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Planning. Design. Economics.

**South Gloucestershire Core Strategy**

**Implications of interim 2011 Household  
Projections upon the Housing  
Requirement**

Waddeton Park Ltd

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31030/GW/SC

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## 1.0 Introduction

1.1 This report has been prepared by Nathaniel Lichfield & Partners (NLP) on behalf of Waddeton Park Ltd and provides an assessment of the implications of the recently published CLG interim 2011-based household projections upon the housing requirement for South Gloucestershire.

1.2 This report is to be submitted in response to the Inspector's invitation for written comments in respect of:

- a The Secretary of State's intention to place an Order revoking the South West Regional Strategy; and,
- b The recent release of household projections for the period 2011 - 2021.

1.3 The comments set out below focus upon the second of these issues, although reference is also made to the proposed revocation of the Regional Strategy. They are intended to assist the Inspector in completing his report on the Core Strategy.

1.4 NLP has considerable experience in assessing housing requirements. In 2010, it launched its HEaDROOM framework for objectively assessing local housing requirements. This has since been applied in almost 100 locations across the Country on behalf of developers to support planning applications and appeals, and to accompany representations on Local Plan housing targets. It also has been adopted by Councils to inform emerging development plans, which gives it wider credibility as an independent and objective piece of evidence. In addition to using the PopGroup and Derived Forecast demographic modelling software, it also looks beyond demographics to consider housing and economic drivers of demand alongside supply-side capacity, delivery and policy factors and is able to flex all the key assumptions in order to understand the implications of alternative scenarios.

## Background

1.5 By way of context, the draft Core Strategy initially contained a requirement for 21,500 dwellings in South Gloucestershire between 2006 and 2026 (1,075 p.a.). Following the suspension of the Examination in 2011, the housing requirement was subsequently increased to 26,400, but over a slightly longer Plan period of 2006 to 2027 (1,257 p.a.). This compared to the draft Regional Strategy figure of 32,800 units between 2006 and 2026 (1,640 p.a.), a figure that was based on examination of the evidence (including projections) that was available at that time. It must be noted that these projections used a 20+ year horizon which provided a greater long term strategic, spatial and integrated projection of the future requirement.

1.6 In September 2012, the South Gloucestershire Inspector published his Preliminary Findings in respect of the Core Strategy. He noted that the Council had increased housing provision but stated that he remained uncertain as to

whether the revised figure would be adequate. As a result, he proposed revisions to policy CS15 and alterations to the amount and phasing of housing development.

- 1.7 This was followed in October 2012 by publication of the Inspector's Draft Main Modifications which included a proposed housing requirement figure of 28,355 units between 2011 and 2027 (1,772 p.a.). This represents a 7.5% increase upon the Council's previously proposed figure and is important in showing the Inspector's intended position. It is welcomed as a movement in the right direction towards meeting the identified level of housing need in South Gloucestershire over the Core Strategy period to 2027. Going forwards, the principle focus of Policy CS15 should be upon creating the right environment to maximise the delivery of housing and associated infrastructure, in accordance with the requirement of the NPPF.
- 1.8 We welcome the opportunity to submit representations on the implications of the interim household projections and for the reasons set out below, believe that the outcome of this process should be to add weight to the Inspector's proposed housing requirement figure as a minimum level of development that should be sought within South Gloucestershire over the period from 2006 to 2027.

## 2.0 Interim 2011-based Household Projections

- 2.1 CLG published its interim 2011-based household projections on 9 April 2013. They draw upon the interim population projections which were published by the ONS in September 2012.

