



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

## Matter 3: Housing Need

## Response to Further Hearing Statements

December 2019

## North Essex Authorities' response to Further Hearings Statements related to Matter 3 (Housing Need)

Prepared on behalf of the NEAs by Peter Brett Associates and NMSS.

- 1 This note responds to Matter 3 hearing statements submitted on behalf of Bloor Homes with City and County, Scott Properties, Lightwood Strategic and L&Q with Cirrus Land Limited and Gateway 120. In response to the Inspector's questions, the statements say that there have been meaningful changes in the situation regarding housing need in North Essex since the Inspector's letter of June 2018. The statement from Lightwood Strategic holds that the NEAs should commission an addendum update of the SHMA (we believe this refers to the OAN study, since the SHMA is a separate report, which deals with housing mix and tenure rather than total housing need).
- 2 This note responds to the points made and defends the NEAs' position that there has been no meaningful change, such as would justify a re-assessment of the objectively assessed housing need.

### Published population and household projections

#### Total household numbers

- 3 Bloor Homes, Scott Properties and Lightwood Strategic note that the 2016-based ONS household projections (HP 2016) were released after June 2018, and they are different from the 2014-based projections used in the NEAs' evidence base (HP 2014). The objectors consider that the NEA's housing needs should be re-assessed to take account of these latest projections.
- 4 The projections for the study period, 2013-37, are summarised in the table below<sup>1</sup>.

**Table 1 Annual household change 2013-37, alternative ONS projections**

<b>Change, households p.a.</b>	<b>HP 2014</b>	<b>HP 2016</b>	<b>Difference</b>
Braintree	606	487	-119
Colchester	831	957	127
<b>Sub-total: Braintree and Colchester</b>	<b>1,436</b>	<b>1,444</b>	<b>8</b>
Tendring	625	726	100
<b>Total: North Essex</b>	<b>2,062</b>	<b>2,170</b>	<b>108</b>

Source: ONS

- 5 For North Essex as a whole, the annual household growth shown in the 2016 projection exceeds the 2014 projection by 108 households. Virtually all of this difference is accounted for by Tendring, where the 2016 projection shows 100 households p.a. over and above the 2014 version.
- 6 In relation to Tendring, HP 2016 does not provide meaningful evidence of anything, any more than the 2014 version did. This is because HP 2016 is derived from the 2016-based

<sup>1</sup> The discussion throughout this note deals with the period of the OAN Study, 2013-37. The analysis by Lightwood Strategic relates to a different period, 2017-33; therefore its implications for the plan are not clear.

population projection, SNPP 2016, which is unreliable due to the errors that caused the UPC for 2001-11, and have continued after 2011 (hereafter called 'UPC errors').

- 7 For Braintree and Colchester the changes in projections, so for Braintree HP 2016 reduces annual household growth by 119, while for Colchester it increases annual growth by 127. For the two districts combined, the two projections are virtually equal (HP 2016 adds just 13 households p.a.). As Braintree and Colchester are part of the same housing market area, by definition much of their housing demand will be footloose across the administrative boundary, as many residents regard the two areas as close substitutes. It follows that the projected distribution is subject to significant uncertainty and that a small redistribution of the projected population between Braintree and Colchester does not represent a meaningful change bearing on housing need. Nor does the redistribution impact on policy requirements, because within the joint plan the distribution of planned supply between authorities does not have to reflect each authority's assessed need.

### **Older people**

- 8 Scott Properties expresses concern about housing for older people in particular, on the grounds that the majority of the projected household growth in HP 2016 is attributable to households headed by someone aged 65 or over. They seem to suggest that this is a new development that adds to housing need.
- 9 But the high share of older people in total household growth is not an additional factor that bears on housing need, over and above the ONS projections. Rather, this effect is built into the projections. In the last section, we explained that the 2016 projections do not meaningfully change housing need, because for Tendring they are unreliable, and for Braintree and Colchester together they show virtually the same growth as the 2014 version. This fact remains true, regardless of the share of older people in that household growth.
- 10 The Scott Properties statement also includes two table on older households between 2019 and 2035 (pages 4 and 5). The statement does not say how the figures in those tables were derived (a note refers to 'figures from ONS', but also to an assumption taken from a Legal and General report), how they bear on housing need over the plan period, or why they signal a change in the situation since June 2018.

