

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

**RESPONSES OF BARTON WILLMORE (ON BEHALF OF GLADMAN  
DEVELOPMENTS LIMITED) TO PBA'S COMMENTS ON THE  
COLCHESTER HMA OBJECTIVE ASSESSMENT OF HOUSING NEED  
(SUBMITTED AS APPENDIX 1 TO BARTON WILLMORE'S MATTER 2  
HEARING STATEMENT)**

20 February 2015

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## **1. Introduction**

1.1 This rebuttal paper addresses and responds to the issues raised by Peter Brett Associates (PBA) in their February 2015 statement on the Objective Assessment of Need (OAN) study submitted by Barton Willmore (BW) on behalf of Gladman Developments Ltd.

1.2 The comments of PBA are noted, and the five main areas of disagreement are considered to be the following:

- Housing Market Area definition;
- Household Formation Rates;
- 2012-based ONS SNPP;
- Unattributable Population Change;
- Economic-led assumptions.

1.3 We respond to PBA and provide further comments where necessary in order of these four main headings, below:

## **2. Housing Market Area definition**

1.4 It should be noted that our analysis of the HMA definition was carried out in May/June 2014 (prior to the publication of the 2011 Census flow data) and instead analysed data from the ONS on internal migration as well as commuting flows from the 2011 Annual Population Survey, which were the most up-to-date sources of information available at the time.

1.5 We accept that it is not possible to determine migration containment from the data we presented in our report, as the ONS migration data shows only out flows – not those retained within the district. This does not, however, change the fact that Maldon's own SHMA evidence shows migration containment of just 65%, even after restricting the base (denominator) figure to adjacent authorities only (see p.31 of EB010e). In limiting the flows counted in this way, the SHMA ignores many flows to/from Greater London, the rest of the East of England/South East England regions and beyond which ultimately inflates the containment figure for each authority analysed – there is no basis for doing this in the PPG or NPPF. If all migration flows had been included in the SHMA's analysis, containment would have stood at just 51%

(2,544 out of 4,980 flows retained, based on 2001 Census data), further undermining its assertion that it is a self-contained market.

- 1.6 The analysis of commuting data presented in our report shows that Maldon also has strong economic linkages with the rest of the HMA. According to the 2011 APS, 22% of employed Maldon residents were found to work elsewhere in the HMA, whilst just 48% remained in the district. The logical conclusion to draw from this is that Maldon has economic linkages with places beyond its boundaries, which suggests that it belongs to a HMA.
- 1.7 We believe that the evidence we presented, whilst not updated to accommodate the findings of the 2011 Census, indicates that the 'sensible' starting point of the CURDS/NHPAU research represents a robust HMA definition, and neither the Council nor PBA have presented robust evidence to the contrary. On this basis, we contend that the correct HMA definition for Maldon is the Colchester HMA.
- 1.8 That the remaining four HMA authorities (as the 'Mid Essex' consortium) have jointly commissioned PBA to undertake further housing need analysis is in itself further evidence that the Colchester HMA definition is of relevance. The sole exclusion of Maldon appears to be a result of the more advanced state of Maldon's Development Plan, rather than any evidence-based indication of its status as a self-contained market.

### **3. Household Formation Rates (HFRs)**

- 1.9 It is agreed with PBA that the approach to HFRs is the subject of much debate, and that the approach BW have adopted is one of a number of approaches that can be adopted in objectively assessing overall housing need.
- 1.10 The approaches are generally as follows:

**Full return:** This is the method used by BW in the OAN appended with our hearing statement.

- Step 1: The 'interim' 2011-based HFRs are applied between 2011 and 2021 across all age groups.

- Step 2: For the post-2021 period the HFRs gradually return year on year until they reach the pre recessionary 2008-based rate in 2031.

