Derby HMA Strategic Housing Market Assessment Update

Final Report

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Prepared by

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DATE	ORIGINATORS	APPROVED
16 July 2013	Nick Ireland	Graeme Tulley
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1   EXECUTIVE SUMMARY

1.1   The Derby Housing Market Area (HMA) includes the local authorities of Amber Valley, Derby and South Derbyshire. The Strategic Housing Market Assessment (SHMA) Update considers future housing requirements in this area over the period to 2028. It considers how many homes are needed; what type of homes are needed – both market and affordable; as well as what housing is needed to meet the needs of specific groups within the population including older people and those with disabilities. The assessment is intended to help inform Local Plans.

How many homes are needed?

1.2   The Government has set out in the National Planning Policy Framework [1] that Councils should plan to meet objectively assessed needs for both market and affordable housing in the housing market area. The SHMA Update provides this assessment of need, which includes addressing both a backlog of homes needed taking into account low levels of housing delivery over the last few years and providing for future growth in the population and households within the HMA.

1.3   Over the period between 2006-11 housing delivery fell short of housing targets, with an under-provision of 1,284 homes (657 in Amber Valley and 627 homes in South Derbyshire) across the HMA against targets in the East Midlands Regional Plan[2].

1.4   Three demographic projections have been developed within the SHMA: a trend-based projection, an economic-led projection linked to Spring 2013 economic forecasts for the three authorities, and the latest official projections. Based on the balance of evidence examined the SHMA concludes that the economic-led projection presents potentially an overly pessimistic view of economic growth potential within the HMA and that planning on this basis could potentially constrain future economic performance and not fully meet housing needs. In contrast, the report considers that the latest official projections[3] make some overly optimistic assumptions regarding future migration trends which are not supported by detailed analysis of trends over the local level[4]. The updated trend-based demographic projection developed as part of the SHMA Update is therefore considered the most robust for strategic planning purposes. This is set out in Figure 1.

1.5   The analysis of student housing dynamics indicates that growth in student numbers at Derby University is likely to be similar or more moderate relative to past trends. This therefore is unlikely to result in a need for additional housing over and above the projections.

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[1] CLG (March 2012) *National Planning Policy Framework*
[2] There was no under-provision over this period in Derby
[3] 2010 and 2011-based Sub-National Population Projections
[4] This is explored fully within the Derby HMA Housing Requirements Study (GL Hearn, 2012)

Figure 1:   Expected Demographic Trends, 2011-2028

Area	Population Growth		Housing Numbers		Employment Growth	
	Total	% change	Total	% change	Total	% change
Amber Valley	10,576	8.6%	6,855	12.6%	1,680	2.8%
Derby	26,771	10.8%	14,612	13.9%	13,971	12.4%
South Derbyshire	19,428	20.5%	9,163	22.8%	6,307	13.2%
Derby HMA	56,774	12.2%	30,630	15.3%	21,957	10.0%

1.6   Consideration of levels of future housing provision within the SHMA has also been informed by a review of emerging policies in authorities surrounding the Derby HMA. There is a clear level of joint-working on housing provision issues for surrounding HMAs within the East Midlands region. At the current time, the Leicester & Leicestershire HMA, Nottingham Core HMA and Chesterfield/ Northern HMAs are all planning collaboratively to meet housing requirements within their areas. Parts of Derbyshire Dales and East Staffordshire have a reasonably strong functional relationship to the Derby HMA authorities, and it will be important that the policies and strategic approach to housing provision in these areas is considered in finalising policies for housing in the Derby HMA.

1.7   Taking account of past under-provision, housing delivered between 2008-11 and the demographic projections from 2011-28, the overall housing requirement is for delivery of 35,360 homes over the 2008-28 period (668 per year). This will provide for both market and affordable housing needs in full and represents a positive planning approach to development despite depressed current housing market and economic conditions. It provides a strong signal that the HMA continues to be 'open for business.'

Figure 2:   Housing Requirement for 2008-28 Plan Period

Area	Demographic Requirement from 2011	Shortfall vs. RSS 2006-11	Completions 2008-11	2008-28 Total	2008-28 Requirement PA
Amber Valley	6,855	657	814	8,326	416
Derby	14,612	-	1,513	16,125	806
South Derbyshire	9,163	627	1,113	10,903	545
Derby HMA	30,630	1,284	3,440	35,354	1,768

1.8   The SHMA recommends that demographic trends and projections as well as wider sub-regional supply-demand dynamics continue to be reviewed and monitored over time in line with a plan, monitor and manage approach.

What types of homes are needed?

1.9   A range of factors have been considered in assessing the types of homes which will be needed in the HMA over the period to 2028. This includes assessment of the current profile of housing and

gaps in the current housing offer, housing affordability and trends in the structure of the population over the plan period.

1.10   The SHMA has included an assessment of affordable housing need using a range of data sources including the three Council's Housing Registers. If all households unable to access housing without financial assistance were to be allocated an affordable home over the 2012-17 period, around 1700 new affordable homes would need to be delivered. There is evidently a significant requirement for new affordable housing in the HMA, and the Councils are justified in seeking to secure additional affordable housing through new development.

1.11   The high affordable housing need is influenced by trends over the last decade. The social rented sector in the Derby HMA declined in size by around 6% between 2001-11; however we saw a significant growth in the Private Rented Sector over this period (with an increase of 15,500 properties). Households in housing need are able to live in the Private Rented Sector supported by Local Housing Allowance and it is reasonable that this sector will continue to contribute towards and meeting the needs of households who cannot afford market housing without subsidy. However, the contribution of the private rented sector to meeting affordable housing needs over the lifetime of the plan period could change and will be subject to regular review.

1.12   The SHMA Update contains an assessment of the need for and supply of different types of affordable housing. It suggests that 28% of net housing need could be met by intermediate housing provision in Amber Valley, around 22% in Derby and a significant 30% in South Derbyshire. It should also be borne in mind that there is some overlap between the categories and mortgage finance restrictions may limit potential demand for shared ownership or equity homes in the short-term.

1.13   The housing needs evidence and viability analysis together should inform policies regarding the tenure mix of affordable housing sought on new development schemes. The SHMA Update suggests the following balance of need between intermediate, affordable and social rented properties taking account of need and existing supply.

Figure 3: Net Need for Different Types of Affordable Housing

Area	Intermediate	Affordable Rent	Social Rent	Total
Amber Valley	27.8%	1.5%	70.7%	100.0%
Derby City	22.5%	3.7%	73.8%	100.0%
South Derbyshire	30.3%	4.5%	65.2%	100.0%
HMA	25.2%	3.3%	71.5%	100.0%

1.14   It recommends that planning policies are written to take account of the potential for the mix of tenure appropriate on development schemes to be influenced by the latest local evidence of housing needs; and the existing profile and mix of housing at a neighbourhood and settlement level together with strategic aspirations for the future development of the housing mix.

1.15   The greatest requirement is for 2- and 3-bedroom homes, with a higher requirement for smaller homes in the affordable sector; and stronger demand for larger family homes in the market sector. The modelled requirements for different sizes of homes are shown in Figure 4. It is intended that the mix of housing delivered is monitored against this and that this mix informs the portfolio of sites identified for development in Local Plans as well as policies regarding development densities (alongside evidence from SHLAA studies).

Figure 4: Net Need for Different Sizes of Homes – Market and Affordable, 2012-28

		1-bed	2-bed	3-bed	4+ bed
Amber Valley	Market	5%	31%	55%	9%
	Affordable	31%	39%	27%	3%
	Total	12%	33%	48%	8%
Derby City	Market	4%	22%	56%	17%
	Affordable	29%	31%	36%	4%
	Total	11%	24%	51%	14%
South Derbyshire	Market	3%	23%	52%	21%
	Affordable	22%	37%	37%	4%
	Total	8%	27%	48%	17%
Derby HMA	Market	4%	24%	55%	17%
	Affordable	27%	35%	34%	4%
	Total	10%	27%	50%	13%

1.16   Over the longer-term looking to 2028 we are likely to see a moderate shift towards requirements for two- and three-bedroom properties linked to the ageing of the population across the HMA as a whole. However the analysis undertaken points to a particular need to develop the housing mix in Derby, seeking to:

- increase the proportion of larger properties with three- or four-bedrooms;
- increase the numbers of properties in Council Tax Bands C or above;
- reduce levels of overcrowding within the housing stock in Derby;
- moderate growth in in-commuting from higher income households from outside the PUA.

What housing is needed to meet the requirements of specific groups?

1.17   The SHMA analysis suggests that the population from Black and Minority Ethnic Groups has been growing and points to higher levels of overcrowding within BME communities. It recommends that the barrier for specific ethnic groups in accessing suitable, affordable housing is considered further.

1.18   Moving forward, the strongest population growth over the period to 2028 is expected to be of those aged over 60. This is expected to be strongest in Amber Valley and South Derbyshire.

1.19   Many older people will continue to live in properties they have lived in for many years; and wish to occupy larger properties than they might need to allow friends and relatives to come and stay. It will be important to consider how to best meet their changing housing needs. This is likely to require provision of support in making alterations to properties, and provision of floating support and signposting of advice and support available. In the affordable sector there is however some strategic benefit in providing incentives and support for households who may consider downsizing, to release larger properties for others.

1.20   Substantial growth in the population at the higher end of the age spectrum can be expected to generate requirements for specialist housing, housing with care or care provision. The analysis herein suggests a 66% growth in the older population with dementia over the period to 2030 and a 55% increase in those with mobility problems. A strategic policy issue is the most cost-effective means of delivering and coordinating provision of housing and care. It will be important that housing authorities work with health providers to ensure a joined-up approach to addressing these issues.

Figure 5:   Population Change 2011 to 2028 by Five-Year Age Bands

Age group	Amber Valley		Derby City		South Derbyshire		Derby HMA	
	Change in population	% change from 2011	Change in population	% change from 2011	Change in population	% change from 2011	Change in population	% change from 2011
Under 15	1,013	5.1%	2,656	5.6%	3,665	21.1%	7,333	8.6%
15-29	-1,045	-5.2%	2,465	4.5%	912	5.6%	2,332	2.6%
30-44	-489	-2.0%	5,164	10.1%	1,639	8.0%	6,313	6.6%
45-59	-1,118	-4.3%	877	2.0%	1,775	8.9%	1,534	1.7%
60-74	3,974	18.2%	8,540	27.1%	5,448	37.6%	17,961	26.5%
75+	8,242	79.4%	7,069	37.3%	5,990	92.0%	21,301	59.4%
Total	10,576	8.6%	26,771	10.8%	19,428	20.5%	56,774	12.2%

1.21   The SHMA indicates that the adult population with a range of disabilities is expected to increase slightly (by around 11%-13%). This may however generate additional demand for specialist accommodation but many households again will want to remain independent and there is a need to

ensure access to affordable housing for those with disabilities and deliver housing services as an integrated package of health and care.

2   INTRODUCTION

2.1   A Strategic Housing Market Assessment (SHMA) for the Derby Housing Market Area (HMA) was prepared by consultants DCA in 2008. This provided a SHMA Study meeting the core requirements of the Government's 2007 Guidance on such studies[5]. It drew on separate primary household surveys and associated reports prepared for each of the three constituent authorities in the HMA – Amber Valley, Derby City and South Derbyshire.

2.2   Housing market areas, including the Derby HMA, were defined across the East Midlands as part of the process in developing the East Midlands Regional Plan (March 2009). This was based on research undertaken in 2005[6]. The Derby HMA was defined based on this work and includes the local authorities of Derby City, Amber Valley and South Derbyshire.

2.3   The three local authorities have been working together to prepare aligned Core Strategies for their areas. These are based on a consistent evidence base and a common timetable. The approach accords with the Duty to cooperate, introduced in the Localism Act 2011.

2.4   To provide a sound evidence base for policies for housing provision in the three authorities' respective Core Strategies, they have jointly commissioned this SHMA Update.

2.5   The purpose of a SHMA is to provide a long-term strategic assessment of both housing need and demand, develop understanding of current housing need and housing market conditions and consider what level and mix of housing – both market and affordable – is required to meet population and household growth, and to meet the needs of different groups within the local community. This Assessment takes a long-term view, looking over period to 2028.

2.6   The SHMA Update is based on secondary data sources. It draws on the Housing Requirements Study prepared by GL Hearn for the three authorities in 2012, which informed housing policies within the Preferred Growth Strategy for the HMA which the authorities consulted on in autumn 2012. It updates and develops this to provide a full SHMA Update, consistent with national guidance and requirements of the National Planning Policy Framework (NPPF).[7]

2.7   The SHMA Review has been led by GL Hearn, supported by Justin Gardner Consulting. It has been developed in accordance with Government Practice Guidance (CLG, Aug 2007). It provides the core outputs set out in this Guidance, sets out and justifies key assumptions, and has been informed by consultation with key stakeholders.

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[5] CLG (2007) *Strategic Housing Market Assessments, Practice Guidance (Version 2)*
[6] DTZ Pieda (2005) *Identifying the Sub-Regional Housing Markets of the East Midlands*
[7] CLG (2012) *National Planning Policy Framework*

2.8 Stakeholder consultation which has informed this SHMA Update has included stakeholder events held with a range of housing and economic stakeholders in both May 2012 and November 2012. This included housebuilders and their representatives, registered providers, businesses, public sector stakeholders and other interested bodies. GL Hearn has separately undertaken telephone interviews with estate and letting agents in the sub-region to inform this SHMA Update.

2.9 The focus of this SHMA Update has been to provide sufficient information to inform the development of the authorities' Core Strategies. The three authorities may well undertake supplementary work in due course to understand more local housing needs in their areas, and to take account of more detailed Census data which is expected to be released later in 2013.

2.10 The remainder of this report is structured as follows:

- **Section 3**: **Defining the HMA and Sub-Markets** – considers the geography of housing markets and sub-markets across the three authorities, and relationships with surrounding areas;
- **Section 4**: **Policy Context** – considers relevant national and local policies (current and emerging) which help to frame the Assessment;
- **Section 5**: **Housing Stock & Supply Trends** – considers the characteristics of the housing stock, how this varies across the HMA. It then moves on to consider housing supply trends;
- **Section 6: Socio-Economic Characteristics** – describes the demographic structure and trends, as well as economic and labour market characteristics;
- **Section 7: Housing Market Dynamics** – considers trends in the housing market addressing both the sales market and private rented sector at a national and local level, as well as the future market outlook;
- **Section 8: Affordable Housing Needs** – provides an updated assessment of the need for affordable housing, and considers the implications of welfare and benefit reforms introduced by Government;
- **Section 9: Future Housing Market** – considers long-term drivers of need and demand for housing and considers projections for future housing requirements (across all tenures). This includes consideration of needs from different groups in the community, particularly older persons;
- **Section 10: Requirements for Different Sizes of Homes** – considers requirements for different sizes of homes in the market and affordable sectors;
- **Section 11: Housing Requirements of Particular Groups** – considers the housing requirements of particular groups within the population;
- **Section 12: Conclusions and Recommendations** – concludes the report to provide recommendations for future policy development.

2.11 The report is supported by two appendices. Appendix A provides a review of key representations on level of housing provision proposed in the 2012 Preferred Growth Strategy Consultation and the 2012 Housing Requirements Study which underpinned this. This has informed the assessment of housing requirements in the SHMA Update. Appendix B is a note requested by the HMA partners attempting to define affordable housing requirements over the plan period.

3   DEFINING THE SUB-REGIONAL HOUSING MARKET

3.1   The National Planning Policy Framework (NPPF) sets out that local planning authorities should use their evidence base to ensure their Local Plans meet the full, objectively assessed needs for market and affordable housing in their housing market area. They should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. But what is the housing market area?

3.2   Housing market areas represent the functional relationships between where people live and work and the overlapping areas of search of households looking to move home.

3.3   The Derby Housing Market Area (HMA) has been defined as a functional sub-regional housing market by research undertaken to inform the development of the East Midlands Regional Plan[8].

3.4   The local authorities of Amber Valley, Derby and South Derbyshire together form the Derby HMA. This was defined as the 'best fit' of local authority boundaries to sub-regional housing markets in the region. The definition of housing market areas within the region is shown below.

Figure 6:   Defined Housing Market Areas in the East Midlands
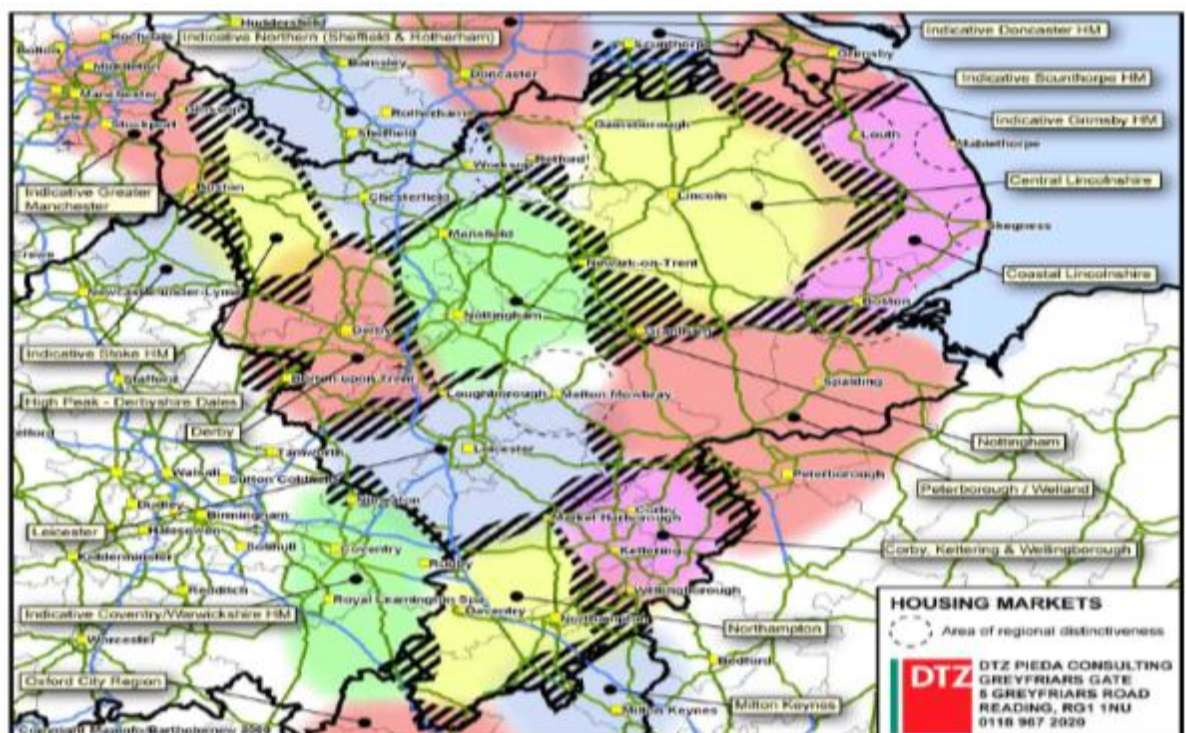
3.5   However there are clearly functional relationships which exist beyond these three authorities, for instance between Derby and settlement in Erewash District to the east, and in the south of the HMA

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[8] DTZ (2005) *Identifying the Sub-Regional Housing Markets of the East Midlands*

between Swadlincote and Burton-on-Trent and Ashby-de-la-Zouch, and in the north of the HMA to Matlock, Mansfield and Ilkeston. These were recognised in the regional study.

3.6   This chapter does not seek to redefine the boundaries of the Housing Market Area, but to understand and define what sub-markets exist within the HMA, and the functional relationships with areas beyond the boundaries of the three authorities.

Approach to Defining Housing Market Areas

3.7   Over the last decade, a considerable body of technical work and analysis has been undertaken to define HMAs across the country. A range of different technical approaches have been used, which to some extent have reflected the different spatial characteristics of housing markets in different areas; but more probably reflect the weight which is attached to different factors such as migration and travel to work patterns, and variations in house prices.

3.8   Government produced guidance in March 2007 on defining sub-regional housing markets2 which clarifies that sub-regional housing market areas are geographical areas defined by household demand and preferences for housing. It identifies three primary sources of information which can be used to define these:

- House prices and rates of change in house prices, which reflect household demand and preferences for different sizes and types of housing in different locations;
- Household migration and search patterns, reflecting preferences and the trade-offs made when choosing housing with different characteristics; and
- Contextual data, such as travel to work areas, which reflects the functional relationships between places where people work and live.

3.9   The Government Guidance made it clear that these sources of information can reflect different aspects of household behaviour and that there is therefore no 'right or wrong' set to use in identifying housing markets or sub-markers; the focus is on considering what is appropriate in a local context. It also makes clear that markets are dynamic and can thus change over time; and that there can be some overlap between market areas. The same could equally be said of functional economic areas.

National Research defining Housing Market Areas

3.10   CLG published research in 20103 which sought to consider the geographies of housing markets across England. This academic-driven project considered commuting and migration dynamics, and house prices (standardised for differences in housing mix and neighbourhood characteristics).

3.11   This was brought together to define a three tiered structure of housing markets, as follows:

- Strategic (Framework) Housing Markets – based on 77.5% commuting self-containment;
- Local Housing Market Areas – based on 50% migration self-containment; and

- Sub-Markets – which would be defined based on neighbourhood factors and house types.

3.12   We have mapped below the strategic and local housing markets defined in and around the Derby HMA overleaf by the CLG Research.

Figure 7:   Defined Strategic Housing Markets around Derby
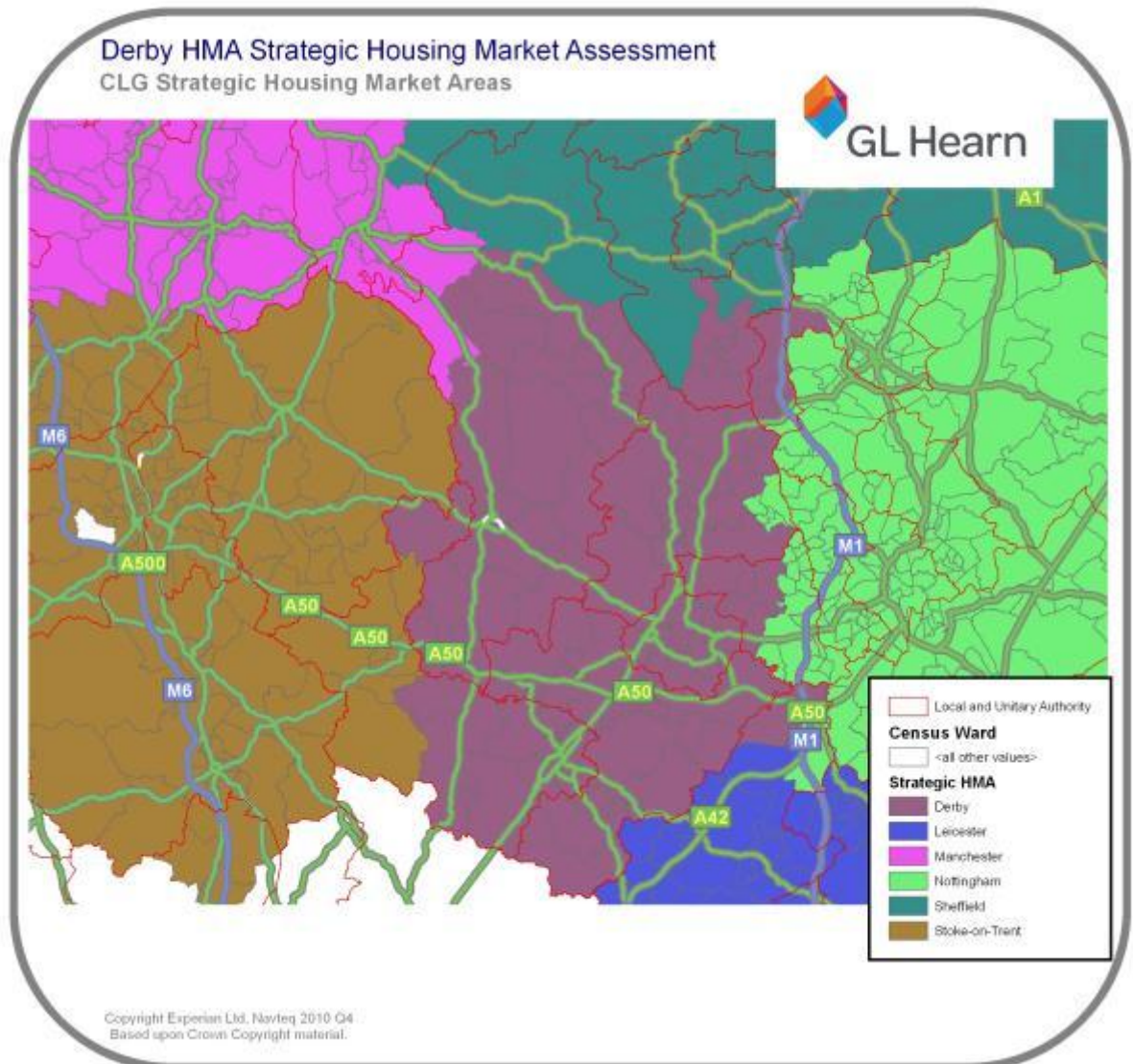
Source: CLG / Heriot Watt University

3.13   The definition of the Derby HMA in the CLG Research is shown in Figure 2 above. It includes Derby City, all of South Derbyshire District and most of Amber Valley (with the exception of Heanor and Langley Mill which fall within the Nottingham HMA). The Derby HMA is defined in this research however as extending beyond this area, to include Burton-on-Trent and the south-eastern part of East Staffordshire District. The majority of Derbyshire Dales District (including Ashbourne and

Matlock) also falls within the Derby HMA. The western part of Erewash District falls within the Derby HMA, whilst the eastern part (including Ilkeston) falls within the Nottingham HMA.

3.14   Within the Derby HMA, the CLG Research defines a number of local housing markets. The three commissioning local authorities largely falls within three local housing markets:

- The Derby housing market includes the City and surrounding wards in Amber Valley and South Derbyshire. It includes settlements close to the A50 Corridor as well as parts of Erewash District;
- The west and south of South Derbyshire District fall within a local housing market focused on Burton-on-Trent;
- Much of Amber Valley falls within a local housing market focused on Alfreton and Ripley. This extends further north to include the southern parts of Bolsover and North East Derbyshire Districts;
- A separate local housing market based on Ilkeston and Heanor crosses the Derbyshire-Nottinghamshire boundary;
- To the west, the more rural areas of the Derbyshire Dales fall within a local housing market based on Matlock & Ashbourne.

Figure 8:   Defined Local Housing Markets around Derby
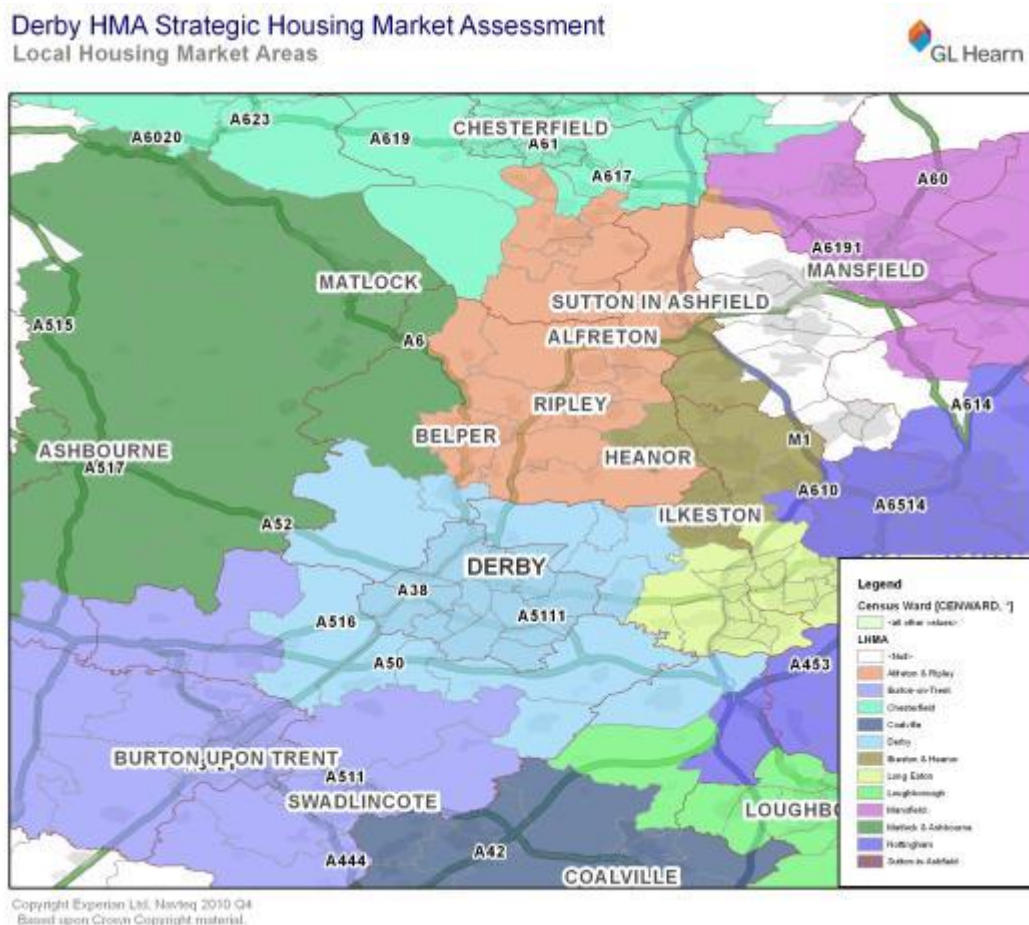
3.15   The Local Housing Markets defined in the CLG research include the following wards within the three authorities in different local housing markets:

Derby

- All of Derby City
- SW Parishes and Duffield in Amber Valley
- Aston, Melbourne, Stenson, Willington and Findern, and Etwall in South Derbyshire

Burton-on-Trent and Swadlincote

- Swadlincote Wards (Church Gresley, Midway, Newhall & Stainton, Swadlincote)
- Linton, Seales, Repton, Hartshorne & Ticknall
- Hilton, North West

Alfreton & Ripley

- Belper, Alport, Crich, Wingfield, Heage and Ambergate, Ripley and Marehay, Ripley, Codnor & Waingroves, Ironville and Riddings, Somercotes, Alfreton, Swanwick
- Ilkeston & Heanor
- Heanor East, Heanor & Loscoe, Heanor West, Langley Mill & Aldercar

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Policy Implications

The NPPF emphasises the importance of joint working across housing market areas including where these cross administrative boundaries. Joint working between Amber Valley BC, Derby CC and South Derbyshire DC addresses this. However in view of the Duty to Cooperate introduced by the Localism Act it will be important to engage with planning authorities beyond the HMA as well.

The national research by CLG outlines that there are relationships in housing market terms from Derby and South Derbyshire with Burton-on-Trent and the south-eastern part of East Staffordshire. The housing market in the Derby HMA authorities relates to those in the Derbyshire Dales District (including Ashbourne and Matlock) and into the western part of Erewash District (including Ilkeston). Towards the north of the HMA there is also a relationship between Alfreton and Ripley into North-East Derbyshire and Bolsover Districts.

The implication of this is that the supply-demand balance for housing in these areas could influence demand for homes within the Derby HMA authorities

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Approach to defining Housing Sub-Markets within the Derby HMA

3.16   The Local Housing Market Areas examined above are based on 50% migration self-containment. This indicates a distinction in South Derbyshire between areas which are strongly related to Derby, and a somewhat separate local market further to the south around Burton-on-Trent and Swadlincote (with a strong relationship between the two).

3.17   In Amber Valley it indicates strong migration links between Belper, Ripley and Alfreton through into settlements in the North East Derbyshire such as Clay Cross. It also highlights links between Heanor (in Amber Valley) and Ilkeston in Nottinghamshire.

3.18   The CLG research however identified that below these local housing market areas, there is a further tier of sub-markets based on neighbourhood factors and house types.

3.19   Given that sub-markets should provide a good indication of households' overlapping 'areas of search' for housing, we would expect sub-markets to have similar characteristics in regard to:

- Housing mix;
- Housing costs, measured best in terms of house prices;
- Socio-economic characteristics.

3.20   We have thus sought to map how these characteristics vary spatially, using the best data currently available. The approach adopted seeks to define broad sub-markets across the three authorities for planning purposes: it is likely that more local 'sub markets' based on neighbourhood characteristics will exist below this.

Spatial Differences in Housing Mix

3.21   There is to some degree an urban-rural distinction within the HMA when looking at housing mix. Urban settlements tend to have a higher proportion of terraced properties and flats/maisonettes, whilst smaller and rural settlements often have a higher proportion of larger family homes with more detached and semi-detached properties. This is partly a function of demand characteristics and pricing and is a characteristic which we find in many HMAs across the country.

3.22   Figure 9 below profiles the proportion of detached housing in 2001. Whilst this data is now somewhat dated the broad spatial distribution of house types is likely to be broadly similar given that much of the housing stock today is likely to have existed in 2001.

3.23   The level of semi-detached housing is highest in a belt running along the western side of the HMA which includes smaller settlements on the edges of the Peak District. It is also notably strong along the A50 Corridor running to the south of Derby, reflecting the strong road links along this corridor providing access to Stoke-on-Trent, Derby and Nottingham.

3.24   The proportion of housing which was detached in 2011 was notably lower in Derby, Heanor and Alfreton. However within Derby, a number of suburban areas of the City show higher levels of detached housing: Allestree, Littleover, Oakwood, Chellaston and Mickleover (with over 40% detached housing in these wards).

Figure 9:   Detached Housing by Ward, 2011
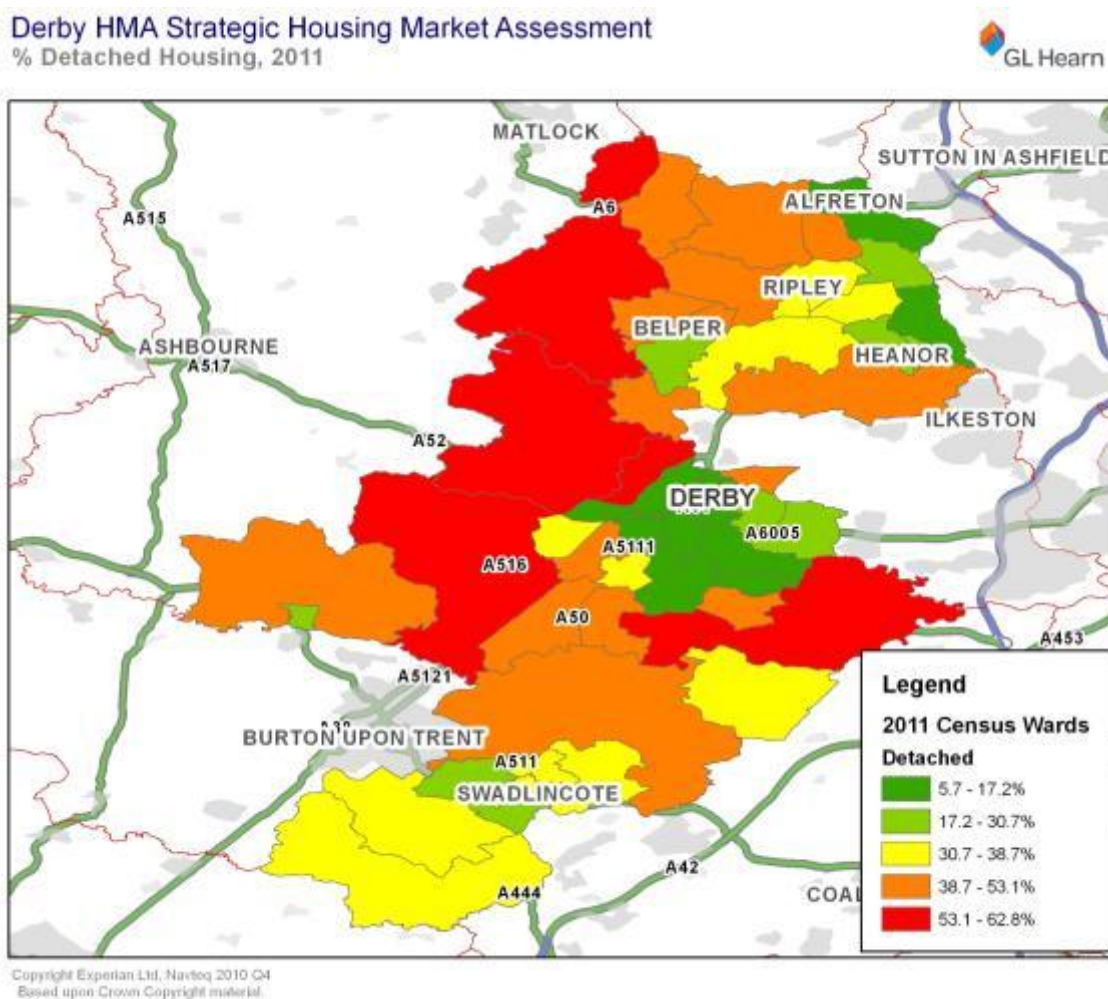
3.25   Terraced housing is more concentrated in urban areas, most notably Derby. Over 38% of properties in 2011 were terraced in the Derby wards of Normanton, Arboretum and Abbey as Figure 10 shows.

Figure 10:   Terraced Housing by Ward, 2011
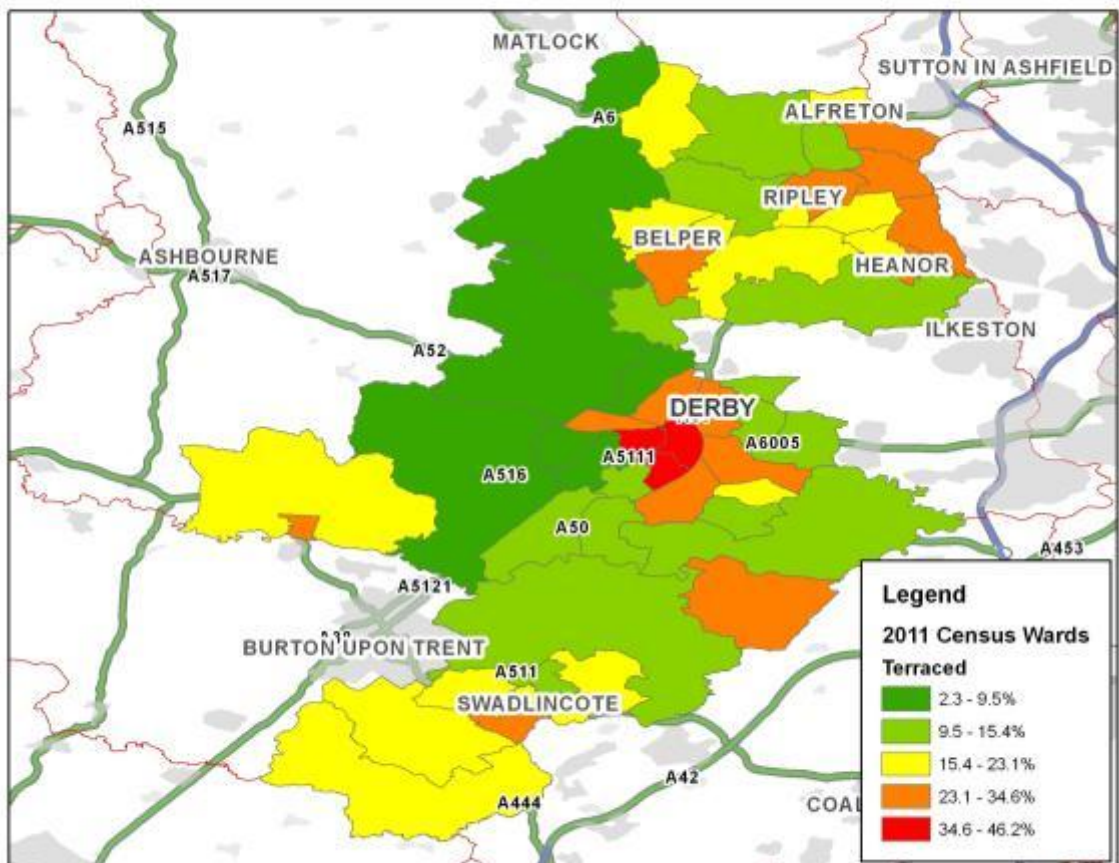
3.26   We can draw this analysis together to set out the predominant house type. Within South Derbyshire a notable distinction arises between the north and south of the District, with semi-detached housing being strongest in the south-east of the District, Swadlincote and in Hartshorne & Ticknall ward; with detached housing being the most frequent in wards in the north of the District.

3.27   Within Amber Valley, an east-west distinction emerges, with semi-detached housing predominating in Ripley and Alfreton; whilst detached housing was more prevalent in the west and north-west of the District and in Belper. In Derby, detached housing is the most prevalent in Allestree, Oakwood and Littleover wards.

Spatial Differences in Tenure

3.29   Within Derby, there is a concentration of social rented properties in Sinfin, Arboretum and Derwent wards (> 30%) with above average social renting also in Boulton and Mackworth wards. There is a stronger concentration of social renting in Derby than other parts of the HMA.

3.30   Similarly the private rented sector is greater in Derby than in other parts of the HMA. Private renting was notably above average in Arboretum and Abbey wards with over 30% households renting privately in these wards in 2011, with more than 20% private renting in Darley, Mackworth and Normanton wards.

Figure 11:   Social Rented Housing by Ward, 2011
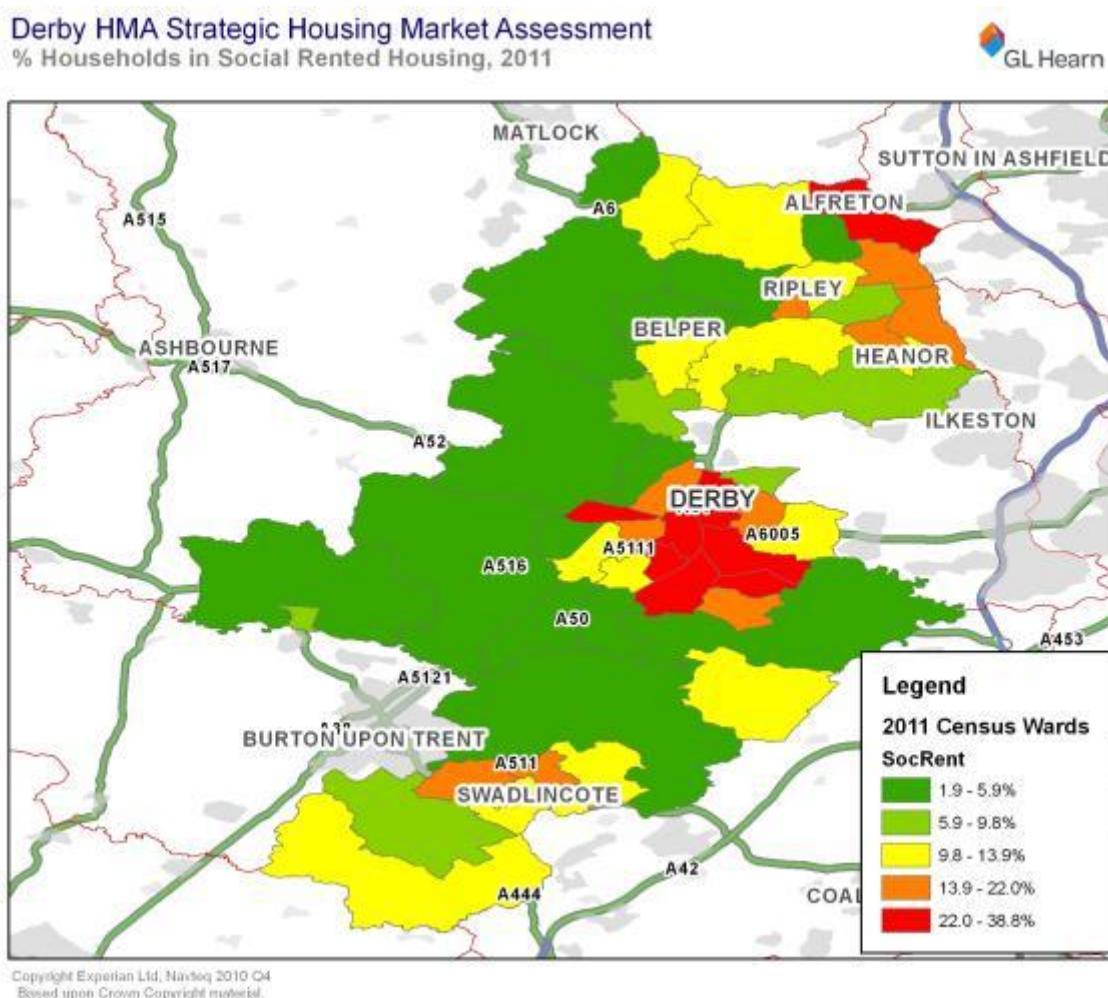
3.31   Outside of Derby, the maps indicate stronger social renting in the north-eastern part of Amber Valley, in and around Alfreton and Heanor, and in the Swadlincote area in South Derbyshire.

3.32   It is clear that in those parts of Amber Valley and South Derbyshire which are on the fringes of Derby City, owner occupation strongly dominates the tenure profile. This suggests market demand

for higher value housing in areas close to Derby in settlements offering a strong quality of place is attractive for higher earners.

Figure 12:   Private Rented Housing by Ward, 2011

Derby HMA Strategic Housing Market Assessment
% Households in Private Rented Homes, 2011
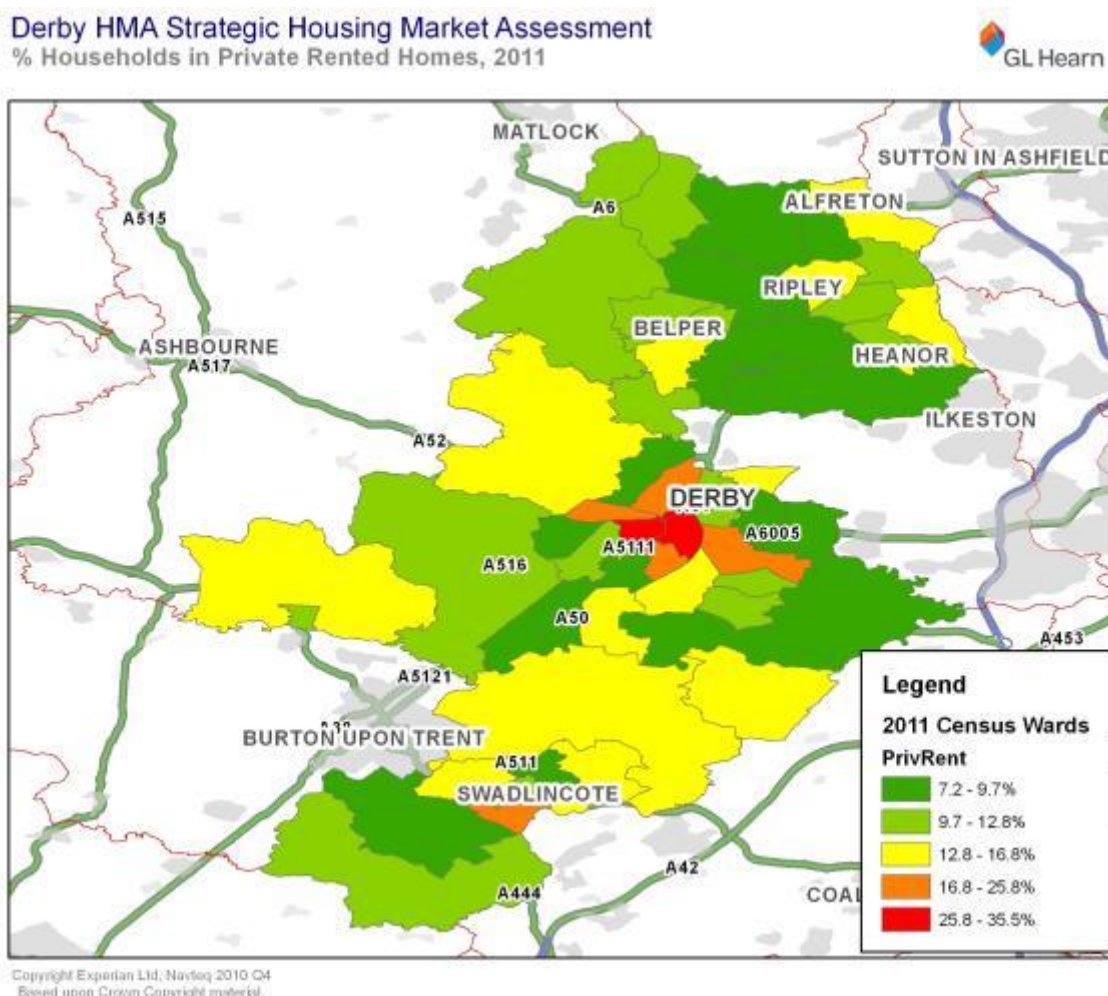
Spatial Differences in House Prices

3.33   We next turn to consider spatial variations in house prices. Figure 13 indicates sales of properties of properties within the highest and lowest quartile in the third quarter of 2012. This indicates a concentration of higher house prices in:

- The north of Derby (Allestree and Darley), south-west (Mickleover, Littleover) and in Oakwood and Chellaston;
- In rural settlements in the north of South Derbyshire;
- In Duffield and Belper in Amber Valley.

Figure 13:   Lower and Higher Quartile House Prices, Q3 2012
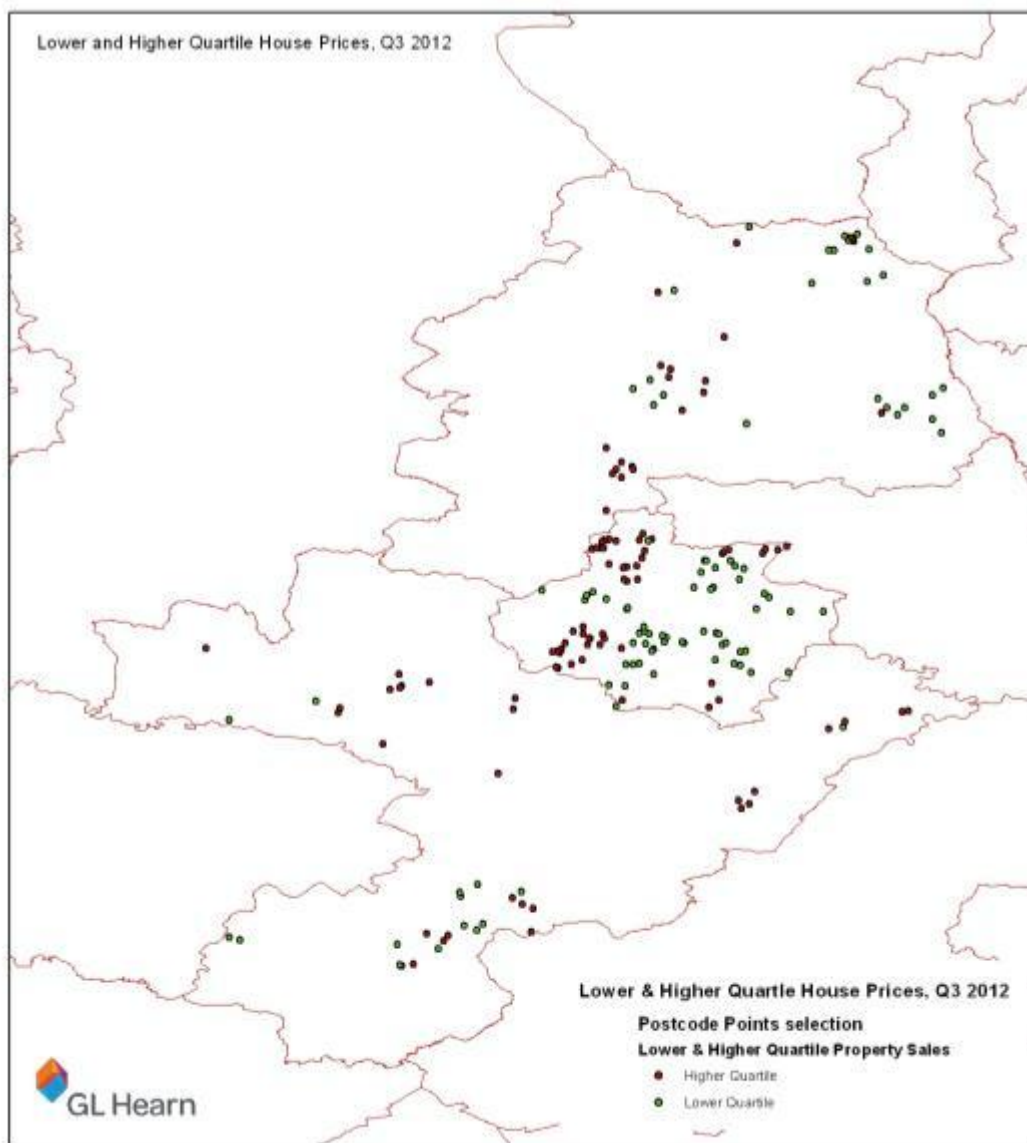
3.34   We can also review house prices variations across post town areas[9]. This indicates higher average house prices (across the main house types) in Derby (the larger employment centre in the sub-region), and in Belper and the more rural western part of Amber Valley Borough. Alfreton demonstrates higher house prices for detached housing than a number of the other post town areas (with the exception of Derby and Belper), whilst prices for semi-detached and terraced properties are higher in Ripley.

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[9] Prices for flats/maisonettes are excluded given limited volumes of sales in this quarter

Figure 14:   House Prices across Post Town Areas, Q3 2012

	Detached	Semi-Detached	Terraced	Overall
Alfreton	£214,733	£102,591	£79,609	£150,501
Heanor	£165,523	£110,824	£89,137	£117,183
Swadlincote	£191,324	£119,795	£93,165	£146,510
Ripley	£187,107	£128,270	£96,059	£144,794
Derby	£240,215	£135,723	£118,799	£166,403
Belper	£255,046	£136,917	£123,410	£179,846

Source: HM Land Registry

3.35   Whilst the preceding analysis considered housing mix in 2001, a similar pattern emerges looking at sales between July-September 2012. Sales of flats are concentrated in Derby and Belper. Terraced sales are more focused towards the south-west of the City.

3.36   In Amber Valley, there is a notably stronger focus towards detached properties in Alfreton and Belper.

Figure 15:   Sales by House Type by Post Town, Q3 2012
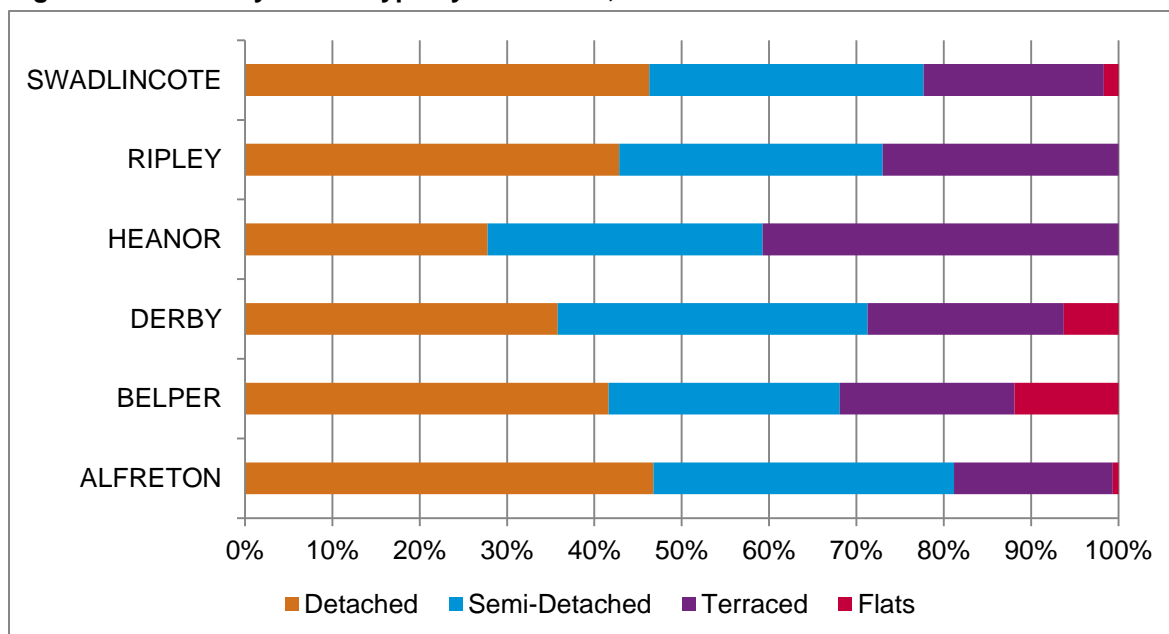
Source: HM Land Registry

3.37   A detailed analysis of the data suggests that higher detached sales in the Swadlincote area are influenced by sales in rural settlements and of new-build properties.

Figure 16:   Sales by House Type, Q3 2012
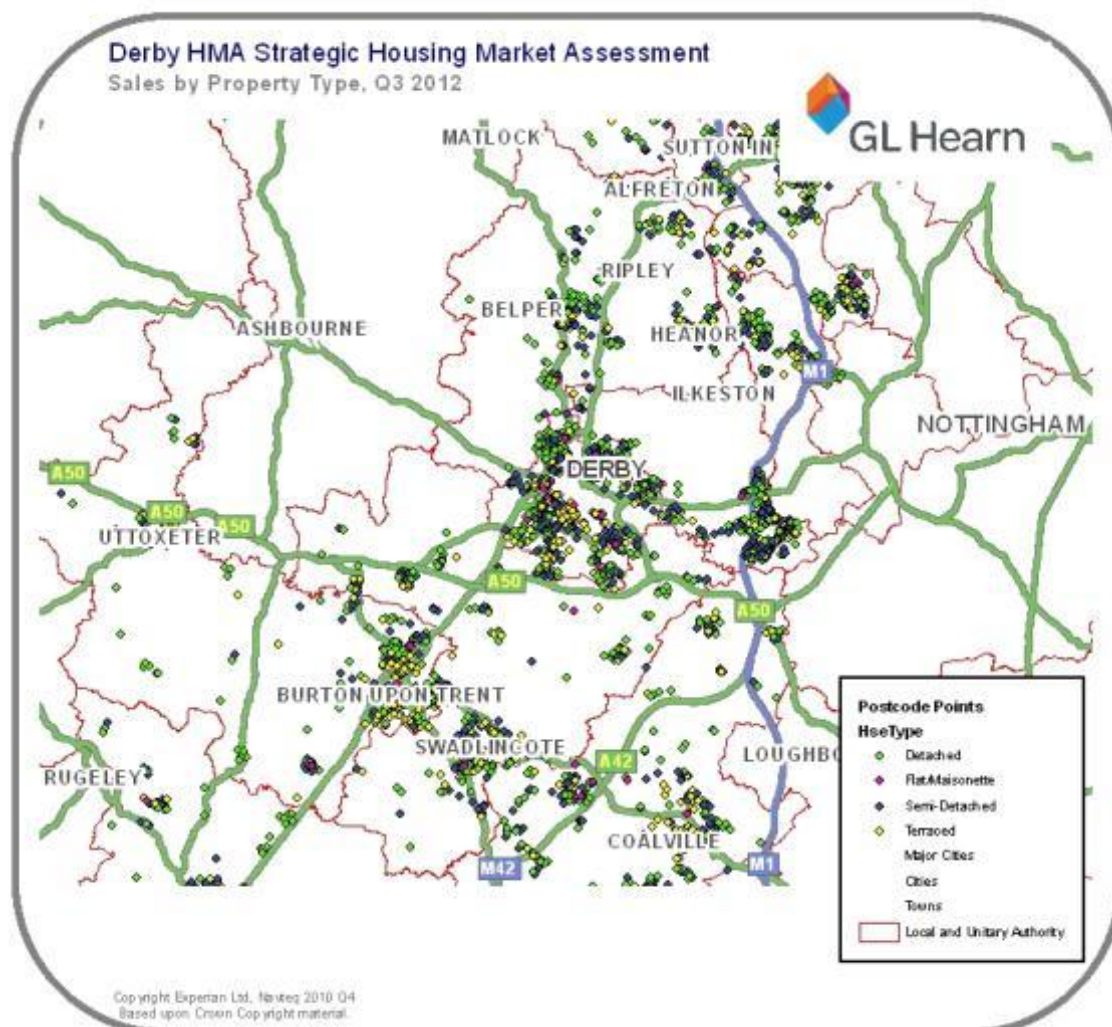
Socio-Economic Composition

3.38   We have used Experian's Mosaic socio-economic classification to provide a finer grained analysis of spatial variation in housing and socio-economic composition. This draws together a range of information on factors including: property value and characteristics, location, the demographic and socio-economic characteristics of households resident in the area and their financial characteristics[10]. It provides a detailed analysis of areas with similar housing and socio-economic characteristics and is thus a useful tool in considering local housing sub-markets.

