Assessing Maldon's Housing Requirement

Report to Maldon District Council

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NMSS

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Report

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Aim

This report provides an independent and objective assessment of Maldon District's housing requirement in order to provide a basis on which Maldon District Council can respond to the concerns raised on this issue by the Inspector examining the District's Local Development Plan (LDP).

Background

The Inspector has indicated in his letter IED06 that his initial view is that the District Council's full, objectively assessed housing need is more likely to be 381 homes per year, a figure suggested by the 2014 Strategic Housing Market Assessment (SHMA), instead of the 294 homes per year on which the Plan is based. The figure of 294 homes a year is based on applying the Office for National Statistics' (ONS') 2010-based population projections to the Department for Communities and Local Government's (DCLG's) 2008-based household formation rates. He says that he does not understand "why the Council has chosen to disregard its more up-to-date 2014 SHMA in favour of the older and cruder 2010 SNPP population projections". He also comments that he has "concerns about the 2014 SHMA in that it appears not to adequately take account of the …. recessionary trends in the 2010 SNPP and the 2011 Census population projections, and so this total of 381 homes per annum could well be an underestimate…".

Summary

- It is understandable that the Inspector has reservations about a housing requirement estimated by applying the ONS's 2010-based population projections to DCLG's 2008-based household formation rates as both of these pre-date the 2011 census and, as such, are rather dated. This report sets out an estimate of Maldon's housing requirement based on the latest available official population and household projections and reviews the estimate in the 2014 SHMA (EB010e). The reasons for the differences between the two are discussed.

Estimating Maldon's housing requirement based on the latest available data

- The latest DCLG household projections are the 2011-based population projections published in April 2013. They can be updated using the ONS's 2012-based Sub-national Population Projections published in May 2014 to provide the latest official view. However, these projections suffer from two significant weaknesses:
    - they are based on flow rates for people moving from one authority to another within the UK derived from the period 2007 to 2012, a period when flows were low as a result of the recession. In Maldon's case this has resulted in an underestimation of the likely increase in its population; and
    - the household formation rate projections have been heavily influenced by the 2011 census results which represent a snapshot taken before the

recovery from the economic downturn was well-established and after a prolonged period of poor housing affordability relative to earnings. This also causes the likely increase in the number of households in the area to be underestimated.

These are examples of the 'recessionary trends' to which the Inspector refers.

- If adjustments are made to compensate for these two factors a housing requirement of 310 homes per year between 2014 and 2029 is suggested.
- There is a sizeable discrepancy between the increase in Maldon's population suggested by the estimates made for births, deaths and migration flows and the difference between the populations recorded in the 2001 and 2011 censuses. It can be argued that the fact that the latest ONS population projections ignore this discrepancy has resulted in a projection that is too high. Adjusting for this would, at most, reduce the housing requirement to 280 homes per year, but this would be to take an extreme view. The best trend-based estimate using the latest available data lies in the range 280-310 homes per year.
- It seems likely that London will not be able to accommodate the projected increase in its population and that, as consequence, there will be greater pressure for households to move out of London than the projections suggest. This could have a significant impact on all local authorities in the wider South East. A rough approximation suggests that the impact on Maldon could be of the order of a requirement for an additional 16-32 homes a year.
- It is not suggested that it would be appropriate to add that number of homes to the range suggested by the updated demographic analysis as that analysis includes an adjustment to the net flow into Maldon from the rest of the UK. However, it is a strong argument for planning on the basis of the top end of the range i.e. an average of 310 homes a year over the period 2014 to 2029.

The SHMA's flow-based estimate of Maldon's housing requirement

- The SHMA's flow based analysis is based on a survey of households in the area conducted in June and July 2013 which asked about the composition of households, whether they had moved recently or were intending to move and, if so, where from or to.
- Such surveys can only provide information on what respondents intend to do. What they actually do may be very different as a result of changes in their circumstances or because when they attempt to move they cannot find the type of home they had envisaged at a price they can afford.
- The main areas in which there is significant uncertainty in the results presented by the model are:
    - The number of households likely to move into the area to buy or rent homes appears to have been significantly underestimated;

  - Respondents may have been over-optimistic about the likelihood of grown up sons and daughter who are currently living with their parents setting up a home of their own in Maldon in either market or affordable housing;
  - The model does not make an allowance for homes released on to the market as a result of deaths or people moving into care homes; and
  - The number of households likely to leave the area may have been under-estimated.

- What the survey suggests about the demand for housing and the number of households who will move out of the area can be compared both with what the survey says about what happened in the previous three years and ONS historical data. This reveals large discrepancies suggesting that there is considerable uncertainty in the SHMA model's figure of 381 homes per year.
- DCA have made it clear that it was not their intention that the survey-based model should be used to estimate the Maldon District's Objective Assessed Needs and that they have never used the model for that purpose.
- In view of the scale of the uncertainty in the figures produced by the SHMA's flow based model it is not a suitable basis on which the estimate Maldon's housing needs.

Conclusion

- **Although the SHMA is an important part of the evidence base in other respects, its stock-flow model is not an appropriate basis on which to quantify Maldon District's Objectively Assessed Needs (OAN) for housing as the uncertainties in the estimates of a number of the flows are just too great. In particular, it appears to underestimate the number of new households likely to arrive in and leave the District; overestimate the number of concealed households likely to set up separate households; and does not allow for the homes that will be released onto the market as a result of deaths or moves into care homes.**
- **The OAN should be based on the latest official projections for the area with adjustments for factors which appear to be departures from the longer term trend. These suggest a requirement of 280 to 310 homes a year between 2014 and 2029. It would be prudent to set the Objectively Assessed Needs for Housing at the top of this range bearing in mind the likelihood of increased out migration from London.**

ASSESSING MALDON'S HOUSING REQUIREMENT

Introduction

Aim

1. This report provides an independent and objective assessment of Maldon District's housing requirement in order to provide a basis on which the District Council can respond to the concerns raised on this issue by the Inspector examining the Maldon District Local Development Plan (LDP).

Background

2. The Inspector has indicated in his letter 'Key Concerns' (IED06) on the LDP that his initial view[1] is that the District Council's full, objectively assessed housing need is more likely to be 381 homes per year as suggested by the 2014 SHMA[2] than the 294 homes per year on which the Plan is based. The figure of 294 homes a year is based on applying the ONS's 2010-based population projections to DCLG's 2008-based household formation rates. He says that he does not understand "why the Council has chosen to disregard its more up-to-date 2014 SHMA in favour of the older and cruder 2010 SNPP population projections". He also comments that he has "concerns about the 2014 SHMA in that it appears not to adequately take account of the above recessionary trends in the 2010 SNPP and the 2011 Census population projections, and so this total of 381 homes per annum could well be an underestimate…".

The issue

3. This is a classic case of "which projections should be believed". Using the various recent official population and household projections it is possible to produce demographic projections suggesting a housing requirement ranging from 210 to over 400 homes a year for the period 2014 to 2029. The 2014 SHMA at 381 homes a year sits towards the upper end of this range.

The approach

4. This report seeks to understand why the different projections produce such a wide range of numbers as a basis for narrowing the range within which a reasonable view of Maldon District's objectively assessed needs for housing should fall.

[1] Inspector's Key Concerns (IED06), Paragraphs 14-16.
http://www.maldon.gov.uk/downloads/file/1959/ied06_inspectors_key_concerns_letter

[2] Maldon District Council Strategic Housing Market Assessment, Draft Final Report, (EB010e) DCA
http://www.maldon.gov.uk/LDP/pre-submission/4%20Housing/EB010e%20Strategic%20Housing%20Market%20Assessment%20Update%202014.pdf

5. A demographically based household projection involves two main steps:

   - Estimating how the population living in the area is likely to change; and
   - Taking a view on how that population is likely to group itself into households.

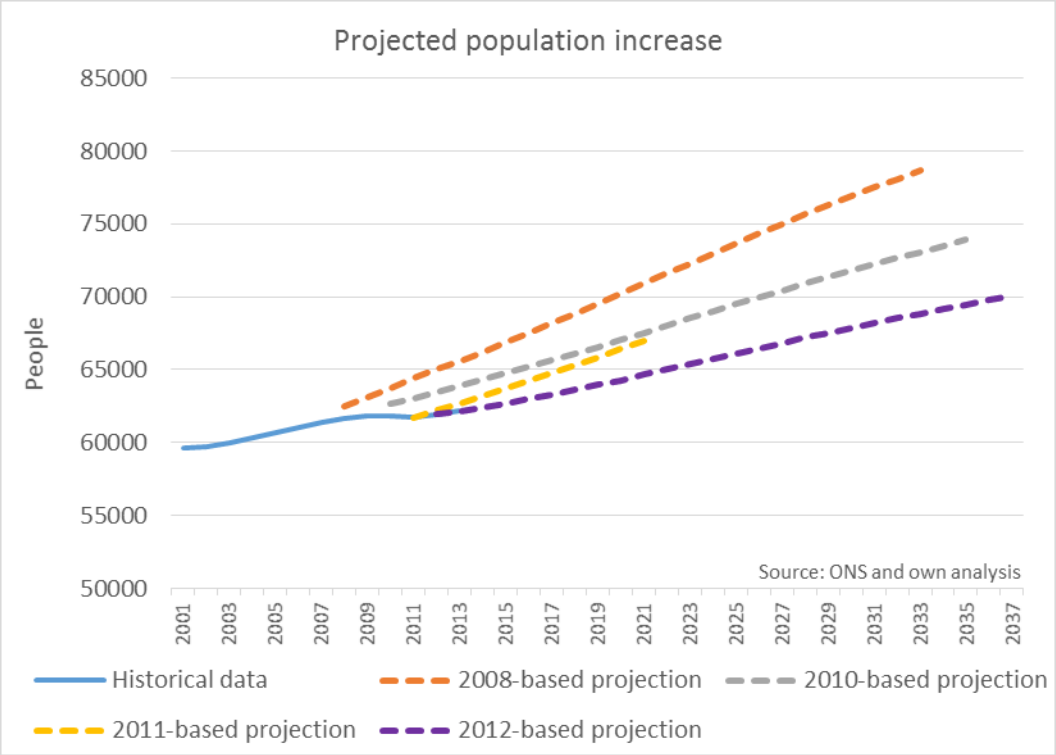
6. This generates a projection for the increase in the number of households in the area. An allowance then needs to be added for vacant and second homes to give an estimate of the housing requirement. Further adjustments may then need to be made to ensure that there is sufficient housing to support any aspirations for economic growth; address market factors; respond to past undersupply and cater for any existing unmet need. Those issues are not, however, dealt with in this report, apart from a brief mention of out migration from London.