## **The impact of UPC on population and household projections, especially in Tendring District**

### **The Mid-2018 Population Estimates**

- 11 Bloor Homes and Scott Properties suggest that, based on recent evidence, the official projections for Tendring are not as unreliable as the Council previously thought. The evidence referred to is the ONS's Mid-Year Population Estimates (MYEs), published in June 2019. The MYEs show a very similar population for Tendring in 2018 as the 2016-based household projections. From this similarity and the quality information that accompanies the estimates, the objectors infer that the projections must be correct.
- 12 This inference is invalid, because the MYEs and the ONS projections are based on the same estimates of past migration. The examining Inspector in June 2018 supported the NEA's view that those migration data are unreliable, due to the UPC error, which is continuing beyond

2011. It follows that the MYEs for 2018 are unreliable, just like earlier MYEs, and cannot count as evidence in support of the projections or anything else.

- 13 In short, since the MYEs are distorted by the same errors as the projections, the MYEs cannot serve as a reality check on the projections. Therefore the 2018 MYEs do not alter the position regarding housing need.

### **Keeping the situation under review**

- 14 Bloor Homes and Scott Properties say that Tendring Council has not kept its housing requirement under review, contrary to earlier statements. This is not right. The Council has been reviewing new information relating to housing need as it became available, but no evidence has come forward to suggest that it should change its position.

### **Wider impact on the region**

- 15 Bloor Homes say that Tendring's negative UPC must be counterbalanced by positive UPCs in other local authority areas, because the UPC error 'does not mean that there are fewer people in total, merely that they may not be in Tendring district'. They add that 'it is not illogical to suggest' that the missing people may be in Babergh district, and therefore the downward adjustment to Tendring's demographic projection might be counterbalanced by an upward adjustment to Babergh's demographic projections. In support of this view, the Bloor statement notes that Tendring and Babergh are linked by migration and commuting flows - though each of them has closer links to other local authority areas.
- 16 The Inspector has specifically asked about changes since June 2018. The argument raised by Bloor Homes relates to facts about the UPC were already known at that date, and have already been considered by the Inspector at earlier examination hearings. Therefore their argument about Babergh is not relevant to the Inspector's question.
- 17 The argument is also misguided, because there is no evidence that the people 'missing' from Tendring are in Babergh rather than anywhere else. Moreover, even if it could be shown that some people who had moved to Babergh had been misallocated to Tendring, this could only be a small part of the explanation for Tendring's very large UPC. Between 2001 and 2011 we know that Tendring had a UPC of *minus* 10,500 (i.e. the data for births, deaths and migration flows massively overestimated actual population growth) whereas UPC for Babergh was *plus* 1,100 - only 10% of the Tendring figure. The vast majority of the explanation for Tendring's UPC must lie elsewhere. To determine where that is would need a corrected set of historical data and projections for England that removes the UPC errors. This task has proved too difficult for the ONS. It is far beyond the scope of the North Essex evidence base. Therefore a view must be taken on the information available.

## **Market signals and affordability**

### **The latest data**

- 18 The Bloor and Scott Properties statements provide a lengthy analysis of market signals, including affordability, in 2018 and 2019. They aim to demonstrate that housing supply has tightened since the NEAs' OAN study, and therefore the market signals uplifts applied to the demographic starting point should also be higher.

- 19 This approach is misguided in principle, regardless of the actual figures. The reason is that, as already set out in the NEAs' hearing statement, the latest market signals cannot be used to adjust projections based on earlier years.
- 20 To understand why, we must bear in mind the logic behind the market signals uplift. The demographic projections carry forward past demographic trends, from a past called the base period or reference period. If in that base period housing supply fell short of demand or need, then the projections will carry forward that shortfall, and therefore the projections will understate future demand or need. If there was indeed a supply shortfall in the base period, the analysis of market signals should identify it and the market signals adjustment should correct for it. Therefore, in determining how the 2014-based projections should be adjusted, we must look at market signals as they were up to and around 2014. This is what the OAN study did, and its analysis remains valid.
- 21 If, as objectors maintain, market signals for 2018 and 2019 suggest a shortfall of supply against need, then the 2018-based and 2020-based demographic projections will understate need, and in due course they should be uplifted accordingly. But those recent market signals cannot be used to correct the 2014-based (or 2016-based) projections. Since the projections roll forward a history that ended in 2014 (or 2016), they cannot be distorted by anything that happened after 2014 (or 2016). Therefore the market signals analysed by objectors cannot signal a meaningful change in housing need.

