



## Briefing Note

---

Our ref      41550/MW/BOC  
Date        27 March 2015  
To          Pendle Borough Council  
From        Nathaniel Lichfield & Partners  
Copy

---

**Subject      Implications of 2012 Sub National Household Projections**

---

1.0            **Introduction**

1.1            This note reviews the 2012-based Sub National Household Projections [SNHP] in the context of Pendle's Full Objectively Assessed Need [FOAN] for housing. It follows on from NLP's Housing Needs Study and SHMA 2013 (CD/04/01) and Housing Needs Study 2012-based SBPP Update (CD/04/02) which informed the Council's Housing Requirement in the Local Plan [PLP].

2.0            **Pendle Local Plan**

2.1            The PLP covers the period between 2011 and 2030. Policy LIV1 states that over the 19 year period of the plan, provision will be made to deliver 5,662 (net) dwellings, equating to an average of 298 dwellings per annum [dpa]. The PLP will undergo Examination in Public in April 2015 following its submission to the Inspectorate on 19<sup>th</sup> December 2014.

2.2            The housing requirement figure as set out in the PLP was informed by NLP's reports (CD04/01 & CD/04/02) together with other policy considerations. CD/04/01 recommends that Pendle's housing OAN range was between 280dpa and 320dpa. This would provide a realistic level of housing to deliver economic growth, whilst recognising the demographic and viability challenges that remain. The affordable housing requirement OAN for Pendle was 672dpa over the next five years.

2.3            In coming to this housing OAN range, CD/04/01 used a combination of the 2011-based (Interim) household projections and 2008 SNHP produced by CLG as they represented the most up-to-date indication of household change. However, it is important to note that there is a marked difference between the household formation rates underpinning the 2008-based and 2011-based (interim) household projections. The 2011 projections strongly reflect recently observed trends in suppressed household formation which are associated, at least in part, with the impacts of the recession and past housing under-supply.

2.4            Past trends in overall household formation in the Borough reveals a continued trend towards higher rates of formation and smaller household sizes. The

2008-based household projections are closer to the long term downward trajectory for Pendle, suggesting an accelerated decline in household size when compared to the 2011-based projections.

- 2.5 For the purposes of an objective assessment of housing need in line with the Framework, it was considered reasonable to assume that beyond 2021, rates of household formation will reflect a change in line with long term trends.
- 2.6 Therefore, beyond 2021 NLP applied a rate of annual change in household formation from the 2008-based household projections to reflect such long term trends.
- 2.7 Following the submission of CD/04/01, the demographic data which underpinned NLP's modelling work was updated by the ONS. The 2012-based Sub-National Population Projections [SNPP] were published by ONS in May 2014. CD/04/02 updated the modelling using this latest data, but applying the same headship rates as in CD/04/01: Post 2021, the 2008-based headship rates were applied (the 'index' approach). The base date of 2011 was retained, as was the end date of 2030. NLP updated assumptions on commuting, economic activity and unemployment rates to reflect the latest data available from ONS and NOMIS.
- 2.8 In terms of the robustness of using the 2012-based SNPP to derive the housing OAN, CLG (2014) state that:
- "...the same methodology is being used to inform the 2012-based Household Projections as for the 2011-based projections. This means that the ONS 2012-based population projections provide a good initial indication of likely household growth to feed into local authorities' assessments of housing requirements."*<sup>1</sup>

Taking all the evidence into account and applying the same considerations to market signals (whilst making a minor adjustment to household formation rates to take into account the moderately adverse housing market signals), pointed to a range of 250dpa to 340dpa for Pendle.

- 2.9 The lower end of the range was informed by applying a c.10% uplift to the Index Baseline Scenario A (226dpa); the demographic starting point. The uplift, to 250dpa, broadly was equivalent to the Partial Catch Up Accelerated Growth Scenario, plus an allowance for past under delivery. This was considered appropriate as it comprised a modest uplift on the demographic starting point to reflect the limited evidence of worsening housing market signals and past under delivery in Pendle. The upper end of the range was informed by the CLG (interim) 2011-based Household Projections (312dpa, or 340dpa incorporating a similar uplift to allow for market signals and rounded up) should be used. The range also incorporated all employment-led scenarios with the exception of Scenario J (ELR Past Take Up).