7. This report looks firstly at the significantly different views in the recent official projections on how the population is likely to change. It then considers what assumptions should be made about how the population will group themselves into households, looking at the assumption made in the two most recent Department for Communities (DCLG) household projections. Both pieces of work are then brought together to produce a view on what a reasonable assessment of the housing requirements of the area might be.

What population should be planned for?

Recent projections

8. The following chart and table illustrate the range of views presented by the various recent ONS projections about how the population of Maldon might increase.



Population growth 2011-21	2011	2021	Increase 2011-21	
			People	Percentage
2008-based projection	64400	70900	6500	10.5%
2010-based projection	63052	67544	4491	7.3%
2011-based projection	61720	66971	5251	8.5%
2012-based projection	61720	64658	2938	4.8%

9. To understand why the projections give such different views it is necessary to look at the assumptions made about the 'components of change'.

10. The future population of any area is the current population plus those who come less those go. Those who come are those who are born in the area plus those who move in from outside. Those who go are those who die plus those who leave the area. It is helpful to divide arrivals and departures into those who come from or go to the rest of the UK and those who come from or go to other countries. This gives six 'components of population change':

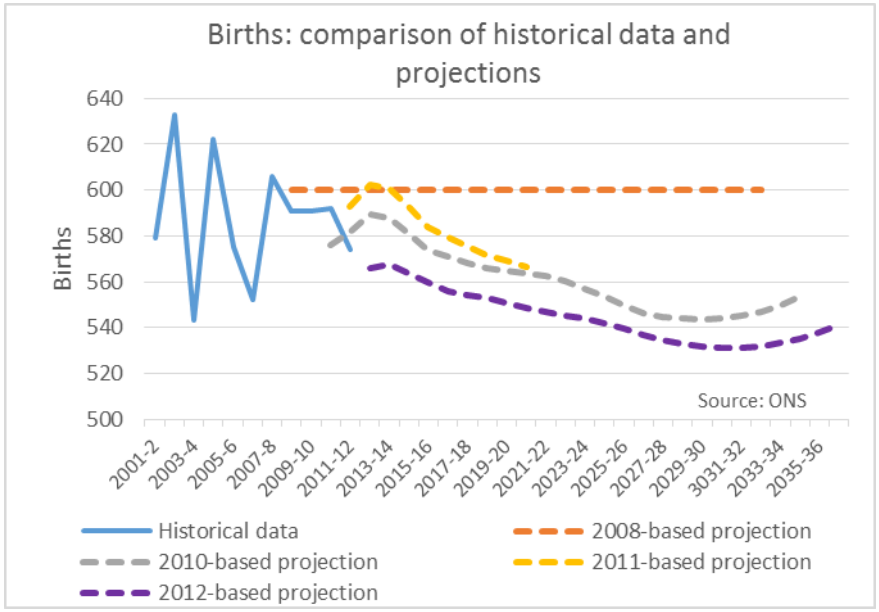
- Births
- Deaths
- Arrivals from other parts of the UK – "internal migration in"

- Departures to other parts of the UK – "internal migration out"
- Arrivals from abroad – "international migration in"
- Departures abroad – "international migration out"

11. By looking at the assumptions made in the different projections for each of the six components of change and comparing those assumptions with what has actually happened in the recent past it is possible to take a view on what a reasonable planning assumption might be. The next sections look at each component in turn.

Births

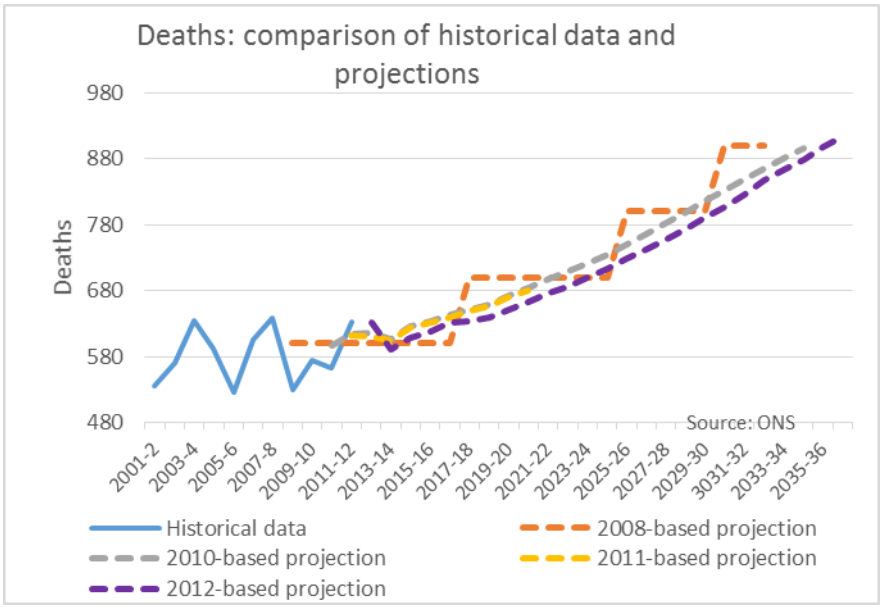
12. The chart below compares various projections for births. In interpreting it it should be noted that the 2008-based projection uses ONS data rounded to the nearest 100 births. (Unrounded data is not available for that projection.) This means that there may be little difference between that projection and the others.



13. Note also that the 'Y' axis has been truncated to enable the relatively small differences between the projections to be seen. Leaving aside the rounded data for the 2008-based projection, the differences between the other projections are only of the order of 20 births a year. Given that the assumptions made on births will have very little impact on how many households are projected as children do not form households, it is not necessary to pursue the small differences in any greater depth.

Deaths

14. The following chart shows similar data for deaths to that for births above. The same caveats apply.

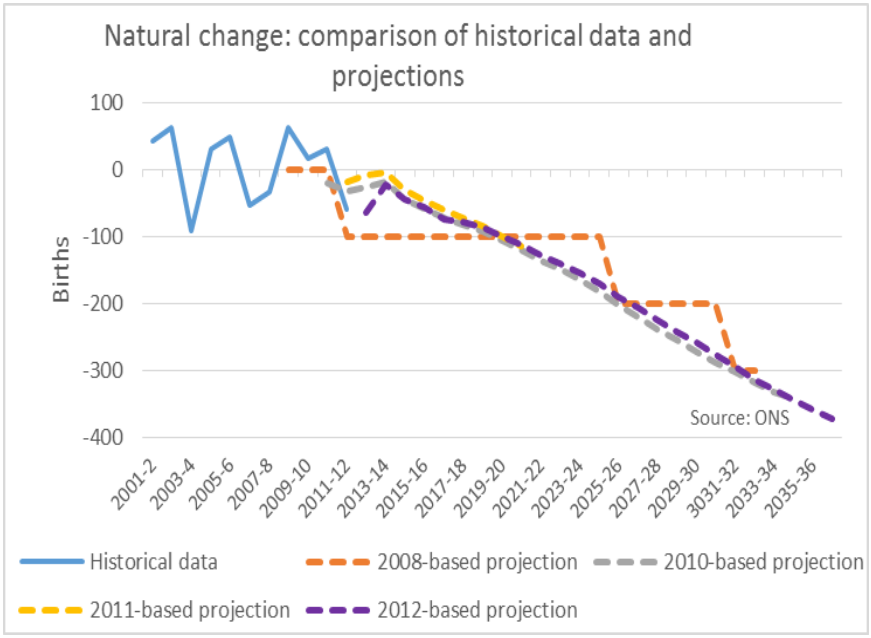


15. The projected number of deaths a year rises as the number of older people in the population increases. The differences between the various projections are even smaller than for births and immaterial for the purposes of estimating housing requirements.

Natural change

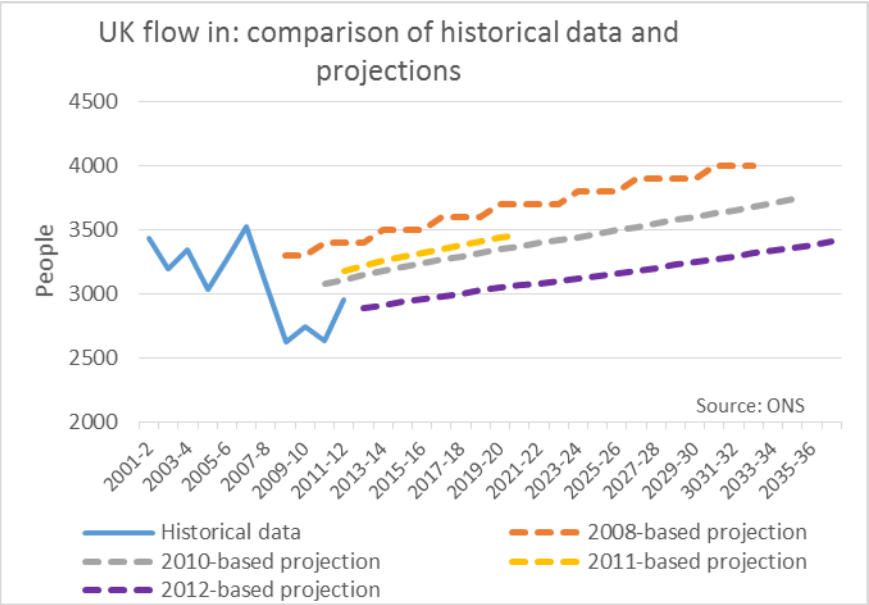
16. To simplify the remainder of the analysis it is helpful to refer to the difference between births and deaths –'natural change'. This is shown in the following chart on a similar basis.

17. The differences between the various projections for natural change are very small. The clear message from the chart is that, without net migration into Maldon, the population of the area would decline fairly quickly.



Flows from and to the rest of the UK

18. The chart below compares the projections for the flow in from the rest of the UK on a similar basis to the above charts.

