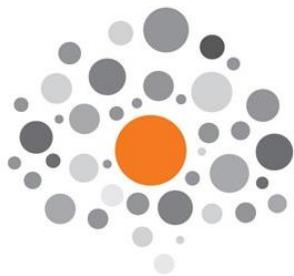


Demographic advice for East Devon Council

August 2015



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EXECUTIVE SUMMARY

- E1. 2012 headship rates should be used as the “latest start point”
- E2. Official 2012 SNHP by CLG are still subject to possible change to fully reflect further commissioned Census data; however, the advice is still clear as to the status of the latest projections, and their use.
- E3. The Feb 15 Edge report used the mid-point of the 08/11 headship rates. This was appropriate and logical at the time. The reason different approaches were developed which mid pointed the dwelling outputs arising from the application of the 08 and 11 headship rates was not directly driven by a debate about the headship rates themselves, but as a wider balancing act to the lack of robustness, and the shorter time period of the 2011 interim projections. The 2012 SNHP are for a full period of 25 years.
- E4. The core assumptions used in the Feb 2015 report by Edge remain valid, and no clear evidence was presented to the examination to challenge these substantially.
- E5. The most significant of these are economic activity rates and the commuting ratio. The latest Edge report (Aug 15) undertakes a series of combined sensitivity tests on these core assumptions, which help with an understanding of possible variant results arising from lowering or raising the appropriate rate or figure.
- E6. This allows a better understanding of possible ranges of likely outcomes and impacts of specific changes to trends, or of planned investments.
- E7. No convincing case was made at examination for significant changes to be made, either to the core assumptions, or to introduce a sensitivity test of a different magnitude to those that have been included in the Edge Report.
- E8. The unemployment assumption could be made the subject of a sensitivity test, however this is unlikely to be significant and again no evidence was presented that suggested anything other than a reasonable return to the area’s pre-recession level. This has been a reasonable approach by Edge in their update.

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1 PROJECTIONS

Official projections

Introduction

The status of the 2012 Sub national household projections is clear, and confirmed within the latest online version of the NPPG.

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

Revision date: 27 02 2015

<http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/>

The guidance expects that these are tested against local data and understanding.

- 1.1 The status of these projections and the associated use of their headship rates is clear, and not compromised by the fact that the projections themselves are due for further revision. The methodology of the 2012 release states that further work on Stage two outputs is still awaited, which includes more detailed analysis of 2011 Census data on household formation.
- 1.2 While early analysis of the data commissioned by CLG for the preparation of the household projections, suggested significant departures in trend for some demographic groups, CLG expressed uncertainty as to the robustness of this observation. It is not clear whether all geographic areas will be impacted equally by any further changes.
- 1.3 At this point of time, it is uncertain whether these further changes will prove significant. The guidance remains clear as to the requirement to use the 2012 headship rates in the meantime
- 1.4 The 2012 headship rates are appropriate to use as the demographic start point.

2 ASSUMPTIONS

- 2.1 The key assumptions in the Edge Aug 15 report are unchanged from the Edge Feb 2015 report. This is reasonable and justified and these remain valid for further use.
- 2.2 Compelling evidence was not presented in the Local Plan hearings to justify any significant shifts away from these assumptions.
- 2.3 The assumptions used were:
- Unemployment Rate: incrementally reducing from 4.8% to 2.8% by 2020 (kept fixed throughout the remainder of the forecast period).
 - Commuting Ratio: fixed at the 2011 Census ratio of 1.11.
 - Economic Activity Rates: 2011 Census Economic Activity Rates with adjustments made to the 60–64 and 65–69 age groups to account for changes to the State Pension Age (SPA)

