



# North Essex Authorities (NEAs) Section One Shared Strategic Plan

## Matter 3: Housing Need

## Further Hearing Statement

December 2019

## Matter 3

### Housing need

#### Issue

Since the Inspector's supplementary post-hearings letter to the NEAs, has there been a meaningful change in the situation regarding housing need in North Essex?

#### Question 1

**Is there evidence to demonstrate that there had been a meaningful change since June 2018 in the situation regarding housing need in North Essex, particularly in respect of:**

- a) published population and household projections?**
- b) the impact of UPC on population and household projections, especially in Tendring District?**
- c) market signals and affordability?**

Response prepared by Peter Brett Associates on behalf of the NEAs

#### Summary

3.1.1 There is no evidence of any meaningful change since June 2018 in the situation regarding housing need in North Essex. The specific factors mentioned by the Inspector have not changed, nor is there evidence of any other meaningful changes.

#### Published population and household projections

3.1.2 In respect of population, there has been no change in the official projections since the Inspector issued his views on *Meeting the Need for New Homes* on 27<sup>th</sup> June 2018. The latest projection remains the 2016-based Sub-National Population Projection (SNPP 2016), published in May 2018.

3.1.3 In regard to households there has been a change. At the time of the Inspector's letter the latest official projection was the 2014-based release, published in 2016. On 20<sup>th</sup> September 2018, after the Inspector's letter, the ONS released the 2016-based household projections (HP2016). These updated projections are derived from the population in SNPP 2016, to which they apply updated household formation rates<sup>1</sup>.

3.1.4 The 2016-based formation rates are lower than the 2014-based ones, so that from any given population they predict fewer households. This is because the ONS adopted a new method, in which future formation rates carry forward the trend

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<sup>1</sup> The household formation rate is the factor that translates population into households. For each age-sex group, it shows the proportion of the population who are household representatives (formerly known as heads of household). As each household has one representative and only one, the number of representatives equals the number of households.

between 2001 and 2011- a period in which household formation was subdued. For this reason the Government considers that the 2016-based household projections understate true housing need. This is why as a starting point for the standard method it uses the 2014-household projections.

- 3.1.5 In relation to North Essex, the NEAs consider that the 2016-based household projections are not a meaningful change that bears on housing need. That is because a needs assessment based on the more pessimistic 2016 household formation rates would risk understating true housing needs, and policies based on such needs assessment would risk providing too little housing. Therefore the authorities consider that the existing housing needs assessment, which was supported by the examining Inspector in June 2018, remains valid.

#### The impact of UPC on the projections, particularly for Tendring

- 3.1.6 The latest household projections make no difference to the impact of the UPC, because the UPC relates to population rather than households. In June 2018 the Inspector's letter (para 15) endorsed the NEA's position that the 2016-based SNPP was unreliable for Tendring, due to the errors in ONS data that caused the UPC ('the UPC errors'). The latest household projection, HP 2016, issued after the Inspector's letter, translates the population shown in SNPP 2016 into households. It follows logically that HP2016 is unreliable for Tendring, just like SNPP 2016 as it is affected by the same UPC errors. In other words, the latest household projection does not change the position.
- 3.1.7 Since the Inspector's letter, a succession of recent appeal decisions have considered the implications of the UPC for Tendring's housing need. All those decisions support the Council's position that the official demographic projections are unreliable, due to the UPC errors. Their main findings on this matter are summarised below.
- 3.1.8 In September 2018 the Ardleigh Inspector (APP/P1560/W/17/3185776, September 2018) saw no reason to depart from the examining Inspector's view on housing need, finding in particular that the official population projections were '*uniquely compromised*'. Also in September 2018, the Inspector considering the re-determined Centenary Way decision (APP/P1560/W/16/3164169) came to the same conclusion, referring to the previous Centenary Way decision as well as the examining Inspector's view:

*'... find the appellant's evidence... insufficient to lead me to any different conclusion to the [Centenary Way] Inspector in the May 2018 appeals or those of the [North Essex] examining Inspector.*

- 3.1.9 More recently, in April 2019 the Edenside Inspector (APP/P1560/W/18/3196412) came to the same conclusion:

*'I agree that the continuing errors in the population projections arising from UPC raise significant questions about the validity of the local housing need figure of*

*857dpa [based on the official projections]. I consider it likely that this figure is an overestimate of the true housing need in the District.'*

3.1.10 The Lifehouse Inspector in June 2019 (APP/P1560/W/18/3194826) again confirmed this view:

*'The probability is that the 2014 based<sup>2</sup> household projections have been derived from flawed demographic data for Tendring District, a conclusion reached by a number of inspectors in appeals and in the Local Plan examination.'*

3.1.11 Finally the Grange Road Inspector in October 2019 (APP/P1560/W/18/3201067) in took the same position:

*'The Appellant does not dispute that UPC flaws are a factor in the base line data for the housing requirement for this appeal. The evidence presented by the Council indicates that flaws in the base line data are related to migration, a fact accepted by the EI at the EIP. This indicates that the annualised SM requirement of 863 dwellings [based on the official projections] would be an overestimate and undermines confidence that it would be delivering the right number of homes in the right places.'*

3.1.12 During the period spanned by the above decisions, national planning policy and guidance changed. In the Ardleigh decision, the Inspector's finding on housing need was a major input into the five-year land supply (5YLS) calculation. By the time the other three decisions were issued the standard method for the calculation of housing need had been introduced. As a consequence, the accuracy of the official projections no longer had any bearing on 5YLS. In Edenside, Lifehouse and Grange Road the parties agreed that Tendring could not demonstrate a 5YLS for the purpose of planning appeals, so the 'tilted balance' was engaged. The point of contention in the appeals was whether the accuracy of the projections was a material consideration in that tilted planning balance. The three Inspectors took different views on whether that was a material consideration, but all agreed that the official demographic projections are unreliable due to the UPC error.

3.1.13 In summary, there has been no meaningful change since June 2018 as regards the implications of the UPC for population and household projections.

#### Market signals and affordability

3.1.14 The analysis of market signals and affordability underpinning the Local Plan was based on historical data on the indicators listed in the Guidance, such as house prices and earnings. Those data relate to dates close to 2014, the base date of the demographic projections used in the housing needs study. This is as it should be, because the purpose of the market signals adjustment is to determine if the

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<sup>2</sup> It may seem surprising that the Inspector referred to the 2014-based projections, rather the more recent 2016-based version. The reason is that at the time of this decision the Government's standard method for assessing housing need had come into force, in which housing need is calculated from the 2014-based projections.

projections are distorted by market imbalances – in which case they should be adjusted upwards. The base date is the latest year to which the historical data that underpin the projections relate. For example, the 2014-based projections are based (among other things) on population up to and including 2014, from the 2014 Mid-Year Population Estimates (MYEs). They take no account of the MYEs for 2015 or later years: the projection model does not 'know' about these data.

- 3.1.15 Since the needs assessment study was produced, some of these indicators have been updated, so we now have of the data for later years. This new information has no bearing to the existing market signals analysis. The reason is that changes that occurred after 2014 cannot have distorted the 2014-based projection, because the projection does not take account of them.

## Question 2

**If so, what are the implications for the assessment of housing need and for the housing requirements in the Section 1 Plan?**

- 3.2.1 As set out response to the Inspector's Question 1, the NEAs consider that there is no evidence of any meaningful change since June 2018 in the situation regarding housing need in North Essex. Therefore, the Inspector's Question 2 does not apply, and the findings set out in his letter of 27 June 2018 remain valid.