

**EXAMINATION OF THE MALDON DISTRICT LOCAL
DEVELOPMENT PLAN**

**RESPONSES OF BARTON WILLMORE
(ON BEHALF OF GLADMAN DEVELOPMENTS LIMITED) TO
MALDON DISTRICT COUNCIL'S
'IMPLICATIONS OF DCLG'S 2012-BASED HOUSEHOLD
PROJECTIONS' PAPER (31 MARCH 2015)**

14 April 2015

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Barton Willmore LLP
The Observatory
Southfleet Road
Ebbsfleet
Dartford
DA10 0DF

Tel: (01322) 374660
Fax: (01322) 374661
E-mail: research@bartonwillmore.co.uk

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i) Introduction

1.1 This technical note provides a response to the 2012-based DCLG household projections paper published by Maldon District Council (MDC, 31 March 2015). MDC's paper followed a request by the Planning Inspector in his 'extra work tasks' to set out the implications of the 2012-based DCLG household projections once they were released. The projections were subsequently released on 27 February 2015.

ii) What do the 2012-based DCLG household projections show?

1.2 The Council's response to the 2012-based DCLG projection correctly identifies projected growth of 3,417 households between 2014 and 2029 (228 households per annum) and a subsequent dwelling requirement for 3,601 dwellings (240 dwellings per annum) in Maldon District.

iii) What is the role of the DCLG household projection in establishing the objective assessment of overall housing need?

1.3 At the outset it is imperative to refer to the Planning Practice Guidance (PPG) which sets out the role of the DCLG household projections and their part in establishing the full objective assessment of overall housing need in the housing market area, as follows:

"Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need." ¹ (Our emphasis)

1.4 The PPG clearly places the DCLG household projections as the starting point estimate only in a much wider assessment which must draw on demographic, economic growth, market signals, and affordable housing evidence. It is important that their status is not elevated above that of the 'starting point estimate'.

1.5 The PPG sets out the reasoning for the 'starting point estimate' role of the projections as follows:

"The household projections are trend based, ie they provide the household levels and structures that would result if the

¹ Paragraph: 015 Reference ID: 2a-015-20140306, Planning Practice Guidance, 06 March 2014

assumptions based on previous demographic trends in the population and rates of household formation were to be realised in practice. They do not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour." ² (Our emphasis)

- 1.6 Furthermore the PPG refers to the household formation rates (HFRs) that are drawn from the past trends underpinning the household projections, as follows:

"The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing." ³ (Our emphasis)

iv) **Should adjustments be made to the 2012-based DCLG household projections?**

- 1.7 The PPG states the following in respect of this question:

"plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates." ⁴ (Our emphasis)

- 1.8 To establish whether local circumstances in Maldon suggest adjustments should be made to the household projections, it is important to understand the assumptions which underpin them.

Population

- 1.9 The 2012-based DCLG household projections are underpinned by the 2012-based ONS Sub National Population Projections (ONS SNPP, 29 May 2014) which are in turn based on the 2012-based National Population Projections.

- 1.10 The 2012-based national projections assumed net international migration of 165,000 people per annum across England. However, as a consequence of the recently revised international migration estimates, both the 2012-based national and sub national population projections are considered to significantly underestimate net international

² Paragraph: 015 Reference ID: 2a-015-20140306, Planning Practice Guidance, 06 March 2014

³ Paragraph: 015 Reference ID: 2a-015-20140306, Planning Practice Guidance, 06 March 2014

⁴ Paragraph: 017 Reference ID: 2a-017-20140306, Planning Practice Guidance, 06 March 2014

migration trends. In fact, net international migration has only fallen below 200,000 people per annum in one year over the last 10.

- 1.11 The latest quarterly net international migration estimates suggest that net international migration totalled 298,000 people per annum in the year ending September 2014, with the 10-year average equating to 240,000 people per annum. Based on the lower 10-year trend figure this is still 75,000 higher than the latest Sub National Population Projections assume.
- 1.12 This significant underestimate of net international migration therefore results in an underestimate of projected population in the 2012 SNPP, and therefore the 2012-based DCLG household projections they underpin.
- 1.13 Furthermore over the Council's intended Plan period the 2012-based ONS SNPP project a decline in the working age population (16-64) of -1,385 people, 2014-2029. Even on the basis of the working age population being between 16 and 74, there will still be a decline (-193 people, 2014-2029).

