



## SCRUTINY TASK GROUP REPORT

### JOINT CORE STRATEGY (JCS) HOUSEHOLD FORMATION RATES PROJECT

23 JANUARY 2013

#### 1. INTRODUCTION

- 1.1 On 15 October 2012, Council received a report of the Chief Executive which set out this Council's approach to engaging with and resolving issues which had arisen following the presentation of reports to the Councils of the other JCS partner authorities.
- 1.2 Following the debate, Council resolved to "*refer to the Council's JCS Planning and Liaison Overview and Scrutiny Working Group the task of evaluating alternative methods of assessing household formation rates over the plan period, feeding conclusion and recommendations into the JCS "Preferred Option" process for consideration by the 3 JCS Councils*".
- 1.3 This report sets out the process by which this work was undertaken, summarises the main findings and makes recommendations to be considered by the JCS Member Steering Group on 31 January 2013.

#### 2. BACKGROUND TO THIS OVERVIEW AND SCRUTINY REVIEW

- 2.1 The National Planning Policy Framework (NPPF) requires local planning authorities to evidence and defend their local housing requirements at examination. This places a requirement on local authorities to ensure that housing requirement figures that are set out within local plans are soundly rooted in a robust evidence base.
- 2.2 The JCS "Developing the Preferred Option Consultation Document" was published for consultation in December 2011. The issue which generated most responses to the consultation was the methodology used to calculate future housing requirements for the JCS area.
- 2.3 In response to these concerns the JCS authorities commissioned independent consultants to review the JCS methodology and make appropriate recommendations.
- 2.4 On 24 September 2012, Council received a report of the Leader of the Council outlining the progress being made on the evidence base for establishing the objectively assessed need for housing in the JCS area. Council accepted the 7 recommendations which had been agreed jointly between the JCS authorities and also adding 3 further CBC specific resolutions which were subsequently withdrawn following the Chief Executive's report of 15 October 2012.
- 2.5 Paragraph 1.6.1 of the Chief Executive's October report states "*the development plan examination process has the testing of evidence at its heart. The plan must be soundly-based. Any technical information regarding housing need that is to be considered by the JCS authorities must therefore be in the form of defensible evidence, must be based on objective and unbiased analysis and the source of the evidence must be transparent.*"
- 2.6 The report goes on to say in paragraph 1.6.3 "*acting upon information that may not meet the requirements touched upon at 1.6.1, or which does not accord with due process, would leave the JCS authorities open to procedural or legal challenge, either now or later in the process.*"
- 2.7 One of the withdrawn recommendations from the 24 September 2012 report related to the matter

of household size and its role in the calculation of the number of new dwellings required. Whilst the issue of household size was not a matter in dispute by the other JCS partner councils the Chief Executive pointed out in his report that it would be *“legitimate for CBC to examine the issue of household formation should it wish to do so, in order to satisfy itself that the matter has been explored thoroughly and from various evidential angles”*.

- 2.8 The October report recommended therefore that the JCS Planning and Liaison Working Group be requested to take this work forward, potentially with the involvement of the Planning Advisory Service (PAS) in the role of critical friend and *“report its findings into the JCS Preferred Option preparation process for consideration by all 3 councils in due course”*.

### **3. WORKING GROUP MEMBERSHIP AND TERMS OF REFERENCE**

3.1 Membership of the JCS Planning and Liaison Overview and Scrutiny Working Group comprises:

- Councillors Tim Harman (Chair), Ian Bickerton (Vice-Chair), Les Godwin, Helena McCloskey, Jo Teakle and Andrew Wall
- Councillor Steve Jordan (Leader of the Council) – observer (non-voting)

3.2 Members considered the terms of reference for the working group at its meeting on 21 November 2012 (attached). It should be noted that the terms of reference for the working group are much broader than the subject matter of this report. Members agreed therefore that the specific issue of ‘household formation rates’, as requested by Council, was to be the sole focus for the group over the immediate period, whilst recognising the wider ambitions for the working group as originally laid out.

3.3 Members also agreed that they wished to invite co-optees from the other JCS partner councils to attend meetings of the working group. Councillor Derek Davies (Tewkesbury Borough Council) and Councillor Chris Chatterton (Gloucester City Council) were subsequently nominated as co-optees.

### **4. METHOD OF APPROACH**

4.1 The working group has met on 6 occasions since Council requested it consider the matter of household formation rates. The working group has been supported by the following officers:

- Sponsoring Officer - Pat Pratley (Executive Director)
- Officer experts – Mike Redman (Director of Built Environment), David Halkyard (Interim Strategic Land Use Manager)

4.2 Members would like to thank Jennie Williams (PA to Pat Pratley) and Rosalind Reeves (Democratic Services Manager) for their support to the review.

