

North Essex Authorities

Matter 3: Meeting housing needs (Policy SP3)

Main issues:

Does policy SP3 reflect an objective assessment of housing needs over the period 2013-2033?

Should the housing requirement figures be reduced or increased?

Does policy SP3 set out effective requirements for the maintenance of a five-year housing land supply? Should it allow for accommodating possible future need arising elsewhere?

Questions:

- 1) **Does the Peter Brett Associates *Objectively Assessed Housing Need Study*, Nov 2016 update [the PBA Study, EB/018] appropriately define the housing market area? If it does not, what are the consequences for the policy SP3 housing requirement figures?**
- 3.1.1 The Peter Brett Associates (PBA) Study (EB/018) defines the housing market area (HMA) as comprising Braintree, Chelmsford, Colchester and Tendring. The analysis underpinning this definition is in Chapter 2 of the study. Briefly, it shows that the HMA we have defined easily passes the containment test set in national planning guidance (PPG). As is often the case, it is not the only geography that passes the test: an area that also includes Maldon is equally compliant with the PPG. Faced with the choice of two PPG-compliant alternatives, the authorities and Maldon Council made a pragmatic choice, reflecting the duty to co-operate, to treat Maldon, as a free-standing HMA, and had prepared its Local Plan on that basis.
- 3.1.2 The Council's OAN definition is challenged in representations by Barton Willmore (BW) for Gladman Developments (S1.356/546, S1.119/7161 and S1.395/LPPD87) , on three main grounds:
 - i There are migration and commuting flows linking Maldon and the authorities in the PBA-defined housing HMA;
 - ii None of the individual North Essex authorities qualifies as a free-standing HMA on its own.
 - iii Adding Maldon to the PBA-defined HMA increases migration containment, which is the indicator recommended by the PPG, from 70% to 71%.
- 3.1.3 The facts mentioned above are common ground, but it is wrong to infer from them that the HMA should include Maldon:
 - i Just because there are significant commuting and migration flows between one authority and another it does not follow that they are in the same HMA.

- ii Neither the North Essex Authorities nor PBA have ever suggested that the individual authorities are free-standing HMAs. The fact that they are not has no bearing on the question whether Maldon should be added to the PBA-defined HMA.
- iii The PPG does not say that HMAs should be defined so as to maximise migration containment. Rather than seek a maximum, it sets a minimum, or threshold, and an approximate one at that - '*the areas within which a relatively high proportion of household moves (typically 70%) are contained*')¹. In any case, the difference between 70 and 71% is too small to be of any significance.

3.1.4 More recently, the view that Maldon can properly be assessed as a single-district HMA was endorsed by the Maldon Local Plan Inspector in June 2017 (the plan was adopted in July 2017). The Inspector's conclusion on this is:

*'36 ... I consider that it is reasonable to regard Maldon district as one HMA, for the purposes of this Plan at least. It is the nature of HMAs that they do not have clear-cut boundaries and establishing their extent for the practical purposes of plan-making requires a degree of judgement. Taken as a whole, the evidence concerning house prices, migration and travel to work areas points to treating Maldon as a single HMA with adequate conviction. The paths pursued by neighbouring authorities lend further support to this approach. In relation to the four 'mid-Essex' authorities, it is a position reached through co-operation. I note that cooperation has involved local politicians, and in that sense has had a political dimension. But that should not be regarded as an undermining factor. Meeting the DtC inevitably involves authorities engaging at the political level.'*²

2) Are the proposed overall housing requirement in policy SP3 of 43,720 dwellings (2,186dpa), and the constituent requirement figures of 14,320 (716dpa) for Braintree, 18,400 (920dpa) for Colchester and 11,000 (550dpa) for Tendring, based on a sound analysis of the available and relevant evidence, and do they reflect the full, objectively-assessed need for housing over the period 2013- 2033?

3.2.1 The North Essex Authorities consider that the proposed overall housing requirement in policy SP3 of 43,720 dwellings (2,186dpa), and the constituent requirement figures of 14,320 (716dpa) for Braintree, 18,400 (920dpa) for Colchester and 11,000 (550dpa) for Tendring, is based on a sound analysis of the available and relevant evidence, and does reflect the full, objectively-assessed need for housing over the plan period 2013-33. For Tendring recent evidence suggests that the figure of 550dpa may be an over-estimate of the OAN.

¹ PPG, Paragraph: 011 Reference ID: 2a-011-20140306

² Report on the Examination of the Maldon District Local Development Plan 2014 – 2029, EB058

In particular:

- (a) Is the PBA Study justified in using a baseline household growth figure of 445dpa for Tendring, rather than using the 625dpa figure from the 2014- based DCLG household projections?**

3.2a.1 In the PBA Study, Tendring's 'demographic starting point' is 445 households per annum, which translates into 480 dwellings per annum (dpa). The derivation of this figure is explained in paras 3.15-3.23 of the PBA report (EB/018). To summarise briefly, as highlighted in paragraph 4.4 of Section 1, PBA found that the official demographic projections were grossly distorted by an inconsistency in the official statistics, known as Unattributable Population Change (UPC). The UPC is the difference between two official views of population change from 2001 to 2011:

- Over this period, births, deaths and net migration, as estimated in the ONS Mid-Year Population Estimates (MYEs), sum to a total population growth of 9,800 people. These are the trends that the official demographic projections roll forward (project) into the future.
- However, according to census population counts Tendring's population fell by 700 over the same period.
- The difference between these two numbers, equal to 10,500 people in total or 1,050 people a year, is the UPC.

