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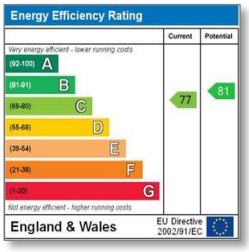

West Essex and East Hertfordshire Strategic Housing Market Assessment

Report of Findings

September 2015

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1. Introducing the Study

Background to the project and wider policy context

1.1 Opinion Research Services (ORS) was jointly commissioned by the local authorities of West Essex (Epping Forest, Harlow and Uttlesford) and East Hertfordshire to undertake a Strategic Housing Market Assessment to identify the functional Housing Market Area and establish the Objectively Assessed Need for housing.

1.2 The study adheres to the requirements of the National Planning Policy Framework published in 2012 and Planning Practice Guidance (March 2014). The methodology was also mindful of emerging good practice and outcomes from Examinations, as well as the technical advice note about Objectively Assessed Need and Housing Targets that was first published by the Planning Advisory Service (PAS) in June 2014 and an updated second edition was published in July 2015.

1.3 The purpose of the study is to support the local authorities in objectively assessing and evidencing the need for housing (both market and affordable) and to provide other evidence to inform local policies, plans and decision making.

Government Policy

1.4 The National Planning Policy Framework (NPPF) contains a presumption in favour of sustainable development, and states that Local Plans should meet the full, objectively assessed needs for market and affordable housing in the housing market area. Given that Regional Spatial Strategies are now revoked, the responsibility for establishing the level of future housing provision required rests with the local planning authority.

> *At the heart of the National Planning Policy Framework is a **presumption in favour of sustainable development**, which should be seen as a golden thread running through both plan-making and decision-taking.*
>
> *Local planning authorities should positively seek opportunities to meet the development needs of their area.*
>
> *Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole.*
>
> **National Planning Policy Framework (NPPF), paragraph 14**

> *To boost significantly the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area.*
>
> **National Planning Policy Framework (NPPF), paragraph 47**

1.5 Given this context, Strategic Housing Market Assessments (SHMAs) primarily inform the production of the Local Plan (which sets out the spatial policy for a local area). Their key objective is to provide the robust and strategic evidence base required to establish the Objectively Assessed Need (OAN) for housing in the Housing Market Area (HMA) and provide information on the appropriate mix of housing and range of tenures needed.

> *Local planning authorities should have a clear understanding of housing needs in their area.*
>
> *They should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:*
>
> » *meets household and population projections, taking account of migration and demographic change;*
>
> » *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and*
>
> » *caters for housing demand and the scale of housing supply necessary to meet this demand;*
>
> **National Planning Policy Framework (NPPF), paragraph 159**

1.6 Modelling future housing need requires a consideration of the housing market from a high-level, strategic perspective; in this way an understanding of how key drivers and long-term trends impact on the structure of households and population over the full planning period can be delivered.

1.7 Planning Practice Guidance (PPG) on the assessment of housing and economic development needs was published in March 2014. Previous SHMA Guidance (2007) and related documents were rescinded at that time, so the approach taken in preparation of this report is focussed on meeting the requirements of PPG. In addition, it reflects emerging good practice and the PAS OAN technical advice notes.

Overview of the SHMA

1.8 The objective of this SHMA was to identify the functional HMA and establish the OAN for housing (both market and affordable), ensuring that this was fully compliant with the requirements of the NPPF and PPG and mindful of good practice.

1.9 The methodology was based on secondary data, and sought to:

- Define the housing market area;
- Provide evidence of the need and demand for housing based on demographic projections;
- Consider market signals about the balance between demand for and supply of dwellings;
- Establish the Objectively Assessed Need for housing;
- Identify the appropriate balance between market and affordable housing; and
- Address the needs for all types of housing, including the private rented sector, people wishing to build their own home, family housing, housing for older people and households with specific needs.

1.10 It is important to recognise that the information from the SHMA should not be considered in isolation, but forms part of a wider evidence base to inform the development of housing and planning policies. The SHMA does not seek to determine rigid policy conclusions, but instead provides a key component of the evidence base required to develop and support a sound policy framework.

Duty to Co-operate

1.11 The Duty to Co-operate was introduced in the 2011 Localism Act and is a legal obligation.

1.12 The NPPF sets out an expectation that public bodies will co-operate with others on issues with any cross-boundary impact, in particular in relation to strategic priorities such as "the homes and jobs needed in the area".

> *Public bodies have a duty to cooperate on planning issues that cross administrative boundaries, particularly those which relate to the **strategic priorities** set out in paragraph 156. The Government expects joint working on areas of common interest to be diligently undertaken for the mutual benefit of neighbouring authorities.*
>
> *Local planning authorities should work collaboratively with other bodies to ensure that strategic priorities across local boundaries are properly coordinated and clearly reflected in individual Local Plans. Joint working should enable local planning authorities to work together to meet development requirements which cannot wholly be met within their own areas – for instance, because of a lack of physical capacity or because to do so would cause significant harm to the principles and policies of this Framework. As part of this process, they should consider producing joint planning policies on strategic matters and informal strategies such as joint infrastructure and investment plans.*
>
> **National Planning Policy Framework (NPPF), paragraphs 178-179**

1.13 This co-operation will need to be demonstrated as sound when plans are submitted for examination. One key issue is how any unmet development and infrastructure requirements can be provided by co-operating with adjoining authorities (subject to tests of reasonableness and sustainability). The NPPF sets out that co-operation should be "*a continuous process of engagement" from "thinking through to implementation*".

> *Local planning authorities will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examination. This could be by way of plans or policies prepared as part of a joint committee, a memorandum of understanding or a jointly prepared strategy which is presented as evidence of an agreed position. Cooperation should be a continuous process of engagement from initial thinking through to implementation, resulting in a final position where plans are in place to provide the land and infrastructure necessary to support current and projected future levels of development.*
>
> **National Planning Policy Framework (NPPF), paragraph 181**

1.14 As previously noted, the SHMA was jointly commissioned by East Hertfordshire, Epping Forest, Harlow and Uttlesford to ensure that they shared a consistent evidence base for housing across their HMA. The emerging SHMA outputs have also been discussed with officers and members at neighbouring local authorities under the Duty to Co-operate, and their feedback has been taken into account.

2. Defining the Housing Market Area

An evidence base to identify functional housing markets

2.1 The NPPF refers to Local Plans meeting the *"full objectively assessed needs for market and affordable housing **in the housing market area**"* (paragraph 47, emphasis added).

Functional Housing Market Areas

2.2 The definition of a functional housing market area is well-established as being *"...the geographical area in which a substantial majority of the employed population both live and work and where those moving house without changing employment choose to stay"* (Maclennan et al, 1998)[1].

Planning Practice Guidance

2.3 Planning Practice Guidance (PPG)[2] on the Assessment of housing and economic development needs (March 2014) reflects this existing concept, confirming that the underlying principles for defining housing markets are concerned with the functional areas in which people both live and work:

> *A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It might be the case that housing market areas overlap.*
>
> *The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the duty to cooperate.*
>
> **Planning Practice Guidance (March 2014), ID 2a-010**

2.4 Therefore, PPG requires an understanding of the housing market area and says this can be defined using three different sources of information:

- House prices and rates of change in house prices
- Household migration and search patterns
- Contextual data (e.g. travel to work area boundaries, retail and school catchment areas)

2.5 These sources are consistent with those identified in the CLG advice note *"Identifying sub−regional housing market areas"* published in 2007[3].

[1] Local Housing Systems Analysis: Best Practice Guide. Edinburgh: Scottish Homes
[2] http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/
[3] Identifying sub−regional housing market areas (CLG, March 2007); paragraph 1.6

Geography of Housing Market Areas (NHPAU/CURDS)

2.6 CLG also published a report on the *"Geography of Housing Market Areas"* in 2010[4] which was commissioned by the former National Housing and Planning Advice Unit (NHPAU) and undertaken by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University. This study explored a range of potential methods for calculating housing market areas for England and applied these methods to the whole country to show the range of housing markets which would be generated. The report also proposed three overlapping tiers of geography for housing markets:

- **Tier 1:** framework housing market areas defined by long distance commuting flows and the long-term spatial framework with which housing markets operate;
- **Tier 2:** local housing market areas defined by migration patterns that determine the limits of short term spatial house price arbitrage;
- **Tier 3:** sub-markets defined in terms of neighbourhoods or house type price premiums.

2.7 The report recognised that migration patterns and commuting flows were the most relevant information sources for identifying the upper tier housing market areas, with house prices only becoming relevant at a more local level and when establishing housing sub-markets. The report also outlined that no one single approach (nor one single data source) will provide a definitive solution to identifying local housing markets; but by using a range of available data, judgements on appropriate geography can be made.

2.8 Advice published in the PAS OAN technical advice note[5] also suggests that the main indicators will be migration and commuting (second edition, paragraph 5.4).

> *"The PPG provides a long list of possible indicators, comprising house prices, migration and search patterns and contextual data including travel-to-work areas, retail and school catchments. In practice, the main indicators used are migration and commuting."*

2.9 The PAS OAN technical advice note also suggests that analysis reported in the CLG report *"Geography of Housing Market Areas"* (CLG, November 2010) should provide a starting point for drawing HMAs (Figure 1). This suggests that the study areas simply form part of the London housing market area. Nevertheless, the PAS OAN technical advice note also notes (second edition, paragraph 5.9):

> *"for some areas, including many close to London, the single-tier silver standard geography looks unconvincing; in that plan-makers should look for guidance to other levels in the NHPAU analysis."*

2.10 Figure 2 illustrates the output for the proposed two-tier geography based on 50% migration containment within 77.5% commuting containment. This analysis also suggests that the study area sits within the London HMA, although the boundary for this area is fundamentally different to the London HMA shown on the "starting point" map. Four separate sub-areas are also identified based on migration patterns, each covering parts of the study area. However, on balance, these sub-areas also look *"unconvincing"*.

2.11 It is important to note that the analysis of migration and commuting for the "starting point" CLG study was based on data from the 2001 Census. Given this context, the PAS OAN technical advice note recognises that "*more recent data should always 'trump' this geography*" (first edition, paragraph 4.9). Due to the complexities of the geographies in this area, a more fundamental analysis of the data is needed.

[4] Geography of Housing Market Areas (CLG, November 2010); paragraph 1.6
[5] http://www.pas.gov.uk/documents/332612/6549918/OANupdatedadvicenote/f1bfb748-11fc-4d93-834c-a32c0d2c984d

Figure 1: NHPAU Study - PAS OAN technical advice note "Starting Point"

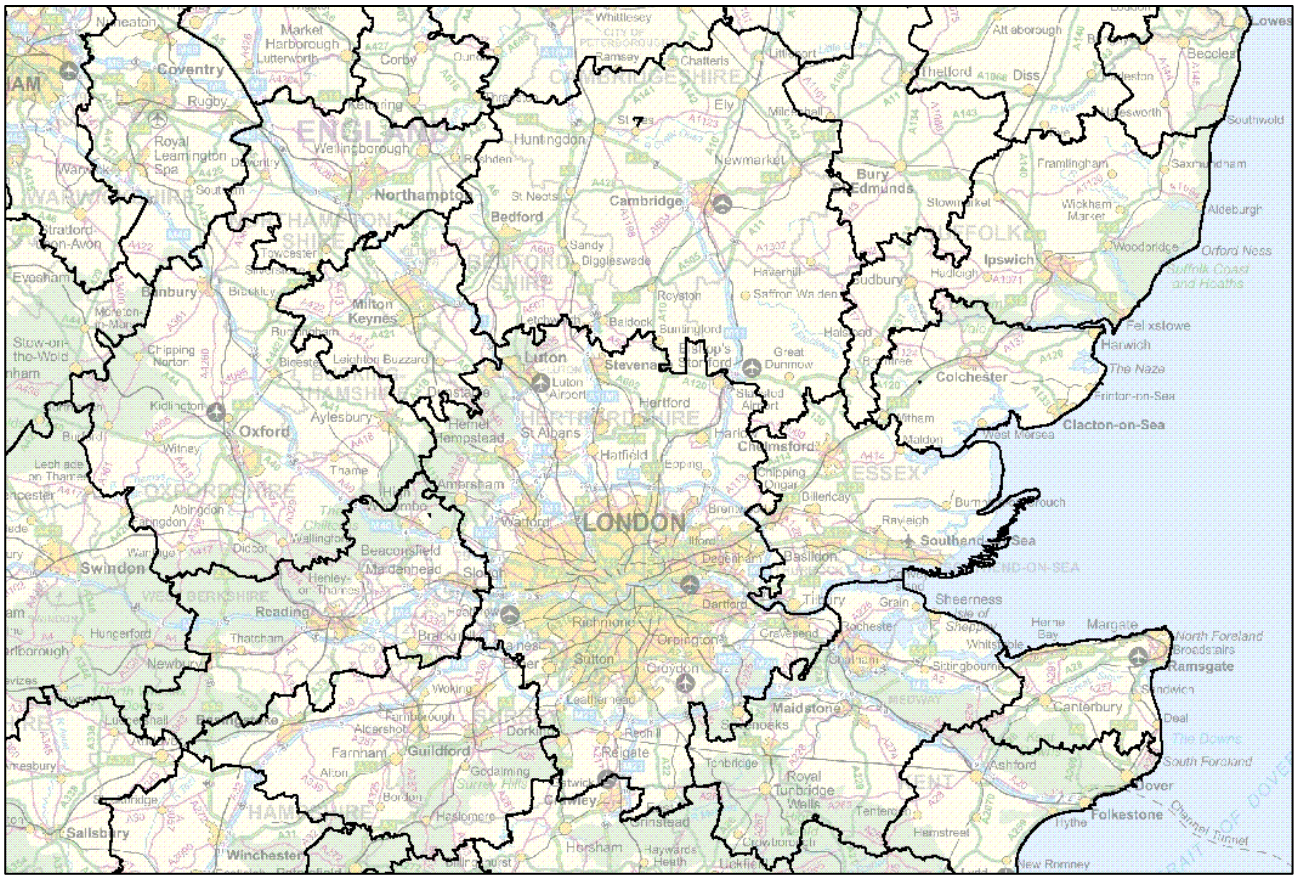
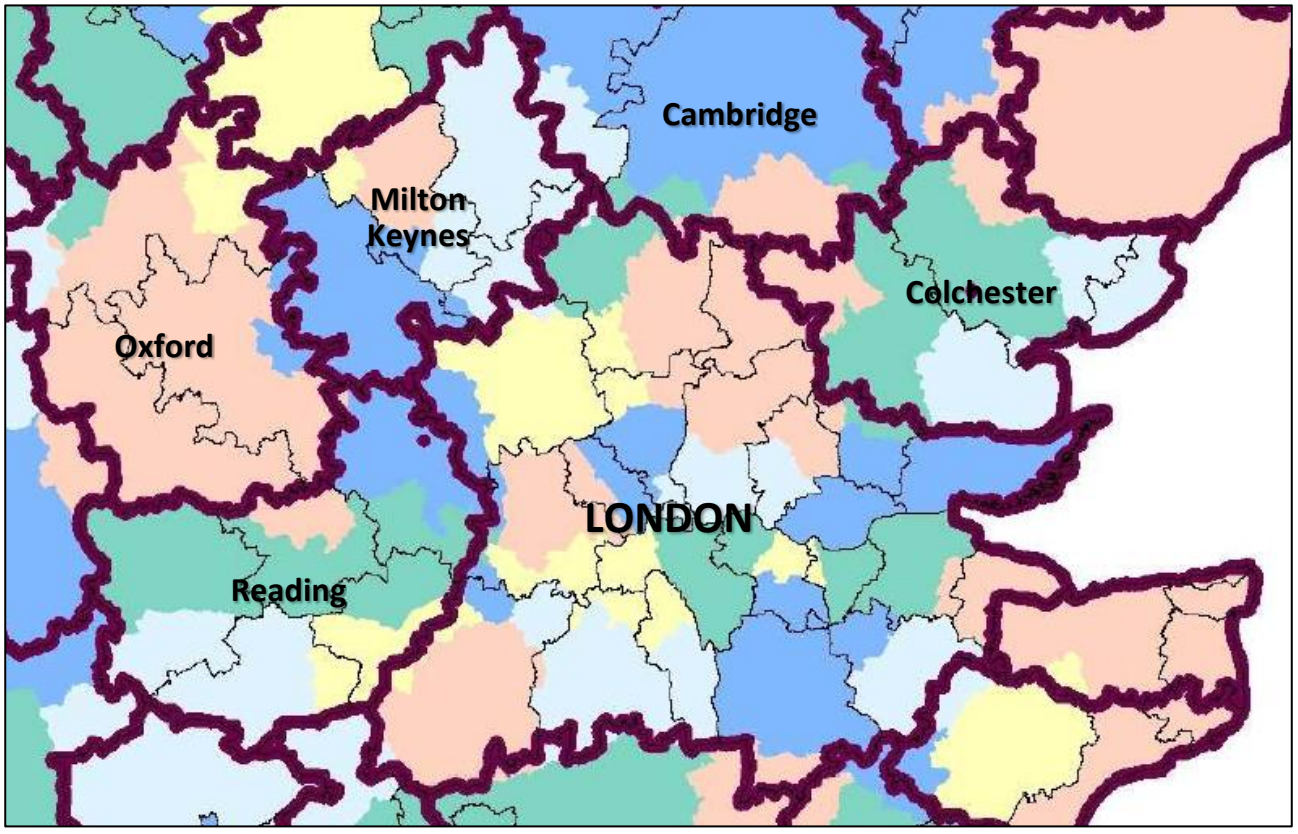


Figure 2: NHPAU Study - Lower tier based on migration (50%) within commuting-based upper tier (77.5%)



Identifying Travel to Work Areas

2.12 Housing market areas reflect *"the key functional linkages between places where people live and work"* (PPG March 2014, ID 2a-010) and therefore it is important to consider travel to work patterns within the identified area alongside the migration patterns. PPG states:

> *Travel to work areas can provide information about commuting flows and the spatial structure of the labour market, which will influence household price and location. They can also provide information about the areas within which people move without changing other aspects of their lives (e.g. work or service use).*
>
> **Planning Practice Guidance (March 2014), ID 2a-011**

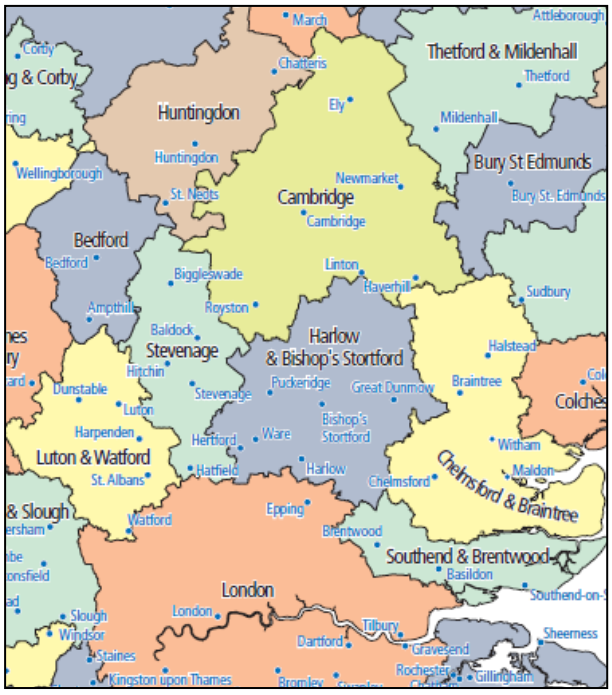
2.13 One of the PPG suggested data sources is the Office for National Statistics travel to work areas (TTWAs). Figure 3 shows the ONS TTWAs based on the origin-destination data from the 2001 Census (published in 2007) and TTWAs based on commuting flow data from the 2011 Census (published in 2015).

2.14 The TTWAs based on 2001 Census data identified a Travel to Work Area for Harlow & Bishop Stortford; with Cambridge to the North, Chelmsford & Braintree to the East, Stevenage to the West and London to the South.

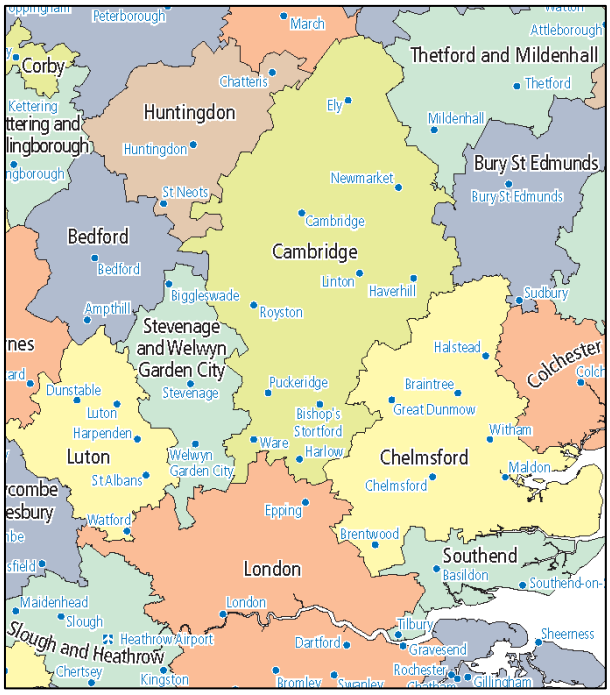
2.15 Based on 2011 Census data, the former Harlow & Bishop Stortford TTWA did not have sufficient self-containment (in terms of the proportion of workers that both lived and worked in the area) mainly due to the number commuting to London. Nevertheless, despite the strong commuting relationship with London, the ONS analysis has reassigned most of this TTWA to the Cambridge TTWA. Once again, given the complexities of the geographies in this area, a more fundamental analysis of the data is needed.

Figure 3: ONS Travel To Work Areas (Source: ONS 2007; ONS 2015)

ONS TTWAs based on 2001 Census data



ONS TTWAs based on 2011 Census data



Commuting Flow Analysis Based on 2011 Census Data

2.16 The ONS has published detailed commuting flow data from the 2011 Census. This data enables us to further understand the relationships that exist between where people live and work, which is a key element of the housing market area definition. When defining housing market areas, it is important that functional housing markets are not constrained to local authority boundaries. Further, there is a need to use evidence to build up the housing market area from a lower level of geography; essentially, to use smaller geographic areas as the basic "building block".

2.17 In considering HMAs for West Essex and East Hertfordshire, our initial analysis is based on commuting patterns across the geographic area from Corby in the north to Staines the south, and from Oxford in the west to Ipswich in the east. This approach ensures that functional relationships are properly identified without unduly focussing on the local planning authorities within the study area. Nevertheless, the analysis only seeks to identify the full extent of those HMAs situated entirely within this area; neighbouring areas will only be identified as far as is necessary to establish the most appropriate boundary between them and the HMAs being identified within the study area.

2.18 Given that our analysis initially focuses on commuting flows, the areas established will be travel to work areas rather than HMAs. Nevertheless, as previously outlined, the *"key functional linkages between places where people live and work"* is a critical part of the PPG definition of housing market areas and therefore travel to work areas will form an important part of the evidence needed for establishing the most appropriate functional HMAs.

Analysis Method and Framework

2.19 The key steps in the initial analysis are:

- **Step 1:** Each Middle Layer Super Output Area (MSOA) within the geographic area was identified where all of the constituent Census Output Areas have been classified as being "urban" under the 2011 Rural Urban Classification[6]. The 2011 Rural Urban Classification is used to distinguish between rural and urban areas; an area is classified as rural if it falls outside of a settlement with more than 10,000 residents.
- **Step 2:** We grouped together any contiguous urban MSOAs and each formed a single seed point, except for the contiguous urban area for London (Figure 4). Note that the London urban area is excluded from step 2 as this would create a single seed point covering the whole of London at the outset of the analysis process. Whilst London will clearly be an important housing market, this cannot be based simply on it being a contiguous urban area. London MSOAs are introduced into the process from step 3 onwards.
- **Step 3:** MSOAs within the geographic area (including those in the London contiguous urban area) were identified where the commuting ratio that was less than 1.0; i.e. those MSOAs where the workplace population is larger than the resident population (Figure 5).
- **Step 4:** These MSOAs with concentrations of employment are associated with the existing seed point with which they have the strongest relationship. Where these MSOAs are not contiguous with an urban area (including all MSOAs in Greater London) and have only weak relationships with the existing seed points, employment MSOAs form a new independent seed point (Figure 6).

[6] Department for Environment, Food and Rural Affairs, Rural Urban Classification ; www.gov.uk, 2014; paragraph 3.3

Figure 4: Urban Areas based on DEFRA Classification

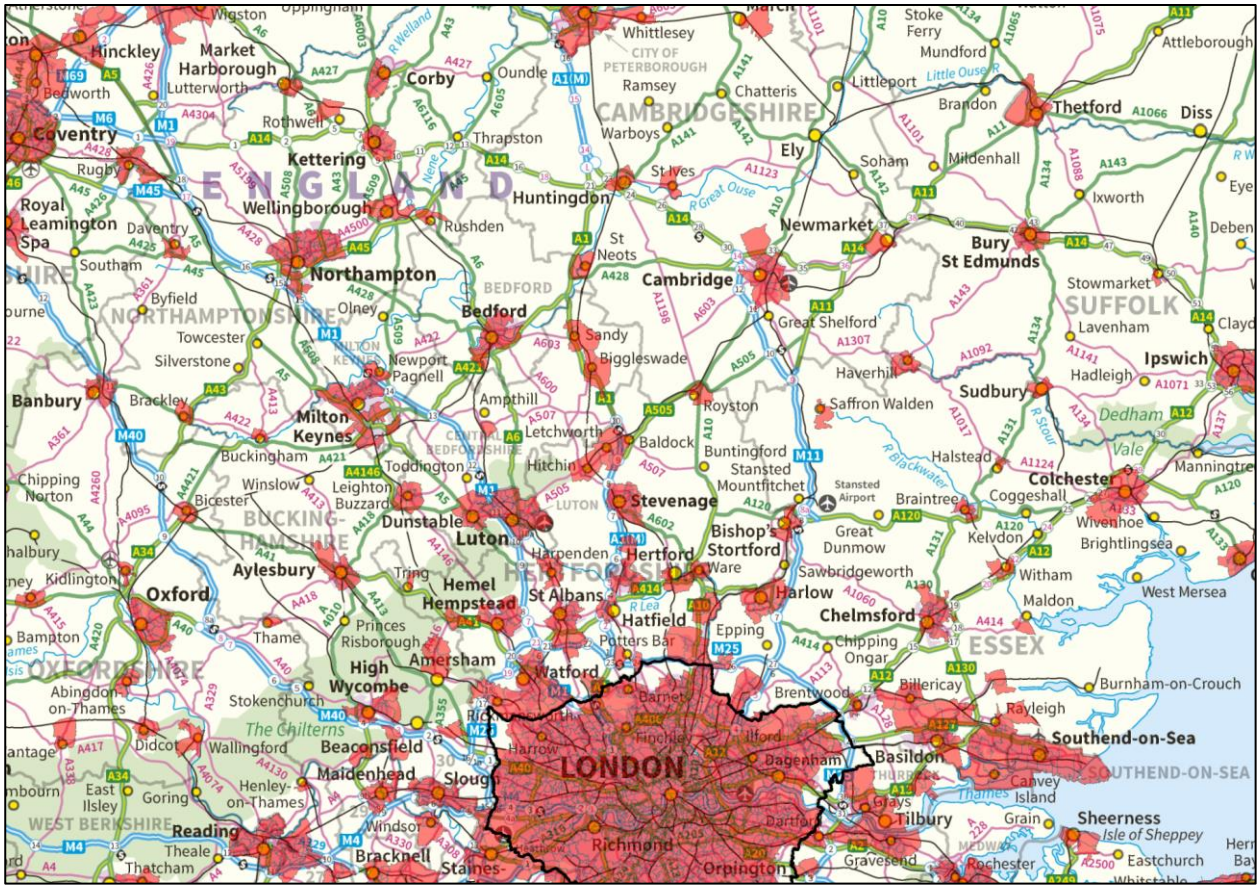


Figure 5: Areas with Commuting Ratio less than 1.0

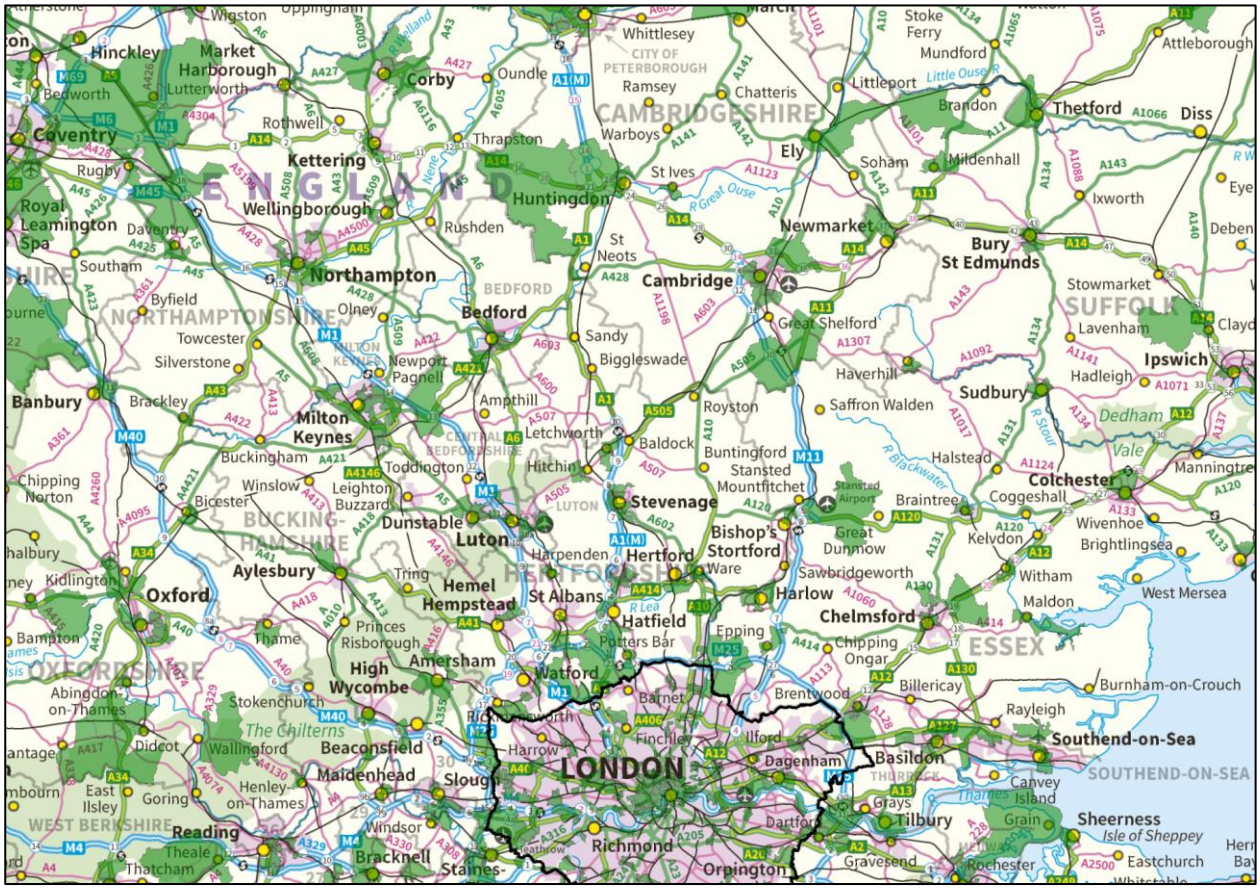


Figure 6: Urban Areas outside London and Employment Areas

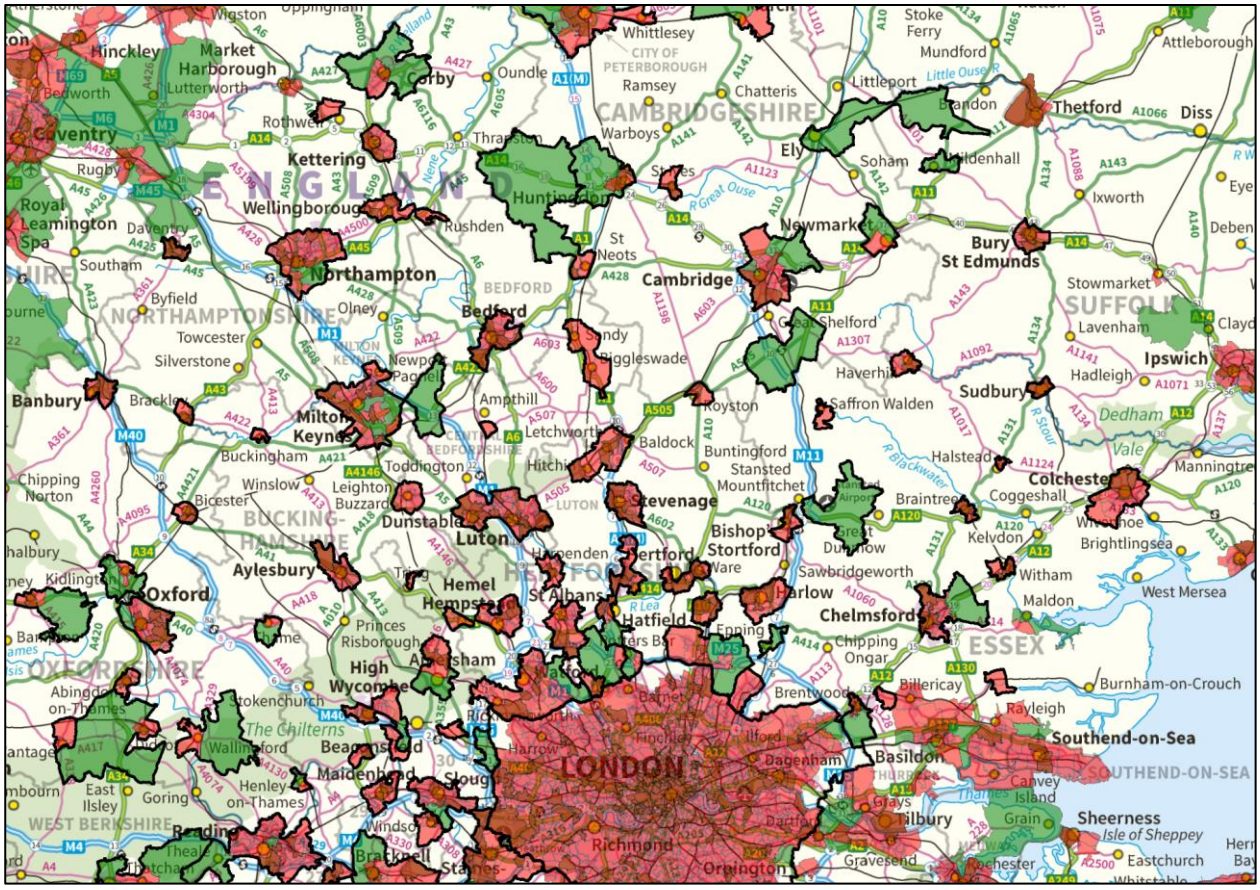
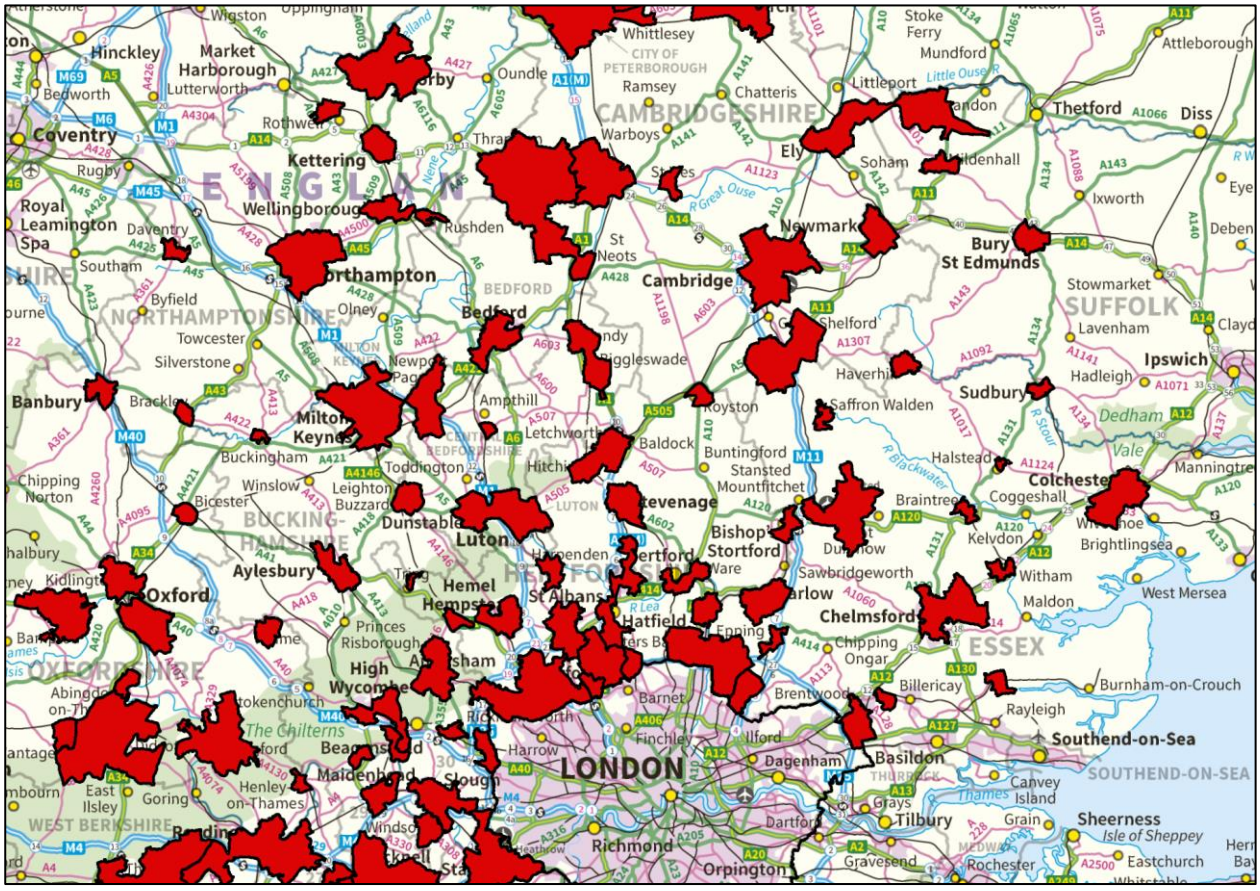


Figure 7: 'Seeds' for Housing Market Areas



2.20 Figure 7 shows the final seeds that were then used for the subsequent stages of the analysis process:

- **Step 5:** For every MSOA in the geographic area, we associate it with the seed point (or seed point cluster) that has the largest number of workers resident in that MSOA.
- **Step 6:** Based on the MSOAs associated with each seed point (or seed point cluster) at Step 5, we calculate the proportion of the resident population that work in the area and the proportion of the workplace population that live in the area to establish a self-containment ratio.
- **Step 7:** If all seed points (or seed point clusters) had an acceptable self-containment ratio, the process stops; otherwise for the seed point with the lowest self-containment ratio, the seed point with which it has the strongest relationship (based on the commuting flows and distance between the two seed points) is identified and the two seed points are clustered together. Where the seed point with the lowest self-containment ratio is already formed of a cluster of seed points, the cluster is separated and the strongest relationship identified for each of the original seed points before new clusters are formed.

2.21 The process from Step 5 to Step 7 was then repeated to achieve increasing levels of self-containment across all seed points (or seed point clusters).

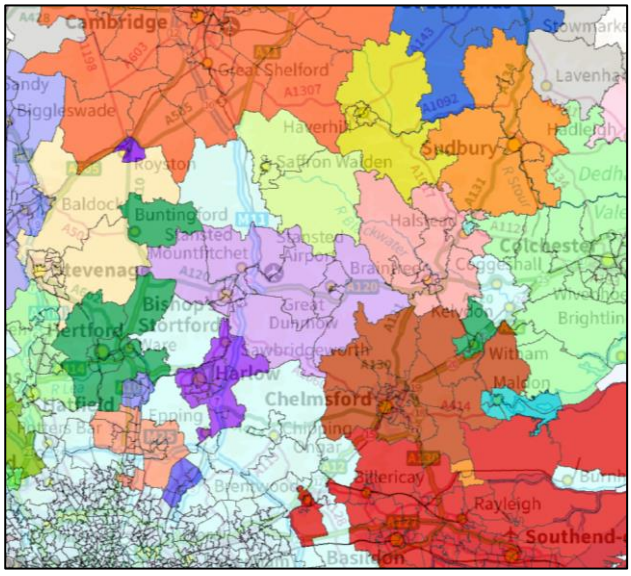
2.22 The final distribution of areas depends on the level at which the self-containment ratio is considered to be acceptable. The higher that the self-containment ratio is required to be, the larger (and more strategic) the identified areas will become – as smaller areas will tend to have lower levels of self-containment. The ONS have a **75% target for Travel to Work areas**, but it is worth noting that **their threshold is 66.7%** (for areas that have a working population in excess of 25,000 workers) and this provides a useful framework.

Analysis Outcomes based on 2011 Census Data

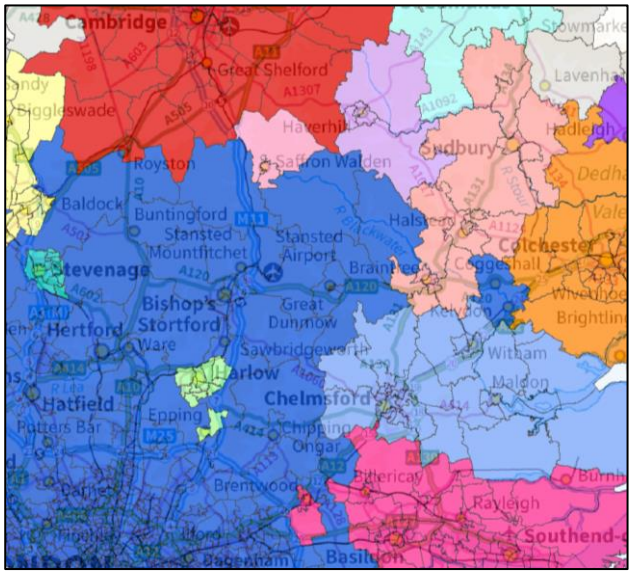
2.23 Figure 8 shows the outcome of this process at 40% and 50% self-containment. At the initial level of 40% self-containment, there are a large number of distinct areas visible; but at 50% self-containment, the number of distinct areas is substantially reduced as it starts to become apparent that the strongest link for many of the seeds (or seed point clusters) is to London.

