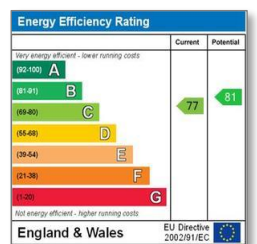




## West Essex and East Hertfordshire Strategic Housing Market Assessment

Updating Overall Housing Need using the 2018-based projections

September 2020





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# Updating Overall Housing Need

## Using the 2018-based projections for West Essex & East Herts

### **Summary of Key Findings**

*This analysis fully complies with the 2012 National Planning Policy Framework (NPPF) and associated Planning Practice Guidance (PPG)*

*The PPG states that the official projections provide the “starting point estimate for housing need” and the latest information was updated in June 2020, when the Office for National Statistics (ONS) published the 2018-based household projections*

*The 2018-based figures identify a growth of 32,529 households as the starting point for the West Essex & East Hertfordshire Housing Market Area over the period 2011-2033; much lower than the starting point of 50,697 households from the 2014-based projection*

*Whilst this provides the starting point, the PPG identifies a number of factors that have to be considered when establishing the Full Objectively Assessed Need (OAN) for housing*

*The official projections are based on short-term migration trends, and the 2015 SHMA and 2017 Update argued that longer-term trends are to be preferred to ensure stability*

*The household projections produced for the 2017 Update were based on 10-year migration, and these identified a growth of 43,759 households; which compares to a growth of 37,320 households identified by the 2018-based projection 10-year migration scenario*

*This analysis has demonstrated that changes to births, deaths and economic activity rates mean that the 2018-based projection 10-year migration scenario would provide sufficient workers for the identified jobs growth*

*This analysis shows that changes to the household formation method introduced by ONS means that higher allowance is now needed to address suppressed household formation: an additional 4,669 households, compared to 641 households counted by the 2017 Update*

*Counting the household growth together with the allowance for suppressed formation means that there is a need to provide for 41,989 households based on the latest information compared to 44,400 households based on the 2017 Update, a difference of around 5%*

*After taking account of market signals and making allowance for vacant and second homes, **the Full Objectively Assessed Need using the 2018-based projections is 48,950 dwellings** over the period 2011-2033, an average of 2,225 dpa*

*This housing need is higher than the OAN identified by the 2015 SHMA (46,100 dwellings) but lower than that identified by the 2017 Update (51,700 dwellings); however, **the latest information does not represent “a meaningful change in the housing situation”***