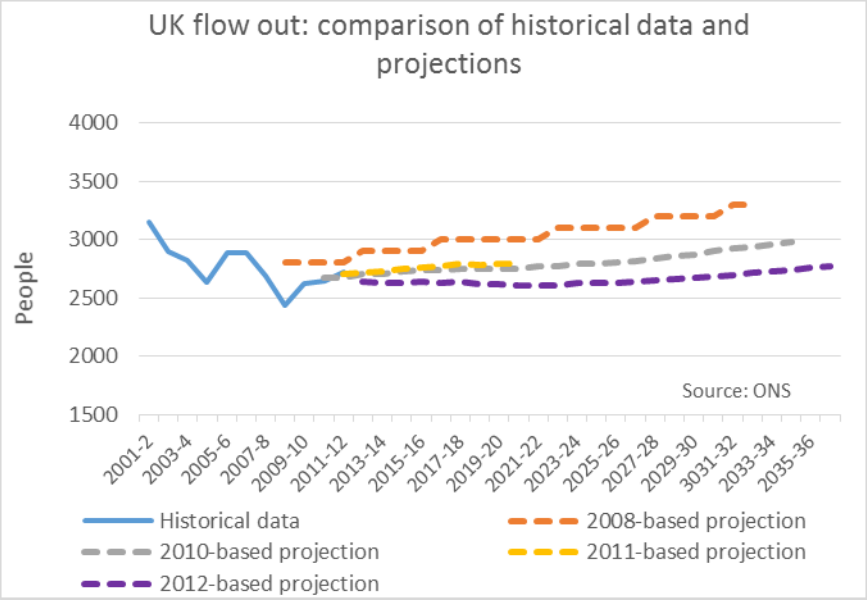


19. Note that the scale here is much smaller and the difference between the two extreme projections – the 2008 and 2012-based projections – is around 640 people a year – a highly significant difference.

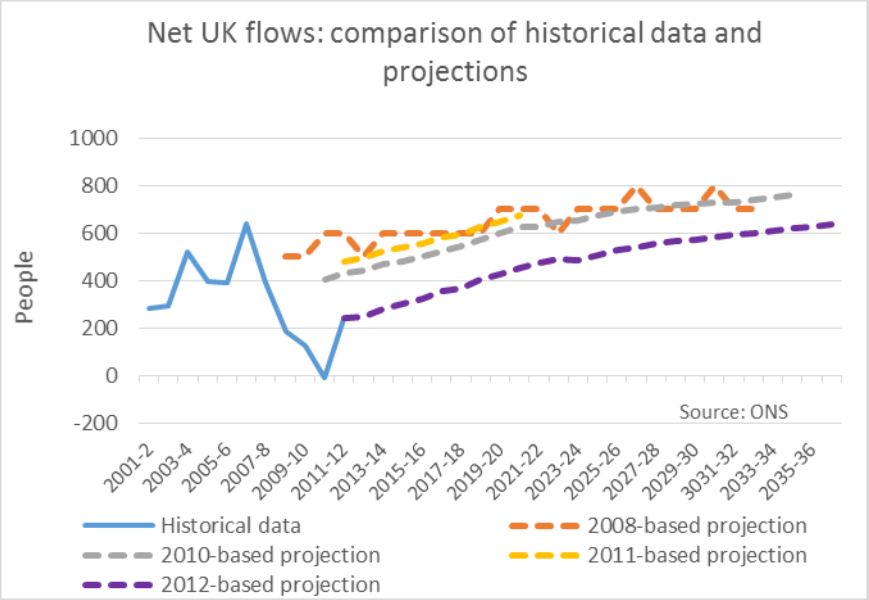
20. Note that the 2010 and 2011-based projections are very similar. This is unsurprising as the 2011-based projections used the migration flow rates from the 2010-based projections as, at the time they were produced, the data was not available from the census to update those trends. However, the failure to update that trend data has meant that in some cases the internal migration flows have been either under or over-estimated. This is an issue that was acknowledged by the ONS in the statistical bulletin which accompanied the 2011-based population projections.

21. Leaving aside the 2011-based projection, the differences between the other projections are almost certainly due to the periods used to produce the flow rate trends. The 2012-based projection is based on flows in the years 2007-8 to 2011-2, a period which included the economic downturn during which flows were relatively low, as shown by the historical data in the chart above.

22. There is a similar picture for flows out to the rest of the UK, but the differences are smaller, averaging 430 people a year:



23. When the 'in' and 'out' flows are brought together to produce the net flow the differences partially cancel each other out, but the remaining difference is still of the order of 200 people a year.



24. The difference between the 2008-based projection and the 2012 based projection would represent about 80 households a year if those moving in and out were in households with the same average size as all households in Maldon[3]. The issue of the basis to be used in projecting flows to and from the rest of the UK is therefore critical to assessing Maldon's housing requirement.

[3] This is a very approximate calculation: the average household size of those who move into and out of the area could be larger as those who move tend to be in the younger adult age groups which tend to live in larger households than older people. Nevertheless it provides an indication of how significant the difference is for Maldon's housing requirement.

What basis should be used to project forward flows to and from the rest of the UK?

25. The National Planning Policy Framework (NPPF) is clear[4] that account should be taken of the migration flows but no guidance is given as to how those flows are to be estimated, although the National Planning Practice Guidance (PPG) gives some encouragement[5] to use the latest official projections. The average net inflow into Maldon over the period 2001-2 to 2005-6 was 380; the comparable figure for 2006-7 to 2010-11 was 270: therefore trends based on these two periods will be very different.

26. It can be argued that the appropriate course of action is to base the projection on either a 'typical' period or a longer period. A longer period would have the advantage of being less affected by economic or housing market cycles. This is particularly important at a time such this when the economy is recovering after a prolonged and deep recession. It is likely that flows will return to higher levels once more normal economic conditions return although that is not to say that the years immediately before 2008 were typical or that those flow rates will necessarily occur again.

27. The ONS do not, however follow this approach in the official population projections: they base their trends on a recent five year period – 2007-8 to 2011-2 in the case of the 2012-based projections. This has the advantage of picking up changes in trends more quickly but the disadvantage of potential distortions as a result of cyclical changes.

28. A key consideration is that, by definition, net internal migration flows between local authorities in the UK must sum to zero. This means that adjusting the projected net flow into Maldon to reflect a longer trend period should be accompanied by compensating adjustments in the other direction for the authorities which are net exporters of people to Maldon. Or, to put this another way, making this kind of adjustment would have the effect of moving a projected population increase from other authorities into Maldon, whilst keeping the overall UK population increase unchanged.

29. There is a further issue in that, without a clear national policy on this, there is a danger that local authorities choose which trend period to use to suit their own convenience, perhaps choosing the approach which produces the lowest number if there is local opposition to house building. That could result in an overall under-supply of housing in some sub-regions.

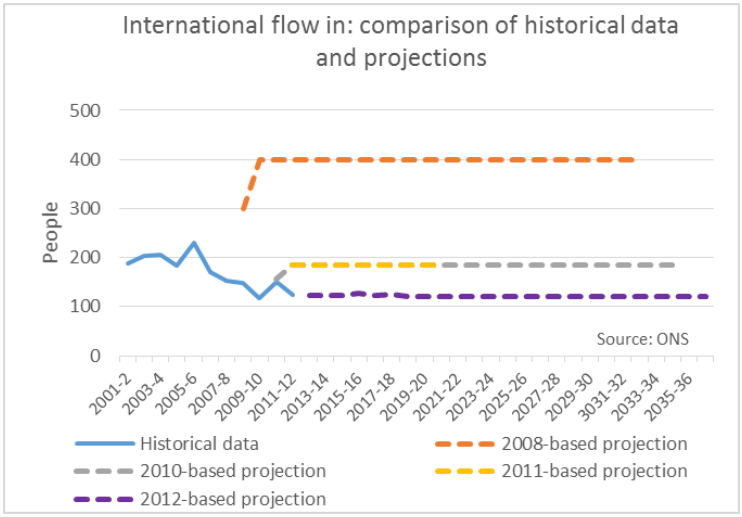
[4] Paragraph 159, National Planning Policy Framework, 27 March 2012
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf

[5] Paragraph: 016 Reference ID: 2a-016-20140306. Planning Practice Guidance dated 6 March 2014
http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/

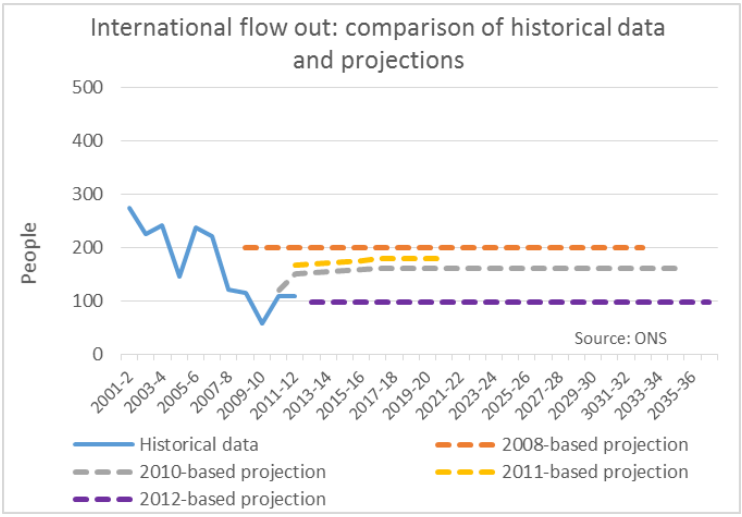
International migration

30. Adopting a similar approach for international flows is equally revealing. The next two charts show the comparable data for international flows in and out of Maldon.

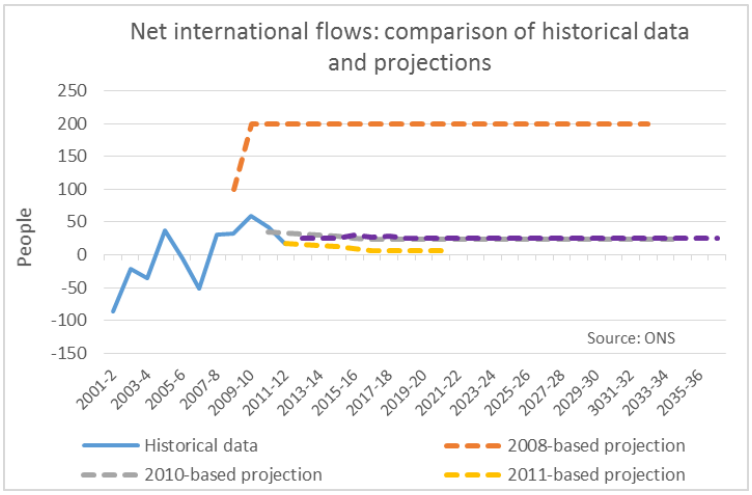
31. The first chart shows that the 2008-based projected international inflow is out of line with both the recent past data and all of the subsequent projections by a considerable margin. In ONS's defence it should be acknowledged that identifying the local authority destinations of inward migrants is one of the most difficult aspects of developing the sub-national population projections as the base data is of poor quality. Since 2008 the ONS have put considerable effort into refining their methodology in this area through the Migration Statistics Improvement Programme. As the graph indicates the results of this work in the later projections are certainly much more credible for Maldon.



