



North East Derbyshire Local Plan Examination

Implications of Recent Data Releases on Objectively-Assessed Housing Need

This note examines the implications of data released since the preparation of the OAN Update (EB HOU4) and the Considering NE Derbyshire's OAN report (EB HOU5) on North East Derbyshire's objectively assessed housing need. In particular it considers the implications of:

- Revised Mid-Year Population Estimates 2012-16, released by ONS on 22nd March 2018
- 2016-based Sub-National Population Projections, released by ONS on 24th May 2018
- Office for Budget Responsibility 2018 Fiscal Sustainability Report, released July 2018
- 2016-based Household Projections, released by ONS on 20th September 2018.

Considering the Latest Population Data

For North East Derbyshire, the revised MYEs indicate a slightly higher population in 2014, but the 2016-based SNPP show lower population in 2034 and thus lower growth than the 2014-based SNPP over the plan period.

The OAN Update (HOU4) modelled a 10 year migration projection in drawing conclusions on the demographic need for housing. A 10 year migration projection, modelled using adjustments based on the difference in trends in migration 2007-17 relative to the input period to the 2016-based SNPP, would show stronger population growth than either the 2014- or 2016-based SNPP, as Table 1 below shows.

Table 1: Population Growth based on Past Trends, 2014-34

NE Derbyshire	Population 2014	Population 2034	Population Growth, 2014-34
2014-based SNPP	99,352	104,644	5,292
2016-based SNPP	99,383	104,540	5,157
10 Year Migration	99,383	104,968	5,585

Household growth has initially been calculated by applying the Stage 1 household formation rates from the 2014-based Household Projections to the projected population growth. The table below the implications of modelling the part return to trend adjustments to these for the 25-34 and 35-44 age groups. A 2.4% vacancy allowance is included to calculate housing need (consistent to the OAN Update HOU4).

This initial modelling indicates that the revised population growth assumptions in the 2016-based SNPP would result in a reduction in the demographic need from 248 dpa as shown in HOU4 to 238 dpa.

ONS' 2016-based projections expect growth in life expectancy nationally of those born between 1923-38 to increase more slowly. Life expectancy still increases, just not as fast as previously predicted. Holding other factors equal, this will reduce the level of housing need.

This revised data would show a demographic need, based on ten year trends with the headship adjustment of 238 dpa (rather than 248 dpa previously as set out in the OAN Update CD11/02).

Table 2: Demographic Led Projections using 2014-based Headship Rates, 2014-34

	Households 2014	2014 Stage 1 HFRs		With Part Return to Trend Adjustment	
		Households, 2034	Dwellings, dpa	Households, 2034	Dwellings, dpa
2014-based SNPP	47,577	47,641	208	47,993	226
2016-based SNPP	43,594	47,187	184	47,542	202
10 Year Migration	43,594	47,892	220	48,242	238

2016-based Household Projections

ONS' 2016-based Household Projections have adopted a different methodology to projecting (age and sex specific) household representative rates. Whereas the 2014-based projections (and previous sets) drew on data from progressive Censuses looking back to 1971, the new projections adopt a different definition of household representatives and project trends based on data from 2001 and 2011. Projections are made on this basis from 2011 to 2021, with the headship rates held constant (and 2021 levels) thereafter. These projections assume slightly lower household formation rates amongst younger households aged 65-74 but higher projected household formation amongst those 45-54 and over 75.

Table 3 shows the results of applying the 2016-based headship rates to the population projections (as shown in Table 1 above). Comparing Tables 2 and 3, the demographic starting point is lower at 196 dpa; and the demographic need using a 10 year migration scenario would be 216 dpa – notably below the 248 dpa figure shown in HOU4.

Table 3: Demographic Led Projections using 2016-based Headship Rates, 2014-34

	Households, 2014	2016-based Stage 1 HFRs	
		Households, 2034	Dwellings, dpa
2016-based SNPP	43,520	47,344	196
10 Year Migration	43,520	47,744	216

Economic-led Need for Housing

The Plan's evidence base indicates that above trend migration would be expected to support economic growth in North East Derbyshire. As set out in EB-EMP3, Experian economic growth forecasts dated Dec 2017 showed employment growth of 2,700 over the plan period and confirmed the Regeneration Scenario (2,827 jobs) as providing a realistic assessment of future economic growth in the District.

Taking the updated demographic modelling as a baseline, the implications of these scenarios on housing need can be reviewed. In doing so, Iceni has also sought to consider the latest Office for Budget Responsibility assumptions on changes in age/sex specific economic activity rates as set out in the OBR 2018 Fiscal Sustainability Report. The core modelling assumptions in deriving an updated assessment of economic-led housing need are:

- Jobs growth in the Experian forecast and Regeneration Scenario as detailed above;
- Unemployment falling by 700 between 2014-17, taking account of the latest NOMIS data, with unemployment levels held constant thereafter;
- Assumptions on economic participation which sit midway between those derived using the OBR 2018 economic activity rates, and those from Experian;
- Consistent assumptions to the 2017 OAN Report on double jobbing (3.2%) and commuting (1.49).

Table 4 shows the resultant economic-led housing need based on the above assumptions. This indicates a that housing provision of between 286 – 305 dpa is needed to support the Regeneration Scenarios. There is clear uncertainty regarding age/sex-specific trends in household formation and how these might change over the plan period. These affect different age groups in different ways.

Table 4: Economic-led Need using 2014-based Headship Rates, 2014-34

	Per annum need (2014-34)		
	2014 Stage 1 HFRs	2014 Stage HFRs with Part Return to Trend Adjustment	2016 HFRs
Regen Scenario	286	305	281
Experian 2017	280	299	275

The above figures are however sensitive to the assumptions on economic participation. The OBR Fiscal Sustainability Report projects employment growth by applying its participation and employment rate projections to ONS population projections. It takes account of changes to State Pension Age (assuming that labour market exit rates shift in line with these changes¹). Their latest release takes account of new data on age-specific entry and exit rates using averages over the 21 year period up to 2017.

The OBR projects economic participation at a national level to consider how the economy might grow over time and project tax income and government spending. But what its projections for economic participation do not specifically take account of is:

¹ So that for instance a 65-year old when the SPA is 66 has the equivalent exit rate to a 64-year old when the SPA is 65

- Evidence that people are not just living longer, but are healthier for longer in life; and
- The changing structure of the economy with a shift towards more service-related activities.

Experian’s national forecasts for changes in economic participation have additionally looked at these issues, and consider that they will support higher growth in economic participation amongst those in older age groups than OBR.

A sensitivity analysis which applies simply the assumptions on economic participation from the OBR 2018 Fiscal Sustainability Report to the Regeneration Scenario would see a need for 328 dpa. This is very similar to the level of housing need in the submitted plan.

Table 5: Sensitivity Analysis – Economic Participation Assumptions

Regen Scenario, dpa 2014-34	2014 Stage 1 HFRs	2014 Stage HFRs with Part Return to Trend Adjustment
Midpoint OBR 2018 and Experian Economic Activity Assumptions	286	305
OBR Economic Activity Assumptions	309	328