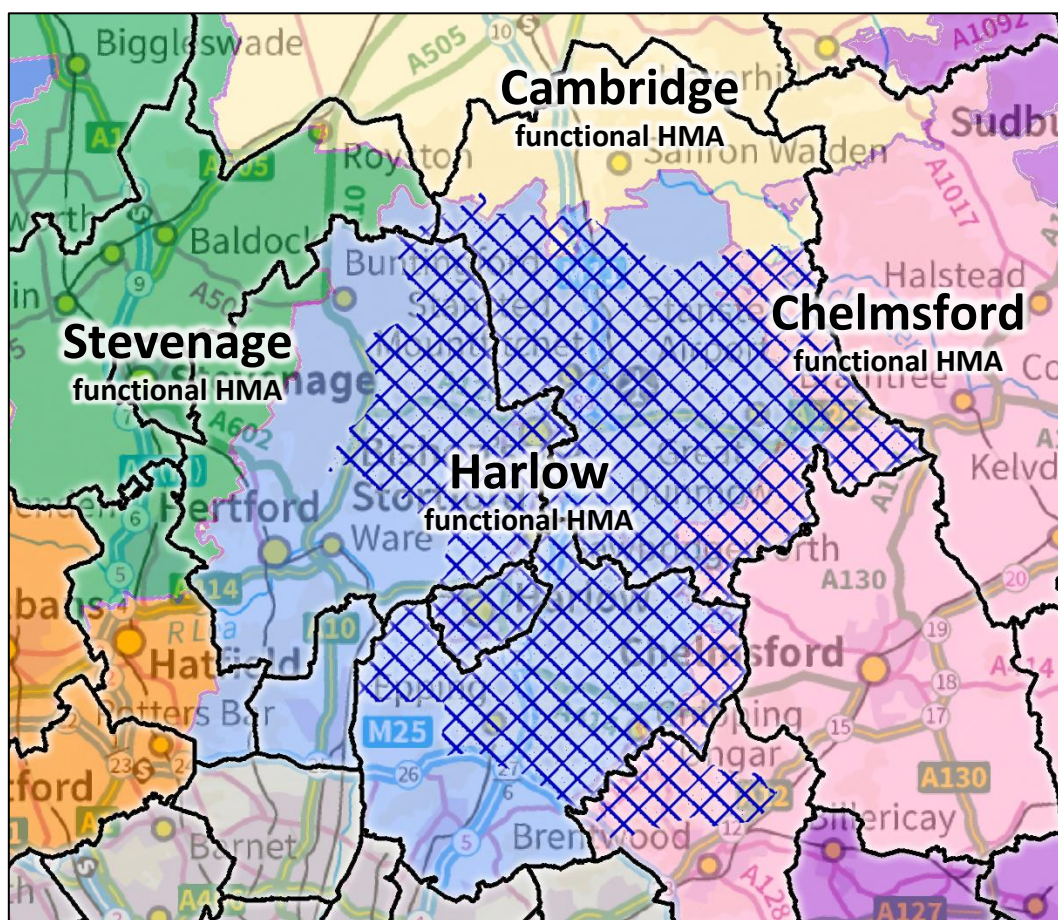
# Updating Overall Housing Need

## Using the 2018-based projections for West Essex & East Herts

### Introduction

1. The Office for National Statistics (ONS) published the 2018-based sub-national population projections (SNPP) in March 2020. These formed the basis of the 2018-based household projections, published in June 2020. As these official projections provide the “starting point estimate for housing need” [PPG ID 2a-015-20140306] for Local Plans submitted under transitional arrangements from the Original NPPF, the local authorities in West Essex and East Hertfordshire have commissioned Opinion Research Services (ORS) to consider whether the latest figures represent “a meaningful change in the housing situation” [ID 2a-016-20150227].<sup>1</sup>
2. The 2012 NPPF required housing need to be assessed for the Housing Market Area (HMA). Based on a detailed analysis of the evidence, the 2015 SHMA identified the functional HMAs shown in Figure 1 “reflecting the key functional linkages between places where people live and work” [ID 2a-010-20140306].

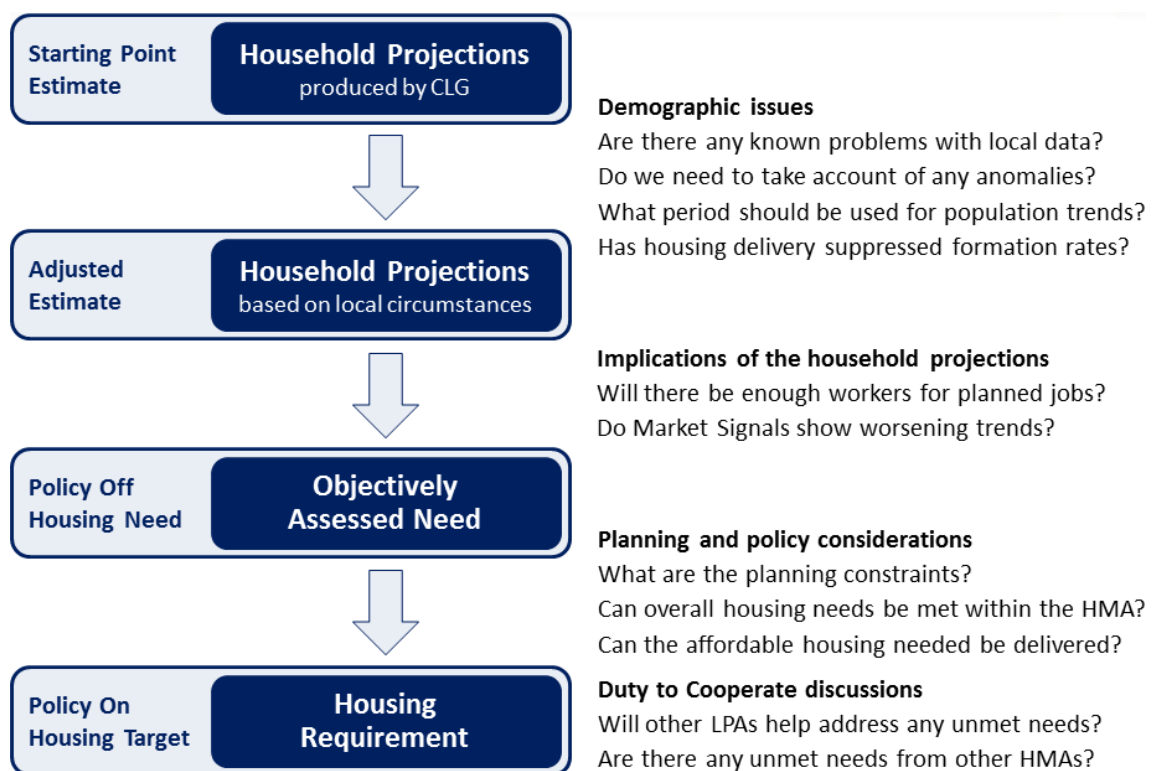
**Figure 1: Functional Housing Market Areas in and around West Essex & East Hertfordshire (Note: Coloured areas show Commuting Zones; hatched area denotes Harlow & Stortford BRMA; solid lines denote Local Authority Boundaries)**



<sup>1</sup> Note that these references relate to the Planning Practice Guidance which supported the 2012 NPPF, and these sections of the PPG have now been replaced with Guidance supporting the 2019 NPPF; however, this Guidance remains relevant for those Plans being examined under transitional arrangements from the 2012 NPPF

3. However, the 2015 SHMA recognised that the approach to defining Housing Market Areas needs to balance robust analysis with pragmatic administrative requirements; and recommended that East Hertfordshire, Epping Forest, Harlow and Uttlesford represented the most appropriate “best fit” for West Essex and East Hertfordshire HMA.
4. On this basis, these four local planning authority areas formed the basis for assessing housing need for the HMA. Similarly, these same four areas have been considered in preparing this update of the overall housing need.
5. Whilst the Household Projections provide the starting point estimate, it is important to recognise that there are a number of further considerations when establishing the Objectively Assessed Need (OAN) for housing. Figure 2 provides an overview of this process.