---

<sup>1</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/388308/household\\_projections\\_note\\_for\\_website.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388308/household_projections_note_for_website.pdf)

- 3.0 **Overview of the Methodology behind the 2012 Sub-National Household Projections**
- 3.1 The latest 2012 based SNHP were released on 27<sup>th</sup> February 2015 and supersede the 2011-based (Interim) SNHP. The 2012-based SNHP incorporate the ONS 2012-based SNPP and further information from the Census 2011 where available. At this stage, NLP has not updated its PopGroup modelling as the full dataset (including a breakdown by household type) for the 2012 SNHP has not been released by CLG.
- 3.2 The methodology for the 2012-based SNHP follows that used for the 2011-based and 2008-based projections. The 2011-based SNHP included some changes that were required to incorporate valuable information from the 2011 Census. Since then, further information from the 2011 Census has become available and has been incorporated into the 2012-based SNHP where possible, building on the approach used for the 2011-based SNHP.<sup>2</sup>
- 3.3 The household projections are compiled using a two stage process. Stage One produces the national and local projections for the total number of households by age group and marital status group over the projection period. The total number of households in each local area form the basis of the control totals for Stage Two of the projection methodology, which gives the detailed household type breakdown by age.
- 3.4 Stage One applies projected household membership rates to a projection of the private household population disaggregated by age, sex and marital status and summing the resulting projections of household representatives. The method uses a simplified three way relationship categorisation to represent marital/cohabitational status. The categories are in couples (including married couples who are living together and cohabiting couples); separated marrieds, divorced and widowed not in couples; and people not in couples (not cohabiting, never married).
- 3.5 As in the 2011-based projections, the projection methodology for Stage One from the 2008-household projection has been maintained but adapted. The 2012-based projections includes information from the 2011 Census which together with data from the Labour Force Survey [LFS] has been used to update the estimates for the 2011 point that are then used in the household projections methodology at national level.
- 3.6 The updated national projections are then used to control a set of projections for regions and local authorities that have been derived by applying projections of the household representative rates by sex, age and status to the 2012-based household population by sex, age and status. The regional and local authority projection is then controlled to the 2011 Census aggregate household representative rate.

---

<sup>2</sup> CLG, Household Projections 2012-based: Methodological Report (February 2015)

3.7 There are six key components to the household projections produced in Stage One:

- 1 Population projections;
- 2 Marital status composition;
- 3 Institutional population;
- 4 Household representative rates;
- 5 LFS adjustments; and
- 6 Regional and local household projections.<sup>3</sup>

3.8 The importance of the household projections to planning is emphasised in the Practice Guidance which states that:

*“...household projections produced by the Department for Communities and Local Government should provide the starting point estimate of overall housing need.”<sup>4</sup>*

Therefore, the new household projections represent an important milestone in providing evidence to inform objective assessments of housing need.

3.9 However, they do not represent the whole picture, as:

- 1 They are based upon applying headship rates (rates of household formation) to the already released ONS 2012-based SNPP. These underlying population projections are trend based, reflecting migration patterns seen over the recession and may not be reliable in all areas. Significantly, they are already becoming outdated, with the 2012-based SNPP at the national level underestimating net in-migration to the UK by 170,000 persons over the past two years (2012/13 and 2013/14) compared with what ONS now know actually occurred.
- 2 They reflect a long term and structural under-supply of housing, during periods of both recession and growth. Since 2001 an average of 135,000 dwellings in England have been completed each year, far short of what is needed, and there has been a 16% decline in the number of completions since the start of the millennium. Lack of dwellings constrains household formation and this historic and long term under-supply will have influenced what are firmly trend-based projections.
- 3 They are influenced by recessionary trends since 2007, including mortgage rationing, financial instability and acute affordability constraints. Although the methodology for the household projections draw upon household formation trends over a 40 year period since 1971, they still contain a ‘recency bias’ reflecting trends over the last 10 years much more than trends over the longer term. The projected average household size shows that household formation rates are increasing at a

---

<sup>3</sup> CLG, Household Projections 2012-based: Methodological Report (February 2015)

<sup>4</sup> PPG, paragraph 2a-15-20140306

rate somewhere between the pre-recession 2008-based projections at the 2011-based (interim) projections.

- 3.10 These factors impact both the underlying population base as well as the household formation rates, combining to present a level of household growth at a national level substantially below a level that would truly reflect need and demand.

### **What do the projections mean for planning?**

- 3.11 The Government's population and household projections will continue to act as the starting point for considering evidence of housing need, and for all their problems, they are as good a starting point as any. However, caution should be exercised when applying them in evidence. They can, and should, be subject to adjustment where specific evidence justifies it. The advice contained in the Practice Guidance that the projections may require adjustment to reflect household formation having been suppressed historically by housing undersupply and worsening affordability has been widely considered.
- 3.12 Many Planning Inspectors have taken the view that the 2011-based projections represented a suppression of household formation, particularly amongst younger age groups. This has been supported by analysis into the underlying projections notably the 'Holmans Paper',<sup>5</sup> and whilst the 2012-based SNHP generally appear more optimistic in household formation rates than their 2011-based predecessors, they remain lower than long term trends would indicate, reflecting the ongoing influence of the recession in terms of suppressed household formation.
- 3.13 The 2012 SNHP Methodological Report states that the 2012-based household representative rates are higher than the 2011-based representative rates by 2021 across almost all age groups, with the exception of 70-74 year olds and the 85 and over age group. This is a result of the changes to the estimates of the representative rates in 2011 by age, sex and relationship status, which impacts on the long-term trends. The largest changes to the household representative rates are for 25-29 and 30-34 year old age groups.<sup>6</sup>
- 3.14 Some commentators have suggested that the new projections represent a 'new normal', with reduced household formation, compared to longer term trends, likely to continue irrespective of recessionary impacts. NLP considers that applying this approach to planning would be wrong.
- 3.15 It is imperative to view the new projections through the prism of the Framework<sup>7</sup> which seeks to 'boost significantly' the supply of housing to meet housing demand (including demand arising from household formation) and address affordability. Were the planning system to treat the lower levels of

