Briefing

Considering the Implications of the 2012 SNHP - Blackpool

April 2015

Introduction

1   This note responds to a request from Blackpool Council to review the implications of the 2012 Sub National Household Projections (SNHP) released by the DCLG on the 27th February 2015 on the OAN range identified in the 2013 SHMA within a short briefing note.

2   In preparing this note, Turley have drawn on the analysis undertaken by Edge Analytics for Blackpool Council, presented in the paper titled 'Blackpool Demographic Analysis & Forecasts – Evaluating the impact of the 2012-based DCLG household projections' (April 2015) hereafter referred to as the Edge Analytics 2015 report.

Background to the SHMA OAN Range

3   The Fylde Coast SHMA (December 2013) represented an important update to the housing evidence for Blackpool alongside Fylde and Wyre. The report was undertaken post the publication of the NPPF but prior to the publication of the PPG, albeit the draft version of the PPG was available and used to inform the SHMA analysis.

4   Section 11 of the SHMA included the identification of an OAN across the Fylde Coast broken down by each of the three constituent authorities. Following the NPPF and the then draft PPG the assessment of need sought to evaluate alternative projections of need on the basis of:

- Demographic factors including variant population projections taking account of alternative levels of migration;

- Supporting likely job growth; and

- Providing sufficient housing to reflect affordable housing need and respond to market signals[1].

5   The above methodological steps were used to evaluate and appraise the implied levels of projected household need based on a range of scenarios modelled by Edge Analytics. These scenarios included ones based on longer-term demographic trend projections using the latest ONS MYE datasets as well as scenarios aligned to economic forecasts.

6   Importantly, at the time the analysis was undertaken the latest household projections available were the 2011 Interim SNHP. These showed a projected growth of only 30 households per annum for Blackpool (2011 – 2021) which represented a significant reduction from the previously published 2008 SNHP which projected a growth of 271 households per annum (2008 – 2033)[2].

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[1] Paragraph 11.4 of the 2013 SHMA
[2] Figure 3 in the Edge Analytics 2015 report provide a clear comparison of these datasets.

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7   The evaluation of the scenarios highlighted that, in order to provide a supporting level of labour growth to align with the economic forecasts considered in the SHMA, the authority would need to experience an increase in migration levels from those seen in more recent years. This was reinforced through the presentation of a range of demographic scenarios, which based future projections of population growth on a longer-term ten year horizon, recognising that recent levels contrasted significantly with levels earlier in the decade, with a range of factors likely to have contributed to these different levels. This provided a justification for increasing the projected population growth above that implied by the 2011 SNPP / SNHP.

8   Within the SHMA, Section 6 considered 'active market' evidence which included a number of the PPG 'market signals' indicators including house prices (Figures 6.1 – 6.6), affordability (Figures 6.9 and 6.10) and rents (Figures 6.7 and 6.8). The analysis in Section 4 considered evidence of other market signals, including overcrowding (Figure 4.10), rates of development (Figures 4.6 and 4.7) and vacancy (Figures 4.8 and 4.9).

9   In translating population growth into households Edge Analytics modelled the implications of using both the 2011 SNHP headship rates and the 2008 SNHP headship rates (producing two alternative household-growth outcomes for each scenario). The SHMA 2013 highlighted the importance of not basing future projections solely on the 2011 SNHP headship rates, recognising concerns that these projected forward a continuation of a suppressed position reflecting an unprecedented set of market and economic conditions nationally, as well as the limitations of the underpinning 2011 SNPP population projections[3].

10   A mid-point (average) between the two alternative household growth outcomes for each scenario was presented by Edge Analytics. This provided a balanced position regarding the different historically derived trends implied by both household growth outcomes[4] reflecting the uncertainty over future rates of household formation and the limitations of the 2011-based interim household projection model[5].

11   The evaluation of the OAN scenarios within the SHMA also highlighted the importance of ensuring that tenure choice, including affordable housing, was enabled through the overall provision of housing. In translation of the evidence into policy it was highlighted that this would require careful consideration of market evidence of need and demand[6] in the selection of an appropriate level of provision within the identified range.

