

West Northamptonshire Joint Planning Unit **Objectively assessed housing need**



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APPENDIX

DEMOGRAPHY NOTE

1 INTRODUCTION

- 1.1 This report is part of the evidence base informing the Joint Core Strategy (JCS) for West Northamptonshire, covering the local authority areas of Daventry, Northampton and South Northamptonshire. It provides an objective assessment of housing need in the area over the plan period 2011-31. The report was commissioned by the West Northamptonshire Joint Planning Unit following agreement with the Inspector examining the Core Strategy that

'... the Joint Planning Unit (JPU) will now be undertaking a fresh assessment of the objectively assessed need for new housing in the area over the plan period and beyond, as requested by the Inspector.

This will take into account both the latest Office of National Statistics (ONS) household projections and the early 2011 Census results, including by reference to the "How Many Homes/What Homes Where toolkit", recently launched by Lord Taylor at the House of Lords¹.

- 1.2 Below, Chapter 2 reviews national policy and advice on housing requirements and housing targets. This will help us understand what 'objectively assessed need' is, how it should be measured and how it bears on development plan targets. Chapter 3 analyses the demographic evidence and Chapter 4 draws conclusions about objectively assessed housing need. Summary and conclusions are in Chapter 5.

¹ West Northamptonshire Joint Core Strategy - Examination Pages, Inspector's Note re Additional Work to be undertaken, 1 May 2013, <http://www.westnorthamptonshirejpu.org/connect.ti/website/view?objectId=3417840>

2 NATIONAL POLICY

Objectively assessed need and development plans

- 2.1 The concept of objectively assessed need for development, including housing development, was first introduced to planning by the National Planning Policy Framework (NPPF) (March 2012). The Framework makes four main references to it, as shown in the box below.

National Planning Policy Framework Housing provision and housing need

'17 Planning should... deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth.'

'47 To boost significantly the supply of housing, local planning authorities should... use their evidence base to ensure that their Local Plan meets 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.'

'159. Local planning authorities should have a clear understanding of housing needs in their area. They should... prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should: identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:

- *meets household and population projections, taking account of migration and demographic change*
- *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);and*
- *and caters for housing demand and the scale of housing supply necessary to meet this demand.'*

179 Joint working should enable local planning authorities to work together to meet development requirements which cannot wholly be met within their own areas – for instance, because of a lack of physical capacity or because to do so would cause significant harm to the principles and policies of this Framework.

- 2.2 The key messages are clear. Local planning authorities should meet in full the need for housing in their areas, insofar as they have the sustainable capacity to do so. Where this capacity does not exist, need should be 'exported' to neighbouring authorities, and these neighbouring authorities should accept it, up to the limits of *their* sustainable capacity. Authorities that are part of the same housing market area should work together to manage these transfers and to accommodate need that is not tied to particular local authority areas.
- 2.3 In the 16 months since the NPPF was published the Planning Inspectorate has been re-affirming and clarifying these principles, both through formal decisions and informal advice issued in the course of planning examinations. From these documents, one essential point is that objectively assessed need is nothing to do with supply-side considerations, such as

development constraints or adverse impacts of development. In relation to East Hampshire, for example, the EiP Inspector advised:

‘The Authorities state... that studies... “do not specifically update wider market housing demand, on the basis that the Council recognises it will not be able to provide for all the general demand for housing”. I do not consider this to be a reasonable excuse for not providing an up to date SHMA. Almost 60% of the District falls within the South Downs National Park. Whilst this and other landscape and ecological designations may provide the justification for not meeting all the objectively assessed need, I consider that the Authorities still need to know what the full needs are in order that they can identify any unmet need and discuss addressing that unmet need with their neighbours.’²

- 2.4 So, in setting housing targets planning authorities’ first task is to determine objectively assessed need. Their second task is to establish whether they have the sustainable capacity to meet that need. If capacity demonstrably falls short of need, housing provision may also have to fall short of need. But authorities still need to know the total need, so that they can calculate the resulting shortfall, or unmet need, and try to export it to their neighbours.

Defining and measuring need

- 2.5 Although the NPPF places great weight on the concept of objectively assessed need, it does not define that need or specify how it should be measured. The Government has undertaken to publish new technical guidance, which may answer these questions. Pending that guidance, we have to rely on the brief indications at paragraph 159 of the Statement, which suggests that:

- ‘Objectively assessed need’ means the total demand for housing, from all types of household and for both affordable and market housing.
- Population and household projections provide a measure of objectively assessed need.

- 2.6 Below, we discuss these two points in turn.

What is objectively assessed need?

- 2.7 With regard to the first point, it is essential to be clear about the definition of ‘objectively assessed housing need’. The answer is not obvious, because ‘need’ is a very wide-ranging term. In order to measure objectively assessed need, we need to know exactly what it means in the present context. Otherwise we shall have no means to decide which of the many possible projections, forecasts or scenarios correctly measures it.
- 2.8 Therefore it is important to note that the NPPF has radically changed the meaning of ‘housing need’.

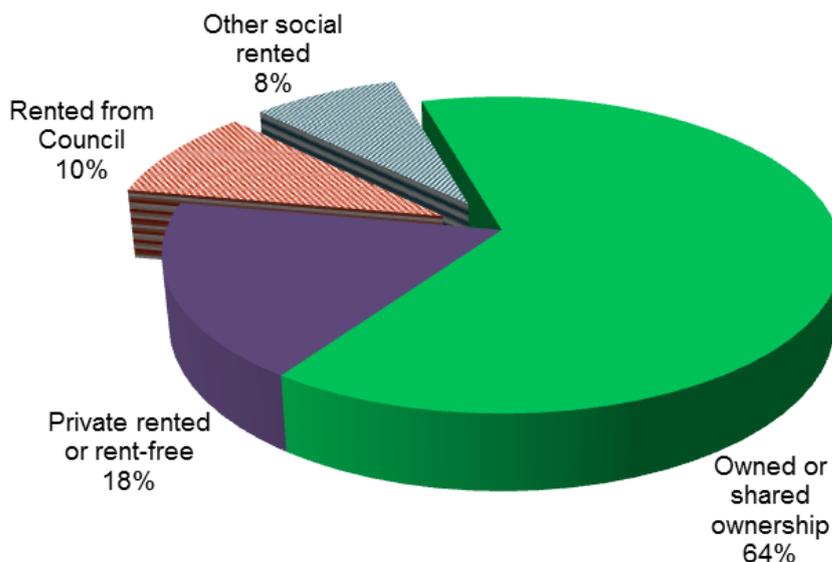
² East Hampshire Local Plan: Joint Core Strategy, Examination Documents 3, ID18, Inspector’s Preliminary Note – corrected, 23rd November 2012