Figure 8: Initial model outputs at 40% and 50% containment thresholds

40% Containment



50% Containment



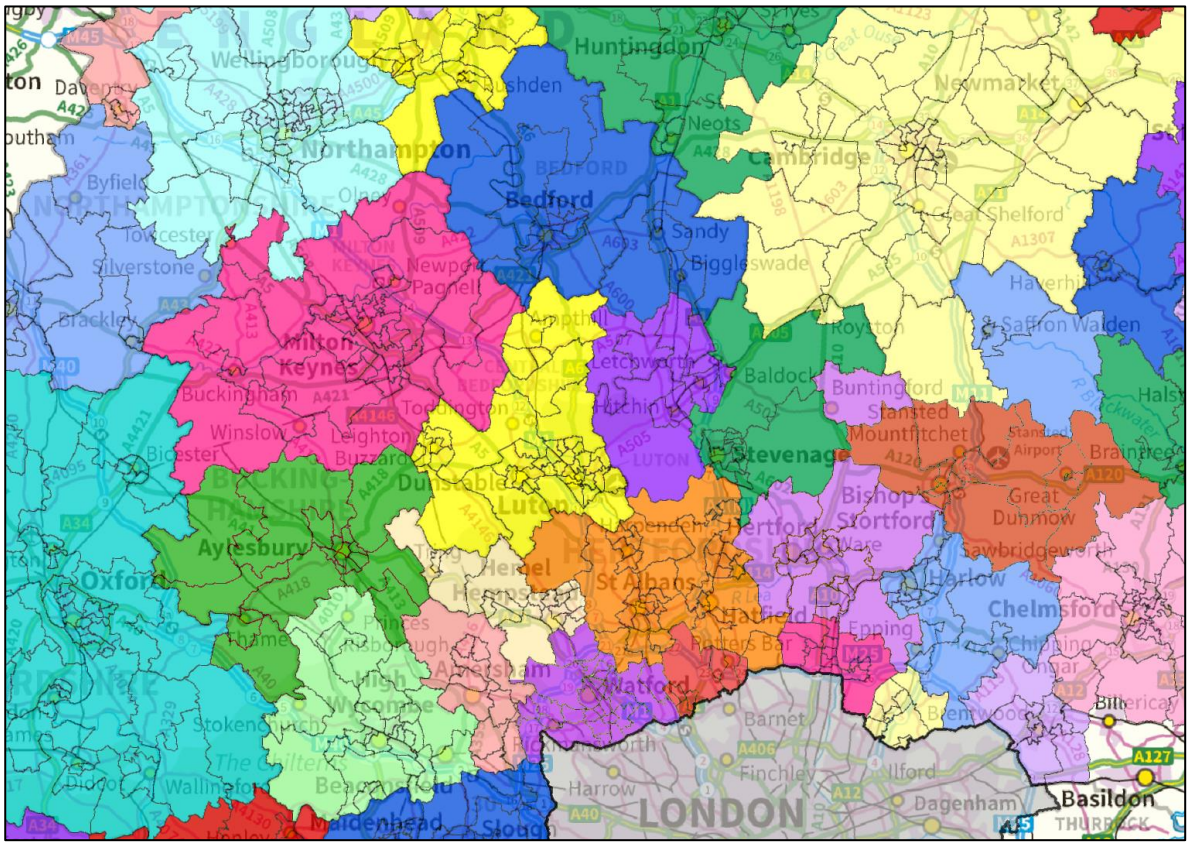
Further Modelling restricting the growth of Greater London

2.24 The importance of London must be recognised when considering housing markets areas across the wider South East, given the number of workers that commute to London and the number of people that move from London to these areas each year. However, it is also useful to gain an understanding of other housing market areas at a more local level. The PPG recognises that *"it might be the case that housing market areas overlap"*; so whilst acknowledging that London is an important housing market area, it is also possible that London overlaps with other housing market areas.

2.25 Given this context, the latter part of the analysis (steps 5-7) was repeated; however this time when the seed (or seed cluster point) with the weakest self-containment was joined to the seed to which it had the strongest links, seed point within the Greater London region were excluded from the process. In other words, London could not "grow".

2.26 At 60% self-containment (Figure 9), various local travel to work areas are starting to emerge – including Bedford, Bishop's Stortford, Brentwood, Cambridge, Chelmsford, Epping, Harlow, Hertford, Letchworth, Potters Bar, Saffron Walden, St Albans, Stevenage and Watford.

Figure 9: Model outputs with restricted growth of Greater London at 60% containment threshold



2.27 At 70% self-containment (Figure 10), a number of realignments have occurred where some of the smaller seeds have merged with other seeds to which they have the strongest link. Notably, Letchworth has now merged with Stevenage, the Epping and Stansted areas have merged with Harlow, and Potters Bar has joined with of St Albans and Hatfield.

2.28 At 72% self-containment (Figure 11), the smaller seeds have all merged with larger areas, and it is evident that some of these larger areas have merged too. For example, Aylesbury has merged with High Wycombe; Hemel Hempstead, Watford and St Albans have combined together; and Hertford has joined with Harlow.

Figure 10: Model outputs with restricted growth of Greater London at 70% containment threshold

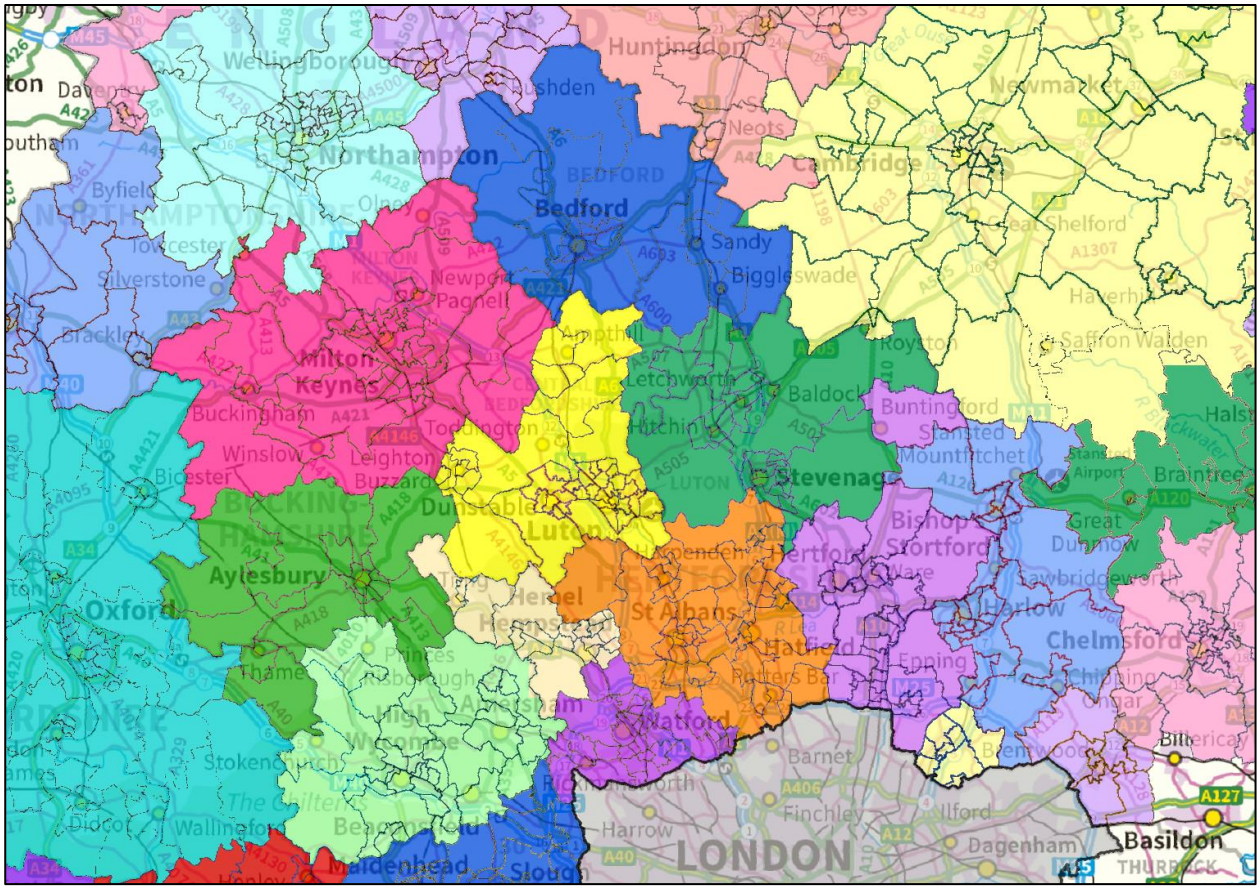
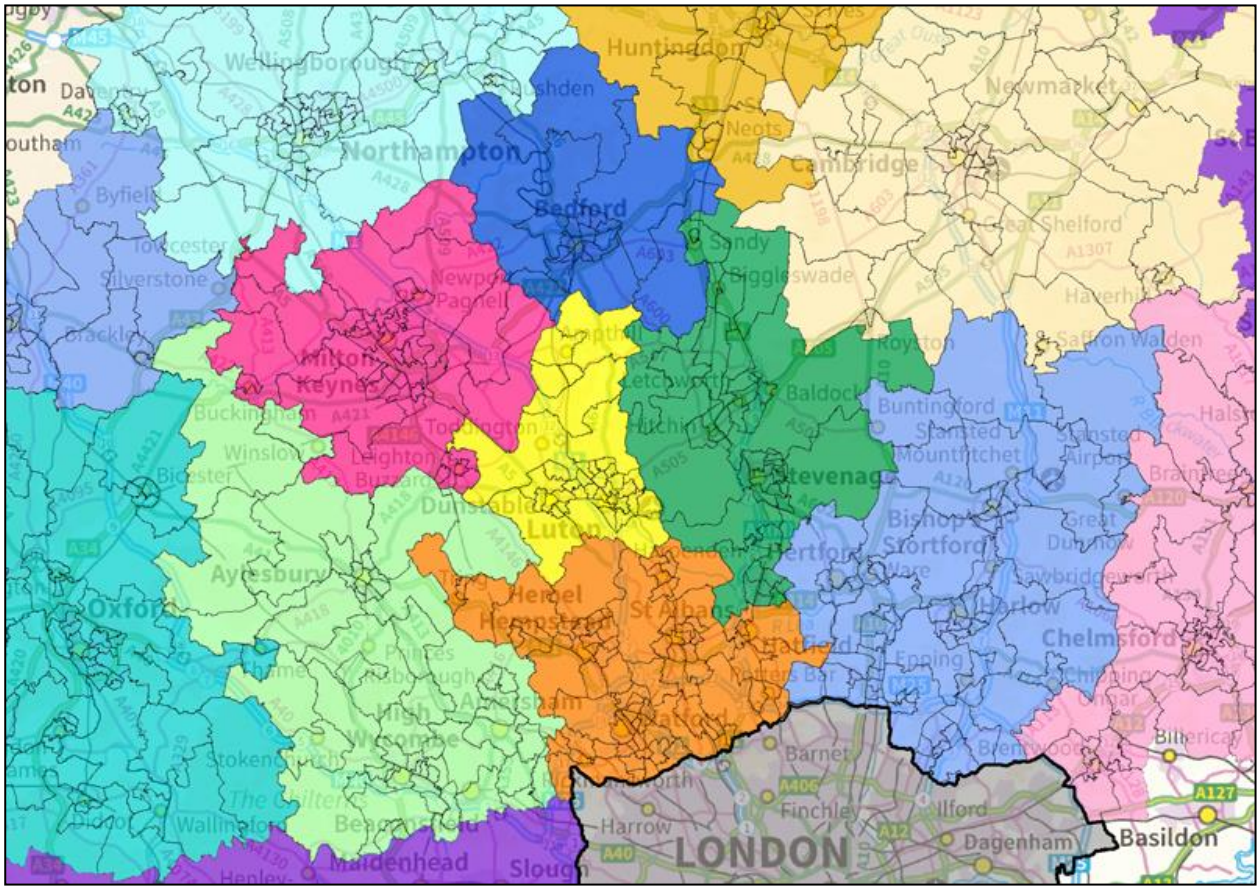


Figure 11: Model outputs with restricted growth of Greater London at 72% containment threshold



Further Modelling based on Finer Grain Geographies

2.29 The analysis to define the commuting zone clusters was developed using the MSOA statistical geography. Whilst these areas are smaller than local authority areas, they each cover a relatively large population: a minimum of 2,000 households and an average of 3,000 households in each MSOA. Therefore, some MSOAs cover relatively large geographic areas, in particular those outside urban centres. This means that the boundaries that have been identified for the commuting zones are likely to be relatively imprecise, especially in areas that are currently less populated.

2.30 To refine the identified boundaries, the modelling was re-run using Census Output Areas (COA): the smallest statistical geographies available, covering a minimum of 40 households with a target of 125 households in each COA. In considering this finer grained geography, the modelling is revised using COA based on the final seed clusters (excluding those smaller settlements that had been "unseeded").

2.31 The following maps show the strongest relationship for each COA. Figure 12 shows the areas where an absolute majority of workers (that is over 50%) travel to or from the COA to the identified area. At 50% absolute self-containment, the "core" of each travel to work area can be identified.

2.32 Figure 13 shows the outcome of the same analysis based on a simple majority of workers (that is the largest number) excluding the flows to Greater London, whereas Figure 14 also shows those COAs where the greatest flow is to Greater London. There are clearly some parts of Epping Forest and Uttlesford where the largest flows are to Greater London.

Figure 12: COAs with absolute majorities (over 50%) of workers travelling to and from the area

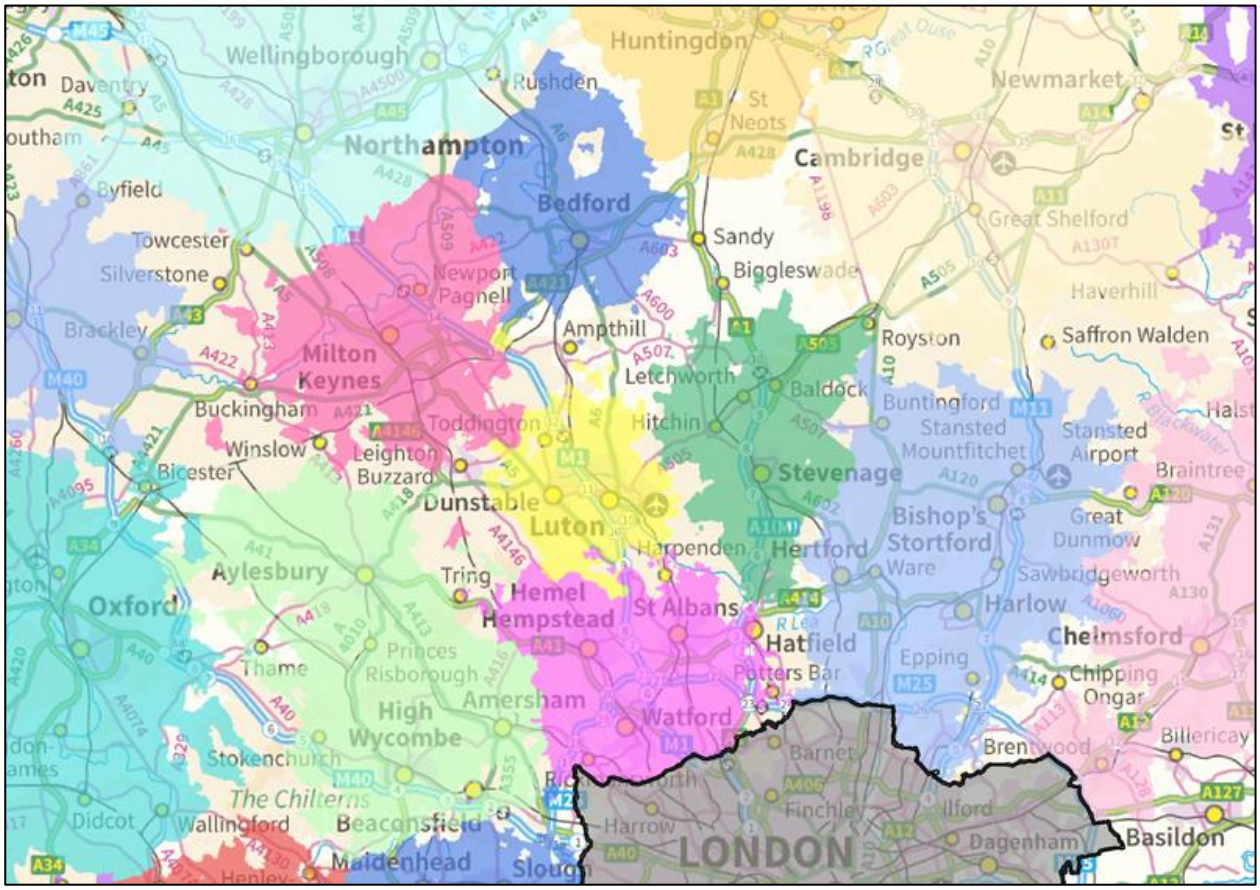


Figure 13: COAs based on simple majorities of workers travelling to or from the area

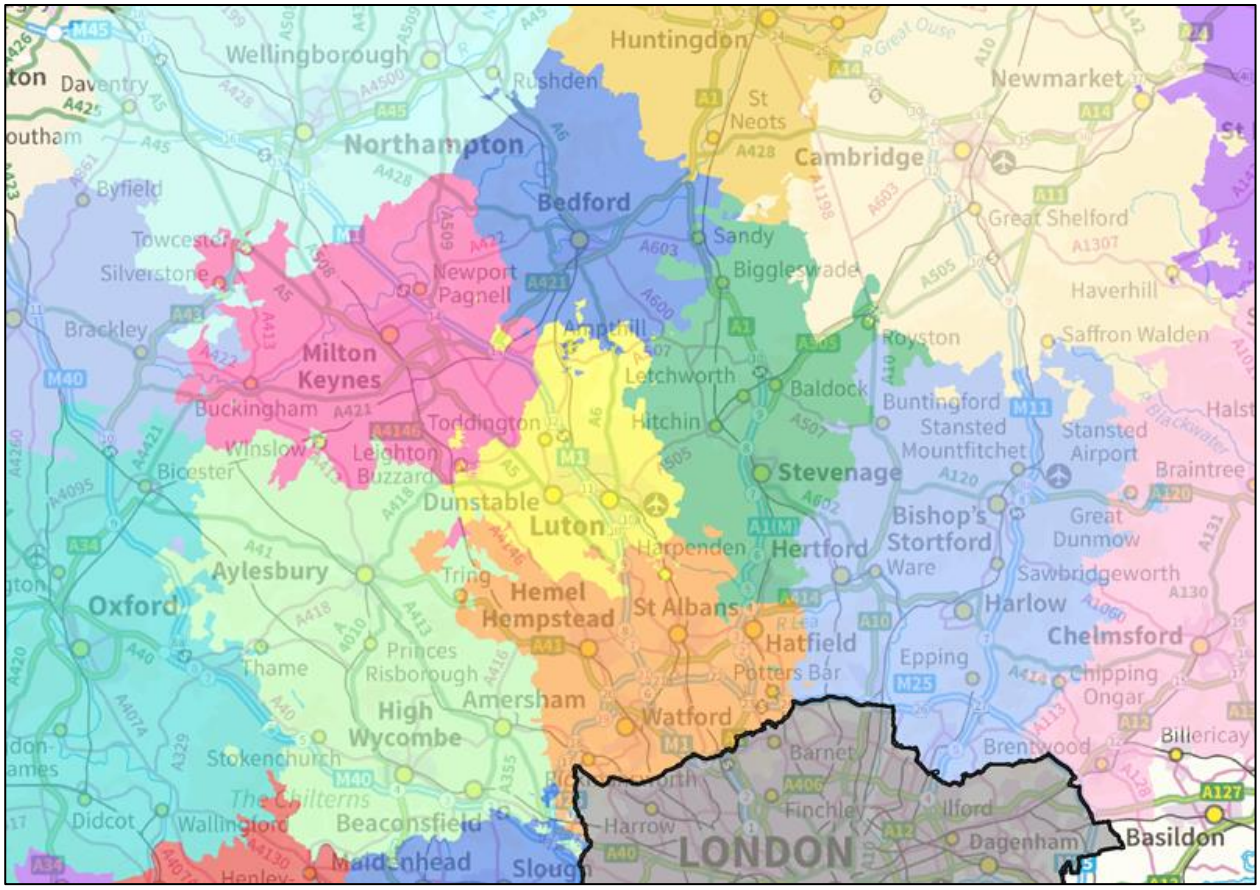
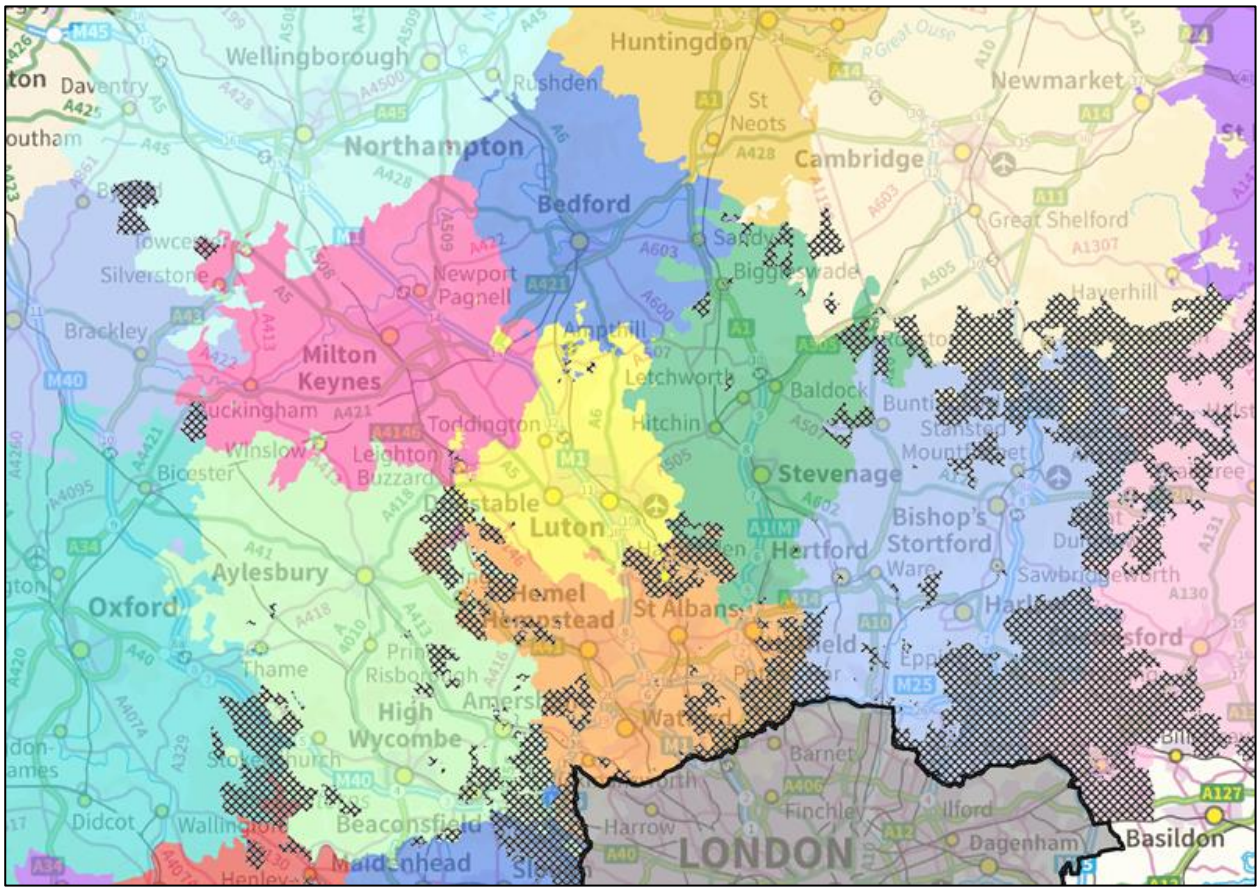


Figure 14: COAs based on simple majorities of workers travelling to or from the area, including Greater London (hatched)



2.33 Greater London is evidently important when considering HMAs in this wider area. The modelling analysis has clearly shown that the commuting "pull" from Central London is often stronger than from more local employment centres, and it would be possible to define a Greater London travel to work area that included many areas outside the region boundary.

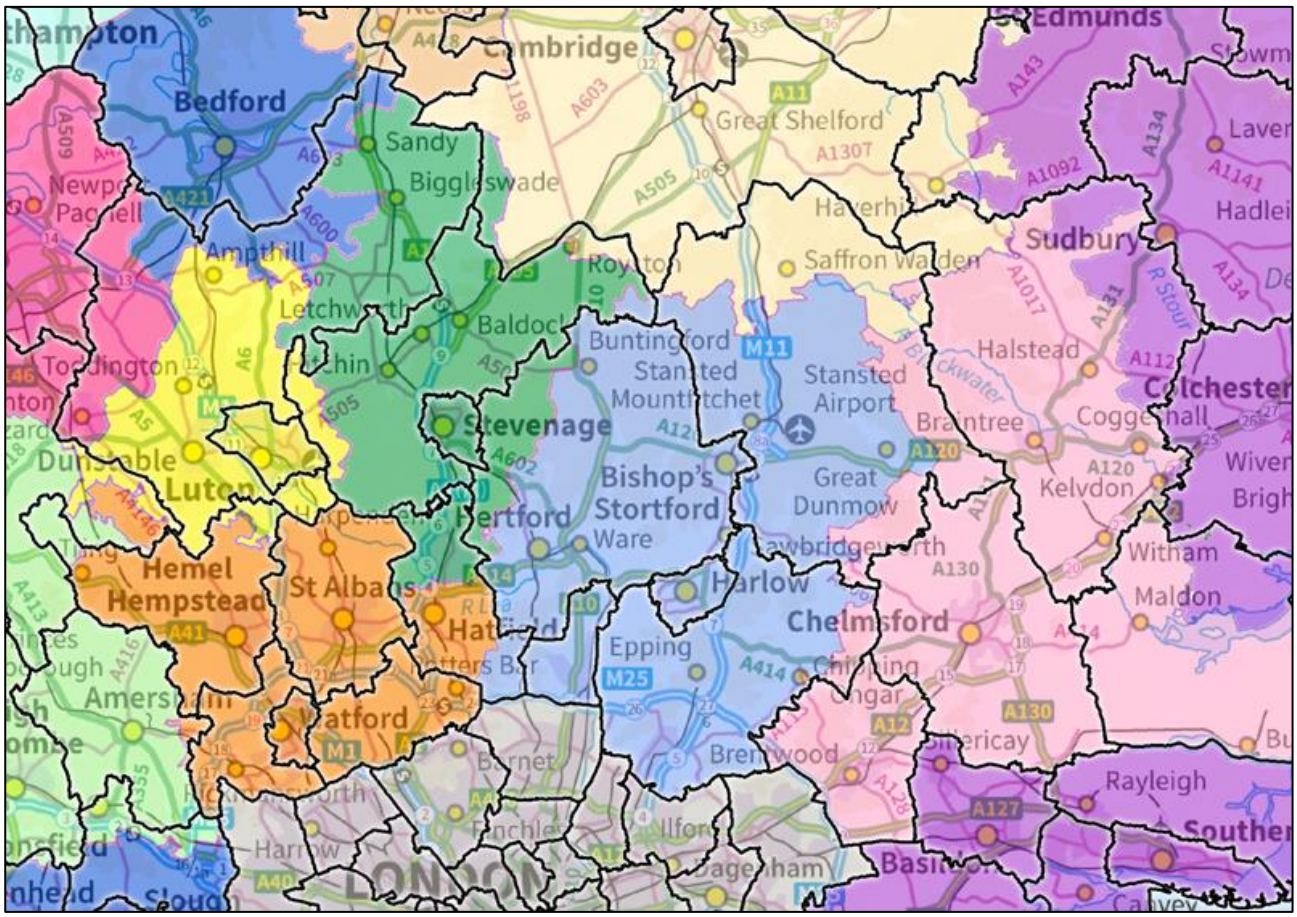
2.34 Whilst the functional relationships with London are important, the Mayor of London and the Greater London Authority are responsible for the London Plan and this is based on the administrative boundary for the region. Therefore, on balance, it is pragmatic and appropriate to define Greater London using the administrative boundary and then separately consider the commuting flows outside the region.

2.35 On this basis, our proposed commuting zones are based on the final iteration of the modelling analysis that excluded Greater London.

Proposed Commuting Zones

2.36 Figure 15 shows the proposed commuting zones together with the local authority administrative boundaries. While this study has clearly defined the boundaries for these commuting zones inside the study area, the boundaries outside of this area should be treated with caution given the geographic area that was included within the modelling analysis. This would not affect the boundaries or distribution within the area which is the focus of the study.

Figure 15: Proposed Commuting Zones showing Local Authority administrative boundaries



2.37 Figure 16 sets out the key statistics for these final commuting zones, presented in descending order of containment score. The table also shows the overall commuting flows (including flows to and from Greater London) and highlights those that reach the ONS target of 75% and the ONS threshold of 66.7% in green

(dark green and light green respectively), with the remaining flows (that fail to reach the ONS threshold of 66.7%) highlighted in red.

2.38 In terms of workplace population, the data shows that the commuting zone centred on Harlow has 72.9% of workers resident inside the HMA. The proportions for the resident population are lower due to the impact of a high number of people living in the area working in London, but if those residents who travel to work in London are excluded then 84.7% of residents in the HMA work inside of the area.

Figure 16: Statistics for Proposed Commuting Zones (Source: 2011 Census; Note: Dark green cells meet the ONS TTWA target of 75%; light green cells meet the ONS TTWA threshold of 66.7%, red cells do not meet the ONS TTWA threshold)

	Living and Working in area	Workplace Population		Resident Population				Containment Score	
				All workers		Exc. Central London			
		Total workers	% living in area	Total workers	% working in area	Total workers	% working in area	Overall	Exc. Central London
Cambridge	195,200	242,000	80.6%	235,300	83.0%	226,700	86.1%	81.8%	83.3%
Harlow	154,600	212,100	72.9%	245,200	63.0%	182,500	84.7%	67.6%	78.4%
Chelmsford	147,800	194,100	76.2%	223,900	66.0%	187,000	79.0%	70.7%	77.6%
Stevenage	111,900	153,400	72.9%	172,700	64.8%	154,100	72.6%	68.6%	72.8%

2.39 Figure 17 details the distribution of the resident population for these commuting zones by local authority area. It is evident that the Harlow commuting zones covers the entire population of Broxbourne and Harlow local authority areas, and the substantial majority of the population of Epping Forest (99.5%) and East Hertfordshire (93.9%).

2.40 The Uttlesford population is split between the Harlow, Cambridge and Chelmsford commuting zones; however more than half of the residents are in the Harlow commuting zone (58.9%) which is almost double the number in the Cambridge zone (32.9%) which has the next largest share. The Welwyn Hatfield population is also split between three commuting zones: Harlow, Stevenage and Watford. The largest proportion of residents live in the Stevenage zone (52.1%) however the proportion living in Watford is also substantial (42.9%) with only a small percentage in the Harlow commuting zone (5.1%).

Figure 17: Proposed Commuting Zones Resident Population by Local Authority Area (Source: 2011 Census. Note: Population rounded to nearest 100. Figures may not sum due to rounding)

Local Authority Area	Proposed Commuting Zone									
	Cambridge		Harlow		Chelmsford		Stevenage		Watford	
	N	%	N	%	N	%	N	%	N	%
Broxbourne	-	-	93,600	100.0%	-	-	-	-	-	-
East Hertfordshire	-	-	129,300	93.9%	-	-	8,400	6.1%	-	-
Epping Forest	-	-	124,000	99.5%	600	0.5%	-	-	-	-
Harlow	-	-	81,900	100.0%	-	-	-	-	-	-
Uttlesford	26,100	32.9%	46,800	58.9%	6,600	8.3%	-	-	-	-
Welwyn Hatfield	-	-	5,600	5.1%	-	-	57,600	52.1%	47,400	42.9%
Elsewhere	355,700	-	-	-	346,800	-	283,600	-	562,000	-
TOTAL	**381,800**	**-**	**481,200**	**-**	**354,000**	**-**	**349,500**	**-**	**609,400**	**-**

Migration

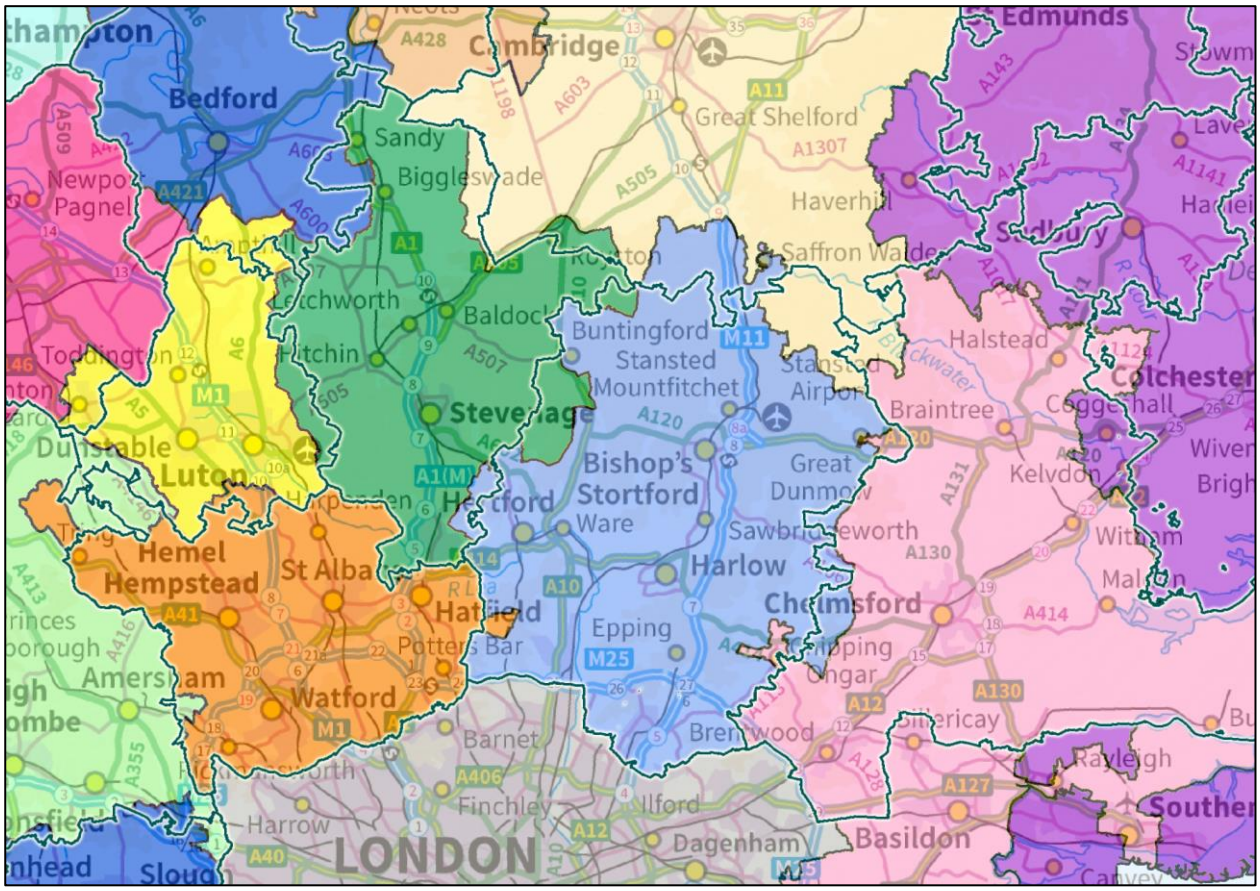
2.41 Whilst commuting flow data helps identify *"the key functional linkages between places where people live and work"*, PPG also suggests that migration patterns should be considered when defining functional housing market areas:

> *Migration flows and housing search patterns reflect preferences and the trade-offs made when choosing housing with different characteristics. Analysis of migration flow patterns can help to identify these relationships and the extent to which people move house within an area. The findings can identify the areas within which a relatively high proportion of household moves (typically 70 per cent) are contained. This excludes long distance moves (eg those due to a change of lifestyle or retirement), reflecting the fact that most people move relatively short distances due to connections to families, friends, jobs, and schools.*
>
> **Planning Practice Guidance (March 2014), ID 2a-011**

2.42 Analysis of Census migration flow data shows the strongest relationships in terms of migration flows mirror exactly the strongest relationships in terms of commuting flow data.

2.43 Figure 18 shows the strongest relationships in terms of migration flows between each MSOA and the identified seed clusters. It is evident that the migration patterns largely reflect the travel to work patterns previously illustrated by the commuting zone analysis, although there are some notable differences. In particular, the Harlow migration zone extends into the south of the Cambridge commuting zone and includes Saffron Walden.

Figure 18: MSOAs with the strongest migration links to the final seed clusters, showing commuting zone boundaries



2.44 PPG identifies that a *"relatively high proportion of household moves"* will be contained within a housing market area, and suggests that this will be *"typically 70%"* or more; however this *"excludes long-distance moves"* (ID 2a-011).

2.45 As the PAS OAN technical advice note confirms, *"what counts as a long-distance move is a matter of judgment"* (second edition, paragraph 5.16). Data from the English Housing Survey 2013-14 household report[7] (figure 6.4) shows that over 7 in every 8 moves in the UK involved distances of less than 50 miles, with almost 5 in every 6 involving distances of less than 20 miles. It would therefore seem appropriate for long-distance moves to include all moves of at least 50 miles, and for moves of 20 miles or more to also be considered.

2.46 Figure 19 illustrates the relevant catchment areas based on distances of both 50 miles and 20 miles beyond the Harlow migration zone. It is evident that the 20 mile zone covers most of Greater London together with other settlements in the surrounding area such as Basildon, Bedford, Cambridge, Chelmsford, Hemel Hempstead, Luton, Stevenage, Southend-on-Sea and Watford. The 50 mile zone covers most of the wider south east.

Figure 19: Catchment area for moves to and from Harlow migration zone, excluding long-distance moves (Note: Inner circle based on moves of up to 20 miles; outer circle based on moves of up to 50 miles)

[7] https://www.gov.uk/government/statistics/english-housing-survey-2013-to-2014-household-report

2.47 The concept of excluding *"long-distance moves"* relates back to the early definition of a functional housing market area that was set out at the start of this chapter. That definition focused on *"those moving house without changing employment"*, and long-distance moves will generally involve a change of job or other change of lifestyle (such as retirement). On balance, it seems unlikely that many people would move more than 20 miles in this part of the country without a change of job; so it would seem reasonable to consider moves of over 20 miles as being *"long-distance"* in the context of this specific area.

2.48 Figure 20 sets out these key statistics for the Harlow migration zone based on the two migration containment ratios set out in the PAS OAN technical advice note (second edition, paragraph 5.15):

> *"Supply side (origin); moves within the area divided by all moves whose origin is in the area, excluding long-distance moves*
>
> *Demand side (destination): moves within the area divided by all moves whose destination is in the area, excluding long-distance moves."*

Figure 20: Statistics for Harlow Migration Zone (Source: 2001 Census)

		Supply side (origin)	Demand side (destination)
Moved within area		25,550	25,550
Moved from elsewhere	Moves of up to 20 miles	6,003	9,451
	Moves of between 20 and 50 miles	4,271	3,342
	Moves of at least 50 miles	6,421	9,297
Total moves		**42,245**	**47,670**
Moves within area as…	% of all moves	60.5%	53.4%
	% of moves up to 50 miles	71.3%	66.6%
	% of moves up to 20 miles	81.0%	73.0%

2.49 On the supply side (i.e. moves originating in the area); it is evident that more than 70% of migrants moving within wider south east England (moves of up to 50 miles) stayed within the identified area.

2.50 On the demand side (i.e. moves whose destination is in the area) the proportions are lower; however around two thirds (66.6%) of those moving within the wider south east (moves of up to 50 miles) and almost three quarters (73.0%) of those moving within a 20 mile catchment (covering most of Greater London and many other surrounding settlements) originated within the identified area.

2.51 Based on the statistics, it is reasonable to conclude that a *"relatively high proportion of household moves"* are contained within the migration zone identified for Harlow, and therefore this functional area meets the requirements of PPG in this regard.

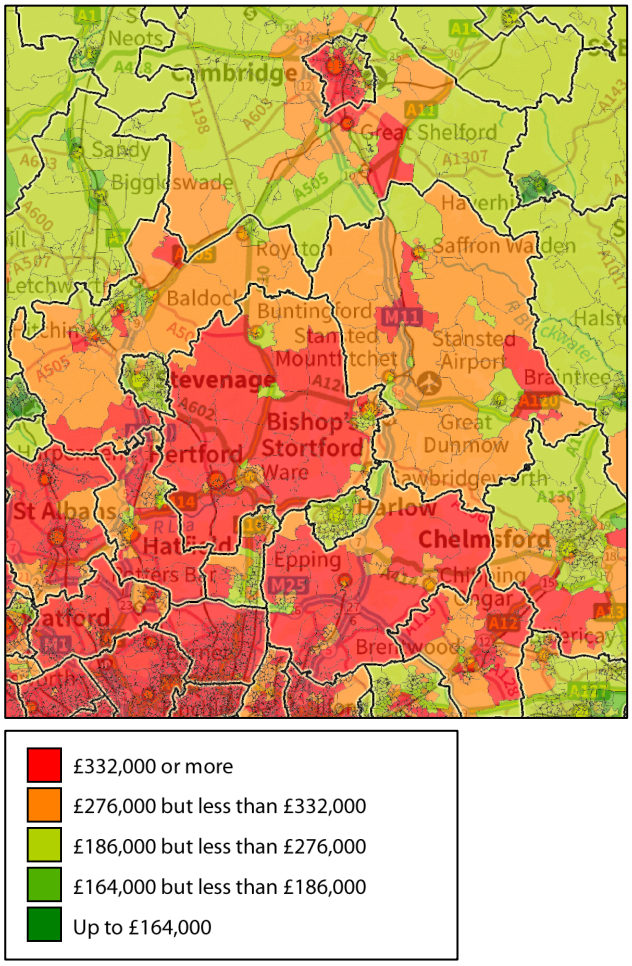
House Prices

2.52 As previously noted, CLG research and the PAS OAN technical advice note have both suggested that house prices are less relevant when defining upper-tier housing market areas but can provide a useful context for identifying housing sub-markets. Figure 21 shows current shows mix-adjusted average house prices relative to the average for the overall area, alongside the relative change in average house prices over the last 10 years.

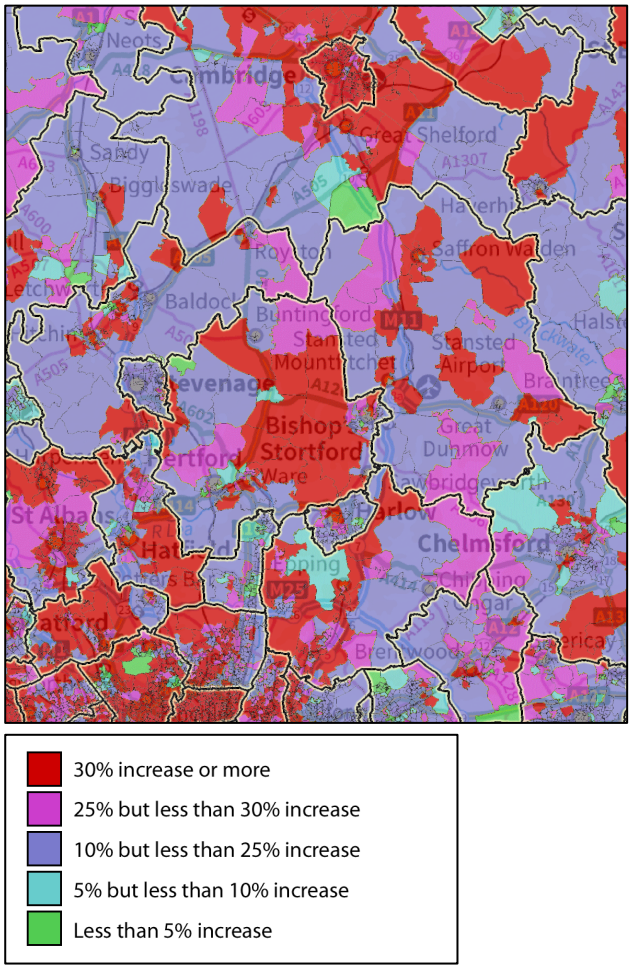
2.53 House prices are generally higher to the south and lower to the north of the area, but there are pockets of higher and lower prices in contrast to this trend.

