

## **Brentwood Borough Council**



## **Strategic Housing Market Assessment Part One**

**Peter Brett Associates**

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# 1 INTRODUCTION

- 1.1 This study was commissioned by Brentwood Borough Council and undertaken by Peter Brett Associates (PBA) to provide an objective assessment of housing need (OAN). This work together with the Part 2 SHMA (affordable housing needs) covers the full objectively assessed housing need for Brentwood Borough.

## Relationship to earlier housing needs work

- 1.2 This report follows a 2015 PBA study and report<sup>1</sup>, that tested three main population and household projections, namely:
- 'Official' ONS population projections (2008, 2011 and 2012) and CLG household projections (2008 and 2011)
  - Essex Planning Officer Association (EPOA) population and household projections (Phase 6), prepared by Edge Analytics on behalf of EPOA, and
  - PBA projections, prepared by PBA to supplement or test other projections.
- 1.3 That report concluded that an OAN of around 360 dwellings per annum (dpa) for Brentwood could be supported. This was above basic demographic need; the official 2012 based projections suggested 326 dpa. Subsequent work (Part 2 SHMA) considered whether this figure needed an uplift to meet affordable needs, but this was found not to be required, so the full OAN remained at 360 dpa.
- 1.4 The ONS and CLG have released new data since 2015, most recently the 2014 based household projections and two new rounds of mid-year Population Estimates (2015 & 2016). The East of England Forecasting Model (EEFM) has also been revised (2016 version); reducing the number of jobs forecast in the Borough. As we discuss below the 2014 projections suggest that the OAN ought to increase slightly, but in contrast the more recent mid-year population estimates suggest a lower OAN.
- 1.5 In addition, in July 2017 the GLA, released a set of variant projections. The GLA acknowledge they have concerns with the ONS and CLG demographic modelling and question its robustness to underpin long-term development planning. The key concern is the use of a very short trend period to project into the future. This short trend period proved to be highly volatile and the GLA in the London Plan, used an alternative, longer term projection. To assist Councils in the wider South East calculate their OAN requirements the GLA have made their demography available.
- 1.6 As well as incorporating this new information this study provides additional analysis on two technical issues: i) future household formation rates (household representative rates, headship rates) and ii) the alignment of homes and jobs. In relation to alignment we use new economic forecasts from the EEFM and Experian.

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<sup>1</sup> PBA (February 2015): Objectively Assessed Needs for Brentwood: Moving towards a housing target

## 2 BRENTWOOD HOUSING MARKET AREA

### Introduction

- 2.1 The NPPF recommends that where a housing market area (HMA) extends across more than one local authority, plan-makers should assess housing needs for the whole area rather than for each authority individually.
- 2.2 Brentwood commissioned David Couttie Associates (DCA) to define their HMA as part of a post NPPF SHMA and that work concluded in 2013 that Brentwood District was a self-contained housing market area.
- 2.3 DCA also recognised housing market links with Brentwood’s neighbours, and the table below (3.4 from the 2013 SHMA) summarises these links.

**Figure 2.1 2013 SHMA HMA links**

Local Authority Area	Migration (Census 2001)	Travel to Work (APS 2011)	House Types (2011 Census)	Tenure (2011 Census)
Chelmsford	✓	✓		✓
London	✓	✓		
Basildon	✓	✓		
Braintree				
Colchester			✓	

Source: 2013 Brentwood SHMA

- 2.4 With the benefit of this SHMA, and the conclusion that Brentwood constitutes a self-contained HMA, no further joint evidence base documents have been commissioned, but work has continued with the other Essex Councils to commission shared demographic data (via the Essex Planning Officers Association),.
- 2.5 In consultation in 2016, as part of the draft Brentwood plan review no objections were received to the finding that Brentwood is a self-contained HMA. However, a number of responses noted strong links to locations beyond the Borough including commuting flows into London. Some of these responses suggested that the data should be updated given the HMA findings predated the census.

### Re-testing the links with Brentwood and its neighbours.

- 2.6 The 2013 SHMA was prepared without full sight of the 2011 Census data – and critically the Census commuting and migration data. Instead DCA based their review on the Annual Population Survey and 2001 Census.
- 2.7 This study has therefore re-tested these links in light of the published 2011 Census data.
- 2.8 We also look at published housing market area data from neighbouring authorities, to seek to establish if the available evidence continues to identify that Brentwood forms its own self-contained housing market area.

### 2011 Census commuting

- 2.9 Overall there were less workplace jobs than resident workers in Brentwood - 36,000 resident workers compared to 33,500 workplace jobs. However, this hides the very large commuting flows. 55% of resident workers commuted out of the Borough and 52% of Brentwood jobs are taken by inward commuters.
- 2.10 The largest outward flow of residents was towards London. Over 5,000 residents commute to London's commercial core' (Westminster, City and Tower Hamlets) with smaller outflows to many other London boroughs.
- 2.11 The worker inflows are mostly local Essex commuters.
- 2.12 However, there are no strong patterns or dominant links with particular Essex districts. The two main links are with Basildon and Chelmsford, but the Brentwood flows are very small given the size of these local authority districts. There are over 90,000 Chelmsford resident workers and the flows - 2,500 out to Brentwood, 1,500 in from Brentwood - are minor.
- 2.13 The 2011 Census data continues to support the view that Brentwood is a self-contained HMA.

### 2011 Census migration

- 2.14 The 2013 SHMA found that over 80% of **local** house moves were internal to Brentwood, and this is very strong evidence of self-containment, exceeding the CLG guideline that 'around 70% of all local house moves should be internal to the HMA.
- 2.15 The table below updates the migration analysis using 2011 Census data. The Borough total of 77% internal moves comfortably exceeds the 70% threshold, albeit in association with some other authorities a higher exceedance is achieved.

**Table 2.1 Updated Self Containment**

Current area of residence	Place of previous residence							Row total
	Brentwood	Braintree	Chelmsford	Colchester	Maldon	Epping Forest	Basildon	
Brentwood	2,727	41	237	41	33	158	290	3,527
Braintree	111	7,630	983	676	355	89	154	9,998
Chelmsford	409	585	8,943	255	474	161	679	11,506
Colchester	82	754	363	13,568	298	72	97	15,234
Maldon	51	286	520	201	2,297	24	153	3,532
Epping Forest	140	46	74	32	23	4,345	57	4,717
Basildon	405	75	530	87	81	64	8,883	10,125
Local moves %	77.3%	76.3%	77.7%	89.1%	65.0%	92.1%	87.7%	

Source: 2011 Census Table MM01CUK\_ALL - Origin and destination of migrants by age (broad grouped) by sex

- 2.16 The 2011 Census migration data continues to support the view that Brentwood is a self-contained HMA.

### *Evidence from neighbouring councils*

- 2.17 We have reviewed the neighbours' housing market evidence and none suggest that Brentwood forms part of their HMA, and a number confirm that while there are strong links Brentwood is contextually different.
- 2.18 There are four HMAs in the County:
- A four district HMA to middle and north (Braintree, Chelmsford, Colchester, Tendring). This HMA could include Maldon, but that district considered itself a separate HMA – a point accepted by their plan Inspector.
  - A South Essex (Thames Gateway) HMA
  - A West Essex (& Herts) HMA.
  - A Brentwood HMA.
- 2.19 To the south of the County is London. The GLA maintain that London's HMA includes all 33 boroughs, but does not extend beyond these.
- 2.20 In conclusion the main message, explicit or implied, from each of these studies is that Brentwood is on the edge of a number of housing markets, but does not neatly form part of any HMA, endorsing Brentwood as a single district HMA.

## Figure 2.2 Summary of Neighbouring HMAs

### *Summary of Neighbouring HMAs*

#### *Outer North East London Strategic Housing Market Assessment (2016)*

The SHMA does not address the housing market beyond London's boundaries noting that it has long been established that London forms a single housing market – the Greater London Housing Market Area (GLHMA). The SHMA does not consider defining the housing market geography below the London level but acknowledges that London consists of smaller overlapping housing market areas. In the case of North East London, the four authorities of LB Barking and Dagenham, LB Havering, LB Newham and LB Redbridge are considered to be part of the same housing market area.

#### *South Essex Strategic Housing Market Assessment (May 2016)*

The SHMA defined the Thames Gateway South Essex HMA as Basildon, Castle Point, Rochford, Southend-on-Sea and Thurrock. The SHMA acknowledges that Brentwood has some links to the South Essex HMA most notably with Basildon. It was noted that the Basildon HMA extends into parts Brentwood and Chelmsford. The South Essex HMA boundary was not extended into Chelmsford or Basildon, instead matters of cross-boundary need and joint working would be addressed through Basildon's Duty-to-Cooperate.

#### *Mid Essex Objectively Assessed Housing Needs Study (November 2016)*

The SHMA assessed a HMA comprising of Braintree, Colchester, Chelmsford and Tendring was the most robust for assessing housing need. This is an update of an early SHMA which has been extensively tested at appeal and the HMA found sound.

As with the other neighbouring SHMAs there are strong links with Brentwood and its neighbours. In this case stretching up the A12 and Great Eastern Rail line. But contextually Brentwood is a very different market to most of the HMA; for example house prices are significantly higher in Brentwood district than the nearest Mid Essex neighbour (Chelmsford) with an even larger differentiation between Brentwood and the other HMA councils.

#### *West Essex and East Hertfordshire Strategic Housing Market Assessment (September 2015)*

The SHMA was underpinned by the Broad Rental Market Areas (BRMAs) boundaries defined by the VOA. The West Essex and East Hertfordshire HMA is defined as Epping Forest, Harlow, Uttlesford and East Hertfordshire. According to the VOA, Brentwood is split across three BRMAs with the SHMA concluding that Brentwood was most closely related to Chelmsford.

## HMA Summary

- 2.21 Brentwood was defined in 2013 as a self-contained HMA.
- 2.22 PBA have used 2011 Census data to test this finding, and have also looked at neighbours plans and strategies. No neighbouring authority consider Brentwood to be part of their HMA, and the 2011 Census data re-confirms Brentwood as a self-contained HMA.
- 2.23 The data and the neighbouring SHMAs, do suggest strong housing market links (particularly commuting flows into the Borough) with Brentwood and the neighbouring authorities.
- 2.24 While Brentwood does not share an HMA-wide OAN with its neighbours, as a policy-on adjustment, and via the DtC the Borough may need to consider whether it is a sustainable location for unmet cross boundary need, should the matter arise and housing need cannot be met within other housing market areas.

## 3 OFFICIAL HOUSEHOLD PROJECTIONS

### Introduction

- 3.1 Once the HMA is defined, national policy and guidance require that housing needs assessments start from the CLG household projections, which in turn are based on the ONS sub-national population projections. The CLG projection groups the projected population into households, applying a factor known as household formation rates (or alternatively as household representative rates or headship rates). The housing need calculation turns the projected household numbers into numbers of dwellings, applying an adjustment for unoccupied dwellings (vacant and second homes).
- 3.2 In the previous 2015 report our demographic data and projections were taken from the Greater Essex Demographic Forecasts produced by Edge Analytics for the Essex Planning Officers' Association (EPOA). Specifically, we used the Phase 6 of that study - ('the Edge Report') which, despite its title provides projections rather than forecasts. These were supplemented by PBA projections because at the time the work did not make use of the most recent data.
- 3.3 The 2012 projections have since been superseded by 2014-based releases, ONS 2014 and CLG 2014. At the time of writing, the PPG has not yet been updated and still refers to the 2012 projections as the 'the most up-to-date estimate of future household growth'. Nevertheless, common sense suggests that housing needs assessments should now take account of the 2014 release.