Figure 2: Process for establishing the Objectively Assessed Need for Housing (Source: ORS based on NPPF 2012 and PPG)



## Population and Household Projections

6. Figure 3 presents the range of official population and household projections that have been published since the original SHMA was commissioned, together with the various independent projections that have been produced by ORS to inform the SHMA. These include:
- » The 2012-based projections, the starting point for the original 2015 SHMA;
  - » The 2014-based projections, the starting point for the 2016 OAN update;
  - » The 2016-based projections, that have previously been considered over the course of individual Local Plan Examinations; and
  - » The 2018-based projections, which have led to the Inspectors' most recent questions.
7. The table sets out the key assumptions for each projection (in terms of the migration period, the rates applied for fertility and mortality and the household formation method used) together with the total population projected for 2033 and the associated household growth over the 22-year period 2011-2033.

**Figure 3: Population and Household Projections for West Essex and East Hertfordshire, 2011-2033 (Sources: CLG; ONS; SHMA)**

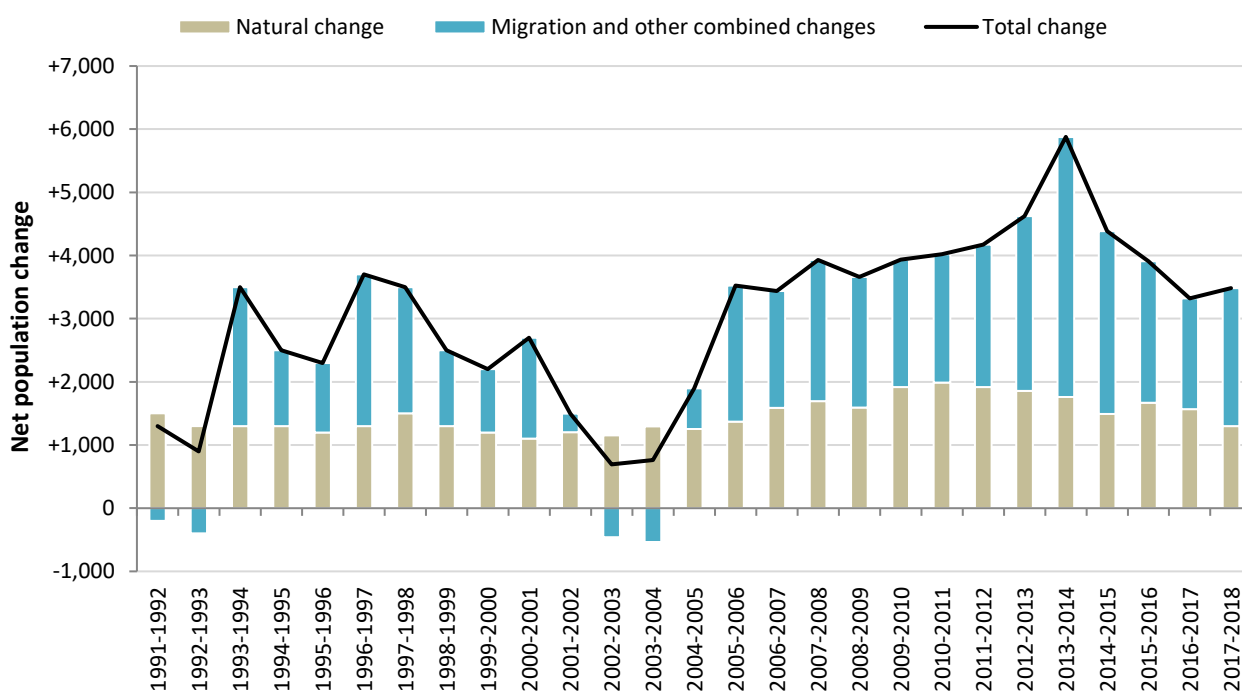
Projection	Migration Period	Fertility/ Mortality	Household Formation	Total Population 2033 Household Growth 2011-2033				
				East Herts	Epping Forest	Harlow	Uttlesford	TOTAL
<b>OFFICIAL PROJECTIONS</b>								
CLG 2012-based	5-yr trend 2007-12	2012-based SNPP rates	CLG method	168,431 <b>+17,139</b>	153,177 <b>+14,371</b>	96,988 <b>+7,163</b>	104,152 <b>+10,965</b>	522,748 <b>+49,638</b>
CLG 2014-based	5-yr trend 2009-14	2014-based SNPP rates		170,526 <b>+17,243</b>	155,027 <b>+14,374</b>	98,779 <b>+7,653</b>	106,015 <b>+11,427</b>	530,347 <b>+50,697</b>
ONS 2016-based sensitivity 2	5-yr trend 2011-16	2016-based SNPP rates		166,733 <b>+16,204</b>	147,072 <b>+11,096</b>	94,796 <b>+6,265</b>	101,544 <b>+10,013</b>	510,145 <b>+43,578</b>
ONS 2016-based principal scenario			166,733 <b>+15,292</b>	147,072 <b>+9,843</b>	94,796 <b>+5,008</b>	101,544 <b>+10,070</b>	510,145 <b>+40,213</b>	
ONS 2016-based 10-yr migration	10-yr trend 2006-16		ONS method	166,561 <b>+15,095</b>	148,071 <b>+10,466</b>	94,992 <b>+5,080</b>	102,127 <b>+9,988</b>	511,751 <b>+40,629</b>
ONS 2018-based principal scenario	2-year trend 2016-18			158,041 <b>+11,982</b>	138,204 <b>+6,616</b>	90,541 <b>+3,094</b>	102,970 <b>+10,837</b>	489,756 <b>+32,529</b>
ONS 2018-based 5-yr migration	5-year trend 2013-18	2018-based SNPP rates		161,412 <b>+13,397</b>	141,412 <b>+7,708</b>	92,025 <b>+3,783</b>	101,489 <b>+10,169</b>	496,338 <b>+35,056</b>
ONS 2018-based 10-yr migration	10-yr trend 2008-18			162,482 <b>+13,840</b>	143,664 <b>+8,792</b>	93,041 <b>+4,447</b>	101,955 <b>+10,241</b>	501,142 <b>+37,320</b>
<b>SHMA PROJECTIONS</b>								
Original SHMA September 2015	10-yr trend 2001-11	2012-based SNPP rates	CLG method	158,638 <b>+13,272</b>	139,420 <b>+8,996</b>	90,947 <b>+4,754</b>	101,189 <b>+9,877</b>	490,194 <b>+36,899</b>
OAN Update July 2017	10-yr trend 2005-15	2014-based SNPP rates		166,451 <b>+15,696</b>	145,183 <b>+10,568</b>	95,361 <b>+6,313</b>	105,278 <b>+11,181</b>	512,274 <b>+43,759</b>

