

## Stuart Pashley

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**From:** Roland Bolton [roland.bolton@dlpconsultants.co.uk]  
**Sent:** 03 May 2013 13:56  
**To:** Programme Officer  
**Subject:** RE: DLP submission on the 2011 Interim Household Projections  
**Follow Up Flag:** Follow up  
**Flag Status:** Completed  
**Attachments:** DLP+Selby\_CS\_2011HH-final.pdf

Sorry please find attached

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**From:** Stuart Pashley [mailto:spashley@selby.gov.uk] **On Behalf Of** Programme Officer  
**Sent:** 03 May 2013 13:32  
**To:** Roland Bolton  
**Subject:** RE: DLP submission on the 2011 Interim Household Projections

Dear Roland,

There was no attachment to your email. Could you please forward the attachment?

Kind regards,  
Stuart

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**From:** Roland Bolton [<mailto:roland.bolton@dlpconsultants.co.uk>]  
**Sent:** 03 May 2013 13:07  
**To:** Programme Officer  
**Subject:** DLP submission on the 2011 Interim Household Projections

Stuart Pashley & Annette Cook

Please find attached our comments as requested on the 2011 interim household projections

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**Further Submission on the 2011 Interim Household Projections**

Selby District Council

Prepared by  
**DLP Planning Ltd**

April 2013



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Approved by: ..... Roland Bolton  
Date: April 2013

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## **1.0 Introduction**

- 1.1 This report has been produced in response to the request for further submissions on the publication of the 2011 Interim Household Projections.
- 1.2 In particular the report considers if these new projections offer support for the council's proposed level of housing provision or if the previous submission by DLP which argued for a level of 600 dwellings a year to take into account likely increased in migration remains the objectively assessed housing need as required by the National Planning Policy Framework paragraphs 14, 47, and 149.

## **2.0 The DLP 2011 household projections (2011 Sub National Population Projections)**

- 2.1 The earlier submissions on this matter already suggest a dwelling requirement based upon the 2011 Sub National Population Projections (SNPP) and it is these that form the basis for the 2011 Interim Household Projections.
- 2.2 The main difference between these earlier estimates and the DCLG projection is that these earlier estimates utilised household representation rates from the 2008 based Household projections while the CLG projection attempts to update the Household Representation rates as discussed below.
- 2.3 A further difference between these earlier projections and the interim projections is that the earlier projections are based on long term trends that are modelled to 2033 providing clear guidance for the whole of the plan period while the DCLG projections end at 2021. This is important because of the uncertainty regarding the reduced household representative rates being appropriate for the post 2021 period.

## **3.0 The 2011 Interim Household projection 2011 to 2021**

### **Introduction**

- 3.1 It is worth reminding ourselves that the interim 2011 SNPP upon which the household projections are based upon project a higher population than the 2008 based SNPP as at 2021 and that this growth is being driven in part by natural change as well as net in migration.
- 3.2 In terms of net in migration the 2011 SNPP like the earlier projections are entirely dependent upon other authorities meeting their own needs and not displacing demand (the council have consistently failed to produce any credible evidence that this is the case).



- 3.3 Statistical Release 14 presents National Statistics on the projected number of households in England and its local authority districts to 2021. The figures in this release are based on the 2011-based interim sub-national population projections, published by the Office for National Statistics (ONS) in September 2012. They replace the 2008-based household projections released in November 2010.
- 3.4 The release states that the projections provide an important long term view of the number of households that would form given a projected population and previous demographic trends, showing the long-term trend in household numbers if previous demographic trends in the population and household formation rates were to continue into the future. It makes clear that as these are interim projections only and that users who require a longer time span will need to judge whether recent household formation trends are likely to continue.
- 3.5 The release reiterates that the household projections are not a forecast and as such they do not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. The importance of the projections is that they provide consistent household levels and structures at England and local authority level.
- 3.6 The Release refers to the statement in the Framework that in assessing future housing requirements in local spatial strategies regard should be had to current and future demographic trends and take into account evidence including the Government's latest published household projections.
- 3.7 The Release further states that the household projections should be used as part of the evidence base regarding the future demand for housing that would arise as a result of these demographic trends. It accepts that users may wish to determine their own forecasts of how these projections could differ in light of alternative policy scenarios using local knowledge and models.
- 3.8 Further guidance is provided on how this may be done by a recent note produced by the Cambridge Population and Housing Research Group in their note "Choice of Assumptions in Forecasting Housing Requirements Methodological Notes".