32. The projections for flows out of Maldon are much closer. Indeed, when it is borne in mind that the 2008-based figures are rounded to the nearest hundred there need not necessarily be any significant difference between the 2008-based projection and the 2010 and 2011-based ones.



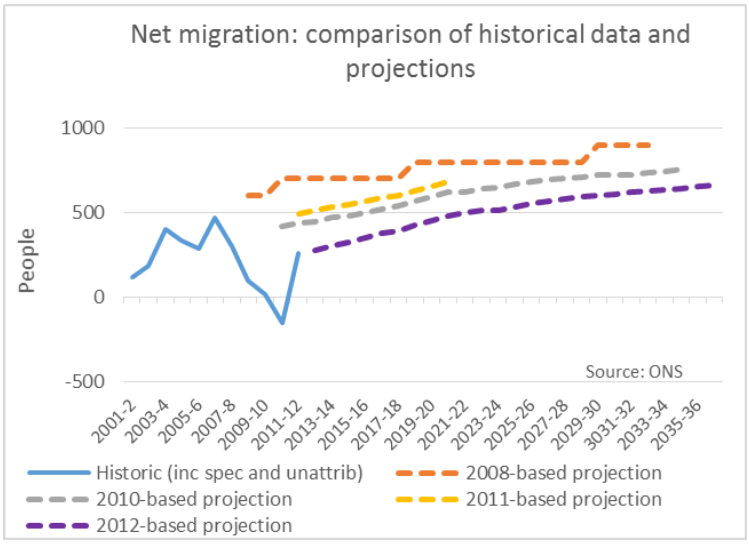
33. Note that in both 'in' and 'out' flows the 2012-based projections are lower than the 2010 and 2011-based numbers. However, when the 'in' and 'out' flows are pulled together to produce the net flows the differences virtually disappear. Indeed, the 2010-based and 2012-based net international flows are virtually identical. In contrast, the 2008-based projection sticks out like a sore thumb.



34. Note also that, whilst the historical data shows fluctuations in the annual net flow, over the period 2001-2 to 2011-2 the average net flow over this period is close to zero. This emphasises the implausibility of the 2008-based projection which suggest and substantial net inflow. The sensible conclusion is to plan on the basis of the consensus of the later projections and to discount the 2008-based projection, thus narrowing the range of plausible projections.

Total net migration

35. Bringing UK and international migration together we get the following picture of total net migration.



36. It is no accident that this chart shows a strong resemblance to the net UK flow chart in paragraph 24 above. As we have seen, the main difference between the 2008-

based projection and the others is the assumption made on international 'in' migration. The difference between the 2010 and 2012 projection is the assumption made in net UK flows – driven by the difference between the periods from which the flow rate trends were estimated.

Unattributable Population Change (UPC)

37. If all of the data were completely accurate the population in one census plus the cumulative effect of the components of change in the intervening years would equal the population counted in the next census. That is not the case: there is a discrepancy known as the 'Unattributable Population Change' (UPC). At the national level the discrepancy was 103,700 people between the 2001 and 2011 census. That is not a large number in the context of England's population of 53 million in 2011, only 0.2%. It is, however, 2.8% of the population change between the two censuses and that is arguably the more relevant comparison.

38. At the local authority level UPC can be much larger proportionately. There are 28 English local authorities for which the total UPC over the period 2001-11 is more than 5% of the population in 2011 and 83 for which the average UPC is more than 50% of the average population change between 2001 and 2011. A discrepancy of that size is highly significant in estimating population changes.

39. There are three possible causes of UPC:

- International migration estimates
- Flows within the UK
- Census estimates in both 2001 and 2011

It is not thought likely that there are significant errors in the estimation of births and deaths as we have effective registration systems for both.

40. The ONS considered the arguments for and against taking UPC into account in its sub-national population projections and concluded that they should not take it into account. The main reasons were that:

- It is unclear what proportion of UPC is due to errors in the 2001 and 2011 censuses and what proportion is due to errors in the components of change. Insofar as the errors are in either the 2001 and 2011 censuses they will not affect projections based on trends in the components of change.

- If UPC is due to international migration, the biggest impacts will have been during the earlier years of the decade as significant improvements in the migration estimates were made in the latter part of the decade.

41. This is the considered view of the ONS's experts in this field and should not be lightly dismissed. However, where UPC is sizeable compared with the total population, a significant part of it could only be due to errors in the 2001 and 2011 censuses if there were large errors in one or both of those censuses. This suggests that in such cases a large part of UPC is likely to be due to errors in the estimation of migration

flows. It may well be that those errors are likely to be largest in the earlier years of the decade and hence less likely to affect projections based on trends over the last five years, however, there is a risk of under or over estimation of population changes.

42. Insofar as UPC is caused by errors in the migration components of change, the effect will largely be to misallocate the projected population growth between local authorities. Correcting for it will largely be a question of redistributing the projected population growth.

43. For Maldon total UPC over the period 2001 to 2011 was 55% of the population increase over that period and was negative, implying that the components of change were suggesting that the population change was larger than it was. However, Maldon's population growth was relatively slow over this period at only 3.6%, less than half the national population increase, so the 55% figure perhaps exaggerates the significance of UPC for Maldon. UPC over the period was 1.9% of the population in 2011, suggesting that it is unlikely that it was largely caused by errors in the two censuses. That implies that a significant proportion was caused by errors in the migration flows.

Conclusions on the population to be planned for

44. The above analysis suggests that:

- There is no material difference between the assumptions made on natural change in the recent projections
- The 2008-based projection for net international migration should be discounted as it bears no relation to what has happened in the recent past.
- There is no material difference between the other three projections for net international migration.
- The key issue on flows to and from the rest of the UK is whether the projection should be based on the low flows over the period between 2007-8 and 2011-2 (as in the latest ONS projections) or a more typical period.
- The omission of the substantial and negative unattributable population change in the 2012-based projection has probably resulted in population increases being over-estimated.

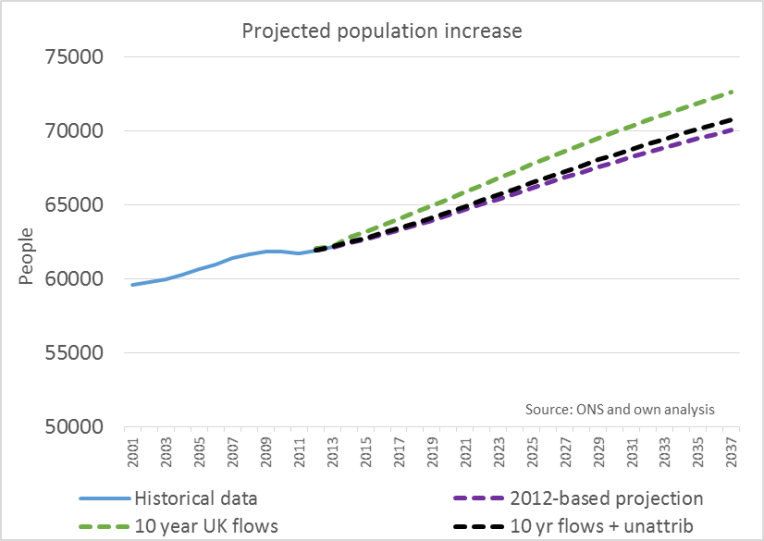
45. The overall conclusion is that adjustments should be made for the last two factors before the 2012-based ONS projection (2012 SNPP) is used for planning for housing. To do this two alternative population change scenarios have been modelled alongside the 2012-based population projections, which are taken as the baseline scenario. These are:

- **10-year internal migration flows.** This starts from the ONS's 2012-based population projection and adjust both the 'in' and 'out' flows from and to the

rest of the UK. The adjustments are based on the ratio of the average annual flows over the ten year period 2002-12 to the flows over the period 2007-12, the period used by the ONS in its 2012-based population projections. The average inflow to Maldon from the rest of UK over the period 2002-12 was 8.3% higher than the inflow in the period 2007-12 so inflows have been increased by 8.3%. Similarly average outflows to the rest of the UK were 3.9% larger in the period 2001-12 than they were in the period 2007-12, so the alternative projection increases outflows by that percentage. The model producing the alternative scenario allows for births, deaths and 'out' migrations from the extra people assumed to come to Maldon. Each year a fifth of the extra migrants in each 5-year age group is moved up to the next age group so that the age profile of the District's residents is adjusted appropriately.

- **10-year migration and unattributable flows.** This builds on the above scenario by adding a further adjustment to the net flow equal to the average UPC for the period 2001-11. This potentially exaggerates the impact of UPC as some of it may have been due to errors in either or both of the 2001 and 2011 censuses.

46. The chart and table below show how the population projection in these two scenarios compare with the official 2012-based population projection.



Population growth 2014-29	2014	2029	Increase 2014-29	
			People	Percentage
2012-based projection	62408	67548	5139	8.2%
10 year internal migration	62805	69498	6693	10.7%
10 year migration + unattributabl	62470	68026	5556	8.9%

How the population is likely to group itself into households

What assumptions should be made about household formation patterns?

47. The assumptions made about how people will group themselves together into households are crucial in estimating the number of homes needed in Maldon. The key issue is whether household formation patterns will revert to the earlier trend towards smaller average household sizes or whether the economic downturn and a long period of deteriorating housing affordability have caused a permanent change.