Figure 21: Mix adjusted average house prices and 10-year change by MSOA (Source: HM Land Registry)

Current average house prices



10-year change in average house prices



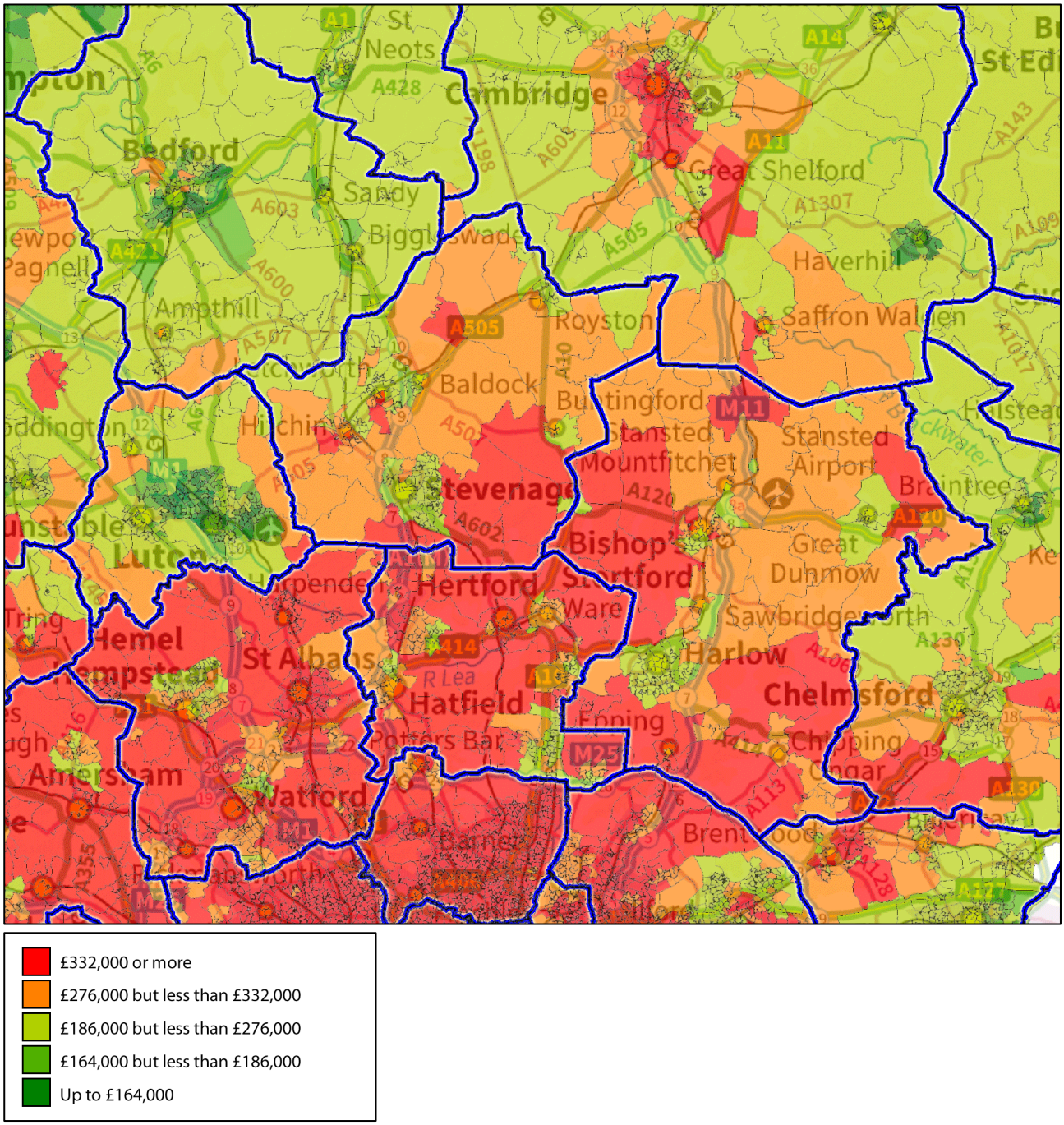
2.54 Neither the geographic spread of areas with higher and lower house prices nor the geographic spread of average house price changes would appear to provide a clear basis on which to define housing market areas. However, when this information is considered within the framework of the Valuation Office Agency (VOA) Broad Rental Market Area (BRMA) boundaries, some patterns do emerge (Figure 22).

2.55 BRMAs are the geographical area used by the Valuation Office Agency (VOA) to determine the Local Housing Allowance (LHA), the allowance paid to Housing Benefit applicants. The BRMA area takes into account local house prices and rents, and is based on where a person could reasonably be expected to live taking into account access to facilities and services.

2.56 Figure 22 clearly shows that mix-adjusted average house prices (and consequently market rents) are highest in and around North London:

- South East Herts BRMA and South West Herts BRMA generally cover areas in the highest price band outside London, in particular those MSOAs covering areas outside the main urban centres;
- There is a greater mix of areas in the top two bands covering Harlow & Stortford BRMA and Stevenage & North Herts BRMA;
- Bedford BRMA and Luton BRMA generally cover areas with lower house prices; and
- The situation in the Cambridge BRMA differs from the BRMAs surrounding London: the highest house prices tend to be in the main urban centre with most other areas in the middle price band.

Figure 22: Mix adjusted average house prices by MSOA with Valuation Office Agency Broad Rental Market Area Boundaries (Source: HM Land Registry)



2.57 The Rent Officer Handbook: Broad Rental Market Areas (Local Reference Rent)[8] identifies that:

> *"**A BRMA (LRR) is an area:** within which a tenant of the dwelling could reasonably be expected to live having regard to facilities and services for the purposes of health, education, recreation, personal banking and shopping, taking account of the distance of travel, by public and private transport, to and from those facilities and services*
>
> *The BRMA (LRR) is subject to two conditions.*
>
> > *Firstly it must contain: residential premises of a variety of types, including such premises held on a variety of tenures.*
> >
> > *Secondly, a BRMA (LRR) must contain sufficient privately rented residential premises, to ensure that, in the rent officer's opinion, the local reference rents for tenancies in the area are representative of the rents that a landlord might reasonably be expected to obtain in that area."*

2.58 The boundaries of a BRMA do not have to match the boundaries of a local authority and BRMAs will often fall across more than one local authority area. Housing Market Areas (HMAs) and Broad Rental Market Areas (BRMAs) therefore both define areas based on housing along with the need to travel for work or to access services.

2.59 Bringing this together, it can be seen that HMAs are defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work; while BRMAs are areas within which a tenant of the dwelling could reasonably be expected to live having regard to facilities and services. Given that BRMAs should include residential premises of a variety of types, including such premises held on a variety of tenures, it is evident that the two definitions will tend to identify similar geographic areas in that they will be large enough to contain sufficient properties to be a market area, but limited in size by the need to travel for work or to access services. Travel, either for work or to access services is a key element of both definitions.

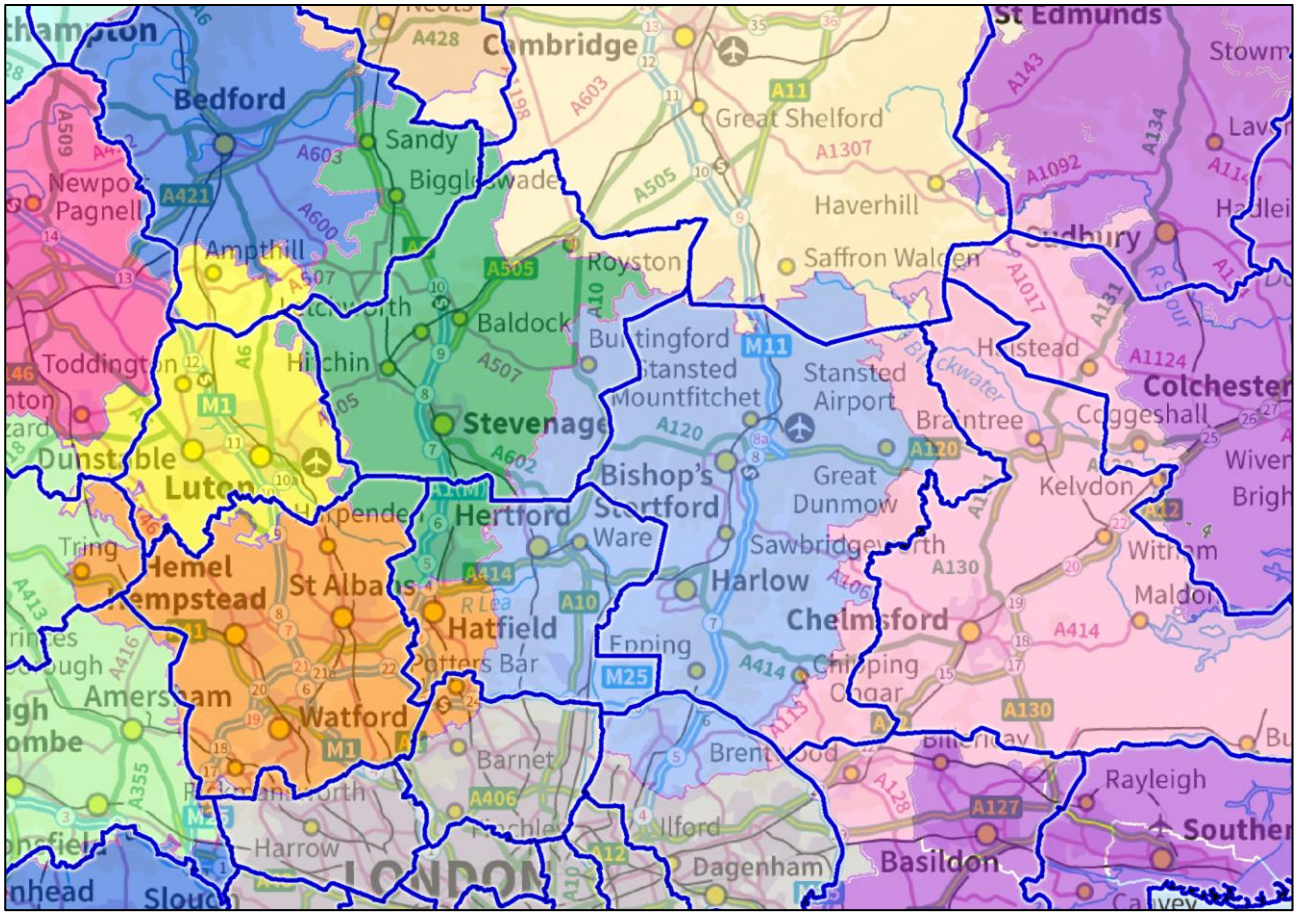
2.60 Both HMAs and BRMAs are based on *functional linkages* between where people live and work or where they live and access services. Places of work and services such as *health, education, recreation, personal banking and shopping* are predominantly based in larger settlements, becoming increasingly less common in smaller settlements and rural areas. Because of this, the definitions of HMAs and BRMAs in any area will tend to be centred around those urban centres, or on collections of settlements in rural areas without a major urban centre.

2.61 On this basis, it is helpful to review the previously identified commuting zones and migration zones (which both showed very similar patterns) with the BRMAs to understand the ways in which they are consistent and where they may differ.

2.62 Figure 23 shows the BRMA boundaries overlaid on the commuting zones previously identified. It is evident that there are many similarities between the two geographies. Whilst the precise boundaries may differ, each of the commuting zones generally corresponds with an equivalent BRMA: Bedford, Cambridge, Chelmsford, Harlow, Luton, Stevenage and Watford were all identified as commuting zones and there is a BRMA equivalent for each. Nevertheless, the South East Herts BRMA (covering Broxbourne, Hatfield, Hertford, and Welwyn Garden City) does not have an equivalent commuting zone

[8] http://manuals.voa.gov.uk/corporate/publications/Manuals/RentOfficerHandbook/HousingBenefitReferral/Determination/b-roh-broad-rental-market-areas-LRR.html

Figure 23: Final commuting zones with VOA Broad Rental Market Area Boundaries



Administrative Boundaries and Housing Market Areas

2.63 The NPPF recognises that housing market areas may cross administrative boundaries, and PPG emphasises that housing market areas reflect functional linkages between places where people live and work. The previous 2007 CLG advice note[9] also established that functional housing market areas should not be constrained by administrative boundaries, nevertheless it suggested the need for a "best fit" approximation to local authority areas for developing evidence and policy (paragraph 9):

> *"The extent of sub-regional functional housing market areas identified will vary and many will in practice cut across local authority administrative boundaries. For these reasons, regions and local authorities will want to consider, for the purposes of developing evidence bases and policy, using a pragmatic approach that groups local authority administrative areas together as an approximation for functional sub-regional housing market areas."*

2.64 This "best fit" approximation has also been suggested by the PAS OAN technical advice note, which suggests (second edition, paragraph 5.9):

> *"boundaries that straddle local authority areas are usually impractical, given that planning policy is mostly made at the local authority level, and many kinds of data are unavailable for smaller areas."*

[9] Identifying sub-regional housing market areas (CLG, March 2007)

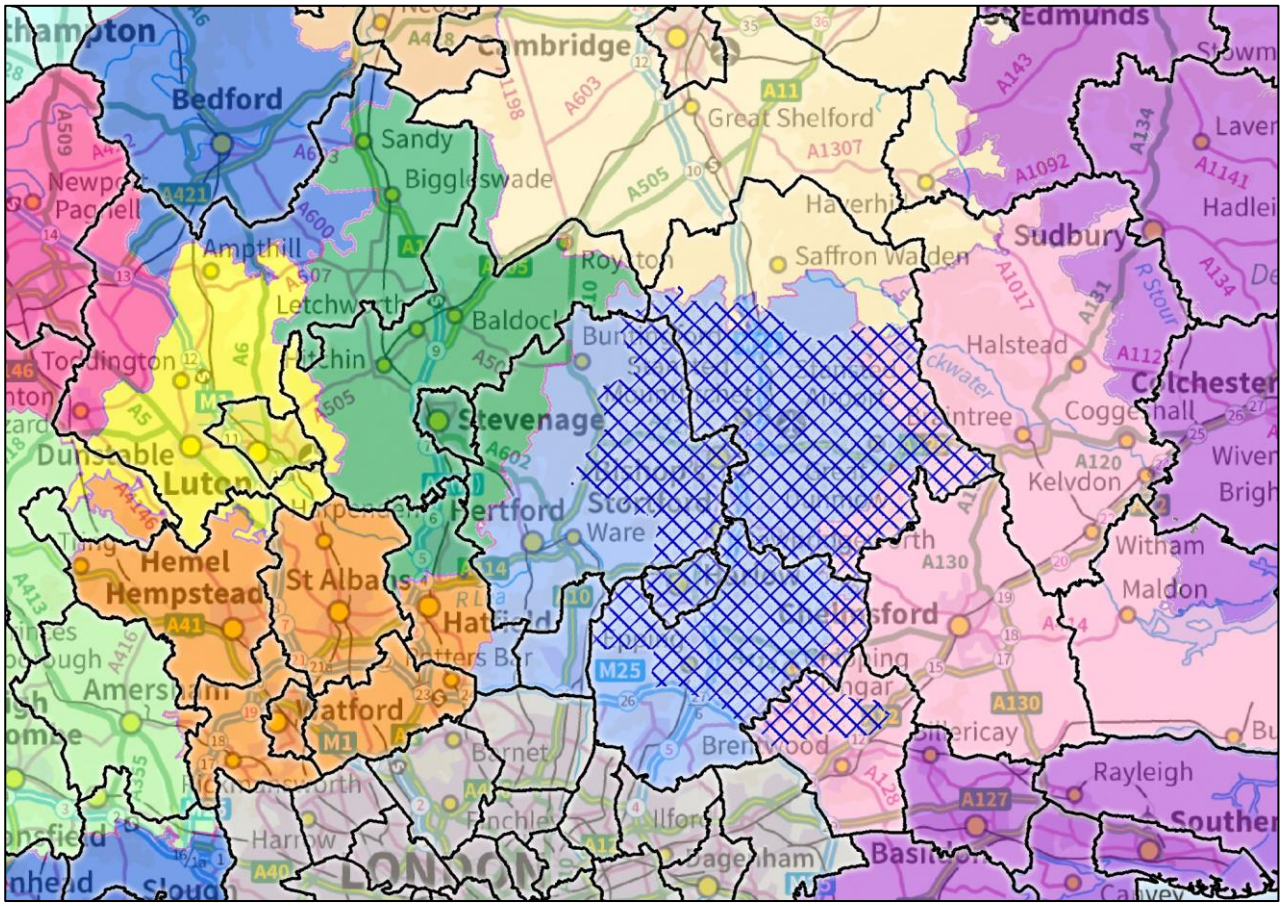
2.65 This means there is a need for balance in methodological approach:

- On the one hand, it is important that the process of **analysis and identification of the functional housing market areas should not be constrained by local authority boundaries**. This allows the full extent of each functional housing market to be properly understood and ensures that all of the constituent local planning authorities can work together under the duty to cooperate, as set out in Guidance (PPG, paragraph 10).
- On the other hand, and as suggested by the PAS OAN technical advice note (and the previous CLG advice note), **it is also necessary to identify a "best fit" for each functional housing market area that is based on local planning authority boundaries**. This "best fit" area provides an appropriate basis for analysing evidence and drafting policy, and would normally represent the group of authorities that would take responsibility for undertaking a Strategic Housing Market Assessment.

2.66 **In summary, therefore, the approach to defining housing market areas needs to balance robust analysis with pragmatic administrative requirements.**

2.67 In establishing the most appropriate functional housing market areas, it is necessary to consider all of the evidence based on commuting zones, migration zones and house prices (based on Broad Rental Market Areas). We have previously identified clear similarities between the commuting zones and migration zones; albeit that the direction of travel is reversed – net commuting flows tend to be towards London, whilst net migration flows tend to be away from London. Figure 24 illustrates how the final commuting zones and the Harlow & Stortford BRMA coordinate with local authority boundaries.

Figure 24: Final Commuting Zones and Harlow & Stortford BRMA with Local Authority Boundaries (Note: Coloured areas show commuting zones; hatched area denotes Harlow & Stortford BRMA)



2.68 It is evident that there is substantial overlap between the Harlow commuting zone and the Harlow & Stortford BRMA across East Hertfordshire, Epping Forest and Uttlesford, as well as Harlow. Whilst the Harlow migration zone extends into Broxbourne, this area is in the South East Herts BRMA (together with Welwyn Hatfield and part of East Hertfordshire). Conversely, the Harlow & Stortford BRMA extends into Brentwood whereas this area is part of the Chelmsford commuting zone. On balance, we would suggest that the starting point for determining the most appropriate functional housing market area is the intersection between the commuting zone and the BRMA.

2.69 Although commuting patterns suggest that Broxbourne should also be considered as part of the functional HMA, the Rent Officer has concluded that this area should be considered separately. Whilst this decision is based primarily on rental values, it also takes into account other factors such as public transport infrastructure and social and cultural networks, which are also relevant when considering housing market areas. Therefore, we would suggest that Broxbourne is not included as part of the functional HMA.

2.70 On the same basis, given that part of Brentwood is included in the Harlow & Stortford BRMA, it would be reasonable for this to also be included as part of the functional HMA. Nevertheless, whilst Broxbourne was entirely within the South East Hertfordshire BRMA, Brentwood is divided between the Harlow, South West Essex and Chelmsford BRMAs. The commuting zone and migration zone analysis both concluded that Brentwood should be included within the Chelmsford zone. The geography of housing markets in this area is evidently complex, but given that the borough is covered by three different BRMAs and the migration and commuting data both show stronger links with Chelmsford, on balance we would suggest that Brentwood is not included as part of the functional HMA.

Conclusions

2.71 The area of West Essex and East Hertfordshire is strongly linked to London through commuting and migration patterns. Excluding the impact of London, it is possible to derive a commuting zone centred on Harlow, which also includes the local authority area of Broxbourne, along with most of East Hertfordshire and Epping Forest and Uttlesford. The equivalent migration zone confirms this conclusion, with a marginally larger proportion of Uttlesford residents included.

2.72 Data from the BRMAs derived by the VOA suggests Broxbourne is outside the area and can be seen to align more reasonably with Welwyn Hatfield. Whilst the VOA data also suggests that Brentwood should also be considered; this borough is covered by three different BRMAs and the migration and commuting data both show stronger links with Chelmsford.

2.73 Using all of the evidence available it is reasonable to conclude in line with PPG and PAS OAN technical advice note that the most appropriate functional housing market area should be based on Harlow, with most of East Hertfordshire, Epping Forest and Uttlesford. Based on a detailed analysis of the evidence, we would therefore recommend to the West Essex and East Hertfordshire councils that **East Hertfordshire, Epping Forest, Harlow and Uttlesford represent the most appropriate "best fit" for West Essex and East Hertfordshire HMA**.

2.74 These "best fit" groupings do not change the actual geography of the functional housing market areas that have been identified – they simply provides a pragmatic arrangement for the purposes of establishing the evidence required and developing local policies, as suggested by the CLG advice note and reaffirmed by the PAS technical advice note.

2.75 Whilst we believe that the proposed groupings for the West Essex and East Hertfordshire HMA provides the overall "best fit" for joint working arrangements on the basis of the available evidence, they are not the only arrangements possible given the complexities of the functional housing market areas in the region. Regardless of the final groupings, the more important issue will be the need for East Hertfordshire to maintain dialogue with Broxbourne, Welwyn Hatfield and other Hertfordshire authorities; for Epping Forest to also maintain dialogue with Broxbourne as well as Chelmsford and other Essex authorities; and for Uttlesford to also maintain dialogue with Chelmsford as well as Braintree, South Cambridgeshire and Cambridge. Furthermore, all four authorities will need to maintain dialogue with each other and the boroughs to the North and East of London, as well as with the Mayor of London through the Greater London Authority.

3. Demographic Projections

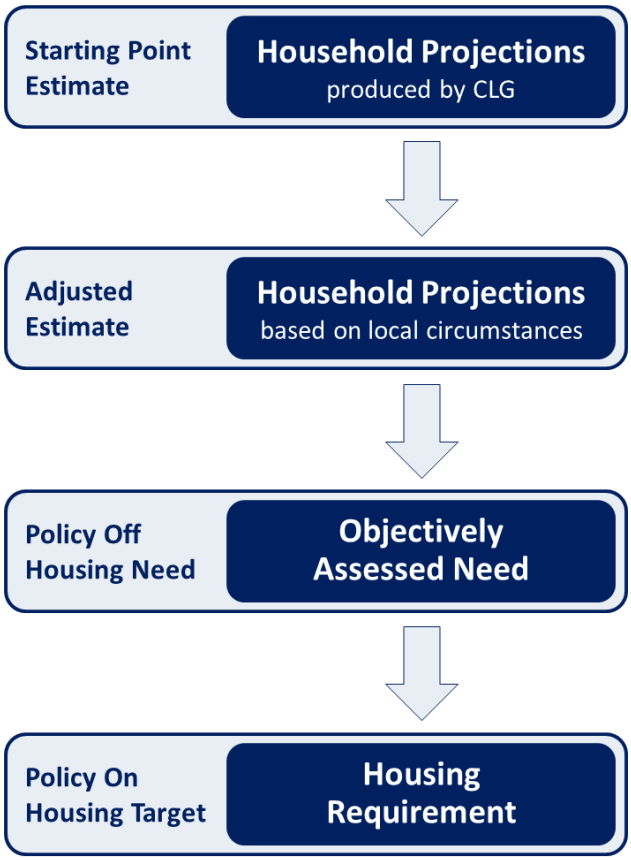
The starting point for Objectively Assessed Need

3.1 The Objective Assessment of Need identifies the quantity of housing needed (both market and affordable) in the Housing Market Area over future plan periods. This evidence assists with the production of the Local Plan (which sets out the spatial policy for a local area).

3.2 Figure 25 sets out the process for establishing the housing number for the Housing Market Area. It starts with a demographic process to derive housing need from a consideration of population and household projections. This chapter therefore considers the most appropriate demographic projection on which to base future housing need.

3.3 To establish the Objectively Assessed Need (OAN), external market and macro-economic constraints are applied to the demographic projections ('Market Signals') in order to ensure that an appropriate balance is achieved between the demand for and supply of dwellings. Nevertheless, it is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors should subsequently be considered by the local planning authorities as part of the plan-making process in order to establish the appropriate Housing Requirement and planned housing number.

Figure 25: Process for establishing the housing number for the HMA (Source: ORS based on NPPF and PPG)



Official Household Projections

3.4 Planning Practice Guidance published in March 2014 places emphasis on the role of **CLG Household Projections** as the appropriate starting point in determining objectively assessed need. PPG was updated in February 2015 following the publication of the 2012-based Household Projections.

> *Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need.*
>
> *The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics.*
>
> **Planning Practice Guidance (March 2014), ID 2a-015**

> *The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth.*
>
> **Planning Practice Guidance (February 2015), ID 2a-016**

3.5 Given this context, Figure 26 sets out the 2012-based **household** projections together with previous household projections that CLG has produced for the area. The projections have varied over time, with the most recent set of projections showing the highest projected rates of growth. Each set of household projections will be influenced by a wide range of underlying data and trend-based assumptions, and it is important to consider the range of projected growth and not simply defer to the most recent data.

Figure 26: CLG Household Projections for West Essex and East Hertfordshire: annual average growth (Source: CLG Household Projections. Note: Figures are rounded to the nearest 10 households)

	2012-based		2011-based interim		2008-based	
	10 years 2012-22	25 years 2012-37	10 years 2011-21	25 years Not published	10 years 2008-18	25 years 2008-33
East Hertfordshire	820	770	770	-	700	640
Epping Forest	610	670	670	-	500	480
Harlow	310	340	320	-	200	240
Uttlesford	520	480	480	-	400	400
TOTAL	**2,260**	**2,260**	**2,240**	**-**	**1,800**	**1,760**

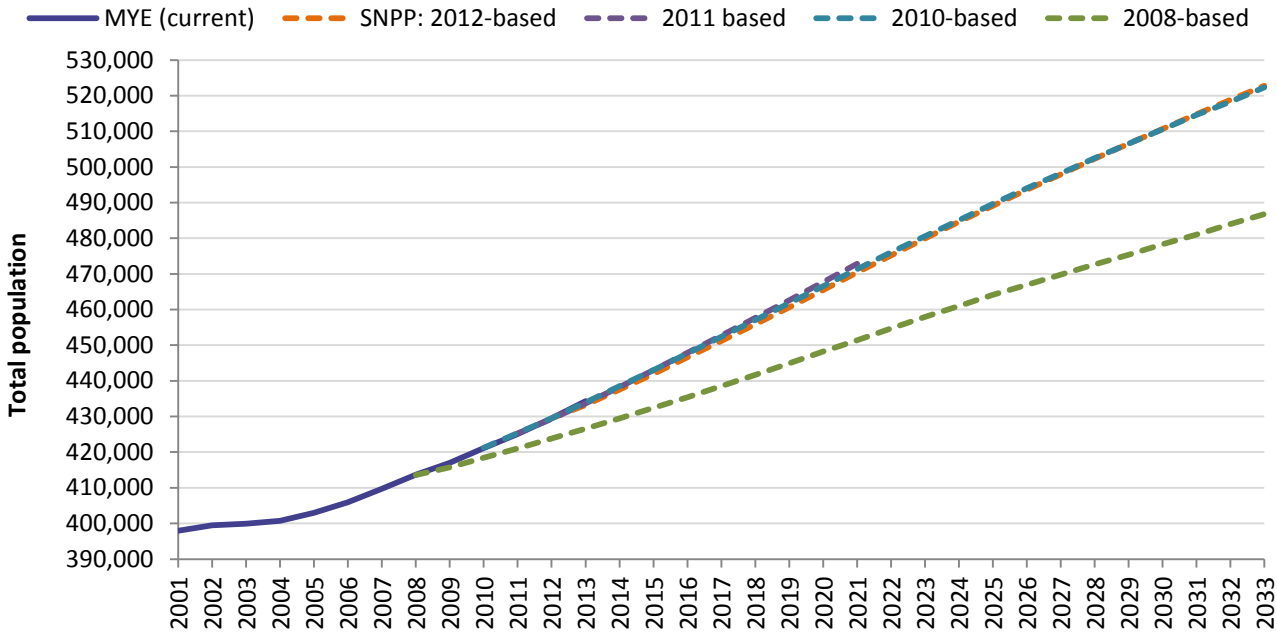
3.6 The CLG 2012-based household projections show an increase of 2,260 households each year over the 25-year period 2012-37, and the same rate of growth for the initial 10-year period. These figures project forward over the normal 25-year period and supersede both the 2008-based household projections (which projected a household growth of 1,760 per year from 2008-33) and the interim 2011-based household projections (which projected growth of 2,240 per year from 2011-21). The differences are largely due to changes in the ONS population projections (Figure 27) on which the CLG household projections are based; although there have also been changes to household representative rates (considered later in this chapter).

3.7 Given that the 2012-based household projections show an increase from 175,189 to 224,827 households in West Essex and East Hertfordshire over the 22-year period 2011-33, we can establish that the *"starting point estimate of overall housing need"* for the Plan period should be based on an overall growth of 49,638 households, equivalent to an average of around 2,256 households per year (779 in East Hertfordshire, 653 in Epping Forest, 326 in Harlow and 498 in Uttlesford).

Official Population Projections

3.8 Figure 27 shows the outputs from the latest (2012-based) ONS Sub National **Population** Projections together with the previous projections that have informed the various CLG household projections (though note that CLG did not produce household projections based on the 2010-based SNPP). It is evident that the 2012-based projections follow a similar trajectory to the 2010-based and 2011 based projections.

Figure 27: ONS Mid-Year Estimates and Sub-National Population Projections for West Essex and East Hertfordshire Study Area (Source: ONS. Note: Household projections were not produced for the 2010-based SNPP)



3.9 Differences in the projected increase in population between the different projections are largely associated with the **assumed migration rates**, which are based on recent trends using 5-year averages – so short-term changes in migration patterns can significantly affect the projected population growth. There were also methodological changes to the migration assumptions between the 2008-based and 2010-based figures.

Population Projections based on Local Circumstances

3.10 Whilst PPG identifies CLG household projections as the starting point for establishing housing need, it also recognises the need to consider sensitivity testing this data and take account of local evidence.

> *Plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates … Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.*
>
> **Planning Practice Guidance (March 2014), ID 2a-017**

Components of Population Change

3.11 Changes in the population can be broadly classified into two categories:

- Natural change in the population (in terms of births and deaths); and
- Changes due to migration, both in terms of international migration and also moves within the UK.

3.12 Figure 28 and Figure 29 illustrate the annual components of change data for each local authority area over the period since 1991. The trend-based data is based on the change in population recorded by the ONS Mid-Year Estimates (MYE) and the future data is based on the change in population projected by the SNPP data previously discussed.

3.13 Figure 28 shows natural growth (the number of births minus the number of deaths) and Figure 29 shows net migration and other changes (the number of people moving to the area minus the number of people moving away from the area). In both figures:

- the bars show the annual data recorded by the MYE and the solid lines are based on a 10-year rolling average of this data;
- the dotted lines show the average annual change between the 2001 and 2011 Census; and
- the dashed lines show the change projected by the 2012-based SNPP.

3.14 It is evident that the MYE trends for natural growth (i.e. births and deaths) are relatively stable (Figure 28), with gradual changes from year-to-year in each area. The SNPP projections for natural growth are consistent with the MYE data, with the trends already established projected to continue into the future.

3.15 Nevertheless, the MYE data for net migration is more erratic from year-to-year (Figure 29). This is partly due to the migration flows actually fluctuating each year, but also due to difficulties associated with estimating the number of people moving in and out of local authority areas (especially migrants from overseas, where the estimates are largely based on the International Passenger Survey). The ONS recognise the difficulties associated with these estimates, and the data is revised following the Census.

Unattributable Population Change

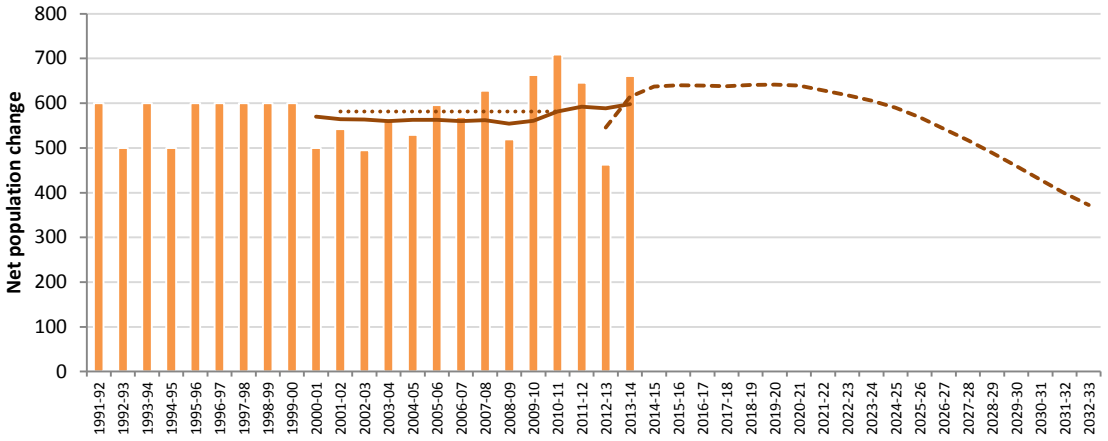
3.16 Given that the ONS consider the population estimates in 2001 and 2011 to be more robust than the component of change data from year-to-year, an "accountancy" adjustment is factored in to the components of change to correct this data and ensure that it reconciles with the population estimates for the two Census years. Therefore, in addition to the known population flows, an element of "**Unattributable Population Change**" (UPC) is included in these figures.

3.17 The MYE component of change data for the period 2001-02 to 2010-11 has been corrected by the ONS following the 2011 Census, and this correction is incorporated into the estimates for "net migration and other changes". Overall, the ONS concluded that the original component of change data for West Essex and East Hertfordshire overestimated population growth by almost 2,000 persons over the period 2001-11. The correction means that the data for these years is far more reliable than data for more recent years, which will not be validated until after the 2021 Census.

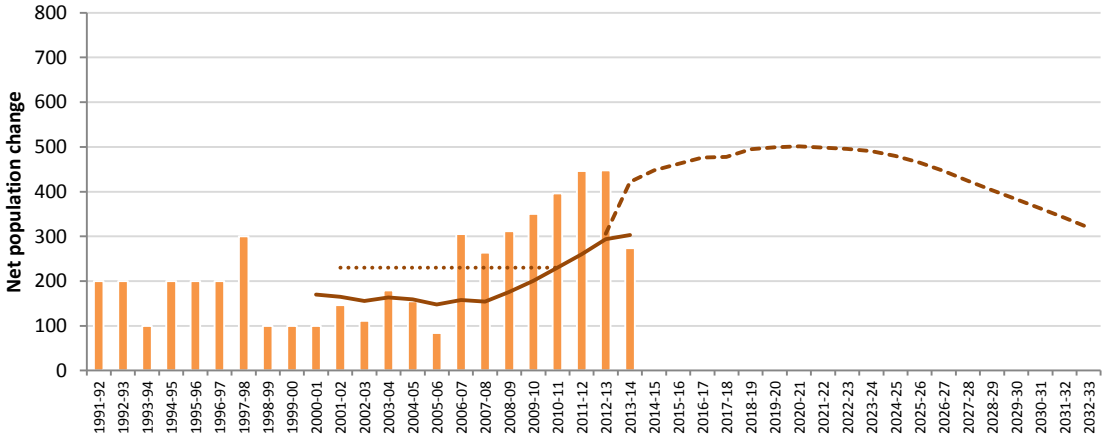
3.18 Nevertheless, over half of the adjustment for West Essex and East Hertfordshire was applied to estimates for the final three years of the period (2008-11), with almost quarter of the total correction (486 persons) being applied in the final year – so the original component of change data for the most recent years was the least reliable across the area as a whole.

Figure 28: ONS Mid-Year Estimates and Sub-National Population Projections by LA: Natural Growth (Note: Solid line shows MYE 10-yr rolling average, dotted line shows change between 2001 and 2011 Census, dashed line shows future projection)

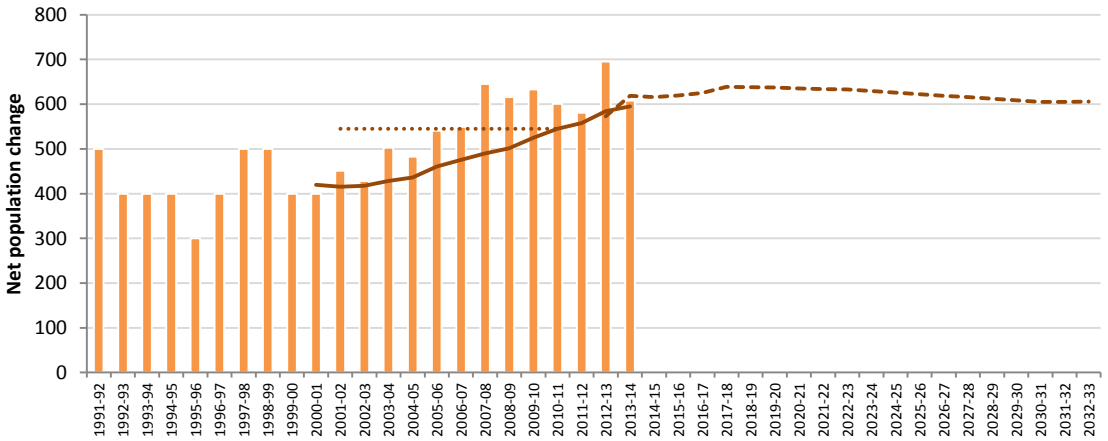
East Hertfordshire



Epping Forest



Harlow



Uttlesford

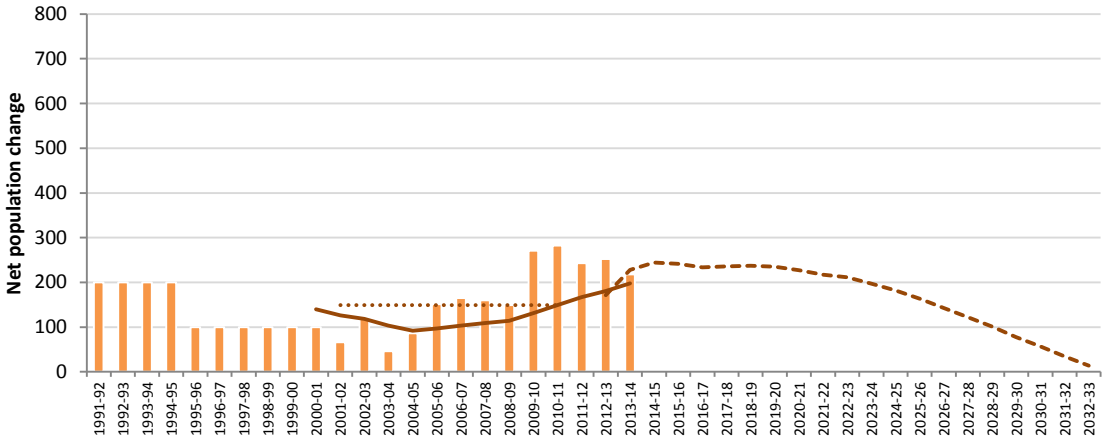
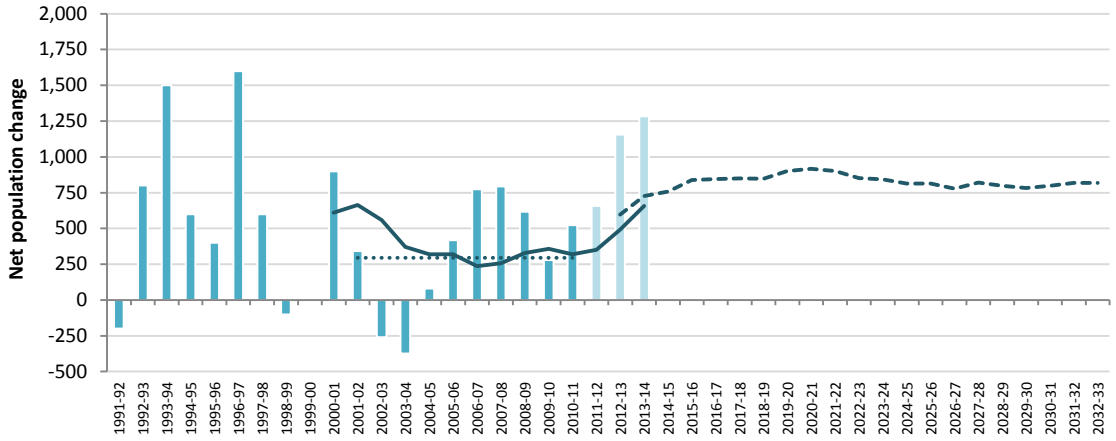
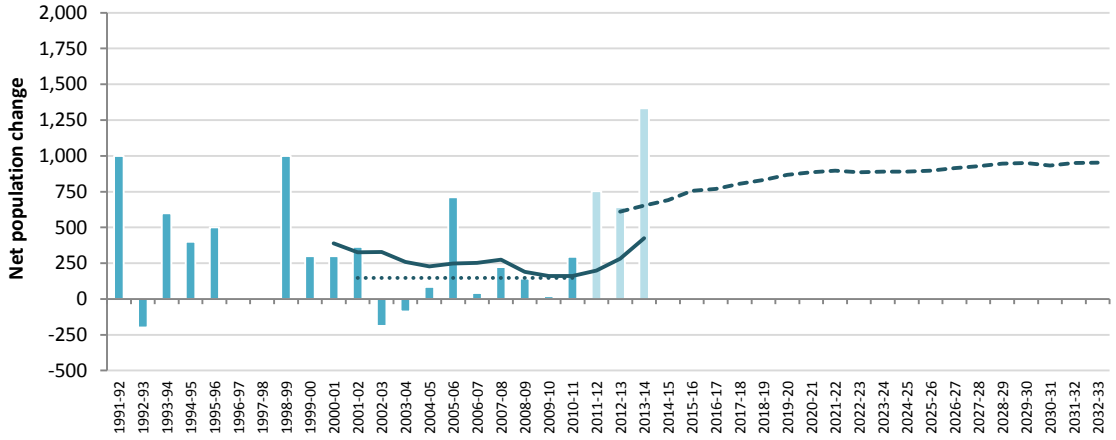


Figure 29: ONS Mid-Year Estimates and Sub-National Population Projections by LA: Net Migration (Note: Solid line shows MYE 10-yr rolling average, dotted line shows change between 2001 and 2011 Census, dashed line shows future projection)

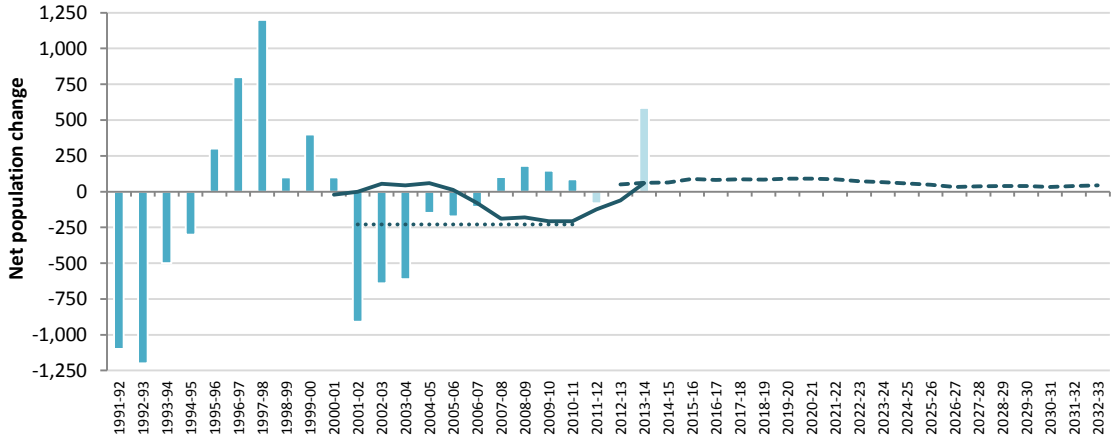
East Hertfordshire



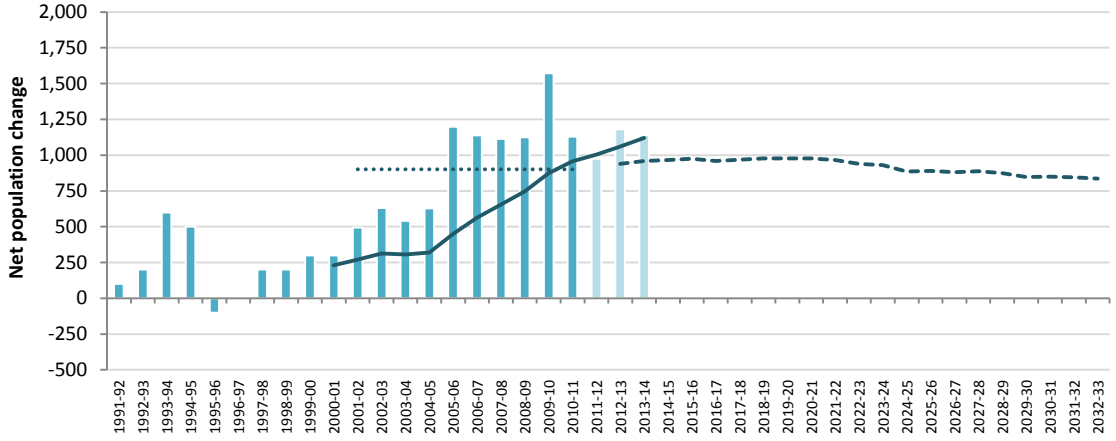
Epping Forest



Harlow



Uttlesford



3.19 Whilst the SNPP projections for natural growth are consistent with past trends, there is more variability when we consider the projections for net migration:

- East Hertfordshire gained 3,000 migrants between the 2001 and 2011 Census (an average of 300 per year), however the 2012-based SNPP project a net gain of 600 migrants in 2012-13 climbing to 920 by 2020-21,with an average gain of 810 each year over the 25-year projection period;
- Epping Forest gained 1,500 migrants between the 2001 and 2011 Census (an average of 150 per year), however the 2012-based SNPP project a net gain of 600 migrants in 2012-13 climbing to 970 by 2032-33,with an average gain of 870 each year over the 25-year projection period;
- Harlow had a net outflow of 2,300 migrants between the 2001 and 2011 Census (an average loss of 230 per year), however the 2012-based SNPP project an average gain of 60 migrants each year over the 25-year projection period; and
- Uttlesford gained 9,000 migrants between the 2001 and 2011 Census (an average of 900 per year), which is consistent with the 2012-based SNPP which also project an average gain of 900 migrants each year over the 25-year projection period.