### ONS 2014 based population projections

- 3.4 The latest ONS population projections – published in May 2016 – are based on UK migration trends over the five years previous to the base year (2014) and international migration over the previous six years.
- 3.5 For England, there is an annual long-term net migration gain of 163,200 – including a cross-border loss of 6,300 to the rest of the UK. This compares to an overall long-term net gain of 143,500 in the ONS 2012 SNPP including a cross-border loss of 6,500. In general, the increased net international migration is spread amongst English local authorities according to the average distribution of the gross in and out flows over the previous six years.
- 3.6 This in most cases leads to an increased net inflow. The tables below compares the ONS 2012 and ONS 2014 projections of migration for Brentwood.

**Table 3.1 Brentwood: Net Migration by Origin 2014-33. ONS 2012 SNPP and ONS 2014 SNPP**

		2012 SNPP	2014 SNPP
<b>2014-15</b>	<b>England</b>	500	400
	<b>Cross-border</b>	0	0
	<b>International</b>	-100	100
	<b>Total</b>	<b>469</b>	<b>503</b>
<b>2032-33</b>	<b>England</b>	700	700
	<b>Cross-border</b>	0	0
	<b>International</b>	-100	0
	<b>Total</b>	<b>630</b>	<b>638</b>
<b>2014-33</b>	<b>Total</b>	<b>10,545</b>	<b>10,798</b>

3.7 The ONS 2014 SNPP shows just 253 more net migrants into Brentwood over the 19 years 2014 to 2033 and the total population at 2033 is now projected to be 1,871 more than in the ONS 2012 SNPP.

3.8 This is partly because the 2014 mid-year estimate is 749 more than the 2012 projection for 2014, which is due to very high net migration into Brentwood from the rest of the UK in 2013-14. Table 3.2 shows the components between 2014 and 2033.

**Table 3.2 Brentwood: Population Change by Component 2014-33. ONS 2012 SNPP and ONS 2014 SNPP**

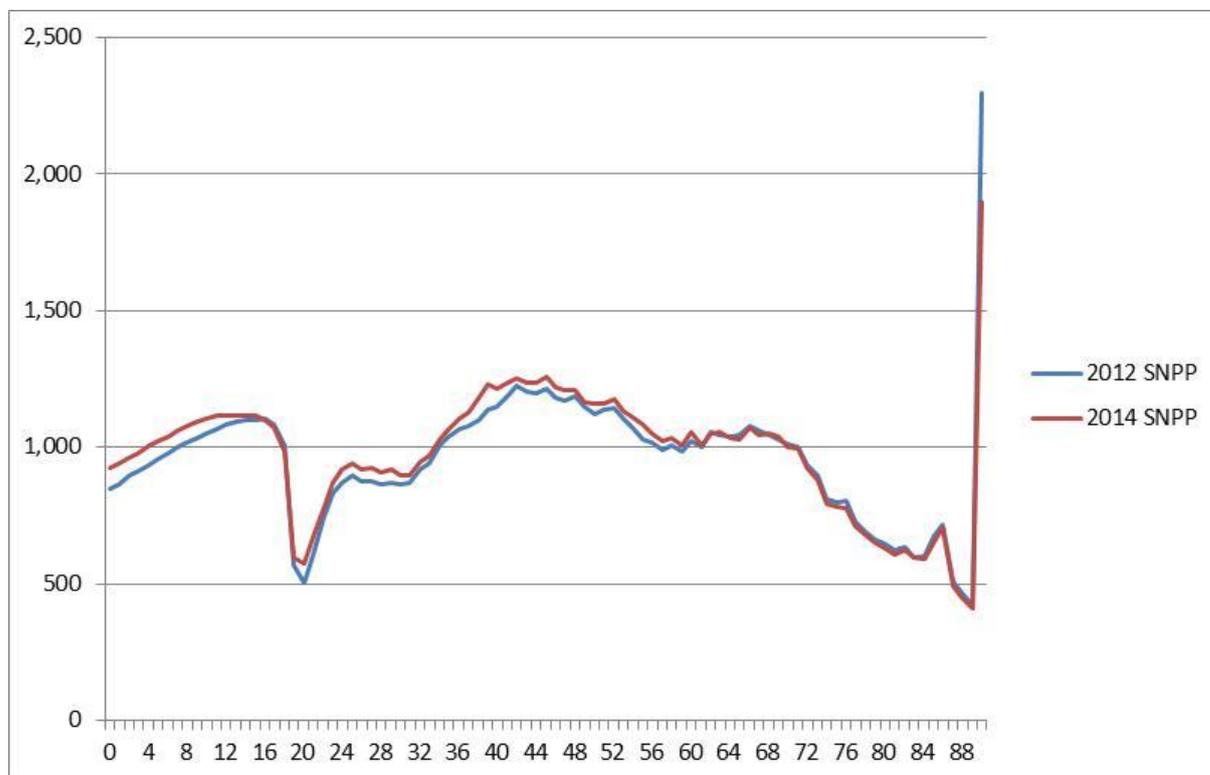
		2012 SNPP	2014 SNPP
<b>2014</b>	<b>Population</b>	<b>74,896</b>	<b>75,645</b>
<b>2014-33</b>	<b>Births</b>	15,819	17,218
	<b>Deaths</b>	14,140	14,670
	<b>Natural Change</b>	1,679	2,548
	<b>Net Migration</b>	10,545	10,798
	<b>Total Change</b>	12,224	13,346
<b>2033</b>	<b>Population</b>	<b>87,120</b>	<b>88,991</b>

3.9 Natural change 2014-33 is now projected to be about 900 higher. This is due to projected increased birth rate (1,400 extra births) compared to a lower increase in deaths (+500).

3.10 Figure 3.1 below shows the effect of the changed components on the age structure at 2033. The most significant changes are more persons at most ages through to the early 60s age group, and the reduction in the projection of older persons particularly 90+. This reduction has a knock-on effect to the household projections as the elderly

living in private households have the highest overall household representative rates. This group also has a high likelihood of requiring residential care.

**Figure 3.1 Brentwood: Age Structure 2033. ONS 2012 SNPP and ONS 2014 SNPP**



## CLG household projections

3.11 The latest CLG projections were published in July 2016. Table 3.3 below compares the CLG 2012 and 2014 projections concentrating on the plan period 2013-33.

**Table 3.3 : Brentwood: Household Projection by Age of Representative 2013-33.**

		15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85+	Total
<b>2013</b>	<b>CLG 2012</b>	44	568	1,465	2,052	2,469	2,939	3,420	3,243	2,644	2,438	2,687	1,954	1,946	1,705	1,620	<b>31,194</b>
	<b>CLG 2014</b>	46	558	1,457	2,024	2,494	2,941	3,393	3,279	2,682	2,434	2,702	1,941	1,954	1,711	1,593	<b>31,208</b>
<b>2033</b>	<b>CLG 2012</b>	54	584	1,569	2,214	3,086	3,417	3,326	3,137	2,866	3,054	3,164	2,981	2,365	2,152	3,384	<b>37,353</b>
	<b>CLG 2014</b>	53	625	1,653	2,253	3,257	3,540	3,448	3,265	2,996	3,083	3,157	2,964	2,330	2,132	3,093	<b>37,846</b>
<b>2013-33</b>	<b>CLG 2012</b>	10	16	104	162	617	478	-94	-106	222	616	477	1,027	419	447	1,764	<b>6,159</b>
	<b>CLG 2014</b>	7	67	196	229	763	599	55	-14	314	649	455	1,023	376	421	1,500	<b>6,638</b>
	<b>Difference</b>	-3	51	92	67	146	121	149	92	92	33	-22	-4	-43	-26	-264	<b>479</b>

Source: CLG 2012 and CLG 2014 Projections

3.12 The CLG 2014 projections imply growth in households 2014-33 that is nearly 500 more than the CLG 2012 projection. Increases occur mainly at ages 25-59 with a significant reduction at 85+. These changes are mainly due to the changes in the age structure of the ONS 2014 SNPP, although some would be due to the small

amendments to the underlying household representative rates resulting from the availability of additional Labour Force Survey data.

- 3.13 In summary, the CLG 2014 household projections indicate average growth in households 2013-33 of 332 per annum. This compares with 308 in the CLG 2012 projections. In terms of average annual requirement, the CLG 2014 projections imply a rate of 348 net new homes per year compared to 322 from the CLG 2012 projections. Both calculations assume that the 2011 Census net vacancy/second homes level of 4.49 per cent persists.
- 3.14 This number of new homes remains below our previous recommended OAN of 360 dpa.

## Testing the projections

- 3.15 In line with the PPG, housing assessment studies should test the official demographic projections to see if they seem a reasonable reflection of underlying trends. For this we use two different methods. Firstly, in the next section we look at the household formation rates used in the projections, Secondly, in the following section we create alternative scenarios based on different historical periods. Finally, we consider the recent (July 2014) GLA projections.

## Household formation rates

- 3.16 Household formation rates are the factor that turns population into household numbers.
- 3.17 Since for statistical purposes each household can only have one representative, the number of representatives equals the number of households
- 3.18 The PPG is explicit that, in general, the official household representative rates (HRRs from CLG) should be applied. But Councils may need to depart from these where there are specific local reasons for doing so.
- 3.19 The issue of HRRs is one deeply bound with the market signal adjustment which is required where there is evidence of housing market stress. Pragmatically both the market signal adjustment (where required) and an upward revision to HRRs achieve the same outcome (i.e. more new homes) and for similar reasons. Some practitioners have even used adjustments to HRRs to quantify the scale of a market signal uplift.
- 3.20 In the next section, we review if there are local reasons why the official HRRs should be set aside here, and later we look at the need for a market signal adjustment.

