Braintree District Council
Chelmsford City Council
Colchester Borough Council
Tendring District Council

Objectively Assessed Housing Need Study

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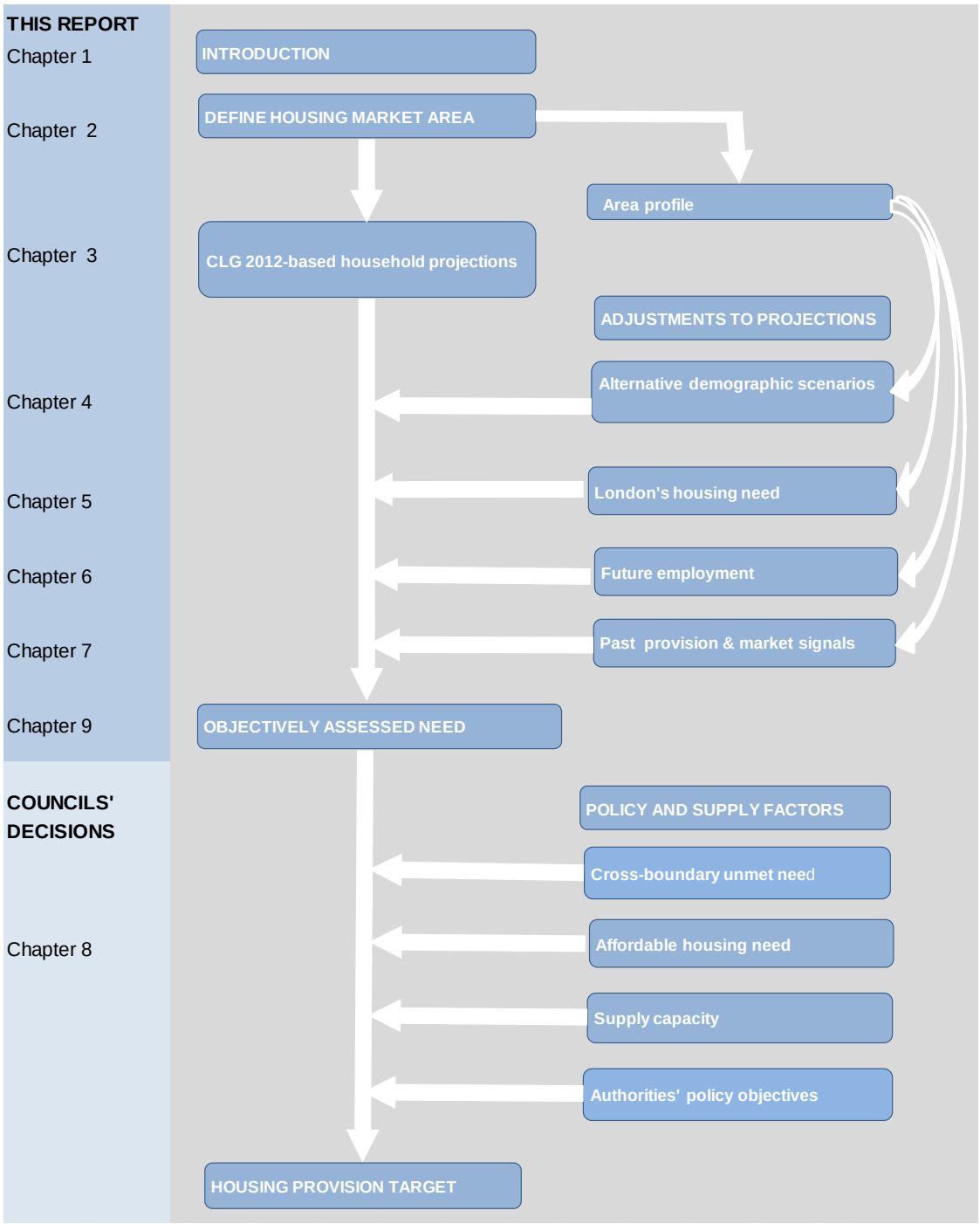
1 INTRODUCTION

1.1 This study was commissioned by Braintree, Chelmsford, Colchester and Tendring Councils to provide an objective assessment of housing need over the period 2013 - 37. The assessment will help inform targets in future Local Plans, as required by national policy and guidance. The chart below summarises our approach.

Figure 1-1 Study overview



1.2 The National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) advise that, where housing market areas (HMAs) extend beyond administrative boundaries, housing needs assessments should cover these wider areas rather than individual local authorities. Therefore our first step, in Chapter 2 below, is to test whether the four authorities that commissioned the study form an HMA. We find that this is indeed the case and go on to assess the area's housing need, following the method set out in the PPG. This method starts from the latest official household projections and applies a series of tests and adjustments to arrive at the objectively assessed housing need (OAN).

1.3 Also in line with the NPPF, that assessed need should form the basis of housing provision targets in the four authorities' emerging plans. But in setting those targets the Councils should also have regard to other considerations. Targets could be below the OAN if it is demonstrated that the area does not have the sustainable capacity to meet its need in full. Alternatively targets could be set above the OAN in order to meet cross-boundary need from more constrained areas, provide more affordable housing or promote other policy objectives. These additional considerations are beyond the scope of the present study

2 DEFINING THE HOUSING MARKET AREA

Overview

2.1 As mentioned earlier, where a housing market area (HMA) extends across two or more local authorities those authorities are required to work together to assess needs across the area as a whole. The underlying idea is that much of the demand or need for housing is not tied to specific local authority areas, as people's decisions on where to live are driven by access to jobs, schools, family etc, rather than administrative boundaries. An HMA is an area of search, bringing together places which share similar household characteristics.

2.2 To help identify such areas, the PPG suggests a list of indicators including house prices, migration, travel-to-work areas and school and retail catchments. The guidance does not prescribe how these indicators should be analysed, except for migration – where it says that a high proportion of house moves, 'typically 70%', excluding long-distance moves, should be contained within the area. Travel-to-work areas, also mentioned in the PPG and defined by ONS, are also based on the idea of containment – in this case relating to commuting rather than migration.

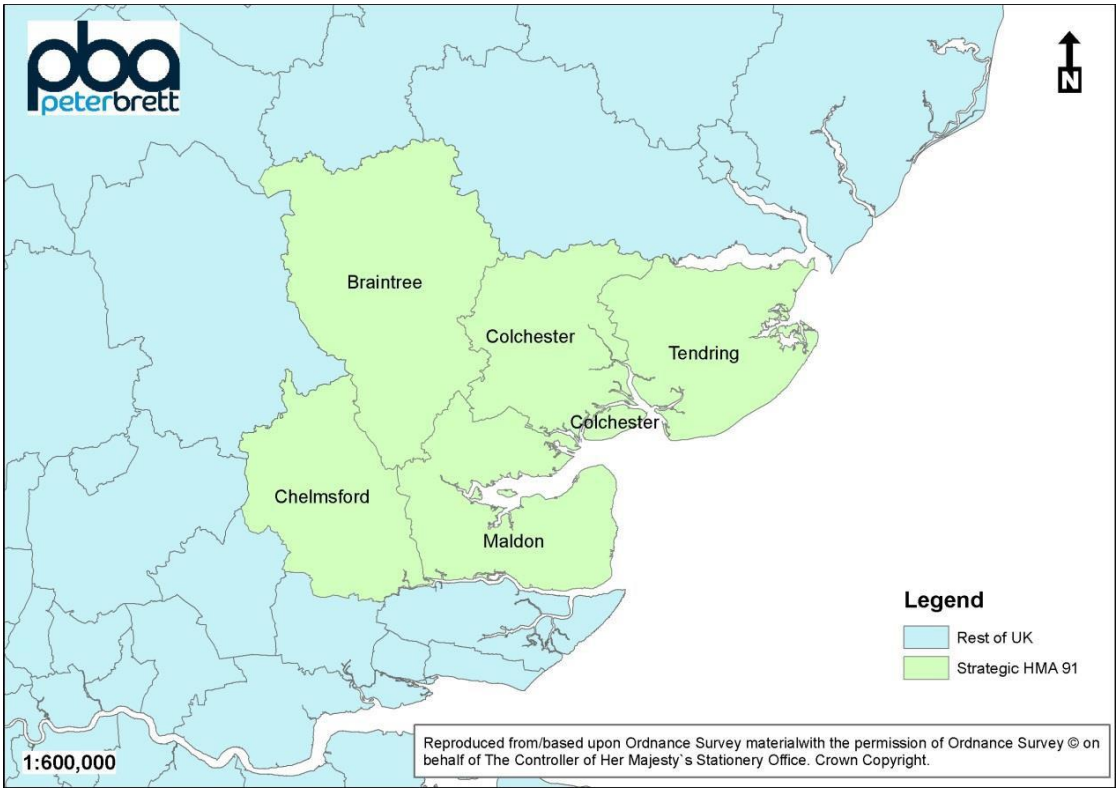
2.3 To identify HMA boundaries in this study we start from the national geography of housing market areas developed for the NHPAU (National Housing and Planning Advisory Unit). We then verify and update that geography, using the latest data available and the key indicators recommended in the PPG.

The NHPAU geography

2.4 This HMA geography was produced in 2010 for the former NHPAU by a group of academics, using data from the 2001 Census. Following the same logic as the PPG, the NHPAU research defines a hierarchy of HMAs based primarily on migration and commuting containment. It is a useful starting point because it is a national top-down geography, which maximises containment across England as a whole. This is a sound approach, because if each local authority were to define its own HMA, centred on its own area, there would be nearly as many HMAs as local authorities and HMAs would hugely overlap.

2.5 As shown on Figure 2-1, the NHPAU geography brings together into one strategic market area the four authorities that commissioned this study. But the area also includes a fifth district, Maldon.

Figure 2-1 The NHPAU strategic HMA



Source: PBA

2.6 Below, we test this strategic HMA based on the same key indicators, migration and commuting. We use the latest available data, from the 2011 Census.

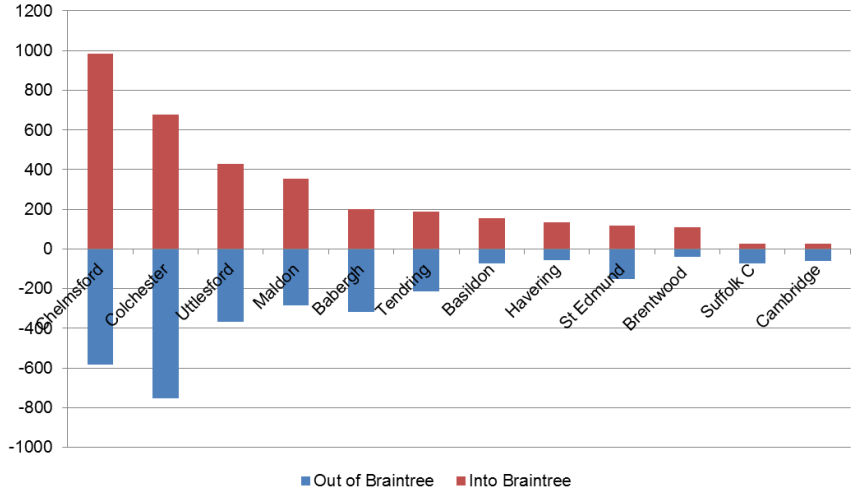
Migration

Main origins and destinations

2.7 For each authority in the strategic HMA, the charts below show the other authorities with which that authority has the largest combined gross migration flows.(The analysis is for the 12 months preceding the Census and excludes house moves within local authorities.) Using these combined migration flows (in an out) to measure the strength of links with other districts:

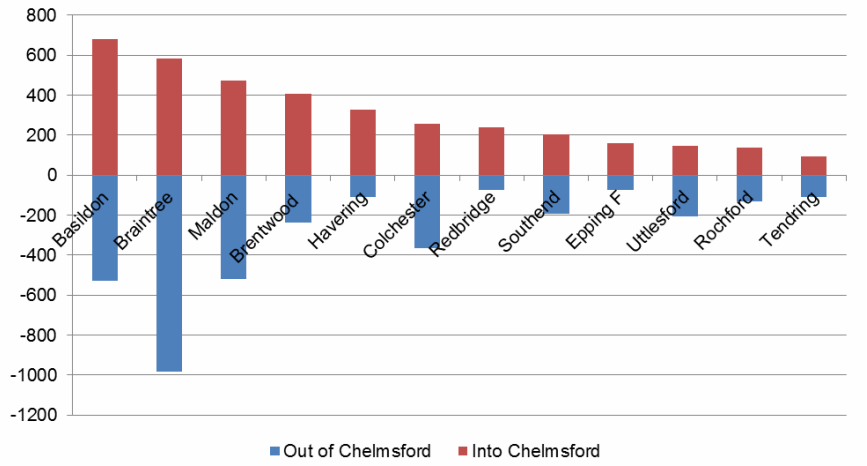
- Braintree's strongest links are with Chelmsford and Colchester.
- Chelmsford's strongest links are with Basildon, Braintree and Maldon.
- Colchester's strongest links are with Tendring and Braintree.
- Tendring's strongest link is with Colchester.
- Maldon's strongest links are with Chelmsford, Braintree and Colchester.

Figure 2-2 Cross-boundary migration to and from Braintree, 2010-11, persons



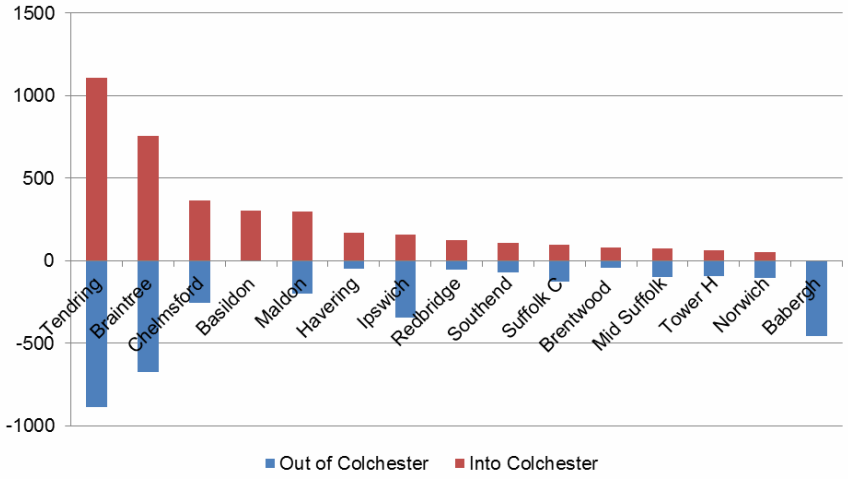
Source: ONS, PBA

Figure 2-3 Cross-boundary migration to and from Chelmsford, 2010-11, persons



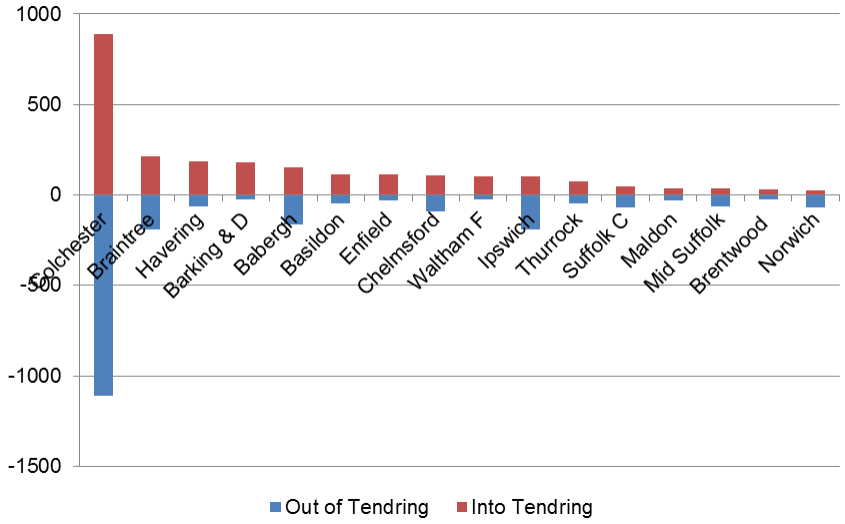
Source: ONS, PBA

Figure 2-4 Cross-boundary migration to / from Colchester, 2010-11, persons



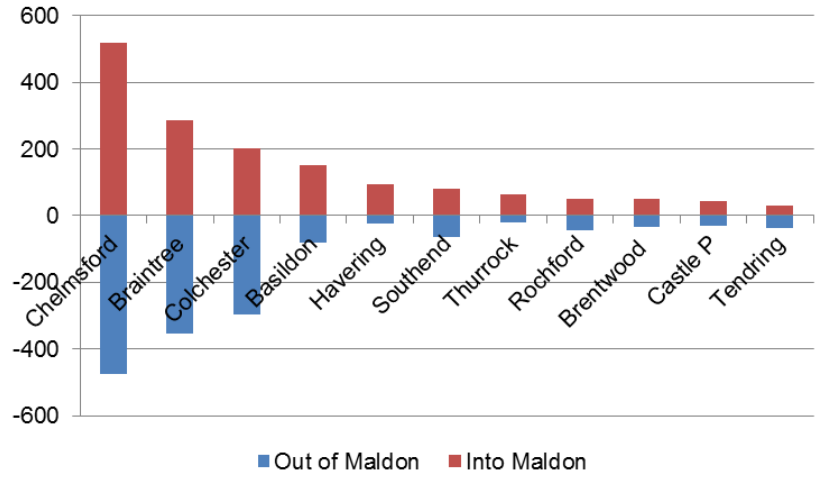
Source: ONS, PBA

Figure 2-5 Cross-boundary migration to and from Tendring, 2010-11, persons



Source: ONS, PBA

Figure 2-6 Cross-boundary migration to and from Maldon, 2010-11, persons



Source: ONS, PBA

2.8 In summary, for each authority in the NHPAU strategic HMA, the strongest migration links are with other authorities in that HMA – with the sole exception of Chelmsford, whose strongest link is with Basildon, which lies outside that HMA. Outside the strategic HMA there is no one authority that is strongly linked to all the members of that HMA. Uttlesford, for example, comes third in the list of districts linked to Braintree and tenth on Chelmsford's list, but it does not appear in the lists for Colchester, Maldon or Tendring. On this basis there is no additional authority that has a good case for joining the strategic HMA.

2.9 Other than places already discussed, the HMA authorities' strongest links are to London. Thus Chelmsford received a large total inflow from the London Boroughs of Redbridge and Havering, though there is little movement in the opposite direction. Similarly Tendring is at the receiving end of a large one-way flow from Havering, Barking & Dagenham, Enfield and Waltham Forest.

2.10 In summary, the analysis so far suggests that the five local authorities in the NHPAU's strategic HMA are more closely linked to one another than to any other area. The only exception to this general statement is that several of the authorities receive large migration inflows from London. Given that it would not be practical to include parts of London in the HMA, this suggests that NHPAU's strategic HMA is correctly defined. But before drawing conclusions we test the evidence more closely.

The 70% self-containment test

2.11 In this section we test the strategic HMA's migration containment against the PPG criterion that 'typically' some 70% or more of all house moves that either begin or end in the HMA, excluding long-distance migration, should occur within the HMA. The test is specified in more detail in an earlier CLG publication, on which the PPG is clearly based:

'Identifying suitable thresholds for self-containment: *The typical threshold for self-containment is around 70 per cent of all movers in a given time period. This*

threshold applies to both the supply side (70 per cent of all those moving out of a dwelling move within that same area) and the demand side (70 per cent of all those moving into a dwelling have moved from that same area).[1]

2.12 Table 2-1 shows these measures of containment for the strategic HMA. In this calculation:

- As well as the origin and destination ratios, we have calculated an overall containment that combines the two. The overall containment equals the sum of origins and destination of moves within the HMA to the sum of origins and destination of moves that cross the HMA boundary[2].
- Migration data, as before, are taken from the 2011 Census and relate to persons moving house in the year ending on Census day.
- The analysis includes moves within authorities, which were excluded from the calculations in the last section above.
- Total moves comprise moves within the UK. It excludes those whose origin or destination is overseas, because by definition these are long-distance moves, which according to the PPG should be excluded from the total.

2.13 This measure of total moves is larger than the PPG intends, because it does not exclude long-distance moves within the UK. Therefore the resulting containment ratios will be underestimates, though we cannot tell by how much, because the PPG does not define such distance moves, but only describes them by example: 'e.g. those due to a change of lifestyle or retirement'. On this basis we cannot identify long-distance moves in the statistics, though we believe that retirement migration to the Essex coast plays a significant part.

Table 2.1 Migration containment, strategic HMA, 2010-11, persons

Moves from	Moves to		
	HMA	Rest of UK	Total
HMA	40,777	28,277	69,054
Rest of UK	28,816		
Total	69,593		
Origin containment	59%		
Destination containment	59%		

Source: ONS, PBA.

2.14 As calculated in the table, containment ratios are equal at 59%, less than the PPG threshold. To bring them up to the threshold we would have to assume that 40% of migration to and from the rest of the UK is 'long-distance migration', which seems unrealistically high. Therefore we have examined whether the test could be met by adding more local authorities to the HMA.

2.15 To determine what areas to test we have looked for those authorities with strong gross flows to or from the strategic HMA. Figure 2-7 shows those areas that received

[1] Communities and Local Government, Identifying sub-regional housing market areas, Advice note, March 2007

[2] In this calculation each move within the HMA is counted twice, once as an origin and once as a destination.

large outflows from the strategic HMA. Figure 2-8 shows those areas that generated large inflows into the strategic HMA.