3.20 The differences between the reliable long-term trends in migration based on Census data and the future levels of migration that are projected are significant. As previously noted, this is partly due to the ONS SNPP projecting UK migration based on relatively short-term trends but also partly due to the projections not taking account of the corrections that ONS make to reconcile the MYE component of change data with the Census.

Considering Alternative Population Projections

3.21 Whilst the ONS SNPP provides a useful benchmark, having reviewed the data for this area it is appropriate to also consider other demographic projections based on different assumptions. The Essex Planning Officers Association commissioned Edge Analytics to review the available evidence and establish appropriate assumptions for future demographic projections that can inform a wide range of policy areas, including planning for housing.

3.22 Edge Analytics derived a range of potential population projections based upon different scenarios which adopt both standard and bespoke inputs that have been derived as part of the analysis as set out below;

- **'PG-5Yr'**: Internal and international migration assumptions are based on the last 5 years of historical evidence (2007/08 to 2011/12).
- **'PG-10Yr'**: internal and international migration assumptions are based on the last 10 years of historical evidence (2002/03 to 2011/12).
- **'Natural Change'**: internal and international migration flows are set to zero.
- **'Net Nil'**: internal and international in- and out-migration are maintained, but the net migration balance is set at zero.
- **'Jobs'**: demographic change is constrained to the growth in total employment.
- **'Employed people'**: demographic change is constrained to the growth in the number of workplace employed people.

3.23 It is important to recognise that no one scenario will provide a definitive assessment of the future population; but taken collectively the different scenarios can help determine the most likely range of projections. SHMA Practice Guidance recognises that a variety of approaches to deliver a robust SHMA are possible and so is not prescriptive as to the methodology to be followed and the data to be used:

> *There is no one methodological approach or use of a particular dataset(s) that will provide a definitive assessment of development need.*
>
> **Planning Practice Guidance (March 2014), ID 2a-005**

3.24 Clearly some of the scenarios derived by Edge Analytics (such as natural Change and Net Nil migration) are not designed to derive OAN. However, there is clearly the potential to consider a range of migration or jobs led scenarios which can be used to help derived the OAN figure. Migration-led scenarios represent the most stable and accurate projections and jobs-led scenarios can subsequently be used to consistency check migration-led scenarios.

3.25 Given that the demographic projections are trend-based, one of the most critical factors is the period over which those trends are based. The PAS OAN technical advice note considers this issue in relation to the ONS population projections (first edition, paragraphs 5.12-5.13):

> *"To predict migration between local authorities within the UK, the ONS population projections carry forward the trends of the previous five years. This choice of base period can be critical to the projection, because for many areas migration has varied greatly over time. … The results of a demographic projection for (say) 2011-31 will be highly sensitive to the reference period that the projection carries forward."*

3.26 This issue has also been reinforced in PAS advice to Local Authorities[10], where it has been emphasised that whilst the CLG household projections provide the starting point, these official projections can be very unstable given that they are based on migration trends covering only five years:

> *"For migration the base period is only five years:*
> - *Makes the official projections very unstable*
> - *And recent projections lock in the recession"*

3.27 The second edition of the PAS OAN technical advice note (July 2015)[11] has also strengthened the recommendation on the relevant period for assessing migration (second edition, paragraph 6.24):

> *"In assessing housing need it is generally advisable to test alternative scenarios based on a longer reference period, probably starting with the 2001 Census (further back in history data may be unreliable). Other things being equal, a 10-to-15 year base period should provide more stable and more robust projections than the ONS's five years. But sometimes other things will not be equal, because the early years of this long period included untypical one-off events as described earlier. If so, a shorter base period despite its disadvantages could be preferable."*

[10] "SHLAA, SHMA and OAN aka 'Pobody's Nerfect'", PAS presentation at Urban Design London (July 2015) http://learningspace.urbandesignlondon.com/course/view.php?id=339

[11] http://www.pas.gov.uk/documents/332612/6549918/OANupdatedadvicenote/f1bfb748-11fc-4d93-834c-a32c0d2c984d

3.28 The relevant period for assessing migration trends was considered by an article by Ludi Simpson (Professor of Population Studies at the University of Manchester) and Neil MacDonald (previously Chief Executive of the National Housing and Planning Advice Unit) published in Town and Country Planning (April 2015)[12].

> *"The argument for using a five-year period rather than a longer one is that the shorter the period, the more quickly changes in trends are picked up. The counter-argument is that a shorter period is more susceptible to cyclical trends, an argument that has particular force when the five-year period in question – 2007-12 – neatly brackets the deepest and longest economic downturn for more than a generation. … A large number of local authority areas are affected by this issue. For 60% of authorities the net flow of migrants within the UK in 2007-12 was different by more than 50% from the period 2002-07. While this is comparing a boom period with a recession, it serves to indicate the impact of the choice of reference period for trend projections."*

3.29 The issue has also been referenced by Inspectors examining numerous Local Plans, for example the following comments provided by the Cornwall Inspector in the letter setting out his preliminary findings (June 2015)[13]:

> *"3.6 Migration. The demographic model used in the SHMNA and the more recent ONS projection uses migration flows from the previous 5 years only. Given the significance of migration as a component of change for Cornwall and to even-out the likely effect of the recent recession on migration between 2008-2012 a longer period than 5 years would give a more realistic basis for projecting this component. A period of 10-12 years was suggested at the hearing and I consider that this would be reasonable, rather than the 17 year period used in ID.01.CC.3.3. I also consider that the ONS' Unattributable Population Change component should be assigned to international migration for the reasons given by Edge Analytics in ID.01.CC3.3. This approach was not disputed at the hearing."*

3.30 On balance, we consider that:

- 5-year trend migration scenarios are less reliable: they have the potential to roll-forward short-term trends that are unduly high or low and therefore are unlikely to provide a robust basis for long-term planning.
- 10-year trend migration scenarios are more likely to capture both highs and lows and are not as dependent on trends that may be unlikely to be repeated. **Therefore, we favour using 10-year migration trends as the basis for our analysis.**

3.31 The EPOA 10-year migration trend scenario is based on MYE data for the period 2002-12 and the analysis takes account of the ONS correction applied to the first nine years of this period; so this provides a useful basis for considering the likely population change over the next 10-20 years as a basis for understanding likely future housing needs. However, whilst the EPOA data provides a useful framework for considering the range of population growth scenarios, the SHMA has further reviewed the migration assumptions that have informed this scenario.

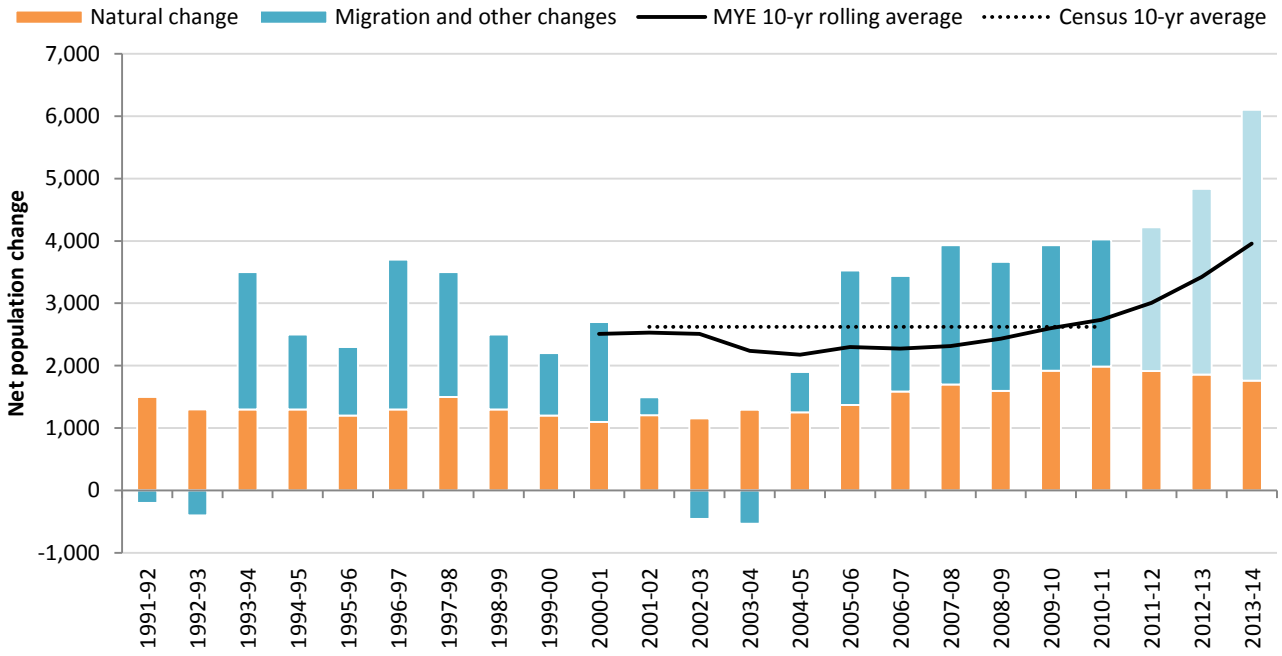
[12] "Making sense of the new English household projections", Town and Country Planning (April 2015)

[13] https://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf

Considering Migration Assumptions

3.32 Figure 30 considers the trends across the West Essex and East Hertfordshire area as a whole. Whilst the level of migration recorded still fluctuates from year-to-year, it is evident that 10-year trends (illustrated by the solid line on the chart) remained relatively stable for the periods 1991-2001 through to 2001-2011. These were also broadly consistent with the average rate of growth based on the routinely more reliable Census data for the period 2001-2011 (illustrated by the dotted line). Nevertheless, it is important to recognise that the trends for the most recent 10-year periods are higher than previously recorded, mainly due to the component of change data for the last three years being higher than recorded in previous years. However, this more recent data is based exclusively on the estimated components of population change, whereas data for previous years is also informed by Census data.

Figure 30: ONS Mid-Year Estimates and Sub-National Population Projections for West Essex and East Hertfordshire (Note: Solid line shows MYE 10-yr rolling average, dotted line shows change between 2001 and 2011 Census. Note: Migration and other changes for data from 2011-12 onwards has not been reconciled to Census data; ONS will reissue this data following the next Census)



3.33 As previously noted (para 3.18), the component of change data for the period 2008-11 was the least reliable of the intercensal period, and these years accounted for half of the ONS correction for the decade. Given that there have been no changes to the way in which the ONS estimates migration since 2011, any systematic problems in the methodology for capturing recent migration trends are likely to persist and such problems would also affect the accuracy of the population estimates for the period 2011-14. Therefore, whilst there has been a moderate increase in long-term trends from an average annual growth of 2,200 persons over the period 1995-2005 to an average of 2,600 persons over the period 2001-2011, it is unlikely that the average growth was actually 4,000 persons each year over the period 2004-2014 – there are likely to be data quality issues.

3.34 On balance, data for the most recent intercensal period provides the most reliable basis for future population projections. Whilst the data suggests that migration rates may have recently increased, given the consistency in population growth recorded between 1991-2001 and 2001-2011 (both periods based on population estimates which take full account of Census data), the data suggests that these rates represent long-term norms.

3.35 The SHMA has therefore produced independent population projections based on 10-year migration trends using Census data for the most recent inter-censal period: 2001-11. This is consistent with our standard approach when establishing OAN which recognises that Census data is inherently more reliable than any other population estimates at a local level, a view echoed by the Public Administration Select Committee[14]:

> *"The International Passenger Survey does not provide accurate estimates of international migration in local areas. The Census provides the most accurate data on the number and characteristics of migrants at the local level… As the only reliable source of data on migrant populations in local areas, the potential loss of the Census is a concern."*

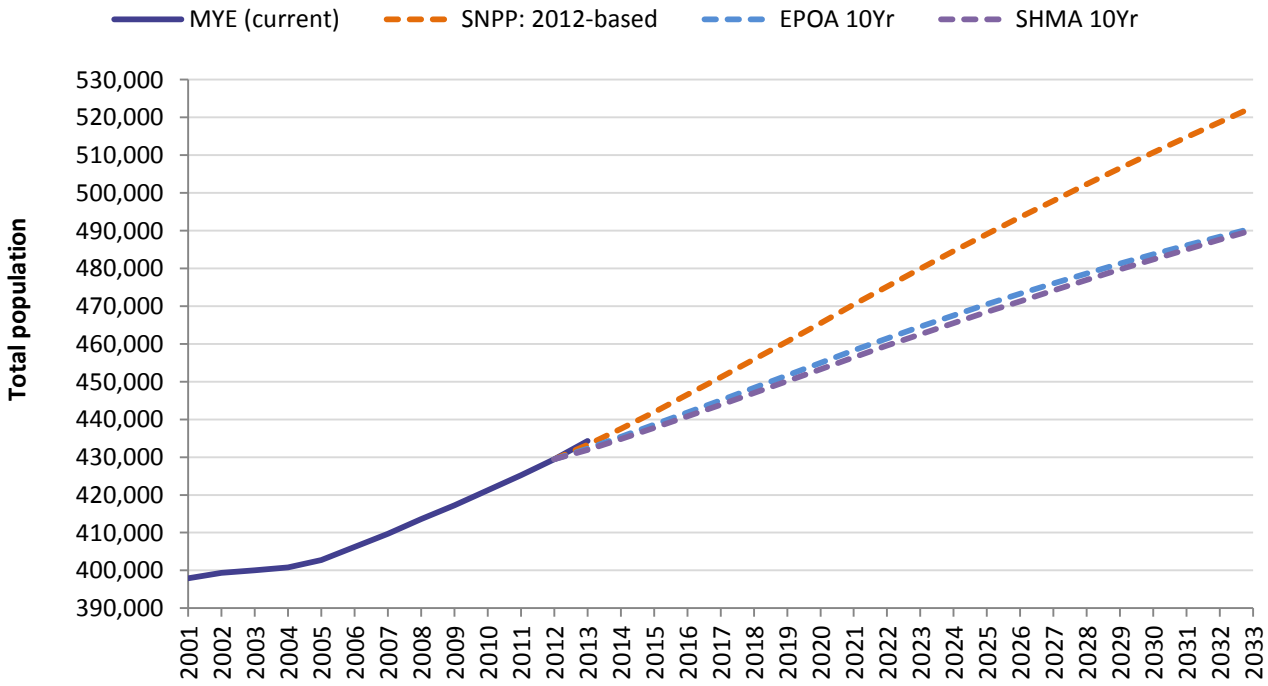
3.36 We have adopted this approach systematically across all assessments that we have undertaken since the publication of the NPPF, and the approach was supported by the Inspector examining the Core Strategy for Bath and North East Somerset. His report[15] concluded (paragraphs 42-43):

> *"Given the uncertainties inherent in some of the data, particularly for flows of migrants internationally, a 10 year period is a reasonable approach … The inter-censal period provides a readily understandable and robust check on the reasonableness of the average of about 550 per year for migration and other change used in the ORS model. Thus I consider that the ORS mid-trend population projection is a reasonable demographic projection."*

3.37 We have therefore considered the EPOA 10-year migration trend scenario alongside the separate SHMA population projections as a basis for establishing demographic projections based on local circumstances.

3.38 Figure 31 compares the 2012-based SNPP with the two separate population projections based on 10-year migration trends – the EPOA scenario based on migration trends from MYE data for the period 2002-12 and the SHMA projection based on migration trends from Census data for the period 2001-11.

Figure 31: Projected Population Growth for West Essex and East Hertfordshire based on SNPP and 10 year Trend Migration Scenarios (Source: ONS, Edge Analytics, SHMA)



[14] House of Commons Public Administration Select Committee Migration Statistics (HC 523, July 2013)
[15] Report on the Examination into Bath and North East Somerset Council's Core Strategy (June 2014)

3.39 Whilst the 2012-based SNPP suggest that the population is likely to increase to almost 523,000 persons by 2033, both projections based on 10-year migration trends suggest that the overall population for the study area will increase to around 490,000 persons over the same period (over 30,000 fewer people). Nevertheless, there are notable differences between the figures for each local authority (Figure 32). It is clear that the period adopted for migration trends has a significant impact on the likely future population. However, the 10-year migration trend scenario provides a realistic starting point for projecting the future population growth in the study areas than shorter term migration scenarios which are subject to volatility.

Figure 32: Population projections for West Essex and East Hertfordshire by LA (Source: ONS, Edge Analytics, SHMA)

	East Herts	Epping Forest	Harlow	Uttlesford	TOTAL
Total Change 2011-33					
2012-based Sub-National Population Projections	30,276	28,297	14,811	24,120	**97,504**
EPOA 10-year migration trend scenario (MYE 2002-12)	20,016	16,534	9,899	18,977	**65,425**
SHMA 10-year migration trend (Census 2001-11)	20,483	14,540	8,770	21,157	**64,950**
Annual Average					
2012-based Sub-National Population Projections	1,376	1,286	673	1,096	**4,432**
EPOA 10-year migration trend scenario (MYE 2002-12)	910	752	450	863	**2,974**
SHMA 10-year migration trend (Census 2001-11)	931	661	399	962	**2,952**

Figure 33: Population projections 2011-33 for West Essex and East Hertfordshire by gender and 5-year age cohort based on SNPP and 10-year migration trends

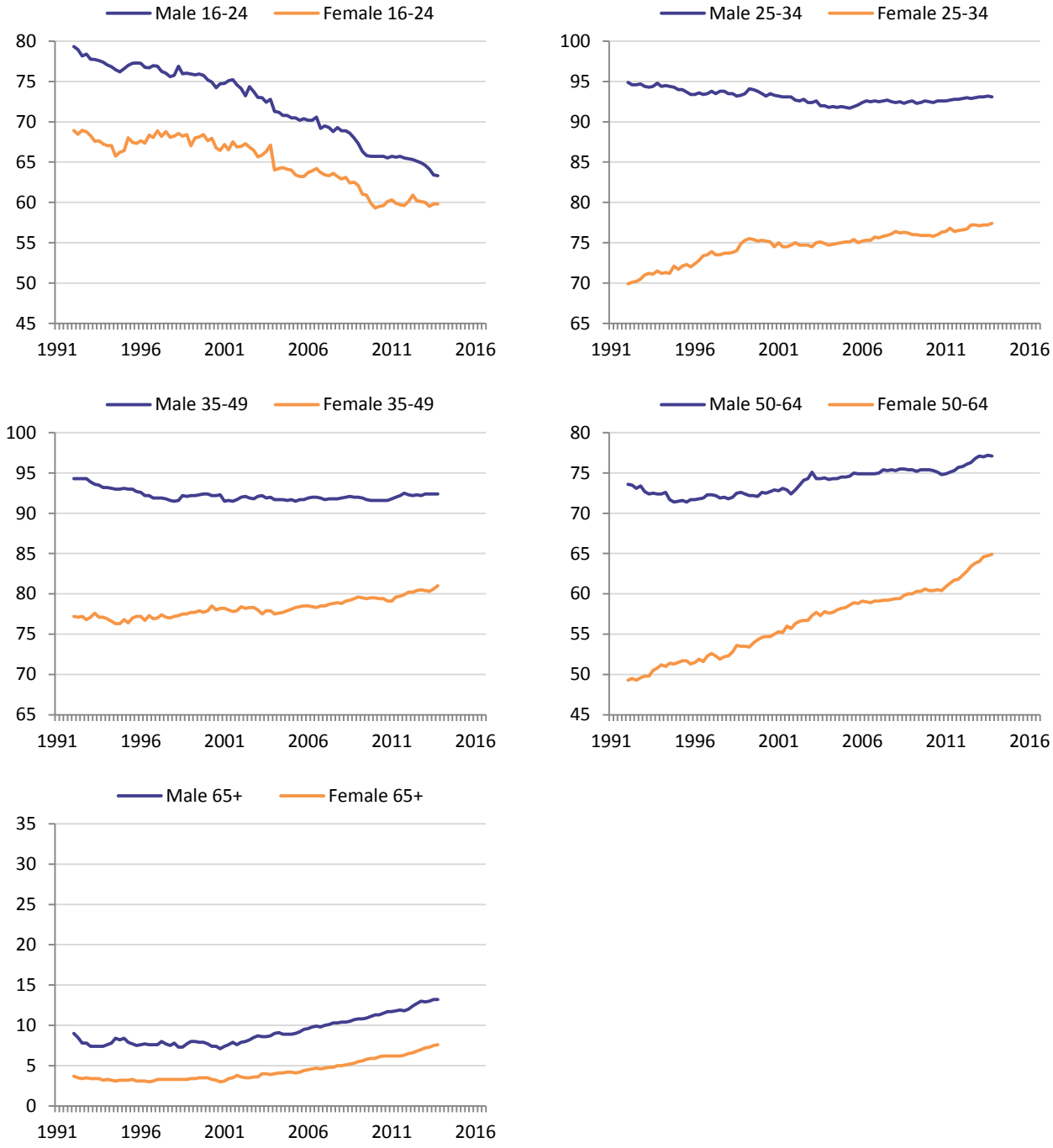
Age	2011			2033					
				2012-based SNPP			SHMA 10-year migration trend (Census 2001-11)		
	M	F	Total	M	F	Total	M	F	Total
Aged 0-4	13,644	12,888	**26,532**	15,241	14,435	**29,676**	13,958	13,210	**27,168**
Aged 5-9	12,807	12,277	**25,084**	16,361	15,443	**31,804**	15,090	14,214	**29,304**
Aged 10-14	13,568	12,810	**26,378**	17,002	16,080	**33,082**	15,850	14,941	**30,791**
Aged 15-19	13,611	12,903	**26,514**	15,745	14,601	**30,346**	14,831	13,682	**28,513**
Aged 20-24	10,896	10,877	**21,773**	11,562	11,130	**22,692**	10,750	10,218	**20,968**
Aged 25-29	11,528	12,030	**23,558**	13,161	13,065	**26,226**	12,181	11,923	**24,104**
Aged 30-34	12,891	13,545	**26,436**	13,620	13,887	**27,507**	12,552	12,644	**25,195**
Aged 35-39	14,069	15,045	**29,114**	16,191	16,373	**32,564**	14,894	14,942	**29,836**
Aged 40-44	16,263	17,391	**33,654**	17,622	18,135	**35,757**	16,286	16,665	**32,951**
Aged 45-49	16,948	17,562	**34,510**	17,036	18,009	**35,045**	15,827	16,730	**32,558**
Aged 50-54	14,828	15,213	**30,041**	16,651	17,502	**34,153**	15,618	16,491	**32,108**
Aged 55-59	12,684	12,655	**25,339**	14,998	15,367	**30,365**	14,181	14,631	**28,812**
Aged 60-64	12,778	13,170	**25,948**	15,402	16,318	**31,720**	14,716	15,654	**30,370**
Aged 65-69	9,915	10,556	**20,471**	15,252	16,300	**31,552**	14,644	15,688	**30,332**
Aged 70-74	7,364	8,354	**15,718**	13,066	14,131	**27,197**	12,605	13,655	**26,260**
Aged 75-79	6,199	7,546	**13,745**	10,189	11,293	**21,482**	9,871	10,947	**20,818**
Aged 80-84	4,512	6,102	**10,614**	7,930	9,407	**17,337**	7,698	9,128	**16,825**
Aged 85+	3,236	6,579	**9,815**	9,908	14,331	**24,239**	9,540	13,741	**23,281**
Total	**207,741**	**217,503**	**425,244**	**256,937**	**265,807**	**522,744**	**241,092**	**249,102**	**490,194**

Economic Activity

3.40 Forecasting future economic activity rates is a challenge: the analysis is inherently complex and dependent on a range of demographic, socio-economic and structural changes in the labour market. However, the performance of the labour market in future years (and especially the impact of changing employment patterns) is an important factor which affects demand for housing.

3.41 The **Labour Force Survey (LFS)** is a continuous survey of the employment circumstances of the nation's population: it provides the official measures of employment and unemployment. Figure 34 shows economic activity rates (EAR) by age and gender for the UK since 1991, based on LFS data. It is evident that EAR rates are unlikely to remain constant in future as illustrated by past trends.

Figure 34: Economic Activity Rate long-term UK trends (Source: Labour Market Statistics based on Labour Force Survey)



3.42 There are a number of notable trends evident:

- Economic activity rates for people aged under 25 have steadily declined, primarily as a consequence of the increased numbers remaining in full-time education;
- Economic activity rates for women in all groups aged 25+ have tended to increase, in particular those aged 50-64 where the rate has increased by almost a third (from 49% to 65%); and
- Economic activity rates for men and women aged 50+ have tended to increase, in particular over the period since 2001.

3.43 These changes in participation identified by the Labour Force Survey have been confirmed by Census data, which also shows that national trends are typically reflected at a local level.

3.44 The most recent economic activity rate projections produced by ONS were published in January 2006 and covered the period to 2020[16]; however these figures suggested substantially lower changes in activity rates than actually experienced over the last decade. However, the performance of the labour market is important for national government, particularly in terms of forecasting the long term sustainability of tax revenues. As part of their scrutiny of Government finances, the Office for Budget Responsibility (OBR) provide an independent and authoritative analysis of the UK's public finances for Government, which includes detailed analysis of past and future labour market trends[17].

Labour Market Participation Projections

3.45 The labour market participation projections produced by the OBR are based on historic profiles of different cohorts of the overall population – subsets that are grouped by year of birth and gender. Their analysis is not based on simplistic trends but is designed to capture dynamics that are specific to particular ages and those that cut across generations:

> *"We project each cohort into the future using age-specific labour market entry and exit rates as they age across time. These exit and entry rates are generally held constant, although we adjust entry rates for younger cohorts (discussed further below), and exit rates for people approaching the State Pension age (SPA), since the SPA rises over our projection period."*

3.46 Their analysis concludes:

- **Older people;** economic activity rates of older people will increase in future years, mainly from a combination of factors including changes to State Pension age, less generous final salary pensions and increasing healthy longevity;
- **Female participation;** in addition to changes to state pension age, economic activity rates for women will also increase due to cohort change: more women born in the 1980s will work compared to those born in the 1970s across all comparable ages, and the rates for women born in the 1970s will be higher than for those born in the 1960s and so on; and
- **Young people**; economic activity rates of younger people will stop declining, although young people will continue to stay longer in education and the lower participation rates recently observed are not assumed to increase in future.

[16] Projections of the UK labour force, 2006 to 2020 by Vassilis Madouros; published in ONS Labour Market Trends, January 2006
[17] OBR Fiscal Sustainability Report, July 2014: http://cdn.budgetresponsibility.org.uk/41298-OBR-accessible.pdf

Older People

3.47 Recent increases in State Pension age (SPA) are expected to prompt a labour market response as people retiring at an older age will exit the labour market later. Recent research from the Institute for Fiscal Studies (IFS) and University College London[18] concluded that:

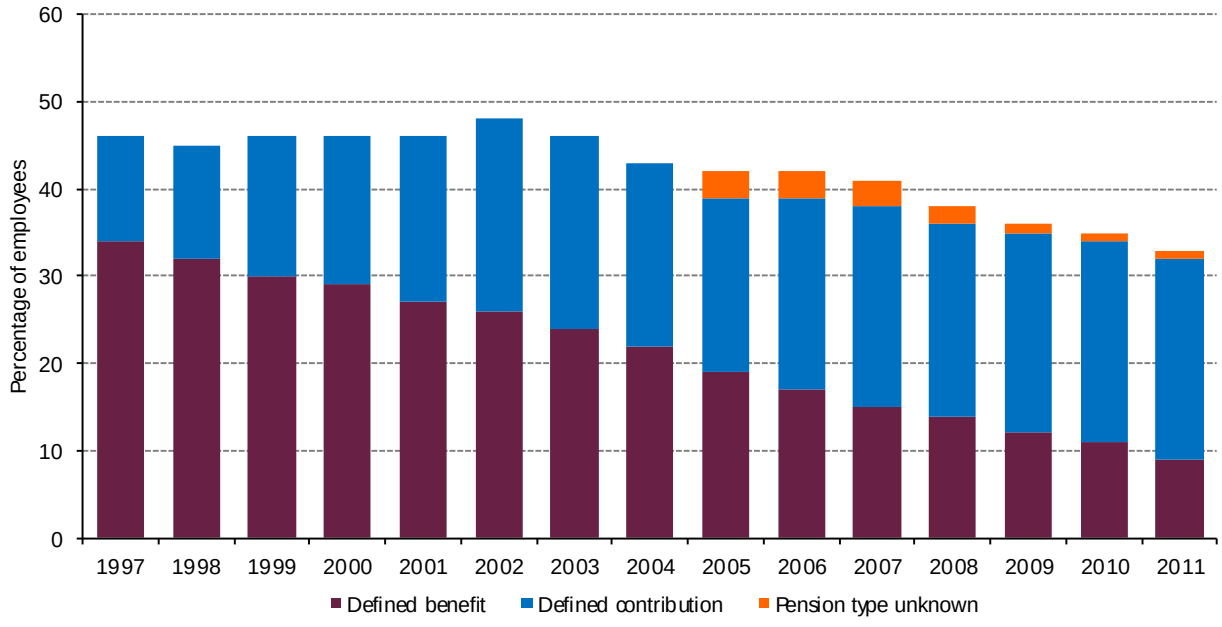
> *"Future increases in the state pension age will lead to a substantial increase in employment".*

3.48 However, the issue is complex: most people do not retire at the SPA precisely, and other factors influence retirement decisions:

- **Health**: longer, healthier lives mean people spend longer in employment;
- **Education**: higher levels of education are associated with working for longer and service sector expansion (including new technology and self-employment) give new options for some people to work for longer;
- **Family circumstances**: evidence suggests couples make joint retirement decisions, choosing to retire at similar points in time;
- **Financial considerations**: expectations of post-retirement incomes are changing as people (especially women) have to wait longer before receiving their State Pension and defined benefit pensions continue to decline; and
- **Compulsory retirement age**: the default retirement age (formerly 65) has been phased out – most people can now work for as long as they want to. Retirement age, therefore, is when an employee chooses to retire. Most businesses don't set a compulsory retirement age for their employees[19].

3.49 Nevertheless, financial drivers are particularly important in the decision of when to retire, and changes to the State Pension age coupled with reduced membership of private schemes (Figure 35) will inevitably lead to higher economic activity rates amongst the older population.

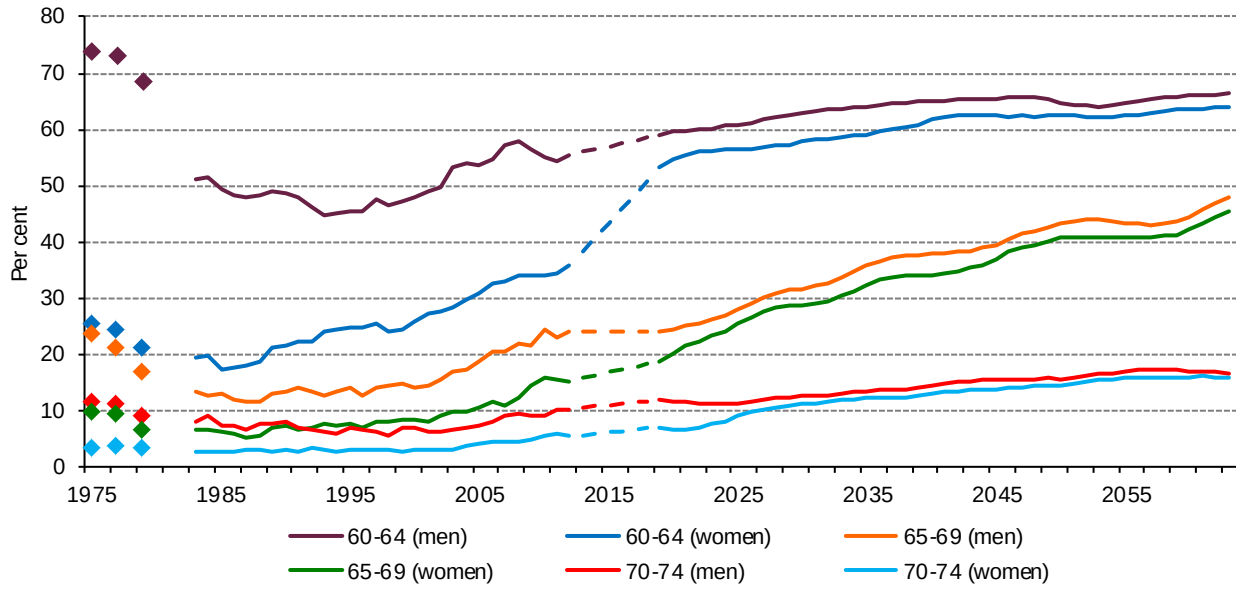
Figure 35: National membership of private sector defined benefit and defined contribution schemes (Source: NAO)



[18] http://www.ifs.org.uk/pr/spa_pr_0313.pdf
[19] https://www.gov.uk/retirement-age

3.50 Figure 36 shows the long-term trends in employment rates for men and women aged 60-74 together with the OBR short-term and longer-term projections.

Figure 36: National employment rates for 60-74 yr olds (Source: ONS, OBR. Note: Prior to 1983, the Labour Force Survey does not contain an annual series for these indicators, so only available years are shown. The OBR medium-term forecast to 2018 is produced top-down, not bottom-up, so the dotted lines for that period are a simple linear interpolation)



3.51 In summary, for those:

- **Aged 60-64**: employment rates for women are projected to continue increasing rapidly over the short-term as the SPA is equalised. Rates for both men and women are then projected to increase more marginally over the longer-term, although the projected rates for men remain notably lower than those actually observed in the late 1970s;
- **Aged 65-69**: the gap between rates for men and women is projected to reduce over the short-term, with rates for both expected to increase progressively over the longer-term; and
- **Aged 70-74**: the rates for these older men and women are projected to converge, although only marginal increases in the rates are otherwise expected – fewer than 1-in-8 people in this age group are expected to be working until at least the 2030s.

Female Participation

3.52 Women's participation in the labour force has increased, particularly since the 1970s, for a complex range of societal and economic reasons:

- **Childbirth**: decisions regarding children are changing. More women choose childlessness, or childbirth is delayed until women are in their 30s or 40s. Post childbirth decisions on return to the workforce are also influenced by a variety of factors (e.g. childcare arrangements, tax implications for second incomes, family circumstances);
- **Lone parents:** employment rates for lone parents lag behind mothers with partners, but this gap has been closing;
- **Support services for women in work**: an increase in available options to support women in work (e.g. childcare services, flexible working arrangements);

» **Equal pay**: the gender wage differential has been narrowing (although still exists) giving women higher rewards for work; and

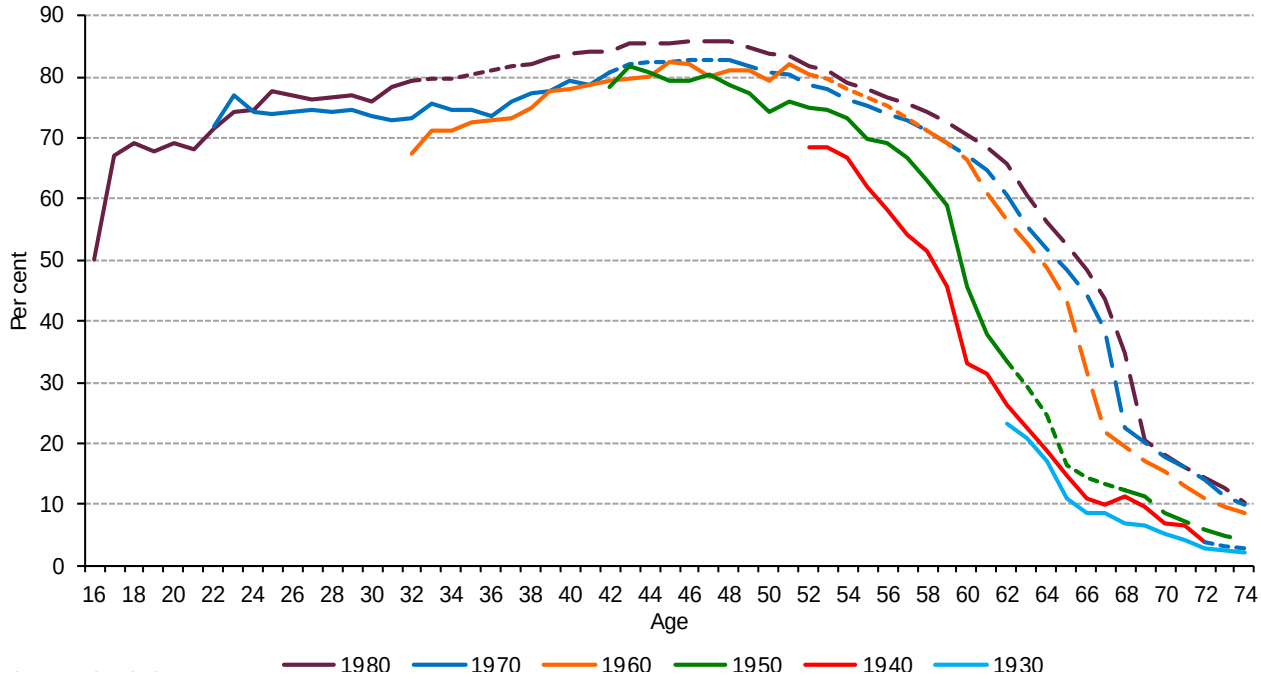
» **Education**: higher levels of education have opened new career opportunities outside historically traditional female sectors.

3.53 National policy still aspires to encourage more women into work. The Government is seeking to "*incentivise as many women as possible to remain in the labour market*"[20] and the Autumn Statement in 2014 included plans for more support for childcare (for example, Tax Free Childcare; Childcare Business Grant) and an ambition to match countries with even higher employment rates for women. The July 2015 Budget expanded free childcare for working families with 3 and 4 year old children from 15 hours to 30 hours from September 2017.

3.54 Historic data clearly shows that women born in the 1950s (who are now approaching retirement) have been less likely to be economically active than those born more recently, based on the comparison of data for individual ages. Participation rates for women have progressively increased over time: women born in the 1960s had higher rates than those born in the 1950s, women born in the 1970s had higher rates again, and women born in the 1980s have had the highest rates. The OBR projections take account of these historic differences between cohorts, but they do not assume that female cohorts yet to enter the labour market have even higher participation rates.

3.55 Figure 37 shows the trends in female economic participation rates by year of birth together with the OBR projections, which show how this cohort effect is likely to contribute towards higher economic activity rates in future.

Figure 37: National female participation rates by Cohort (Source: ONS, OBR)



[20] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/371955/Women_in_the_workplace_Nov_2014.pdf

Young People

3.56 The key issue for young people is at what age they enter the labour market. There has been a pronounced fall in economic participation rates for 16 and 17 year olds over time, but this fall in economic activity complements an increase in academic activity as young people stay longer in education[21]. There have been similar (though less pronounced) declining trends for 18-20 year olds.

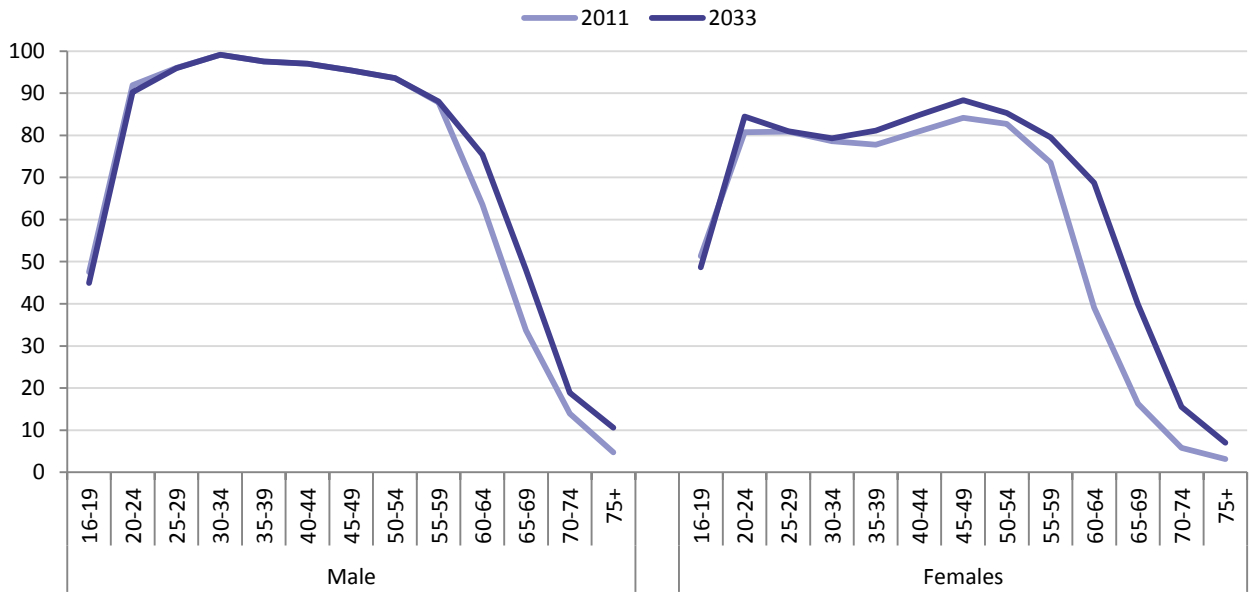
3.57 National policy is also changing. The school leaving age rises to 18 in 2015 and the Government has removed the cap on student numbers attending higher education[22].