**Indexed (Partial Return):**

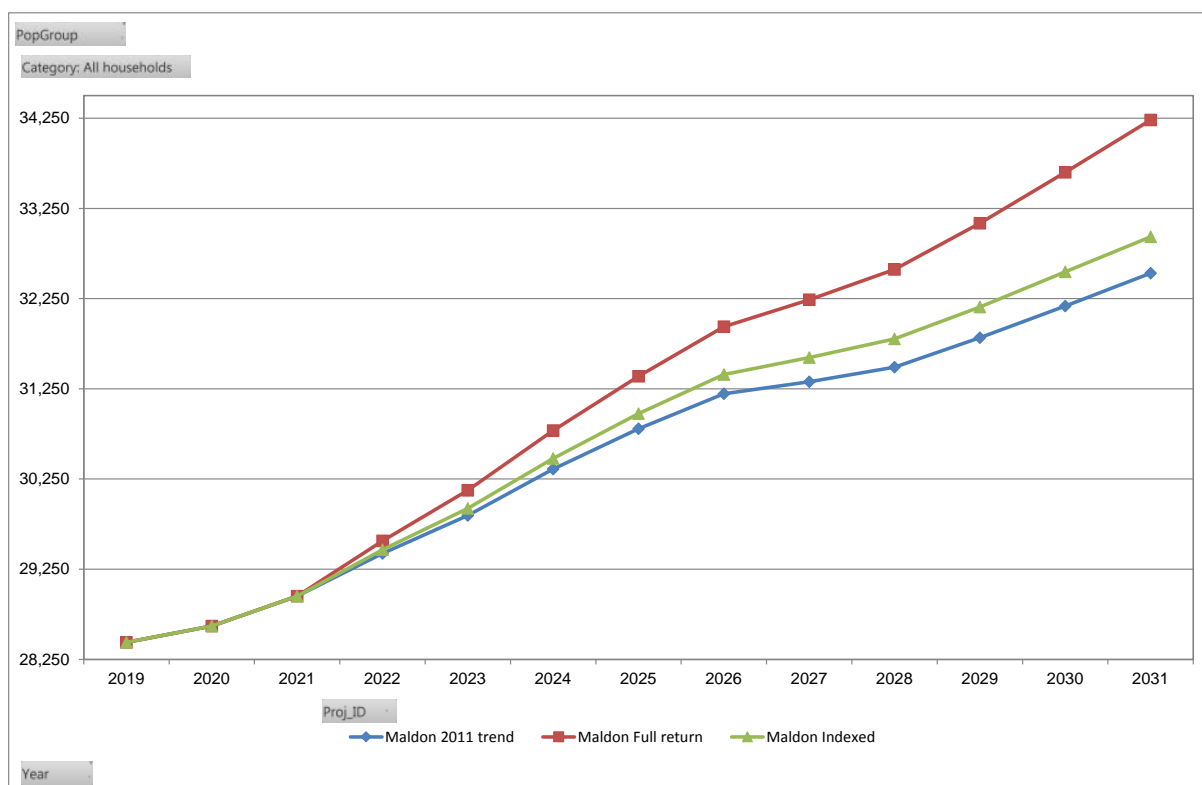
- Step 1: As above in Full Return.
- Step 2: For the post-2021 period the HFRs follow the 2008-based annual rate of change. They therefore fail to draw back any of the suppression created in the 2011-2021 period.

**1.11 Interim 2011-based trend:**

- Step 1: As above in Full Return and Indexed.
- Step 2: For the post-2021 period the HFRs follow the 2011-2021 trend of the interim 2011-based HFRs, thereby continuing the recessionary based trend.

1.12 The effect of the approaches is set out below (figure 1), for the economic-led scenario included in our OAN (hearing statement, appendix 1). The 2019-2021 trend shown is identical as they follow step 1 listed above.

**Figure 1: Household Formation Rate (all ages) approaches**



1.13 In determining the household formation rate to apply post-2021 (figure 1), the decision should be considered in the context of NPPF requirements to ensure local authorities 'positively' seek opportunities to meet the development needs of their area (paragraphs 14/157); that Local Plans are 'positively prepared' (paragraph 182), and that to 'boost significantly' the supply of housing, local planning authorities use their evidence base to ensure that Local Plans meet the 'full, objectively assessed needs' for market and affordable housing in the housing market area (paragraph 47).