Figure 2-7 Main gross migration outflows from the strategic HMA, 2010-11, persons

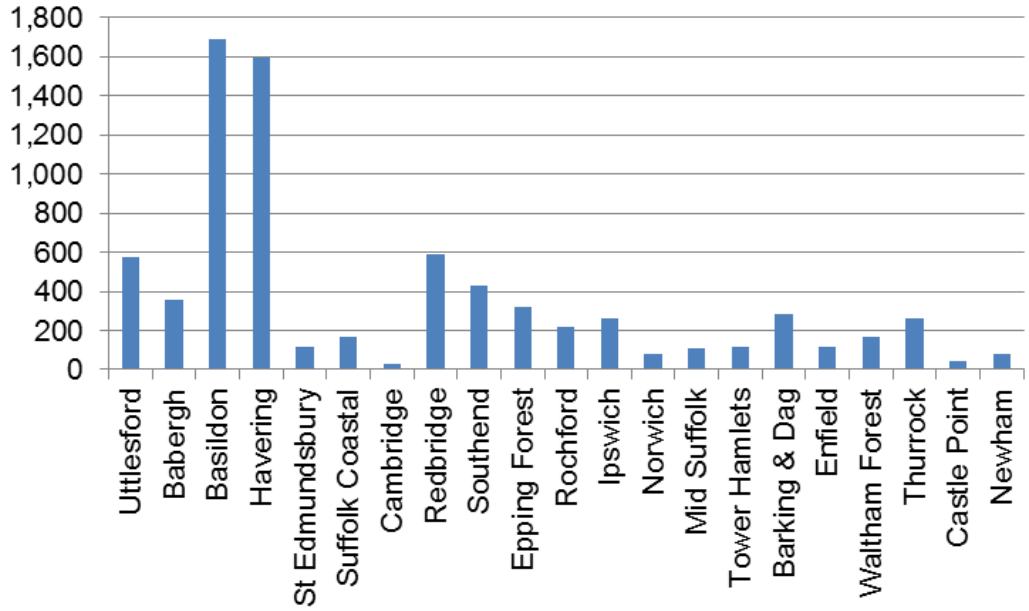
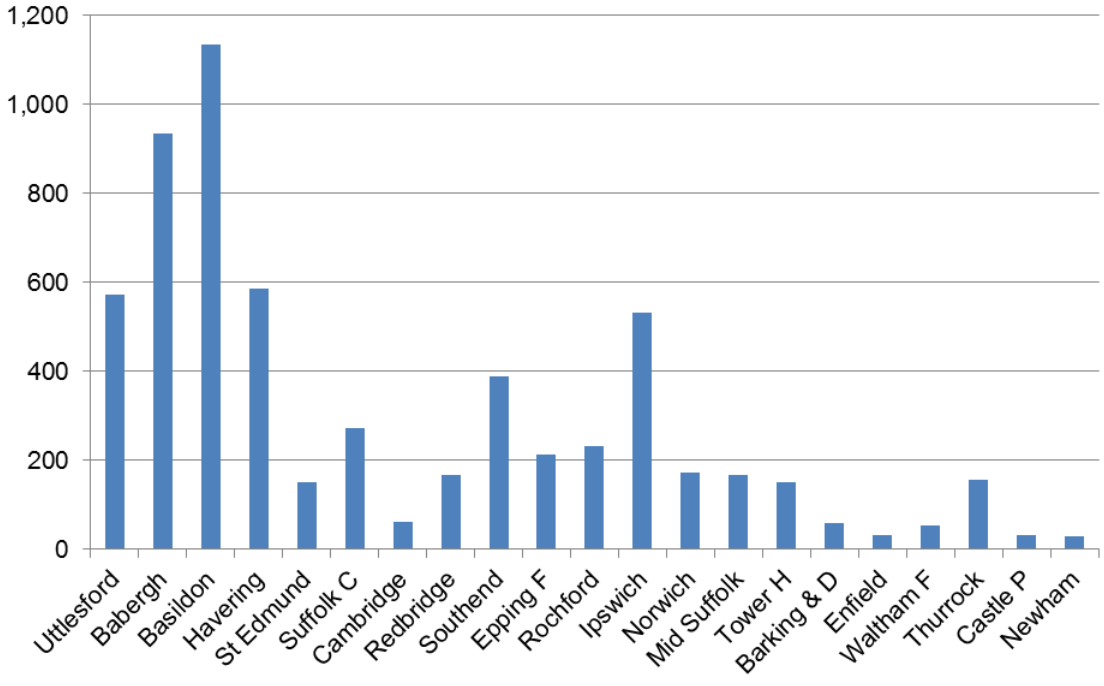


Figure 2-8 Main gross migration inflows into the strategic HMA, 2010-11, persons



2.16 The four authorities with the strongest links to the strategic HMA are Basildon, Havering, Uttlesford and Babergh. Table 2-2 shows that adding these authorities would make very little difference to the area's migration containment. Adding Basildon

leaves the ratio unchanged. All the other options tested reduce it, albeit by insignificant amounts.

Table 2.2 Overall migration containment for alternative areas

Area	Overall containment
Strategic HMA + Brentwood	57%
Strategic HMA + Basildon	59%
Strategic HMA + Havering	58%
Strategic HMA + Uttlesford	55%
Strategic HMA + Babergh	58%
Strategic HMA + all of the above	56%

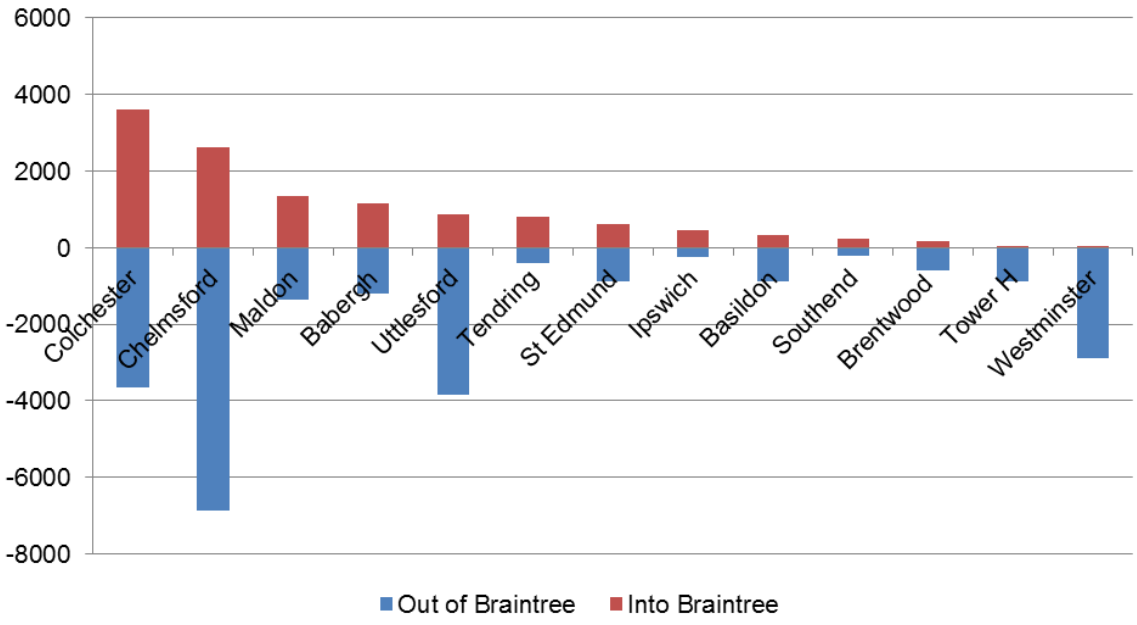
Source: ONS, PBA

Commuting

Main origins and destinations

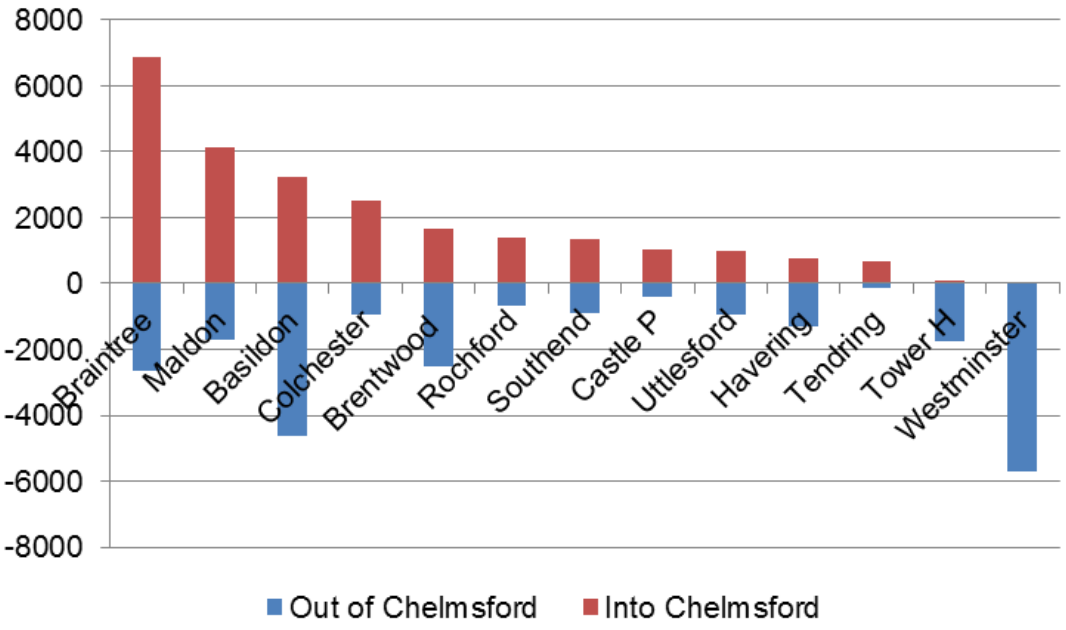
2.17 The charts below show the main origins and destinations of cross-boundary commuting to and from each authority in the strategic HMA.

Figure 2-9 Cross-boundary commuting to and from Braintree, 2011, persons



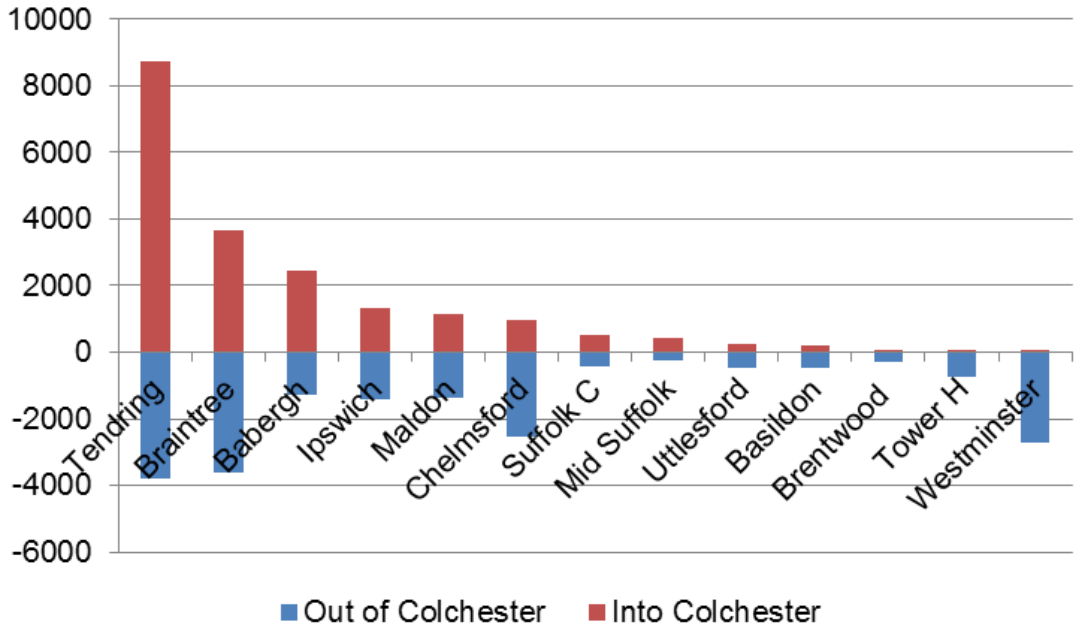
Source: ONS, PBA

Figure 2-10 Cross-boundary commuting to and from Chelmsford, 2011, persons



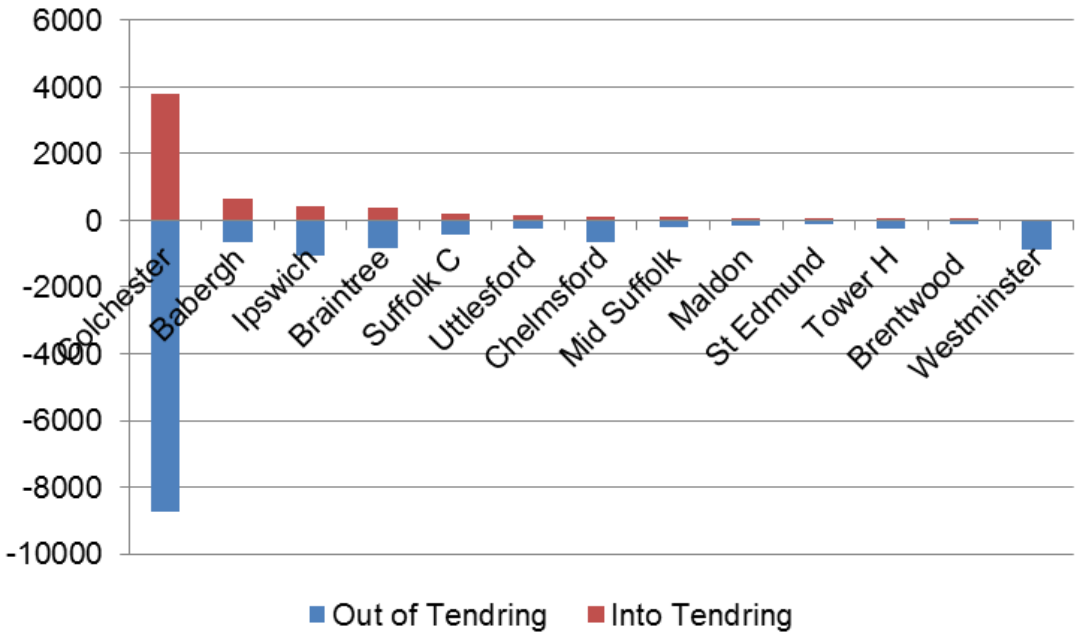
Source: ONS, PBA

Figure 2-11 Cross-boundary commuting to and from Colchester, 2011, persons



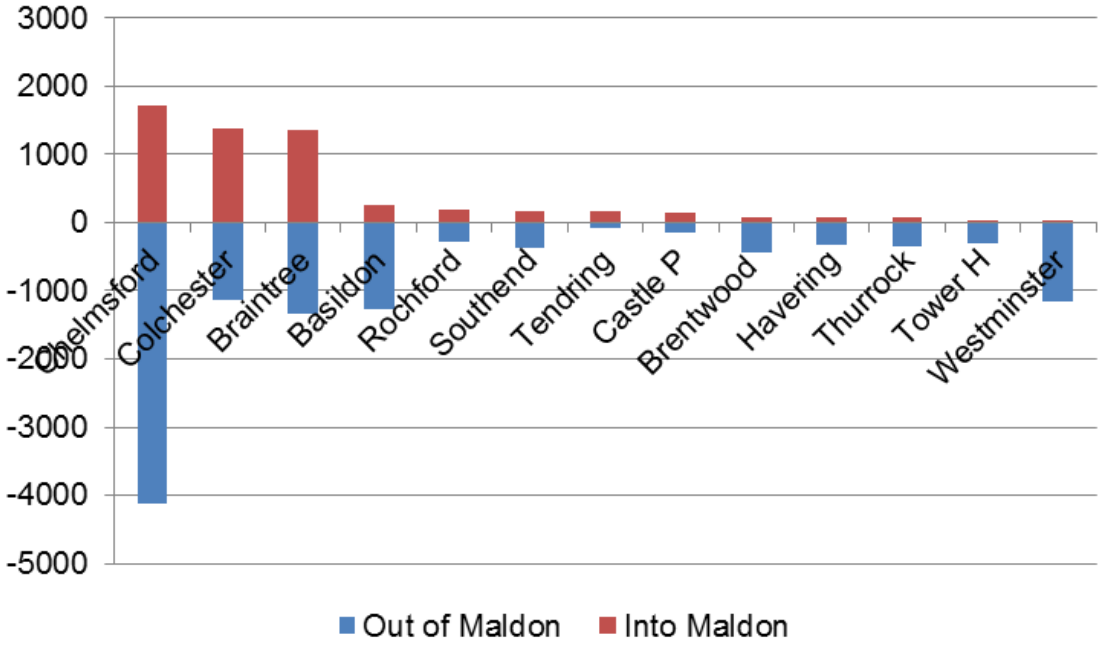
Source: ONS, PBA

Figure 2-12 Cross-boundary commuting to and from Tendring, 2011, persons



Source: ONS, PBA

Figure 2-13 Cross-boundary commuting to and from Maldon, 2011, persons



Source: ONS, PBA

2.18 Using the combined commuting flows (in an out):

- Braintree's strongest links are with Colchester and Chelmsford.
- Chelmsford's strongest links are with Braintree, Maldon and Basildon.

- Colchester's strongest links are with Tendring and Braintree.
- Tendring's strongest links are with Colchester.
- Maldon's strongest links are with Chelmsford, Colchester and Braintree.

2.19 There are also large outflows from the strategic HMA (particularly Braintree, Chelmsford and Colchester) to London, especially to Westminster, but also Tower Hamlets and Havering.

The containment test

2.20 Table 2-3 below shows containment ratios for commuting.

Table 2.3 Overall commuting containment, strategic HMA, 2011

Commute from	Commute to		
	HMA	Rest of world	Total
HMA	143,964	122,239	266,203
Rest of world	82,210		
Total	226,174		
Origin containment	54%		
Destination containment	64%		
Overall containment	58%		

Source: ONS, PBA

2.21 The strategic HMA's containment ratios for commuting are 64% for destination and 54% for origin; overall containment is 59%, which is similar to migration.

2.22 In relation to commuting neither the PPG nor the 2007 CLG advice[3] identify a threshold to help define housing market areas. But such a threshold is provided in the ONS definition of Travel to Work Areas, which are mentioned in the PPG:

'The current criterion for defining TTWAs is that generally at least 75% of an area's resident workforce work in the area and at least 75% of the people who work in the area also live in the area… However, for areas with a working population in excess of 25,000, containment rates as low as 66.7% are accepted.'

2.23 The strategic HMA does not quite meet the 66.7% criterion. Therefore, similar to our earlier analysis of migration, we have examined whether adding more authorities to the HMA would improve the containment ratio. The table below shows the impact of adding those authorities with the strongest commuting links to the HMA.

[3] Communities and Local Government, Identifying sub-regional housing market areas, Advice note, March 2007

Table 2.4 Commuting - overall containment

Area	Overall containment
Strategic HMA + Brentwood	56%
Strategic HMA + Basildon	56%
Strategic HMA + Babergh	58%
Strategic HMA + Uttlesford	57%
Strategic HMA + Havering	54%
Strategic HMA + Westminster	50%
Strategic HMA + Basildon, Babergh, Uttlesford & Havering	52%

Source: ONS, PBA

2.24 This analysis does not identify an HMA that meets the 66.7% containment criterion. The most likely reason is that the area's proximity to London makes commuting containment very difficult to achieve.

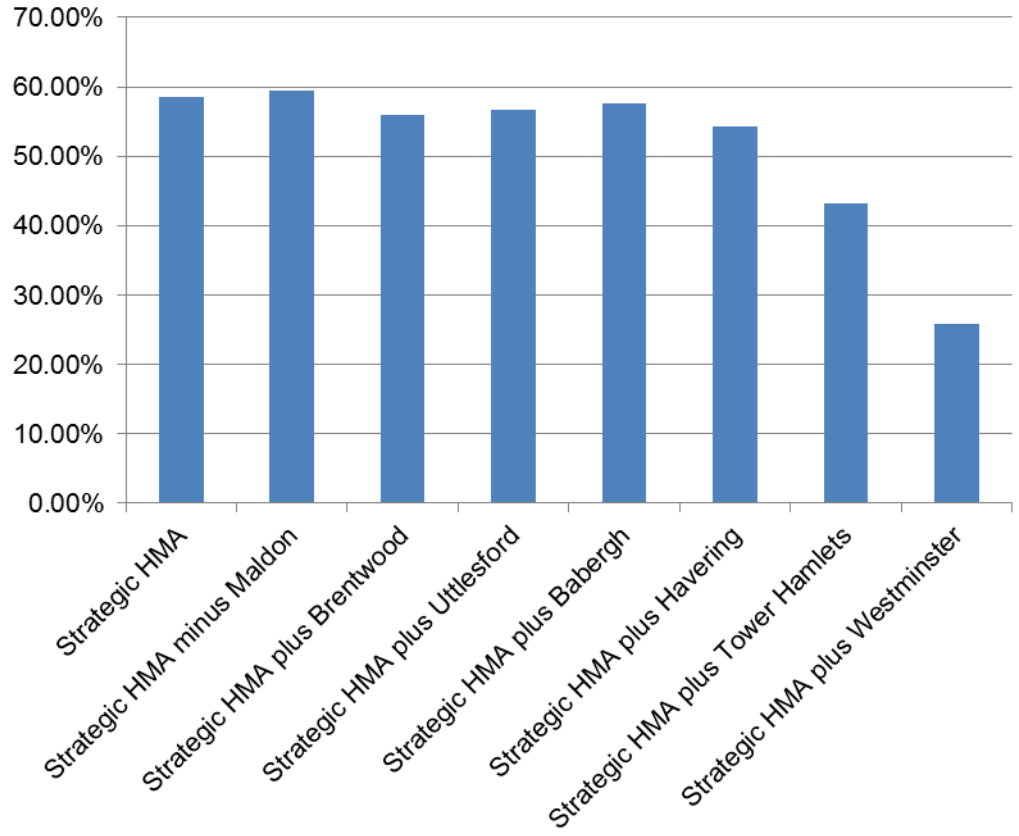
Maldon – migration and commuting

2.25 Maldon District Council does not agree that Maldon shares an HMA with Braintree, Chelmsford, Colchester and Tendring, and in progressing its Local Plan has provided evidence to show that Maldon is a separate HMA.

2.26 To assess the implications of this stance on our commissioning authorities, we have calculated the impact on the strategic HMA's containment of removing Maldon. We find that this change does not make a significant difference: migration containment increases fractionally for 58.8% to 59.6% and commuting containment increases similarly from 58.6% to 59.5%.

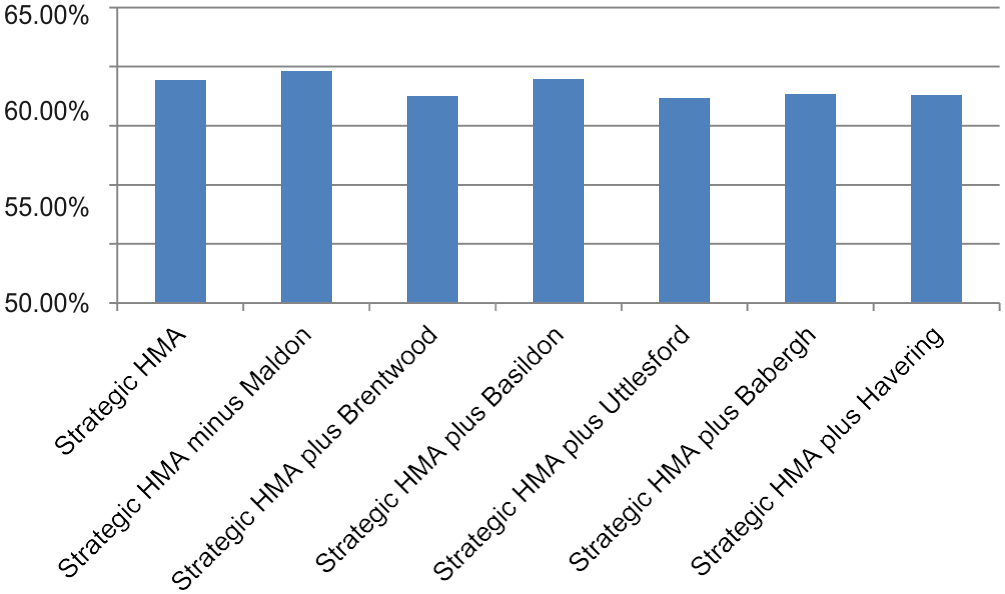
2.27 This suggests that Maldon Council's decision to assess its housing need independently is in no way detrimental to the remaining four authorities in the strategic HMA.