Household Formation Rates

- 1.14 The DCLG have now published stage one household formation data for the 2012-based household projections (household representative rates by age and gender) and whilst they show that household formation is greater than that shown in the previous 'interim' 2011-based household projections overall, there is still clear suppression in projected household formation compared to the pre-recessionary 2008-based series.
- 1.15 In particular there remains suppression in household formation of the younger age groups as shown in figures 1 and 2 for Maldon (25-34 and 35-44).

Figure 1: Maldon household representative rates for those aged 25-34

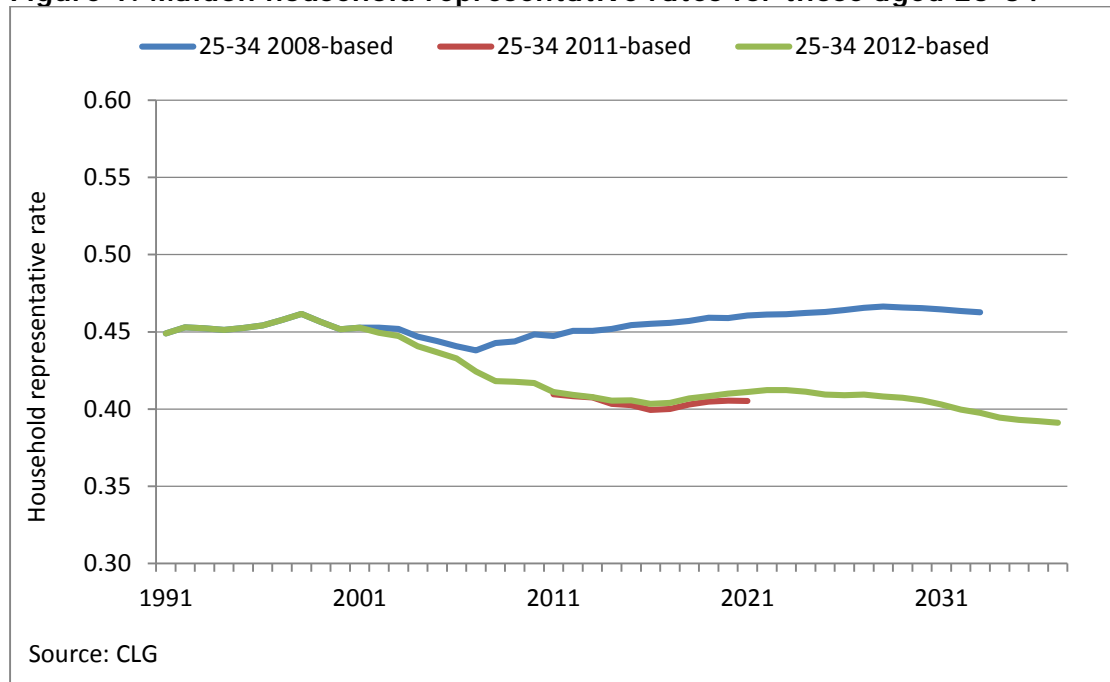
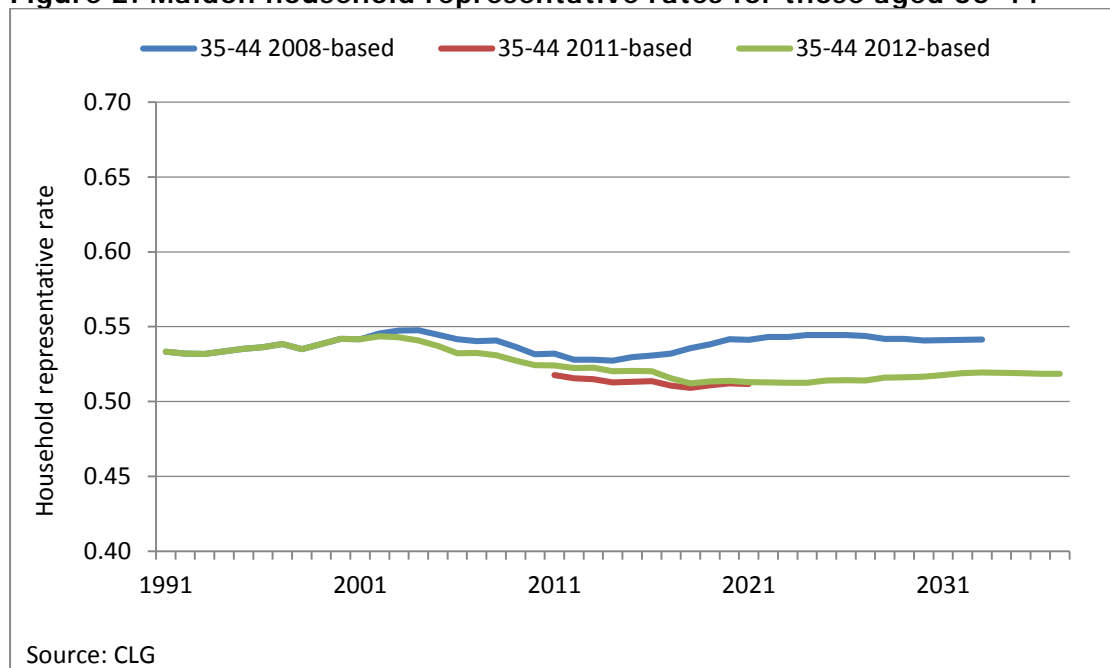