[http://www.easthants.gov.uk/ehdc/formsfordownload.nsf/0/41B60647A4C7FFB280257AC60058BC5B/\\$File/ID-18+Inspector’s+Preliminary+Note+-+Corrected.pdf](http://www.easthants.gov.uk/ehdc/formsfordownload.nsf/0/41B60647A4C7FFB280257AC60058BC5B/$File/ID-18+Inspector’s+Preliminary+Note+-+Corrected.pdf)

- The former Planning Policy Statement 3 (PPS3), now superseded by the NPPF, was careful to provide a clear definition of 'need'. In that definition, 'need' related to households '*who are unable to access suitable housing without financial assistance*³. In other words, 'need' in PPS3 related to the affordable sector, plus market housing subsidised by housing benefit.
- PPS3 also defines 'housing demand' which it is careful to distinguish from 'need' - as '*the quantity of housing that households are willing and able to buy or rent*'.
- This PPS3 definition of need survives in the 2007 SHMA Practice Guidance, which is still in force.
- By contrast, in the NPPF 'need' (used interchangeably with 'demand' and 'requirement') refers to *all* housing, in both the affordable and market sectors.

2.9 Thus, the NPPF greatly expands the scope of 'need', since the market sector is about four times as large as the affordable sector (Figure 2.1).

Figure 2.1 Housing tenure in England, 2011



Source: 2011 Census

2.10 The NPPF also shifts the meaning of 'need' from 'what ideally ought to be provided' to 'what can be afforded'. This distinction is particularly important in relation to affordable housing:

- Affordable need, as defined in PPS3 and the Practice Guidance, is measured against set standards of what constitutes suitable housing (numbers of rooms, access to

³ Communities and Local Government, *Planning Policy Statement 3 (PPS3): Housing*, June 2011, Annex B: Definitions

facilities etc) and the ability to pay for it (no more than 25% of household income should be spent on housing).

- In reality, there is never enough public money to comply with these standards, and hence to meet 'need' in full – regardless of how much housing land is allocated in development plans.
- Indeed 'PPS3 need' in many places is greater than the requirement for all housing, as measured by demographic projections and incorporated in development plans.

- 2.11 'PPS3 need' (what ideally should be provided) remains a useful benchmark in relation to many policies, for example on developer contributions and the allocation of public money. But it is not the 'need' for land that according to the NPPF development plans should meet in full, because it would be wrong to allocate land for housing that no one can afford to build.
- 2.12 In summary, from a close reading of the NPPF we can see that 'objectively assessed need' is close to what PPS3 called 'demand'. Accordingly, as the starting point for our assessment we propose a variation on this PPS3 definition - which we have expanded to make clear that it covers both the market and affordable sectors:

Objectively assessed need (or housing demand) is the quantity of housing that households are willing and able to buy or rent, whether from their own resources (in the market sector) or with assistance from the State (in the affordable sector or with subsidy).

How should it be measured?

- 2.13 As we have seen, the NPPF suggests that objectively assessed need should be measured by household and population projections, but does not point to any specific projections. This issue was clarified in a government Written Answer:
- 'When assessing their housing requirements in future years... authorities should use the most recently released sub-national population projections (published by the Office for National Statistics) and household projections (published by the Department for Communities and Local Government).'⁴*
- 2.14 This statement is important for two reasons. Firstly, it establishes that authorities should refer specifically to the official projections from ONS / CLG. Demographic projections from other sources, such as local government, academic institutions or specialist consultancies, are not given the same weight. Secondly, through the word 'use' it suggests that the official projections may provide a starting point in assessing need, rather than the definitive answer. The implication is that authorities may test and revise these projections in the light of additional evidence, just as they used to do under the previous planning system.
- 2.15 This view is confirmed by the howmanyhomes.org website, which is the home of the How Many Homes/What Homes Where toolkits mentioned by the JCS Inspector. The website, created by a group of professional bodies, trade associations and charities, aims to offer

⁴ House of Lords, 25th October 2012

support 'designed by practitioners for practitioners' in assessing housing requirements. It has no official status. But as noted earlier Lord Taylor took part in its launch, and the West Northamptonshire Inspector has requested that the JCS need assessment refer to it.

- 2.16 The toolkits referenced by the Inspector are a suite of Excel spreadsheets that present a user-friendly version of ONS / CLG demographic data and projections. The website's home page⁵ provides an introduction to these figures, advising that:

'[The ONS / CLG projections] won't provide you with housing numbers. What they will do is provide you with a baseline of evidence which, together with your understanding of your local area, should enable you to form your own view of the number and type of homes that should be planned for - or at the very least identify specific aspects where further work is needed.'

- 2.17 This message is reinforced by another element howmanyhomeswhere, the Powerpoint presentation that provides a 'guided tour' of the toolkits⁶. Thus, in relation to the CLG household projection, the presentation comments:

'The temptation to jump to the conclusion that this is "the answer" for the number of homes that need to be built each year should be resisted. It is the figure that would be needed to house new households if recent trends were to continue. This is a starting point for further analysis and discussion, not an answer.'

- 2.18 In the next section we provide that further analysis and discussion, based on the principles set out earlier.

⁵ <http://www.howmanyhomes.org/index.html>

⁶ <http://www.howmanyhomes.org/resources/120730+What+Households+Where.pdf>

3 DEMOGRAPHIC EVIDENCE

Official demographic projections⁷

Method

- 3.1 Official demographic projections for local authority areas are issued at irregular intervals, in two separate publications.
- Firstly the Office of National Statistics (ONS) releases the Sub-National Population Projections (SNPP), which show population by age and sex, based on rolling forward past rates of natural change (births minus deaths) and migration for each demographic group.
 - Communities and Local Government (CLG) converts the each SNPP into household projections.
 - The factors that translate population into households, known as Housing Representative Rates (or headship rates, or housing formation rates), are based on carrying forward past trends for different demographic groups.
 - The resulting household numbers are used as a measure of future housing demand, or objectively assessed need
- 3.2 A demographic group in this context is a combination of age, sex and (in the case of household projections) relationship status. An example is males aged 25-29 in mixed-sex couples.

Limitations

- 3.3 Through demographic rates, the projections model the internal mechanics of demographic change. Thus, if men aged 25-29 in mixed-sex couples were historically more likely than the average to be heads of household, and due to a long-ago baby boom the share of that group in the population is set to increase, the projections will show a rise in the overall headship rate. In other words, they will show a larger number of smaller households.
- 3.4 But the projections cannot model the impact of external (non-demographic) change. If, for example, due to the recession fewer young men can afford to form their own households, any given population will group into fewer, larger households. But the model does not 'know' about the recession, because all its inputs are demographic data. It can only tell us what will happen if the external factors that drive demographic change are the same in the future as they have been in the past. The CLG's introduction to the household projections notes:

'The assumptions underlying national household and population projections are demographic trend based. 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

⁷ A more detailed version of our demographic analysis and projections is in the Appendix below.

assumptions based on previous demographic trends in the population and rates of household formation were to be realised in practice.'