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[10] The detailed groups used and data sources are outlined in http://www.experian.co.uk/assets/business-strategies/brochures/Mosaic_UK_2009_brochure.pdf

3.39 Figure 15 profiles the spatial distribution of households by Mosaic Group in Derby. The analysis indicates:

- Affluent suburban areas in the north-east of the City (Allestree and Darley wards), the south-west (Mickleover and Littleover wards) and in Chellaston ward in the south-west;
- A concentration of younger and more liberal population in terraced and flatted accommodation in and around the City Centre (Arboretum, Abbey and Normanton wards);
- More mixed tenure and mixed income communities, with higher deprivation to the north-east and south of the City Centre (Derwent, Chaddesden, Alvaston, and Boulton and Sinfin wards).

3.40 This provides a strong basis for defining housing sub-markets within the City. The more affluent suburban areas have a housing offer focused more towards detached and semi-detached, owner occupied properties.

3.41 Figures 17 – 19 together indicate that there are a number of villages close to the City, the socio-economic characteristics of which are focused on higher earners. These areas have similar socio-economic and housing characteristics to the affluent suburban areas in the City such as Mickleover and Allestree.

Figure 17: Distribution of Households in and around Derby by Mosaic Group
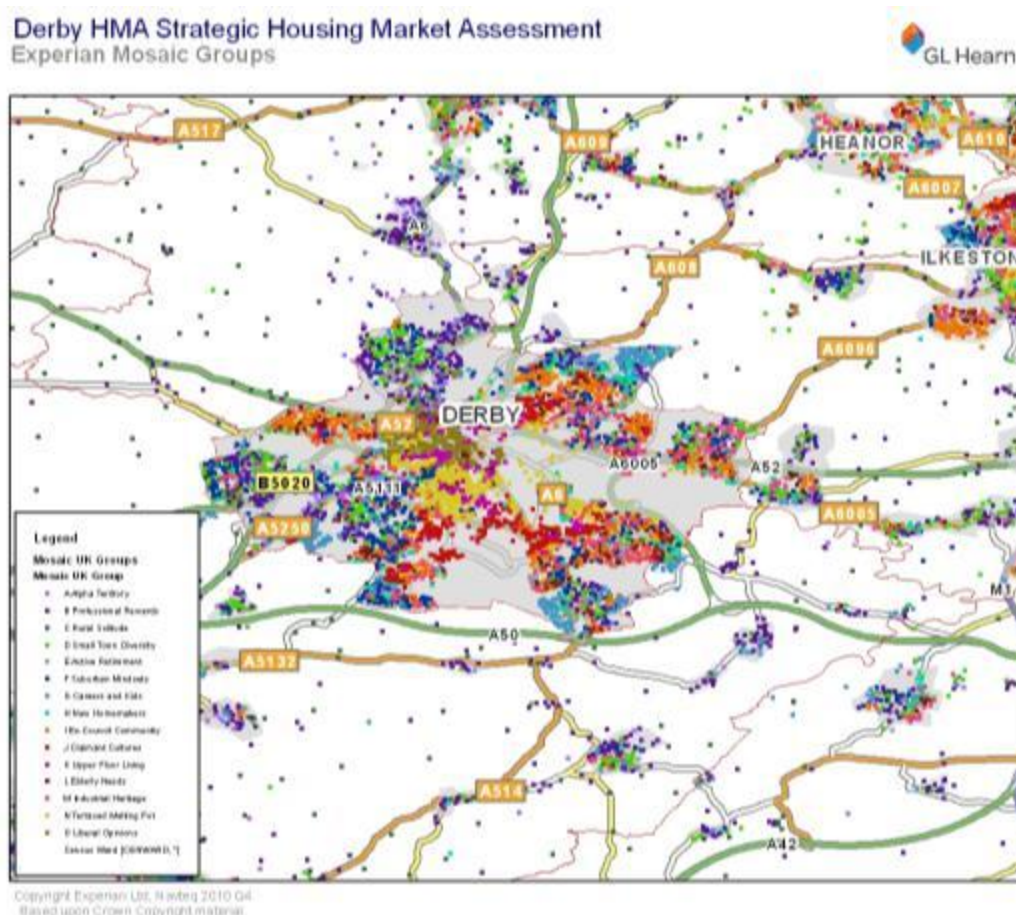
3.42   In South Derbyshire more broadly, the rural areas and smaller settlements have generally higher house prices and support higher paid socio-economic groups.

3.43   However there appears to be a distinction to some degree between settlements in the north of the District, closer to Derby, and those to the south of Swadlincote. Swadlincote itself appears more focused towards middle and lower income households (relative for instance to more rural settlements in the District). The socio-economic profile is similar to Burton-on-Trent although Burton has a stronger concentration of terraced housing and households on lower incomes in the core of the town.

3.44   There is a stronger concentration of higher value homes and higher income socio-economic groups in and around Ashby-de-la-Zouch in North-West Leicestershire.

Figure 18:   Distribution of Households in South Derbyshire by Mosaic Group
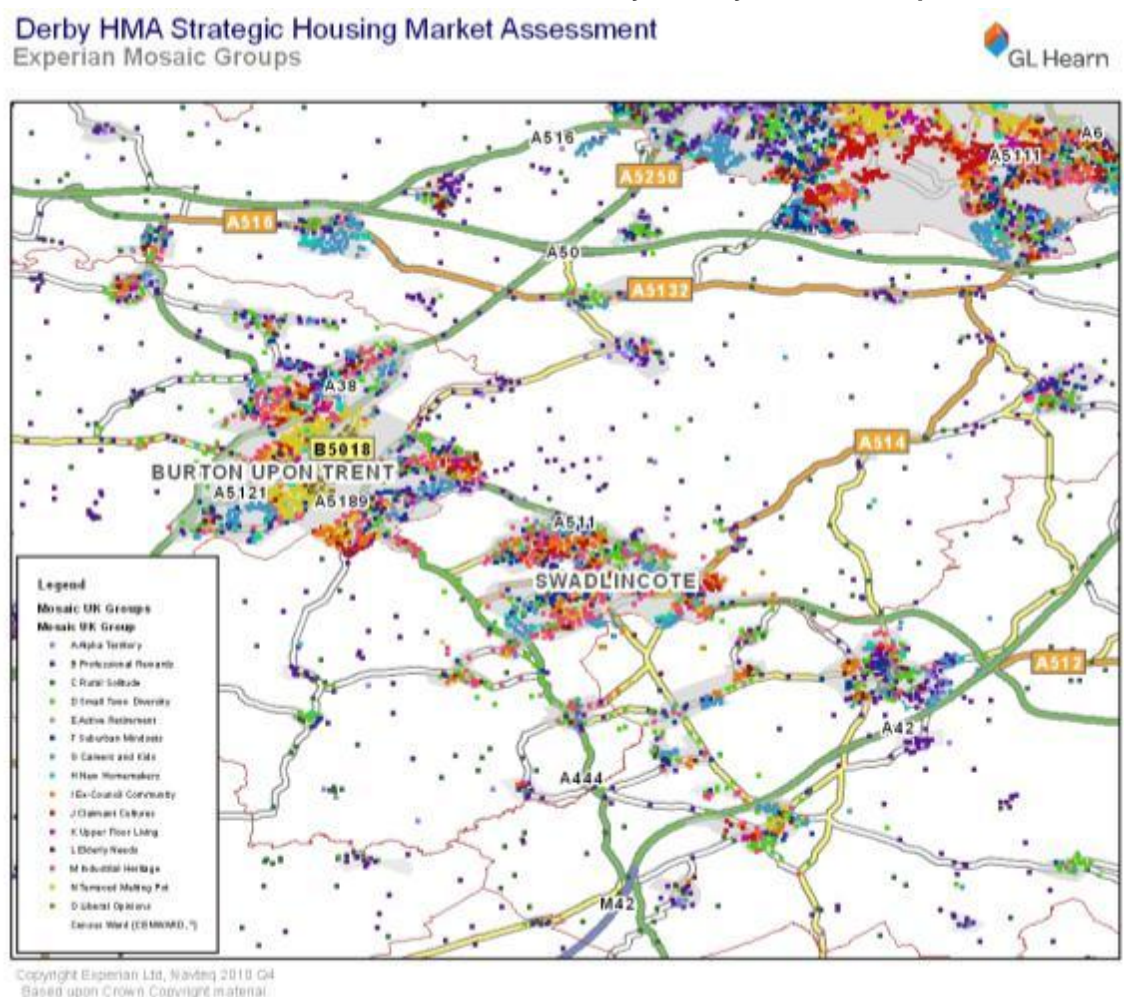
3.45   In Amber Valley we can see an east-west distinction to some degree with stronger affluence on the western side of the Borough, both in the smaller and larger settlements. This includes Duffield, Belper, Ambergate and Sawmills. In the eastern side of the Borough, Alfreton appears less wealthy than other settlements.

Figure 19: Distribution of Households in Amber Valley by Mosaic Group
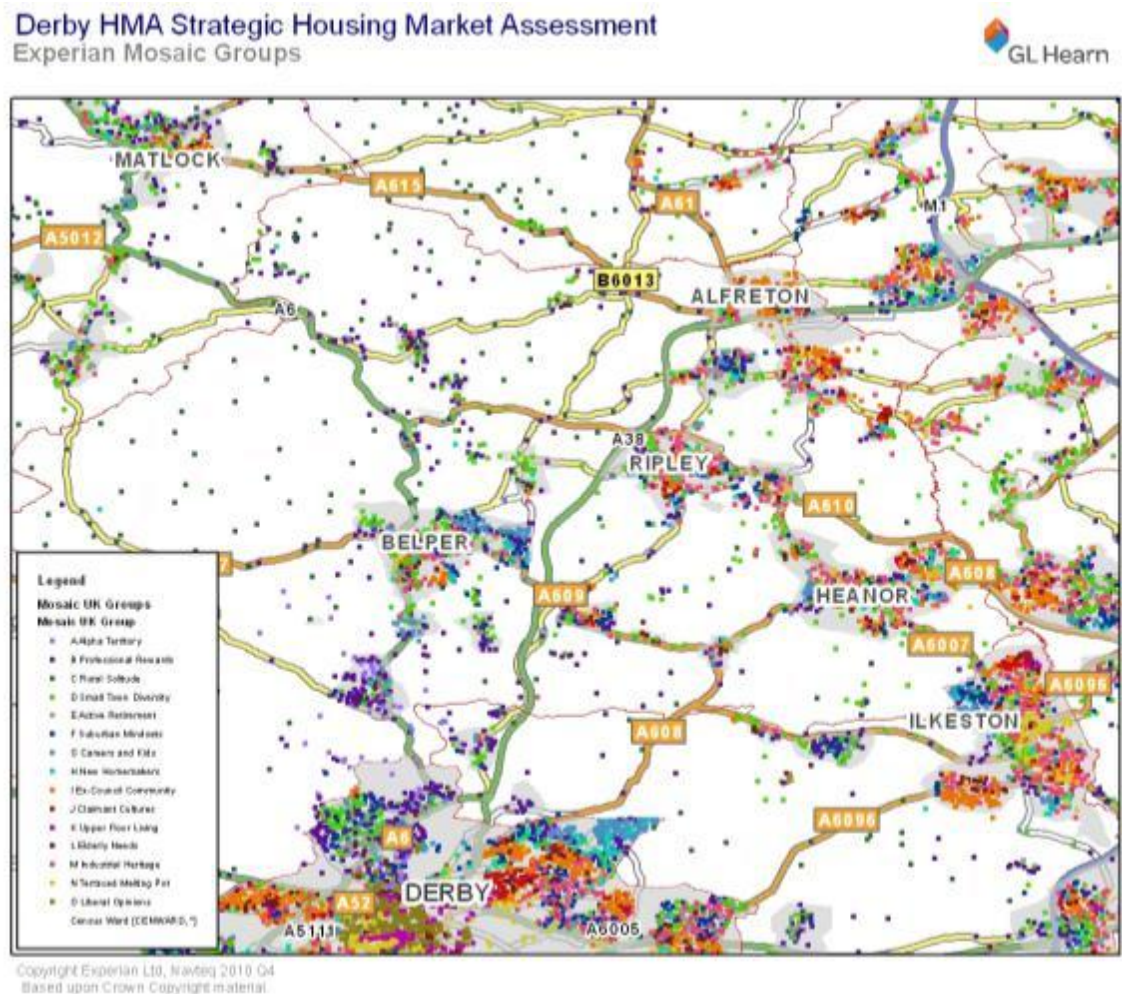
3.46   Deprivation is higher generally in urban areas, with a much stronger degree of deprivation in central Derby than other parts of the HMA. There are concentrations of deprivation in other areas, for instance Ironville and Riddings in Amber Valley.

3.47   Claimant unemployment in September 2012 is focused towards urban areas within the HMA. Within Derby, unemployment is strongest in the Arboretum and Normanton wards, followed by Abbey (those wards which contain a concentration of lower income households). It is also above average in Derwent, Alvaston, Boulton and Sinfin wards.

Defining Sub-Markets within the HMA

3.48   GL Hearn has sought to draw the analysis together to define broad sub-markets across the Derby HMA. These are intended to allow consideration of how policies for housing provision might be varied at a strategic level across the HMA to develop sustainable communities and ensure a balanced profile of homes across the HMA as a whole.

3.49   The CLG research points to a Derby-focused sub-market which extends beyond the City's boundaries to include settlements along and close the A50 Corridor from Lockington in the east to include Cuttle Bridge, Egginton to Etwall in the East. This area along the A50 Corridor is characterised by a housing mix focused towards larger and higher value properties. Market demand is supported by the accessibility of the area, including its proximity to Derby along with access along the A50 to employment centres in Nottingham, Uttoxeter and Stoke-on-Trent and south via the M1.

3.50   On this basis we have defined a Derby Fringe sub-market in South Derbyshire which includes the wards of: Aston, Melbourne, Stenson, Repton, Willington and Findern.

3.51   The Derby focused sub-market also extends to the west, north-east and north-west of the City's boundaries. To the north-west it includes the wards of Duffield and the South West Parishes in Amber Valley. We have defined these wards within Amber Valley as falling within a Derby Fringe Sub-Market. Settlements such as Brailsford and Duffield have higher house prices and a housing offer focused towards larger properties, reflecting demand from people who may work within Derby.

3.52   The Derby Fringe Sub-Market (and indeed the Derby HMA in functional terms) would also extend to include small settlements such as Morley, Stanley and Dale within Erewash District. These are however relatively small settlements.

3.53   Within Derby itself, we can define three broad sub-markets based on socio-economic and housing characteristics. The Mosaic analysis provides a strong basis for this, from which we can define:

- **Derby High Density-Low Income Neighbourhoods**: These inner urban areas have a housing offer focused more towards higher-density housing and smaller homes, with higher levels of flats and terraced houses. Their socio-economic profile is focused more towards younger and lower-income households. They thus demonstrate higher levels of deprivation and unemployment than other parts of the City. These are generally lower value areas, with housing supply focused towards brownfield sites suitable for higher density development.

- **Derby Mixed Density, Variable Income Neighbourhoods**: These neighbourhoods are focused to the west and south-west of the City and to the north of the City Centre. They contain a broader mix of housing types and densities. These areas include neighbourhoods with higher levels of social housing with lower incomes, as well as mid-market family housing in private sector ownership. The income profile and socio-economic characteristics of these areas varies as does the nature of development opportunities.

- **Derby Lower Density, Higher Income Suburban Neighbourhoods**: These neighbourhoods are focused more the edges of the Derby urban area. These are suburban and lower density in

nature, with a housing offer focused more towards larger (detached and semi-detached) homes with high levels of owner occupation. They include Allestree in the North, Oakwood in the North-West, Chellaston in the South, Littleover in the South West and Mickleover in the West of the City. The housing and socio-economic profile in these areas in more similar to that in the Derby Fringe areas described above.

3.54   Figure 20 plots the sub-markets in and around Derby. These are based on ward boundaries.

Figure 20:   Defined Sub-Markets in and around Derby
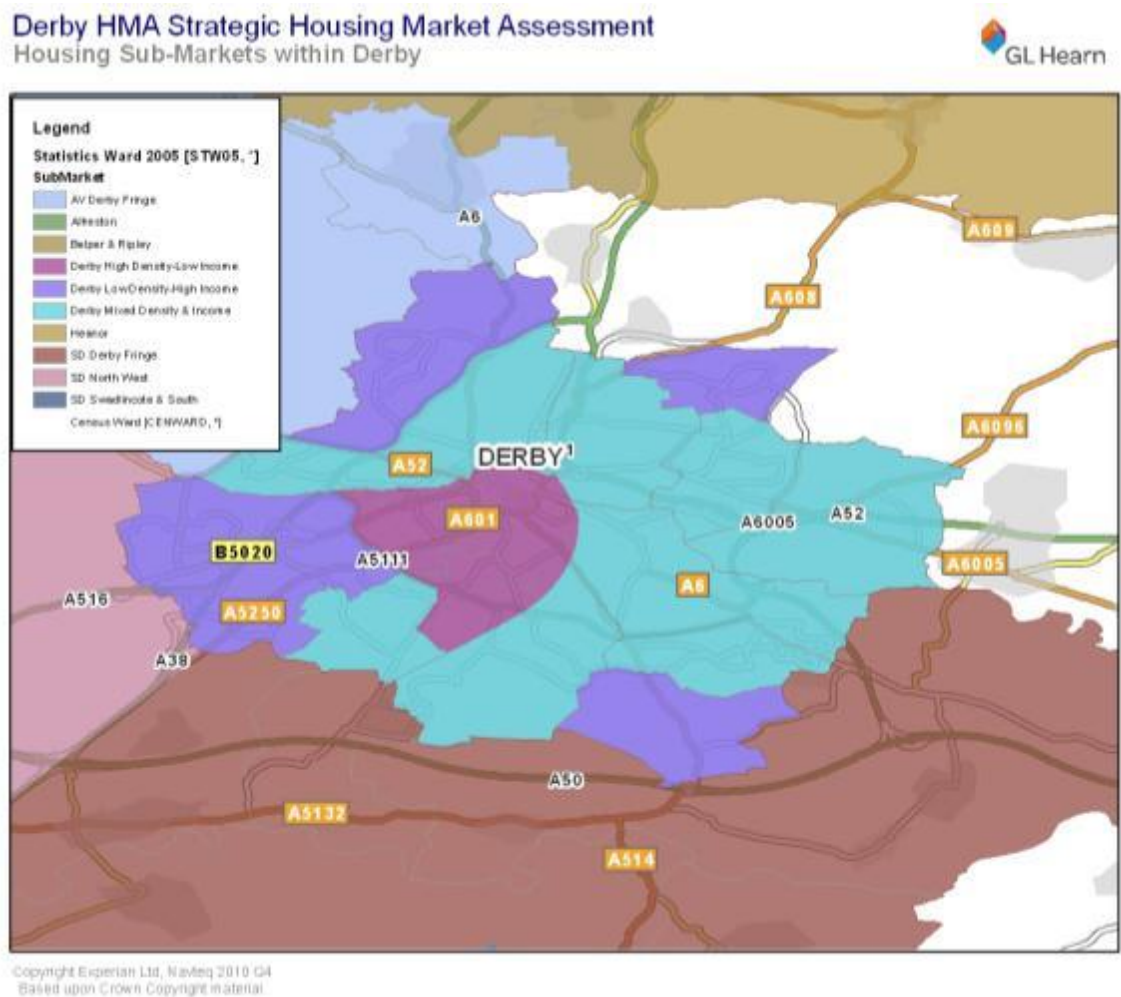
3.55   To the south of Derby and the settlements around the A50 we can define a number of further sub-markets in South Derbyshire. We have defined two further broad sub-markets in South Derbyshire: one focused on Swadlincote and the South of the District; and a cluster of settlements in the north-west of the District which relate to both Derby and Burton-on-Trent.

3.56   The settlements in the north-west of the District include Etwall, Hinton, Hatton and Foston. Their locations provide access to Derby and Burton-on-Trent and along the A50 Corridor; but are located further from the M1 and Nottingham.

3.57   Swadlincote and the South of the District are more distant from Derby, and commands lower house prices. It includes Swadlincote and a number of rural settlements (which typically have a higher value housing offer) such as within Hartshorne and Ticknall and Seales wards. This sub-market is influenced and relates to those in other nearby settlements including Burton-on-Trent in the west and Ashby-de-la-Zouch.

3.58   Turning to Amber Valley, we can identify three broad geographical sub-markets based around the main settlements and their associated hinterlands. These comprise:

- **Alfreton** – this is focused on the main town in the north of the Borough and its hinterland. The HMA has a more mixed socio-economic profile and typically lower house prices than sub-markets closer to Derby and Nottingham.
- **Belper-Ripley** – this includes the main towns in the centre of the Borough. There is a clear inter-relationship between the two towns. Belper and settlements to the west of the A609 typically are typically more affluent with stronger housing demand; and there is a clear inter-relationship from this area into the Derbyshire Dales.
- **Heanor** – Heanor is located more towards the east of the HMA, and there is a clear inter-relationship with Ilkeston and towards Nottingham.

3.59   Figure 21 defines the sub-market boundaries across the HMA. Figure 17 draws together the analysis to identify wards (based on 2010 boundaries) in each sub-market across the three authorities. It also identifies external influences on the housing market in these areas. These are relevant in regard to the Duty to Cooperate.

Figure 21: Defined Sub-Markets within the Derby HMA
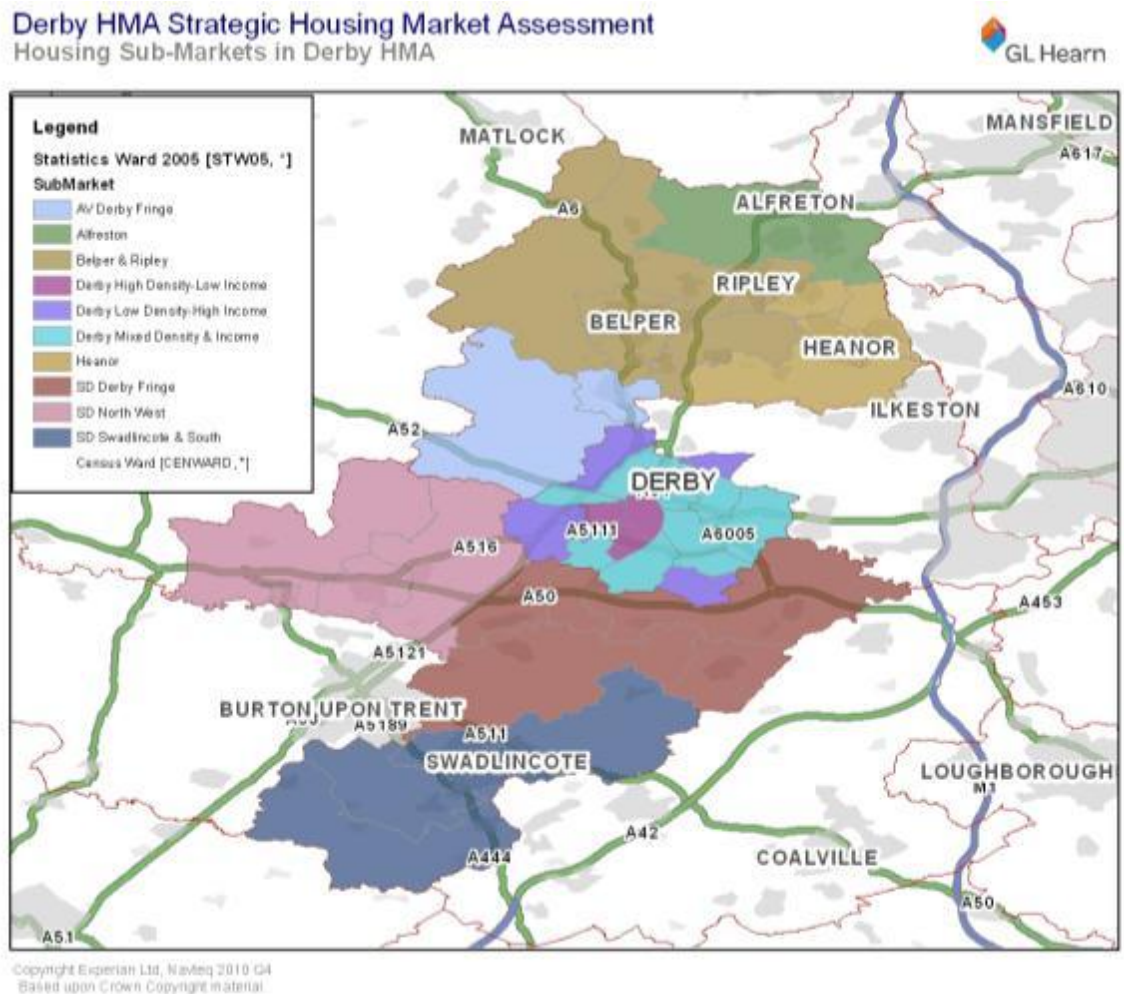
Figure 22: Distribution of Wards to Sub-Markets in the Derby HMA

Local Authority	Sub-Market	Wards within Sub-Market	External Influences
Amber Valley	Belper-Ripley	Alport, Belper Central, Belper East, Belper North, Belper South, Crich, Heage and Ambergate, Kilburn, Ripley, Ripley and Marehay	Peak District
	Alfreton	Alfreton, Ironville and Riddings, Somercotes, Swanwick, Wingfield	Clay Cross, Sutton-in-Ashfield
	Heanor	Codnor and Waingroves, Heanor East, Heanor West, Heanor and Loscoe, Langley Mill and Aldercar, Shipley Park	Ilkeston
	AV Derby Fringe	Duffield, South West Parishes	Derby, SW Erewash
Derby	High Density-Low Income	Abbey, Arborfield, Normanton	
	Low Density-High Income	Allestree, Chellaston, Oakwood, Littleover, Mickleover	
	Mixed Density-Variable Income	Alvaston, Blagreaves, Boulton, Chaddesden, Derwent, Mackworth, Sinfin, Spondon	
South Derbyshire	SD Derby Fringe	Aston, Melbourne, Stenson, Repton, Willington and Findern	Derby
	Swadlincote & South	Church Gresley, Hartshorne and Ticknall, Linton, Midway, Newhall and Stanton, Seales, Swadlincote, Woodville	Burton-on-Trent, Ashby-de-la-Zouch
	North West	Etwall, Hilton, Hatton, North West	Derby, Burton-on-Trent

Source: GL Hearn

Policy Implications

Whilst the three authorities – Derby, South Derbyshire and Amber Valley – together form the Derby HMA, the housing market in the three authorities is likely to be influenced by the balance between housing supply and demand in surrounding areas, particularly in Burton-on-Trent and the eastern part of East Staffordshire District; in the Derbyshire Dales; in Ilkeston and Erewash District; and in Ashby-de-la-Zouch in North West Leicestershire. In view of the Duty to Cooperate and policies within the National Planning Policy Framework it will be important that the local authorities engage with these surrounding authorities. We consider these relationships further through this report.

This section defined 10 sub-markets across the HMA. It should be recognised that these sub-markets can play a different role and function as part of the wider Derby Housing Market and policy should not *per se* seek to deliver a uniform housing provision in each. Instead it should recognise the attributes and market characteristics in these areas, considering evidence of need and demand within the sub-market and across the wider HMA in informing policies regarding future housing provision.

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4 POLICY CONTEXT

4.1 The national policy framework for determining levels of housing provision is currently in a state of flux. Under the previous Government, housing targets were set out in Regional Spatial Strategies which were developed by Regional Planning Bodies in collaboration with local authorities and other stakeholders, subject to independent examination in public, but with the ultimate decisions on levels of housing provision being made by national government (the Secretary of State).

4.2 The Coalition Government, elected in May 2010, pledged to scrap the Regional Spatial Strategies, and the regional housing targets within them, returning powers for determining levels of housing development to local authorities. The Localism Act 2011 provides the primary legislation required to do so. The Secretary of State initially revoked the Regional Spatial Strategies in July 2010 by parliamentary statement. This however was successfully challenged in the High Court by CALA Homes, with the Court ruling that the Secretary of State had acted unlawfully. However the East Midlands Regional Spatial Strategy was finally abolished on 12th April 2013.

National Planning Policy Framework

4.3 The Government published the **National Planning Policy Framework (NPPF)** in March 2012. This introduces a presumption in favour of sustainable development, whereby local planning authorities should prepare new Local Plans on the basis that objectively assessed development needs (both for housing and other types of development) should be met, unless the adverse impacts of doing so would significantly and demonstrably outweigh the benefits when assessed against policies in the Framework as a whole. The starting point is that Local Plans should meet the full requirements for market and affordable housing in their housing market area. Any under-provision is expected to be addressed through collaborative working with neighbouring authorities, and this is included within the tests of soundness for the plan.

4.4 The proposed shift of policy means that each local authority should seek to meet its own development needs, unless there are sound reasons why it cannot do so.

4.5 The NPPF emphasises the role of Strategic Housing Market Assessments such as this in assessing full housing requirements, including both the scale and mix of housing.

4.6 The SHMA is intended to be brought together with evidence of land availability, from a Strategic Housing Land Availability Assessment. To increase housing supply, the NPPF proposes that local authorities should be required to maintain a 5 year supply of specific deliverable sites, and to include an allowance of 5% to ensure choice and competition in the market for land (unless there is a persistent track record of under-delivery).

4.7   In regard to housing mix, it is proposed that authorities will plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community. Planning authorities should identify the size, type, tenure and range of housing that is required in particular locations reflecting local demand. Where a need for affordable housing is identified, authorities should set policies for meeting this need on site. National thresholds for affordable housing provision are removed as are national brownfield development targets.

4.8   In setting affordable housing targets, the NPPF states that to ensure a plan is deliverable, the sites and the scale of development identified in the plan should not be subject to a scale of obligations and policy burdens such that their ability to be developed is threatened and should support development throughout the economic cycle. The costs of requirements likely to be applied to development, including affordable housing requirements, contributions to infrastructure and other policies in the Plan, should not compromise the viability of development schemes. To address this, affordable housing policies would need to be considered alongside other factors including infrastructure contributions. Where possible the NPPF encourages local authorities to work up Community Infrastructure Levy charges alongside the Local Plan.

National Housing Strategy

4.9   In November 2011 the Government published Laying the Foundations: A Housing Strategy for England (HM Government, Nov 2011). This outlines the Government's ambition to get stimulate housebuilding, not least to support economic recovery. It identifies a number of initiatives to support this, including:

- New-build Indemnity Scheme – providing Government-backed 95% mortgages for new-build properties;
- Growing Places Fund – providing funding for infrastructure which unblocks housing and economic growth;
- Initiatives to Kick-Start Stalled Developments – including proposals to allow reconsideration of planning obligations; a 'Get Britain Building' Investment Fund to provide development finance; and 'build now, pay later' deals with public sector land; and
- Custom Homes Programme – with short-term project finance support for individuals looking to build their own homes.

4.10   The Strategy includes initiatives to support growth and investment in the Private Rented Sector, including new 'build-to-let' models and a review of barriers to investment. It also indicates that the Government is looking at supporting greater innovation and competition between social landlords, including encourage new private entrants to the sector, and potential new approaches to funding in the medium-term.

4.11   The Strategy also included proposals for reinvigorating the Right-to-Buy by raising the discounts available to tenants, but with a commitment to build a new 'replacement' affordable home for every

home lost. It also identified a funding stream to support local authorities in bringing empty homes back into use.

4.12   Since the 2011 Housing Strategy the Government has introduced a number of additional measures to try to kick-start the housing market. Of particular relevance is the new Help to Buy scheme introduced in the 2013 Budget. This provides two schemes aimed at increase the supply of low-deposit mortgages and new housing:

- Help to Buy Equity Loan – a new-build only scheme which expands the existing FirstBuy scheme to provide an equity loan of up to 20% of the value of a home through an equity loan. The scheme will run until April 2016 and buyers will require only a 5% deposit;
- Help to Buy Mortgage Guarantee – a similar scheme where buyers will require a 5% deposit and the Government will provide guarantees underpinning the 95% mortgage from a commercial lender. This scheme is available for both new-build and existing homes.

4.13   Moving forward these schemes could have a notable impact at stimulating effective market demand for homes.

Localism Act – Housing Reforms

4.14   The Localism Act has introduced a number of reforms affecting the management of social housing. We summarise these below.

Allocations Policies

4.15   The Localism Act gives Councils greater flexibilities in deciding who qualifies to go onto housing waiting lists (through their allocations policies) and how they treat tenants who want rather than need to move. Local authorities can thus revise their allocations policies, should they wish to do so, to prevent people with no 'need' for affordable housing from joining housing registers.

Tenancies

4.16   The Localism Act introduces changes to social housing tenancies, giving both local councils and Registered Providers (RP's) the flexibility to grant fixed term tenancies (as well as lifetime tenancies) should they decide to do so. New fixed term tenancies would continue to be at social rent levels and tenants would have the same rights as those with existing lifetime tenancies in terms of a right to repair or to buy/acquire. A minimum fixed-term tenancy in most cases would be for five years (with two year tenancies granted only in exceptional circumstances). Shorter tenancies are considered to be one way of making better use of the existing social housing stock in meeting housing need.

4.17   The Government has also changed the rules on succession to make them consistent for all Council and RP tenants. The spouse or partner of a tenant who dies will have an automatic legal right to

succeed, but will not have an automatic right to then pass on the property. This will not however affect joint tenancies or existing secure tenants.

Reform of Homelessness Legislation

4.18   Councils will be able to bring the statutory homelessness duty to an end with an offer of suitable private rented housing. People's right to refuse private rented accommodation will be withdrawn. This could potentially assist in the use of private sector housing stock in meeting affordable housing needs.

4.19   The Government has also recently introduced a new nationwide home swap scheme to support mobility in the social sector. In terms of social housing finance, the Localism Act also introduces 'self-financing' which allows Councils to keep money from rents to spend on upkeep, investment and management of their housing stock. It has also made changes to the regulation of the Social Housing Sector.

4.20   Derby and South Derbyshire have both prepared a Tenancy Strategy. Derby's Tenancy Strategy sets out that it will expect fixed term tenancies to be for general needs homes only with renewal as default unless the property is under-occupied or has unused adaptations present. The Council's Strategy identifies a need for a fundamental reassessment of the Council's allocations policies; and sets out that the authority will support delivery of affordable rented homes.

4.21   South Derbyshire's Tenancy Strategy 2012-17 sets out that the Council will only support affordable rented housing provision where the rents for this are below Local Housing Allowance (LHA) level, and that it will not support the conversion of social rented properties to affordable rent. It outlines that the Council will support a number of different forms of fixed tenancies, but with provision that these will be automatically extended where key criteria are met.

Welfare Reforms

4.22   On 8 March 2012 the Welfare Reform Act received Royal Assent. This introduces the following:

- Household Benefit Cap;
- Linking Local Housing Allowance (LHA) rates to CPI from 2013; and
- Size Criteria for Calculating Housing Benefit in the Social Rented Sector.

Household Benefit Cap

4.23   The Welfare Reform Act limits total household welfare payments (excluding Working Tax Credit and Disability Living Allowance) to £26,000 (£500 per week) for couple and lone parent households and £18,600 (£350 per week) for single person households. It is structured to increase incentives for households to work.

4.24   The Government estimates that 67,000 households will be affected, with the greatest impact being in London and the South East. To address the benefit cuts households might seek to increase their income through working more hours, or by reducing their rent or non-rent expenditure. Larger households or those in high rent areas will be particularly affected. Some households may seek to move to cheaper locations, and we may see some movement of households in receipt of benefits from London to cheaper parts of the South East including coastal towns.

Local Housing Allowance

4.25   Low income households living in the Private Rented Sector are able to claim Local Housing Allowance to assist in meeting their housing costs. Local Housing Allowance is determined in relation to rents in the Broad Rental Market Area (BRMA) in which a property lies.

4.26   In April 2011 the Government changed how LHA is calculated, shifting this from median rents in the BMRA to the 30th percentile.

4.27   It has also introduced caps on LHA payments: £250 a week for a 1bed property or shared accommodation, £290 a week for a 2-bed property, £340 a week for a 3-bed property and £400 a week for properties with 4 or more bedrooms.

4.28   The Welfare Reform Act also indicates that increases in LHA rates from 2013 will be restricted to growth in inflation as measured by the Consumer Price Index (CPI). Rates will also be set annually rather than monthly. This can be expected to exert a downward pressure on rents, particularly in areas where LHA claimants form a significant proportion of the Private Rented Sector market, and may encourage some LHA claimants to move to cheaper areas.

4.29   The movement towards universal credit to provide one streamlined payment is likely to end the option of Housing Benefit payments being paid directly to landlords; this may make benefit claimants less attractive as tenants and could potentially restrict the supply of private rented sector accommodation for certain household groups.

Housing Benefit Size Criteria in the Social Rented Sector

4.30   The Welfare Reform Act introduces restrictions on how much Housing Benefit working-age households in social rented properties can claim from April 2013, based on the size of the household. Currently Housing Benefit has been based on the size of the property rather than the household. This change will particularly impact on working-age households who are under-occupying homes. The policy change is focused on reducing the benefit bill, increasing mobility in the Social Rented Sector and making better use of the existing social housing stock.

4.31   The applicable maximum Housing Benefit which households can claim will be reduced by national proportions based on the number of rooms households have which they don't require.

4.32   The Government estimates that the change of policy will impact on 670,000 households nationally – 32% of all working-age households in receipt of Housing Benefit. The average cost to affected households will be a reduction in Housing Benefit of £13 per week in 2013/14.

4.33   The change is expected to have a greater impact in areas will less social rented accommodation and will particularly affect older, working-age households.

Planning Policies in Amber Valley

4.34   Following the revocation of the RSS in April 2013, the remaining development plan for Amber Valley; is the Amber Valley Local Plan which was adopted in April 2006. In 2009, polices H1 (a, b, c and d) and H3-H12 are saved.

4.35   Policy H1 outlines land for new housing development and provides a number of sites (Colliery Road in Alfreton, Cinderhill in Denby, Greenhillocks in Ripley and Radbourne Lane in Mackworth).

4.36   Policy H3 permits development in a number of 'other' suitable sites in urban areas and villages, provided the development meets the requirements of this policy. These requirements include information on the form the development must take, provisions to ensure that the development does not resulting in over provision of housing and to ensure quality and good design (as outlined in policy H12).

4.37   Policy on housing development within other settlements and housing development outside of settlements is outlined in Policy H4 and H5. Generally, new development should be limited to infilling or the provision of affordable housing on 'rural exceptions sites' and must not detract from the local characteristics of the area.

4.38   Policy H5 outlines the policy on extensions to and replacement of existing dwellings. This is acceptable where new dwellings will not impact on the scale or character of the area or result in a

net increase in the number of dwellings and can be deemed necessary where a countryside location is essential.

4.39   Policy H6 outlines when existing buildings can be converted from a non- residential to a residential use (e.g. where employment / tourism uses are not viable). Policy H7 outlines the conditions (including infrastructure requirements and management of flood risk) under which development at Somme Road/Memorial Road, Quarndon must be met.

4.40   Policy H10 outlines the council's policy on affordable housing provision. Affordable provision ranges from 20 – 30% on individual sites. Further guidance on affordable housing provision is set out in the Council's 2007 SPD on the Provision of Affordable Housing Through the Development Process.

Planning Policies in Derby

4.41   The current development plan in Derby following the revocation of the RSS in April 2013 is the City of Derby Local Plan Review (CDLPR, 2006). Further guidance on affordable housing provision is also set out within the Planning Obligations SPD (2008).

4.42   The Local Plan Review allocates sites for residential development including sites in the City Centre and Mixed Use Regeneration Sites (Policy H1), within the urban area (Policy H2), two sites where clearance and redevelopment is proposed (Policy H3) and residential redevelopment of the University Campus at Mickleover (Policy H4). A number of greenfield allocations are also made (Policies H6 and H9). These site specific policies set out indicative levels of affordable housing sought (which is in most cases 30% provision).

4.43   Policy H11 sets out more general policies for affordable housing, which is expected on sites of 25 dwellings or more or over 1.0 hectares. In determining whether affordable housing will be required and the nature of provision the policy sets out a number of material considerations which will be taken into account which are: evidence of local need; site size, suitability and the economics of provision; the need to achieve a successful housing development (particularly through delivery of a mix of house types); and the presence of competing planning objectives. A target for delivery of 1,400 affordable homes between 2004-11 is set out.

4.44   Policy H12 outlines that on sites of 14 or more dwellings, the Council will seek to negotiate a proportion of lifetime homes provision based on a guideline target of 10% of overall site capacity; although it will also take into account local needs and access to services and public transport.

4.45   Policy H13 outlines a minimum expected residential development density of 35 dwellings per hectare; unless there are clear environmental reasons justifying a lower density. Higher densities of development are expected close to the City Centre, Station and transport interchanges.

4.46   Further guidance on affordable housing provision is set out in the Council's Planning Obligations SPD (2008). This outlines that 30% affordable housing will be sought from residential development schemes. The Council's strategic policy is for 80% of affordable housing to be for rent and 20% for new-build Home Buy.

4.47   On sites of between 15-24 dwellings the SPD sets out that the Council will accept financial contributions in lieu of on-site affordable housing. The SPD provides further guidance on practical issues concerned with the Section 106 negotiations.

Planning Policies in South Derbyshire

4.48   In South Derbyshire, the Local Plan (along with the Derby and Derbyshire Minerals and Waste Local Plan) make-up the Development Plan. The 1998 adopted Local Pan will remain in place until the replacement Local Development Framework is completed. Housing Policies H1 – H9 and H11 – H15 are adopted policies saved beyond September 2007.

4.49   Policies H1 – H4 outline the council's policies for (designated) development sites in South Derbyshire. H1 sets out the council's housing policy for the new development of 720 dwellings on two sites in Hilton. The council's proposal for new development (150 dwellings) at Church Gresley in Swadlincote is outlined in Policy H2. Similarly, Policy H3 shows the council's proposals for housing development at Stenson Fields (220 dwellings).

4.50   H4 contains the Council's housing policy for housing development in Swadlincote (within the or on the fringes of the built up area of Castle Gresley Church Gresley, Midway, Newhall, Swadlincote and Woodville). Policy H5 contains information on constrictions on village development.

4.51   Housing Policy 9 sets out affordable housing policy for allocations H1-5. No specific percentage for affordable provision is given as the policy states that development in accordance with policies 1-5 "will be subject to negotiation between the local planning authority and developer. "Provision has been made within the context of Housing Policies 1-3 for between 135-165 affordable dwellings. For Policies H4 and 5, the site, size, suitability and the economics of affordable provision will be taken into account.

Preferred Growth Strategy

4.52   The three authorities published their preferred growth strategies for consultation in October 2012. These were based on provision of 33,700 homes across the HMA between 2008-28, informed by the Housing Requirements Study[11].

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[11] GL Hearn (2012) *Derby HMA Housing Requirements Study*

4.53   The proposed distribution of housing across the HMA was based on the extant planning permissions for residential development, the Councils' evidence of land availability, and examination of potential for urban extensions. The proposed distribution was as set out below.

Figure 23: Proposed Distribution of Housing Provision within the Derby HMA

	Derby Urban Area	Rest of District	District Total
Amber Valley	530	8,470	9,000
Derby	12,000	NA	12,000
South Derbyshire	6,700	6,000	12,700
Derby HMA	19,230	14,470	33,700

4.54   Representations received in response to the Preferred Growth Strategy Consultation are intended to inform the development of the Local Plans; as is this SHMA Update.

Policy Implications

To be compliant with the NPPF the Derby HMA authorities will need to demonstrate that they have objectively-assessed need for market and affordable housing across the HMA and are able to demonstrate that they are planning on meeting these needs where this is deliverable and consistent with achieving sustainable development. They will also need to consider cross-boundary issues with areas in adjoining HMAs in view of the Duty to cooperate introduced in the Localism Act.

Existing planning policies for affordable housing provision should be reviewed in light of the evidence from this SHMA Update together with the findings of viability assessments. The NPPF makes it clear that affordable housing policies must ensure that development remains viable throughout the economic cycle.

The Coalition Government has introduced a number of reforms to welfare and benefits which are likely to impact on housing need and affordable housing dynamics. These are considered later in this report.

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5   HOUSING STOCK & SUPPLY TRENDS

5.1   The Derby HMA Partners are developing Core Strategies over the period to 2028. Much of the housing stock in the area in 2028 already exists now; and it is thus important to understand the current 'housing offer' and how this has been changing, to consider what gaps in the offer new-build development might fill.

5.2   In this section we profile the current housing offer, considering the profile of stock of different types, sizes and tenures of homes, how this has been changing and how it varies across the HMA.

Tenure Profile

5.3   There were 198,920 dwellings across the three authorities in the Derby HMA in April 2011. 16.1% of the housing stock is in public sector ownership which is similar to the East Midlands average but slightly below the average for England (18.0%). Within the HMA, public sector ownership of housing (including ownership by local authorities and housing associations) is highest in Derby at 20.1% of the housing stock, and lowest in South Derbyshire at 9.8%. In Amber Valley 12.8% of the stock is in public sector ownership. Housing is public sector ownership is primarily affordable housing.

Figure 24:   Tenure 2011

	Local Authority	Housing Association	Other Public Sector	Total Public Sector	Private Sector	Total Dwellings
Amber Valley	23	6,929	29	6,981	47,510	54,490
	0.0%	12.7%	0.1%	12.8%	87.2%	100.0%
Derby	13,802	7,259	50	21,111	84,130	105,240
	13.1%	6.9%	0.0%	20.1%	79.9%	100.0%
South Derbyshire	3,046	814	0	3,860	35,330	39,190
	7.8%	2.1%	0.0%	9.8%	90.2%	100.0%
Derby HMA	16,871	15,002	79	31,952	166,970	198,920
	8.5%	7.5%	0.0%	16.1%	83.9%	100.0%
East Midlands	9.5%	6.5%	0.2%	16.2%	83.8%	100.0%
England	7.6%	10.2%	0.3%	18.0%	82.0%	100.0%

Source: CLG Housing Statistics, Table 100

5.4   A more detailed profile of tenure is provided by the 2011 Census. This indicates that across the HMA 68.3% of properties were owner occupied in 2011. This includes properties which are owned outright and with a mortgage. Owner occupation in the HMA is above the national and regional averages.

5.5   Owner occupation is highest in South Derbyshire (accommodating 75.8% of households) and Amber Valley (74.5%). In both cases this is above regional and national averages.

Figure 25: Detailed Tenure Profile, 2011

Tenure	Amber Valley	Derby City	South Derbyshire	Derby HMA	East Midlands	England
Owned outright	38.2%	29.6%	33.9%	32.8%	32.8%	30.6%
Owned with mortgage	36.3%	32.6%	41.8%	35.5%	35.1%	33.6%
Social rented	12.3%	19.8%	9.9%	15.8%	15.8%	17.7%
Private rented	11.8%	16.8%	13.0%	14.7%	14.9%	16.8%
Other	1.4%	1.2%	1.2%	1.2%	1.3%	1.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total households	52,596	102,271	38,992	193,859	1,895,604	22,063,368

Source: Census 2011

5.6   Owner occupation is below average in Derby, accommodating 62.2% of households compared to an average of 67.9% across the East Midlands. This reflects Derby's younger age structure and its housing stock and that the City has both larger private and social rented sectors than either Amber Valley or South Derbyshire. It is not uncommon for larger urban areas to have lower owner occupation than surrounding, more rural, districts.

5.7   In 2011, 16.8% of households in Derby lived within the Private Rented Sector – equal to the proportion across England and above average for the East Midlands. The proportion of households living in private rented accommodation was lower in South Derbyshire at 13.0% and Amber Valley at 11.8%: both falling below the regional average of 14.9%. Across the HMA the sector accommodated 14.7% of households.

5.8   The social rented sector accommodated 15.8% of households in the HMA in 2011 – consistent with the East Midlands average. Within the HMA social rented housing is particularly concentrated in Derby, where it accommodated almost one in five households (19.8%). The proportion of households living in social rented accommodation in Amber Valley and particularly South Derbyshire (12.3% and 9.9% respectively) falls below the regional average.

5.9   Overall the pattern which emerges is of higher renting in Derby, with a greater focus on owner occupation in South Derbyshire and Amber Valley.

5.10   The tenure profile has changed quite notably over the 2001-11 decade. The graphs in Figure 26 below provide an analysis of changes in the proportion of households living in different tenures between 2001 and 2011. It should however be noted that Derby City Council has disputed the accuracy of 2001 Census figures for the City.

Figure 26:   Changes in Proportion of Households by Tenure, 2001 – 2011
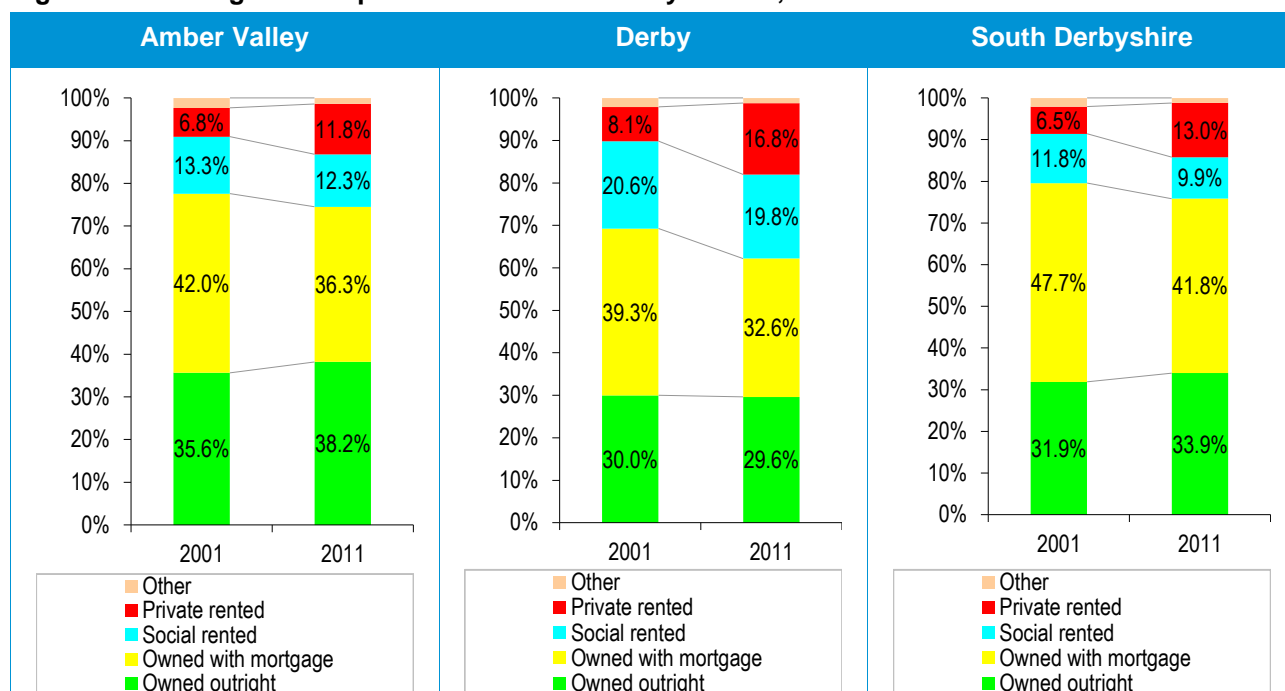
Source: 2001 Census, 2011 Census

5.11   Across the HMA, the number of households has increased by 11.1% over the 2001 – 2011 period. The greatest increase in proportional terms has been in South Derbyshire (18.2% growth in households), followed by Derby (10.7%) and Amber Valley (7.1%). Household growth in Derby and South Derbyshire has been stronger than the regional and national averages (9.4% and 7.9% respectively).

5.12   The number of owner occupier households has increased by just over 4,000 across the HMA between 2001-11 (+ 4,013). This has been particularly driven by growth in South Derbyshire (+3,296), with only modest growth in households owning properties in Amber Valley (+ 1067) and a modest decline in the number of owner occupiers in Derby (-350) over the decade.

5.13   Across the HMA the proportion of owner occupier households has dropped quite sharply from 73.5% in 2001 to 68.3% in 2011. As Figure 4.3 shows this particularly reflects a reduction in households with mortgages.

5.14   The number of households living in the social rented sector increased by 1,155 households between the 2001 Census and 2011 Census, driven by growth in Derby. Derby saw an increase of 1,243 households resident in social rented properties, whilst Amber Valley and South Derbyshire both witnessed a decline (by -57 and -31 households respectively).

5.15   The proportion of households living in social rented properties fell from 16.9% of households across the HMA in 2001 to 15.8% in 2011. The greatest decline was in South Derbyshire (-1.9%).

5.16   It is the Private Rented Sector which has seen particular growth over the 2001-11 decade. The sector has grown from accommodating 7.4% of households in the HMA in 2001 to 14.7% in 2011. In total the number of households accommodated in the sector has increased by 15,500 over the 2001-11 period. Derby has seen an increase of 9,729 households in the sector (+130% although this could be affected by 2001 Census quality issues), South Derbyshire 2,943 (+137%) households and Amber Valley 2,878 households (+87%).

5.17   More local level data has also been taken from the 2011 Census. The data indicates:

- A concentration of private rented properties in high density-low income areas in Central Derby. Private renting is also slightly above average in the mixed density/income neighbourhoods in Derby. It was particularly low in low density, higher income areas in Derby where the tenure profile was strongly focused on owner occupation. The proportions of households renting privately do not vary significantly amongst different sub-areas of either Amber Valley or South Derbyshire.

- The proportion of households resident in social rented properties was highest in the high density, low income areas in Central Derby, and in the mixed density/income neighbourhoods. In these sub-markets around of households in 2011 were resident in social rented properties. Combined with above average private renting, these sub-markets have the lowest levels of owner occupiers.

- Outside of Derby, the proportion of households in social rented accommodation was highest in the Alfreton Sub-Market (18.4%), Swadlincote and the south of South Derbyshire (13.5%) and the Heanor Sub-Market (13.3%).

- Owner occupation was the largest tenure category in all areas, but is particularly strong in the low density/high income suburban areas in Derby and the northern sub-markets in South Derbyshire District. In these areas around 80% of households were owner occupiers in 2011.

5.18   Figures 27 and 28 mapped tenure at a ward level based on 2011 Census data.

Figure 27:   Tenure Profile in Sub-Markets, 2011

	Owner Occupied	Social Rented	Private Rented	Living Rent Free
AV - Derby Fringe	80.1%	6.0%	12.3%	1.7%
AV – Belper-Ripley	77.8%	9.5%	11.5%	1.2%
AV – Heanor	73.3%	13.3%	12.0%	1.4%
AV – Alfreton	68.1%	18.4%	12.0%	1.5%
DC - Lower income	40.5%	26.2%	31.6%	1.7%
DC - Higher Income	81.0%	7.9%	10.2%	0.9%
DC - Mixed	60.1%	23.9%	14.9%	1.1%
SD - Derby Fringe	80.6%	5.6%	12.2%	1.6%
SD - North West	79.9%	5.8%	13.4%	0.9%
SD - Swadlincote & South	72.0%	13.5%	13.4%	1.2%
Derby HMA	68.3%	15.8%	14.7%	1.2%

Source: 2011 Census

House Types

5.19   The profile of housing of different types in the Derby HMA in 2011 was relatively similar to the regional profile. Across the HMA 37.3% of dwellings were semi-detached, 29.9% were detached. Terraced properties accounted for 21.6% of dwellings and flats or maisonettes 10.9% in 2011.

Figure 28: House Types across HMA, 2011
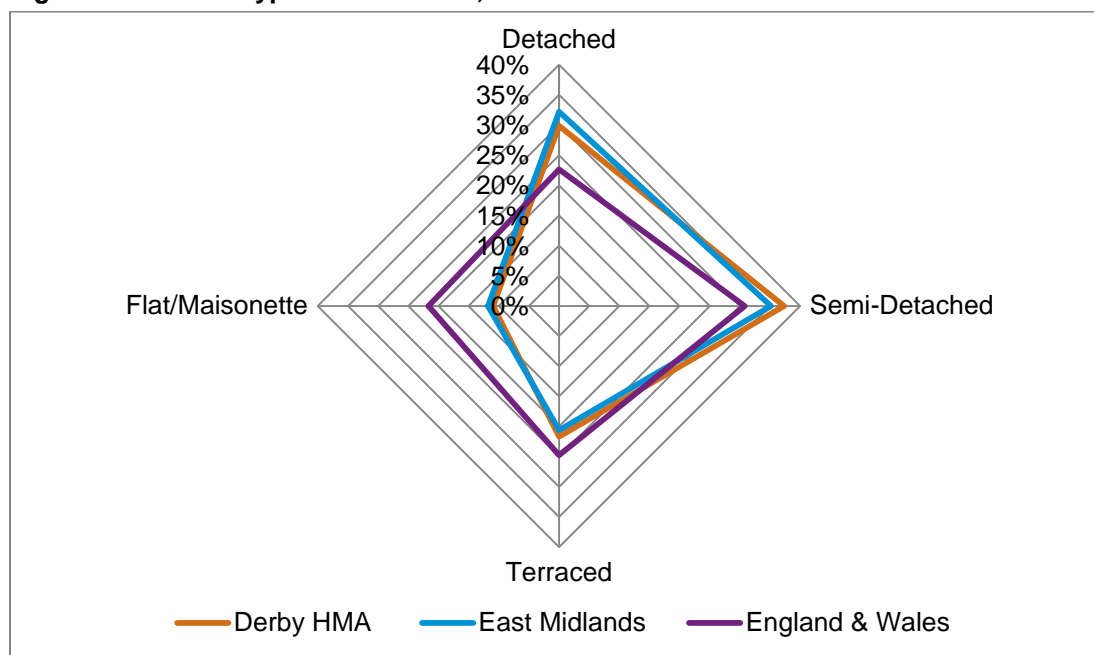
Source: Census 2011

5.20   Relatively to the regional profile, the Derby HMA has a slightly above average proportion of semi-detached properties. The proportion of terraced properties was also slightly above average.

Figure 29:   House Types, 2011

	Amber Valley	Derby City	South Derbyshire	Derby HMA	East Midlands	England
Detached	35.8%	23.0%	39.8%	29.9%	32.2%	22.3%
Semi-detached	36.5%	38.6%	34.9%	37.3%	35.1%	30.7%
Terraced	20.9%	23.3%	18.1%	21.6%	20.6%	24.5%
Flat/maisonette	6.7%	14.8%	6.5%	10.9%	11.7%	22.1%
Other	0.1%	0.2%	0.7%	0.3%	0.4%	0.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total households	54,490	105,240	39,190	198,920	634,599	5,128,552

Source: Census 2011

5.21   Across the HMA as a whole the data however clearly shows that the dwelling stock is reasonably balanced.

5.22   Amber Valley's housing stock is concentrated more towards detached and semi-detached properties (the proportions of which are both above the regional average). It has a low level of flatted accommodation (6.7%).

5.23   Similarly in South Derbyshire, detached and semi-detached stock is the most prevalent. South Derbyshire has the highest proportion of detached properties in the HMA at almost 40%. The District has a low proportion of flatted accommodation (6.5%).

5.24   Derby has the lowest proportion of detached properties of the three authorities, and a higher level of semi-detached and terraced properties and flats/maisonettes than the other authorities within the HMA. It has an above average proportion of terraced and flatted properties relative to the regional average. This profile is however much what we might expect for a larger urban centre within the region.

5.25   At an HMA level there is no evidence of particular over-concentrations of specific types of properties, not at a local authority level. However these may occur at a more local sub-market or neighbourhood level. At the HMA level the housing offer across the three authorities appear to complement one another.

5.26   Figure 30 considers how the profile of house types has changed over the last decade. The level of flats and maisonettes has increased as a proportion of the total housing stock in all three authorities; with the proportion of terraced properties increasing in both Amber Valley and South Derbyshire. This likely partly reflects the impact of density and brownfield-first policies introduced in Planning Policy Statement 3: Housing, together with development economics in the pre-2008 period, which encouraged higher density development.