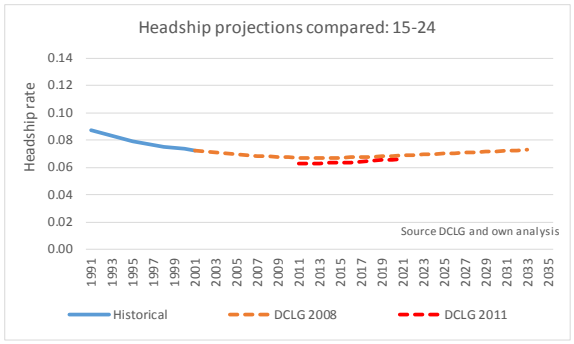
48. The two most recent DCLG household projections are the 2008-based and 2011-based projections. The 2008-based projections, in effect, predate the economic downturn and can be taken as broadly indicative of the previous longer term trend. The 2011-based projections were produced following the 2011 census and take some account of census data which generally found fewer households than had been projected in the 2008-based projections, suggesting that household formation patterns had departed from the previous long term trends.

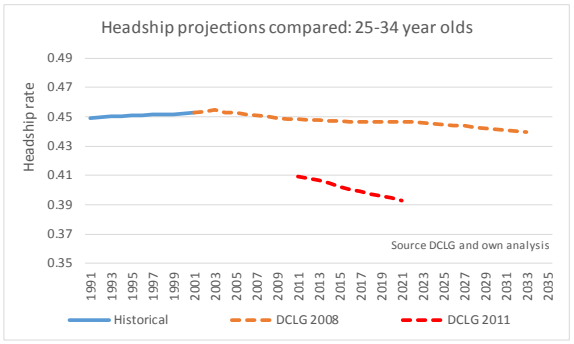
49. It should be noted, however, that the 2011-based projections were based on the ONS's 2011-based population projections. These had a number of weaknesses as a result of having used trends taken from the ONS's 2010-based population projections and not updated in the light of the 2011 census (as the necessary data was not available from the census at that time). As already noted in paragraph 21, this has meant that some flows within the UK have been either over- or underestimated.

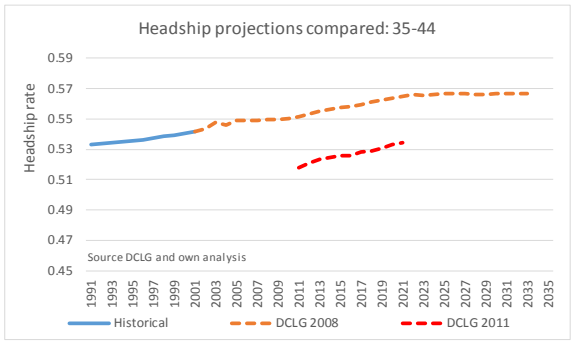
50. To understand the changes that have occurred in household formation patterns it is necessary to look at how different sections of the community have been affected. The charts below compare the household formation patterns in the 2008 and 2011-based projections for the nine age groups used by DCLG.

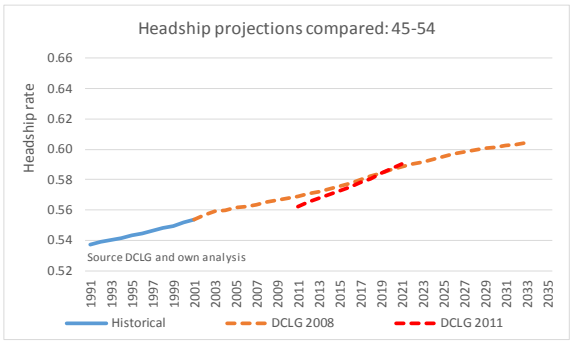
CED10 - Appendix 1a

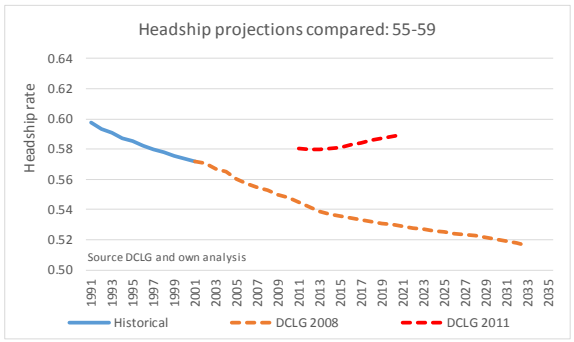
Comparison of household formation rates by age group

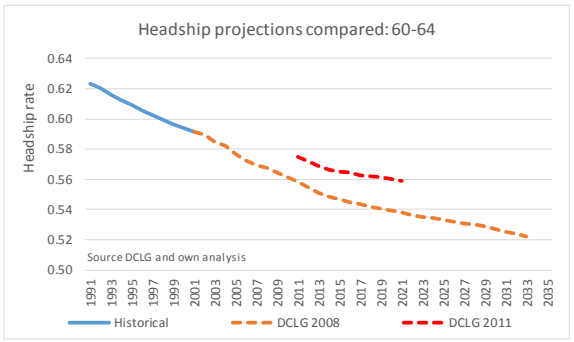


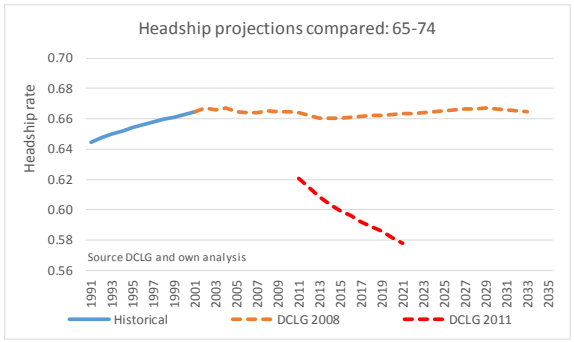


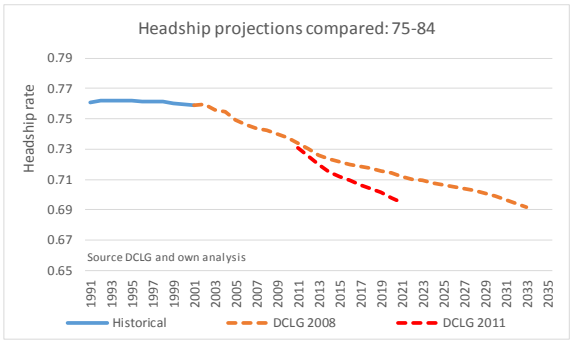


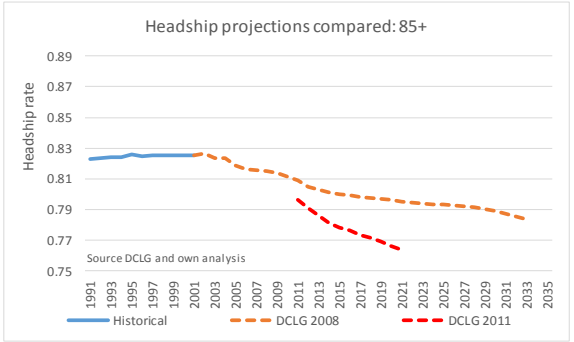












51. As can be seen, the extent and direction of the departure from the previous trend varies considerably. The charts have been drawn on similar scales to facilitate a fair comparison. The distance between the start of the red line for the 2011-based formation rates and the orange line for the 2008-based rates is an indication of how far below or above the expected rate the 2011 census results were. Where the red line is below the orange one there were fewer households formed by a given number of people than expected in the 2008-based projections.

52. Note that:

- The departure from trend is largest for the 25-34 age group. Headship rates for this age group were significantly below the level in 1991, let alone the level projected for 2011, and the 2011-based projection suggests that they will continue to diverge from the 2008-based trend. This implies that a smaller and smaller proportion of people in this age group will set up their own households (either on their own or with others). A key issue is whether this is what Maldon District Council want to plan for.

- The 2011-based projection for people aged 35-44 also starts below trend but is projected to move upwards, approximately following the previous trend, albeit from a lower starting point.

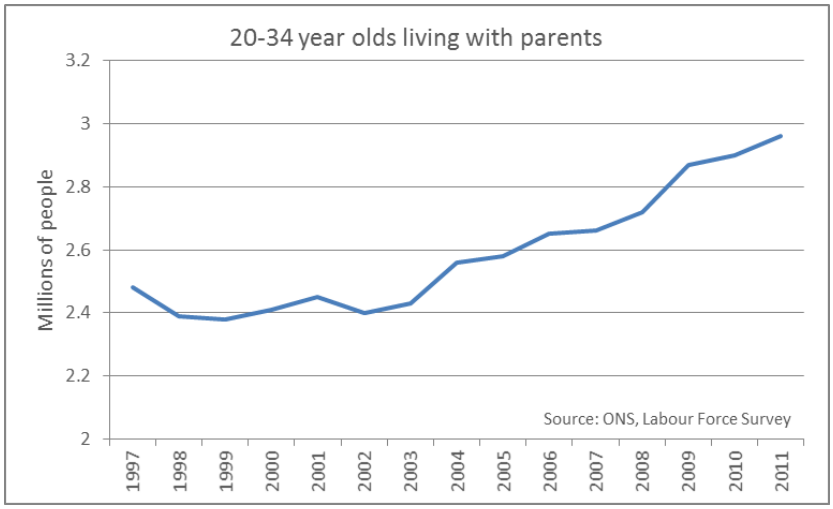
- The 55-59 and 60-64 age groups are shown to have higher household formation rates than was expected. It is not clear what the cause of this might be, but it underlines the point that the recent difficult housing conditions have affected different groups differently: there have been some 'winners'.

- The only other group showing a significant departure from trend is the 65-74 age group who also have below trend headship rates. This is unlikely to be due to high house prices or the credit crunch and economic downturn as this group will already be homeowners if they are ever going to be and, if anything, are likely to be trading down to smaller properties.

53. Two reasons have been suggested for the departure from previous trends amongst the younger adult age groups.

54. First, the 2008-based projections over-estimated the likely increase in household formation rates as a result of not taking into account the significantly higher numbers of new international migrants This impacts on headship rates as recent international migrants tend to live in larger households (i.e. they have a lower propensity to form separate households) than the rest of the population of a similar age. There is evidence to suggest that the increased volumes of international in migration seen in the first decade of the century were responsible for at least half of

the difference between the expected number of households in 2011 and the actual number found by the census[6].



