Assessing Maldon’s Housing Requirements

Neil McDonald
NMSS
Where we are

Inspector’s initial view:
- Housing requirement more likely to be **381 a year homes** suggested by 2014 Strategic Housing Market Assessment (SHMA) **than 294 homes** a year in Plan
- Doesn’t 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”
- Fears SHMA may have be underestimate due to ‘recessionary trends’

My conclusions:
- Approach used in Plan is sound, although projections used are dated
- 2014 SHMA ‘stock-flow’ model is not an appropriate basis on which to estimate housing requirements.
- An updated and improved version of analysis used in Plan suggests a housing requirement of around **310 homes a year** between 2014 and 2029
Two radically different approaches to estimating housing needs

- **SHMA ‘stock flow’ model**
  - Based on survey which asked people whether they intended to move and, if so, to where.
  - But people don’t always do what they say they are going to do
  - Results can suffer from ‘optimism’ bias

- **Plan based on Government population and household projections**
  - Uses past trends to estimate how many people will be born, die move into the area and move out
  - Also uses past trends to estimate how people will group themselves into households
  - Based on what people have actually done in the past
SHMA ‘stock flow’ model

- Market housing requirement
- Affordable housing requirement

= Total housing requirement
SHMA ‘stock flow’ model: market housing

- **Demand for homes from:**
  - People moving from one home to another within the area
  - People setting up their own home
  - People moving into the area

- **Homes released by:**
  - People moving from one home to another in the area
  - People leaving the area
  - Deaths and moves into care homes

- **Net market housing requirement**
SHMA stock flow model: examples of uncertainties

- **Number of new households likely to form**
  - Largely grown up sons and daughter setting up own homes
  - Risk of optimism about when they will leave home and whether they will be able to afford to buy or rent in Maldon
  - Survey suggest 224 such households will form each year in the future – compared with 147 in the past

- **Households moving out of Maldon**
  - Those thinking of moving may be sure they will be able to find what they want within Maldon but find when the come to look that they need to move further afield
  - Survey suggests outflow of 515 households a year – compared with 2770 people a year who left Maldon in the past
SHMA stock flow model

- Surveys can tell you about what people intend or hope to do rather than what they will actually do
- Can provide useful information about the type of housing people would like to have – which can be different from what they need
- Not a reliable basis for quantifying housing requirements
- Survey conducted by David Couttie Associates (DCA). David Couttie has made it clear that it was not his intention that the survey-based model should be used to estimate Maldon’s Objectively Assessed Needs for housing
How housing requirements are estimated

Estimate population \times \text{Tendency to form separate households i.e. household formation rate} = \text{Number of households} + \text{Empty + second homes + (possibly) other factors} = \text{Housing needed}
How housing requirements are estimated

- Estimate population
  - 2008 projections
  - 2010 projections
  - 2011 projections
  - 2012 projections

- Tendency to form separate households
  - 2008 projections
  - 2011 projections

- Empty + second homes + (possibly) other factors

Number of households = Estimate population × Tendency to form separate households

Housing needed = Number of households + Empty + second homes + (possibly) other factors
How housing requirements are estimated: current Plan estimate

Estimate population:
- 2008 projections
- 2010 projections
- 2011 projections
- 2012 projections

Tendency to form separate households:
- 2008 projections
- 2011 projections

Number of households

Empty + second homes + (possibly) other factors

Housing needed

Tendency to form separate households

Number of households

Housing needed
How housing requirements are estimated: most up to date official projections


- **Tendency to form separate households**: 2008 projections, 2011 projections

- **Number of households**

- **Empty + second homes + (possibly) other factors**

= **Housing needed**
Population projections: which should we believe?

- 2008-based projections are dated and exaggerate likely population growth.
- Known weaknesses in 2011-based projections – which can be too high.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>People</td>
<td>Percentage</td>
<td></td>
</tr>
<tr>
<td>2008-based projection</td>
<td>64400</td>
<td>70900</td>
<td>6500 (10.5%)</td>
</tr>
<tr>
<td>2010-based projection</td>
<td>63052</td>
<td>67544</td>
<td>4491 (7.3%)</td>
</tr>
<tr>
<td>2011-based projection</td>
<td>61720</td>
<td>66971</td>
<td>5251 (8.5%)</td>
</tr>
<tr>
<td>2012-based projection</td>
<td>61720</td>
<td>64658</td>
<td>2938 (4.8%)</td>
</tr>
</tbody>
</table>
Population projections: which should we believe?