### **The standard method**

- 22 Bloor Homes note that in earlier representations they had advocated that housing need should be measured by the standard method set out in the 2019 Planning Practice Guidance. They acknowledge that the Inspector does not favour this approach. This is as one would expect, because under transitional arrangements the plan is subject to the original version of the PPG, including the previous method for assessing market signals. As an alternative, the Bloor statement proposes that the plan should use demographic starting points from the OAN study (except for Tendring, where they suggest HP 2014), combined with affordability uplifts from the standard method. Those uplifts vary from 32% for Tendring to 39% for Braintree, considerably above those in the OAN study.
- 23 This is not surprising, because the old market signals uplift and the new affordability uplift are calculated through different methods, and they produce quite different results across England:
- One difference between the two is that the standard method aims for to boost housing development across England, which means a larger uplift for the country as a whole.
  - Another difference is that in the standard method the uplift is much more heavily weighted towards the south of England, because it aims for supply to be more concentrated in the least affordable areas.
- 24 The second point is illustrated by the map appended at the end of this note. The map is based on data released by MHCLG when it first consulted on the standard method in September 2017. It compares indicative local housing needs, calculated through the standard method, to housing requirements in adopted plans. In general, the standard method increases assessed housing needs in the southern sections of the country - especially

London, the South East and East of England region - while in the rest of the country it generally reduces housing need.

- 25 In summary, the 2019 PPG takes a fundamentally different approach to the market signals uplift to the previous Guidance, against which the North Essex plan is being examined. The NEAs acknowledge that, if this new approach were applied, it would increase the assessed need. But this would be incompatible with the transitional arrangements set out by the government and with the Inspector’s ruling that the standard method should not be used. Therefore the new approach to market signals that is part of the standard method is not relevant to this examination.

### **Other matters: the EEFM and Colchester**

- 26 The Lightwood Strategic statement mentions that in September 2018 the East of England forecasting model (EEFM) produced a new release, EEFM 2017. That new forecast updates EEFM 2016, which was an input into the OAN study.
- 27 Specifically, the 2016 OAN Study used the ‘demand for dwellings’ in EEFM 2016 as a measure of job-led housing needed – the number of homes that will be needed to fill the forecast demand for labour. For Colchester, EEFM 2016 forecast job growth of 928 net new jobs p.a. It predicted that the 866 new dwellings per annum (dpa) derived from the ONS projections would result in insufficient number of workers to fill those jobs, and to align the labour market would require 920 dpa.
- 28 The OAN report expressed doubts about this figure, noting that Experian disagreed with another forecaster, EEFM. Experian’s 2016 baseline forecast predicted more job growth than EEFM – 1,109 net new jobs p.a.; but it estimated that 866 new homes p.a. would produce enough or more than enough workers to fill those jobs. The report advised that there was not enough evidence to choose between 920 and 866 dpa, but in the spirit of positive planning it seemed preferable to err on the positive side – especially as the difference between the two figures was quite small at 54 dpa, so if 920 dpa oversupplied the true housing need the oversupply would also be small.

**Table 2 Jobs and homes, Colchester, 2013-37**

<b>Change p.a. 2013-37</b>	<b>Dwellings</b>	<b>Jobs</b>
EEFM 2016	920	928
EEFM 2017	1,122	724
Experian 2016	866	1,109
HP 2014	866	-

Source: ONS, EEFM, PBA. The dwellings shown under ‘Experian’ are derived from the ONS projections, because the Experian forecast assumes population as shown in those projections.

- 29 However, EEFM 2017 predicts quite different labour market outcomes for Colchester, as shown in Table 2. In this newer version of EEFM, the annual number of homes need to fill future jobs has increased to 1,122; but there are fewer jobs to be filled, as the annual rate of job growth has fallen to 724.

- 30 The gap between EEFM and Experian has also widened, as the table shows. Compared to Experian 2106, EEFM 2017 shows a need for 256 more homes per year, to fill 385 fewer job per year. This large change is surprising and puzzling.
- 31 In summary, the arguments for using EEFM 2016 do not apply to EEFM 2017. The housing demand in EEFM 2017 has changed too abruptly from the previous years' version to be credible, and it is also too different from Experian to be credible.
- 32 It is still the case that, as noted in the OAN report, the true need is unknown, and where answers are uncertain, we should err on the positive side. But positivity should be balanced against realism, and in our view the figure of 1,122 dpa is unrealistically high, risking significant oversupply. In our judgment, the best measure of housing need remains the 920 dpa in the 2016 OAN study.