1.14 The Planning Practice Guidance (PPG) supports the NPPF, providing more detail on the methodology to be applied on HFRs, stating the limitations of the DCLG projections as follows:

**"the DCLG projections are trend based only and do not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour."**

(PPG Paragraph: 015 Reference ID: 2a-015-20140306)

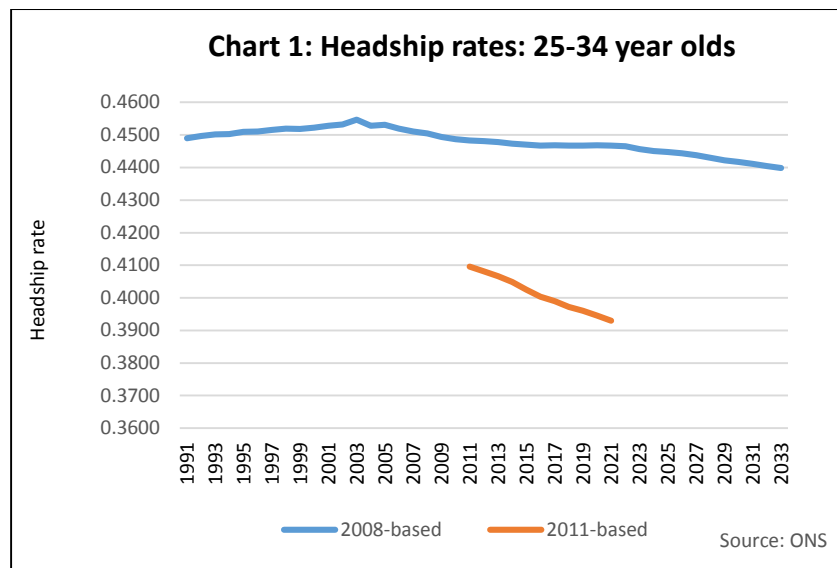
1.15 In applying HFRs the PPG states the following:

**"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."**

(PPG Paragraph: 015 Reference ID: 2a-015-20140306)

1.16 As PBA quite rightly state, the interim 2011-based HFRs captured trends over a severe recessionary period (2007-2011). This period saw significant impact on the 25-34 and 35-44 age groups particularly, which experienced a significant downturn in household formation in most areas across the country when compared with the previous pre-recessionary 2008-based DCLG household projections, due to worsening affordability of housing.

1.17 The suppression of HFRs in Maldon in the 25-34 age group is highlighted in the RTPI's 'Understanding the latest DCLG household projections' toolkit (DCLG toolkit), prepared by Neil McDonald (who represented Maldon Council at the EIP hearings) and available on the internet for public use. This compares the 2008 and interim 2011-based HFRs, as follows in Chart 1 for Maldon:



1.18 Chart 1 shows how household formation in the 25-34 age group is projected to decline significantly when compared to the 2008-based trend. The DCLG toolkit states that the decline is due to two reasons:

- increased international migration, which tends to increase average household size as recent migrants tend to live in larger households than the rest of the population; and
- a range of changes to how people have been living, including more adult children staying on with parents or sharing homes rather than living on their own.

1.19 The impact of international migration is considered to be minor in Maldon, as 'average annual international migration 2001-2011 as a percentage of total population' is only 0.29%. The DCLG toolkit advises that 1.0% and above would be thought 'large'.

1.20 It can therefore be concluded that the majority of the decline has been due to the second reason, a trend that has developed due to the worsening affordability of housing. This is emphasised by our OAN (Table 7.4, page 53), showing how Maldon has the highest proportion of concealed households (3.8%) in the 25-34 age group, in the HMA.

1.21 As the BW OAN (appendix 1 to our hearing statement) shows, affordability has worsened significantly in Maldon over the past 10 years. Figure 7.7 and Table 7.2 show how the '*lower quartile house prices to lower quartile earnings*' (affordability ratio) has risen from 4.4 (1997) to 8.7 (2012). This is a 100% increase in 15 years; significantly higher than the national average (6.6), and higher than most surrounding authorities.

