

Topic Paper: Homes and Housing (Supplement) April 2013

CLG Household Interim Projections 2011-2021

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1. Introduction

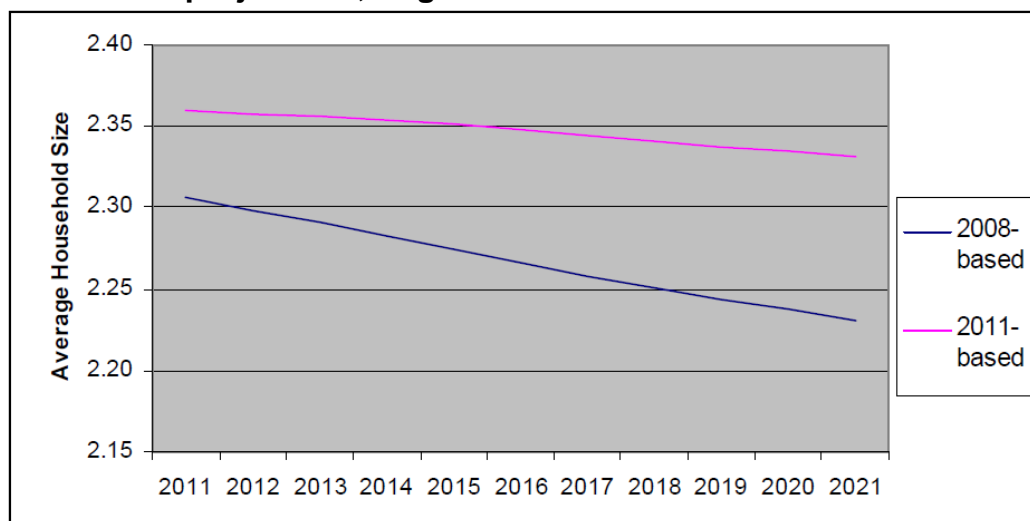
- 1.1. This paper provides a supplement to, and should be read in conjunction with, the Topic Paper “Homes and Housing” of December 2012 (SDJCS14). It provides an assessment of the Department for Communities and Local Government’s latest household projections which were released on 9 April 2013.
- 1.2. These household projections are produced by applying projected household representative rates to the 2011- based interim sub-national population projections, published by the Office for National Statistics (ONS) in September 2012. Projected household representative rates are based on trends observed in Census and Labour Force Survey data. The assumptions underlying national household and population projections are demographic trend based. They 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.

2. Points to note

- 2.1. There are a number of issues that will have an impact on the interpretation of the latest projections and suggest an element of caution for their interpretation.
- 2.2. The projections only look forward to 2021. They are projections not forecasts and are derived from the previous period of some uncertainty in relation to the economy, housing market and international migration. Furthermore, to use the projections to inform policy requires that they are further projected to 2026.
- 2.3. The underlying interim 2011-based population projections are not without their uncertainties. They assume a continuation of the estimated trends in fertility, mortality and migration used in the 2010-based projections, and are constrained to the assumptions made for the 2010-based national population projections, which were set using population data before the 2011 Census results were available. Differences in the age structure at local authority level have also resulted in changes to projected levels of internal migration within England. This is because migration rates based on historic trend data are applied to the new population base. Where the size and structure of the new population base in a local authority is very different from the 2010-based projections for 2011, particularly at ages most likely to migrate, the applied migration rate may over or underestimate the number of people moving from an area.

- 2.4. The 2011-based population projections take account of revised methodology for assigning international migration to districts. This reduced considerably the scale of estimated international in-migration to Norwich, and to a much lesser extent the estimated emigration. By using the rebased mid-2011 population and a lower projected population increase to 2021, these latest household projections indicate a reduced growth in households by 2021 when compared with the 2008-based projections.
- 2.5. There have been changes to assumptions about household formation rates, leading to consequent changes in the results shown for average household size. While these have a more limited impact on the projections the changes are significant. The uncertainty derives from the lack of evidence as to whether this is a natural flattening of the rate of fall in household size or whether it is a product of problems in the housing market and in particular low levels of affordability and insufficient supply compared to previous years. Background documents for the household projections note that “household representative rates for some (particularly younger) age groups have fallen markedly since the 2001 Census”. i.e. younger people are less likely to form their own households than in previous years.
- 2.6. The national rates in Figure 1 below show both a higher average household size at the start, owing to the availability of accurate 2011 Census information, and a lower rate of decline.