Figure 30: Change in Profile of House Types, 2001 – 2011
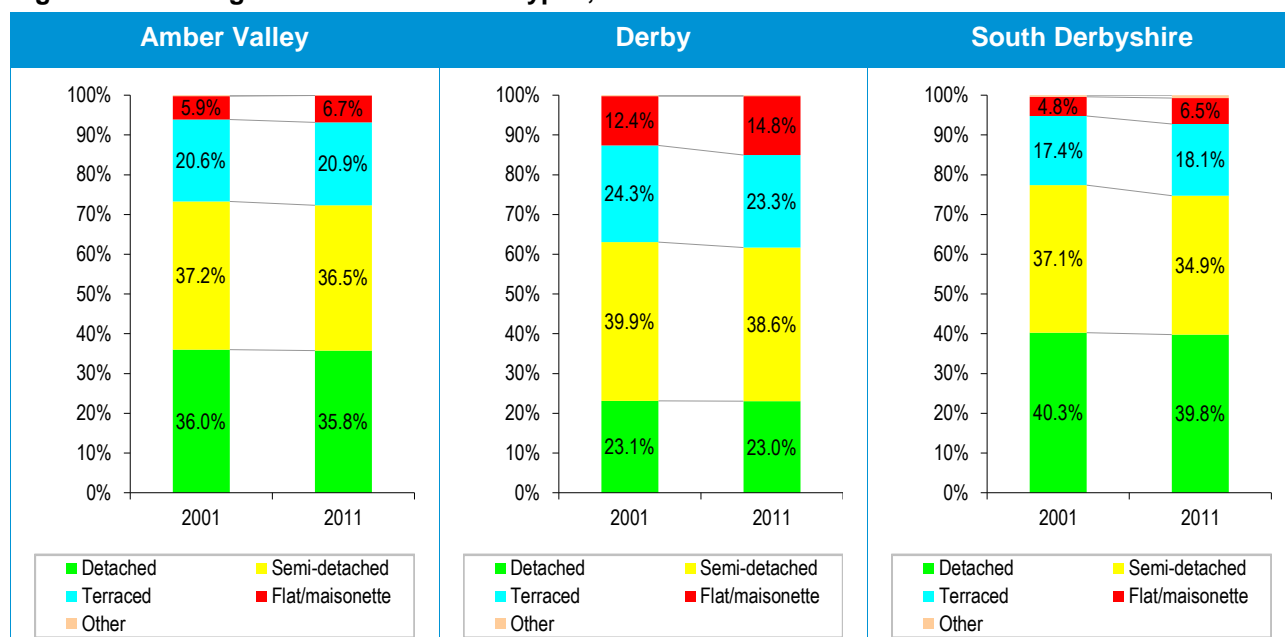
Source: 2001 Census, 2011 Census

5.27   Figure 31 plots the change in properties of different types between the 2001 and 2011 Censuses. Across the HMA there was an increase of 5,549 detached properties; 5,150 flats/maisonettes; 4,473 semi-detached properties and 3,312 terraced properties. This appears to be a fairly balanced profile of growth.

Figure 31: Change in Stock of Dwellings by Type, 2001-11
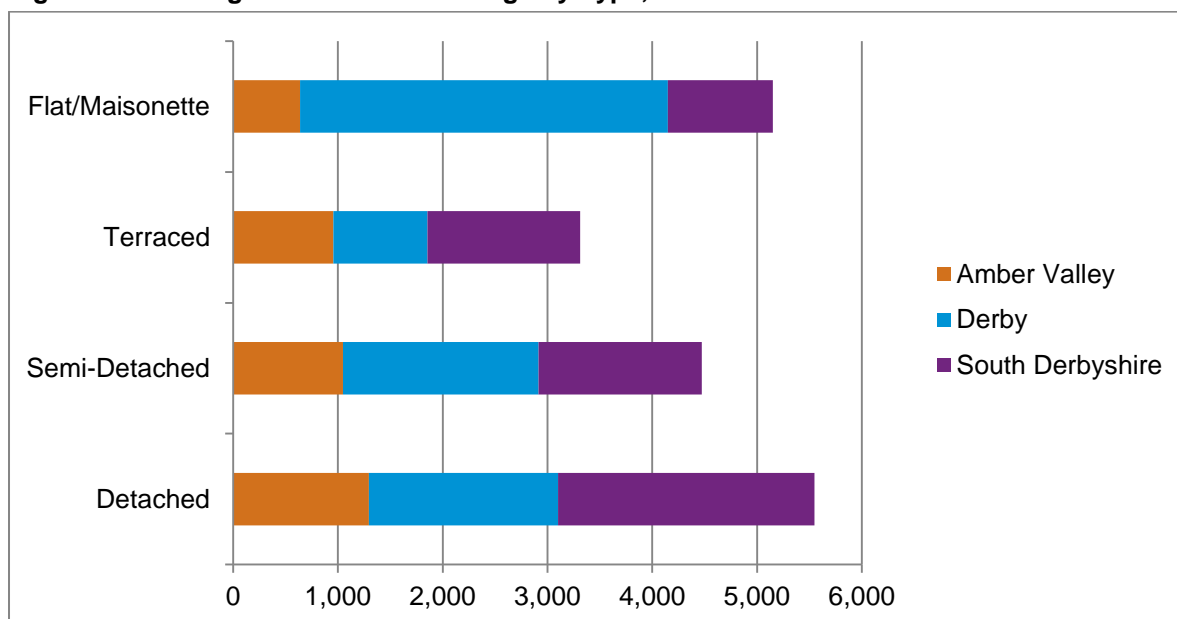
Source: 2011 Census

5.28   Development of detached properties and flats/maisonettes was thus most significant in absolute terms. Flatted development was focused strongly towards Derby.

5.29   More local level data from the 2011 Census is shown in Figure 32 below. The data indicates:

- A concentration of detached properties in sub-markets in Amber Valley and South Derbyshire close to Derby (South Derbyshire North West, Derby Fringe and Amber Valley Derby Fringe), most likely as these provide an attractive quality of place within an easy commuting distance of the City. These sub-markets contain low proportions of terraced and flatted properties. The housing mix in the Derby Low Density/High Income Sub-Market is similar.
- A strong concentration of terraced properties in the Derby High Density, Low Income Sub-Market (42% terraced) which includes inner areas of the City. This sub-market also contains the highest proportion of flats/maisonettes followed by the Mixed Density and Income Neighbourhoods Sub-Market.
- A fairly balanced profile focused on mid-market housing, with a focus on semi-detached properties, in Alfreton, Belper-Ripley, Heanor and Swadlincote and the south of South Derbyshire District.

Figure 32:   House Type Profile by Sub-Market, 2011

	Detached	Semi-Detached	Terraced	Flat/Maisonette
AV - Derby Fringe	55.4%	25.1%	9.8%	9.8%
AV – Belper-Ripley	39.3%	34.5%	19.6%	6.4%
AV – Heanor	31.5%	38.8%	23.8%	6.0%
AV – Alfreton	28.9%	40.7%	23.0%	7.4%
DC - Lower income	7.4%	21.6%	41.5%	29.5%
DC - Higher Income	47.2%	35.9%	9.4%	7.4%
DC - Mixed	16.0%	46.6%	24.0%	13.1%
SD - Derby Fringe	48.1%	30.0%	15.8%	4.7%
SD - North West	50.2%	24.8%	15.9%	8.9%
SD - Swadlincote & South	32.1%	40.7%	20.1%	6.7%
Derby HMA	29.9%	37.3%	21.6%	10.9%

Source: Census 2011

Sizes of Properties

5.30   The 2011 Census indicates that on average homes across the East Midlands have 2.8 bedrooms per property. The average size of a home in Amber Valley is consistent with this. On average properties in Derby are slightly smaller, with 2.7 bedrooms per property; whilst they are slightly larger in South Derbyshire with 2.9 bedrooms per property. Across the HMA the profile is consistent with the regional average.

5.31   Further detail from the 2011 Census on the profile of homes with different numbers of rooms and bedrooms is not available at this point. We have therefore drawn on data from the Valuation Office Agency (VOA).

5.32   Across the HMA, 58% of properties (where the property size is known) have three or more bedrooms in 2012. 2-bed properties account for 33% of the housing stock and 1-bed properties 9%.

5.33   Derby has a higher proportion of 1-bed properties (11%), with 31% 2-bed and 57% with 3 or more bedrooms. South Derbyshire has much fewer 1-bed properties (5%), with a third of the stock made up of 2-bed properties and 62% with 3 or more bedrooms. It has a housing offer focused more towards larger properties.

5.34   Amber Valley's housing offer is focused more towards 2-bed properties which account for 38% of the stock. 7% of properties have 1-bedroom, and 55% with 3 or more bedrooms.

5.35   Turning to look at the sub-markets:

- An above average proportion of smaller properties in Derby's high density, low income neighbourhoods, with 1-bed properties making up 20% of the stock, and 2-bed 37%;
- Derby's mixed density and income neighbourhoods also have a higher proportion of 1-bed properties than other areas;
- Heanor has a higher proportion of properties with 3 or more bedrooms (60%) than other parts of Amber Valley Borough; whilst Alfreton has more 2-bed properties (42%);
- Each of the sub-markets in South Derbyshire has a relatively similar profile of properties of different sizes.

Figure 33: Sizes of Dwellings by Sub-Market, 2012
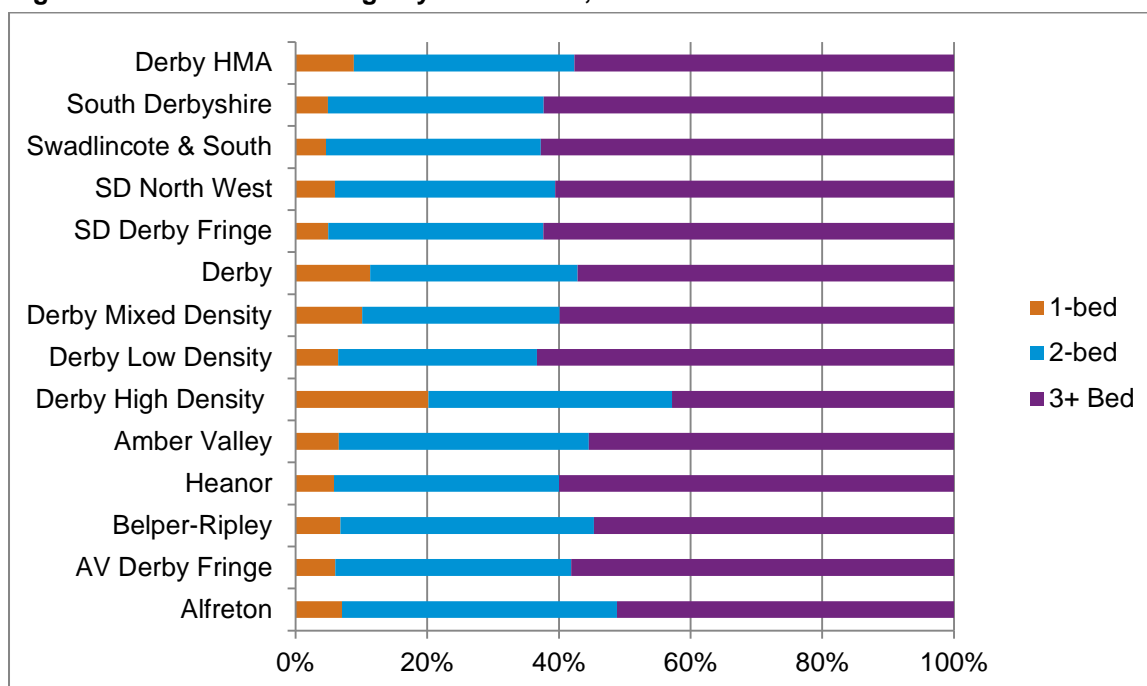
Source: VOA, 2012

Profile of Properties by Council Tax Band and Age

5.36   Data from the Valuation Office Agency also allows us to consider the broad profile of homes in different value bands using Council Tax Bands. Across the East Midlands, 60% of properties fall within Band A or B. This compares with 64% in the Derby HMA – which thus has a housing offer focused slightly towards smaller and more affordable properties than the region as a whole.

5.37   The proportion of properties in Bands A and B within Amber Valley is consistent with the regional profile. In Derby 71% of properties fall within Band A or B (with 52% of all properties falling within Band A). In contrast in South Derbyshire, a lower 51% of properties fall within Band A or B.

5.38   16% of properties in South Derbyshire fall within Band E or above compared to 11% across the East Midlands (and a lower 7% in Derby). South Derbyshire's housing offer is focused towards larger and more expensive properties. The profile of homes in the City in contrast is biased towards smaller and more affordable properties.

5.39   Whilst there are complementarities across the three authorities, arguably there is a case to seek to diversify the housing mix in Derby. The delivery of housing sites around the edges of the City could help to achieve this.

Figure 34:   Profile of Homes by Council Tax Band, March 2011
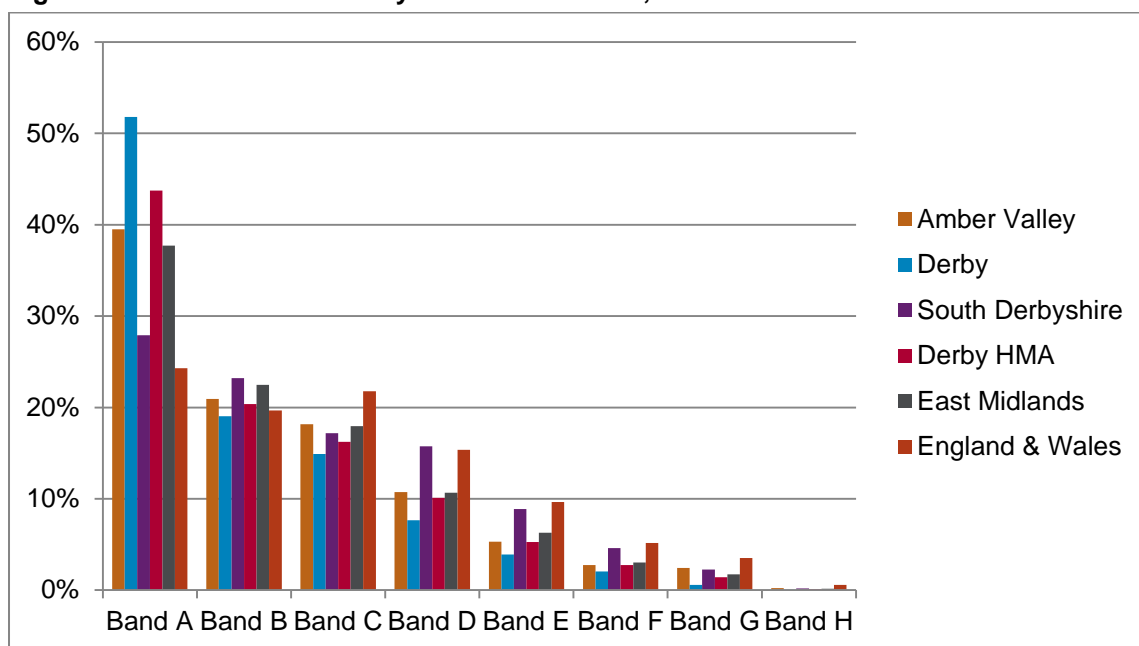
Source: VOA, 2011

5.40   We can also use the VOA data to consider the profile of homes of different ages in each of local authorities and sub-markets. Relative to the HMA as a whole, Derby has a higher proportion of homes build in the inter-war period. South Derbyshire's housing stock includes more homes built between 1965-82 and 1982-2012 than the other authorities. This reflects higher levels of construction over a sustained period. Amber Valley has a higher proportion of pre-1918 homes.

Figure 35:   Profile of Homes by Age and Sub-Market, 2012

	Pre-1900	1900-18	1919-39	1945-64	1965-82	1983-2012
Alfreton	23%	8%	15%	16%	20%	18%
AV Derby Fringe	26%	4%	12%	24%	16%	18%
Belper-Ripley	23%	6%	14%	15%	19%	23%
Derby High Density	49%	7%	17%	3%	11%	14%
Derby Low Density	2%	1%	15%	23%	23%	37%
Derby Mixed Density	11%	2%	29%	25%	19%	14%
Heanor	22%	8%	19%	17%	16%	18%
SD Derby Fringe	19%	2%	7%	16%	26%	30%
SD North West	13%	1%	3%	15%	13%	55%
Swadlincote & South	16%	5%	11%	12%	24%	31%
Amber Valley	23%	7%	15%	16%	18%	20%
Derby	16%	3%	22%	20%	18%	21%
South Derbyshire	16%	4%	9%	14%	23%	35%
Derby HMA	18%	4%	18%	18%	19%	23%

Source: VOA, 2012

Overcrowding

5.42   Studying levels of overcrowding in the housing stock is an important part of the SHMA. This is strongly recognised in the Practice Guidance which notes that 'if overcrowding is an issue, building one new larger property could help to resolve the needs of several households as households "move up" through the system into larger properties'.

5.43   Data about overcrowding is available from the 2011 Census based on the 'bedroom standard'. This is defined by the difference between the number of bedrooms needed to avoid undesirable sharing (given the number, ages and relationships of the household members) and the number of bedrooms available to the household. A household is defined as overcrowded if there are fewer bedrooms available than required by the bedroom standard.

5.44   Census data also computes a measure of overcrowding using occupancy ratings. The Census method is that all households should have one common room and there should be one additional room for each household member. Therefore a five person household living in a five room dwelling would be considered as overcrowded. Whilst using the bedroom standard is preferable it is useful to consider occupancy ratings to allow us to compare changes over time – earlier Census data did not collect data about the number of bedrooms in a home.

5.45   Figure 36 below shows the estimated number and proportion of households who were overcrowded in 2011 using the bedroom standard. The data shows that the level of overcrowding in the Derby

HMA (at 3.7%) is slightly above the regional average of 3.3% but notably below the national average figure of 4.8%. Within the HMA we do however see some significant differences with just 1.8% of households in South Derbyshire being overcrowded (and 2.3% in Amber Valley) compared with 5.2% in Derby – this latter figure represents 5,272 households in the City.

Figure 36: Levels of Overcrowding, 2011

Area	Overcrowded Households	Households	% Overcrowded
Amber Valley	1,223	52,596	2.3%
Derby	5,272	102,271	5.2%
South Derbyshire	715	38,992	1.8%
Derby HMA	7,210	193,859	3.7%
East Midlands	61,644	1,895,604	3.3%
England	1,060,967	22,063,368	4.8%

Source: Census (2011)

5.46   Looking at how levels of overcrowding have changed over time we have reproduced data from the 2001 and 2011 Census about households with a negative occupancy rating (i.e. more people than rooms once a 'common' room has been discounted). This data shows that **levels of overcrowding have increased significantly over time in the HMA** with some 55.6% more people failing this standard in 2011 than did in 2001 (an increase of 3,721) – the increase is most marked in Derby and South Derbyshire.

5.47   Whilst all other areas studied have also seen increases in overcrowding the figures for the Derby HMA are quite stark and compare for example with a national increase in overcrowding of around 32%. It is not clear why figures in the Derby HMA have risen by more than equivalent national figures although some concern has been raised by Derby City Council about the quality and coverage of 2001 Census information (under-enumeration) - this may mean that a direct comparison across areas does not properly reflect true changes over time.

Figure 37: Overcrowding based on Occupancy Rating, 2001 and 2011

Area	Overcrowded (2001)	Overcrowded (2011)	Change	% change from 2001
Amber Valley	1,251	1,697	446	35.7%
Derby	4,623	7,453	2,830	61.2%
South Derbyshire	815	1,260	445	54.6%
Derby HMA	6,689	10,410	3,721	55.6%
East Midlands	77,146	104,764	27,618	35.8%
England	1,457,512	1,928,596	471,084	32.3%

Source: Census (2011)

5.48 The comparatively high level of overcrowding recorded in Derby may relate to its housing offer, which is focused towards smaller properties. This could suggest a need to deliver a greater number of larger homes in or close to the City. However the reality of the situation is likely to be more complex, with overcrowding reflecting higher levels of social deprivation within the City; limited growth in the stock of affordable housing; and other factors such as house price growth and mortgage finance constraints which for instance have likely supported growth in shared housing in the City.

5.49 Levels of overcrowding can be studied at a more localized level using 2011 Census data (shown in the table below). The data shows that only the Derby High Density, Low Income Sub-Market has a significant level of overcrowding – 11.7% of households in the sub-market are overcrowded; this is more than three times the HMA average. The lowest levels of overcrowding are seen in those areas of Amber Valley and South Derbyshire which are close to Derby.

Figure 38: Overcrowding by Sub-Market, 2011 (using bedroom standard)

	Overcrowded households	Households	% overcrowded
AV - Derby Fringe	44	3,151	1.4%
AV – Belper-Ripley	492	23,257	2.1%
AV – Heanor	336	14,187	2.4%
AV – Alfreton	351	12,001	2.9%
DC - Lower income	2,326	19,846	11.7%
DC - Higher Income	547	29,098	1.9%
DC - Mixed	2,399	53,327	4.5%
SD - Derby Fringe	156	10,734	1.5%
SD - North West	93	7,030	1.3%
SD - Swadlincote & South	466	21,228	2.2%
Derby HMA	7,210	193,859	3.7%

Source: Census 2011

Vacant Dwellings

5.50 The 2011 Census indicated that there were a total of 8,152 vacant dwellings across the Derby HMA, equating to a vacancy rate of 4.0%. This is consistent with the regional and below the national average.

5.51 Within the HMA the vacancy rate was highest in Amber Valley (4.3%) and lowest in South Derbyshire (3.4%). The vacancy rate in Derby was 3.4% (as a proportion of the total housing stock).

Figure 39: Vacant Dwellings, 2011

Area	Household spaces with no usual residents	Household Spaces	% Vacancy
Amber Valley	2,346	54,942	4.3%
Derby	4,416	106,687	4.1%
South Derbyshire	1,390	40,382	3.4%
Derby HMA	8,152	202,011	4.0%
East Midlands	78,224	1,973,828	4.0%
England	980,729	23,044,097	4.3%

Source: Census 2011

5.53 Data on second home ownership from the 2011 Census has not yet been released. There is not robust consistent data on second home ownership available from national statistics.

Housing Supply Trends

5.54 This sub-section turns to look at housing supply trends. Using an indexed analysis, Figure 34 benchmarks growth in the dwelling stock in the Derby HMA and in surrounding Housing Market Areas.

5.55 Over the 2001-2011 decade, the housing stock grew by 8.6% across the Derby HMA, which was similar to the Nottingham HMA (8.5%) and above the England average (7.6%). It was however slightly below average for the East Midlands where the housing stock grew by 9.1%.

Figure 40: Net Changes in Housing Stock, 2001 – 2011
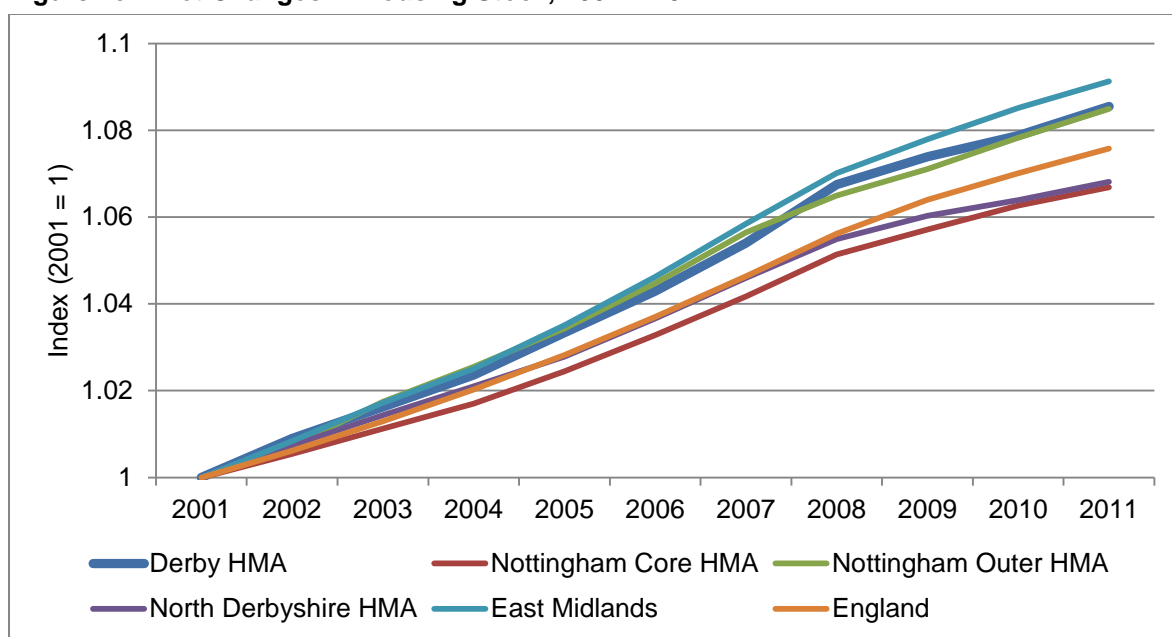
Source: CLG Table 125

5.56   Net completions across the HMA increased from 1,301 dwellings in 2002/3 to 2,461 in 2007/8 (an increase of 89%). Completions however dropped significantly thereafter, with just 899 net completions in 2009/10 and 1,222 in 2010/11. Just 845 dwellings were delivered in 2011/12: a low point.[12]

5.57   If high social housing completions over the last couple of years are taken into account, the drop off in private sector housebuilding is stronger still.

Figure 41:   Net Completions, 2001-11
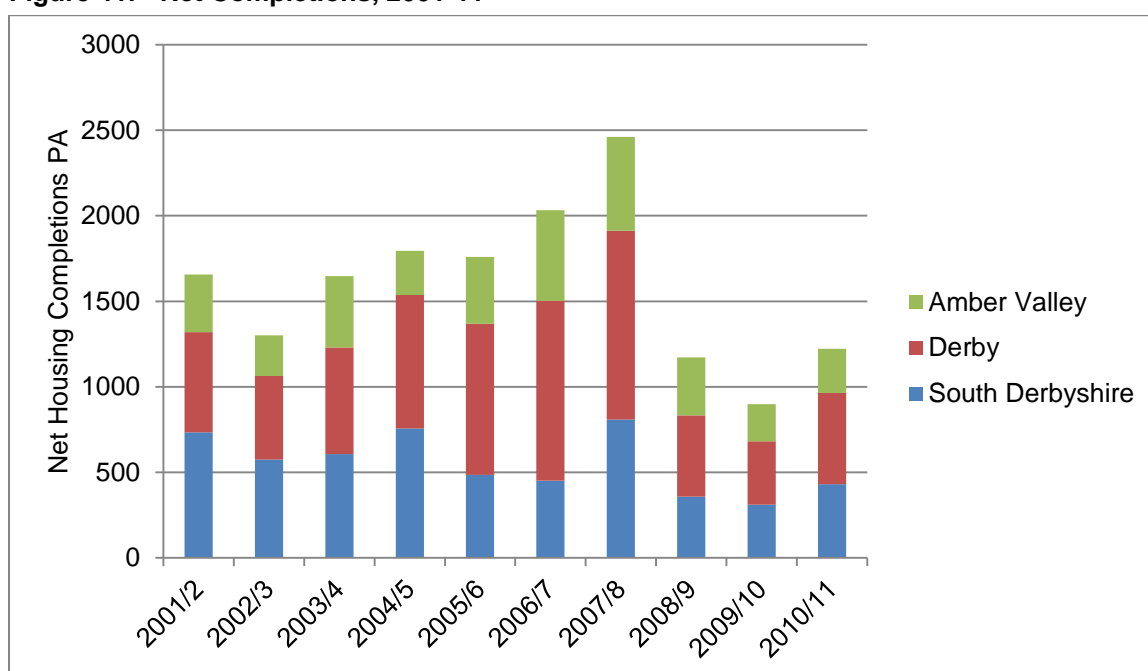
Source: LPA Monitoring Reports

Housing Supply Position in Amber Valley

5.58   Policy 13a of the East Midlands Regional Plan set out a housing requirement for Amber Valley of 510 dwellings per annum between 2006 and 2026. A total of 2,099 dwellings were delivered between 2006/7 – 2011/12 (an average of 350 per annum).

5.59   Housing delivery has fallen off notably since the downturn in housing market conditions. 548 dwellings were completed in 2007/8, but this fell to 218 in 2009/10, with 206 dwellings delivered in 2011/12.

5.60   However stronger delivery of306 dwellings is forecast (based on the Council's 2012 calculations) rising to 590 in 2014-15 and 636 in 2015-16.

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[12] Net completions for 2012/13 will be taken into account by the HMA authorities

5.61   Housing delivery over the next five years is expected to be supported by delivery of some of the Land at Radbourne Lane, Mackworth; Outseats Farm, Alfreton and Coppice Farm, Ripley. Other than this, the focus of the land supply is more towards smaller sites. Given that these are less likely to require strategic infrastructure this may help to support housing delivery in the short-term.

Housing Supply Position in Derby

5.62   The Preferred Growth Strategy proposes a housing requirement in Derby for provision of 12,000 dwellings between 2008-28.

5.63   Over the 2008-12 period an average of 444 dwellings have been completed per annum. Housing completions were rising from 476 in 2008/9 to 533 in 2010/11 but dropped off significantly with delivery of just 261 homes in 2011/12.

5.64   Delivery of just 244 homes is expected in 2012/13, rising to 275 in 2013/14 but then recovering more strongly to 498 in 2014/15 and to around 800 homes a year over the period between 2015-20.

5.65   Housing delivery in the medium-term is expected to be supported by delivery of a number of major sites in the City. The following sites have planning permission for development of over 200 dwellings:

- Riverlights, Derby City Centre: 300 dwellings
- Mackworth College, Prince Charles Avenue: 222 dwellings
- Land at Swarkestone Road: 753 dwellings
- Derby College, Pride Parkway: 597 dwellings
- Former University Campus: 478 dwellings

Housing Supply Position in South Derbyshire

5.66   Policy 13a of the East Midlands Regional Plan set out a housing requirement for South Derbyshire of 600 dwellings per annum between 2006 and 2026. Of this a minimum of 320 dpa are required to be built within the Derby Principal Urban Area (PUA) with 280 dpa within the rest of the District.

5.67   Over the 2006-12 period a total of 2,422 dwellings have been completed in the District, an average of 404 per annum.

5.68   Housing delivery in the medium-term is expected to be supported by the delivery of a number of strategic sites with extant planning permission. These comprise:

- Depot Site, Darlands Road, Swadlincote: 201 dwellings between 2013-17
- Stenson Fields: 500 dwellings (with consent) between 2013-18
- Boulton Moor, Elvaston: 960 dwellings between 2014-26
- Highfields Farm, Findern: 960 dwellings between 2014-26

- Drakelow Power Station: 870 dwellings between 2015-26

5.69   The Boulton Moor, Highfields Farm and Stenson Fields sites fall within the Derby PUA.

5.70   As at October 2012 the authority has a 6.28 year supply based on a five year requirement + 5% in the remainder of the District, but has a supply of just 2.13 years based on a five year requirement + 20% in the part of the District which falls within the Derby PUA.

5.71   According to the Council's existing housing trajectory (Oct 2012), overall projected completions of 234 are expected in 2012-13, with the market then recovering to deliver net completions of 416 in 2013/14, 725 in 2014/15 and to a peak of 888 in 2016/17.

Policy Implications

There are 198,900 dwellings across the HMA (2011). Owner occupation is above average, however there is a higher proportion of private and social rented in Derby and owner occupation has fallen across all three authorities in proportional terms over the last decade. It is only in South Derbyshire that there has been any real growth in owner occupation since 2001.

The key growth sector across the HMA has been the Private Rented Sector. This sector accommodated 15,500 more households in 2011 than it did in 2001. Given mortgage finance constraints, it seems likely that this trend is likely to continue over the next decade with the PRS being the key growth sector in the housing market. It is appropriate for the authorities to consider carefully what further can be done to raise standards in the sector (such as through Licencing and Accreditation Schemes).

The profile of homes across the HMA is similar to the regional profile; although there are internal differences with Derby's housing offer focused more towards terraced properties and flats (and typically smaller and lower value properties), with more larger homes in South Derbyshire and Amber Valley. Derby has an unusually high proportion of properties in Council Tax Bands A and B for a City with notably higher average wages than surrounding areas. Given the strong earnings profile of people working in Derby, there is an opportunity to further diversity the City's housing offer particularly through the delivery of urban extensions to the PUA.

Of some concern, overcrowding appears to have increased over the past decade, quite substantially in the case of the Derby HMA and Derby in particular. 3.7% of households across the HMA are overcrowded, rising to 5.2% of households in Derby. This points to a need to develop the level of larger affordable homes (3+ bedrooms) in the PUA.

Housing delivery has fallen off notably since the recession, linked to wider market circumstances. This may well have contributed to other evident recent trends, including declining vacancy within the existing stock and potentially growth in overcrowding. The challenge perhaps is that market conditions seem unlikely to recover rapidly, with a slow recovery over the period to 2018 looking likely. This may continue influence housing delivery in the short-term.

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6 SOCIO-ECONOMIC CHARACTERISTICS

6.1 In this section we consider the socio-economic characteristics of the HMA population as well as the characteristics of the economy and labour market.

Population

6.2 The 2011 Census recorded the population of the Derby HMA at 465,700. Of this 98.6% were resident in households and 1.4% in communal establishments. Of the total population in the HMA, 26% is resident in Amber Valley, 53% in Derby and 20% in South Derbyshire.

Figure 42: Population, 2011 Census

	Total Persons	Male	Female	Household Population	Residents of Communal Establishments	% Residents in Communal Establishments
Amber Valley	122,309	49%	51%	121,167	1,142	0.9%
Derby	248,752	49%	51%	244,625	4,127	1.7%
South Derbyshire	94,611	50%	50%	93,133	1,478	1.6%
Derby HMA	465,672	49%	51%	458,925	6,747	1.4%
East Midlands	4,533,222	49%	51%	4,442,192	91,030	2.0%
England & Wales	56,075,912	49%	51%	55,071,113	1,004,799	1.8%

Source: Census 2011

6.3 Figure 43 profiles population growth since in each authority since 1996. It shows that population growth in both Amber Valley and Derby has been relatively similar, both marginally below average for the East Midlands; but in contrast population growth in South Derbyshire has been substantially above the regional and national averages.

6.4 Between 1996-2011 the HMA's population has grown by 11.2% compared to 10.5% growth across the East Midlands. This has been driven by 23.6% growth in South Derbyshire, whilst Derby's population has grown by 8.6% and Amber Valley's by 8.1%.

Figure 43:   Population Growth, 1996-2011
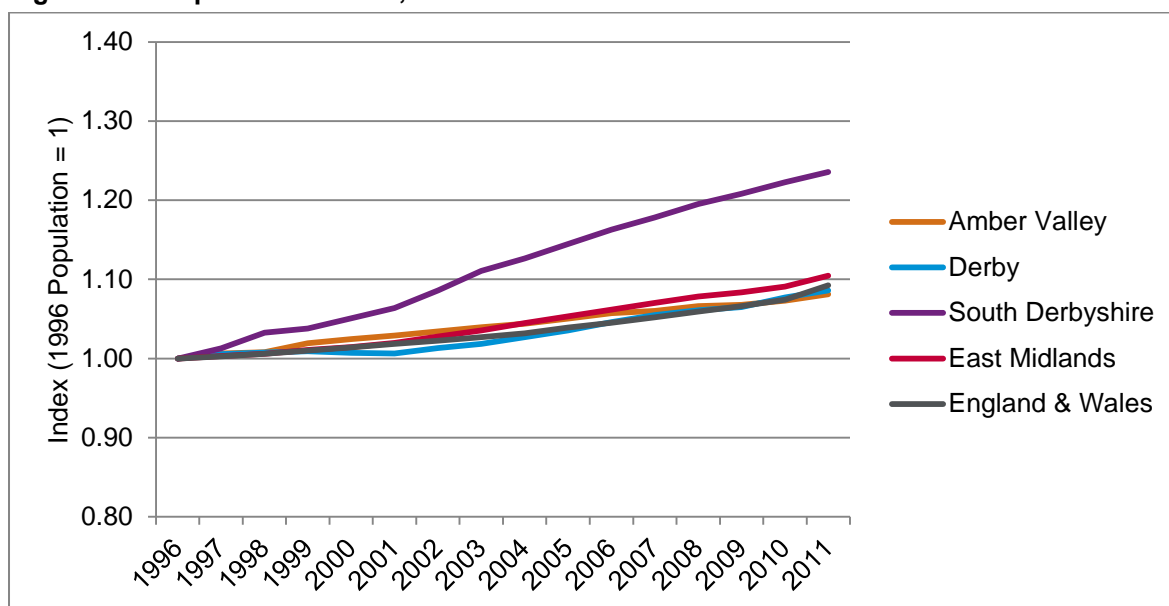
Source: ONS Mid-Year Population Estimates

6.5   Figure 44 profiles the population structure across the HMA. The HMA has a slightly younger population structure than average for the region, with a higher proportion of people aged between 0-14 and 25-44. The proportion of people is age groups over 45 are slightly below average relative to the region (but similar to the national profile).

Figure 44:   Population Structure, 2011
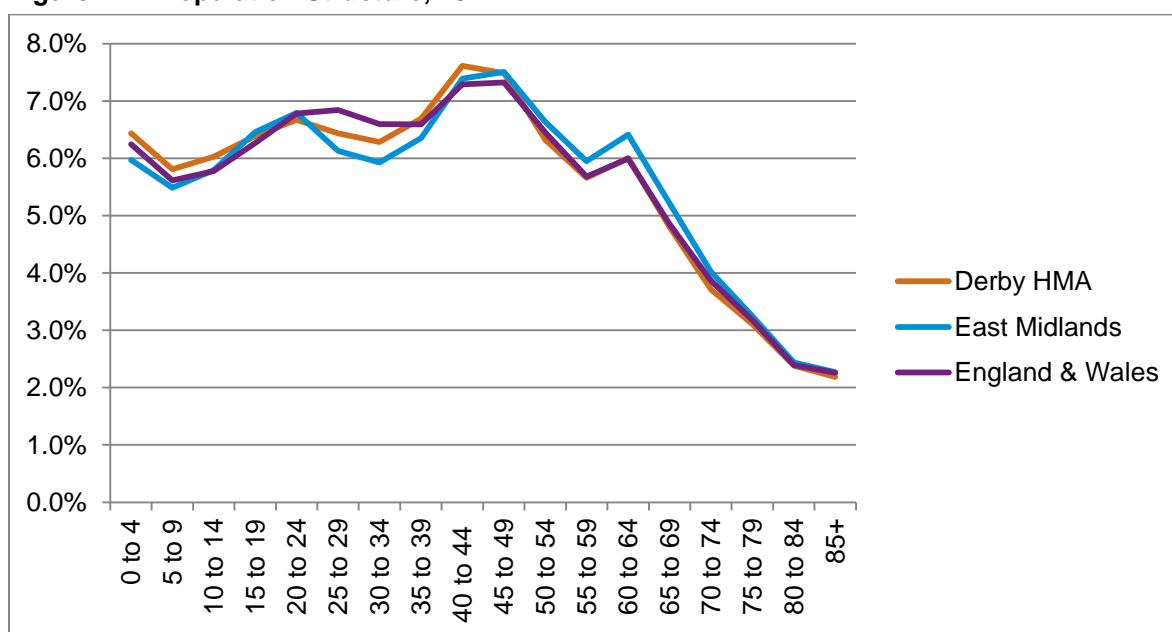
Source: ONS Mid-Year Population Estimates

6.6　　At a local authority level the population structure in Derby is notably younger than average, with an above average proportion of people aged under 34. In contrast the age structure in Amber Valley is skewed more towards older age groups, with an above average proportion of people in all age groups over 40 relative to the HMA as a whole.

6.7　　South Derbyshire's population has more people aged 30 – 65 and under 15 relative to the HMA as a whole. This suggests a housing demand profile focused more towards working families.

Figure 45:　Population Structure: Local Authorities, 2011
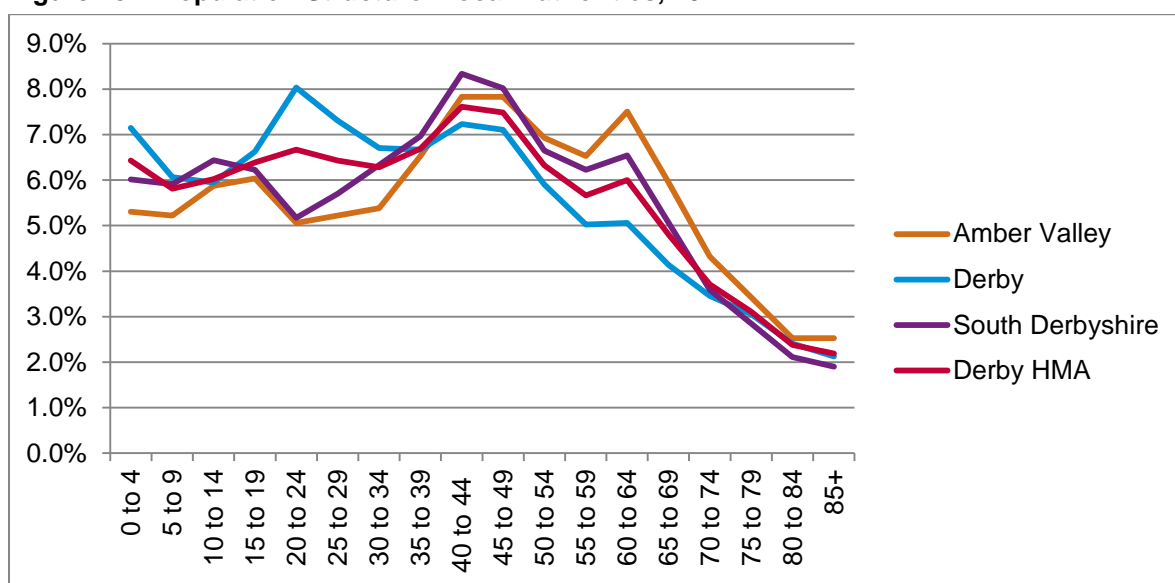
Source: ONS Mid-Year Population Estimates

6.8　　We have next analysed changes in the population structure over the 2001-11 decade in each of the three authorities.

6.9　　Over the 2001-11 period, the population in Amber Valley aged in their 40s and 60s has grown. As Figure 40 below demonstrates, this is partly influenced by the ageing of the existing population. The population aged in their 30s has fallen (and the population aged 5-9). Improvements in life expectancy have driven growth in the population of people in their 80s.

Figure 46:   Change in Population Structure, Amber Valley
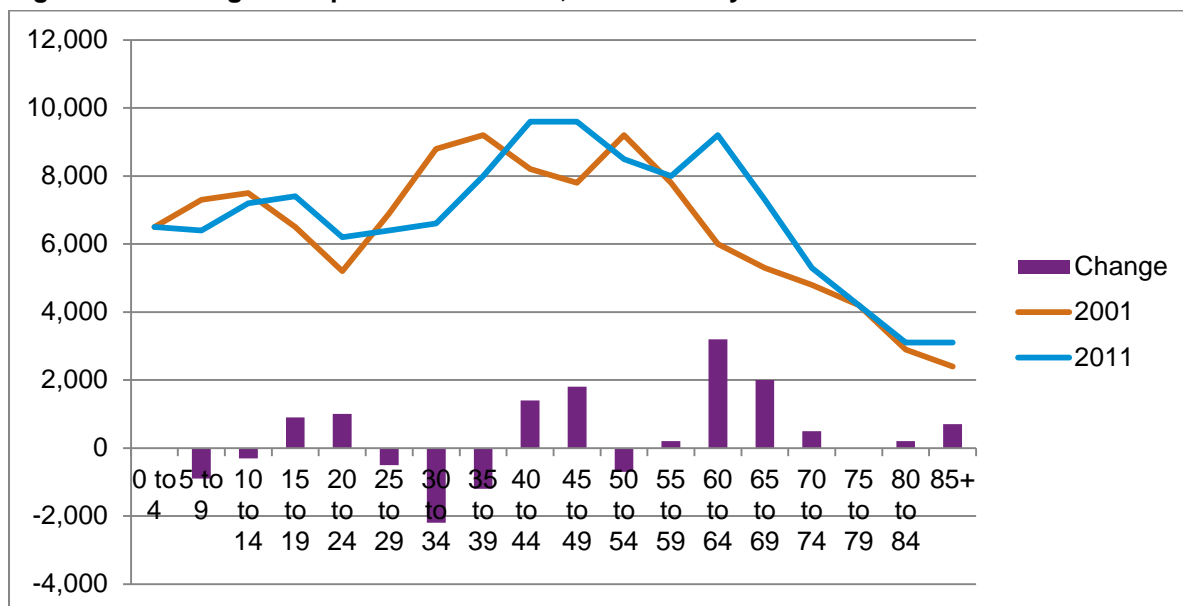
Source: ONS Mid-Year Population Estimates

6.10   Derby has seen a strong growth in the population aged between 15-29 and the population in their 40s over the 2001-11 decade. The growth in people in their 40s is partly a feature of the age structure of the population. A strong growth in people aged 0-4 is indicative of a growing number of births.

Figure 47:   Change in Population Structure, Derby
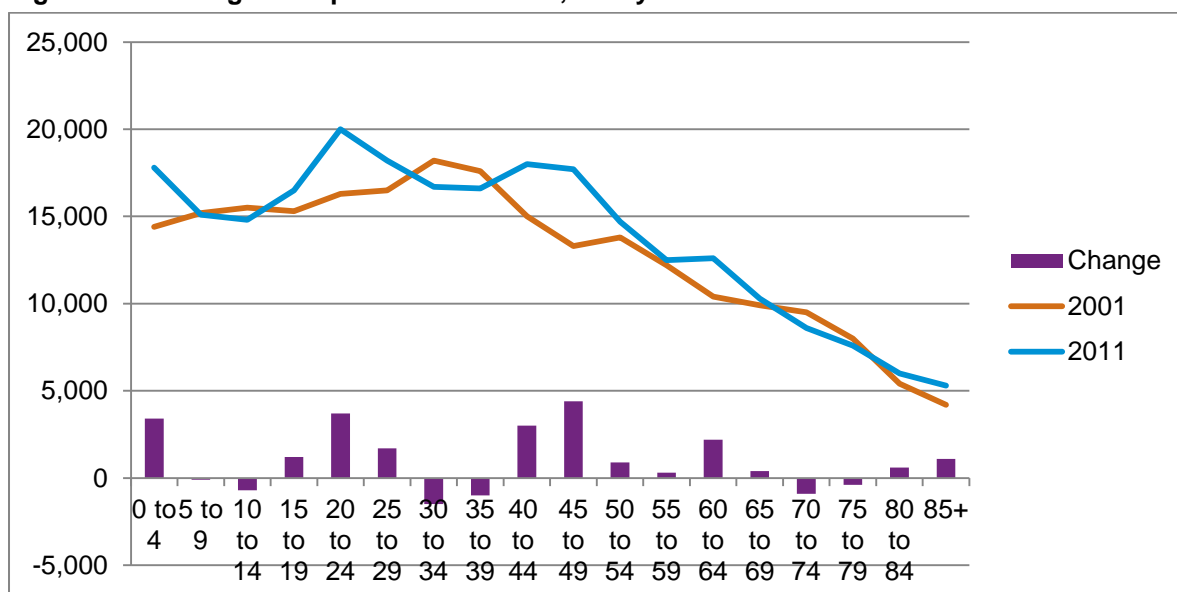
Source: ONS Mid-Year Population Estimates

6.11   South Derbyshire has seen higher levels of housing delivery over the 2001-11 period which has contributed to net in-migration. Over the 2001-11 period it has seen growth in the population aged in their 40s and their 60s in particular. The latter is particularly driven by the ageing of the population. The population in all age groups under 24 has also grown; with growth also in the older population, particularly of people in their 80s.

Figure 48:   Change in Population Structure, South Derbyshire
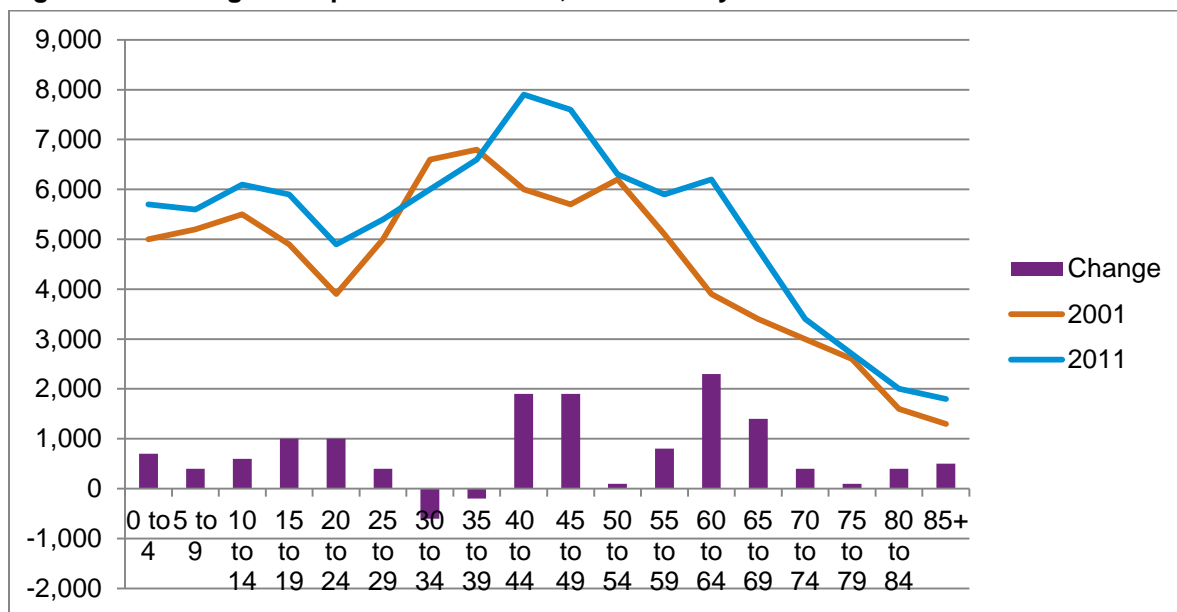
Source: ONS Mid-Year Population Estimates

6.12   Figure 49 profiles growth in the population in terms of absolute changes in the number of people by 5-year age group in the Derby HMA over the 2001-11 period. It highlights that the population has grown in all age groups with particularly strong growth in the population in their 40s and 60s.

Figure 49: Population Growth by Age Group, Derby HMA, 2001-11
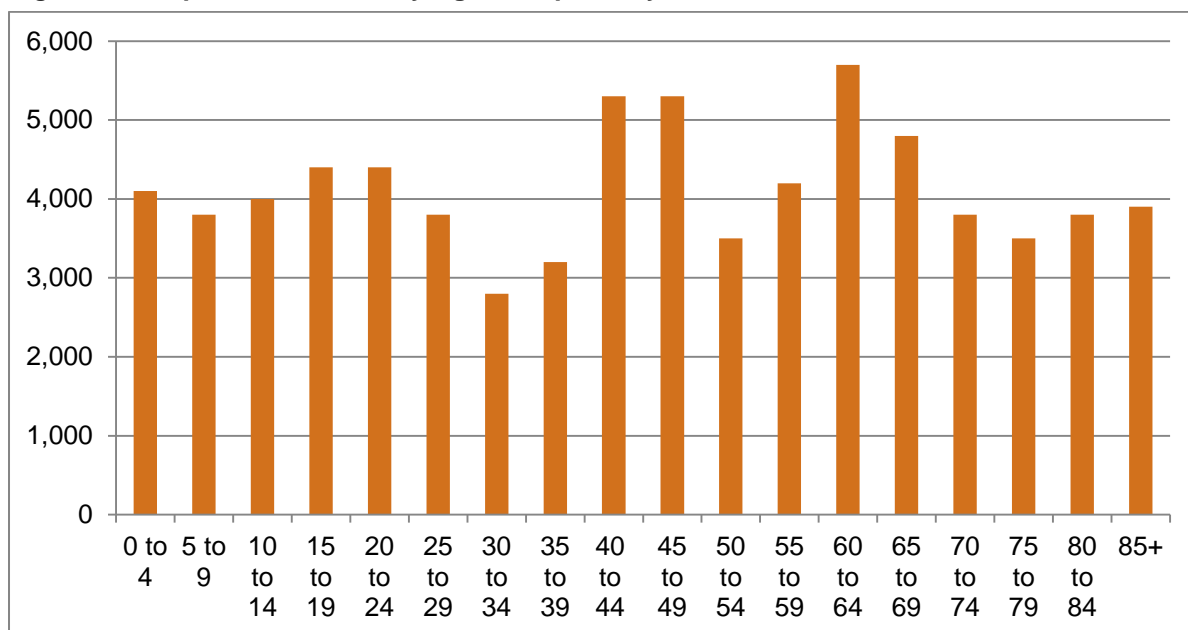
Source: ONS Mid-Year Population Estimates

6.13   Figure 50 profiles the population in different ethnic groups in 2011. Across the HMA, 85% of people are of White British/ Irish origin and 15% from Black and Minority Ethnic Groups (BME)[13]. The largest BME Group is Asian/Asian British (7.4% of the population), followed by White Other (which includes Eastern European migrants).

Figure 50: Population by Ethnic Group, 2011

	White British/ Irish	White Other	Multi-Ethnic	Asian/ Asian British	Black British	Arab or Other
Amber Valley	96.9%	1.3%	0.8%	0.8%	0.2%	0.1%
Derby	76.4%	3.9%	2.9%	12.5%	2.9%	1.3%
South Derbyshire	94.5%	1.2%	1.1%	2.5%	0.4%	0.2%
Derby HMA	85.4%	2.7%	2.0%	7.4%	1.7%	0.8%
East Midlands	86.1%	3.2%	1.9%	6.5%	1.8%	0.6%
England & Wales	81.5%	4.4%	2.2%	7.5%	3.3%	1.0%

Source: 2011 Census

6.14   The BME population within the HMA is focused in Derby and accounts for 26.3% of the City's population. It includes a sizeable Asian/ Asian British population (12.5%), although the population of other BME Groups is also above the regional average.

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[13] We have included White Other in this category

6.15   The largest BME population in Amber Valley is 'White Other.' In South Derbyshire it is the Asian/Asian British population.

6.16   Figure 51 profiles changes in the population by ethnic group over the 2001-11 period in the three authorities. Growth in the White British/Irish population has primarily been in South Derbyshire and Amber Valley. Indeed the White British/ Irish population in Derby declined by -164 persons over this period.

6.17   Population growth in Derby has been driven by growth in the population in BME Groups. Population growth has been strongest in the Asian/ Asian British community (+ 8,600), followed by the White Other population (+ 6,000) although all of the broad BME Groups shown in Figure 45 have grown in size.

6.18   Amber Valley and South Derbyshire have seen modest population growth amongst BME Groups relative to the growth shown in the White British/ Irish population.

Figure 51:   Changes in Population by Ethnic Group, 2001-11
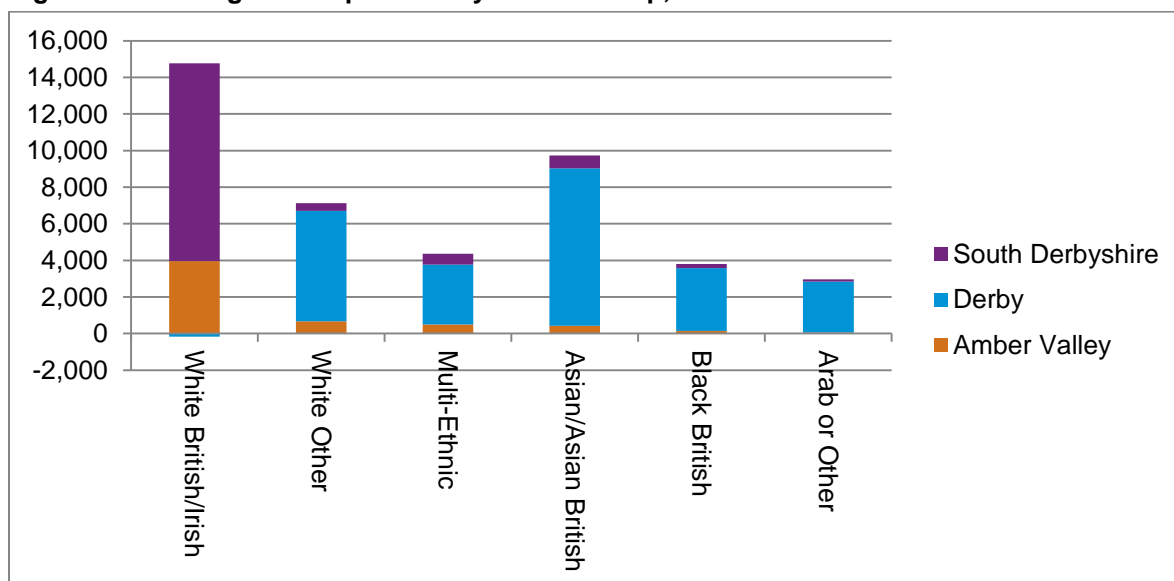
Source: Census 2001, Census 2011

6.19   The analysis suggests an interesting dynamic within the HMA whereby population growth in Derby is driven by growth of the BME population; whereas growth in Amber Valley and South Derbyshire is driven by growth in the population of White British/ Irish origin (including as a result of out-migration from Derby).

Household Structure

6.20   Figure 52 shows the structure of households in each of the authorities in the HMA, based on 2011 Census data. This indicates:

- Amber Valley has a higher proportion of pensioner households (22.7%) and couples with non-dependent children (6.8%) relative to the region and the HMA reflecting its older age structure;

- Derby has an above average proportion of single person households below pensionable age (18.7%). It also has an above average proportion of lone parent households and other households. Its household structure is focused more towards younger households.

- South Derbyshire has an above average proportion of childless couples, couples with dependent children, and couples with non-dependent children.

- The HMA as a whole has an above average proportion of single person households below pensionable age and couples with non-dependent children, and lone parent households with dependent children relative to the region. This particularly reflects the composition of households in Derby.

Figure 52: Household Composition, 2011
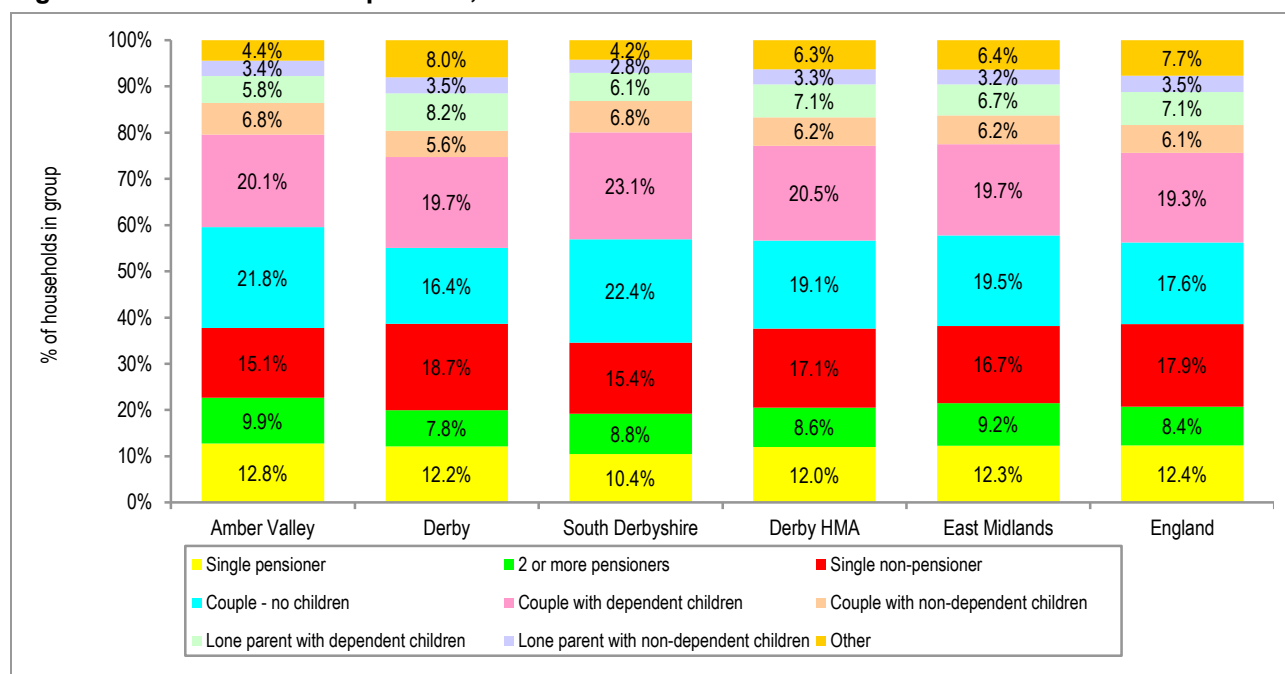
Source: Census 2011

6.21   Figure 53 moves on to consider how the structure of households in the HMA has changed over the 2001-11 period. We have seen growth over this period in households across a range of categories, with the strongest growth in single person and lone parent households, and other households. The numbers of childless couples and couples with children have grown, but to a more moderate degree.