- 1.22 An upward adjustment for market signals is therefore considered appropriate in Maldon, and our approach to HFRs is considered to incorporate such an adjustment by planning for a return to 2008-based rates by 2031.
- 1.23 It is noted how the EPOA report referred to in paragraph 3.5 of PBA's comments provides two HFR scenarios, but in the context of the above it is not considered that the 2011-based trend scenario is of any value, as it only serves to project forward recessionary trends. PBA themselves appear to confirm the inadequacy of using a continuation of the 2011-based trend, stating in May 2014 that the 'indexed' method described above should be used.<sup>1</sup> It is therefore considered that either the Indexed or Full Return approach needs to be considered for Maldon.
- 1.24 The BW approach in our OAN – full return – is considered to be justified in Maldon, responding to the acute affordability issues in the District, thereby addressing the worsening market signals by significantly boosting housing supply. The full return approach also responds to changing economic circumstances as required by the PPG, i.e. the recovery in the UK economy that has been experienced since the beginning of 2014. This is considered the most robust approach in the context of Maldon, and indeed the wider HMA, to ensure the NPPF's requirements are met.
- 1.25 However to provide a sensitivity scenario, we include results of the economic-led scenario included in our OAN (435 dpa for Maldon) with the 'Indexed' approach to HFRs, below. We do not include a '2011-trend' scenario for the reasons set out above.

**Table 1: POPGROUP Summary Output – Economic-led (Indexed HFRs)**

	2011	2016	2021	2026	2031	2011-2031 (per annum)
Population	61,720	65,480	67,930	73,275	76,396	14,676 (734)
Households	25,846	27,658	28,950	31,410	32,935	7,088 (354)
<b>Dwellings</b>	26,803	28,682	30,022	32,573	34,154	<b>7,351</b> <b>(368)</b>

- 1.26 This sensitivity scenario shows growth of 368 dpa, however for the reasons given above this should be considered the absolute minimum level of OAN. We maintain our position that the full return HFR approach is the most appropriate for Maldon, resulting in 435 dpa.

<sup>1</sup> Paragraph 5.26 and 5.27, Objectively Assessed Need and Housing Targets Technical advice note, Planning Advisory Service, June 2014

#### 4. ONS 2012-based SNPP

1.27 It is agreed with PBA that BW's 2012-based ONS SNPP scenario is likely to be higher than the 2012-based DCLG household projection (released 26 February 2015). However as PBA identify, the 2012-based DCLG projection will be based on similar recessionary-based trends of the interim 2011-based DCLG projection. This should be considered in the context of the PPG's statement regarding DCLG projections, as follows:

**"Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need."**

(PPG Paragraph: 015 Reference ID: 2a-015-20140306)

1.28 The 2012-based DCLG household projections will therefore remain as the 'starting point estimate' as identified by the PPG. Adjustments to the trends will need to be made in line with PPG requirements (see above).

1.29 Furthermore as our OAN identifies (paragraph 5.16) the 2012-based ONS SNPP are underpinned by recessionary trends in population change and very low net international migration (+165,000 people per annum) when compared with more recent trends (+260,000 people per annum). They are therefore likely to be conservative projections of population change.

#### 5. 10-year migration and Unattributable Population Change (UPC)

1.30 In respect of our assessment of net-migration, it is conceded that the BW OAN does not explain the approach adopted in respect of 'unattributable population change' (UPC) in full, as it should.

1.31 To clarify, in line with the ONS' guidance and decision to exclude UPC in the 2012-based ONS SNPP, and email confirmation sent to BW by ONS, we exclude UPC from the calculation of net migration trends (whether the UPC is positive or negative). ONS decided on this approach in calculating the 2012-based ONS SNPP, for the following reasons:

**"The UPC is unlikely to be seen in continuing subnational trends for the following reasons:**

- if it is due to either the 2001 Census or 2011 Census, then the components of population change will be unaffected, and
- if it is due to international migration, it is likely that the biggest impacts will be seen earlier in the decade and will have less of an impact in the later years, because of improvements introduced to migration estimates in the majority of these years.

**While ONS recognises that UPC can have a significant impact at some age and sex groups in some local authorities, there is insufficient evidence that an adjustment for UPC should be made.**<sup>2</sup>

1.32 However we note the work of Neil McDonald in the District Councils of Cotswold, Forest of Dean, and Stroud, in which he stated the following:

**“Whilst there is room for debate about the merits of including a UPC adjustment, given the uncertainty, the prudent approach would be to plan on the basis of the higher of the two figures i.e. not to include the UPC adjustment when it is negative.”**<sup>3</sup> (Our emphasis)

1.33 The inference of this statement from Neil McDonald is that the UPC element should be excluded in its entirety when it is negative, and included when it is positive.