Figure 2-14 Commuting – overall containment



Source: ONS, PBA

Figure 2-15 Migration – overall containment



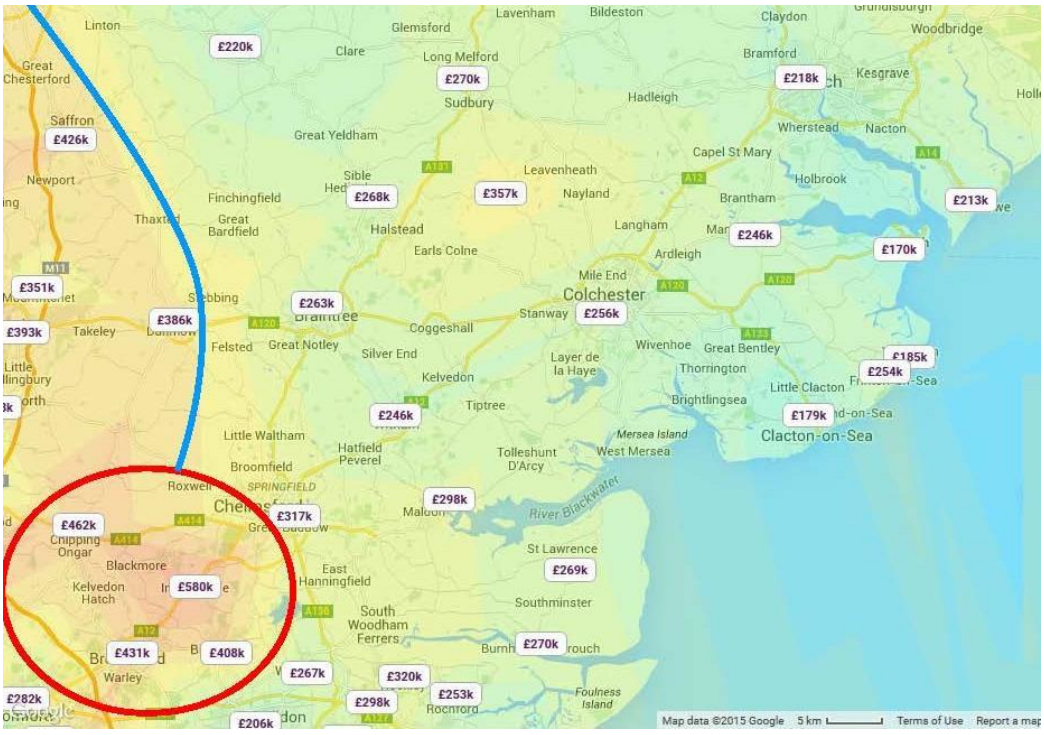
Source; ONS, PBA

House prices

2.28 To supplement the above analysis of migration and commuting, we have considered if house prices (levels and recent change) provide any evidence that would help define a housing market area. We chose these indicators because alongside migration and commuting they are the only 'hard' evidence mentioned in the PPG, as opposed to qualitative and contextual evidence such as household areas of search and catchment areas for schools or retail centres.

2.29 Figure 2-16 is a heat map of house prices across Essex. It shows high prices in Brentwood (the red circle) and an M11 corridor (the blue line). But there is no pattern that would help us define the boundaries of an HMA that includes our commissioning authorities.

Figure 2-16 House prices, February 2015



Source: Zoopla, Heatmap of UK property values

2.30 Table 2.5 shows house price change in the 10 years to 2012 for the Essex districts. There is very little variation between the districts, and no distinct spatial pattern that can help draw housing market areas.

Table 2.5 House price changes, Essex districts, 2002-12

Local authority area	% increase
Basildon	65%
Braintree	62%
Brentwood	69%
Castle Point	65%
Chelmsford	67%
Colchester	67%
Epping Forest	67%
Harlow	65%
Maldon	70%
Rochford	68%
Tendring	70%
Uttlesford	66%
Essex	66%

Source: CLG live table 581 (mean house prices based on Land Registry data), PBA

Conclusions

2.31 We have used evidence from the 2011 Census to test the strategic HMA defined by the NHPAU housing market area geography. Our analysis found that the area falls short of the 70% migration containment set in the PPG. Therefore we tested alternative definitions of the HMA, adding further local authority areas, but we could not find an alternative that had higher containment. The likely reason is that migration out of London, including retirement migration into the HMA, makes containment difficult to achieve.

2.32 Maldon District Council considers that its district is a free-standing HMA, rather than part of the NHPAU's strategic HMA. Whether or not this view is supported by local information, including 'soft' qualitative data, is a matter for that Council to consider. For our part, we have tested the quantitative impact of excluding Maldon on our four commissioning authorities, which form the rest of the strategic HMA. We find that an HMA comprising those four authorities has fractionally higher self-containment than the strategic HMA. Therefore Maldon District Council's stance has no detrimental impact on our commissioning authorities and those authorities have no reason to challenge it.

2.33 In summary, our analysis suggests that an HMA comprising Braintree, Colchester, Chelmsford and Tendring Council areas forms a sound basis for assessing housing need. The rest of this report focuses on this area, which we call simply 'the HMA'.

3 THE OFFICIAL HOUSEHOLD PROJECTIONS

Introduction

3.1 As required by national policy and guidance, in assessing housing need we start from the latest official household projections published by the Department of Communities and Local Government (CLG). In later chapters we will sensitivity-test the projections and consider alternative scenarios to deal with any factors that the projections do not capture, in line with the PPG. All our data and projections are taken from the *Greater Essex Demographic Forecasts* report produced by Edge Analytics for the Essex Planning Officers Association (EPOA). Specifically we use the Phase 7 Edge Analytics report, which is the most up-to-date in the series[4]. For the purposes of brevity this will be referred to as the Edge report for the rest of this report.

3.2 The official demographic projections are issued in two separate publications:

- ONS produces the Sub-National Population Projections (SNPP), which show population by age and sex, based on rolling forward past rates of natural change (births minus deaths) and migration for each demographic group.
- CLG then converts each SNPP into household projections.

3.3 The factors that translate population into households, known as Household Representative Rates (HRRs, also known as headship rates or housing formation rates), are based on rolling forward past trends for different demographic groups. The resulting household numbers, with a small adjustment for vacant and second homes, are used as a measure of future housing demand, or objectively assessed need.

Recent releases

3.4 The NPPF, published in March 2012, advised that the official CLG household projections should be the starting point for assessing housing need. But at that time, and until very recently, we did not have a full set of recent projections that were fit for purpose. The 2008-based projections were increasingly out of date. The 2011-based projections, published in 2013, were labelled 'interim' because of data limitations, and they only ran to 2021.

3.5 To fill the gap, Councils and their consultants developed a range of alternative demographic scenarios that extended or adjusted the 2011 projections, or 'blended' them with the 2008 ones in an attempt to capture long-term trends. Different authorities used different approaches, making it difficult to compare or aggregate neighbouring areas.

3.6 On 27 February 2015 CLG finally produced 2012-based household projections ('CLG 2012'), which supersede earlier versions. The new CLG projections are derived from the 2012-based sub-national population projections ('SNPP 2012') published in 2014. To model future HRRs the CLG 2012 projections use the same method as CLG 2011,

[4] Edge Analytics, Greater Essex Demographic Forecast 2013-37, Phase 7 Main Report, May 2015

but a different starting point, in that they are based on revised estimates of actual HRRs at 2011. Although these estimates are still imperfect, due to difficulties in processing Census results, they are the best information available at present.

3.7 The PPG, in a new paragraph published on the same day as CLG 2012, has endorsed that projection as 'the most up-to-date estimate of future household growth[4]. This statement establishes a new starting point for assessing housing need and implies that earlier official projections may now be dismissed.

The 2012-based projections

3.8 Table 3.1 below shows the 2012-based official projections for the HMA. The figures are from the EPOA Stage 7 report, which has re-based the projection to start in 2013 and translated households into dwellings through a small adjustment for vacant and second homes. We show these and later numbers per annum, because this is how local plans and monitoring reports normally express housing targets. For the HMA the projections show a need for 2,916 net new dwellings per annum (dpa).

Table 3.1 Population, households and dwellings, 2013-37, ONS/CLG 2012

Change p.a.	Population	Households	Dwellings
Braintree	1,171	668	686
Chelmsford	1,108	643	657
Colchester	1,638	834	868
Tendring	1,068	654	705
HMA	4,986	2,799	2,916

Source: Edge Analytics Greater Essex Demographic Forecasts Phase 7 Report

3.9 Table 3.2 shows the split of projected population growth between migration and natural change. It demonstrates that population growth in the HMA is highly dependent on migration. Of the 5,000 net additional people in the HMA each year 84% are net in-migrants[5].

Table 3.2 Components of population change, 2013-37, ONS/CLG 2012[6]

Change p.a.	Total population	Net migration	%	Natural change	%
Braintree	1,171	985	84%	186	16%
Chelmsford	1,108	628	57%	480	43%
Colchester	1,638	822	50%	816	50%
Tendring	1,068	1,737	163%	-669	-63%
HMA	4,986	4,172	84%	814	16%

Source: Edge Analytics Greater Essex Demographic Forecasts Phase 7 Report

[5] As a reminder. 'migration' and 'migrants' in the present context include people moving house within the UK as well as international migration

[6] In this table natural change includes births and associated with migrants, so if a woman who moved into the area one year gives birth the following year that birth counts as part of natural change. An alternative assessment of the relative contributions of migration and natural change is provided in the EPOA 'natural change scenario' (not shown here), in which babies born to migrants and deaths of migrants are excluded from natural change.

3.10 In Tendring the picture is even starker. There are more deaths than births each year, because the population is much older than in the rest of the HMA, so migration tops up what would otherwise be a declining population.

4 ALTERNATIVE DEMOGRAPHIC SCENARIOS

Introduction

4.1 As mentioned earlier the official projections should be tested at the local level before being accepted as a measure of housing need. This is usually done through alternative scenarios which vary some of the methods and assumptions used by ONS/CLG. In the present case the Councils have the benefit of regionally consistent alternative scenarios provided by the Edge report.

4.2 That report provides 10 variations on the official projections, from which we have selected those most relevant to future housing needs. In this chapter we review two alternative scenarios based on varying projections methods. In Chapters 5 and 6 we will move on to scenarios that assess the implications of wider factors, first London's unmet needs and then future job growth. But first, in the next section we discuss a technical question which applies to all scenarios: the choice between fixed and non-fixed migration profiles.

Fixed vs non-fixed migration profiles

4.3 The Edge projections use two alternative methods for determining the amount and age profile of future migration:

- 'Fixed' scenarios carry forward past migration flows from the base period (reference period), ignoring any impact that the population's changing age profile might have on migration.
- Other scenarios, which may be called non-fixed or dynamic (though the report does not give them a particular label) use age-specific migration rates. Rather than numbers of migrants, these scenarios carry forward the likelihood (or propensity) to migrate of different age groups. Because different age groups have different propensities, this means that future migration will change as the age structure of the population changes.

4.4 To take an example, in the base periods used (which may be five or 10 years as discussed later) migration from the rest of the UK to Tendring has been weighted towards the older age groups. The proportion of all UK residents who moved to Tendring was much higher for (say) over-65s than younger age groups. In future the over-65s will form a growing proportion of the UK's population. In the fixed scenarios, this ageing population makes no difference to the projected migration into Tendring. In the non-fixed scenarios it results in more migration into Tendring, because there is a large pool of older people.

4.5 The Edge report does not recommend either method, leaving the choice (like all such choices) to the client authorities. In our analysis below we show both variants.
We prefer the non-fixed (dynamic) version, because common sense suggests that the different behaviour of people at different ages is an important driver of demographic

change – especially given that in the next 20 years or so the UK's population is set to age dramatically.

4.6 As a caveat, however, we note that the dynamic method may exaggerate the impact of this ageing on migration, because as older age groups form a higher proportion of the population their behaviour might change ('60 is new 50'). The postponement of the State Pension Age is already causing this kind of effect. For women in their early 60s, for example, the likelihood of being retired is becoming similar to that which previously applied to those in their late 50s. A natural consequence might be that people will move to the Essex coast at later ages than they did in the past.

Unattributable Population Change

4.7 The Edge report provides alternative projection scenarios 'with Unattributable Population Change (UPC) and 'excluding UPC' (labelled 'X' scenarios). To choose between these alternatives, we need to understand what the UPC is and how it affects the HMA.

What is UPC?

4.8 UPC is a discrepancy in the official population statistics that arose between the 2001 and 2011 Censuses. In this inter-censal period the ONS makes estimates of the components of population change, which are published as Mid-year Population Estimates (MYEs). Births and deaths are measured easily and accurately, because the UK has an efficient registration system. But migration (UK and international) cannot be measured directly, and is estimated from indirect and incomplete data such as GP registrations.

4.9 When the 2011 Census results came to light, the population in many places was different from what had previously been estimated. ONS accordingly revised the MYEs for the intercensal period to bring them into line with the Census. But for many places it proved impossible to fully reconcile the revised components of change with population numbers at the two Censuses. To deal with this remaining discrepancy, ONS introduced an additional component of change, in effect an 'errors and omissions' factor. This is the UPC.

4.10 The UPC may be due to miscounted population in one or both Censuses – though this is more likely to be in 2001 than 2011, because by 2011 methods had been considerably improved. It may also be due to unrecorded or misrecorded migration between the Censuses. More likely both factors are at work.

4.11 For England the UPC is positive and amounts to 103,000 persons between 2001 and 2011. At this level, insofar as the UPC is due to misrecorded migration it is likely to relate to international migration rather than cross-border movements within the four countries of the UK. This view is supported by ONS in its 2014 review 'Quality of International Migration Estimates from 2001 to 2011', which shows that net international migration to the UK may have been originally underestimated by over 340,000 over the period. This was mainly caused by the failure in mid-decade of the

International Passenger Survey (IPS) to cover the arrivals of budget airline flights from Eastern Europe at regional airports. These airports are now covered by IPS.

4.12 At the local authority level the UPC is more complicated. The national total of 103,000 is the net outcome of positive UPC in some authorities and negative UPC in others. Although the initial problem (or some of it) may have been in counting international migrants, further issues arise in relation to the correct assignment of these migrants to local authorities. Incorrect initial assignments are compounded when new immigrants to the UK change address and their move is picked up by the NHS and translated by ONS into its estimates of internal migration.

4.13 UPC, therefore, is at least partly a correction for failings in the combination of measuring and assigning international migrants at the local authority level. This correction should not be needed in future, because ONS has now improved its processes to better distribute international immigrants to their first true area of settlement (where they register with the NHS) rather than where they may first live temporarily. But we still need to consider it when projecting from base periods that pre-date these improvements.

4.14 Although it has already improved its methods, we understand that ONS has a provisional plan for revised MYEs back to 2011 to be published in 2016, using any new methods arising from its current research into international and internal migration. This implies that its current annual estimates of migration since mid-2011 are not sacrosanct, and therefore should be used with caution in using past migration trends as the springboard for future projections.

UPC and the official population projections

4.15 ONS decided not to adjust its 2012-based Sub-national Population Projections (SNPP 2012) to take account of the UPC. This means that the UPC is excluded from the past migration flows which the projections carry forward. Therefore the CLG household projections, which are derived from SNPP 2012, also exclude the UPC. An ONS Questions and Answer document[7] gives two reasons for the ONS's decision:

- UPC is unlikely to measure a bias in the trend data that will continue in the future; and
- It would be methodologically difficult to adjust for, because it is unclear what proportions of the UPC are due to errors in the Census population counts as against errors in the migration estimates.

4.16 In an earlier consultation document[8], ONS expands on the first point, noting that, insofar as the UPC is due to international migration '*it is likely that the biggest impacts will be seen earlier in the decade [2001-11] and will have less of an impact in the later years, because of improvements introduced to migration estimates in the majority of these years'.*

[7] Office for National Statistics, Questions and Answers: 2012-based Subnational Population Projections, May 2014

[8] ONS, Report on Unattributable Population Change ; January 2014

4.17 Among respondents to the consultation was the GLA Intelligence Unit, which has particular expertise in demography and a particular interest in the issue, because the UPC was relatively large for a number of London boroughs. The GLA paper[9] questions whether the MYE population counts should be corrected for distortions related to UPC, recognising that these distortions are likely to impact on the 2012-based projections. Its answer to the question is that correcting the MYEs '*would be a very large undertaking and is probably unrealistic at this time'*. The GLA then asks if projected migration should be corrected through 'a mechanism such as rolling forward the UPC', but answers that this *'would likely prove unsuccessful and generate confusion'*. Therefore the paper advises that *'the GLA agrees with [the ONS's] decision… not to attempt to incorporate the UPC component within the projections'.*

UPC in the HMA

4.18 As noted above the ONS has decided to exclude UPC from the official projections, and is satisfied that this is a robust national response. But to decide whether the same response is valid in any particular area we need to look closely at the local situation. This applies particularly to our HMA, because two of its districts, Colchester and Tendring, have large UPCs.

UPC in Chelmsford and Braintree

4.19 In Chelmsford and Braintree the UPC is positive, at some 1,500 people over the intercensal 10 years for each authority. These discrepancies are too small to call into question the official projections.

UPC in Colchester

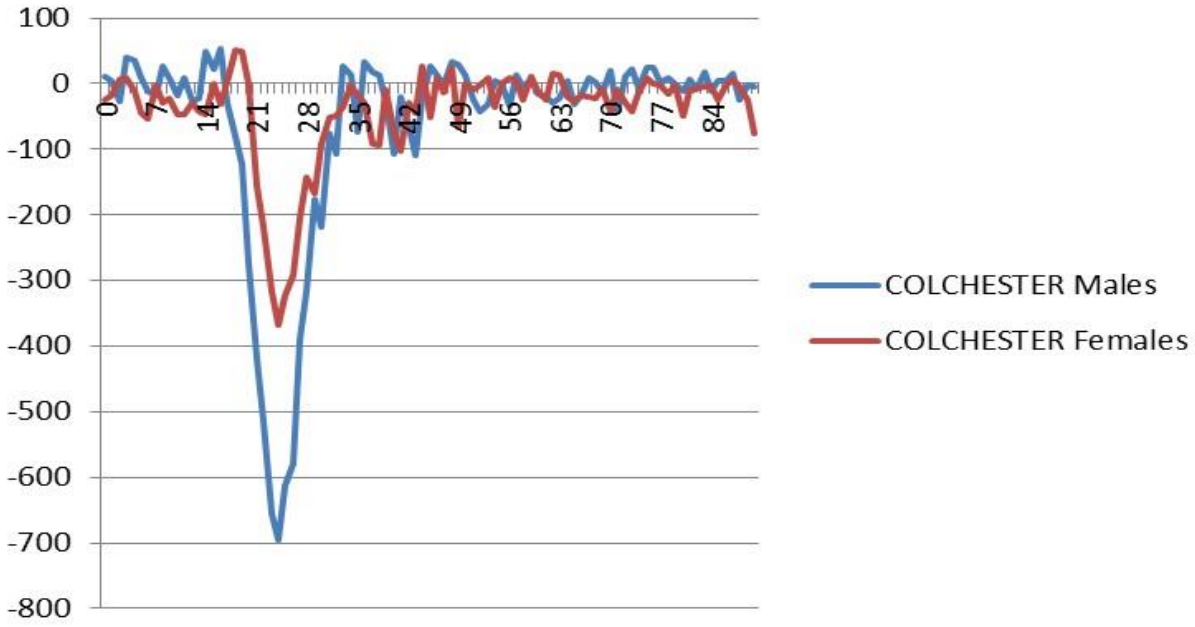
4.20 The Census found a lower population in Colchester than was expected, by around 10,000 people. But after the revisions to the MYE only a deficit of 2,700 remained unattributed.

4.21 To try and understand who these people are, so we can develop a working theory about how the error emerged, we have estimated the age structure of the UPC. This is not provided by the ONS, but can be derived by comparing two sets of adjustments to the 2012 MYEs, before and after the UPC emerged.

4.22 We find that most of this unattributed population comprises younger people, between the ages of 18 and 30, and especially males. The Census reported many fewer young males than expected and slightly fewer young females.

[9] GLA Intelligence, Response to the SNPP 2012-based Subnational Population Projections consultation, February 2012

Figure 4-1Colchester estimate of UPC by age



Source: ONS Mid-2010 Population Estimates (original and revised)

4.23 The most likely reason for this is misrecording of either students or members of the armed forces. This is a well-known problem with official statistics, which rely on GP registrations to record domestic migration.

4.24 It is not uncommon for universities (including the University of Essex, which has an on campus health centre) to require students to register with local doctors on arrival at university. But following completion of their courses former students move away but do not re-register with a new surgery until they need access to healthcare services. A similar pattern applies to army personnel; official statistics report them arriving, but slow to acknowledge them leaving.

4.25 So, in Colchester an adjustment to the official projections to remove these unattributable people appears justified. Projections that take account of the UPC are more likely to be robust because here the UPC represents those students and army personnel who moved out of the area unnoticed by the official statistics at time.

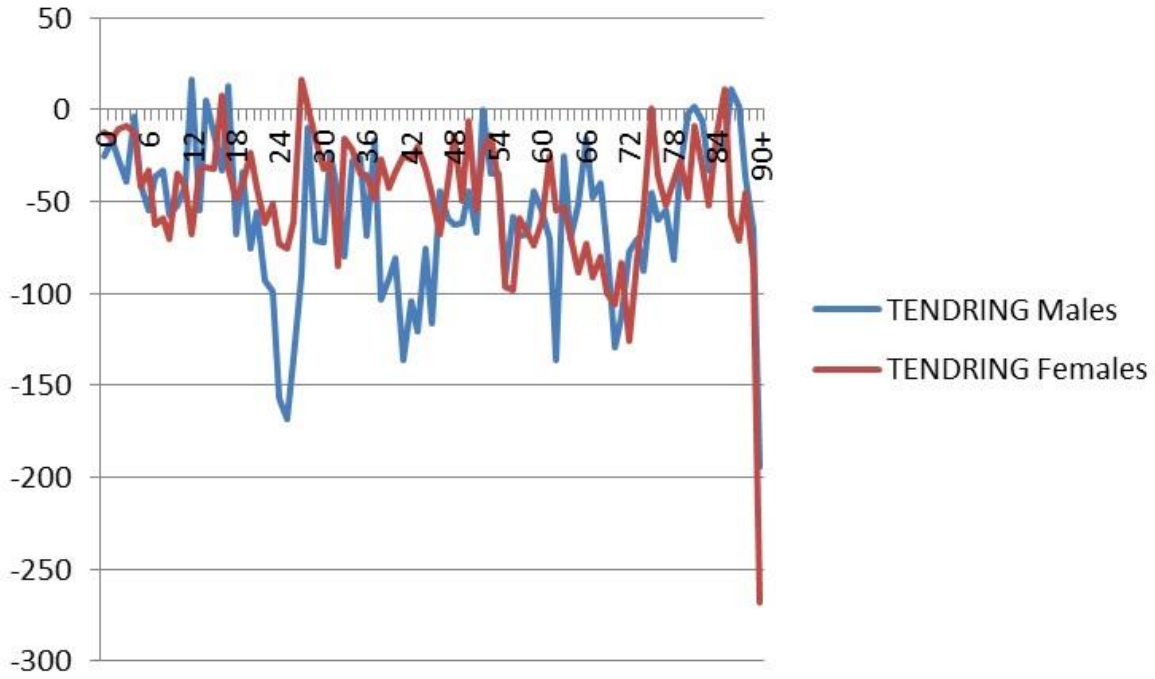
UPC In Tendring

4.26 Tendring has a large UPC adjustment. Here UPC was over 9,000 people negative over the 10 year (Census to Census) period. The Census reported many fewer people in the district than were expected. The impact on the projected housing need is around 200 new homes per year.