55. Second, there is evidence that there has been a significant increase in young adults living in shared houses and flats or with their parents. The latter issue was explored in an ONS report entitled "Young adults living with parents in the UK, 2011"[7] (see above chart). Using data for the Labour Force Survey this suggested that there had been a 21% increase in the number of young adults living with their parents between 2001 and 2011 – an increase of over ½ million people – as shown in this chart. Note also that the increase started well before the credit crunch and recession suggesting that other factors such as the deteriorating affordability of housing were at work.

56. Whilst it is possible that some of these changes in the living patterns of young adults will have been free choices, it seems more probable that most are changes caused by the economic situation, the cost of housing and the difficulty in obtaining a mortgage without a sizeable deposit. As such it seems likely that there will be a move back towards the previous trend if economic conditions improve. However, the fact that the recent changes appear to have started well before the credit crunch and recession suggests that better economic conditions alone will not be sufficient on their own. It seems likely that what happens to the affordability of housing (i.e. the relationship between earnings and house prices/rents) will also be an important factor. In addition there may also be structural factors which would not reverse even if the conditions of the early years of the century were fully replicated.

57. Moreover, if around half of the difference between the actual and expected household formation rates is due to the 2008-based rates exaggerating the likely increase in headship rates as a result of not making an allowance for increased international migration, a move all the way back to those trends may not be likely. A

[6] Holmans, A. (2013), *New estimates of housing demand and need in England, 2011 to 2031,* London, TCPA. http://www.tcpa.org.uk/pages/new-estimates-of-housing-demand-and-need-in-england-2011-to-2031.html

[7] Young Adults Living With Parents in the UK, 2011, ONS, 29 May 2012 http://www.ons.gov.uk/ons/rel/family-demography/young-adults-living-with-parents/2011/young-adults-rpt.html

more prudent assumption would be that, in time, headship rates may recover to a point mid-way between the 2008 and 2011-based rates.

58. This discussion suggest that there is a case for modelling two household formation rate scenarios: the DCLG 2011-based scenario and a 'part return to trend' scenario. The latter assumes that from 2015 household formation rates begin to move steadily back towards the 2008-based rates until in 2025 they are half-way between the 2008 and 2011-based rates. Thereafter, household formation rates are assumed to remain half-way between the 2008 and 2011-based rates.

Modelled scenarios

59. The above analysis suggests that there are three population scenarios and two household formation rate scenarios that might be considered. However, to avoid excessive complexity, four scenarios are presented here:

- **Updated official projections:** this applies DCLG's 2011-based household formation rates extrapolated[8] to 2033 to the ONS's 2012-based population projections (2012 SNPP). As the most recent combination of the official projections this should be regarded as the 'starting point' recommended by the PPG[9]. It does, however, include population projections which have been affected by low internal migration rates between 2007 and 2012 and is based on household formation rates which appear to have been depressed by the impact of poor housing affordability and the economic downturn.

- **2012 population projection with partial return to previous headship rate trend.** This adjusts for the impact which the economic downturn and a prolonged period of deteriorating house price affordability have had on household formation rates.

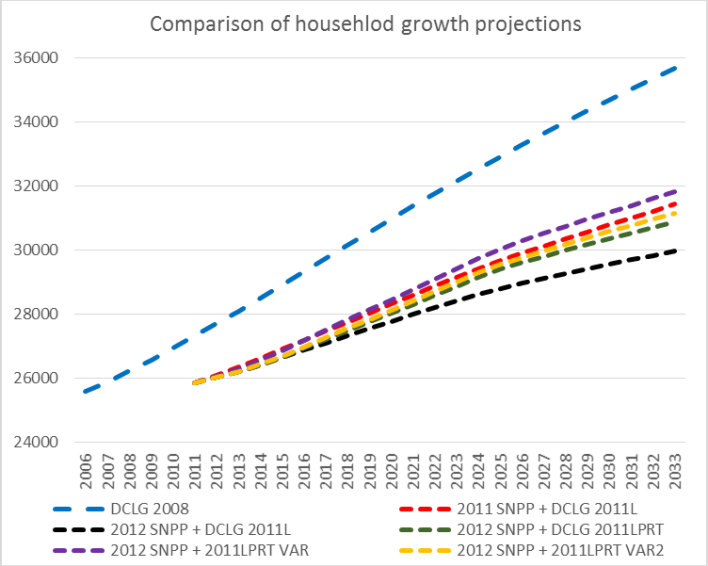
- **10-year flows with partial return to previous headship rate trend.** This adjusts for the lower internal migration rates on which the 2012-based population projections are based and corrects for what appear to be below trend household formation rates.

- **10-year flows + unattributable flows with partial return to previous headship rate trend.** This builds on the previous scenario by additionally correcting for the omission of the unattributable item from the ONS projections[10].

[8] This has been done using a linear extrapolation to produce results comparable with those in the Greater Essex Demographic Forecasts produced by Edge Analytics and used in other parts of the LDP evidence base.
[9] Paragraph: 015 Reference ID: 2a-015-20140306. Planning Practice Guidance dated 6 March 2014 http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/

[10] The average UPC for the period 2001-2011 has been added to the inflow into Maldon District

60. The chart and table below summarise the results. The chart shows the 2008 and 2011-based DCLG projections for comparison.



Comparison of household growth projections	Households in		Increase in households	Homes per year
	2014	2029		
Updated official projection	26400	29400	3000	210
2012 population + part return to trend	26400	30200	3750	260
10 year UK flows + part return to trend	26600	31000	4390	310
10 year UK flows + unattributable + part trend	26500	30400	3920	280

Note: these figures assume 5.1% vacant or second homes.

61. The updated official projection brings together the most recent ONS and DCLG views on population change and household formation rates. However, it suffers from the combined effect of low net migration as a result of low flow rates from other UK authorities in the trend period (2007-12) and low household formation rates as a result of headship rates having been projected forward from the 2011 census without any allowance having been made for a return towards the previous trend. It therefore produces a very low estimate for the increase in household in the area. It is not a plausible basis on which to plan for housing in Maldon.

62. The increase from 210 homes a year in the updated official projection to 260 homes a year in the in the 2012 population + part return to trend scenario indicates how large an impact is made by assuming a recovery in household formation rates towards the earlier 2008-based trend. However, that only corrects for one of the distortions in the updated official projections.

63. The 10 year UK flows + part return to trend scenario corrects in addition for the low UK flows in the 2012-based population projections and suggests a housing requirement of around 310 homes a year.

64. The final scenario, which adjusts net flows by the average UPC between 2001 and 2011, reduces of the housing requirement to 280 homes a year. However, that

assumes that all of UPC is due to errors in the migration flows and hence probably exaggerates its impact.

65. A trend-based estimate based on the latest available data would lie somewhere between these last two projections, i.e. between 280 and 310 homes per year, probably in the upper half of that range.

66. It should be emphasised that these numbers assume that past trends continue, albeit with adjustments to reflect what are thought to be departures from the underlying trend. There may be reasons why this might not happen or why it might not be desirable. Consideration of this should include a review of market signals, the need for affordable housing and whether the housing supply envisaged is sufficient to support economic growth. That, however, is beyond the scope of this report but a short section follows on the potential impact of increased out migration from London.

London

67. According to the ONS[11] flows from London accounted for 390 of the 2870 migrants arriving in Maldon from the rest of the UK in the year to end-June 2013. However, net out migration from London during the trend period for the 2012-based population projections (2007-12) was some 30% below the average for the ten year period 2002-12, although some of this reduction is accounted for by changes to the gross inflows. An issue, then, is whether out migration from London will return to previous rates.

68. There is also a question as to whether it is reasonable to expect that migration flows will simply return to the previous trend or whether other factors will come into play. A key constraint factor here is the physical capacity of London to accommodate additional households.

69. The latest official projections (SNPP 2012 combined with DCLG's 2011-based household formation rates) suggest that the number of households in London will grow by over 1 million over the 20 years 2011 to 2031, an increase of over 30%. It also suggests that 15 boroughs will need to provide more than one extra home for every three they have at present. That is not a realistic scenario.

70. Further evidence of a major problem becomes evident when the Mayor's draft London Plan is compared with the household projections. The Plan seeks to provide 42,000 homes a year[12]. This is an ambitious figure but compares with a projected

[11]See: Internal migration between English and Welsh local authorities, Scotland and Northern Ireland, square matrix, year ending June 2013 at:
http://www.ons.gov.uk/ons/rel/migration1/internal-migration-by-local-authorities-in-england-and-wales/year-ending-june-2013/rft---matrices-of-internal-migration.xls

[12] Homes for London: the London Housing Strategy.
https://www.london.gov.uk/sites/default/files/Draft%20London%20Housing%20Strategy%20April%202014_0.pdf

annual increase of some 51,000 households a year suggested by the latest ONS projections – based on household formation rates that imply that fewer and fewer 25-34 year olds set up a home of their own. Making an allowance for some recovery in household formation rates towards the previous long term trend increases the number of households forming each year to 60,000 or more, depending on the exact assumptions made.

71. All of this suggests that London will need to export considerably more people than envisaged in any recent official projection.

72. An approximate indication of the potential size of the impact on Maldon can be gained by looking at the scale of out migration from London to Maldon. The latest data (for 2013) suggest that Maldon accounts for 0.16% of the total gross out flow to the rest of the UK. If it is assumed that London will need to export 10-20,000 more households a year than the latest projections suggest and that these are shared between local authorities in the same proportion as recent migrants, this would imply Maldon would need to accommodate an additional 16-32 households a year. It should be stressed that this is a very broad-brush calculation intended only to give an indication of the order of magnitude of the potential impact on Maldon.

Conclusion on the number of households to be planned for

73. It would be wrong simply to add an allowance for the likelihood of larger outflows from London to the adjusted trend-based demographic analysis in the preceding sections as the adjustments include revisions to the net flow into Maldon from the rest of the UK. However, it provides a strong argument for choosing the top of the trend-based range i.e. taking 310 homes a year as a reasonable central estimate.

Why does the SHMA stock-flow model suggest a different housing requirement?

The survey-based stock flow model

74. At the outset this section I should like to record my appreciation of the open and helpful way in which David Couttie and his team at DCA have explained the analysis that sits behind the SHMA stock-flow model.

75. The MDC SHMA (EB010e)[13] refers to two estimates of the District's housing requirement: a demographic projection carried out by Edge Analytics suggesting a requirement of 294 homes a year and a stock-flow analysis which suggests a requirement of 381 homes a year[14]. The first of these has been discussed in earlier sections of this report and a revised estimate of 310 homes a year has been suggested on the basis of the latest available data. This section looks at the stock flow analysis and seeks to understand why it arrives at a different number.