### *England*

- 3.21 The 2012 based headship rates were the first set of rates to be informed by the results of the 2011 Census. The Census found that formation rates across England were considerably lower than previously predicted by the full CLG 2008 official projection, (2011-based projections were published in between but were badged

- 'interim'). Accordingly, CLG showed lower rates for the future than CLG 2008, especially for younger age groups.
- 3.22 The CLG 2014 projections show almost identical formation rates, because they have been produced by the same method, projecting trends since 1971; the update from 2012 to a 2014 base year makes little difference to the result, because it adds just two points to this long series of historical data.
- 3.23 Since publication of the 2012 (and so the very similar 2014s adopted above) parties have challenged the use of the 2012-based headship rates as being too low. They have claimed that the 2012-based projection locked in a short-term downturn in formation rates that were a short-term effect of the recession, so that household formation in the long term will return towards the higher rates projected in 2008, either fully or partially.
- 3.24 Independent academic experts<sup>2</sup> have used the latest ONS data to research why the 2012 are lower, and whether they carry forward the short-term impact of the recession. The research suggests that this is not the case, and the 2012 rates remain fit for purpose. It identifies three main reasons why the 2008 rates are no longer relevant, if indeed they ever were.
- 3.25 Firstly, the 2008 rates even at the time they were produced were not a correct projection of past trends. Simpson and McDonald note:
- 'It is no longer sensible to appeal to previous household projections including the 2008- based set as if they were evidence of an underlying trend in household formation. They were produced at a time when household formation had already changed, starting before the economic downturn of the mid-to-late 2000s, and are in themselves only evidence of the optimism of that period.'*
- 3.26 Secondly, more people in the young adult age groups live in couples than in the past. This fact reduces younger age HRRs across the board, because each household has only one representative (head). McDonald and Whitehead (October 2015) estimate nationally that this lifestyle change accounts for 20% of the difference between the 2012 and 2008 projections. It is unlikely to reverse in future, has nothing to do with housing market pressures and is in no way undesirable.
- 3.27 Thirdly, there is a collection of socio-economic factors that are reducing the ability of younger households to form separate households. These factors affect housing demand rather than supply, and hence cannot be altered by planning policy. They include more precarious employment, reducing welfare benefits and rising student debt. Due to the rapid expansion of higher education, coupled with sweeping changes to higher education funding, many more young people are loaded with student debt, so they are unable or unwilling to take on mortgages until later in life. McDonald and Whitehead add that the impacts of these factors are not fully reflected in the 2011

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<sup>2</sup> L Simpson, *Whither household projections?* in *Town and Country Planning*, December 2014, Vol 83; L Simpson and N McDonald, in *Town and Country Planning*, April 2015; N McDonald and C Whitehead, *New estimates of housing requirements in England, 2012 to 2037*, Town & Country Planning Tomorrow Series Paper 17, October 2015

Census or the 2012-based household projections, and they are likely to reduce household formation rates further.

3.28 In conclusion, McDonald and Whitehead find that the CLG 2012 household formation rates remain fit for purpose:

*‘We would suggest that the 2012-based household formation rate projections form a reasonable basis for purposes such as planning for housing. This is because, although economic growth might be expected to increase the household formation rate, there are both longer-term structural changes and other factors still in the pipeline (such as welfare reforms) that could offset any such increase.’*

3.29 To sum up, authoritative studies find there is no justification for a national adjustment to the CLG 2012 formation rates, to compensate for the impact of the recession. Logically the same applies to the CLG 2014 rates, because as mentioned earlier they are very similar and were derived by the same method.

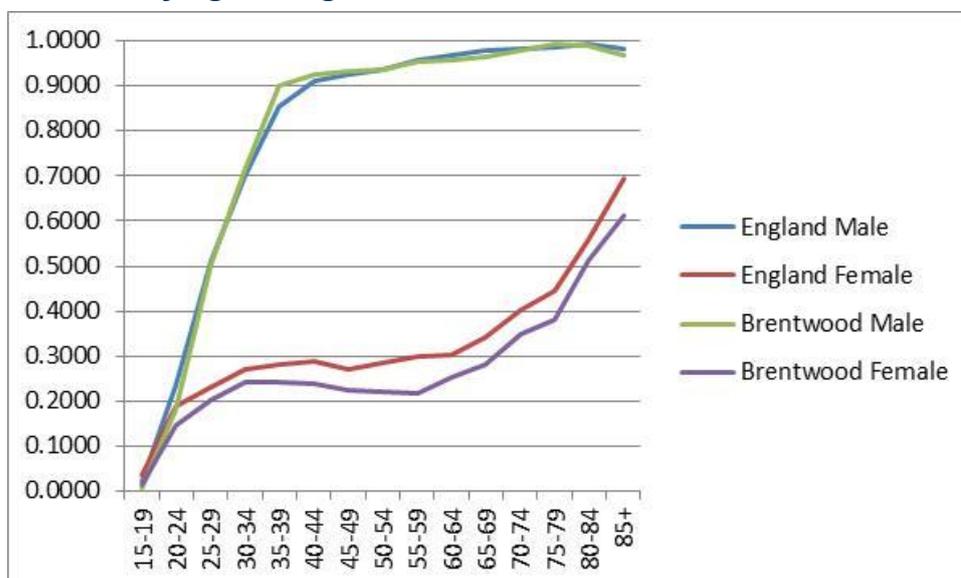
3.30 But we also need to consider whether there is a case for local adjustments, to correct for local factors. This is discussed in the next section.

### Local household formation rates

3.31 In this section, we compare projected formation rates in Brentwood with national averages. If rates in the HMA were lower than these averages, this could constitute evidence that the projections carry forward the impact of a local supply shortage – although such evidence is difficult to read, because local differences in formation rates depend on many factors unrelated to the housing market or specifically to housing supply.

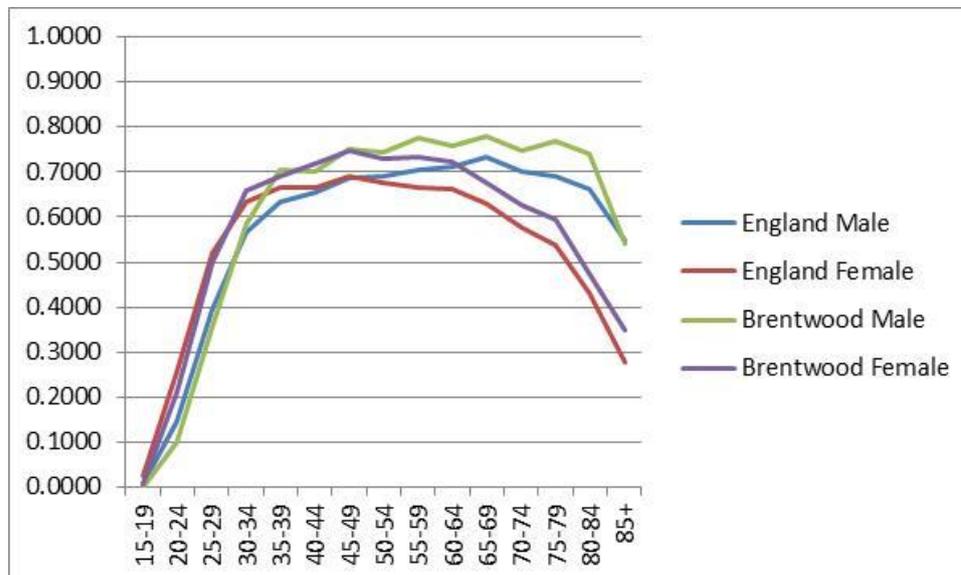
3.32 To see if there is evidence of local supply shortages we examine the 2033 formation rates shown in the CLG 2014 projection, comparing Brentwood with national benchmarks.

**Figure 3.2: Brentwood and England: 2033 Household Representative Rates by age and gender at 2033**



Source: CLG 2014 Projection

**Figure 3.3: Brentwood and England: 2033 Proportions in couples by age and gender at 2033, CLG 2014 Projection**



- 3.33 Figure 3.2 shows that the rates for males were extremely close, but rates for females in Brentwood were below England. The likely explanation for this is not the state of the housing market, but the lifestyle of the borough’s population. In Brentwood. As we can see from Figure 3.3. below, at all ages over 25 Brentwood has proportionally more people living in a couple than England does.
- 3.34 To assess the implication of this for household formation rates, we need to understand how the official statistics define household representatives (heads of household). The definition is that the head of household is the oldest adult male in the household. Consequently, this higher rate of ‘coupling’ makes no difference to male formation rates, because a man who is the only or oldest male in his household is always classed as the head of his household. But a higher rate of coupling leads to lower formation rates for women, because a woman who lives with a man is never classed as the head of household.
- 3.35 Thus, other things being equal places where a high proportion of the population live in couples should have the same male household formation rate as other places, but lower formation rates for women. This is the position in Brentwood. It suggests that lifestyle factors, rather than an undersupply of housing, explain the relatively low housing formation rate for women in Brentwood. If the explanation was an undersupply of housing, one would expect formation rates for both men and women to be below average.
- 3.36 In summary, the analysis of household formation rates does not provide any evidence that household formation rates in Brentwood are being constrained by an undersupply of housing. This does not mean that housing has not been undersupplied. It may just mean that household formation rates are not a good indicator of local housing market balance. In Chapter 5 below we will consider the market signals recommended in the PPG – which are more reliable indicators, and do suggest that housing in the borough has been undersupplied.

## Updated Trends Projections

- 3.37 One significant shortcoming of the official projections is their reliance on very short (5 year) trend period for domestic migration. This means that the projection can be unduly influenced by short term trends, and not reflect true needs over a much longer plan period.
- 3.38 The official projections also don't take into account the more recent Mid-Year Population (MYE) estimates. These will, in time, be rolled into the new round of official projections. We pre-empt this by including this new data point in the updated projections in this report. Regarding the use of the MYE data the PPG (2a17) states:
- “Account should also be taken of the most recent demographic evidence including the latest Office of National Statistics population estimates.”*
- 3.39 We have prepared several alternative projections, an updated 10-year projection (05-15) and two updated 5 year projections.
- 3.40 The 10-year projection uses migration data spanning either side of the recession, and overcomes one of the main criticisms levelled at the official projections – the use of a very short (and so unstable) 5-year projection trend period<sup>3</sup>.
- 3.41 The first of the 5 year trend projections is a 10-15 projection, which uses the 2015 MYE to roll forward the last round of 'official' projections (09-14 based).
- 3.42 The second 5 year trend projection is a 11-16 projection which uses both the 2015 and 2016 MYE.
- 3.43 The 11-16 projection is especially important because it replicates the period that will be used for the next round of official projections – this is the round we expect to be current at the time when the development plan is examined. So, while we do not yet know the detailed 2016 based headship rates (although expect them to be similar to the 2014s), we therefore give this projection considerable weight.
- 3.44 When preparing these projections, we use the revised fertility and mortality rates used in the ONS 2014 SNPP and the 2014 headship rates. Both projections are based on the ONS mid-2015 estimates and the periods over which migration trends have been calculated are 2005-15 and 2010-15.
- 3.45 Table 3.5 summarises the results of the new projections and compares them to the earlier ONS/CLG projections. We don't show the superseded 2012 based projections in the table, but for reference these showed 322 dpa (13-33).

**Table 3.5 Updated Trends Projections**

	ONS/CLG 2014	2005-15 Trends	2010-15 Trends	2011-16 Trends
<b>Population</b>				
<b>2001</b>	68.5	68.5	68.5	68.5

<sup>3</sup> Note – reference to 5 years is a widely recognised simplification and refers to the ONS trend period used for domestic migration. For international migration the ONS uses a 6 year period and 'natural change' a long term projection method.