---

<sup>5</sup> A. Holmans, New Estimates of Housing Demand and Need in England 2011 to 2031, Town and Country Planning Association, 2013

<sup>6</sup> CLG, Household Projections 2012-based: Methodological Report (February 2015)

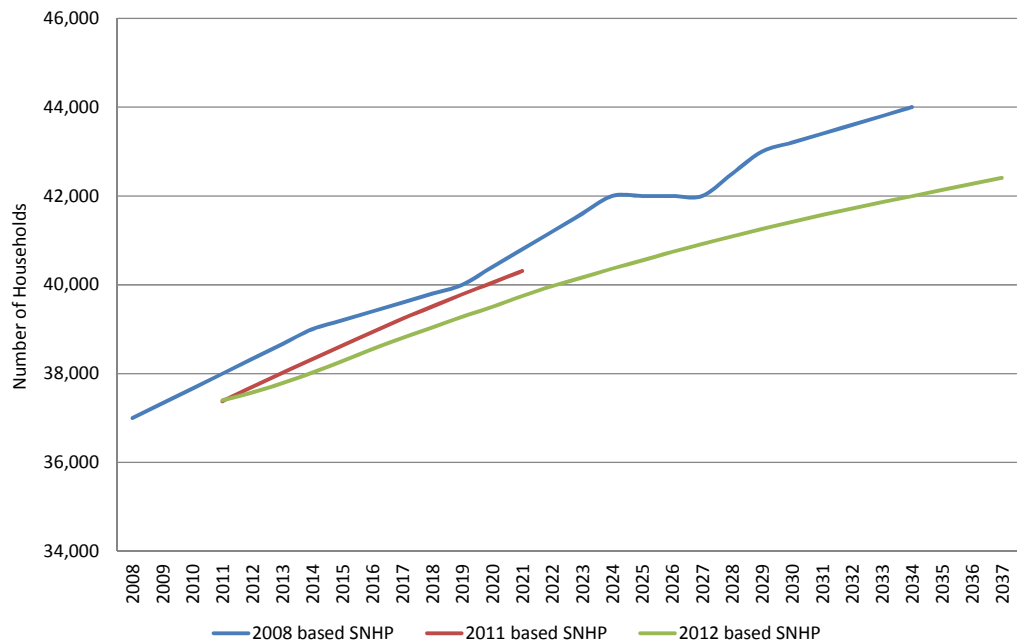
<sup>7</sup> Framework - §47

household formation as a ‘new normal’ it would ‘lock in’ the implications of housing under-supply impacting most of all on younger age groups, particularly those starting families. With the English Housing Survey having recently shown home ownership for younger age groups falling markedly, there are profoundly negative implications for economic and social well-being. Such an approach would run counter to the stated housing priorities of all the main political parties in the run-up to the election.

4.0                   **2012 Sub-National Household Projections for Pendle Borough**

4.1                   The 2012 SNHP indicates annual average household growth in Pendle over the period to 2037 of 193 households per annum (hpa). This is below the previous 2 sets of projections. Figure 1 illustrates the projected household growth in Pendle for each of the past three SNHPs.