Figure 2: Maldon household representative rates for those aged 35-44



1.16 Figures 1 and 2 show how household formation in Maldon in the 25-34 and 35-44 age groups projected by the 2012-based DCLG projection follows a similar declining trend to that projected by the previous 'interim' 2011-based household projections.

1.17 The interim 2011-based projections were widely regarded to project forward very low household formation in these younger age groups. This was due to the trends

underpinning the projections covering the period just prior to and including the recessionary period, when housing became rapidly less affordable for people in these age groups due to a lack of supply.

- 1.18 The result of this has been a significant increase in concealed households/families across England and Wales (70% increase between 2001 and 2011 equating to 289,000 concealed families)⁵. A concealed family is one living in a multi-family household in addition to the primary family, such as a young couple living with parents.
- 1.19 At a local level there has been a noticeable increase in Maldon District when compared with the other authorities of the HMA, as the Market Signals analysis in Barton Willmore's 'Colchester HMA Objective Assessment of Housing Need' (November 2014) confirmed⁶.
- 1.20 In this context it is considered that local factors strongly suggest that an adjustment needs to be made to the household formation rates underpinning the 2012-based household projections to comply with the National Planning Policy Framework's (NPPF) clear policy to 'boost significantly' the supply of housing⁷.

v) What household formation adjustment should be made in Maldon District?

- 1.21 As identified above the PPG states the following:

"plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates."⁸ (Our emphasis)

- 1.22 When applying household formation rates to any scenario for future growth in Maldon District, the evidence we have identified above suggests strongly that an adjustment should be made in the 25-34 and 35-44 age groups. Failure to do so will only exacerbate the effects of the low household formation trends in these age groups, which have been fuelled by the factors set out above. Furthermore it could not be said that an approach whereby no adjustment is made would help to meet the NPPF

⁵ 2011 Census Analysis, What does the 2011 Census tell us about concealed families living in multi-family households in England and Wales?, ONS, 06 February 2014

⁶ Table 7.4, Colchester HMA Objective Assessment of Housing Need, Barton Willmore, November 2014

⁷ Paragraph 47, page 12, National Planning Policy Framework, March 2012

⁸ Paragraph: 017 Reference ID: 2a-017-20140306, Planning Practice Guidance, 06 March 2014

requirement to 'boost significantly' the supply of housing⁹ or ensure that the Local Plan is 'positively prepared'¹⁰.