**General commentary on the assumptions within 2011 household projections**

- 3.9 One of the key elements to the household projection is the projection of future household representation rates.
- 3.10 The procedure followed to project the household representative rates at the national level is as before but with inclusion of the 2011 point as follows. This means there are now 5 observations to project forward but there are still issues that some of the points (particularly the 1991 Census) look to be quite strange.
- 3.11 The projections of the household representative rates use a combination of two fitted trends:
- a. A simple logistics trend - a straight line fitted to  $\ln (X_t / (1-X_t))$
  - b. A dampened logistics trends where an S-shaped curve is fitted to  $\ln (X_t / (1-X_t))$
- 3.12 These functions were developed by CLG as part of the development for the Stage One methodology to fit through the Census points as some of the trends are linear whilst others have a curve.

- 3.13 As with the 2008-based projections, the DCLG state that it is still not clear which of these projections is the most appropriate. The dampened trend provides a better fit for the Census data but consideration has to be given to the extent to which data errors may have affected measured past trends and also to the fact that the 2011 estimates by demographic type are based on the trends from the Labour Force Survey as well as from actual results from the 2011 Census.
- 3.14 Given the uncertainty, the projections are weighted together using the following weights:
- a. 15 to 29 year olds: 80:20 weights for dampened / simple trend
  - b. 30 year olds and over: 60:40 for dampened/ simple trend
- 3.15 The reason for the differential weights is that Labour Force Survey (LFS) data indicate declining aggregate household representative rates for the younger age groups and, consequently, there is evidence that it is more appropriate to give a bigger weight to the dampened trend in these cases.
- 3.16 The point to be noted here is that the methodology gives greater weight to the dampened trend.
- 3.17 Not all the information is available from the Census 2011 with regard to household representation rates but the information that was available suggested that the previous projections were overestimating the rate of household formation and this finding is supported the evidence from the Labour Force Survey that household representative rates for some (particularly younger) age groups have fallen markedly since the 2001 Census. By imposing the change in household representative rates by age from the LFS onto the aggregate Census point in 2011 the projections are assuming that the trends observed in the LFS by age are correct. It is possible that the full results from the Census 2011 reveal that the trends by age group were different to those observed in the LFS, but at this stage CLG state that it is not possible to quantify the differences.

#### **General commentary on the outcomes of 2011 household projections**

- 3.18 In national terms growth in couple households (with or without other adults) make up to forty per cent of the total increase in households between 2011 and 2021. Over a quarter (28 per cent) of the increase in households is accounted for by one person households. This contributes to a decrease in the average size of households from 2.36 persons per household in 2011 to 2.33 persons per household in 2021. By 2021, 13 per cent of the private household population in England is projected to live alone, unchanged from 2011.
- 3.19 A further 15 per cent of the growth in total households is due to the growth in 'other' households. This group includes multi-person households including student households and adults sharing accommodation. Both of these household types experienced a large increase between the 2001 and the 2011 Census.
- 3.20 Lone parent households are projected to increase by 23 per cent between 2011 and 2021.



