



Addendum

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Addendum Note: The 2011-based Interim Sub National Household Projections

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For and on behalf of GVA Grimley Ltd

1. Introduction

- 1.1 GVA with Edge Analytics prepared a Strategic Housing Market Needs Assessment (hereafter SHMNA) for the South West local authorities of Cornwall, The Dartmoor National Park, Plymouth, South Hams and West Devon. The demographic analysis underpinning the SHMNA was prepared in early 2013. Subsequent to preparation of this analysis, the Department for Communities and Local Government released the 2011-based Interim Sub National Household Projections. This data was not available at the time of conducting the SHMNA analysis or at the time at which housing requirement scenarios were generated and therefore could not be taken into consideration. This short addendum has been prepared in order to examine the background to the new data, the quality of the 2011-based interim projections and to present a comparison of household results for the aforementioned local authorities.
- 1.2 This addendum does not include any remodelling of housing requirement scenarios using the newly available interim data set, nor does it comprise a formal output of the SHMNA reporting process. This addendum is designed to ensure that the local authority partners in the SHMNA study have parity of information relating to the newly available dataset and its relationship to the 2008 based sub national household projection used in the SHMNA.

2. Context

- 2.1 In April 2013, CLG released its new interim household projections for local authority districts in England. These household projections are based on the 2011-based interim sub-national projections published by ONS in September 2012 (CLG, 2013a; 2013b; 2013c).
- 2.2 Household projections are derived through the application of household headship rates (also referred to as representative rates in the CLG documentation). The projected household headship rates have been derived using 2011 Census data in combination with statistics from the Labour Force Survey.
- 2.3 The new projections are accorded an "interim status". They will be superseded by the new official projections which are due to be released in 2014. At this point (ie. 2014) they will provide a definitive update on likely household growth trajectories, taking account of the unprecedented economic conditions that have affected local communities since 2008. The official household projections will also fully align with the Census 2011 results.
- 2.4 Qualitative issues associated with the interim projections are detailed in Section 3 of this report.

Application for Local Plans

- 2.5 Local authorities across England and Wales are at different stages of Local Plan development. One of the key inputs to Local Plans as specified in the NPPF is robust evidence on likely demographic change and its impact upon future housing requirements.
- 2.6 New household projections provide an important consideration in setting the evidence base, and local planning authorities will need to consider the validity of the interim findings in advance of the official projections being released in 2014. The interim 2011-based projections suggest a reduction in the rate of household growth projected for the period 2011-2021 at a national level, compared to previous projections.
- 2.7 Rates of household growth are determined by two factors; the profile and change in household headship rates by household type, age and sex; and secondly the underlying rate of population growth.
- 2.8 The 2011-based interim projections are underpinned by the interim 2011 population projection. This projection uses 2011 Census statistics for its base period population but

has used assumptions from the 2010-based population projection to define its fertility, mortality and migration components of change. For this reason, the 2011-based population projections do not provide a completely robust 'trend' projection of population growth, and will be improved with release of the full dataset in 2014.

3. Qualitative Considerations

3.1 Qualitative matters associated with the 2011-based interim projections are detailed in the DCLG document entitled:

- "2011-based Interim Household Projections – Quality Report" (April 2013)

3.2 This report has been consulted as a basis for reviewing the quality and robustness of the interim data set for the purposes of informing evidenced based policy. A summary of key considerations is presented below.

Summary of Qualitative Considerations

- The projections are noted to be limited as, "demographic and trend-based only". Further more the DCLG note that the projections, "do not take into account any policy changes that may affect actual household formation in future".
- DCLG recommends that, acknowledging the above limitation, users should reference locally available information to better interpret the projections in the local context.
- The projections **only cover a 10 year period from 2011 to 2021**. DCLG note that users of the projections that require a longer time span (for example for the purpose of preparing a Local Plan) are required to, "judge whether recent household formation trends are likely to continue". In other words, the user needs to define their own assumptions post 2021 based on an appreciation of local circumstances.
- Further, DCLG state that, "*Users are discouraged to use the 2008-based projections to estimate changes beyond 2021 as these are not consistent with the data from the 2011 Census that have been incorporated in the 2011-based projections*".
- DCLG specifically note that, "*projections will always be proved wrong to a greater or lesser degree by actual household formation because of the uncertain nature of demographic behaviour and as a result of the effect of any policies and social and economic circumstances that may affect those behaviours*". This highlights the importance of trying to factor in the economy and the changing economic circumstances of residents over time in reaching judgements about perpetuation of/ deviance from recent household formation trends. The demographic evidence on its own is not sufficient.