Figure 1      Comparison of Household Projection Change over Time in Pendle



Source:      NLP Analysis / CLG SNHPs

4.2                   A comparison of the latest household projections against SNHPs for Pendle is set out in Table 1.

Table 1 Household Projections for Pendle Borough – a Comparison

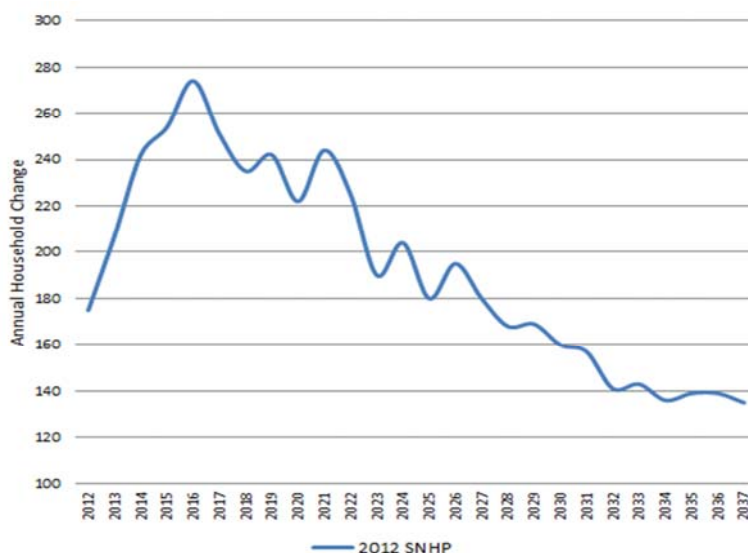
	2012-based Household Projections				2013-2033 annual H'Hold Growth		2012-2021 annual H'hold Growth	
	2012	2037	2012- 2037	Annual H'holds	2012- SNHP	2008- SNHP	2012- SNHP	2011- SNHP
<b>Pendle*</b>	37,576	42,408	4,832	193	204	250	241	289

Source: CLG 2012 SNHP / CLG 2011 (Interim) SNHP/CLG 2008 SNHP

\* Note – the time periods have been changed to align across the various SNHPs

- 4.3 Comparing the various projections is a useful starting point. This indicates that the annual household change in the latest 2012 SNHP is significantly below the previous two projections over comparable time periods. The latest household projections for Pendle Borough indicate that household growth is expected to increase by around +193 annually 2012-2037. Over comparable time periods, the 2012 SNHP is c.17% lower than the 2011 based SNHP (2012-21) and 18% lower than the 2008 SNHP (2013-33).
- 4.4 In terms of the equivalent SNPPs; the 2008-based SNPP indicates population growth of 4,500 between 2013-2033 compared to population growth of 4,000 in the latest 2012-based SNPP. This represents an 11% decrease between the two projections. The difference between the 2011-based SNPP and the 2012-based SNPP is even starker. The 2011-based SNPP indicates total population growth of 5,000 between 2012-2021 whilst the 2012-based SNPP are more than half (52%) the 2011-based SNPP growth (2,400) over the same time period. As such, it is reasonable to suggest that the latest SNHP for Pendle is lower than the 2011 equivalent, primarily due to the substantial difference in the underlying population projections.
- 4.5 The 2012-based SNHP also remain below the previous full set of projections (2008-based) which assumed higher population growth as well as higher rates of household formation, having been less influenced by recessionary trends.
- 4.6 When the annual change associated with the latest projections are analysed on a year by year basis some interesting conclusions can be drawn. Figure 2 illustrates the 2012-based SNHP projected annual household change to 2037. This indicates that the highest growth is in the earlier years, peaking in 2016 before tailing off after 2021 due to declining population growth.

Figure 2 Annual Household Growth in Pendle Borough (2012-2037)



Source: NLP Analysis / 2012-based SNHP

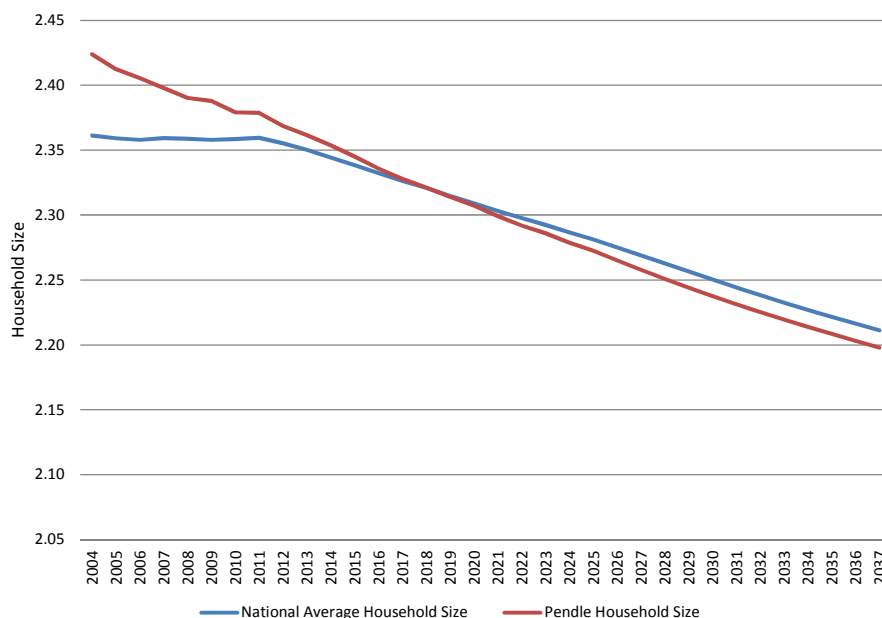
### Average Household Size & Headship Rates

4.7

In terms of average household size, Figure 3 compares Pendle Borough's rate of change against the national average over time. Both exhibit a clear downward trend although Pendle's rate of change is slightly more pronounced. In 2011 (the base year of the plan), the average national household size was 2.35 persons compared to 2.37 in Pendle. As Pendle's average household size trajectory is steeper than the seen nationally however, by 2018 the Boroughs rate will be identical to the country as a whole.