3.2a.2 Logically, the MYEs and census counts cannot both be right:

- If the Mid-Year Estimates are correct, then Tendring's population grew by almost 10,000 people in 2001-11, and the official projections provide an accurate reflection of past trends. But one or both of the censuses are badly wrong.
- If both census counts are right, then the MYEs are badly wrong; Tendring's population fell slightly in 2001-11; and the official projections are also badly wrong - because they carry forward past growth that did not happen.

3.2a.3 From the information available when the PBA Study was being written, they judged that at least some of the UPC was due to the MYEs over-estimating past population growth – and specifically net migration, because the recording of births and deaths in this country is highly accurate. But PBA were unable to assess the size of the error.

3.2a.4 Therefore, in the OAN Study PBA determined that the official projections were not suitable as a basis for the housing needs calculation. As an alternative, PBA based the calculation on past housing completions, and specifically the highest average completions achieved in a recent five-year period - which was 480 dpa between 2004 and 2009. This is the basis for the 'starting point' figures of

445 households p.a. and 480 dwellings p.a.

3.2a.5 In October 2017, ONS released the 2016-based national populations projections. These have reduced the projected increase in life expectancy (i.e. they increase mortality rates). This is particularly relevant to Tendring which has a high proportion of older residents. Revising the demographic starting point to reflect these latest projections, reduces the starting point to around 420 dwellings per annum and the OAN for Tendring to 480 dpa; the figure may need to be the subject of an early review or other future modification.

(b) Is the PBA Study justified in not making any adjustments to the household formation rates used in the 2012- and 2014-based DCLG household projections?

3.2b.1 The PBA Study, at paragraphs 3.39 onwards, explains why it has used the CLG 2012 / 2014 formation rates (the two sets are virtually identical). In summary this is for three reasons:

- The PPG advises that the latest CLG projections provide the most up-to-date estimates of future household growth, and any adjustments to these projections would have to respond to local factors and be justified by robust evidence.
- Authoritative studies confirm that at national level the latest projections are the best available indication of underlying long-term trends in household formation. The downturn recorded in the 2011 Census was not a short-term effect of the economic cycle, but a manifestation of long-term trends that started in the 1990s and are continuing into the future. The earlier, 2008-based CLG projections, which showed considerably higher formation rates throughout England, were over-optimistic given the evidence available at the time; and subsequent evidence has confirmed that they overstated long-term trends in housing demand and need.
- The study analysed local household formation rates across the HMA. It found no evidence that they had been suppressed by local undersupply, and therefore that projections should be uplifted locally.

3.2b.2 Barton Willmore considers that the PBA Study should have sensitivity-tested alternative formation rates. The implication is that these should be higher rates, as predicted in the 2008-based CLG projection, for the younger adult age group (aged 25-34).

3.2b.3 From the 2011 census, we now know that across England CLG 2008 generally overstated formation rates for this age group. In relation to Colchester, for example, we can see this at Figure 4.1 of BW's Technical Review. The 2011 point on the blue line shows the formation rate projected in CLG 2008. The 2011 point on the purple and green lines is an estimate of the actual figure in 2011, taken from the census.

3.2b.4 BW give two reasons for preferring the 2008 formation rates, in spite of this evidence. We discuss these in turn below.

iv **Worsening household formation rates and worsening affordability for younger adults is recognised as a major national problem (the housing crisis).**

BW illustrates this point with quotes from the housing White Paper, and from research by McDonald and Whitehead, which notes among other things:

'So, overall, household formation rates are projected to increase, although older households secure a disproportionate share of the additional housing at the expense of younger households, some of whom will see their chances of setting up a separate household fall throughout the next quarter of a century.'

From this evidence, BW infer that *'to plan on the basis of unadjusted 2012-based HFRs as the OAHN Update has done, is considered inappropriate and will only serve to exacerbate the problems that the Housing White Paper has identified'*.

It is of course true that for Colchester, like almost everywhere else, CLG predicted considerably lower formation rates for younger adults in the 2012 and 2014 projections than it did in the 2008 ones. CLG's change of mind was triggered by the census, which showed that the 2008 projections were not borne out by reality. It is also true that in the 2012 / 2014 projections the rate for 25-34-year olds falls in the later part of the plan period. Further, it is true that higher formation rates for this group would be more desirable than lower ones, because they would mean that people have a better chance of living in their own homes.

But the PPG does not say that housing needs assessments should be based on what would be most desirable and pleasant for the people concerned. If it did say that, there would be no need to use demographic projections, and the assessments should use much higher formation rates. For couples and parents with children, ideally almost every family should be a separate household in a separate home. But this is not what the PPG recommends.

Instead, the PPG says something quite different: that housing needs assessments should be based on the CLG household projections, which roll forward past demographic trends (indeed this is all projections do). The obvious rationale for this is that the assessment should take a realistic view of future demand, and a good indication of this future demand is the history of past demand. Planning authorities do not build homes, but only identify land on which other people are allowed to build homes. The point

of the housing needs assessment is to take a realistic view of how many homes these other people will want to build.

For England generally, the CLG 2008 projections did not provide such realistic view, as demonstrated by the 2011 Census and the other evidence reviewed in the PBA Study. The reasons for this are factors that suppress demand, as opposed to land supply: for example, fewer women are remaining childless; more people live in couples (partly because men live longer so there are fewer widows); work is more precarious, social benefits are lower, incomes are more unequal and young people are burdened by student debt. These trends are continuing into the future regardless of how much land supply planning authorities identify for housing.

The PPG does allow departures from the official projections when they are justified by '*specific local circumstances*', '*on the basis of established sources of robust evidence*³'. Clearly '*specific local circumstances*' means circumstances which set apart the local area from the rest of the country; and the evidence would need to show that household formation in the past was suppressed by a local undersupply of housing.