- 3.3 In summary, the 2011-based interim projections are trend based. They project forward a continuation of underlying trends in the economy and the housing market as well as supply side factors (such as the historic supply of new homes) which in turn influence household formation.
- 3.4 The 2011-based interim projections need to be interpreted in the context of the period in which they have been prepared. This period has been characterised by an unprecedented, deep recession and slow economic growth, fiscal austerity and historically low rates of housing completions. Coupled with this, there has been a limited supply of mortgage finance to enable liquidity in the housing market. The combination of these unfavourable conditions has had a dampening effect on the opportunities for household formation. Many of these trends have persisted since 2007/2008 meaning that **the 2011-based interim projections at some level reflect their limiting effect on household formation and project a continuation of these trends for a further 10 years**. As noted, this makes no allowance for improvement in the economy, the availability of mortgage finance or increased supply of housing.
- 3.5 In addition to the above, the time span of the projections (2011-2021) limits their usefulness for local planning authorities, that are typically working to local plan periods of 15 or more years.
- 3.6 Finally, the 2011-based projections are accorded "interim" status reflecting that the noted limitations and the lack of full alignment with the Census 2011 results. The official projection will cover a full 25 year period and will deliver Census 2011 alignment, however will not be released until 2014.

4. Headline Results for SHMNA Authorities

4.1 In this section a comparison is provided in terms of the total number of total households over the period 2011-2021 projected using two alternative datasets:

- 2011-based Interim SNHP; and
- The 2008-based SNHP

4.2 It should be noted that this analysis is only intended to illustrate the scale of difference between the 2008 based and 2011 based interim data sets.

4.3 It should also be noted that the interim SNHP dataset does enable further analysis to be undertaken in relation to household typology and household size, however these factors have not been profiled as part of this analysis.

Total Households

4.4 Figure 1 compares the total households over the period 2011-2021 using the data sources outlined above.

Figure 1: Comparative Analysis

Data Source:	2011-based projections					2008-based projections				
	HHs 2011 (000s)	HHs 2021 (000s)	Total change in HHs (000s)	Average Change (000s)	Percentage change in households	HHs 2011 (000s)	HHs 2021 (000s)	Total change in HHs (000s)	Average Change (000s)	Percentage change in households
Cornwall	231	255	24	2	10	240	270	30	3	12
Plymouth	109	114	5	1	5	114	125	11	1	10
South Hams	37	39	2	0	5	37	41	3	0	9
West Devon	23	26	3	0	14	23	26	3	0	13

Source: DCLG (2013) - online

4.5 The comparative analysis highlights the following trends:

- A potential reduction on total household formation in Cornwall when comparing the 2008 and 2011 based SNHPs. The scale of difference is 6,000 households over a 10 year period;

- A reduction in household numbers projected for Plymouth under the 2011 based SNHP. The scale of difference between the two projections amounts to 6,000 households over the 10 year projection period;
- A reduction in household numbers in South Hams under the 2011 based SNHP. This equates to a difference of 1,000 households over a 10 year period between the two projections; and
- A less significant reduction in household numbers in West Devon arising from consideration of the 2011-based Interim SNHP.

5. Interpretation

- 5.1 The review undertaken herein highlights that there are significant differences between the compatibility of the 2008 and 2011 based interim projections. The 2011-based interim projection only covers a partial period from 2011 to 2021, a projection period which does not cover the full local plan period for many local authorities. This is a significant limitation of the new interim projection, limiting its robustness for the purposes of informing planning policy over the long term and prior to release of the full and official data in 2014.
- 5.2 We also note the "interim" status of the 2011-based projection and the lack of full alignment with the Census 2011 results. To project beyond 2021 using this new interim data would require importation of "user defined" assumptions with regard to changes in headship rates in the remaining period of Local Plans. Theoretically, such assumptions might consider a continuation of the trend projected in the 2011-based interim projection for the period 2011-2021, or alternatively "freezing" headship rates at projected 2021 levels.
- 5.3 We also note more fundamental limitations with the 2011-based interim dataset, namely that it does not model the effects of economic and policy drivers of household change, with this being left to the judgement of the local user of the data. This contrasts with the "scenario" approach utilised in the SHMNA research which actively seeks to factor in the requirements of a changing local economy. As such, the 2011-based Interim SNHP does need to be considered in the context of wider factors such as changing local economic circumstances, planned investments and other policy drivers.

Implications

- 5.4 The scale of the differences in household numbers between the different SNHPs would suggest that further consideration of the new SNHP is given as local planning authorities start to translate the SHMNA findings into local housing requirements. Specific consideration will need to be given to the potential impacts of the 2011-based interim SNHP dataset and likely implications for the period post 2021 should the suggested household formation trends persist over the long term. This specific issue could be examined in an annual update to the SHMNA, subject to the requirements of all the local authority partners participating in the study.