Figure 3 Average Household Size - National Average and Pendle Average



Source: NLP Analysis / CLG Household Projections

4.8

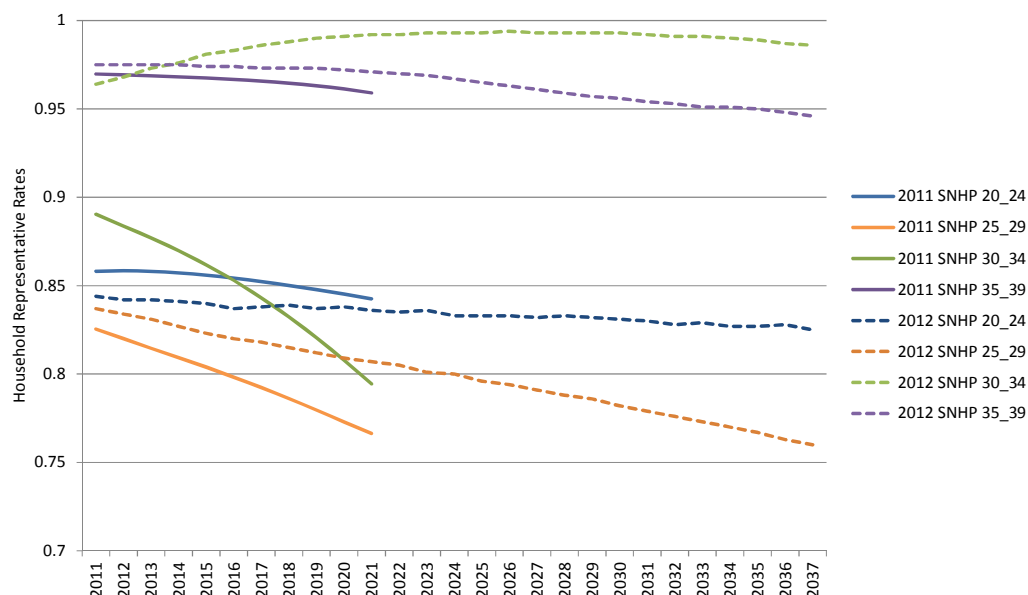
4.9

Figure 4 compares the headship rates between the 2011 and 2012 SNHP and in particular focuses on males (in couples) between the ages of 20 and 40. These are precisely the age cohorts that have been struggling to obtain mortgage finance and accessing the property market since 2007/08. It would appear that the rate of change in household representative rate for age cohorts 20-24, 25-29 and 35-39 are broadly similar across the 2012 & 2011 SNHP. However, the age cohort 30-34 has a very high household representative rate in the 2012 SNHP, which rises and then remains just under 1.0.

4.10

In complete contrast, the equivalent household representative rate underpinning the 2011 SNHP for this age cohort starts from a much lower base in 2011 before falling precipitously to 2021. This indicates that the 2011 SNHP is founded on very different headship rates for certain age cohorts, which might be expected to produce a lower level of household growth as a result.

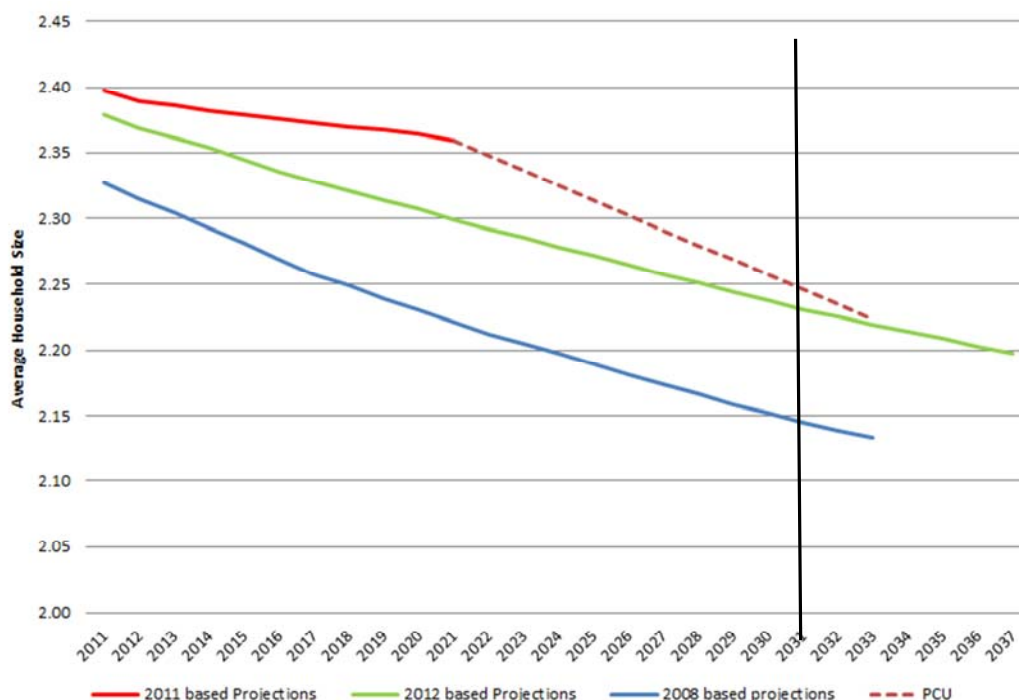
Figure 4 Comparison of Household Representative Rates in 2011 & 2012 SNHP