8. It is apparent that the 2018-based projections are considerably lower than previous official projections, both in terms of the overall population and the associated household growth.
9. The 2012-based projections that formed the starting point for the 2015 SHMA identified a population of 522,748 persons by 2033 and an increase of 49,638 households over the 22-year period 2011-2033. The 2014-based projections identified a comparable household growth, albeit based on a larger population: an increase of 50,697 households over the same 22-year period, with 530,347 persons resident by 2033.
10. However, both projections were based on relatively short-term migration trends (covering the 5-year periods 2007-12 and 2009-14 respectively). As migration trends tend to be cyclical (and have peaks and troughs) the SHMA projections were based on trends that covered 10-year periods, and these suggested marginally lower rates of growth than the official projections. The 2015 SHMA projected a growth of 36,899 households over the 22-year period 2011-33, which is 12,739 fewer than the 2012-based starting point; and the 2017 Update projected a growth of 43,759 households, 6,938 fewer than the 2014-based starting point.
11. The differences between the official projections and the associated SHMA projections were due to the underlying migration trends, as they were based on the same fertility and mortality rates and the same methodology for calculating household formation. The more recent 2016-based and 2018-based projections take account of more up-to-date fertility and mortality trends and use an entirely new methodology for calculating household formation. The following analysis considers the impact of these changes.

## Population Trends

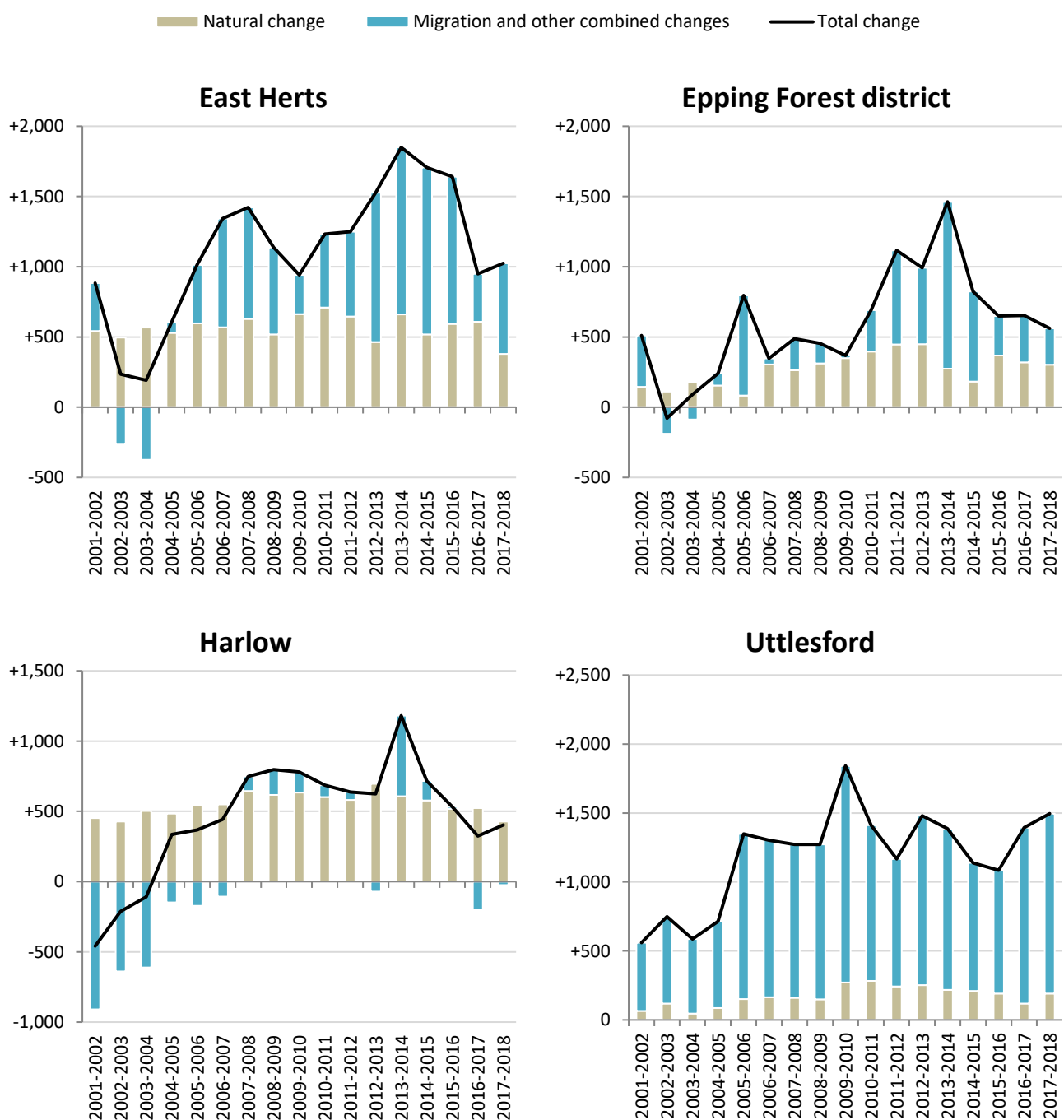
12. Figure 4 shows the estimates of natural change (i.e. births minus deaths) and net migration and other changes each year, and this clearly shows that migration forms the dominant part of the overall change the HMA’s population.