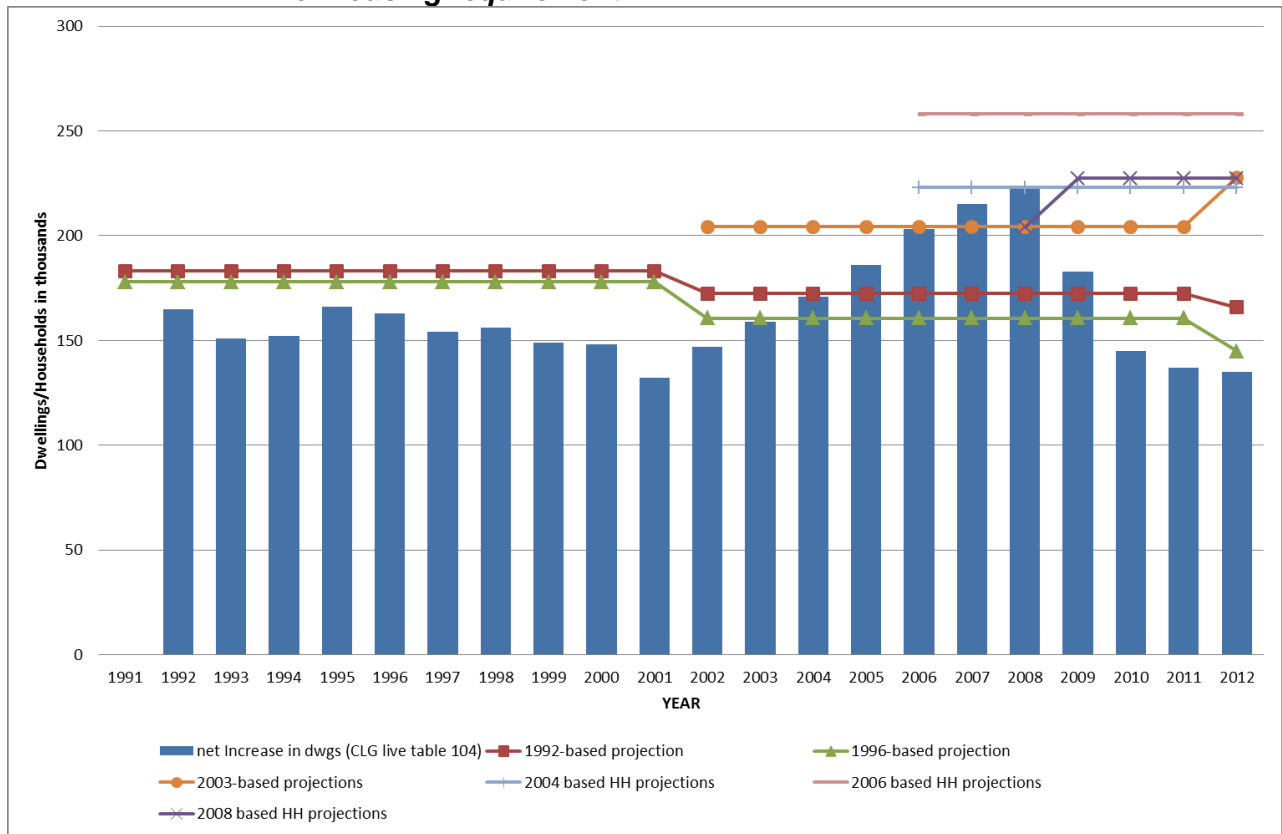
- 3.21 At the aggregate level the 2011-based projections show a lower growth in households compared with the 2008-based projections, equating to 24,900 fewer households per year between 2011 and 2021 in England. This is despite the fact that adult household population growth is larger under the 2011-based projections than the 2008-based projections. The difference therefore largely reflects lower household representative rates (household formation) compared with the previous projections. The outcome of this is that the average household size in the 2011-based projections decreases at a slower rate than in the 2008-based projections (Updating Department for Communities and Local Government's household projections to a 2011 base Methodology Report Figure 7). Between 2001 and 2011 average household size increased in many areas, rather than falling as projected in the 2008-based projections, which leads to a higher starting average household size for the projection period.
- 3.22 It should be recalled that the 2008 projections themselves discounted some 290,000 households from the final projections to reflect the impact of the recession. These most recent interim projections take into account the inability of younger persons to form households due to increasing unaffordability and more recently lack of access to finance.
- 3.23 What neither the 2008 nor the 2011 interim projections provide is an indication as to whether the changes in household representation rates especially amongst the younger age groups is something that is a permanent change in aspirations of those younger age groups in terms of household formation or whether it is a short term reaction to the economic circumstances of the preceding decade.