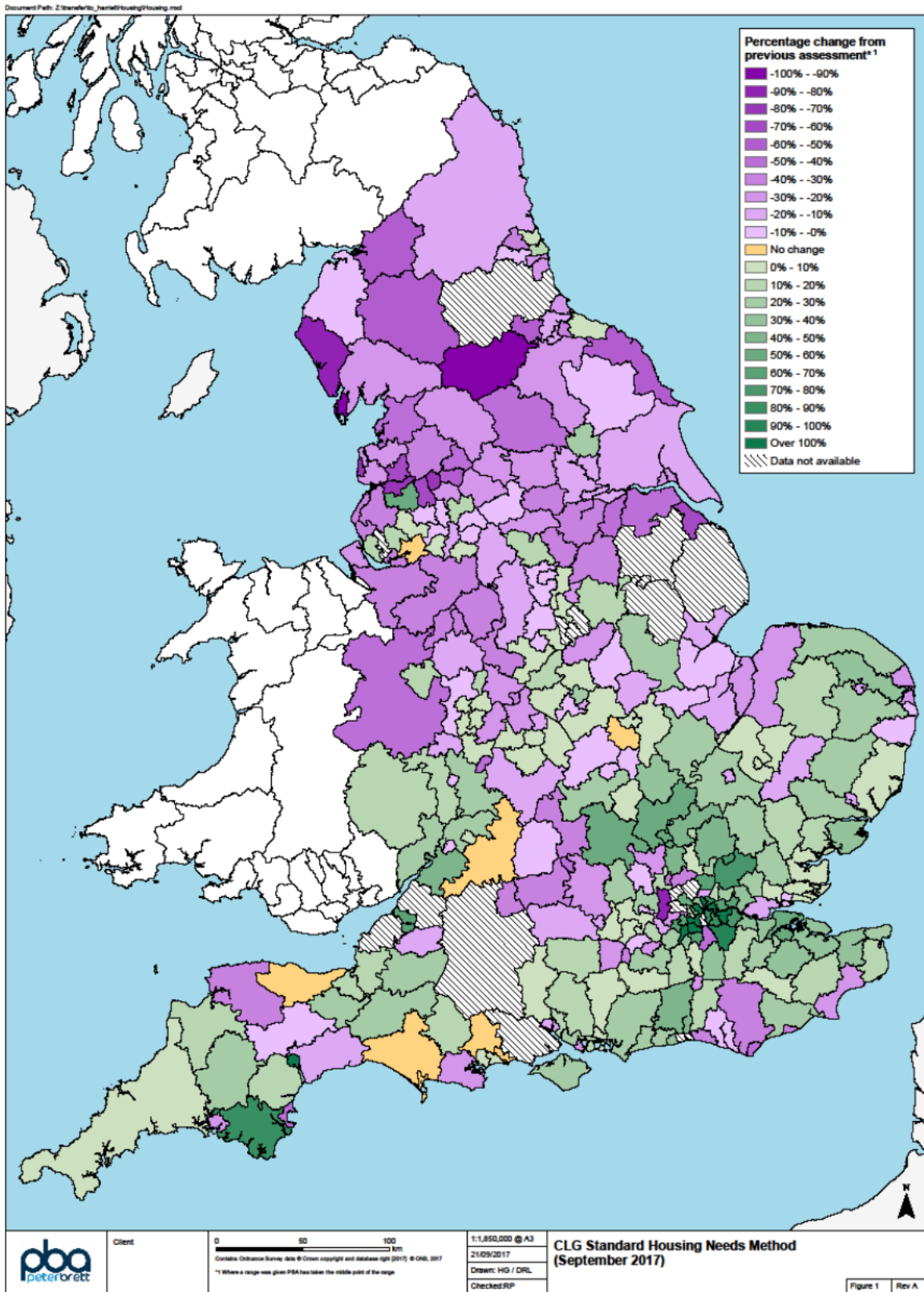
## **Conclusion**

- 33 None of the factors identified by objectors amount to meaningful changes in regard to housing need in North Essex since June 2018:
- The 2016-based household projections released in September 2018 do not constitute such a change, because for Tendring they are unreliable, and for the other two authorities the changes since the previous projection counterbalance each other.
  - The Mid-2018 Estimates for Tendring have no bearing on housing need, because they are unreliable, due to the UPC errors that also make the ONS projections unreliable.
  - In relation to market signals including affordability, the latest data, for 2018-19, are not relevant to housing need, because logically they cannot be used to adjust projections based on earlier periods.
  - The EEFM forecast used as the basis of Colchester's housing need has been updated, but the housing demand predicted in the new version is not a credible measure of housing need.
  - Finally, the affordability adjustment in the standard method should not be applied to the North Essex Plan, because the plan is being examined under the previous needs assessment method, which is fundamentally different.
- 34 Since there has been no meaningful change, the NEAs consider that there is no reason to commission a new housing needs assessment, as proposed by Lightwood Strategic.



# APPENDIX

## INDICATIVE LOCAL HOUSING NEED (STANDARD METHOD) COMPARED TO LATEST LOCAL ASSESSMENT OF HOUSING NEED September 2017



Source: MHCLG