

East Riding Proposed Submission Local Plan

**Housing Requirements:
2012-based Household Projections**

March 2015



EAST RIDING

OF YORKSHIRE COUNCIL

1. Introduction

- 1.1 This note sets out the implications of the recently released 2012-based household projections for the East Riding Local Plan. The Government's household projections are used by local authorities to inform their consideration of the Objectively Assessed Need for housing within a housing market area.

2. Planning Policy Context

- 2.1 The role of the Government's household projections in determining a local authority's Objectively Assessed Need for housing (OAN) is set out in the National Planning Policy Framework (NPPF) and national Planning Practice Guidance (PPG). The key elements of national planning policy and practice that have direct relevance to the use of the Department of Communities and Local Government's (DCLG) household projections are:

- i. **NPPF (paragraph 47):** states that local planning authorities should use their evidence base to meet *'the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework'*.
- ii. **NPPF (paragraph 159):** sets out the evidence base documents that local planning authorities should prepare in order to *'have a clear understanding of housing needs in their area.'* It outlines (second bullet) that local planning authorities should identify a scale of housing need over the plan period *'that meets household and population projections'*.
- iii. **PPG (chpt 2a; paragraph 15):** identifies that *'Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need.'* However, it recognises that these do not *'predict the impact of future government policies, changing economic circumstances or other factors might have on demographic behaviour.'* In considering whether any adjustment to the projections are required, *'local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply.'*
- iv. **PPG (chpt 2a; paragraph 16):** clarifies that *'local needs assessments should be informed by the latest available information... The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth.'* It also outlines that changes to the

projections *'does not automatically mean that housing assessment are rendered outdated every time new projections are issued.'*

- v. **PPG (chpt 2a; paragraph 17):** highlights that the household projections are statistically robust, however local planning authorities *'may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions'*. *'Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.'*
 - vi. **PPG (chpt 2a; paragraph 19):** outlines that the *'housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals.'*
 - vii. **PPG (chpt 2a; paragraph 20):** identifies that a worsening trend in market signals *'will require upward adjustment to planned housing numbers compared to ones based solely on household projections.'* Where an upward adjustment is required, this should be set at a *'reasonable'* level.
- 2.2 This policy and guidance has subsequently been clarified through caselaw, in particular (1) *Gallagher Estates Limited* (2) *Lioncourt Homes Limited v Solihull Metropolitan Council* [2014] EWHC 1283 (Admin). The judgement, in paragraph 37, sets out how household projections should be used by local planning authorities in determining their OAN figure and Local Plan housing requirement.
- 2.3 The OAN leaves aside policy considerations and is *'closely linked to the relevant household projections; but not necessarily the same.'* However, it *'may result in a different figure from that based on purely demographics'*, for example in taking account of an upturn or downturn in the economy. Once policy considerations are taken into account, which may *'encourage or discourage particular migration reflected in demographic trends'*, the OAN is translated into a *'policy on figure for housing requirement.'*

3. 2012-Based Household Projections

- 3.1 Prior to the release of the 2012-based household projections, DCLG published a note (Appendix A) that set out that the projections would use the same methodology as for the 2011-based projections. *'This means that the ONS 2012-based population projections (already published at local authority level) provide a good indication of likely household growth to feed into local authorities' assessments of housing requirements.'* It has subsequently been affirmed in the introduction to DCLG's Housing Statistical Release (dated 27 February 2015) covering the 2012-based

Household Projections¹. *'The methodology for the 2012-based household projections was based upon the '2011-based interim' and '2008-based' household projections... The methodology uses the latest ONS sub-national population projections and incorporates information from the Census 2011 on household population and numbers down to local authority level'.*