Figure 4: Components of population change 1991-2018 (Source: ONS Mid-Year Population Estimates, revised)



13. Figure 5 separates out the changes for each of the four local authority areas; and whilst migration forms the dominant part of the overall change the HMA's population, there are clearly differences between the individual areas.
14. Natural change forms a consistent element of the population growth in both East Herts and Harlow, and to a lesser extent Epping Forest Districts; but whilst there is some population growth evident in Uttlesford it is apparent that this forms a very small proportion of the overall change. In contrast, net migration is a very strong driver for growth in both Uttlesford and East Herts, and once again to a lesser extent Epping Forest Districts. Nevertheless, migration to and from Harlow are much more in-balance, with net migration tending to be close to zero.

**Figure 5: Components of population change 2001-2018 by local area (Source: ONS Mid-Year Population Estimates, revised)**

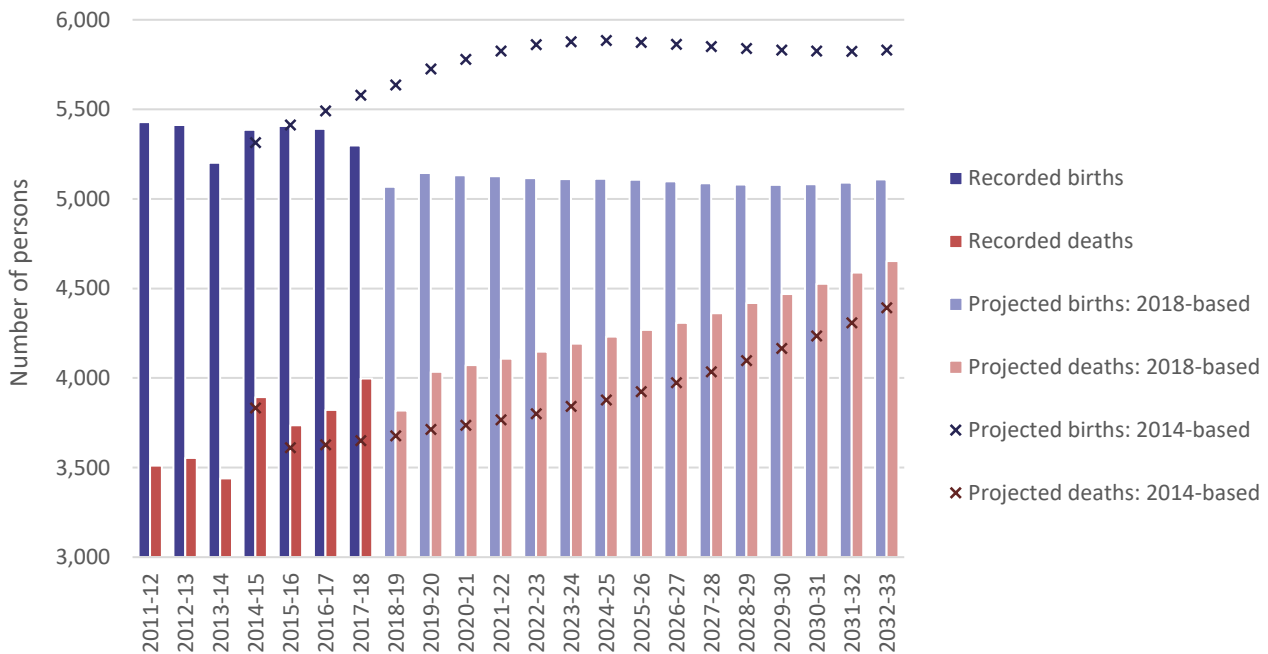




## Births and Deaths

15. Figure 6 shows the number of births and deaths recorded annually for West Essex and East Hertfordshire from 2011-12 to 2017-18, together with the numbers that were projected by the ONS 2014-based official projection and the numbers currently projected by the 2018-based official projection.