4.27 Contrary to Colchester, the UPC appears to be spread evenly across the age groups (Figure 4-2)[10]. In this case the age breakdown provides no clue to the cause of the UPC. For Tendring Council this presents a dilemma that official statistics cannot answer.

[10] The 'bunching' at 90+ is because the data combines all people above 90 years old.

Figure 4-2 Tendring estimate of UPC by age



Source: ONS Mid-2010 Population Estimates (Difference between original and revised population profiles)

4.28 If the Council believes both the 2001 and 2011 Census to be correct, then a (negative) UPC adjustment should be made to the official projections to take account of the UPC. If the Council thinks either Census was miscounted (2001 is the more likely), then it should rely on a projection that excludes the UPC, as the official projections already do. To also help decide how to manage this uncertainty the Council should consider the other market signal and economic evidence we examine in later sections.

Alternative base periods

4.29 As we explained earlier, to predict UK migration the ONS population projections carry forward the trends of the previous five years[11.] This choice of base period can be critical to the projection, because for many areas migration has varied greatly over time.

4.30 To sensitivity-test the impact of this, the Edge scenarios use two alternative base periods: five years from 2008-9 to 2012-13 and 10 years from 2003-04 to 2012-13. The tables below show the results.

4.31 In the tables below, reproduced from the Edge report, we show the CLG 2012 projection (labelled SNPP 2012) and these alternative scenarios. We also show the EPOA's Natural Change scenario. This is not a measure of housing need. It is of interest only because by comparing it with the other scenario we can see how much of the growth in the other scenarios is due to migration.

[11] Similarly the distribution of international migration across local authority areas is projected from the previous six years.

Braintree

Table 4.1 Alternative scenarios, change p.a. 2013-37, Braintree

Scenario	Population	Households	Dwellings
SNPP-2012	1,171	668	686
PG-10Yr-X	1,169	654	672
PG-5Yr-X	912	565	580
PG-10Yr	1,238	650	668
PG-5Yr	984	563	579
PG-10Yr-Fixed	1,261	598	614
PG-5Yr-Fixed	808	446	458
Natural Change	284	268	276

Source: Edge Analytics Greater Essex Demographic Forecasts Phase 7 Report

4.32 For Braintree the 2012-based official projection is the highest demographic projection tested. But it is also very similar to the 10-year which adds credibility to the SNPP 2012 as a base for long term planning; despite its short trend period.

4.33 UPC, as noted above, makes very little difference to the projections here. There is also little difference between the fixed and dynamic migration scenarios.

Chelmsford

Table 4.2 Alternative scenarios, change p.a. 2013-37, Chelmsford

Scenario	Population	Households	Dwellings
SNPP-2012	1,108	643	657
PG-10Yr-X	1,031	571	584
PG-5Yr-X	975	590	603
PG-10Yr	1,096	595	608
PG-5Yr	1,026	605	618
PG-10Yr-Fixed	793	479	490
PG-5Yr-Fixed	800	503	514
Natural Change	310	395	404

Source: Edge Analytics Greater Essex Demographic Forecasts Phase 7 Report

4.34 For Chelmsford most of the projections, except the fixed versions, are very similar. Alternative trend-based projections are slightly lower than the SNPP 2012 but not so different to cast doubt on the use of the SNPP 2012 as the starting point. The difference between the 10 year projection (excluding UPC) and the SNPP 2012 (which is also excluding UPC) is around 10% and given the large margin for error in all the data is not sufficient to depart from the SNPP 2012 as the starting point.

Colchester

Table 4.3 Alternative scenarios, change p.a. 2013-37, Colchester

Scenario	Population	Households	Dwellings
SNPP-2012	1,638	834	868
PG-10Yr-X	1,824	952	990

PG-5Yr-X	1,639	892	928
PG-10Yr	1,638	856	891
PG-5Yr	1,493	811	844
PG-10Yr-Fixed	2,360	1,095	1,139
PG-5Yr-Fixed	1,999	1,009	1,050
Natural Change	555	561	584

Source: Edge Analytics Greater Essex Demographic Forecasts Phase 7 Report

4.35 In Colchester SNPP 2012 is lower than some of the other projections, but very similar to the 10-year projection when an adjustment is made for UPC.

4.36 As noted above we think a UPC adjustment is justified here because it relates to misreported out migration of younger people leaving university or the Army.

4.37 The SNPP 2012 is also very similar to the alternative five-year projection once the UPC has been taken into account. As with Braintree this adds credibility to the SNPP 2012 as a reasonable starting point.

Tendring

Table 4.4 Alternative scenarios, change p.a. 2013-37, Tendring

Scenario	Population	Households	Dwellings
SNPP-2012	1,068	654	705
PG-10Yr-X	1,221	728	785
PG-5Yr-X	719	478	515
PG-10Yr	672	444	479
PG-5Yr	290	260	280
PG-10Yr-Fixed	136	123	132
PG-5Yr-Fixed	-232	-29	-31
Natural Change	-389	-214	-230

Source: Edge Analytics Greater Essex Demographic Forecasts Phase 7 Report

4.38 The fixed migration projections are very low for Tendring. As noted above we prefer the non-fixed variants. These are much higher, because they take into account the national ageing population and the possibility that migration to coastal towns will increase in the future.

4.39 Unlike the other four districts, for Tendring there is a legitimate reason to query the SNPP 2012, because of the large UPC – which as discussed earlier we are unable to explain. If the Council believes that both the 2001 and 2011 Census counts are accurate the SNPP 2012 will be exaggerating the true need for new homes, and the 10-year trend with UPC (479 dpa) is the most appropriate starting point. The five-year versions are lower, but Tendring currently lacks a five-year housing land supply and so projecting forward this period, as opposed to the longer 10 year period, is unlikely to be robust.

4.40 If the Council does not believe the Census counts then the SNPP, showing 705 dpa, is a reasonable reflection of the longer term migration into the area. It is also similar to the 10-year trend without the negative UPC adjustment.

Conclusions

4.41 Our analysis above has confirmed that for most of the HMA the CLG 2012 projections are a robust demographic starting point. Scenarios that project migration from a 10-year reference period produce very similar results, indicating that in this particular case the shortness of the official base period (five years) does not cast doubt on the projections.

4.42 The only doubtful element in the projections relates to the Unattributable Population Change (UPC) in Tendring. Depending on the causes of the UPC, Tendring's demographically projected need could be as high as the 705 net new dwellings per annum (dpa) in the 2012-based official projection or as low as the 479 dpa in the EPOA projection.

4.43 Table 4.5 shows the results for the whole HMA. We have also added a new variant where we take the SNPP 2012 for three of the Council areas but use the PG-10yr projection for Tendring.

Table 4.5 Alternative scenarios, change p.a. 2013-37, total HMA

Scenario	Population	Households	Dwellings
SNPP-2012	4,986	2,799	2,916
PG-10Yr-X	5,244	2,905	3,031
3X SNPP 1XPG10Yr	4589	2589	2690
PG-5Yr-X	4,245	2,524	2,626
PG-10Yr	4,643	2,546	2,646
PG-5Yr	3,793	2,239	2,321
PG-10Yr-Fixed	4,550	2,295	2,375
PG-5Yr-Fixed	3,374	1,929	1,991
Natural Change	760	1,011	758

Source: Edge Analytics Greater Essex Demographic Forecasts Phase 7 Report

5 LONDON'S HOUSING NEED

5.1 As is widely known, the Further Alterations to the London Plan (FALP), adopted on 10 March 2015, recognise that London's land supply falls short of its projected housing need. For related authorities, which include our HMA, this means that additional new homes may be required to help accommodate this cross-boundary unmet need. Accordingly this chapter explores the potential implications for the HMA of the new London Plan.

The GLA demographic scenario

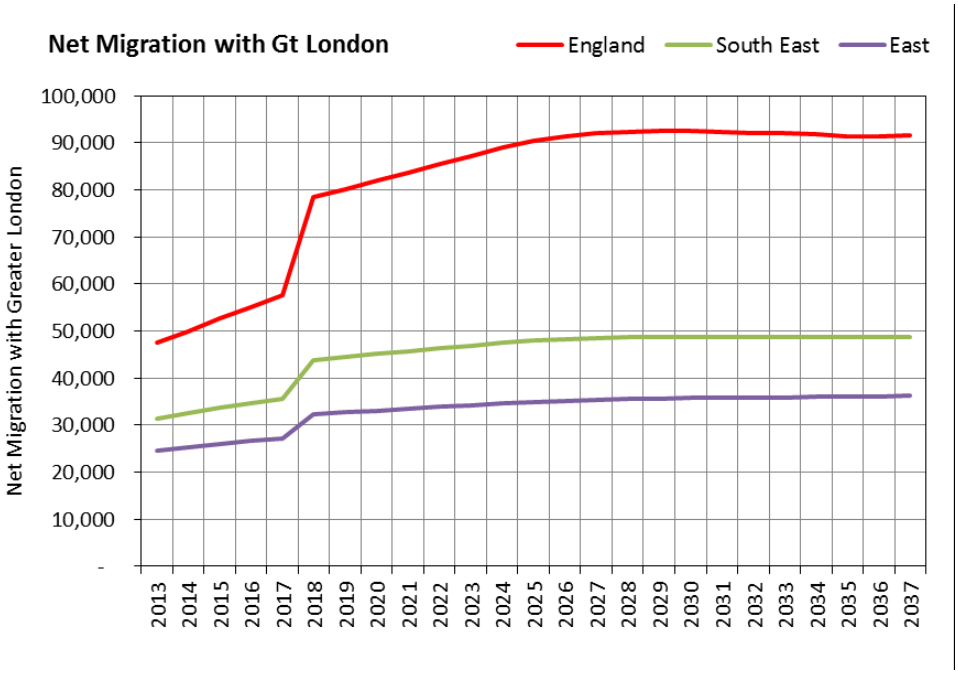
5.2 In evidence supporting the FALP, the GLA criticised the 2011-based official demographic projections for London. It claimed the projections understated out-migration from London, and hence overstated London's own housing need, because the reference period on which they were based included the last recession; and in that recession domestic out-migration fell steeply – from a net 70-80,000 per annum before 2008 to 32,000 in 2009.

5.3 The GLA maintained that in better economic times net out-migration would revert to its high pre-recession levels, and so fewer homes would be needed in London than the official projections implied. It follows of course that more homes would be needed outside London.

5.4 This is a key issue in this HMA. GLA has been working collaboratively with the EPOA through consultants Edge Analytics to better align the demographic projections used outside of London with those used by the GLA.

5.5 For this work the GLA demography team provided additional model output to enable an assessment of the effect of higher out-migration flows from London. The GLA has provided detailed information on the internal migration flows that underpin its Central scenario. At this stage we have no information about their method and assumptions. Figure 5-1 shows its predictions for England outside London, the South East and Eastern region.

Figure 5-1 Net migration with Greater London, GLA Central Scenario



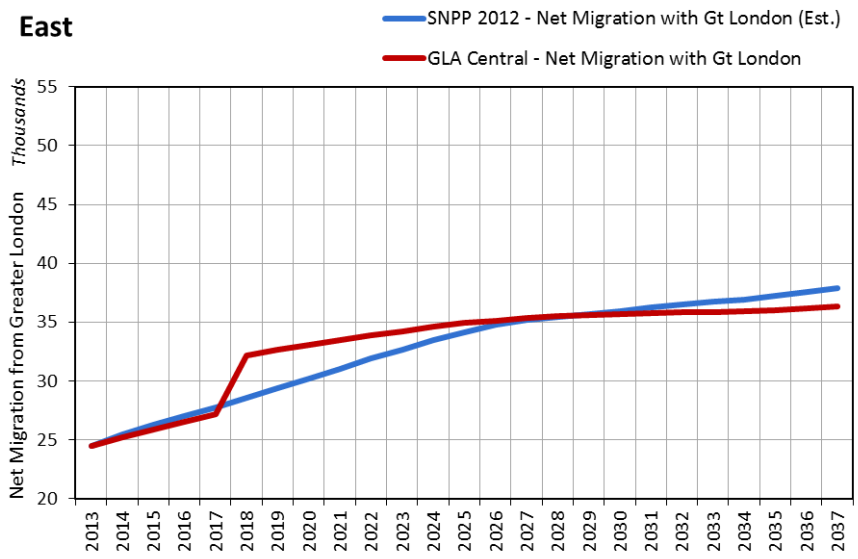
Source: Edge Analytics Greater Essex Demographic Forecasts Phase 7 Report, GLA Intelligence Unit

5.6 The Central Scenario shows net out-migration from London to the rest of England rising from some 48,000 persons in 2013 to 78,000 in 2018 and 91,000 in 2037. For the East of England region the uplift is much subdued: from 2013 to 2037 net out-migration from London to the region only increases from 28,000 to 37,000. The trend for the South East region is similar. The explanation is that in the Central Scenario much of London's out-migration spreads out over long distances, away from the regions that adjoin the capital.

5.7 Part of the reason could be that the East and South East regions were better insulated from the recession than England as a whole. If so, the recovery may also be felt less sharply in these southern regions; while further from London the upturn in job opportunities may be steeper, encouraging more out-migrants from the capital to make long-distance moves.

5.8 In any case, the GLA's Central Scenario is not alone in predicting growing migration from London to the East of England. The 2012-based SNPP shows a very similar future, as shown in Figure 5-2, which compares the two scenarios. The GLA scenario shows steeper growth up till 2026, but by 2026 the SNPP has caught up and for later years the SNPP shows slightly more migration than the Central Scenario.

Figure 5-2 Net migration from London to the East of England, thousands



Source: Edge Analytics Greater Essex Demographic Forecasts Phase 7 Report & GLA Intelligence Unit

5.9 This suggests that for the East of England as a whole the 2012-based official projections would require little or no adjustment to deal with London's needs. In the next section we examine whether the same applies to our HMA.

Impact on the HMA

5.10 The Central Scenario provided by the GLA is not broken down by local authority. Edge Analytics have estimated this breakdown as part of EPOA Phase 7 report, apportioning the region's migration to authorities in proportion to past flows. Results are shown in the table below and should be treated with caution.

Table 5.1 SNPP 2012 & GLA Central Scenario compared

	Net migration, persons p.a. 2013-37			Net new dwellings p.a. 2013-37		
	SNPP 2012	GLA Central Scenario	Difference	SNPP 2012	GLA Central Scenario	Difference
Braintree	985	1,004	19	686	698	12
Chelmsford	628	636	8	657	671	14
Colchester	822	916	94	868	913	45
Tendring	1,737	1,718	-19	705	698	-7
HMA	4,172	4,274	102	2,916	2,980	64

Source: EPOA Greater Essex Demographic Forecasts Phase 7 Report & GLA Intelligence Unit

5.11 The two scenarios are extremely close. Net annual migration is 4,274 in the GLA Central Scenario against 4,172 in SNPP 2012. Projected annual housing need is 2,980 dpa in the Central Scenario and 2,916 dpa in SNPP 2012.

Conclusions

5.12 The GLA considers that demand for out-migration from London will exceed the official demographic projections, because those projections bear the imprint of the last recession, in which migration was suppressed.

5.13 Accordingly the GLA has built an alternative projection in which more people move out of London, so housing need in the capital is less than in the official projections, and conversely housing need outside the capital is greater. But in this scenario the places that receive additional migration from London do not include our HMA.

5.14 The HMA's housing need, as estimated from the GLA scenario, exceeds the housing need derived from the CLG 2012 projection by just 74 dpa. Therefore, even if we accepted that the GLA's view of the future is correct, it would justify only a small uplift in the HMA's housing provision.

6 FUTURE EMPLOYMENT

Introduction

6.1 This chapter examines whether housing provision in line with our preferred demographic projections would support enough workers to match the future job growth expected in the area. If that were not the case, in line with the NPPG the projections should be adjusted upwards, unless the labour market can be brought into balance by other means, such as transport infrastructure. The underlying principle is that planning for housing, economic land uses and community facilities / services should be integrated[12], so that the demand for labour is fulfilled and there is no unsustainable commuting.

6.2 To answer this question we start from the East of England Economic Model (EEFM), as taken forward into the Edge study's jobs-led scenarios.

The EEFM /Edge forecasts

Method

6.3 The EEFM was created by Oxford Economics to provide integrated economic, demographic and housing need forecasts by local authority across the East of England region. Its reach was expanded in 2011, so it also covers the East Midlands and South East regions and a number of LEP areas in the three regions. The latest EEFM forecast, which informs the EPOA job-led scenario, is the autumn 2014 release and covers the period 2011-31[13].

6.4 In the EEFM, population change, and the resulting household change and housing demand, are partly driven by job opportunities. For each local authority district:

- The number of workplace jobs (labour demand) depends partly on the size of the local population – because people's consumption of local services creates jobs in retail, leisure and so forth – and partly on wider national / global demand. Numbers of jobs are translated into resident workers through double-jobbing[14] and commuting, and resident workers into resident population through activity rates.
- On the labour supply side, the future resident population is initially determined by natural change and trend-driven migration ('non-economic migrants') (the EEFM makes its own projections rather than using the official ONS ones).
- The model compares the resulting numbers of resident workers with the labour demand estimated earlier, to produce unemployment in each area. Places with low unemployment attract above-trend net migration ('economic migrants') as people move to places where there are more job opportunities. Hence the

[12] NPPF paragraph 70

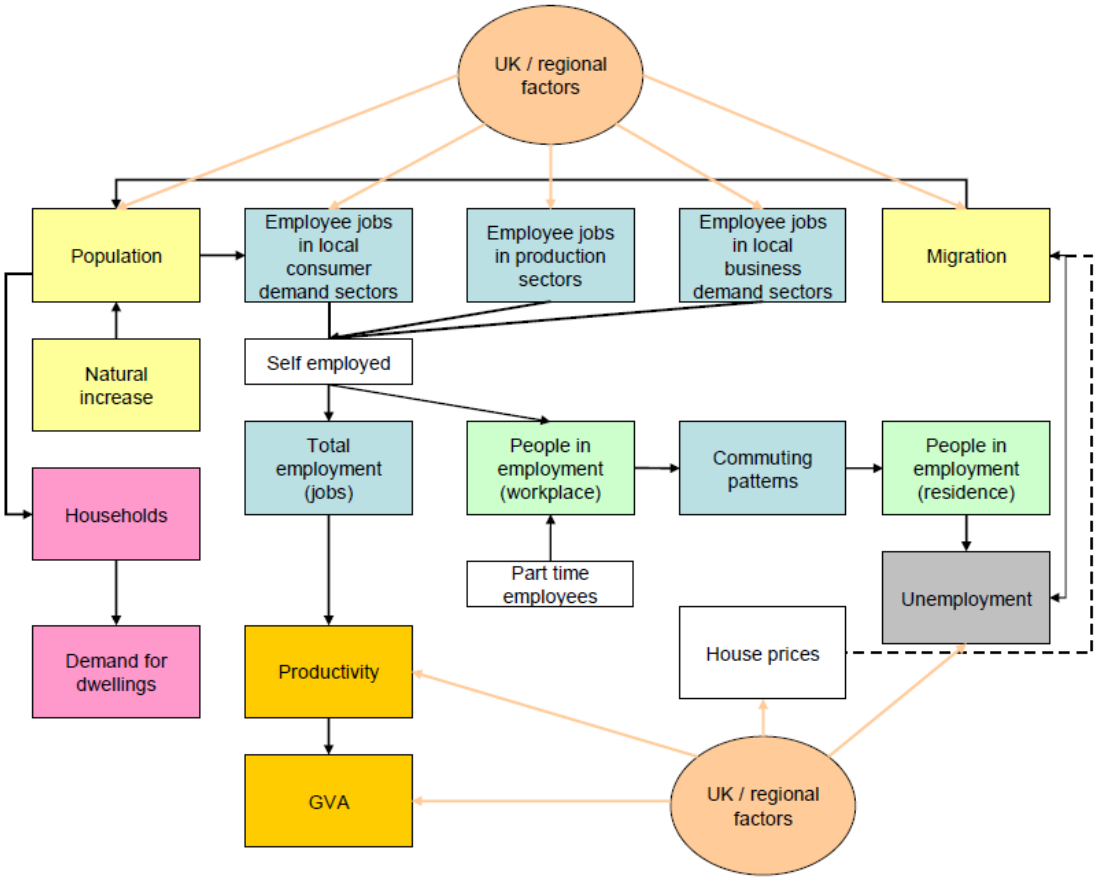
[13] Oxford Economics, East of England Forecasting Model: 2014 baseline results, January 2015

[14] Double-jobbing is the difference between jobs and people employed. It results from the fact that some people have more than one job. This is not uncommon, partly because many jobs are part-time.

resident population in these places rises above the initial trend-driven number, while conversely in places where unemployment is high population falls below the trend-driven number.

- Finally the resulting population is translated into household demand, again using Oxford Economics' own method, using projections of persons per dwelling, rather than the CLG household forecast).

Figure 6-1 Main relationships between variables in the EEFM Model



Source: Oxford Economics, East of England Forecasting Model, Technical report: model description and data sources, 2013

6.5 In short, EEFM uses 'economic migration' to balance the local relationship between jobs and labour. Its housing forecasts are job-led forecasts: they estimate the numbers of dwellings that would be required to meet housing demand, including the demand resulting from changing employment opportunities.

6.6 The job-led scenarios in the Edge Phase 7 study have the same intention and use a broadly similar approach. These scenarios take from the EEFM future workplace jobs and people employed, and three other key variables: unemployment rates, economic activity rates and commuting ratios[15]. But to model the relationship of workplace jobs to resident population to housing demand, Edge Analytics uses its own model, PopGroup, whose mechanics are different from EEFM's. In particular, in PopGroup

[15] The ratio of resident population in employment to workplace jobs

there is no demand-side link whereby the resident population creates local jobs through its consumption of local services; and the supply link is based on fixed ratios, rather than the dynamic adjustment through unemployment rates used in the EEFM. EPOA also extends the end date of the forecast from 2031 to 2037, by continuing the EEFM changes for 2031 over the following six years.