There is no evidence, let alone robust evidence from established sources, to show that actual or projected formation rates in the North Essex authorities are reduced by factors specific to the borough or District. The PBA Study provides evidence to the contrary. In para 3.49 onwards the study shows that across the HMA virtually all formation rates for the target group, as projected by CLG 2012 for 2031, are above the England benchmark.

Thus, there is no evidence that household formation in the area has been suppressed by local undersupply of housing, and hence no justification for an uplift to the CLG 2012 /2014 formation rates.

- v ***'The [PBA] study states that socio-economic factors are also reducing the ability of younger people to form separate households such as precarious employment, reducing welfare benefits and rising student debt. However, the OAHN Update does not consider positive moves by the Government outlined in the recent Housing White Paper (February 2017) to assist younger people enter the housing market. For example, the Lifetime ISA, Help to Buy, Equity Loan, Starter Homes and the Affordable Homes Programme.'***

The measures mentioned by BW may or may not lift household formation rates above what they would be otherwise, depending on how responsive

³ Paragraph: 017 Reference ID: 2a-017-20140306

housing supply is to prices (if supply is unresponsive, or 'inelastic', then the measures will merely lift prices without increasing output).

But the measures will improve young adults' formation rates against other people's only if they are restricted to young adults. Otherwise the impact of the measures will be that all age groups will be able to pay slightly more for their housing than they would be otherwise, and the relative position of young adults will be unchanged. In that case, there is no justification for an age-specific adjustment to household formation rates.

Of the schemes mentioned by BW, only two have age restrictions: Lifetime ISA (18-40) and Starter Homes (first-time buyers 23-40). One further scheme not mentioned by BW, Help to Buy ISA, has no age restriction but is restricted to first-time buyers – which could mean that it indirectly favours younger people.

These schemes could possibly help improve young adults' formation rates by improving their competitive position in the housing market. There is no evidence that they will do so on a sufficient scale to invalidate the CLG projections, especially bearing in mind the other factors that go in the opposite direction.

The other three measures mentioned, Help to Buy Equity Loan, Affordable Rent and Rent to Buy, are not restricted to PM's target group, and therefore will not improve the relative position of that group.

In any case, all the demand-side measures taken by the Government are national measures, which apply across England. As such, they cannot justify an adjustment to the official projections, because, as noted earlier, in line with the PPG such adjustments must be justified by specific circumstances, not national circumstances that an area shares with the rest of the country.

If and when the Government wants to adjust the official projections to take account of Help to Buy and similar measures, it will no doubt do so. Until then, housing needs assessments should use the latest CLG formation rates, as advised by the PPG.

3.2b.5 .As a final reality check on the above analysis, PBA has reviewed recent reports from Local Plan Inspectors to see what they say about household formation. This review covers the 21 Inspectors' reports published since March 2016⁴. 15 of those reports mention household formation rates. Only one favours any kind of return to the CLG 2008 rates, and it does so tentatively.

3.2b.6 All other Inspectors explain specifically why the 2012 or 2014 rates are more robust and more relevant to housing needs assessment. For example, the Stratford-on-Avon Inspector wrote:

⁴ I chose this time period in order to capture plans whose supporting evidence bases were able to use the CLG 2012 or 2014 projections. Earlier plans did not have the benefit of this recent evidence.

*'24 ... neither macro factors, such as the recession or international migration, nor local factors, such as the supply of housing or affordability, suggest an adjustment to household formation rates is justified in the particular circumstances of Stratford District. So... the need for an adjustment has not been: "clearly explained and justified on the basis of established sources of robust evidence" as required by the Guidance.'*⁵

3.2b.7 Similarly in Birmingham, the present Inspector at para 34 of his report supported the 2012-based household formation rates, as 'the most up-to-date and nationally consistent estimates'.

3.2b.8 PBA's approach to household formation rates has also been supported by Inspectors in S78 appeal decisions, including three decisions for Chelmsford, which were testing the same OAN study as the present examination. These decisions relate to Plantation Road Boreham (EB/055, May 2016), Main Road Bicknacre (EB/054, July 2016) and Main Road, Great Leighs (EB/056, September 2016). In all these three cases, the appellant was Gladman Developments, and housing need evidence was provided by Barton Wilmore for the appellant and PBA for the Council. The arguments invoked on both sides were also very similar. The Boreham Inspector, for example (paragraph 34), advises that '*regarding headship rates [a synonym for household formation rates] I consider that the Council's approach does follow the requirements of the PPG, it is supported by academic research and takes reasonable account of local factors.*' The other two Inspectors reached the same conclusion, and the Bicknacre inspector (paragraph 41) added a specific mention of local evidence:

'... within Chelmsford the household formation rates for the 25-44 year group are either at, or above, the national average. Therefore, whilst I accept that recent recessionary influences may have reduced affordability for this age, group, there is no substantive evidence to indicate that the local demographic factors justify an uplift in the household formation rates.'

3.2b.9 These and other Inspectors' verdicts confirm that the CLG 2012 / 2014 formation rates are robust across the HMA. Therefore there is no justification for a return to CLG 2008 rates.

(c) Is the PBA Study justified in not making any adjustments to its household growth estimates to take account of out-migration from London?

3.2c.1 The PBA Study discusses possible 'London adjustments' in Chapter 4. Its analysis is based on a demographic scenario created by Edge Analytics with the GLA. That 'London scenario' estimated the implications for the HMA of the population projections that underpin the current London Plan. Over the plan period

⁵ The Planning Inspectorate, Report to Stratford-on-Avon District Council, June 2016,

2013-37, the London scenario altered the housing need implied by the 2012-based official projections as follows:

Braintree +12 dpa

Chelmsford +14 dpa

Colchester +45 dpa

Tendring -7dpa

HMA total +64 dpa (shown in Table 4.1 in the study, but wrongly quoted as 74 in paragraph 4.15)

3.2c.2 The PBA study concluded that these impacts were too small to justify an uplift to the projections.