- That leaves 2010 and 2012-based projections.
- Differences are significant.
- We need to look at what is causing the population to increase to understand the reasons.
What causes a population to change?

Population in the future

= Population now

+ Those who come

- Those who go
What causes a population to change?

Population in the future

= Population now

+ Births + UK arrivals + International arrivals

- Those who go
What causes a population to change?

Population in the future = Population now + Births + UK arrivals + International arrivals - Deaths + UK flows out + International departures
Differences between 2010 and 2012-based population projections

- Only significant differences are in the projected flows in and out from other UK local authorities.
- 2012-based flow looks low compared with flows since 2001-2
Differences between 2010 and 2012-based population projections

2012-based UK flows estimate from flow rates in 2007-8 to 2011-2 – a period which encompasses the economic downturn which had a significant impact on flows between local authorities.
Differences between 2010 and 2012-based population projections

- Dotted green line shows effect of adjusting flow in from rest of UK to reflect average flows over 10 years, not 5 years.
- Correction for what the Inspector called a ‘recessionary trend’
Unattributable population change (UPC)

In theory:

2001 census population + Births + Deaths + Flows in + Flows out = 2011 census population
Unattributable population change (UPC)

But in practice:

<table>
<thead>
<tr>
<th>Births</th>
<th>Deaths</th>
<th>Flows in</th>
<th>Flows out</th>
<th>UPC</th>
</tr>
</thead>
</table>

UPC for Maldon averaged 55% of population change and was negative – implying that the components of change were exaggerating the actual change in population.
What causes UPC?

Three possible causes:

- International migration
- Flows within the UK
- Errors in either or both of 2001 or 2011 census

Insofar as the errors were not in the censuses, the migration flows will have been too high and population projections based on them will also be too high.

As with the UK flows, it is possible to adjust for the impact of UPC.

However, the ONS decided not to do this in compiling the official projections.
Impact of adjusting for low UK flows and UPC

- Adjusting for low UK flows increases the rate at which the population increases to close to the 2010-based projection.
- Adding in UPC brings population growth back down to close to the ONS projection.
- Most plausible projection probably lies somewhere in between.

### Projected population increase

<table>
<thead>
<tr>
<th>Year</th>
<th>People</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-based projection</td>
<td>64400</td>
<td>10.5%</td>
</tr>
<tr>
<td>2010-based projection</td>
<td>63052</td>
<td>7.3%</td>
</tr>
<tr>
<td>2011-based projection</td>
<td>61720</td>
<td>8.5%</td>
</tr>
<tr>
<td>2012-based projection</td>
<td>61720</td>
<td>4.8%</td>
</tr>
<tr>
<td>10 year UK flows + UPC adjustment</td>
<td>61720</td>
<td>5.2%</td>
</tr>
</tbody>
</table>

Source: ONS and own analysis

### Population growth 2011-21

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-based projection</td>
<td>64400</td>
<td>70900</td>
<td>6500 (10.5%)</td>
</tr>
<tr>
<td>2010-based projection</td>
<td>63052</td>
<td>67544</td>
<td>4491 (7.3%)</td>
</tr>
<tr>
<td>2011-based projection</td>
<td>61720</td>
<td>66971</td>
<td>5251 (8.5%)</td>
</tr>
<tr>
<td>2012-based projection</td>
<td>61720</td>
<td>64658</td>
<td>2938 (4.8%)</td>
</tr>
<tr>
<td>10 year UK flows</td>
<td>61720</td>
<td>65856</td>
<td>4136 (6.7%)</td>
</tr>
<tr>
<td>10 year UK flows + UPC adjustment</td>
<td>61720</td>
<td>64899</td>
<td>3179 (5.2%)</td>
</tr>
</tbody>
</table>
Impact of adjusting for low UK flows and UPC

- Adjusting for low UK flows increases the rate at which the population increases to close to the 2010-based projection.
- Adding in UPC brings population growth back down to close to the ONS projection.
- Most plausible projection probably lies somewhere in between.
Changes to household formation rates: a blip or a new trend?

- 2011 census found fewer households than expected
- Previous projections did not take account of increased international migration
- More adult children living with parents or in shared houses or flats
Changes to household formation rates: a blip or a new trend?