**Figure 6: Recorded and Projected Births and Deaths for West Essex and East Hertfordshire, 2011-12 to 2032-33 (Source: ONS)**



16. It is evident that the fertility rates assumed by the 2014-based projections led to an sustained increase in births from the base date until the mid-2020s, whereas the 2018-based projections show a more consistent number of births each year.
17. Over the 22-year period, there were 125,164 births projected by the 2014-based projections compared to the 114,065 births projected by the latest 2018-based projections. This has a significant impact on the projected number of children and young people resident in the HMA, but very limited impact on the projected number of households.
18. Considering the number of deaths recorded in the HMA, this has increased from around 3,500 annually in the early part of the decade to around 4,000 deaths more recently. The number of deaths identified by the 2014-based projections is notably lower than the 2018-based projections, with totals of 84,774 and 90,156 respectively over the 22-year period. Therefore, the latest figures project an additional 5,383 deaths, which is equivalent to an increase of 6.3%.
19. The additional deaths that are now projected are largely a consequence of higher mortality rates; for whilst overall life expectancy is still projected to increase, this is now at a slower pace than had previously been projected. As a consequence, the latest projections identify fewer older persons resident in the HMA by 2033 and this will have a clear impact on the projected number of households.
20. The figures on fertility and mortality show similar trends across all four of the local areas, and these trends are also evident more generally in the overall figures nationally for England.

## Migration

21. Figure 7 details the number of migrants moving to and from West Essex and East Hertfordshire from elsewhere in the UK and internationally over the 22-year period 2011-33 based on the various projections. Note that people moving between the four areas within the HMA will be counted as both in-migrants and out-migrants within the gross flows, but these moves will have no impact on the net figures.
- » Data for the 2014-based projections is based on estimated migration for the period 2011-2014 and projected migration (based on 5-year trends) for the period from 2014 onwards.
  - » Data for the 2018-based projections is based on estimated migration for the period 2011-2018 and projected migration (based on three different trends) for the period from 2018 onwards.

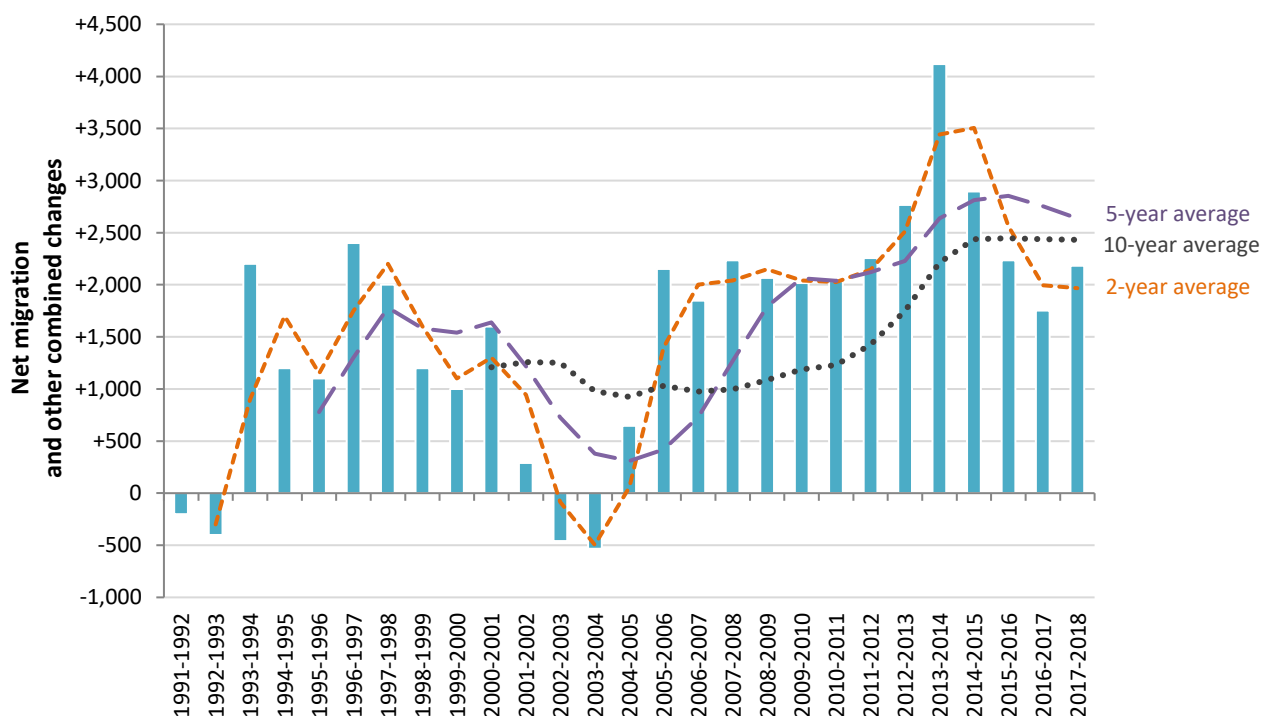
**Figure 7: Recorded and Projected UK and International Migration to and from West Essex and East Hertfordshire, 2011-33**  
(Source: ONS)