12   The SHMA concluded with a range of assessed housing need in Blackpool of between 250 and 400 dwellings per annum over the period 2011 - 2030. This range reflected the different employment-led projections and incorporated the longer term demographic projection of need. It also reflected the application of an upward adjustment to headship rates from the 2011 SNHP to a mid-point between this and the 2008 SNHP. The 2013 SHMA highlighted the importance, in the context of the then draft PPG, of the Council reviewing the range in the context of economic and

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[3] Further detail is set out in the section titled 'household projections' within Section 7 of the 2013 SHMA. At paragraph 7.35 of the SHMA the challenges of projecting forward on the basis of a continuation of trend using either dataset is highlighted: *'Evidently the period to 2008 represented a comparatively buoyant period in the housing market with derived rates therefore not taking account of the unprecedented economic conditions that have occurred since 2008. Equally, the fact that these are unprecedented conditions also means that taking a 2011 base point has the inherent weakness of projecting forward the current market conditions [footnote reference to analysis in section 5 of the SHMA]/ position over the long term."*

[4] Paragraph 7.44 of the 2013 SHMA

[5] As the Edge Analytics 2015 report identifies this has been recognised as a 'logical approach' through a recent EiP examination (paragraph 4.13)

[6] Paragraph 11.31 of the 2013 SHMA

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market signals as they refined their evidence base and policy response, including an updating of analysis to reflect new data releases[7].

13   The release of the 2012 SNPP in May 2014 led to the Council re-commissioning Edge Analytics and Turley to prepare an Addendum report[8], assessing the implications of the dataset on the OAN range, hereafter referred to as the 2014 Addendum Report.

14   This involved a full re-modelling of a number of demographic and employment-led scenarios using the latest input assumptions from the 2012 SNPP as well as a number of other updates to modelling assumptions[9].

15   The report included scenarios considering the scale of housing need associated with the 2012 SNPP projection. In order to be consistent with the SHMA, the same approach to taking a mid-point between scenarios using the 2011 SNHP and 2008 SNHP headship rates was applied. The Addendum concluded in section 7:

"the dwelling requirement under the 2012 SNPP scenario is notably low relative to the other scenarios, with this scenario projecting a low level of population growth in Blackpool based on recent historical trends over a five year period. However, it is important to recognise that this period has seen relatively low levels of migration compared to earlier years, such as the early 2000s. Migration may, therefore, be influenced by a wider recessionary climate in the 2012 SNPP for Blackpool, and if migration levels return to a higher rate, projected population growth could be underestimated under the 2012 SNPP. This scenario also assumes a significant fall in the working age population, which would in turn have a potential impact on economic growth in Blackpool."

16   The scenarios presented within the Addendum continued to show a level of need which aligned with the 2013 SHMA range reflecting the need to adjust upwards projected population growth to respond to the employment forecasts and longer term demographic projections of need[10].

What do the 2012 SNHP mean for the OAN

17   The PPG states that household projections published by DCLG should provide the 'starting point' for the estimate of overall housing need[11]. The amendments to the PPG in March 2015 include the following reference:

"The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth."[12]

18   The Edge Analytics 2015 report includes a detailed analysis of the 2012 SNHP. Table 2 of the Edge Analytics 2015 report identifies that the new dataset implies the need for 151 dwellings per annum in Blackpool over the period 2011 – 2030.

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[7] Paragraph 12.21 of the 2013 SHMA

[8] 'Analysis of Housing Need in light of the 2012 Sub-National Population Projections – Fylde Coast SHMA – Addendum', November 2014

[9] A comparison of modelling assumptions is included in Table 6 of Appendix 1 to the 2014 Fylde Coast SHMA Addendum.

[10] A comparison of the modelled levels of need is set out in Figure 7.1 of the 2014 SHMA Addendum.

[11] http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_015

[12] http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_016

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19   This is a considerably lower level of projected need than the concluded OAN within the 2013 SHMA which, at 250 – 400 dpa, represents an uplift from this starting point of between 65% and 165%.

20   As set out above, the justification for the uplifted range relates to the application of the PPG methodology and the importance of taking into account adjustments recognising that the 2012 SNHP are trend based projections[13]. Importantly this has included adjustments to the underlying demographic population projections to recognise a return to stronger levels of migration seen earlier in the decade and to recognise the implications of aligning population growth more closely to forecast levels of job growth.

21   As set out above the 2013 SHMA and 2014 Addendum projections also sought to reflect the impact of alternative household formation rates through the application of both the 2011 and 2008 SNHP assumptions, resulting in a mid-point between the household-growth outcomes, with the resultant need figures therefore notably higher than the scenarios simply applying the then latest household projection assumptions.

22   The 2012 SNHP, however, provide a new set of headship rate assumptions which update the earlier versions (see paragraph 2.5 of the Edge Analytics 2015 report). It is therefore important to consider the implications of the new household formation rate assumptions, in addition to the analysis in the 2014 Addendum report, which considered the implications of the underlying population projection in the 2012 dataset.