2011	73.8	73.8	73.8	73.8
<b>2013</b>	<b>74.5</b>	<b>74.5</b>	<b>74.5</b>	<b>74.5</b>
2016	76.7	76.7	76.7	76.4
2021	80.2	80.0	80.2	79.5
2026	83.8	83.8	84.2	83.0
2031	87.5	87.7	88.3	86.6
<b>2033</b>	<b>89.0</b>	<b>89.2</b>	<b>89.9</b>	<b>88.1</b>
<b>2037</b>	<b>91.8</b>	<b>92.2</b>	<b>93.0</b>	<b>90.9</b>

2001-11	5.4	5.4	5.4	5.4
<b>2013-33</b>	<b>14.5</b>	<b>14.7</b>	<b>15.4</b>	<b>13.6</b>
p.a.	<b>727</b>	<b>736</b>	<b>770</b>	<b>680</b>
<b>2013-37</b>	<b>17.4</b>	<b>17.8</b>	<b>18.5</b>	<b>16.4</b>
p.a.	<b>723</b>	<b>740</b>	<b>772</b>	<b>685</b>

#### Households

2001	28.8	28.8	28.8	28.8
2011	30.8	30.8	30.8	30.8
<b>2013</b>	<b>31.2</b>	<b>31.2</b>	<b>31.2</b>	<b>31.2</b>
2016	32.2	32.1	32.1	32.0
2021	33.9	33.4	33.6	33.2
2026	35.5	34.9	35.2	34.5
2031	37.2	36.4	36.9	35.9
<b>2033</b>	<b>37.8</b>	<b>37.1</b>	<b>37.6</b>	<b>36.4</b>
<b>2037</b>	<b>39.2</b>	<b>38.4</b>	<b>39.0</b>	<b>37.6</b>

2001-11	2.0	2.0	2.0	2.0
<b>2013-33</b>	<b>6.6</b>	<b>5.9</b>	<b>6.4</b>	<b>5.2</b>
p.a.	<b>332</b>	<b>293</b>	<b>319</b>	<b>262</b>
<b>2013-37</b>	<b>8.0</b>	<b>7.2</b>	<b>7.8</b>	<b>6.4</b>
p.a.	<b>335</b>	<b>299</b>	<b>325</b>	<b>267</b>

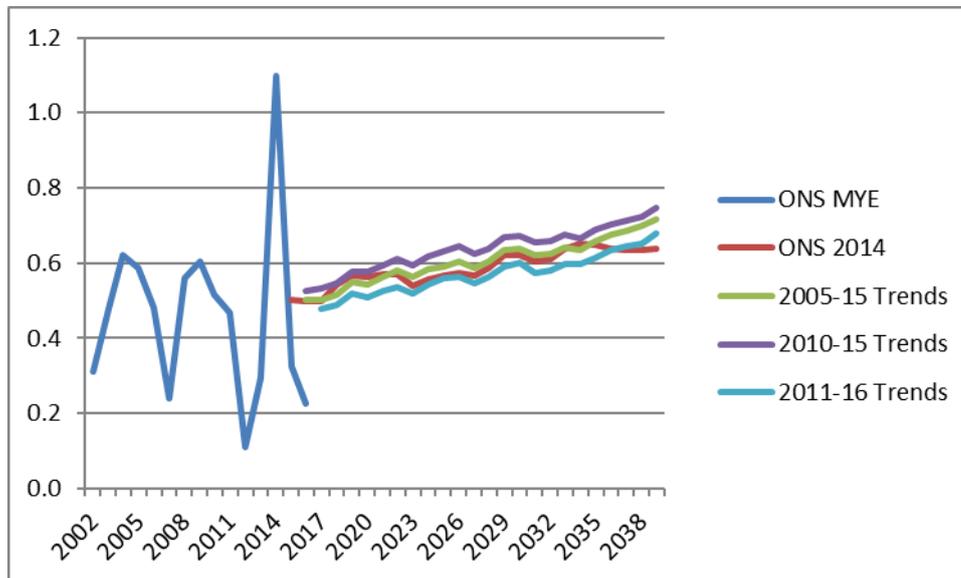
#### Homes pa

<b>2013-33</b>	<b>348</b>	<b>307</b>	<b>334</b>	<b>274</b>
<b>2013-37</b>	<b>351</b>	<b>313</b>	<b>340</b>	<b>280</b>

Source: PBA

- 3.46 In terms of total population two of the three trend projections are higher than the 2014 based official projections, but the latest (2011-16) projection is lower.
- 3.47 The chart below (Figure 3.4) shows the net migration recorded in the past and projected forwards. One aspect to note is how unstable migration has been in the past and how the 2014 data point is abnormally high.
- 3.48 This helps explain why the 2014 based projections were higher than the previous (2012) based projection – they included this very high data point. The two new data points (post 2014) are much lower and in rough conformity (at the low end) with longer term trends. Therefore, the 2011-16 projection is lower than the 2014 projections. The high data point (2014) is ‘diluted’ by the low years proceeding and post-dating 2014.

**Figure 3.4: Brentwood: Net Migration, estimates and projections compared 2001-39 (thousands)**



Source: ONS, PBA

- 3.49 The second key influence on the number of homes needed is the profile of the population. Variations in the profile of two identically sized populations, even very slight differences in the age profile can result in differences in average household sizes and this cascades down to differences in the number of homes required.
- 3.50 The different age profiles of each of the projections being tested are shown in the chart below. Part of the reason that some of the trend projections show a higher population but lower number of households compared to the 2014s, is that the newer projections assume more children (who don't need / form households just yet).

**Figure 3.5: Brentwood age profile**



Source: ONS, PBA

## GLA projections

3.51 As noted in the introduction the GLA have very recently published a set of household projections. They have done so because they had long standing concerns about using the short ONS trend period to inform the official projections that the GLA consider too volatile for long term plan-making. The London Plan instead used a longer-term projection.

3.52 The GLA have made three new projections available – all using 2016 as their base to align with the next round of ‘official’ projections.

- A short term (5 year) trend projection
- A medium term (10 year) trend projection
- A long term (15 year) trend projection

3.53 To convert population to households the GLA use 2014 HRRs.

**Table 3.4 GLA household estimates**

Projection	HH pa 13-33	HH pa 13 - 37
5 Year	264	267
10 Year	268	274

15 Year

254

257

Source: GLA

- 3.54 For Brentwood, the household projections are very similar to those discussed above. The GLA 5-year projection is identical to the PBA 2011-16 projection (+/- 2 hh pa) – as would be expected given they have the same trend base.
- 3.55 We do not have direct equivalents for the GLA 10 and 15-year projections. The new GLA 10-year projection is slightly lower than the 10-year PBA projection, but PBA used 2005-15 whereas the GLA use 2006-16 so only 8 of the 10 data points are shared between the two projections. The GLA 15-year projection is lower still.
- 3.56 All the GLA projections are much lower than the last round of official 2014 based projections.

## Summary

- 3.57 In our previous work, we recommended that the OAN for Brentwood be set around 360 dpa. Updated demography, including the new official projections and sensitivity tests (table 3.5) show that demographic need ranges between 274 dpa (11-16 Trends) and 348 dpa (CLG 2014).
- 3.58 However, the testing does show that the 2014 based projections appear to be abnormally high, higher even than longer term trends. They are higher than the previous set of official projections (2012 based), and higher than both our and the GLA's estimate of the next (2016) based round.

## A Demographic Starting Point

- 3.59 The PPG is clear that the official household projections should normally be used as the Demographic Starting Point for housing need. Departing from this official dataset is not something that should be done lightly. However, in this case there is a basket of evidence all suggesting that the 2014 based projections are unusually high.
- 3.60 All the alternative sensitivity tests, and those independently provided by the GLA, suggest a lower demographic need.
- 3.61 Both the GLA and PBA have sought to replicate the next round of official projections (2016 based), and they have both concluded that these will show around 267 household per annum or 280 dpa for Brentwood. There is a very small variation depending on whether 2023 or 2037 is used as the end point for the projections. Here we use 2037 to align with the full extent of the household projections.
- 3.62 Given these 2016 based projections are most likely to be the 'official' projections at the time the plan is examined we give this 280 dpa considerable weight as the Brentwood Demographic Starting Point.
- 3.63 280 dpa also sits within the range of GLA longer trend projections (10 and 15 years +/- 10 hh pa). We know that the GLA's stated preference is to use a longer-term projection (the 10 year is the 'central' projection). So, the use of 280 dpa appears not

only a more stable demographic base (than the 2014s), but also better aligned to the GLA projections.

- 3.64 For the rest of this report, and our advice to the Council, we take 280 dpa as the demographic starting point.
- 3.65 Compared to our previously recommended OAN (360 dpa) this means we have a considerable amount of 'headroom' between demographic need and the OAN to cover a range of possible uplifts.

## 4 FUTURE EMPLOYMENT

### Introduction

- 4.1 This chapter examines whether housing provision is in line with an OAN of around 360 dpa, that we previously advised would be sufficient to meet 'policy off' economic needs.
- 4.2 The underlying principle is that planning for housing, economic land uses and community facilities / services should be integrated<sup>4</sup>, so that the demand for labour is fulfilled and there is no need for unsustainable commuting to find work.
- 4.3 We start from the EEFM, but cross check this analysis using Experian data. The EEFM was updated in early 2016, using a 2015 (pre-Brexit) base replacing the 2014 based EEFM.
- 4.4 Experian was used in 2015 by NLP to test the number of new homes needed to align jobs and houses in the Borough. Their testing indicated no need for an economic uplift to the OAN. But, since then Experian have revised their model to reflect the changed economic outlook; most obviously, the national decision to leave the EU, which will take place early in the plan period.
- 4.5 It is important to note, that following advice from both forecasting houses (EEFM maintained by Cambridge Econometrics and Experian), this analysis uses the Economic Activity Rates provided by the forecasters themselves. Both forecasting houses explicitly advise against applying any other Economic Activity Rates to their modelled job number<sup>5</sup>. Alternative rates should not be applied alongside the forecast job numbers – doing so invalidates the model output at both the local and national level. A worked example of this is shown in the recent EEFM guidance note, which was agreed with Cambridge Econometrics and published alongside the EEFM.

### The EEFM

- 4.6 The model has its roots in Regional Planning, but is now managed by Cambridge Economics and Cambridge County Council on behalf of the East of England Councils; as an example of joint strategic working on an issue that crosses administrative boundaries.
- 4.7 Cambridge Economics have recently taken on the role of independent forecasting house, replacing Oxford Economics, but the mechanics of the model remain as designed by Oxford Economics.
- 4.8 The model is designed to:
  - “facilitate the setting of consistent housing and jobs targets, the EEFM provides a set of baseline forecasts prepared by a leading independent forecasting house for the

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<sup>4</sup> NPPF paragraph 70