- 3.2 The East Riding Local Housing Study Addendum Note (CD231) presents updated modelling that is based on precisely the same methodology used by DCLG for the 2011-based household projections. This was applied to the 2012-based subnational population projections (SNPP) to model a demographic-led scenario, as well as revised employment-led scenarios, of future household growth within the East Riding.
- 3.3 Therefore, the Local Housing Study (LHS) Addendum Note is entirely consistent with the approach that has been applied by DCLG in generating the 2012-based household projections. The demographic-led scenario in the LHS Addendum Note, which is solely based on the 2012-based SNPP, presents an **annual growth of 929 households** over the plan period (figure 4.13). This represents a reduction when compared to equivalent modelling of previous subnational population projections and reflects the lower level of future population growth for the East Riding that has been forecast by the Office for National Statistics (ONS).
- 3.4 On 27 February 2015 DCLG released the 2012-based household projections. Table 1 sets out the annual household growth, as derived from the 2012-based household projections, for the East Riding over the Local Plan period 2012-2029. This has been presented alongside the level of household growth derived from the corresponding demographic-led scenario in the Local Housing Study Addendum Note (see 3.3 above).

	Number of households		
	2012	2029	Annual Avg.
DCLG 2012-based household projections²	144,040	161,020	999
LHS Addendum Note 2012-based SNPP (figure 4.13)	144,091	159,878	929

Table 1: Comparison of the 2012-based household projections with the LHS Addendum Note

¹ <https://www.gov.uk/government/collections/household-projections#2012-based-projections>

² DCLG Live Table 406 (<https://www.gov.uk/government/statistics/2012-based-household-projections-in-england-2012-to-2037>)

- 3.5 The DCLG 2012-based household projections are only 7% higher than the equivalent scenario in the LHS Addendum Note. This is such a small difference that the modelling within the LHS Addendum is considered to be robust, recognising that it has been appropriately founded on both the 2012-based SNPP and the methodology for the 2011-based household projections. However, the projections represent a more substantial change in comparison to 2011-based household projections which indicated an annual growth of 1,342 households for the East Riding and were used as a basis for the modelling contained within the original LHS (CD161) prepared by GVA.
- 3.6 Alongside the household projections, DCLG have released household size data covering the period 1991 to 2037. This period includes a number of economic cycles over which household size in the East Riding has fallen consistently, and at a faster overall rate than the England average. It is important to note that the 2012-based household projections indicate that household size within the East Riding will continue to fall from 2.28 (in 2012) to 2.15 (in 2037), which is reflective of the long-term trends towards smaller households. This is clear evidence that the 2012-based household projections do not carry forward any significant suppressed rate of household formation. It also reflects the methodology used by DCLG in generating the household projections, which takes into account a long-term trend that is based on Census data on household representative rates from 1971, 1981, 1991, 2001, 2011 (CD240; page 10).
- 3.7 As outlined above and the Council's Strategy Document Matter 3 Statement (EFS70.03), in response to issue 3.2(c), set out that the 2012-based SNPP have been taken into account through the LHS Addendum Note. However, the Statement explains that the employment-led scenarios still result in a higher level of housing growth when compared to demographic-led scenarios that are based solely on the 2012-based SNPP.
- 3.8 The Council considers, in accordance with paragraph 37 of the Gallagher Estates judgement, that the policy-off employment-led (baseline) scenario represents the appropriate measure of OAN for the East Riding (Table 2). This takes full account of the upturn in the East Riding's economy as it continues to recover from the recent recession, which has not been adjusted to reflect the significant policy interventions outlined in the East Riding Local Plan and other related strategies. The employment-led baseline scenario, which is based on an annual growth of 339 jobs per annum, takes into account the future trends within each of the economic sectors represented in the East Riding.

LHS Addendum Note Scenario	Annual household growth (2012-2029)	Vacancy Rate	Annual housing growth (2012-2029)
Demographic-led (2012-based SNPP)	929 households	4.6%	972 dwellings
Employment-led baseline	1,519 household		1,589 dwellings

Table 2: East Riding Household Growth (Local Housing Study Addendum)