Component Flow	2014-based projections		2018-based projections					
			Principal projection		Alternative internal migration variant		10-year migration variant	
	Total 2011-33	Annual average	Total 2011-33	Annual average	Total 2011-33	Annual average	Total 2011-33	Annual average
<b>UK Migration</b>								
UK in	567,508	25,796	598,233	27,192	579,767	26,353	565,225	25,692
UK out	521,298	23,695	580,233	26,374	555,181	25,236	532,669	24,212
<b>UK net</b>	<b>+46,210</b>	<b>+2,100</b>	<b>+18,000</b>	<b>+818</b>	<b>+24,585</b>	<b>+1,118</b>	<b>+32,557</b>	<b>+1,480</b>
<b>International Migration</b>								
International in	42,263	1,921	48,234	2,192	48,234	2,192	46,856	2,130
International out	24,190	1,100	26,047	1,184	26,047	1,184	27,362	1,244
<b>International net</b>	<b>+18,073</b>	<b>+822</b>	<b>+22,187</b>	<b>+1,009</b>	<b>+22,187</b>	<b>+1,009</b>	<b>+19,494</b>	<b>+886</b>
<b>Total net</b>	<b>+64,283</b>	<b>+2,922</b>	<b>+40,187</b>	<b>+1,827</b>	<b>+46,773</b>	<b>+2,126</b>	<b>+52,050</b>	<b>+2,366</b>

22. The 2014-based projections identified a gain of 64,283 persons due to net migration over the 22-year period (an average of 2,922 per year); however, the 2018-based projections are notably lower with an overall increase of between 40,187 persons (based on 2-year trends) and 52,050 persons (based on 10-year trends) equivalent to an average of 1,827 to 2,366 persons annually.
23. It is worth noting that the rate of international migration has remained relatively stable between the projections with an inward flow of around 2,000 persons and an outward flow around 1,100 persons each year, yielding a net gain of around 900 persons annually.
24. In contrast, UK migration has varied substantially between the different projections and scenarios, with the 2018-based principal projections based on fewer than half the gain that was identified by the 2014-based figures (818 persons cf. 2,100 persons per year). These lower levels of domestic net migration are largely as a consequence of more residents moving away from the area.

25. It is evident that migration significantly impacts population change in West Essex and East Hertfordshire, and differences in the projected migration have a substantial impact on the projected population growth. The ONS sub-national population projections are based on past trends recorded by the mid-year population estimates. The 2014-based projections are based on averages from the 5-year period 2009-2014 whilst the 2018-based projections include three different scenarios:
- » Principal projection: internal migration based on 2-year average for the period 2016-2018 and international migration based on 5-year average for the period 2013-2018;
  - » Alternative internal migration variant: based on 5-year averages for the period 2013-2018; and
  - » 10-year migration variant: based on 10-year averages for the period 2008-2018.
26. Figure 8 shows migration and other change component from the mid-year population estimates with 2-year, 5-year and 10-year rolling averages. Whilst the 2-year average is a little less erratic than the annual figures, peaks and troughs remain evident in both this trend and the 5-year average. The 10-year average is less susceptible to short-term fluctuation, but it is evident that recent estimates have been consistently higher than historic estimates when considered over a 10-year period.
27. Of course, the migration patterns differ across the four areas within the HMA (Figure 5) and therefore the 2-year, 5-year and 10-year averages will vary too. The trends for each of the individual areas provide the basis for the projections for each area; however, the cumulative impact is evident when the different scenarios are considered across the HMA as a whole.

**Figure 8: Annual net migration with 2-year, 5-year and 10-year averages, 1991-2018 (Source: ONS Mid-Year Population Estimates, revised)**