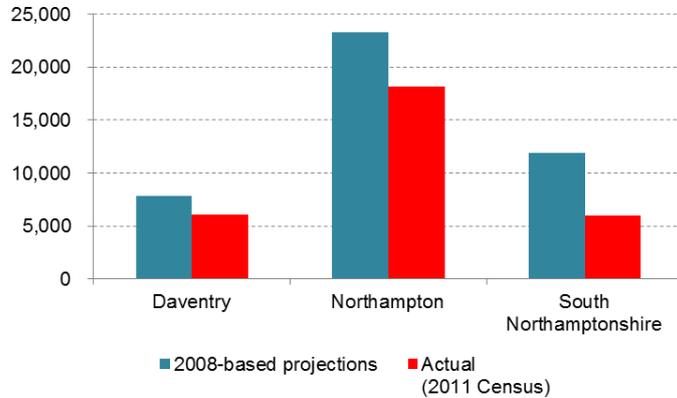
- 3.5 The past that the projections carry forward, also known as the base period, is defined in different ways for different items. Domestic migration rates are carried forward from the previous five years, as are other local components of change. But assumptions about international migration, births, deaths and household formation also take account of much longer-term trends and of expert opinion. Household headship rates, for example, are based on the five previous Censuses, as we discuss later. Births, deaths and international migration are controlled to the National Population Projections (NPP), which in turn take account of long-term trends.

2008-based projections

- 3.6 As requested by the JCS Inspector, in our objective assessment of need the first step is to consider the projections set out in the How Many Homes/What Homes Where toolkits. These projections are based on 2008 data and published in 2010. Despite their age they are still the most complete projections available from ONS / CLG.
- 3.7 The 2008-based projections ('ONS 08' and 'CLG 08') show numbers of households in the JCS area growing by 49,200 over the plan period 2011-31, equal to 2,460 per annum. Broken down by local authority area, the projected annual growth is 430 households p.a. for Daventry, 1,475 for Northampton and 555 for South Northamptonshire.
- 3.8 The 2008 data on which these projections are based were themselves imperfect estimates. Only Censuses, which occur every 10 years, provide comprehensive, directly observed data about population and households. Between Censuses, ONS and CLG rely on estimates pieced together from various sources, including projections based on the Censuses and administrative records. The figures on births and deaths are robust, because they are taken directly from comprehensive and highly reliable registers. In contrast, estimates of migration and household formation are highly uncertain; because there is no compulsory system in the UK to record migration, estimates are indirect inferences pieced together from imperfect data.
- 3.9 In the event, the 2011 Census show that the assumptions behind the 2008-based projections were seriously misleading, in two ways.
- 3.10 Firstly, ONS 2008 substantially overestimated net inward migration into the study area – the difference between people moving into the area and people moving out. Consequently the projections also overestimated total population growth, both for the JCS area as a whole and each individual district (Figure 3.1).
- 3.11 For the JCS area over the inter-censal period 2001-11, the projections showed a population increase of 43,100 persons. But the Census shows that the increase was just 30,100.
- 3.12 The second problem with the 2008-based projections relates to household size. CLG 2008 over-estimated household formation, so for any given population it showed larger numbers of smaller households than existed in reality. The Census results demonstrate that this was a common feature across England. The apparent cause is that in recent years more young adults have been remaining with their parents or sharing accommodation, rather than

forming new households. This is probably due to reduced demand in the economic downturn, as household incomes fell in real terms and credit tightened.

Figure 3.1 Population change 2001-11: projected and actual

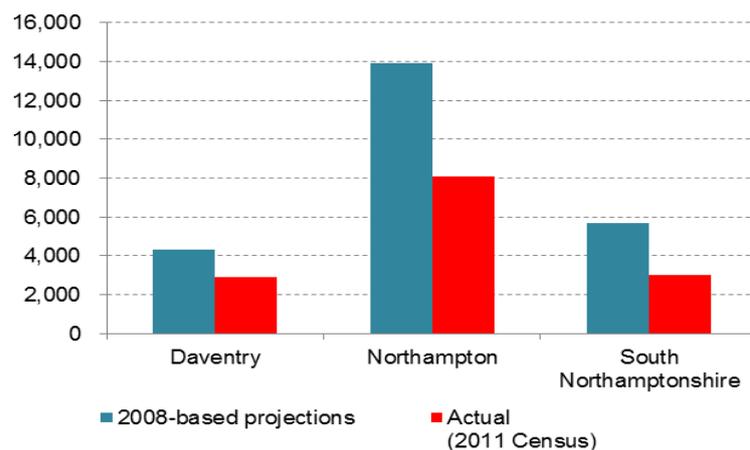


Source: ONS, PBA

3.13 Thus, the Census shows that in 2011 there were fewer people in West Northamptonshire than the 2008 projections expected, and these people grouped into larger, fewer households than the projections expected. For both these reasons, the number of households in 2011 was substantially below the projections. It follows naturally that household growth in the decade since the previous Census was also well below the projections, both for the area as a whole and individual districts (Figure 3.2).

3.14 For the JCS area over the inter-censal period 2001-11, the projections showed household numbers increasing by 23,900. But the Census shows that the increase was just 14,000, less than two thirds of the projected figure.

Figure 3.2 Household change 2001-11: projected and actual



Source: CLG, PBA

3.15 In summary, the Census results have largely invalidated the data behind the 2008-based official demographic projections for West Northamptonshire. With the benefit of hindsight, we now know that the 2008-based projections started with the wrong population and household totals, and the past migration trends that they carried forward did not actually

happen. For more robust demographic evidence to inform our housing needs assessment, we need to look to more recent projections, based on the robust data provided by the Census.