Is the London impact significant?

3.2c.3 Objectors have challenged this conclusion on the grounds that the figures are not wholly insignificant, especially when considered over the 20 year plan period. If the 'London impact' is considered in isolation, this is correct. However, as shown in Table 8.1 on page 80 of the PBA study, for those authorities where the London impact is positive the demographic projections were also uplifted for other reasons:

- For Braintree, the 2014 official projections show 623 dpa, but the assessed housing need is 716 dpa – an uplift of 93 dpa, due to market signals and future jobs.
- For Colchester, the 2014 official projections show 866 dpa, but the assessed housing need is 920 dpa – and uplift of 54 dpa, due to future jobs.

3.2c.4 In both cases, the above uplifts are larger than the London impacts of 12 dpa for Braintree and 45 dpa for Colchester.

3.2c.5 To understand the implications of this, we must bear in mind that any 'London uplift' would of course overlap with the other uplifts: if there is future net migration from London above past trends, this additional in-migration will also add to the resident labour force and help relieve any imbalance between housing demand and supply.

3.2c.6 Because of this overlap, the OAN calculation does not add the different uplifts to each other, but rather base the assessed need on the largest of those uplifts. In the North Essex districts the London impact is smaller than the other uplifts that we have applied to the 'demographic starting point' projections.

3.2c.7 In summary, when considered in the context of other adjustments an uplift based on the Edge / GLA scenario would not increase the OAN for any of the North Essex districts. In other words, the London impact is too small to make a significant difference to the OAN.

Is the calculation out of date?

3.2c.8 Objectors also criticise the London scenario as being out of date, because it is based on the 2012 official projections, while the PBA Study updates earlier results to take account of the more recent 2014 projections.

3.2c.9 The answer to this criticism is that we rely on the 2012-based London scenario because there is no alternative. To create an updated scenario for North Essex, based on more recent GLA projections, would require disproportionate effort, including inputs from the GLA demography team. Worse, the results would lack the authority of the 2012-based version – because that version has been tested through the planning process, as part of the evidence base for the adopted London Plan.

3.2c.10 Fortunately, it is likely that the 2012-based London scenario is a good approximation of what a 2014-based scenario would show. That is because, as noted in the PBA Study (see for example paragraph 3.32), the 2014 official projections are very similar to the 2012 ones.

3.2c.11 In future Plan reviews the North Essex authorities may need to reconsider ‘London impacts’, depending on the progress of the new London Plan and changes to the Framework and PPG. But for the purpose of the present examination the only relevant indicator of the ‘London impact’ remains the London scenario used in the PBA study.

(d) Is the PBA Study justified in applying a market signals uplift of 15% for Braintree and Tendring, and in making no market signals adjustment for Colchester?

3.2d.1 In BW’s technical reviews, BW’s discussion of market signals begins with analysis of the signals listed in the PPS. But the analysis does not produce a proposed market signals uplift. BW criticises PBA’s judgment of such uplift as arbitrary, but it does not produce a judgment of its own, as the PPG requires. Rather, it uses mathematical formulas to calculate an uplift:

‘We appreciate that the PPG leaves a gap as to what defines an appropriate uplift and in the absence of any guidance we have considered a number of alternative approaches that seek to improve affordability. The approaches we have considered (LPEG, Redfern, Barker and NHPAU) would result in an OAHN for Braintree of between 748 dpa and 1,057 dpa (2013-2037), all in excess of the full OAHN suggested by the OAHN Update (716 dpa).

3.2d.2 Of the four approaches mentioned, the first simply uses the recommendations made last year by the Local Plan Expert Group. This is clearly irrelevant, as the LPE proposals have not been accepted by Government and have now been superseded by new consultation proposals on measuring housing need.

3.2d.5 The other three approaches are based on economic models, that over

the years have tried to estimate how much additional housebuilding would be needed to stabilise affordability. By applying these percentage uplifts to past delivery in each North Essex district, they arrive at numbers that purport to be each districts market-signals-adjusted housing need.

3.2d.6 These numbers are without merit and should not be given any weight. The first reason for this is that the method that produced them does not comply with the PPG, which specifically advises against a formula-based approach:

'Market signals are affected by a number of economic factors, and plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period.'

3.2d.7 There is nothing in the PPG, the NPPF, or any other Government document that sets a target for house price change – whether to stabilise it, slow its growth or hold it to any particular level over any particular period. It is unacceptable for BW to invent such targets as the basis for the housing need assessment.

3.2d.8 As a piece of economic modelling, BW's calculation, summarised in an Appendix of their report, is simply not credible. One fundamental problem is that it models the implications of certain numbers of homes being built, as opposed to certain amounts of land being allocated for housing; how many homes are actually delivered depends on effective market demand, which planning authorities cannot create. Another issue is that the Barker, NHPAU and Redfern figures estimate what would happen to house prices if total housing development across the country reached certain levels. If development increases in an individual authority the impact on prices will obviously be much smaller, and has never been modelled so far as we know.

3.2d.9 For all these reasons, BW's calculations on possible market signals uplifts tell us nothing about objectively assessed housing need in North Essex.

(e) Are the PBA Study's findings on job-led housing need justified, having regard to the economic models on which they are based and the assumptions embedded in those models?

