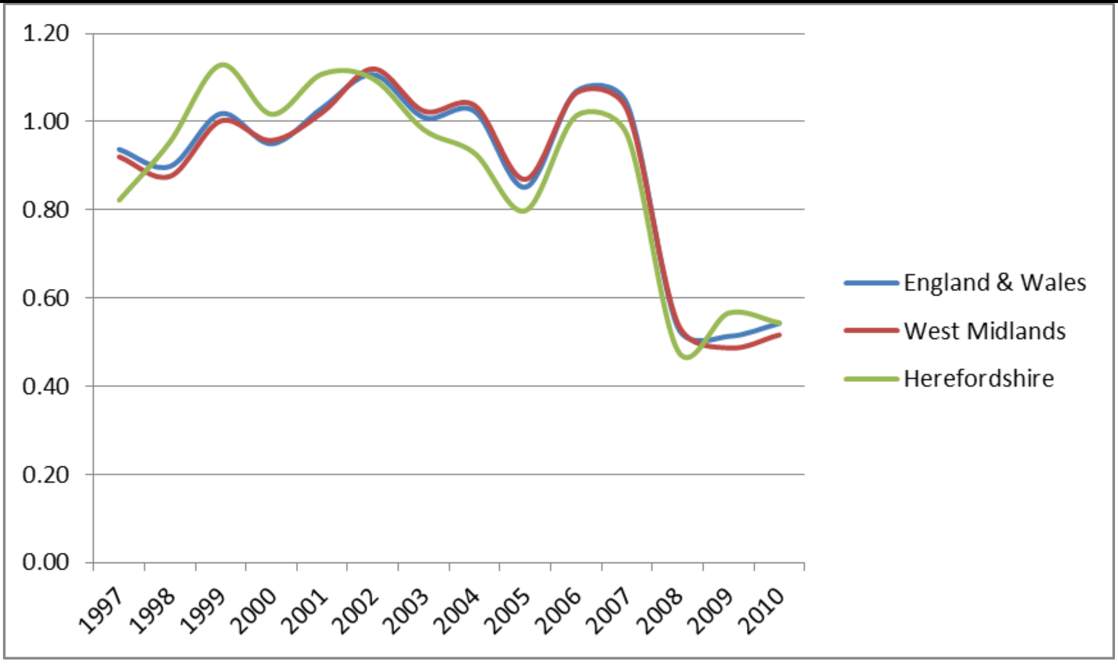
8.21 Projecting forward net completions rates over the last 10 years would result in a housing requirement of 12,740 for a 20 year period; whilst if the rate of 910 per annum in the 1990s was achieved the housing requirement would be 18,200 homes. These would represent housing growth of 0.8% and 1.1% per annum respectively.

8.22 We understand that the lower completions rates in the last decade relative to the 1990s reflect planning constraints associated with implementation of the Unitary Development Plan.

8.23 In considering the rate of housing growth which would be achieved, the economic context and market downturn are both relevant. Completions rates in 2010 were around a third below levels in 2007-8 and the Local Housing Market Assessment identifies particular current constraints to house purchase for first-time buyers in the County.

8.24 Looking at sales, a similar downward trend is evident. Sales in 2010 were 46% of the average in the decade to 2007.

Figure 8.8: Housing Sales Trends



Source: HM Land Registry/ CLG

8.25 At the time of writing it is unclear to what extent or over what timescale market conditions will improve, making it difficult to accurately judge issues of market capacity at a strategic county-wide level. With this caveat it appears reasonable that a housing requirement within the 14,000 – 20,000 dwelling range could be supported.

8.26 Next, we turn to address the distribution of housing at an HMA level. Drawing on our earlier demographic analysis, the particular capacity questions would relate to development at Hereford and Leominster, and particularly the latter.

8.27 In regard to the proposed strategic development of 1700 homes at Leominster, we understand that the developer currently proposes delivery over a 14 year period between 2013 – 2026 with delivery rates rising to a peak of 130 dwellings per annum, and averaging around 120 per annum over the whole delivery period.