- 1.23 Barton Willmore therefore disagrees with MDC's response to the 2012-based CLG projections, which states that *"unlike the 2011-based projections, there is no need to build further return to the 2008-based rates."*
- 1.24 This conclusion is based on the view (which Barton Willmore supports) that the 2012-based projections build in a partial return to the 2008-based rates. However Barton Willmore does not agree that this goes far enough in planning to 'boost significantly' the supply for housing by positively planning for a return to higher household formation in the younger age groups we have identified.
- 1.25 It is therefore considered reasonable to apply a sensitivity scenario which assesses household growth on the basis that household formation in these age groups will recover gradually over the 2011-2031 period to the rate of household formation projected by the 2008-based DCLG projections, which were underpinned by long term trends captured before the impacts collectively of a lack of housing supply and the economic recession.

vi) Demographic-led OAN in Maldon

- 1.26 As discussed at the hearing sessions in January 2015, Barton Willmore does not disagree with the demographic-led assessment of need determined by the NMSS paper, i.e. growth of 310 dwellings per annum.

vii) Economic-led OAN in Maldon

- 1.27 The main area of disagreement relates to the requirement to ensure that the housing growth target accommodates economic growth in Maldon. Barton Willmore's arguments are detailed in the November 2014 Colchester HMA report, and we do not consider that it is relevant to repeat the arguments here. However we provide some context in respect of the 2012 CLG household projections and formation rates, below.
- 1.28 At the outset it is important to recognise how this note refers to the Council's Plan period (2014-2029), owing to the Council's 2012 Household Projections paper that

⁹ Paragraph 47, page 12, National Planning Policy Framework, March 2012

¹⁰ Paragraph 182, page 43, National Planning Policy Framework, March 2012

assesses 2014 EEFM job growth over this period. However for completeness we provide our updated economic-led need modelling at the end of this note for both 2014-2029, and 2011-2031. This is to provide consistency with our November 2014 OAN.

- 1.29 As we have highlighted above, the 2012-based ONS SNPP (which underpinned the 2012-based CLG household projection) projects a decline of -1,385 people in the 16-64 age group, and -193 people in the 16-74 age group, 2014-2029. This highlights how the 2012-based household projections would fail to accommodate any job growth in Maldon over the 2014-2029 period.
- 1.30 Furthermore in the intervening period since the Matter 2 hearing sessions, the East of England Forecasting Model released its latest 'baseline' forecast (Autumn 2014) which shows job growth of 148 jobs per annum over the Council's intended Plan period (2014-2029).
- 1.31 It is important to consider the latest 'baseline' forecast in the context of variant scenarios published by the previous 2013 EEFM. The previous 2013 forecasts (referred to at the EiP sessions) included three scenarios, and the EEFM confirm that these are to be made available soon for the 2014 EEFM.¹¹ However at the time of writing only the 'baseline' scenario is available.
- 1.32 Reference to the three scenarios of the 2013 EEFM shows the following level of job growth over the Council's intended Plan period (2014-2029). The 2013 'baseline' scenario is that referenced by the Council in its 2012 Household Projections response, albeit over the period 2011-2031, resulting in job growth of 122 jobs per annum:

Table 1: 2013 East of England Forecasting Model, per annum (2014-2029)

2013 EEFM scenario	Jobs per annum
High Migration	173
Baseline	143
Lost Decade	92

Source: East of England Forecasting Model, 2013

- 1.33 It is important to note how the 'High Migration' scenario of the 2013 EEFM forecast shows higher job growth than the 'baseline' scenario. It is considered reasonable to assume that, when published, variant forecasts from the 2014 EEFM will potentially

¹¹ <http://www.cambridgeshireinsight.org.uk/EEFM>

show higher job growth than the baseline, and potentially closer to the Experian forecast used by Barton Willmore.

- 1.34 It should be noted that the 'lost decade' scenario of the 2013 EEFM was based on an assumption of 'fifteen years of sluggish economic growth', a view that was made in 2013, and is now considered unrealistic in the context of the recent economic recovery which has occurred since the publication of the 2013 EEFM.
- 1.35 The PPG also states how past trends in job growth should be considered. In this regard the 2014 EEFM output shows historic job growth over the last 20 years (1994-2014) of 406 jobs per annum, reinforcing Barton Willmore's view that the Experian forecast (221 jobs per annum) is a reasonable assumption of job growth. Barton Willmore has also obtained Oxford Economics historic job growth data, which shows 350 jobs were created per annum over the same period (1994-2014).
- 1.36 Accordingly it is appropriate to consider the level of housing growth that would be required to accommodate growth of 221 jobs per annum in Maldon, underpinned by the 2012-based household formation rates, and the household formation sensitivity scenario discussed above. Table 2 (below) summarises economic-led OAN, using the same assumptions as the November 2014 OAN (save for updated 2012-based household formation rates, and 2012-based fertility, mortality, and migration rates published by ONS).
- 1.37 The results are presented for the 2014-2029 period to provide consistency with our analysis above, and the 2011-2031 period in line with Barton Willmore's November 2014 OAN.