Figure 53:   Change to Household Composition in Derby HMA, 2001-11
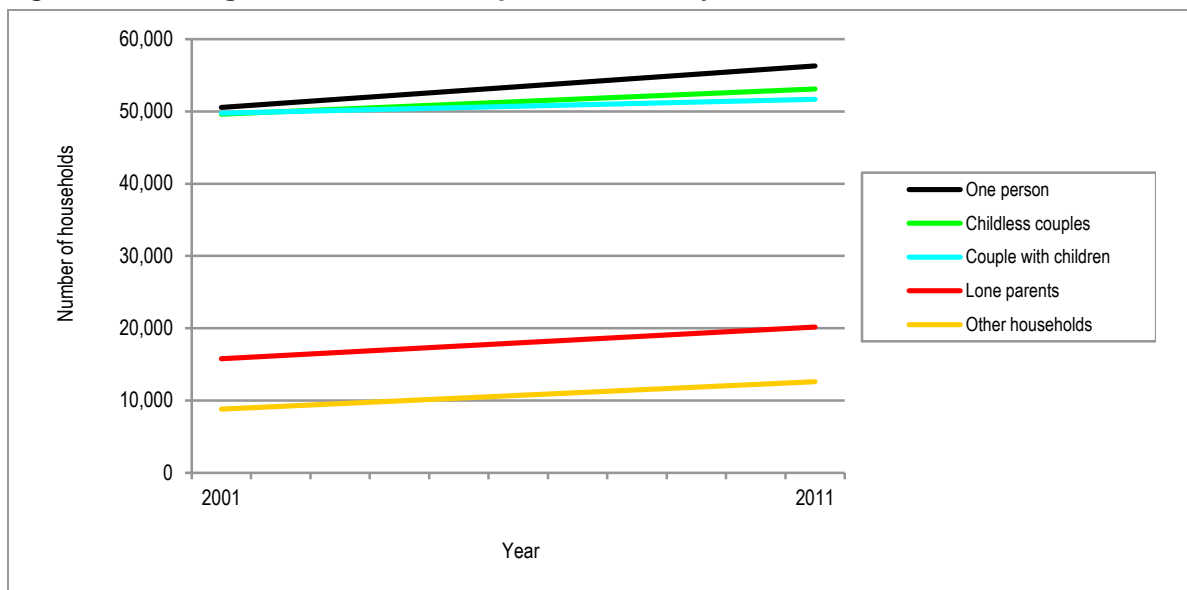
Source: Census 2011

Economic Performance

6.22   One of the influences on the housing market over the period to 2028 will be economic performance, particularly changes in employment which can influence both movement of people to and from the HMA, but also the wealth of residents and their ability to afford different housing products.

6.23   GL Hearn has drawn on various sources to develop an economic profile of the Derby HMA area, including official statistics, the Local Economic Assessments prepared for Derby and Derbyshire, econometric forecasts from Experian and consultation with stakeholders in both Spring and Winter 2012.

6.24   The Derby HMA is a £7.7 billion economy (2010) with total employment in 2010 of 216,100[14]. Derby is the major employment centre in the HMA, accommodating 59% of the total jobs. 26% of jobs in the HMA are in Amber Valley and 16% in South Derbyshire which witnesses the highest levels of out-commuting of the three authorities.

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[14] *Source:* Experian

6.25   ONS data from 2011 indicates GVA per head (a measure of productivity) in Derby was 11.1% above the UK average. This compares with performance in 2001 when GVA was 23.5% above the national average. Amber Valley and South Derbyshire fall within the South and West Derbyshire NUTS3 area. GVA per head in this area stood at 74.2% of the UK average in 2011 compared to 79.5% in 2001. The relative decline indicates that wealth creation and productivity improvements have not quite kept pace with the fastest growing places in the UK.

6.26   Manufacturing makes a strong contribution across the HMA and makes up 23% of economic output. However its contribution has fallen over the 2000-10 decade. The contribution made by the public sector has increased, as has the utilities sector.

6.27   Manufacturing employment is strong in all three authorities but has been declining. Derby has a strong concentration of employment in particular in advanced manufacturing which employs 9.5% of the City's workforce compared to 1.2% across GB[15].

6.28   Derby additionally has an above average concentration of employment in health and in office-based sectors such as finance, business services and information/communications. In Amber Valley there is additionally a concentration of employment in construction; and in South Derbyshire a concentration in other services, services and transport and communications (particularly focused along the A50 Corridor).

6.29   Over the 2000-10 decade public sector employment grew strongly (and indeed its proportion of total economic output increased from 20.5% to 22.2% across the HMA). However growth over the period to 2017 is likely to be constrained by public sector spending restraints. Derby has the highest concentration of public sector employment in the HMA at 24% (in 2010), followed by Amber Valley (21%) and South Derbyshire (15%).

6.30   Looking forward, economic performance will be influenced in particular by a number of key factors:

- Performance of the Manufacturing Industry in the HMA – the HMA has a strong manufacturing base and supports a number of key manufacturing firms – Rolls Royce, Bombardier and Toyota in particular – together with their wider supply chains. Investment and innovation by these businesses will support the local economy and there are opportunities to nurture and develop local supply chains. However these are firms which compete within global markets and are affected by the wider economic outlook. A continued reduction in employment in lower-value manufacturing activities can be expected. The success of the Global Technology Cluster on the southern side of Derby could help to support this sector;
- Freight and Logistics Activities – there is a concentration of employment in freight and logistics particularly to the south of Derby and along the A50 Corridor. There are opportunities to develop this further, albeit that the HMA lies slightly to the north of the 'Golden Triangle' at the heart of the UK which is attractive to national distribution firms. There are proposals for development of a rail freight interchange in South Derbyshire which could support this sector.

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[15] Centre for Cities (Oct 2010)

- Derby City Centre Regeneration – further City Centre regeneration in Derby provides the potential to support further employment growth including through development of world class leisure facilities, and through delivery of new office space. There is a concentration of office occupiers in the City related to existing specialisms, such as professional service companies engaged in the rail sector. The office market in the City is influenced by the proximity to Nottingham particularly in terms of the strength of the financial & business services sector in the City.
- Public Sector Austerity Measures – spending restraints can be expected to influence public sector employment over the period to 2017; although it should be recognised that demographics over the longer-term may influence employment in health and education in particular.
- Enterprise and Small Business Growth – growth in small businesses and self-employment could be an important driver of economic performance moving forwards.

Labour Market

6.31   The 2011 Census in Spring 2011 indicated that 62.2% of the usual resident population aged 16-74 across the HMA was economically active which was marginally above regional and national averages. The employment rate was above the regional average in both Amber Valley (63.8%) and particularly South Derbyshire (66.8%), but below average in Derby (59.6%).

6.32   Levels of part-time employment are fairly consistent across the three authorities: the differentiating factors are full-time employment – which is above average in Amber Valley and South Derbyshire and average in Derby (relative to the region) – and self-employment, which is notably below the regional average in Derby, but marginally above it in Amber Valley and South Derbyshire.

Figure 54:   Employment Rate, 2011

	All People 16-74	In Employment	Part-Time	Full-Time	Self-Employed
Amber Valley	90,558	63.8%	14.8%	40.0%	9.0%
Derby	179,291	59.6%	14.7%	38.5%	6.5%
South Derbyshire	69,450	66.8%	14.8%	42.8%	9.2%
Derby HMA	339,299	62.2%	14.7%	39.8%	7.7%
East Midlands	3,336,532	61.8%	14.4%	38.8%	8.7%
England & Wales	41,126,540	61.9%	13.7%	38.5%	9.7%

Source: Census 2011

Figure 55:   Employment Rate, 2004-12
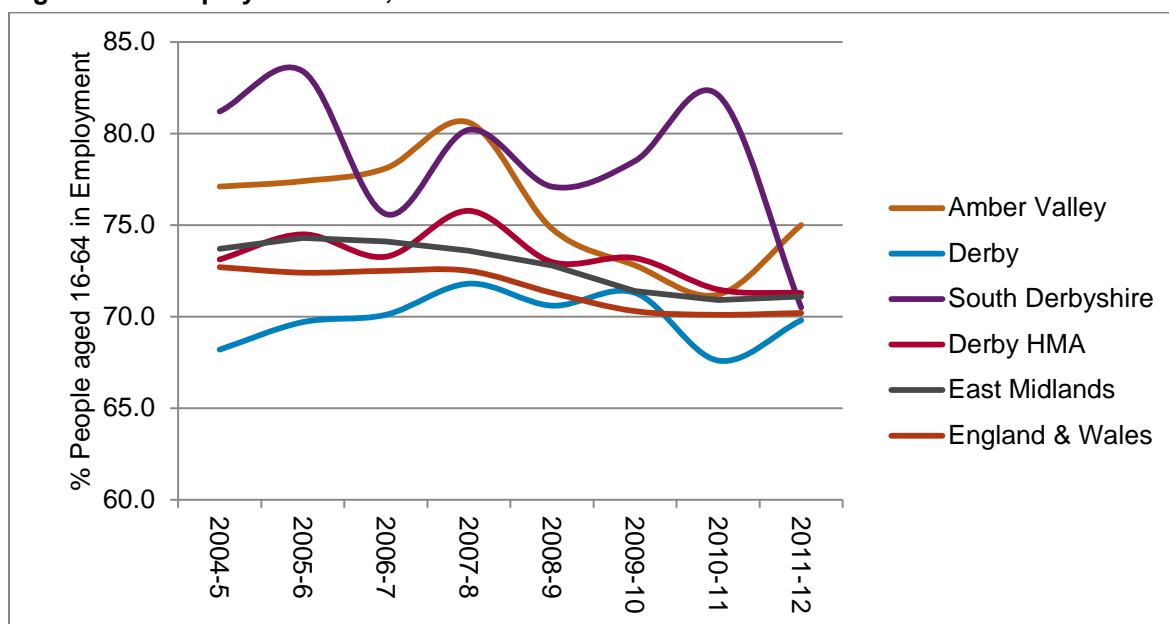
Source: Annual Population Survey

6.33   Overall levels of economic activity (as a proportion of people aged 16-74) are above average in Amber Valley and particularly South Derbyshire, and marginally below average in Derby.

6.34   Derby had the highest levels of unemployment in 2011 of the three authorities, with 5.2% of people aged 16-74 unemployed compared to 4.2% across the East Midlands. The corresponding figures in Amber Valley and South Derbyshire were 3.9% and 3.1%. Growth in unemployment over the last five years is likely to have contributed to an increase in housing need.

Figure 56:   Economic Activity, 2011

	Economically Active	In Employment	Unemployed	Economically Inactive
Amber Valley	69.9%	63.8%	3.9%	30.1%
Derby	69.0%	59.6%	5.2%	31.0%
South Derbyshire	72.5%	66.8%	3.1%	27.5%
Derby HMA	69.9%	62.2%	4.4%	30.1%
East Midlands	69.3%	61.8%	4.2%	30.7%
England & Wales	69.7%	61.9%	4.4%	30.3%

Source: Census 2011

6.35   Based on data from the Annual Population Survey (July 2011 – June 2012), ONS modelled estimates of unemployment at 9.7% of the economically active population aged 16+ in Derby, 7.8% in Amber Valley and 6.5% in South Derbyshire relative to the East Midlands average of 8.1%.

Figure 57:   Unemployment, 2004-12
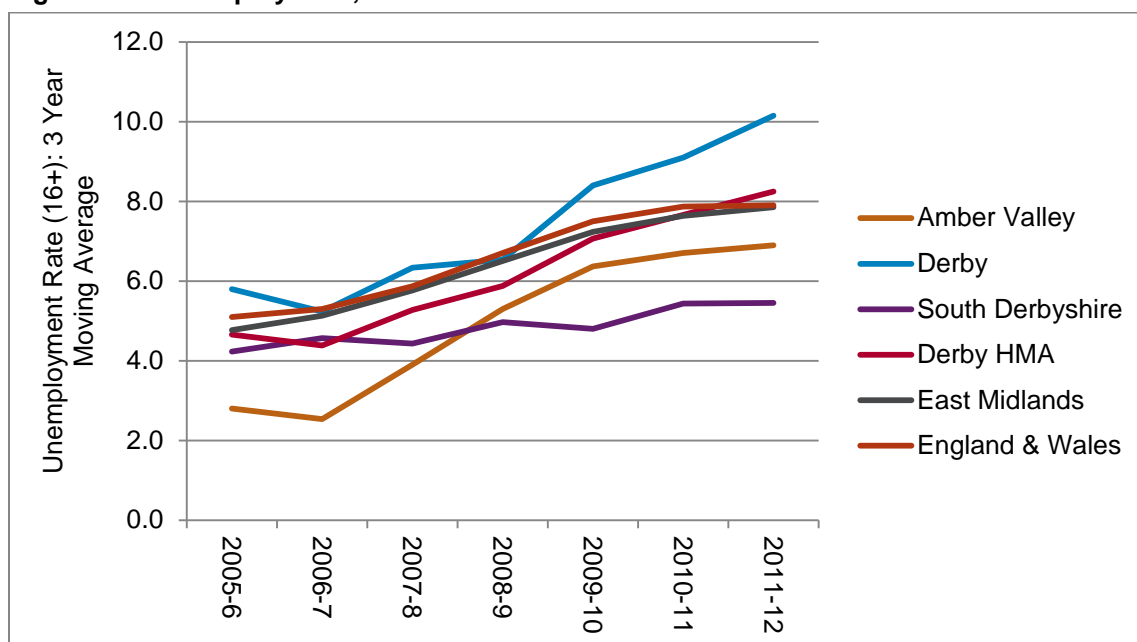
Source: Annual Population Survey

6.36   Data on Job Seekers Allowance (JSA) Claimants from November 2012 indicated a JSA Claimant Rate (% resident population aged 16-64) of 2.1% in South Derbyshire and 2.9% in Amber Valley (both below the regional average of 3.6%) but a higher JSA Claimant Rate of 4.9% in Derby.

6.37   At a more local level, claimant unemployment is focused towards urban areas within the HMA. Within Derby, unemployment is strongest in Arboretum and Normanton wards, followed by Abbey. These all fall within the High Density-Low Income Sub-Market. However unemployment is also above average in Derwent, Alvaston, Boulton and Sinfin wards (which fall within the Mixed Density, Variable Income Sub-Market).

Figure 58:   Job-Seekers Allowance Claimants by Ward, Sept 2012
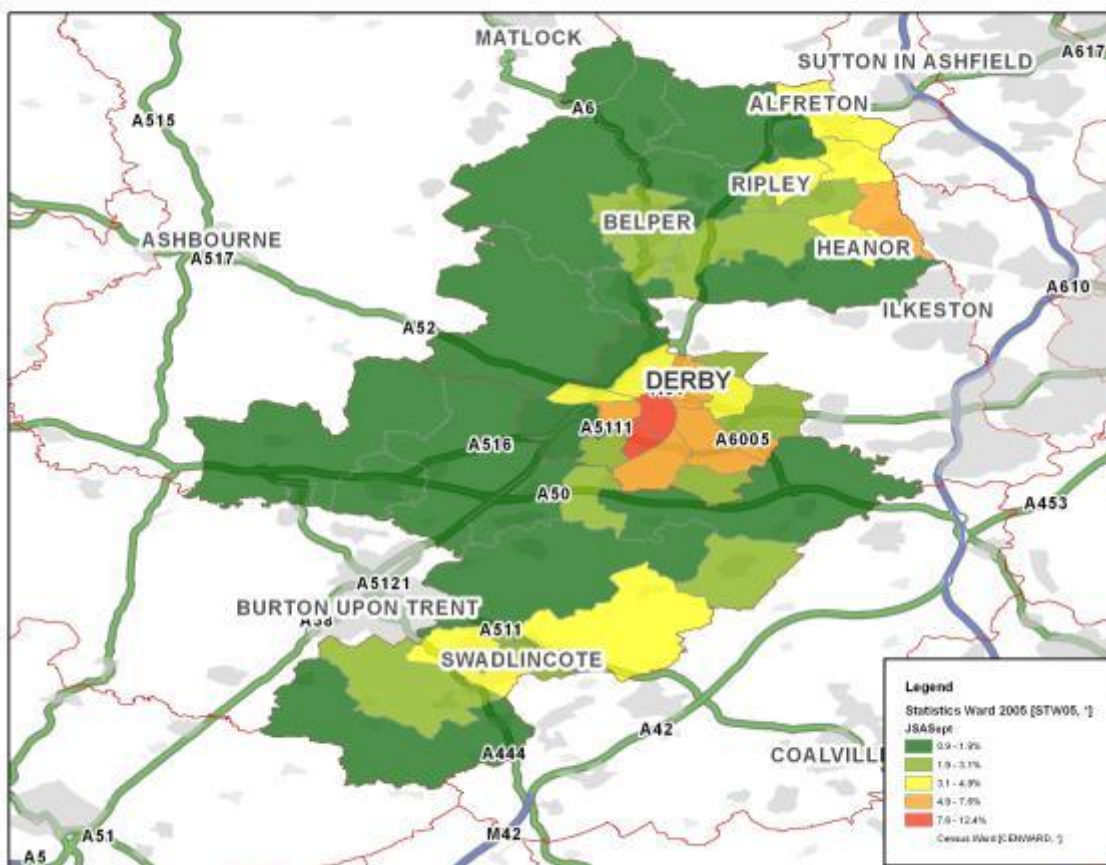
Source: NOMIS

6.38   Turning to look at the occupational profile of residents, across the HMA there are an above average proportion of residents employed in professional occupations, and as process, plant and machine operatives, relative to the regional profile.

Figure 59:   Occupational Profile, 2011
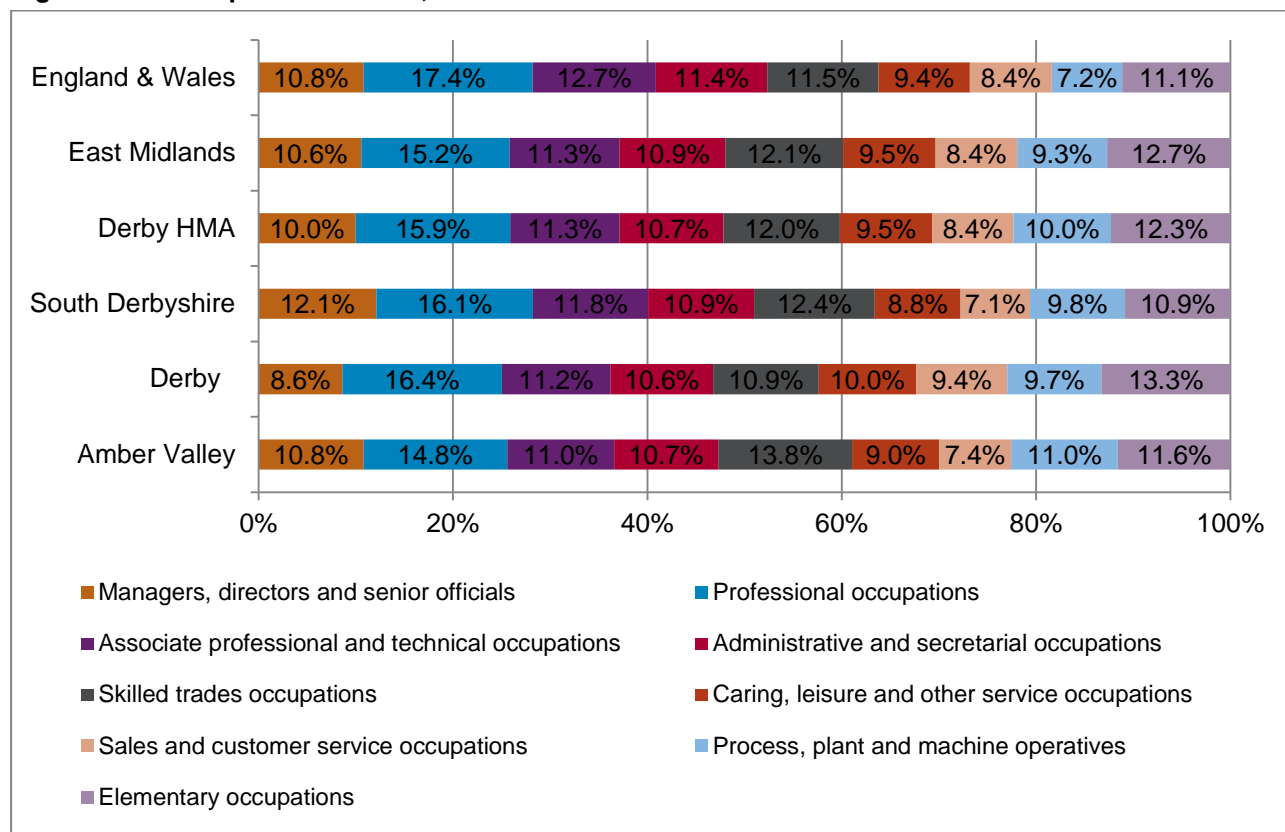
Source: Census 2011

6.39   South Derbyshire has an above average proportion of people employed in managerial and professional occupations relative to the other authorities (and wider benchmarks). 57% of residents in employment are employed in managerial, professional, associate professional/ technical or skilled trade occupations. The proportion in each is above the HMA average.

6.40   Derby has a higher proportion of residents employed in lower paid occupations, including elementary occupations, sales and customer services, and caring/ leisure. However it also has an above average proportion of residents in associate professional and technical occupations (reflecting the manufacturing skills base in the City).

6.41   In Amber Valley, the proportion of people in skilled trades is above average; as in the proportion of process, plant and machine operatives.

6.42   Turning to look at earnings, Figure 60 profiles trends in gross annual pay over the last decade, based on data from the Annual Survey of Hours and Earnings. This reflects the pay of individuals (not households).

6.43   We first consider earnings of residents. Gross annual pay in Derby in 2011 is above the national average, and significantly above the regional average. It has grown over the last decade at a similar rate to national trends. **Given the nature of the housing offer and the population structure in Derby, earnings levels are particularly high**. This again points to potential to develop the housing offer to better meet the needs of working households.

6.44   Average earnings in South Derbyshire are also above average for the region and similar to national levels (although below those in Derby).

6.45   Earnings of residents in Amber Valley are more similar to the regional profile and have more closely tracked regional trends over the last decade.

Figure 60:   Gross Annual Pay of Residents, 2002-2012
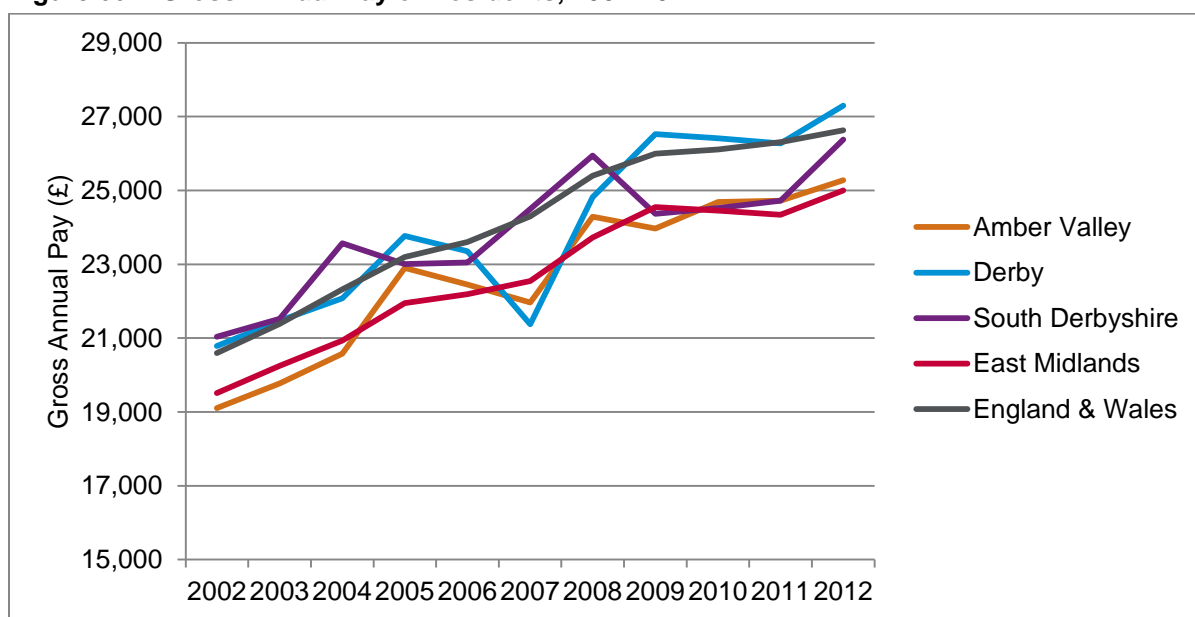
Source: Annual Survey of Hours and Earnings (ASHE)

6.46 Earnings of residents are affected by local jobs but also commuting dynamics. It is useful to compare workplace and residence-based earnings, as Figure 61 does. This highlights that:

- Workplace earnings in Derby are significantly above those in surrounding areas across the HMA, and indeed those in Nottingham. The City is a hub for higher paid jobs at a sub-regional level. Workplace earnings are notably above residents' earnings. This can be expected to support in-commuting to work.
- Workplace earnings in Amber Valley are also surprisingly high: they are above those in South Derbyshire and other authorities which surround the Derby HMA. They are also moderately higher than residents' earnings. This could support moderate in-commuting to higher paid jobs.
- In South Derbyshire there is a stronger differential between residents' and workplace earnings; suggesting higher levels of out-commuting to higher paid jobs.

Figure 61:   Comparison of Gross Annual Earnings, 2012

	Residents	Workplace
Amber Valley	£25,275	£26,542
Derby	£27,294	£32,966
South Derbyshire	£26,382	£23,963
Erewash		£23,087
Broxtowe		£22,541
Nottingham		£25,195
Gedling		£27,090
NW Leicestershire		£25,431
East Staffordshire		£24,846
Derbyshire Dales		£24,619

Source: Annual Survey of Hours and Earnings (ASHE)

6.47 We can consider this alongside commuting dynamics (albeit that the latest data is now somewhat old). The Derbyshire LEA indicates net out-commuting in 2001 of 5,450 persons from Amber Valley and 12,750 persons from South Derbyshire with significant commuting from both into Derby.

6.48 Figure 62 below provides an indication of changes in commuting dynamics since 2001. In-commuting to Derby appears to have increased slightly in proportional terms, from both South Derbyshire and Amber Valley as well as East Staffordshire.

Figure 62: Commuting into Derby, 2001 and 2008

Where people working in Derby live ….	2001 flow	2008 flow
Derby	64.1%	63.6%
South Derbyshire	8.4%	8.6%
Amber Valley	4.8%	5.3%
Erewash	6.6%	5.3%
East Staffordshire	0.9%	3.2%
Broxtowe	2.0%	2.4%
Nottingham	1.4%	1.4%
North West Leicestershire	0.8%	1.1%

Source: Local Labour Force Survey, 2001; Annual Population Survey, 2008

6.49   The proportion of Derby residents commuting out appears to have fallen from 25% in 2001 to 24% in 2008; but with a proportionally marginal increase in commuting to East Staffordshire, Amber Valley and Erewash districts.

6.50   In South Derbyshire, there is significant out-commuting. Self-containment has increased but from a low base, with a significant proportion of the resident workforce commuting to Derby, East Staffordshire or North West Leicestershire to work. The proportion of residents commuting to Derby and East Staffordshire however appears to have fallen slightly.

Figure 63: Out-Commuting from South Derbyshire, 2001 and 2008

Where people living in South Derbyshire work …	2001 flow	2008 flow
South Derbyshire	33.8%	40.2%
Derby	23.9%	22.9%
East Staffordshire	18.4%	12.7%
North West Leicestershire	7.0%	7.3%
Nottingham	-	2.7%

Source: Local Labour Force Survey, 2001; Annual Population Survey, 2008

6.51   For Amber Valley, out-commuting is less substantial and again self-containment has increased – in this case to 59% in 2008. Out-commuting to Nottingham appears to have grown, but has fallen to other locations. Commuting into Amber Valley from Bolsover and Nottingham appears to have increased.

Figure 64:   Out-Commuting from Amber Valley, 2001 and 2008

Where people living in Amber Valley work …	2001 flow	2008 flow
Amber Valley	53.1%	58.7%
Derby	11.2%	11.1%
Nottingham	4.1%	5.9%
Erewash	6.0%	5.5%
Derbyshire Dales	4.9%	3.8%
Broxtowe	3.5%	2.9%

Source: Local Labour Force Survey, 2001; Annual Population Survey, 2008

6.52   These commuting dynamics are potentially influenced by a range of factors including:

- The type and quality of jobs;
- The balance between jobs and homes; and
- The housing-quality of place offer available in different locations.

6.53   Looking at the balance of jobs and homes, we have analysed data on job densities which describe the ratio between jobs and the size of the working-age population. The analysis indicates that both Amber Valley and particularly South Derbyshire have a low jobs density – with more working-age residents than jobs. This is particularly apparent in South Derbyshire. In Derby the jobs density is above average, but remains below other larger cities in the region.

6.54   The Centre for Cities report indicates that there were 51,560 in-commuters into Derby in 2003 (41% of the workforce) but highlights that this is significantly less than the 92,100 who commute into Leicester and 120,100 who commute into Nottingham.

Figure 65:   Jobs Density, 2009

	Jobs Density, 2009
Amber Valley	0.69
Derby	0.81
South Derbyshire	0.51
East Midlands	0.74
England	0.78
Nottingham	0.92
Leicester	0.84

Source: NOMIS

Policy Implications

The Derby HMA has seen above average population growth over the last decade (2001-11) relative to the region, in part influenced by strong housing delivery in South Derbyshire over this period. It has a population structure which is slightly younger than average, particularly reflecting Derby's population. Over the 2001-11 period the population grew across all age groups but particularly those in the 40s and 60s. These trends point to a housing demand profile focused towards family housing.

A particular feature of the HMA's demographic dynamics is the growth in different ethnic groups. Population growth in Derby has been driven by growth in BME groups. It has seen stable household sizes and an increasing level of over-crowing over the 2001-11 period. The evidence points towards a greater requirement for family housing particularly given the City's existing housing mix which is more focused on smaller properties.

Population growth in South Derbyshire and Amber Valley in contrast has primarily been driven by a growing White British/Irish population. There is however differences between the demographic dynamics across the two Districts, with South Derbyshire demonstrating a greater proportion of working-age families with evidence of higher earning households seeking to live in particular in the north of the District close to the A50. In Amber Valley the demand profile is likely to be more focused towards lower and middle-income households and with stronger demand from an older population.

7   HOUSING MARKET DYNAMICS

7.1   The section explores housing market dynamics, and considers key influences on housing demand. It reviews and updated analysis within the Derby HMA Housing Requirements Study (Sept 2012).

7.2   This section considers both macro-economic drivers of the housing market, as well as local dynamics; and draws on interrogation of market indicators such as price and sales rates as well as qualitative evidence from local estate and letting agents. The analysis is then drawn together to consider prospects for the housing market. The analysis has fed in to the development of scenarios for housing requirements presented in Section 9.

CONCEPTUAL FRAMEWORK

7.3   It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level. There are a number of key influences on housing demand, which are set out in the chart below (Figure 66).

Figure 66: Understanding Housing Demand

Source: GL Hearn

7.4   The housing market is complex. It is influenced by the economy at both a macro-economic level, in terms of interest rates and mortgage availability, as well as market sentiment (which is influenced by economic performance and prospects at the macro-level).

7.5   It is also influenced by the economy at both regional and local levels, recognising that employment trends will influence migration patterns (as people move to and from areas to access jobs), and that the nature of employment growth and labour demand will influence changes in earnings (which influences affordability). These issues are considered in the next section.

7.6   Housing demand over the longer-term is particularly influenced by population and economic trends. Changes in the size and structure of the population directly influence housing need and demand, and the nature of demand for different housing products. Economic performance influences migration between different areas and household wealth.

7.7   There are then a number of factors which play out at a more local level, within a functional housing market such as the Derby HMA, and influence demand in different locations. These include quality of place, school performance and the catchments of good schools, the accessibility of areas including to employment centres (with transport links being an important component of this), and the existing housing market and local market conditions. These factors influence the demand profile and pricing, against a context in which households compete within the market for housing.

7.8   At a local level, this means that the housing market (in terms of the profile of buyers) tends to influence by and reinforce to some degree around the existing stock. However regenerative investment or delivery of new transport infrastructure can influence the profile of housing demand in a location, by affecting its attractiveness to different households.

7.9   Local housing markets or sub-markets are also influenced by dynamics in surrounding areas, in regard to the relative balance between supply and demand in different markets; and the relative pricing of housing within them. There is for instance an interaction between the Derby and Nottingham Core HMAs, and between Swadlincote and Burton-on-Trent in East Staffordshire.

UNDERSTANDING THE MACRO-LEVEL DYNAMICS

7.10   Much has been written over the last few years about economic performance and outlook. The UK economy, as well as a number of the major global economies, experienced an economic recession which lasted six quarters from Q3 2008 until the end of 2009. The economy began to recover in 2010. However, the economy entered a double dip recession for three quarters at the end of 2011 and middle of 2012 before exiting it later in Q3 2012 (aided by the Olympic Games).

7.11   Since late 2010 most growth in the economy (at the macro-level) has been from exports and government spending; with trends in consumer spending and investment negative. Inflation has been running at significant above long-term trends. In essence, economic recovery since 2008 has been relative weak – we have seen both a deep recession and weak recovery.

Figure 67:   UK Economic Growth, 2007-2011
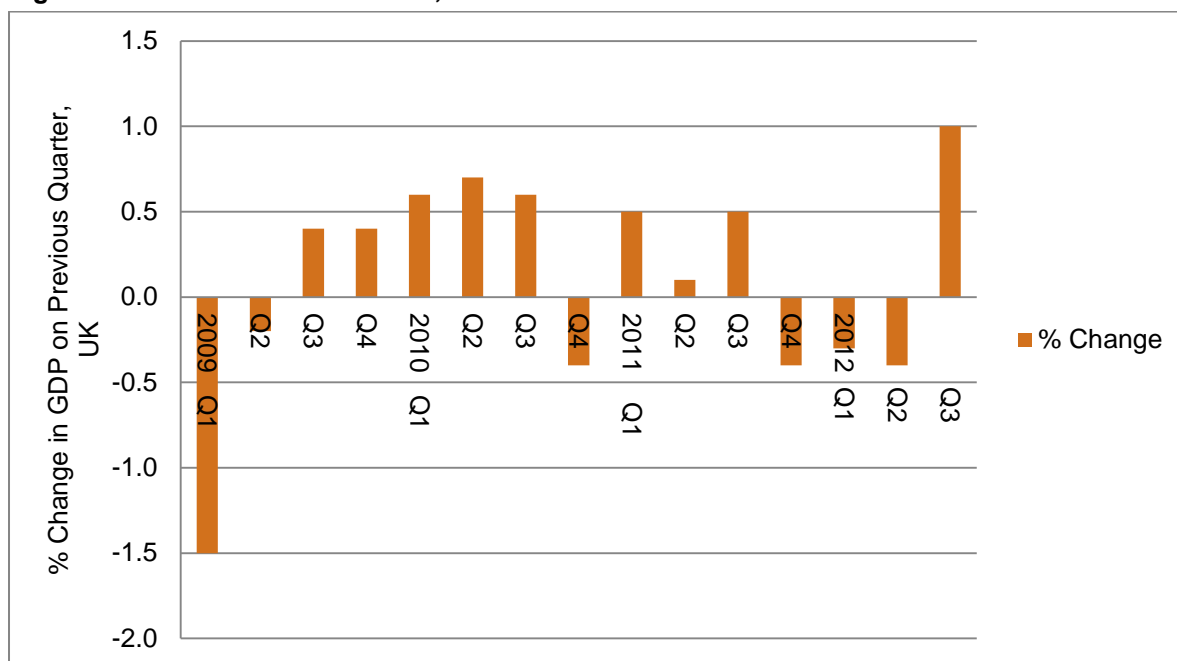
Source: ONS

7.12   One of the key triggers to the recent economic difficulties on an international level was the 'credit crunch.' The downturn in the world economy was led by the sub-prime lending crisis in the United States. This resulted in a fundamental shift in the way banks lend money between themselves, through wholesale money markets, and to their customers (including home purchasers, landlords and developers).

7.13   From the second half of 2007, banks begun to increase the inter-bank lending rate (LIBOR) and sought to adjust their exposure to risk by adopting much more cautious lending practices. The net effect of this was to reduce liquidity in the financial markets and credit available (resulting in a 'credit crunch') and in tightening lending criteria for current and prospective homeowners. This tightening of lending criteria increased 'barriers' to entry for marginal mortgage applicants by reducing loan to value ratios (LTVs), increasing costs associated with obtaining mortgages and reducing the income multiples accepted.

7.14   The tight lending criteria initiated by the 'credit crunch' are very much still with us in 2012 and are restricting housing market activity (as we will come onto).

7.15   The impact of tightening lending criteria had a significant and sharp impact on the ability to secure mortgage finance, with the most noticeably affected being would-be 'first-time buyers' (FTBs) and buy-to-let (BTL) investors who were particularly reliant on more flexible lending criteria. The level of both has dropped dramatically. As a result 'effective' demand for market housing and market activity has decreased significantly. However, access to mortgages is improving and looks set to improve further in 2013. This is shown in Figure 68 which charts long-term trends in mortgage advances.

Figure 68:   Mortgage Advances, UK
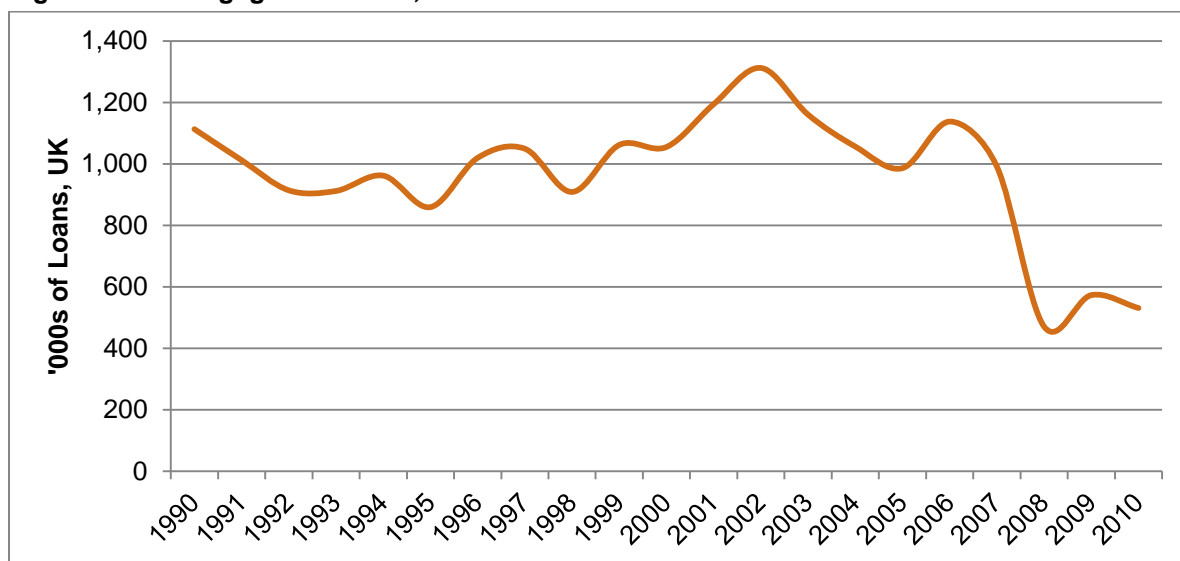
Source: Bank of England Regulated Mortgage Survey

7.16   The analysis clearly indicates that levels of mortgage advances were strong in a historical context between 2001-3 and in 2006; but have fallen since the credit crunch to levels less than half those achieved at the peak of the market and almost 50% below the long-term trend.

7.17   Key issues affecting the ability of households and investors to secure mortgage finance are:

- Savings and Capital: the ability to raise a deposit;
- Earnings and Interest Rates: affecting the ability to afford repayments;
- Lending Criteria: key criteria which have to be met to secure finance.

7.18   Since the credit crunch, the level of capital required to secure a mortgage has been a significant constraint on the housing market. Figure 69 shows deposit requirements for first-time buyers and existing owner occupiers.

Figure 69: Average Deposit as Percentage of Purchase Price
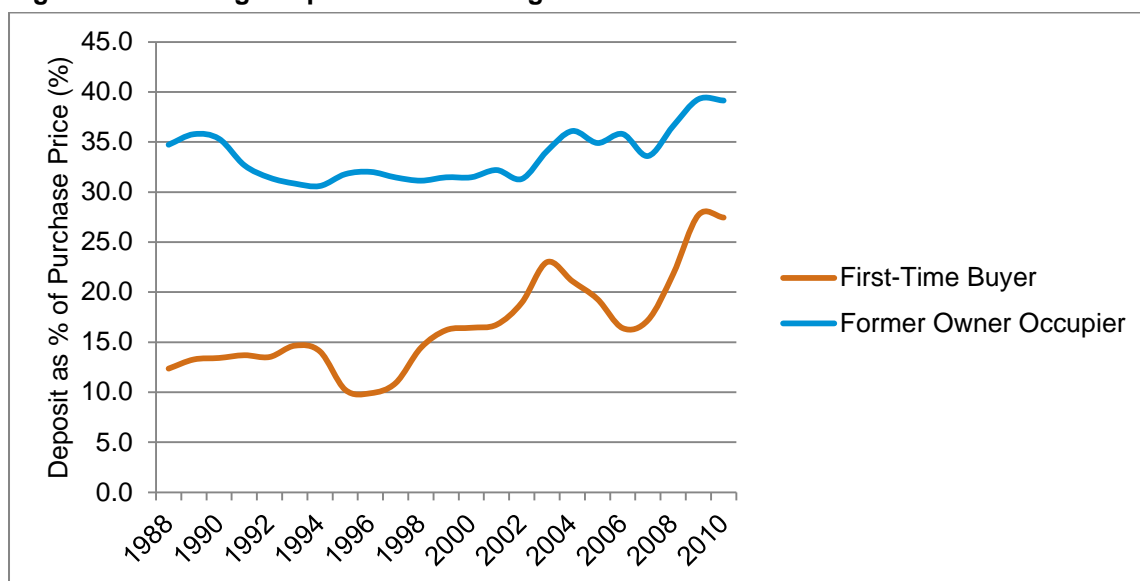
Source: CML Regulated Mortgage Survey

7.19   As the availability of mortgage finance increased between 2003-6, the average deposit paid by a first-time buyer fell from 23.1% to 16.4% nationally, improving the affordability of and access to home ownership and support strong effective demand for market housing. However since the onset of the credit crunch in 2007, deposit requirements have grown significantly; and stood on average at 27.5% in 2010 for first-time buyers.

7.20   We have however seen some improvement since, with CML data suggesting that the average first-time buyer deposit nationally stands at 20% (Sept 2012) which was consistent with the previous year. The indication is that there has been some improvement in the availability of mortgage products in 2011 and 2012 but many households will still not meet the combination of lending criteria for mortgages and have sufficient deposits. In September 2012, the average income multiple for first-time buyers was 3.26 (relatively similar to the previous September). Wider economic conditions (and particularly strong inflation) however are likely to have restricted households' ability to save over the last couple of years. Households' savings remain a significant constraint on accessing owner occupation. This continues to have impacts on the whole market, with the latest data (Sept 2012) indicating that 40% of all sales are from first-time buyers.

7.21   For those with a sufficient deposit, housing is now actually relatively affordable given the reductions in the value of homes since the peak of the market in 2007 and low interest rates. Figure 70 tracks interest rates over the period since 2007. Interest rates over most of this period have been low by historical standards.

7.22   Indeed since March 2009 the Bank of England Base Rate has been just 0.5% - as low as it has even been. This compares for instance to a Base Rate of between 10.4% - 13.4% in 1991. The persistence of low interest rates has helped to make monthly mortgage payments for first-time buyers the most affordable (at a national level) for almost eight years at 12.2% of income in January 2012 according to the Council for Mortgage Lenders.

7.23   Figure 70 assesses long-term trends in the balance between housing costs and incomes as an indicator of the affordability of market housing. It considers the cost of mortgage payments as a percentage of monthly income.

7.24   With reductions in house prices and low interest rates, market housing is now as affordable as it was in the late 1990s on this measure. Mortgage repayments are on average 26.3% of (gross) household income in the East Midlands (and 26.1% across the UK). This is significantly down on the peak of the market in Q3 2008 when mortgage repayments were on average 44.1% of gross income across the region. Indeed affordability on this measure is similar to early 2002.

Figure 70:   Mortgage Payments as a % of Monthly Income
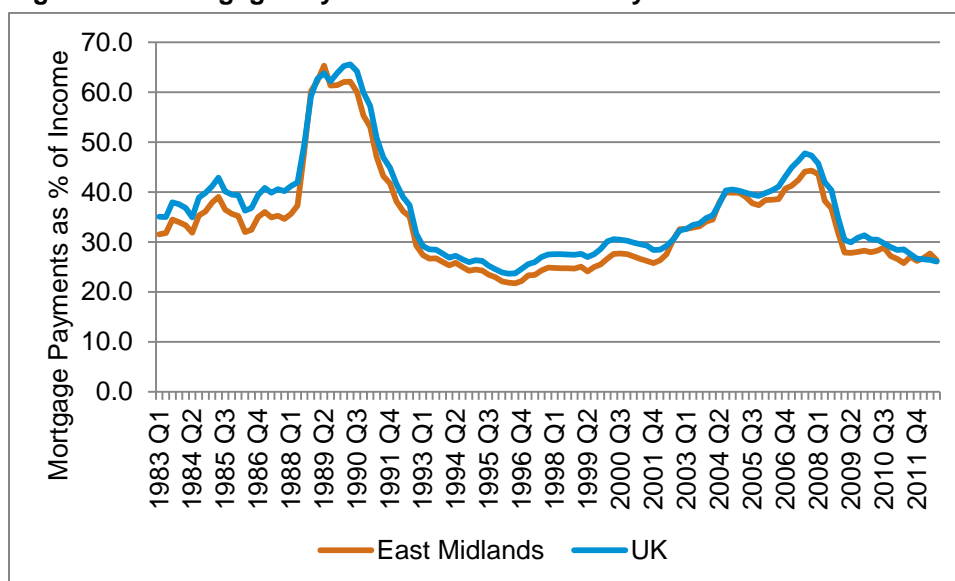
Source: Halifax House Price Index

7.25   Thus the key constraint on the market is not the affordability of housing (in term of the ability of households to cover mortgage repayments[16]), but the ability of households to raise a sufficient deposit and to meet lending criteria to secure mortgage finance.

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[16] Notwithstanding that there are likely to be some repossessions associated with high unemployment

7.26   The mortgage market has been generally subdued since 2007, but there are some positive signs. 2011 saw an increase in annual gross lending (of 4% on a year-on-year basis) for the first time since the onset of the credit crunch. This was particularly driven by an increase in remortgage activity. However lending has since fallen back with gross mortgage lending in Q3 2012 -5% below the third quarter the previous year, and even -2% below the third quarter in 2010.

7.27   The level of deposits needed by many first-time buyers has led to a significant drop in the levels of first-time buyers from pre-2007 levels. Data from the Council for Mortgage Lenders indicates that levels of first-time buyers (based on mortgage advances) over the 2008-2010 period were half the levels achieved between 2005-7. CML data indicates that levels of first-time buyers fell further in 2011 with 193,000 loans taken out nationally, 4% down on 2010.First-time buyer loans in September 2012 were -3.2% down on September 2011.

7.28   The Council for Mortgage Lenders in late 2012 forecast modest improvements in activity in 2013 with improved funding market conditions and a subdued but improving economy, but no strong recovery and suggest that transactions could fall back in 2014. Their December 2012 forecasts indicate:

- The market in 2012 was stronger than expected with c. 930,000 transactions. This is forecast to improve moderately to 950,000 transactions in 2013 before falling back a little in 2014 with a return to around 930,000 transactions in 2014 as the Bank of England's Funding for Lending Scheme ends.
- Similarly for repossessions, CML forecasts that these numbered around 35,000 in the UK in 2012, moderately down on 2011; and forecast that they will continue at this level in 2013.

7.29   Younger buyers (particularly those under 30) remain heavily reliant in the current market on parents and other relatives for financial support in getting on the housing ladder (the so called 'bank of mum and dad').

7.30   The outlook in early 2013 has been improving, in particular with an expectation that the Help to Buy scheme announced in the March 2013 budget could play an important role in stimulating demand, both for new-buy and (in terms of mortgage guarantees) for the resale market as well.

7.31   Sales of homes are however not just influenced by first-time buyers and those trading up or down within the housing market. They are influenced by investment activity – properties bought to be rented privately.

7.32   It is important to consider and recognize the difference between supply and demand dynamics in the private rented sector.

7.33   Demand is many areas has increased notably since 2008 as households who previously might have been able to buy a home are unable to do so, or choose to defer purchasing (for instance

because of uncertainty about price trends). Households living in the private rented sector are typically living in properties for longer (reducing supply).

7.34   Furthermore supply has been affected by mortgage finance constraints with investors against requiring significant deposits to purchase property. This has restricted the numbers of investment purchases and buy-to-let mortgage activity, particularly from smaller investors (as larger investors often can raise capital through remortgage of existing properties).

7.35   Buy-to-let ('BTL') lending remains significantly below pre-credit crunch levels achieved before 2007. BTL lenders financed 66,000 new home purchases in 2011 - less than 8% of total purchases. This was however better than in the previous few years. Improvements in buy to let lending have been seen in 2012. Whilst increasing from a subdued level, the Council for Mortgage lending reported that buy–to–let lending in the first 9 months of 2012 was 19% higher than the same time in 2011. The increase in the buy- to- let sector can be seen below. It is notable but BTL lending remains moderate in the context of pre-2008 levels.

Figure 71: Buy-to-Let Lending in the UK (£ million)
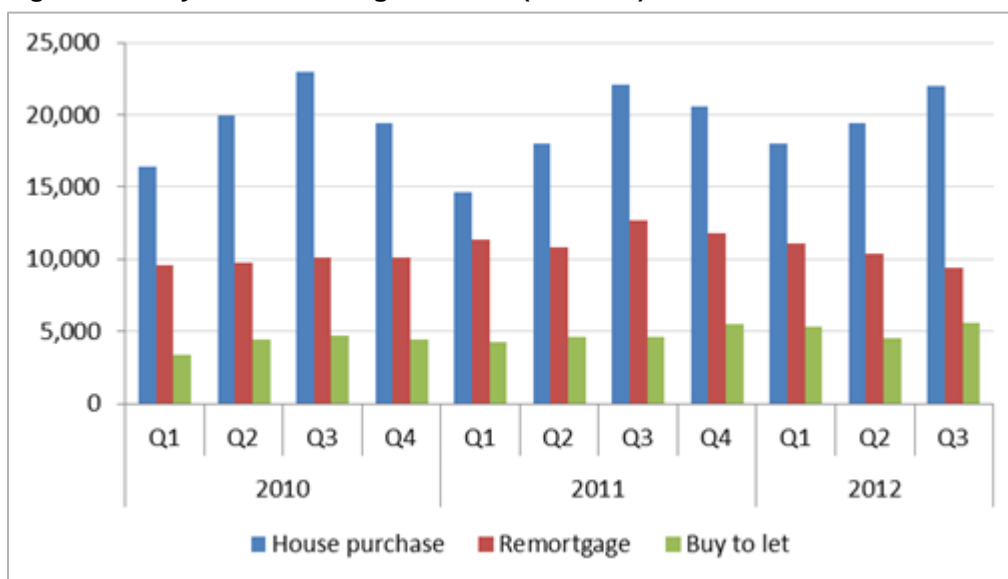
Source: Regulated Mortgage Survey cited in *Council for Mortgage Lenders*

7.36   With growth in rents and lower capital costs for house purchases, housing represents an improved investment proposition. There is evidently occupier demand from a combination of demographics, limited new-build and restrictions on home purchases.

Local-Level Dynamics

7.37   We next turn to consider local level dynamics. As we will show, local level trends in house prices and sales relate strongly to national and regional trends. This indicates the importance of the macro-economic dynamics and drivers described above in influencing housing market conditions in the Derby HMA.

7.38   We consider key market indicators – sales (as indicative of 'effective' market demand) and house prices (which reflect the balance between supply and demand).

House Prices

7.39   Figure 72 profiles trends in the price of a standard property across the East Midlands and the UK using the Halifax House Price Index. The Index indicates that the price of a standard property in the East Midlands increased by 98% between Q2 2001 – Q2 2004 (over just a three year period) as effective demand from both owner occupiers and investors grew rapidly (and faster than supply). This strong growth in prices was influenced by:

- Low interest rates;
- Competition in the mortgage market, with increasing range of mortgage products;
- A stable, growing economy; and
- The relative inelasticity of housing supply, which did not increase as fast as demand.

7.40   Between Q2 2004 and the peak of the market in 2007, house prices in the region grew by a more modest 17%.

7.41   House prices in the region and nationally have since fallen. At Q2 2012, the price of a standard home was £141,139, 16.7% below its peak five years previously. This is similar to prices in mid-2004 (although that it would be lower if 'inflation-adjusted') and just 7% above the low-point of house prices in 2011.

7.42   A fall in house prices is indicative of greater supply than effective demand for housing over this period, for the reasons described above.

Figure 72:   Price of a Standard Property, East Midlands and UK
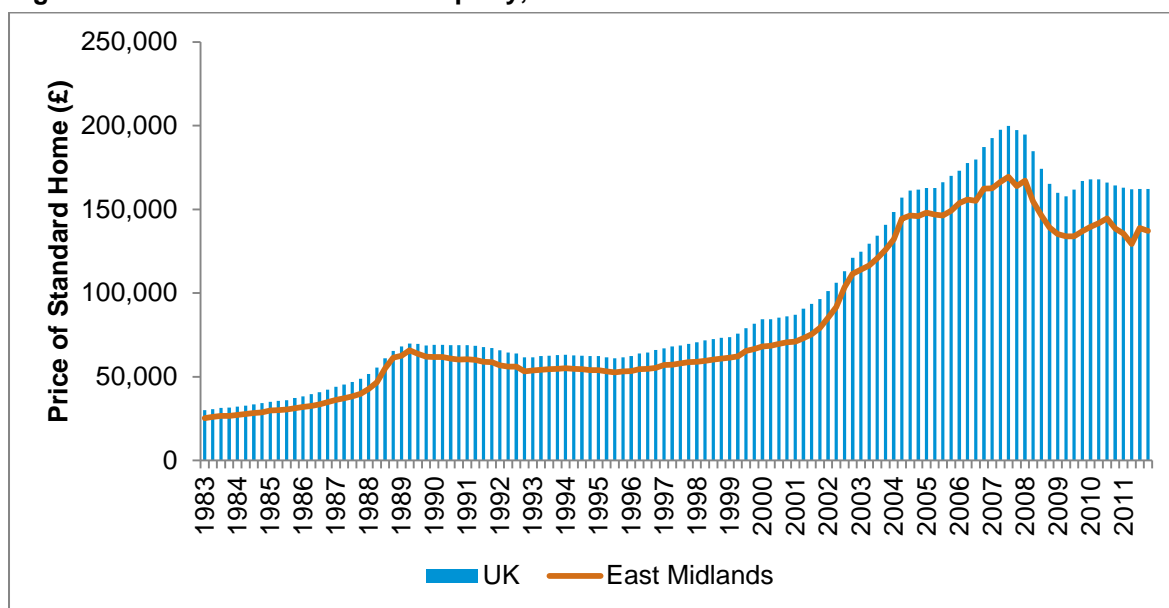
Source: Halifax House Price Index

7.43   Looking at house price dynamics at a more local level within the Derby HMA, we have analysed trends in house prices for two time periods – the decade to 2007; and the period since 2007.

7.44   Median house prices grew throughout the decade to 2007, as Figure 67 below indicates, with the strongest growth rates posted between 2001 – 2004. Over the decade (Q4 2008 – Q4 2007) the average house price in Derby increased by £88,000 (196%) and in Derbyshire by £89,000 (165%). Growth in prices was stronger still in Amber Valley (£93,000, 194%) and South Derbyshire (£99,500, 167%). Trends in house prices closely tracked regional and national trends (highlighting the importance of macro-economic drivers).

Figure 73: Median House Price Trends, 1998 - 2007
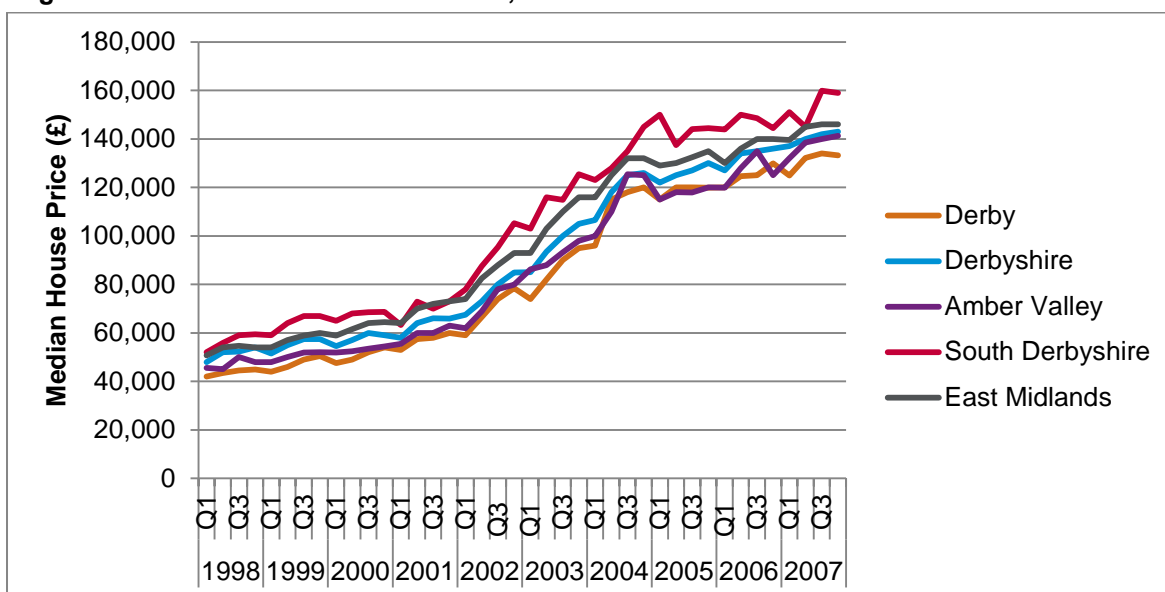
Source: HM Land Registry/ CLG

7.45   Price trends since the beginning 2008 have however been very different, as the chart below indicates. Between Q1 2008 and Q3 2011 house prices have been broadly static across the East Midlands (with a modest fall of -£500 in the median price). In the Derby HMA, median house prices in Derby have fallen by £1,000 (-1%) but this has been modest compared with reductions of £8,500 in South Derbyshire (-6%) and £13,000 (-9%) in Amber Valley.

7.46   Price trends would indicate that since 2008, there has a reasonable balance between effective demand for market homes and supply.

Figure 74:   Median House Price Trends, 2008 – 2011
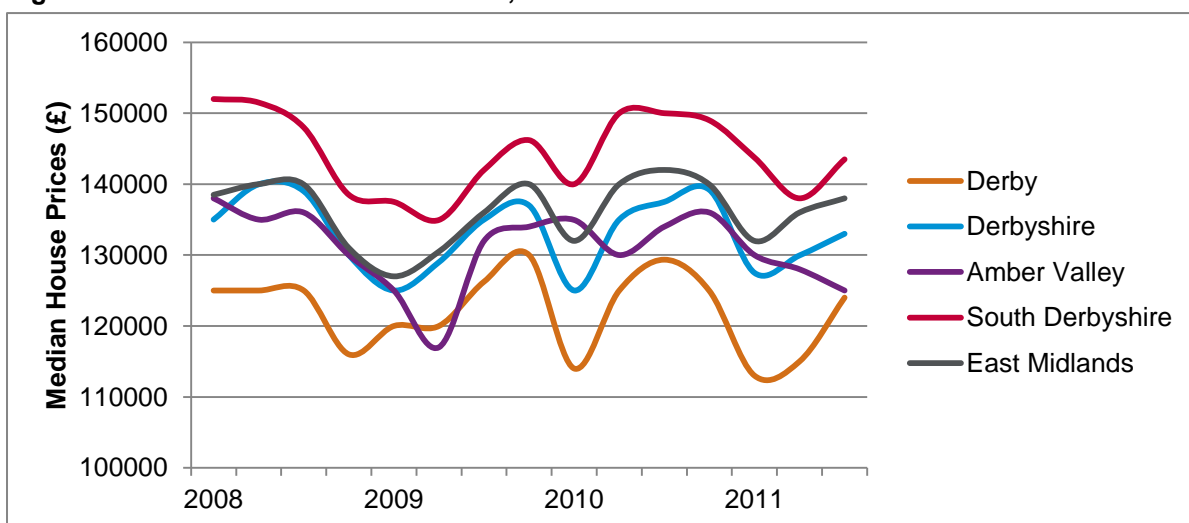
Source: HM Land Registry/ CLG

7.47   Average house prices are influenced by the mix of homes sold. Figure 75 profiles average prices of properties sold in 2011 by type. The analysis indicates that house prices by type do not vary that significantly between the three authorities, particularly compared to the differences in housing costs between different types of property. This is reasonable for a single HMA.