- 3.9 In summary the modelled employment-led baseline scenario contained within the LHS Addendum Note (Table 2), which takes into account both the 2012-based SNPP and the methodology for the 2011-based household projections, is considered to represent the OAN for the East Riding in isolation. It clearly results in a much higher level of household growth for the East Riding (1,519 households per annum) when compared to the recently released 2012-based household projections (999 households per annum).
- 3.10 This is notwithstanding the requirement for assessments to consider needs across housing market areas³ in accordance with paragraph 47 of the NPPF. As set out in the Joint Background Paper (CD07), Housing Requirements Background Paper (CD21) and the Council's Strategy Document Matter 3 Statement (EFS70.03), the OAN has been considered across the relevant housing market area which includes the entire Hull and East Riding authority areas. This is in accordance with the recommendations of research published by DCLG on the geography of housing market areas for spatial planning (CD239).
- 3.11 The approach taken by the Council is entirely consistent with the process that is set out in paragraph 37 of the Gallagher Estates judgement. It is also supported by the recent *Satnam Millennium Limited v Warrington Borough Council* [2015] EWHC 370 (Admin) judgement. Through paragraphs 36 - 38 of the latter case the courts have clarified that, where there is an understanding between the authorities, it is appropriate to apportion the OAN and Local Plan housing requirement across the authorities within a housing market area.
- 3.12 For the purposes of defining the OAN for the Housing Market Area (i.e. a combined OAN for Hull and the East Riding), it is still considered necessary to use the employment-led baseline scenario. This is derived from combining the equivalent scenarios presented in the LHS Addendum Note, as set out above, and the Hull Strategic Housing Market Assessment (CD153). Use of the Hull Strategic Housing

³ *Satnam Millennium Limited v Warrington Borough Council* [2015] EWHC 370 (Admin) has clarified, in paragraph 28(vi) that it is appropriate to express the OAN for a housing market area (in this instance the Mid Mersey HMA which includes the whole authority areas of Warrington, Halton and St Helens). This is 'sufficient compliance with the Statute/Policy/Guidance and with the requirement to assess fully and objectively the housing need.'

Market Assessment, which presents a baseline employment-led scenario of 133 dwellings per annum, is still appropriate for determining the OAN for the Housing Market Area. This recognises that:

- Similar to the East Riding, the 2012-based household projections identify a level of household growth for Hull that is lower than the 2011-based household projections. However, they have fallen at a slightly lower rate for Hull and as such this change would have a smaller impact on the level of housing growth suggested by the employment-led scenarios.
- The level of housing growth derived from the baseline employment-led scenario for Hull is considerably lower (less than 10%) than for the East Riding. The employment-led scenarios are insulated from underlying changes to the DCLG household projections (also see paragraphs 4.1- 4.2 below). This is reflected in the output for this scenario for the East Riding, which has fallen by only 1.5%⁴. Therefore, any reduction to this scenario for Hull would be extremely small.

3.13 The updated employment-led baseline scenario for the Housing Market Area is still significantly in excess of the baseline household projections or any demographic-led scenario and results in:

- Growth of 1,589 dwellings per annum for the East Riding.
- Growth of 133 dwellings per annum for Hull.
- A revised **OAN of 1,722 dwellings per annum for the Housing Market Area.**

4. Implications for the Strategy Document

4.1 The East Riding Local Plan housing requirement is based on the policy-adjusted employment-led scenario, which has been assessed for, and apportioned across, the housing market area (i.e. both Hull and East Riding). Paragraph 4.15 of the LHS Addendum Note explains that these employment-led scenarios generate their own migration assumptions that divert away from the past trend. *'A higher level of net internal migration will occur if there is insufficient population and resident labour force to meet the forecast number of jobs.'* When compared to the past trend, this results in a substantially higher level of net in-migration required to deliver the combined economic strategy of the East Riding and Hull Local Plans. For the East Riding, in isolation, the LHS and LHS Addendum Note set out that this is based on a growth rate

⁴ Reduction from 1,613 dwellings per annum (in Local Plan Technical Note 1) to 1,589 dwellings per annum (in the LHS Addendum).

of 1,001 jobs per annum and would result in a substantially higher level of net immigration.