### **The implications of using the Interim 2011 Household Projections for Selby**

#### ***The implied household representation rate***

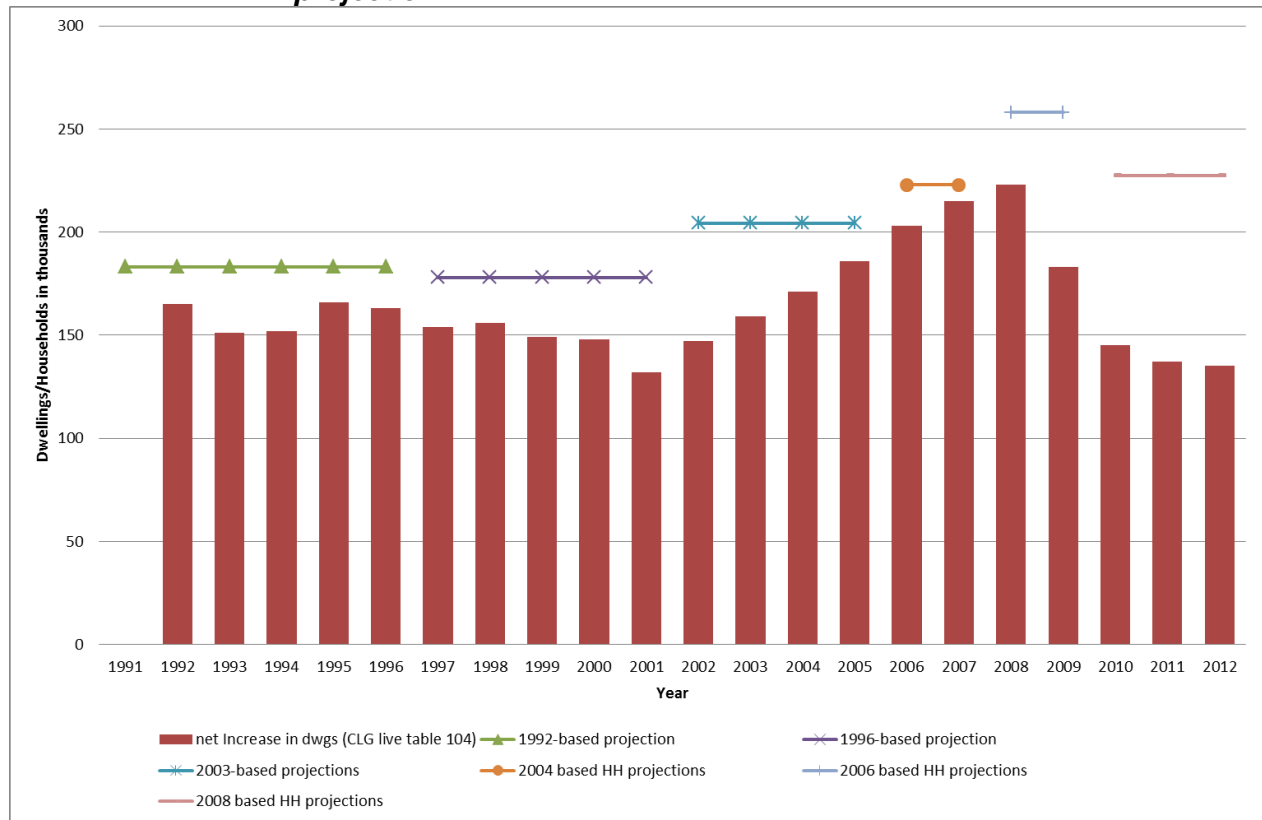
- 3.24 The projections model forward the impact that the under provision of housing in the past decade has had on both affordability of and accessibility to housing.
- 3.25 The level of under provision in the country is illustrated in the table below which compares the net additions to the housing stock since 1991 with the projected level of housing requirement from the official projections.

**Chart 1: Net additions to the housing stock compared to the projected level of housing requirement**



- 3.26 The chart above demonstrates that throughout the 1990's and the first decade of this century the level of net addition to housing stock has always fallen below the most up-to-date projection of housing need.
- 3.27 While there was a rise in the delivery of homes from 2001 onwards this was outpaced by the projected rise in demand.
- 3.28 This is more clearly illustrated by Chart 2 which just plots the most up-to-date projection against the number of dwellings completed.