76. The stock-flow analysis is based on a Housing Needs Survey conducted in June and July 2013. Survey forms were sent to 5000 households and 1182 were returned, a response rate of 23.6%. The survey asked about the recipients' existing housing, the composition of their household, how long they had lived there and where they had come from if they had moved within the previous three years. It also asked whether they or a member of the household were intending to move in the next five years and, if so, to what kind of accommodation and where that accommodation was likely to be.

77. From the survey responses it is possible to build up a picture of how people have moved around in the area in the past and how they hope to move in the future. However, the accuracy of information that can be derived from the survey depends on the recipients understanding the questions and responding to them accurately and, most importantly, on whether they actual do what they say they will do. In particular, asking people whether they or a member of their household intends to move in the next five years can, at best, only provide information about current intentions. Peoples' circumstances change; they may find that they cannot afford to move to the type of housing they had envisaged and decide to move to somewhere else or not all; they may find that they need to move when previously they had no intention of moving. A key issue in interpreting such surveys is taking a view on the extent to which the responses given may under- or overestimate what is likely to happen.

78. In order to reach a view on this the next sections compare the responses to the survey with the available data on past population flows. They also compare what

[13] Maldon District Council Strategic Housing Market Assessment, Draft Final Report, (EB010e) DCA http://www.maldon.gov.uk/LDP/pre-submission/4%20Housing/EB010e%20Strategic%20Housing%20Market%20Assessment%20Update%202014.pdf

[14] This is on the assumption that the backlog of unmet affordable housing need is dealt with over the 15 year plan period and not more quickly.

people say about the house moves that have occurred in the past three years with what they say about what will happen in the next five years. I am grateful to David Couttie Associates for providing some additional analysis of the survey responses to assist in this.

79. The stock flow analysis is in two parts:

- **Part 1:** An analysis of market housing flows suggesting a requirement for 199 homes a year.
- **Part 2:** An assessment of affordable housing needs using the DCLG housing needs model which suggests a need for 182 units.

Adding the two components together produces a requirement for 381 homes.

SHMA stock-flow analysis: Part 1: Market housing flows

80. The estimation of the demand for market housing flows is based on five flows:

- Three components of demand:
  - Demand from 'existing households' – households already living in the area which move within the area
  - Demand from 'concealed households' such as the sons and daughters of existing Maldon households who intend to set up homes of their own in the district; and
  - In-migration
- Two components of supply:
  - Homes released by households moving within Maldon
  - Homes released by households migrating out of the area

Demand from existing households moving within the area

81. From the point of view of estimating the total requirement for market housing, existing households in market housing moving within the area into market housing are 'self-cancelling' as one home is released as another is occupied. The volume of such moves is not, therefore, important to the current discussion. (The volume and mix of housing types and sizes is, however, important in determining the mix and location of the new housing that is required, but that is beyond the scope of this report.)

82. The only relevant issue here is whether some of the households who intend to move within the district will end up moving away from the area because they cannot find what they want at a price they can afford. That is discussed further under 'out migration'.

Demand from concealed households

83. The survey responses suggest that 1,625 concealed household are intending to form a separate household within the district within the next five years. The vast majority

of these (89%)[15] are sons and daughters. 1071 (66%) are aged 18-24 and 374 (23%) are aged 25-34[16]. 78% of the concealed households say they need either owner occupied housing (43%) or rented housing (35%)[17]. From this the SHMA concludes that the demand for market housing from concealed households moving within the district is 224 households a year[18].

84. Analysis kindly provided by DCA of the responses on households formed in the last three years suggests that there were 501 first homes formed by people who had previously lived in Maldon, implying an annual average of 167[19]. 88% of these (147 households) were occupying market housing.

85. It is not to be expected that the figures for the past three years will tie up exactly with the intentions expressed for the next five years. Some of the difference may be accounted for by household formation having been suppressed over the last three years by the economic downturn resulting in a backlog of households waiting to form. However, other factors are almost certainly involved including:

- over optimism (either by the parents or their adult children) about the prospects of the children setting up their own homes; and
- parents or the adult children taking an unrealistic view on whether, when the children do move out, they will set up a home in Malden rather than somewhere else.

86. A realistic view would probably lie somewhere between the average of 147 concealed households who set up in the last three years and the survey response of 224 households. The difference between those figures is 77. The uncertainty in the flow model estimate could potentially be half of that or more.

Demand from households moving into the area

87. Survey results suggest[20] that 2,401 households moved into Maldon over the last three years, an average of 800 a year. Of these 681 or 85% moved into market housing.

88. Table 11-16 on page 131 gives a figure of 406 for the annual demand for market housing from households moving into the area. This is drawn from Table 11-15 on page 130 which provides data on the property size requirement. Most of the data in this table is for a five year period, except the data on 'in' migrant households which is for a three year period. This has led to a miscalculation. DCA propose to amend the figure for the annual demand for market housing from households moving into the area to 704.

[15] See Table 10-3 on page 119 of the SHMA (EB010e)
[16] See Table 10-4 on page 119 of the SHMA (EB010e)
[17] See Table 10-7 on page 121 of the SHMA (EB010e)
[18] See Table 11-16 on page 131 of the SHMA (EB010e)
[19] Data provided by DCA on 28 July 2014
[20] See Table 9-1 on page 111 of the SHMA (EB010e)

89. According to the ONS, the average inflow over the three years 2010-11 to 2012-13 was 2950[21]. If that were to relate to 800 households that would imply an average household size of 3.69. This is large compared with the average household size in Maldon of 2.37[22]. However:

- those who move tend to be in the younger age groups who generally live in larger households than older people; and
- not everyone who will have moved into Maldon in the period will have moved as a household. For example, students returning home after university to live with their parents will not have counted as new households.

90. A combination of these two factors could easily explain the larger apparent household size, indicating that the inflow of 800 households a year suggested by the survey is not unreasonable.

91. It should, however, be noted that the revised estimate of 704 incoming households a year seeking market housing is based on survey responses about what happened in the period 2010-13 when the economy was only beginning to recover from the downturn. Future inflows could well be significantly larger.

Supply of housing from households moving within Malden

92. As already noted, existing households in market housing moving into market housing within the district are self-cancelling, both supplying a home to the market place and taking one up. However, if households currently living in market housing move into social or intermediate housing they release a market home. It is understood that that is the reason why Table 11-16 on page 131 of the SHMA shows a supply of 841 homes from households moving within the District and a demand of only 684.

93. Survey based flow models cannot easily take account of homes released from the dissolution of households as a result of deaths or people moving into a care home and selling their homes and dissolutions have not been taken into account in the SHMA flow model. They are, however, an important part of the supply of homes.

94. It has not been possible within the limited scope of the work reported here to obtain reliable data on the number of homes released to the market as a result of dissolutions. However, there were an average of 570 deaths a year in the District over the last 5 years. Allowing for the fact that a home is only released to the market on the second death of a couple or the surviving member moving into a care home, and the likelihood that the numbers dying in care homes will approximately balance those entering care homes (if the total number in care homes is not to rise or fall), the number of homes released as a result of deaths or moves into care homes could

[21] Revised figure includes international inflows

[22] Derived from DCLG's 2011-based household projection baseline figure for 2011

be of the order of 200 a year. That, however, equates to about a quarter of the properties sold in Maldon District over the last 3 years[23] so may be on the high side.

Supply of housing as a result of households moving out of Maldon

95. The SHMA suggests that 1621 existing households will move out of Maldon[24] over the next five years, an average of 324 year. 274 of these will be occupying market housing[25] and will consequently add to the supply of housing. In addition 191 concealed households are expected to move out of the area each year[26], although these will not add to the supply of housing. That suggests an annual outflow of 515 households[27].

96. ONS data on the other hand suggests that an average of 2770 people moved out of Maldon each year over the last three years. This is hard to reconcile with an outflow of 515 households: even allowing for a substantial proportion of out migrants not moving as households (for example, students going to university) the implied average household size would need to very large. This suggests that the number of households which will leave the area may have been underestimated.

97. It is difficult to assess how large the underestimation of households moving out of the area might be. However over the period 2001-12, ONS data suggests that total outflows (i.e. people, not households) were 90% of total inflows. If the flow of households in and out were in the same ratio (and this need not necessarily be the case) the survey result suggesting that 800 households a year moved into the area over the last 3 years, would suggest an annual outflow of 720 households i.e. 205 more than suggested by the survey. Reliance should not be placed on that figure, but it provides some indication of the potential uncertainty in the estimate of the number of households leaving the area.

Conclusions on the flow based model for market housing

98. Seeking to gauge the future demand for housing by asking people about their future moving intentions is inevitably going to produce results with significant uncertainties and cannot provide information about housing supply as a result of the dissolution of households due to deaths or moves into care homes. As a consequence the stock-flow model is not a suitable basis on which to estimate the market component of Maldon District's OAN.

[23] From DCLG Live Table 584, based on Land Registry data
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/305847/Table_583.xlsx

[24] Paragraph 9.4.1 on page 112 of the SHMA (EB010e)
[25] See Table 11-16 on page 134 of the SHMA (EB010e)
[26] Paragraph 9.4.1 on page 112 s of the SHMA (EB010e) suggests that 956 concealed households will move out of the area in the next five years. 191 = 956/5.
[27] 191 concealed households + 324 existing households = 515 households in total

SHMA stock-flow analysis: Part 2: Affordable housing

99. As already noted, the main calculation of the requirement for affordable housing is based on the DCLG's Affordable Housing Model. This involves:

a. **Estimating the number of existing households in housing need who cannot afford adequate housing using their own resources.** This is based on data for homelessness, overcrowding concealed households and those living in unsuitable accommodation. Adjustments are made to avoid double counting and those who are expected to leave the district or can afford the housing they need are subtracted. This produces a total of 772 current households in housing need.

b. **Estimating the future annual requirement.** There are two components to this:

i. Concealed households intending to form separate households, less an allowance for those who will be able to afford for themselves the housing they need. This is based on results from the housing needs survey and produces an annual requirement of 139 households.

ii. Existing households falling into housing need. This is based on data from the Council's Housing Register. Only those who are judged to be in housing need are included in the total of 128 households.