3.2e.1 PBA's approach to job-led housing need is described in Chapter 6 of the PBA study. In summary, to assess the balance of labour demand and labour supply in Braintree and Chelmsford we used two alternative local forecasts, from the East of England Forecasting Model (EEFM, produced by Cambridge Econometrics) and Experian. Both forecasts are produced by integrated models - which bring together

economics and demography to show how much population, and hence how much housing, will be required to meet the demand for labour. For Colchester and Braintree, EEFM showed the higher housing number of the two forecasts, and in a spirit of positive planning we based the assessed housing need on those higher numbers. For Tending, we found that both the standard forecasts were distorted by the UPC, and therefore to assess labour market balance we commissioned a tailored forecast from Experian.

3.2e.2 BW makes a series of criticisms of this approach, which we address in turn below.

- i **PBA's approach is not consistent across the HMA, because it uses a different method for Tending to the other two authorities. BW consider this 'a weakness'.**

The PBA study treats Tending differently because its circumstances are different, so that treating it in the same way would produce results that would not be useful. The North Essex Authorities' approach to Tending is further evidenced by additional work carried out by the demographer John Hollis to validate the PBA approach (EB/051)

- ii **Another 'weakness' is that that the PBA Study assesses future job growth on the basis of one forecast only. BW recommends that several forecasts be considered, and that the assessment be based on an average of those forecasts.**

The PBA Study does not consider one forecast only. It considers two forecasts, from EEFM and Experian. It does not average the two, because they may include mutually inconsistent assumptions, especially about UK economic activity rates, which would fog the jobs-to-houses analysis. Rather, in the interest of prudence and positive planning we choose the forecast that produces the higher housing need, which is the EEFM one.

- iii **Yet another 'weakness' is that to predict future jobs PBA uses economic forecasts, but not past trends. This is contrary to the PPG, which advises the use of '*past trends and / or economic forecasts, as appropriate*'**

BW here seems to misunderstand the words and /or. These words say plainly that housing needs assessments should use *either* past trends, *or* economic forecasts, *or* both past trends and economic forecasts. PBA's method, which uses economic forecasts only, is perfectly compliant with this advice.

We consider that this method is appropriate because economic forecasts try to take account of factors that may result in the future being different

from the past, such as the macroeconomic climate and the profile of the UK population.

In the case of North Essex this criticism is pointless anyway, because both the EEFM and Experian forecasts show similar trends in the future to the past. Accordingly, BW's lengthy analysis of past trends concludes that the forecast-based job numbers used by PBA are reasonable

- iv **The EEFM forecast 'assumes' an increase in double-jobbing, so that over the plan period the ratio of jobs to workers increases from 1.052 to 1.056.**

The tiny forecast increase in double-jobbing is not an **assumption** – i.e. an external view or judgment that is input into the forecasting model. Rather, it is a **prediction** that is output by the forecasting model – which is a simulation of how the economy works. Double-jobbing has changed in the past and naturally will continue to change in the future. It seems reasonable to expect that it will increase in most places over the long term, as across the UK part-time and casual employment grows. In this context, BW has provided no evidence that the forecast for North Essex is unreasonable.

- v **The EEFM forecast also 'assumes' changes in commuting. BW does not support this approach, because adjusting commuting assumptions has implications for other authorities affected by it.**

The EEFM does not **make assumptions** about commuting, nor does it **adjust** such assumptions. Commuting, like unemployment, is a prediction, or output, of the forecasting model. It has varied in the past and will continue to vary in the future, as it responds to the shifting balance of labour demand and labour supply in different places - just like earnings, unemployment, economic activity rates and job-led migration. There is no reason why commuting, unlike any other economic variable, should remain stuck forever at the level it happened to be in 2013.

Naturally change in commuting, like many other kinds of economic change, has cross-boundary impacts. If neighbouring planning authorities consider that forecast changes in commuting will have harmful impacts, they should work co-operatively for a different future. They cannot change commuting directly, because they have no powers to control people's choice of home or workplace. Rather, they would need to change the factors that drive commuting – for example through land allocations for housing or employment; or to improve transport infrastructure, so that commuting becomes easier or more sustainable.

In relation to North Essex, no authority has expressed concerns about forecast changes in net commuting, probably because they are so small – in the region of 3,000 people for each local authority area, or 3% of the resident labour force.

- vi **PBA should have tested the impact of alternative UK economic activity rates, from the Office of Budget Responsibility (OBR). The Inspector in the Boreham (Chelmsford) appeal preferred these rates to the higher rates predicted by EEFM.**

PBA is in the process of administering this test, through alternative scenarios that PBA have commissioned from Experian. The forecasting team is still working on those scenarios and they will be provided to the examination as soon as possible.

Meanwhile, it is important to note that Inspectors and others disagree about the weight that should be given to OBR activity rates, against those used by independent forecasting houses. In Chelmsford, the two appeal decisions that followed Boreham in 2016 preferred EEFM activity rates, on the grounds that OBR was too pessimistic. These views are in paragraphs 52-55 of the Bicknacre decision (EB/054) and paras 27-28 of the Great Leighs decision (EB/056). In both these decisions, Inspectors entirely supported PBA's approach to job-led housing need against BW's objections.

Since those appeals were determined OBR has updated its view of future activity rates in the light of more recent evidence. As explained in the Experian 'Longevity note' (EB/052), these 2017 OBR rates have increased, reducing the gap between OBR and Experian and EEFM. In his appeal decision on Siege Cross, Berkshire (EB/053, July 2017) the Secretary of State supported an Inspector's view that these 2017 OBR activity rates were too pessimistic, and the higher rates from Experian and Oxford Economics were preferable for the purpose of housing needs assessment.