- DCLG’s 2011-based household projections assume continued divergence from previous trend
Changes to household formation rates: a blip or a new trend?

- Impact much bigger for 25-34 year olds
- DCLG 2011-based projections imply widening divergence from previous trend
- Smaller and smaller proportion of this age group would be able to set up own household
- Changes are ‘forced’ – likely to reverse if conditions improve
Changes to household formation rates: a blip or a new trend?

- Suggest plan on basis of partial return to trend
- “Mid-way” approach as research suggests about half of the difference between the two set of projections is due to the previous set being over optimistic as a result of not allowing for increased international migrants
What does this mean for Maldon’s housing requirement?

- Chart shows two extreme views
- 2008-based DCLG projection has unrealistic population increase and unrealistic increases in household formation rates
- Updated 2011-based DCLG projection has low population growth and low household formation rates
- Neither is realistic
What does this mean for Maldon’s housing requirement?

- Correcting for the recessionary effect on the 2011-based DCLG household formation rates by assuming a partial return to trend gives the green line – 260 homes a year
- That still has low population increases

<table>
<thead>
<tr>
<th>Comparison of household growth projections</th>
<th>Households in 2014</th>
<th>Increase in households</th>
<th>Homes per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCLG 2008</td>
<td>28500</td>
<td>5830</td>
<td>410</td>
</tr>
<tr>
<td>Updated DCLG 2011</td>
<td>26400</td>
<td>3000</td>
<td>210</td>
</tr>
<tr>
<td>2012 population + part return to trend</td>
<td>26400</td>
<td>3750</td>
<td>260</td>
</tr>
</tbody>
</table>
What does this mean for Maldon’s housing requirement?

- Adjusting for the low net flow from the rest of the UK gives the purple line – 310 homes a year.
- This is a realistic scenario – and the scenario consistent with the ONS view that UPC should not be taken into account in projection population growth.

### Table: Comparison of household growth projections

<table>
<thead>
<tr>
<th></th>
<th>Households in 2014</th>
<th>Households in 2029</th>
<th>Increase in households</th>
<th>Homes per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 population + part return to trend</td>
<td>26400</td>
<td>30200</td>
<td>3750</td>
<td>260</td>
</tr>
<tr>
<td>10 year UK flows + part return to trend</td>
<td>26600</td>
<td>31000</td>
<td>4390</td>
<td>310</td>
</tr>
</tbody>
</table>
What does this mean for Maldon’s housing requirement?

If you assume all of UPC is due to errors in the estimation of migration flows you get the yellow line – 280 homes a year

This should be thought of as the other end of the range, with the most plausible projection lying somewhere in between

<table>
<thead>
<tr>
<th>Comparison of household growth projections</th>
<th>Households in 2014</th>
<th>Increase in households</th>
<th>Homes per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 population + part return to trend</td>
<td>26400</td>
<td>3750</td>
<td>260</td>
</tr>
<tr>
<td>10 year UK flows + part return to trend</td>
<td>26600</td>
<td>4390</td>
<td>310</td>
</tr>
<tr>
<td>10 year UK flows + part return to trend + UPC</td>
<td>26500</td>
<td>3920</td>
<td>280</td>
</tr>
</tbody>
</table>
‘Other factors’

- Analysis so far asks, “How many homes will be needed if past trends continue?” This may not be the case.
- Projections for London suggest it will need to house more people than is physically possible.
- Annual shortfall could be 10 – 20,000 homes a year.
- Implies that there is likely to be much higher pressure for out migration from London, which will affect all of the wider South East.
- Impact on Maldon could be 16-32 extra households a year.
- Not suggesting this should be added to the 280-310 homes a year range, but strong reason for planning at the top end of the range.
Conclusions

- Large uncertainties in SHMA stock-flow model. It is not a reliable basis on which to estimate the OAN.

- Inspector critical of projections on which Plan is based as “older and cruder”. Also concerned about the need to make allowances for recessionary trends.

- Using latest official projections and adjusting for two recessionary factors:
  - low household formation rates in latest DCLG projections
  - low flows from rest of UK due to flow rates taken from 2007-12

  gives housing requirement of 310 homes a year. (c.f. 294 in Plan)

- Adjusting for UPC could reduce this to 280 homes a year, but that would be contrary to ONS approach

- 310 homes would be reasonable figure.