Figure 75:   Average House Price by Type, 2012 (January – June)

	Detached	Flats	Semi-detached	Terraced	Total house sales
Amber Valley	£239,287	£80,167	£122,731	£106,057	£158,688
Derby	£197,054	£85,637	£118,551	£101,555	£132,233
South Derbyshire	£221,989	£80,167	£146,515	£144,276	£175,105
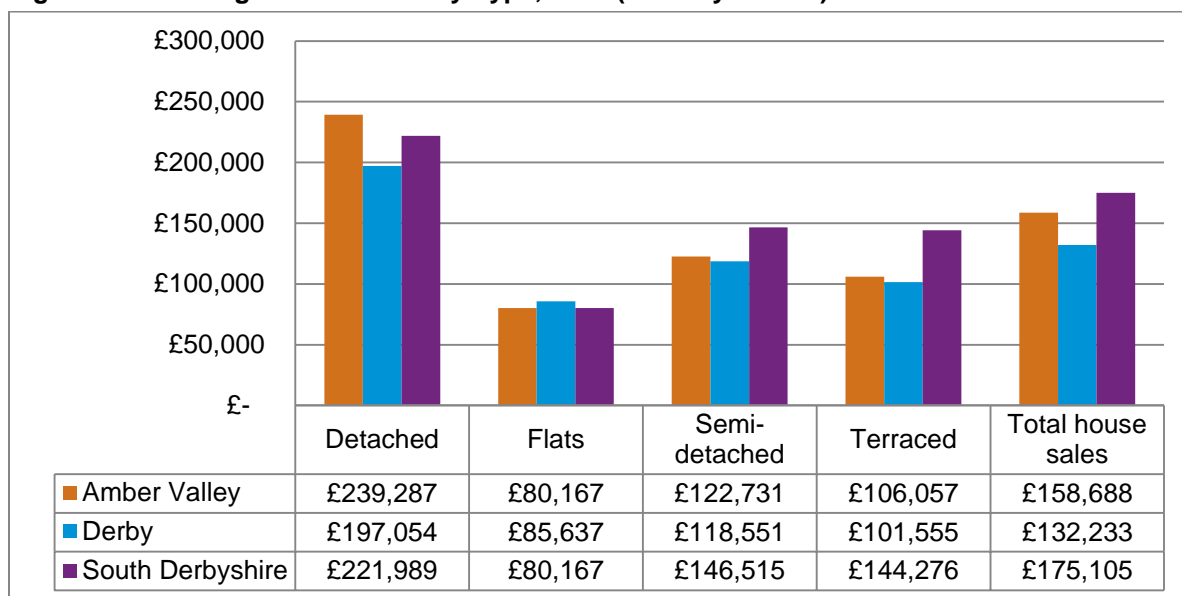
Source: HM Land Registry/ Hi4em

7.48   House prices are notably higher for detached properties (ranging between £197,054 - £239,287 across the three authorities). Prices for semi-detached and terraced properties are strongest in South Derbyshire. Values of flats are notably lower in Amber Valley and South Derbyshire (averaging £80,000) indicating a stronger flatted market in Derby. This provides an indication of relative demand.

7.49   Figure 76 profiles changes in house prices between 2007-2011 by property type. The chart highlights that the value of flats in Derby has declined dramatically (whilst in contrast values have been broadly stable in South Derbyshire, and declined only moderately in Amber Valley).

7.50   In Amber Valley the value of detached properties has declined less than in Derby or South Derbyshire. However semi-detached values have declined to a greater extent in comparative terms.

Figure 76:   Change in Mean House Prices by Type, 2007-2011
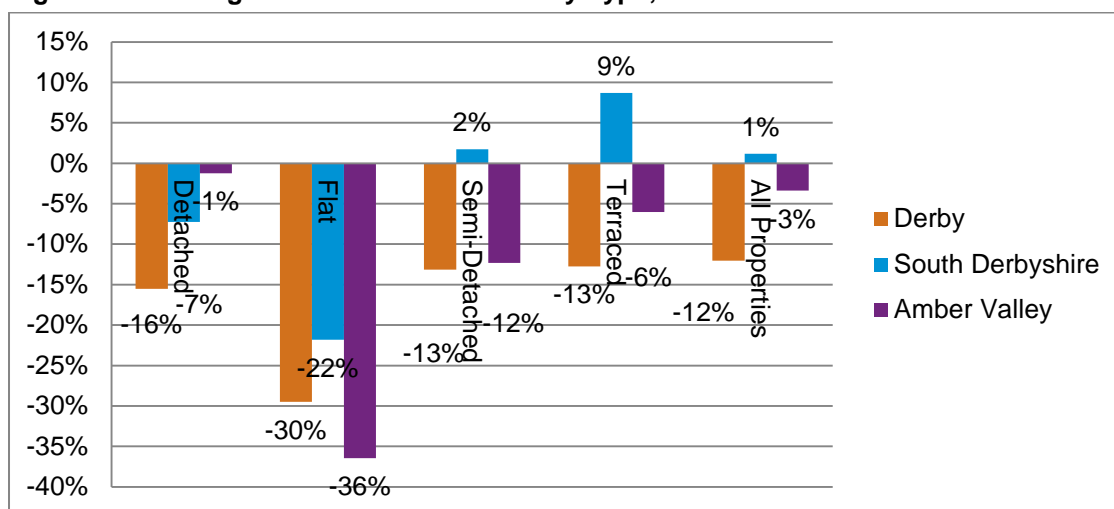
Source: HM Land Registry/ Hi4EM/ GLH

7.51   Overall the analysis points to a period of significant over-supply of flats in Derby (relative to demand) and indicates that prices for terraced housing have fallen more dramatically than for detached or semi-detached homes.

7.52   It suggests that the lower end of the market has seen a more substantial reduction in demand which is likely to relate to a reduction in investment and first-time buyer demand which makes up a strong element of demand for these products. While the market for detached and semi-detached homes has been clearly affected by overall market conditions, as buyers often have capital in their existing properties they are less susceptible to current constraints on mortgage finance.

7.53   Figure 77 provides an analysis of spatial variations in average house prices across the HMA. House prices in the HMA appear higher (on a like-for-like basis) in Derby and Belper, with lower prices in Heanor, and Alfreton in particular.

Figure 77:   Average House Prices (Mix-Adjusted) using Zoopla Index, Q4 2012

	Average House Price
Derby	
Derby	£154,587
South Derbyshire	
Swadlincote	£139,536
Amber Valley	
Alfreton	£124,103
Ripley	£131,857
Heanor	£119,144
Belper	£184,305

Source: Zoopla, 2012

Sales Trends

7.54   We consider sales trends to be a key indicator of 'effective' market demand for homes (as discussed above).

7.55   Figure 78 benchmarks sales rates between 1998-2010 in the Derby HMA and surrounding Housing Marker Areas. It uses an indexed analysis where 1 is the average annual volume of sales between 1998-2007. The analysis indicates that sales volumes dropped dramatically in 2008 and there has been very limited subsequent recovery. Sales in 2010 in the Derby HMA were 44% down on pre-recession levels, which was broadly consistent with the picture across the East Midlands (-46%) and England (-45%). The similarity between trends indicates the importance of macro-level factors in influencing effective market demand.

Figure 78:   Indexed Analysis of Sales Trends (1998 – 2010), Housing Market Areas
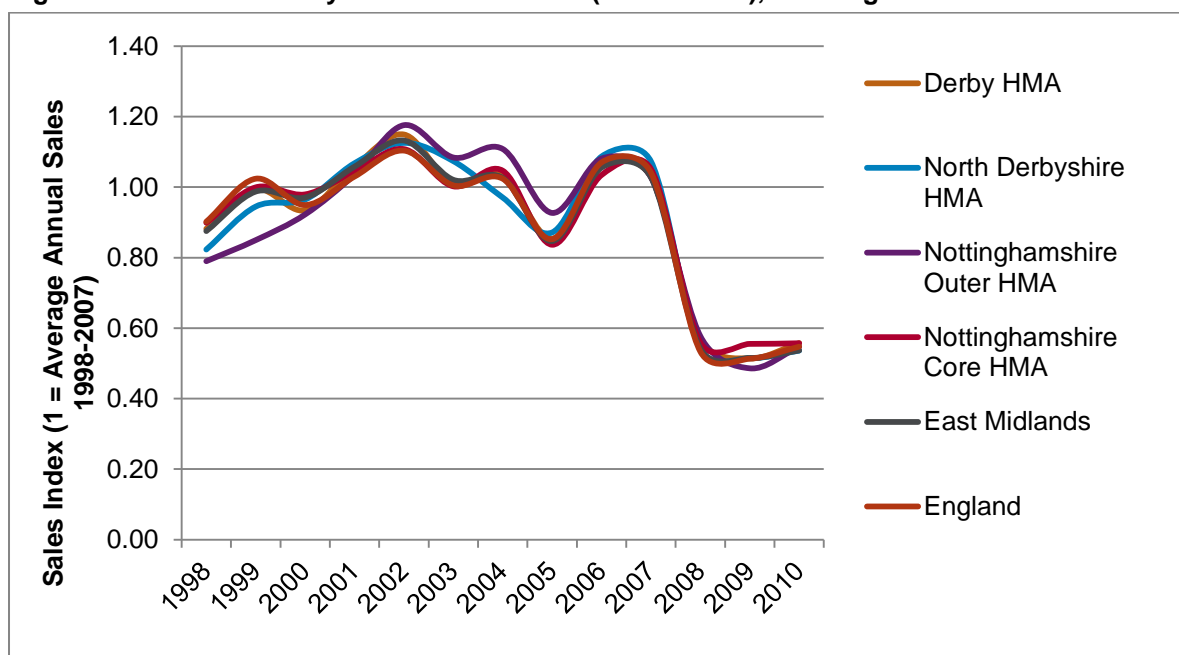
Source: HL Land Registry/ CLG/ GLH

7.56   Sales trends in each of the three local authorities are broadly consistent with these trends across wider geographies.

Figure 79: Indexed Analysis of Sales Trends (1998 – 2010), Local Authorities
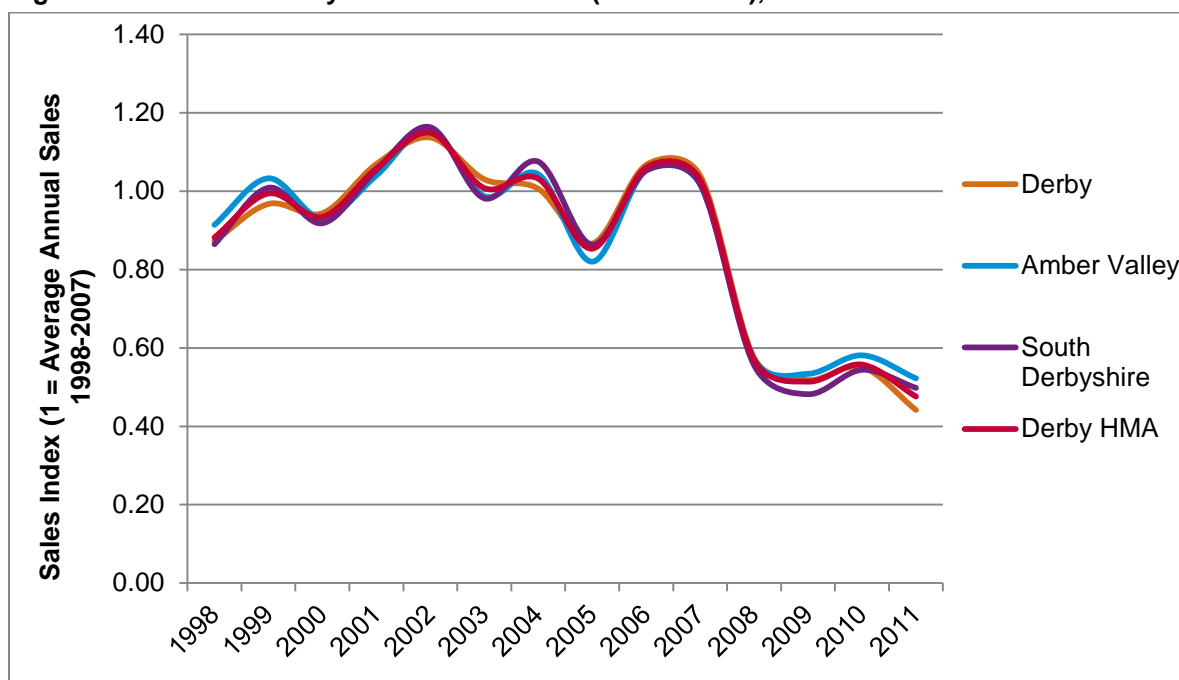
Source: HL Land Registry/ CLG/ GLH

7.57   Figure 80 above indicates that effective demand in Amber Valley has been slightly stronger in 2010 and 2011 in relative terms than in the other authorities. In 2011 sales across the HMA were -52% down on average levels in the pre-recession decade (1998-2007). In Amber Valley sales were -48% down, in South Derbyshire -50% and in Derby -56%. These differentials appear to be influenced by differences in the housing mix across the three authorities (which we consider next).

7.58   Over the past four years, we have seen a reduction in sales across all types of housing in Derby, but this has been most pronounced for flatted development where sales in 2011 were -72% lower than in 2007. Sales of terraced housing have also been more affected – with a -51% reduction in sales compared to -43% for detached and -47% for semi-detached properties. Flats/maisonettes and terraced properties have similarly seen the strongest reductions in prices in proportional terms.

Figure 80: Sales by Type in Derby, 2007 and 2011

	2007	2011	% Change
Detached	1,176	670	-43%
Semi-Detached	1,975	1,050	-47%
Terraced	1,571	775	-51%
Flat/Maisonette	584	162	-72%
All Properties	5,306	2,657	-50%

Source: HM Land Registry/ Hi4em

7.59   The overall profile of sales however continues to be dominated by sales of houses rather than flats, with the greatest proportion of sales in the City of semi-detached properties.

Figure 81:   Sales Trends – Derby (2007-11)
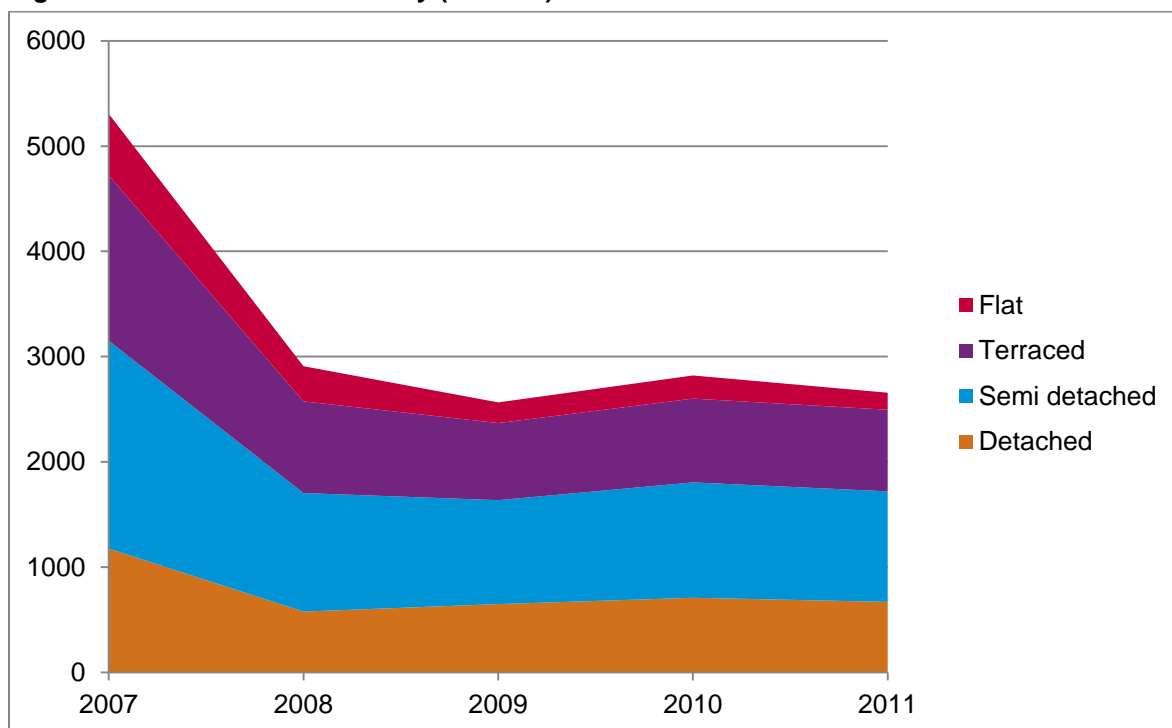
Source: HM Land Registry/ Hi4em

7.60   Turning to Amber Valley, the volume of flatted sales has reduced less than for other property types but this may well be affected by the relatively limited size of this market (with flats accounting for just 2% of total sales in 2007). The volume of sales of terraced housing has reduced more significantly (a -54% reduction from 2007 to 2011) than has been the case for semi-detached and detached properties (-44% and -48% reductions respectively).

Figure 82:   Sales by Type in Amber Valley, 2007 and 2011

	2007	2011	% Change
Detached	863	486	-44%
Semi detached	936	490	-48%
Terraced	828	382	-54%
Flat/Maisonette	56	37	-34%
Total	2,683	1,395	-48%

Source: HM Land Registry/ Hi4em

Figure 83: Sales Trends – Amber Valley (2007-11)
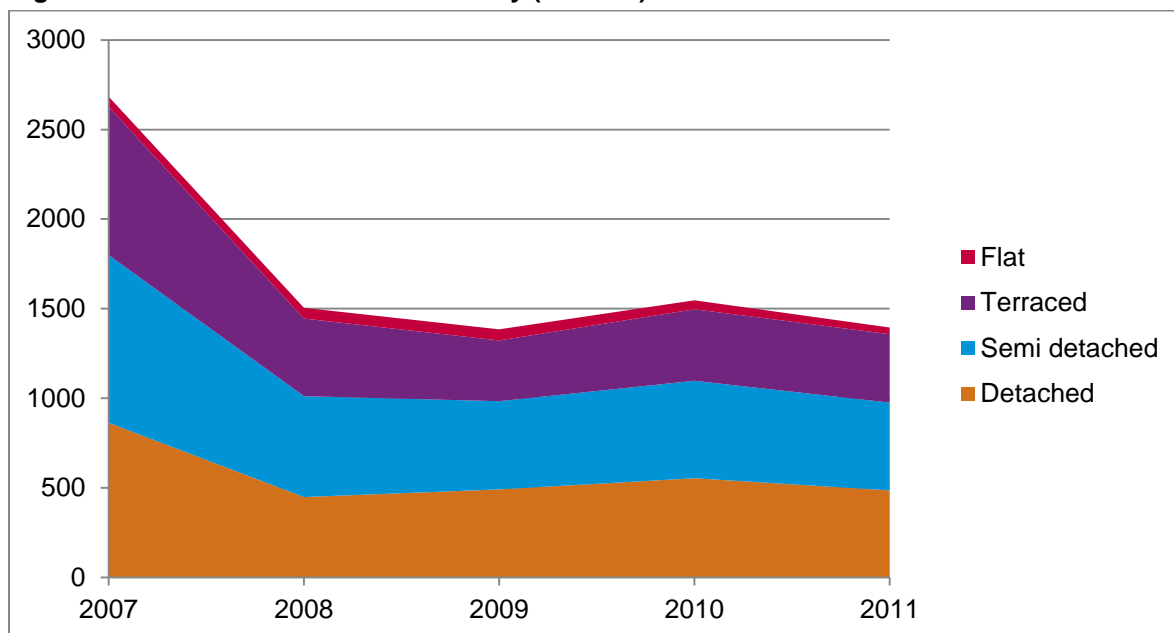
Source: HM Land Registry/ Hi4em

7.61   Looking at South Derbyshire, as with Derby there has been a very substantial reduction in sales of flats/maisonettes with a reduction in sales of -82% between 2007-11. In South Derbyshire, the number of sales of semi-detached properties has fallen slightly more than for terraced housing. Detached sales having fallen the least (in common with the other two local authority areas).

Figure 84: Sales by Type in South Derbyshire, 2007 and 2011

	2007	2011	% Change
Detached	857	478	-44%
Semi-detached	744	358	-52%
Terraced	544	275	-49%
Flat	188	33	-82%
Total	2,333	1,144	-51%

Source: HM Land Registry/ Hi4em

Figure 85:   Sales Trends – South Derbyshire (2007-11)
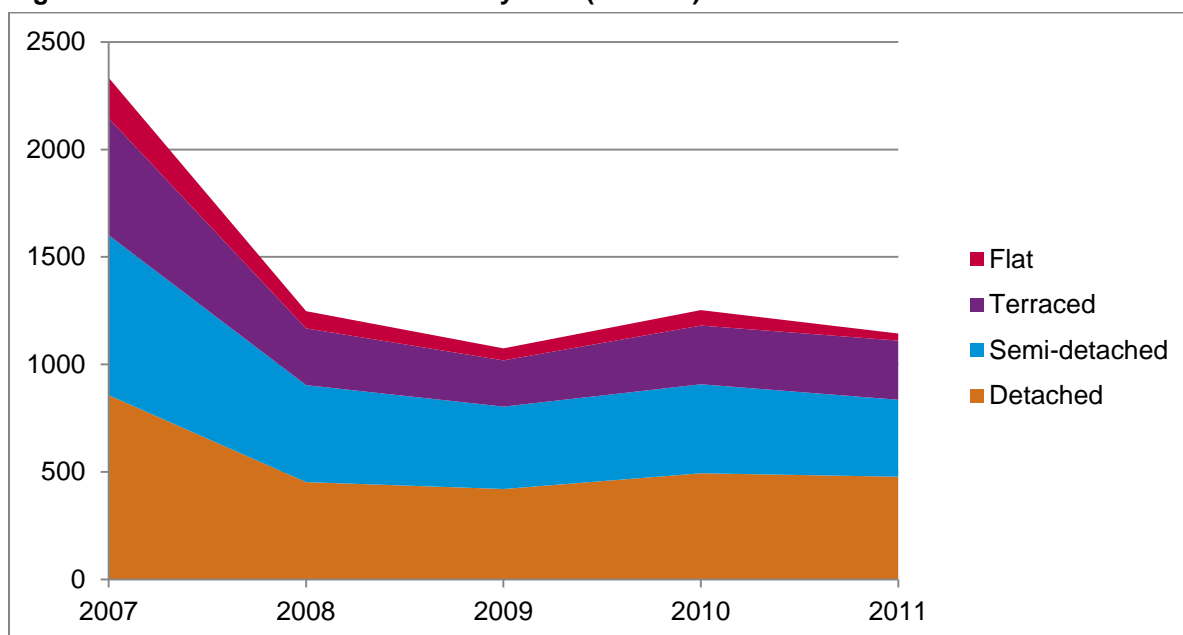
Source: HM Land Registry/ Hi4em

7.62   Overall the sales analysis highlights that property market activity and 'effective' market demand (from both owner occupiers and in regard to investment purchases) in the Derby HMA have been significantly affected by constraints on access to mortgage finance and wider market confidence. We can expect changes in macro-economic dynamics to therefore impact on market conditions at a local level.

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Policy Implications

Market conditions are clearly currently subdued, with sales in 2011 52% below the pre-recession level across the HMA and the market for flatted and to a lesser extent terraced properties particularly affected. This reflects a combination of factors including the macro-economic context, limited growth in real earnings, and mortgage lending criteria.

Our expectation is that we will see some recovery in the housing market phased over the next few years. The economic outlook remains subdued as do prospects for growth in earnings. In the short-term the Help to Buy scheme may help to trigger an improvement in market conditions. However the underlying economic fundamentals remain weak and are likely to result in more modest household formation than in the pre-2007 decade; and continuing demand for rental housing.

The profile of market demand for homes in the short-term is likely to be more focused towards traditional family housing, with the market for flatted properties more significantly affected by constraints on mortgage finance, lower volumes of first-time buyers and difficulties and the costs of securing development finance for larger flatted schemes. It is more likely to be focused towards smaller sites of < 200 homes suitable of accommodating family housing recognising the higher finance costs associated with schemes requiring a significant upfront outlay to deliver infrastructure.

The Private Rented Sector has been a key growth sector in the market over the last decade and it seeks likely that this trend will continue. More households in their 20s and early 30s are likely to rent. 2012 saw an increasing number of buy-to-let mortgages taken out (albeit that we have not seen a return to pre-2007 demand. There will be a continuing need for the Councils to improve standards in the Private Rented Sector through enforcement action, and potentially through licencing or accreditation schemes.

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8   AFFORDABLE HOUSING NEED

Introduction

8.1   In this section we discuss levels of housing need in each of the three authorities making up the Derby Housing Market Area.

8.2   Housing need is defined in SHMA guidance[17] as the quantity of housing required for households who are unable to access suitable housing without financial assistance. These households will be eligible for affordable housing. Affordable housing is defined in the National Planning Policy Framework[18] as social rented, affordable rented and intermediate housing provided to eligible households whose needs are not met by the market.

8.3   Government guidance on Strategic Housing Market Assessments[19] sets out a model for assessing housing need (known as the Basic Needs Assessment Model). This model has been used herein. This model looks at need and supply of affordable housing to some degree in isolation from other tenure categories, particularly the Private Rented Sector which, in reality, can play an important role in meeting housing need. This is considered separately herein and needs to be taken into account in interpreting the housing needs evidence.

8.4   It should be recognised that in establishing housing requirements, evidence of both housing need and demand should be considered. This section, addressing housing need specifically, needs to be considered alongside the evidence of demand presented; and the demographic projections which consider overall housing requirements for market and affordable housing.

8.5   The analysis of housing need begins with a study of income levels and housing costs, both to buy and rent in the market sector, in each of the sub-areas before moving on to look at estimated levels of need for affordable housing and the extent to which this need might be able to be met through intermediate housing products (including Affordable Rented Housing).

8.6   The analysis is based on secondary data sources. It draws on a number of sources of information including the Housing Register, demographic projections and CACI income information (provided by Hi4em).

8.7   The housing needs model is based largely on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing (and that within the development pipeline)

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[17] CLG (2007) *Strategic Housing Market Assessments – Practice Guidance (V2)*
[18] CLG (March 2012) National Planning Policy Framework
[19] CLG (2007) *Strategic Housing Market Assessments – Practice Guidance (V2)*

which can be used to meet housing need. On this basis, estimates of housing need are provided in this section for the five year period between 2012 and 2017. Towards the end of the section, we then discuss how these might be used to consider longer-term housing requirements.

KEY DEFINITIONS

8.8   We begin by setting out key definitions relating to housing need, affordability and affordable housing.

Housing Need

8.9   Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market. In this assessment we have based this measure on information from the Housing Register.

Newly-Arising Need

8.10   Newly-arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future (measured annually). In this assessment we have used trend data from the Housing Register and also demographic projections about the number of new households forming (along with affordability) to estimate future needs.

Supply of Affordable Housing

8.11   An estimate of the likely future supply of affordable housing is also made (drawing on secondary data sources about past lettings). The future supply of affordable housing is subtracted from the newly-arising need to make an assessment of the net future need for affordable housing.

Affordability

8.12   Affordability is assessed by comparing household incomes, based on income data provided by CACI, against the cost of suitable market housing (to either buy or rent). The separate tests applied for home ownership and private renting (in line with the SHMA Guidance) and are summarised below:

- Assessing whether a household can afford home ownership: A household is considered able to afford to buy a home if it costs 3.5 times the gross household income;
- Assessing whether a household can afford market renting: A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than 25% of gross income.

8.13   It should be recognised that a key challenge in assessing housing need using secondary sources is the lack of information available regarding households' existing savings. This is a key factor in affecting the ability of young households to purchase housing particularly in the current market context where a deposit of at least 10% is required for the more attractive mortgage deals. However

in many cases households who do not have sufficient savings to purchase or have sufficient income to rent housing privately without support, and thus the impact on the overall assessment of housing need is limited.

Affordable Housing

8.14   The NPPF provides the definition of affordable housing (as used in this report). The following is taken from Annex 2 of NPPF[20].

"Affordable housing includes social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- *Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices;*
- *Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision."*

8.15   Within the definition of affordable housing there is also the distinction between social rented affordable rented, and intermediate housing. Social rented housing is defined as[21]:

Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency as a condition of grant.

8.16   Affordable rented housing is defined as[22]:

"Rented housing let by registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime but is subject to other rent controls that require a rent of no more than 80 per cent of the local market rent[23]."

8.17   The definition of intermediate housing is shown below[24]:

"Intermediate affordable housing is 'Housing at prices and rents above those of social rent, but below market price or rents. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent but does not include affordable rented housing."

8.18   As part of our analysis in this report we have therefore studied the extent to which both social rented, intermediate housing and affordable rented housing can meet housing need in the Derby HMA.

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[20] CLG (March 2012) National Planning Policy Framework
[21] CLG (March 2012) National Planning Policy Framework
[22] CLG (March 2012) National Planning Policy Framework
[23] Including service charges where applicable
[24] CLG (March 2012) National Planning Policy Framework

SURVEY OF LOCAL PRICES & RENTS

8.19   An important part of the assessment of housing need is to establish the entry-level costs of housing to buy and rent. This housing needs assessment then compares this with the incomes of households within the HMA to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having a 'housing need.'

8.20   In this section we establish the entry-level costs of housing to both buy and rent in each of the sub-areas used in analysis. Our approach has been to carry out a desktop survey using internet sources. We have assessed prices and rents for different sizes of properties from one to four bedrooms in each of the defined sub-markets.

8.21   Figure 86 below shows estimated lower quartile property prices obtained from this search. The prices have been reduced slightly (on average by about 8%) to take account of the difference between asking prices and prices paid based on information from the Hometrack website.

8.22   The data shows some differences between areas with prices in the Derby Fringe Sub-Market of Amber Valley being notably higher than for any other area for all sizes of accommodation (other than one bedroom which is based on a very small sample of data). Overall, prices are estimated to start at about £55,000 for a one-bedroom home in a number of locations and rising to about £250,000 for four bedrooms in the Amber Valley – Derby Fringe Sub-Market.

8.23   It should be noted that in most areas the amount of data available about prices for one bedroom homes is quite limited and so estimates for this size of accommodation should be treated as indicative.

Figure 86:   Entry-level Purchase Price by Sub-Area
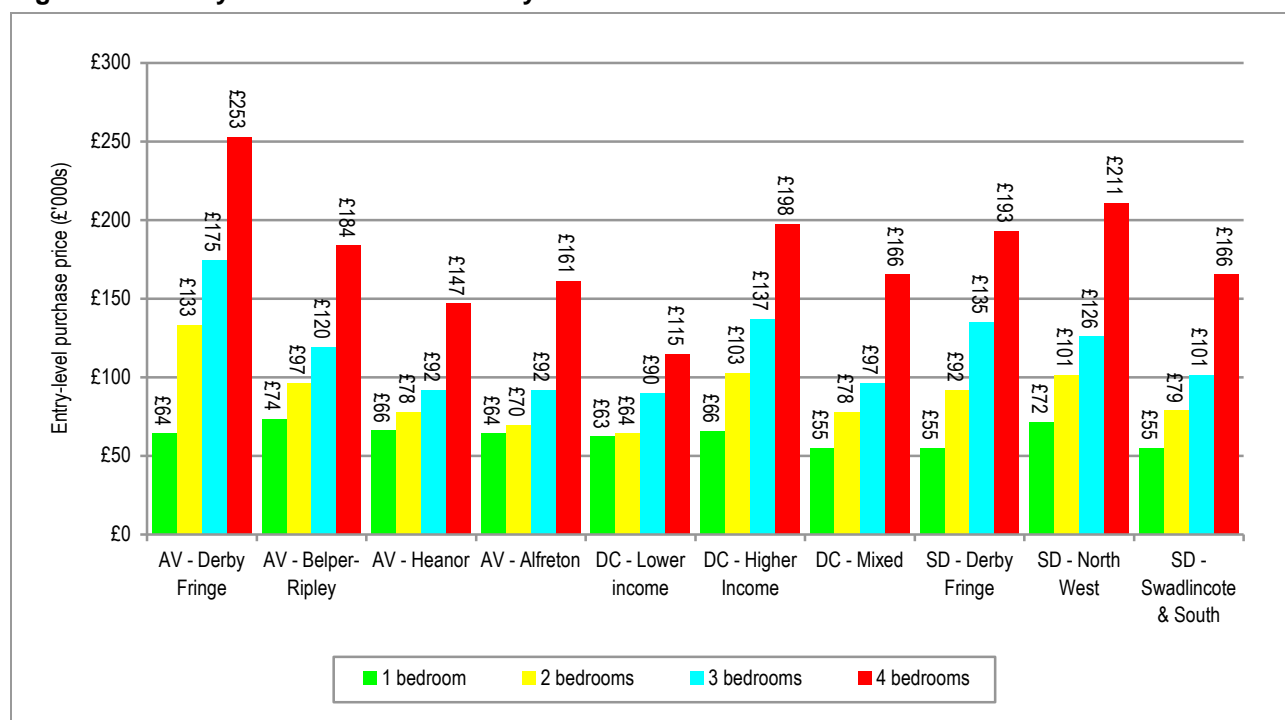
Source: Online Estate and Letting Agents Survey (October 2012)

8.24   Figure 87 below shows the volume of properties for sale in each of the three districts. The data shows that in all areas the majority of properties available have three- or four- bedrooms. South Derbyshire shows the lowest volume of one and two-bedroom homes (27%) which compares with 32% in Amber Valley (and 33% in Derby City). At the other end of the scale South Derbyshire shows the highest volume of four or more bedroom homes – making up just under a third of all properties available. This compares with 26% in each of Amber Valley and Derby. The figure confirms the very low level of one bedroom homes available to buy.

Figure 87: Volume of Properties Advertised for Sale
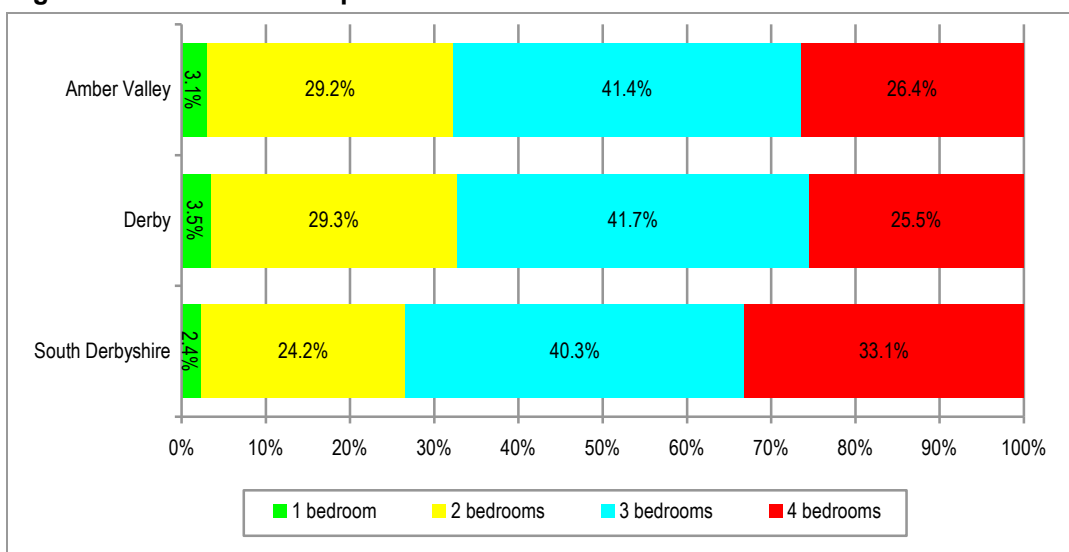
Source: Online Estate and Letting Agents Survey (October 2012)

8.25   The entry-level cost for private rented accommodation is presented in Figure 88 below. This indicates that entry-level rents range from about £290-£425 per month for a one bedroom home up to around £600-£900 per month for a four bedroom property depending on location.

8.26   The data suggests that there is less variation in rent levels across areas than for purchase, although those areas with higher prices did also tend to have higher rent levels. Cheapest rents were found in the Alfreton and Heanor Sub-Markets in Amber Valley along with the Swadlincote and South Sub-Market in South Derbyshire.

8.27   The rental data suggests a stronger rental market in Derby and the Derby Fringe Sub-Markets relative to other parts of the HMA.

Figure 88: Entry-level Private Rents by Sub-Area
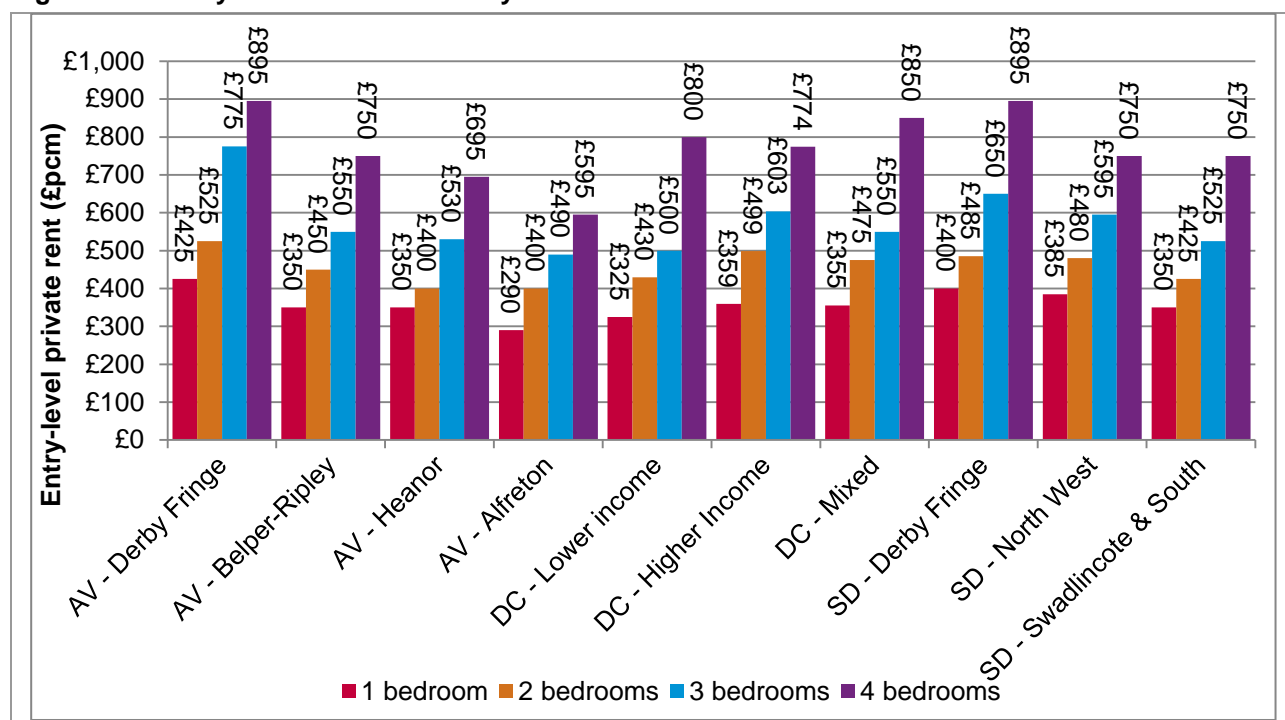
Source: Online Estate and Letting Agents Survey (October 2012)

8.28   Figure 89 below shows the volumes of properties available for rent in each of the three Districts by size of property. Compared with properties for sale the data clearly indicates a higher proportion of smaller homes being available to rent in most areas. Derby City interestingly has the highest volume of properties available with either one- or four- bedrooms. Further analysis of the 4 bedroom category (which also includes larger homes with 4+ bedrooms) indicates that around two-thirds of the properties advertised are specifically for sharers (particularly aimed at students). Once account is taken of these homes it is clear that the availability of larger family accommodation is somewhat more limited than the data initially suggests.

Figure 89:   Volume of Properties Advertised for Rent
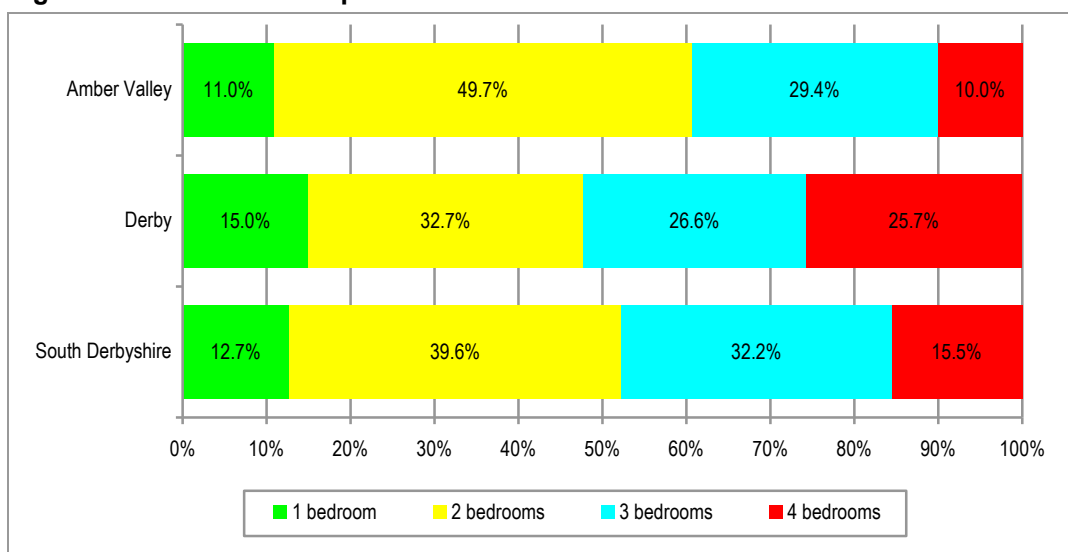
Source: Online Estate and Letting Agents Survey (October 2012)

8.29   In addition to rental costs from our internet survey we have looked at the maximum amount of Local Housing Allowance (LHA) payable on different sized properties within the HMA. Maximum LHA payments are based on estimates of rents at the 30th percentile and should therefore be roughly comparable with our estimates of lower quartile costs. However, due to the boundaries of the Broad Rental Market Areas (BRMA) used by the Valuation Office Agency (VOA) it is not possible to make direct comparisons.

8.30   Most of the HMA is within the Derby BRMA although different parts of the HMA are within five different BRMAs in total. Looking at the other BRMAs it is worth noting that Swadlincote is within the East Staffordshire area whilst the other three areas in the table cover a very small part of the HMA.

8.31   Below we have therefore provided details for all of the BRMAs in the HMA with Derby being highlighted in bold. In the Derby BRMA maximum LHA payments vary from £365 for a one bedroom property up to £695 for four bedrooms. The data suggests some differences between LHA rates and the findings of our market survey: these mainly relate to larger properties where the market survey suggests higher rents than the LHA rates. There are likely to be very few households who are eligible for the 4-bed LHA rate. However the analysis does suggest that larger households may need to top up LHA through their own resources, and suggests that the potential role of the Private Rented Sector in meeting the needs of larger households falling into housing need is more limited and thus their needs will need to be met primarily in the Social Rented Sector.

8.32   To the table below we have also added LHA rates for room only accommodation. Generally, the amount able to be claimed for a room is around 65%-80% of the figure for a self-contained one bedroom property. Single households under 35 are now only to claim the Single Room Rate.

Figure 90:   Maximum LHA payments by Size and Market Area

Size	Derby	Nottingham	Peaks & Dales	East Staffordshire	Leicester
Room only	£238	£295	£295	£250	£254
1 bedroom	£365	£385	£375	£355	£375
2 bedrooms	£450	£450	£485	£450	£475
3 bedrooms	£500	£500	£550	£525	£550
4 bedrooms	**£695**	£675	£680	£675	£695

Source: VOA data (October 2012)

COST OF AFFORDABLE HOUSING

8.33   Traditionally the main type of affordable housing available in an area is social rented housing and the cost of social rented accommodation by dwelling size can be obtained from Continuous Recording (CORE) - a national information source on social rented lettings. The table below, Figure 91, illustrates the rental cost of lettings of social rented properties by size in 2011/12. As can be seen the costs are generally below those for private rented housing (as shown in Figure 88) indicating a potential gap between the social rented and market sectors. The only notable exception to this is in the case of one bedroom homes where in some cases the private rent levels are very similar to average social rents.

Figure 91:   Monthly Average Social Rent Levels in Derby HMA

Size	Monthly rent (including service charges)		
	Amber Valley	Derby City	South Derbyshire
1 bedroom	£328	£325	£292
2 bedrooms	£345	£353	£333
3+ bedrooms	£377	£362	£367

Source: CORE (2012)

8.34   Changes in affordable housing provision has seen the introduction of a new tenure of affordable housing (Affordable Rented). Affordable rented housing is defined in the NPPF as being *'let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)'*. In the short-term it is likely that this tenure will replace social rented housing for new delivery, however, the tenure is initially only being trialled for four years and so this situation may change in the future.

8.35   Affordable Rented housing can therefore be considered to be similar to social rented housing but at a potentially higher rent. The 80% (maximum) rent is to be based on the open market rental value of the individual property and so it is not possible to say what this will exactly mean in terms of cost (for example the rent for a two-bedroom flat is likely to be significantly different to a two-bedroom detached bungalow). However, for the purposes of analysis we have assumed that the 80% figure can be applied to the lower quartile private rented cost data derived from our market survey.

8.36   The table below shows potential affordable rents at 80% of market cost by size of property (including service charge). The data shows that affordable rents in some locations and for some property sizes (notably one bedroom homes) are likely to be below social rents – in these cases there will be nothing to gain in viability terms in providing homes at 80% of market rents. In some areas and for larger property sizes it is however the case that affordable rents will be higher than current social rents with the gap widening as property sizes get bigger. This suggests in viability terms that affordable rent might work for some sizes and locations – the affordability of such accommodation should however also be considered. This latter point provides some support for providing affordable rent at below the 80% maximum (particularly for larger properties), but noting that this needs to be balanced against viability considerations.

Figure 92:   Cost of Affordable Rented Housing by Size and Sub-Area (per month)

Sub-area	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms
AV - Derby Fringe	£340	£420	£620	£716
AV – Belper-Ripley	£280	£360	£440	£600
AV – Heanor	£280	£320	£424	£556
AV – Alfreton	*£232*	£320	£392	£476
DC - Lower income	*£260*	£344	£400	£640
DC - Higher Income	£287	£399	£483	£619
DC – Mixed	£284	£380	£440	£680
SD - Derby Fringe	£320	£388	£520	£716
SD - North West	£308	£384	£476	£600
SD - Swadlincote & South	£280	£340	£420	£600

Source: Online Estate and Letting Agents Survey (October 2012)

8.37   The table highlights specific locations and sizes of accommodation where an affordable rented home (at 80% of market rents) will be cheaper than social rents. In these areas, affordable rent will not contribute to the viability of development schemes. The figures in italics (1 bedroom homes in Alfreton and Derby – Lower income) are areas where current private rents are already lower than social rent figures.

GAPS IN THE HOUSING MARKET

8.38   Figure 93 below estimates how current prices and rents in each of the ten sub-areas might equate to income levels required to afford such housing. The figures are all based on a two bedroom home

and clearly indicate a gap between the costs of 'entry-level' market housing and the social rented sector – demonstrating the potential for intermediate housing to meet some of the affordable need. In Heanor, Alfreton and the High Density, Low Income Sub-Market in Derby the average social rent is slightly higher than the estimated affordable rent for a 2-bed property – again indicating that affordable rented homes would not be more viable to provide than social rented accommodation.

Figure 93: Indicative Income required to Purchase/Rent without Additional Subsidy (2 bedroom)

Sub-area	Entry-level purchase price	Entry-level private rent	Affordable rent	Average social rent
AV - Derby Fringe	£38,114	£25,200	£20,160	£16,551
AV – Belper-Ripley	£27,600	£21,600	£17,280	£16,551
AV – Heanor	£22,343	£19,200	£15,360	£16,551
AV – Alfreton	£19,977	£19,200	£15,360	£16,551
Amber Valley	£25,258	£20,571	£16,457	£16,551
DC - Lower income	£18,400	£20,640	£16,512	£16,930
DC - Higher Income	£29,385	£23,940	£19,152	£16,930
DC – Mixed	£22,343	£22,800	£18,240	£16,930
Derby City	£23,270	£22,180	£17,744	£16,930
SD - Derby Fringe	£26,286	£23,280	£18,624	£15,977
SD – North West	£28,914	£23,040	£18,432	£15,977
SD - Swadlincote & South	£22,606	£20,400	£16,320	£15,977
South Derbyshire	£24,695	£21,242	£16,994	£15,977

Source: Online Estate and Letting Agents Survey (October 2012) and CORE

8.39   The calculations are based on 3.5 times household income for house purchase and 25% of income to be spent on housing for rented properties. The figures for house purchase are based on a 100% mortgage for the purposes of comparing the different types of housing.

8.40   We have sought to replicate this data in Figure 89 below (for whole districts). The analysis indicates that in all areas the income required to rent privately is lower than that required to purchase an equivalent property although this difference in Derby as a whole is pretty minor. The data also indicates a notable gap between private sector rents and social sector rents, with the likelihood that many young households will have an income whereby they can afford more than existing social rents but cannot afford to rent privately without support. For two bed properties households with an income between about £16,000 and £21,000 are likely to fall within this band although this varies by location.

8.41   The relatively higher rents for 2-bed properties in Derby mean that there is relatively little difference between the income required to rent (without financial support) and that required to buy a home. The key difference here is households' savings. Furthermore the higher rents can be expected to result in a higher level of households sharing homes. There is evidence of this, particularly amongst

younger households, and it is borne out for instance in the relatively high number of 4-bed properties available to rent in the City.

Figure 94: Differences in Income Required to Buy/Rent (2 bedroom)
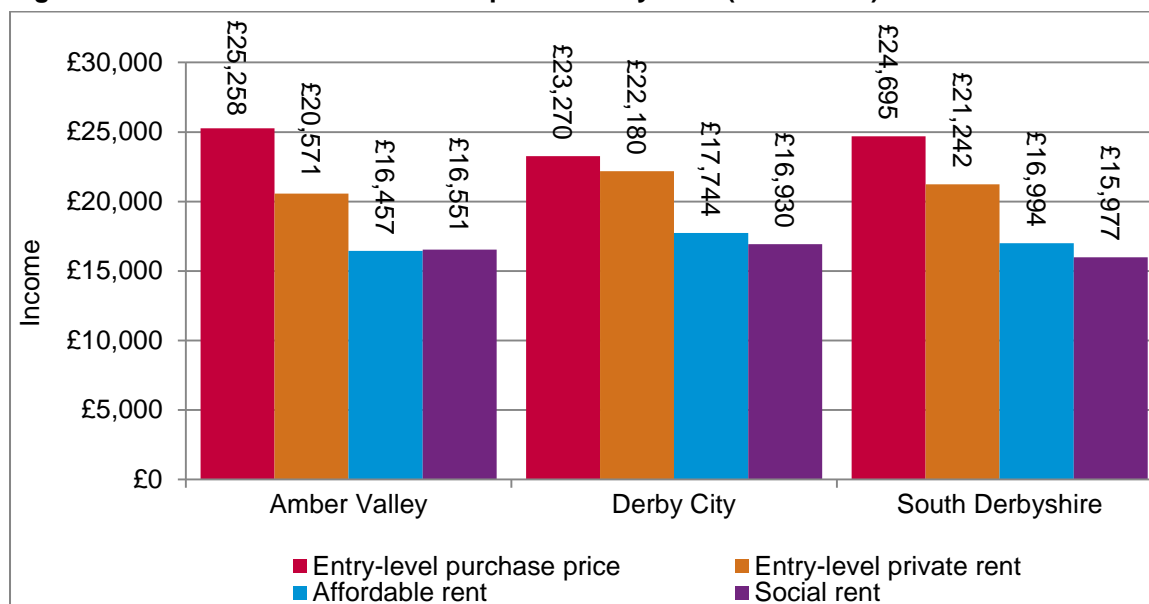
Source: Online Estate and Letting Agents Survey (October 2012) and CORE

INCOME LEVELS & AFFORDABILITY

8.42   Following on from our assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability and also provide an indication of the potential for intermediate housing to meet needs. Data was provided by Hi4em for total household income in 2011.

8.43   Figure 95 below shows the distribution of household incomes for the whole of the Derby HMA. The data shows that around a quarter (26.9%) of households have incomes below £15,000 with a further 29.1% in the range of £15,000 to £30,000. The overall average (median) income of all households in the HMA was estimated to be £26,521.

Figure 95:   Distribution of Household Income in Derby HMA
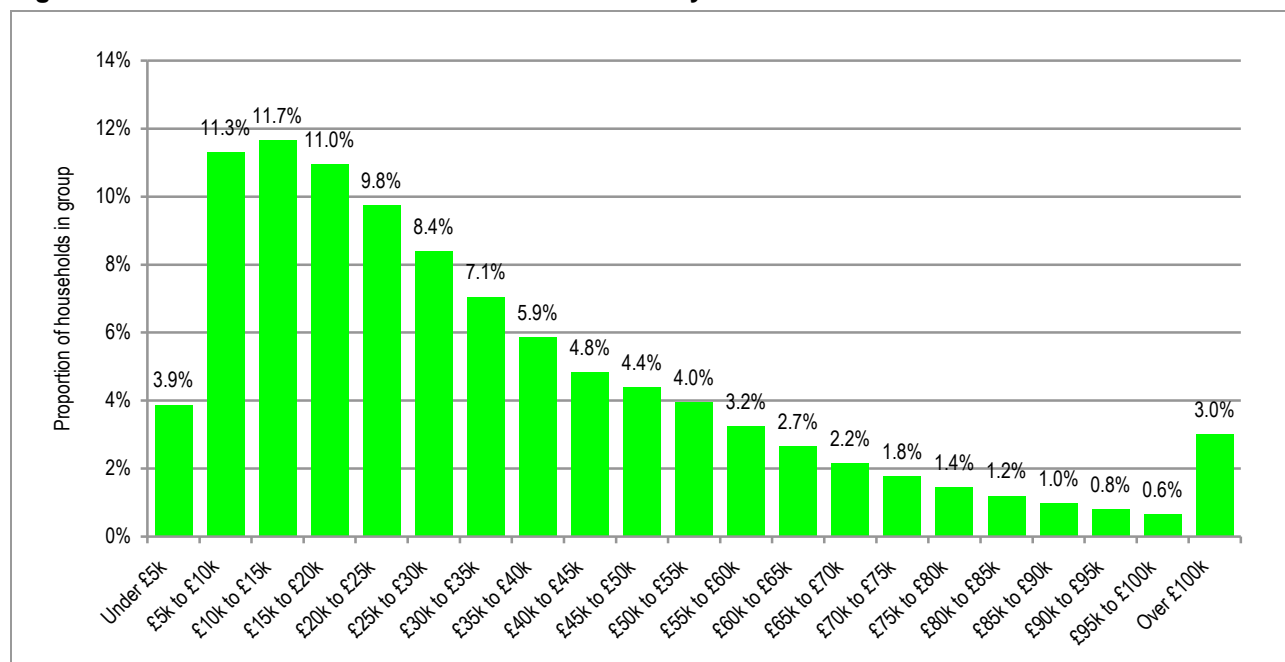
Source: Derived from CACI Paycheck (2011) – from Hi4em

8.45   Figure 96 below shows how the distribution of household income varies for each of the three districts. Incomes are lowest in Derby (closely followed by Amber Valley) and highest in South Derbyshire.

Figure 96:   Income Levels by District

Income band	Amber Valley	Derby	South Derbyshire	HMA
Under £5k	3.9%	4.3%	2.9%	3.9%
£5k to £10k	11.3%	12.2%	9.0%	11.3%
£10k to £15k	11.7%	12.4%	9.8%	11.7%
£15k to £20k	11.1%	11.4%	9.7%	11.0%
£20k to £25k	9.9%	9.9%	9.1%	9.8%
£25k to £30k	8.6%	8.4%	8.2%	8.4%
£30k to £35k	7.2%	6.9%	7.2%	7.1%
£35k to £40k	6.0%	5.7%	6.2%	5.9%
£40k to £45k	4.9%	4.6%	5.3%	4.8%
£45k to £50k	4.4%	4.2%	4.9%	4.4%
£50k to £55k	4.0%	3.7%	4.5%	4.0%
£55k to £60k	3.3%	3.0%	3.8%	3.2%
£60k to £65k	2.6%	2.5%	3.2%	2.7%
£65k to £70k	2.1%	2.0%	2.7%	2.2%
£70k to £75k	1.7%	1.6%	2.3%	1.8%
£75k to £80k	1.4%	1.3%	1.9%	1.4%
£80k to £85k	1.1%	1.1%	1.6%	1.2%

£85k to £90k	0.9%	0.9%	1.3%	1.0%
£90k to £95k	0.8%	0.7%	1.1%	0.8%
£95k to £100k	0.6%	0.6%	0.9%	0.6%
Over £100k	2.7%	2.6%	4.5%	3.0%
Total	100.0%	100.0%	100.0%	100.0%
Median	£26,373	£25,094	£31,045	£26,521

Source: Derived from CACI Paycheck (2011) – from Hi4em

8.46   The Table below shows income distributions and median incomes for sub-markets within the Derby HMA. The data shows significant variation between areas with average incomes varying from around £19,000 per annum in the High Density, Low Income Sub-Market in central Derby up to over £40,000 in the North West Sub-Market in South Derbyshire.

Figure 97:   Income Levels by Sub-Market

Income band	AV - Derby Fringe	AV – Belper- Ripley	AV – Heanor	AV – Alfreton	DC - Lower Income	DC - Higher Income	DC - Mixed	SD - Derby Fringe	SD - North West	SD – Swadlin -cote & South
Under £5k	1.9%	3.4%	4.4%	4.7%	6.2%	2.2%	4.8%	2.3%	1.7%	3.7%
£5k to £10k	6.4%	10.3%	12.4%	13.3%	16.9%	7.3%	13.5%	7.3%	5.8%	10.8%
£10k to £15k	7.5%	10.9%	12.7%	13.3%	15.9%	8.4%	13.5%	8.4%	6.8%	11.4%
£15k to £20k	7.9%	10.5%	11.9%	12.1%	13.4%	8.8%	12.3%	8.9%	7.3%	10.9%
£20k to £25k	8.0%	9.7%	10.4%	10.3%	10.7%	8.6%	10.5%	8.8%	7.4%	9.8%
£25k to £30k	7.7%	8.6%	8.7%	8.6%	8.2%	8.1%	8.6%	8.2%	7.2%	8.5%
£30k to £35k	7.1%	7.4%	7.2%	6.9%	6.2%	7.3%	6.9%	7.5%	6.8%	7.2%
£35k to £40k	6.6%	6.2%	5.8%	5.5%	4.7%	6.5%	5.5%	6.6%	6.3%	6.0%
£40k to £45k	5.8%	5.1%	4.6%	4.4%	3.5%	5.7%	4.3%	5.7%	5.7%	5.0%
£45k to £50k	5.5%	4.7%	4.2%	3.9%	3.1%	5.3%	3.9%	5.4%	5.4%	4.5%
£50k to £55k	5.1%	4.2%	3.7%	3.5%	2.7%	4.9%	3.4%	5.0%	5.1%	4.1%
£55k to £60k	4.5%	3.5%	2.9%	2.8%	2.0%	4.2%	2.7%	4.2%	4.5%	3.3%
£60k to £65k	4.0%	2.8%	2.3%	2.2%	1.5%	3.6%	2.1%	3.6%	4.0%	2.7%
£65k to £70k	3.3%	2.3%	1.8%	1.7%	1.2%	3.0%	1.6%	3.0%	3.6%	2.2%
£70k to £75k	2.9%	1.9%	1.5%	1.4%	0.9%	2.6%	1.3%	2.5%	3.1%	1.8%
£75k to £80k	2.4%	1.6%	1.1%	1.0%	0.7%	2.2%	1.0%	2.2%	2.7%	1.5%
£80k to £85k	2.1%	1.3%	0.9%	0.9%	0.5%	1.9%	0.8%	1.8%	2.4%	1.2%
£85k to £90k	1.9%	1.0%	0.7%	0.7%	0.4%	1.6%	0.6%	1.5%	2.0%	1.0%
£90k to £95k	1.5%	0.9%	0.6%	0.5%	0.3%	1.3%	0.5%	1.3%	1.8%	0.8%
£95k to £100k	1.3%	0.7%	0.4%	0.4%	0.2%	1.1%	0.4%	1.1%	1.5%	0.7%
Over £100k	6.4%	3.0%	1.9%	1.8%	1.0%	5.3%	1.6%	4.9%	8.7%	2.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Median	£37,606	£28,067	£24,327	£23,257	£19,341	£34,640	£22,826	£34,119	£40,701	£27,034

Source: Derived from CACI Paycheck (2011) – from Hi4em

Price-Income Ratios and Affordability

8.47   By combining the income data above and our estimates of property prices it is possible to construct price: income ratios and also look at the proportion of current households who are unable to afford housing.