### ONS interim 2011-based Population Projections

- 2.2 The interim population projections applied the Census-based mid-2011 population estimates that were produced for each local authority. Rather than being based upon rolled-forward Mid Year Estimates, the 2011-based projections took account of an up-to-date measure of the population. This means that they should be more accurate than the previous projections, especially in the initial years. However, the fertility, mortality and migration rates that were used to inform the interim projections were not updated from those used in the 2010-based projection. This would impact upon their accuracy over the longer term and their robustness for planning purposes.
- 2.3 Any reliability issues in respect of the population projections would have had a knock-on impact upon the household projections. Significantly, whilst ONS and CLG projections usually project forwards over a 25 year horizon, the interim projections only consider a 10 year period to 2021. This constrains their value for long term strategic planning purposes and raises questions about population and household change after 2021 – something that is of obvious relevance to South Gloucestershire given that the Plan period extends to 2027.

### CLG interim 2011-based Household Projections

- 2.4 The ONS population projections and CLG household projections are trend based and simply identify the change in the population and number of households that would be expected in the event that the levels of change (i.e. birth and death rate, number of migrants, household formation rate and number of people not living in households) that have been experienced over the past 5 years were to continue in the future. **They therefore do not take any account of the impact of future government or local policies, changing economic conditions or other factors that might have an impact upon demographic behaviour or household consumption.**
- 2.5 There can never be any assurance that history will repeat itself in the future, and this is particularly the case when the projections effectively roll forward the demographic and housing conditions that were experienced during a time of recession, when financial pressures resulted in an increase in the number of concealed households and a stagnant housing market. In so doing, they fail to take any account of the implications of economic growth in terms of household formation and contradict evidence showing that those in concealed households will seek to realise their housing ambitions as the economy recovers and the housing supply situation improves. This is likely to result in an increase in

household formation and the demand for housing – something that is not reflected in the projections and which means that they would underestimate the true level of household change to 2021.

- 2.6 In considering the implications of the interim household projections upon the South Gloucestershire Core Strategy, it is useful to consider two separate time periods: the period to 2021 that is considered by the projections and the period after 2021 that is beyond the scope of the projections.

### 2011 to 2021

- 2.7 The interim household projections indicate that the number of households in South Gloucestershire will increase by 11.3% from 107,803 to 120,029 between 2011 and 2021. This compares to a 16.3% increase from 111,800 to 130,000 that was previously projected by the 2008-based household projections.
- 2.8 As set out above, this substantially lower level of projected growth results from the rolling forward of past trends which were skewed by economic context and the reality that:
- a a huge undersupply of new homes;
  - b asking prices remaining out of reach for first time buyers; and,
  - c restricted mortgage finance, putting the brakes on the market
- have resulted in an increased number of concealed households. In addition, the fact that the projections are policy neutral and overlook the strategic planning needs of the sub-region also means that they fail to reflect the likely level of future growth.
- 2.9 The trend towards an increased number of concealed households is illustrated particularly clearly by the fact that the projections anticipate a 27% increase in the number of households that comprise non-relating adults sharing, compared to a 5% increase in the number of households occupied by couples and families. Crucially, the slowdown in household formation is greatest amongst those aged 15-44 (i.e. first time buyers). The number of households in South Gloucestershire that are led by someone within this age cohort is projected to increase by just 5.7%, compared to a 23.4% increase in the number of households that are led by people aged 65 and over. Whilst this difference can partly be attributed to the aging population, the rolling forward of past household formation trends is also a key factor.
- 2.10 When considering housing requirements going forward, the issue is whether the trends that have been assumed by the projections to continue will indeed be maintained or whether economic changes will encourage an increase in household composition before 2021. In essence, the fundamental question must be whether trend based projections are most appropriate at a time of economic instability. We do not believe that they are. The trend based projections, which are drawn from a period of recession, effectively demonstrate what the level of household formation and demand would be if the

economy was not to recover before 2021. Clearly, national policy and development plan aspirations are that economic conditions – and the level of house building – will recover well before that date and policy should encourage the delivery of such growth.

- 2.11 On this basis, we are concerned that the projections fail to identify the number of households that are likely to be established over the next 8 years because an improvement in economic conditions would result in an acceleration of household formation rates. Using this evidence to inform the future dwelling requirement would serve to under provide for housing in South Gloucestershire, contrary to the NPPF.