Source: NLP Analysis / CLG SNHP

- 4.11 Figure 5 compares the change in household size across the three most recent projections and plots the household representative rate. The scenario ultimately taken forward in CD/04/02 as an uplift to the Index (demographic starting point) was the Partial Catch Up Scenario. This effectively assumed that household representative rates would follow the 2011 SNHPs up to 2021, whereupon it would gradually revert (on a linear basis) to where the midpoint of the 2008 SNHP & the 'trended' 2011 SNHP would be in 2033. This is represented as a dashed line on Figure 5.
- 4.12 Indeed, it virtually intersects the point reached by the Partial Catch Up scenario by 2033 and is only slightly higher at 2030.

Figure 5 Comparison of Average Household Size Projections in Pendle Borough

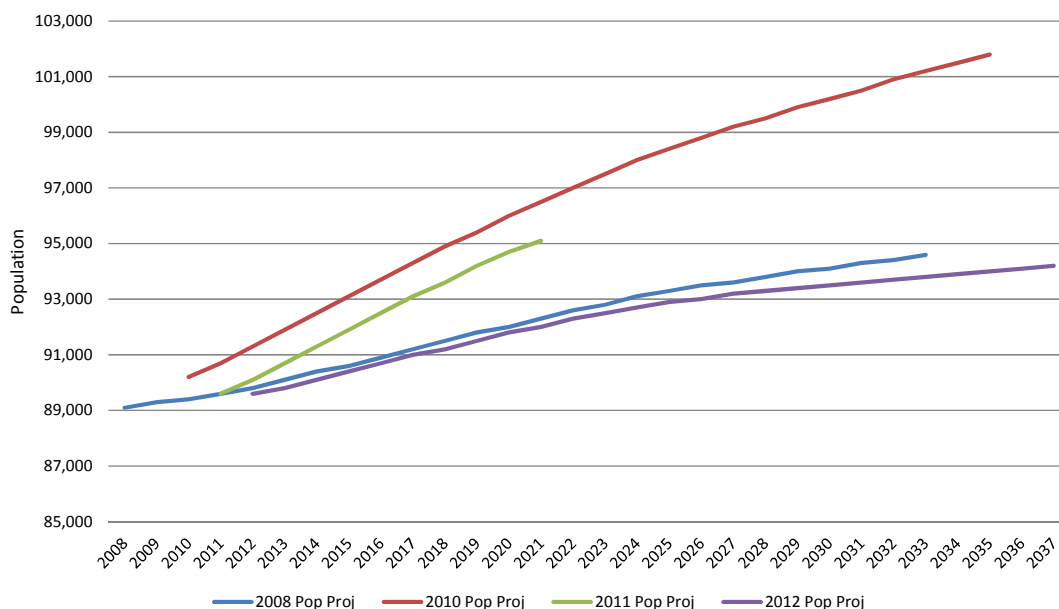


Source: NLP Analysis / CLG Household Projections

### Comparison of Population Projections

- 4.13 The household projections are also underpinned by the equivalent population projections. As such, in understanding the changes to the household projections, it is vital to analyse the trends in population growth over time.
- 4.14 Figure 6 plots the four most recent population projections for Pendle Borough. As can be seen, the population projections for the 2008 and 2012 SNPPs are broadly aligned and follow a similar upward curve.
- 4.15 In contrast, the 2010 and 2011 (Interim) SNPPs projected significantly higher rates of population growth going forward. Both projections follow the same growth trajectory albeit the 2011 (Interim) projections begin at a lower starting point. Although the 2011 SNPP grows considerably faster than the 2012 SNPP, the rate of household growth is comparatively conservative. Figure 6 suggest that population growth is the key reason why the latest SNHP is lower than the 2011-based figure. Headship rates have a role to play but in this instance the change in population growth is the main contributing factor.