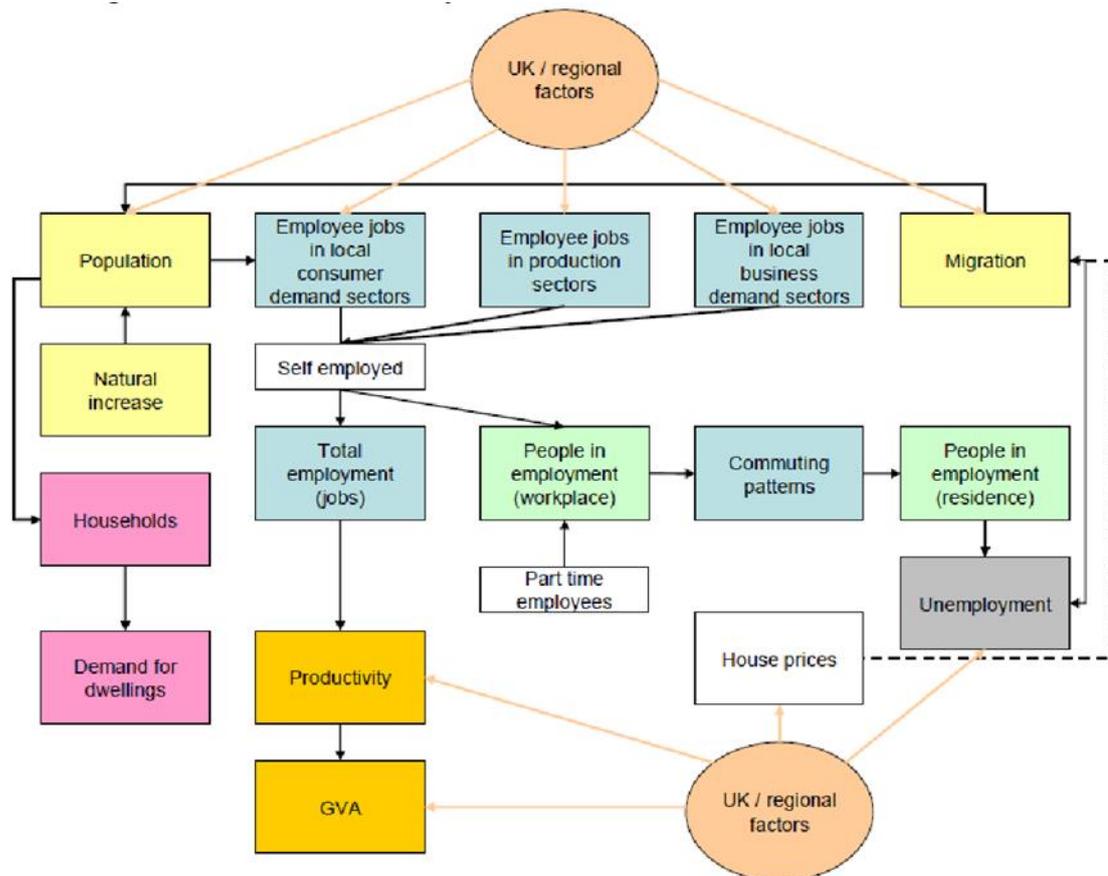
<sup>5</sup> See [http://atlas.cambridgeshire.gov.uk/EEFM/EEFM\\_OAN-Note\\_13-04-2017.pdf](http://atlas.cambridgeshire.gov.uk/EEFM/EEFM_OAN-Note_13-04-2017.pdf) and Appendix D to Experian's LPEG representations.

East of England region and sub-regions (counties, unitaries and district authorities), the East Midlands and South East regions, and the Greater Cambridge Greater Peterborough, Hertfordshire, New Anglia, Northamptonshire, South East and South East Midlands LEP areas”

## How the model works

- 4.9 The model provides a consistent set of labour demand and labour supply numbers – all the variables are ‘fully integrated’ and fully interdependent.
- 4.10 In the EEFM, population change, and the resulting household change and housing demand, are partly driven by the demand for labour. For each local authority district:
- Labour demand, measured by the number of workplace jobs, depends partly on the size of the local population – because people’s consumption of local services creates jobs in retail, leisure and so forth – and partly on wider national / global demand. Numbers of jobs are translated into resident workers through double-jobbing and commuting, and resident workers into resident population through activity rates.
  - On the labour supply side, the future resident population is initially determined by natural change and trend-driven migration (‘non-economic migrants’) (the EEFM makes its own projections rather than using the official ONS ones).
  - The model compares the resulting numbers of resident workers with the labour demand estimated earlier, to produce estimates of unemployment in each area. Places with low unemployment attract above-trend net migration (‘economic migrants’) as people move to places where there are more job opportunities. Hence the resident population in these places rises above the initial trend-driven number, while conversely in places where unemployment is high population falls below the trend-driven number.
  - Finally, the resulting population is translated into household demand, again using Oxford Economics’ the forecasters own method, using projections of persons per dwelling, rather than the CLG household forecast.
- 4.11 In short, EEFM uses ‘economic migration’ to balance the local relationship between jobs and labour. Its housing forecasts are job-led: providing estimates of the number of dwellings that would be required to meet housing demand, including the demand resulting from changing employment opportunities.

**Figure 4.1 Main relationships between variables in the EEFM Model**



Source: Oxford Economics, East of England Forecasting Model, Technical report: model description and data sources, 2013 (we understand this is unchanged in the 2016 version – despite the forecasting house changing)

## Headlines

- 4.12 The new EEFM shows the number of jobs in Brentwood increasing from 40,600 in 2013 to 45,800 by 2033.
- 4.13 This is significantly lower than the previous (2014 based) EEFM run. The data is not directly comparable because the old EEFM ended in 2031 and the 2031 data point has been revised. But, between 2012 and 2031 the old EEFM forecast 50,300 jobs in Brentwood (20% higher than the new EEFM projections).
- 4.14 In the model unemployment continues to be low, below the regional average. Outward commuting increases over the period. At 2015 commuting is estimated in the EEFM to be around net zero, but increases slightly over the plan period.
- 4.15 Although unemployment is low, as noted above the EEFM allows for economic-led migration. Should labour availability be a constraint on the number of jobs in the area, the EEFM is designed to allow for economic-led migration to remedy this constraint.
- 4.16 The fact that outward commuting increases suggests that neighbouring economies (the EEFM does not say where) are stronger than the Brentwood economy, but the change is marginal and the effect very small.

- 4.17 In the EEFM projection population grows to 83,400 persons by 2033, significantly less than the 2014 SNPP projection (89,000 persons). But similar to the 2014 based EEFM (82,800 at 2031).
- 4.18 Our analysis indicates that the EEFM shows no need for any economic uplift in Brentwood, despite unemployment remaining very low. The increase in outward commuting (albeit marginal in scale) suggests any increase in local labour supply (over and above that needed by the EEFM) would result in increased outward commuting (or increased local unemployment).

## Experian

- 4.19 The EEFM is an Oxford Economics (2014 EEFM) / Cambridge Economics (2015 EEFM) model. Experian is the third of the three national forecasting houses.
- 4.20 Our last report was informed by work undertaken by NLP who were working for the Council to determine the job number in the plan. NLP worked with Experian to test the demand for labour in the area. This included testing a number demographic scenarios.
- 4.21 As part of this work with NLP Experian confirmed that there was no labour market constraint in the area that would warrant an uplift to the OAN. But providing more new homes, will generate a larger supply of labour allowing the number of jobs in the local economy to be increased. So, as a policy-on choice, the Council could choose to promote a higher (than baseline) job target, and an associated higher housing target.
- 4.22 This work used a now superseded model run; using SNPP 2012 as the default population input to the Experian model. Below we briefly look at the new September 2016 Experian model run which uses SNPP 2014.
- 4.23 The new Experian model run shows the number of jobs increasing from 40,500 in 2013 up to 49,600 in 2033 (455 jobs per annum). In the model, local unemployment is lower than the region or national rates. Commuting remains broadly stable between 2013 and 2033 with a 6,000 working resident (net outflow), unsurprising given proximity to Central London.
- 4.24 The question asked of Experian was - does the SNPP 2014 population provide enough supply of labour to meet economic needs?
- 4.25 Because Experian use a fixed population assumption (which does not allow for economic-led migration) there are occasions where the Experian model fails to balance the supply of labour in an area. The true '*demand for jobs*' exceeds the supply of labour, and the model leaves a residual (or '*excess jobs*' as referred to by Experian). Where excess jobs are observed, there is merit in increasing the size of the resident workforce thereby removing the labour constraint.
- 4.26 This '*demand for jobs*' and associated '*excess jobs*' is not a product of the normal 'off the shelf' Experian forecasts, and requires a bespoke answer.

- 4.27 Based on Experian's latest September 2016 model run the full '*demand for jobs*' can be met should the SNPP 2014 be delivered in full (i.e. CLG 2014 households). There are no '*excess*' or unfilled jobs in the model. In summary, Experian's bespoke assessment shows the number of jobs aligns with the supply of labour. As noted above this conclusion is reached using their economic activity rates because their stated opinion is that the use of others invalidates their model.
- 4.28 Experian's view is that there is no need for an economic uplift to the OAN. But, as with earlier work the Council could, as a policy choice seek to promote more new jobs and associated new homes than the model suggests.

## Summary

- 4.29 In this chapter, we have considered data from all three of the main economic forecasting houses. In line with advice from the forecasters we have examined the labour market balance using the modellers own assumptions.
- 4.30 Each forecasting house reaches a view as to the number of jobs (and sectors) in the Brentwood economy. The forecasts also have different time horizons and differing bases depending on population age. Two of the houses inform the EEFM and neither suggest more new homes are needed to meet the economic needs of Brentwood.
- 4.31 Experian have confirmed that the labour market will balance should the SNPP 2014 be delivered in full. A similar conclusion was reached using an older model run which was also tested by NLP in 2015.
- 4.32 So, we conclude that should the SNPP 2014 population (CLG 2014 households) be delivered at the very least, the evidence from all three of the forecasting houses suggests that the labour market will balance. Commuting, economic activity rates and unemployment will all adjust over the forecast period, but this is a simple reflection of the '*policy off*' market demand for labour in the local area.
- 4.33 It is important to note that this analysis does not inform the Council's (policy-on) jobs target. The Economic Futures work by Lichfields may adopt different assumptions about the labour market balance and the number of jobs to be provided. Here we conclude that providing at least the number of homes in the CLG 2014 household projections (348 dpa) does not constrain the local economy.

## 5 MARKET SIGNALS

### Introduction

- 5.1 In this section, we update the market signals analysis for Brentwood. The method remains largely the same as previous reports for the Borough with one exception. In the past, it was common to benchmark with County, Regional and National data. But the comparator regional data is no longer available.
- 5.2 So, for this update we have looked to compare Brentwood with its ONS family group of similar Councils. The ONS provides a list of grouped authorities “per key characteristics common to the population in that grouping”. In addition to the Essex Councils this basket includes Tandridge, Sevenoaks and Mid Sussex. Using this grouping reflects the instruction in the PPG to compare with Councils similar in economic or demographic profile.

### Past provision and market signals

- 5.3 The table below shows the profile of past delivery of new homes in Brentwood compared to past plan targets. Delivery to plan targets is not a direct market signal cited in the PPG, but understanding the profile of delivery is important context. This is because, should the demographic trend period be ‘contaminated’ by one-off events then the PPG suggests a departure from the projection may be warranted.
- 5.4 In Brentwood, the recent completions generally follow expectations. A peak running up to 2008 followed by a decline, and then recovery. But, there is a counter-cyclical peak in completions in 2010/11 that is related to the completion of schemes committed before the recession took hold, most noticeably the 300 units on the former Warley Hospital Site. If we ignore the 2010/11 spike due to the Warley Hospital redevelopment, the profile is much more normal.
- 5.5 Any migration associated with these new homes will be inside the most recent official population projections, and the updated 5-year trends projection we have prepared.