23   Tables 2, 3 and 4 in the Edge Analytics 2015 report enable a direct comparison of the impact of applying the latest household formation rates in contrast to the previous DCLG SNHP models. Taking the 2012 SNPP scenario as a consistent benchmark level of population growth, it is apparent that the application of the different headship rates translates a projected population growth of 352 persons into:

•   3,096 additional households using the 2008 SNHP household formation rate assumptions

•   370 additional households using the 2011 SNHP household formation rate assumptions

•   2,678 additional households using the 2012 SNHP household formation rate assumptions

24   This evidently represents a significant range and highlights the level of sensitivity of the modelling to variant assumptions around projected rates of household formation.

Considering the Edge Analytics of the 2012 SNHP Household Formation Rates

25   The conclusion of the Edge Analytics 2015 paper states that the PPG is clear to assert that wherever possible, local needs assessments should be informed by the latest available information, but equally this does not mean that housing assessments are rendered out-dated every time new projections are released (Paragraph 5.1 and PPG[14]).
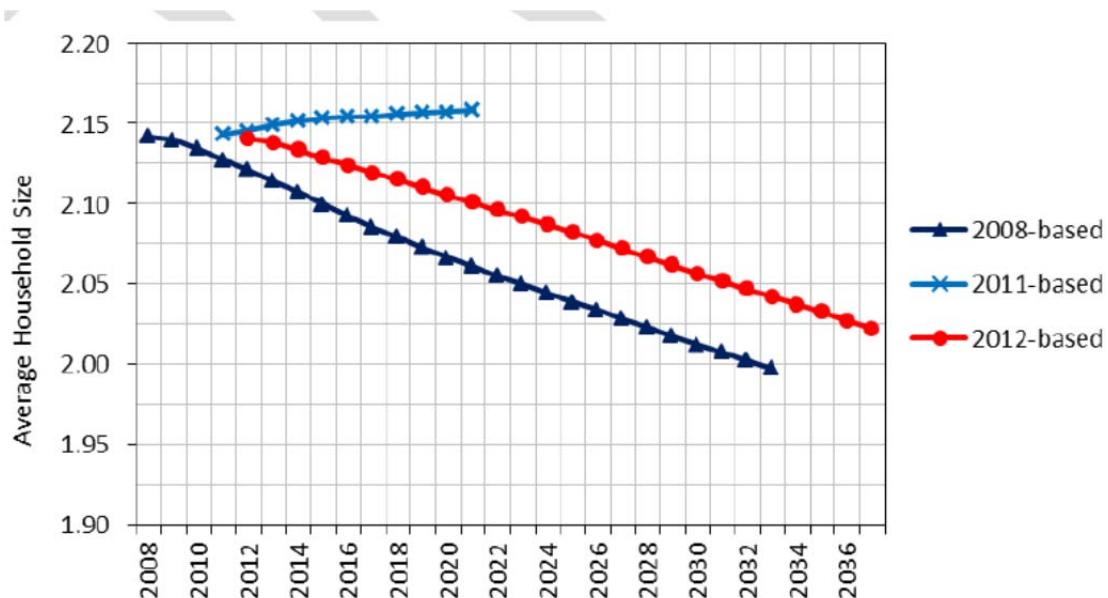
26   In this context, the Edge Analytics 2015 report presents a detailed analysis of the underpinning household representative rates in Blackpool compared to earlier DCLG datasets.

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[13] http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_015
[14] http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_016

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27   Figure 4, replicated below, clearly highlights that the 2012 SNHP model suggests a similar decrease in household size to the 2008 household projection model for Blackpool, which contrasts significantly with the 2011-based projection model.

Figure 1:   Edge Analytics Figure 4: Average Household size under the 2008-based, 2011-based and 2012-based household projection models (Source: DCLG)

28   Edge Analytics proceed to analyse the underpinning household formation rate assumptions by individual age groupings, noting that the 2012 based data generally shows higher headship rates for the 55+ age-groups but that the 2008-based data generally shows higher headship rates in the younger-age groups.

29   The Edge Analytics report (paragraphs 2.21 – 2.23) highlights that in Blackpool whilst the headship rates are higher in the 2008 dataset than the 2012 equivalent rates for these younger-age groups the 2012 rates are considerably higher (i.e. have a higher propensity to form households) than the comparable rates for England[15]. Recognising the analysis of the active market in the 2013 SHMA this is likely to reflect the comparatively low house prices and rental levels and the prevalence of smaller stock, in particular within the Inner Blackpool area.