Table 2: Economic-led OAN in Maldon District

	2011	2014	2021	2029	2031	2014-2029 (per annum)	2011-2031 (per annum)
Population	61,720	64,074	67,796	75,214	77,474	11,140 (743)	15,754 (788)
Dwellings*	26,822	28,074	30,377	34,078	35,170	6,005 (400)	8,347 (417)
Dwellings**	26,822	28,143	30,624	34,566	35,709	6,423 (428)	8,887 (444)

Note: *2012-based CLG household formation rates; all age groups;

**2012-based CLG household formation rates (full return to 2008-based rates by 2031 for 25-34 and 35-44 age groups to address household formation suppression)

- 1.38 Based on the 2012-based CLG household formation rates, the dwelling requirement for Maldon is 400 dwellings per annum, 2012-2029 (417 dwellings per annum, 2011-

2031). However to address the low household formation rate in the 25-34 and 35-44 age groups and plan positively to boost housing supply in Maldon, this would rise to 428 dwellings per annum 2014-2029 (444 dwellings per annum, 2011-2031).

viii) Summary

1.39 In summary the key points to consider in respect of the 2012-based CLG household formation rates, and their influence on OAN in Maldon, are as follows:

- The 2012-based CLG household projection for Maldon shows a requirement for 240 dwellings per annum, 2014-2029. This is the 'starting point estimate' for full OAN in Maldon District and this is agreed with MDC;
- The 2012-based CLG household projections are underpinned by the 2012-based ONS SNPP, and are based on a level of net international migration across England and Wales that is much lower than has been experienced in recent years. The 2012-based ONS SNPP are therefore considered to underestimate population growth over the next 25 years;
- The 2012-based ONS SNPP (and 2012 CLG projection) for Maldon would fail to accommodate any economic growth over the Plan period (2014-2029), as the 2012-based ONS SNPP projects a decline of the working age population (whether a 16-64 or a 16-74 age group is considered);
- The 2012-based household formation rates show a similar, declining level of projected household formation in the 25-34 and 35-44 age groups as shown in the previous interim 2011-based household projections;
- In the context of the declining household formation in the 25-34 and 35-44 age groups, it is considered appropriate to adjust household formation rates in line with the PPG to respond to the NPPF requirement to 'boost significantly' the supply of housing (paragraph 47), and ensure that the local plan is 'positively prepared' (paragraph 182);
- Adjustments for local demographic factors show a requirement for 310 dwellings per annum in Maldon District to meet demographic led need in Maldon District, and this is agreed with MDC;

- In respect of the economic-led assessment of objectively assessed needs, MDC refer to the 'baseline' 2013 EEFM, which shows growth of 143 jobs per annum, 2014-2029; At the time of writing only the 'baseline' scenario of the 2014 EEFM is available, and this shows growth of 148 jobs per annum, 2014-2029 (this corrects the Council's paper which states 134 jobs per annum).
- However when variable scenarios (expected to be released soon) are released for the 2014 EEFM, a higher number of jobs than forecast by the 'baseline' scenario of the 2014 EEFM, consistent with the variant scenarios of the 2013 EEFM, is likely to be forecast;
- In short, the 2013 EEFM baseline is outdated and shows lower job growth compared with the updated 2014 EEFM forecast;
- Barton Willmore's job growth assumption (221 jobs per annum) is therefore considered to be a reasonable assumption in the context of the increase between the 2013 and 2014 EEFM, particularly when compared against the EEFM's historic 20-year trend (406 jobs per annum), and the past trend recorded by Oxford Economics over the same period (350 jobs per annum);
- Updated economic-led modelling based on the 2012-based CLG projections and their household formation rates shows **a requirement for between 400 and 428 dwellings per annum, 2014-2029, and between 417 and 444 dwellings per annum, 2011-2031, for Maldon District.**

WORD COUNT: 2,840