**Figure 5.1 Past Housing Delivery**



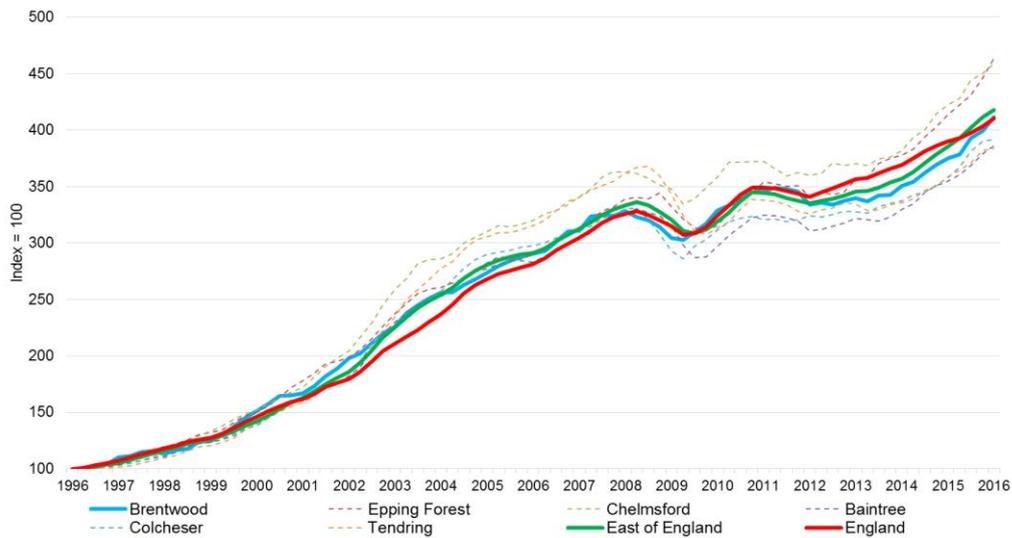
Source: BBC

## House prices

- 5.6 ONS house price data is the most robust available. The latest data covers the period until the first quarter of 2016<sup>6</sup>.
- 5.7 The premise behind this indicator is that if the housing market has been unduly constrained, this may be reflected in house prices rising relative to national and regional and neighbouring benchmarks.
- 5.8 Brentwood is one of the most expensive districts in Essex, and also one of the most expensive of the ONS comparator districts. In Essex only Epping Forest has higher house prices (mean £473,000 in Epping Forest & £418,000 in Brentwood). But this is a very long-term trend. For this analysis absolute prices tell us little. Prices vary between local authority areas due to relative attraction and prosperity, and the type of housing varies between areas. Therefore, as noted in the PPG, a more useful indicator of the demand-supply balance is the rate of change in house prices.

<sup>6</sup> Dataset 12, House Price Statistics for Small Areas (HPSSAs), ONS.

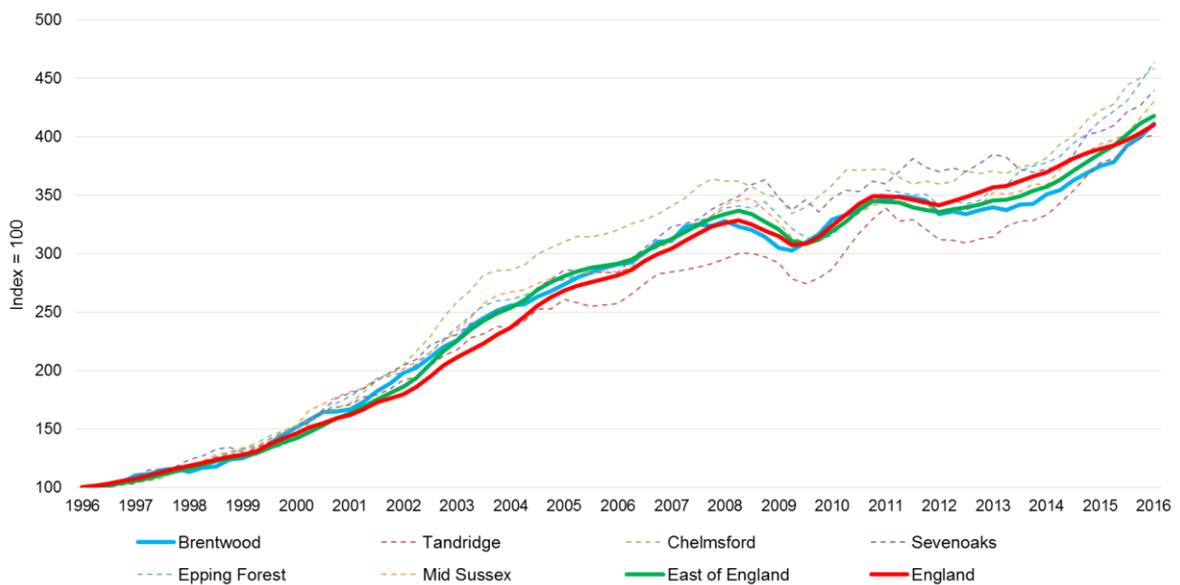
**Figure 5.2 House price change (indexed), Essex, region and national**



Source: ONS

5.9 The data shows that over the period Brentwood broadly tracked the national position, and increases in Brentwood in recent years were lower than England and the East of England. A similar pattern is seen when Brentwood is compared to the ONS family group. There is no suggestion in the data that Brentwood’s housing market has been unduly constrained.

**Figure 5.3 House price change (indexed) comparator authorities, plus region and national**

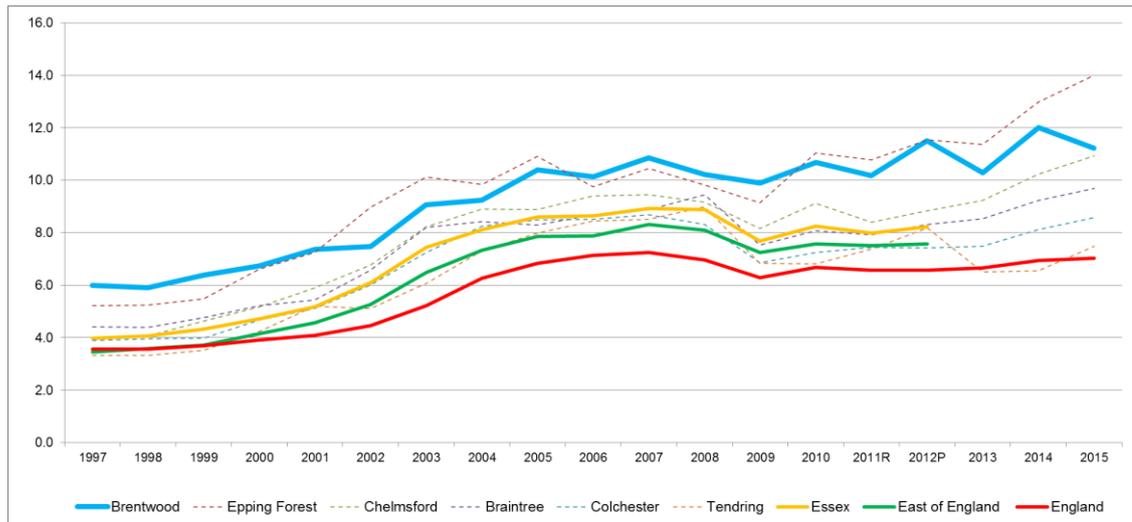


## Affordability

5.10 CLG define affordability as the ratio of lower-quartile house prices and lower-quartile earnings of resident workers. A high ratio indicates low affordability, where the cheapest dwellings are less affordable to people on the lowest incomes.

5.11 The figure below shows affordability for Brentwood compared to the other Essex authorities, the East of England and England. For the County as a whole affordability is consistently worse than the national and regional benchmarks. Brentwood is less affordable than most other County neighbours, but again this is a long-term pattern. The picture is reversed when Brentwood is compared to its ONS group; and indeed is the most affordable area (jointly with Chelmsford) in the most recent year.

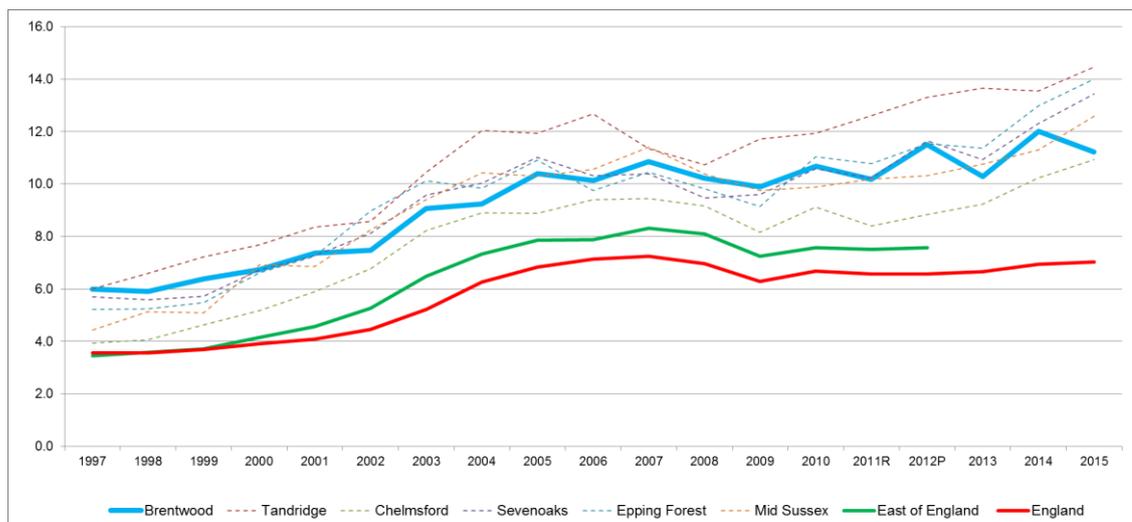
**Figure 5.4 Ratio of lower quartile house prices to lower quartile workplace earnings, Essex authorities, region and national**



Source: CLG Table 576 Ratio of lower quartile house price to lower quartile earnings<sup>7</sup>

Nb CLG after discontinuing this data series, recently restarted it. This means that for 2013 we have two data sets which differ slightly. The last of the old set (marked 'P' for provisional) and a new 2013 number as the first of the new set. The status of the 'P' set is unclear (it may simply now be revised but previously when this happened the data was marked 'R'). So for the avoidance of doubt we show both 2013 numbers here.