30   In addition to the identified higher propensity of younger persons to form households in Blackpool the 2012 based data also assumes a return to higher levels of household formation rates in Blackpool for the age group 25-34 (arguably that most likely to be affected by issues in accessing affordable housing). The Edge Analytics analysis in the 2015 report reveals that this is counter to the projected picture for England, (comparing Figure 5 with Appendix A) which suggests for this selected age group stability but not a recovery in headship rates to the extent evident in the Blackpool statistics.

31   At this point in time, recognising the limited opportunity presented to interrogate the new dataset, it is difficult to reach firm conclusions around the extent to which a lack of balance between demand and supply has had on household formation rates in Blackpool. It is also recognised in the 2015

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[15] The national headship rates are included at Appendix A of the 2015 Edge Analytics Report. These can be compared with Figure 5 which show comparable headship rate charts for Blackpool.

Edge Analytics Report that further data underpinning the SNHP 2012 is anticipated to be released by the DCLG as part of Stage 2 which will provide more context to interpreting the models household formation rates at a local level, and detail on household types. In the context of the above it is, however, important to reflect on the evidence implied by the analysis of the active market and market signals in the 2013 SHMA.

32   Nationally it is apparent that the number of completed dwellings annually has fallen notably short of projected levels of need (under the 2012 SNHP as well as earlier datasets) with the impact likely to have been a suppression of household formation rates of younger age groups in particular, with this illustrated through a range of worsening market signals at a national level. This would suggest the potential need for some adjustment to household formation rates in order to depart from a continuation of this trend.

33   At a basic level in Blackpool it is evident, between the last two Census years, that the number of households in Blackpool has risen at a notably lower rate (growth of 0.7%) than the number of dwellings (2.9% growth)[16]. This provides a strong indication that the supply of property has not been suppressing rates of household formation directly locally. Evidence of rising vacancy levels within the existing stock also serves to reinforce this point. The 2013 SHMA identified an increase in total vacant household spaces from 5% in 2001 to 7.2% in 2011 with almost 5,000 vacant household spaces in the authority according to the 2011 Census (Figure 4.9). The SHMA also considered the numbers of long-term vacant properties (vacant for more than 6 months) rising from 1,335 in October 2012 to 1,473 in October 2013 (Figure 4.8).

34   In addition to the above supply factors the analysis of house price change, an important potential indicator of demand, showed that prices had dropped in Blackpool from 2008 with the rate of growth falling below the other authorities in the Fylde Coast and the national level (Figure 6.1). Whilst the authority had a higher level of overcrowding than the other Fylde Coast authorities, this was substantially less than the national average, and was also likely to reflect the stock profile which indicated fewer bedrooms per household than the other comparator areas and the national picture.

35   The above factors would suggest that, whilst the 2011 SNHP represented a notable picture of potential household suppression which required a level of adjustment, the same is not true of the 2012 SNHP dataset for Blackpool which project forward rates more closely aligned to the 2008 SNHP model. This is likely to reflect the comparative low pricing and availability of smaller, cheaper property in the authority and suggests little grounds, on the basis of the evidence available, to suggest that the household formation rates underpinning the 2012 SNHP reflect the consequences of past under-supply or worsening affordability of housing in the authority.

36   It is understood that the Council are also intending to prepare an updated analysis of market signals before the Core Strategy Examination. The Council may wish to consider the above conclusion on the basis of any additional evidence prepared and in the context of other strategies being adopted to address housing market failure issues within Blackpool.

Implications for the OAN Range

37   It is evident from the Edge Analytics 2015 report that the application of the 2012 headship rates to the population projections modelled within the 2014 Addendum implies an increase in the level of

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[16] England comparable figures are a 7.9% growth in households and an 8.3% growth in dwellings (Census 2001 and 2011).

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household growth and implied housing need for each scenario. This reflects a projected trend around changing household size which more closely aligns with the 2008 SNHP model and directly contrasts with the 2011 SNHP model.

38   Following the rationale of the evaluation of the OAN in the SHMA and the Addendum the lower end of the range, broadly aligned with the ten year past growth migration trend scenarios, is elevated to between approximately 286 and 336[17] to reflect the suggested uplift in projected population growth (excluding and including the UPC component) drawing upon the data presented in Table 5 of the 2015 Edge Analytics report.