- vii **Various aspects of the EEFM forecast are 'inconsistent' with the rest of PBA's analysis. Thus, EEFM shows different population and housing to the official projections, as well as different vacancy rates, and it takes a different approach to household formation. It is a 'weakness' of PBA's analysis that it 'takes the EEFM assumptions at face value.**

BW's discussion of EEFM, as summarised above, is riddled with errors and misunderstandings. Thus, BW say that EEFM '*uses population as an input*' Nothing could be further from the truth: population (and households) are outputs of the forecast, and in the present context they are its most important outputs, estimating what population and how much housing will be required to meet the demand for labour. It is entirely to be expected

that these population and housing numbers are different from the official projections, because they are job-led forecasts, rather than projections that carry forward past demographic trends. To translate people into households and households into houses EEFM uses different methods and assumptions; this is entirely reasonable, because there are many different ways to approach these issues.

In short, BW misunderstands the nature of forecasts and the way they are used. PBA does not '*take the EEFM forecast at face value*'. Rather, it considers EEFM as one of two alternative forecasts, both of which look generally reasonable – as we know among other things from the technical documents that accompany the forecasts (in the case of EEFM this document, titled Technical Report, is in the public domain). BW has provided no evidence to suggest that either forecast is unreasonable or difficult to believe.

3.2e.3 In summary, the PBA job-led calculation is justified, as confirmed in Chelmsford by the Bicknacre and Great Leighs Inspectors. None of BW's criticisms show otherwise.

(f) Is the PBA Study justified in concluding that there is no reason to adjust the objectively-assessed housing need figures in order to meet affordable housing need?

3.2f.1 Chapter 7 of the PBA Study notes the levels of affordable housing need, drawing on the work of HDH (EB 019). The number of affordable homes needed is significantly lower than the identified OAN. Since the OAN includes household formation requirements for those needing affordable accommodation this suggests that there is no reason for an adjustment to the OAN to provide a housing requirement to meet affordable housing need.

In Section 2 of the Plans (and in the policies relating the garden communities) figures for the proposed % split of affordable are provided. At these figures affordable housing need will be delivered.

3) Should the Section 1 Plan make provision for higher or lower housing requirement figures, and if so, what is the justification for the alternative figures?

In particular:

(a) Should the requirement figures reflect those proposed by CAUSE (2,005dpa overall, comprising 624dpa for Braintree, 831dpa for Colchester and 550dpa for Tendring)?

3.3a.1 The North Essex Authorities agree with CAUSE's proposed number for

Tendring, but we consider that their numbers for Braintree and Colchester are too low. The difference between CAUSE and the PBA study is that CAUSE do not accept PBA's market signals uplift for Braintree, or PBA's job-led uplift for either Colchester or Braintree.

3.3a.2 The North Essex Authorities agree that both these adjustments involve elements of judgment. In relation to market signals uplifts no 'scientific' method is available; we took a view of the evidence, with reference to precedents. In relation to the job-led figures, we chose the highest of two alternative forecasts, because we believe that where the evidence is not conclusive it is correct to take the more positive view. The North Essex Authorities stand by these judgments.

(b) Should the requirement figures reflect those proposed by the Home Builders' Federation (2,540dpa overall, comprising 762dpa for Braintree, 1,002dpa for Colchester and 776dpa for Tendring)?

3.3b.1 There are three reasons why the Home Builders Federation (HBF) housing need figures are higher than PBA's. All three are very similar to points made by Barton Willmore, which we have discussed in response to previous questions.

3.3b.2 Firstly, HBF say that the demographic projections should be uplifted in line with the GLA London scenario. As set out in response to question 2, this is unnecessary, because this London uplift overlaps with, and is smaller than, the market signals and job-led uplifts that the PBA Study also makes. Thus, PBA's figures do provide enough housing to meet the need measured by the London scenario.

3.3b.3 Secondly, HBF, like BW, argue that the market signals uplift should be higher. We disagree with this, for reasons discussed in response to question 2.

3.3b.4 Thirdly, HBF, like BW, argue that the need calculation for Tendring should be based on the official demographic projections. As explained earlier, in our view this would produce nonsense results, because the projections are badly distorted by the UPC, as the ONS has now recognised.

(c) Should the requirement figures be reviewed to reflect the criticisms made by Barton Willmore in their *Technical Review of [each] Council's Housing Need Evidence Base (July 2017)*, commissioned by Gladman Developments Ltd?

3.3c.1 This question has also been answered in the response to question 3.2e above, which reviews BW's criticisms in relation to each part of the PBA Study. We have aimed to demonstrate that these criticisms are invalid and the results of

the PBA Study are robust. We also note that BW have not submitted an alternative view of the OAN, so there is no positive proposal for us to consider.

- 4) **Are the affordable housing need figures set out in the HDH Planning and Development *Strategic Housing Market Assessment Update*, December 2015 [EB/019], (212dpa for Braintree, 267dpa for Colchester and 151dpa for Tendring) based on a sound analysis of the available and relevant evidence?**

3.4.1 Yes. The assessment of Affordable Housing Need is a calculation of the **annual** need for affordable housing based on 4 elements (current need less current supply and future need less future supply) as set out in PPG 2a-22 to PPG 2a-29. The assessment is set out in the HDH Planning and Development *Strategic Housing Market Assessment Update*, December 2015 (EB/019) (the 2015 SHMA). The analysis for the housing market area is included in Chapter 5 and for each authority in Appendix 5.

3.4.2 The preparation of the 2015 SHMA (EB/019) included a period of consultation. The names of the consultees, notes from an informal consultation event and subsequent more formal written responses are set out in the Appendix 1 of the 2015 SHMA. It is important to stress that a diversity of views were expressed through the consultation, however the final version was based on a broad consensus.