4.3 Members would also like to thank PAS and in particular Adam Dodgshon (Principal Consultant) for support given to the working group.

4.4 Meetings of the working group have not been open to the public, however, the public has been informed of progress via updates on the Council’s JCS webpage.

### **5. INDEPENDENT PEER REVIEW OF HOUSEHOLD FORMATION RATES PROJECT AND TIMELINE**

5.1 At the first meeting of the working group officers explained that the specialist work necessary to provide Members with the evidence they were seeking with regard to household formation rates was not something that could be delivered from within the Council’s own officer resource.

5.2 The peer review work was a matter of concern to CBC alone and there was no parallel process

for this specific topic area forming part of the overall JCS project.

- 5.3** In view of the specialist nature of the work required, officers had sought the advice and support of the PAS whose role it is to assist local planning authorities to manage and deliver changes in their plan making functions. PAS fulfils this role by commissioning suppliers with expertise in specific areas. PAS had also committed to provide 5 days free consultancy support to provide a critical friend challenge. PAS support to the Council with the preparation of the project brief (section 6) was greatly appreciated.
- 5.4** Members of the working group endorsed the peer review brief (subject to minor amendments) at its meeting on 21 November. Potential suppliers were provided by PAS from their commissioning framework with a consultant appointment meeting taking place on 5 December 2012. The aggressive timeline was necessary so that all 3 JCS councils could consider the work on household size to fit in with the wider JCS timetable by the end of January 2013.
- 5.5** An appointment meeting took place on 5 December 2012. Following receipt of suitable references and a Member presentation followed by questions and answers, Cambridge Centre for Housing and Planning Research (CCHPR) was appointed to undertake the independent peer review of household formation rates.
- 5.6** CCHPR presented its draft report to the working group on 21 December 2012 and the final report on 14 January 2013. They have been commissioned to support the Chair of the working group in the presentation of the report to the Overview and Scrutiny Committee Meeting on 23 January 2013 and also to present to the JCS Member Steering Group on 31 January 2013.

## **6. PROJECT BRIEF – AIM AND OBJECTIVES**

- 6.1** The project brief, as approved by the working group, outlined the aim of the project as:

“On behalf of Cheltenham Borough Council, to undertake an independent peer review of the evidence with regard to trends in household formation rates (which also covers average household size) for the Joint Core Strategy (JCS) covering the Cheltenham Borough Council, Gloucester City Council and Tewkesbury Borough Council areas.

- 6.2** In particular, the review sought to:

*“Critically examine (i) the methods and assumptions that have been used to establish household formation rates<sup>1</sup>; and (ii) the way in which household formation rates, including average household size are reflected in the current assessment of housing need. Following this, the review should make recommendations in relation to (i) the suitability of the methods used to determine household formation rates, including any alternative methods that might be employed and their merits; and (ii) the way in which household formation rates should be used to inform needs assessment having regard to established national practice.*

- 6.3** Whilst the review was commissioned by CBC, the working group was keen to understand the implications of household formation rates for housing needs across the JCS area, including any discernible trends in the rate of household formation and how information on formation rates should be reflected in the overall assessment of housing need.

## **7. THE REVIEW FINDINGS**

- 7.1** Members of the working group considered CCHPR’s draft report on 21 December 2012 and asked a number of questions of clarification. Members were generally comfortable with the findings, with only subsequent minor amendments being requested to the draft. The final report was presented by the consultants to the working group on 14 January 2013 (attached).
- 7.2** As required by the project brief, the report has sought, through evidential research, to address the following issues:

---

<sup>1</sup> The process whereby individuals in the population form separate households.

- What is happening to household formation patterns nationally and how is this affecting average household size?
- How are the changes affecting the JCS area?
- Are the changes the beginning of a new long term trend, or a short term departure from an established trend?
- What assumptions about household formation rates should be made for the JCS area and how much uncertainty should be planned for?

**7.3** The report to Council of 24 September 2012 had recommended that the demographic methodology used to establish housing requirements for the JCS area should be based upon Office of National Statistics (ONS) and Department of Communities and Local Government (DCLG) data, because it would be consistently available and subject to on-going updating. Members were keen to ensure that the review identified whether any significant reason existed to vary from the ONS projections.

#### **7.4 Main Findings of the Household Formation Rates Peer Review**

The main findings of the report are summarised in section 13 and within the Executive Summary. Specific paragraph references are included here for ease of reference for the reader.