8.28 We understand from the Council that during the 1990s completions in Leominster were running at around 100 units per annum.

8.29 We have also assesses recent sales levels to assess the realism of these delivery rates. Sales in 2006 and 2007 in Leominster were around 250 per annum, but have since fallen to between 130 – 140 per annum between 2008-10. New build sales in this period (2005-10) are minimal accounting for between 4-6 completions per annum.

8.30 Council Tax data identifies that there were 4370 occupied properties in Leominster in 2010. Delivery of 130 properties per annum would therefore represent household growth of 2.9% per annum based on a 3% vacancy rate in new stock.

8.31 Delivery of development at rates of 130 dwellings per annum would need to be supported by an increase in sales of around 35% on rates in 2006-7, assuming 25% affordable housing, against a backdrop of strong market conditions and by around 70% relative to current sales rates.

8.32 In addition to the strategic site, there is an outstanding allocated site at Barons Cross which has planning consent for 400 homes.

8.33 We consider that in light of market conditions at least in the early part of the plan period, an average delivery rate of 90-100 dwellings per annum on large development sites would appear realistic for Leominster. The proposed allocation of 1700 homes and the existing consented site of 400 homes on this basis would take between 21 – 23 years to deliver. Assuming delivery commenced in 2012, it is likely that development would be completed by 2035. It seems realistic to assume delivery of nearer 1500 dwellings in the period to 2031 on the strategic site at Leominster.

9 CONCLUSIONS

9.1 In this report we have considered what might represent a reasonable assessment of housing need and demand in Herefordshire for strategic planning purposes. The report has dealt with housing need and demand across tenures, recognising that while mortgage finance constraints may limit market demand, this demand is likely to be displaced towards rented tenures. The projections developed indicate that what level of migration might be considered realistic particularly influences housing requirements.

9.2 A number of projections have been developed to understand the relationship between population, employment and housing numbers. The headline results are shown below:

Figure A: Projections of Population, Dwellings & Employment, 2011-31

Projection		Population Growth		Housing Numbers			Employment growth	
		2011-31	% change	2011-31	Per Annum	% change	2011-31	% change
MAIN PROJECTIONS								
Short-Term Population Trends (5 Year Trend Migration of 740 pa)	PROJ 1	5,734	3.2%	9,509	475	11.5%	-5,736	-6.7%
Medium-Term Population Trends (10 Year Trend Migration of 940 pa)	PROJ 2	10,052	5.5%	11,445	572	13.9%	-3,449	-4.0%
Long-Term Population Trends (15 Year Migration of 1120 pa)	PROJ 3	13,937	7.7%	13,188	659	16.0%	-1,391	-1.6%
Economic-Led Growth Projection (Oxford Economics)	PROJ 7	31,264	17.3%	21,043	1,052	25.5%	8,123	9.5%
Projection to Support 5% Employment Growth	PROJ 8	24,645	13.6%	17,991	900	21.8%	4,279	5.0%
COMPONENT PROJECTIONS								
Zero Net Migration	PROJ 4	-10,240	-5.7%	2,343	117	2.8%	-14,196	-16.6%
Zero Employment Growth	PROJ 5	16,565	9.1%	14,367	718	17.4%	0	0.0%
Zero Population Growth	PROJ 6	0	0.0%	6,936	347	8.4%	-8,773	-10.3%

9.3 The projections show that migration is an important driver of population dynamics within Herefordshire. With zero net migration, where in-migration balances out-migration, just 2,300 homes are required over the 2011-31 period. However this scenario sees the population drop by over 10,000 and an even more substantial reduction in the workforce by over 14,000. The projections indicate that over the 2011-31 period, 6,900 homes would be required to maintain the size of the population. This will help to protect local services. Because of the ageing of the population, 14,000 homes would be required to maintain existing employment levels. The Council's emerging Economic Development Strategy seeks to increase the number and range of jobs.