In particular:

- (a) **Is the estimate of 5,462 newly-forming households annually, at Stage 2 of the analysis, consistent with the findings of the PBA Study?**

3.4a.1 Yes, the PBA study (EB/018) establishes the net household growth required over the local plan period in the study area and the number of dwellings required to accommodate these households (accounting for the probable vacancy rate). The PBA process does not attempt to disaggregate the net household growth into its various component parts specifically; household formation, household dissolution, households moving into the area and households moving out of the area. As part of the affordable needs model it is necessary to quantify the first of these components using the approach described in paras 5.12-5.17 of the SHMA Dec.2015 update (EB/019). The household formation calculation uses the same raw population data that PBA have established as representing the population in each local authority for each year of the local plan period element within the final OAN scenario. Household formation is a component of net household growth and it is compatible with the PBA net household growth figure because it uses the same raw data.

3.4a.2 The PBA model does not calculate household formation and the HDH modelling does not calculate the other components of net household growth (household dissolution, in-migrant households, out-migrant households).

(b) Having regard to the definition of affordable housing in the NPPF Glossary, is there justification for excluding single adults under 35 from those considered to be in need of affordable housing (at the “Refining the model in a local context” stage of the analysis), if they can afford shared accommodation in the private rented sector or can afford the LHA shared room rate?

3.4b.1 Single Person Households under 35 have not been excluded from the affordable needs calculation. It would not be appropriate to exclude single person under 35 households per se. They have been tested against their ability to afford shared accommodation rather than self-contained accommodation. The following table [Table A7.2 of the 2015 SHMA (EB/019)] provides detail on the affordability of single person under 35 households.

	<i>Braintree</i>	<i>Chelmsford</i>	<i>Colchester</i>	<i>Tendring</i>	<i>Whole HMA</i>
All single person households under 35	478	545	526	301	1,850
Able to afford a one bedroom market home	284	281	323	185	1,073
<i>Able to afford a shared room in the private rented sector</i>	<i>85</i>	<i>133</i>	<i>92</i>	<i>47</i>	<i>357</i>
<i>Able to afford the shared room rate</i>	<i>54</i>	<i>66</i>	<i>34</i>	<i>44</i>	<i>198</i>
<u>In need of affordable housing</u>	<u>55</u>	<u>65</u>	<u>77</u>	<u>25</u>	<u>222</u>

Strategic Housing Market Assessment Update, December 2015 (EB/019)

3.4b.2 Across the HMA of the 1,850 single persons under 35 forming each year, 1,073 households can afford a one bedroom market home – they are clearly not in affordable housing need. In addition 357 are able to afford a shared room in the private rented sector. A further 198 are able to afford at the shared room rate. Of this group 222 cannot access market housing.

The definition within the NPPF supports this approach which defines affordable housing by reference to those "whose needs are not met by the market"

3.4b.3 PPG 2a-24 includes a particularly relevant sub-paragraph saying (with added emphasis):

'Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market'.

3.4b.4 The next question is therefore what is 'suitable market housing'. In this regard it is necessary to consider affordable housing allocations policy as this sets out who is eligible for affordable housing. This is found on the Gateway to Home Choice (EB/039) website (<http://www.gatewaytohomechoice.org.uk/Data/Pub/PublicWebsite/ImageLibrary/Allocations%20Policy%20August%202017.pdf>)

3.4b.5 Section 6.1 sets out that a household containing 1 adult will be 'eligible' in terms of bedroom entitlement for 'Bed sit or 1 bedroom'. Appendix 1 goes on to say:

2. Available options for customers

2.1 Assessed as suitable for discharge into private sector a) Singles/Couples

- *Singles – Under the age of 35 for shared housing only, unless they are in an exempt category of persons.*
- *Singles – 35 and over can be considered for bedsits, studio or one beds*
- *Couples – one beds*

These applicants must be 18 years or over, have low support needs, have an accepted homelessness application and assessed income and savings which are above the current Gateway to Homechoice financial thresholds (see section 3.1) or the property identified is assessed as being affordable to the household and they are assessed as being able to manage their finances with limited support.

3.4b.6 It is therefore clear that in terms of 'eligible' in the first line of the definition of affordable housing in the NPPF that a single person household under the age of 35 is only eligible for 'shared housing (as per the first bullet point in 2.1) above.

3.4b.7 This group of households (single persons under 35) are treated differently in the benefit system. Like any household, they are in need if they cannot afford market housing. The benefit system will only help them access shared housing so they are tested against their ability to access shared housing.

3.4b.8 In considering the appropriate approach it is necessary to consider the purpose of the assessment of Affordable Housing Need. This is set out in PPG 2a-29 and is so that the Council can make the assessment and decision whether to uplift the Housing Target over the OAN '*where it could help deliver the required number of affordable homes*'. It would not be logical to set a housing target over and above the OAN to help deliver the required number of affordable homes if part of the calculation of those homes was for people not eligible for affordable homes. There still remains a number of single person households under 35 which are presumed to

require affordable housing, which are those unable to find a market solution (with help from the benefit system) either in a one bedroom home or a shared room in the private rented sector.

3.4b.9 It is a useful point to make about reflecting the market situation (the proportion presumed is in line with national patterns). Any single person under 35 that has the need to accommodate a child from a previous relationship has been considered a lone parent within the model rather than a single person household suitable for shared accommodation. Any single person with a specific condition that means they would be unsuitable for sharing would be flagged up on the housing register. These two groups are not considered suitable for sharing.

3.4b.10 In summary the assessment of Affordable Housing Need counts single person under 35 households that cannot afford market housing but does not count single person under 35 households that can afford market housing.

5) Should policy SP3 make it clear that the five-year supply of housing land must include an appropriate buffer in accordance with NPPF paragraph 47?