2011-based projections

- 3.16 ONS and CLG in recent months published new, 2011-based demographic projections ('ONS 2011' and 'CLG 2011'), which are badged as 'interim' and only run to 2021. These new projections do not feature in the How Many Homes / What Homes Where toolkits. The website says that it is still considering how it might deal with these interim projections and hopes to announce its intentions shortly.
- 3.17 For the JCS area as a whole, the 2011-based interim projections show numbers of households growing by 21,300 in 2011-21, equal to 2,130 per annum. This is around 15% below the 2008-based household projection. Similarly for the individual districts, CLG 2011 shows less growth than CLG 2008.
- 3.18 The 2011-based official projections take account the Census results but only partially. They start from the correct population at 2011, taken from the Census, and use household formation rates updated in the light of the Census. But the migration rates that the new projections roll forward are taken from 2010 estimates⁸, which predated the Census. This is a serious flaw, because the Census shows that these estimates were wrong – though in the case of West Northamptonshire they were nearer the truth than the 2008 ones.
- 3.19 In due course there will be new official projections that are not affected by this flaw. ONS expects to publish 2012-based population projections in early 2014, using new migration rates updated in the light of the Census. Subsequently these will be translated into CLG household projections, probably in late 2014.
- 3.20 Pending these new publications, there are no official projections that provide a reliable starting point for assessing housing need. Therefore we have modelled our own 2011-based projections for West Northamptonshire, which take full account of the Census results available to date. These projections are presented in the next section.

PBA projections

Method

- 3.21 We have modelled two alternative 2011-based projection scenarios, called '2001-11 Trends' and '2006-11 Trends'. As regards births, deaths and household formation both scenarios use the same assumptions as the official 2011-based projections. But with regard to migration we use different assumptions, carrying forward the trends documented by the 2011 Census:
 - 2001-11 Trends rolls forward average migration rates by age and sex for 2001-11, as measured by the two last Censuses.

⁸ These assumptions underpinned the 2010-based ONS population projections, which were never converted into households. We discuss these projections in the Appendix below, but not in the main report.

- 2006-11 Trends rolls forward average migration rates for 2006-2011, as estimated by ONS using Census results.

3.22 In principle one would expect 2001-11 Trends to be the more robust of our two scenarios, because it is based on a longer period. Other things being equal, a longer base period should provide a better projection, because it irons out short-term fluctuations, anomalies and data errors. Common sense suggests that one should not plan for 20 years ahead on the basis of a five-year history; even a 10-year history is shorter than would be ideal. Another reason to prefer 2001-11 Trends is that it is based on hard data from the Censuses, whereas 2006-11 Trends relies on ONS estimates for the inter-censal years.

3.23 On the other hand, one reason not to dismiss Trends 2006-11 is that it should be closer to the forthcoming 2012-based official projections. This is because the ONS projections, like Trends 2006-11, roll forward projected domestic migration rates from the previous five years only⁹.

Results

3.24 Table 3.1 below summarises both the official and PBA projections: For the JCS area as a whole, the two PBA scenarios show almost the same household growth over the plan period, at 30,800 and 28,900 respectively, equal to 1,540 and 1,445 households per annum respectively. This is much less growth than predicted by either CLG 2008 or CLG 2011.

3.25 For individual districts, both PBA scenarios are still well below the CLG projections, but they are more different from each other. We discuss the reasons for these differences in Chapter 4 below.

3.26 For our preferred scenario, PBA Trends 2001-11, the table also shows projections of the economically active population (resident labour force). These projections take account of the further changes in state pension age currently planned by the Government. They show an increase of just 19,100 over the plan period – just under 1,000 per year. As the population ages, numbers of workers per household fall, in existing as well as new households. All of projected workforce growth is in Northampton. In Daventry there is no change and in South Northamptonshire virtually no change.

⁹ As noted earlier, one would generally expect a five-year base period to be less reliable than a ten-year one. One likely reason why the ONS uses the shorter period is that older data are usually less reliable. But at the moment it is the 10-year historical data that are more reliable, because they come directly from the Censuses, whereas the five-year historical data are estimates.

Table 3.1 Demographic projections for West Northamptonshire 2011-31

Total change 2011-31	Daventry	Northampton	S Northants	JCS area
Population				
ONS 2008	13,700	51,300	20,700	85,700
PBA Trends 01-11	9,600	45,400	6,200	61,300
PBA Trends 06-11	4,200	53,500	-4,200	53,500
Households				
CLG 2008	8,600	29,500	11,100	49,200
PBA Trends 01-11	5,600	20,800	4,400	30,800
PBA Trends 06-11	4,000	24,100	900	28,900
Labour force				
PBA Trends 01-11	0	20,600	-1,500	19,100
Change p.a. 2011-31				
Population				
ONS 2008	685	2,565	1,035	4,285
ONS 2011*	610	3,020	890	4,530
PBA Trends 01-11	480	2,270	310	3,065
PBA Trends 06-11	210	2,675	-210	2,675
Households				
CLG 2008	430	1,475	555	2,460
CLG 2011* (2011-21)	340	1,380	420	2,130
PBA Trends 01-11	280	1,040	220	1,540
PBA Trends 06-11	200	1,205	45	1,445
Labour force				
PBA Trends 01-11	0	1,030	-75	955

Source: ONS, CLG, PBA.

* The top half of the table does not show the ONS 2011 or CLG 2011 projections because they only cover the period 2011-21

Table 3.2 Components of population change, PBA Trends 2001-11

Persons per annum	Daventry	Northampton	S Northants	JCS area
Natural change	128	1,793	132	2,053
Net migration	353	479	177	1,009
Total change	481	2,272	309	3,062

Source: PBA

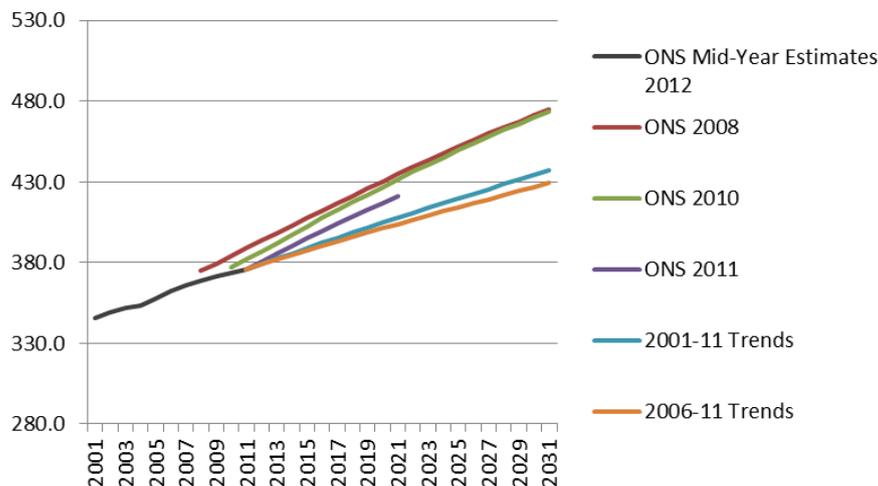
- 3.27 In our preferred scenario, PBA Trends 2001-11, roughly two thirds of the area's population growth is due to natural change and one third to net in-migration (Table 3.2). Judging from the experience of recent years, most of this net in-migration would consist of international migrants coming into Northampton.