3.58 The policy changes indicate it is unlikely that economic participation rates will increase for these younger age groups. However, it should be noted that OBR projections expect these lower participation rates to stabilise at the current level rather than continue to decline. Further, the projections assume that this increased academic activity will not reduce economic activity rates as individuals get older. For example, entry rates into the labour market for people in their twenties are assumed to be higher than previously observed to take account of those who have deferred economic activity due to academic study.

Projecting Future Economic Activity for West Essex and East Hertfordshire

3.59 Figure 38 shows the estimated economic activity rates for 2011 and the projected rates for 2033 based on Census data for East Hertfordshire, Epping Forest, Harlow and Uttlesford, and the OBR labour market participation projections.

Figure 38: Economic activity rates in 2011 and 2033 for West Essex and East Hertfordshire by age and gender based on OBR Labour Market Participation Projections



3.60 Participation rates for men under 60 are not projected to change, except for a very small decline in activity for those aged 16-19. There is increased in participation projected for men aged 60 and over, but these changes are only relatively marginal.

[21] http://www.hefce.ac.uk/pubs/year/2015/201503/
[22] http://www.bbc.co.uk/news/education-25236341

3.61 Participation rates for women are projected to change due to the cohort effects previously discussed. The rates for those aged under 35 are relatively stable (as there is no increased participation assumed for women born after the 1980s), but there are increased participation rates projected for all older age groups.

3.62 Figure 39 shows the estimated economically active population for the West Essex and East Hertfordshire HMA in 2011 and the projected economically active population in 2033 based on the population projections previously produced based on 10-year migration trends.

Figure 39: Projected economically active population 2011-33 for West Essex and East Hertfordshire (Note: All figures presented unrounded for transparency)

Age	2011			2033			Net change 2011-33		
	M	F	Total	M	F	Total	M	F	Total
Aged 16-19	5,138	5,207	**10,345**	5,215	5,178	**10,394**	+78	-29	+49
Aged 20-24	10,013	8,783	**18,796**	9,706	8,629	**18,335**	-308	-154	-462
Aged 25-29	11,068	9,733	**20,802**	11,692	9,655	**21,347**	+624	-78	+545
Aged 30-34	12,781	10,652	**23,433**	12,447	10,030	**22,478**	-334	-622	-955
Aged 35-39	13,721	11,703	**25,424**	14,528	12,124	**26,652**	+807	+421	+1,228
Aged 40-44	15,776	14,079	**29,856**	15,805	14,146	**29,952**	+29	+67	+96
Aged 45-49	16,177	14,777	**30,953**	15,110	14,785	**29,894**	-1,067	+8	-1,059
Aged 50-54	13,874	12,588	**26,462**	14,614	14,067	**28,681**	+739	+1,479	+2,218
Aged 55-59	11,142	9,304	**20,446**	12,487	11,642	**24,128**	+1,345	+2,337	+3,682
Aged 60-64	8,122	5,152	**13,273**	11,104	10,763	**21,867**	+2,983	+5,611	+8,594
Aged 65-69	3,341	1,722	**5,063**	7,039	6,247	**13,287**	+3,699	+4,525	+8,224
Aged 70-74	1,023	481	**1,505**	2,374	2,122	**4,496**	+1,350	+1,641	+2,991
Aged 75+	294	234	**528**	1,046	770	**1,816**	+752	+536	+1,288
Total	**122,471**	**104,415**	**226,886**	**133,167**	**120,158**	**253,325**	**+10,697**	**+15,743**	**+26,439**

3.63 The economically active population is projected to increase by around 26,400 people over the 22-year period 2011-33, equivalent to an average increase of 1,200 additional workers each year.

Establishing Household Projections for West Essex and East Hertfordshire

Household Population and Communal Establishment Population

3.64 Prior to considering household projections, it is necessary to identify the household population and separate out the population assumed to be living in Communal Establishments (institutional population). The methodology used by the SHMA is consistent with the CLG approach[23] (page 12):

> *"For the household projections, the assumption is made that the institutional population stays constant at 2011 levels by age, sex and marital status for the under 75s and that the share of the institutional population stays at 2011 levels by age, sex and relationship status for the over 75s. The rationale here is that ageing population will lead to greater level of population aged over 75 in residential care homes that would not be picked up if levels were held fixed but holding the ratio fixed will."*

3.65 The 2011 Census identified 4,502 persons living in Communal Establishments in the study area (1,925 in East Hertfordshire, 1,036 in Epping Forest, 393 in Harlow and 1,148 in Uttlesford). This is broadly consistent with the 4,548 persons identified by the CLG 2012-based household projections for 2011. Figure 40 shows the breakdown between the household and institutional population.

Figure 40: Population projections 2011-33 for West Essex and East Hertfordshire by gender and 5-year age cohort (Note: Communal Establishment population held constant for population aged under 75 (light blue cells), and held proportionately constant for each relationship status for population aged 75 or over (orange cells))

Age	2011			2033			Net change 2011-33		
	HH	CE	Total	HH	CE	Total	HH	CE	Total
Aged 0-4	26,514	18	**26,532**	27,150	18	**27,168**	+636	0	**+636**
Aged 5-9	25,065	19	**25,084**	29,285	19	**29,304**	+4,220	0	**+4,220**
Aged 10-14	26,096	282	**26,378**	30,509	282	**30,791**	+4,413	0	**+4,413**
Aged 15-19	25,584	930	**26,514**	27,583	930	**28,513**	+1,999	0	**+1,999**
Aged 20-24	21,522	251	**21,773**	20,717	251	**20,968**	-805	0	**-805**
Aged 25-29	23,394	164	**23,558**	23,940	164	**24,104**	+546	0	**+546**
Aged 30-34	26,311	125	**26,436**	25,070	125	**25,195**	-1,241	0	**-1,241**
Aged 35-39	29,023	91	**29,114**	29,745	91	**29,836**	+722	0	**+722**
Aged 40-44	33,555	99	**33,654**	32,852	99	**32,951**	-703	0	**-703**
Aged 45-49	34,422	88	**34,510**	32,470	88	**32,558**	-1,952	0	**-1,952**
Aged 50-54	29,967	74	**30,041**	32,034	74	**32,108**	+2,067	0	**+2,067**
Aged 55-59	25,247	92	**25,339**	28,720	92	**28,812**	+3,473	0	**+3,473**
Aged 60-64	25,853	95	**25,948**	30,275	95	**30,370**	+4,422	0	**+4,422**
Aged 65-69	20,382	89	**20,471**	30,243	89	**30,332**	+9,861	0	**+9,861**
Aged 70-74	15,573	145	**15,718**	26,115	145	**26,260**	+10,542	0	**+10,542**
Aged 75-79	13,539	206	**13,745**	20,490	327	**20,818**	+6,951	+121	**+7,073**
Aged 80-84	10,207	407	**10,614**	16,230	595	**16,825**	+6,023	+188	**+6,211**
Aged 85+	8,442	1,373	**9,815**	20,443	2,837	**23,281**	+12,002	+1,464	**+13,466**
Total	**420,696**	**4,548**	**425,244**	**483,873**	**6,322**	**490,194**	**+63,177**	**+1,773**	**+64,950**
East Herts	136,215	1,940	**138,155**	156,169	2,469	**158,638**	+19,954	+529	**+20,483**
Epping Forest	123,833	1,047	**124,880**	137,839	1,582	**139,420**	+14,006	+535	**+14,540**
Harlow	81,780	397	**82,177**	90,382	565	**90,947**	+8,602	+168	**+8,770**
Uttlesford	78,868	1,164	**80,032**	99,483	1,706	**101,189**	+20,615	+542	**+21,157**

[23] Household Projections 2012-based: Methodological Report, Department for Communities and Local Government, February 2015

3.66 It will be important to recognise the projected growth of population aged 75 or over living in communal establishments when establishing the overall housing requirement.

3.67 Given that the population projections have already established the total population aged 75 or over, a consequence of the assumed increase in institutional population for these age groups is fewer older people being counted in the household population. This affects the projected household growth for the area. It is therefore necessary to plan for the increase in institutional population, as this will be additional to the projected household growth; although the councils will need to consider the most appropriate types of housing in the context of future plans for delivering care and support for older people.

Household Representative Rates

3.68 Household Representative Rates (HRRs) are a demographic tool used to convert population into households and are based on those members of the population who can be classed as "household representatives" or "heads of household". The HRRs used are key to the establishment of the number of households and, further, the number of households is key to the number of homes needed in future.

3.69 The proportion of people in any age cohort who will be household representatives vary between people of different ages, and the rates also vary over time. HRRs are published as part of the household projections produced by CLG. The 2011 Census identified that the CLG 2008-based household projections had significantly overestimated the number of households. Nevertheless, this had been anticipated and the methodology report published to accompany the 2008-based projections acknowledged (page 10):

> *"Labour Force Survey (LFS) data suggests that there have been some steep falls in household representative rates for some age groups since the 2001 Census … this can only be truly assessed once the 2011 Census results are available."*

3.70 The CLG 2012 based household projections technical document confirmed the findings (page 24):

> *"At the present time the results from the Census 2011 show that the 2008-based projections were overestimating the rate of household formation and support the evidence from the Labour Force Survey that household representative rates for some (particularly younger) age groups have fallen markedly since the 2001 Census."*

3.71 Whilst Inspectors have been keen to avoid perpetuating any possible "recessionary impact" associated with the lower formation rates suggested by the interim 2011-based data, the CLG household projections are based on much longer-term trends. Ludi Simpson (Professor of Population Studies at the University of Manchester and the originator and designer of the PopGroup demographic modelling software) recently considered the CLG households projections in an article published in Town and Country Planning (December 2014):

> *"Although it is sometimes claimed that the current household projections are based on the experience of changes between 2001 and 2011, this is true only of the allocation of households to household types in the second stage of the projections. The total numbers of households in England and in each local authority are projected on the basis of 40 years of trends in household formation, from 1971 to 2011."*

3.72 The 2012-based household projections published in February 2015 incorporate far more data from the 2011 Census than was available for the interim 2011-based household projections, and these projections provide data for the 25-year period 2012-37 based on long-term demographic trends. The household

representative projections use a combination of two fitted trends through the available Census points (1971, 1981, 1991, 2001 and 2011).

3.73 The second edition of the PAS OAN technical advice note confirms (paragraph 6.39-43):

> *"The CLG 2012 projection provides a new set of HRRs, which are generally higher than the interim 2011 rates, though still below the 2008 rates. … Housing needs studies should now use as a starting point the CLG 2012 HRRs, leaving aside earlier scenarios. … Indexed and return-to-trend projections, which previously attempted to do this, have been rendered out of date by the CLG 2012 projection."*

3.74 It is possible to understand the impact of the new household representative rates through applying the 2012-based rates and the 2008-based and interim 2011-based rates to the same population. Using the household population data in the 2012-based projections for the 10-year period 2011-2021 (the only years where household representative rates are available from all three projections), the 2012-based rates show an annual average growth of 218,600 households across England. This compares to 241,600 households using the 2008-based rates and 204,600 households using the interim 2011-based rates. Therefore, the 2012-based rates yield household growth that is 7% higher than the interim 2011-based rates and only 10% lower than the 2008-based rates. At a local level, a third of local authorities have 2012-based rates that are closer to 2008-based rates than the interim 2011-based rates.

3.75 The 2012-based projections supersede both the 2008-based household projections and the interim 2011-based household projections. The changes since 2008 were anticipated and these reflect real demographic trends, and therefore we should not adjust these further; although the extent to which housing supply may have affected the historic rate is one of the reasons that we also consider market signals when determining the OAN for housing.

Household Projections

3.76 Using the CLG 2012-based household representative rates, we can establish the projected number of additional households. The projected increase in households across the West Essex and East Hertfordshire HMA is summarised in Figure 41.

3.77 Figure 41 also provides an estimate of dwelling numbers, which takes account of vacancies and second homes based on the proportion of dwellings without a usually resident household identified by the 2011 Census. This identified a rate of 3.0% for East Hertfordshire, 4.5% for Epping Forest, 3.2% for Harlow and 4.7% for Uttlesford. The rate was 3.8% across the West Essex and East Hertfordshire HMA as a whole.

Figure 41: Projected households and dwellings over the 22-year period 2011-33 for West Essex and East Hertfordshire (Note: Dwelling numbers derived based on proportion of dwellings without a usually resident household in the 2011 Census. Data may not sum due to rounding)

Scenario	Households				Dwellings			
	2011	2033	Net change 2011-33	Average annual change	2011	2033	Net change 2011-33	Average annual change
East Hertfordshire	56,813	70,086	**13,272**	603	58,600	72,290	**13,690**	622
Epping Forest	52,093	61,089	**8,996**	409	54,540	63,958	**9,418**	428
Harlow	34,701	39,455	**4,754**	216	35,835	40,745	**4,910**	223
Uttlesford	31,579	41,456	**9,877**	449	33,138	43,503	**10,365**	471
TOTAL	**175,186**	**212,086**	**36,899**	**1,677**	**182,113**	**220,495**	**38,382**	**1,745**

Conclusions

3.78 PPG identifies that the starting point for estimating housing need is the CLG 2012-based household projections. For the 22-year period 2011-33, these projections suggest an increase of 49,638 households across the West Essex and East Hertfordshire HMA: an average growth of 2,256 households each year, comprised of 779 in East Hertfordshire, 653 in Epping Forest, 326 in Harlow and 498 in Uttlesford.

3.79 However, the future projections are particularly sensitive to the period on which migration trends are based, and PAS advice to Local Authorities suggests that the official projections are *"very unstable"* and it is more appropriate to adopt a longer base period to establish robust migration trends. This view is echoed by academics and has been promoted by Planning Inspectors at numerous Local Plan Examinations. Furthermore, the Public Administration Select Committee has identified the Census as *"the only reliable source of data on migrant populations in local areas"*.

3.80 Given this context, the SHMA has developed independent household projections using a 10-year migration trend based on Census data. The specific method used has been supported previously at Examination[24], where it was noted that *"a 10 year period is a reasonable approach"* and *"the inter-censal period provides a readily understandable and robust check on the reasonableness of the average"*.

3.81 Figure 41 shows that the population projection based on 10-year migration trends identifies an increase of 36,899 households across the HMA for the 22-year period 2011-33 (603 households in East Hertfordshire, 409 in Epping Forest, 216 in Harlow and 449 in Uttlesford), an average growth of 1,677 each year.

3.82 Whilst these figures are lower than the CLG 2012-based projections for the same period, the SHMA analysis reflects good practice and provides a stable projection based on the most reliable data. The lower increase in household numbers is due to the underlying population projections – long-term migration trends show lower migration rates than recent years. These lower migration rates are partly due to errors in the population estimates over the last 10 years (corrected following the 2011 Census), but it is also important to recognise that short-term trends are unlikely to be sustained for the full 22-year period 2011-33.

3.83 The long-term migration trends based on the intercensal period provide the most robust and reliable basis for projecting the future population, and therefore **the projected household growth of 1,677 households each year (1,745 dwellings) provides the most appropriate demographic projection on which to base the Objectively Assessed Need (OAN) for housing**.

[24] Report on the Examination into Bath and North East Somerset Council's Core Strategy (June 2014)

4. Housing Mix and Tenure

Establishing the need for market and affordable housing

4.1 Demographic projections provide the basis for identifying the Objectively Assessed Need for all types of housing, including both market housing and affordable housing.

4.2 PPG notes that affordable housing need is based on households *"who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market"* (paragraph 22) and identifies a number of different types of household which may be included:

> ***What types of households are considered in housing need?***
>
> *The types of households to be considered in housing need are:*
>
> » *Homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income)*
>
> » *Households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households)*
>
> » *Households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ*
>
> » *Households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation*
>
> » *Households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move*
>
> **Planning Practice Guidance (March 2014), ID 2a-023**

4.3 PPG also suggests a number of data sources for assessing past trends and recording current estimates for establishing the need for affordable housing (paragraph 24):

» Local authorities will hold data on the number of homeless households, those in temporary accommodation and extent of overcrowding.

» The Census also provides data on concealed households and overcrowding which can be compared with trends contained in the English Housing Survey.

» Housing registers and local authority and registered social landlord transfer lists will also provide relevant information.

4.4 The following section considers each of these sources in turn, alongside other relevant statistics and information that is available.

Past Trends and Current Estimates of the Need for Affordable Housing

Local Authority Data: Homeless Households and Temporary Accommodation

4.5 In West Essex and East Hertfordshire, there was a downward trend in the number of households accepted as being homeless and in priority need over the last decade (Figure 42). There were 218 such households in the first quarter of 2002 which reduced to 59 households by the first quarter of 2011, a net reduction of 159 households.

4.6 There has also been a downward trend in households living in temporary accommodation. There were 619 such households in 2002, including 38 in bed and breakfast accommodation and a further 76 in hostels; this had reduced to 229 in 2011, a net reduction of 390 households (Figure 43).

Figure 42: West Essex and East Hertfordshire households accepted as homeless and in priority need and households in temporary accommodation 2001-2015 (Source: CLG P1E returns)

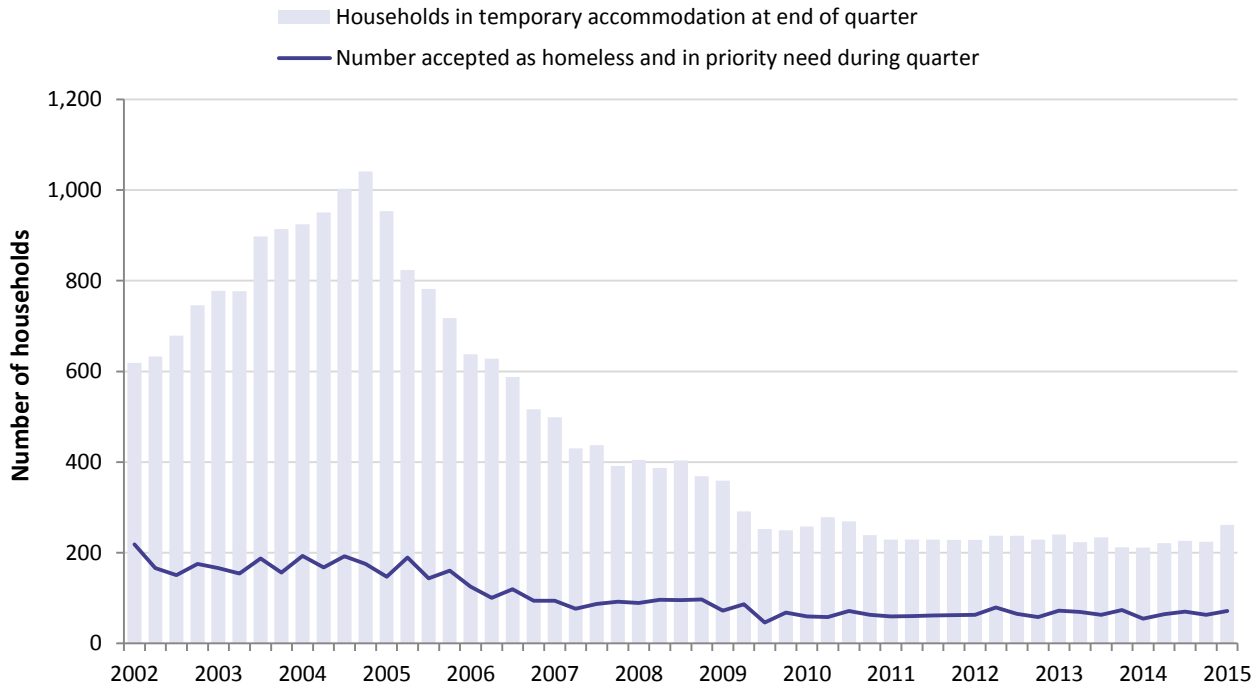


Figure 43: Households in temporary accommodation in West Essex and East Hertfordshire (Source: CLG P1E returns for March 2002 and March 2011. Note: Figures were not available for all of the study area in the 2001 data)

		West Essex and East Hertfordshire			England
		2002	2011	Net change 2002-11	2011
Households in temporary accommodation	Bed and breakfast	38	6	-32	-
	Hostels	76	57	-19	-
	Local Authority or RSL stock	500	87	-413	-
	Private sector leased (by LA or RSL)	3	12	9	-
	Other (including private landlord)	2	67	65	-
	TOTAL	**619**	**229**	**-390**	**-**
	Rate per 1,000 households	3.8	1.3	-2.5	2.2
Households accepted as homeless but without temporary accommodation provided			3	3	0

4.7 It is evident that statutory homelessness has not become significantly worse in West Essex and East Hertfordshire over the period since 2002, but this does not necessarily mean that fewer households risk becoming homeless. Housing advice services provided by the councils limit the number of homeless presentations, through helping people threatened with homelessness find housing before they become homeless. Housing allocation policies can also avoid the need for temporary housing if permanent housing is available sooner; however many households facing homelessness are now offered private rented housing.

4.8 Changes to the Law in 2010 means private sector households can now be offered accommodation in the Private Rented Sector and this cannot be refused, provided it is a reasonable offer. Prior to this change, Local Authorities could offer private sector housing to homeless households (where they have accepted a housing duty under Part 7 of the Housing Act 1996) but the applicant was entitled to refuse it. The Localism Act 2010 means refusal is no longer possible providing the offer is suitable. While the change aims to reduce the pressures on the social housing stock, an indirect result is that there are further demands on the private rented sector as Councils seek to house homeless households.

Census Data: Concealed Households and Overcrowding

4.9 The Census provides detailed information about households and housing in the local area. This includes information about **concealed families** (i.e. couples or lone parents) and **sharing households**. These households lack the sole use of basic facilities (e.g. a bathroom or kitchen) and have to share these with their "host" household (in the case of concealed families) or with other households (for those sharing).

Concealed Families

4.10 The number of **concealed families** living with households in West Essex and East Hertfordshire increased from 961 to 1,695 over the 10-year period 2001-11 (Figure 44), an increase of 734 families (76%).

Figure 44: Concealed families in West Essex and East Hertfordshire by age of family representative (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Aged under 25	113	368	+255
Aged 25 to 34	318	539	+221
Aged 35 to 44	152	163	+11
Aged 45 to 54	59	147	+88
Sub-total aged under 55	**642**	**1,217**	**+575**
Aged 55 to 64	64	130	+66
Aged 65 to 74	151	203	+52
Aged 75 or over	104	145	+41
Sub-total aged 55 or over	**319**	**478**	**+159**
All Concealed Families	**961**	**1,695**	**+734**

4.11 Although many concealed families do not want separate housing (in particular where they have chosen to live together as extended families), others are forced to live together due to affordability difficulties or other constraints – and these concealed families will not be counted as part of the CLG household projections. Concealed families with older family representatives will often be living with another family in order to receive help or support due to poor health. Concealed families with younger family representatives are more likely to demonstrate un-met need for housing. When we consider the growth of

734 families over the period 2001-11, almost 8-in-10 (78%) have family representatives aged under 55, with substantial growth amongst those aged under 35 in particular (in line with national trends).

Sharing Households

4.12 The number of **sharing households** fell from 232 to 43 over the 10-year period 2001-11 (Figure 45), a decrease of 189 households (81%).

Figure 45: Shared Dwellings and Sharing Households in West Essex and East Hertfordshire (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Number of shared dwellings	206	20	-186
Number of household spaces in shared dwellings	232	87	-145
All Sharing Households	**232**	**43**	**-189**
Household spaces in shared dwellings with no usual residents	0	44	44

4.13 Figure 46 shows that the number of **multi-adult households** living in the area increased from 5,407 to 6,590 households over the same period, an increase of 1,183 (22%). These people also have to share basic facilities, but are considered to be a single household as they also share a living room, sitting room or dining area. This includes **Houses in Multiple Occupation (HMOs) with shared facilities,** as well as **single people living together as a group** and **individuals with lodgers**.

Figure 46: Multi-adult Households in West Essex and East Hertfordshire (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Owned	3,334	3,806	472
Private rented	1,351	1,985	634
Social rented	722	799	77
All Households	**5,407**	**6,590**	**1,183**

4.14 The growth in multi-adult households was focussed particularly in the private rented sector, with an increase in single persons choosing to live with friends together with others living in HMOs. This growth accounts for 634 households (an increase from 1,351 to 1,985 households over the period) and this represents over half (54%) of the total increase in multi-adult households living in the area.

4.15 Nevertheless, shared facilities is a characteristic of HMOs and many people living in this type of housing will only be able to afford shared accommodation (either with or without housing benefit support). Extending the Local Housing Allowance (LHA) Shared Accommodation Rate (SAR) allowance to cover all single persons up to 35 years of age has meant that many more young people will only be able to afford shared housing, and this has further increased demand for housing such as HMOs.

4.16 There is therefore likely to be a continued (and possibly growing) role for HMOs, with more of the existing housing stock possibly being converted. Given this context, it would not be appropriate to consider households to need affordable housing only on the basis of them currently sharing facilities (although there may be other reasons why they would be considered as an affordable housing need).

Overcrowding

4.17 The Census also provides detailed information about occupancy which provides a measure of whether a household's accommodation is **overcrowded or under occupied**:

> *"There are two measures of occupancy rating, one based on the number of rooms in a household's accommodation, and one based on the number of bedrooms. The ages of the household members and their relationships to each other are used to derive the number of rooms/bedrooms they require, based on a standard formula. The number of rooms/bedrooms required is subtracted from the number of rooms/bedrooms in the household's accommodation to obtain the occupancy rating. An occupancy rating of -1 implies that a household has one fewer room/bedroom than required, whereas +1 implies that they have one more room/bedroom than the standard requirement."*

4.18 When considering the number of rooms required, the ONS use the following approach to calculate the room requirement:

- A one person household is assumed to require three rooms (two common rooms and a bedroom); and
- Where there are two or more residents it is assumed that they require a minimum of two common rooms plus one bedroom for:
  - each couple (as determined by the relationship question)
  - each lone parent
  - any other person aged 16 or over
  - each pair aged 10 to 15 of the same sex
  - each pair formed from any other person aged 10 to 15 with a child aged under 10 of the same sex
  - each pair of children aged under 10 remaining
  - each remaining person (either aged 10 to 15 or under 10).

4.19 For West Essex and East Hertfordshire, overcrowding increased from 8,899 to 11,583 households (an increase of 2,684) over the 10-year period 2001-11 (Figure 47). This represents a growth of 30%, which is higher than the national increase for England (23%). When considered by tenure, overcrowding has increased by 44 households in the owner occupied sector, increased by 906 households in the social rented sector with the largest growth in the private rented sector where the number has increased from 1,690 to 3,424, a growth of 1,734 households over the 10-year period. The percentage of overcrowded households in the private rented sector has also had the biggest increase from 11.0% to 14.7% (a growth of 33%).

4.20 Considering the individual authorities in the study area:

- **East Hertfordshire** has seen the most significant increase (+31%), particularly in social rent (+26%) and private rent (24%);
- **Epping Forest** has seen a more modest increase (+18%) including a reduction in owned (-8%), but with a larger increase in private rent (+30%) and social rent (+29%);
- **Harlow** has seen a more modest increase (+21%) including a reduction in owned (-4%), but with a larger increase in private rent (+38%); and
- **Uttlesford** has also seen an increase of 20% with a relatively small rise in owned (+2%) and larger increases in private rent (+33%) and social rent (+24%).

Figure 47: Proportion of overcrowded households 2011 for West Essex and East Hertfordshire and change 2001-11 by tenure (Note: Overcrowded households are considered to have an occupancy rating of -1 or less. Source: UK Census of Population 2001 and 2011)

	Occupancy rating (rooms)						Occupancy rating (bedrooms) 2011	
	2001		2011		Net change 2001-11			
	N	%	N	%	N	%	N	%
East Hertfordshire								
Owned	920	2.3%	1,048	2.6%	128	+11%	509	1.2%
Private rented	673	12.4%	1,281	15.6%	608	+26%	409	5.0%
Social rented	864	12.9%	1,154	16.1%	290	+24%	527	7.3%
All Households	**2,457**	**4.7%**	**3,483**	**6.2%**	**1,026**	**+31%**	**1,445**	**2.6%**
Epping Forest								
Owned	1,149	3.0%	1,058	2.8%	-91	-8%	698	1.8%
Private rented	511	11.1%	927	14.5%	416	+30%	346	5.4%
Social rented	1,094	13.4%	1,357	17.4%	263	+29%	650	8.3%
All Households	**2,754**	**5.4%**	**3,342**	**6.4%**	**588**	**+18%**	**1,694**	**3.3%**
Harlow								
Owned	871	4.4%	834	4.2%	-37	-4%	567	2.9%
Private rented	278	14.8%	825	20.3%	547	+38%	413	10.2%
Social rented	1,589	13.8%	1,804	16.7%	215	+21%	950	8.8%
All Households	**2,738**	**8.3%**	**3,463**	**10.0%**	**725**	**+21%**	**1,930**	**5.6%**
Uttlesford								
Owned	337	1.6%	381	1.7%	44	+2%	269	1.2%
Private rented	228	6.7%	391	8.5%	163	+27%	154	3.3%
Social rented	385	10.8%	523	13.2%	138	+22%	268	6.8%
All Households	**950**	**3.5%**	**1,295**	**4.1%**	**345**	**+20%**	**691**	**2.2%**
WEST ESSEX AND EAST HERTFORDSHIRE								
Owned	3,277	2.8%	3,321	2.7%	44	-1%	2,043	1.7%
Private rented	1,690	11.0%	3,424	14.7%	1,734	+33%	1,322	5.7%
Social rented	3,932	13.1%	4,838	16.3%	906	+24%	2,395	8.0%
All Households	**8,899**	**5.5%**	**11,583**	**6.6%**	**2,684**	**+22%**	**5,760**	**3.3%**
All Households								
ENGLAND	**-**	**7.1%**	**-**	**8.7%**	**-**	**+23%**	**-**	**4.6%**
South West Essex	-	5.9%	-	7.7%	-	+31%	-	4.3%
Stevenage & Northern Herts	-	5.5%	-	6.6%	-	+20%	-	3.2%
Crawley & Reigate	-	5.2%	-	6.5%	-	+26%	-	3.2%
Greater London	-	17.3%	-	21.7%	-	+25%	-	11.3%

English Housing Survey Data

Overcrowding

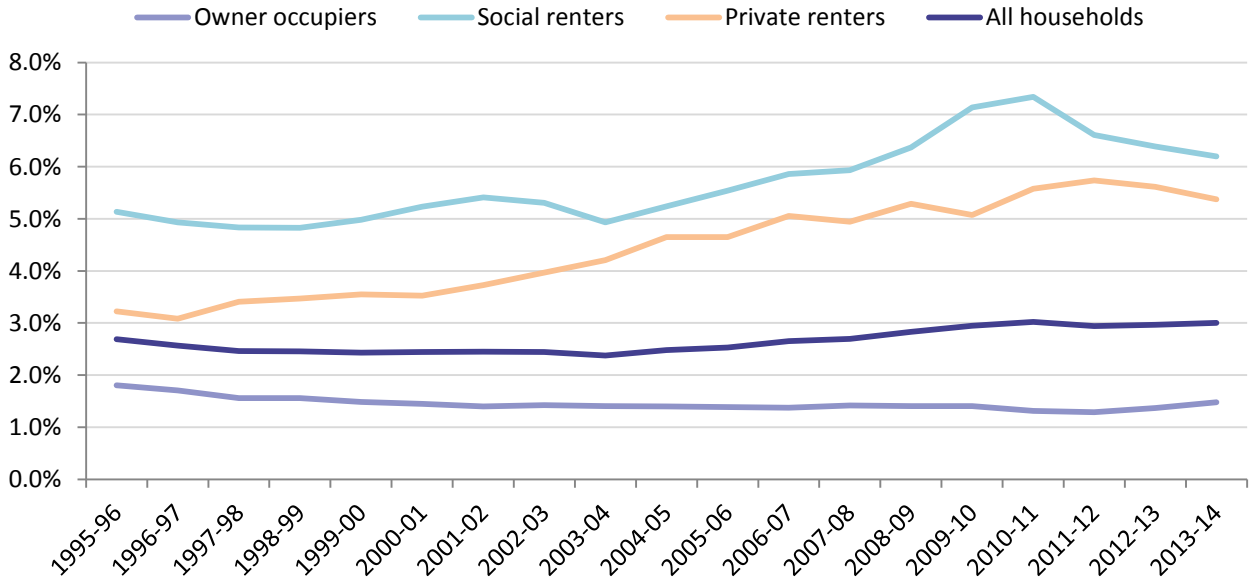
4.21 The English Housing Survey (EHS) does not provide information about individual local authorities, but it does provide a useful context about these indicators in terms of national trends between Census years.

4.22 The measure of overcrowding used by the EHS provides a consistent measure over time **however the definition differs from both occupancy ratings provided by the Census**. The EHS approach[25] is based on a *"bedroom standard"* which assumes that adolescents aged 10-20 of the same sex will share a bedroom, and only those aged 21 or over are assumed to require a separate bedroom (whereas the approach used by the ONS for the Census assumes a separate room for those aged 16 or over):

> *"The 'bedroom standard' is used as an indicator of occupation density. A standard number of bedrooms is calculated for each household in accordance with its age/sex/marital status composition and the relationship of the members to one another. A separate bedroom is allowed for each married or cohabiting couple, any other person aged 21 or over, each pair of adolescents aged 10-20 of the same sex, and each pair of children under 10. Any unpaired person aged 10-20 is notionally paired, if possible, with a child under 10 of the same sex, or, if that is not possible, he or she is counted as requiring a separate bedroom, as is any unpaired child under 10.*
>
> *"Households are said to be overcrowded if they have fewer bedrooms available than the notional number needed. Households are said to be under-occupying if they have two or more bedrooms more than the notional needed."*

4.23 Nationally, overcrowding rates increased for households in both social and private rented housing, although the proportion of overcrowded households has declined in both sectors since 2011. Overcrowding rates for owner occupiers have remained relatively stable since 1995.

Figure 48: Trend in overcrowding rates for England by tenure (Note: Based on three-year moving average, up to and including the labelled date. Source: Survey of English Housing 1995-96 to 2007-08; English Housing Survey 2008-09 onwards)



[25] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284648/English_Housing_Survey_Headline_Report_2012-13.pdf

4.24 Whilst the EHS definition of overcrowding is more stringent than the Census, the measurement closer reflects the definition of statutory overcrowding that was set out by Part X of the Housing Act 1985 and is consistent with statutory Guidance[26] that was issued by CLG in 2012 to which authorities must have regard when exercising their functions under Part 6 of the 1996 Housing Act (as amended).

4.25 This Guidance, *"Allocation of accommodation: Guidance for local housing authorities in England"*, recommends that authorities should use the bedroom standard when assessing whether or not households are overcrowded for the purposes of assessing housing need:

> *"4.8 The Secretary of State takes the view that the bedroom standard is an appropriate measure of overcrowding for allocation purposes, and recommends that all housing authorities should adopt this as a minimum. The bedroom standard allocates a separate bedroom to each:*
> *– married or cohabiting couple*
> *– adult aged 21 years or more*
> *– pair of adolescents aged 10-20 years of the same sex*
> *– pair of children aged under 10 years regardless of sex"*

4.26 The bedroom standard therefore provides the most appropriate basis for assessing overcrowding. By considering the Census and EHS data for England, together with the Census data for West Essex and East Hertfordshire, we can estimate overcrowding using the bedroom standard. Figure 49 sets out this calculation based on the Census occupancy rating for both rooms and bedrooms. Based on the bedroom standard, it is estimated that **1,098 owner occupied, 709 private rented and 1,904 social rented households were overcrowded** in the West Essex and East Hertfordshire HMA in 2011. Student households have been excluded from this calculation given that their needs are assumed to be transient.

Figure 49: Estimate of the number of overcrowded households in West Essex & East Hertfordshire HMA by tenure based on the bedroom standard (Source: EHS; UK Census of Population 2011)

	Owned		Private Rented		Social Rented	
ENGLAND						
EHS bedroom standard 2011 Percentage of households overcrowded [A]	1.3%		5.6%		7.3%	
Census occupancy rating Percentage of households overcrowded [B]	*Bedrooms* 2.3%	*Rooms* 3.3%	*Bedrooms* 8.8%	*Rooms* 20.2%	*Bedrooms* 8.9%	*Rooms* 16.9%
Proportion of these overcrowded households based on bedroom standard [C = A ÷ B]	57%	40%	64%	28%	83%	43%
WEST ESSEX & EAST HERTFORDSHIRE HMA						
Census occupancy rating Number of overcrowded households [D]	*Bedrooms* 2,043	*Rooms* 3,321	*Bedrooms* 1,322	*Rooms* 3,424	*Bedrooms* 2,395	*Rooms* 4,838
Full-time student households [E]	306	306	359	564	207	204
Overcrowded households (excluding students) [F = D - E]	1,737	3,015	963	2,860	2,188	4,634
Estimate of overcrowded households based on the bedroom standard [G = C × F]	**990**	**1,206**	**616**	**801**	**1,816**	**1,993**
Estimate of overcrowded households in 2011 based on the bedroom standard (average)	**1,098**		**709**		**1,904**	

[26] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5918/2171391.pdf

Housing Condition and Disrepair

4.27 The EHS also provides useful information about **housing disrepair**. The EHS headline report for 2013-14 identifies that private rented sector dwellings had the highest rate of disrepair: 7% compared with 4% of owner occupied dwellings and 3% of social sector dwellings.

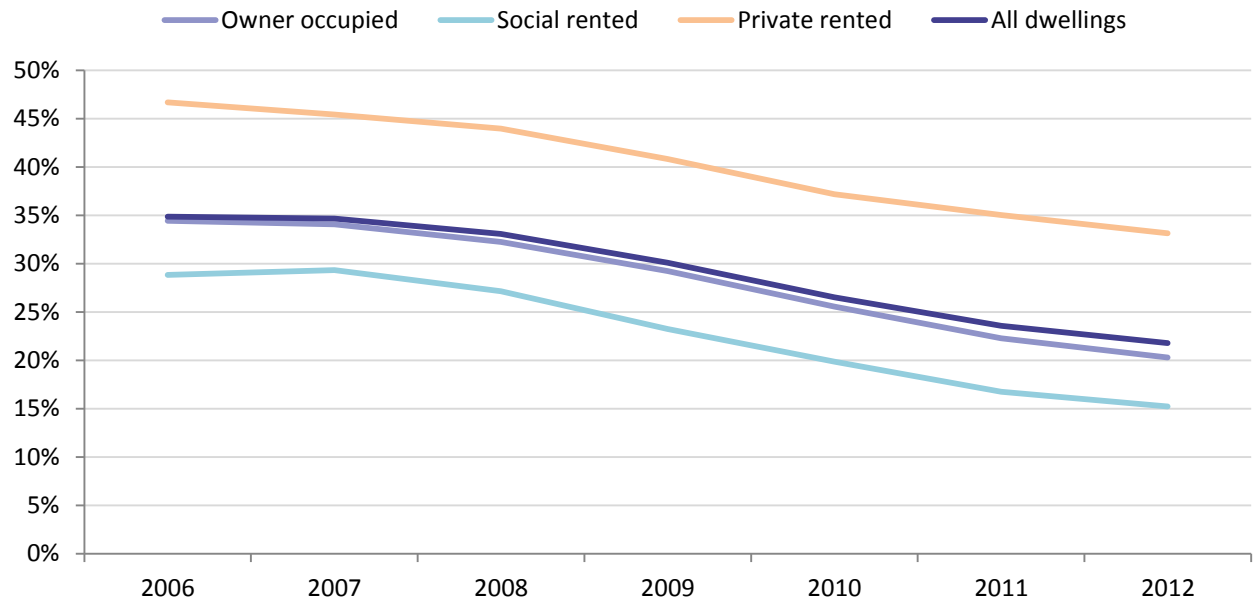
4.28 The Decent Homes Standard provides a broad measure of **housing condition**. It was intended to be a minimum standard that all housing should meet and that to do so should be easy and affordable. It was determined that in order to meet the standard a dwelling must achieve all of the following:

- Be above the legal minimum standard for housing (currently the Housing Health and Safety Rating System, HHSRS); and
- Be in a reasonable state of repair; and
- Have reasonably modern facilities (such as kitchens and bathrooms) and services; and
- Provide a reasonable degree of thermal comfort (effective insulation and efficient heating).

4.29 If a dwelling fails any one of these criteria, it is considered to be "non-decent". A detailed definition of the criteria and their sub-categories are described in the ODPM guidance: "A Decent Home – The definition and guidance for implementation" June 2006.

4.30 Figure 50 shows the national trends in non-decent homes by tenure. It is evident that conditions have improved year-on-year (in particular due to energy efficiency initiatives), however whilst social rented properties are more likely to comply with the standard, almost a third of the private rented sector (33.1%) remains currently non-decent. This is a trend that tends to be evident at a local level in most areas where there are concentrations of private rented housing, and there remains a need to improve the quality of housing provided for households living in the private rented sector.

Figure 50: Trend in non-decent homes in England by tenure (Source: English House Condition Survey 2006 to 2007; English Housing Survey 2008 onwards)



Housing Register Data

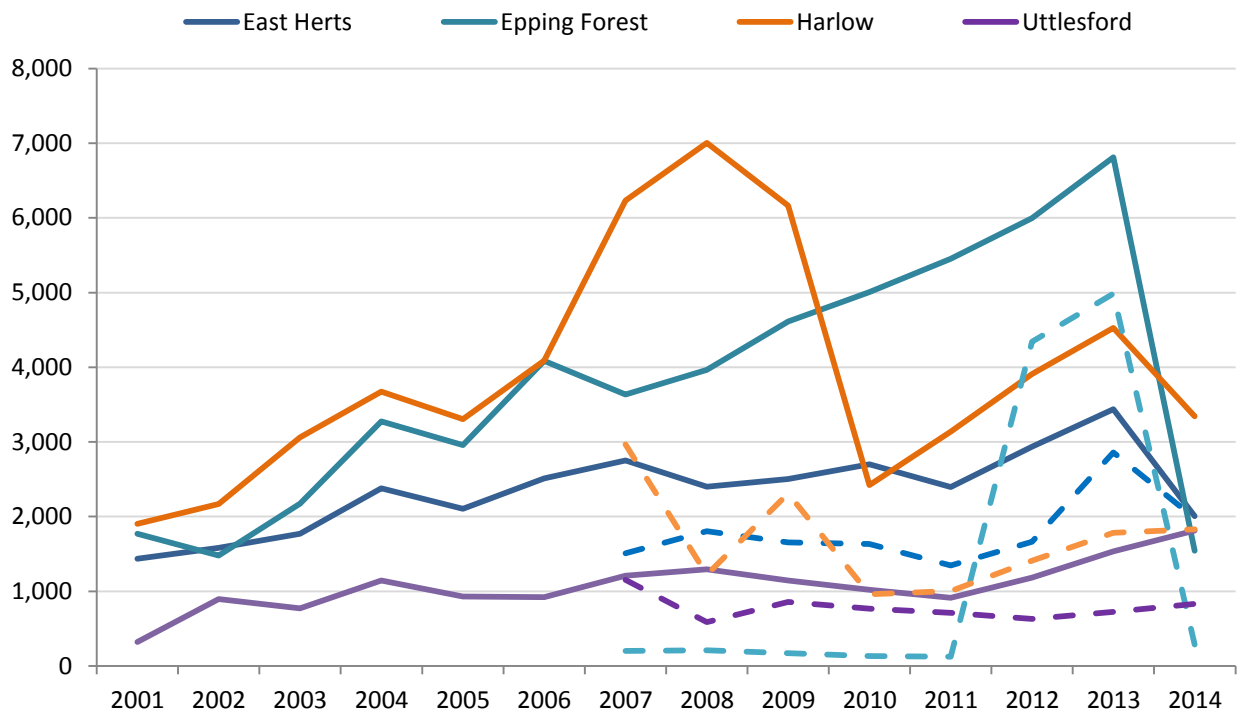
4.31 The local authority **housing register** and **transfer lists** are managed through individual HomeChoice local Choice Based Lettings schemes managed by each of the four local authorities in West Essex and East Hertfordshire. Households apply for a move via the scheme and 'bid' for homes along with applicants from various sources, including homeless households, housing register and transfer applicants.