3.5.1 The NPPF states that *“To boost significantly the supply of housing, local planning authorities should...*

- *identify and update annually a supply of specific deliverable sites sufficient to provide five years' worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land....”*

3.5.2 National policy does not define persistent under delivery but it is clear this would mean a prolonged period of under delivery; mere fluctuations in annual delivery, for example caused by adverse market conditions, are not considered sufficient to warrant the imposition of a 20% buffer. Accordingly both Braintree and Colchester Councils are of the view that a buffer of 5% would be appropriate. Tendring will include a 20% buffer although this may need to be flexed in future depending on the emerging evidence on housing need.

3.5.3 The wording of Policy SP3 and the explanatory text does not include mention of the buffer referenced in Paragraph 47 of the NPPF. Additional wording could be added to clarify the position and remove the need for people to cross reference documents. Flexibility should be incorporated to allow for a change in requirement over the plan period. The additional wording suggested is shown underlined below;

Para 4.8 The North Essex authorities will identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their individual housing requirements set out in Policy SP3 below. Each authority will incorporate an additional buffer as suggested by national planning policy to ensure choice and competition for land. The buffer may vary over the lifetime of the Plan but at the time of writing Braintree and Colchester will incorporate a 5% buffer and Tendring 20% (moved forward from later in the plan period).

Policy SP3: Meeting Housing Needs

The local planning authorities will identify sufficient deliverable sites or broad locations for their respective plan period, against the requirement in the table below and will incorporate an additional buffer to ensure choice and competition for land..

Each authority will maintain a sufficient supply of deliverable sites to provide for at least five years' worth of housing and will work proactively with applicants to bring forward sites that accord with the overall spatial strategy and relevant policies in the plan.

6) How will any undersupply of housing against the relevant requirement since 2013 be accounted for in the Section 1 Plan?

3.6.1 The Councils are all in different positions with regard to housing delivery since 2013.

3.6.2 Colchester has an OAN of 920 dwellings per year and since the period 2012/13 has delivered a total of 4747 new homes which equates to 949 units per year. (Total of 3,731/932 a year if using the 4 year period from 2013/14). Accordingly Colchester Borough Council does not have an undersupply to address.

3.6.3 Tendring's OAN and total housing requirement for the Plan period set out in Policy SP2 Meeting Housing Needs are 550 dwellings per year giving a total requirement of 11,000. This gives a requirement of 2200 (4 X 550) for the period 2013/14 – 2016/17. During this period 1,374 dwellings were delivered, producing an undersupply of 546. This will be addressed during the early part of the Plan.

3.6.4 Tendring's SHLAA (TDC/012(1/3)) shows that 4,811 dwellings will be delivered between 2013/14 and 2020/21. This is greater than the requirement during the same period of 4400 (8 X 550) dwellings. The undersupply in Tendring will be addressed by 2021.

3.6.5 In the case of Braintree District there is a shortfall against the requirement in the early years of the Plan period 2013-2017. Braintree District Council seeks to meet this past under-supply across the whole of the remaining Plan period (the “Liverpool” approach). Although the PPG indicates that generally the preferable approach is that the shortfall should be dealt with in the first 5 years of the Plan period where possible (the “Sedgefield” approach), neither method is prescribed in national policy, as was confirmed by Linblom J in the High Court ruling in Bloor Homes v Secretary of State for Communities and Local Government [2014] EWHC 754. The report by the Local Plans Expert Group (LPEG) has found that although Sedgefield is the preferred approach, that where it can be justified locally, the Liverpool approach may be appropriate in some cases. In the report, the LPEG make a recommendation at paragraph 43 that the NPPG should be updated to allow for the implementation of more case-specific applications of Liverpool or Sedgefield for the delivery of shortfall.

3.6.6. The Publication Draft housing trajectory shows development rates reaching 919 in 2019/2020 and exceeding 1,000 dwellings in the subsequent six years, as the Strategic Growth Locations and Garden Communities come forward and contribute to supply; on this basis the shortfall is projected to be made up by 2023/2024. Taking into account that the projected supply has increased since the publication of the Submission Draft Local Plan, with additional sites coming forward; it is currently projected that the shortfall can be made up a year earlier, by 2022/2023. This demonstrates that the use of the Liverpool approach is not expected to mean a long delay in making up the shortfall; however application of the Sedgefield approach would not be a realistic and deliverable option for the District if a Plan led system is to be maintained.

3.6.7. Whilst the above provides useful context for the Inspector on the undersupply position for each authority, the North Essex Authorities consider this matter to be specifically related to the five year supply which is not being considered as part of the section 1 examination (as confirmed by paragraph 8 of letter IED001 from the Inspector to the North Essex Authorities). As such we do not believe it is appropriate to provide any reference to the quantum of undersupply or the methodology by which it will be delivered in section 1. Each of the North Essex Authorities have committed to delivering the full OAN figure set out in policy SP3 between 2013 and 2033.

- 7) **Should policy SP3 include mechanisms for:**
- (a) **review of the housing delivery strategy in the event of a failure to maintain the required level of housing supply?**
 - (b) **review of the housing requirement figures in order to provide for possible future unmet need from other local authority**

areas?

3.7.1 The North East Authorities would wish the Inspector to direct that the plan be modified to address these two points specifically and have suggested the following wording in the list of suggested modifications: *'The local planning authorities will review housing numbers regularly in accordance with national policy requirements, and in doing so will have regard to the housing needs of the wider area.'* The Duty to Cooperate Statement for each of the North Essex Authorities (SDBDC/005 Braintree, SDCBC/005 Colchester and SDTDC/022 Tendring) attached the Essex Planning Officers' Association Mechanism for the Consideration of Unmet Housing Need which details the high-level mechanisms to be followed in addressing unmet housing needs for all Essex authorities.