9.4 Projections have then been developed which take account of migration trends in the short, medium and long-term. Long-term migration trends over the last 15 years are highest and projected forward result in a housing requirement of 13,200 (660 pa). In comparison, levels of net in-migration in the short-term have been more moderate, in part influenced by planning policy. Projecting 5 year trends in migration forward results in a housing requirement of 9,500 between 2011-31 (475 pa).

9.5 A number of economic-driven projections have also been developed. A scenario has been developed based on the forecast of employment growth by Oxford Economics within the Council's 2010 Employment Land Review (Drivers Jonas Deloitte 2010). This forecasts employment growth of 9.5% over the next 20 years, with job growth of just over 400 per annum. This compares to average employment growth of 1000 in the decade before the recession (1998-2008). This results in a housing requirement of 21,000 (1050 per annum). Recognising that there are some downside risks to this associated with macro-economic conditions in the short-term, a second economic-driven projection was developed based on achieving 5% growth in employment between 2011-31. This results in a housing requirement of 18,000 (900 per annum).

9.6 For comparison, the Government's latest official projections (2008-based) would result in a requirement for 14,600 homes between 2011-31.

9.7 Projections have been undertaken for each of the seven Housing Market Areas (HMAs) in Herefordshire to provide an understanding of the relationships between changes in the population, labour supply and housing requirements. The Housing Market Areas include both the market towns and their hinterlands.

Figure B: Overview of Projection Results for Local Housing Markets				
Housing Required by HMA (2011-31) …	To Maintain Population Base	To Maintain Working-Age Population	Based on 5 Year Migration Trends	Based on 15 Year Migration Trends
Hereford	3463	6529	6171	7940
Bromyard	408	967	391	612
Ledbury	775	1422	793	1167
Ross	982	2570	1031	1591
Kington	236	671	163	344
Leominster	807	1715	822	1284
Golden Valley	220	492	138	248
Herefordshire	6890	14367	9509	13187

9.8 This analysis indicates that the draft Core Strategy Preferred Options published by the Council in 2010 directed a higher proportion of development to Hereford and Leominster relative to local needs to Hereford and Leominster, in part to support the delivery of necessary infrastructure.

9.9 The results of the main projections vary widely between 9,500 homes based on short-term migration trends, through to 21,000 homes based on forecast requirements of the county's economy. The Study has therefore considered what would be an appropriate scenario to plan for. Around 14,400 homes are required over the next 20 years to maintain a stable working population, which is similar to the latest official projections (14,600). GL Hearn would consider this to be a minimum to provide a positive planning framework for the County.

9.10 Delivery of 21,000 homes based on forecast economic growth of 9.5% over the 2011-31 period equates to an average of 1050 per annum, which is similar to rates achieved in the late 1990s. However there are a number of downside risks associated with achieving this levels of employment growth and housing delivery, linked in particular to macro-economic conditions in at least the short-term. Against this context, 5% employment growth over the 2011-31 period may be a more realistic aspiration. This would require provision of 18,000 homes.

9.11 **GL Hearn consider that a realistic assessment of housing need and demand would fall within these parameters, for provision of between 14,400 – 18,000 homes between 2011-31**.

9.12 The Council has undertaken a Strategic Housing Land Availability Study which indicates that there appears to be sufficient land available which could be brought forward for development to meet any of the projections developed. At the County-wide level, this suggests that availability of land is unlikely to act as a strategic constraint to levels of housing provision although it is likely to affect the distribution of development within the district alongside other factors such as the spatial strategy and assessment of infrastructure needs and requirements.

9.13 In planning for housing provision, the Council is bringing together the findings of this Study with assessment of infrastructure needs and requirements and the availability of suitable land for housing provision in refining its preferred strategy for the level and distribution of housing. In developing the plan, alternative options are being tested against social, environmental and economic criteria through Sustainability Appraisal. Thus this Study is intended to provide one of a number of inputs to determining policies for housing provision which include consultation through the plan-making process with local communities and other stakeholders.