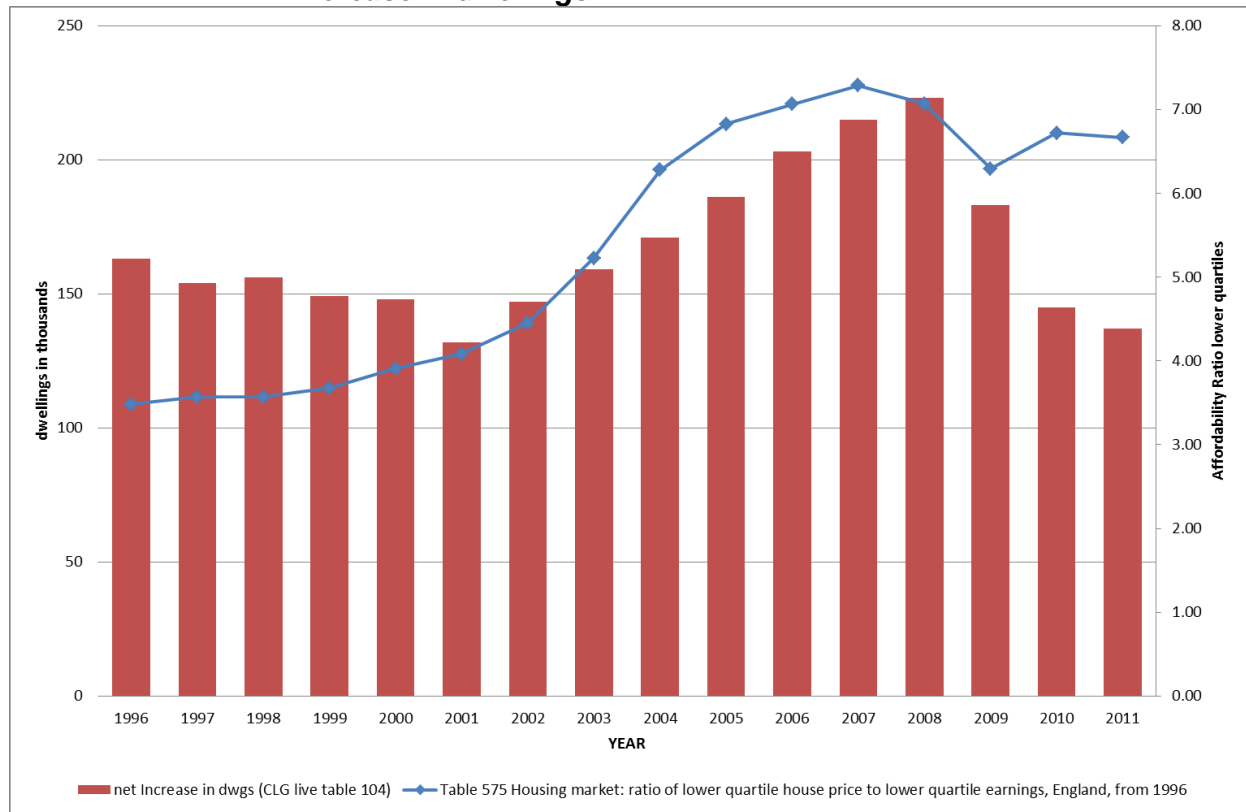
**Chart 2: Net additions to the housing stock compared to the most current projection**



3.29 The unresponsive nature of the planning system and the chosen policy emphasis by the government during this period are both contributory factors to this increasing gap between supply and demand. The consequences of this under provision are well documented in terms of increased issues of affordability that have occurred over the last decade and are illustrated in the chart below which illustrates that how when the economy started emerging out of recession in the mid 1990's the inability of the planning system to respond quickly to the increase demand for housing resulted in an increase in issues of affordability.