8.48   Figure 98 below shows the lower quartile property prices (for a two bedroom home) along with the lower quartile income (calculated from the above distributions). This is used to calculate a price: income ratio. Whilst this measure does not imply anything directly about levels of housing need it does provide a good measure of the relative affordability of market housing in different parts of the HMA and is also a measure that can fairly easily be monitored in future (as recommended in the CLG's Strategic Housing Market Assessment Guidance).

8.49   The table shows that the lower quartile price: income ratio varies from 4.53 in the higher income sub-market of Derby up to 6.26 in the Alfreton area of Amber Valley.

Figure 98:   Lower Quartile Price Income Ratios by Sub-Area (Prices based on 2 bedroom Home)

Sub-area	Entry-level Purchase Price	Lower Quartile Income	LQ Price: Income Ratio
AV - Derby Fringe	£133,000	£20,792	6.20
AV – Belper-Ripley	£97,000	£15,222	5.99
AV – Heanor	£78,000	£13,276	5.41
AV – Alfreton	£70,000	£12,623	6.26
Amber Valley	£88,403	£14,263	6.05
DC - Lower income	£64,000	£10,682	4.87
DC - Higher Income	£103,000	£19,043	4.53
DC – Mixed	£78,000	£12,456	5.39
Derby City	£81,445	£13,472	5.16
SD - Derby Fringe	£92,000	£18,910	6.20
SD – North West	£101,000	£22,282	5.99
SD - Swadlincote & South	£79,000	£14,665	5.41
South Derbyshire	£86,433	£16,739	6.26

Source: Online Estate and Letting Agents Survey (October 2012) and CACI (from Hi4em)

8.50   We have used this data to make an estimate of the number of households able to afford market housing (either to rent or buy). This measure does not in itself provide a direct indication of levels of housing need but will provide an indication of which districts may be more or less likely to be able to access market housing without some form of subsidy (e.g. Local Housing Allowance).

8.51   To assess affordability we have looked at households ability to afford either home ownership or private rented housing (whichever is the cheapest), without financial support. The distribution of household incomes, within each sub-market, is then used to estimate the likely proportion of

households who are unable to afford to meet their needs in the private sector without support, on the basis of their existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing. The table below shows the income estimated to be required to afford market housing, the number of households unable to afford and the proportion of total households.

8.52   Figure 99 below shows that across the HMA it is estimated that around 41% of households are unable to access market housing on the basis of income levels. The area with the highest proportion unable to afford is the Derby High Density, Low Income Sub-Market (at 48.0%) with the lowest proportion unable to afford being estimated to be the North West Sub-Market of South Derbyshire (26.1%). Based on their incomes, 59% of households across the HMA can afford market housing.

Figure 99:   Estimated Proportion of Household Unable to Afford Market Housing without Subsidy

Area	Income required to access market	Number unable to afford	Estimated households (2012)	% of households unable to afford
AV - Derby Fringe	£25,200	1,017	3,173	32.0%
AV – Belper-Ripley	£21,600	8,951	23,405	38.2%
AV – Heanor	£19,200	5,605	14,221	39.4%
AV – Alfreton	£19,200	4,931	11,890	41.5%
Amber Valley	-	20,503	52,689	38.9%
DC - Lower income	£18,400	9,780	20,383	48.0%
DC - Higher Income	£23,940	9,682	28,913	33.5%
DC - Mixed	£22,343	25,781	52,562	49.0%
Derby City	-	45,243	101,857	44.4%
SD - Derby Fringe	£23,280	3,482	10,639	32.7%
SD - North West	£23,040	1,713	6,559	26.1%
SD - Swadlincote & South	£20,400	8,016	21,350	37.5%
South Derbyshire	-	13,212	38,548	34.3%
Total	-	78,957	193,093	40.9%

Source: Online Estate and Letting Agents Survey (October 2012) and CACI (from Hi4em)

8.53   Drawing on data from the English Housing Survey we can estimate that newly-forming households have an income of around 78% of all household averages with social housing tenants having an average income of about 48% of the overall figure. We have used these proportions to model the profile of incomes of newly-forming households and those of the Housing Register in the housing needs analysis.

HOUSING NEEDS ASSESSMENT

8.55   Affordable housing need has been assessed using the Basic Needs Assessment Model, in accordance with the CLG Practice Guidance[25]. This model is summarised in the chart below.

Figure 100: Overview of Basic Needs Assessment Model
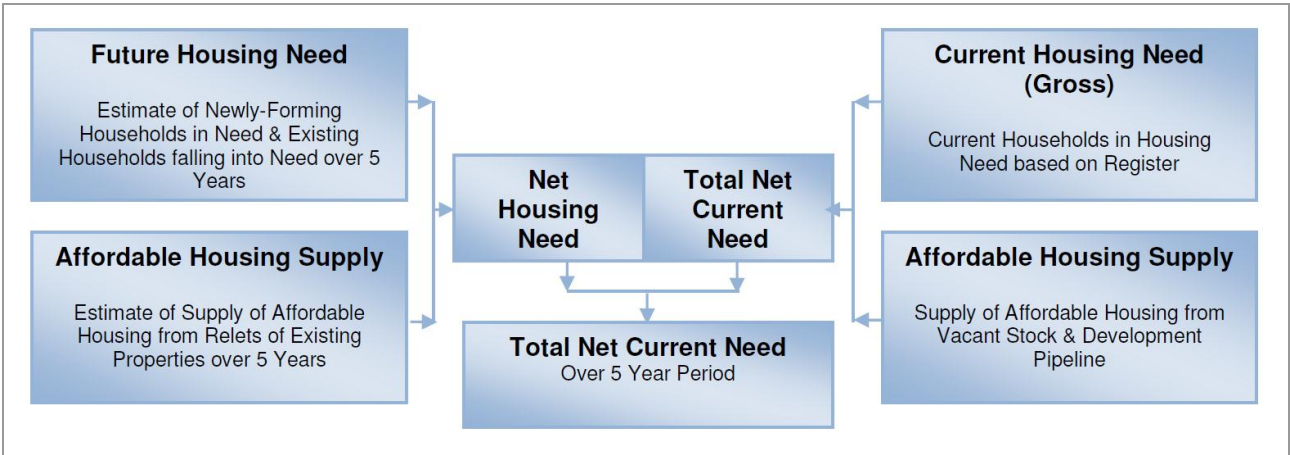
8.56   The figures presented in this report for affordable housing needs have been based on secondary data sources including analysis of the Housing Register. The housing needs modelling undertaken provides an assessment of housing need for a five year period (which is then annualised) with longer term estimates of likely requirements being provided through our Housing Market model (which looks at the impact of demographic change on requirements in both the affordable and market sectors). Each of the stages of the housing needs model calculation are discussed in more detail below.

Current Housing Need (Backlog)

8.57   The backlog of affordable housing need has been based on the number of households registered on the Housing Register and who fall into a priority group for re-housing. From the Housing Registers of each authority we have taken households in Bands 'Emergency', A and B to reflect those in housing need (Bands A, B and C in Amber Valley). Some households in these bands are non- inclusion where the reason for banding does not appear to be housing need related. The main example of this is households who are under-occupying affordable properties – such households afford a high priority on a move would potentially free-up a larger home, but may not technically be in housing need[26].

8.58   At the time of the assessment there were a total of 10,753 households on the Council's Housing Registers (2,190 in Amber Valley, 6,724 in Derby and 1,839 in South Derbyshire). Of this total,

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[25] Communities & Local Government (August 2007) *Strategic Housing Market Assessment – Practice Guidance (Version 2)*
[26] The inclusion of these households will have a negligible impact on the needs assessment as they will release existing affordable properties by moving

7,775 are defined as being in housing need. However of these households 2,653 currently occupy affordable housing (and are thus seeking transfer to an alternative home).

8.59   At the time of the assessment there were therefore 5,122 households registered for housing in the HMA (excluding transfer applicants) who are also in need. Figure 101 below shows the current locations of these households. Around 12% of households in need did not have any locational information attached mainly due to being classified as "out-of-area" or of no fixed abode. These households have been assigned to a sub-area on a pro-rata basis.

8.60   The data shows that the number of households registered and in need represents around 2.7% of the number of households in the HMA. This proportion varies from 0.4% in the Derby Fringe area of Amber Valley up to 5.2% for the High Density, Low Income Sub-Market in Derby.

Figure 101: Housing Register Applicants by Sub-Market

Area	On Register and in need	Total number of households	% on register and in need
AV - Derby Fringe	13	3,173	0.4%
AV – Belper-Ripley	457	23,405	2.0%
AV – Heanor	363	14,221	2.6%
AV – Alfreton	414	11,890	3.5%
Amber Valley	1,247	52,689	2.4%
DC - Lower income	1,060	20,383	5.2%
DC - Higher Income	358	28,913	1.2%
DC – Mixed	1,748	52,562	3.3%
Derby City	3,166	101,857	3.1%
SD - Derby Fringe	93	10,639	0.9%
SD - North West	47	6,559	0.7%
SD - Swadlincote & South	569	21,350	2.7%
South Derbyshire	709	38,548	1.8%
Total	5,122	193,093	2.7%

Source: Housing Register

8.61   Our estimated level of backlog need is therefore 5,122. We can however additionally consider the fact that a number of these households might be able to afford market housing without the need for subsidy. For an affordability test we have used the income data provided by CACI (accessed through Hi4em) and adjusted the distribution to reflect the fact that typically (nationally) households living in the social rented sector have an average income which is around 48% of the figure for all households in an area. Based on this modelling of the income profile of households in housing need, Overall around 23% of households with a current need are estimated to be likely to have sufficient income to afford market housing and so our estimate of the total backlog need is reduced to 3,924 households.

Figure 102: Estimated Backlog Need by Sub-Market

Area	Gross Need (Housing Register)	% Unable to Afford	Revised Gross Need (including Affordability)
AV - Derby Fringe	13	67.1%	9
AV – Belper-Ripley	457	72.0%	329
AV – Heanor	363	73.4%	266
AV – Alfreton	414	74.8%	310
Amber Valley	1,247	73.3%	914
DC - Lower income	1,060	80.5%	853
DC - Higher Income	358	68.1%	244
DC – Mixed	1,748	81.2%	1,420
Derby City	3,166	79.5%	2,517
SD - Derby Fringe	93	67.5%	63
SD - North West	47	58.3%	27
SD - Swadlincote & South	569	70.9%	403
South Derbyshire	709	69.6%	493
Total	5,122	76.6%	3,924

Source: Housing Register

Newly-Arising Need

8.62   To estimate newly-arising (projected future) need we have looked at two key groups of households based on the CLGs SHMA Guidance[27]. These are:

- Newly forming households; and
- Existing households falling into need.

Newly-Forming Households

8.63   For newly-forming households we have estimated (through our demographic modelling) the number of new households likely to form over the five year period and then applied an affordability test. This has been undertaken by considering the changes in households in specific 5-year age bands in 2017 relative to numbers in the age band below 5 years previously to provide an estimate of *gross* household formation. This differs from numbers presented in demographic projections which are typically for net household growth. The numbers of newly-forming households are limited to households forming who are aged below 45. This methodology is recognised in the guidance[28] as a robust method for assessing the number of newly forming households.

8.64   The estimates of gross new household formation have been based on outputs from our updated demographic projections as presented in the next section of this report. In looking at the likely

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[27] Communities & Local Government (August 2007) *Strategic Housing Market Assessment – Practice Guidance (Version 2)*

[28] Communities & Local Government (August 2007) *Strategic Housing Market Assessment – Practice Guidance (Version 2)*

affordability of newly-forming households we have drawn on data from the Survey of English Housing (now English Housing Survey[29]) over a number of years. This establishes that the average income of newly-forming households is around 78% of the figure for all households. This figure is remarkably consistent over time.

8.65   In Derby HMA (and all sub-markets) we have therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 78% of the all household average. In doing this we are able to estimate the proportion of households unable to afford market housing without any form of subsidy (such as Local Housing Allowance).

8.66   We have also used the Sub-Market household income data to provide a localised estimate of the likely proportion of newly-forming households unable to afford market housing (without financial support). Our assessment suggests that overall around 52.4% of newly-forming households will be unable to afford market housing. There is some variation by sub-area with 36% of new households in the North West Sub-Market South Derbyshire estimated to be unable to afford compared with over 60% in the Derby – Mixed Sub-Market.

Figure 103: Estimated Level of Housing Need from Newly Forming Households (Five Year Period)

Area	Number of new households	% unable to afford	Total in need
AV - Derby Fringe	219	42.7%	93
AV – Belper-Ripley	2,075	49.4%	1,026
AV – Heanor	1,204	50.9%	613
AV – Alfreton	948	52.9%	502
Amber Valley	4,446	50.2%	2,234
DC - Lower income	2,453	59.9%	1,470
DC - Higher Income	3,134	44.4%	1,391
DC – Mixed	5,558	60.9%	3,385
Derby City	11,145	56.0%	6,246
SD - Derby Fringe	1,075	43.7%	470
SD - North West	809	35.6%	287
SD - Swadlincote & South	2,260	48.6%	1,098
South Derbyshire	4,144	44.8%	1,855
Total	19,734	52.4%	10,335

Source: GL Hearn/JGC Projection Modelling

8.67   In total the analysis suggests a need from newly forming households of 10,335 over the next five years (2,067 per annum) – 2,234 in Amber Valley, 6,246 in Derby and 1,855 in South Derbyshire.

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[29] The English Housing Survey is continuous national survey undertaken by Communities and Local Government

8.68   We can alternatively look at need from new households using a zero net migration scenario which will provide an indication of the locally generated needs arising. Under this alternative scenario it is estimated that need would arise from around 9,300 households (about 1,860 per annum). This figure is not substantially lower than that estimated from the main demographic modelling and would not unduly influence the outputs. In any case, for Amber Valley and South Derbyshire in particular it is probably unrealistic based on past trends to assume no net migration into the districts given consistent trends of net in-migration year-on-year to the Districts.

Existing Households falling into Housing Need

8.69   The second element of newly arising need is existing households falling into need. To assess this we have again used the Housing Register data and also information about supply from CORE. We have looked at households who have been housed over the past five years. This group will represent the flow of households onto the Housing Register over a five year period. From this we have discounted any newly forming households (e.g. those currently living with family) as well as households who have transferred from another social rented property. An affordability test has also been applied, although (as was seen for the backlog need), relatively few households have sufficient income to afford market housing.

8.70   This method for assessing existing households falling into need is consistent with the SHMA guide which says on page 46 that 'Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless households applicants)'.

8.71   Figure 104 below therefore shows our estimate of likely new need from existing households over the next five years by sub-area. The projections are based on a period which includes the housing market downturn; and as a result we would expect the figures to be influenced by changes to lending practices and growth in housing costs in the private rented sector. The data shows an additional need arising from 6,605 households, with 68% of these being in Derby City.

Figure 104: Estimated level of Housing Need from Existing Households (2012-17)

Area	Number of Existing Households falling into Need	% of Need
AV - Derby Fringe	36	0.5%
AV – Belper-Ripley	474	7.2%
AV – Heanor	396	6.0%
AV – Alfreton	489	7.4%
Amber Valley	1,395	21.1%
DC - Lower income	1,163	17.6%

DC - Higher Income	328	5.0%
DC - Mixed	3,029	45.9%
Derby City	4,519	68.4%
SD - Derby Fringe	77	1.2%
SD - North West	53	0.8%
SD - Swadlincote & South	561	8.5%
South Derbyshire	691	10.5%
Total	6,605	100.0%

Source: CORE and affordability analysis

Total Newly-Arising Need

8.72   Estimates of total future housing need which is likely to arise over the next five years (2012-17) are shown below, by combining the estimates of need arising from newly-forming households and from existing households falling into need. Total newly-arising need is estimated at 16,940 households over the 2012-17 period.

Figure 105:   Estimated Future Housing Need (2012-17)

Area	Newly-forming Households in Need	Existing Households falling into Need	Total Newly-Arising Need 2012-17
AV - Derby Fringe	93	36	129
AV – Belper-Ripley	1,026	474	1,500
AV – Heanor	613	396	1,008
AV – Alfreton	502	489	991
Amber Valley	2,234	1,395	3,628
DC - Lower income	1,470	1,163	2,633
DC - Higher Income	1,391	328	1,719
DC - Mixed	3,385	3,029	6,414
Derby City	6,246	4,519	10,765
SD - Derby Fringe	470	77	547
SD - North West	287	53	341
SD - Swadlincote & South	1,098	561	1,659
South Derbyshire	1,855	691	2,546
Total	10,335	6,605	16,940

Supply of Affordable Housing

8.73   The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social relets and the annual supply of relets/sales within the intermediate sector.

Social Rented Housing

8.74   The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. We have used information from the Continuous Recording system (CORE) to establish past patterns of social housing availability. Our figures include general needs and supported lettings but exclude lettings to new properties plus an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

8.75   On the basis of past trend data is has been estimated that 2,303 units of social rented housing are likely to become available each year moving forward (11,516 over the five-year projection period). The table below breaks this information down by year and source of supply – the high supply of supported housing is notable in all areas (representing 45% of all lettings across the HMA).

Figure 106: Analysis of Past Social Rented Housing Supply (Past 5 Years)

		Amber Valley	Derby City	South Derbyshire	Total
General needs	Total lettings	1,980	7,199	1,234	10,413
	% as non-newbuild	88.9%	93.2%	81.0%	90.9%
	Lettings in existing stock	1,760	6,709	1,000	9,469
	% non-transfers	68.7%	64.8%	73.7%	66.5%
	Total lettings to new tenants	1,209	4,347	737	6,293
Supported	Total lettings	2,308	4,634	818	7,760
	% as non-newbuild	95.7%	97.6%	97.0%	97.0%
	Lettings in existing stock	2,209	4,523	793	7,525
	% non-transfers	59.1%	75.0%	66.3%	69.4%
	Total lettings to new tenants	1,306	3,391	526	5,223
Total lettings to new tenants		2,515	7,738	1,263	11,516

Source: CORE

8.76   The supply figure is for social rented housing only and whilst the stock of intermediate housing in Derby HMA is not significant compared to the social rented stock it is likely that some housing does become available each year (e.g. resales of shared ownership). For the purposes of this assessment we have estimated the likely size and turnover in the intermediate stock on the basis of Regulatory Statistical Return (RSR) data. From this it is estimated that around 103 additional properties might become available per annum (515 over the five year projection period).

8.77   The total supply of affordable housing is therefore estimated to be 2,406 per annum (or 12,031 over the next five years). The table below shows the locations where supply is expected to rise which have been based on a combination of analysing past supply trends and also the current locations of different types of affordable housing.

Figure 107: Supply of Affordable Housing by District

Area	Social rented relets	Intermediate housing 'relets'	Total supply (2012-2017)
AV - Derby Fringe	71	8	79
AV – Belper-Ripley	869	53	922
AV – Heanor	712	15	727
AV – Alfreton	863	15	878
Amber Valley	2,515	91	2,606
DC - Lower income	1,976	57	2,034
DC - Higher Income	659	113	772
DC - Mixed	5,103	199	5,302
Derby City	7,738	370	8,108
SD - Derby Fringe	147	16	162
SD - North West	115	5	120
SD - Swadlincote & South	1,001	33	1,034
South Derbyshire	1,263	54	1,317
Total	11,516	515	12,031

Net Housing Need

Excluding Development Pipeline

8.78   The table below shows our initial overall calculation of housing need. This excludes supply arising from sites with planning consent (the 'development pipeline'). The data shows an overall need for affordable housing of 8,833 units over the next five years. The net need is calculated as follows:

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

8.79   This calculation assumes that the backlog of housing need is met over the next five years (in line with many other housing needs studies). There is a question about how realistic this is (which we will come onto).

Figure 108: Estimated level of Housing Need (2012-17) excluding Pipeline

Area	Backlog need	Newly forming households	Existing households falling into need	Total Need	Supply	Net Need
AV - Derby Fringe	9	93	36	138	79	59
AV – Belper-Ripley	329	1,026	474	1,829	922	907
AV – Heanor	266	613	396	1,275	727	548
AV – Alfreton	310	502	489	1,300	878	422
Amber Valley	914	2,234	1,395	4,542	2,606	1,936
DC - Lower income	853	1,470	1,163	3,486	2,034	1,452
DC - Higher Income	244	1,391	328	1,963	772	1,191
DC – Mixed	1,420	3,385	3,029	7,833	5,302	2,531
Derby City	2,517	6,246	4,519	13,282	8,108	5,174
SD - Derby Fringe	63	470	77	610	162	447
SD - North West	27	287	53	368	120	248
SD - Swadlincote & South	403	1,098	561	2,062	1,034	1,028
South Derbyshire	493	1,855	691	3,040	1,317	1,723
Total	3,924	10,335	6,605	20,864	12,031	8,833

Source: Housing Register/HSSA/CORE/Projection Modelling and affordability analysis

Taking Account of Planning Consents

8.80   The Government guidance[30] on needs assessment indicates that this should take account of the committed supply of affordable housing. We have used information provided on affordable housing schemes with planning consent provided by each of the authorities. This is set out in the table below.

8.81   The analysis indicates a net need for 1,530 affordable homes in Amber Valley, 4,647 in Derby and 1,434 in South Derbyshire over the 2012-17 period if all households in housing need were to be provided with an affordable home in this timeframe.

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[30] Communities & Local Government (August 2007) *Strategic Housing Market Assessment – Practice Guidance (Version 2)*

Figure 109: Estimated Level of Housing Need (2012-17) including Pipeline

Area	Total Need	Supply from Existing Stock	Affordable Housing in Development Pipeline	Net Need
AV – Derby Fringe	138	79	160	-101
AV – Belper-Ripley	1,829	922	154	753
AV – Heanor	1,275	727	72	476
AV – Alfreton	1,300	878	20	402
Amber Valley	4,542	2,606	406	1,530
DC – Lower income	3,486	2,034	166	1,286
DC – Higher Income	1,963	772	26	1,165
DC – Mixed	7,833	5,302	335	2,196
Derby City	13,282	8,108	527	4,647
SD – Derby Fringe	610	162	265	182
SD – North West	368	120	0	248
SD – Swadlincote & South	2,062	1,034	24	1,004
South Derbyshire	3,040	1,317	289	1,434
Total	20,864	12,031	1,222	7,611

ROLE OF THE PRIVATE RENTED SECTOR IN MEETING HOUSING NEED

8.82 The Strategic Housing Market Assessment Guidance[31] requires consideration of the extent of the private rented sector (through the Local Housing Allowance (LHA) system) and its ability to meet the needs of households in need to be estimated. We have therefore used data from the Department of Work and Pensions (DWP) to look at the number of LHA supported private rented homes. As of April 2012 it is estimated that there were 11,140 benefit claimants in the private rented sector in the HMA.

8.83 The data in the table below shows that in all areas studied the number of LHA claimants has increased over the two and a half year period although the proportionate increase in Derby HMA is quite small relative to other locations. The time period for analysis is the longest time series available from the DWP data.

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[31] Communities & Local Government (August 2007) *Strategic Housing Market Assessment – Practice Guidance (Version 2)*

Figure 110: Number of people claiming LHA in private rented sector (August 2009 and April 2012)

Area	August 2009	April 2012	Absolute change	% change
Amber Valley	2,080	2,560	480	23.1%
Derby City	5,310	6,620	1,310	24.7%
South Derbyshire	1,530	1,960	430	28.1%
Derby HMA	8,920	11,140	2,220	24.9%
East Midlands	81,420	107,810	26,390	32.4%
Great Britain	1,272,640	1,637,190	364,550	28.6%

Source: Department of Work and Pensions

8.84 This information does not tell us how many lettings are made each year to tenants claiming benefit as this will depend on the turnover of stock. Nationally (from the 2009/10 English Housing Survey) it is estimated that the turnover of private rented properties is around 32% (the highest of any tenure category). In addition, comparing EHS data with DWP data suggests that the number of households claiming is around 75% of the number of claimants (this reflects multiple claimants living in the same dwelling). If these figures are applied to Derby HMA then this would equate to around 2,674 lettings per annum.

8.85 Over the five year projection period used for analysis we also need to take account of households making multiple moves within the private rented sector. Again assuming a turnover rate of 32% we estimate that this would mean that over five years some 7,140 households will have their needs met through the private rented sector.

Figure 111: Estimated LHA Supported Lettings in Private Rented Sector (Over a Five Year Period)

Area	Number of lettings (5 Years)	% of lettings
Amber Valley	1,641	23.0%
Derby City	4,243	59.4%
South Derbyshire	1,256	17.6%
Derby HMA	7,140	100.0%

Source: Derived from DWP data

8.86 Over the last decade the Private Rented Sector (PRS) has been a key growth sector in the housing market. The number of LHA claimants has increased (at least in the short-term) indicating that it has been playing an increasing role in meeting housing need.

8.87 The potential for further growth in the number of households claiming LHA in the private rented sector (and thus the contribution of this sector to meeting housing need) may be more limited than in the past. From April 2013 LHA will be uprated in line with Consumer Price Index (CPI) instead of

actual rents. In 2014-15 and 2015-16 increases will be capped to one percent per annum. This may impact on the number of private sector homes available for rent as well as the affordability of housing for claimants. Benefit reforms (particularly the introduction of Universal Benefit) may also increase the risk of tenants in the PRS falling into arrears. This may influence the willingness of landlords to take on tenants on LHA and could increase pressure on the Councils' housing registers.

8.88   The current evidence does however suggest that at the current time, the Private Rented Sector plays an important role in meeting housing need and compensating for the shortfall of genuine affordable housing.

8.89   It is not appropriate to treat the Private Rented Sector as a form of affordable housing and net it from the overall annual housing needs estimate of 8,833 affordable homes across the HMA (2012-17). Neither the SHMA Guidance (CLG, 2007) nor the NPPF (CLG, 2012) recognise this sector as affordable housing.

8.90   However, it should be recognised that, in practice, the private rented sector does make a significant contribution to filling the gap in relation to meeting housing need and given the levels of affordable housing need shown in this study, the private rented sector is likely to continue to be used to some degree to make up for the shortfall of genuine affordable housing for the foreseeable future.

8.91   The extent to which the Councils wish to see the private rented sector being used to make up for shortages of affordable housing is a matter for policy intervention and is outside the scope of this report. However it should be recognised that the Private Rented Sector does not provide secure tenancies and that standards within the sector are likely to be lower than for social rented properties. Furthermore there are households with specific housing needs who may not be able to find suitable accommodation within the Private Rented Sector.

UNDERSTANDING THE CONTEXT TO THE HOUSING NEEDS ASSESSMENT

8.92   The housing needs analysis concludes that there is a shortfall of 8,833 affordable homes over the period from 2012 to 2017. However there are a number of things that need to be remembered in interpreting the housing needs analysis.

8.93   The Basic Needs Assessment Model which has been used was designed specifically to identify whether there is a shortfall or surplus of affordable housing. It is a statutory requirement to underpin affordable housing policies.

8.94   The needs assessment therefore does not look at all housing needs, but specifically the needs of those who can't afford market housing (assuming no more than 25% of households' gross income is spent on housing costs). It assumes that all households are adequately housed in a home that

they can afford. All households in housing need are assumed to be accommodated in affordable housing.

8.95   The needs assessment is a 'snapshot' assessment at a point in time, which is affected by the differential between housing costs and incomes at that point; as well as the existing supply of affordable housing. In the case of Derby HMA, whilst the stock of affordable housing has decreased by about 6% (1,950 units) over the last decade and has reduced more significantly as a proportion of all housing in the area. This has affected the level of affordable housing need and the ability to meet housing need. The shortfall of affordable housing identified is therefore to some extent affected by past investment decisions.

8.96   Moreover, as the Basic Needs Assessment Model is designed to identify a shortfall of genuine affordable housing, it assumes that all households in 'housing need' are housed in affordable homes (which include provision that the home remains at an affordable price for future eligible households).

8.97   In reality, there are two key factors which need to be considered:

- Some households defined as in housing need may choose to spend more than 25% of their gross income on housing costs or may not actively seek an affordable home; and
- Some households defined as in housing need are accommodated in the Private Rented Sector, supported by Local Housing Allowance.

8.98   It is estimated that there are currently 11,140 Local Housing Allowance claimants housed in the Private Rented Sector. However future changes in this may be influenced by rental trends and caps on growth of LHA.

8.99   As the level of housing need is very sensitive to differences between housing costs and incomes, changes in the difference between incomes and housing costs over time will affect the level of housing need identified.

8.100   Because of the factors described above, the housing needs analysis per se does not provide a strong basis for considering overall future housing requirements over the planning timeframes to 2028. Taking account of the potential role of the private rented sector as well as affordable housing in meeting housing need, the demographic projections would be capable of meeting the needs of all households over the plan period.

8.101   Given the current stock of affordable housing in the HMA, the funding mechanisms for delivery of new affordable housing and policies affecting sales of existing properties, it is also unrealistic to assume that all households in housing need will be provided with an affordable home. It is realistic

to assume that the Private Rented Sector will continue to play an important role in meeting housing need in the short-to-medium term.

NEED FOR DIFFERENT TYPES OF AFFORDABLE HOUSING

8.102   Having studied housing costs, incomes and housing need the next step is to make an estimate of the proportion of affordable housing need that should be met through provision of different housing products. We therefore use the income information presented earlier in this section to estimate the proportion of households who are likely to be able to afford intermediate housing and the number for whom only social or affordable rented housing will be affordable. The main data sources for establishing housing need are the Housing Register and projections of newly-forming households (along with local income estimates).

8.103   We have assessed requirements in the form of three income bands which have been associated with three different tenures of housing – intermediate, affordable rented and social rented. Households are considered able to afford intermediate housing if their income is greater than that required to rent at 80% of market rental costs (a figure which equates with possible affordable rent maximum costs) and the income falls below that required to access the market without subsidy. Although technically an intermediate product could be provided at below this level, the reality is that most intermediate housing is priced closer to market costs than social housing costs. Households whose income falls in the gap between intermediate housing and social rented housing are allocated to affordable rented housing with lower income households placed in the social rent group. The categories of affordable housing are described in the table below.

Figure 112: Categories of Affordable Housing Used for Analysis

Housing type	Description
Intermediate housing	Assigned to households who can afford a housing cost at or above 80% of market rents but cannot afford full market costs
Affordable rent	Assigned to households who could afford a social rent without the need to claim housing benefit but would need to claim benefit to afford an Affordable Rented home (priced at 80% of market rental costs)
Social rent	Households who would need to claim housing benefit regardless of the cost of the property

8.104   This is a modelled analysis and it should be recognised that the there is some overlap between affordable and social rent particularly as households can claim housing benefit in affordable rented properties. Further it should be recognised that demand for intermediate products such as shared ownership homes and HomeBuy is influenced by households' savings and their ability to secure mortgage finance. These are key constraints to effective demand in the current market.

8.105   Figure 113 below shows figures for our assumed market entry income level and the income below which affordable or social rented housing will be required. Any household with an income in the gaps between figures is assumed to be able to afford either intermediate or affordable rented housing. In the table three areas have been marked as 'NA' in the social rent column – in these cases the cost of social rented housing would be expected to be in excess of the cost of affordable rented housing (at 80%) and so no gap exists. The figure in the affordable rented column has therefore been replaced by the social rented figure.

Figure 113: Income Range for Access to Intermediate Housing

Sub-Market	Income required to access market housing	Income below which affordable rented housing is required	Income below which social rented housing is required
AV - Derby Fringe	£25,200	£20,160	£16,551
AV – Belper-Ripley	£21,600	£17,280	£16,551
AV – Heanor	£19,200	NA	£16,551
AV – Alfreton	£19,200	NA	£16,551
DC - Lower income	£18,400	NA	£16,930
DC - Higher Income	£23,940	£19,152	£16,930
DC - Mixed	£22,343	£18,240	£16,930
SD - Derby Fringe	£23,280	£18,624	£15,977
SD - North West	£23,040	£18,432	£15,977
SD - Swadlincote & South	£20,400	£16,320	£15,977

Source: Online Estate and Letting Agents Survey (October 2012) and CORE

8.106   There will be a considerable overlap between these categories – the first would potentially represent households who could afford affordable rented housing without the need to claim housing benefit whilst the latter category (called social rent for analytical purposes) could have their needs met through affordable rented housing (with benefit assistance).

8.107   The tables below show our estimate of the number of households in need in each of the above categories and estimated net need levels (for the purposes of analysis the affordable and social rent figures have been combined). The first table shows actual numbers over the five year period whilst the second table shows these figures in percentage terms.

8.108   Needs for social and affordable housing are combined as the 'client group' for these tenure categories is fairly similar and households can claim Housing Benefit in both tenure categories. A household who could afford social rents without benefit would be able to claim housing benefit if necessary to top up their income in an affordable tented home. Given the strong overlap between households who might live in social and affordable rented homes, we have first dealt with these tenure categories together.

8.109   The data shows that across the HMA some 25% of the need could theoretically be met through products priced at the 80% of market level suggested by affordable rented housing without the need for benefit assistance. At a district level the data suggests that intermediate requirements vary from 22% in Derby to 30% in South Derbyshire.

Figure 114: Estimated level of Housing Need (2012-17) by Type of Affordable Housing (Numbers)

Area	Intermediate			Social/affordable rented		
	Total need	Supply	Net need	Total need	Supply	Net need
AV - Derby Fringe	29	8	21	109	71	38
AV – Belper-Ripley	322	53	270	1,507	869	638
AV – Heanor	144	15	129	1,131	712	419
AV – Alfreton	133	15	118	1,167	863	304
Amber Valley	629	91	538	3,914	2,515	1,399
DC - Lower income	170	57	113	3,316	1,976	1,339
DC - Higher Income	401	113	288	1,562	659	903
DC – Mixed	962	199	762	6,872	5,103	1,769
Derby City	1,533	370	1,163	11,749	7,738	4,011
SD - Derby Fringe	130	16	114	480	147	333
SD - North West	84	5	80	284	115	168
SD - Swadlincote & South	361	33	328	1,701	1,001	700
South Derbyshire	575	54	521	2,464	1,263	1,201
Total	2,737	515	2,222	18,127	11,516	6,611

Source: GL Hearn Housing Needs Analysis

8.110   Figure 115 below separates out affordable rent from social rent to consider in theoretical terms the number of households who could afford to live in affordable rented housing (but not intermediate housing) and could do without support from Housing Benefit. This distinction was not made in the first table as we do not have information about the likely supply of social rent vs. affordable rent in the future. It is possible that some social relets will be at an affordable rather than a social rent.

8.111   Figure 115 suggests that within the social/affordable category the vast majority of housing should be social rented (or at a cost equivalent to social renting). As noted previously, in rental terms affordable rent is unlikely to work in a number of areas (and is pretty marginal in others). Affordable rent appears most likely to work in the areas with higher private sector rents including the Derby Fringe areas of Amber Valley and South Derbyshire and also the North West sub-area of South Derbyshire. It is also likely to work better for larger property types (in terms of contributing to scheme viability).

Figure 115: Estimated level of Housing Need (2012-17) by type of Affordable Housing (Percentages)

Area	Intermediate	Affordable Rent	Social Rent	Total
AV - Derby Fringe	35.4%	13.3%	51.3%	100.0%
AV – Belper-Ripley	29.7%	2.8%	67.5%	100.0%
AV – Heanor	23.5%	0.0%	76.5%	100.0%
AV – Alfreton	28.0%	0.0%	72.0%	100.0%
Amber Valley	27.8%	1.5%	70.7%	100.0%
DC - Lower income	7.8%	0.0%	92.2%	100.0%
DC - Higher Income	24.2%	9.9%	65.9%	100.0%
DC – Mixed	30.1%	3.7%	66.2%	100.0%
Derby City	22.5%	3.7%	73.8%	100.0%
SD - Derby Fringe	25.5%	12.4%	62.1%	100.0%
SD - North West	32.1%	11.2%	56.7%	100.0%
SD - Swadlincote & South	31.9%	1.3%	66.8%	100.0%
South Derbyshire	30.3%	4.5%	65.2%	100.0%
Total	25.2%	3.3%	71.5%	100.0%

Source: GL Hearn Housing Needs Analysis

IMPACT OF WELFARE REFORMS

8.112   The Coalition Government has introduced a number of reforms to the welfare system and benefits will have an effect on the HMA's residents. The reforms are set against a backdrop of government spending cuts, which has seen funding levels drop, and an economic recession which has led to changes to the country's housing market and how housing can be accessed. A summary of the key welfare reforms affecting housing and potential impact of these are shown below:

- Reducing the Local Housing Allowance (LHA) from the median rent in a Broad Rental Market Area (BRMA) to the 30th centile from October 2011 (this is discussed in more detail below).

- Up rating and increasing the non-dependent rate from April 2011. This is likely to place pressure on households with adult children still living at home who cannot contribute towards household expenses.

- Capping the Local Housing Allowance is likely to make applicants for private sector lettings less attractive to landlords. From April 2013 LHA will be uprated in line with Consumer Price Index (CPI) instead of actual rents. In 2014-15 and 2015-16 increases will be capped to one percent per annum. This may impact on the number of private sector homes available for rent as well as the affordability of housing for claimants.

- Capping the total benefits to a household at no more than the national average wage is likely to impact larger families. This may result in increasing pressure on housing waiting lists for larger properties.

- Limiting payments of LHA for people under 35 to the shared room rate (up from 25). This may make it harder to place young single people in private rented accommodation (this is discussed in more detail below).

- Limiting Housing Benefit entitlements for working age people in social housing sector to reflect family size. This could increase arrears (this is discussed in more detail below) and result in the short-term in an increasing number of transfer applicants seeking alternative property.

- The move towards a Universal Credit is likely to end Housing Benefit payments direct to landlords. This could make benefit claimants potentially less attractive as tenants which potentially could limit growth in the number of people in housing need whose needs can be met in the PRS.

Changes to maximum LHA payments

8.113   In looking at the extent to which the private rented sector is being used to meet housing need (through LHA) it is important to consider the likely impact of the changes made as of April 2011. The key change is that calculations of the maximum amount of LHA that can be claimed have gone from the median rent in an area to the 30th centile. The table below shows figures for the Derby Broad Rental Market Area (BMRA) for median and 30th centile rents for different property sizes. The figures are taken from the Rent Service website for June 2010 (contained within a set of tables studying the impact of LHA changes).

8.114   Generally the differences are not big although there will be a number of households previously able to claim their full rent back who would no longer be able to do so. Research by the Department of Work and Pensions (DWP) suggests that around 6,460 claimants would have been affected by this change in the HMA with an average loss of about £10 per week. It is not clear how many of these claimants were significantly affected (e.g. unable to pay the rent and potentially became homeless) but this change may well have put additional stress of household finances and may at the very least have forced some households to move into parental home to seek cheaper accommodation.

Figure 116: LHA Levels at Median and 30th centile (June 2010) – Weekly Figures

BRMA	Property size	Median	30th centile	% difference
Derby	Room only	£50	£47	-6%
	1 bedroom	£86	£75	-13%
	2 bedrooms	£106	£98	-8%
	3 bedrooms	£127	£114	-10%
	4 bedrooms	£173	£160	-8%
	5 bedrooms	£206	NA	-

Source: Rent Service

8.115   We would expect the impact of this change to now largely have worked through, but further caps on growth in LHA (as described above) may increase differentials between LHA rates and rents moving forwards.

Changes to the Shared Accommodation Rate

8.116   There may be further issues relating to changes to the single room allowance. From January 2012 benefit claimants aged 35 and under are only able to claim the single room allowance rather than the allowance for a 1 bed property. Previously this only applied to claimants aged 25 or under.

Research by DWP indicates that 470 households may have been affected in the HMA by this change with their LHA reduced by an average of £26 per week.

8.117   The difference between the LHA maximum for a one-bedroom property and the single room allowance is significant with the latter typically being around two-thirds of the figure for self-contained accommodation. The impact of this may be to increase demand for shared accommodation (relative to pre 2011) from households in housing need.

Limiting benefit entitlements in the social rented sector

8.118   The final key area of the welfare reforms studied here relates to changes in the amount of Housing Benefit working age households can claim in the social rented sector. Currently the amount of Housing Benefit to which they are entitled, and the eligible rent part of the Housing Benefit calculation, is unrelated to the size of accommodation that claimants actually require – it is based simply on the accommodation that they actually occupy. This is in contrast to the rules that apply in the private rented sector.

8.119   From 1st April 2013 it is intended to introduce size criteria for new and existing working-age Housing Benefit claimants living in the social rented sector. The size criteria will replicate the size criteria that apply to Housing Benefit claimants in the private rented sector and whose claims are assessed using the local housing allowance rules. The applicable maximum rent will be reduced by a national percentage rate depending on how many bedrooms the household is considered not to require.

8.120   At present there is no locally specific data for Derby HMA about the number of households who might be affected by this change. However, in a DWP Equality Assessment (October 2011) it is estimated that in the East Midlands some 40,000 households will be affected (27% of working-age households in the social rented sector) and that these households will lose an average of £12 per week. It is clear that a significant proportion of working-age households in the social rented sector can be expected to be affected.

8.121   As with the LHA changes discussed above it is not certain how many of these households will be put into significantly financial difficulty as a result of this change but it is quite possible that this change will see an increase in households seeking to move home and potentially requiring smaller accommodation. The impact may be a short-term increase in housing need from households requiring smaller accommodation in 2013/14. The authorities may wish to review how needs from such households are addressed in their allocations policies.

COMPARING NEEDS ESTIMATES WITH 2008 SHMA

8.122   This section has provided estimates of the overall need for affordable housing by following the CLG SHMA guide. It is of interest to compare the outputs of this analysis with those in the SHMA completed in 2008.

8.123   The data shows that our modelling (in 2012) suggests a higher level of need overall with 8,833 units being required over the next five years when compared with 7,837 assessed in 2008. Looking more closely at the data we can see that gross need is thought to have risen (by about 2,900) with the projected supply increasing by a slightly lower amount (up by nearly 2,000).

8.124   When looking at individual local authorities the data suggests lower levels of need in Amber Valley and South Derbyshire in this assessment with an increase in the Derby City area.

Figure 117: Comparing Housing Needs Estimates in 2008 and 2012

Local authority		Gross Need	Supply	Net Need
Amber Valley	2008	4,818	1,900	2,918
	2012	4,542	2,606	1,936
Derby City	2008	9,483	6,540	2,943
	2012	13,282	8,108	5,174
South Derbyshire	2008	3,616	1,640	1,976
	2012	3,040	1,317	1,723
Derby HMA	2008	17,917	10,080	7,837
	2012	20,864	12,031	8,833

Source: 2008 and 2012 SHMAs

8.125   The 2008 SHMA also made suggestions about the tenure split of affordable housing. Across the whole HMA a 'strategic' target of 35% intermediate and 65% social rented housing was suggested which is slightly more biased in favour of intermediate housing when compared with our assessment (25% intermediate across the HMA).

HOUSING NEED – SUMMARY OF THE EVIDENCE

- An assessment of housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in the Derby HMA. This has estimated current housing need in 2012 of 3,924 households, based on the number of households on the Housing Register in housing need, excluding existing social housing tenants where they would release a home for another household in need.

- The housing needs model then looked at the balance between needs arising and the supply of affordable housing between 2012 and 2017. Over this period an estimated 16,940 households are expected to fall into housing need, but just 12,031 properties are expected to come up for relet.

- Overall a net deficit of 8,833 affordable homes is identified (1,700 per annum). There is thus a significant requirement for new affordable housing in the HMA, and the Councils are justified in seeking to secure additional affordable housing.
- While a significant deficiency in affordable housing is identified, in practice some households who are unable to secure affordable housing are able to live within the Private Rented Sector supported by housing benefit. It seems likely that the Private Rented Sector will continue to be used to some degree to make up for a shortfall of genuine affordable housing.

Policy Implications

An assessment of housing need has been undertaken using the methodology suggested in Government's SHMA Guidance. This identifies a need for net need for 8,833 affordable homes (1,700 per annum) if all households in housing need were to be accommodated in an affordable home over the period to 2017.

The reality of the situation is that many of these households in housing need may theoretically be able to meet their needs in the Private Rented Sector. Over the last decade the social rented sector across the HMA has declined in size, whilst we have seen significant growth in the Private Rented Sector (an increase of 15,500 properties between 2001-11). Households in housing need are able to live in the Private Rented Sector supported by Local Housing Allowance. Based on current market dynamics, the sector could accommodate around 7,140 households over the 2012-17 period. Coupled with affordable housing in the development pipeline this could theoretically meet almost all housing need.

However the benefit reforms introduced by the Coalition Government may reduce the contribution which the Private Rented Sector plays to meeting housing need (or at least the growth rate of this). It will thus continue to be important to secure affordable housing in new development schemes to meet housing need, to provide secure tenancies and to meet the needs of vulnerable households.

The analysis in this section provides evidence to guide planning policies regarding the tenure mix of affordable housing. It suggests that 28% of net housing need could be met by intermediate housing provision in Amber Valley, around 22% in Derby and a significant 30% in South Derbyshire. In considering strategic planning policies this should be brought together with viability evidence and policy objectives. It should also be borne in mind that there is some overlap between the categories and mortgage finance restrictions may limit potential demand for shared ownership or equity homes in the short-term.

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9   FUTURE HOUSING MARKET

INTRODUCTION

9.1   An important part of the SHMA process is to establish a reasonable basis for considering future housing provision. In March 2012 the Government published the National Planning Policy Framework (NPPF), which replaces most of the previous planning policy statements including PPS3: Housing.

9.2   The NPPF introduces a presumption in favour of sustainable development, whereby local planning authorities should prepare new Local Plans on the basis that objectively assessed development needs (both for housing and other types of development) should be met, unless the adverse impacts of doing so would significantly and demonstrably outweigh the benefits when assessed against the document as a whole.

9.3   The starting point is that Local Plans should meet the full requirements for market and affordable housing in their housing market area. Any under-provision is expected to be addressed through collaborative working with neighbouring authorities, and this is included within the tests of soundness for the plan. The proposed shift of policy means that local authorities should seek to meet its own development needs, unless there are sound reasons why it cannot do so.

9.4   The NPPF emphasises the need for Strategic Housing Market Assessments to assess full housing requirements, including both the scale and mix of housing. It outlines that an SHMA should be prepared collaboratively where housing market areas across administrative boundaries. It should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:

- Meets household and population projections, taking account of migration and demographic change;
- Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
- Caters for housing demand and the scale of housing supply necessary to meet this demand.

9.5   An assessment of future housing requirements based on interrogation of demographic data was completed for the HMA Partners in September 2012 (Derby HMA Housing Requirements Study) with an Appendix to the HRS (also in September 2012) setting out the outputs of the demographic modelling which in turn has fed into recommendations about future housing targets in the authorities Preferred Growth Strategies (PGS). Both documents can be found on Council websites.

9.7   In this section we review the assessment of housing requirements, taking account:

- Newly-available data – specifically data from the 2011 Census, and the 2011-based 'Interim' Sub-National Population Projections (SNPP) and Household Projections;
- Representations to the Preferred Growth Strategy – the revised demographic modelling has been informed by a review of key technical representations on methodology which were submitted to the Councils as part of the consultation on the PGS held between October-December 2012. The review of these and conclusions drawn is set out in Appendix1;
- Wider evidence from the SHMA Update –has also been considered in reviewing the approach, including the housing needs evidence and trends in overcrowding.

9.8   The remainder of this section presents a summary of the assumptions behind the projections and the main outputs for each local authority area including comments on how (and why) figures have been changed since the projections in the 2012 Housing Requirements Study (HRS).

DEMOGRAPHIC PROJECTIONS: ASSUMPTIONS

9.9   The HRS utilised a range of data sources available at the time of the assessment. This included the 2010-based Subnational Population Projections (SNPP), the 2008-based CLG Household Projections and a range of other data (particularly about migration) from ONS. The reporting and modelling exercise was carried out prior to detailed information being available from the 2011 Census.

9.10   The projections were run from 2008 to 2028 although data for the two-year period 2008-10 was fixed by reference to estimated mid-year population data available at the time. The key elements of the projection are summarised below.

9.11   The projections have now been updated to take account of data for 2011 and run for a 17-year period to 2028. Recognising the fact that the Local Plan will run from 2008 we have also made an allowance for housing provision from 2008 to 2011 to make the figures up to the full 20-year plan period. This analysis of a 'backlog' of housing is discussed towards the end of the section taking account of the levels of housing delivery between 2008-11 against assessed requirements.

9.12   The HRS work only looked at a single projection based on an analysis of past demographic trends. In the SHMA we have augmented this with analysis of two additional projections. Three projections in total have therefore been developed, these are:

- Trend-based Projection;
- Economic-Led Projection; and
- Sub-National Population Projection.

9.13   The economic-led projection uses the most recent forecasts for employment growth in the HMA from Experian (dated Jan 2013). These are more up-to-date than those considered in the HRS. The SNPP projection takes into account the 2010- and 2011-based Interim Sub-National Population

Projections. The trend-based projection is based on detailed interrogation of past population trends in the HMA, and is similar to the approach adopted in the HRS.

9.14   Our analysis below focusses on the main trend-based projection with key outputs provided for the additional two projections towards the end of the section.

Baseline Population

9.15   The HRS Projections took the ONS Mid-Year Population Estimate (for 2010) and projected forward from this. We now have a good baseline position for mid-2011 and hence begin projections from this date. To help understand differences between ONS population estimates/ projections published before 2011 Census data was available, and those since, we have below provided a comparison between the population projected by the 2010-based SNPP (for 2011) compared with the mid-2011 position as evidence by 2011 Mid-Year Population Estimates.

9.16   The data shows for the whole HMA that the population has grown less strongly that had previously been expected with **around 1,300 fewer people living in the area than was expected in 2011**. There are also some notable differences for individual age bands with the number of people aged 5 to 19 being underestimated and those aged 20 to 29 being over-estimated. The number of older persons is also lower than had been expected.

Figure 118: Difference in Baseline Population Age Structure (2011) – Derby HMA

Age group	Previous ONS projections	Current estimate	Difference	% difference
Ages 0-4	29,826	30,004	178	0.6%
Ages 5-9	26,219	27,054	835	3.2%
Ages 10-14	26,854	28,049	1,195	4.4%
Ages 15-19	28,933	29,771	838	2.9%
Ages 20-24	32,612	31,160	-1,452	-4.5%
Ages 25-29	32,511	30,006	-2,505	-7.7%
Ages 30-34	28,472	29,246	774	2.7%
Ages 35-39	31,130	31,082	-48	-0.2%
Ages 40-44	35,518	35,501	-17	0.0%
Ages 45-49	34,723	34,979	256	0.7%
Ages 50-54	29,339	29,495	156	0.5%
Ages 55-59	26,249	26,374	125	0.5%
Ages 60-64	27,948	27,968	20	0.1%
Ages 65-69	23,082	22,507	-575	-2.5%
Ages 70-74	17,645	17,347	-298	-1.7%
Ages 75-79	14,571	14,510	-61	-0.4%
Ages 80-84	11,259	11,128	-131	-1.2%
Ages 85+	10,749	10,198	-551	-5.1%
All Ages	467,641	466,379	-1,262	-0.3%

Source: ONS Mid-Year Population Estimates

9.17 More detailed analysis has also been carried out for each of the three local authority areas. We summarise the key findings below:

- **Amber Valley** – the updated 2011 population is very slightly lower than expected (23 fewer people) with key age structure differences being for the 30-34 age group which had previously been under-estimated and the 85+ age group which had been over-estimated;
- **Derby** – the updated 2011 population is lower than expected (771 fewer people). Age structure differences are more stark with a significant over-estimation of the population aged 20-29 and under-estimating of those aged 5-14; and
- **South Derbyshire** – the updated 2011 population is lower than expected (468 fewer people). The main age structure differences are a previous under-estimate of those aged 20-34 and an over-estimation of the number of children.

9.18 The main implications of the updated baseline analysis are that **in all areas past trends in net in-migration appear to have been over-estimated by ONS** whilst the age structure of past migrants will also be slightly different to that estimated by ONS. Both of these observations have been modelled into our updated projections.

Fertility and Mortality Rates

9.19 Fertility rate data was derived from the 2010-based SNPP. In all areas this source indicates a short-term increase in the rate but a decline over the longer-term. These trends are consistent with national projections. There was no evidence to suggest that fertility rates would differ much from those set out in the 2010-based SNPP and so the SNPP assumptions on future fertility trends were applied in the modelling process.

9.20 Mortality rate data was also drawn from the 2010-based SNPP. This source projects that life expectancy will improve over time and at a similar rate to expected national trends. The differences in life expectancy between men and women are expected to converge over time. As with fertility data the evidence did not suggest a strong case that mortality rates would differ notably from those set out in the 2010 SNPP and so the SNPP rates were applied to the modelling.

9.21 The new data obtained since the HRS projections does not give us any information which would suggest that either the fertility or mortality assumptions should be changed and it is notable that the ONS 2011-based SNPP use the same assumptions as were embedded in the 2010-based version.

Migration

9.22 Forecasting future migration is more difficult with ONS data showing that there is significant variance in migration levels year-on-year. The analysis in the HRS looked in some detail at the levels of both in- and out-migration to/from each local authority. This analysis looked separately at international and internal migration although it was only in Derby City that levels of international migration were high enough to make this distinction necessary.

9.23   The projections set out in the SHMA Update include modelling based on the assumptions in the Sub-National Population Projections, and updated trend-based projections prepared by GLH-JGC which take account of a more detailed and forensic analysis of demographic trends locally.

9.24   In updating our estimates of trend migration we have taken account of the above analysis which in all cases suggests that recorded migration levels have been higher than has happened in reality. This has therefore seen a downward impact on our migration figures moving forward (albeit with a negligible impact in Amber Valley). Below we have highlighted our conclusions about projected migration patterns in each area based on analysis of the most recent available demographic information. In all cases the assumptions are broadly similar to those in the 2012 HRS.

9.25   In Amber Valley, analysis of past trends in migration suggested a consistently higher proportion of in-migrants when compared with out-migrants (i.e. net in-migration). Given expected population increase in Amber Valley (and other areas) it is projected that levels of both in- and out-migration would increase in the future. In net migration terms the modelling assumes that this would start at 398 people per annum in 2011/12 and increase to 675 by 2027/28. The start point was derived by studying migration data over the previous seven years (very slightly adjusted by reference to the updated 2011 mid-year population estimate data).

9.26   In Derby there is a significant level of international migration with past trends suggesting net international migration of a little under 1,500 people per annum. This figure is projected forward at a constant rate for the projection. Keeping international migration levels constant is consistent with the approach taken by ONS in their SNPP. In studying internal migration, the past trend data suggested that Derby typically sees a net out migration of people although this is quite variable over time. Past trend data suggested that level of both internal in- and internal out-migration have been increasing along with an overall increase in levels of net out-migration. These trends are projected forward with the assumption of a net internal out-migration of 877 people in 2011/12 rising to 1,721 by 2027/28. The migration assumptions take account of the latest data.

9.27   In South Derbyshire, past trend data consistently showed a notable level of net in-migration. However, the data also suggested that this had been declining (very slightly) over the previous seven years. As with Amber Valley, the growing population means that it is appropriate to project that both in- and out-migration will increase, but that the gap between the two would narrow very slightly based on the trends evident. In terms of net migration, the modelling assumes that this would start at about 783 people per annum in 2011/12 and decrease slightly to 680 by 2027/28.

Profile of Migrants

9.28   It is also important to study the likely age/sex profile of migrants to and from each area. In the HRS this profile was based on information in the 2010-based SNPP (suitably adjusted for the overall

migration assumptions used in modelling). Although insufficient data was available to fully scrutinise the ONS figures they did seem to be reasonable given other known socio-economic characteristics of the areas.

9.29   Derby City is expected to see strong net in-migration of those aged 15 to 24 which is linked to the student population and young working people. The City is also expected to see out-migration of most other age groups, largely reflecting families moving out of the City and other households moving when approaching or reaching retirement age.

9.30   In both Amber Valley and South Derbyshire the opposite trend is expected, with a large out-migration of those aged 15 to 19 and net in-migration of most other age groups. The data for all areas also suggested relatively little migration of older people (aged 65+) which means that the ageing of the population is largely driven by existing populations and improvements in life expectancy rather than from people moving to an area.

9.31   For the updated projections we have again drawn on the data in the 2010-based SNPP with some minor adjustments to take account of the different population sizes and profiles found from more up-to-date information (particularly the 2011 Census). This does not substantially impact on the projections and is an approach consistent with that taken by ONS in moving from the 2010-based to the 2011-based SNPP.

Headship Rates

9.32   The analysis and projection of fertility, mortality and migration allowed for population projections to be developed (which provided data about the overall size of the population and its age/sex structure). To convert projections for the population into projections for growth in households, the concept of headship rates has been used. The headship rate is essentially the chances of a person in each age/sex band also be considered as the head of household.

9.33   The analysis in the HRS drew on headship rate data contained within the 2008-based CLG household projections with further interrogation of demographic and administrative data about the extent to which these rates have departed from those in the CLG projections. This was done by tracking trends in average household sizes.

9.34   Since the HRS report was published CLG has released a new set of household projections (2011-based) – headship rates derived from these projections have now been used in the analysis. For all three areas these new projections expect decreasing household sizes at a lesser rate than had been projected in the 2008-based version. The expected change to headship rates (along with a trend derived from Census data) is shown in the figure below, Figure 119.

Figure 119: Past and projected trends in Average Household Size
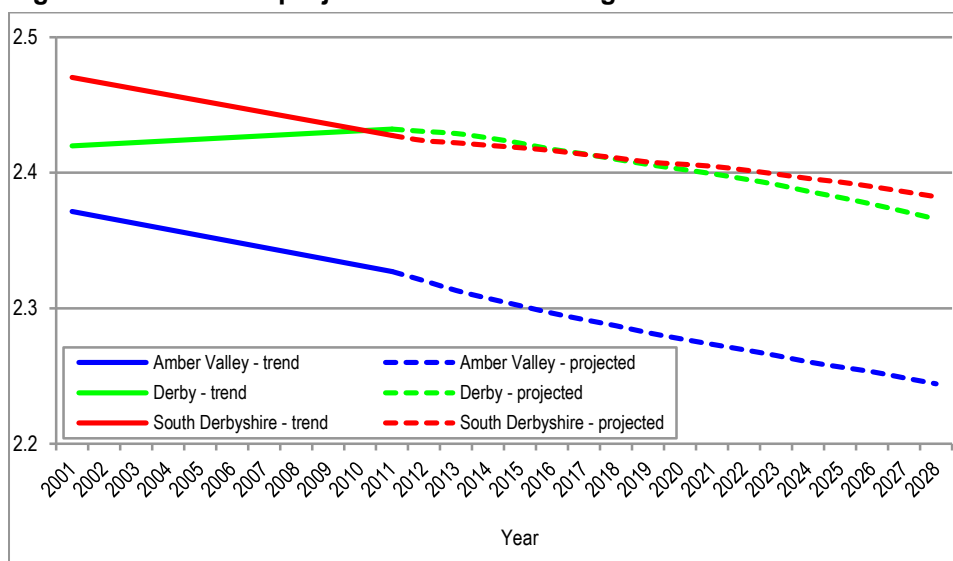
Source: Derived from ONS and CLG data (including 2011 Census)

9.35   To convert the household figures into housing requirements the HRS also included an allowance for vacant and second homes. We have assumed that 3.0% of new-build stock constructed over the plan period will comprise vacant or second homes. This includes a 0.5% allowance for growth in second home ownership and an allowance of 2.5% for vacant homes within new-build stock. The age of new-build stock over the plan period is such that we would expect the vacancy rate to be lower than in the overall housing stock, given a lower requirement for repair and adaptions to properties.