Results

Edge Analytics

6.7 The Edge Analytics Phase 7 study shows growth of 57,000 jobs across the HMA in 2013-37. Most net new jobs are in Chelmsford (24,000) with 14,500 in Braintree and 14,500 in Colchester. Tendring adds only 3,400 new jobs (Table 6.1).

Table 6.1 Job growth, 2013-37, Edge Analytics

	Net new jobs	Net new jobs p.a.
Braintree	14,592	608
Chelmsford	24,312	1,013
Colchester	14,424	601
Tendring	3,408	142
HMA	**56,736**	**2,364**

6.8 These are baseline or policy-neutral estimates. If the Councils choose economic targets which depart from the forecasts, they may require more (or fewer) homes than the following analysis suggests.

6.9 Table 6.2 shows Edge Analytics' translation of these jobs into housing need, as shown in its 'Employed People' scenario[16]. It suggests that to meet job-led housing need the HMA should provide 3,137 net new dwellings per annum (dpa) against the 2,916 dpa in the CLG household forecasts. The difference is more than accounted for by Braintree and Chelmsford, where the Edge job-led forecast shows 159 and 118 dpa respectively above the official projections. For Colchester the job-led scenario is also above the official projection, but only by 52 dpa. For Tendring the job-led scenario shows 108 fewer dwellings per year than the official projection, suggesting that the district's economy will not provide enough new jobs to support the official population projections (however it should be borne in mind that these projections may overstate trend-based population growth, due to Unattributable Population Change).

[16] Edge Analytics also provides another job-led scenario, called 'Jobs'. The Edge report (paragraph 5.16) suggests that the 'Employed People' scenario takes account of double-jobbing, while 'Jobs' does not – in effect assuming that each employed person has just one job. This is why we prefer 'Employed People'.

Table 6.2 Net new dwellings p.a. 2013-37, SNPP 2012 and Edge Analytics Employed People scenario

DPA	CLG 2012	EPOA	Difference
Braintree	686	845	159
Chelmsford	657	775	118
Colchester	868	920	52
Tendring	705	597	-108
HMA	**2,916**	**3,137**	**221**

6.10 In summary, the Edge job-led scenario suggests that if population change accords with the 2012-based SNPP the HMA as a whole, Braintree and Chelmsford will not have enough workers to meet demand. By contrast, Tendring will have too many workers to meet demand.

EEFM

6.11 However the EEFM forecast, for the shorter period 2011-31, provides a different view of labour market balance;

- For the HMA as a whole, EEFM shows slightly lower population growth than SNPP 2012 – 4,837 person p.a. against 5,032 persons p.a. in the SNPP. Thus EEFM, contrary to Edge, suggests that the official projection would provide slightly more than enough people to support the expected job growth.
- Of the individual districts, for Braintree and Colchester there is more population in EEFM than SNPP 2012, suggesting that if population grows in line with the official projection it may not provide enough workers. But the differences are small, and given that the HMA as a whole is in surplus the imbalance could possibly be resolved by small changes in commuting.
- For Chelmsford, the EEFM and SNPP show virtually the same population growth.
- For Tendring the EEFM figure is well below the SNPP, confirming that trend-based population growth would result in a labour surplus.

Table 6.3 Population 2011-31: EEFM and SNPP 2012

	2011	2031	Change	Change p.a.
Braintree				
SNPP 2012	147,470	171,070	23,600	1,180
EEFM	147,500	173,522	26,022	1,301
Chelmsford				
SNPP 2012	168,480	190,940	22,460	1,123
EEFM	168,500	190,291	21,791	1,090
Colchester				
SNPP 2012	173,670	208,770	35,100	1,755
EEFM	173,600	210,752	37,152	1,858
Tendring				
SNPP 2012	138,150	157,630	19,480	974
EEFM	138,100	149,875	11,775	589
HMA				
SNPP 2012	627,770	728,410	100,640	5,032
EEFM	627,700	724,439	96,739	4,837

Source: EEFM, ONS

6.12 We suspect that that the discrepancy between Edge Analytics and the EEFM conclusions results from the 'translation' of EEFM into the quite different PopGroup model. But it is not possible to trace the detailed interactions between the two models, and therefore we cannot tell which job-led demographic scenario is more plausible (EEFM or Edge). Nor do we know how the Edge analysis has resolved any potential inconsistencies between the two models.

6.13 From the two scenarios taken together, our pragmatic conclusion is that Braintree, Chelmsford and the HMA as a whole to match future job opportunities may need housing above the official 2012 projection; but the size of the uplift is uncertain, and the EPOA estimates should be considered a maximum.

Reality checks

6.14 As a reality check on the relative position of the different districts, in the table below we show two measures of labour market balance:

- Economic activity rates, which equal the sum of employed and unemployed residents divided by the working-age population

- Unemployment rates, which equal unemployed residents divided by economically active residents.

Table 6.4 Economic activity rate %

	2011	2013	2031
Braintree	71.9	68.7	71.4
Chelmsford	72.2	74.0	80.1
Colchester	69.1	67.7	66.4
Tendring	60.2	58.5	60.3

Source: EEFM, Edge Analytics

Table 6.5 Unemployment rate %

	2011	2013	2031
Braintree	3.4%	3.1%	1.7%
Chelmsford	3.2%	2.7%	1.7%
Colchester	3.7%	3.2%	1.8%
Tendring	6.1%	5.5%	3.6%

Source: EEFM, Edge Analytics

6.15 Braintree and Chelmsford have high economic activity rates and low unemployment throughout the period, pointing to a tight labour market, in which demand exceeds supply. Conversely Tendring has low activity and high unemployment, pointing to a surplus of workers over jobs. Colchester is in an intermediate position, with an activity rate between those of Colchester/Braintree and Tendring but low unemployment, virtually equal to Braintree and Chelmsford.

The Experian forecast

6.16 As a cross-check on the EEFM results we have also considered job forecasts from Cambridge Econometrics and Experian. The Cambridge forecast shows considerably less growth than either of the others, so we do not discuss it further[17]. But the Experian version merits close analysis.

6.17 Contrary to EEFM's demand-led approach, Experian's forecast takes a supply-constrained approach to the labour market. Rather than allow job-led migration as the EEFM does, it assumes future population growth in line with SNPP 2012, and ensures that future job growth is consistent with the labour supply produced by that population, taking account of the potential for reduced unemployment, increased activity rates and changes in commuting.

6.18 The Experian forecast provides both labour demand (a relatively unconstrained estimate, based on long-term trends since 1997) and labour supply. When demand exceeds supply, this means that trend-based population growth in line with the official projections would fall-short of job-led demand, and the model provides an estimate of the shortfall, measured in numbers of jobs.

[17] Baseline Economic Projections for Essex Technical Report for Essex County Council. July 2014 but based on a November 2013 model run extending only up to 2026.

6.19 The table below compares the Experian jobs forecast (June 2015[18]) with the EEFM one, for the period 2011-31.

Table 6.6 Jobs 2011-31: Experian and EEFM

ɔs	2011	2031	Change	Change p.a.
Braintree				
Experian	58,460	68,830	10,370	519
EEFM	59,416	72,956	13,540	677
Chelmsford				
Experian	91,970	113,950	21,980	1,099
EEFM	94,600	115,800	21,200	1,060
Colchester				
Experian	86,210	109,900	23,690	1,185
EEFM	89,800	103,200	13,400	670
Tendring				
Experian	45,920	56,830	10,910	546
EEFM	45,100	50,900	5,800	290
HMA				
Experian	282,560	349,510	66,950	3,348
EEFM	288,916	342,856	53,940	2,697

Source: EEFM, Experian. Note this data will differ slightly from that reported in BRES. This is because the forecasters quality-check their data to overcome variations caused by BRES sampling. Also because the forecasters include self-employment, people on paid training schemes and service personnel.

6.20 For the HMA as a whole Experian shows more job growth than EEFM – 3,348 net new jobs per year as against 2,697 in EEFM. The bulk of the difference is accounted for by Colchester, where Experian shows almost twice as many net new jobs as EEFM. In support of their view Experian note that Colchester is known to be an area with especially buoyant growth prospects. Numerous investment projects have been planned in the area, both into regeneration schemes in towns and the Knowledge Gateway at the University of Essex. Experian believe that it will be one of the fastest

[18] This just-published Experian forecasts shows slightly lower job growth than the previous vintage, dated march 2015. The main reason is that Experian reduced rates of double-jobbing nationally and regionally, for greater realism.

growing areas in the East of England, which itself will be one of the fastest growing regions in the country.

6.21 Experian also show more jobs than EEFM for Tendring. One likely explanation is that Experian expects much greater population growth than EEFM, due to Unattributed Population Change. The reasons for that Experian assumes population growth in line with SNPP 2012, which excludes the (negative), UPC; while the EEFM does not use the SNPP, but rather starts from projecting forward past population trends that include the UPC.

6.22 Experian estimate that none of the districts in the HMA are labour-constrained at present. From 2016 onwards its model predicts a constraint in just one district, Chelmsford, but this is very small – rising to just 80 'unfilled jobs' by 2031.

6.23 In summary, the Experian forecast predicts that in the period 2011-31 the HMA could deliver more job growth than forecast by EEFM, consistent with the population shown in the SNPP. In Experian's view this job growth would not be constrained by labour supply, except very marginally in Chelmsford.

Conclusions

6.24 The Edge Analytics Phase 7 study suggests that in the period 2013-37 the population growth shown in the 2012-based official projections would not be enough to support the growth of 2,364 jobs p.a. of expected in the area. The study estimates that to support that job growth would require 221 net new dwellings per annum over and above the official projections, virtually all in Braintree and Chelmsford.

6.25 The EEFM and Experian forecasts, which cover the slightly shorter period 2011-31, disagree with this view.

6.26 EEFM, which provides the economic starting point of the Edge study, estimates that for the HMA as a whole the official projection would provide slightly more than enough workers to support the 2,697 new jobs p.a. expected in 2011-31. In regard to individual districts it suggests that if population follows the official projections there will be small labour shortfalls in Colchester and Braintree, but these will be more than offset by a labour surplus in Tendring.

6.27 The Experian forecast predicts growth above the EEFM figure, at 3,348 jobs p.a., consistent with the official demographic forecasts. It suggests that the only district constrained by labour supply will be Chelmsford, and the constraint will be vanishingly small.

6.28 These differences of opinion are not surprising, given the uncertainties inherent in local economic forecasting. Overall, we conclude that to fulfil the future demand for labour the HMA might need housing development over and above the SNPP 2012 projection, located in Chelmsford and Braintree. But this additional housing supply is impossible to quantify and the EPOA estimate of a 221-dpa uplift is very much a maximum.

6.29 As a final caveat, it is important to note that the economic forecasts we have used are policy-neutral. If the Councils promote economic growth ambitions above the baseline forecast, the job-led housing need will rise accordingly.

7 PAST PROVISION AND MARKET SIGNALS

Introduction

7.1 The PPG deals with past provision and market signals in two separate sections. Paragraph 15 explains that trend-based demographic projections will understate future housing need if household growth has been suppressed by undersupply in the past, and where this is the case the projections that roll forward that past should be adjusted upwards. Paragraph 19 lists a number of market signals, or indicators that may be used to identify such undersupply.

7.2 Set out below, is the analysis of past provision and market signals. This is assessed for the HMA as a whole and then for individual districts. In relation to each area we first look at the history of housing delivery, to see if there is evidence that restrictive planning has constrained land supply and hence housing development. We then look at market signals, beginning with house prices.

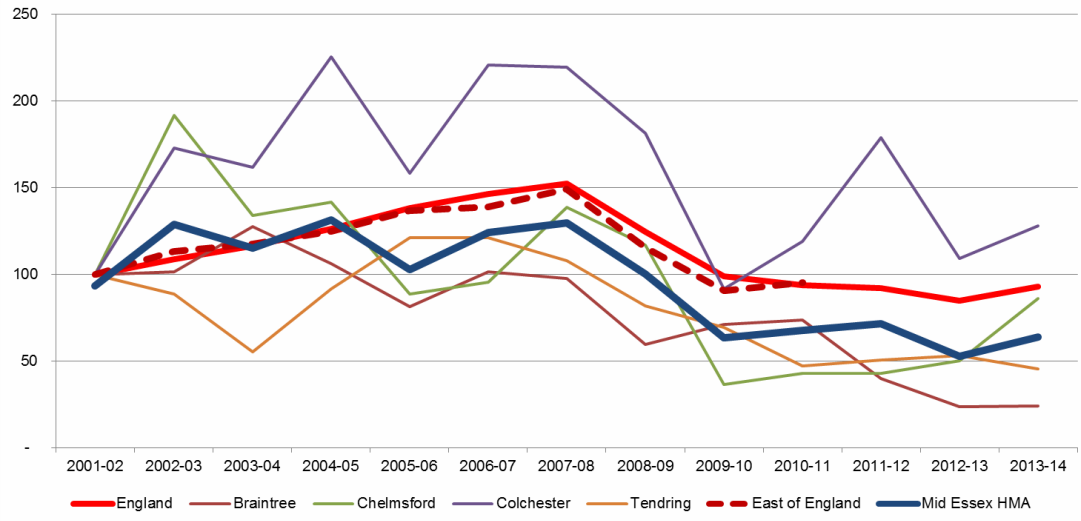
The HMA

Housing development

7.3 Figure 7-1 compares housebuilding across the HMA with England starting in 2001.

7.4 In the first few years the HMA tracked the rate of national housing delivery. It also tracked the region. But from 2004-5 onwards the HMA lagged behind, and this continued until the last data point (2013-14).

Figure 7-1 Housing completions in the HMA indexed 2001=100



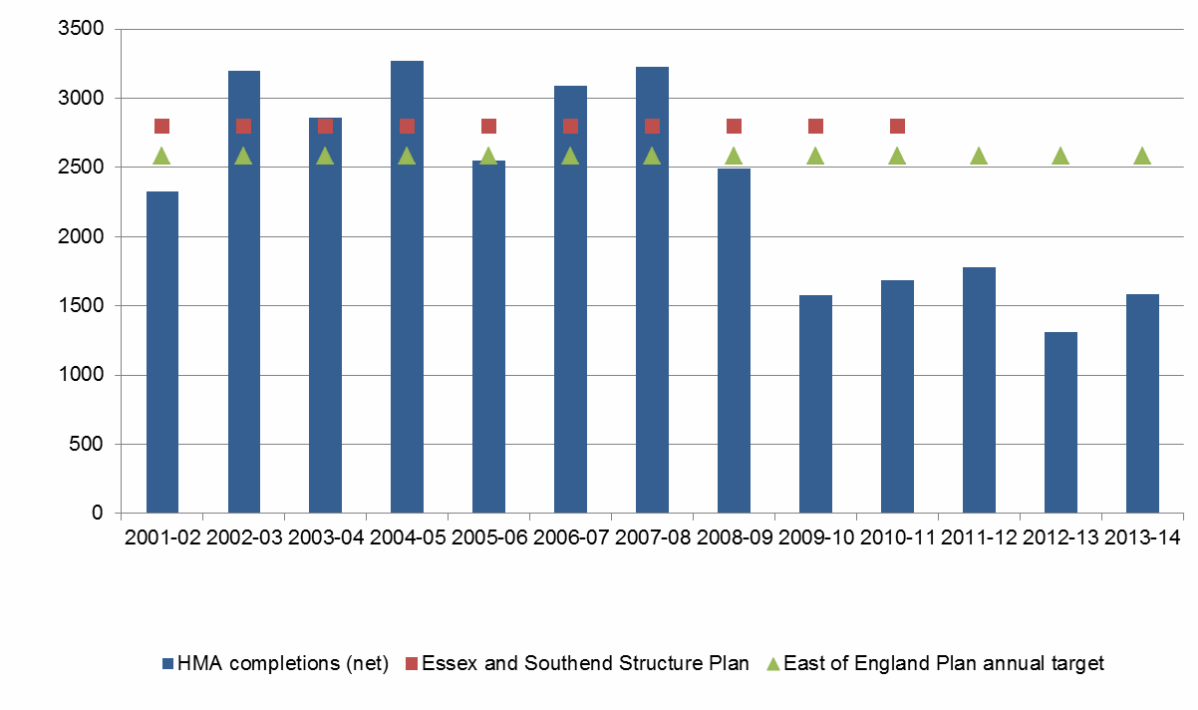
Source: Local authority AMRs & https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/373576/Net_Supply_of_Housing_England_2013-14.pdf. Note – region data was discontinued in 2011.

7.5 Figure 7-3 below shows housing completions in the HMA from 2001 onwards (the start date of the former Regional Spatial Strategy). It shows that, although the rate of

completions was slower in the HMA than the national average housing targets were generally being met or exceeded until 2009-10. This does not mean that demand or need was being met: strategic planning policy at that time aimed to direct housing growth to other areas, including the urban areas (brownfield land) and also the growth areas such as Milton Keynes & South Midlands and the Thames Gateway.

7.6 The chart shows both the former Structure Plan targets and the RSS. The Structure Plan was expected to run until 2011 but as a strategic planning document was replaced by the RSS in the mid to late 2000s. At this point the RSS became the primary strategic planning document.

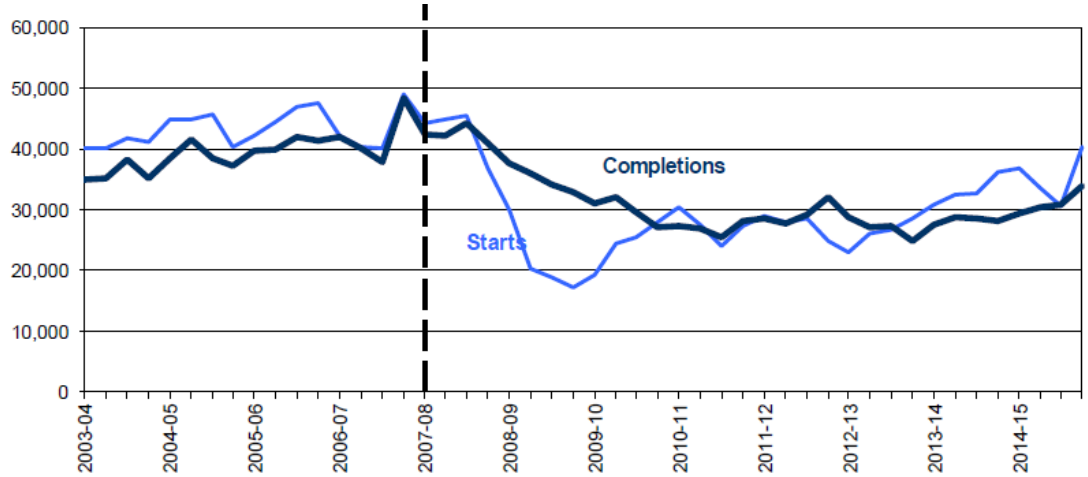
Figure 7-2 HMA Completions compared to targets



Source: Local authority AMRs

7.7 From 2010 onwards the HMA fell behind its planning targets. There are at least two possible reasons for this. The first was obviously the recession, which almost halved the national rate of housing delivery as shown in the chart below, reducing the effective demand for housing and the viability of development sites.

Figure 7-3 England housing starts and completions



Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/428601/House_Building_Release_-_Mar_Qtr_2015.pdf

7.8 A second factor was that in Essex the planning system was transitioning from the former Structure Plan to the new RSS. This caused a period of uncertainty in land supply across the HMA. New large allocations aiming to meet the RSS targets were emerging, but they were delayed by the transition, which coincided with the recession. While we cannot disentangle the impact of these two factors, it seems likely that the recession played a larger role, so even if more land had been allocated sooner there would still have been a large downturn in housebuilding.

House prices

7.9 In this section, we review past change in house prices, affordability, market rents and overcrowding. Firstly, we look at average house prices. If the housing market has been unduly constrained in the area, this may be reflected in house prices rising relative to national and regional benchmarks and neighbouring authorities. .

7.10 Table 7.1 below shows average (mean) house prices for the four HMA authorities, the county, region and England. Since the latest dataset, for Q2 2013, does not provide a figure for the region, we also show the most recent set that does – Q3 2012.

Table 7.1 – Mean house prices

	2012 Q3	2013 Q2
Braintree	230,933	215,851
Chelmsford	269,352	248,157
Colchester	211,560	202,625
Tendring	179,765	168,829
Essex	251,269	246,369
East of England	244,036	N/A
England	253,690	246,764

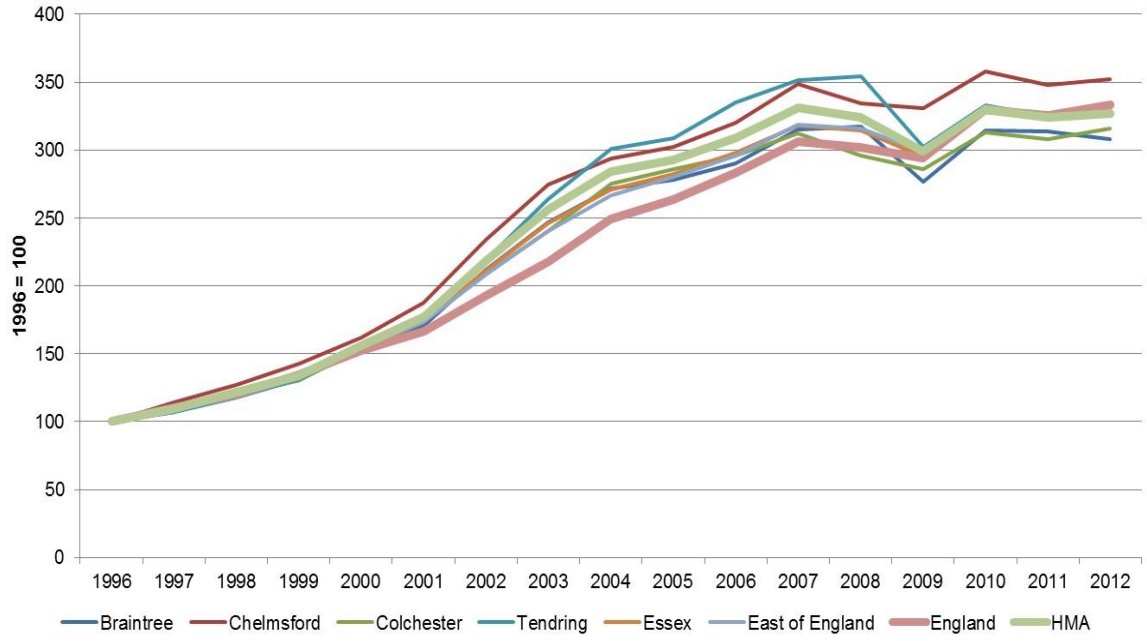
Source: ONS/CLG Live table 581.