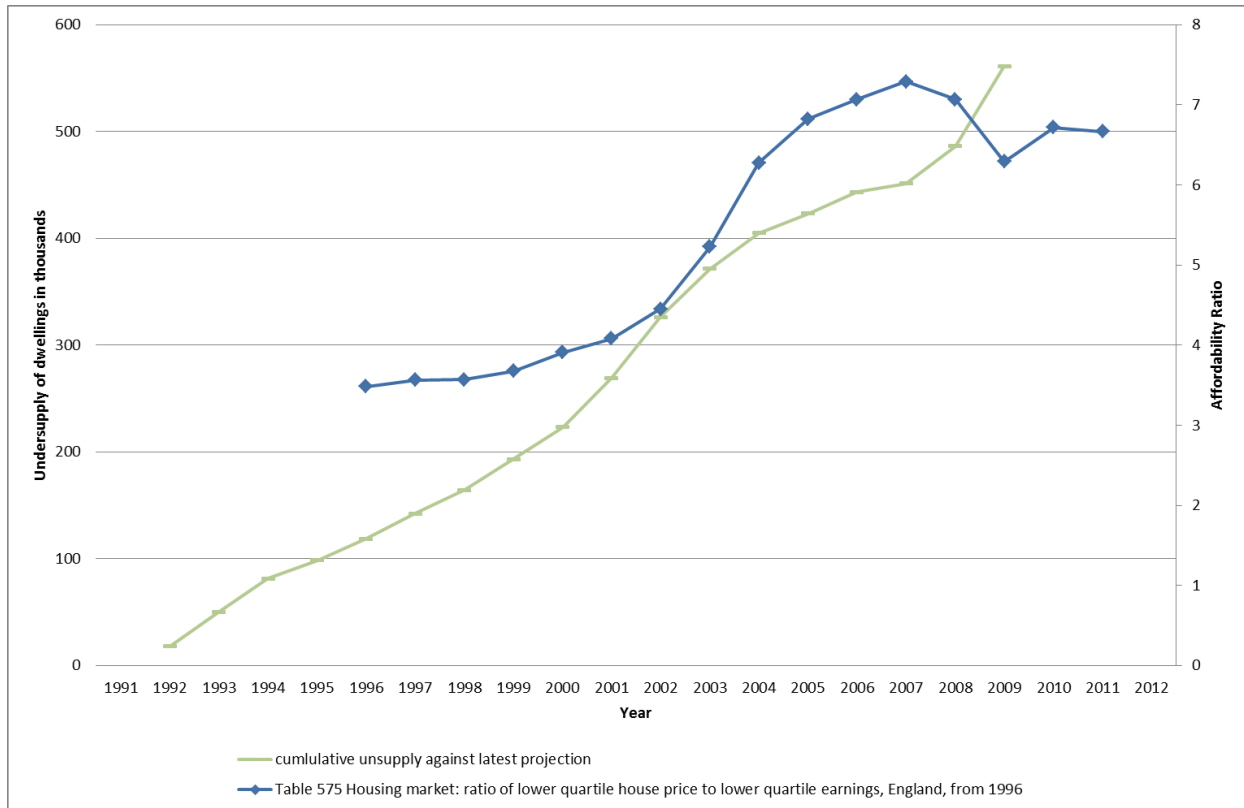
3.30 In this period of time the affordability ratio increased from just over 3 times earnings to over 7 times earnings and that despite the impact of the recent recession the ratio remains at over 6 times earnings.

**Chart 3: Changes in affordability ratio for lower quartile compared to net increase in dwellings**



- 3.31 On first glance it would appear to be counter intuitive that affordability ratios would rise at the same time as the output from the housebuilding industry increased, however if one considers the potential backlog of unmet demand as modelled by the difference between the projected level of need and the actual level of completions since 1991 then it becomes very apparent that the increase in output was not only meeting the level of projected demand at that time but also displaced or delayed demand from these earlier years.
- 3.32 The relationship between the increase in the affordability ratio and the cumulative shortfall in provision against the most recent projection (Chart 2 above) is illustrated below:

**Chart 4: Comparison of the cumulative undersupply of dwellings against latest projections to changes in the Affordability Ratio**



- 3.33 These increased problems of affordability and the subsequent recession have not however reduced the desire for home ownership as the 2010 opinion survey undertaken by YouGov for the Council of Mortgage Lenders found that more people than ever before want to be home-owners in the long term.
- 3.34 In the results of the survey some 85% of people cited home-ownership as the tenure they hoped to be living in a decade from now i.e. before 2021. This suggests that the home-ownership aspiration remains firmly rooted in the population. The same question about home-ownership aspirations has asked periodically since 1975 and last time the survey was undertaken, in 2007, the proportion who expected to be home-owners in ten years' time was 84%.
- 3.35 The survey did find that over the short term, the desire for home-ownership has dipped with only 76% of those surveyed considered that home-ownership was their ideal tenure in two years' time. This was down from 78% from the previous survey (2007). This result was strongly influenced by the much lower short-term appetite (42%) for home-ownership among adults aged 18 to 24. This corresponds to the 2011 interim projections that finds household representation rates in these younger age groups also depressed. What is pertinent is that while this younger age group are recognising the short term difficulties in household formation they are actually an age group with the highest ten-year home-ownership aspirations (88%).
- 3.36 The table below shows the summary findings for all adults.