4.32 Figure 51 shows the trend in households on the housing register over the period since 2001:

- **East Hertfordshire** households on the housing register rose from 1,400 to 2,000 over the period 2001-14;
- **Epping Forest** households on the housing register fell from 1,800 to 1,500 over the period 2001-14, but with much sharper rises in the interim period;
- **Harlow**: household on the housing register rose from 1,900 to 3,300 over the period 2001-14; and
- **Uttlesford**: household numbers on the housing register rose from 300 in 2001 to 1,800 in 2014.

4.33 Overall, the trends show that the number of households registering for affordable housing has increased by around 60% over the last decade. Nevertheless, the criteria for joining the housing registers in all areas have recently changed as a result of policy changes following the Localism Act. Only people with a local connection now qualify for the housing register, and people with adequate financial resources (including owner occupiers) are no longer included – so the trends discussed above have to be understood in this context and number on the registers are falling.

Figure 51: Number of households on LA housing registers 2001-14 (Note: Solid line shows total number of households; dotted line shows number of households in a reasonable preference category. Source: LAHS and HSSA returns to CLG)



4.34 Figure 51 also show the number recorded in a reasonable preference category since 2007. Reasonable preference categories are defined in the Housing Act 1996, which requires "reasonable preference" for housing to be given to people who are:

- Legally homeless;
- Living in unsatisfactory housing (as defined by the Housing Act 2004);
- Need to move on medical/welfare grounds; or
- Need to move to a particular area to avoid hardship.

4.35 Figure 52 provides further detailed information for the last 2 years. The number of households in **reasonable preference categories** has also been subject to variation from year-to-year, although these have not always followed the trends in the overall number of households on the register. The number of households with a reasonable preference in 2014 was 4,930 which was less than half the figure in 2013 (10,351) reflecting recent revisions to the system as part of the Localism agenda.

Figure 52: Number of households on the local authority housing register at 1st April (Source: LAHS returns to CLG. Note: "*" denotes that the data was unavailable)

	East Herts		Epping Forest		Harlow		Uttlesford		West Essex & East Herts	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Total households on the housing waiting list	3,438	2,005	6,811	1,544	4,527	3,344	1,536	1,813	16,312	8,706
Total households in a reasonable preference category	**2,859**	**1,980**	**4,984**	**286**	**1,782**	**1,831**	**726**	**833**	**10,351**	**4,930**
People currently living in temporary accommodation who have been accepted as being homeless (or threatened with homelessness)	14	10	35	0	*	77	17	15	*	102
Other people who are homeless within the meaning given in Part VII of the Housing Act (1996), regardless of whether there is a statutory duty to house them	14	23	203	0	107	*	58	73	382	*
People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions	977	554	0	0	1,165	655	168	572	2,310	1,781
People who need to move on medical or welfare grounds, including grounds relating to a disability	1,242	780	1,165	286	235	312	453	378	3,095	1,756
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)	52	34	0	0	*	0	30	8	*	42

4.36 The number of people recorded by the housing register as homeless or owed a duty under the Housing Act appears to be broadly consistent with the local authority data about homelessness.

4.37 Nevertheless, we previously estimated that there were around 3,711 overcrowded households in the West Essex and East Hertfordshire HMA, based on the bedroom standard (Figure 49) – but only 1,781 people were recorded by the housing registers in 2014 as currently *"occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions"*. Therefore, there are likely to be many households who have not registered for affordable housing despite being overcrowded. This will partly reflect their affordability (for example, most owner occupiers would not qualify for rented affordable housing due to the equity in their current home) whilst others may only be temporarily overcrowded and will have sufficient space available once a concealed family is able to leave and establish an independent household.

4.38 When considering the types of household to be considered in housing need, the PPG also identified *"households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ"* and *"households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move"*. It is only through the housing register that we are able to establish current estimates of need for these types of household, and not all would necessarily be counted within a reasonable preference category. Nevertheless, there were 1,756 people registered *"who need to move on medical or welfare grounds, including grounds relating to a disability"* and a further 42 *"who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)"*.

Households Unable to Afford their Housing Costs

4.39 The PPG emphasises in a number of paragraphs that affordable housing need should only include those households that are unable to afford their housing costs:

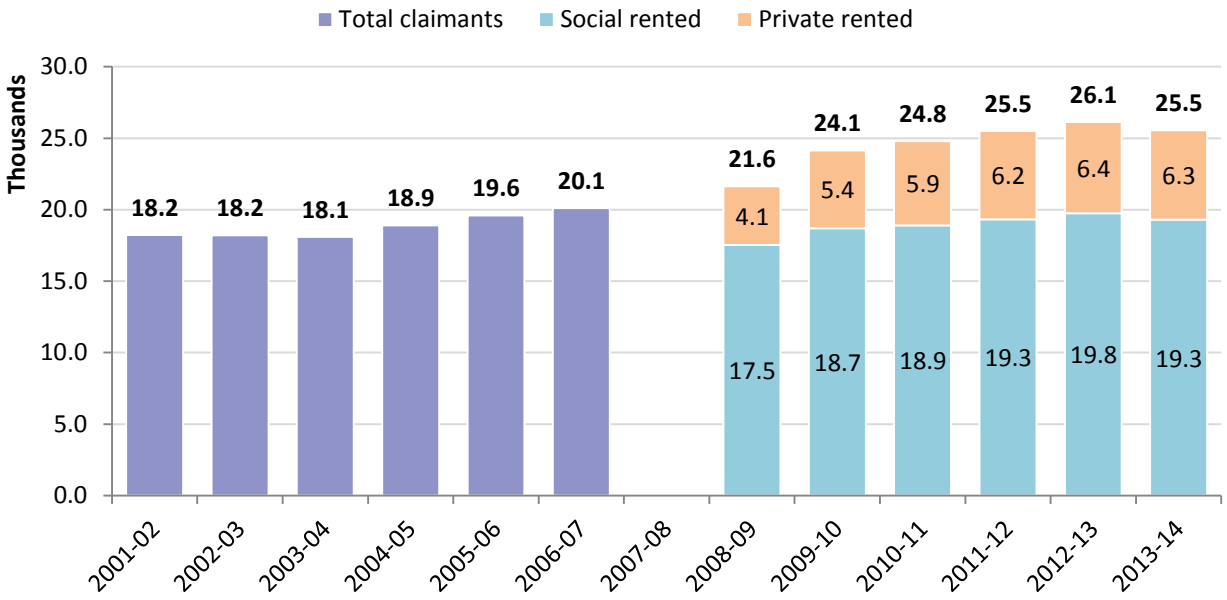
> *Plan makers … will need to estimate the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market* **(ID 2a-022, emphasis added)**
>
> *Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of … those that cannot afford their own homes. Care should be taken to avoid double-counting … and to include only those households who cannot afford to access suitable housing in the market* **(ID 2a-024, emphasis added)**
>
> *Projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area*
> **(ID 2a-025, emphasis added)**
>
> **Planning Practice Guidance (March 2014)**

4.40 Housing benefit data from the Department for Work and Pensions (DWP) provides reliable, consistent and detailed information about the number of families that are unable to afford their housing costs in each local authority area. Data was published annually from 2001-02 to 2006-07 which identified the total number of claimants in receipt of housing benefit, and more detailed information has been available since 2008-09 which includes more detailed information about claimants and the tenure of their home.

Housing Benefit Claimants in West Essex & East Hertfordshire HMA

4.41 Figure 53 shows the trend in the number of housing benefit claimants in West Essex & East Hertfordshire HMA.

Figure 53: Number of claimants in receipt of housing benefit in West Essex & East Hertfordshire by tenure (Source: DWP)



4.42 The number of housing benefit claimants in West Essex & East Hertfordshire HMA increased from 18,227 to 20,100 over the period 2001-02 to 2006-07, equivalent to an average annual growth of around 375 families. The number of claimants reached 26,134 in 2012-13, therefore a much faster growth of around 1,000 families each year on average over the period from 2006-07. The largest growth was experienced between 2008-09 and 2009-10 when the number of claimants increased by about 2,500 families.

4.43 Considering the information on tenure, it is evident that the number of claimants in social rented housing increased from around 17,500 to 19,800 over the period 2008-09 to 2012-13 – an increase of 2,200 families (13%); however over the same period the number of claimants in private rented housing increased from 4,100 to 6,400 families – an increase of 2,300 families (55%).

4.44 This increase in housing benefit claimants, in particular those living in private rented housing, coincides with the increases observed on the housing register in West Essex and East Hertfordshire. Indeed, it is likely that many households applying for housing benefit would have also registered their interest in affordable housing. Nevertheless, many of them will have secured appropriate housing in the private rented sector which housing benefit enabled them to afford; so not all will necessarily need affordable housing, though many may prefer this type of housing if it were available.

4.45 The information published by DWP provides the detailed information needed for understanding the number of households unable to afford their housing costs. Of course, there will be other households occupying affordable housing who do not need housing benefit to pay discounted social or affordable rents but who would not be able to afford market rents. Similarly there will be others who are not claiming housing benefit support as they have stayed living with parents or other family or friends and not formed independent households. However, providing that appropriate adjustments are made to take account of these exceptions, **the DWP data provides the most reliable basis for establishing the number of households unable to afford their housing costs and estimating affordable housing need.**

Establishing Affordable Housing Need

4.46 In establishing the Objectively Assessed Need for affordable housing, it is necessary to draw together the full range of information that has already been considered in this report.

4.47 PPG sets out the framework for this calculation, considering both the current unmet housing need and the projected future housing need in the context of the existing affordable housing stock:

> ***How should affordable housing need be calculated?***
>
> *This calculation involves adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable housing stock.*
>
> **Planning Practice Guidance (March 2014), ID 2a-022**

Current Unmet Need for Affordable Housing

4.48 In terms of establishing the **current** unmet need for affordable housing, the PPG draws attention again to those types of households considered to be in housing need; whilst also emphasising the need to avoid double-counting and including only those households unable to afford their own housing.

> ***How should the current unmet gross need for affordable housing be calculated?***
>
> *Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of:*
>
> - *the number of homeless households;*
> - *the number of those in priority need who are currently housed in temporary accommodation;*
> - *the number of households in overcrowded housing;*
> - *the number of concealed households;*
> - *the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings);*
> - *the number of households from other tenures in need and those that cannot afford their own homes.*
>
> *Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market.*
>
> **Planning Practice Guidance (March 2014), ID 2a-024**

4.49 Earlier sections of this chapter set out the past trends and current estimates for relevant households based on the data sources identified by PPG (based on a reference point of March 2011). Although this evidence does not provide the basis upon which to establish whether or not households can afford to access suitable housing, we believe that it is reasonable to assume that certain households will be unable to afford housing, otherwise they would have found a more suitable home.

Establishing the Current Unmet Need for Affordable Housing

4.50 Households assumed to be unable to afford housing include:

- All households that are currently **homeless**;
- All those currently housed in **temporary accommodation**; and
- People in a **reasonable preference category** on the housing register, where their needs have not already been counted.

4.51 Given this context, our analysis counts the needs of all of these households when establishing the Objectively Assessed Need for affordable housing at a base date of 2011.

4.52 Only around 40% of households currently living in **overcrowded** housing (based on the bedroom standard) are registered in a reasonable preference category, which will partly reflect their affordability. It is likely that most owner occupiers would not qualify for rented affordable housing (due to the equity in their current home); but it is reasonable to assume that households living in overcrowded rented housing are unlikely to be able to afford housing, otherwise they would have found a more suitable home.

4.53 Our analysis counts the needs of all households living in overcrowded rented housing when establishing the OAN for affordable housing (which could marginally overstate the affordable housing need) but it does not count the needs of owner occupiers living in overcrowded housing (which can be offset against any previous over-counting). Unlike other low-income households, students are not eligible for welfare payments (such as housing benefit) and would not be allocated affordable housing; therefore student households are also excluded from the assessment of affordable housing need. Of course, the needs of student households are properly included within the assessment of overall housing needs.

4.54 The analysis does not count people occupying insanitary housing or otherwise living in unsatisfactory housing conditions as a need for additional affordable housing. These dwellings would be unsuitable for any household, and enabling one household to move out would simply allow another to move in – so this would not reduce the overall number of households in housing need. This housing need should be resolved by improving the existing housing stock, and the Councils have a range of statutory enforcement powers to improve housing conditions.

4.55 When considering **concealed families**, it is important to recognise that many do not want separate housing. Concealed families with older family representatives will often be living with another family, perhaps for cultural reasons or in order to receive help or support due to poor health. However, those with younger family representatives are more likely to experience affordability difficulties or other constraints (although not all will want to live independently).

4.56 **Concealed families in a reasonable preference category on the housing register will be counted regardless of age, but our analysis also considers the additional growth of concealed families with family representatives aged under 55** (even those not registered on the housing register) and assumes that all such households are unlikely to be able to afford housing (otherwise they would have found a more suitable home).

4.57 The needs of these households are counted when establishing the OAN for affordable housing and **they also add to the OAN for overall housing, as concealed families are not counted by the CLG household projections.**

4.58 Figure 54 sets out the assessment of current affordable housing need for the West Essex & East Hertfordshire HMA.

Figure 54: Assessing current unmet gross need for affordable housing for West Essex and East Hertfordshire (Source: ORS Housing Model)

	Affordable Housing		Increase in Overall Housing Need
	Gross Need	Supply	
Homeless households in priority need (see Figure 43)			
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	63		63
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	79		
Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	87	87	
Households accepted as homeless but without temporary accommodation provided	3		3
Concealed households (see Figure 44)			
Growth in concealed families with family representatives aged under 55	575		575
Overcrowding based on the bedroom standard (see Figure 49)			
Households living in overcrowded private rented housing	709		
Households living in overcrowded social rented housing	1,904	1,904	
Other households living in unsuitable housing that cannot afford their own home (see Figure 52)			
People who need to move on medical or welfare grounds, including grounds relating to a disability	1,756	112	
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)	42	3	
TOTAL	**5,218**	**2,106**	**641**

4.59 Based on a detailed analysis of the past trends and current estimates of households considered to be in housing need, our analysis has concluded that there are **5,218 households currently in affordable housing need in the West Essex and East Hertfordshire HMA who are unable to afford their own housing**. This assessment is based on the criteria set out in the PPG and avoids double-counting (as far as possible).

4.60 Of these households, 2,106 currently occupy affordable housing that does not meet the households' current needs, mainly due to overcrowding. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing. **There is, therefore, a net need from 3,112 households** (5,218 less 2,106 = 3,112) **who currently need affordable housing and do not currently occupy affordable housing in the West Essex and East Hertfordshire HMA** (although a higher number of new homes may be needed to resolve all of the identified overcrowding).

4.61 This number includes 641 households that would not be counted by the household projections. **There is, therefore, a need to increase the housing need based on demographic projections to accommodate these additional households.**

4.62 Providing the net additional affordable housing needed will **release back into the market (mainly in the private rented sector) the dwellings occupied by a total of 2,471 households** (5,218 less 2,106 + 641) **that are currently in affordable housing need who are unable to afford their own housing**.

Projected Future Affordable Housing Need

4.63 In terms of establishing **future** projections of affordable housing need, the PPG draws attention to new household formation (in particular the proportion of newly forming households unable to buy or rent in the market area) as well as the number of existing households falling into need.

> ***How should the number of newly arising households likely to be in housing need be calculated?***
>
> *Projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need. This process should identify the minimum household income required to access lower quartile (entry level) market housing (plan makers should use current cost in this process, but may wish to factor in changes in house prices and wages). It should then assess what proportion of newly-forming households will be unable to access market housing.*
>
> **Planning Practice Guidance (March 2014), ID 2a-025**

4.64 The ORS Housing Mix Model considers the need for market and affordable housing on a longer-term basis that is consistent with household projections and Objectively Assessed Need. The Model provides robust and credible evidence about the required mix of housing over the full planning period, and recognises how key housing market trends and drivers will impact on the appropriate housing mix.

4.65 The Model uses a wide range of secondary data sources to build on existing household projections and profile how the housing stock will need to change in order to accommodate the projected future population. A range of assumptions can be varied to enable effective sensitivity testing to be undertaken. In particular, the Model has been designed to help understand the key issues and provide insight into how different assumptions will impact on the required mix of housing over future planning periods.

4.66 The Housing Mix Model considers the future number and type of households based on the household projections alongside the existing dwelling stock. Whilst the Model considers the current unmet need for affordable housing (including the needs of homeless households, those in temporary accommodation, overcrowded households, concealed households, and established households in unsuitable dwellings or that cannot afford their own homes), it also provides a robust framework for projecting the future need for affordable housing.

Households Unable to Afford their Housing Costs

4.67 PPG identifies that *"projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need"* (paragraph 25); **however, the Model recognises that the proportion of households unable to buy or rent in the market area will not be the same for all types of household, and that this will also differ between age cohorts.** Therefore, the appropriate proportion is determined separately for each household type and age group.

4.68 The affordability percentages in Figure 55 are calculated using data published by DWP about housing benefit claimants alongside detailed information from the 2011 Census. There are several **assumptions** underpinning the Model:

» Where households are claiming housing benefit, it is assumed that they cannot afford market housing; and the Model also assumes that households occupying affordable housing will continue to do so;

» Households occupying owner occupied housing and those renting privately who aren't eligible for housing benefit are assumed to be able to afford market housing; so the Model only allocates affordable housing to those established households that the Government deems eligible for housing support through the welfare system; and

» The Model separately considers the needs of concealed families and overcrowded households (both in market housing and affordable housing) which can contribute additional affordable housing need.

Figure 55: Assessing affordability for West Essex and East Hertfordshire by household type and age (Source: ORS Housing Model based on Census 2011 and DWP)

	Under 25	25-34	35-44	45-54	55-64	65+
EAST HERTFORDSHIRE: Percentage unable to afford market housing						
Single person household	33%	12%	17%	20%	21%	26%
Couple family with no dependent children	12%	4%	5%	8%	7%	12%
Couple family with 1 or more dependent children	71%	26%	10%	6%	9%	9%
Lone parent family with 1 or more dependent children	89%	84%	47%	30%	33%	49%
Other household type	17%	12%	24%	20%	16%	12%
EPPING FOREST: Percentage unable to afford market housing						
Single person household	35%	16%	24%	26%	27%	28%
Couple family with no dependent children	10%	4%	7%	9%	7%	10%
Couple family with 1 or more dependent children	60%	26%	12%	9%	11%	22%
Lone parent family with 1 or more dependent children	90%	78%	55%	39%	29%	57%
Other household type	22%	25%	24%	20%	14%	11%
HARLOW: Percentage unable to afford market housing						
Single person household	60%	26%	38%	48%	45%	47%
Couple family with no dependent children	27%	8%	15%	20%	20%	26%
Couple family with 1 or more dependent children	83%	41%	25%	22%	23%	34%
Lone parent family with 1 or more dependent children	96%	86%	65%	57%	51%	90%
Other household type	42%	41%	33%	38%	33%	30%
UTTLESFORD: Percentage unable to afford market housing						
Single person household	22%	11%	17%	19%	25%	31%
Couple family with no dependent children	14%	5%	6%	7%	7%	12%
Couple family with 1 or more dependent children	46%	21%	9%	6%	6%	16%
Lone parent family with 1 or more dependent children	92%	75%	50%	39%	27%	29%
Other household type	29%	21%	21%	16%	17%	13%

Components of Projected Household Growth

4.69 PPG identifies that the CLG household projections *"should provide the starting point estimate for overall housing need"* (paragraph 15) and that *"the 2012-2037 Household Projections … are the most up-to-date estimate of future household growth"* (paragraph 16). **However, when considering the number of newly arising households likely to be in affordable housing need,** the PPG recommends a *"gross annual estimate"* (paragraph 25) suggesting that *"the total need for affordable housing should be converted into annual flows"* (paragraph 29).

4.70 The demographic projections developed to inform the overall Objectively Assessed Need include annual figures for household growth, and these can therefore be considered on a year-by-year basis as suggested by the Guidance; but given that elements of the modelling are fundamentally based on 5-year age cohorts, it is appropriate to annualise the data using 5-year periods.

4.71 Figure 56 shows the individual components of annual household growth over a 25 year period, with the first period containing 5 years.

Figure 56: Components of average annual household growth for West Essex and East Hertfordshire by 5-year projection period (Source: ORS Housing Model. Note; Figures may not sum due to rounding)

	Annual average for 5-year periods					Annual average 2011-33
	2011-16	2016-21	2021-26	2026-31	2031-36	
New household formation	3,521	3,493	3,453	3,553	3,706	3,523
Household dissolution following death	2,611	2,614	2,700	2,871	3,119	2,737
Net household growth within the HMA	**+910**	**+880**	**+752**	**+683**	**+587**	**+786**
Household migration in	8,830	8,999	9,226	9,514	9,840	9,206
Household migration out	7,986	8,201	8,361	8,523	8,783	8,315
Net household migration	**+844**	**+798**	**+866**	**+991**	**+1,056**	**+891**
Total household growth	**+1,754**	**+1,677**	**+1,618**	**+1,673**	**+1,643**	**+1,677**

4.72 Over the initial 5-year period (2011-16) the model shows that:

- There are projected to be 3,521 new household formations each year; but this is offset against 2,611 household dissolutions following death – so there is an **average net household growth of 910 households** locally in West Essex and East Hertfordshire HMA;
- There are also projected to be 8,830 households migrating to West Essex and East Hertfordshire HMA offset against 7,986 households migrating away from the area – which yields an **increase of 845 households attributable to net migration;**
- The total household growth is therefore **projected to be 1,754** (910 plus 844 = 1,754) **households each year** over the initial 5-year period of the projection.

4.73 During the course of the full projection period, net household growth within West Essex and East Hertfordshire HMA is projected to be higher in the early part of the projection period than in the later years. This is despite gross household formation and net in-migration being projected to increase, due to a larger number of households projected to dissolve over the projection period.

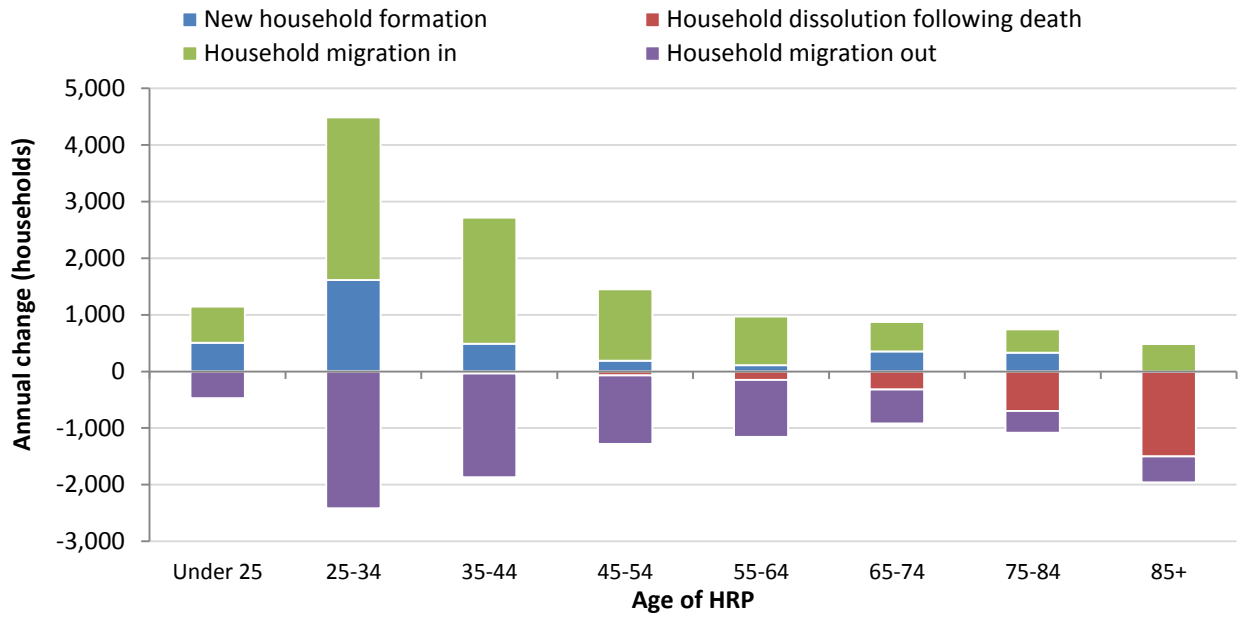
4.74 Over the 22-year period 2011-33, total **household growth averages 1,677 households** each year with an average annual net growth of 786 households within the HMA and a net gain of 891 households based on migration.

Change in Household Numbers by Age Cohort

4.75 To establish the **proportion of newly forming households unable to buy or rent** in the market area, it is necessary to consider the characteristics of the 3,521 new households projected to form in West Essex and East Hertfordshire each year over the period 2011-16 (Figure 56) alongside the detailed information about household affordability (Figure 55).

4.76 Figure 57 shows the age structure of each of the **components of household change**. Note that this analysis is based on changes within each age cohort, so comparisons are based on households born in the same year and relate to their age at the end of the period. Therefore all new households are properly counted, rather than only counting the increase in the number of households in each age group.

Figure 57: Annual change in household numbers in each age cohort for West Essex and East Hertfordshire by age of HRP (Source: ORS Housing Model)



4.77 **Together with information on household type, this provides a framework for the Model to establish the proportion of households who are unable to afford their housing costs.**

4.78 The Model identifies that 27% of all newly forming households are unable to afford their housing costs, which represents 939 households each year (Figure 58). The Model shows that a lower proportion of households migrating to the area are unable to afford (22%), but this still represents 1,975 households moving in to the area. Some of these households will be moving to social rented housing, but many others will be renting housing in the private rented sector with housing benefit support**. Together, there are 2,914 new households each year who are unable to afford their housing costs.**

Figure 58: Affordability of new households for West Essex and East Hertfordshire over the initial 5-year period 2011-16 (Source: ORS Housing Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	3,521	2,582	939	27%
Households migrating in to the area	8,830	6,855	1,975	22%
All new households	**12,351**	**9,437**	**2,914**	**24%**

4.79 Having established the need for affordable housing and the dwellings likely to be vacated, the PPG suggests that the total net need can be calculated by subtracting *"total available stock from total gross need"* (paragraph 29), **but this over-simplifies what is a very complex system**.

4.80 It is essential to recognise that some households who are unable to buy or rent in the market area when they first form may become able to afford their housing costs at a later date – for example:

- Two newly formed single person households may both be unable to afford housing, but together they might create a couple household that can afford suitable housing;
- Similarly, not all households that are unable to afford housing are allocated affordable housing;
- Some will choose to move to another housing market area and will therefore no longer require affordable housing.

4.81 **In these cases, and others, the gross need will need adjusting.** The Model recognises these complexities, and through considering the need for affordable housing as part of a whole market analysis, it maintains consistency with the household projections and avoids any double counting.

4.82 Considering those components of household change which reduce the number of households resident in the area, the Model identifies **2,611 households are likely to dissolve** following the death of all household members. Many of these households will own their homes outright; however 24% are unable to afford market housing: most living in affordable housing.

4.83 When considering **households moving away** from the West Essex and East Hertfordshire HMA, the Model identifies that an average of 7,986 households will leave the area each year. Some will be leaving social rented housing, which will become available for another household needing affordable housing. Whilst others will not vacate a social rented property, those unable to afford their housing costs will have been counted in the estimate of current need for affordable housing or at the time they were a new household (either newly forming or migrating in to the area). Whilst some of these households might prefer to stay in the area if housing costs were less expensive or if more affordable housing was available, given that these households are likely to move from the HMA it is appropriate that their needs are discounted.

4.84 Figure 59 summarises the total household growth. This includes the 2,914 new households on average each year who are unable to afford their housing costs, but offsets this against the 2,425 households who will either vacate existing affordable housing or who will no longer constitute a need for affordable housing in the West Essex and East Hertfordshire HMA (as they have moved to live elsewhere).

Figure 59: Components of average annual household growth for West Essex and East Hertfordshire 2011-16 (Source: ORS Housing Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	3,521	2,582	939	27%
Households migrating in to the area	8,830	6,855	1,975	22%
All new households	**12,351**	**9,437**	**2,914**	**24%**
Household dissolutions following death	2,611	1,973	638	24%
Households migrating out of the area	7,986	6,199	1,787	22%
All households no longer present	**10,597**	**8,172**	**2,425**	**23%**
Average annual household growth 2011-16	**1,754**	**1,265**	**489**	**28%**

4.85 **Overall, the Model projects that household growth will yield a net increase of 489 households on average each year (over the period 2011-16) who are unable to afford their housing, which represents 28% of the 1,754 total household growth for this period.**

Projecting Future Needs of Existing Households

4.86 PPG also identifies that in addition to the needs of new households, it is also important to estimate *"the number of existing households falling into need"* (ID 2a-025). Whilst established households that continue to live in the West Essex and East Hertfordshire HMA will not contribute to household growth, changes in household circumstances (such as separating from a partner or the birth of a child) can lead to households who were previously able to afford housing falling into need. The needs of these households are counted by the Model, and it is **estimated that an average of 634 established households fall into need each year** in the West Essex and East Hertfordshire HMA. This represents a rate of 3.6 per 1,000 household falling in to need each year.

4.87 Finally, whilst the PPG recognises that established households' circumstances can deteriorate such that they fall into need, it is also important to recognise that **established households' circumstances can improve**. For example:

- When two people living as single person households join together to form a couple, pooling their resources may enable them to jointly afford their housing costs (even if neither could afford separately). Figure 55 showed that 33% of single person households aged under 25 in East Hertfordshire could not afford housing, compared to 12% of couples of the same age; and for those aged 25 to 34, the proportions were 12% and 4% respectively.
- Households also tend to be more likely to afford housing as they get older, so young households forming in the early years of the projection may be able to afford later in the projection period. Figure 55 showed that 26% of couple families with dependent children aged 25 to 34 in Epping Forest could not afford housing, compared to 12% of such households aged 35 to 44.

4.88 Given this context, it is clear that **we must also recognise these improved circumstances which can reduce the need for affordable housing over time**, as households that were previously counted no longer need financial support. The Model identifies that the circumstances of **726 households improve each year** such that they become able to afford their housing costs despite previously being unable to afford. This represents a rate of 3.9 per 1,000 household climbing out of need each year.

4.89 Therefore, considering the overall changing needs of existing households, **there is an average net reduction of 92 households** (634 less 726 = -92) **needing affordable housing each year**.

Projecting Future Affordable Housing Need (average annual estimate)

4.90 Figure 60 provides a comprehensive summary of all of the components of household change that contribute to the projected level of affordable housing need. More detail on each is provided earlier in this Chapter.

Figure 60: Components of future affordable housing need for West Essex and East Hertfordshire 2011-16 (Source: ORS Housing Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	3,521	2,582	939	27%
Households migrating in to the area	8,830	6,855	1,975	22%
All new households	**12,351**	**9,437**	**2,914**	**24%**
Household dissolutions following death	2,611	1,973	638	24%
Households migrating out of the area	7,986	6,199	1,787	22%
All households no longer present	**10,597**	**8,172**	**2,425**	**23%**
Average annual household growth 2011-16	**+1,754**	**+1,265**	**+489**	**28%**
Existing households falling into need	-	-634	+634	100%
Existing households climbing out of need	-	+726	-726	0%
Change in existing households	**-**	**92**	**-92**	**-**
Average annual future need for market and affordable housing 2011-16	**+1,754**	**+1,357**	**+397**	**23%**

4.91 Overall, there is a projected need from **2,914 new households who are unable to afford their housing costs** (939 newly forming households and 1,975 households migrating to the area) each year; however, **2,425 households will either vacate existing affordable housing or will no longer need affordable housing** in the West Essex and East Hertfordshire HMA (as they have moved to live elsewhere) **thereby reducing the new need to a net total of 489 households.**

4.92 Considering the needs of existing households, there are 634 households expected to fall into need each year (a rate of 3.6 per 1000 households) but this is offset against 726 households whose circumstances are projected to improve. There is, therefore, an **average net reduction of 92 existing households that need affordable housing each year.**

4.93 Based on the needs of new households and existing households, there is a **projected increase of 397 households each year on average for the initial period 2011-16 who will need affordable housing** (489 less 92 = 397).

4.94 Using the approach outlined above for the initial 5-year period of the projection, the Model also considers the need for affordable housing over the 22-year period 2011-33. The Model identifies that **the number of households in need of affordable housing will increase by 13,291 households over the period 2011-33**, equivalent to an annual average of 604 households per year. This represents 35.1% of the total household growth projected based on demographic trends.

Assessing the Overall Need for Affordable Housing

4.95 Figure 61 brings together the information on assessing the unmet need for affordable housing in 2011, and the future affordable housing need arising over the 22-year period 2011-33.

Figure 61: Assessing total need for market and affordable housing in West Essex and East Hertfordshire (Source: ORS Housing Model)

	Housing Need (households)		Overall Housing Need
	Market housing	Affordable housing	
Unmet need for affordable housing in 2011 (see Figure 54)			
Total unmet need for affordable housing	-	5,218	5,218
Supply of housing vacated	2,381	2,106	4,487
Overall impact of current affordable housing need	**-2,381**	**+3,112**	**+641**
Projected future housing need 2011-33			
Newly forming households	55,927	21,584	77,511
Household dissolutions following death	45,508	14,709	60,217
Net household growth within West Essex and East Hertfordshire HMA	**10,419**	**6,874**	**17,293**
Impact of existing households falling into need	-15,426	15,426	-
Impact of existing households climbing out of need	16,899	-16,899	-
Impact of households migrating to/from the area	14,828	4,778	19,606
Future need for market and affordable housing 2011-33	**26,720**	**10,179**	**36,899**
Total need for market and affordable housing			
Projected impact of affordable housing need in 2011	-2,381	3,112	641
Future need for market and affordable housing 2011-33	26,720	10,179	36,899
Total need for market and affordable housing	**24,339**	**13,291**	**37,540**
Average annual need for housing	1,106	604	1,706
Proportion of need for market and affordable housing	**64.8%**	**35.2%**	**100.0%**

4.96 Figure 54 estimated there to be **5,218 households in need of affordable housing in 2011**. However, as 2,106 of these already occupied an affordable home, our previous conclusion was therefore a net need from 3,112 households (5,218 less 2,106 = 3,112) who need affordable housing and do not currently occupy affordable housing in the West Essex and East Hertfordshire HMA.

4.97 The 22-year projection period 2011-33 then adopts the approach that was previously outlined for the initial 5-year period of the projection. The Model identifies that **the number of households in need of affordable housing will increase by 10,179 households over the period 2011-33**, alongside an increase of 26,720 households able to afford market housing.

4.98 Overall, there will be a **need to provide additional affordable housing for 13,291 households** over the period 2011-33. This is equivalent to an average of **604 households per year**.

4.99 Any losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.

Need by Local Authority Area

4.100 Figure 62 sets out the current unmet need for affordable housing and projected future affordable housing need for the 22-year period 2011-33 for each of the four local authority areas.

Figure 62: Assessing affordable housing need for West Essex and East Hertfordshire by local authority (Source: ORS Housing Model)

	Affordable Housing Need (households)				
	East Herts	Epping Forest	Harlow	Uttlesford	TOTAL
Unmet need for affordable housing in 2011					
Total unmet need for affordable housing	1,632	1,171	1,597	818	5,218
Supply of housing vacated	471	544	849	242	2,106
Overall impact of current affordable housing need	**1,161**	**627**	**748**	**576**	**3,112**
Future need for affordable housing 2011-33	2,967	2,525	2,541	2,148	10,179
Total need for affordable housing 2011-33	**4,128**	**3,152**	**3,289**	**2,724**	**13,291**
Percentage of overall housing need	31%	34%	67%	27%	35%

4.101 The highest level of affordable housing need is in East Hertfordshire (4,128 households) compared to 3,152 in Epping Forest, 3,289 in Harlow and 2,724 in Uttlesford, However, whilst the proportion of affordable housing need is 34% in Epping Forest, 31% in East Hertfordshire and 27% in Uttlesford, the percentage in Harlow is markedly higher at 67%.

4.102 Figure 63 sets out the housing mix in terms of property type, size and affordable housing tenure in each of the local authority areas.

Figure 63: Assessing affordable housing mix for West Essex and East Hertfordshire by local authority (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

		East Herts	Epping Forest	Harlow	Uttlesford	TOTAL
AFFORDABLE RENT						
Flat	1 bedroom	720	520	90	290	1,600
	2+ bedrooms	400	350	460	230	1,400
House	2 bedrooms	1,020	550	790	580	2,900
	3 bedrooms	1,130	950	1,200	720	4,000
	4+ bedrooms	270	280	320	180	1,000
Sub-total		**3,500**	**2,600**	**2,900**	**2,000**	**11,000**
% of affordable housing		***84%***	***82%***	***85%***	***72%***	***81%***
INTERMEDIATE AFFORDABLE HOUSING						
Flat	1 bedroom	100	50	10	30	200
	2+ bedrooms	70	100	90	100	400
House	2 bedrooms	190	160	150	270	800
	3 bedrooms	280	230	200	340	1,000
	4+ bedrooms	40	30	40	40	100
Sub-total		**700**	**600**	**500**	**800**	**2,600**
% of affordable housing		***16%***	***18%***	***15%***	***28%***	***19%***
TOTAL DWELLINGS		**4,200**	**3,200**	**3,400**	**2,800**	**13,600**

4.103 Across the West Essex and East Hertfordshire HMA, around a quarter of the affordable housing need is a need for flats and three quarters for houses (27% 2-bedroom and 37% 3-bedroom). The balance between flats and houses suggested by the Model is based on the future mix of households (by type and age) and housing currently occupied by each of these groups in each area. Therefore, it may be necessary to take a judgement on this balance where the Model identifies a particularly high (or particularly low) proportion of flats (or houses).

4.104 Whilst the need for affordable housing with four or more bedrooms is less than 10% of the overall need, this still represents a need for over 1,000 large affordable homes that need to be provided over the 22-year period 2011-33. Much of this need will be from existing households living in overcrowded accommodation.

4.105 When considering the need by affordable housing tenure, just over four-fifths (81%) of households in need of affordable housing need rented affordable housing (either social rent or affordable rent) and many would need housing benefit to pay their rent. Nevertheless, 19% could afford intermediate affordable housing products, such as shared equity or other forms of low cost home ownership. Marginally higher proportions of need for 2-3 bedroom properties (20-21%) is for intermediate affordable housing, but very few households that need 1 bedroom flats and houses with 4 or more bedrooms could afford the cost of intermediate affordable housing (11% and 13% respectively).

Future Policy on Housing Benefit in the Private Rented Sector

4.106 The Model also recognises **the importance of housing benefit and the role of the private rented sector**. The Model assumes that the level of housing benefit support provided to households living in the private rented sector will remain constant; however this is a national policy decision which is not in the control of the Councils. The Summer 2015 Budget introduced a four-year freeze to local housing allowance rates together with changes to the benefit cap, however this typically affects the amount of housing benefit paid rather than the number of households (although there were eligibility changes for those aged under 21).

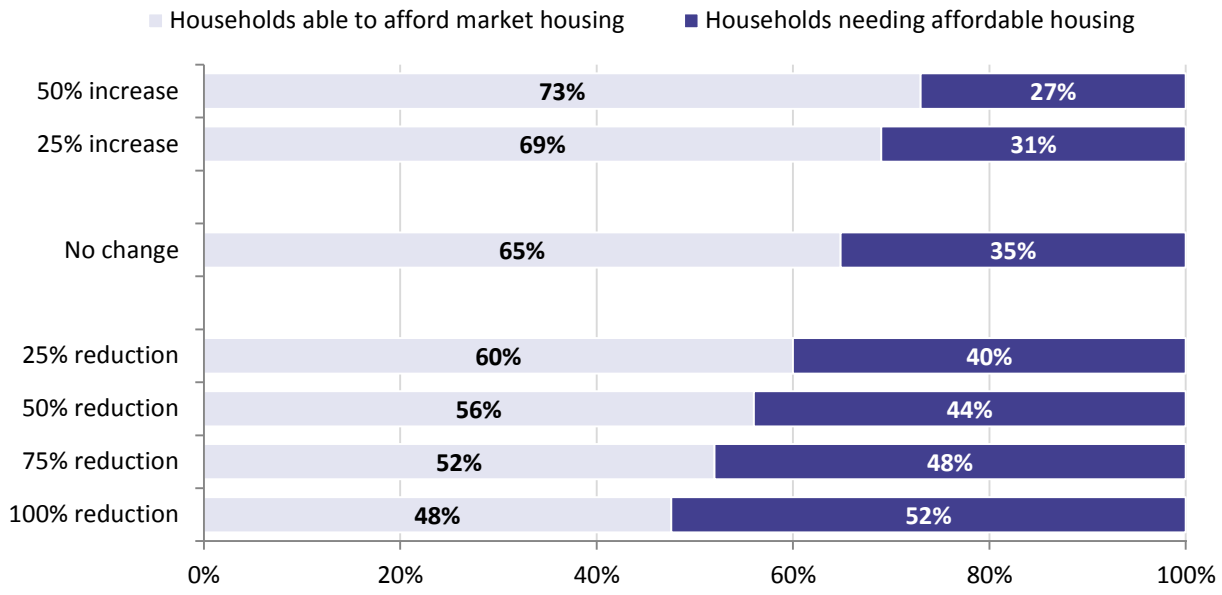
4.107 It is important to note that private rented housing (with or without housing benefit) does not meet the definitions of affordable housing. However, many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. These households aren't counted towards the need for affordable housing (as housing benefit enables them to afford their housing costs), but if housing benefit support was no longer provided (or if there wasn't sufficient private rented housing available at a price they could afford) then this would increase the need for affordable housing.

4.108 The model adopts a neutral position in relation to this housing benefit support, insofar as it assumes that the number of claimants in receipt of housing benefit in the private rented sector will remain constant. **The model does not count any dwellings in the private rented sector as affordable housing supply;** however it does assume that housing benefit will continue to help some households to afford their housing costs, and as a consequence these households will not need affordable housing.

4.109 To sensitivity test this position, Figure 64 shows the impact of reducing (or increasing) the number of households receiving housing benefit to enable them to live in the private rented sector. If households are no longer able to afford to live in private rented housing (or the supply of such housing reduces) then there is likely to be an increased demand for affordable housing, as illustrated by the chart.

4.110 If no households were to receive housing benefit support in the private rented sector, more than half (52%) of the growth in household numbers would need affordable housing. This would need a total of 19,700 affordable homes to be provided over the 22-year period 2011-33.

Figure 64: Theoretical impact of reducing or increasing Housing Benefit support for households living in private rented housing: Balance between households able to afford market housing and households needing affordable housing 2011-33 and associated number of affordable dwellings for West Essex and East Hertfordshire



Conclusions

4.111 Based on the household projections previously established, we have established the balance between the need for market housing and the need for affordable housing. This analysis has identified a need to increase the overall housing need by 641 households to take account of concealed families and homeless households that would not be captured by the household projections.

4.112 **The housing mix analysis identified a need to provide additional affordable housing for 13,291 households over the 22-year period 2011-33 (an average of 604 per year).** This would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but assumes that the level of housing benefit support provided to households living in the private rented sector remains constant.

