Matter 2 – SOCG Addendum Note on Household Formation Rates

1. At the hearing sessions commencing 8th October 2019 the Inspector requested a point of clarification to be addressed between the Tandridge Housing Forum (THF) and the Council (TDC and NMSS representing them) relating to the calculated adjustment for household formation. The broad point made by NMSS was that, of the difference using NMSS’ “2001 ‘age only’ HRR floor” method (HNS5 para 4.13), 90% related to older age groups and only 10% related to younger age groups. NMSS’ calculation has been shared with THF and we understand is included within TDC’s Annex to the original SoCG at Appendix 2.

THF Approach to testing Household Formation Rates

2. By way of summary on THF’s approach; THF’s starting point for the consideration of adjustments to the official sub-national household projections (SNHPs) is set out in evidence in THF’s Matter 2 OAN Technical Report (Appendix B, para 3.17 to 3.20; para 3.25 to 3.32; and para 3.50 to 3.56).

3. The approach to modelling population and household change in Tandridge using the official projections follows a relatively simple process. Once the population projections have been derived, these are then converted into households by applying assumptions of the proportion of people (grouped into five-year age bands and divided up into different household types) who are likely to form households by age, sex and household type. This is done by applying Household Formation (or ‘Representative’) Rates, or HRRs, for each age band by sex across each household group. This was done via standard industry modelling software POPGROUP, which allows for sensitivity testing of the official published HRR assumptions. As set out in THF technical report, adjustments to the 2016-based HRRs were tested. The approach taken by THF was to mirror the approach considered by TDC (summarised at Table 4.1 of HNS5), which involved an adjustment to the 2016-based HRRs based on an ‘Age Only’ approach to ensure that no rates were observed as declining from 2001 onwards across any five-year age range for both males and females by household type.

4. The process of adjustment involved considering what the 2016-based HRRs were at 2001 and looking to see if they decreased, increased, or remained the same up to 2011. If rates were observed to decline, then they were increased at a proportionate rate from the rates observed at 2013 back up to the rate at 2001, by the year 2033. All those rates that were projected to increase were left unchanged. In terms of how the rates were specifically adjusted, these were applied to the population projections alongside the other adjustments within the model that THF see as being appropriate (including adjustments to account for more recent population estimates and also for an alternative migration trend).

5. THF presented three ‘scenarios’ which considered alternative assumptions for household formation (see THF Matter 2, Appendix B, Table 3.5). The result of this is also summarised in the Statement of Common Ground (SoCG, Table 1). THF note that the +73dpa increase is equivalent to +83dpa in the calculations provided by TDC/NMSS at Appendix B to their note:
  - +51 (61%) is within the 65+ age group
  - +23 (28%) is within the 55-64 age group
  - +9 (11%) is within the 16-54 age group (concentrated in the <40 ages).

6. The mathematics of NMSS’ “2001 ‘age only’ HRR floor” method is therefore not in dispute. However, THF consider it is incorrect to interpret this, or draw inference, that household formation in Tandridge has not been suppressed and therefore there is no requirement to make an adjustment for this factor. Notably:
  6.1. THF highlighted that applying the formation rates that underpinned 2014-based household projections to the projected population within the 2016-based projections also supports an uplift (THF Matter 2 Appendix B para 3.55). Noting the specific methodological differences between the 2014-based projections and 2016-based projections (THF Matter 2 Appendix B para 3.19) applying
the 2014-based projected HRR’s results in a +37dpa increase over the 2016-based counterparts. 25% of this is concentrated in the <40 age groups.

6.2. Returning household formation rates to their 2001 levels is not a cure-all for any household suppression effects. Affordability in Tandridge was already poor relative to its neighbours (THF Reg 19 representations, Appendix 1 pg 21 Figure 3.7) whilst increases in household formation in Tandridge had already broadly plateaued compared to earlier trends by 2001 (see TDC’s document HNS22 paras 54-56 and Chart 15 as referenced in THF Reg 19 representations). The focus should be on an adjustment of an amount that will address this suppression and unlock any pent-up household formation. In THF Reg 19 response (Appendix 2 para 3.22-3.24) a further approach was considered even against the above 2014-based projected HRR’s (returning rates for 25-44 age cohorts part-way towards the long-term trend as seen in the 2008-based projections), resulting in an uplift of +28dpa in those age groups.

6.3. Household formation rates for younger age groups in 2001 and 2011 for Tandridge are significantly lower than equivalents for England and the South East. In 2001 the HRR for the 25-44 age group combined was 46.4% in Tandridge decreasing to 45.8% in 2011 (compared with 51.5%/49.8% in England and 50.4%/48.8% in South East). THF consider this indicates household suppression is, by now, systemic and entrenched in the projections for Tandridge.

7. Considering the above, THF continue to interpret the range of evidence as supporting an uplift for this factor. In light of the above, and the written and oral evidence submitted to the Examination, THF remain of the view that an uplift of 73dpa is appropriate but that, if reduced, such an uplift should not be less than the 28dpa referred to in the THF Regulation 19 representations and, in addition, that the range of evidence does not support the nil uplift for HRRs applied by TDC.

Other factors

8. We note the Inspector also requested the provision of the ONS affordability ratio data for Tandridge and comparator areas. We understand these are included in TDC’s Annex to the original SoCG at Appendix 1 and are agreed by THF as being the position published by ONS.

9. THF’s position and approaches on all other relevant adjustments required to arrive at an OAN is as previously provided within our evidence to the Examination in both written and oral form; it is not repeated here for want of keeping additional submitted material concise and focussed.

1 Appendix 2 to the THF Regulation 19 Representations at paragraph 3.23. An uplift for the 25-44 age cohorts.