### After 2021

- 2.12 As the household projections only consider the period to 2021, the Quality Report that accompanies the latest projections states that those users interested in understanding household growth and housing requirements during the period after 2021 should “*make an assessment of whether the household formation rates in that area are likely to continue*”. There is clear evidence in respect of economic forecasting and relating to housing consumption in times of economic recovery that they will not.
- 2.13 In considering the housing requirement for South Gloucestershire to 2027, it would therefore not be appropriate to blindly apply household projections across the Local Plan period. Instead, regard should be given to the likely acceleration of household formation to a rate that takes account of the backlog of pent-up demand from concealed households as well as new household formation. After an initial “catch up” period, we would expect the household formation rate to effectively reflect a resumption of longer term trends.
- 2.14 In order to be found sound, it is important that the emerging South Gloucestershire Core Strategy accords with the key NPPF requirements for an objective assessment of housing need and to “*boost significantly*” the supply of housing. The projections can help to inform an understanding of the objectively assessed need but do not offer a complete answer in themselves. Indeed, taken at face value, they seem to run counter to these objectives and create a risk of perpetuating housing shortages at just the time when supply needs to be boosted.
- 2.15 Rolling the interim household projections forward to 2027, and incorporating an adjustment for vacancies and second homes would imply a requirement for 7,600 dwellings between 2021 and 2027. However, based on our assumption that there will be a resumption of longer term household formation trends, we estimate that the dwelling requirement over this later part of the Plan period should be at least 8,700 units – an uplift of 15%, not allowing for the likely catch up effect upon demand.

- 3.0 **Implications for the South Gloucestershire Core Strategy**
- 3.1 The NPPF requires Local Authorities to undertake an objective assessment of housing need and to “*boost significantly*” the supply of housing. For the reasons identified, we are concerned that application of the interim household projections to inform the housing requirement figure for South Gloucestershire would fail to comply with either of these policy tests and would render the Core Strategy unsound.
- 3.2 The implication of failing to provide sufficient housing to meet the anticipated future need in South Gloucestershire would be felt across the wider area as it would displace demand to adjoining authorities. This would raise potential issues under the duty to cooperate and evidence would need to be presented to the Inspector to demonstrate that adjoining authorities are willing and able to make up a shortfall in provision. It does not appear that any such information has been made available. In the context of the forthcoming formal abolition of the Regional Strategy, consideration of the cross-boundary implications of specific housing requirements should form a particularly important element of the Plan making process. Whilst ensuring that adequate provision is made for housing within South Gloucestershire will not negate the need for this matter to be addressed, it will reduce some of the complexities that are associated with the cross boundary displacement of housing requirements.
- 3.3 Taking account of the housing requirement for the first part of the Plan period (2006-2011), the housing requirement that is derived from the interim household projections, and our identified figure for the final 6 years, we identify an overall dwelling requirement for 28,500 units between 2006 and 2027. This is broadly in line with the figure that has been proposed by the Inspector.
- 3.4 The dwelling requirement figure associated with the 2008-based household projections (34,750) was substantially higher than the Inspector’s suggested figure (28,355) whilst the revised requirement figure that NLP has identified on the basis of the interim projections is consistent with the Inspector’s recommendation. In this context, the interim household projections cannot be seen to provide any justification for a reduction in the identified housing figure for South Gloucestershire. Rather, they add weight to the Inspector’s draft conclusion.
- 3.5 However, for the reasons set out above, we are concerned that the application of the interim household projections to inform the South Gloucestershire dwelling requirement would serve to under provide on the basis that it would assume that recent (constrained) levels of household formation will be maintained between 2011 and 2021.
- 3.6 For this reason, we consider that an additional allowance should be made to reflect the likelihood of additional future demand. Accordingly, we believe that the housing requirement figure that has been suggested by the Inspector in his

Draft Modifications should be treated as an absolute minimum. Given that the NPPF requires Plans to be flexible to respond to changing circumstances, we consider that it would be appropriate to include a higher requirement figure within the Core Strategy.



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