Comparisons

- 3.28 The three graphs below picture actual and projected demographic change in the JCS area from 2001 to 2031. For past years, up to 2011, they show the latest ONS / CLG estimates, informed by the 2011 Census. For the future, they show the alternative projections discussed earlier. The graphs illustrate why projected household growth is so much lower in the PBA scenarios than the official projections.
- 3.29 Figure 3.3 shows the resident population:

- We now know, from the 2011 Census, that ONS 2008 had significantly overstated the actual population in 2011 and earlier years (the red line is well above the black line). This was due to overestimating net migration into the area. ONS 2008 then rolled forward this wrongly estimated migration trend into the future.
- ONS 2011 corrected the first of these errors: at 2011 it started from the correct number. But for the future, it still carried forward an overestimated migration trend.
- In contrast, the two PBA Trends projections both start from the correct number and roll forward the correct migration rates. Therefore they show lower growth for the future, due to lower migration rates (the blue and orange lines are shallower than the purple line).

Figure 3.3 West Northamptonshire population 2001-31, thousands

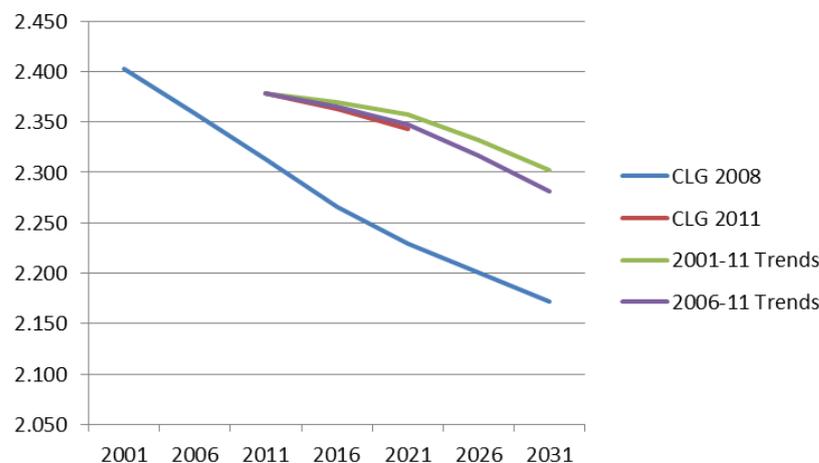


Source: ONS, CLG, PBA.

The 2010-based ONS population projections ('ONS 2010') were not translated into CLG household projections.

3.30 Figure 3.4 shows average household size:

Figure 3.4 West Northamptonshire average household size 2001-31



Source: ONS, CLG, PBA

- We now know that CLG 2008 significantly understated actual household sizes for 2011 and earlier years. CLG 2008 thought that household sizes had continued to fall after the

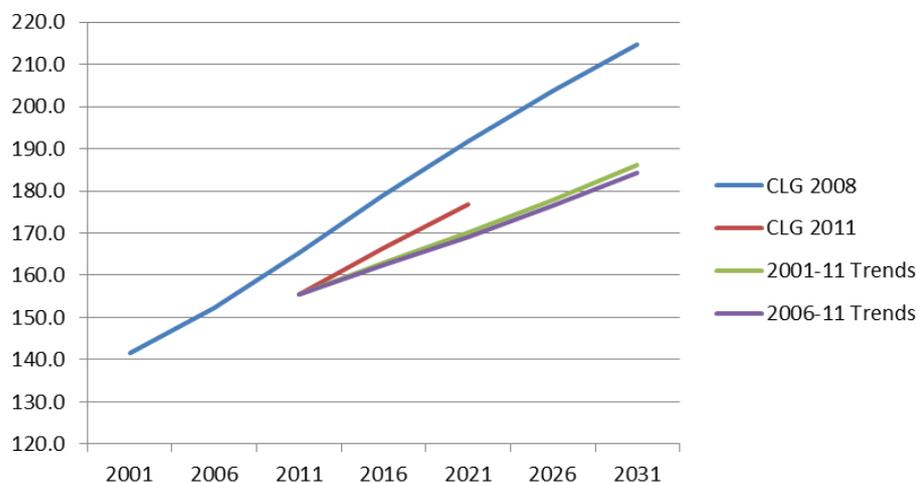
2001 Census, in line with the trends recorded by earlier Censuses since 1971. But the 2011 Census shows that these long-term trends were broken in the last 10 years, probably due to the latest economic downturn.

- For the future, all the 2011-based projections start from the correct point and carry forward the same trend - which is taken from the CLG 2011 household projections.
- Broadly speaking, CLG 2011 assumes that future trends in household formation rates parallel the pre-recession trend, but do not catch up with it. The CLG's Methodology Report suggests that this future trend is very uncertain, due to possible data errors and uncertainty about the shape of the curve¹⁰. The method chosen to derive the trend reflects a difficult technical judgment; different judgments about headship rates would have been equally reasonable and could have produced very different results.
- Whether the CLG's answer proves correct will mainly depend on the state of the national economy and the national housing market.

3.31 Finally Figure 3.5 shows household numbers, which of course equal population divided by average household size. As discussed above, in the PBA Trends scenario:

- Future population growth is less than both ONS 2008 and ONS 2011.
- Future household sizes are larger than CLG 2008 but similar to CLG 2011.
- Hence the resulting PBA Trends household numbers are below both CLG projections, but closer to CLG 2011 than CLG 2008.

Figure 3.5 West Northamptonshire households 2001-31, thousands



Source: ONS, CLG, PBA.

The 2010-based ONS population projections ('ONS 2010') were not translated into CLG household projections.

Conclusions

3.32 The 2008-based CLG household projection featured in How Many Homes / What Homes Where showed growth of 2,460 households per annum across the JCS area over the plan

¹⁰ Department for Communities and Local Government, *Updating Department for Communities and Local Government's household projections to a 2011 base, Methodology Report*, April 2013, page 11

period 2011-31. That projection is no longer credible for West Northamptonshire, because the historical data on which it was based have been proved wrong by the 2011 Census, in two ways. Firstly, the projections underestimated household sizes. Secondly, they overestimated net migration into the area. The first of these features applies generally across England. The second is place-specific.