Figure 6 Comparison of recent SNPPs for Pendle Borough

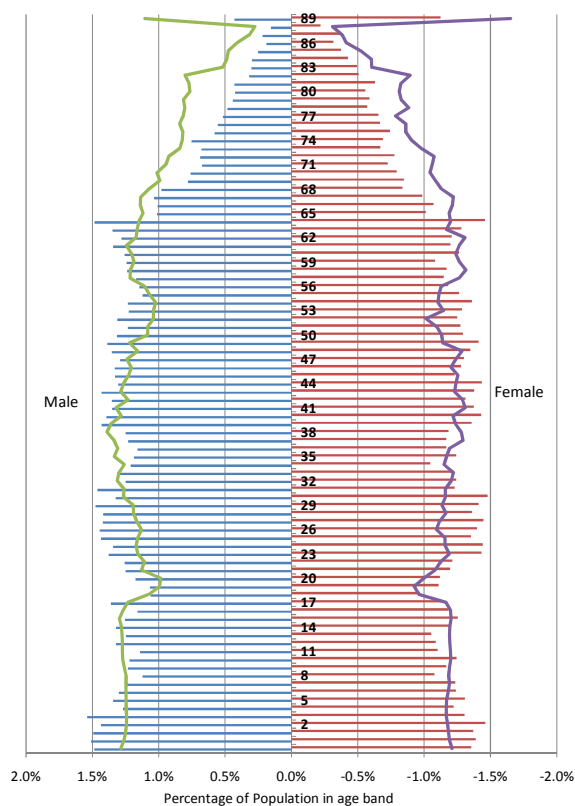


Source: NLP Analysis / CLG SNPPs

4.16

Figure 7 illustrates the percentage change in each age cohort between 2012 and 2030 for the 2012-based SNPP. This demonstrates that the greatest change is in the proportion of Pendle residents aged over 70 (both male and female) over the 18 year period. In particular, the percentage of local residents over the age of 90 is expected to grow exponentially. In direct contrast, the percentage of children under the age of 10 and the number of males and females in the Borough aged 20-30 are expected to decrease. The consequences of this are that average household size could reduce significantly, due to elderly people living alone, and smaller family sizes.

Figure 7 Pendle Borough - Change in Percentage of Population for each Age Band (2012 / 2030)

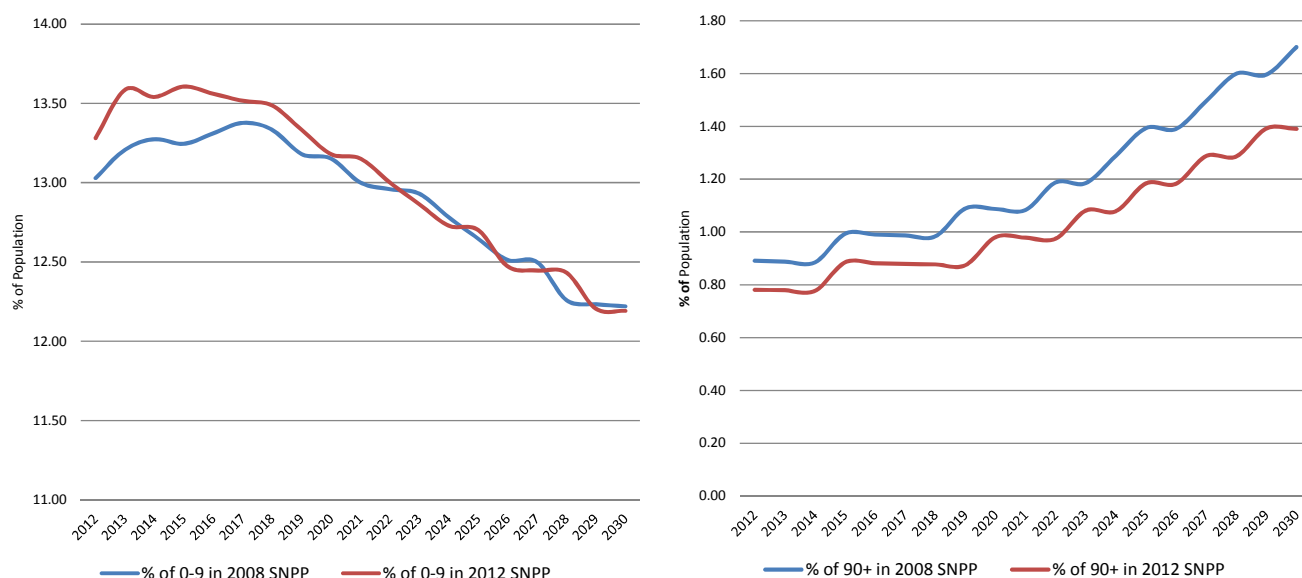


Source: CLG 2012-based SNPP Note: Outline shows year 2030

4.17

When comparing the 2012 SNPP with the 2008-based SNPP, it appears that the growth in the percentage of residents over 90 is less stark than for the earlier projections over the plan period. However, the percentage of people aged under 10 is broadly in line with the 2008-based SNPP (as outlined in Figure 8).