**Figure 5.5 Ratio of lower quartile house prices to lower quartile workplace earnings – ONS family group**

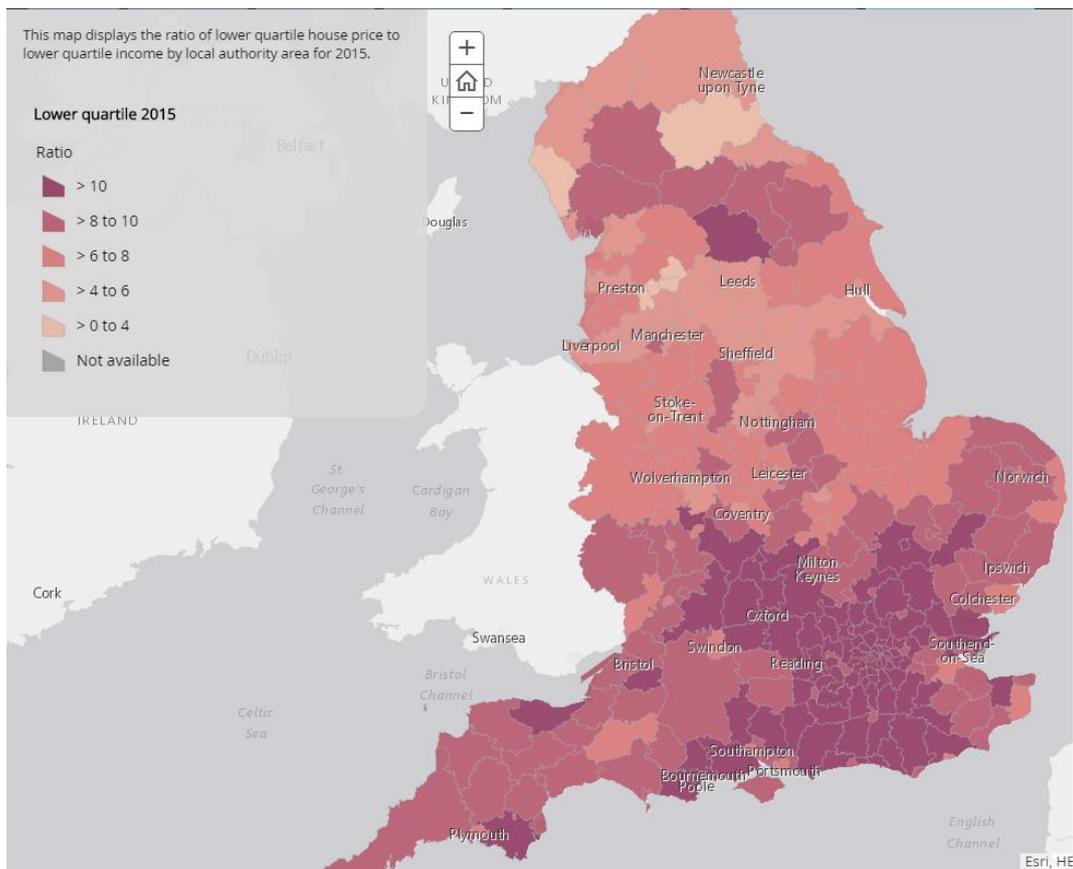


<sup>7</sup> Data for 2012 and 2013 of Table 576 (Discontinued) are provisional. CLG no longer publishes affordability data at the county and regional level.

Source: ONS

- 5.12 The housing affordability map below, produced by CLG, shows Brentwood in a national context. It shows that in 2015 parts of Essex were some of the more affordable locations in the wider south east, and offer some of the most affordable properties in close proximity to London. Brentwood conforms to a pattern seen through most of the wider South East and London. There is nothing particularly unusual about the affordability ratio in Brentwood; it follows a well-established national trend.

**Figure 5.6 Lower quartile housing affordability in England, 2015**



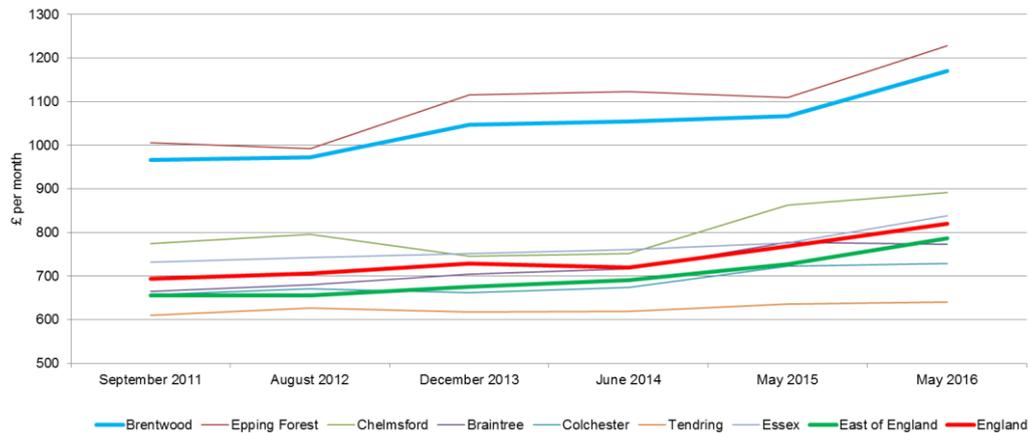
Source: CLG<sup>8</sup>

## Market rents

- 5.13 The VOA market rents dataset is reasonably recent, and data is only available from September 2011.
- 5.14 As shown in the chart below rents in Braintree and Colchester are close to the regional average, whilst those for Chelmsford are consistently higher, generally exceeding the average for the county. Tendring records the lowest rents, consistently lower than any benchmark. Brentwood is the second most expensive district behind Epping Forest.

<sup>8</sup> <https://communities.maps.arcgis.com/apps/MapSeries/index.html?appid=38fdf6199ba9413ab4c1e3c24a2c5f56>

**Figure 5.7 Average monthly market rents, 2011-2016**

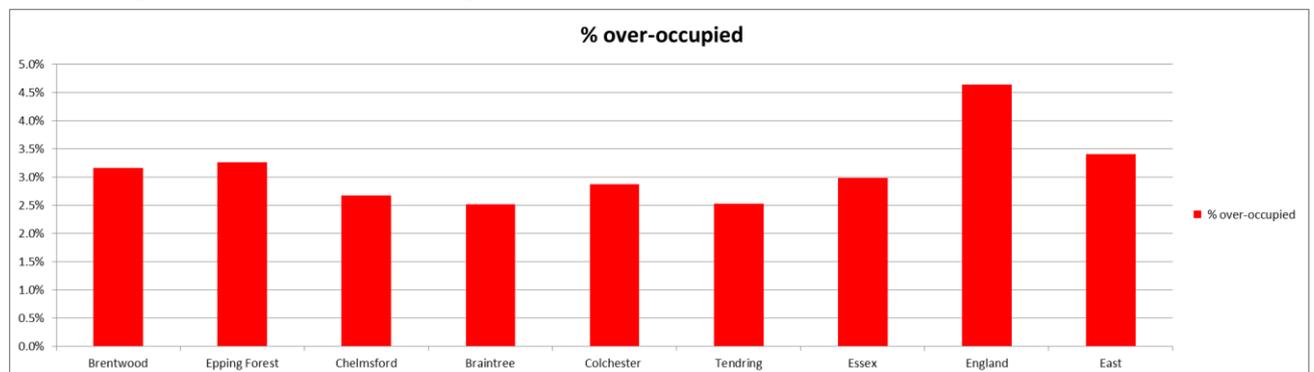


Source: VOA Private Rental Market Statistics

## Overcrowding and concealed households

- 5.15 The PPG suggests that an above-average incidence of overcrowding may indicate under supply. Figure 5.8 below uses 2011 Census data to show occupancy rates (based on the ONS definition - numbers of bedrooms occupied.).
- 5.16 Overcrowding in all the Essex authorities is comparatively low at between 2.5-3%, and below the average for county, region and England, suggesting that in these districts there has been no shortage of supply against demand.

**Figure 5.8 Overcrowding and under-occupation**

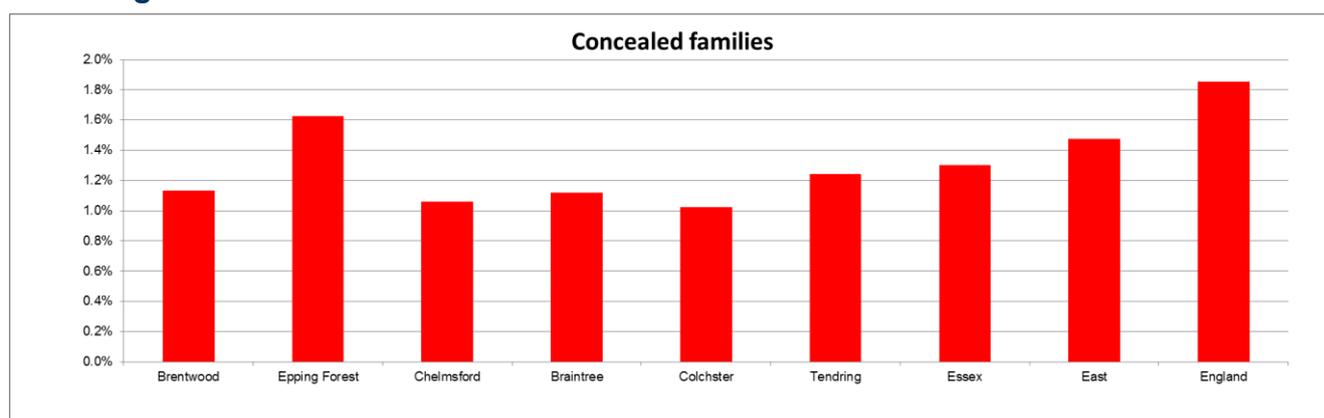


Source: 2011 Census Table QS412EW - Occupancy rating (bedrooms)

- 5.17 A further indicator is the number of concealed families. A concealed family is one living in a multi-family household who is not the primary family in that household. The definition includes couples with or without dependent children and lone parents of dependent children, but it excludes single people. An abnormally large number of concealed households can also be a sign of market pressure.
- 5.18 In common with the statistics for overcrowding, as shown in the chart below numbers of concealed families are comparatively low, and more so in Brentwood than elsewhere. The 2011 Census reported that concealed families accounted for just

1.1% of all families in the Borough, approximately half the 1.9% national average<sup>9</sup>. Comparing the propensity for concealed families between the two most recent Censuses shows the number and proportions have increased marginally since 2001, when the proportion of concealed families was 0.7% in the HMA and 1.1% in England<sup>10</sup>. The main reasons for the increase is likely to be the long-term fall in national housing formation rates and the impact of the financial crisis<sup>11</sup>). In conclusion the number of concealed families Brentwood remain low and the rate of increase has been slower than county, region or national change.

**Figure 5.9 Concealed families**



2011 Census table LC1110EW - Concealed family status by family type by dependent children by age of Family Reference Person (FRP)

## Conclusions

- 5.19 Brentwood is an expensive district for housing compared to the national average. Homes are less affordable than the national average. But in context Brentwood is no different to most of the wider South East of England. It is more affordable than the ONS family group authorities.
- 5.20 The affordability ratio in Brentwood has worsened slightly over the past 10 years and homes are now less affordable than at the peak of the last housing boom. This is a different pattern to most of Essex where the ratio has not yet recovered; but this is a pattern shared with Brentwood’s family group. Rents in Brentwood have also become more expensive in the last few years.
- 5.21 Much of the data used to consider the need for a market signal adjustment are unstable, cover relatively short time periods and are vulnerable to differing interpretations and analysis (for example looking over different time periods and

<sup>9</sup> Source: Census Table LC1110EW

<sup>10</sup> Source: Census table CAS 011

<sup>11</sup> A caveat to bear in mind with concealment data is that due to reasons of confidentiality the ONS randomize the local data, which questions its reliability 2011 Census table LC1110EW has the following footnote: ‘Figures have been randomly adjusted to avoid the release of confidential data.’