4.113 Providing sufficient affordable housing for all of these households would increase the need to 19,700 affordable homes over the Plan period (895 each year); but it is important to recognise that, in this scenario, the private rented housing currently occupied by households in receipt of housing benefit would be released back to the market and this is likely to have significant consequences which would be difficult to predict.

5. Objectively Assessed Need

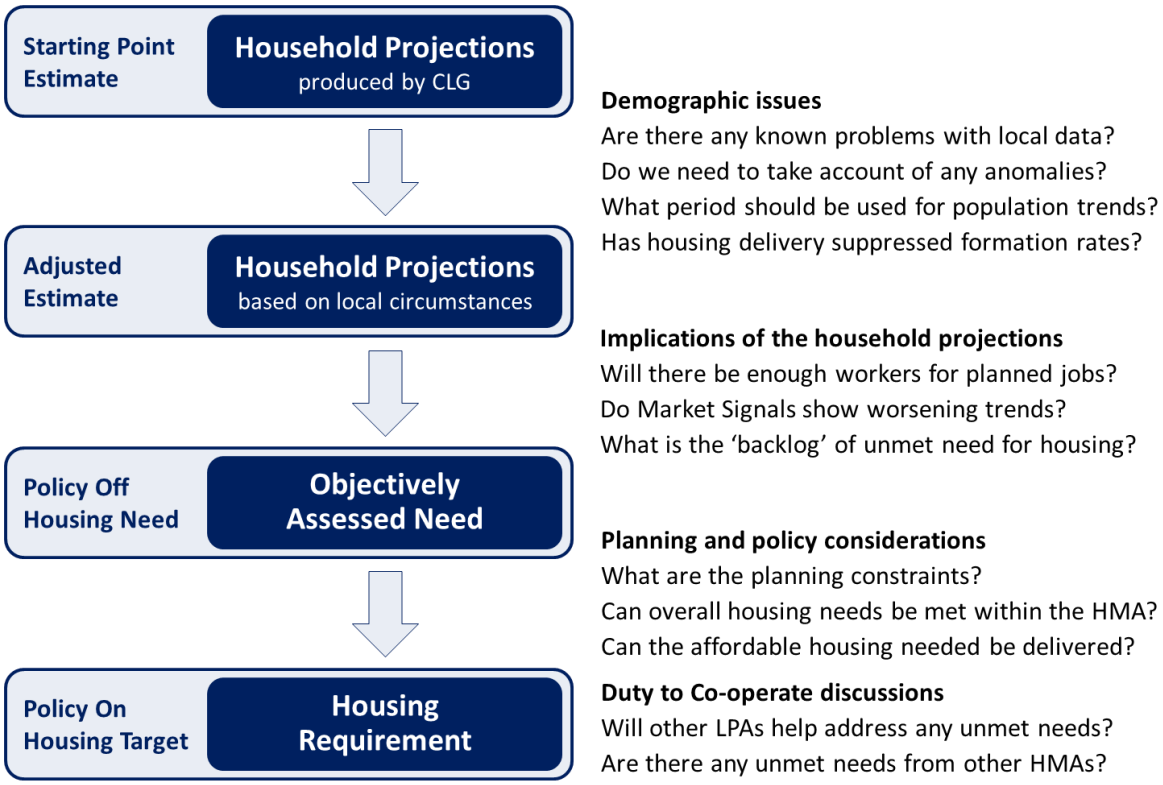
Analysing the evidence to establish overall housing need

5.1 A key objective of this study is to establish the Objectively Assessed Need (OAN) for housing. The OAN identifies the future quantity of housing that is likely to be needed (both market and affordable) in the Housing Market Area (HMA) over the future plan period. It is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors will be subsequently considered by the local planning authorities before establishing the final Housing Requirement.

> *The assessment of development needs is an objective assessment of need based on facts and unbiased evidence. Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans.*
>
> **Planning Practice Guidance (PPG), ID 2a-004**

5.2 Figure 65 sets out the process for establishing the housing number for the HMA. It starts with a demographic process to derive housing need from a consideration of population and household projections. To this, external market and macro-economic constraints are applied ('Market Signals') in order to ensure that an appropriate balance is achieved between the demand for and supply of dwellings.

Figure 65: Process for establishing a Housing Number for the HMA (Source: ORS based on NPPF and PPG)



National Context for England

5.3 The NPPF requires Local Planning Authorities to *"ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area"* and *"identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which meets household and population projections, taking account of migration and demographic change"* (paragraphs 47 and 159).

5.4 PPG further identifies that *"household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need … The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth"* (paragraphs 15-16).

Household Growth

5.5 The 2012-based CLG household projections show that the number of households in England will increase from 22.3 million to 27.5 million over the period 2012 to 2037. This represents a growth of 5.2 million households over 25 years, equivalent to an annual average of 210,000 households each year, and this provides the starting point estimate of overall housing need for England.

5.6 It should be noted that the annual average of 210,000 households is already much higher than current housing delivery: CLG data for April 2013 to March 2014 identifies that construction started on 133,900 dwellings and 112,400 dwellings were completed during the year. Therefore, to build sufficient homes to meet annual household growth would require housebuilding to increase by 57% – so providing for household growth in itself would require a significant step-change in the number of homes currently being built.

International Migration

5.7 The 2012-based CLG household projections are based on the ONS 2012-based sub-national population projections. These projections identify an average net gain of around 151,600 persons each year due to international migration, and a net loss of around 6,400 persons each year from England to other parts of the UK. Therefore, the 2012-based projections are based on net migration averaging around 145,100 persons each year.

5.8 However, these estimates for future international migration may be too low. Oxford University research (March 2015) showed net international migration to be around 565,000 persons over the 3-year period 2011-14, an average of 188,300 per annum; and net migration to England averaged 211,200 persons annually between the Census in 2001 and 2011. Both figures suggest that the 2012-based SNPP may underestimate international migration, which would have knock-on implications for projected population growth.

5.9 As previously noted, longer-term projections typically benefit from longer-term trends and therefore ORS routinely consider migration based on trends for the 10-year period 2001-11. On this basis, our trends are based on a period when net migration to England averaged 211,200 persons each year: 66,100 persons higher than assumed by the 2012-based SNPP, which represents an additional 29,000 households each year based on CLG average household sizes. Therefore, the approach taken for establishing migration based on longer-term trends would increase household growth for England from 210,000 households to around 239,000 households each year on average.

Market Signals

5.10 The NPPF also sets out that *"Plans should take account of market signals, such as land prices and housing affordability"* (paragraph 17) and PPG identifies that *"the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals"* (ID 2a-019).

5.11 The market signals identified include land prices, house prices, rents, affordability and the rate of development; but there is no formula that can be used to consolidate the implications of this data. Nevertheless, the likely consequence of housing affordability problems is an increase in overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation. PPG identifies that these indicators *"demonstrate un-met need for housing"* and that *"longer term increase in the number of such households may be a signal to consider increasing planned housing numbers"* (ID 2a-019).

5.12 The Census identified that the number of concealed families living in England increased from 161,000 families to 276,000 families over the decade 2001 to 2011, which represents a growth of 115,000 families over 10 years. Although many concealed families do not want separate housing (in particular where they have chosen to live together as extended families), others are forced to live together due to affordability difficulties or other constraints – and these concealed families will not be counted as part of the CLG household projections.

5.13 Concealed families with older family representatives will often be living with another family in order to receive help or support due to poor health. Concealed families with younger family representatives are more likely to demonstrate un-met need for housing. When we consider the growth of 115,000 families over the period 2001-11, over three quarters (87,100) have family representatives aged under 55, with substantial growth amongst those aged 25-34 in particular. This is a clear signal of the need to increase the planned housing numbers in order to address the increase in concealed families over the last decade and also factor in their impact on current and future average household sizes.

5.14 Addressing the increase in concealed families would increase projected household growth by 87,100 over the 25-year period, an average of 3,500 households each year over the period 2012-37 (or higher if the need is addressed over a shorter period). Therefore, adjusting for longer-term migration trends and taking account of the market signals uplift for concealed families yields an average household growth for England of around 242,500 each year.

Converting to Dwellings

5.15 Finally, in converting from households to dwellings we need to allow for a vacancy and second home rate as not all dwellings will be occupied. At the time of the 2011 Census this figure was around 4.3% of all household spaces in England: we have applied this to future household growth, and on this basis the growth of 242,500 households would require the provision of **253,400 dwellings each year across England**. This is the average number of dwellings needed every year over the 25-year period 2012-37 and represents a 1.1% increase in the dwelling stock each year.

5.16 This takes account of household growth based on CLG 2012-based projections (the starting point); adjusts for long-term migration trends which assume a higher rate of net migration to England; responds to market signals through providing for the growth of concealed families; and takes account of vacant and second homes.

5.17 Whilst the uplift for market signals represents less than 2% of the projected household growth, the household growth itself is much higher than current rates of housing delivery. **The identified housing need of 253,400 dwellings requires current housebuilding rates to increase by 89%** (based on dwelling starts in 2013-14).

5.18 Development industry campaigners (such as Homes for Britain[27]) are supporting a position which requires 245,000 homes to be built in England every year, a figure derived from the Barker Review (2004)[28]. It is evident that objectively assessed need based on household projections which take account of longer-term migration trends together with a market signals adjustment for concealed families exceeds this target, so any further increase in housing numbers at a local level (such as adjustments which might be needed to deliver more affordable housing or provide extra workers) must be considered in this context.

Establishing Objectively Assessed Need for West Essex and East Herts

5.19 The earlier part of this Chapter sets out the context for national change in households, and the underlying complexities and features around this. We now move on to the position for the study area. Our approach for this section follows the format of the earlier section, albeit with specific reference to West Essex and East Hertfordshire. Essentially, therefore, this section is concerned with:

- CLG 2012-based household projections (the starting point);
- Migration adjustments, based on Census, for longer-term migration trends (which incorporate higher international migration rates and correct for errors in previous population estimates);
- Market signals, including an uplift for concealed families;
- Converting from household growth to a requirement for dwellings, taking account of vacancies and second homes.

5.20 In addition, we consider employment trends and the relationship between the jobs forecast and projected number of workers, and the need for affordable housing.

CLG Household Projections

5.21 The "starting point" estimate for OAN is the CLG household projections, and the latest published data is the 2012-based projections for period 2012-37. These projections suggest that household numbers across the study area will increase by 49,600 over the 22-year period 2011-33, an average of 2,260 per year.

5.22 However, the notes accompanying the CLG Household Projections explicitly state that:

> *The 2012-based household projections are linked to the Office for National Statistics 2012-based sub-national population projections.* ***They are not an assessment of housing need*** *or do not take account of future policies, they are an indication of the likely increase in households given the* ***continuation of recent demographic trends****.*

5.23 The ONS 2012-based sub-national population projections are based on migration trends from the 5-year period before the projection base date; so trends for the period 2007-2012. Short-term migration trends are generally not appropriate for long-term planning, as they risk rolling-forward rates that are unduly high or unduly low. PAS advice to Local Authorities suggests that the official projections are *"very unstable"* and it is more appropriate to adopt a longer base period to establish robust migration trends.

[27] http://www.homesforbritain.org.uk
[28] http://webarchive.nationalarchives.gov.uk/+/http:/www.hmtreasury.gov.uk/barker_review_of_housing_supply_recommendations.htm

Adjustments for Local Demographic Factors

5.24 The SHMA has developed independent household projections based on local circumstances. These adopt longer-term migration trends; with a baseline projection based on migration trends for the 10-year period 2001-2011. The projections take full account of errors in the trend-based data which were identified by the 2011 Census; and avoid relying on data which may continue to be affected by systematic problems.

5.25 This is consistent with our standard approach when establishing OAN which recognises that Census data is inherently more reliable than any other population estimates at a local level. The specific method used has been supported previously at Examination, where it was noted that *"a 10 year period is a reasonable approach"* and *"the inter-censal period provides a readily understandable and robust check on the reasonableness of the average"*.

5.26 On the basis of 10-year migration trends for the period 2001-11 based on Census data, **household numbers across the study area are projected to increase by 36,899 households over the 22-year period 2011-33, an average of 1,677 per year. Providing for an annual increase of 1,677 households yields a housing need of 1,745 dwellings each year.**

5.27 Whilst this projection is lower than the CLG 2012-based household projection (2,260 p.a.) , the SHMA analysis reflects good practice and provides a stable projection based on the most reliable data. The lower increase in household numbers is due to the underlying population projections – long-term migration trends show lower migration rates than recent years. These lower migration rates are partly due to errors in previous population estimates (that were corrected following the 2011 Census), but it is also important to recognise that short-term trends are unlikely to be sustained for the full 22-year period 2011-33.

Affordable Housing Need

5.28 The SHMA has undertaken a comprehensive analysis of the existing unmet need for affordable housing. This analysis identified that **overall housing need should be increased by 641 households** to take account of **concealed families** and **homeless households** that would not be captured by the household projections. When the unmet needs from existing households living in unsuitable housing were also included, the analysis established an overall need from 5,218 households in need of affordable housing in 2011.

5.29 Nevertheless, 2,106 of these households already occupy an affordable home (albeit unsuitable for their current needs) – so the home that will be vacated when their needs are resolved must be offset against the overall need to establish the unmet need. **There is an unmet need from 3,112 households** (5,218 less 2,106 = 3,112) **who will need affordable housing at the start of the period 2011-33 and do not already occupy affordable housing in the West Essex and East Hertfordshire HMA.**

5.30 Based on the household projections, the SHMA has established the balance between the future need for market housing and affordable housing. The analysis identifies that **the number of households in need of affordable housing will increase by 10,179 households over the period 2011-33**, alongside an increase of 26,720 households able to afford market housing.

5.31 Overall, there will be a **need to provide additional affordable housing for 13,291 households over the 22-year period 2011-33 (an average of 604 per year).** This would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but assumes that the level of housing benefit support provided to households living in the private rented sector remains constant. Furthermore, any losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.

Employment Trends

5.32 While demographic trends are key to the assessment of OAN, it is also important to consider current Employment Trends and how the projected growth of the economically active population fits with the future changes in job numbers.

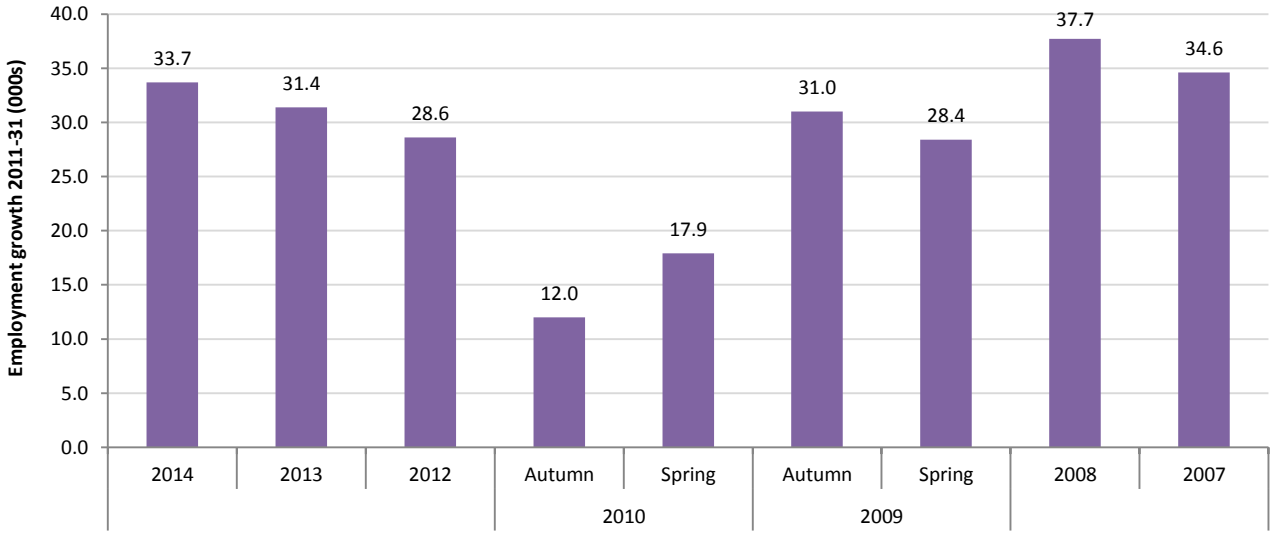
> *Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.*
>
> *Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.*
>
> **Planning Practice Guidance 2014, paragraph 18**

East of England Forecasting Model (EEFM)

5.33 Forecasts of jobs growth have been regularly produced for each local authority in the East of England from the East of England Forecasting Model (EEFM). The EEFM was developed by Oxford Economics to project economic, demographic and housing trends in a consistent manner. It covers a wide range of variables, and is designed to be flexible so that alternative scenarios can be run. The model provides data at regional and sub-regional level, including counties, unitaries and district authorities.

5.34 The most recent outputs (EEFM 2014) were published in January 2015 and the baseline forecast suggested that total employment in West Essex and East Hertfordshire would increase from 210,000 in 2011 to 243,700 in 2031. When we consider previous forecasts from the EEFM model, it is evident that the forecasts have varied, but the latest data appears reasonable in the context of the full range of outputs:

Figure 66: Employment growth forecasts for West Essex and East Hertfordshire 2011-31 (Source: EEFM)



5.35 This EEFM forecast assumed that the population would increase from 425,200 to 488,400 people (an increase of 63,200 people), the number of households would increase from 176,900 to 207,700 (an increase of 30,800 households) and the number of dwellings would increase from 181,300 to 212,900 (an

increase of around 31,500 dwellings); all over the same 20-year period (2011-31). These assumptions are lower than the SHMA household projection based on 10-year migration trends, which suggests an increase of 38,400 dwellings over the 22-year period 2011-33 (an annual average that is 11% higher than assumed by the EEFM).

5.36 Based on the EEFM outputs, further economic evidence prepared by Hardisty Jones Associates has concluded that the growth of Stansted Airport is likely to yield further jobs growth, with a total of 41,700 jobs likely to be created over the 22-year period 2011-33; so it is appropriate that we balance future workers against these extra jobs.

5.37 As previously noted, the demographic analysis (based on 10-year migration trends) identified that the economically active population in the West Essex and East Hertfordshire HMA would increase by around 26,400 people over the 22-year period 2011-33 (around 1,200 per year on average). In addition, the number of unemployment benefit claimants recorded by DWP reduced by around 3,700 over the period March 2011 to March 2015, which also increases the number of available workers.

5.38 Taken together, these figures suggest that the number of available workers will increase by around 30,100 over the 22-year period 2011-33 (without any further reduction in unemployment), equivalent to an average of around 1,370 additional workers each year. However, there are a number of factors which should be considered when relating jobs to workers, particularly the issue of commuting:

- **Out-commuting**: Based on 2011 Census commuting flows, 61.7% of working residents in the West Essex and East Hertfordshire HMA are also employed in the local area. This implies that 38.3% commute to jobs outside the area. Therefore, of the additional 30,100 workers, we would expect around 18,600 (61.7%) to work locally and around 11,500 (38.3%) would commute outside of the area (assuming no change in commuting patterns). On this basis, we have assumed that the number of workers that out-commute from West Essex and East Hertfordshire will increase by around 11,500 over the 22-year period 2011-33.
- **In-commuting:** at the time of the 2011 Census, 28.7% of jobs in the HMA were filled by people travelling in from other authorities. Therefore, a jobs growth of 41,700 over the period 2011-33 is likely to draw in around 12,000 (28.7%) additional in-commuters; leaving around 29,700 extra jobs that need to be filled by workers living in the area (again assuming no change in commuting patterns). There is therefore assumed to be a small increase in net in-commuting of around 500 workers, mainly as a consequence of the expansion of Stansted Airport.

5.39 It is also important to recognise that the jobs forecast by the EEFM include full-time and part-time work, and some workers may have more than one job. Whilst the EEFM model identified 210,000 jobs in the HMA in 2011, the number of workplace employed people was 185,900. Given that the jobs number was 12.9% higher than the number of workers, we can conclude that 12.9% of workers were “double jobbing”. If we assume this ratio of people holding more than one job continues (as is currently forecast), providing sufficient people for 29,700 additional jobs would need around an extra 26,400 workers living in West Essex and East Hertfordshire.

5.40 When these factors are properly considered, we can conclude that the demographic projections (without any uplift for market signals) would provide around 18,600 extra workers locally whereas 26,400 extra workers would be needed. **There is therefore a shortfall of around 7,800 workers based on the increase in jobs that is currently forecast.**

Conclusions on Jobs and Workers

5.41 While demographic projections form the starting point for OAN calculations it is necessary to ensure a balance between future jobs and workers.

5.42 Based on the EEFM outputs, further economic evidence prepared by Hardisty Jones Associates has concluded that the overall increase in employment (taking account of the growth of Stansted Airport) is likely to yield 41,700 extra jobs in the West Essex and East Hertfordshire HMA over the 22-year period 2011-33; so it is appropriate that we balance future workers against these extra jobs.

5.43 Taking account of existing commuting patterns and changes to unemployment recorded over the period 2011-15, the demographic projections (without any uplift for market signals) would provide around 18,600 extra workers locally whereas 26,400 extra workers would be needed. **Therefore, there is need to increase housing delivery to ensure that there will be enough workers for the likely increase in jobs in the area.**

5.44 An extra 7,800 workers would need a further 5,600 dwellings to be provided over the 22-year period 2011-33, increasing the housing need from 38,400 dwellings to 44,000 dwellings (equivalent to an uplift of 14.6%). Of course, any uplift to the overall housing need in response to market signals or uplift to the housing requirement to help to deliver affordable housing is also likely to draw in additional population, which would increase the number of workers; so it will be important to consider the cumulative impact of any uplifts that are applied.

Market Signals

5.45 While demographic trends are key to the assessment of OAN, it is also important to consider current Market Signals and how these may affect housing needs. PPG identifies a range of housing market signals that should be considered when determining the future housing number. Key to this is how market signals should be taken into account:

> *The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings (Paragraph 019)*
>
> *A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections. (Paragraph 020)*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

5.46 The Market Signals include:

- Land and house prices;
- Rents and affordability;
- Rate of development; and
- Overcrowding.

5.47 Furthermore, there are other issues that should be considered, for example the macro-economic climate. Further, there are wider market trends and drivers to consider. A full range of market signals are considered and their implications are considered especially where these may indicate undersupply relative to demand and the need to deviate from household projections.

5.48 PPG and the PAS OAN technical advice note emphasise the importance of considering indicators in the context of longer-term trends and looking at rates of change as well as absolute levels – for example, house prices in the housing market may be higher or lower than the national average, however the more important consideration is whether or not they are becoming more (or less) expensive at a rate that differs from the national rates or rates in similar areas.

> *Appropriate comparisons of indicators should be made. This includes comparison with longer term trends (both in absolute levels and rates of change) in the housing market area; similar demographic and economic areas; and nationally.*
>
> **Planning Practice Guidance (March 2014), ID 2a-020**

5.49 To identify areas with similar demographic and economic characteristics to West Essex and East Herts, we have analysed data from the ONS area classifications together with data from the CLG Index of Multiple Deprivation. This analysis showed that the following areas had similar characteristics to the HMA:

- **South West Essex** (Basildon, Brentwood and Thurrock);
- **Stevenage** (with North Hertfordshire); and
- **Crawley** (with Horsham, Mid Sussex, Mole Valley, Reigate & Banstead and Tandridge).

5.50 Therefore, in considering market signals, we have considered these council areas as appropriate comparators and compared them against West Essex and East Herts. We have also compared the indicators with **Greater London** as well as the national data for **England**.

House Prices

5.51 House prices in England and Wales have been relatively volatile in the past 15 years. House prices have increased by 6.4% in the 12 months to April 2014; the fastest rises were in London (17.0%), the East of England (6.6%) and the South East (6.1%). The average UK house price in 2014 was £172,000 compared to the high of £181,500 in 2007. Average house price trends 2008-2014 (Source: ONS) show the price divergence between London and the rest of the UK.

Figure 67: Annual house price rates of change, UK all dwellings 2004-2014 (Source: Regulated Mortgage Survey. Note: Not seasonally adjusted)

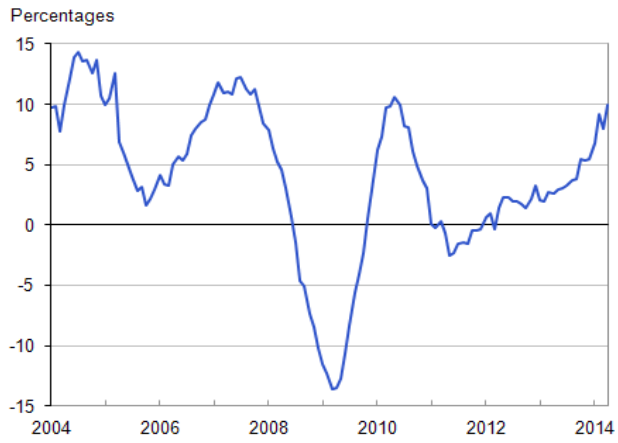
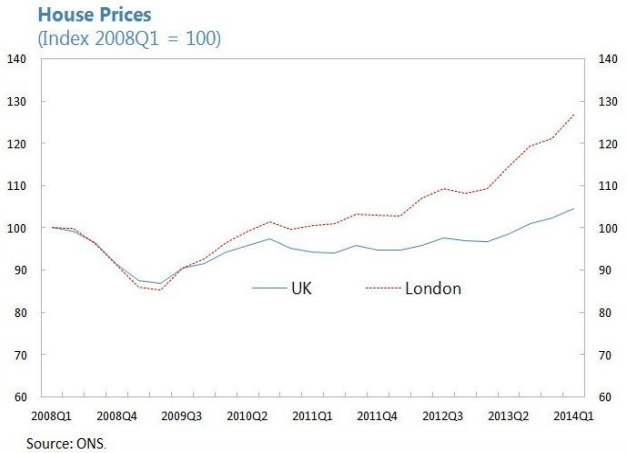


Figure 68: UK and London House Price Index 2008-2014 (Source: ONS)



5.52 The Bank of England has overall responsibility for UK monetary policy: it has become concerned about the risks posed by house prices, high levels of borrowing and any housing 'bubble' to national economic recovery. In his speech at the Mansion House in June 2014, the Governor of the Bank said:

> *"The underlying dynamic of the housing market reflects a chronic shortage of housing supply, which the Bank of England can't tackle directly. Since we are not able to build a single house, I welcome the Chancellor's announcement tonight of measures to increase housing supply.*
>
> *To be clear, the Bank does not target asset price inflation in general or house prices in particular.*
>
> *It is indebtedness that concerns us.*
>
> *This is partly because over-extended borrowers could threaten the resilience of the core of the financial system since credit to households represents the lion's share of UK banks' domestic lending.*
>
> *It is also because rapid growth in or high levels of mortgage debt can affect the stability of the economy as a whole."*

5.53 The International Monetary Fund (IMF) has also highlighted concerns about these risks and especially the high borrowings of households relative to income, especially in London:

> *"The increase in the number of high loan-to-income (LTI) mortgages is more pronounced in London and among first-time buyers. As a result, an increasing number of households are vulnerable to negative income and interest rate shocks."*

5.54 However, the surge in prices appears to be cooling; the Council of Mortgage Lenders (CML) latest Credit Conditions Survey (Summer 2014) suggests

> *"This source of stimulus may now be drying up, amid signs that lenders may be approaching the limits of their risk appetite with respect to maximum loan-to-value (LTV) and income multiples."*

5.55 The Government has strengthened the existing powers of the Bank of England to recommend to regulators a limit on the proportion of high loan to income mortgages. From May 2015, lenders are prevented from extending more than 15% of their mortgages to customers needing to borrow 4.5 times their income.

5.56 The future for the housing market is difficult to predict, although long term trends indicate continued demand issues from household growth, albeit with issues around affordability. The current Government policy towards national economy recovery, and the role played in this by the Bank of England, indicate that action may be taken to contain any housing price 'bubble'. Interest rates seem likely to rise in the medium term, and this could expose risk of those borrowing high LTV at low interest rates.

Local House Prices

5.57 House price trends (2000-2013) are shown in Figure 69 and Figure 70 shows lower quartile house prices adjusted for the impact of inflation. Therefore, the prices reflect real changes which have occurred since 2001 when removing the impact of background inflation.

Figure 69: House Price Trends: Lower Quartile Prices (Source: CLG Live Tables. Note: HMA figure derived using population weighted average of Local Authority data)

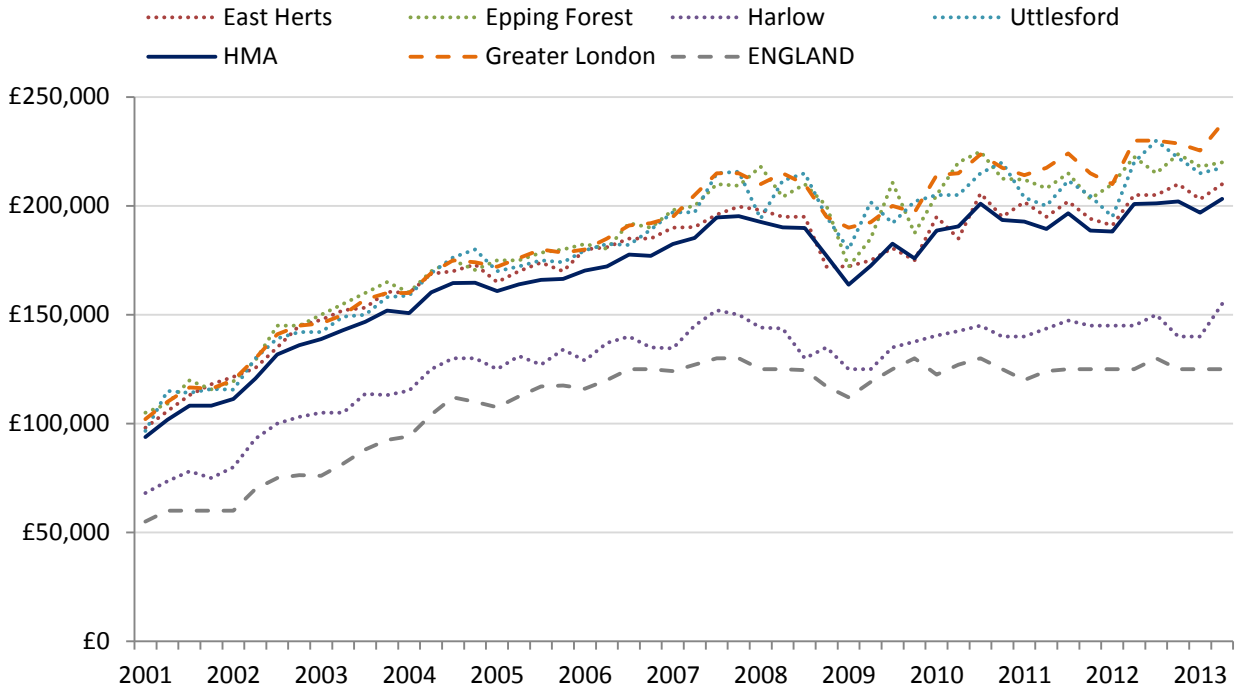
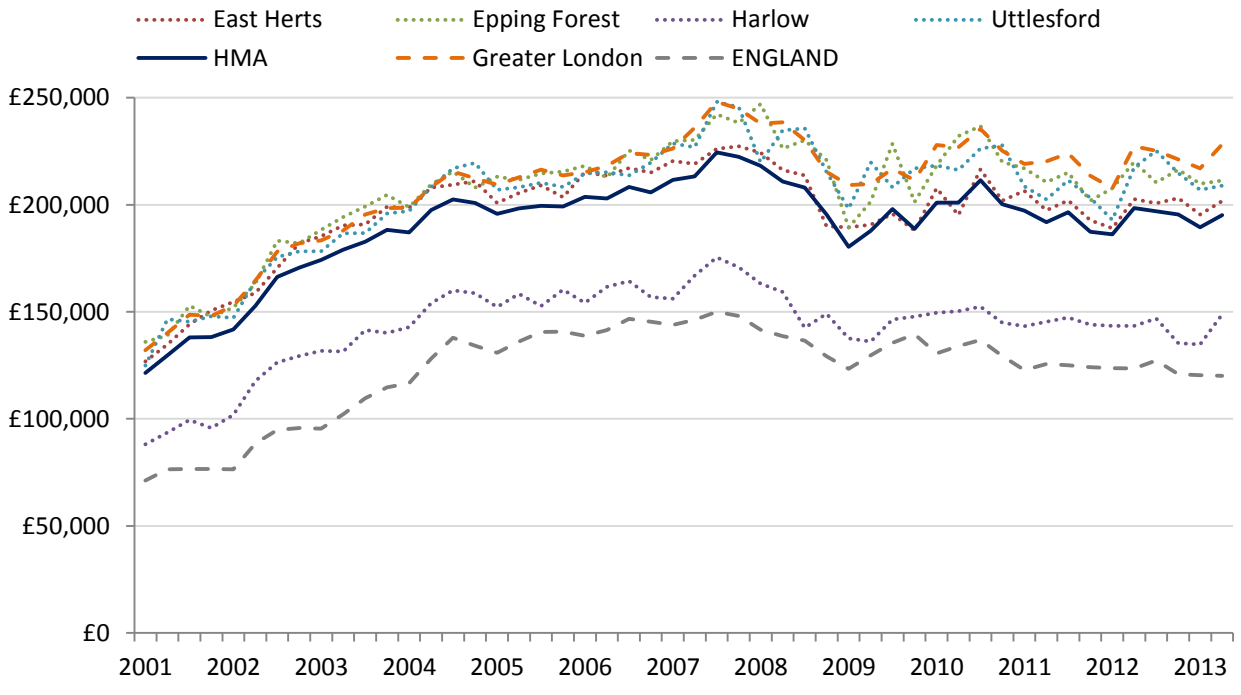


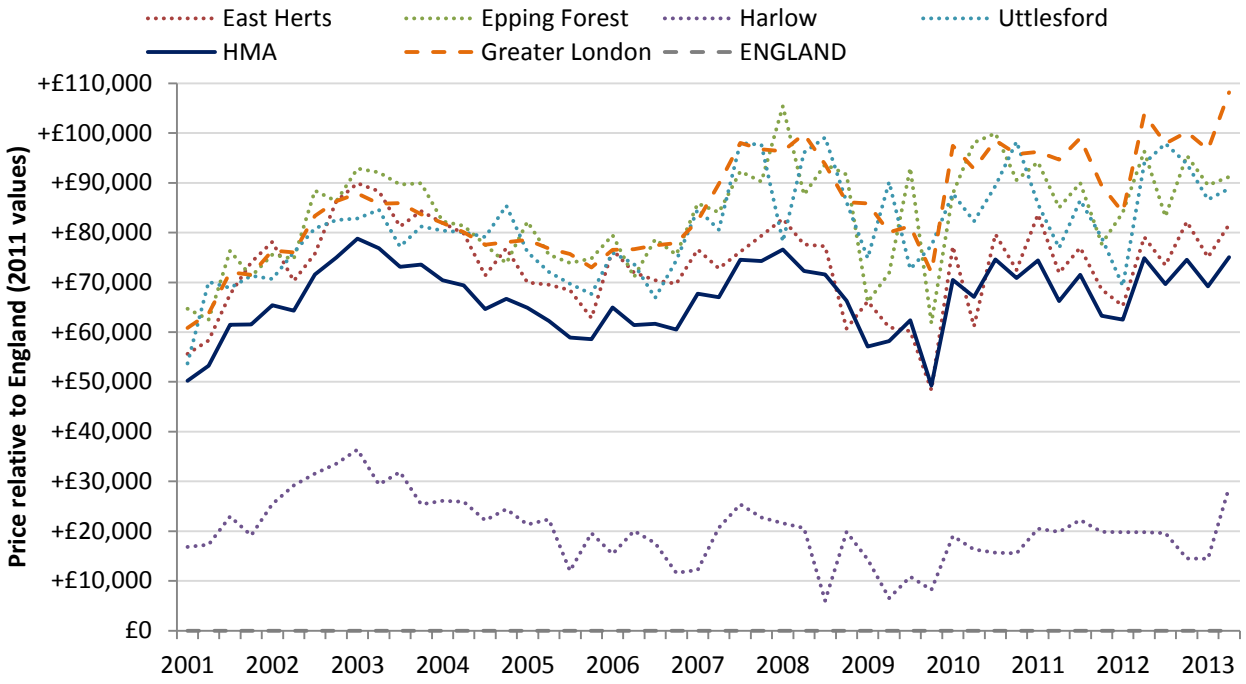
Figure 70: Real House Price Trends: Lower Quartile Prices adjusted to 2011 values using CPI (Source: CLG Live Tables; Bank of England. Note: HMA figure derived using population weighted average of Local Authority data



5.58 It is clear that real house prices in the HMA increased substantially in the period 2001-2004 (from £121,400 to £202,500 at 2011 values, a real increase of 67%) and peaked in 2007 at £224,500; but they have progressively reduced since that time with real prices at around £195,100 in mid-2013 (at 2011 values) which is 13% below their peak.

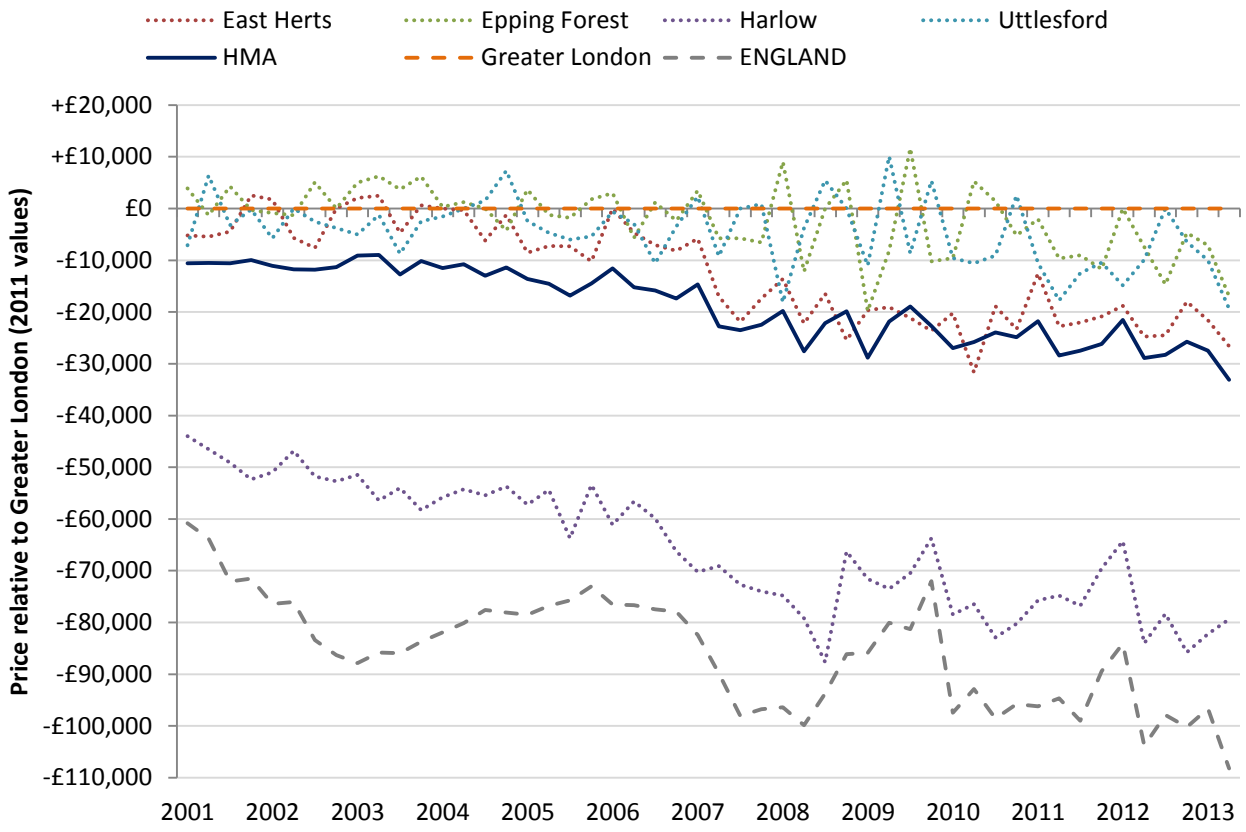
5.59 Figure 71 shows how real house prices in the HMA have varied when compared with England. This shows that house prices in the HMA have been around £75,000 higher than England (in real terms) since 2010.

Figure 71: Real House Price Trends relative to England: Lower Quartile Prices adjusted to 2011 values using CPI (Source: CLG Live Tables; Bank of England. Note: HMA figure derived using population weighted average of Local Authority data)



5.60 Nevertheless, it is evident that house prices in the HMA have tended to track Greater London prices and Figure 72 shows how real house prices in the HMA have varied when compared with Greater London. This shows that prices in Epping Forest and Uttlesford have typically been very similar to London prices; however whilst prices in East Hertfordshire used to be comparable to London, the gap has been larger since 2007. House prices in Harlow are evidently very different to London, being much closer to the England norm.

Figure 72: Real House Price Trends relative to Greater London: Lower Quartile Prices adjusted to 2011 values using CPI (Source: CLG Live Tables; Bank of England. Note: HMA figure derived using population weighted average of Local Authority data)



5.61 It is interesting to note that the gap between London prices and house prices across the HMA has increased in real terms from around £10,000 in 2001 to over £30,000 in 2013 (both at 2011 values). Therefore, despite house prices increasing substantially since 2001, the area offers housing that is increasingly more affordable than housing in London.

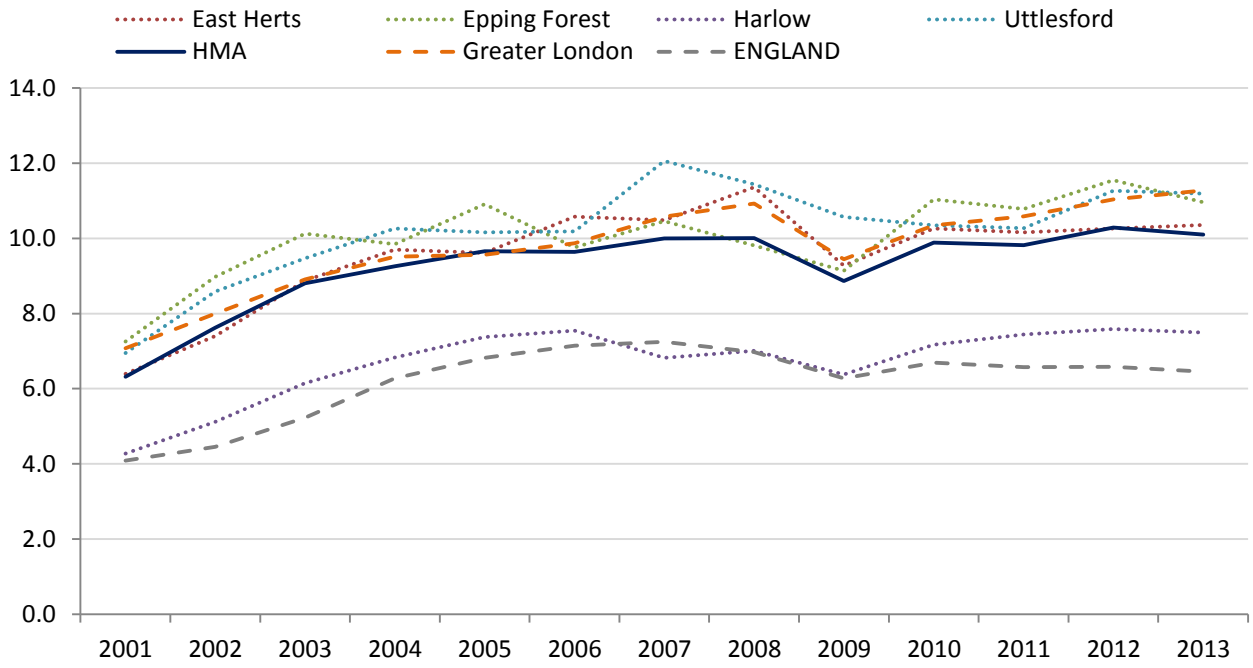
5.62 The planned step-change in housing supply in Greater London should help to reduce some of the housing market pressure currently experienced in the region, and if housing delivery rates successfully increase to meet the targets that have been established it would be reasonable to expect house prices to stabilise and affordability to improve. This would probably lead to the gap between Greater London house prices and prices in the HMA reducing, and if London prices reduce (in real terms) then it is likely that prices would also reduce in West Essex and East Hertfordshire.