**Table 1 Percentage of GB adults preferring to live in owner-occupied homes**

Date of YouGov Survey	2007	2010
In two years time	78%	76%
Ten years from now	84%	85%

3.37 This survey would tend to support the analysis of demand that emerged from the previous recession in that most people see home-ownership as their tenure of choice over the long term. The unintended consequence of planning for low levels of housing formation based upon the 2011 Interim Household Projections is that it will make it more difficult for people, especially young people, to fulfil their housing aspirations in the future.

## 4.0 Conclusion

4.1 Utilising the 2011 Interim Household Projections and particularly the reduced household representation rates will mean that the area will be planning for many fewer households to be formed from their future population. This would be a sound basis for planning if these lower representation rates are a result of a genuine social shift towards higher proportions of shared housing and delayed household formation. If these trends are the result of the population adjusting to previous housing shortages then they will not be suitable for determining the future level suitable level of housing provision. The reasoning behind this conclusion is as follows:

- a. If the reduction in household representative rates is a reaction to the previous level of undersupply then planning to replicate this situation in the future cannot be regarded as meeting demand in full as required by the Framework
- b. The use of the 2011 interim projection household representative rates effectively “lock in” the reduced level of household formation for the younger age groups.
- c. The use of the 2011 interim projection household representative rates allow for no change in the high affordability ratio but it is assumed that this will continue until the end of the projection period.
- d. The use of the 2011 interim projection household representative rates do not provide for any improvement in dealing with unmet housing need or demand at the present time.

4.2 This highlights the fundamental question before the Inspector which is whether the plan by just meeting these most recent projections, the 2011 interim projections fulfil all the objectives of the Framework?

4.3 The Bulletin makes it clear that the projections are not forecasts as they do not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. They provide the household levels and structures that would result if the assumptions based on previous demographic trends in the population and rates of household formation were to be realised in practice.

4.4 It is considered inappropriate to use the most recent household projections uncritically as the reduced household representation rates are effectively “locking in” the negative impacts of the previous decade of undersupply housing compared to demand and will result in the projecting forward the current housing crises in terms of the ability of younger persons to form households due to high prices and lack of mortgage availability.



- 4.5 Experience from the previous decades amply illustrate that the plan led system is slow to react to demand indicators. This is not a criticism but simply recognising the features of the system, and as such those operating the system in a responsible way need to take into account not only the likely delay but also the implications of that delay in terms of responding to market demand. For the system to be successful and maintain confidence then it is necessary for the plans in the plan led system to anticipate the future changing levels of demand that will occur as the economy emerges out of recession, consumer confidence returns and restrictions on mortgage finance are reduced.
- 4.6 Planning only to meet the lowest level of potential housing demand based upon the 2011 projections provides no buffer for the plan to accommodate the increase in demand that is likely to result
- 4.7 The more recent evidence from the interim 2011 SNPP confirms our previous conclusions that the submitted Core Strategy is not in accordance with the Framework which requires that authorities plan to meet in full the objectively assessed needs including catering for housing demand. The Core Strategy does not set out to meet the objectively assessed needs and an over reliance on the 2011 Interim Housing Projections will not in our view meet demand.
- 4.8 Paragraph 50 of the Framework specifically requires plans to widen the choice for home ownership yet the policy pursued will according to the council have a negative impact on affordability. Again only making an allowance to meet the 2011 based household projections would be contrary to this policy as these represent a reduction in the choice of younger age groups to form households.
- 4.9 Taking into account the 2011 interim household projections it is considered that in order for the plan to fulfil the objectives of the Framework then a higher level of housing should be provided than that suggested by the 2011 interim household projections. The reason for this is it is not considered appropriate to “lock in” the negative effects of the previous decade in terms of reduced affordability and lower household representative rates into the future and secondly the levels of migration that the 2011 SNPP assume have not been tested to see if they are appropriate given the local circumstances.
- 4.10 On balance the use of the 2008 household representative rates and the 2011 SNPP would appear to provide a suitable starting point for defining the lower end of dwelling provision for the plan period. While these do not take into account the potential increased level of migration that will come from Leeds, York and other neighbouring districts. On this basis the level of provision can be regarded as meeting the objectives of the Framework. This would require the provision of at least **535 dwellings** for the period 2006 to 2026.