- 3.33 Last April the CLG published new household projections, called interim 2011-based projections. These new projections took account of the Census, but only partially. They corrected the underestimation of household sizes but were still based on the wrong historical migration data. The next set of CLG household forecasts will correct this anomaly but will only be published in a year or longer.
- 3.34 To fill the evidence gap in the meantime, we have modelled our own projection scenarios, which use the correct data on past migration, but otherwise are based on the same assumptions as the official 2011-based projections. In our preferred scenario, Trends 2001-11, household growth over the period averages 1,540 households per annum.
- 3.35 This scenario in our view is the best possible projection of past demographic trends, in line with official assumptions and methods. In the next section, we consider whether it is also a good measure of the objectively assessed need for housing.

4 OBJECTIVELY ASSESSED NEED

Demographic projections and housing need

What the projections mean

- 4.1 To understand the relationship between demographic projections and objectively assessed need (OAN), it will be helpful to recap earlier points about the meaning of both items:
- Objectively assessed need (OAN) is the effective demand for housing – that is, the housing that people want and can pay for, whether from their own resources or with help from the State. The OAN equals the amount of housing that would be built if planning did not constrain development.
 - Demographic projections show how household numbers will change in future if the external (non-demographic) factors that impact on these numbers are follow the past trends and expert opinions on which the projections are based. These external factors include the state of the economy, credit markets and international migration.
- 4.2 If external factors do stay the same, and also past planning has provided enough land to meet demand in full, then the projections will be an accurate measure of housing demand (OAN) in the future.

Using alternative assumptions

- 4.3 In reality, however, many external factors may depart from the past trends and expert opinions on which the projections are based. Many of the assumptions and technical judgments underpinning the projections are surrounded by wide margins of uncertainty. Over a 20-year plan period, economic downturns and recoveries may be steeper or shallower than past ones, international migration may follow earlier trends or different ones, life expectancy may grow faster or more slowly and so forth.
- 4.4 In general, however, it would not be helpful for local authorities to double-guess national and global assumptions behind the official demographic projections. The official assumptions, though admittedly uncertain, are best estimates by recognised experts, and they have the advantage of being consistent across the country. There is no reason to believe that alternative views of the future are more reliable, or to prove that one particular alternative is more reliable than another.
- 4.5 A technical note on using demographic projections by Cambridge University advises that:
- ‘Estimates of the scale of the uncertainty should be used to determine how much flexibility an authority should build into its planning for housing rather than to change the main estimate of the number of homes to required...’*

*Modifications to the official assumptions should be used simply as sensitivity tests to determine how much flexibility an authority should seek to incorporate in its plans and authorities should normally plan on the basis of the official projections.*¹¹.

- 4.6 In relation to national and global assumptions such as the state of the economy and resulting trends in headship rates, this advice seems generally reasonable. But it does not apply when the official projections are demonstrably based on the wrong facts. In that case these wrong facts should be corrected as far as possible, as we have done through our Trends projections above.
- 4.7 We also note that authorities may choose to provide more housing land than the officially projected demand. Alternative scenarios may help explore the case for such additional provision. For example, they may test how much more housing will be needed if rates of household formation catch up with their pre-recession trend, contrary to the latest official projections.
- 4.8 There is nothing in the NPPF to discourage authorities from setting high targets, based on such 'optimistic' scenarios. Flexibility is welcome, as long as it is upwards.

Land supply and planning policy

- 4.9 So far we have focused on demand-side drivers of demographic change. But supply-side factors have also influenced demographic change, through their impact on housing development. One of these factors is planning policy.
- 4.10 As mentioned earlier, on a strict interpretation objectively assessed need means unconstrained demand – the amount of housing that would be provided if planning made available as much land as housing providers wanted. In a place where planning has not constrained development in the past, demographic projections that roll forward past trends will be a true measure of demand – what is often called a policy-off scenario.
- 4.11 However, in many places planning has been constraining housing development for a long time. The past, or base period, that the demographic projections carry forward was already contaminated by policy constraints. Demographic projections cannot measure future demand (OAN), because the past period they carry forward demand was already undersupplied. Instead, the projections should be read as a minimum indicator of future demand. The projections describe a future in which the degree of planning constraint is the same in the future as it was in the past. Rather than 'policy-off', they are 'policy-same'.
- 4.12 It is often argued that such policy-same projections are a bad starting point, because past policies ought to change. Thus, a planning authority that tightly constrained development in the past will have seen little development, and hence its projections will also show little growth in the future. If provision targets are purely based on the projections, planning policy will be rewarding bad behaviour. Conversely authorities that have planned generously in the past will be 'punished' with higher targets for the future.

¹¹ Cambridge Centre for Housing and Planning Research, *Choice of Assumptions in Forecasting Housing Requirements, Methodological Notes*, edited by Neil McDonald, March 2013

- 4.13 The answer to this argument is that trend-based projections can only be the first step in setting housing targets. The projections provide a baseline, or starting point. They tell us what will happen if policy stays the same, so that we may consider if policy ought to change.
- 4.14 In line with the NPPF, an authority that made generous allocations in the past, but is now running out of sustainable capacity, should be able to export some of its projected demand to its neighbours. If one of these neighbours has been providing too little land in the past, it will now have visible spare capacity, and should be accommodating some of these exports.
- 4.15 Among other things, demographic projections are useful because they should ensure that this 'trading' between authorities adds up to the correct total for larger areas. If an authority does not have the sustainable and deliverable capacity to meet its projected demand, it should seek to export some of that demand to its neighbours in the sub-regional housing market area (HMA). If the HMA as a whole does not have the capacity to meet its projected demand, logic suggests that it should seek to export some of that demand to other HMAs which have more capacity.

Objectively assessed need in West Northamptonshire

- 4.16 In West Northamptonshire, the history of the 10 years to 2011 shows a close correlation between housing completions and population change, both for the area as a whole and for individual districts (Figures 4.1-4.6). Specifically, it is migration that is closely related to housing completions; the other component of population growth, natural change, follows smooth trends with little fluctuation over time.
- 4.17 In relation to individual districts, the graphs clearly show the impact of the Grange Park development, built in South Northants as a planned urban extension to Northampton. Grange Park led to substantial net in-migration and resulting population growth in South Northants from 2001 to 2007. After completion of Grange Park in 2007, the district's net migration turned marginally negative and its population growth flattened out.
- 4.18 The impact of Grange Park is also visible in the two PBA Trends demographic scenarios. Trends 2001-11 shows future growth of 4,400 households over the plan period, while Trends 2006-11 only shows 900 households. To understand this difference, we need to remember that the projections measure a policy-same future, in which planning constraints were the same as the base period. The Trends 01-11 scenario shows significant growth because its base period includes the Grange Park scheme. Trends 06-11 shows far less growth, because in its base period the planning system released much less development land.