Employment Rates

9.36   Although the projections were demographically driven, the opportunity was taken to assess the likely change in the number of residents in employment in each area as a result of demographic change. In the update projections this understanding was also important given our additional scenario linked to Experian employment forecasts. Outputs about the number of residents in employment were derived by applying age specific employment rates based on data from the Annual Population Survey calibrated to 2011 Census information. The analysis included modelling the prospects for economic recovery as well as potential changes to the working population as a result of changes in pensionable age.

9.37   In the updated projections we have only looked at employment changes post-2011 whilst those in the HRS also considered estimated changes back to 2008. There is some doubt about the accuracy of the data pre-2011 and this approach seemed reasonable given our new baseline date of mid-2011. In all areas an analysis of unemployment rates suggested that there is scope for some people to return to work as a result of having previously lost employment. This was particularly clear

in Derby (which has seen the highest increase in unemployment) although all areas have a potential for improvement. Modelled improvements in employment rates are assumed to occur evenly over the full 17-year projection period from 2011 to 2028 which is a slightly different approach to that in the HRS where all improvements were modelled to happen in the period to 2021. Over the full projection period this difference will have no notable impact on the outputs.

9.38   The analysis also looked at commuting patterns to allow a comparison between the number of residents in employment and the number of jobs in an area to be developed. This analysis is important when looking at the economically-led scenario, with figures from Experian being based on the number of jobs rather than residents in employment. The commuting ratios used for analysis are the same as presented in the HRS report and it should be noted that the figures presented in this report are for of residents in employment (on the basis of where they live rather than where they work).

TREND-BASED PROJECTION FOR POPULATION & HOUSEHOLD GROWTH

9.39   The updated trend-based demographic projection prepared as part of the SHMA Update is set out below. The figures cover the 17-year period from 2011 to 2028. This projection is comparable with that outlined in the Appendix to the HRS.

9.40   The data shows that all areas are expected to see notable population growth; varying from 9% in Amber Valley up to 21% in South Derbyshire over the 17-year period. The overall population growth projected for the whole HMA is 12% which is slightly above the estimated figure for Derby (11%). Looking at employment growth (residents in employment) we again see that all areas are expected to see an increase. The increases in employment are however much lower than the growth in population. This is mainly due to the ageing of the population meaning that a lower proportion of the population are of working age. Growth in residents in employment for the full 20-year period range from 3% in Amber Valley to 13% in South Derbyshire with an overall average of 10% across the HMA.

9.41   Turning to housing requirements it is estimated under the assumptions used that there would need to be a total of 30,630 additional homes provided across the HMA. This figure splits down as 6,855 in Amber Valley, 14,612 in Derby City and 9,163 for South Derbyshire. It should be stressed that whilst figures are provided for each district the actual distribution for local authorities is likely to be driven to some degree land availability, with Derby expected to be able to deliver fewer homes than suggested below and higher figures therefore to be sought in Amber Valley and South Derbyshire (including through extensions to the PUA).

Figure 120: Summary of Projections 2011 to 2028 - Annual

Area	Population Growth		Housing Numbers		Employment Growth	
	Per annum	% change	Per annum	% change	Per annum	% change
Amber Valley	622	0.5%	403	0.7%	99	0.2%
Derby	1,575	0.6%	860	0.8%	822	0.7%
South Derbyshire	1,143	1.2%	539	1.3%	371	0.8%
Derby HMA	3,340	0.7%	1,802	0.9%	1,292	0.6%

Figure 121: Summary of Projections 2011 to 2028 - Total

Area	Population Growth		Housing Numbers		Employment Growth	
	Total	% change	Total	% change	Total	% change
Amber Valley	10,576	8.6%	6,855	12.6%	1,680	2.8%
Derby	26,771	10.8%	14,612	13.9%	13,971	12.4%
South Derbyshire	19,428	20.5%	9,163	22.8%	6,307	13.2%
Derby HMA	56,774	12.2%	30,630	15.3%	21,957	10.0%

9.42   The projections can also be used to summarise how the population profile of the HMA is expected to change. Figure 122 below shows that the key growth age groups will be those aged 65 and over with many younger groups only expected to see moderate increases (and decreases in some cases).

Figure 122: Forecast Population Change by Age Group 2011 – 2028 – Derby HMA
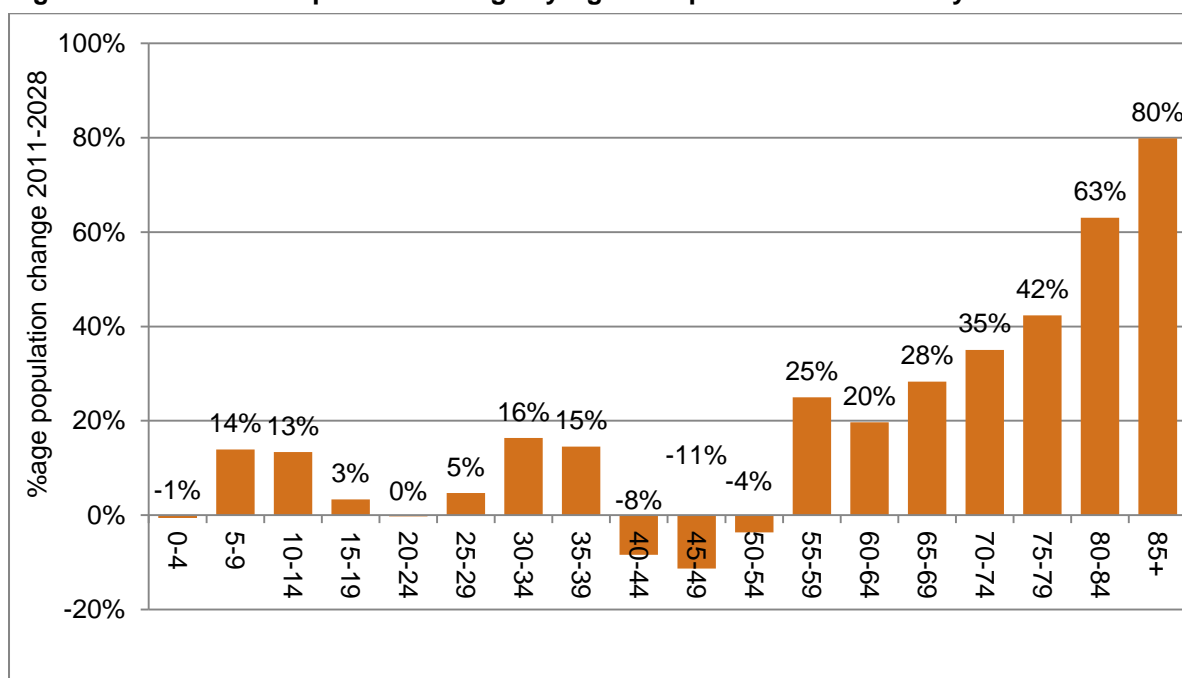
9.43   At a local authority level the data shows that all areas are expected to see a particularly large increase in the number of older persons although this is more marked in Amber Valley and South Derbyshire.

9.44   Derby City is expected to see the least ageing of the population whilst South Derbyshire sees the highest population increases in most age groups (linked to an overall higher proportionate increase in the population). Amber Valley under the projection run is expected to see a small decline in the population aged under 60 over the 17-year projection period.

Figure 123: Population Change 2011 to 2028 by Five-Year Age Bands

Age group	Amber Valley		Derby City		South Derbyshire		Derby HMA	
	Change in population	% change from 2011	Change in population	% change from 2011	Change in population	% change from 2011	Change in population	% change from 2011
Under 15	1,013	5.1%	2,656	5.6%	3,665	21.1%	7,333	8.6%
15-29	-1,045	-5.2%	2,465	4.5%	912	5.6%	2,332	2.6%
30-44	-489	-2.0%	5,164	10.1%	1,639	8.0%	6,313	6.6%
45-59	-1,118	-4.3%	877	2.0%	1,775	8.9%	1,534	1.7%
60-74	3,974	18.2%	8,540	27.1%	5,448	37.6%	17,961	26.5%
75+	8,242	79.4%	7,069	37.3%	5,990	92.0%	21,301	59.4%
Total	10,576	8.6%	26,771	10.8%	19,428	20.5%	56,774	12.2%

MIGRATION FLOWS BETWEEN AUTHORITIES

9.45   As part of the SHMA we have also sought to consider the migration flows between authorities within the Derby HMA and surrounding areas. We have undertaken an analysis of internal migration flows between the Derby HMA authorities and other adjoining authorities over the 2006-11 period. This indicates:

- Net internal out-migration of 660 a year from Derby;
- Net internal in-migration to South Derbyshire of 800 a year – with a net flow of 252 from Derby (31.5%); and
- Net internal in-migration to Amber Valley of 420 a year – with a net inflow of 322 from Derby (76.7%).

9.46   We have used this information to consider what proportion of in-migration and thus housing requirements in South Derbyshire and Amber Valley is influenced by migration to these authorities from Derby. This has been based on comparing the trend-based demographic projections with a zero net migration scenario, and consider what proportion of net in-migration is from Derby. The analysis only covers the 'projection' part of the period studied (i.e. 2011-28) and indicates:

Figure 124: **Estimates of Growth linked to Migration from Derby, 2011-28**

	Amber Valley	South Derbyshire
Dwelling Requirement: Main Projection, 2011-31	6855	9163
Dwelling Requirement: Zero Net Migration, 2011-31	2669	3716
Growth due to Migration (Dwellings)	4186	5447
Derby-related Net Migration	76.7%	31.5%
Growth due to Derby Migration (Dwellings)	3211	1716

9.47   This is a theoretical exercise not least as the percentages we use of net migration do not really reflect negative figures for outflows to some areas. In addition the baseline internal migration estimate for Amber Valley of 420 net per annum is somewhat below the overall average in our projections (574 per annum or 618 per annum excluding a small estimated net international/cross-border out migration). Taking account of these differences we would consider it sensible to moderate the level of housing provision in Amber Valley attributed to in-migration from Derby to 52% (322/618). In working through the example above this would reduce the 3,211 figure to 2,181 (or 32% of the total requirement).

DEMOGRAPHIC PROJECTIONS FOR SUB-MARKETS

9.48   Whilst the main focus of the HRS analysis has been on likely housing requirements across the HMA and for particular local authority areas it is also of interest to study how these changes might pan-out for each of the sub-markets used for analysis in this report. We have therefore developed the district-wide projections to study likely population, employment and household (housing) growth in each sub-area. **This analysis is again based on demographic trends and does not take account of different distributions based on housing land availability.**

9.49   The methodology used to assign the population, employment and household/housing growth figures to smaller areas is based on overall change district-wide (by age and sex) applied to the demographic profile of the local population. In doing this we are able to take account of past trends in fertility, mortality and migration to the extent that these will have shaped the current population profile (with such trends likely to shape the future population). In looking at employment and headship rates we have used local data (based on wards and groups of wards) from the 2001 Census which has been updated to match the district-wide assumptions contained within our projections (and the assumptions projected forward).

9.50   The table below shows projected housing growth over the 17-year projection period (2011-2028) in each sub-area. The table shows that we would expect population, employment and household (housing) growth in each area that is broadly in-line with overall district averages. There are some differences which are driven by underlying demographic trends and population structures. Under

this projection the increase in housing required varies from around 12% in Heanor and the lower income sub-area of Derby City up to 25% for the Derby Fringe area of South Derbyshire.

Figure 125: Summary of Projections for Sub-Markets, 2011-28

Area	Population Growth		Housing Numbers		Employment Growth	
	Total	% change	Total	% change	Total	% change
AV - Derby Fringe	860	11.2%	496	15.1%	24	0.7%
AV – Belper-Ripley	4,708	8.7%	3,042	12.6%	1,025	3.7%
AV – Heanor	2,633	7.9%	1,705	11.7%	566	3.5%
AV – Alfreton	2,375	8.7%	1,611	13.2%	65	0.5%
Amber Valley	10,576	8.6%	6,855	12.6%	1,680	2.8%
DC - Lower income	4,965	9.7%	2,394	11.5%	2,587	13.3%
DC - Higher Income	8,194	11.5%	4,405	14.5%	4,226	11.9%
DC – Mixed	13,612	10.8%	7,812	14.4%	7,158	12.4%
Derby City	26,771	10.8%	14,612	13.9%	13,971	12.4%
SD - Derby Fringe	5,637	21.9%	2,722	24.5%	1,886	14.1%
SD – North West	3,376	19.6%	1,462	21.3%	1,125	12.6%
SD - Swadlincote & South	10,414	20.1%	4,980	22.3%	3,295	12.9%
South Derbyshire	19,428	20.5%	9,163	22.8%	6,307	13.2%
Derby HMA	56,774	12.2%	30,630	15.3%	21,957	10.0%

9.51   The sub-market projections shown above have been used to provide baseline estimates of population and households in 2012 (which is the base date for much of the analysis). The detailed projections have also been used to derive estimates of the number of newly forming households expected in each area which is used as an important part of the housing needs analysis.

ADDITIONAL PROJECTION SCENARIOS

9.52   As noted earlier in this section we have developed the analysis in the HRS to contain two additional scenarios for population, housing and employment growth. The additional scenarios are firstly one linked to Experian employment forecasts and secondly one linked directly to the most recent (2011-based) Subnational Population Projections. The overall housing requirement over the 17-year projection period shown by these projections is as follows (compared with or main trend-based projection).

Figure 126: Estimated Housing Requirements under Different Scenarios

Area	Projection variant	Annual requirement	Requirement over 17-years
Amber Valley	Trend-based	403	6,855
	Economic-led	433	7,359
	SNPP	464	7,880
Derby	Trend-based	860	14,612
	Economic-led	414	7,038
	SNPP	1,153	19,600
South Derbyshire	Trend-based	539	9,163
	Economic-led	388	6,597
	SNPP	551	9,359
Derby HMA	Trend-based	1,802	30,630
	Economic-led	1,235	20,994
	SNPP	2,167	36,838

9.53   Taking the whole HMA we find that our trend-based projection sits somewhere in-between the two alternatives developed. The trend-based projection shows an overall housing requirement for 30,630 dwellings compared with 20,994 when linked to employment projections and 36,838 in the SNPP.

9.54   We consider that the economic-led projection presents potentially an overly pessimistic view of economic growth potential within the HMA. It does however highlight some of the downside risks associated with the impact which economic performance could have on the housing market and housing requirements within the HMA.

9.55   In contrast, we consider that the SNPP makes some overly optimistic assumptions regarding future migration trends which are not supported by detailed analysis of trends over the local level. Whilst the 2011-based SNPP does moderate the migration slightly, this is not based on a full analysis of data from the 2011 Census which in due course (in the 2012-based versions) we would expect to moderate the migration assumptions further to bring them broadly in line with those in the trend-based projection herein.

9.56   For the individual local authorities we do see some different patterns depending on the projection run. In Amber valley the three projections do not show significantly different outputs and it is interesting to see that the economic-led projection comes out slightly higher than the trend-based scenario. In both Derby and South Derbyshire the economic-led projection is notably below either the other projections. Overall, Derby shows the greatest variation in outputs between the different scenarios.

HOUSING REQUIREMENTS 2008-2028

9.57   The projections presented above cover a 17-year period from 2011 to 2028. The Local Plan however will cover the period from 2008 to 2028 and it is therefore important to form a view about the amount of housing delivered from 2008 to 2011 and the extent to which there is a 'backlog' which should be included moving forward. To establish the housing requirement for the full 20-year period we have looked at housing requirements within the RSS and actual levels of delivery (i.e. housing completions).

9.58   The table below, Figure 127, shows the RSS housing requirement (from 2006 to 2011) along with the number of homes delivered – this provides an indication of any shortfall (or surplus) of supply over this period. The data shows for the whole HMA that there was a requirement to deliver 9,150 homes over this 5-year period and 7,935 were completed – this leaves a shortfall in supply of 1,215 homes which we include as a backlog. The data shows notable shortfalls in Amber Valley and South Derbyshire and a small surplus in Derby.

Figure 127: RSS Housing Requirements and Shortfall (surplus)

Area	Requirement per annum	Requirement 2008-2011	Delivery 06-11	Surplus/ Shortfall
Amber Valley	510	2,550	1,893	657
Derby	720	3,600	3,669	(69)
South Derbyshire	600	3,000	2,373	627
Derby HMA	1,830	9,150	7,935	1,215

9.59   To the above data we then need to add actual completions from 2008 to 2011 to this shortfall and to the requirement from 2011 onwards to give a total requirement for the whole plan period (2008-28). This is shown in Figure 128 below. In adding the backlog into the figures we have not taken off the small surplus shown for Derby and hence the backlog is shown to be 69 higher than above.

9.60   The data shows a housing requirement of 35,354 over the full 20-year period (about 1,768 per annum). This figure is higher than was calculated in the HRS (about 33,700 homes) with the difference to some degree being due to the inclusion of a backlog which did not feature in the HRS calculations.

Figure 128: Overall Housing Requirements (2008 to 2028)

Area	Demographic Requirement from 2011	Shortfall vs. RSS 2006-11	Completions 2008-11	2008-28 Total	2008-28 Requirement PA
Amber Valley	6,855	657	814	8,326	416
Derby	14,612	-	1,513	16,125	806
South Derbyshire	9,163	627	1,113	10,903	545
Derby HMA	30,630	1,284	3,440	35,354	1,768

9.61   Finally we can use this information to look at the residual requirement from 2011 to 2028 (as shown in the table below). These figures have also been compared with RSS housing requirements. The data shows a requirement to provide 31,914 homes across the HMA from 2011 to 2028 – 1,877 per annum. This is about 3% above the annual RSS requirement of 1,830 homes per annum.

Figure 129: Remaining Housing Requirement to Deliver 2011-2028

Area	Residual requirement	Residual per annum	RSS annual requirement	Moving forward vs. RSS
Amber Valley	7,512	442	510	-13%
Derby	14,612	860	720	19%
South Derbyshire	9,790	576	600	-4%
Derby HMA	31,914	1,877	1,830	3%

Policy Implications

Demographic projections were developed for future housing requirements as part of the Housing Requirements Study. The SHMA Update has sought to consider and develop these, taking account of the wider evidence, new data and representations to the Preferred Growth Strategies Consultation.

Three projections for future housing provision are presented, identifying a requirement for between 21,000 – 36,840 homes over the 2011-28 period. The trend-based projection for 30,600 homes over this period is considered the most realistic. However in addition to this, it is recommended that provision is made for past under-supply of housing bringing the residual requirement for the 2011-28 period up to 31,900 homes.

This level of housing growth would support growth across all age groups within the population, but with the greatest growth in age groups over 60. It supports growth in the labour force of levels significantly above forecast baseline employment growth.

There is a clear level of joint-working on housing provision issues for surrounding HMAs within the East Midlands region. At the current time, the Leicester & Leicestershire HMA, Nottingham Core HMA and Chesterfield/ Northern HMAs are all planning collaboratively to meet housing requirements within their areas. Parts of Derbyshire Dales and East Staffordshire have a reasonably strong functional relationship to the Derby HMA authorities, and it will be important that the policies and strategic approach to housing provision in these areas is considered in finalising policies for housing in the Derby HMA.

10   REQUIREMENTS FOR DIFFERENT SIZES OF HOMES

10.1   There are a range of factors which influence housing demand. In this section we consider in some detail the implications of demographic drivers on demand for different housing products. This is brought together through qualitative analysis with an understanding of wider factors including:

- The need and opportunity to develop the housing offer;
- The findings of the housing needs analysis which provide a short-term view of requirements;
- Economic factors, such as trends in employment, overall and by occupation; and
- Local policy and regeneration objectives.

10.2   The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes of housing required in the future. For the purposes of this analysis we have looked at the required demographic change as indicated in our recommended projections in the Housing Requirements Study (for the period from 2012 to 2028).

10.3   The modelling takes its lead from the demographic projections in need and demand in each authority as set out in the Housing Requirements Study. It does not take account of supply-side factors such as land supply constraints within Derby City or emerging policies regarding the distribution of development across the HMA.

10.4   This section of the report provides the outputs of the market modelling exercise undertaken with the detailed methodology to be found in Appendix 3.

KEY OUTPUTS

10.5   The table below shows the sizes of accommodation needed in each of the market and affordable sectors under the modelling exercise (for the whole HMA and then each local authority). We have also factored in a 3% vacancy allowance in moving from household figures to estimates of housing requirements.

10.6   For the whole HMA the data suggests that approaching three-quarters of market homes should be 'family' sized (3 or more bedrooms) – 71.6%; with the majority of these being three bedroom homes. The data suggests a fairly limited requirement for one bedroom homes (about 4%) with the balance of just under a quarter being for two bedroom accommodation.

10.7   In the affordable sector the analysis suggests that the main requirements will be for two- and three-bedroom homes (about 70% of the requirement equally split between the two sizes). There is also a notable requirement for one bedroom homes (about 27%) and a small need for homes with four or more bedrooms (about 4%).

Figure 130: Estimated Dwelling Requirement by Number of Bedrooms (Derby HMA, 2012 2028)

Number of bedrooms	Market			Affordable		
	Households	Dwellings	% of dwellings	Households	Dwellings	% of dwellings
1 bedroom	884	910	4.2%	1,907	1,964	27.4%
2 bedrooms	5,047	5,198	24.2%	2,402	2,474	34.6%
3 bedrooms	11,442	11,785	54.9%	2,370	2,441	34.1%
4+ bedrooms	3,476	3,580	16.7%	270	278	**3.9%**
Total	20,848	21,474	100.0%	6,949	7,158	100.0%

Figure 131: Size of Housing Required 2012 to 2028 (Derby HMA)
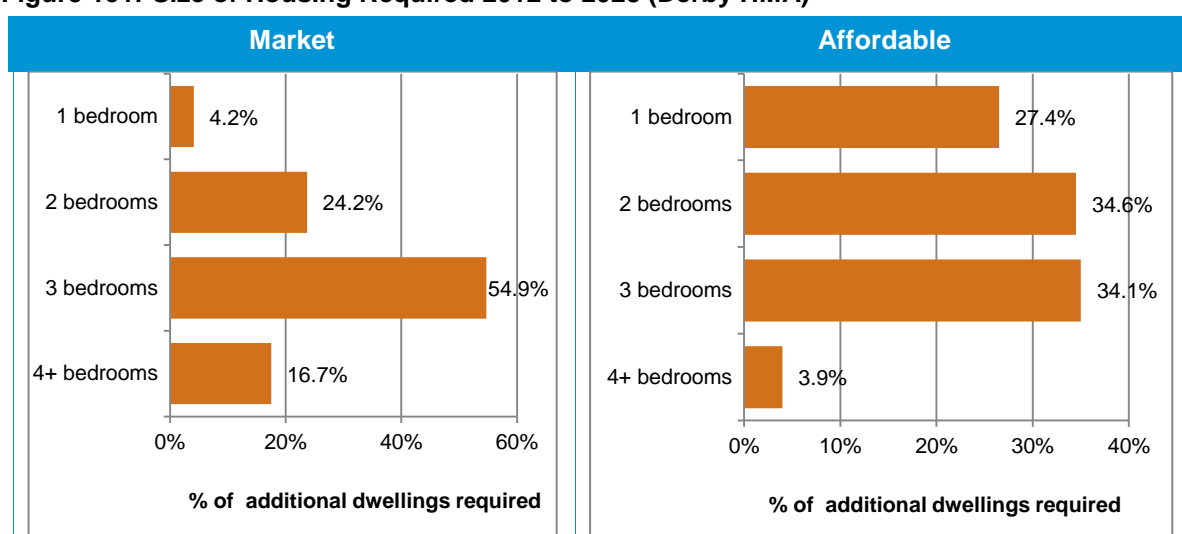
10.8   Looking at the individual local authorities we tend to find similar results to the whole HMA in each district with a particular focus on three or more bedroom homes in the market sector and strong requirements for two- and three-bedroom affordable accommodation.

10.9   In Amber Valley the profile of both market and affordable housing is generally slightly smaller than for the whole HMA as a result of the Borough's older age structure and proportionally stronger growth in older persons in the Borough over the period to 2028. As seen from statistics earlier in the section, older person households tend to occupy smaller accommodation and so this tends to push outputs slightly towards more smaller homes in this area.

10.10   In contrast both Derby and South Derbyshire show a very slightly larger profile of housing being required (in both sectors) when compared with the HMA as a whole. In South Derbyshire this is largely due to stronger expected household growth which in turn sees a less prominent ageing of the population. It reflects continuing demand for family housing from both the existing population and people moving into the area.

10.11 In Derby we have a particular migration profile which tends to keep the population profile slightly 'younger' than in other areas. This in turn tends to suggest more larger homes being required due to the occupancy patterns of the population expected to be resident in the area moving forward.

10.12 Derby stands out within the HMA as having a relatively well-paid workforce (a proportion of which commute into the City to work), a younger population than the other two authorities in the HMA and a population in which recent growth has been focused within BME households (which typically have larger household sizes). In contrast, its housing offer is focused – relative to the region and other parts of the HMA – more towards smaller properties. There is evidence that over the last decade overcrowding within the City has increased markedly. Bringing the evidence together, there is thus a strong case for seeking to provide larger homes in Derby.

10.13 This is not to suggest that there is not a market for smaller properties, and flatted development. The District's younger population, a vibrant Private Rented Sector, and some students, can all be expected to support demand for smaller properties. The issue is one of the overall balance. The analysis below suggests that approximately a third of new properties (across the market and affordable sectors) should have 1 or 2 bedrooms relative to around 41% of the existing stock. Over time this can be expected to help rebalance the City's housing offer.

Figure 132: Estimated Dwelling Requirement by Bedsize (2012 to 2028) – Amber Valley

Number of bedrooms	Market			Affordable		
	Households	Dwellings	% of dwellings	Households	Dwellings	% of dwellings
1 bedroom	251	259	5.4%	487	501	31.1%
2 bedrooms	1,436	1,479	30.6%	607	625	38.8%
3 bedrooms	2,579	2,656	55.0%	421	434	26.9%
4+ bedrooms	426	439	9.1%	49	51	3.1%
Total	4,692	4,833	100.0%	1,564	1,611	100.0%

Figure 133: Estimated dwelling requirement by Bedsize (2012 to 2028) – Derby City

Number of bedrooms	Market			Affordable		
	Households	Dwellings	% of dwellings	Households	Dwellings	% of dwellings
1 bedroom	440	453	4.4%	970	1,000	29.4%
2 bedrooms	2,169	2,234	21.9%	1,017	1,047	30.8%
3 bedrooms	5,598	5,766	56.4%	1,183	1,219	35.8%
4+ bedrooms	1,711	1,762	17.3%	136	140	4.1%
Total	9,918	10,216	100.0%	3,306	3,405	100.0%

Figure 134: Estimated dwelling requirement by Bedsize (2012 to 2028) – South Derbyshire

Number of bedrooms	Market			Affordable		
	Households	Dwellings	% of dwellings	Households	Dwellings	% of dwellings
1 bedroom	193	198	3.1%	450	463	21.6%
2 bedrooms	1,442	1,485	23.1%	779	802	37.4%
3 bedrooms	3,265	3,363	52.3%	765	788	36.8%
4+ bedrooms	1,339	1,379	21.5%	86	88	4.1%
Total	6,238	6,425	100.0%	2,079	2,142	100.0%

INDICATIVE TARGETS BY DWELLING SIZE

10.14   Whilst the outputs of the modelling provide estimates of the proportion of homes of different sizes that should be provided there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one bedroom homes. It for instance offers limited flexibility to meet households' changing needs or allow guests to come and stay. We also need to consider that the stock of four bedroom affordable housing is very limited in all areas and tends to have a very low turnover. As a result, whilst the number of households coming forward (through the Housing Register) for four or more bedroom homes is quite small the ability for these need to be met is even more limited.

10.15   For these reasons we would suggest in converting the modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate. We would also note as the analysis here is over a longer-term (16-year) time period that there is some logic to providing more larger homes in the short-term – particularly given that the profile derived above is largely driven by an increasing older population which in the short-term (say next five years) will be a less pronounced change.

10.16   The table below therefore shows our suggested profile of housing to be provided in the affordable sector by size for the whole HMA and individual districts. The suggestions take account of both the outputs of the market model and also the issues discussed around current stock, demand and turnover of different sizes of home. **Across the whole HMA we suggest a strategic target for the mix of affordable housing of around 15%-20% for one bedroom homes; 35% for two bedrooms, 35% for three bedrooms and 10%-15% for homes with four or more bedrooms.** There is some variation by area although all locations show a broadly similar suggested size split.

Figure 135: Indicative Targets for Affordable Housing by Size

Number of bedrooms	Amber Valley	Derby City	South Derbyshire	Derby HMA
1 bedroom	20%-25%	20%-25%	10%-15%	15%-20%
2 bedrooms	40%	30%	35%-40%	35%
3 bedrooms	30%	35%	35%-40%	35%
4+ bedrooms	5%-10%	10%-15%	10%-15%	10%-15%

10.17   In the market sector we would suggests a profile of housing that more closely matches the outputs of the modelling. This is because the issues of high turnover and low demand do not exist in the same way for one bedroom homes (which are shown by the modelling to have a low requirement) whilst there is no notable shortage of four or more bedroom homes available in any of the areas.

10.18   We do however take some account of the time period used for the modelling and the fact that the full impact of the ageing population will not be experienced in the short-term. This latter point mainly impacts our suggested profile of housing in Amber Valley (for four or more bedroom accommodation). In addition, as noted earlier, current constraints on mortgage finance is likely to suppress demand for smaller units in the short-term (particularly those which would normally have high demand from first-time buyers) and a focus on family housing (particularly on smaller sites where there are limited up-front development costs).

10.19   The table below therefore shows our suggested indicative 'targets' for delivery of housing in the market sector. Although we have quantified this on the basis of the market modelling and our understanding of the current housing market we do not strongly believe that such prescriptive figures should be included in the plan making process and that the 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time. The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in each area.

Figure 136: Indicative Targets for Market Housing by Size

Number of bedrooms	Amber Valley	Derby City	South Derbyshire	Derby HMA
1 bedroom	5%	5%	0%-5%	0%-5%
2 bedrooms	30%	20%	25%	25%
3 bedrooms	50%-55%	45-55%	50%-55%	55%
4+ bedrooms	10%-15%	20%-30%	20%	15%-20%

OVERALL HOUSING REQUIREMENTS BY SIZE

10.20   If we bring together the analysis of requirements for both market and affordable housing, the resultant mix of housing is shown in Figure 137 below. The figure indicates that an estimated 63% of overall housing need and demand (market and affordable) is for 3- and 4-bedroom properties. On this basis we would recommend that at least 60% of capacity for housing to be on sites suitable for and capable of delivering family housing (recognising that smaller dwellings can also be delivered on these sites).

Figure 137: Housing Mix by Unit Size across Tenures (2012-2028)

		1-bed	2-bed	3-bed	4+ bed	Total
Amber Valley	Market Housing	259	1,479	2,656	439	4,833
	Affordable Housing	501	625	434	51	1,611
	Total	760	2,104	3,090	490	6,444
	% Total Housing by Size	11.8%	32.7%	48.0%	7.6%	100.0%
Derby City	Market Housing	453	2,234	5,766	1,762	10,216
	Affordable Housing	1,000	1,047	1,219	140	3,405
	Total	1,453	3,281	6,985	1,902	13,621
	% Total Housing by Size	10.7%	24.1%	51.3%	14.0%	100.0%
South Derbyshire	Market Housing	198	1,485	3,363	1,379	6,425
	Affordable Housing	463	802	788	88	2,142
	Total	661	2,287	4,151	1,467	8,567
	% Total Housing by Size	7.7%	26.7%	48.5%	17.1%	100.0%
Derby HMA	Market Housing	910	5,198	11,785	3,580	21,474
	Affordable Housing	1,964	2,474	2,441	278	7,158
	Total	2,874	7,673	14,226	3,859	28,632
	% Total Housing by Size	10.0%	26.8%	49.7%	13.5%	100.0%

Source: Housing Market Model

Policy Implications: Requirements for Different Sizes of Homes

For the whole HMA the analysis suggests that approaching three-quarters of market homes should be 'family' sized (3 or more bedrooms); with the majority of these being three bedroom homes. The data suggests a fairly limited requirement for one bedroom homes (about 4%) with the balance of just under a quarter being for two bedroom accommodation. In the affordable sector the analysis suggests that the main requirements will be for two- and three-bedroom homes. Taking account of the turnover of properties and issues related to the management of the affordable housing stock, the following mix of affordable housing is recommended:

Recommended Affordable Housing Mix

Number of bedrooms	Amber Valley	Derby City	South Derbyshire	Derby HMA
1 bedroom	20%-25%	20%-25%	10%-15%	15%-20%
2 bedrooms	40%	30%	35%-40%	35%
3 bedrooms	30%	35%	35%-40%	35%
4+ bedrooms	5%-10%	10%-15%	10%-15%	10%-15%

The mix of market housing recommended takes account of demographic trends, market signals and the evidence of gaps in the existing stock profile. This in particular points towards the need to develop the housing mix in Derby, increasing the proportion of larger properties with three- or four-bedrooms and properties in Council Tax Bands C or above. This will help to address overcrowding and in-commuting of higher income households.

Recommended Market Housing Mix

Number of bedrooms	Amber Valley	Derby City	South Derbyshire	Derby HMA
1 bedroom	5%	5%	0%-5%	0%-5%
2 bedrooms	30%	20%	25%	25%
3 bedrooms	50%-55%	45-55%	50%-55%	55%
4+ bedrooms	10%-15%	20%-30%	20%	15%-20%

The recommended mix of market housing should inform strategic policy aspirations and the allocation of land but it is intended that the figures above are applied with some flexibility to individual development sites to take account of the context to the site, local character and market dynamics at the time of development.

11 REQUIREMENTS FOR PARTICULAR GROUPS

INTRODUCTION

11.1 We have established overall housing requirements for different sizes of properties over the next 16 years, however there can be specific groups within the population who require specialist housing solutions or for whom housing needs may differ from the wider population. These groups are considered within this section.

11.2 Estimates of household groups who have particular housing needs is a key output of the SHMA Guidance whilst the National Planning Policy Framework identifies that local planning authorities should plan for a mix of housing which takes account of the needs of different groups in the community.

11.3 The following key groups have been identified which may have housing needs which differ from those of the wider population:

- Older Persons;
- Black and Minority Ethnic (BME) households;
- People with Disabilities
- Students

HOUSING NEEDS OF OLDER PEOPLE

11.4 The SHMA Guidance recognises the need to provide housing for older people as part of achieving a good mix of housing. A key driver of change in the housing market moving forward is expected to be the growth in the population of older persons.

11.5 Indeed, as population projections show, the number of older people is expected to increase significantly over the next few years. In this section we draw on a range of sources including ONS population projections and data from POPPI (Projecting Older People Population Information).

11.6 The context to older persons housing provision can be summarised as below:

- A need to provide housing for older people as part of achieving a good mix of housing, but recognizing that many older people are able to exercise choice and control over housing options – e.g. owner occupiers with equity in their homes;
- Falling demand for residential care in some areas, and a rapidly rising average age of people living in sheltered housing, requiring higher levels of support. many local authorities have struggled to contain expenditure on services for older people;
- Emergence of new models of enhanced and extra care housing. These aim to meet the needs of those who require high levels of care and support alongside those who are still generally able to

care for themselves. These models often allow for changing circumstances in situ rather than requiring a move; and

- Providing choice, including supporting people to stay in their own homes including through supporting adaptations to properties and through provision of floating support.

Current Population of Older Persons

11.7   Figure 138 below analyses the population structure, considering those aged over 55. The HMA as a whole has a broadly similar population profile to both the region and England as a whole with 28% of the population being aged 55 and over. We see a particularly 'old' profile in Amber Valley with 33% aged 55 and over and a younger profile in Derby (25% aged 55 and over).

Figure 138: Older Person Population (2011)

Area		Under 55	55-64	65-74	75-84	85+	Total	Total 55+
Amber Valley	Population	82,393	17,137	12,496	7,232	3,051	122,309	39,916
	% of popn	67.4%	14.0%	10.2%	5.9%	2.5%	100.0%	32.6%
Derby	Population	186,121	24,962	18,884	13,540	5,245	248,752	62,631
	% of popn	74.8%	10.0%	7.6%	5.4%	2.1%	100.0%	25.2%
South Derbyshire	Population	67,869	12,115	8,167	4,726	1,734	94,611	26,742
	% of popn	71.7%	12.8%	8.6%	5.0%	1.8%	100.0%	28.3%
Derby HMA	Population	336,383	54,214	39,547	25,498	10,030	465,672	129,289
	% of popn	72.2%	11.6%	8.5%	5.5%	2.2%	100.0%	27.8%
East Midlands	Population	3,198,942	561,332	414,713	256,569	101,666	4,533,222	1,334,280
	% of popn	70.6%	12.4%	9.1%	5.7%	2.2%	100.0%	29.4%
England	Population	38,182,658	6,169,269	4,552,283	2,928,118	1,180,128	53,012,456	14,829,798
	% of popn	72.0%	11.6%	8.6%	5.5%	2.2%	100.0%	28.0%

Source: Census (2011)

Future Changes in the Population of Older Persons

11.8   As well as providing a baseline position for the proportion of older persons in the Borough we can use published population projections to provide an indication of how the numbers might change in the future compared with other areas. The data provided below is based on the 2010-based SNPP which is the latest source available consistently across areas beyond 2021 – figures for the Derby HMA and districts will therefore differ from those developed in our demographic projections. It should be recognised that these projections may therefore slightly over-estimate growth in the older person population.

11.9   The HMA (in line with other areas) is expected to see a substantial increase in the older person population with the total number of people aged 55 and over expected to increase by 40% over the 20-year period studied. This figure is virtually the same as for the East Midlands and slightly higher

than is expected for England as a whole (projected increase of 35% in the population aged 55 and over). The HMA is projected to have relatively strong growth in the population aged under 55 although a sharp increase in people aged over 85 is also expected when compared with other areas (notably when compared with national projections).

11.10   Looking at individual local authority areas the data suggests a particularly large increase in the older person population in South Derbyshire (although this is to some degree linked to a higher overall expected growth in population). Increases in the older person population are more moderate in Derby City which is also expected to see a notable increase in those aged under 55. In Amber Valley the projected increase in older people is about average although little change in the number of people aged under 55 is to be expected.

Figure 139: Projected Change in Population of Older Persons (2011 to 2031)

Age group	Amber Valley	Derby	South Derbyshire	Derby HMA	East Midlands	England
Under 55	1.9%	16.9%	13.5%	12.5%	10.6%	7.5%
55-64	10.1%	23.4%	23.8%	19.3%	14.4%	13.3%
65-74	38.1%	35.7%	57.0%	40.9%	41.4%	38.5%
75-84	71.6%	29.9%	95.7%	53.9%	61.9%	50.3%
85+	115.2%	77.2%	150.0%	100.9%	111.7%	97.7%
Total	14.0%	21.1%	25.4%	20.1%	19.2%	15.4%
Total 55+	38.8%	33.3%	54.9%	39.5%	39.7%	35.4%

Source: ONS 2010-based SNPP

Characteristics of Older Persons Households

11.11   At the time of writing up-to-date information about characteristics of older person households was not readily available although in time 2011 Census data will allow a full profile of the population and households to be developed. The table below does however show initial data from the Census about the number of pensioner households (defined as people aged 65 and over). In 2011 around 21% of households were comprised entirely of pensioners. This is virtually the same as seen in the East Midlands and for England. Of the total number of pensioner households some 58% are single person households with a higher proportion seen in Derby City than other areas.

Figure 140: Pensioner Households (Census 2011)

Pensioner households	Amber Valley	Derby	South Derbyshire	Derby HMA	East Midlands	England
Single pensioner	6,718	12,432	4,072	23,222	232,486	2,725,596
2 or more pensioners	5,183	7,984	3,418	16,585	175,140	1,851,180
All households	52,596	102,271	38,992	193,859	1,895,604	22,063,368
Single pensioner	12.8%	12.2%	10.4%	12.0%	12.3%	12.4%
2 or more pensioners	9.9%	7.8%	8.8%	8.6%	9.2%	8.4%
All households	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total % pensioner only	22.6%	20.0%	19.2%	20.5%	21.5%	20.7%

Source: Census (2011)

11.13 We have also looked briefly at data from the 2001 Census and whilst this is now quite out of date we would expect the 2011 data to broadly show the same sort of trends. Key findings include:

- Pensioner households are more likely than younger households to live in social rented housing. Single pensioners in particular show a very high proportion living in the affordable sector. Given that the number of older people is expected to increase in the future and that the number of single person households is expected to increase this would suggest (if occupancy patterns remain the same) that there will be a notable demand for affordable housing from the ageing population.

- Older person households are more likely to under-occupy their housing than other households. Under-occupancy is far more common in households with two or more pensioners than single pensioner households. Whilst the majority of under-occupation is in the owner-occupied sector there is a notable number under-occupying in social rented stock. This may therefore present some opportunity to reduce under-occupation (through provision of incentives and support for moves) to release larger properties for other groups.

11.14 It should however be recognised that many older households in the private sector will have built up equity in their existing homes. In the private sector many older households may be able to afford a larger home than they need (and thus under-occupy housing). Some may look to downsize to release equity from homes to support their retirement; however we would expect many older households to continue to want to live in family housing with space to allow friends and relative to come to stay (and be able to afford to do so).

Health-related Population Projections

11.15 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website which provides a baseline position for 2012 and projects forward to 2030.

11.16   The projections from POPPI of older households with health issues are shown in Figure 141 below – in all cases the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

11.17   Figure 141 below shows that a number of common illnesses/disabilities which affect older persons are expected to increase significantly in the future although this would be expected given the increasing population. In particular there is projected to be a large rise in the number of people with dementia (up 66%) with all of the other illnesses and disabilities studied expected to see increases in excess of about 40% over the 18-year period studied.

11.18   For individual areas the data suggests that South Derbyshire in particular is expected to see a large rise in health issues for older persons with the number of people aged over 65 with dementia expected to increase over the 18-year period by 97%. Amber Valley is expected to see a 77% increase in people with dementia over this period; with a much lower growth of 48% expected in Derby. These differences are driven by the different population projections in each area with South Derbyshire expected to see a greater proportionate rise in the number of people in the area whilst the age structure in Derby is less biased towards older people.

Figure 141: Estimated Prevalence of Key Health Conditions (2012 to 2030) – Derby HMA

Type of illness/disability	2012	2030	Change	% increase
Limiting long-term illness	40,376	59,669	19,293	47.8%
Depression	6,885	9,914	3,029	44.0%
Severe depression	2,198	3,270	1,072	48.8%
Dementia	5,727	9,483	3,756	65.6%
Activities affected by previous heart attack	3,936	5,746	1,810	46.0%
Activities affected by previous stroke	1,853	2,768	915	49.4%
Bronchitis/emphysema	1,355	1,975	620	45.8%
Fall (number per year)	21,326	32,035	10,709	50.2%
Falls requiring hospital treatment (per year)	1,660	2,606	946	57.0%
Visual impairment	7,002	10,596	3,594	51.3%
Hearing impairment	34,034	52,706	18,672	54.9%
Mobility problems	14,780	22,838	8,058	54.5%
Obesity	20,851	29,080	8,229	39.5%
Diabetes	9,972	14,417	4,445	44.6%

Source: POPPI Website (2012)

11.19   In addition to projections about disabilities the POPPI data provides estimates of change in the number of older persons living alone and also a projection of the care home population. The

projections suggests that the number of people age 65 and over living alone in the Derby HMA will increase by around 14,000 from 2012 to 2030 – an increase of 47%. The care home population is expected to increase from 3,356 in 2012 to 5,784 in 2030. This latter projection does not take account of whether provision for this scale of increase will be provided or need met through alternative solutions such as extra care housing.

Housing Need

11.20 The final topic we have looked at with regard to older persons is around the numbers on the Housing Register (and in need). The data shows that an appreciable proportion of those registered and in need are aged 55 and over. In total, some 25% of households registered and in need are aged 55 and over with this proportion varying from 22% in Derby to 32% in Amber Valley. When compared with data about the population of older persons, these figures (with the exception of Derby) are broadly similar (i.e. 33% of the population of Amber Valley is aged 55 and over with a figure of 28% in South Derbyshire). In Derby 25% of the population is aged 55 and over compared with just 22% of those on the Housing Register (and in need).

11.21 It is however unclear from this information whether or not these figures suggest that older people are as likely to be in housing need or whether to some extent the figures might relate to the speed at which they are typically rehoused on joining the register. Given that older person households tend to be less mobile (in terms of moving home) than other groups the data would suggest that older people do have greater needs than the younger population.

11.22 Changes in the older person population (over the plan period to 2028) may mean that additional and specialist provision may be required in the future. However the housing needs evidence indicates that sheltered housing represents a notable proportion of the current supply of affordable housing in the HMA. Existing sheltered housing may not be attractive to current households (for instance bedsit properties) and thus theoretical growing demand from an increasing older population will not necessarily translate into enhanced demand for all of the existing stock.

11.23 The Councils should monitor older persons housing needs through the Housing Register and also through referrals from other bodies (such as the NHS).

Figure 142: Older Person Households and the Housing Register

Age group	Amber Valley		Derby		South Derbyshire		Derby HMA	
	On Register	% on Register	On Register	% on Register	On Register	% on Register	On Register	% on Register
Under 55	1,151	68.3%	3,902	78.3%	798	72.1%	5,851	75.3%
55-59	86	5.1%	265	5.3%	50	4.5%	401	5.2%
60+	447	26.5%	817	16.4%	259	23.4%	1,523	19.6%
Total	1,684	100.0%	4,984	100.0%	1,107	100.0%	7,775	100.0%
Total 55+	533	31.7%	1,082	21.7%	309	27.9%	1,924	24.7%

Source: Housing Register

Policy Implications: Older People

The older person population of the Derby HMA is fairly average when compared with national figures and is projected to increase significantly up until 2031.

Older persons are more likely to under-occupy homes. In the market sector there is a very limited ability to influence this. In the affordable sector, there may be potential to reduce (or seek to limit potential growth in) under-occupation and the Councils may wish to consider providing support and incentives to social housing occupiers to downsize. This will help to release larger affordable homes for younger households. An analysis of older person households suggest that they are particularly likely to live in social rented housing (especially single pensioner households). With the projected increases in older persons there may therefore be additional pressure on the affordable housing stock from such households.

Our analysis also suggests that the growing older population (particularly in the oldest age groups) will result in growth in households with specialist housing needs. Some households will require support. Typically the greatest support needs are for alterations to properties (such as to bathrooms, showers and toilets, provision of emergency alarms or help maintaining homes). Many of these can be resolved in situ through adaptations to existing properties. The resource implications of this will need to be planned for.

The growing older population will however likely lead to some increase in requirements for specialist housing solutions. The analysis above suggests a 66% growth in older population with dementia, and a 55% increase in the older population with mobility problems. From a planning point of view, some of these people will require specialist housing such as sheltered or extra care provision. Increasing numbers of older people with health problems will also require joint-working between housing and health (Councils and NHS).

The analysis also suggests that the care home population can be expected to increase by around 2,400 persons between 2012 and 2030. Care homes do not count as housing on the use class schedule; however an issue for the Councils to consider is the extent to which it wishes to older persons accommodated within extra care housing as opposed to residential/nursing homes. The former (depending on the level of care) may count towards housing numbers.

HOUSING NEEDS OF BME HOUSEHOLDS

11.25   Black or Minority Ethnic (BME) households, as a group, are quite often found to have distinct characteristics in terms of their housing needs, or may be disadvantaged in some way.

11.26   From 2011 Census data we find that around 15% of the population of the Derby HMA came from a non-White (British/Irish) background. This figure is lower than found across England and slightly higher than the comparative regional figure (14%). For the different local authority areas however we see notable differences with only 3% of the population of Amber Valley being from a BME groups, 6% in South Derbyshire and 24% in Derby.

11.27   The key BME groups in the Derby HMA are Pakistani, Indian and Other-White (which is likely to contain a number of Eastern European migrants).

Figure 143: Black and Minority Ethnic Population (2011)

Ethnic Group	Amber Valley	Derby	South Derbyshire	Derby HMA	East Midlands	England
White: British	96.5%	75.3%	94.0%	84.7%	85.4%	79.8%
White: Irish	0.3%	0.9%	0.4%	0.7%	0.6%	1.0%
White: Gypsy or Irish Traveller	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
White: Other White	1.3%	3.9%	1.2%	2.7%	3.2%	4.6%
Mixed: White & Black Caribbean	0.4%	1.6%	0.5%	1.0%	0.9%	0.8%
Mixed: White & Black African	0.1%	0.2%	0.1%	0.2%	0.2%	0.3%
Mixed: White & Asian	0.2%	0.7%	0.4%	0.5%	0.5%	0.6%
Mixed: Other Mixed	0.1%	0.4%	0.2%	0.3%	0.3%	0.5%
Asian: Indian	0.3%	4.4%	1.7%	2.8%	3.7%	2.6%
Asian: Pakistani	0.1%	5.9%	0.2%	3.2%	1.1%	2.1%
Asian: Bangladeshi	0.0%	0.3%	0.0%	0.1%	0.3%	0.8%
Asian: Chinese	0.2%	0.5%	0.2%	0.4%	0.5%	0.7%
Asian: Other Asian	0.2%	1.5%	0.3%	0.9%	0.8%	1.5%
Black: African	0.1%	1.3%	0.2%	0.7%	0.9%	1.8%
Black: Caribbean	0.1%	1.4%	0.2%	0.8%	0.6%	1.1%
Black: Other Black	0.0%	0.3%	0.0%	0.2%	0.2%	0.5%
Other ethnic group: Arab	0.0%	0.3%	0.0%	0.2%	0.2%	0.4%
Any other ethnic group	0.1%	1.0%	0.2%	0.6%	0.4%	0.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total population	122,309	248,752	94,611	465,672	4,533,222	53,012,456
% non-White (British/Irish)	3.2%	23.7%	5.6%	14.7%	14.0%	19.3%

Source: ONS (2011 Census)

11.28   Since 2001 the BME population in the HMA has increased significantly as can be seen in the table below. We have condensed some categories together due to a slightly different list of potential groups being used in the 2011 Census when compared with 2001 data.

11.29   The overall population of the Derby HMA has risen by 11% but all BME groups have seen significantly higher increases. In proportionate terms, between 2001-11, we see that the largest rises have been in the Chinese and Other group (up 186%) and the White (Other) group (up 141%). The Black population has increased by 91%, Mixed by 89% and Asian by 62%.

11.30   In numerical terms however the Asian/ Asian British population has seen the largest increase of any BME groups with 12,500 more Asian people being resident in the HMA in 2011 than in 2001. The proportions can be compared with the White (British/Irish) population which has increased by less than 4% over the same period (with growth primarily in Amber Valley and South Derbyshire).

11.31   All three of the local authorities have seen increases in the BME population over the ten year period with the number of non-White (British/Irish) people increasing by 98%, 87% and 77% in Amber Valley, Derby and South Derbyshire respectively. The data for Derby City is also interesting in that is shows a small drop in the White (British/Irish) population; the other two areas have seen only moderate increases in this group. The evidence clearly points to population growth in BME groups driving demographic dynamics in Derby.

Figure 144: Change in BME groups 2001 to 2011 (Derby HMA)

Ethnic Group	2001	2011	Change	% change
White (British/Irish)	383,231	397,432	14,201	3.7%
White - Other	5,333	12,869	7,536	141.3%
Mixed	4,913	9,274	4,361	88.8%
Asian or Asian British	20,183	32,689	12,506	62.0%
Black or Black British	4,191	7,998	3,807	90.8%
Chinese and other	1,890	5,410	3,520	186.2%
Total	419,741	465,672	45,931	10.9%

Source: Census 2001 and 2011

11.32   Figure 145 below shows the estimated population change by broad BME group. The figure clearly indicates the growth in all groups and shows that despite the smallest proportionate increase it is the White (British/Irish) population that has grown the most in purely numerical terms (but entirely in South Derbyshire and Amber Valley).

Figure 145: Changes in the BME population 2001 to 2011
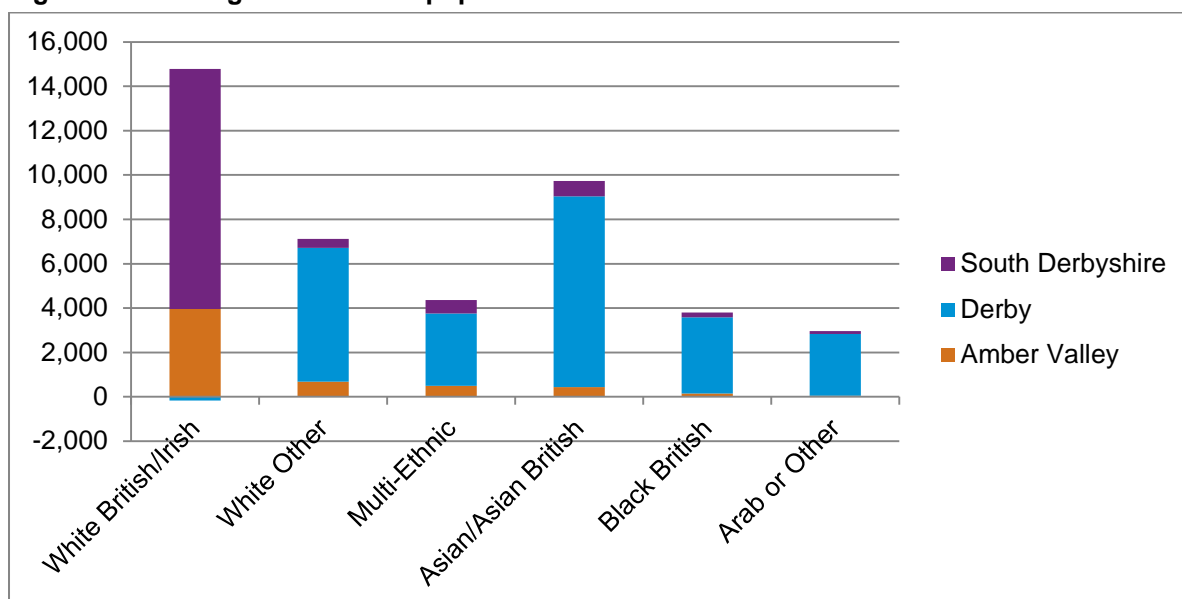
Source: Census 2001 and 2011

BME Household Characteristics

11.33   As with other analysis we do not have very up-to-date information about the characteristics of the BME population and households although we have briefly reviewed 2001 Census data and would expect the general characteristics of the population to be broadly similar in 2001 when compared with 2011. We have also studied national research (such as the EHS) which consistently suggests that BME groups have a distinct tenure distribution; black households having concentrations in the social rented sector and Asian households having relatively high proportions of owner-occupation. Nationally, all BME groups are more likely than white households to live in private rented housing. At the local level 2001 Census data does confirm some of the trends we might expect. These include:

- Larger household sizes and a greater proportion of households with children (particularly of Mixed, Pakistani, Bangladeshi and Black African households)
- Relatively high levels of unemployment (notably for the Mixed and Black population)
- Concentrations of BME households in the private rented sector across most BME groups; high levels of owner-occupation amongst the Indian and Pakistani communities and high proportions of social renting amongst Black groups
- High proportions of Black and Mixed households living in flatted accommodation. Indian and Pakistani households are relatively more likely to live in houses (consistent with higher overall household sizes).
- Most BME groups exhibit high levels of overcrowding and low under-occupation. This is linked to household sizes and also the types/sizes of accommodation occupied and are consistent with national trends.

11.34   A key conclusion of the analysis is of growth in the BME population in Derby, where there has been no notable reduction in average household sizes over the last decade, an increase in private renting and an increase in overcrowding. The analysis points to a need for larger homes in the City in part to meet the needs of BME Groups.

Housing Register (Housing Need)

11.35   The data presented above provides some indication of the differences between households in different BME groups although the information is rather dated and the overall size of the BME population has grown significantly since the 2001 Census. One data source we have which is more up to date is the Housing Register.

11.36   At the time of carrying out the housing needs modelling there were 7,775 households on the register who were also defined as being in need (prior to any affordability testing). Not all of these households have provided information about their ethnic group and in total ethnic group data is available for 7,269 households (93% of those registered and in need). The data shows that of those for whom we have information some 83.5% are White (British/Irish). This would suggest that BME households are about as likely to be registered for housing than White (British/Irish) households although to some degree this will depend on household rather than population numbers (which may be lower for BME groups due to larger household sizes).

11.37   The data for individual BME groups is also interesting with Black households over-represented on the Register and Asian households tending to show relatively low levels of registration. At the time of the assessment there were 410 Asian households on the Housing Register and in need compared to 285 Black households. This is despite the Asian population being more than three times the Black population. It is consistent with the Census and national picture.

11.38   For individual local authorities we find that the vast majority of BME households registered are on the Derby City register. A total of 24.6% of households on the register in Derby are from a non-White (British/Irish) group compared with 2.8% in Amber Valley and 3.1% in South Derbyshire. The figure for South Derbyshire looks particularly low given the estimated population from BME groups; whilst in Derby and Amber Valley these are more similar to the wider population profile.

Figure 146: Housing Register by Ethnic Group

BME group	Amber Valley		Derby		South Derbyshire		Derby HMA	
	On Register	% on Register	On Register	% on Register	On Register	% on Register	On Register	% on Register
White: British/Irish	1,629	97.2%	3,445	75.4%	993	96.9%	6,067	**83.5%**
White: Other	26	1.6%	191	4.2%	16	1.6%	233	**3.2%**
Mixed	9	0.5%	148	3.2%	5	0.5%	162	**2.2%**
Asian	0	0.0%	407	8.9%	3	0.3%	410	**5.6%**
Black	3	0.2%	279	6.1%	3	0.3%	285	**3.9%**
Chinese and other	9	0.5%	98	2.1%	5	0.5%	112	**1.5%**
Total	1,676	100.0%	4,568	100.0%	1,025	100.0%	7,269	100.0%

Source: Housing Register

Policy Implications: BME Groups

The BME population in the Derby HMA has grown strongly since 2001. The 2011 Census shows that BME groups make up 15% of the population (up from 9% in 2001). In numerical terms the Asian population has grown most notably with 12,500 more Asian people in the population in 2011 when compared with 2001. The White Other Population (which includes Eastern European migrants) has also grown notably.

BME households appear to be typically younger and less likely to be owner occupiers than the White (British/Irish) population – the exceptions to this are Asian households. BME households are also more likely to be overcrowded and less likely to under-occupy dwellings. There were 1,202 BME households on the Housing Register (and in need) in late 2012 with virtually all of these registered for housing in Derby City.

The implications of this are more for housing strategy than planning, and suggest a need to consider particularly how the needs of different groups are met within the local housing market, to explore the reasons for higher levels of overcrowding in BME communities and how this can be addressed. It will also be important to consider the role which the Private Rented Sector plays in meeting needs of new migrant communities and the standards of housing in this sector. Investigating these issues in greater detail may assist development of strategic housing policies.

More detailed examination of the socio-economic characteristics of BME households will be available from 2011 Census data in due course. We would recommend that this is analysed further.

PEOPLE WITH DISABILITIES

11.40   As part of our analysis of older persons earlier in this section we have looked at the current population with a range of disabilities and likely changes in the number of people affected by different conditions. In this section we broaden this analysis to look at disabilities affecting the adult population of the Derby HMA. Data for this has largely been drawn from PANSI (Projecting Adult Needs and Service Information). We have also reviewed the Nottinghamshire and Derbyshire Disabled People's Housing Needs Study completed in late 2012 which focussed on people with physical disabilities.

Population with disabilities

11.41   As with much of the analysis in this report data from the 2011 Census will provide a useful tool to understand the background situation of the population with disabilities (studying those with a limiting long-term illness (LLTI)). Currently however this information is not available with data from the 2001 Census suggesting that the proportion of the population with a LLTI in the HMA is very slightly higher than seen across the region and nationally. Amber Valley has the highest proportion of people with a LLTI and South Derbyshire the lowest – it should however be stressed that none of the figures are notably different for typical averages.

11.42   The age profile of the population has a significant impact on the number and proportion of people with a LLTI. 2001 Census data suggests that the proportion of people with a LLTI does indeed increase significantly as age increases. Older Census data also indicates that people with a LLTI are particularly likely to live in social rented accommodation. Data from previous housing needs surveys also indicates that households with disabilities tend to have very low incomes and potentially difficulties in accessing housing in the open-market. This was also a theme noted in the Disabled Person's Housing Needs Study which highlighted particular difficulties for households who were not already owner-occupiers.

Changes in adult population with disabilities

11.43   The tables below provide an indication of how the adult population with various disabilities is expected to change over the period from 2012 to 2030. The information is taken from the PANSI website and we have looked at physical disabilities, learning disabilities and mental health problems. The three tables show that there is expected to be some increase in the number of people with each of these disabilities but that the increases are relatively small when compared with increases in health problems expected to be experienced as a result of the ageing population.