Figure 8 Comparison of 2008 SNPP and 2012 SNPP



Source: NLP Analysis / CLG SNPPs

5.0

## Implications of the 2012-based SNHP

5.1

The projections are an important ingredient when planning for housing growth but are not the whole picture. Any SHMA applying the new projections must factor in the following:

- 1 Scrutiny of the underlying SNPP – Recent international migrations statistics demonstrate that the 2012-based SNPP are increasingly divergent from what is actually happening. This calls into question the reliability of the SNPP's international migration assumptions, which are likely to be too low, and are partly responsible for the reduced levels of overall household growth in these 2012-based SNHP. This factor is likely to have the greatest impact on major cities and their hinterlands. Internal UK migration assumptions in the SNPP are also open to question in some locations, particularly cities and University Towns;
- 2 Making adjustments to headship rates to reflect for specific household formation factors for specific age group and household types;
- 3 Employment growth – past trends, forecasts and economic strategies, notably of LEPs (where these are realistic);
- 4 Market Signals – there is nothing in the Practice Guidance that indicates that housing supply nationally or locally should be constrained to the household projections. The Guidance specifically seeks to include upward adjustment to improve housing affordability; and,
- 5 Affordable housing needs – these should be met in full, and is a separate part of the assessment of housing requirement that may also necessitate an increase in the overall housing requirement figure.

- 5.2 All of the above stages were analysed and considered as part of CD/04/01 and CD/04/02.
- 5.3 The 2012-based SNHP provides headship rates that lie between the 2011 and 2008-based SNHP. At the time of writing, CLG has yet to provide the detailed data on household types necessary to undertake a full PopGroup run of the scenario modelling so that the implications of the latest data on Pendle Borough Council's OAN range can be fully understood.
- 5.4 Nevertheless, on the basis of the data that has been released by CLG so far, we draw the following conclusions:
- 1 The baseline 'starting point' household growth figures for Pendle in the 2012-based SNHP project growth of 193 households annually over the period to 2037. This equates to household growth of 4,832 over the 25 year period. This is significantly below the level projected in the 2008 and 2011 based SNHPs.
  - 2 The latest projections suggest that the change in household size in Pendle sits somewhere between the more optimistic long term trends exhibited in the 2008-based SNHP, and the shorter term, recessionary-influenced 2011-based SNHP.
  - 3 In terms of population projections, the latest 2012-based SNPP are the lowest of the past four iterations but are broadly aligned with the 2008-based population projections.
  - 4 This is a crucial point, as it means that although the 2008 SNPP is similar to the 2012 SNPP, the significant difference between the two household projections is driven by different headship rates.
  - 5 The Practice Guidance states that the latest household projections (2012-based) should be the starting point for any assessment of OAN. Over the period 2011-2030, the 2012 SNHP indicate average annual growth of 215 dpa (incorporating an allowance for vacancy rates of 6.6%). This is the starting point for the assessment of OAN. It falls below the Index baseline outlined in CD/04/02 (226dpa) and the Partial Catch Up Scenario (241dpa). Allowing for a similar c.10% uplift would result in a requirement of 248 or 265 which remains below or close to the lower end of the range outlined in CD/04/02 and the 298dpa ultimately taken forward by PBC in the PLP. However, this needs to be considered in the context that no allowance has been made for economic growth.
- 5.5 On the basis of the foregoing analysis, it is suggested that the latest SNHP are unlikely to have a significant impact on the OAN range for Pendle Borough, although further PopGroup modelling is necessary to fully substantiate this hypothesis and we reserve the right to review this position as and when the full SNHP raw data sets are available.

6.0

## **Conclusions**

6.1

The latest SNHP represents the starting point in deriving an appropriate FOAN for Pendle but does not comprise the whole picture. At this stage, NLP has not updated its PopGroup modelling as the full dataset for the 2012 SNHP has not been released by CLG. It is nevertheless important that the headline indicators from the Stage One 2012 SNHP release and its implications are considered as part of the Examination in Public.

6.2

Given that the latest 2012 SNHP projections have generated headship rates that sit approximately midway between the 2011 and 2008-based SNHPs, the outcome of any future new modelling (incorporating the 2012 SNHP) is not anticipated to be substantially different to that taken in CD/04/02.

6.3

Taking the 2012 SNHP at face value, they do not appear to indicate that the suggested OAN range of 250dpa to 340dpa would be substantially altered had the latest household projections been available to use in NLP's PopGroup model for CD/04/02. Nevertheless, we reserve the right to review this initial hypothesis once the Stage two 2012 SNHP datasets are released and we are able to undertake more detailed PopGroup modelling.