Figure 1
Average household size comparison between 2008-based and 2011-based projections, England



- 2.7. Information in Figure 2 is extracted from CLG live Table 427, showing household size by district for 2011 and 2021. It indicates no change in Norwich, a small fall for South Norfolk and a fall for Broadland broadly in line with the county average.

Figure 2
Derived from Table 427 : Change in average household size.
GNDP districts

	2011	2021	Reduction
Broadland	2.30	2.27	0.04
Norwich	2.12	2.12	0.00
South Norfolk	2.31	2.30	0.02
Norfolk	2.26	2.23	0.04
rounded to 2 decimal places from the original clg tables			

2.8. Much of the analysis in SDJCS14 uses “occupancy rates” to convert population to dwellings. While household size and occupancy rates are related they are not the same. Occupancy rates are a simple measure of the total population divided by the number of dwellings. Consequently, the value of household size shown in Figure 2 cannot be directly compared to the occupancy rates used in SDJCS14.

3. Results from the 2011 household projections

3.1. The CLG household projections look forward to 2021. To indicate the impact for the JCS period to 2026 the data is projected forward on a pro rata basis. There are always more dwellings than households in the area – a degree of frictional vacancy is required to allow the housing market to function (see explanation in paragraph 6.2 of SDJCS14). The 2011 census indicated 3.8% more dwellings than households, slightly higher than the rate of 3.7% used in SDJCS14 and derived from the 2001 census. This factor is applied to the household projections to derive a dwelling requirement. Figure 3 looks to 2026 but also provides a broader context by continuing the projection to 2031.

Figure 3 Household projections (Households from CLG Live Table 406)

	a	b	c	d	e
	Households 2008-21 (thousands)	Households 2008-26 (thousands)	Dwellings 2008-26 (thousands)	Households 2008-31 (thousands)	Dwellings 2008-31 (thousands)
		(pro-rata ie Column.a / 13 x 18)	(b x 1.038)	(pro rata ie Column a / 13 x 23)	(d x 1.038)
JCS area	22.7	31.5	32.7	40.2	41.7
(rounded to 1 decimal place)					

- 3.2. Figure 3 indicates that the latest interim household projections suggest a requirement for around 32,700 dwellings in the JCS period. This sits within the lower end of the range of potential dwelling requirement illustrated in Table 1 of SDJCS14. In effect it replaces the analysis derived from the CLG 2008-based projections which was at the top end of the range. It is entirely consistent with the Topic Paper analysis derived from the same sources i.e. the 2011 population projections and occupancy rates falling in line with 2001-2011 experience. This supports the validity of the analysis using variant occupancy rates.
- 3.3. Figure 3 also indicates the potential requirement in the years beyond the plan period. This suggests that the difference between adopted JCS targets and these projections represents 2 to 3 years additional supply.

4. Conclusions and relationship to adopted housing targets

- 4.1. The 2011-based projections provide evidence of a dwelling requirement that sits within the range provided in SDJCS14.
- 4.2. As with all projections, there are a number of uncertainties, including the impact of economic issues on the propensity to form new households. The uncertainties reinforce the approach of SDJCS14 to take account of a range of evidence. Dwelling provision at the level implied by these projections would be below requirements derived from the SHMA, those that take account of the impact of different assumptions on occupancy rates, and the dwelling requirements derived from the economic forecasting model. Consequently they would tend to be inconsistent with efforts to boost the economy, provide sufficient affordable housing, and ensure that lack of housing supply is not a factor suppressing the ability of people to establish their own home. On the other hand, by replacing the 2008-based household projections, it strengthens the contention that rates of development higher than the JCS targets are not appropriate.
- 4.3. These projections add to the range of evidence that, taken together, demonstrates that the housing targets of the adopted JCS remain reasonable