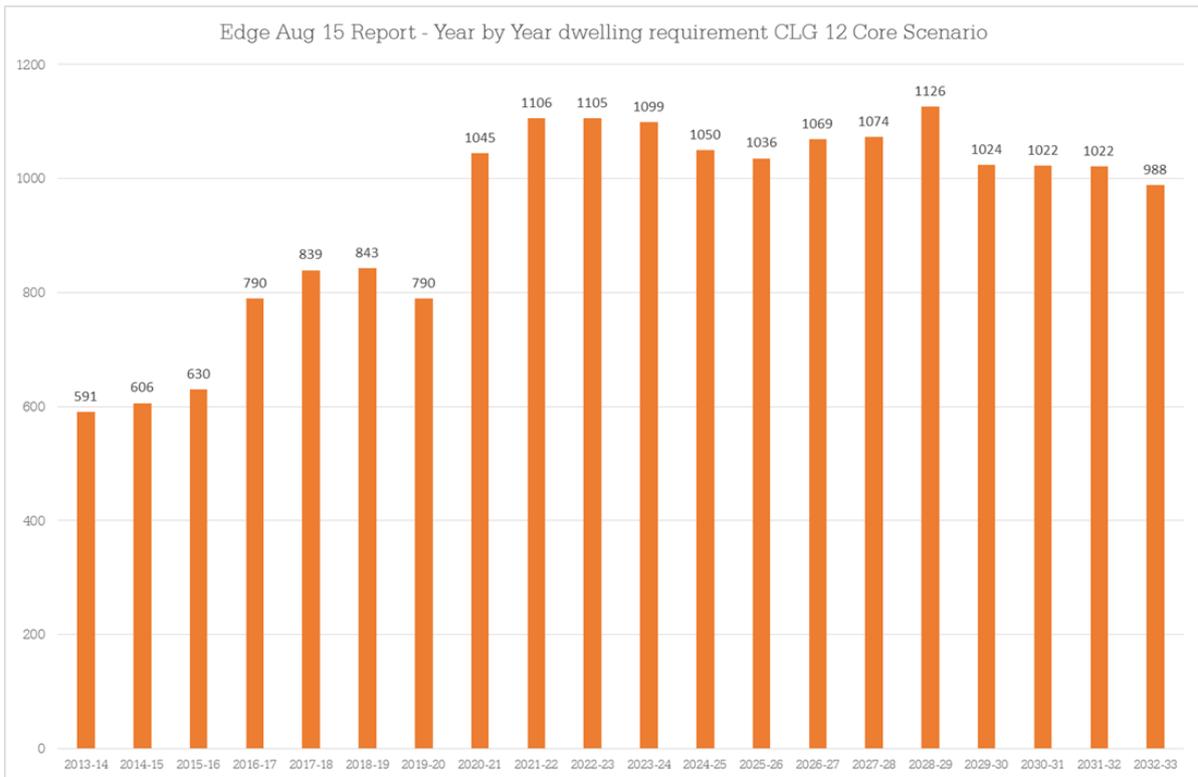
3 SENSITIVITY TESTS

- 3.1 Edge Analytics have applied sensitivity tests to the key assumptions around economic activity rates and commuting ratios to illustrate a series of combinations which could impact on the core assumptions
- 3.2 Economic Activity rates are tested by exploring the impact of maintaining 2011 Census rates for males and females constant at this level (EA1) and by varying the age specific rates in line with the OBR most recent analysis (EA2). This includes modelling an uplift in economic activity rates for the 70-74 age group as suggested at the examination hearing. Edge note that the current OBR rates are higher than those originally used in their Feb 15 report are. In EA2, the age-specific Economic Activity Rates are increased from 2011 to 2031 in line with the forecast 'employment rate' changes detailed in the Office for Budget Responsibility's (OBR) most recent analysis of the UK's labour market (<http://cdn.budgetresponsibility.org.uk/41298-OBR-accessible.pdf>). The age-specific rates implied by the OBR analysis are significantly higher than the, relatively prudent, changes implied by the original Edge Analytics core economic assumptions.
- 3.3 The commuting ratio is varied to illustrate both a fall and rise in the level of out commuting.
- 3.4 It should be remembered that commuting ratio is a measurement of the relationship of workers who are usually resident in an area and work anywhere in the UK, and jobs, which includes all people who work within the given area (including those who work at home). So $\text{Commuting ratio} = \text{Workers} / \text{Jobs}$.
- 3.5 This should be seen in the context of Census flow data. The 2011 Census showed 26468 residents of East Devon work in East Devon, 18,405 residents of East Devon work elsewhere in the UK, and 12,500 residents of the UK work in East Devon, a net out flow of -5905.
- 3.6 Unemployment has not been sensitivity tested; this seems a reasonable approach given the basis of the policy on scenario is job creation through major investments/projects in the area. Looking at the latest evidence on unemployment rates, the core assumption still looks realistic, and there is no real need for further sensitivity testing. The jobs led scenario of the original Feb 15 Edge Analytics report, updated in August 15 are both predicated on the sound logic that increasing employment in the area will lead to a reduction in unemployment. This is