1.34 This is a key point to note in the context of how the net migration trends are calculated.

## **6. Economic Growth**

1.35 PBA’s critique suggests that because the Experian Economics forecasts take ONS Sub-National Population Projections as an input, it is ‘logically inconsistent’ to then state that a higher level of population growth (and therefore household/dwelling growth) than projected by ONS could be required to meet Experian’s ultimate employment forecasts.

1.36 This, however, misinterprets the way in which the forecasts have been used; we have not sought to reconcile all of Experian’s assumptions with our own, but instead have

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<sup>2</sup> Page 5-6, Consultation on the 2012-based Subnational Population Projections for England: Summary of responses, ONS, 29 May 2014

<sup>3</sup> Paragraph 42, page 27, The Objectively Assessed Housing Needs of Stroud, Forest of Dean and Cotswold Report to the District Councils of Cotswold, Forest of Dean and Stroud, Neil McDonald with Christine Whitehead, October 2014

taken their ultimate output (the workforce jobs forecast) as a robust policy-off indication of the likely demand for labour over the forecast period.

- 1.37 Experian is a well-respected forecasting house, used by a large number of public and private sector organisations to provide indications of future growth locally, regionally and nationally. The forecasts published by Experian are, in their view, sufficiently robust to be released and used by their clients and form the basis of many local authority housing and employment land needs assessments across the country.
- 1.38 In the case of Maldon, Experian indicates that the balance between labour supply and demand will result in the number of jobs in Maldon increasing by 4,422 between 2011 and 2031. As stated by PBA, this is not dissimilar to the latest EEFM forecast for 4,700 additional jobs over the same period. On this basis, we believe that it is reasonable to assume that Experian's forecast for employment growth is reasonable and perhaps even conservative.
- 1.39 The key issue, therefore, is the extent to which (on reasonable and justified assumptions regarding commuting, economic activity rates, and reductions in unemployment) the forecast labour demand could be met by the increase in population arising from the ONS 2012-based SNPP alone.
- 1.40 First, we applied a commuting ratio to the forecast. As Maldon is a net exporter of labour (1.48 local residents in employment per local job, according to the APS 2011), a total of 6,520 workers are needed to ensure that 4,442 remain in the district to fill the forecast jobs.
- 1.41 Because Maldon's age profile is skewed towards older groups (compared with the HMA and national average), the population would need to grow by 14,676 to supply 6,520 workers, even after an assumption is made that unemployment among those of working age will fall from 5.2% in 2011 (from the Census) to 3.7% by 2021 (and remain constant thereafter) and that economic activity rates will increase in line with changes to the state pension age. On this basis, the ONS 2012-based SNPP's forecast growth of 6,499 people between 2011 and 2031 would be insufficient. We believe that the required population growth of 14,676 would result in the formation of 8,383 households 2011-31, equating to 8,693 dwellings (435 per annum) once vacant and second homes are accounted for.

- 1.42 PBA also points out that the latest EEFM (which forecasts similar employment growth at c.4,700 new jobs 2011-31) includes a 'demand for dwellings' figure of just 172 per annum. This, however, is only achieved by assuming that employment rates will increase significantly (from 66.7% in 2011 to 75.1% in 2031) across the entire 16-74 population, reducing the need for more workers to migrate to Maldon by assuming that more people will work much further into old age.
- 1.43 Given that Maldon's age profile is already older than national average, the impact of this is significant. Planning on this basis is not desirable as it does not encourage the maintenance of a balanced (in terms of age structure) workforce, and could create significant problems further down the line as fewer young people will have moved to Maldon due to reduced employment prospects. Finally, Phase 6 of the Essex Planning Officers' Association (EPOA) demographic forecasts casts further doubt on the EEFM methodology, suggesting that between 324 and 365 dwellings per annum would be required to support the creation of just 100 jobs per year.

## **7. Summary**

- 1.44 In summary, we note PBA's comments and in response this note provides further justification/explanation for the approach set out in the BW OAN presented with our hearing statement.
- 1.45 We remain of the view that our OAN follows the requirements of the NPPF and the methodology set out in the PPG, concluding on OAN for Maldon District and the surrounding HMA that is based on robust assumptions relating to demographics, employment growth, and market signals.

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