Affordability

5.63 Figure 73 below shows the ratio of lower quartile house price to lower quartile earnings in the HMA between 2001 and 2013. This long term trend for the HMA shows that the lower quartile affordability multiplier increased from 6.3 in 2001 to 8.8 in 2003 (due to the increase in real house prices) however it has remained relatively stable at around 10.0 over the period since 2005. Whilst this ratio is notably higher than the ratio for England, it is lower than the multiplier for Greater London which has increased from 9.4 in 2009 to 11.3 in 2013.

5.64 Of course, it is important to remember that affordability can be influenced by supply issues (e.g. lower housing delivery levels) and demand side issues (e.g. lower availability of mortgage finance for first time buyers).

Figure 73: Ratio of Lower Quartile House Price to Lower Quartile Earnings (Source: DCLG. Note: HMA figure derived using population weighted average of Local Authority data)



Overcrowding

5.65 Overcrowding was considered in detail when establishing the need for affordable housing, and based on the bedroom standard we estimated that 3,711 households were overcrowded in the HMA (Figure 49), including 1,098 owner occupiers, 709 households renting privately and 1,904 households in the social rented sector.

5.66 PPG also identifies a series of other factors to monitor alongside overcrowding, including concealed and sharing households, homelessness and the numbers in temporary housing:

> *Indicators on overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation demonstrate un-met need for housing. Longer term increase in the number of such households may be a signal to consider increasing planned housing numbers.*
>
> **Planning Practice Guidance (March 2014), ID 2a-019**

5.67 These were also considered when establishing the need for affordable housing, and the overall housing number was increased to take account of the needs of homeless households and concealed families with younger family representatives who would not have been counted as part of the household projections. This adjustment has already been incorporated as a response to the identified un-met need for housing, and can be considered as part of the response to market signals.

Summary of Market Signals

5.68 In terms of headline outputs, the market signals when compared to relevant comparator areas show:

Figure 74: Summary of Market Signals for West Essex and East Herts and selected comparator areas

		West Essex & East Herts	South West Essex	Stevenage *with North Herts*	Crawley *with Horsham, Mid Sussex, Mole Valley, Reigate & Banstead and Tandridge*	Greater London	England
INDICATORS RELATIING TO PRICE							
House prices							
Lower quartile house price	2012- 13 value	£200,600	£155,300	£161,400	£207,500	£230,200	£126,300
	Relative to England	+59%	+23%	+28%	+64%	+82%	-
	2007-08 value	£192,100	£157,700	£164,300	£203,900	£215,000	£127,500
	5-year change	+4%	-2%	-2%	+2%	+7%	-1%
Rents							
Average monthly rent	2013- 14 value	£911	£825	£751	£994	£1,461	£720
	Relative to England	+27%	+15%	+4%	+38%	+103%	-
	2008 value	£627	£596	£539	£630	£775	£500
	5-year change	+45%	+38%	+39%	+58%	+88%	+43%
Affordability							
Lower quartile house price to earnings	2013 ratio	10.1	7.6	7.9	10.5	11.3	6.5
	Relative to England	+57%	+18%	+22%	+62%	+53%	-
	2008 ratio	10.0	8.4	8.8	10.4	10.9	7.0
	5-year change	+1%	-9%	-10%	+1%	+4%	-7%
INDICATORS RELATIING TO QUANTITY							
Overcrowding							
Overcrowded households	2011 proportion	6.6%	7.7%	6.6%	6.5%	21.7%	8.7%
	Relative to England	-24%	-12%	-24%	-26%	+148%	-
	2001 proportion	5.5%	5.9%	5.5%	5.2%	17.3%	7.1%
	10-year change	+22%	+31%	+20%	+26%	+25%	+23%
Rate of development							
Increase in stock	2001-11 change	+8%	+6%	+9%	+8%	+9%	+8%
	Relative to England	-1%	-25%	+7%	+2%	+4%	-

5.69 As acknowledged earlier in this section, there is no single formula that can be used to consolidate the implications of this information; and furthermore the housing market signals will have been predominantly influenced by relatively recent housing market trends. Nevertheless, on the basis of this data we can conclude:

» **House Prices:** lower quartile prices are higher than the national average, with a lower quartile price of £200,600, higher than England's £126,300 but lower than Greater London's £230,200

(based on 2012-13). House prices in the HMA are higher than both South West Essex and Stevenage, but lower than Crawley. Over the last 5-years, prices have remained relatively constant in all of these areas, despite increasing in Greater London;

- **Rents:** for average private sector rents in 2013-14, the study area is higher than England (£911 cf. £720 pcm) but considerably lower than Greater London (£1,461 pcm). While rents in Crawley are higher than in the study area, rents in South West Essex and Stevenage are lower; consistent with house prices in those areas. Over the last 5 years, average rents have increased less in the study area than in Greater London and Crawley, but more than the other comparator areas;
- **Affordability** (in terms of the ratio between lower quartile house prices and lower quartile earnings) is currently 'worse' in the study area than across England as a whole (10.1x cf. 6.5), and the rate is also worse than in South West Essex and Stevenage, although not as 'bad' as either Crawley or Greater London. Furthermore, whilst national affordability ratios have improved since 2008, the ratio has not improved in the study area;
- **Overcrowding** (in terms of Census occupancy rates) shows that 6.6% of households in the study area are overcrowded based on an objective measure, which is lower than England (8.7%) and much lower than Greater London (21.7%). The proportion of overcrowded households has increased over the last 10 years at a rate comparable to England (+22% cf. +23%);
- **Rate of development** (in terms of increase in dwelling stock over the last 10 years) shows that development has been relatively similar to England (both around 8%). This rate is also similar to comparator areas. Of course, these figures will inevitably be influenced by local constraints as well as individual policies.

5.70 As previously noted, PPG suggests that *"household projections should be adjusted to reflect appropriate market signals"* where there is a *"worsening trend in any of these indicators"* (paragraphs 19-20). Whilst house prices and affordability have remained relatively stable, these are notably higher than the rates for England (although lower than the rates for Greater London). Furthermore, rents have also increased and there are higher levels of overcrowding than recorded in 2001 (although overcrowding continues to be below the England average, and considerably lower than overcrowding rates in Greater London).

5.71 On the basis of the Market Signals, we can conclude that conditions across the HMA suggest that the level of **Objectively Assessed Need for the HMA should be higher than suggested by household projections** in isolation. However as previously noted, there is no definitive guidance on what level of uplift is appropriate.

5.72 The analysis of overcrowding for the SHMA Update has already identified that the overall housing need should be increased by 641 households to take account of **concealed families and homeless households** that would not be captured by the household projections. This specific adjustment should be incorporated as a response to market signals to take account of the identified un-met need for housing, representing an uplift of 1.7% on the household projections; nevertheless, given the market signals context, it is probably appropriate to increase this uplift.

Conclusions on Market Signals

5.73 There is no definitive guidance on what level of uplift is appropriate. Nevertheless, the Inspector examining the Eastleigh Local Plan judged 10% to be reasonable given the market signals identified for that HMA:

> *"It is very difficult to judge the appropriate scale of such an uplift … Exploration of an uplift of, say, 10% would be compatible with the "modest" pressure of market signals recognised in the SHMA itself."*

5.74 On this basis, it is helpful to compare the Market Signals for West Essex and East Hertfordshire with those for Eastleigh and its wider HMA (which we have based on Southampton with Eastleigh and the New Forest). In summary:

- **House prices** in West Essex and East Hertfordshire are higher than in Eastleigh and its wider HMA (£200,600 cf. £166,900 and £156,000 respectively at the lowest quartile);
- **Market rents** in West Essex and East Hertfordshire (£911 pcm) are also higher than in Eastleigh and its wider HMA (£798 pcm and £782 pcm respectively);
- **Affordability** is worse in West Essex and East Hertfordshire (10.1x) than in Eastleigh and its wider HMA (8.4x and 8.1x respectively);
- **Overcrowding** in West Essex and East Hertfordshire is higher than in Eastleigh (7% cf. 5%), but lower than its wider HMA (9%); and
- **Rates of development** over the last decade were marginally lower in West Essex and East Hertfordshire than in Eastleigh's wider HMA (8% cf. 9%).

5.75 The indicators for the West Essex and East Hertfordshire HMA identify greater housing pressure than in Eastleigh (and its wider HMA), so it would seem reasonable for 10% to be considered a minimum response to Market Signals in this area. **On balance we would recommend an overall uplift of 20% of the housing need identified based on the household projections as a response to Market Signals for West Essex and East Hertfordshire.**

5.76 The household projections previously identified an increase of 36,899 households (38,382 dwellings); so **the proposed market signals uplift represents an additional 7,676 dwellings over the 22-year period 2011-33, which provides an appropriate response to market signals.** This is consistent with the views of the Eastleigh Inspector in the context of the indicators for the two areas.

5.77 The previous analysis already identified that the overall housing need should be increased by a specific uplift of 641 households (667 dwellings) to take account of **concealed families** and **homeless households** that would not be captured by the household projections. This adjustment has already been incorporated as a response to the identified un-met need for housing; however it is appropriate for it to be considered as part of the response to market signals. **An additional increase of 7,009 dwellings is therefore needed to deliver the overall uplift of 7,676 dwellings identified in response to market signals.**

Housing Backlog

5.78 The Planning Advisory Service Good Plan Making Guide[29] identifies that the SHMA should *"re-set the clock"* and provide a new baseline assessment of all housing need. However, the SHMA must take account of 'backlog': any unmet need for housing that exists at the start of the plan period.

> *"Having an up-to-date, robust Strategic Housing Market Assessment should re-set the clock, and therefore carrying forward under-provision from a previous plan period would be 'double counting'. Make sure however that the Strategic Housing Market Assessment takes*

[29] http://www.pas.gov.uk/documents/332612/6363137/Pages+from+FINAL+PAS+Good+Plan+Making+-6.pdf

account of 'backlog' which is unmet need for housing that still exists at the start of the new plan period (for example, the needs of the homeless and other households living in unacceptable accommodation). The Strategic Housing Market Assessment should show all those in need. It is therefore vitally important to have a properly done Strategic Housing Market Assessment that has the right scope." (page 49)

5.79 This SHMA has fully considered the unmet needs of homeless and other households living in unacceptable accommodation (such as concealed families and sharing households) that existed in 2011. Furthermore, given that the SHMA also identifies all new housing need from the baseline date of 2011, all needs arising over the 22-year period 2011-33 have been identified and there will be no additional unmet need for housing to be counted for Plans with this base date.

Conclusions

5.80 The *"starting point"* estimate for OAN is the CLG household projections, and the latest published data is the 2012-based projections for period 2012-37. These projections suggest that household numbers across the study area will increase by 49,638 over the 22-year period 2011-33, an average of 2,256 per year. However, the future projections are particularly sensitive to the period on which migration trends are based, and PAS advice to Local Authorities suggests that the official projections are *"very unstable"* and it is more appropriate to adopt a longer base period to establish robust migration trends. This view is echoed by academics and has been promoted by Planning Inspectors at numerous Local Plan Examinations. Furthermore, the Public Administration Select Committee has identified the Census as *"the only reliable source of data on migrant populations in local areas"*.

5.81 Given this context, the SHMA has developed independent household projections using a 10-year migration trend based on Census data. The specific method used has been supported previously at Examination, where it was noted that *"a 10 year period is a reasonable approach"* and *"the inter-censal period provides a readily understandable and robust check on the reasonableness of the average"*. On the basis of 10-year migration trends, **household numbers across the study area are projected to increase by 36,899 households over the 22-year period 2011-33, an average of 1,677 per year.**

5.82 We have identified that the baseline household projections should be increased by 641 households to take account of **concealed families** and **homeless households** that would otherwise not be captured due to suppressed household formation rates. On this basis, the demographic projections identify a total increase of 37,540 households over the 22-year period 2011-33. This adjustment responds to identified un-met need for affordable housing and also addresses suppressed household formation rates. **Providing for an increase of 37,540 households yields a baseline housing need of 39,049 dwellings over the 22-year period 2011-33, equivalent to an average of 1,775 dwellings per year.**

5.83 While demographic projections form the starting point for Objectively Assessed Need calculations, it is necessary to consider whether a higher rate of housing delivery may be needed to help address housing market problems. Further adjustments may be needed in response to balancing jobs and workers, market signals or any backlog of housing provision. However, it is important to recognise that these adjustments are not necessarily cumulative: it is necessary to consider them collectively.

5.84 **The evidence from planned jobs and workers identifies a need to increase housing delivery by 5,600 dwellings to provide enough workers for the likely increase in jobs in the area** (taking account of the likely expansion of Stansted Airport)**.**

5.85 **An uplift of 7,676 dwellings is proposed as an appropriate response to the market signal indicators.** The overall housing need has already been increased by 667 dwellings to take account of concealed families and homeless households not captured by the household projections, and this should be considered as part of the response to market signals; but an additional increase of 7,009 dwellings is needed to deliver the overall uplift of 7,676 dwellings that has been identified.

5.86 As the SHMA has fully considered the unmet needs of homeless and other households living in unacceptable accommodation that will exist at 2011 and identified all needs arising over the 22-year period 2011-33, **there will be no 'backlog' of additional unmet need for housing to be counted at the start of new Plan periods that start in 2011.**

5.87 On this basis, the baseline housing need of 39,049 dwellings is increased by 7,009 dwellings based on the additional uplift needed in response to market signals. This will also provide sufficient housing to balance future jobs and workers. **This yields an overall total of 46,058 dwellings over the 22-year period 2011-33.** This represents an uplift of 20.0% on the baseline household projections.

5.88 Figure 75 summarises each of the stages for establishing the Full Objectively Assessed Need for Housing.

Figure 75: Full Objectively Assessed Need for Housing across West Essex and East Hertfordshire HMA 2011-33

Stage		Households	Dwellings
Demographic starting point CLG household projections 2011-33		**49,638**	**-**
Adjustment for long-term migration trends 10-year migration trend 2001-11		-12,739	-
Baseline household projections taking account of local circumstances		**36,899**	**38,382**
Adjustment for suppressed household formation rates Concealed families and homeless households		+641	+667
Baseline housing need based on demographic projections		**37,540**	**39,049**
Further adjustments needed…	**In response to balancing jobs and workers** Projected growth in workers exceeds forecast jobs growth and planned jobs growth therefore no further adjustment needed	-	+5,600
	In response to market signals 7,009 dwellings needed (in addition to the 667 dwellings for concealed families and homeless households) to deliver the overall uplift of 7,676 dwellings proposed	-	+7,009
Combined impact of the identified adjustments		**-**	**+7,009**
Full Objectively Assessed Need for Housing 2011-33		**-**	**46,058**

5.89 Of course, it is important to remember that *"establishing future need for housing is not an exact science"* (PPG paragraph 14). Whilst the OAN must be underwritten by robust evidence that is based on detailed analysis and informed by reasonable assumptions, the final conclusions should reflect the overall scale of the housing needed in the housing market area without seeking to be spuriously precise.

5.90 **The SHMA therefore identifies the Full Objective Assessed Need for Housing in West Essex and East Hertfordshire to be 46,100 dwellings over the 22-year period 2011-33, equivalent to an average of 2,095 dwellings per year. This includes the Objectively Assessed Need of Affordable Housing for 13,600 dwellings (based on 13,291 households) over the same period, equivalent to an average of 618 per year.**

5.91 Considering the needs in each local authority, the SHMA concludes that the Objectively Assessed Need for Housing over the 22-year period as being:

- 16,400 dwellings in East Hertfordshire (745 per year);
- 11,300 dwellings in Epping Forest (514 per year);
- 5,900 dwellings in Harlow (268 per year); and
- 12,500 dwellings in Uttlesford (568 per year).

5.92 This is the average number of dwellings needed every year over the period 2011-33 and represents a 1.1% increase in the dwelling stock each year across the study area (consistent with the 1.1% growth required across England to deliver 253,600 dwellings annually).

5.93 Figure 76 sets out the mix of market and affordable housing need by dwelling type and size. Most of the market housing need is for housing (29,700 dwellings over the 22-year period) with a need for 2,800 flats also identified (around 9%). The need for affordable housing is also predominantly for housing (around 10,000 dwellings) with a need for around 3,600 flats (around 26%).

5.94 Of course, the spatial distribution of housing provision will be determined through the planning process; which will also consider the most appropriate location for market and affordable housing, and the type and size of properties to be provided in different areas.

Figure 76: Market and affordable housing mix by LA (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

		East Herts	Epping Forest	Harlow	Uttlesford	TOTAL
MARKET HOUSING						
Flat	1 bedroom	710	430	170	140	1,400
	2+ bedrooms	810	450	30	80	1,400
House	2 bedrooms	1,510	1,020	610	690	3,800
	3 bedrooms	5,640	4,090	1,690	4,290	15,700
	4 bedrooms	2,740	1,580	50	3,110	7,500
	5+ bedrooms	770	510	-	1,410	2,700
Total Market Housing		**12,200**	**8,100**	**2,500**	**9,700**	**32,500**
AFFORDABLE HOUSING						
Flat	1 bedroom	820	570	100	320	1,800
	2+ bedrooms	470	450	550	330	1,800
House	2 bedrooms	1,210	710	940	850	3,700
	3 bedrooms	1,410	1,180	1,400	1,060	5,100
	4+ bedrooms	310	310	360	220	1,000
Total Affordable Housing		**4,200**	**3,200**	**3,400**	**2,800**	**13,600**
TOTAL DWELLINGS		**16,400**	**11,300**	**5,900**	**12,500**	**46,100**

6. Housing Requirements

Considering the policy response to identified housing need

6.1 The SHMA has established the Full Objectively Assessed Need for Housing in the West Essex and East Hertfordshire HMA to be 46,100 dwellings over the 22-year period 2011-33, however this figure will need to be tested through the statutory Plan-making process. Until it is tested at examination, the OAN must not be portrayed as a new housing requirement for planning purposes: existing adopted Plans for each Local Authority will continue to fulfil this role.

6.2 This is confirmed by Planning Practice Guidance for housing and economic land availability assessment, which states that *"housing requirement figures in up-to-date adopted Local Plans should be used as the starting point for calculating the five year supply"* (paragraph 30). This point was further emphasised in a letter from the Housing Minister to the Planning Inspectorate in December 2014:

> *"Many councils have now completed Strategic Housing Market Assessments either for their own area or jointly with their neighbours. The publication of a locally agreed assessment provides important new evidence and where appropriate will prompt councils to consider revising their housing requirements in their Local Plans. We would expect councils to actively consider this new evidence over time and, where over a reasonable period they do not, Inspectors could justifiably question the approach to housing land supply.*
>
> *"However, the outcome of a Strategic Housing Market Assessment is untested and should not automatically be seen as a proxy for a final housing requirement in Local Plans. It does not immediately or in itself invalidate housing numbers in existing Local Plans.*
>
> *"Councils will need to consider Strategic Housing Market Assessment evidence carefully and take adequate time to consider whether there are environmental and policy constraints, such as Green Belt, which will impact on their overall final housing requirement. They also need to consider whether there are opportunities to co-operate with neighbouring planning authorities to meet needs across housing market areas. Only after these considerations are complete will the council's approach be tested at examination by an Inspector. Clearly each council will need to work through this process to take account of particular local circumstances in responding to Strategic Housing Market Assessments."*

6.3 The individual local authorities are currently in the process of preparing Local Plans. In establishing the OAN, the SHMA has taken full account of all unmet need for housing that is likely to exist at the start of new Plan periods starting in 2011; therefore any under-delivery against current housing targets need not be counted again. However, whilst the OAN identified by the SHMA will be a key part of the evidence base, the Local Plans will be the mechanism through which the SHMA evidence will be assessed against environmental and policy constraints, such as Green Belt, to identify a sustainable and deliverable plan requirement.

6.4 The Local Plans will also consider the spatial distribution of the OAN across the functional housing market area for West Essex and East Hertfordshire, considering the full geographic area identified in Chapter 2.

Affordable Housing Need

6.5 The SHMA has identified a substantial need for additional affordable housing: a total of 13,600 dwellings across the West Essex and East Hertfordshire HMA over the 22-year period 2011-33, which includes 5,218 households in need of affordable housing in 2011. The analysis also identified that a number of households unable to afford their housing costs are likely to move away from the area, and some might prefer to stay in the area if housing costs were less expensive or if more affordable housing was available.

6.6 Given the overall level of affordable housing need identified, it will be important to maximise the amount of affordable housing that can be delivered through market housing led developments throughout the 22-year period. Key to this is the economic viability of such developments, as this will inevitably determine (and limit) the amount of affordable housing that individual schemes are able to deliver.

6.7 As part of their strategic planning and housing enabling functions, the Councils will need to consider the most appropriate affordable housing target in order to provide as much affordable housing as possible without compromising overall housing delivery. This target should provide certainty to market housing developers about the level of affordable housing that will be required on schemes, and the Councils should ensure that this target is achieved wherever possible in order to increase the effective rate of affordable housing delivery.

6.8 PPG identifies that Councils should also consider *"an increase in the total housing figure"* where this could *"help deliver the required number of affordable homes"*; although this would not be an adjustment to the OAN, but a policy response to be considered in the local plan:

> *The total affordable housing need should then 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.*
>
> **Planning Practice Guidance (March 2014), ID 2a-029**

6.9 It will therefore be important for the Councils to consider the need for any further uplift once the affordable housing target has been established. However, as confirmed by the Inspector examining the Cornwall Local Plan in his preliminary findings[30] (paragraphs 3.20-21):

> *"National guidance requires **consideration** of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites. The realism of achieving the intended benefit of additional affordable housing from any such uplift is relevant at this stage, otherwise any increase may not achieve its purpose.*
>
> *Any uplift on the demographic starting point … would deliver some additional affordable housing and can be taken into account in judging whether any further uplift is justified."*

6.10 Given that the identified OAN already incorporates an uplift of more than 20% on the baseline household projections, this will contribute to increasing the supply of affordable homes through market housing led developments. The Councils will need to consider whether there is sufficient justification for any further

[30] https://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf

increase in the total housing figures included in the local plan (beyond the identified OAN) as part of their policy response to meeting the identified need for affordable housing; although it will be important for them to consider the implications of providing a higher level of market housing than identified by the OAN, in particular the consequences on the balance between jobs and workers.

6.11 The contribution towards affordable housing delivery that can be achieved through market housing led developments shouldn't be considered in isolation. The Government has launched a series of new initiatives in the past 5 years to attempt to boost the supply of homes, including affordable homes. The key Homes and Communities Agency (HCA) investment programmes include:

- **Affordable Homes Programme:** the flagship HCA investment programme(s) for new affordable homes – the 2015-18 programme intends to support the building of 43,821 new affordable homes across 2,697 schemes in England
- **Affordable Homes Guarantees Programme:** guaranteeing up to £10bn of housing providers' debt in order to bring schemes forward
- **Care and Support Specialised Housing Fund:** funding used to accelerate the development of the specialised housing market such as Older People and those with disabilities
- **Community Right to Build:** (Outside London) including some provision for affordable homes
- **Empty Homes programme**
- **Estate Regeneration Programme:** often creating mixed tenure communities
- **Get Britain Building:** aiming to unlock locally-backed stalled sites holding planning permission and including affordable homes

6.12 However, there are currently a number of constraints that are affecting the delivery of new affordable housing; although there is also a range of other initiatives that may help increase delivery in future.

Constraints affecting the delivery of new affordable housing	Other initiatives potentially increasing the delivery of new affordable housing
Welfare reform Most stakeholders (including private landlords, house builders, local authorities and RPs) are concerned at the impact of benefit reform and the risk to their revenue. Credit rating agency have also signalled concerns. **Registered Providers** Many RPs have become more risk averse in their approach to developing new homes. The move to Affordable Rent as opposed to Social Rent housing and the resultant reduction in grant rates has made delivery and viability issues more pronounced. Grant level reductions in the AHP 2015-18 have, arguably, increased risk perceptions further. **Stock rationalisation by Registered Providers** The new regulatory framework for RPs continues the emphasis on economic regulation. This could, potentially, reduce current supply of affordable housing. Already, sector trends indicate many associations are identifying under-performing stock with a view to rationalisation. **Extension of Right to Buy (RTB) to Registered Providers** The Government pledge to introduce an RTB for RP tenants mean many associations will need to assess the risk to their Business Plans and this might reduce appetite for new development.	**Councils building more new homes** Many Councils are now trying to bring new rental schemes forward following reform of the HRA system. **New 'for profit' providers** Over 30 'for profit' providers to deliver AHP homes have so far registered with the HCA, mainly in order to deliver non-grant affordable housing. There is arguably potential for increased supply of affordable homes for rent by 'for profit' providers. **Co-operative Housing** Given current delivery constraints, co-operative housing has been identified as a further alternative supply for households unable to access ownership or affordable housing. The Confederation of Co-operative Housing, working with RPs, is currently trying to bring schemes forward. The HCA has held back funding for Co-operative Housing in the previous AHP.

6.13 The Government also sees the growth in the private rented sector as positive. Whilst private rented housing (with or without housing benefit) does not meet the definitions of affordable housing, it offers a flexible form of tenure and meets a wide range of housing needs. The sector also has an important role to play given that many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. If there isn't sufficient private rented housing available at a price these households can afford, the need for affordable housing would be even higher.

6.14 A Government task force was established in 2013 to encourage and support build-to-let investment[31]. The HCA also has several investment programmes to help bring schemes forward. These include a £1 billion Build to Rent Fund, which will provide equity finance for purpose-built private rented housing, alongside a £10 billion debt guarantee scheme to support the provision of these new homes. New supply of private rented housing therefore seems likely from various sources, despite current volumes being relatively low:

- **Registered Providers** are potential key players in the delivery of new PRS supply and recently several have begun to enter the market in significant scale[32], particularly in response to the Build to Rent Fund, although other institutional funding is also being sought. Overall, although interest is high, it remains unclear as to the scale of development which may deliver.
- **Local Authorities** can also enable new PRS supply to come forward investing local authority land, providing financial support (such as loan guarantees), and joint ventures with housing associations, developers or private investors under the Localism Act. Whilst LA initiatives may contribute to new build PRS, these will take time to deliver significant numbers of units.
- **Local Enterprise Partnerships** are another potential source of new build PRS homes[33]. The Growing Places Fund provides £500 million to enable the development of local funds to promote economic growth and address infrastructure constraints in order to enable the delivery of jobs and houses. Any funding for housing, however, has to compete with other priorities e.g. skills and infrastructure. However, LEPs could potentially enable new PRS housing delivery and some attempts have been made in this regard to increase supply.
- **Insurance companies** and **pension funds** have been expanding into property lending in recent years; especially schemes in London. Nearly a quarter of new UK commercial property finance came from non-bank lenders in 2013.

6.15 National Government policy is also focussed on improving the quality of both management and stock in the private rented sector, and local councils also have a range of enforcement powers. This is particularly important given the number of low income households that rent from a private landlord.

6.16 Whilst the SHMA has identified an affordable housing need of 13,600 dwellings over the 22-year period 2011-33, this is based on the level of housing benefit support provided to households living in the private rented sector remaining constant. Without this support, a total of 19,700 affordable homes would need to be provided over the same period.

6.17 Given the substantial need for affordable housing identified across West Essex and East Hertfordshire, the Councils will need to consider the most appropriate affordable housing target as part of their strategic planning and housing enabling functions. However, it will also be important for the Councils to consider all of the options available to help deliver more affordable homes in the area.

[31] https://www.gov.uk/government/publications/2010-to-2015-government-policy-rented-housing-sector/2010-to-2015-government-policy-rented-housing-sector#appendix-9-private-rented-sector
[32] http://www.insidehousing.co.uk/business/development/transactions/lq-to-launch-prs-subsidiary/7009701.article
[33] https://www.gov.uk/government/publications/growing-places-fund-prospectus

Older People

6.18 Planning Practice Guidance for Housing and Economic Land Availability Assessment states the following in relation to housing for older people:

> ***How should local planning authorities deal with housing for older people?***
>
> *Older people have a wide range of different housing needs, ranging from suitable and appropriately located market housing through to residential institutions (Use Class C2). Local planning authorities should count housing provided for older people, including residential institutions in Use Class C2, against their housing requirement. The approach taken, which may include site allocations, should be clearly set out in the Local Plan.*
>
> **Planning Practice Guidance (March 2015), ID 3-037**

6.19 On this basis, the Councils will need to consider the most appropriate way to count the supply of bedspaces in residential institutions (Use Class C2) as part of their overall housing monitoring, and decide whether this should form part of the overall housing supply.

6.20 **It is important to recognise that the identified OAN of 46,100 dwellings does not include the projected increase of institutional population, which represents a growth of 1,773 persons over the 22-year period 2011-33.** This increase in institutional population is a consequence of the CLG approach to establishing the household population[34], which assumes *"that the share of the institutional population stays at 2011 levels by age, sex and relationship status for the over 75s"* on the basis that *"ageing population will lead to greater level of population aged over 75 in residential care homes"*.

6.21 **On this basis, if bedspaces in residential institutions in Use Class C2 are counted within the housing supply then the increase in institutional population aged 75 or over would need to be counted as a component of the housing requirement (in addition to the assessed OAN).** If these bedspaces are not counted within the housing supply, then there is no need to include the increase in institutional population as part of the housing requirement.

6.22 Nevertheless, older people are living longer, healthier lives, and the specialist housing offered today may not be appropriate in future years and the Government's reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. Therefore, despite the ageing population, future policies may lead to a decline in the number of care homes and nursing homes, as people are supported to continue living in their own homes for longer.

6.23 Although the institutional population is projected to increase by 1,773 persons over the Plan period (based on the CLG assumption that there will be a *"greater level of population aged over 75 in residential care homes"*), it does not necessarily follow that all of this need should be provided as additional bedspaces in residential institutions in Use Class C2 – but any reduction in the growth of institutional population aged 75 or over would need to be offset against higher growth for these age groups in the household population; which would yield more households than assumed when establishing the OAN.

6.24 **As a consequence, if fewer older people are expected to live in communal establishments than is currently projected, the needs of any additional older people in the household population would need to be counted in addition to the assessed OAN.**

[34] Household Projections 2012-based: Methodological Report, Department for Communities and Local Government, February 2015

Households with Specific Needs

6.25 Paragraph 50 of the NPPF identifies that local planning authorities should plan households with specific needs, and PPG states:

> ***Households with specific needs***
>
> *There is no one source of information about disabled people who require adaptations in the home, either now or in the future.*
>
> *The Census provides information on the number of people with long-term limiting illness and plan makers can access information from the Department of Work and Pensions on the numbers of Disability Living Allowance/Attendance Allowance benefit claimants. Whilst these data can provide a good indication of the number of disabled people, not all of the people included within these counts will require adaptations in the home.*
>
> *Applications for Disabled Facilities Grant will provide an indication of levels of expressed need, although this could underestimate total need. If necessary, plan makers can engage with partners to better understand their housing requirements.*
>
> **Planning Practice Guidance (March 2015), ID 2a-021**

6.26 Personal Independence Payments started to replace the Disability Living Allowance from April 2013, and these are awarded to people aged under 65 years who incur extra costs due to disability (although there is no upper age limit once awarded, providing that applicants continue to satisfy either the care or mobility conditions). Higher Mobility Component (HMC) is awarded when applicants have *"other, more severe, walking difficulty"* above the Lower Mobility Component (which is for supervision outdoors).

6.27 Attendance Allowance contributes to the cost of personal care for people who are physically or mentally disabled and who are aged 65 or over. It is paid at two different rates: a lower rate is paid for those who need help or constant supervision during the day, or supervision at night; a higher rate is paid where help or supervision throughout both day and night is needed, or if people are terminally ill.

6.28 Nevertheless, PPG recognises that neither of these sources provides information about the need for adapted homes as *"not all of the people included within these counts will require adaptations in the home"*.

6.29 Disabled Facilities Grants (DFG) are normally provided by Councils and housing associations to adapt properties for individuals with health and/or mobility needs. Grants cover a range of works, such as:

- Widening doors and installing ramps;
- Improving access to rooms and facilities, for example stair lifts or a downstairs bathroom;
- Providing a heating system suitable for needs; and
- Adapting heating or lighting controls to make them easier to use.

6.30 Local data about DFGs was published by CLG in Live Table 314[35], and this indicated that 192 DFGs were funded in the study area in 2010/11 at an average cost of £7,260. This represents around 10% of the overall annual housing need identified, however PPG notes that whilst patterns of DFG applications *"provide an indication of expressed need"* it cautions that this could *"underestimate need"*. Of course, it is

[35] Table 314 has now been discontinued by CLG

also important to recognise that DFGs typically relate to adaptations to the existing housing stock rather than new housing provision.

6.31 As previously noted, the Government's reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. This was reflected in the recent changes to building regulations relating to adaptations and wheelchair accessible homes that were published in the 2015 edition of Approved Document M: Volume 1 (Access to and use of dwellings)[36]. This introduces three categories of dwellings:

- Category 1: Visitable dwellings – Mandatory, broadly about accessibility to ALL properties
- Category 2: Accessible and adaptable dwellings – Optional, similar to Lifetime Homes
- Category 3: Wheelchair user dwellings – Optional, equivalent to wheelchair accessible standard.

6.32 Local authorities should identify the proportion of dwellings in new developments that should comply with the requirements for Category 2 and Category 3 as part of the Local Plan, based on the likely future need for housing for older and disabled people (including wheelchair user dwellings) and taking account of the overall impact on viability. Planning Practice Guidance for Housing optional technical standards states:

> *Based on their housing needs assessment and other available datasets it will be for local planning authorities to set out how they intend to approach demonstrating the need for Requirement M4(2) (accessible and adaptable dwellings), and / or M4(3) (wheelchair user dwellings), of the Building Regulations.*
>
> *To assist local planning authorities in appraising this data the Government has produced a summary data sheet. This sets out in one place useful data and sources of further information which planning authorities can draw from to inform their assessments. It will reduce the time needed for undertaking the assessment and thereby avoid replicating some elements of the work.*
>
> **Planning Practice Guidance (March 2015), ID 56-007**

6.33 The demographic projections from the housing needs assessment (chapter 3) show that the population of West Essex and East Hertfordshire is likely to increase by around 65,000 persons over the 22-year period 2011-33. The number of people aged 65 or over is projected to increase by around 47,200 persons, almost three-quarters (73%) of the overall growth. This includes 23,300 persons aged 85 or over, more than a third (36%) of the total increase. Most of these older people will already live in the area and many will not move from their current homes; but those that do move home are likely to need accessible housing. **Given this context, the evidence supports the need for all dwellings to meet Category 2 requirements, providing that this does not compromise viability.** This approach has been adopted in Local Plans elsewhere.

6.34 The CLG guide to available disability data[37] (referenced by PPG) shows that currently around 1-in-30 households in England (3.3%) have at least one wheelchair user, although the rate is notably higher for households living in affordable housing (7.1%). It is also important to recognise that these proportions are likely to increase over the period to 2033 in the context of the larger numbers of older people projected to be living in the area. **The evidence therefore supports the need for 10% of market housing and 15% of affordable housing to meet Category 3 requirements.** This recognises the changing demographics of the area and also provides an element of choice for households that need wheelchair user dwellings now as well as those households considering how their needs may change in future.

[36] http://www.planningportal.gov.uk/buildingregulations/approveddocuments/partm/adm/admvol1
[37] https://www.gov.uk/government/publications/building-regulations-guide-to-available-disability-data

People Wishing to Build their Own Homes

6.35 Paragraph 50 of the NPPF identifies that local planning authorities should plan for people wishing to build their own homes, and PPG states:

> ***People wishing to build their own homes***
>
> *The Government wants to enable more people to build their own home and wants to make this form of housing a mainstream housing option. There is strong industry evidence of significant demand for such housing, as supported by successive surveys. Local planning authorities should, therefore, plan to meet the strong latent demand for such housing.*
>
> **Planning Practice Guidance (March 2015), ID 2a-021**

6.36 Over half of the population (53%) say that they would consider building their own home[38] (either directly or using the services of architects and contractors); but it's likely that this figure conflates aspiration with effective market demand. Self-build currently represents only around 10% of housing completions in the UK, compared to rates of around 40% in France and 70 to 80% elsewhere in Europe.

6.37 The attractiveness of self-build is primarily reduced costs; however the Joseph Rowntree Foundation report *"The current state of the self-build housing market"* (2001) showed how the sector in the UK had moved away from those unable to afford mainstream housing towards those who want an individual property or a particular location.

6.38 *"Laying the Foundations – a Housing Strategy for England"* (HM Government, 2011)[39] redefined self-build as 'Custom Build' and aimed to double the size of this market, creating up to 100,000 additional homes over the decade. "*Build-it-yourself? Understanding the changing landscape of the UK self-build market*" (University of York, 2013) subsequently set out the main challenges to self-build projects and made a number of recommendations for establishing self-build as a significant contributor to housing supply. The previous Government also established a network of 11 Right to Build 'Vanguards' to test how the 'Right to Build' could work in practice in a range of different circumstances.

6.39 In the Budget 2014, the Government announced an intention to consult on creating a new 'Right to Build', giving 'Custom Builders' a right to a plot from councils. The Self-Build and Custom Housebuilding Act[40] 2015 has now placed a duty on local planning authorities to:

- Keep a register (and publicise this) of eligible prospective 'custom' and self-build individuals, community groups and developers;
- Plan to bring forward sufficient serviced plots of land, probably with some form of planning permission, to meet the need on the register and offer these plots to those on the register at market value; and
- Allow developers working with a housing association to include self-build and custom-build as contributing to their affordable housing contribution.

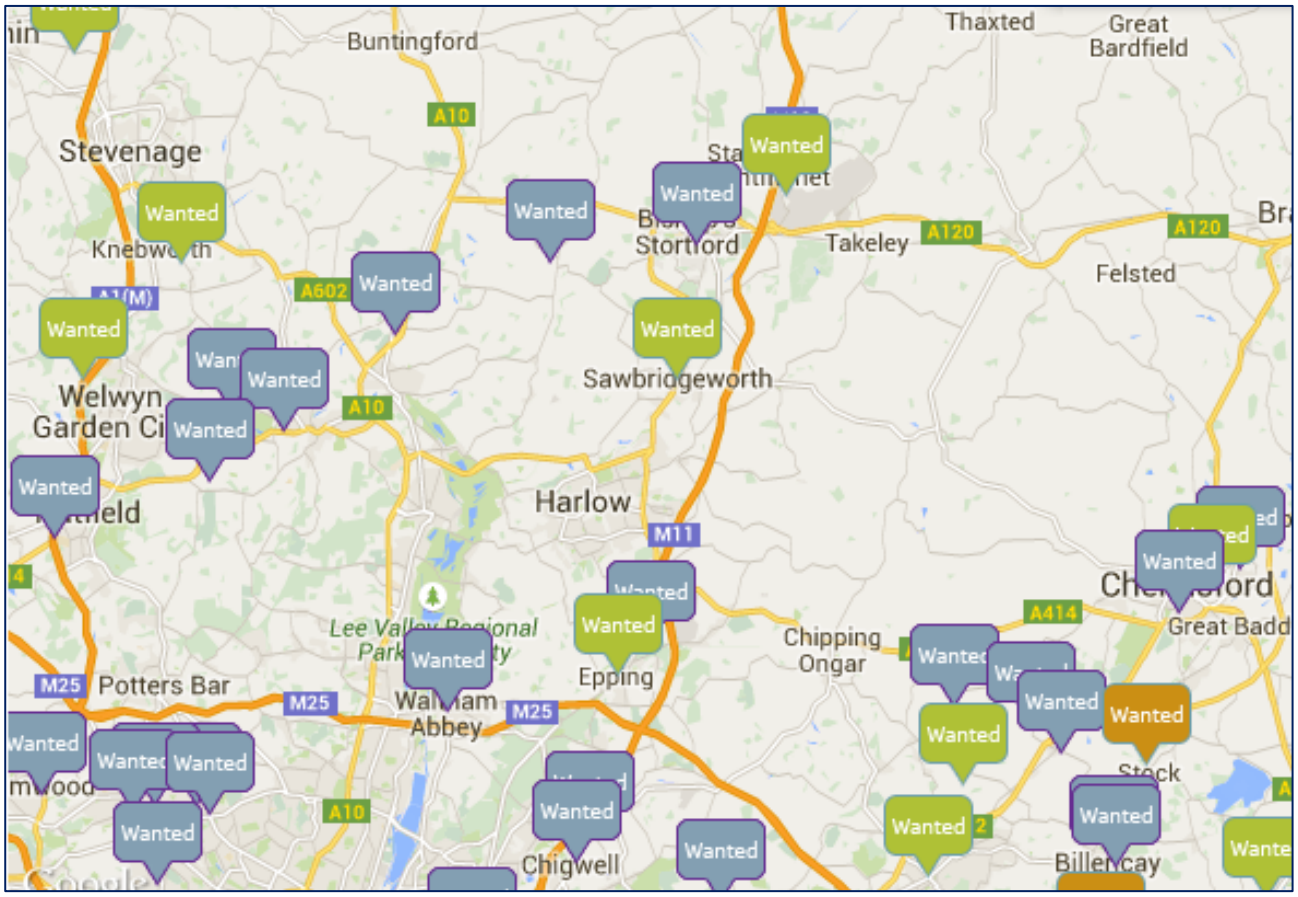
6.40 Government funding[41] is currently available via the HCA Custom Build Homes Fund programme (short-term project finance to help unlock group custom build or self-build schemes). The Government announced

[38] Building Societies Association Survey of 2,051 UK consumers 2011
[39] https://www.gov.uk/government/publications/laying-the-foundations-a-housing-strategy-for-england--2
[40] http://services.parliament.uk/bills/2014-15/selfbuildandcustomhousebuilding.html
[41] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/364100/custom_build_homes_fund_prospectus_120712.pdf

further measures in 2014 (Custom Build Serviced Plots Loan Fund) to encourage people to build their own homes, and to help make available 10,000 'shovel ready' sites with planning permission.

6.41 In May 2012 a Self-Build Portal[42] run by the National Custom and Self Build Association (NCaSBA) was launched. Figure 77 shows the current registrations from groups and individuals looking for land in the HMA on the 'Need-a-Plot' section of the portal. Whilst there is clearly some interest in self-build across the area, this represents only a very small proportion of the overall housing need identified each year.

Figure 77: Group and Individual Registrations currently looking for land in and around West Essex and East Hertfordshire on the 'Need-a-Plot' Portal (Source: NCaSBA, July 2015. Note: Green flags represent solo plots wanted, brown flags represent group plots wanted and blue flags represent group or solo plots wanted)



6.42 Given the historic low supply of self-build homes and the challenges in bringing schemes forward it seems unlikely that self-build will make a significant contribution locally to meeting housing need in its current form. Nevertheless, the Councils should put arrangements in place to comply with the Self-Build and Custom Housebuilding Act (if they have not already done so).

6.43 A survey to ascertain levels of demand for self-build could be undertaken in future; however it would be important to ensure that appropriate questions are designed that can effectively separate aspiration from effective market demand.

[42] http://www.selfbuildportal.org.uk/

Table of Figures