7.11 For three of the HMA's authorities the average house price is lower than for Essex, which in turn is slightly above the figure for East of England average and virtually equal to that for England. The one exception is Chelmsford, where the average price is above all three benchmarks.

7.12 However for this analysis these absolute prices are of little use because there will always be areas of England which are more expensive than others. Prices vary between local authority areas because some areas are more attractive and more prosperous than others, and also they may have different kinds of housing. Therefore, as noted in the PPG a more useful indicator of the demand-supply balance in different areas is the rate of change in house prices.

7.13 Figure 7.4 shows changes in average house prices in the districts and comparator areas since 1996, the base date of the former Structure Plan.

Figure 7-4 House price change (indexed)



Source: ONS / CLG Live table 581.

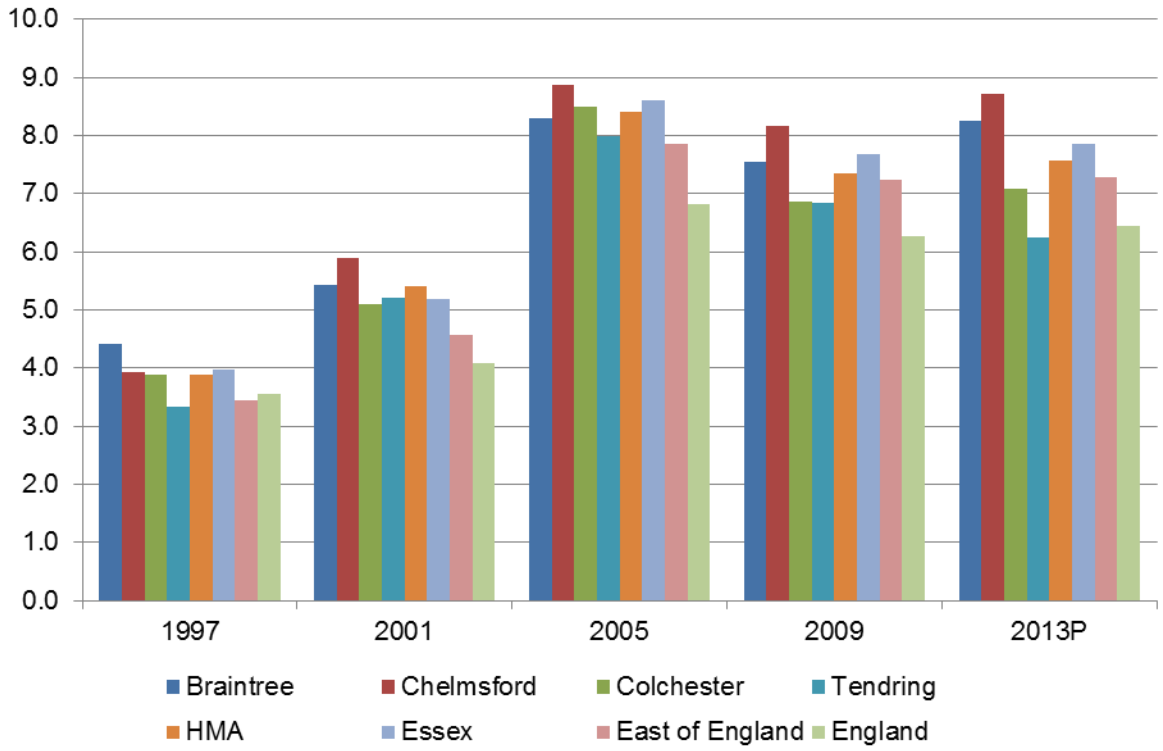
7.14 Between 2001 and 2009 house price change in the HMA outstripped that in England and slightly outstripped the regional increase. But these differentials were eroded in the recession. Since 2009, when as noted above house building fell sharply in the HMA, house prices have fallen back to mirror England and the region. This suggests that the HMA's falling delivery in the recession was due to low demand rather than restricted land supply.

Affordability

7.15 Affordability, as defined by CLG, is the ratio of lower-quartile house prices to the lower- quartile earnings of people who work in the area. A high ratio indicates low affordability, where the cheapest dwellings are less affordable to people on the lowest incomes.

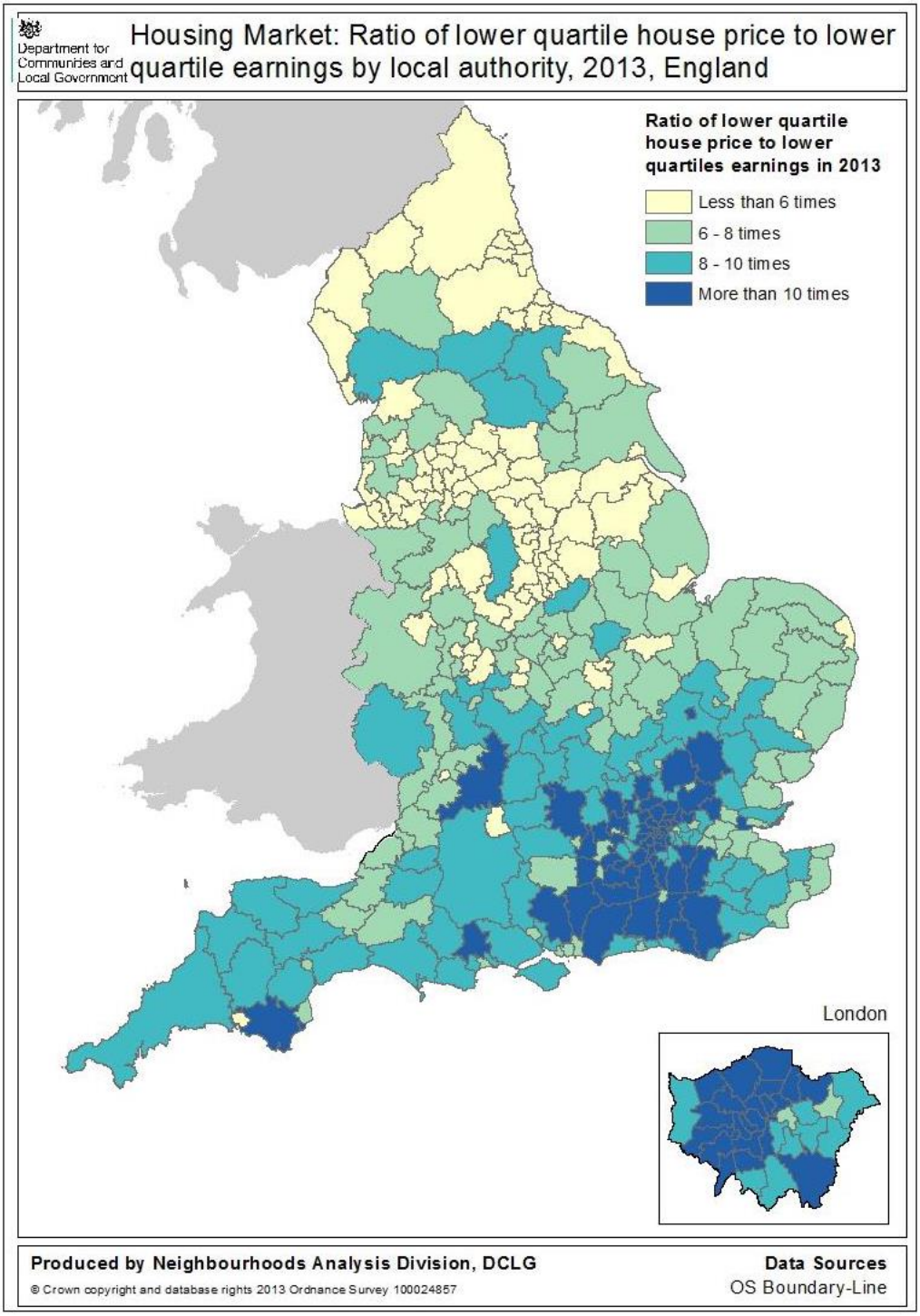
7.16 Figure 7.5 below shows affordability for the HMA and its districts compared to Essex, the East of England and England. For the HMA as a whole affordability is consistently worse than the national and regional benchmarks, though very close to Essex.

Figure 7-5 Housing affordability



Source: CLG Table 576 Ratio of lower quartile house price to lower quartile earnings (2013 data are provisional).

7.17 The map below; produced, by CLG shows this HMA in a national context. It shows that in 2013 the authorities in this HMA were some of the more affordable locations in the wider south east of England. The HMA offers some of the most affordable properties in close proximity to London.



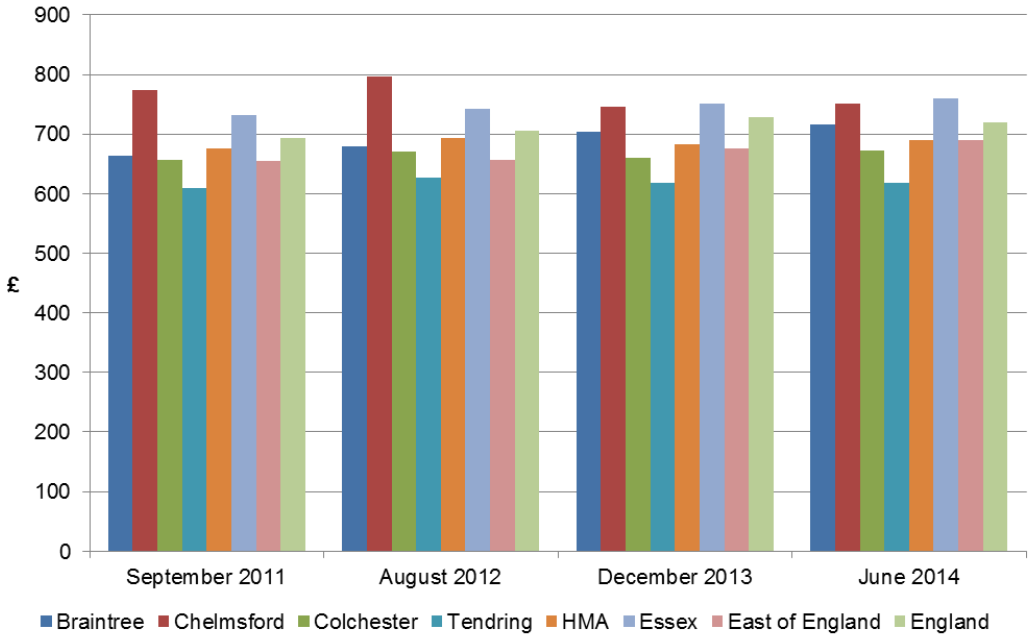
Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/321014/Chart_575.pdf

Market rents

7.18 Unfortunately data on market rents are only available for a short period, as the ONS only started to publish this data from September 2011. So we only have a short period of data running between 2011– 2014.

7.19 Throughout this period, average rents in the HMA have been close to those for the East of England and National averages. Rents in the HMA are generally £30-£50 below the national average. Rents are relatively stable in the HMA.

Figure 7-6 Market rents



Source: Source: VOA Private Rental Market Statistics

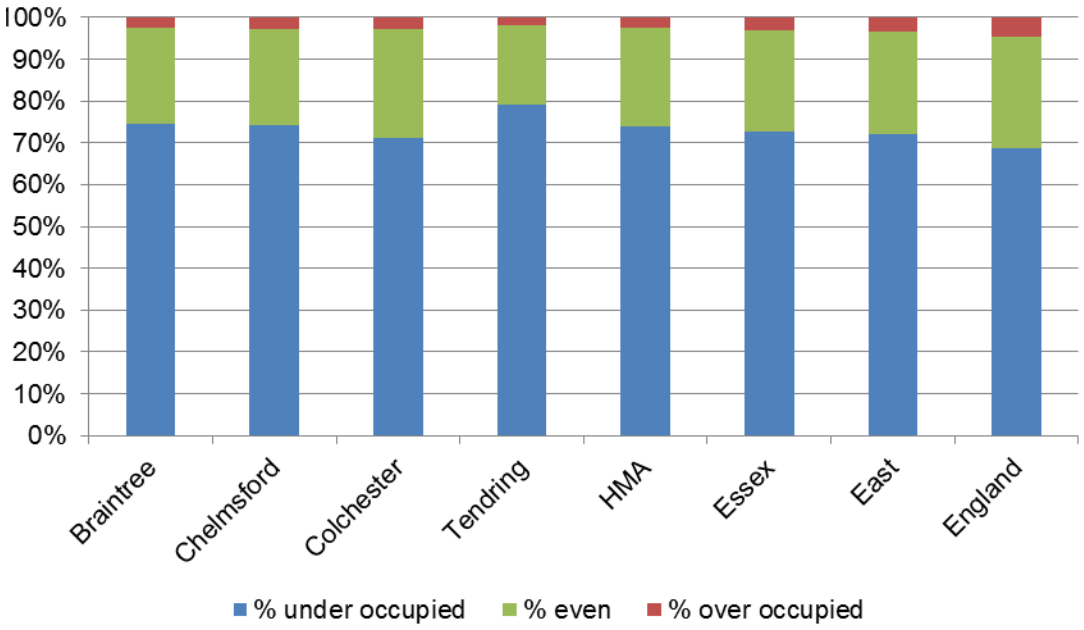
Overcrowding and concealed households

7.20 The PPG suggests that where an above-average incidence of overcrowding may be evidence of undersupply. Figure 7-7 below shows occupancy ratings, as defined by the ONS and calculated from the 2011 Census. The figures should be used cautiously, because 2001 and 2011 data are not directly comparable due to differences in data collection methods

7.21 Starting from the base of the columns, the chart counts the percentages of dwellings that are under-occupied, correctly occupied and over-occupied according to ONS definitions, which are based on numbers of bedrooms.

7.22 On average overcrowding in the HMA is similar to Essex as a whole and slightly better than England. The figures are difficult to interpret, because the proportion of overcrowded dwellings everywhere is very small.

Figure 7-7 Overcrowding and under-occupation



Source: Census QS412EW - Occupancy rating (bedrooms)

7.23 A further indicator is the number of concealed families. A concealed family is one living in a multi-family household who is not the primary family in that household. The definition includes couples with or without dependent children and lone parents of dependent children, but it excludes single people. An abnormally large number of concealed households can also be a sign of market pressure.

7.24 Like overcrowding, concealed families are very rare, and even more so in the HMA than elsewhere. The 2011 Census reported that 1% of families in the HMA were concealed, against 1.9% in England[19]. For both areas the proportion had increased since 2001, when it was 0.7% in the HMA and 1.1% in England[20]. These small increases are likely due to the recession. (The local data are not necessarily reliable, because they were randomized by ONS for confidentiality reasons[21]).

7.25 In summary, concealed families in the HMA are even less common than in England, and while their number increased in the HMA this only followed the national trend. There is no evidence here to suggest an uplift to the demographic projections.

Summary

7.26 For the HMA as whole there is no evidence that housing supply has been undersupplied or planning has been particularly restrictive.

7.27 The rate of housebuilding in this HMA fell behind the England rate in the mid-2000s. But the HMA was broadly meeting its plan targets until the recession took hold. From

[19] Source: Census Table DC1110EWla

[20] Source: Census table CAS 011

[21] Census table footnote: 'Figures have been randomly adjusted to avoid the release of confidential data.'

2009 onwards it is very difficult to disentangle the effect of the national recession from any possible local land constraints. Housebuilding in the HMA broadly reflected national trends.

7.28 There is also no evidence of undersupply when we consider the rate of house price change. By 2013 any divergence in house prices since the early 2000s had been eroded.

7.29 As is the case across England, houses have become less affordable, although this is not as severe as many other parts of the wider south east of England.

7.30 Below we consider each district in turn to develop a better understanding of the HMA market dynamics.

Braintree

Planning background

7.31 The Essex and Southend Structure Plan had a requirement of 10,300 dwellings (an annual average of 687 dpa) between 1996 and 2011

7.32 Between 1996 and 2011, 11,718 net additional homes were completed in the district. This was 1,418 dwellings above the Structure Plan target.

7.33 The Braintree Local Plan Review was adopted in 2005. The plan took its housing target from the Essex and Southend Structure Plan target.

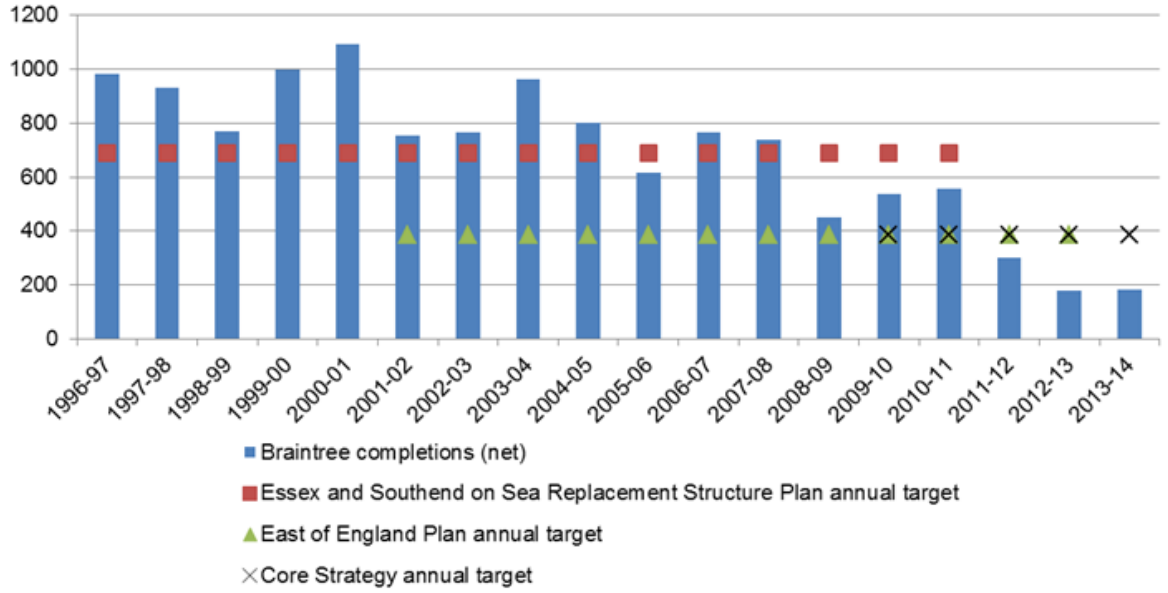
7.34 The East of England Regional Spatial Strategy set a much lower target for the district than the Structure Plan. The plan had a minimum housing target of 7,700 dwellings over the period 2001-2021 or an annual average of 385 dpa. Between 2001 and 2014, 7,607 dwellings had been completed in the district leaving a residual requirement of 93 dwellings to be completed by 2021.

7.35 The Core Strategy was adopted in September 2011. Braintree's Core Strategy had a minimum target of 4,637 dwellings between 2009 and 2026 – an annual average target of 273 dwellings per annum.

Housing delivery

7.36 The chart below shows housing delivery in Braintree from 1995-96 and 2013-14 against the plan target.

Figure 7-8 Braintree housing completions



Source: AMR (Corrected CLG figures)

7.37 Two similar targets run from 1995-96 to 2010-11: the Structure Plan target, which covered 1996 to 2011, and the Braintree Local Plan target. In 2001-02, the East of England RSS started, and in 2009-10 the Core Strategy target started.

7.38 From 1996 to 2011, the district achieved and in many cases surpassed its annual average housing target. Peak periods include 1996 to 2000 which the Council attributed to large housing allocations on greenfield sites in the 80s and 90s.

7.39 From 1996 to 2005, housing delivery in the district exceed the Structure Plan annual average targets. This is attributed to new allocations coming forward. In the early years of the RSS housing delivery exceeded those annual average targets by a considerable margin; partly as the result of a 'policy overhang' from the previously higher targets.

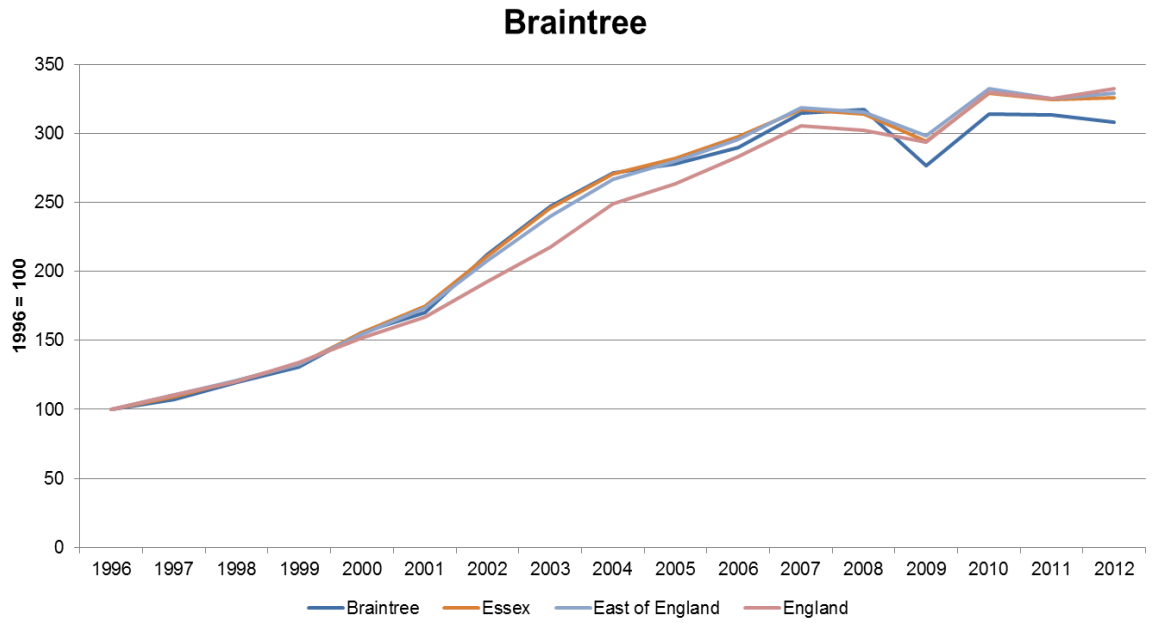
7.40 From 2009 the effects of the economic slowdown were evident in Braintree's housing delivery but this was the time when the Councils was transitioning to the RSS target, which was lower than the Structure Plan one. Delivery fell most severely in 2013 and 2014; at a time the national housing market was starting to improve but then almost doubled in 2014/15. There were 409 dwelling completions in Braintree District in 2014/15.

House prices

7.41 Long-term change in Braintree closely followed national trends until 2009. Over the last few years there has been an improvement though the change in average house price is still lower than the comparator areas.

7.42 There is nothing in this evidence to suggest that housing supply has been constrained in Braintree, despite the fall in delivery rates.