Figure 4.1 Past population change in the JCS area

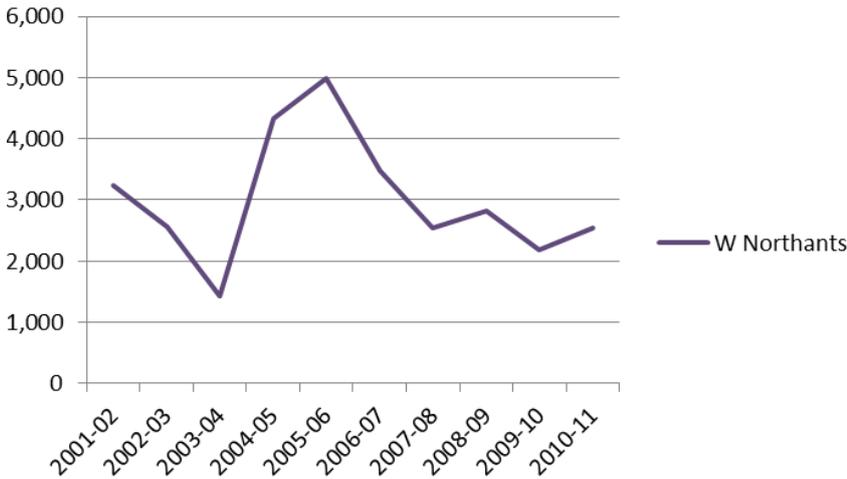


Figure 4.2 Past net migration in the JCS area

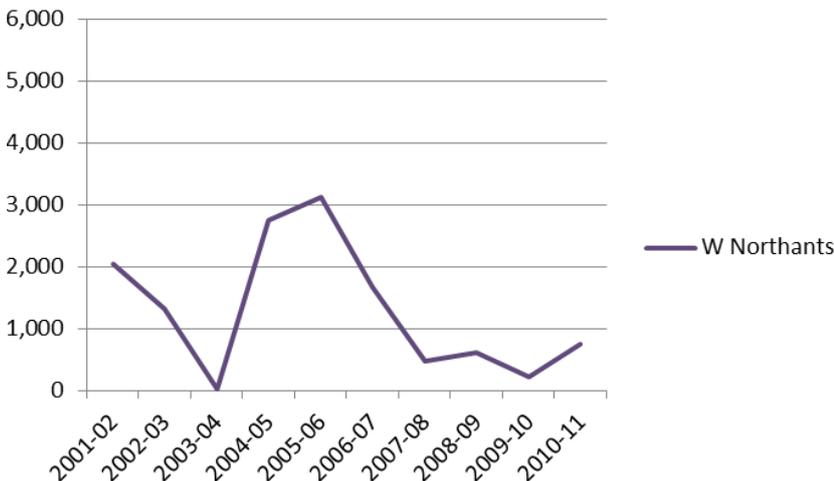
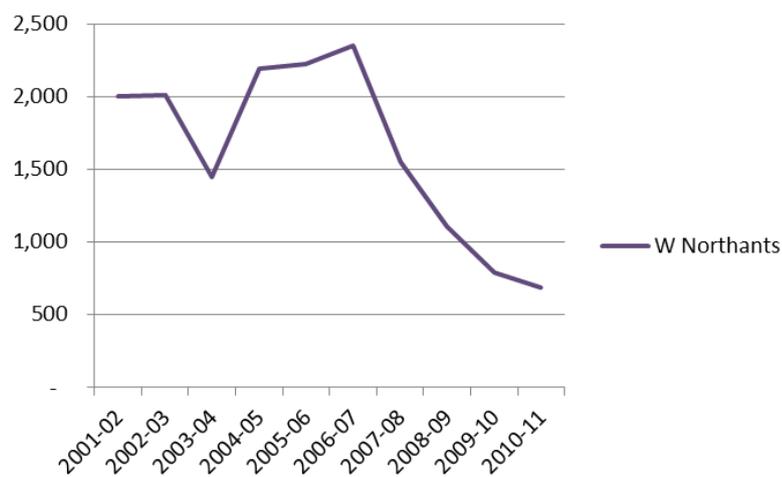