- 4.2 Internal migration (i.e. moves to and from elsewhere in the UK), in particular from people moving out of Hull, is the most significant component of population change in the East Riding. All other components of change, for example natural population change, are extremely small in comparison. Paragraph 3.63 of the LHS outlines that these other *'negative contributions to population change have been offset in terms of their impact on the annual change in population levels by a strong net immigration of internal migrants into the authority from the UK'*. Therefore, the employment-led scenarios are insulated from changes to the baseline demographic projections, which model and project forward the past migration trend. However, it is necessary to recognise that amending the base demographic projection does result in a change, albeit considerably less significant, to the employment-led scenario.
- 4.3 The modelling contained within the LHS (as updated in Local Plan Technical Note 1; CD204) and equivalent scenario from the LHS Addendum Note shows that the 2012-based SNPP, when applying the methodology for the 2011-based household projections, results in a minimal change to the policy-adjusted employment-led housing scenario for the East Riding (Table 3). It results in a fall from 1,933 to 1,888 dwellings per annum which is principally due to the underlying change in demographic trends and rates of household formation. In comparing the policy-adjusted employment-led scenario from the LHS to the equivalent scenario in the LHS Addendum Note, this change represents a reduction of only 2% to the dwelling requirement.

	Dwellings per-annum (2012 - 2029)
Local Plan Technical Note 1 (Appendix A)⁵	1,933
LHS Addendum Note (figure 4.17)	1,888

Table 3: Comparison of policy adjusted employment-led scenarios of housing growth

- 4.4 Once updated assumptions, as recommended through the LHS Addendum Note, have been applied the dwelling requirement would fall to 1,624 dwellings per annum. In considering the impacts of these updated assumptions, which principally relate to a return to the pre-recession unemployment rate, the LHS Addendum Note (paragraph

⁵ DCLG Live Table 406 (<https://www.gov.uk/government/statistics/2012-based-household-projections-in-england-2012-to-2037>)

6.7) recommends that *'it is still considered appropriate to plan for higher levels of housing growth across the housing market area, as set out in the Joint Planning Statement.'* This recognises that higher levels of labour force participation (through a greater reduction to the unemployment rate) could result in slightly higher rates of household formation. Therefore, retaining the higher level of housing growth, upon which the East Riding Local Plan has been based, would provide a flexible approach that:

- i. Enables the OAN to be met across the housing market area; and
- ii. Boosts significantly the supply of housing across the housing market area.

4.5 Given the recommendations of GVA in the LHS Addendum Note, the Council considers it appropriate to retain the higher levels of housing growth that have previously been identified for the Housing Market Area. This is based on the policy-adjusted employment-led scenarios for Hull (246 dwellings per annum) and the East Riding (1,933 dwellings per annum). It represents a combined **Local Plan requirement of 2,179 dwellings per annum for the Housing Market Area**. This is being apportioned through the two Council's Local Plans, as set out in the Joint Planning Statement (CD28), with a **housing requirement of 1,400 dwellings per annum for the East Riding**.

5. Conclusion

5.1 It is considered that the approach taken by East Riding of Yorkshire Council, which is based on a proportionate, up-to-date and robust evidence base, is consistent with both the recently issued household projections released by DCLG, as well as recent caselaw. It also takes into account the most recent revisions to the PPG that highlight that the publication of new household projections do not automatically render housing assessments out of date. No changes are therefore proposed to the approach in the draft Local Plan.

2012-based Household Projections for local authorities in England to be published in February 2015

The Department is working on the 2012-based Household Projections and publication is planned for February 2015.

The same methodology is being used as for the 2011-based projections. This means that the ONS 2012-based **population** projections (already published at local authority level) provide a good initial indication of likely household growth to feed into local authorities' assessments of housing requirements.

Experian have been appointed as consultants. A small peer review group has been recruited to quality assure the results in January.

Household projections are a starting point for local authority assessments of housing need but local factors are also important. It is for local planning authorities to determine the impact that they have on their Local Plans, which will inevitably differ from area to area.

The specific publication date will be pre-announced in the usual way for National Statistics.

If you have any queries regarding the new projections, please contact:

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