Briefing Note

Our ref: 30957/GW
Date: 24 March 2014
To: Newport City Council
From: NLP

Subject: 2011 Based Household Projections Modelling

1.0 Introduction
1.1 This note has been prepared by Nathaniel Lichfield and Partners (NLP) on behalf of Newport City Council (NCC). It considers the impact of the new 2011-based Household Projections on the housing requirements for Newport. It has specifically been written to assist the LDP Examination Inspector and to supplement NCC’s Hearing Session 2 Statement (Question 3) and provides an update to the Assessment of Housing Requirements (February 2013) which forms part of the evidence base to the Newport Local Development Plan.

2.0 Key differences
2.1 The 2011-based household projections provide estimates of future household growth in Newport. They are a function of population projections and household formation rates, both of which are based upon past trends.

2.2 The 2011-based population projections for Newport over the LDP period (2011-2026) are 71% higher than the 2008-based projections. By contrast, however, the 2011-based household projections are only 12% higher than the 2008-based projections. This demonstrates that the household formation rates that underpin the latest projections are significantly below those that informed the 2008-based projections. This conclusion is supported by a consideration of changes to average household sizes in Newport:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-based projections</td>
<td>2.28</td>
<td>2.17</td>
</tr>
<tr>
<td>2011-based projections</td>
<td>2.35</td>
<td>2.30</td>
</tr>
</tbody>
</table>

Source: WG 2008 and 2011 based population and household projections

1 Published 27th February 2014
2.3 Past trends in overall household formation in Newport show a trend towards higher rates of formation and smaller household sizes up until 2001. However, more recent trends between 2006 and 2011 highlight a declining formation rate whereby household sizes are still decreasing, but at a much slower rate than seen previously. Recent household formation rates between 2006 and 2011 are likely to reflect recent constraints on housing availability and affordability (both through supply-side factors such as house building and demand-side factors such as mortgage availability and household incomes).

2.4 This will have placed constraints on new households forming in the same manner as observed in previous trends, potentially leading to higher rates of concealed households, higher rates of household sharing and factors such as young adults staying at their parental home for much longer than has been seen historically.

2.5 The 2011-based projections draw upon the trends experienced between 2006 and 2011 and thereby serve to perpetuate the housing conditions that were experienced during a time of recession. 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 aspirations as the economy recovers and the housing supply situation improves. This is likely to result in an increase in household formation and demand for housing – something which is not reflected in the latest projections and which means that they could underestimate the true level of future household change.

3.0 2011 Based Household Projections Scenarios

3.1 In undertaking this revised assessment, NLP has tested the following scenarios in order to take account of this latest data:

1. New baseline (2011-based);
2. New long term migration (revised MYE based);
3. Zero Net Migration (re-run of Assessment of Housing Requirements scenario C); and,
4. Experian Economic Forecast rerun (re-run of Assessment of Housing Requirements scenario E)

3.2 Each of these scenarios has been tested using the latest 2011-based household formation rates. The economic and second homes/vacancy assumptions that were used in the Assessment of Housing Requirements have also informed the analysis that underpins this report.

3.3 The Cardiff adjustment scenario (Scenario D) has not been tested as part of the analysis that has informed this update note. This scenario was based on Edge Analytics’ recalibration of 2008-based projections for Cardiff. Given that the 2011 projections are now being used, the previous analysis by Edge...
Analytics is not applicable and no relevant assessment that has been completed on the new 2011 projections.

The results of NLP’s updated analysis are set out in the table below.

### Table 2  Summary of Revised Demographic and Economic Scenarios over LDP Period (2011-2026)

<table>
<thead>
<tr>
<th></th>
<th>Demographic Led</th>
<th>Economic Led</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Census 2011 SNPP</td>
<td>Long Term Migration</td>
</tr>
<tr>
<td>Pop. Change</td>
<td>15,588</td>
<td>11,539</td>
</tr>
<tr>
<td>of which Natural Change</td>
<td>11,237</td>
<td>9,994</td>
</tr>
<tr>
<td>of which Net Migration</td>
<td>4,351</td>
<td>1,545</td>
</tr>
<tr>
<td>Household Change</td>
<td>7,990</td>
<td>6,540</td>
</tr>
<tr>
<td>Dwelling Change</td>
<td>8,310</td>
<td>6,800</td>
</tr>
<tr>
<td>Dwelling p.a.</td>
<td>554</td>
<td>453</td>
</tr>
<tr>
<td>Labour Force</td>
<td>4,895</td>
<td>2,239</td>
</tr>
<tr>
<td>Jobs</td>
<td>4,795</td>
<td>1,930</td>
</tr>
</tbody>
</table>

Source: NLP Analysis of PopGroup Outputs

3.5 As set out in the *Assessment of Housing Requirements*, NLP recommend that the housing requirement for Newport should be aligned with the anticipated level of economic growth within the City over the LDP period. Such alignment of housing and the economy is essential to ensuring sustainable development and support for growth. NLP therefore recommend that the employment-based scenario provides the most robust basis by which to assess the future housing requirement.

3.6 Despite the 2011-based population projections being significantly higher than the 2008 projections, this is not reflected in the household and subsequent dwelling projections. The dwelling requirement associated with the revised Experian Economic Forecast is approximately 300 dwellings lower than the figure set out in the *Assessment of Housing Requirements*. However, because of the shortcomings associated with the 2011-based Welsh Government household projections, NLP do not recommend that the housing requirement figure contained within the LDP should be revised in the light of the latest projections.
4.0 Conclusion

4.1 Despite the latest 2011-based population projections being significantly higher than the 2008 projections for Newport, this is not reflected in an equivalent rate of household growth. Basing household projections upon the expected continuation of conditions that were experienced during the recession fails to reflect the Welsh Government’s objectives in respect of increasing the supply of housing. It would also not reflect both the Welsh Government’s and Newport Council’s aim to achieve economic growth. It would therefore ignore evidence that shows how formation rates would be expected to rise as a result of economic growth and would thereby result in an underestimation of future household growth.

4.2 The Welsh Government’s statement to Hearing Session 2 of the Newport LDP Examination states that it does not consider it necessary to make any adjustment to the housing requirement figure identified in the Newport LDP as a result of the latest WG projections:

“The WG government (sic) considers it inappropriate to replicate previous patterns strongly influenced by negative economic factors. LPAs should take a positive approach and maximises economic opportunities and the consequent implications for housing provision. The Welsh Government supports Newport’s positive approach to planning for the future”

4.3 NLP concur with this view and consider it to be entirely appropriate and robust to continue to apply the 2008 based household formation rates, recognising that these are based on a period of economic growth closer to which the Council is aspiring to in the LDP.

4.4 On this basis, NLP concludes that the requirement for 10,350 dwellings over the Plan period remains the most robust basis for planning for future housing demand in Newport.