Figure 7-9 Braintree house prices indexed

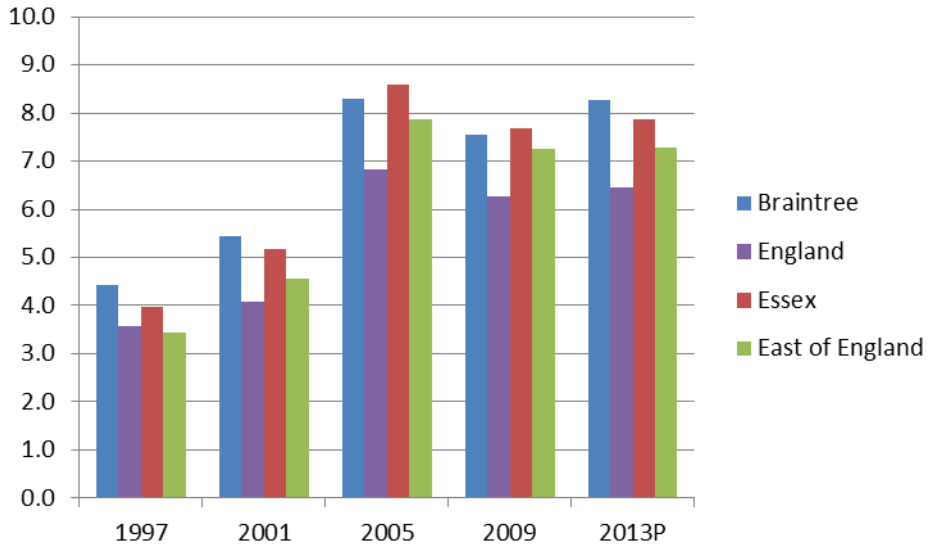


Source: ONS / CLG Live table 581.

7.43 Commercial data sources (rightmove.com) provide a more up-to-date snapshot of house prices than ONS / CLG. But the data is not available for whole districts. This data shows that the average house price in Braintree (town) at March 2015 was £220,635. For comparison, the average house price in Essex was £269,132, £266,896 for the East of England and £242,006 in England. For the town of Braintree this data confirms the slightly older ONS / CLG data in that the average house prices in Braintree are lower than all other comparator areas.

Affordability

Figure 7-10 Braintree affordability



Source: CLG Table 576

7.44 Housing in Braintree is relatively unaffordable. Ratios were higher in Braintree than all comparator areas except Essex. Between 2005 and 2009 Braintree's ratio fell though it was broadly similar to the county and regional ratios. Between 2009 and 2013 Braintree has again seen an increase in its ratio outperforming all other comparator areas.

Summary

7.45 Braintree may be an extreme example of why the demand and supply of housing can only be considered robust for larger areas and not at the individual local authority level.

7.46 Despite the fact that delivery fell in Braintree; because of the economic downturn and the transition from a higher Structure Plan target to the much lower RSS target, house prices in the district remained largely unaffected. The likely reason is that demand for housing was interchangeable with other areas in the HMA. Instead of buying new homes in Braintree they bought elsewhere in the HMA.

Chelmsford

Planning background

7.47 Chelmsford's Core Strategy was adopted in February 2008. The Core Strategy had a minimum target of 14,000 net new dwellings (700 dpa) in 2001-2021 in accordance with the emerging East of England Plan. However, the Council's Housing Trajectory made provision for 16,170 new dwellings, although the adopted target remained at 700 dpa. When finally approved the East of England Plan target for Chelmsford was 800 dpa. In October 2014, the Council approved an annual Interim Housing Target of 800 dpa.

7.48 Between 2001-02 and 2014-15, 7,731 new homes were completed in the district. This leaves a residual requirement of 6,269 homes to be completed between 2015 and 2021 based on the overall 14,000 target, equal to 1,044 dwellings per annum.

7.49 The Core Strategy sought to make the best use of Previously Developed Land (PDL) predominately in Chelmsford's Urban Area. The majority of the remaining housing requirement would be made up of new neighbourhoods to the North of Chelmsford's Urban Area providing 4,000 homes.

7.50 The Core Strategy did not allocate sites for the proposed urban extensions in North of Chelmsford. This was done through the North Chelmsford Area Action Plan.

7.51 The Council expected greenfield sites to come forward in the later part of the plan period.

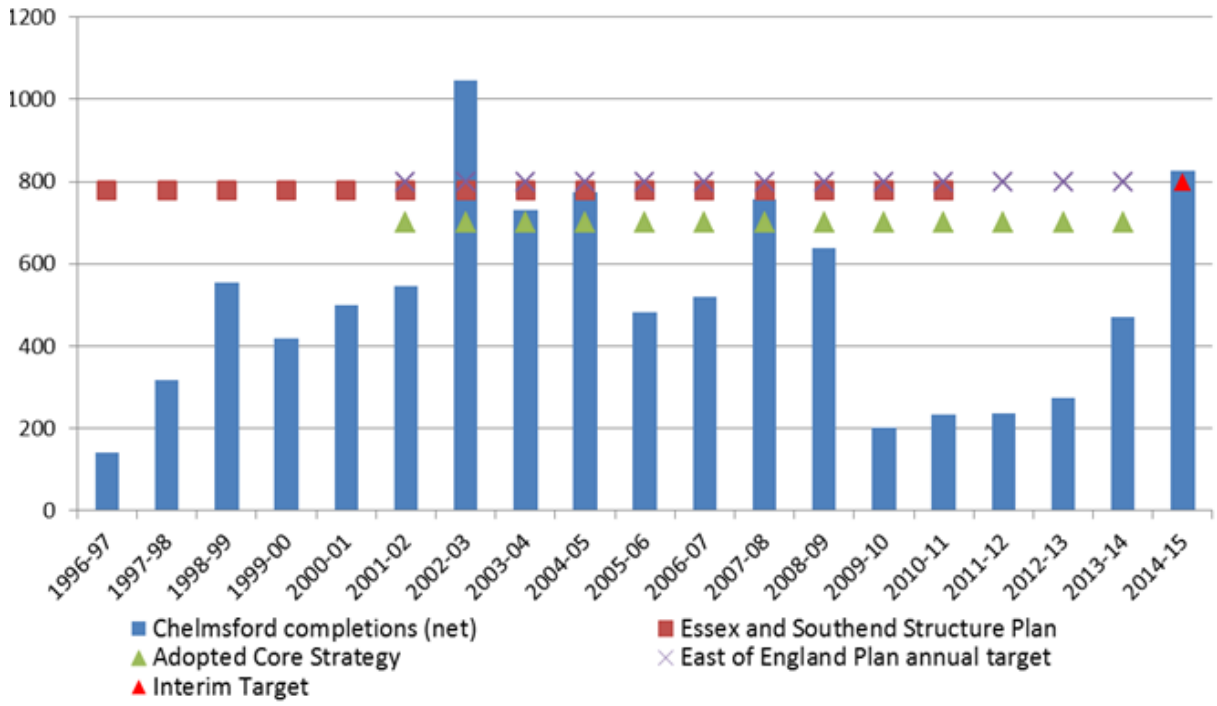
Housing delivery

7.52 Figure 7-11 below shows housing completions from 1996-97 to 2014-15 against the applicable plan targets.

7.53 The Essex and Southend Structure Plan ran from 1996 and 2011 and had a plan target from 777 dpa. The East of England Plan ran from 2001 to 2021 and had a target of 800 dpa.

7.54 Chelmsford Core Strategy has a target of 700 dpa. The Council approved an Interim Target of 800 dpa for calculation of its supply in October 2014

Figure 7-11 Chelmsford housing completions



Source: AMR

7.55 Housing completions only met the plan target on a few occasions. Housing completions peaked in 2002-03 to 2004-05 , in 2007-08 and more recently in 2014-15.

7.56 The significant drop in housing completions from 2009/10 to 2012/13 was attributed to the economic downturn and the uncertainty developers had in bringing forward sites. During 2007 – 2010 the impact of the recession on completions was less notable as sites that commenced development continued to be built out.

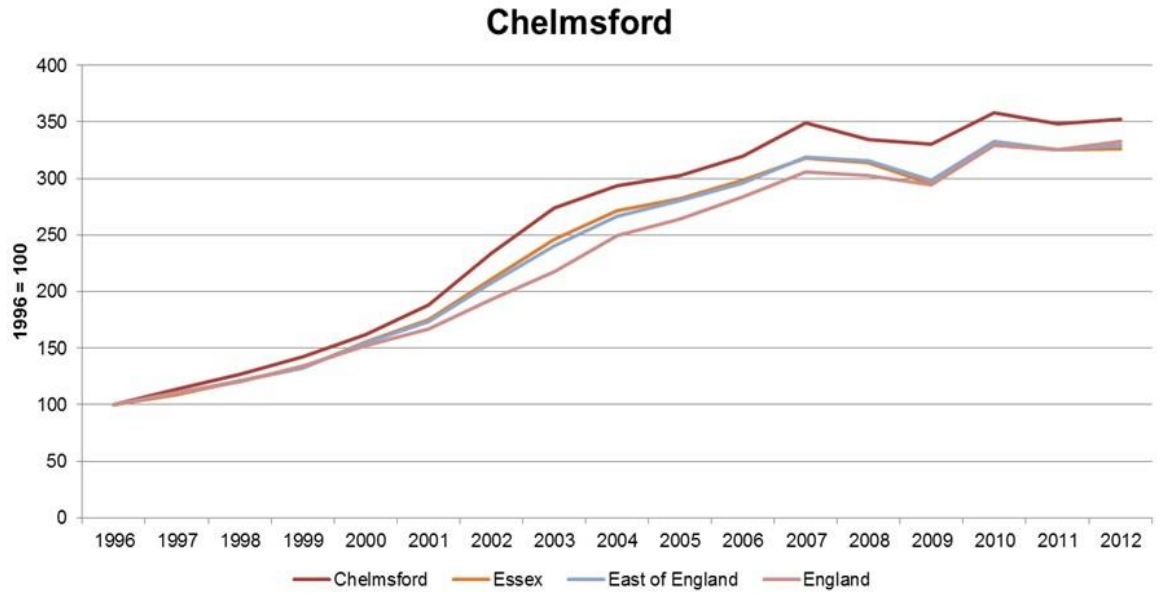
7.57 According to the Council's Annual Monitoring Report (AMR), it was expected that housing completions would accelerate in the later part of the plan period. In 2012; the Council granted planning permission for strategic housing sites including the North East Chelmsford Urban Extension.

7.58 Housing completions increased steeply in 2013-14 and 2014-15.

House prices

7.59 The CLG / ONS house price data is the most robust available but has a time delay before being published. More recent data is available from commercial sources[22]. This alternative data shows that average house price in Chelmsford at March 2015 was £271,487. For comparison, the average house price in Essex was £269,132, £266,896 for the East of England and £242,006 in England. So average house prices in Chelmsford are on average higher than the comparator areas.

Figure 7-12 Chelmsford house prices (indexed)



Source: ONS / CLG Live table 581.

7.60 The data above is indexed to 1996 to align with the Structure Plan. It shows that house prices in Chelmsford increased slightly faster in the late 1990s but the 'gap' between the districts, the County and England was well established by 2003. Between 2003 and 2013 the district tracked the County and the Region with no evidence of abnormal house price inflation.

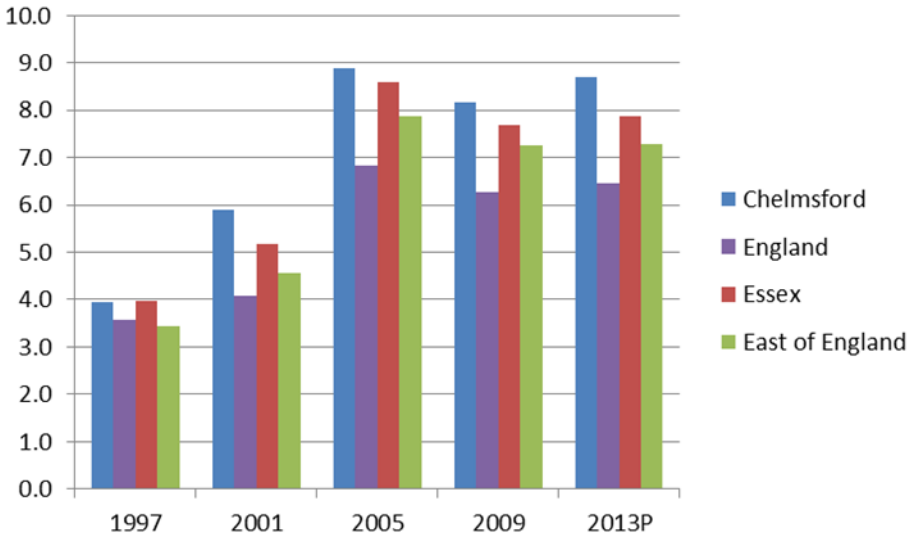
7.61 This suggests that the low rates of housing delivery, below target in recent years, did not result in unmet demand for housing to any greater extent than England as a whole. The data also shows that for the years used to derive the base period used in the EPOA projections, house prices largely tracked the comparators.

Affordability

7.62 Housing in Chelmsford is relatively unaffordable compared with the county, regional and national ratios. Affordability ratios in Chelmsford dropped slightly between 2005 and 2009 though the affordability ratios have since risen.

[22] Rightmove.com

Figure 7-13 Chelmsford affordability



Source: CLG Table 576

Summary

7.63 Homes in Chelmsford are more expensive than most of HMA. The likely reasons for this include the area's accessibility to London and the presence of highly paid commuters. Local affordability is the worst in the HMA.

7.64 Chelmsford's relative position in terms of house prices is well established. Since the early 2000s house price change has largely tracked the county and region despite the Council not meeting its former housing targets in full.

7.65 One possible reason for this is that the housing need was met elsewhere; either within this HMA or in other housing market areas. Most housing demand in this HMA is migration led and this demand is likely to be footloose. There is limited evidence of market pressure here because the people who may have migrated to Chelmsford, to fill homes if built as planned, were provided with homes elsewhere.

Colchester

Planning background

7.18 The Essex and Southend Structure Plan had a plan target of 11,000 homes (773 dpa) In 2004 the Council adopted the Colchester Local Plan. The Local Plan took its housing target from the Structure Plan. The Local Plan had identified sufficient provision to meet the Structure Plan requirements.

7.19 Housing development was to be focused on the following broad allocations Town Centre, North Colchester, East Colchester and the Hythe , South Colchester (The Garrison) and Stanway.

7.20 Between 1996 and 2011 12,178 homes were completed in the district. There was therefore a surplus of 1,178 dwellings in the district against both the Structure Plan and Local Plan targets.

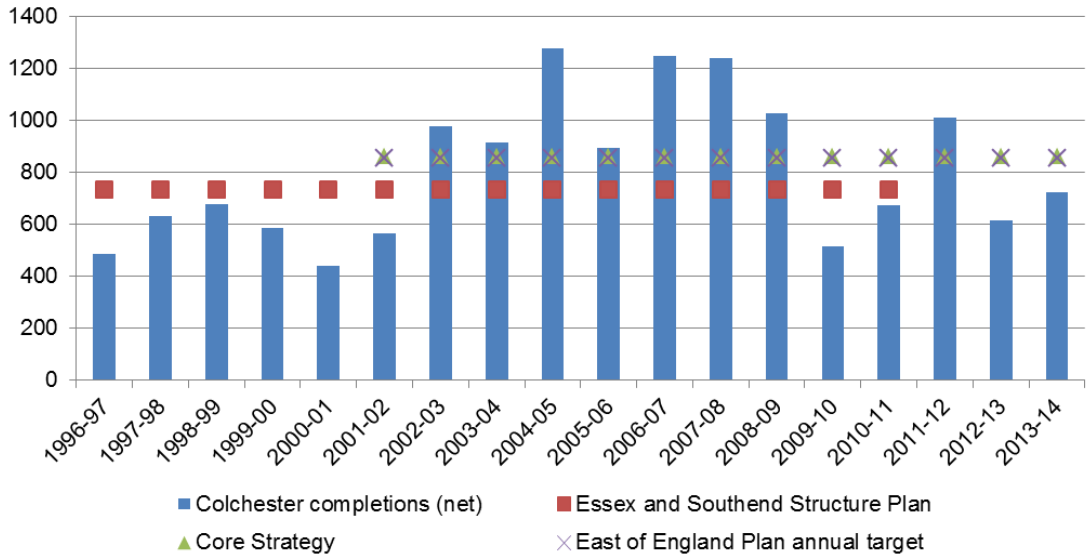
7.21 The East of England RSS had a plan target of 17,100 homes to be built between 2001 and 2021. The annualised plan target was 830 dwellings per annum.

7.22 The Council adopted its Core Strategy in December 2008. The Core Strategy took its target form the East of England RSS however since the plan period was extended from 2001 to 2023 an additional 1,710 homes were added to the Core Strategy target to cover the additional period between 2021 and 2023. As such the Core Strategy target was for 830 dpa up to 2021 and 855 units 2021 – 2023. The latter period was slightly higher than the East of England RSS.

Housing delivery

7.23 Figure 7-14 below shows net housing completions from 1995-96 to 2013-14 against the plan targets applicable at the time.

Figure 7-14 Colchester housing completions



Source: Council AMR

7.66 Two similar targets run from 1995-96 to 2010-11: the Structure Plan target and the Local Plan target. In 2001-02, the East of England RSS and the Core Strategy started with slightly different targets.

7.67 From 1996 to 2001 housing completions in the borough were below the Structure Plan target.

7.68 From 2002 to 2008 the trend reversed and the borough saw high completions as site allocations began to come forward. During this period, allocations came from a broad number of sites including the Colchester Garrison, North Colchester and Stanway. For the HMA as a whole this peak in delivery may have partly offset the low rate of housebuilding in other parts of the HMA, especially Chelmsford.

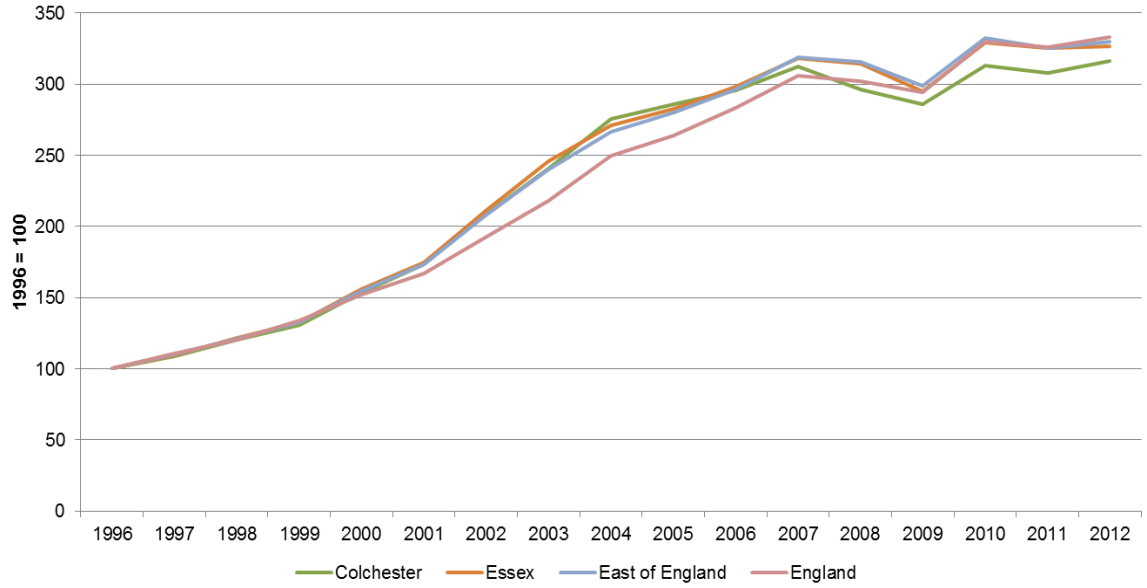
7.69 While deliveries continued to be high during the early part of the economic recession 2008-2009, completions fell in 2010, reflecting the recession. There was a steady increase in housing delivery from 2011 to 2012.

7.70 Since the recession it seems that the market demand, rather than the supply of housing land has constrained housing delivery in Colchester.

House prices

7.71 The average house price in Colchester at March 2015 was £198,510[23] – less than in Essex (£269,132), the East of England (£266,896) and England (£242,006).

Figure 7-15 Colchester house price (indexed)



Source: ONS / CLG Live table 581.

7.72 Long-term change in house prices closely followed the regional trend for the East of England. Since 2007 all other comparator areas outperformed Colchester.

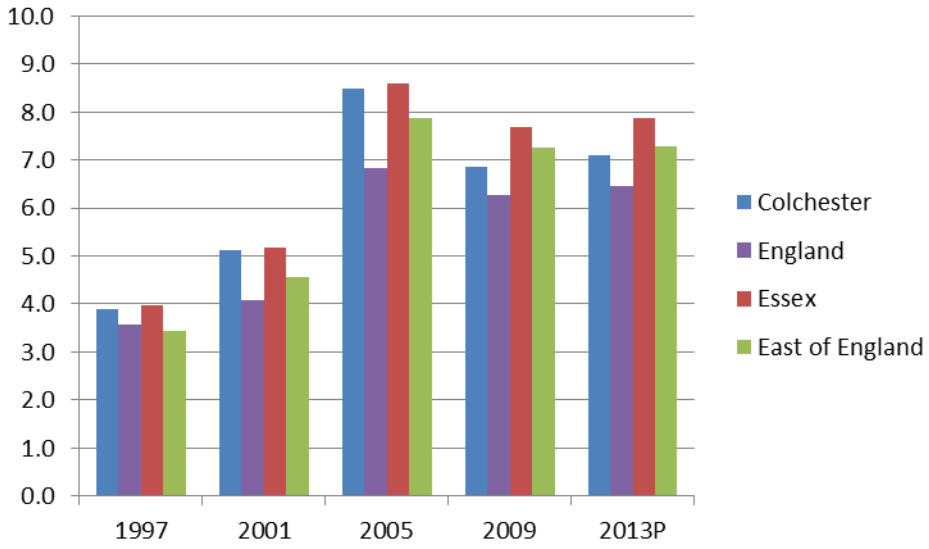
Affordability

7.73 The affordability ratio in Colchester increased between 1997 and 2001 again between 2001 and 2005. During this time Colchester's ratio was in line with the Essex ratio but higher than the regional and national ratios. Between 2005 and 2009 ratios generally fell across the board though Colchester saw a greater fall than comparator areas. More recently, there has been a small increase in the affordability ratio in Colchester though it is lower than the Essex and East of England ratios.

7.74 The chart therefore indicates that Colchester has relatively good affordability when compared to county and regional benchmarks.

[23] Rightmove.com

Figure 7-16 Colchester affordability



Source: CLG Table 576

Summary

7.75 Contrary to Chelmsford, housing delivery in Colchester held up relatively well in the recession. In the reference period on which the official demographic projections are based delivery fell below targets but not as fast as other areas. There was also a supply of land available should the market be willing to deliver more new homes. This history, and the market signals we have analysed, suggest that there is no evidence of undersupply.

Tendring

Planning background

7.76 The Essex and Southend-on-Sea Structure Plan had a plan period running from 1996 to 2011 and had a housing target of 6,250 homes giving an annualised target of 417 dwellings per annum (dpa).