39   This lower end of the range also incorporates the implied adjusted need for housing associated with supporting the scale of job growth in the Oxford Economics forecast, 309 dwellings per annum, without any assumptions around improving unemployment rates from the recessionary average (8.2%). Nationally unemployment levels have fallen substantially over recent years reflecting a utilisation of an existing labour-force in the country following the recovery in employment levels. The level of sensitivity to the inclusion of assumptions around unemployment levels reducing is indicated by the scenario which uses the same forecast level of job growth but assumes a fall in unemployment to pre-recessionary levels. This scenario (Jobs-led Oxford UR) suggests a notably lower level of implied housing need of 227 dwellings per annum. This reflects the modelled assumption that the re-use of existing available supply reduces the level of net new migrants into the area associated with employment opportunities. It is, however, recognised that this sensitivity was not included in the original range of housing need identified within the 2013 SHMA.

40   The upper end of the range would also be uplifted slightly, based upon the scenarios in Table 5 of the 2015 Edge Analytics report, to 423 dwellings per annum[18]. As set out in the SHMA and Addendum this upper end of the range is predicated on considerably stronger levels of migration and job growth than seen in Blackpool in recent history.

41   The direct application of the 2012 SNHP headship rates to the scenarios considered within the 2013 SHMA and 2014 Addendum would therefore suggest an adjusted OAN range of between 286 and 423 dwellings per annum.

42   Whilst this represents an uplift to the OAN range presented within the 2013 SHMA and validated within the 2014 Addendum it is important to recognise that this also needs to be considered in the context of the updated references in the PPG to the 2012 SNHP forming the 'starting point' for the assessment of need.

43   The Edge Analytics 2015 report highlights that the 2012 SNHP (2012 SNPP scenario with 2012 headship rates applied) implies the need to provide for approximately 151 dwellings per annum in Blackpool between 2011 and 2030. The lower end of the range based on the 2015 Edge Analytics report modelling (286 – 423dpa) therefore represents an approximate 90% uplift from the 2012 SNHP starting point and at the upper end a 180% uplift on the 2012 SNHP. This compares, as set out above, with an uplift of between 65% and 165% using the 2013 SHMA OAN range (250 – 400 dpa).

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[17] It is noted that the 'Blackpool's Housing Requirement Technical Paper' (BC, 2014) presents the dwelling requirements derived from the modelling over the period 2012 – 2027. Appendix B of the Edge Analytics 2015 paper confirms that the same scenarios also suggest a need for between 288 and 343 per annum.

[18] Appendix B of the Edge Analytics 2015 Paper suggests an equivalent need for 410 dwellings per annum over the period 2012 - 2027

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44   The further implied scale of uplift in the housing need range needs to be considered cautiously in the context of the fact that, historically, Blackpool has experienced a longer term population decline and poorly-performing economy, as highlighted in the 2013 SHMA and 2014 Addendum. Positive migration and household formation will therefore need to be underpinned by a notably more positive economic context than that seen in recent years in Blackpool as well as being supported through the provision of a balanced stock of housing. Further consideration of these issues by Blackpool Council is set out in 'Blackpool's Housing Requirement Technical Paper'.

45   It is also apparent that the relationship between household formation and housing supply is not straightforward or necessarily direct in Blackpool given the distinct operation of large parts of its housing market, in particular the inner Blackpool area. This is reflected in high levels of vacancy, sustained low house prices and smaller average household sizes associated strongly with the supply of housing.

46   The modelling undertaken by Edge Analytics within the 2013 SHMA and 2014 Addendum sought to address the uncertainty surrounding rates of household formation and the limitations of the 2011-based interim household projection model through the application of a mid-point between the scenario outcomes of the application of assumptions from the two-latest household projection datasets available at the time (the 2008-based and 2011-based interim models). The release of the new 2012 dataset represents an important update enabling a new translation of projected population growth into households using the POPGROUP model. The 2015 Edge Analytics report and this accompanying note has not sought, on the basis of the data available, to consider in full the implications of the adjustments to headship rates in the context of the operation of the Blackpool housing market or indeed the other adjustments relating to underlying population growth applied within the SHMA in arriving at the OAN range.

47   The implied adjusted OAN range of 286 dwellings per annum to 423 dwellings per annum resulting from the application of 2012 SNHP headship rates should, on the basis of the points above, be considered with a degree of caution as a direct replacement or update of the previous range identified within the 2013 SHMA and the 2014 Addendum.

48   The Edge Analytics analysis of the 2012 SNHP was published in mid-April reflecting the time required to adapt the DCLG data to work within POPGROUP. The outputs and recommendations of this note should therefore be considered in the context of the limited time available to consider the evidence in full. We reserve the right to review the positions advanced above and the suggested adjusted range in the context of future anticipated data releases by the DCLG relating to the 2012 SNHP dataset that are identified in the Edge Analytics 2015 report.

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