11.44   For individual local authority areas the data suggests greater increases in adult disabilities in Derby and South Derbyshire. This is related to both expected overall population growth and also the expected change in age structure in each area.

Figure 147: Estimated Change in Population with Moderate or Serious Physical Disability

Age band	2012	2030	Change	% increase
18-24	2,200	2,254	54	2.5%
25-34	2,898	3,198	300	10.4%
25-44	4,746	5,681	935	19.7%
45-54	8,172	7,947	-225	-2.8%
55-64	11,011	13,662	2,651	24.1%
Total 18-64	29,027	32,742	3,715	12.8%

Source: PANSI Website (2012)

Figure 148: Estimated Change in Population with Learning Disabilities

Age band	2012	2030	Change	% increase
18-24	1,216	1,236	20	1.6%
25-34	1,569	1,730	161	10.3%
25-44	1,594	1,928	334	21.0%
45-54	1,532	1,519	-13	-0.8%
55-64	1,205	1,500	295	24.5%
Total 18-64	7,116	7,913	797	11.2%

Source: PANSI Website (2012)

Figure 149: Estimated Change in Population with Mental Health Problems (those aged 18-64)

	2012	2030	Change	% increase
Common mental disorder	46,987	51,895	4,908	10.4%
Borderline personality disorder	1,313	1,448	135	10.3%
Antisocial personality disorder	1,027	1,144	117	11.4%
Psychotic disorder	1,167	1,289	122	10.5%
Two or more psychiatric disorders	21,033	23,270	2,237	10.6%

Source: PANSI Website (2012)

Housing Need

11.45   The 2012 Disabled Person's Housing Needs Study developed a model to study affordable housing requirements for households with a physical disability. The model was broadly based on the CLG's Needs Assessment Model (as used in our analysis of overall housing need) and contained both a low and high estimate of needs. The 'high' estimate was based on ONS population projection data with the 'low' estimate being based on analysis of Disability Living Allowance (DLA) claims.

11.46   The table below summarises the outputs of the housing needs model. Across the whole HMA it is estimated that there is currently (2010) a backlog of need for between 1,203 and 3,067 homes suitable for physically disabled people. Over the 20-year period to 2030 this is projected to increase by between 107 and 1,568. Requirements are highest in Derby followed by Amber Valley. This relates primarily to the different population levels in each area.

11.47   If we take the five year period from 2010 to 2015 to reflect a similar timeframe to our housing needs model (which covered all affordable homes) the analysis would suggest a requirement for between 1,231 and 3,379 additional suitable homes to meet the needs of people with physical disabilities (246 to 676 per annum). If none of these additional homes are made available through adaptions to existing stock or by disabled households moving to more suitable accommodation then, over a five year period, our analysis suggests that of the 8,993 additional affordable units required between about 14% and 38% of them should be suitable for people with a physical disability.

Figure 150: Estimates of Unmet Housing Need – Shortfall of homes to meet the needs of people with Physical disabilities

Area	Needs estimate	2010	2015	2020	2025	2030
Amber Valley	High estimate	771	856	1,000	1,136	1,269
	Low estimate	197	203	208	214	219
Derby	High estimate	1,651	1,792	1,939	2,106	2,296
	Low estimate	751	768	783	798	814
South Derbyshire	High estimate	645	731	837	942	1,070
	Low estimate	255	260	266	271	277
Derby HMA	High estimate	3,067	3,379	3,776	4,184	4,635
	Low estimate	1,203	1,231	1,257	1,283	1,310

Source: Nottinghamshire and Derbyshire Disabled Person's Housing Needs Study

Policy Implications: People with Disabilities Data analysis suggests that the proportion of people with a limiting long-term illness (LLTI) is about average when compared with other areas and that health issues are very substantially concentrated amongst older persons (which have been studied separately). There is a concentration of people with LLTIs in the social rented sector.

In the future the adult population with a range of disabilities is expected to increase slightly (by around 11%-13%). This may however generate additional demand for specialist accommodation – particularly if there is any current mismatch in requirements and availability (and set against a backdrop of reduced funding)

Drawing on data from the Nottinghamshire and Derbyshire Disabled Person's Housing Needs Study it is estimated that there is currently (2010) a backlog of need for between 1,203 and 3,067 homes suitable for physically disabled people. If we take the five year period from 2010 to 2015, the analysis would suggest a requirement for between 1,231 and 3,379 additional suitable homes to meet the needs of people with physical disabilities (246 to 676 per annum). Against this backdrop we would recommend that the Councils:

- Promote choice and control for people with disabilities- including providing opportunities for independent living
- Deliver housing services as part of an integrated package of health and social care
- Maintain an up-to-date record of properties with different adaptations (and a record of the demand for such homes)
- Provide services for disabled people who are homeless (noting for example that having a physical disability is not necessarily a mandatory priority need reason for rehousing)
- Ensure that people with disabilities are not disadvantaged when bidding for properties through Choice-Based Lettings

STUDENTS

11.48   To assess housing requirements associated with Derby's student population we have both analyse statistics and consulted with the University of Derby. Over the last

Overview of Student Accommodation Types in Derby

11.49   The University of Derby has seven halls of residence near Derby City Centre (Sir Peter Hilton Court, Nunnery Court, Princess Alice Court, Lonsdale Hall, St Christopher's Court and Peak Court) and two halls of residence in Buxton (Portland Lodge and High Peak Halls). The flats within these halls range from standard flats with shared bathrooms to en-suite rooms. Other facilities include the kitchen, car parking and bike storage which vary for each student hall.

11.50   Unlike other Universities, where the majority of flats in students' halls are reserved for first year students, The University of Derby has a much higher proportion of returning students to University halls - approximately 25% of student halls flats are occupied by non- first year students.

11.51   Many students not in halls live in the Private Rented Sector. Anecdotally the University believes that the number of students living in the PRS in 2012/13 is down on previous years.

Changes in the Higher-Education Sector

11.52   The Higher Education Sector has been turbulent over the past year with University fee increases from September 2012. It is currently unclear what the impact of this will be on student numbers and, as a result, how this will impact on student housing numbers.

11.53   The University of Derby has suggested that the increase in fees may result in a higher proportion of students attending a University more local to their family home than previously. There has already been evidence of this with bed space overcapacity seen on some student accommodation sites in 2012/13 and changes in motor vehicle traffic to University sites. Both factors are giving some weight to the theory that students may be commuting in from further afield than before (rather than moving to live at University further afield). It is, therefore, estimated that there may be lower demand for student accommodation with higher numbers of students studying while remaining living at a parent's home.

Trends in Student Numbers

11.54   The charts below provide an analysis of student numbers at the Derby University. It should be noted that this includes students at both the Derby and Buxton campuses.

11.55   Figure 151 shows the increase of the number of students between 2000/1 – 2010/11 rising from 11,980 students in 2000/1 to over 17,645 in 2010/11. The increase in the number of part time students over this period has been particularly notable. The number of full time students over this period has risen to a lesser extent.

11.56   Over the decade as a whole, growth in student numbers at the University has averaged 4.0% per year. Taking account of growth at Buxton, we estimate a lower growth rate of 2-3% per annum in Derby. Derby is not seen as vibrant as other cities such as Leeds, making it difficult to attract the same levels of student numbers.

Figure 151: Numbers of Part-Time and Full Time University Students in Derby (2001/2 – 2009/10)
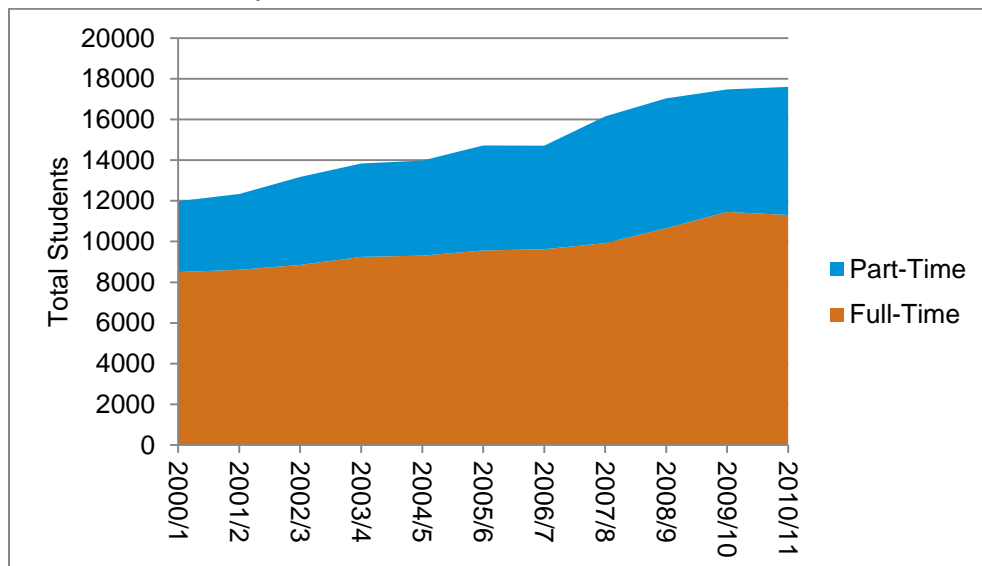
Source: Higher Education Statistics Agency

11.57   Figure 152 shows an increase in the number of students from all countries (Non – EU, Other EU and UK) from 2002/3 – 2010/11. The UK students account for the largest percentage of student numbers (90% of all students in 2010/11) and has increased 28% between 2002/3 – 2010/11). The proportion of Non–EU and Other EU students has increased more significantly over this period (Non – EU by 95% and the Other EU students by 163%).

Figure 152: Numbers of UK and Non – UK Students (2002/3 -2010/11)
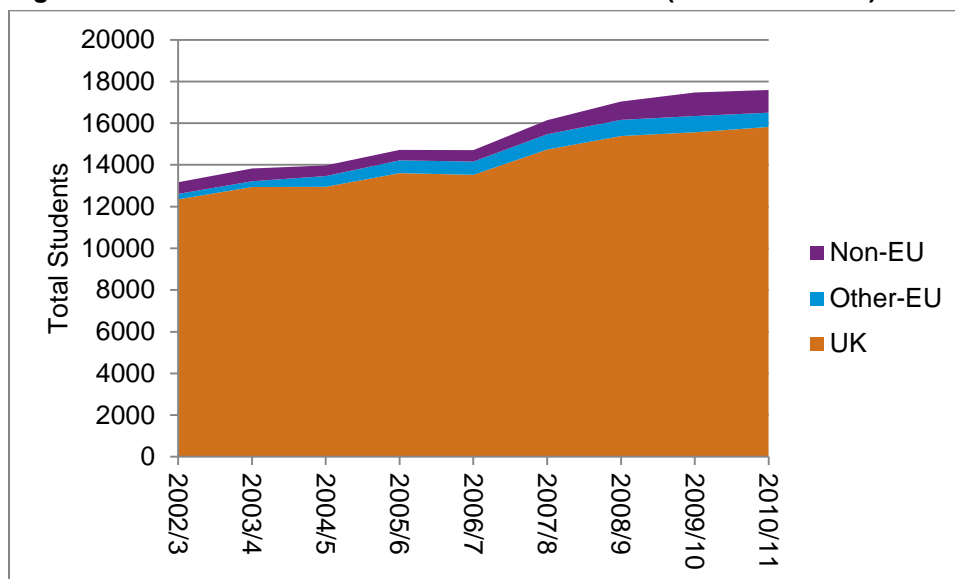
Source: Higher Education Statistics Agency

11.58   Figure 153 gives a closer look at the changes in the numbers of students from other EU countries (besides the UK) and from outside the EU (Non-EU). Whilst the number of students has increased for both Non–EU and Other EU countries since 2002/3, growth of students from outside of the EU has been greater. However it should be borne in mind that the total numbers of foreign students at the University is relatively low (particularly compared to other larger UK Universities such as Nottingham).

Figure 153: Numbers of Non – UK Students (2002/3 -2010/11)
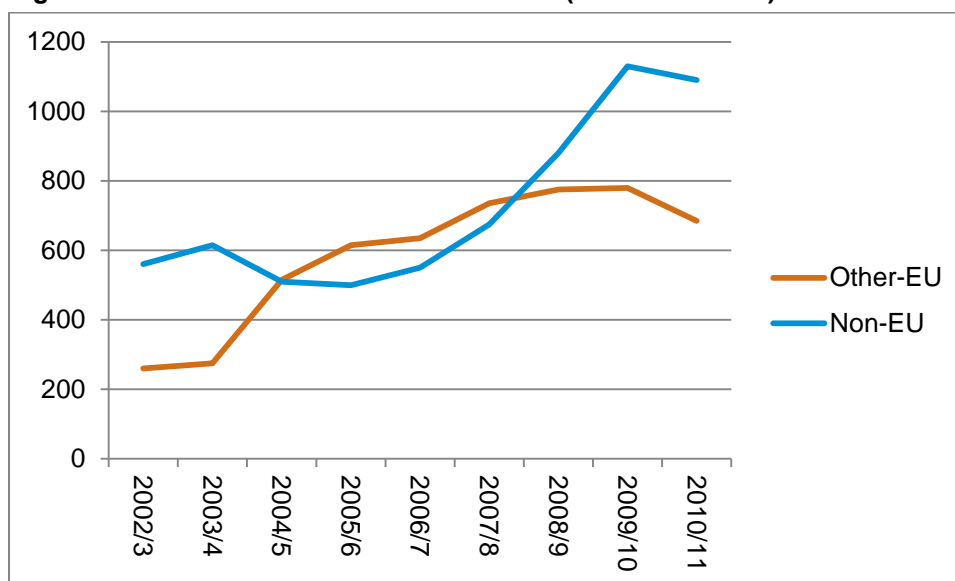
Source: Higher Education Statistics Agency

11.59   We have also looked at 2011 Census data to study the number of student-only households in the HMA. This shows a total of 868 student households; representing 0.4% of all households in the area. These households are likely to live in the Private Rented Sector. Virtually all student-only households are found in the Derby City area where they make up 0.8% of all households.

11.60   Analysis of 2001 Census data suggests particular concentrations of student households in the wards of Abbey, Mackworth, Darley and to a lesser extent Arboretum.

11.61   Since 2001 the number of student-only households has increased by around 330 (an increase of about 60%). This increase is in-line with what has been seen nationally although it is higher than the regional increase in student households (of around 45%).

Figure 154: Number of Student Households

Area	Total number of households	All student households	% of households
Amber Valley	52,596	0	0.0%
Derby	102,271	859	0.8%
South Derbyshire	38,992	9	0.0%
Derby HMA	193,859	868	0.4%
East Midlands	1,895,604	12,122	0.6%
England	22,063,368	124,285	0.6%

Source: Census (2011)

Future Growth Proposals at University of Derby

11.62   Through discussions with the University we understand that The University of Derby is looking for stability, rather than growth, over the next five years. The University of Derby hopes that there will be increase in the number of students by between 150 – 200 students (national and international) per year over the next few years.

11.63   The University of Derby had been attempting to break into, with some difficulty, the international student market but has had limited success with this. Changes in tuition fees may mean the student focus will shift more towards UK students with the narrowed fee gap. This may have some impact on housing need, potentially as a result of an increasing number of students 'living at home.'

11.64   It is estimated that there is currently approximately 2,200 total (student) bed spaces in Derby. The University has however recently mothballed a number of existing student halls reflecting declining short-term demand for University accommodation. However the steady student growth predicted is reflected in the predictions for future student accommodation over the longer-term.

11.65   Student accommodation in Derby includes halls run by the University but also by private providers. A private provider, Watkin Jones, plans to open approximately a development of 400 bedspaces in 2013. It is unclear whether effective demand will result in this being fully-let.

11.66   In the short-term we understand that the University does not intend to embark on any further development of student bedspaces. Derby University's position may, however, change over the next couple of years. Serious consideration will be needed about the two sites (Portland House and High Peak Halls) which are located outside of the City Centre) the long-term future of which will need to be reviewed before 2017/18. It may be that the University disposes of these Halls and delivers additional student accommodation (potentially c. 300-400 replacement flats) in the City Centre.

12   CONCLUSIONS AND RECOMMENDATIONS

12.1   The SHMA Update has been prepared to provide a long-term strategic analysis of housing need and demand to support and inform the development of the three authorities' Local Plans.

HOUSING REQUIREMENTS

12.2   Demographic dynamics and drivers of demand four housing provision were initially considered within the *Derby HMA Housing Requirements Study* (September 2012). These have been reviewed and updated within this SHMA, taking account of further data published by Government and the Office for National Statistics, representations made to the Preferred Growth Strategy Consultation in late 2012 and wider evidence set out in this report.

12.3   The projections have been updated to take account of the release of 2011 Census and 2011 Mid-Year Population Estimates and 2011-based Sub-National Population and Household Projections. The household projections include new headship rate assumptions. In view of representations received, a higher 3.0% allowance has been included within the modelling for vacant and second homes, and the inclusion of an allowance for a backlog of provision measured by comparing past delivery of housing over the 2006-11 period against housing targets for this period.

12.4   In total three projections have been presented in the SHMA: a trend-based projection, an economic-led projection linked to Spring 2013 econometric forecasts for the Derby HMA authorities, and the latest Sub-National Projections. The level of housing provision in these scenarios varies between 21,000 – 36,800 over the 2011-28 period.

Figure 155:   Projections of Future Housing Requirements, 2011-28

Area	Projection variant	Annual Requirement	Total Housing Requirement 2011-28
Amber Valley	Trend-based	403	6,855
	Economic-led	433	7,359
	SNPP	464	7,880
Derby	Trend-based	860	14,612
	Economic-led	414	7,038
	SNPP	1,153	19,600
South Derbyshire	Trend-based	539	9,163
	Economic-led	388	6,597
	SNPP	551	9,359
Derby HMA	Trend-based	1,802	30,630
	Economic-led	1,235	20,994
	SNPP	**2,167**	**36,838**

12.5   Based on the balance of the evidence, we conclude that the economic-led projection presents potentially an overly pessimistic view of economic growth potential within the HMA and that planning on this basis could potentially constrain economic performance and housing demand. It does however highlight some of the downside risks associated with the impact which economic performance could have on the housing market and housing requirements within the HMA.

12.6   In contrast, we consider that the SNPP makes some overly optimistic assumptions regarding future migration trends which are not supported by detailed analysis of trends over the local level. The detailed justification for this is outlined in the HRS. Whilst the 2011-based SNPP does moderate the migration slightly, this is not based on a full analysis of data from the 2011 Census which in due course (in the 2012-based versions) we would expect to moderate the migration assumptions further to bring them broadly in line with those in the trend-based projection set out.

12.7   The analysis of student housing dynamics in Section 10 indicates that growth in student numbers at Derby University is likely to be similar or more moderate relative to past trends. This therefore is unlikely to result in a need for additional housing over and above the projections.

12.8   Consideration of levels of future housing provision within the SHMA has also been informed by a review of emerging policies in authorities surrounding the Derby HMA. There is a clear level of joint-working on housing provision issues for surrounding HMAs within the East Midlands region. At the current time, the Leicester & Leicestershire HMA, Nottingham Core HMA and Chesterfield/ Northern HMAs are all planning collaboratively to meet housing requirements within their areas.

12.9   Parts of Derbyshire Dales and East Staffordshire have a reasonably strong functional relationship to the Derby HMA authorities, and it will be important that the policies and strategic approach to housing provision in these areas is considered in finalising policies for housing in the Derby HMA. At present it appears that East Staffordshire has been undertaking a similar evidence-based approach to housing provision as the Derby HMA authorities, and GL Hearn has been involved in this. There is a broad consistency of approach. We would expect the Borough to be able to meet its own housing requirements. For Derbyshire Dales are, at the time of writing this report, out to consultation on a Local Plan Pre Submission Draft. .

12.10   The projections presented for the Derby HMA above cover a 17-year period from 2011 to 2028. The Local Plan however will cover the period from 2008 to 2028 the SHMA therefore considers the amount of housing delivered from 2008 to 2011 and the extent to which there is a 'backlog' which should be included moving forward. This is assessed by comparing delivery over the 2006-11 period against the housing requirements set out in the East Midlands Regional Plan.

12.11   The data shows for the whole HMA that there was a requirement to deliver 9,150 homes over this 5-year period and 7,935 were completed – this leaves a shortfall in supply of 1,215 homes which we include as a backlog.

12.12   To the above data we then need to add actual completions from 2008 to 2011 to this shortfall and to the requirement from 2011 onwards to give a total requirement for the whole plan period (2008-28). This is shown in Figure 156 below. The data shows a housing requirement of 35,354 over the full 20-year period (about 1,768 per annum).

Figure 156: Overall Housing Requirements (2008 to 2028)

Area	Demographic Requirement from 2011	Shortfall vs. RSS 2006-11	Completions 2008-11	2008-28 Total	2008-28 Requirement PA
Amber Valley	6,855	657	814	8,326	416
Derby	14,612	-	1,513	16,125	806
South Derbyshire	9,163	627	1,113	10,903	545
Derby HMA	30,630	1,284	3,440	35,354	1,768

12.13   The SHMA recommends that demographic trends and projections continue to be reviewed and monitored over time in line with a plan, monitor and manage approach.

12.14   It will be important that the Derby HMA authorities monitor the development of strategic planning policies in adjoining areas and we therefore recommend that:

R1: The authorities continue to monitor emerging plans in surrounding areas including the Nottingham Core HMA, East Staffordshire and Derbyshire Dales and engage as appropriate with these authorities in view of the Duty to Cooperate.

R2: Plans include a review mechanism to take account of significant changes in assessed needs for market and affordable housing and cross-boundary issues including shortfalls in housing provision which might emerge over time in surrounding areas.

AFFORDABLE HOUSING POLICY

12.15   The SHMA Update identifies significant affordability pressures within the HMA. Entry level house prices are on average around 6.2 times the incomes of young households in the HMA.[32] An estimated 52% of newly-forming households have insufficient income to be able to afford to buy or rent a home in the private sector without financial support. In addition to this, households' savings are a key barrier to accessing owner occupation.

12.16   Over the 2001-11 decade, whilst the population and number of households grew, growth in the stock of affordable housing did not keep pace. The number of households in the social rented sector increased by 1,155 between the 2001 and 2011 Census driven by growth in Derby. This compared to growth in households of 19,330. In Amber Valley and South Derbyshire, the stock of affordable housing declined.

12.17   We have thus seen a relative decline in the stock of affordable housing (relative to the scale of population and households) which can be used to meet housing needs. This has been influenced by right-to-buy sales and by the available funding to support affordable housing delivery. As a result there is now a significant net shortfall of affordable housing.

12.18   This SHMA Update estimates that 7,611 affordable homes would need to be delivered in addition to affordable housing in the development pipeline if all households in housing need were to have their needs met over the period to 2017. This is made up of a net need from 1,530 households in Amber Valley, 4,647 in Derby City and 1,434 in South Derbyshire.

12.19   This level of housing need reflects a notable difference between the level of households falling into need over the 2012-17 period (16,940 households) which significantly exceeds the supply of affordable housing in terms of new lettings from existing stock and new-build development (13,253 dwellings). As a result of this supply/demand imbalance there is also a backlog of households currently in housing need (3,924).

12.20   There is a clear shortfall of affordable housing in the HMA which provides a strong justification for policies seeking affordable housing provision in new development schemes. The specific target for affordable housing provision to be sought through private sector-led development schemes (and secured through Section 106 agreements) needs to be informed the economic viability of residential development in each of the authorities.

12.21   The NPPF sets out that the plans should be deliverable and that the planning obligations and other policy burdens set out in development plans should not prejudice the viability of development

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[32] Based on a 2-bed property and lower quartile household incomes

schemes and should facilitate development throughout the economic cycle. Against this context it is important that the viability of residential development across the HMA is considered in setting affordable housing targets and site size thresholds.

R3: The assessment of housing needs should be brought together with evidence of economic viability of residential development in setting policies and thresholds for affordable housing provision in Local Plans.

12.22   The housing needs evidence and viability analysis together should inform policies regarding the tenure mix of affordable housing sought on new development schemes. The SHMA Update suggests the following balance of need between intermediate, affordable and social rented properties taking account of need and existing supply.

Figure 157: Net Need for Different Types of Affordable Housing (2012-17)

Area	Intermediate	Affordable Rent	Social Rent	Total
Amber Valley	27.8%	1.5%	70.7%	100.0%
Derby City	22.5%	3.7%	73.8%	100.0%
South Derbyshire	30.3%	4.5%	65.2%	100.0%
HMA	25.2%	3.3%	71.5%	100.0%

12.23   We would recommend that planning policies are written to take account of the potential for the mix of tenure appropriate on development schemes to be influenced by:

- The latest housing needs evidence at the time of the application both within the latest Strategic Housing Market Assessment of Housing Needs Study, and at a more local neighbourhood or settlement level;
- The existing profile and mix of housing in the neighbourhood or settlement and strategic aspirations for the future development of the housing mix.

12.24   This approach provides flexibility to take account of strategic policy aspirations and the local authorities should seek to provide clear guidance on tenure mix to inform the design of development schemes; whilst ensuring that a policy is sufficiently flexible to account for locally-specific circumstances and changes in the profile of housing need over time.

12.25   It should be recognised that for instance demand for shared ownership or equity products may be influenced by households' savings and access to mortgage finance; whilst equally there some households in the 'intermediate' band in the table above could afford affordable rented properties as could some households in the 'social rent' category supported by Housing Benefit.

R4: Local Authorities should set out strategic policies for the tenure of affordable housing sought, bringing together need and viability evidence and policy aspirations. These should be reviewed periodically to take account of the latest evidence, and be brought together with

evidence of housing need at a neighbourhood or settlement level in informing the tenure mix of affordable housing on individual development schemes.

12.26   Equally we consider that the approach to considering the size mix of affordable properties should bring together local evidence of needs at the time of a planning application, alongside guidance on the strategic mix of affordable housing sought to assist over the long-term in the effective management of the affordable housing stock.

12.27   We recommend strategic policies regarding the mix of affordable housing of different sizes in the table below.

Figure 158: Recommended Strategic Policy Targets for the Mix of Affordable Housing

Number of bedrooms	Amber Valley	Derby City	South Derbyshire	Derby HMA
1 bedroom	20%-25%	20%-25%	10%-15%	15%-20%
2 bedrooms	40%	30%	35%-40%	35%
3 bedrooms	30%	35%	35%-40%	35%
4+ bedrooms	5%-10%	10%-15%	10%-15%	10%-15%

R5: The HMA local authorities should set out strategic policies in line with the table above regarding the mix of affordable housing sought through new development schemes, which should be brought together with local evidence of need at the time of a planning application in determining the appropriate mix of affordable housing on individual development schemes.

MARKET HOUSING IN NEW DEVELOPMENT SCHEMES

12.28   The SHMA Update clearly highlights that there are a range of factors which market demand for homes, and the relative demand for different types of homes. These vary over time and by location and are influenced by the character and quality of place of settlements in the HMA.

12.29   We consider that there is an extent to which the market is best placed to assess what types of homes will sell on an individual development site; but that there is a role for planning authorities to set out strategic aspirations through policy for the development of the housing mix in their area where supported by appropriate evidence.

12.30   To some extent the housing mix is likely to reinforce around the existing stock profile at a local level. Over the longer-term looking to 2028 we are likely to see a moderate shift towards requirements for two- and three-bedroom properties linked to the ageing of the population across the HMA as a whole.

12.31   However the analysis undertaken points to a particular need to develop the housing mix in Derby, seeking to:

- increase the proportion of larger properties with three- or four-bedrooms;
- increase the numbers of properties in Council Tax Bands C or above;
- reduce levels of overcrowding within the housing stock;
- moderate growth in in-commuting from higher income households from outside the PUA;
- deliver a greater range and choice of housing for older people.

12.32   The Mosaic mapping included in this report points in particular to the ability to achieve the above through development of urban extensions to the Derby PUA.

Figure 159: Indicative Targets for Market Housing by Size

Number of bedrooms	Amber Valley	Derby City	South Derbyshire	Derby HMA
1 bedroom	5%	5%	0%-5%	0%-5%
2 bedrooms	30%	20%	25%	25%
3 bedrooms	50%-55%	45-55%	50%-55%	55%
4+ bedrooms	10%-15%	20%-30%	20%	15%-20%

R6: Local Plans should set out strategic policy aspirations for the development of the mix of market housing over the 2008-28 period. These should apply with some flexibility to individual development sites to take account of the context to the site and local character, and market dynamics at the time of development.

PLANNING FOR AN APPROPRIATE OVERALL MIX OF HOUSING

12.33   We would recommend that the balance of market and affordable housing sought is considered in identifying what portfolio of sites to allocate for development within Local Plans. The mix of housing which can be delivered will be influenced by the land supply – with for instance small urban sites more likely to accommodate higher density development of smaller properties.

12.34   By considering the mix of housing sought and the balance of sites, appropriate density policies should also be considered.

R7: The mix of market and affordable housing of different sizes should be monitored against policy aspirations. This should inform negotiations regarding housing mix over time in accordance with a plan, monitor and manage approach.

R8: Strategic policy aspirations for market and affordable housing should be considered in identifying the portfolio of sites proposed within development plans.

R9: Local Plans should set out policies regarding development densities which take account of the nature of residential land supply in different areas together with their strategic aspirations for development of the housing mix.

MEETING THE NEEDS OF SPECIFIC GROUPS IN THE POPULATION

12.35   There are a number of specific groups within the population whose bespoke needs have been considered in this SHMA Update. This section draws the analysis together to identify policies which should be considered to ensure that the housing needs of specific groups are appropriately addressed.

Older Persons

12.36   The demographic analysis indicates that particularly strong growth can be expected in the population over 55 over the plan period to 2028. Many older persons may continue to live in properties that they have lived in for many years. Many will also wish to occupy larger properties than they might need to provide flexibility to allow friends and relatives to come and stay. Some households may however wish to downsize, for instance in moving to a more manageable home, to reduce running costs or to release equity in their home to supplement their income.

12.37   In the affordable sector there is some strategic benefit in seeking to support households in moving to smaller properties, in releasing a limited supply of smaller properties to meet the needs of other priority households on the authorities' housing registers.

R10: The Councils should work with Registered Providers to consider bringing together schemes providing incentives and support to older households in the affordable housing who may consider downsizing.

12.38   Many older households will however wish to remain in their own properties, and it will be important to consider how to best meet their changing housing needs. This is likely to require provision of support in making alterations to properties, and provision of floating support and signposting of advice and support available.

R11: The Councils should review what resources and funding can be secured to support households in remaining in their own home. This might include handyman services and potential funding to support improvements to properties, as well as floating support and advice services. The potential for coordination of services between different providers across the HMA might be considered.

12.39   It is likely that the substantial growth in the population at the higher end of the age spectrum will however generate requirements for specialist housing, housing with care or care provision. A strategic policy issue is the most cost-effective means of delivering and coordinating provision of housing and care.

12.40   The analysis herein suggests a 66% growth in the older population with dementia over the period to 2030 and a 55% increase in those with mobility problems. It will be important that housing authorities work with health providers to ensure a joined-up approach to addressing these issues.

12.41   The growth in numbers of older persons does not however necessarily translate into increased demand for existing sheltered housing, particular for certain types of property such as bedsit flats which offer limited flexibility. In certain circumstances remodelling or redevelopment of existing sheltered schemes will be appropriate. More widely an appropriate policy aspiration should be to improve the **quality and choice** of housing provision available to meet the needs of older persons.

12.42   Specialist housing for older persons can be delivered by both the private sector and registered providers. Mixed-tenure schemes can also be delivered. A growing trend is the development of extra care housing which can meet a range of individual needs, and indeed people's changing needs over time.

12.43   In planning terms it is appropriate to consider policies seeking to support delivery of homes which can be easily adapted to households changing needs, and to encourage provision of specialist accommodation particularly as part of larger development sites.

R12: The Councils should work together to develop a register of accessible properties and those with adaptations across the HMA.

R13: The Councils should review the potential to require a proportion of new housing delivered to be built to meet Lifetime Homes Standards.

R14: The Councils should require delivery of specialist housing for older persons, where evidence of local need exists, as part of larger development schemes. A policy regarding specialist housing should be included within Local Plans.

People with Disabilities

12.44   An analysis of the housing needs of people with disabilities has been undertaken as part of a separate study covering the HMA. This indicates that the adult population with a range of disabilities is expected to increase slightly (by around 11%-13%). This may however generate additional demand for specialist accommodation – particularly if there is any current mismatch in requirements and availability (and set against a backdrop of reduced funding).

12.45   The Nottinghamshire and Derbyshire Disabled Person's Housing Needs Study estimates that between 14% and 38% of future affordable housing should be suitable for people with physical disabilities.

12.46   Against this backdrop we would recommend that the Councils:

R15: The Councils should promote choice and control for people with disabilities, including providing opportunities for independent living; and work to deliver housing services as part of an integrated package of health and care.

R16: The Councils should work with Registered Providers and other parties to maintain an up-to-date record of properties with different adaptations (and a record of the demand for such homes)

R17: the Councils should provide services for disabled people who are homeless and ensure that people with disabilities are not disadvantaged when bidding for properties through Choice-Based Lettings.

Black and Minority Ethnic Groups

12.47   The BME population in the Derby HMA has grown strongly since 2001. The 2011 Census shows that BME groups make up 15% of the population (up from 9% in 2001). In numerical terms the Asian population has grown most notably with 12,500 more Asian people in the population in 2011 when compared with 2001. The White Other Population (which includes Eastern European migrants) has also grown notably.

12.48   BME households appear to be typically younger and less likely to be owner occupiers than the White (British/Irish) population – the exceptions to this are Asian households. BME households are also more likely to be overcrowded and less likely to under-occupy dwellings. There were 1,202 BME households on the Housing Register (and in need) in late 2012 with virtually all of these registered for housing in Derby City.

12.49   There is a need to consider more particularly how the needs of different groups are met within the local housing market, to explore the reasons for higher levels of overcrowding in BME communities and how this can be addressed. It will also be important to consider the role which the Private Rented Sector plays in meeting needs of new migrant communities and the standards of housing in this sector. Investigating these issues in greater detail may assist development of strategic housing policies.

12.50   More detailed examination of the socio-economic characteristics of BME households will be available from 2011 Census data in due course. We would recommend that this is analysed further.

R18: The Councils should consider undertaking review examining barriers for specific ethnic groups in accessing suitable, affordable housing. This should include a detailed consideration of dynamics within Derby and draw on future 2011 Census releases.

Appendices

APPENDIX A: Review of representations to the Preferred Growth Strategy

Introduction

A1.1   This Appendix includes a review of representations received by the three local authorities in responds to consultation on their Preferred Growth Strategies between October-December 2012. As part of developing the SHMA, the Derby HMA Authorities commissioned GL Hearn to review key representations to the Preferred Growth Strategy Consultation held between October – December 2012 relating to levels of housing provision, the evidence base underpinning this (particularly the Housing Requirements Study, GL Hearn September 2012) and assumptions within this. This has informed the revised demographic modeling and conclusions regarding objectively assessed need for housing within the SHMA.

A1.2   The following key representations have been reviewed:

- Capita Symonds;
- Nathaniel Litchfield & Partners, for CEG;
- Nottingham City Council for Greater Nottingham Growth Point;
- Pegasus Group for a consortium of developers;
- Gladman Developments;
- Barton Wilmore for Taylor Wimpey;
- Marrons for David and Roger Ford;
- Boyer Planning for Bellway and Clowes Developments; and
- Signet Planning for Peveril Homes.

A1.3   The representations made on behalf of developers all argue that housing numbers in the PGS are too low. They variously main the following points:

- National projections should have been uses;
- Assumption on migration, and particularly international migration, cannot be justified;
- Assumptions on headship rates cannot be justified and will compound affordability issues;
- In converting from households to dwellings, an allowance should be made for second homes (as well as a higher vacancy level);
- The authorities should also make an allowance for past under-delivery and/or take account of current unmet housing need to accord with meeting full requirements for market and affordable housing.

A1.4   What it evident upfront is that the private sector representations take a relatively one-sided view of housing requirements, which focuses on demographics. They make very little reference to market

and economic conditions. They also refer in a number of cases to now outdated demographic data.

A1.5 This section has sought to draw out the substantive points in turn using the Pegasus and NLP submissions as a starting point.

1. Use of National Projections

A1.6 The HRS effectively provides a forecast of housing requirements (as per the brief) taking account of demographic trends, as well as the economic and market outlook. We need to consider/ be mindful of the following in the NPPF:

Para 14: 'meeting objectively assessed development needs, <u>with sufficient flexibility to respond to rapid change</u>'

Para 159: 'The SHMA should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which .. meets <u>household and population projections, taking account of migration and demographic change</u>, addresses the needs for all types of housing … caters for housing demand and the scale of housing supply necessary to meet this demand.

A1.7 Arguably p159 emphasises use of projections whilst para 14 would encourage an optimistic view of future reductions in headship. However this could be set against para 158 which sets out:

Each LPA should ensure that the Local Plan is based on adequate, up-to-date and relevant evidence about the <u>economic</u>, social and environmental characteristics <u>and prospects</u> of the area. LPAs should ensure that <u>their assessments and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals</u>.

A1.8 The economic and market signals clearly point towards more moderate levels of housing provision than shown in 2008 CLG household projections; and economic/ market circumstances have changed significantly since this point. This is reinforced through publication of new 2011-based Household Projections.

A1.9 The reps are contradictory in arguing that national projections should be used in some cases; whilst then putting forward a range of other scenarios for housing provision (NLP) or setting out the intention to do so (Pegasus). It would seem sensible to conclude that a departure from the latest national projections would need to be justified based on robust interpretation of more local dynamics.

A1.10   Our demographic projections elsewhere have been quoted in appeal decisions as providing an objective assessment of housing need and demand in appeal decisions (e.g. Shottery, Stratford-on-Avon; Leicester PUA).

2. Assumptions on Migration

International Migration

A1.11   A number of the representations questioned the adjustments made in the HRS to international migration, variously arguing that this was not appropriate or the level of adjustment could not be justified. NLP accepted that there were some grounds for moderating international migration, but not to the degree indicated.

A1.12   We would see the key points here for consideration as:

- The basis of moving from a projection to a forecast;
- The evidence from analysis of different components of international migration and its drivers;
- The degree to which it can be said with confidence/ evidence that this component is likely to fall.

A1.13   A key factor here is understanding the local drivers of international migration to Derby, in regard to economic migrants and students; and using this to consider what trends may be moving forwards.

A1.14   We suggested in the HRS that the international migration figures looked to be too high (in net terms) on the basis of past trends. It is interesting to note that the 2011-based SNPP seem to be agreeing with our assumptions and now include a far more moderate level of net international migration (much closer to our assumptions than the old 2010-based projections). This supports the approach adopted.

Internal Migration

A1.15   Pegasus raises a number of points regarding assumptions on internal out-migration from Derby, and internal in-migration to Amber Valley and South Derbyshire against the 2010 SNPP. These issues were considered in the development of the HRS and we should reflect on taking account of the latest evidence and 2011-based ONS projections.

A1.16   In Derby, the new 2011-based projections do seem to be suggesting a lower level of net internal out-migration than the 2010-based version. This is however expected to increase significantly over time. The projected decrease in net out-migration is however more than counter-balanced by the projected decrease in net international in-migration (as noted above). Overall, new ONS projection data and mid-year population estimates (as published in April 2013) support moderating levels of migration to Derby. The latest projections run for Derby start with a net in-migration of 568 people in 2011/12 and follow ONS trends thereafter (from this slightly lower start point). This start point looks to be of about the right order with net in-migration of 400 people suggested by ONS for 2010/11

(and slightly higher figures for preceding years – noting that the data for 2009/10 looks to be somewhat anomalous).

A1.17 New ONS mid-year population estimates also strongly support our approach to migration in both Amber Valley and South Derbyshire (where levels of international migration are fairly negligible). Over the past five years the average estimated net in-migration to Amber Valley has been 400 people per annum with a figure of 760 in South Derbyshire. These figures compare with our start point estimates in current projections of 398 in Amber Valley and 783 for South Derbyshire. Data for the most recent year (and 2-3 years are somewhat lower than this). Hence our revised migration estimates are largely confirmed by subsequent data published by ONS and may even arguably be slightly on the high side.

3. Headship Rates

A1.18 A number of the submissions indicate that it would be inappropriate to rebase/ remodel the headship rates and that those in the 2008 CLG projections should be used. They argue that to rebase assumptions is effectively planning for continuing affordability pressures/ under supply.

A1.19 It is instructive to consider the methodology used to project headship rates in the 2008 CLG projections (to which some of the representations refer). The methodology document which sits behind the 2008 national projections outlines that headship is calculated taking account of observations from the 1971, 1981, 1991 and 2001 Censuses (with greater weight given to more recent trends for 15-29 year olds); as well as more recent data from the Labour Force Survey between 2001-9. However post 2008 the projections revert to long-term trends.

A1.20 The CLG Methodology document indicates significant uncertainty regarding the degree to which trends in household representative rates suggested by the LFS post 2001 are accurate (these show lower household representative rates amongst people aged 20-39 than indicated by the long-term linear trend), and potential cohort effects which are ignored by the methodology. It sets out:

"The last of these is of particular concern if recent falls in household representative rates for younger age groups are carried forward through a cohort process into older age groups in future years. This is not allowed for in the methodology used for the 2008-based projections as the assumption is that recent falls in household representative rates represent a postponement, but not a permanent fall for the cohort, of household formation by a substantial number of young people in response to economic circumstances since 2001. These include affordability problems initially and then problems with obtaining mortgage finance and the impact of the recession in more recent years. The implicit assumption is that higher household representative rates resume as people get older … but the unprecedented fall in household representative rates in the LFS data inevitably lead to a concern that there may have been a more serious step change in household formation

behaviour. This remains to be seen and the 2011 and future Census data will be key in assessing this."

A1.21　It is clear from the methodology that it would be appropriate firstly to examine the impact of 2011 Census data on household representative (headship) rates, and trends in these; and to take this into account in future modelling (in line with CLG's methodology). It would also be appropriate to consider the degree to which we could see a long-term shift in household behaviour (perhaps through sensitivity analysis).

A1.22　In considering assumptions for strategic planning, we should however be mindful of the need to provide flexibility to respond to rapid change as per NPPF Para 14.

A1.23　The 2011 Household Projections include remodeling of headship trends to take account of more accurate information on trends between 2001-11. As there are a national data source and update information in the 2008 Household Projections, it would seem appropriate to take these into account in future modelling.

A1.24　When modelling data using the new 2011-based headship rates (as presented in this report) the data shows that the assumptions in the HRS were of about the right order. Generally, the new CLG projections expect a lower decline in average household sizes in Amber Valley and South Derbyshire with the opposite being true for Derby. The net impact across the whole HMA is negligible. As with other analysis, more up-to-date information tends to support the approach taken in the HRS.

4. Conversion of Households to Dwellings

Vacancy Assumptions

A1.25　It would seem that some of the representations have wrongly interpreted the assumptions in the HRS modelling. We do not model changes in the vacancy in the housing stock overall (as Popgroup and Chelmer do) but make an allowance for frictional vacancy within the stock built over the plan period. We are therefore not assuming that overall vacancy reduces to 2.5% - it is reasonable to assume a higher vacancy in the existing stock in 2011 to take account of repair/ improvements etc.

Second Homes

A1.26　The HRS modelling did not really make provision for growth in second homes. This is an area where we can examine trends between 2001-11 and perhaps make an allowance for growth if

appropriate moving forwards. It is however unlikely to have a substantial impact on housing numbers.

A1.27   The HRS report assumed a 2.5% vacancy rate on the basis that this is what could realistically be achieved in new housing stock. The updated projections in this report have increase this figure to 3% to take account of the fact that some new homes might also become second homes and would therefore essentially be unavailable to meet the requirements of local households. This technical adjustment pushes housing requirements up very slightly.

5. Allowance for Unmet Needs / Past Under-Provision

A1.28   A number of the reps seek to argue that housing needs evidence needs to be considered in setting out housing requirements given the requirements of the NPPF to meet the "full objectively assessed needs for market and affordable housing" (para 47). They draw on the previous SHMA in this respect.

A1.29   The key issue here is to understand the methodology used to assess housing needs. The Basic Needs Assessment Model is designed to assess need vs. supply of affordable housing specifically in isolation from the wider housing market. It considers:

- Current Housing Need (Gross) which is compared against affordable housing supply from vacant affordable stock and sites in the development pipeline; and
- Future Housing Need (including newly-forming households and flows of existing households falling into need) which is assessed against the supply of affordable housing from relets of existing   properties.

A1.30   In considering overall housing requirements it is appropriate to treat the Private Rented Sector as a potential source of supply where there is evidence that it is functioning as such.

A1.31   The SHMA evidence indicates:

- Total newly-arising need 2012-17 is of 16,940 households;
- However total supply from relets of existing affordable stock, supply from sites with planning permission at the moment and supply from the PRS is 20,393 dwellings;
- It is therefore reasonable to assume that over the period to 2017 that supply from these sources will also be able to make a significant contribution to meeting the backlog need for 3,924;
- Across the HMA we find a very moderate shortfall of 471 homes. However the supply analysis included only new affordable housing from schemes currently with consent (a total of 1,222 dwellings). If 25% of the overall requirement for 1,877 homes pa (2011-28) were affordable over 2,300 affordable homes would be delivered over the next five years.

A1.32   Overall the SHMA evidence provides a strong case to argue that the PGS housing proposals do provide the potential to meet current unmet needs within the first five years of the plan.

A1.33   In terms of past under-provision this can be expected to have fed into unmet housing needs. We do need to consider the degree to which this could have influenced recent headship trends (i.e. effectively subduing household formation) and consider the extent to which this might inform assumptions moving forward. However this should be set against an understanding of the factors which have influenced recent household formation. There is strong evidence that it is less housing supply which has affected these trends, and more the wider economic performance, access to mortgage finance and affordable housing funding.

A1.34   It is recognised that past under-provision of homes could have influenced headship rates as well as overcrowding/ concealment. There is evidence in the SHMA that overcrowding has increased; and thus against this context we do consider it appropriate to including an allowance for past under-provision in determining future overall housing requirements.

APPENDIX B: Affordable Housing requirements over the plan period

A2.1   Affordable housing need has been assessed within the main body of the SHMA Update Report in accordance with the approach set out in the CLG Guidance on Strategic Housing Market Assessments[33]. This follows the Basic Needs Assessment Model which considers the need for and supply of affordable housing based on housing market dynamics, the affordability of market housing and available supply of affordable housing at the time at which the assessment is undertaken.   The   approach   followed   is   consistent   with   the   CLG   Guidance.

A2.2   Following a request from the HMA partner authorities, in this note we have sought to develop the analysis to consider the need for affordable housing over the longer-term, looking forward over the plan period to 2028. The approach within this Appendix 2 differs to the approach taken within the main body of the SHMA Update Report.

A2.3   We have assessed housing need over the longer-term using two approaches:

   i.   Based on adapting and extending the affordable housing needs analysis in the SHMA to cover a longer-term frame but using essentially a similar approach; and
   ii.   Based on considering overall housing affordability and how this might change in the longer-term and the implications on housing needs.

A2.4   It is important to recognise that the 'net need' for affordable housing is sensitive to a number of key factors:

   • The balance between the costs of market housing and household incomes in an area. This is dynamic and can change over time. It could feasibly be influenced by changes in employment levels and earnings on one side; and by housing costs on the other.
   • The existing supply of affordable housing which is available to meet households' needs. This is influenced by the existing tenure profile in an area and by past policy and investment decisions (both by local and national government) as well as other factors, such as levels of right-to-buy sales.
   Assumptions regarding the period over which any current (or backlog) affordable housing need is assumed to be addressed; and what assumptions are made regarding the contribution which the Private Rented Sector (PRS) meets to meeting the needs of households falling into 'housing need' who cannot meet their needs without financial support.

A2.5   These factors and assumptions influence the assessment of housing need, and make it difficult to forecast affordable housing needs in the longer-term – not least as it is difficult to predict future changes in housing costs relative to incomes with any accuracy.

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[33] CLG (2007) *Strategic Housing Market Assessments – Practice Guidance (Version 2)*

A2.6   We use the two approaches set out above to consider affordable housing needs over the period from 2012 – 2028 below. The period from 2012 forward is used as any under provision prior to this will be captured within the assessment of current/ backlog need.

Extending the Basic Needs Assessment Model

A2.7   Figure 160 below provides an estimate of the need for affordable housing over the full 20-year plan period (2008-28). The analysis works on the basis of rolling out the five-year needs estimate calculated by following the CLG needs assessment model as set out in the SHMA Report. The analysis also attempts to quantify the role likely to be played by the Private Rented Sector over the long-term in meeting housing need. We have attempted to model the likely number of lettings in this sector over the period to 2028 on the basis that the PRS does not continue to grow in the same rapid manner as has been seen over the past decade or so - in line with national policy. We have also looked at an alternative scenario which sees continued growth in the PRS.

A2.8   Hence longer-term needs have been studied in three ways:

i.   Looking at affordable needs only and excluding the potential supply from private rented housing;
ii. Including an estimate of the likely supply from the private rented sector if the size of the sector remains roughly at 2011 levels; and
iii. Including an estimate of the likely supply from the private rented sector if the size of the sector grows at roughly the same pace as seen from 2001 to 2011.

A2.9   Figure 160 shows that if we project the need over the full plan period, the modelling estimates a requirement for 19, 012 affordable homes. When compared with the demographic projections estimate of overall future requirements we see that this represents 63% of total delivery (varying from 49% in South Derbyshire to 74% in Derby). This however assumes that all households in housing need are provided with an affordable home. This is unlikely to be achievable.

A2.10   If however we factor in the likely supply from the Private Rented Sector, the level of net need drops significantly (to 5,732 – or 19% of all housing delivery) assuming that the sector contributes a similar level of lettings to households in housing need to the current position.

A2.11   Finally, if the PRS continues to grow as it has over the past decade, it is modelled that the PRS (for the HMA as a whole) would be able to meet all needs and that there would be no need for additional affordable housing provision. This however see substantial increases in the size of the sector (a tripling in size and making it approach around half of the total housing stock) as well as a significant increase in the 'benefit bill'.

Figure 160:   Indicative Long-Term Assessment of Affordable Housing Needs, 2012-28

	Amber Valley	Derby	South Derbyshire	Derby HMA
Gross New Household Formation (pa)	908	2,130	847	3,885
% Can't Afford Market Housing without Subsidy	*50.2%*	*56.0%*	*44.8%*	*52.2%*
New Housing Need (pa)	456	1,193	379	2,028
Existing Households falling into Need (pa)	279	904	138	1,321
Future Need (pa)	735	2,097	517	3,349
Supply from relets (pa)	521	1,622	263	2,406
Net Need (pa)	214	475	254	943
Over 16-years	3,424	7,600	4,064	15,088
Backlog (Current Need)	914	2,517	493	3,924
NET NEED (16-YEARS)	**4,338**	**10,117**	**4,557**	**19,012**
Demographic Requirement	7,072	13,760	9,216	30,048
% Affordable	61%	74%	49%	63%
PRS Lettings (Stable Size)	3,120	7,792	2,368	13,280
NET NEED (including PRS)	**1,218**	**2,325**	**2,189**	**5,732**
Demographic Requirement	7,072	13,760	9,216	30,048
% as Affordable	17%	17%	24%	19%
PRS lettings (continued growth)	4,512	11,296	3,440	19,248
NET NEED (with PRS increase)	**-174**	**-1,179**	**1,117**	**-236**
Demographic requirement	7,072	13,760	9,216	30,048
% as affordable	-2%	-9%	12%	-1%

A2.12   This analysis assumes that the proportion of newly-forming households who can't afford market housing remains consistent to 2012 levels. It assumes that existing households falling into need remain consistent to current levels but that so do levels of supply from existing stock. In reality both are likely to increase over time.

A2.13   Supply of homes from the Private Rented Sector available to households in housing need is estimated using the English Housing Survey.

Affordability Based Model

A2.14   The above model is influenced by the current affordability of market housing, the existing supply of affordable housing and assumptions regarding the funding mechanisms which will support affordable housing delivery. We have additionally sought to consider housing need over the longer-term using a simpler approach which seeks to examine:

i. What growth in households is expected over the period to 2028?

ii. What proportion of these households will not be able to afford market housing, and will therefore fall into 'housing need'?

A2.15 This provides an assessment of need. Of this we then need to consider what proportion of this need it is realistic to assume will be met through delivery of new affordable housing and what might be met through growth in the private rented sector (supported by Local Housing Allowance).

A2.16 Figure 161 below profiles anticipated household growth over the period to 2028. This is based on the demographic modelling undertaken.

Figure 161: Projected Net Growth in Households, 2012-28

	Household Growth Per Annum 2012-17	Household Growth Per Annum 2017-22	Household Growth Per Annum 2022-27	Household Growth 2027-28
Amber Valley	410	401	370	351
Derby	945	796	753	752
South Derbyshire	549	535	488	456
Derby HMA	1904	1733	1611	1559

A2.17 We have then estimated the proportion of households who are able to afford market housing. Over the period to 2017, the estimated proportion of households who are unable to afford market housing without subsidy is based on analysis of the relationship between current housing costs and household incomes. However over the longer-term this relationship will be sensitive to relative changes in housing costs and incomes – it is dynamic. We have assumed that, over the longer-term, the affordability of market housing in the HMA improves. We have assumed that in each five year period the proportion of households who can afford market housing without subsidy increases by 2% in Amber Valley and South Derbyshire and by 3% in Derby. It is evidently difficult to accurately predict future changes in the affordability of market housing; however should housing costs increase, while this might have a detrimental impact on the affordability of market housing, it should improve the viability of affordable housing delivery (and thus increase the proportion of affordable housing which could be secured through new development).

Figure 162: % Households estimated to be Unable to Afford Market Housing without Subsidy

	2012-17	2017-22	2022-27	2027-28
Amber Valley	38.9%	36.9%	34.9%	32.9%
Derby	44.4%	41.4%	38.4%	35.4%
South Derbyshire	34.3%	32.3%	30.3%	28.3%

A2.18   By applying these figures (in Figure 162) to the estimated growth in households (in Figure 161) we can calculate the net growth in households in housing need per annum. This is shown in Figure 163 below.

Figure 163:   Estimated Net Increase in Households in Housing Need, 2012-28

	2012-17	2017-22	2022-27	2027-28
Amber Valley	797	740	645	115
Derby	2097	1649	1446	266
South Derbyshire	942	864	740	129
Derby HMA	3836	3253	2831	511

A2.19   In addition to this additional housing need, there is a backlog of housing need which includes households currently on the Councils' Housing Registers.

Figure 164:   Current (Backlog) Housing Need

	Backlog in 2012
Amber Valley	914
Derby	2517
South Derbyshire	493
Derby HMA	3924

A2.20   We have assumed that this backlog is addressed over a 10 year period, with thus provision of 392 homes a year over the period to 2022 required to address the housing need backlog. This is added to the need arising from growth in households (from Figure 4). Figure 5 provides the results.

A2.21   The table provides a net assessment of housing need over the plan period. However it should be borne in mind that this need can be met by both new affordable housing delivery, and by growth in households living in private rented accommodation in receipt of housing benefit (Local Housing Allowance).

Figure 165:   Net Housing Need (including Backlog)

	2012-17	2017-22	2022-27	2027-28
Amber Valley	889	832	645	115
Derby	2349	1900	1446	266
South Derbyshire	991	913	740	129
Derby HMA	4229	3645	2831	511

A2.22   We then need to estimate the net increase in the supply of affordable housing. New affordable housing supply will include delivery on sites owned by Registered Providers and through private developments (through Section 106 Agreements). It can also be delivered through the purchase, refurbishment or conversion of properties.

A2.23   There are various mechanisms to fund affordable housing, including:

- Through Section 106 Agreements;

- Private Finance Initiatives;
- With grant support through National Affordable Housing Programme (HCA Grant);
- Funding through Housing Revenue Account or Right-to-Buy sale receipts;
- Conversions funded through the Mortgage Rescue Scheme.

A2.24   The level of affordable housing which can be delivered is influenced to a significant degree by the funding available to support its development. We cannot be certain what level of funding will be available post 2015 (when the UK Government could change). However given the wider public sector austerity measures it seems unlikely that we will see a significant shift in available financial resources for the sector.

A2.25   Amber Valley currently has a policy of 20-30% affordable housing provision. It has delivered an average of 53 affordable dwellings per annum over the 2003-13 period (equating to 19% of net completions), but anticipates stronger delivery of 84 affordable homes per annum over the 2011-16 period. In Derby delivery of 193 affordable homes per annum is anticipated over the 2012-15 period (with affordable housing expected to deliver around 38% of completions over the 2013-15 period). In South Derbyshire an average of 50 affordable homes have been delivered per annum over the 2008-12 period (and 35 pa over the longer-period from 2004-13). The Council's current policy is for up to 40% affordable housing on development sites.

A2.26   Drawing together a range of mechanisms to deliver affordable housing (not just S106) we consider that it would be reasonable to assume that a maximum of 25% of housing could be delivered as affordable housing. This is not a policy target and it is reasonable to assume that to deliver this, some sites would need to deliver above this level (to counter those that provide no / less affordable housing). This is a high level assumption and should be considered further in light of viability modelling.

A2.27   Taking this into account we have modelled anticipated delivery of affordable housing.

Figure 166:   Estimated Affordable Housing Delivery (based on 25% of Net Completions)

	2012-17	2017-22	2022-27	2027-28
Amber Valley	553	553	553	111
Derby	1075	1075	1075	215
South Derbyshire	720	720	720	144
Derby HMA	2348	2348	2348	470

A2.28   In this indicative scenario we would see on average 470 affordable homes delivered each year over the period to 2028. If we subtract this from the 'need' estimated in Figure166, it would result in the following shortfall of affordable housing provision which would need to be met through the private rented sector.

A2.29   Households in housing need are able to live in private rented housing and claim Local Housing
Allowance to meet the difference between housing costs and what they can afford.

A2.30   As Figure 167 shows, assuming 25% affordable housing delivery we see the growth in proportion
of households in housing need which are housed in the Private Rented Sector falling over the plan
period to 2028. If affordable housing delivery is stronger (above 25%) this will fall faster than shown
(whilst the opposite is also the case).

**Figure 167:   Estimated Additional Households in Housing Need requiring Private Rented
Homes**

	2012-17	2017-22	2022-27	2027-28
Amber Valley	336	279	93	5
Derby	1274	825	371	51
South Derbyshire	271	193	20	-15
Derby HMA	1881	1298	484	41

A2.31   If 25% affordable housing is delivered, we would see the level of need which is met within the
private rented sector fall over the course of the plan period. By the end of the plan period both the
backlog of affordable housing would have been largely addressed and growth in the affordable
housing stock would be in broadly in line with growth in the net affordable housing need.

Implications

A2.32   The analysis indicates that need for affordable housing is likely to be influenced by:

- Changes over time in the balance between the costs of market housing and household incomes
  in an area;
- Availability of funding and delivery mechanisms for affordable housing, and how this and other
  factors such as right-to-buy sales influence changes in the stock of affordable housing to meet
  need over the plan period;
- Assumptions regarding the period over which any current (or backlog) affordable housing need
  is assumed to be addressed; and what assumptions are made regarding the contribution which
  the Private Rented Sector (PRS) meets to meeting the needs of households falling into 'housing
  need' who cannot meet their needs without financial support.

A2.33   If we use the Basic Needs Assessment Model as set out in the CLG SHMA Practice Guidance we
find a net need for affordable housing of 19,012 over the 2012-28 period. This represents 63% of
expected housing delivery. However this model makes no allowance for supply of private rented
housing to meet housing need. Three scenarios are presented to examine the contribution which
this sector could play to meeting affordable housing need which indicates that the resultant level of
affordable housing required varies could vary considerable. Effectively the modelling shows that a
judgement needs to be made regarding what level of affordable housing should be sought, taking
account of viability evidence and policy factors; and that the higher level of affordable housing

which is delivered, the lower the contribution which the PRS will need to make to meeting housing need.

A2.34 In the second affordability based model we considered one such scenario whereby affordability of market housing improved over time and that 25% of net growth in housing stock was of affordable housing. In this scenario the contribution of the private rented sector to meeting affordable housing need falls over time in relative terms such that beyond 2028 there is no further growth in households in housing need living in the PRS.

A2.35 Using the Basic Needs Assessment Model, assuming that the contribution which the PRS makes to meeting housing need remains consistent to current levels; around 19% of housing across the HMA would need to be delivered as affordable.

A2.36 We consider that the most realistic option is that the contribution of the PRS to meeting housing need continues, but that the scale of this contribution does not grow or grows only by a modest extent.