Figure 4.3 Past housing completions in the JCS area



Source: ONS, PBA, JPU

Figure 4.4 Past population change by district

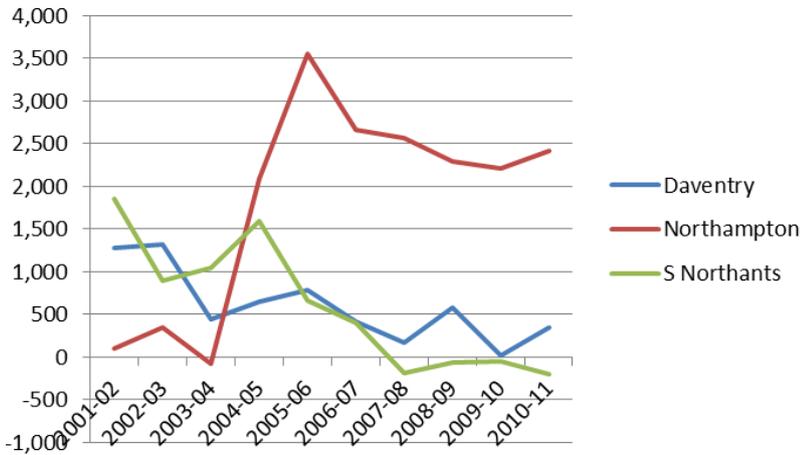


Figure 4.5 Past net migration by district

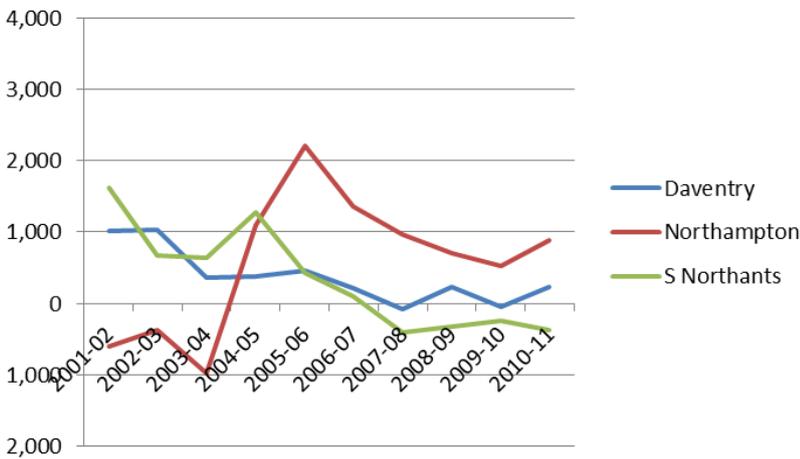
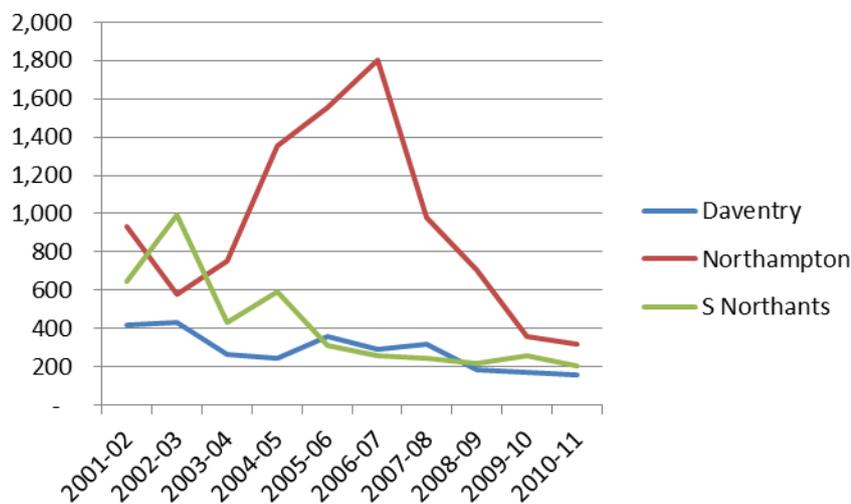


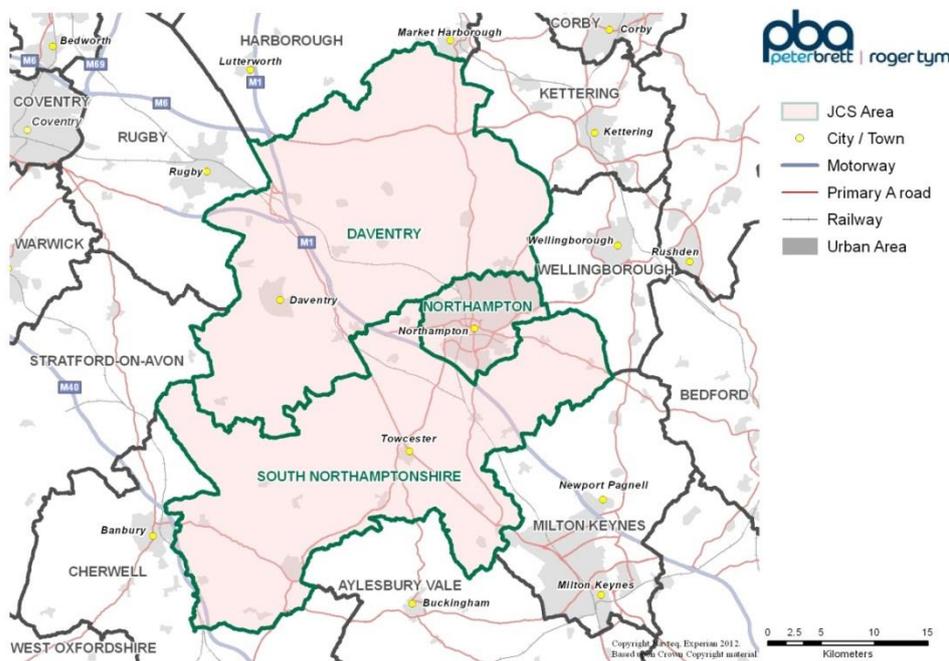
Figure 4.6 Past housing completions by district



Source: ONS, PBA, JPU

- 4.19 The demographic projections, considered on their own, do not and cannot tell us the ‘right’ distribution of the total OAN between the three JCS districts. How development should be distributed between the three districts is not primarily a function of demand, because much of the demand for housing will be footloose across local authority boundaries.
- 4.20 In particular, given that Northampton’s boundary is so tightly drawn around its built-up area (Figure 4.7), many of the households who want to live in Northampton would probably be equally happy to live across the boundary in a neighbouring district. The best minimum measure of this ‘greater Northampton’ demand is probably the 1,200 dwellings per annum (d.p.a.) shown in Trends 2006-11, which takes no account of Grange Park. Which district this demand should be accommodated depends on where there are sustainable, deliverable and attractive sites, not on demographic projections.

Figure 4.7 The West Northamptonshire JCS area



5 CONCLUSIONS

5.1 The 2008-based CLG household projection featured in How Many Homes / What Homes Where showed growth of 2,460 households per annum across the JCS area over the plan period 2011-31. That projection is no longer credible for West Northamptonshire, because the historical data on which it was based have been proved wrong by the 2011 Census. New interim 2011-based household projections were published by CLG in April 2013, but are not helpful, because they are technically flawed and only look forward to 2021.

5.2 To fill the resulting gap in the evidence, we have modelled our own trend-based projection scenarios. These scenarios take full account of the 2011 Census results, and otherwise follow as closely as possible the assumptions and methods used in the official projections. In our preferred scenario, Trends 2001-11, household growth in 2011-31 averages 1,540 per annum.

5.3 With regard to the distribution of growth across districts, as a broad indicative guideline the projections suggest the following average annual increases, in households per annum:

Northampton urban area, including urban extensions in the other districts	1,040
Rest of Daventry	280
Rest of South Northants	220
Total JCS area	1,540

5.4 Housing need calculations usually assume that housing demand exceeds numbers of household by 2-3%, to take account of vacant dwellings as partly offset by second homes. With an allowance of 3%, growth of 1,500 per annum translates into 1,545 net new dwellings per annum (d.p.a.). The indicative distribution across districts is:

Northampton urban area, including urban extensions in the other districts	1,071
Rest of Daventry	288
Rest of South Northants	227
Total JCS area	1,586

5.5 In summary, our projections suggest that the total housing target for the JCS area should not be lower than 1,586 d.p.a, unless sustainable and deliverable capacity demonstrably falls below that number. The targets may be higher, and potentially much higher, if:

- The area has capacity above the minimum figure, and
- The authorities have particular objectives that require greater population growth (such as economic ambitions), and/or
- Neighbouring HMAs have unmet need, which could be exported to West Northamptonshire.

5.6 While the demographic projections provide an indication of underlying trends over the plan period, they do not and cannot predict year-to-year fluctuations in demand. Such short-term fluctuations will not be driven by demographic factors, but rather by economic and market factors, which the projection model does not know about. Given the current economic and

market climate, we would expect demand in the early years of the Plan to be below the benchmark figure of 1,586 d.p.a. The JCS's housing trajectory should reflect this. Otherwise the Councils risk falling foul of the five-year supply requirement in the NPPF.

APPENDIX
DEMOGRAPHY NOTE