7.77 In December 2007, the Council adopted a Replacement Local Plan that would replace the superseded 1998 Local Plan whose plan period run from 1992 to 2001. The Replacement Local Plan had a short plan period and running from 2004 to 2011. The housing target in the Replacement Local plan was based on Policy H1 of the Replacement Structure Plan. i.e. it sought to deliver 2,917 homes between 2004 and 2011.

7.78 Between 1996 and 2011 the district delivered 5,865 dwellings against a Structure Plan target of 6,250 dwellings. This left a residual shortfall of 385.

7.79 The East of England RSS had a minimum plan target of 8,500 dwellings per annum from 2001 to 2011. This translates into annualised housing target of 425 dpa.

7.80 Between 2001 and 2014 the district delivered 4,744 dwellings (365 dpa) against an RSS target of 5,525 dwellings. This resulted in a shortfall of 781 dwellings.

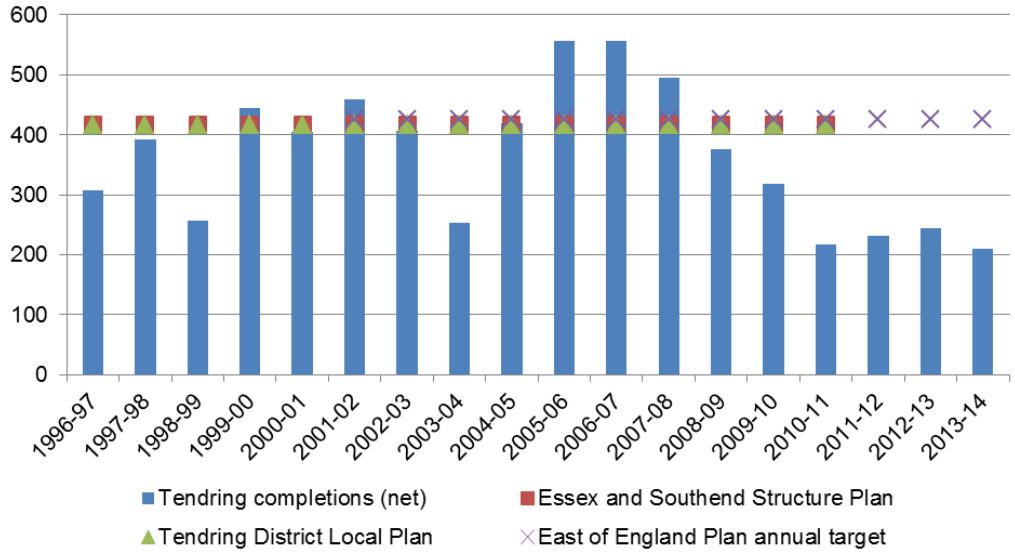
7.81 While the earlier part of the plan period was characterised by high completions – a number of completions coming from Previously Developed Land and windfall sites. From 2009 onwards greenfield allocations in the Local plan begun to come forward.

7.82 The Council does not have an up to date development plan. The structure plan derived Local Plan is now time expired (2011) and no replacement has yet been adopted.

Housing delivery

7.83 Figure 7-17 below shows housing completions in the district from 1996 to 2014.

Figure 7-17 Tendring housing completions



Source: AMR

7.84 Until 2008, housing completions in the district were met and in some cases exceeded the Structure Plan targets. This was due to a particularly buoyant housing market and a large supply of Previously Developed Land and windfall sites meaning there was a supply of housing land to meet the demand for new homes.

7.85 But as noted above the district now lacks an up to date development plan with new land allocations. This means that the main supply of housing land is now windfall development but the recession has cut the supply of 'windfall sites'. The five-year land supply in the district has fallen from a 4.6 year supply in 2010 to 2.7 years in 2014.

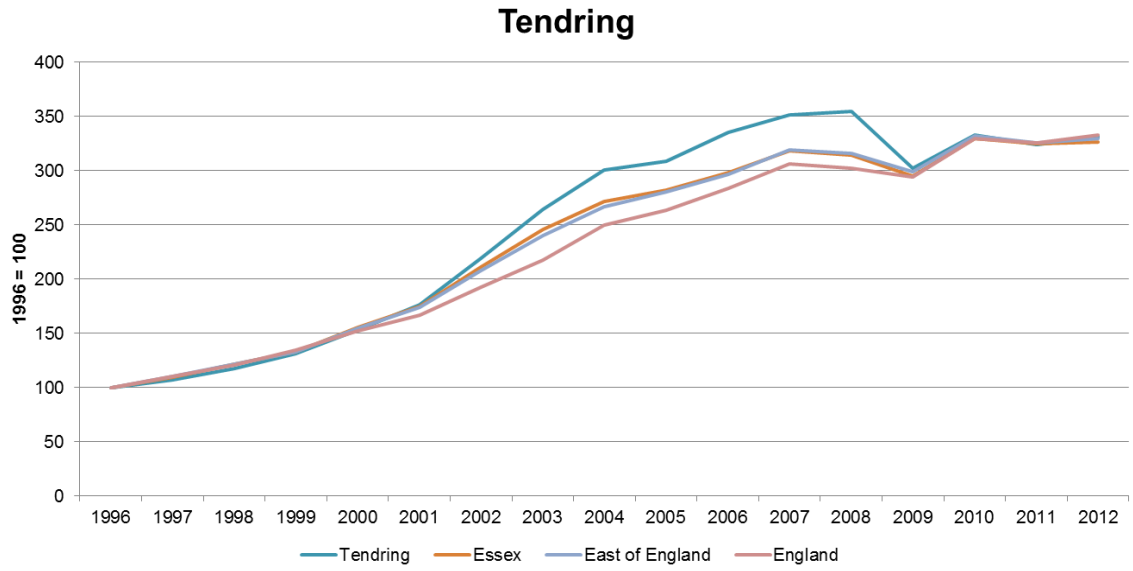
7.86 If the Council had an up to date plan it would be able to demonstrate a larger land supply. But this is no guarantee that this would be taken up if the demand for new homes is weak.

House prices

7.87 House price change outstripped the region, the country and England until the recession. But a sharp fall between 2008 and 2009 brought the district back into line with these comparator areas.

7.88 Looking at the more recent data from 2015 the average house price in both the main towns of Clacton of Sea and Harwich are around £160,000[24]. For comparison, the average house price in Essex was £269,132, £266,896 for the East of England and £242,006 in England. Average house prices in the main Tendring towns are significantly lower than the comparator areas.

Figure 7-18 Tendring house price change (indexed)

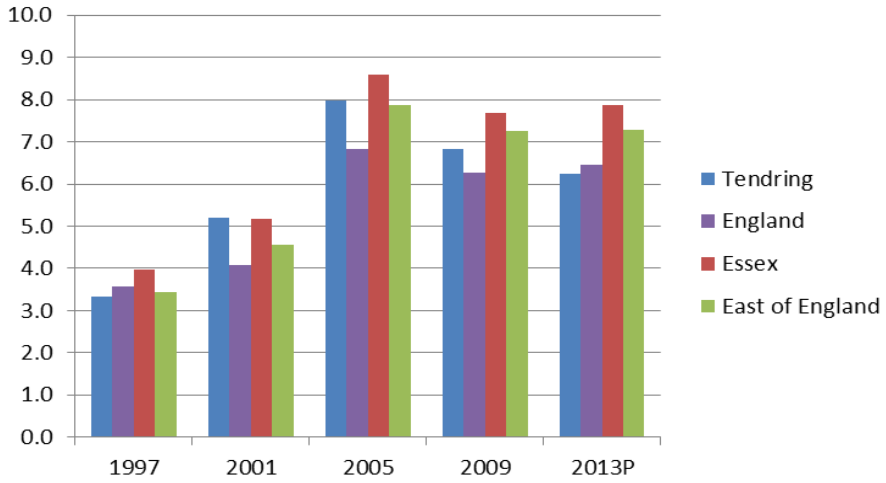


Source: ONS / CLG Live table 581.

Affordability

7.89 Tendring has good affordability when compare to the county, regional and national benchmarks.

Figure 7-19 Tendring affordability



Source: CLG Table 576

[24] Tendring is also the name of a small village which can cause confusion if this is used to derive the district level benchmark.

Summary

7.90 Tendring may be very similar to Braintree. The supply of housing land in recent years has been tight. However, unlike Braintree, where policy deliberately aimed for fewer new homes, in Tendring the supply blockage was partly due to a planning hiatus – coinciding with the recession, which cut off the supply of windfall sites.

7.91 When delivery fell in Tendring house prices also fell. This may be because new homes are more expensive than second-hand stock. But it may also indicate that the downturn in delivery owed more to constrained demand than constrained supply.

7.92 One factor that has depressed demand is the state of the local economy Tendring has the highest unemployment rate of the HMA's districts and is least accessible to London. This has made the housing market especially vulnerable in the recession.

7.93 It may also be that the recession disproportionately affected retirement migration, because older people were reluctant to sell their houses at prices generally considered too low and preferred to wait. (Migration to many other coastal towns also fell.) This may suggest that the 2012-based demographic projections should be adjusted upwards. But as we discuss below the projections probably overstate past migration, because of Unattributable Population Change.

Conclusions

7.94 The HMA is a difficult area for which to read market signals. The main barrier is that the tangle between the recession and the various local plans expiring or being reviewed following the end of the structure plan and the associated local plans. Therefore it is very difficult to confirm how much of the decline in housebuilding from 2008 onwards is attributable to a lack of demand as opposed to constrained supply.

7.95 Looking at the HMA as whole, there are two pieces of evidence which suggest that an uplift to the demographic projections might possibly be justified. The first is affordability, but this should be kept in perspective: while affordability in the HMA is slightly worse than for the region and England, is it clearly better than for most other areas as close to London.

7.96 The second issue is that delivery in Chelmsford fell behind plan targets, including in the middle years of the last decade, when demand was buoyant. However there is no house price evidence to suggest that supply fell short of demand. The explanation may be the migration led population growth was attracted to other parts of the HMA, including Colchester- where housing delivery rose above targets - or other housing market areas.

8 AFFORDABLE HOUSING

National guidance

8.1 The PPG provides two separate methods for calculating housing need. Paragraphs 015-020 set out a step-by-step method for calculating the overall need, or OAN, starting from demographic projections. This is the method followed in our calculations above. Its result is the total number of net additional dwellings to be provided over the plan period, in both the market and affordable sectors. Paragraphs 022-029 provide step-by-step instructions for a separate calculation, this time dealing with affordable need only.

8.2 The PPG does not say how the calculation of affordable need at paragraphs 022-029 relates to the earlier calculation of overall need at paragraphs 015-021. Nor does it state directly if, or how, authorities should take account of the second calculation as well as the first to arrive at an objective assessment of market and affordable needs, as the NPPF requires.

8.3 In our view, from the implicit logic of the NPPF and PPG, together with Inspectors' advice, it is clear that affordable housing need is a policy consideration that bears on housing targets, rather than a component of objectively assessed need. In principle the two numbers are not directly comparable, because they relate to different meanings of the term 'need'. There are two main reasons for this.

8.4 Firstly, affordable need measures aspiration (what *ought to* happen), while the OAN measures expectation (what *is likely to* happen, based on past experience, provided that planning provides enough land).

8.5 Secondly, the calculated OAN relates to net new dwellings, which accommodate net new households (household growth). In contrast, much of the assessed affordable need relates to existing households that are or will be entitled to affordable housing over the plan period. For the most part the needs of these existing households are not for net new dwellings. Except for those who currently live in temporary institutional accommodation or on the street, if they move into suitable housing they will free an equivalent number of dwellings, to be occupied by people for whom they are suitable.

8.6 In practical terms, there is no arithmetical way of combining the two calculations set out in the PPG to produce a joined-up assessment of overall housing need. We cannot add together the calculated OAN and the calculated affordable need, because they overlap: the OAN of course covers both affordable and market housing, but we cannot measure these components separately, because demographic projections – which are the starting point for the OAN – do not distinguish between different sectors of the housing market.

8.7 In summary, it seems logically clear that affordable need, as defined and measured in paragraphs 22-29 of the PPG, cannot be a component of the OAN. The OAN does have an affordable component – which cannot be measured separately but will normally be much smaller than the affordable need discussed at paragraphs 22-29.

When paragraph 47 of the NPPF says that plans should meet in full '*the need for market and affordable housing',* it is referring to that component rather than the separately calculated affordable need.

8.8 The above conclusion may be contradicted by a High Court judgment issued on 19 February 2015[25], which seems to imply the calculated affordable need is a constituent part of the OAN. At present the implications of that judgment are not clear.

8.9 Having explained how to calculate affordable need, the PPG at paragraph 029[26] advises on how housing needs assessment should take account of affordable housing need:

'The total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.'

8.10 This paragraph is difficult to follow. But it seems to confirm that the amount of affordable housing to be included in the OAN should reflect what can be delivered in practice, as a function of market delivery. Based on this, Inspectors' advice and existing good practice, we would suggest the following approach:

i Assess total housing need or demand (the OAN), following paragraphs 15-21 of the PPG.

ii Estimate how much of that total need could be delivered as new affordable housing, given the affordable housing contribution that can be viably generated from market housing developments.

iii Assess affordable housing need, as shown in paras 022-029 of the PPG (we discuss these paragraphs in Chapter 2 above).

iv Compare this affordable need with the potential affordable supply at stage ii

v Consider if the resulting scenario would meet a reasonable proportion of the affordable need.

vi If not, consider raising the total need figure so it includes more affordable housing.

[25] Satnam Millennium Ltd v Warrington Borough Council, [2015] EWHC 370 (Admin)

[26] Reference ID: 2a-029-20140306

9 CONCLUSIONS

The housing market area

9.1 We have used evidence from the 2011 Census to test the strategic HMA defined by the NHPAU housing market area geography. We have found that the area falls short of the 70% migration containment set in the PPG. Therefore we tested alternative definitions of the HMA, adding further local authority areas, but we could not find an alternative that had higher containment. The likely reason is that migration out of London, including retirement migration to coastal towns, makes containment difficult to achieve.

9.2 Maldon District Council considers that its district is a free-standing HMA, rather than part of the NHPAU's strategic HMA. Whether or not this view is supported by local evidence, including 'soft' qualitative data, is a matter for that Council to consider. For our part, we have tested the quantitative impact of excluding Maldon on our four commissioning authorities, which form the rest of the strategic HMA. We find that an HMA comprising those four authorities has fractionally higher self-containment than the strategic HMA. Therefore Maldon Council's stance has no detrimental impact on our commissioning authorities and those authorities have no reason to challenge it.

9.3 In summary, our analysis suggests that an HMA comprising Braintree, Colchester, Chelmsford and Tendring forms a sound basis for assessing housing need.

The demographic starting point

9.4 The table below shows the most recent 2012-based official demographic projections for the HMA. In accordance with the PPG, these projections provide the most up-to-date information and should be the starting point for assessing housing need.

Table 9.1 Population, households and dwellings, 2013-37, ONS/CLG 2012

Change p.a.	Population	Households	Dwellings
Braintree	1,171	668	686
Chelmsford	1,108	643	657
Colchester	1,638	834	868
Tendring	1,068	654	705
HMA	**4,986**	**2,799**	**2,916**

Source: Edge Analytics Greater Essex Demographic Forecast Phase 7 Report

9.5 Our tests suggest that these projections are robust, with one exception: the figures for Tendring are heavily affected by Unattributable Population Change - an error in the Census which we are unable to explain. Depending on the view taken about the UPC, the official projections may overstate need in Tendring. If we use an alternative projection that adjusts for the UPC, the demographically projected need for Tending falls from 705 to 479 dpa and for the HMA from 2,916 to 2,690 dpa.

Adjustments

9.6 In line with national guidance, before they are used as a measure of objectively assessed housing need, the demographic projections may be adjusted in the light of two factors: firstly future employment and secondly past provision and market signals. In addition we have considered an adjustment for London's unmet need.

9.7 It is important to understand that these different adjustments overlap. As discussed earlier in this report, the demographic projections carry forward past demographic trends. But past growth may have been constrained by lack of housing, so that some people who otherwise would have lived in the HMA had to go or remain elsewhere. If that is the case, housing provision should be lifted above the projection, so that in future people in the same position are able to live in the area. If job numbers in the area also rise above past trends, these same people will be available to fill the additional jobs that are provided.

9.8 To return to the three potential adjustments, in relation to future employment we have considered three kinds of evidence: from the Edge study, the East of England Forecasting Model (EEFM) forecasts and Experian forecasts:

- The Edge study suggests that to support the expected job growth would require 3,137 net new dwellings per annum (dpa) – an uplift of 221 dpa, or 8%, over the demographically projected need (SNPP 2012).
- The EEFM suggests that no uplift is required to support these future jobs
- Experian suggests that a small uplift may be required, which is too small to measure.

9.9 The differences between EEFM and Experian are not surprising, given the uncertainties inherent in local economic forecasting. The Edge scenario is very much at the upper limit of reasonable expectation.

9.10 In relation to market signals, there are two pieces of evidence which suggest that an uplift to the demographic projections might possibly be justified. The first is affordability, which is slightly worse in the HMA than the region and England. But this should be kept in perspective: while affordability in the HMA is slightly worse than for the region and England, is it clearly better than for most other areas as close to London.

9.11 The second is that delivery in some parts of the HMA fell behind plan targets, including in the middle years of the last decade when demand was buoyant. However there is no house price evidence to suggest that demand in Chelmsford was being suppressed. The explanation may be the migration led population growth was attracted to other parts of the HMA, including Colchester and Tendring - where housing delivery rose above targets – and / or other housing market areas. The HMA as a whole met (or exceeded) its targets until the recession.

9.12 Given this evidence, whether market signals justify an uplift to the demographic projections is very much a matter of judgment. In the spirit of the NPPF it is advisable to err on the positive side, and we would suggest a small uplift. But this should be

below the 10% suggested by Local Plan Inspectors in Eastleigh and Uttlesford, where the evidence pointed to moderated under-provision or mixed signals. Therefore the 8% 'future employment' uplift will cover any 'market signals' adjustment that can reasonably be justified. It also makes an allowance for additional London related migration.

9.13 The final adjustment we have considered is the above-trend need likely to be exported from London. In terms of the NPPF and PPG this occupies a grey area between the HMA's objectively assessed need and cross-boundary unmet need. GLA and the EPOA study estimate the HMA's share of that unmet need at just 64 dpa. It overlaps with the 'future jobs' adjustment, because the additional in-migrants whom these dwellings would accommodate could potentially fill jobs in the HMA.

Table 9.2 Objectively assessed housing need, 2013-37 per annum

	SNPP Dwellings	EPOA Jobs Scenario Dwellings	Difference	% Uplift
Braintree	686	845	159	23%
Chelmsford	657	775	118	18%
Colchester	868	920	52	6%
Tendring	705	597	-108	-15%
HMA	2,916	3,137	221	8%

Source: PBA

Alternative distributions

9.14 The NPPF is clear that the HMA as whole should work to meet its OAN in full, provided that it has the sustainable capacity to do so consistent with the policies in the NPPF. How provision should be distributed between districts will depend on supply factors and policy objectives.

9.15 If Tendring prefers to meet the SNPP in full, because it agrees that this is the best reflection of market demand then the 'future jobs' adjustments for the three other authorities will not be as great as suggested above. The uplift for the whole HMA would remain at around 221 (8%) but Tendring would have a small surplus of homes against those needed to support the HMA baseline job growth.

9.16 Table 9.3 below shows an indicative split where Tendring still meets its SNPP provision and the EEFM uplift is reduced slightly for the HMA partner authorities

Table 9.3 Alternative distribution

	SNPP Dwellings	EPOA Jobs Scenario Dwellings	Difference	% Uplift
Braintree	686	793	107	16%
Chelmsford	657	736	79	12%
Colchester	868	903	35	4%
Tendring	705	705	0	0%
HMA	2,916	3,137	221	8%

Source: PBA

9.17 In this scenario commuting patterns would shift very slightly when compared to those small changes already expected in the EEFM. This shift would be very small and only between HMA partner authorities. So not necessarily unsustainable.

9.18 An alternative version is shown below. In this case Tendring provides only enough homes to meet its UPC-adjusted projection before any uplift is applied. The recommended OAN remains 3,137 and is distributed as per table 8.2 above. Commuting remains exactly as modelled in the EEFM.

9.19 In this alternative the scale of the uplift in new homes needed increases from 8% to 17% for the HMA. This is because the OAN 'starting position' for Tendring is now lower than the SNPP.

Table 9.4 Further alternative

	SNPP / 10yr incl UPC Dwellings	EPOA Jobs Scenario Dwellings	Difference	% Uplift
Braintree	686	845	159	23%
Chelmsford	657	775	118	18%
Colchester	868	920	52	6%
Tendring (10yr incl UPC)	479	597	118	25%
HMA	2,690	3,137	447	17%

Source: PBA

Policy implications

9.20 The HMA OAN is 3,137 dwellings per annum over the period 2013 – 2037. This is the number of new homes needed to provide sufficient labour to meet the number of jobs in the EEFM according to the EPOA scenario. For the HMA this is an 8% uplift on the most recent set of household projections.

9.21 Within the HMA any distribution is only indicative, and where housing land is provided is a policy choice to be agreed between the HMA partners.

9.22 As a starting position the Edge/EEFM scenario provides a distribution. This shows where new homes should be located so that new jobs and new housing are aligned.

9.23 There remains a question regarding Tendring and UPC. The answer to this question does not change the total OAN for the HMA but it may slightly change the distribution of that total across local authorities. In the table below we show OAN for each district as a narrow range, to allow for this uncertainty.

9.24 For Braintree, Chelmsford and Colchester the high end of the range assumes that Tendring provides only enough new homes to meet its own Edge/EEFM scenario. So there is no risk of overprovision of new homes compared to EEFM jobs.

9.25 For Tendring the high end of the range assumes that housing provision meets the SNPP 2012 housing demand, and any surplus of workers over jobs is available to work in the rest of the HMA.

Table 9.5 Housing targets – suggested ranges

	Low	High
Braintree	793	845
Chelmsford	736	775
Colchester	903	920
Tendring	597	705
HMA	**3,029**	**3,245**

Source: PBA

9.26 Pending agreement from Tendring to either meet the SNPP 2012 projections or not, it would be sensible for Braintree, Chelmsford and Colchester to plan for the high end of the ranges shown in the table.

9.27 As well as objectively assessed need, in setting housing provision targets the local authorities should have regard to their area's development capacity and to policy considerations that include cross-boundary unmet need and affordable housing need. As instructed by paragraph 9.29 of the PPG, plan-makers should estimate how many affordable units could be delivered if overall housebuilding is in line with the OAN, given the achievable rate of development contributions. If the resulting number of affordable units is less than the affordable need that has been calculated separately, the authorities should consider opportunities to increase overall housing targets above the OAN, so that more affordable housing may be delivered. For example, they may accommodate more cross-boundary unmet need than they would otherwise do. This is a policy decision relating to the housing target, which the HMA partners need to consider in addition to their OAN.