- 7.4.1** The review identified that a range of household projections had been used as part of the work to develop the joint core strategy (para 4.1). It was necessary therefore to confirm that there were no material errors in the way in which the DCLG household representative rates had been applied. The review concluded that there were no material errors.
- 7.4.2** When the 2008 DCLG household projections are compared to the 2011 census (para 6.1), the result is more people and fewer households than anticipated. For the first time for at least a century the average household size did not fall between censuses.
- 7.4.3** The 3 JCS authority areas broadly followed the national pattern but to varying degrees. In all 3 areas there were more people and fewer households found in the 2011 census than the 2008 DCLG projections had anticipated. Gloucester's increase in household size was the greatest of the JCS authority areas.
- 7.4.4** Evidence from an ONS study (May 2012) suggests that the departure from projected household formation trends amongst single person households, particularly young adults, can be partly attributed to more young adults living with parents
- 7.4.5** Evidence from Census data released by ONS on 11 December 2012, which provides a breakdown of household types at local authority level, indicates that significantly fewer single person households were found by the Census in the JCS authorities than the projections had suggested. It should be noted that more data will be available in summer 2013.
- 7.4.6** DCLG analysis of the impact of changing household formation rates for the JCS area indicate that the growth in the size of the population and the shift in the age profile to older age groups who tend to live in smaller households, will have a greater impact on housing need as compared to household formation rates (para 10.5).
- 7.4.7** As the changes that have occurred in household formation rates have predominantly affected single person households which tend to be hit first by affordability issues, this group is also likely to be flexible enough to respond quickly to better economic conditions. Past performance of the housing market suggests that some return towards trend is therefore likely, even if complete recovery to the pre-2007 position is not foreseeable.
- 7.4.8** The report concludes that even if there were no return to trend, the impact on the number of extra

households formed in the JCS area between 2011 and 2031 would only be likely to be a reduction of around 13% from ONS/DCLG projections (para 10.9).

## **7.5 Peer Review Conclusions and Recommendations**

- 7.5.1** The report concludes (section 14) that changes that have occurred in household formation rates have predominantly affected single person households. Older single person households were also affected.
- 7.5.2** Even if there were no return to trend the impact on the number of extra households formed in the JCS area between 2011 and 2031 is only likely to be a reduction of around 13%.
- 7.5.3** Some return to trend is likely even if complete recovery to the pre-2007 position may not be foreseeable.
- 7.5.4** Therefore, the prudent approach would be to plan on the basis of the projected household formation rates that underpin DCLG's 2008 based projections applied to the most recent population projections.
- 7.5.5** Sensitivity analysis should be carried out to the projection and flexibility built into the core strategy against the eventuality that a recovery to trend does not occur.
- 7.5.6** The report suggests a potential approach is to construct a "hybrid" projection that uses ONS's interim 2011 projections to 2021 and then follows the trend suggested by the 2010-based projections.

## **8. CONSULTATION AND FEEDBACK**

- 8.1** Consultation has taken place with the JCS project team and in particular the Cross Boundary Programme Board. The Member Steering Group for the JCS has been kept apprised of the review as it has progressed. Three CBC Members of the working group are also members of the JCS Member Steering Group and therefore have provided a means of keeping the other JCS councils apprised of progress with this project.
- 8.2** As explained earlier, Member co-optees have been invited to, and have attended meetings of the working group, been consulted on the selection of the consultants and invited to the draft and final report presentations.

## **9. RECOMMENDATIONS**

- 9.1** As required by Council the working group will report its findings into the JCS process for consideration by all 3 councils on 31 January 2013 recommending that:
  - 9.1.1** **The JCS continue to plan on the basis of the projected household formation rates that underpin DCLG's 2008 based projections applied to the most recent population projections**
  - 9.1.2** **The JCS consider the need for sensitivity analysis and scenario planning on a plus/minus percentage basis as regards household formation and other factors**
  - 9.1.3** **The JCS consider the merits of a hybrid projection approach as outlined in para 7.5.6 above.**

## **10. TAKING FORWARD THE RECOMMENDATIONS FROM SCRUTINY**

- 10.1** The working group request that Overview and Scrutiny endorse the recommendations contained in this report and forward them to the Joint Core Strategy Member Steering Group.

<b>Contact Officers</b>	<p>Pat Pratley, Sponsoring Officer, <a href="mailto:pat.pratley@cheltenham.gov.uk">pat.pratley@cheltenham.gov.uk</a> 01242 775175</p> <p>David Halkyard, Interim Strategic Land Use Manager, <a href="mailto:david.halkyard@cheltenham.gov.uk">david.halkyard@cheltenham.gov.uk</a> 01242 774988</p> <p>Mike Redman, Director of Built Environment, <a href="mailto:mike.redman@cheltenham.gov.uk">mike.redman@cheltenham.gov.uk</a> 01242 264160</p>
<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Terms of Reference – Joint Core Strategy and Planning Liaison Working Group</li> <li>2. Final Report – Independent Peer ~Review of Household Formation Rates – January 2013</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1. CBC Reports to Council dated 24 September 2012 and 15 October 2012</li> </ol>