The total annual newly arising need is the sum of these two items, i.e. 267 households a year.

c. **Estimating the affordable housing supply.** There are two elements to this:

i. The 'starting position' which takes into account the homes which will be vacated if those who are currently in inadequate housing are re-housed and the 28 new affordable homes which are to be built. This gives a total of 416 affordable homes that are potentially available.

ii. The annual supply from re-lets of social and intermediate housing, estimated at 137 homes a year.

100. On the basis that the backlog is dealt with over the 15 years of the plan period the calculation is set out in the following table.

Backlog of households currently needing affordable housing	772	
Less: affordable housing stock potentially available	-416	
Net backlog	356	
If backlog is addressed over 15 years, annual requirement is 356/15 = 24		24
Need from concealed households unable to afford own homes	139	
Existing households falling into housing need	128	
Total annual newly arising need	267	267
Total annual requirement		291
Less: annual supply from existing stock relets etc.		-137
Overall annual shortfall		154

101. The estimated annual shortfall is 154 homes. To this the 28 new units that are to be built have been added, producing a total of 182 homes a year.

102. The addition of 28 new units to the ongoing annual requirement does not seem appropriate. Council officers have informed me that the 28 homes referred to are committed supply with practical completion expected within a year. It is therefore appropriate that they have been taken into account in assessing the current backlog. They will not affect the estimate of newly arising need or the figure estimated for annual supply (which relates to the re-lets from the existing stock). They therefore have no impact on the ongoing requirement for affordable housing. It is therefore not appropriate to add 28 homes to the 154 estimated as shown in the above table.

103. The largest item in the annual requirement is the need of concealed households intending to set up separate households but who cannot afford to do so themselves. This is estimated at 139 households a year from the 2013 Housing Needs Survey. Some of the points made on this part of the survey in the context of market housing are relevant here:

- The vast majority of the concealed households (89%)[28] are sons and daughters. 1071 (66%) are aged 18-24 and 374 (23%) are aged 25-34[29]. It is uncertain how many of these would meet the Council's criteria for affordable housing should they apply for it.
- The issues about optimism on how quickly sons and daughters will be able to set up their own home also apply here. The survey results could overestimate the number of concealed households that will actually form separate households.
- The calculation depends quite significantly on whether it is based on the average number of households expecting to form over the next 1, 2 or 3

[28] See Table 10-3 on page 119 of the SHMA (EB010e)
[29] See Table 10-4 on page 119 of the SHMA (EB010e)

years. The number expected to form in the first year is 349; the average over the first two years is 462; and the average over the next three years is 419. It is the last figure that is used in the SHMA. The range – 349 to 462 – is perhaps a broad indication of the uncertainty attaching to this aspect of the survey results.

- According to the survey results (as opposed to the calculation in the DCLG Affordable Housing Model) 357 concealed households intending to form over the next 5 years thought they needed affordable housing[30]. This implies an annual requirement of only 72 homes.

104. These observations suggest that there is considerable uncertainty about this aspect of the calculation. The annual requirement could plausibly be half that suggested i.e. 70 households – or less. That would reduce the total annual requirement for affordable housing by 69.

105. It should be noted that the SHMA is clear that the results of the DCLG Affordable Housing model should not be applied uncritically but seen as just part of the evidence base. Paragraph 15.4.6 states that :

> *"Local planning authorities are not expected to simply translate housing demand into actual housing targets that need to be met. They are only part of the evidence and need to be considered against other corporate strategies."*

Conclusion on the SHMA flow model

106. Housing needs surveys can provide useful information on the need and demand for housing that cannot be obtained from other sources but they are dependent on how the respondents fill in the survey form and how realistic they are when assessing whether they or a member of their household will move and, if so, to what housing and where. In addition there are some issues on which information cannot be obtained from a survey, including the number of homes released as a result of deaths or moves into care homes.

107. The main areas of uncertainty are:

- The number of households moving into market homes from outside the area may have been underestimated.
- Over-optimism by survey respondents can result in the number of concealed households like to be formed being over-estimated. This affects both the market housing and affordable housing.
- The model does not make an allowance for homes released onto the market as a result of deaths or people moving into care homes
- The number of households likely to leave the area may have been under-estimated; and

[30] See Table 10-7 on page 121 of the SHMA (EB010e)

- The treatment of planned new affordable housing appears inappropriate and to have caused the annual affordable housing requirement to have been over estimated.

108. Only approximate indications can be given of the extent to which these factors may have affected the annual housing requirement suggested by the model (381 homes a year). However, adjustments for the individual items listed above could range from 25 homes a year to over 300. Only the first item would cause the total housing requirement to increase.

109. DCA have made it clear that it was not their intention that the survey-based model should be used to estimate the Maldon's Objective Assessed Needs and that they have never used the model for that purpose.

110. The overall conclusion is that survey-based stock flow models are too uncertain to provide a basis for quantifying an objective assessment of housing needs.

111. It should be emphasised that the stock-flow model is only part of the SHMA. There is a great deal of other material in the SHMA which provides an important part of the evidence base. Survey-based analyses do have other uses, including providing evidence on the mix of housing required which is difficult to obtain from other sources.

Summary and Conclusions

Summary

112. It is understandable that the Inspector has reservations about a housing requirement based on applying the ONS's 2010-based population projections to DCLG's 2008-based household formation rates as both of these pre-date the 2011 census and are, therefore, rather dated.

Estimating Malden's housing requirement based on the latest available data

113. DCLG's 2011-based household projections are the most recent official household projections, but these are open to criticism in two main areas:

- Their household formation rate projections have been heavily influenced by the 2011 census results which represent a snapshot taken before the recovery from the economic downturn was at all well-established and after a prolonged period of poor housing affordability relative to earnings. It would be more prudent to plan on the basis that there will be some return towards the previous long term trend in household formation rates.

- The population projections on which the 2011-based household projections are based used trend data taken from earlier ONS population projections and as a result suffer from a number of weaknesses which affected the projections made for births and migration flows within the UK.

114. Using the ONS's latest sub-national population projections (published in May 2014) to update the DCLG's 2011-based projections deals with the second criticism, but it introduces a new issue: the impact of projecting flows from and to the rest of the UK from flow rates derived from the period 2007-12, a period which encompassed the economic downturn and had atypically low flows.

115. To produce a prudent projection based on the latest available data it is necessary both to adjust the flows into and out of Maldon for the impact of the economic downturn and to allow for some return towards previous household formation rate trends. A full return to the previous trend in the near future seems unlikely, not least because research carried out by Dr Alan Holmans for the TCPA suggests that around half of the difference between the previous projections (DCLG's 2008-based projections) and the household formation rates suggested by the 2011 census is due to those earlier projections not having taken account of the impact of increased international migration. This means that the earlier projections over-estimated the likely increases in household formation rates. There have also been structural changes which are unlikely to be reversed.

116. A projection based on correcting the ONS's latest population projections for the low flows within the UK and assuming that the household formation rates in DCLG 2011-based projections will make a partial return toward the previous trends suggests an annual requirement of around 310 homes a year between 2014 and 2019.

117. That projection ignores the unexplained difference between what the components of change would have suggested Maldon's population should have been in 2011 and what the census found – the Unattributable Population Change (UPC). It is unclear to what extent UPC is due to errors in the 2001 and 2011 census and to what extent it is due to errors in the estimation of migration flows. However, a sensitivity test which assumes that it was entirely due to errors in the estimation of migration flows would reduce the housing requirement to 280 homes a year. That, however, probably overestimates the impact of UPC, suggesting that a trend-based estimate based on the latest available data should lie in the range 280-310 homes a year.

118. That range is based solely on a trend-based demographic approach. There may be reasons why it is either not plausible or desirable that recent trends continue. A particular issue is the likelihood that London will not be able to accommodate the projected increase in its population and that as a result the pressure for households to move out of London will be stronger than the trend-based projections suggest: the shortfall could be in the range 10 – 20,000 homes a year. Allowing for that, a prudent approach would be to plan on the basis of the top end of the trend-based range i.e. for 310 homes a year.

The SHMA's flow-based estimate of Maldon's Objectively Assessed Needs for Housing (OAN)

119. The SHMA's flow based analysis is based on a survey of households in the area conducted in June and July 2013 which asked about the composition of households, whether they had moved recently or were intending to move and, if so, where from or to.

120. Such surveys can only provide information on what respondents intend to do. What they actual do may be very different as a result of changes in their circumstances or because when they attempt to move they cannot find the type of home they had envisaged at a price they can afford.

121. The main areas in which there is significant uncertainty in the results presented by the model are:

- The number of households likely to move into the area to buy or rent homes may have been underestimated.
- Respondents may have been over-optimistic about the likelihood of grown up sons and daughter who are currently living with their parents setting up a home of their own in Maldon.
- The model does not make an allowance for homes released on to the market as a result of deaths or people moving into care homes
- The number of households likely to leave the area may have been under-estimated.

122. Comparison of the survey-based estimates for the demand for both market and affordable housing with both what the survey suggest about past moves and ONS data for past flows into and out of Maldon suggest that the uncertainty in a number

of these area could be significant compared with the SHMA model's figure of 381 homes a year.

123. DCA have made it clear that it was not their intention that the survey-based model should be used to estimate the Maldon's Objective Assessed Needs and that they have never used the model for that purpose.

124. In view of the scale of the uncertainty in the figures produced by the SHMA's survey-based stock-flow model it is not a suitable basis on which the estimate Maldon District's Objectively Assessed Housing Needs. The survey does, however, provide useful information about others aspects of the supply and demand for housing, some of which cannot be obtained from other sources.

Conclusion

125. **Although the SHMA is an important part of the evidence base in other respects, its stock-flow model is not an appropriate basis on which to quantify Maldon District's Objectively Assessed Needs (OAN) for housing as the uncertainties in the estimates of a number of the flows are just too great. In particular, it appears to underestimate the number of new households likely to arrive in and leave the District; overestimate the number of concealed households likely to set up separate households; and does not allow for the homes that will be released onto the market as a result of deaths or moves into care homes.**

126. **The OAN should be based on the latest official projections for the area with adjustments for factors which appear to be departures from the longer term trend. These suggest a requirement of 280 to 310 homes a year between 2014 and 2029. It would be prudent to set the Objectively Assessed Needs for Housing at the top of this range bearing in mind the likelihood of increased out migration from London.**