- different comparators can produce very different indices). So market signals requires a large degree of judgement.
- 5.22 Our judgement is that some adjustment is warranted; compared to most of Essex the district is much less affordable (this being perhaps the key indicator), homes are much more expensive and now less affordable than in the last housing boom. But this is balanced against the ONS comparators; which share similar demographic and economic characteristics to Brentwood.
- 5.23 Assessing the need for a market signal adjustment is not an exact science; the data are unstable and very vulnerable to differing interpretations (by for example looking over different time periods, using different comparators different indices). So market signals rest on a large degree of judgement.
- 5.24 Once a market signal issue has been identified the PPG does not specify how the demographic starting point should be adjusted:
- 'Market signals are affected by a number of economic factors, and plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period.'*<sup>12</sup>
- 5.25 There is no fixed empirical or statistical approach to arrive at the level of adjustment to address market signals. Based on the PPG requirements, Inspectors' decisions approached the matter as an exercise of judgement.
- 5.26 There are a number of 'benchmark' decisions that have pointed to a range of reasonable adjustments – between zero and 30%. Uttlesford, Eastleigh and Canterbury are often cited as the key benchmark decisions. But these have now been joined by many others where the judgement arrives at an uplift within this range. One unusual Inspectors judgement was found in Maidstone, where the Inspector recently removed a 5% upwards adjustment on the grounds that it was unlikely to deliver any improvement in affordability. This cautious against small adjustments, but too high, or aggressive upwards adjustments run the risk of not being deliverable – the upward adjusted housing must be delivered and have evidence of occupier demand.
- 5.27 From looking at the numerous post NPPF Inspectors decisions it is clear that in reaching a judgement no one indicator has been used. In all cases Inspectors have arrived at the scale of the uplift 'in the round' which often includes factors outside the strict market signals. This reflects the fact that we cannot attribute any uplift to any one reason – we don't control how the uplifted new homes may be occupied.
- 5.28 Looking at the Councils nearest neighbours both Chelmsford (to the north) and Epping Forest (to the west) have been advised to adopt a 20% market signal uplift.

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<sup>12</sup> Reference ID: 2a-020-20140306

5.29 For Brentwood, our opinion is that an adjustment towards the top end of the range (20-30%) would appear justified. Brentwood is an expensive market area with a high demand for new homes. It is also the case that Brentwood lacks a up to date development plan, and a supply of development land. It is impossible to estimate the impact of this on the housing market but there is a risk that market signal evidence strengthens between now and the plan examination.

## 6 AFFORDABLE NEED

- 6.1 In determining the OAN we are required to consider the need for affordable homes. This calculation, flowing from later paragraphs of the PPG only once the '*overall housing need figure*' has been established. It is not directly compatible with the assessment of demographic need, market signals and other uplifts as discussed above.
- 6.2 However, the affordable need figure has a bearing on the full OAN for the Borough, although there is no requirement that it be met in full. The demographic need is sometimes too low to meet all the affordable need given the likely percentage yield through the affordable housing policies. But, increasing the OAN to a level where all affordable housing needs can be met, can result in total implausible results – well in excess of the demographic OAN and requiring policy interventions to deliver.
- 6.3 In this case the Council's affordable need was updated in June 2016 and published as a Part 2 document to be read alongside the main assessment of housing need. This is so the SHMA fully addresses the Borough's housing need.
- 6.4 That document identified the affordable need to be 107 dpa; which was 30.6% of the (then) demographic need flowing from the 2014 household projections.
- 6.5 Given this figure is no need to increase the OAN to address affordable needs and should the SHMA Pt 2 conclusions relating to affordable housing policy be carried forwards then no need for a policy adjustment either. But the Council is still required, under the PPG (2a 29) to consider whether the target in the development plan should be increased further to address affordable housing needs.

## 7 CONCLUSIONS

### The HMA

- 7.1 The 2013 SHMA suggested Brentwood was a self-contained HMA. This was based on analysis of local migration patterns and their primary research. PBA have updated this analysis using 2011 data and this does not provide any justification to revisit this conclusion. Nor does analysis of neighbouring HMAs.

### The Demographic Starting Point

- 7.2 We have tested a number of different demographic projections.
- 7.3 Today the official household projections (2014 based) suggest the demographic starting point should be 348 dpa.
- 7.4 However the testing shows that the projections continue to be unstable; partly a product of the short (5 year) trend period underpinning the official projections. All other demographic data we have considered suggests a lower demographic number with 280 dpa emerging from both PBA and GLA demography as the best proxy for the next round of official projections.
- 7.5 To provide the emerging plan with a robust evidence base, that is not rendered out of date within a few months (by the soon to be released 2016 projections) a pragmatic approach would be to adopt the 280 dpa as the starting point today. But keep this under review. The PPG advises the housing evidence “should be informed by the latest evidence available” and that the Plan should be based on “up to date” evidence. So it is both sensible and practical that, given the plan preparation stage today, we look slightly ahead at the updated demographic evidence.

### Uplifts

#### *Demographic*

- 7.6 We have tested different demographic projections (noted above) and also tested the local headship rates.
- 7.7 Following the PPG there is no suggestion from the data that an adjustment to headship rates is warranted here. Brentwood largely follows national trends and the PPG is explicit that the national projections are the best estimate of housing need; so we should depart from their assumptions only sparingly.

#### *Jobs*

- 7.8 None of the economic forecasts we have looked at suggest more new homes are needed than would be supplied should only the SNPP 2014 (CLG 2014) be provided. (i.e. 348 dpa)
- 7.9 The forecasts all suggest a buoyant resident local economy; with low unemployment. Some of the data suggest outward commuting will increase over the plan period which is most likely a demand side effect from London.

- 7.10 Following guidance issued by the respective forecasting houses neither of the forecasts suggest that the local employment market is constrained by a lack of labour which would warrant an uplift to the OAN. The EEFM (which allows for economic led migration) has a lower population than the SNPP 2014 and Experian have confirmed that should the SNPP 2014 be met in full there is no unmet job demand.
- 7.11 As a 'policy on' adjustment the Council may consider providing more new homes and land for more new jobs. But a policy on adjustment is very likely to have implications on nearby labour markets which need to be considered as part of the DtC.

### *Affordable Need*

- 7.12 The SHMA is required to consider affordable housing need because it has a bearing on the full OAN. However case law has also confirmed that when setting the OAN affordable need does not need to be met in full<sup>13</sup>.
- 7.13 The affordable need calculations for Brentwood are presented in a separate Pt 2 document. This is mainly because the methods used to calculate the affordable need are not directly compatible with the assessment, following earlier paragraphs of the PPG, and addressed above.
- 7.14 In this case the affordable need has been calculated at 109 dpa; below the demographic OAN and our recommend (uplifted) OAN.
- 7.15 Following the Planning Practice Guidance (paragraph 2a 29) the Council needs to consider whether to adopt a higher target in the development plan to deliver more affordable homes:

*“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”*

### *London*

- 7.16 As noted above this work has been informed by the GLAs own demography – a demographic 280 dpa starting point is compatible with both their own short term and long term projections.
- 7.17 As a 'policy off' assessment this work does not take into account any unmet housing need from London that may emerge because London cannot meet its demographic need. This adjustment, between HMAs, is outside the OAN and a matter for the DtC.

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<sup>13</sup> Borough of Kings Lynn & West Norfolk v SSCLG [2015] EWHC 2464.

Jelson Limited- and - Secretary of State for Communities and Local Government Hinckley and Bosworth Borough Council [2016] EWHC 2979

## The OAN

- 7.18 OAN is not a science and it is inevitable that others will reach different opinion, even using the same data.
- 7.19 At the time of writing we have two possible demographic starting points which use the ONS 5 year trend period. The CLG 2014s (348 dpa) and the 280 dpa which both the GLA and PBA thinks may reflect the next round of official projections which are due to be released May/June 2018. Our review of longer trend based projections fall within this range.
- 7.20 The 2014s look unusually high compared to previous projection rounds and also longer-term trends. So we apply significant weight to the 280 dpa number as the demographic starting point.
- 7.21 Our testing suggests no economic uplift is needed but the data shows a strong demand for labour, with low unemployment and a propensity for local labour to commute out of the Borough.
- 7.22 Following the PPG our opinion is that a market signal adjustment is warranted. But setting the scale of the adjustment is a matter of opinion. Market signal adjustments tend to range between 5 – 30% with neighbouring Chelmsford and Epping Forest both being recommend to adopt a 20% adjustment. So here we would recommend at least a 20% adjustment.

### *Should the Council depart from 360dpa as the preferred OAN?*

- 7.23 As noted in the introduction the Council has progressed on the assumption that the OAN is around 360 dpa. This was based on previous work and older demographic modelling.
- 7.24 In this report we propose a demographic baseline of 280 dpa and a market signal (wrapping up any other uplifts) which is at least 20% - noting 30% sits at the upper end of the accepted range of being reasonable. In setting the scale of the adjustments we also note that the Council has now been without a plan and a deliverable supply of land for some considerable time; these are circumstances that don't apply in many authorities (including Chelmsford where the adjustment is 20%).
- 7.25 Assuming a 280 dpa demographic starting point, and looking at the upper end of a market signal adjustment, 360 dpa is not quite high enough (364 dpa). Also, in setting the OAN we also need to recognise that the 280 dpa is an estimate of demographic need and not yet in the official projections. So, at the time of writing it is sensible to adopt a cautious approach – recognising that it is easier for a plan, as it evolves, to reduce its housing target as opposed to increase it.
- 7.26 **To progress the plan, there is merit in increasing the OAN from 360 dpa to 380 dpa. That allows for a 36% uplift over the demographic baseline, higher than the upper 30% 'rule of thumb' market signal adjustment. But it allows a small margin for contingency. It also allows headroom should market signals determinate between now and the plan examination as a result of the Council not delivering homes in line with the projections, or OAN.**

- 7.27 With this in mind, we suggest using 380 dpa as the working OAN.
- 7.28 This should be reviewed once the 2016 based projections are published and the scale of the market signal adjustment re-assessed using the most recent data available.

## 8 ADDENDUM – CLG STANDARDISED METHOD

### Introduction

- 8.1 In September 2017 CLG announced a new consultation on replacing the OAN method.
- 8.2 This reflects widespread criticism that the current PPG is ambiguous and open to challenge, a view we whole heartedly agree with.
- 8.3 The alternative proposals are simple and concise. Our provisional view is that the proposals are a significant improvement over the current method; and also, an improvement over some, in our opinion less than technically robust, alternative suggestions to replace the current PPG.
- 8.4 Of note is the fact that CLG have chosen to set aside arguments to adjust headship rates, adopt different demographic starting points from those published by CLG and to promote aligning jobs and homes by applying possibly inconsistent economic activity rates to job targets.
- 8.5 Instead the proposed approach is built around a single demographic starting point with a standardised market signal adjustment calibrated to affordability. To protect some Councils from excessive uplifts the new method is capped at 40% above adopted plans or the official projections (whichever is higher).

### The Consultation OAN

- 8.6 For Brentwood, using the new method, the demographic starting point is 325 households per annum. This is based on the CLG 2014 projections but, following the method, only using the average of the first 10 years of the projection.
- 8.7 The single market signal uplift increases the number to 494 households per annum. This is one the higher increases in the Country and reflects the affordability ratio in Brentwood. Homes are in excess of 12 times workplace earnings.
- 8.8 However, for Brentwood, the 40% cap is applied. This caps the proposed need to a maximum of 40% above the household projection giving a need figure of 454 households per annum.

### Implications for Brentwood

- 8.9 At the moment, this is only a consultation version of the proposed need number. It is very likely to change before the number is applied to development plans. As a consultation document it carries no weight; especially as the published numbers are based on 2014 projections but 2016 based projections are due shortly.