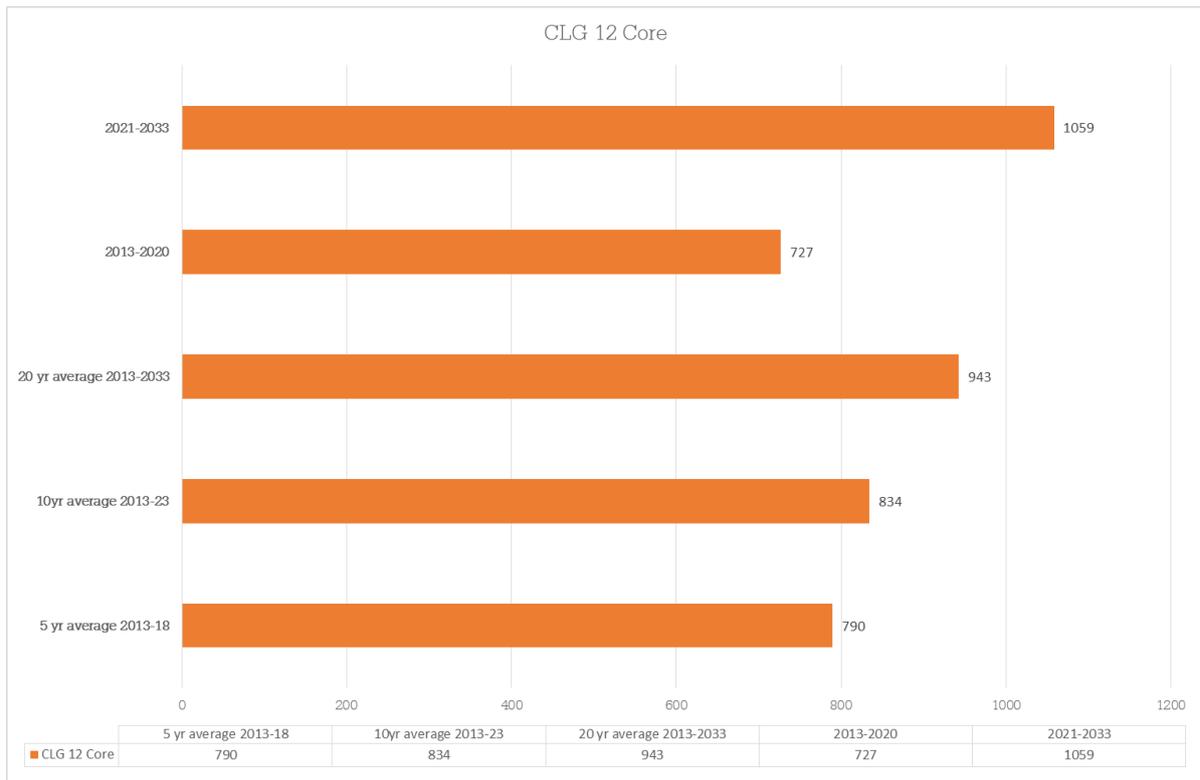
modelled as happening in the first part of the plan period (up to 2020), and the unemployment rate is kept stable thereafter.

4 PHASING OF THE PROJECTIONS

- 4.1 The core assumptions (or sensitivity tests) use 2020 as a benchmark in splitting the plan period. This is a practical and pragmatic approach, both to modelling impacts of likely changes, and in terms of having some greater certainty over the immediate near future.
- 4.2 The impact of this is that the dwelling requirement is not evenly distributed across the whole plan period.
- 4.3 The first five years of the plan period projection (Aug 15 report using 2012 rates core scenario) show almost 250 dwellings less are created compared to the 20 yr. average. Graphically this distribution looks like this:



4.4 This table shows the average dwelling projection for the following periods



4.5 The projections overall in the Edge Analytics report are presented as a whole period average. This is both standard practice and typically a pragmatic response, especially where annual figures vary. However, the data behind the projections is useful for the Council in terms of understanding likely phasing and the impact of the modelled assumptions.

4.6 There is a step change in the data within the projections for housing requirements from the earlier (2013-2020) and later (2021-2033) parts of the plan period.

5 SCENARIO RESULTS

- 5.1 It is recommended that the CLG 12 core scenario is the appropriate update of the Edge Analytics Feb 2015 report core scenario, which presented a dwelling growth outcome resulting from the application of each of the headship rates alternatives (08 & 11).

Robin Miller

4th August 2015.