28. As migration trends tend to be cyclical (and often have peaks and troughs) the SHMA projections were based on trends that covered 10-year periods – the 2015 SHMA was based on trends for the period 2001-2011 and the 2017 Update was based on the period 2005-2015.
29. At the time that the 2015 SHMA analysis was prepared, the 10-year trends suggested lower rates of growth than the official projections informed by 5-year trends. Whilst the 2012-based projections (the starting point) identified a growth of 49,638 households, the 2015 SHMA projections identified a growth of 36,899 households – a figure that was around a quarter (25.7%) lower than the starting point. Similarly, the 2017 Update was based on growth of 50,697 households as a starting point (the 2014-based projections) but analysis using 10-year trends identified a growth of 43,759 households – around one seventh (13.7%) lower than the starting point.
30. In contrast, the 10-year migration trend variant scenario from the ONS 2018-based projections suggests a higher rate of growth (37,320 households) than both the principal projection (32,529 households) and the alternative internal migration variant (35,056 households) which use shorter trend periods for migration.
31. It is evident that the projections based on longer-term migration trends show far less variability than those based on short-term trends and provides a far more stable projection that is less susceptible to the impact of cyclical highs and lows:
  - » **Official projections based on short-term migration trends** (including the ONS 2018-based principal projection) have identified a growth of between 32,529 and 50,697 households over the 22-year period 2011-2033, a range of 18,168 households – a figure that is equivalent to between 36% and 56% of the projected growth;
  - » **Projections based on 10-year migration trends** have identified growth of between 36,899 and 43,759 households over the same 22-year period, a much narrower range of 6,860 households which is equivalent to between 16% and 19% of the projected growth.
32. This exemplifies why it is right to focus on longer-term migration trends, as was argued by the SHMA (2015 SHMA, paras 3.21-3.31) and endorsed by the Inspector that examined the East Hertfordshire Local Plan and not rely uncritically on the starting point figures.
33. It would have been wrong to rely on the CLG 2012-based projection, as it was unduly high; and it would be equally wrong to rely on the ONS 2018-based principal projection, as it is unduly low. Given this context, when considering the latest official projections, it is appropriate to focus on the 10-year migration variant to determine if these figures represent a “*a meaningful change*”.

## Projected Population by Age

34. Figure 9 compares the 2014-based official projection and the 10-year migration variant from the 2018-based projections for 2033 by 5-year age band, and Figure 10 shows this data together with the other scenarios from the 2018-based projections by broad age bands.

Figure 9: West Essex and East Hertfordshire Projected Population for 2033 by 5-year age band (Source: ONS)

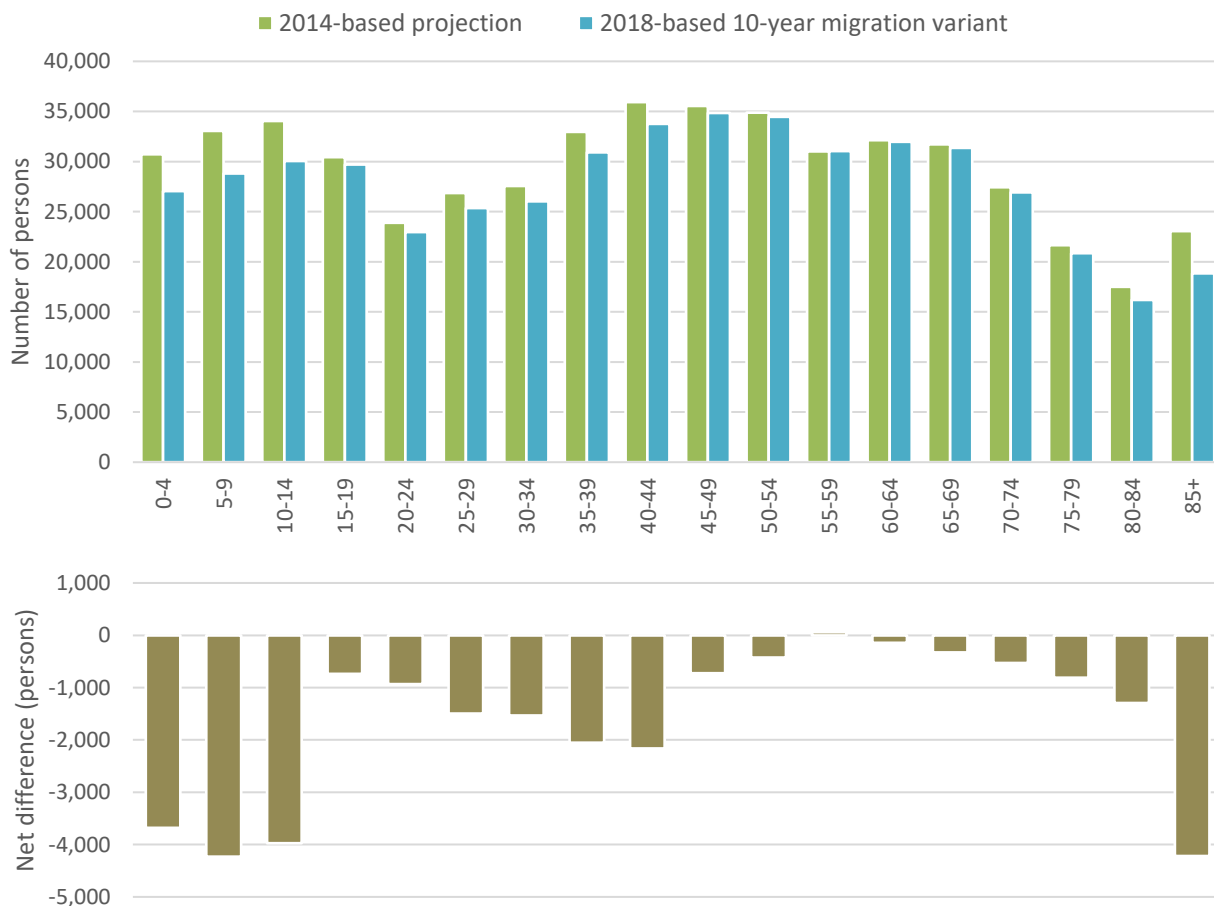
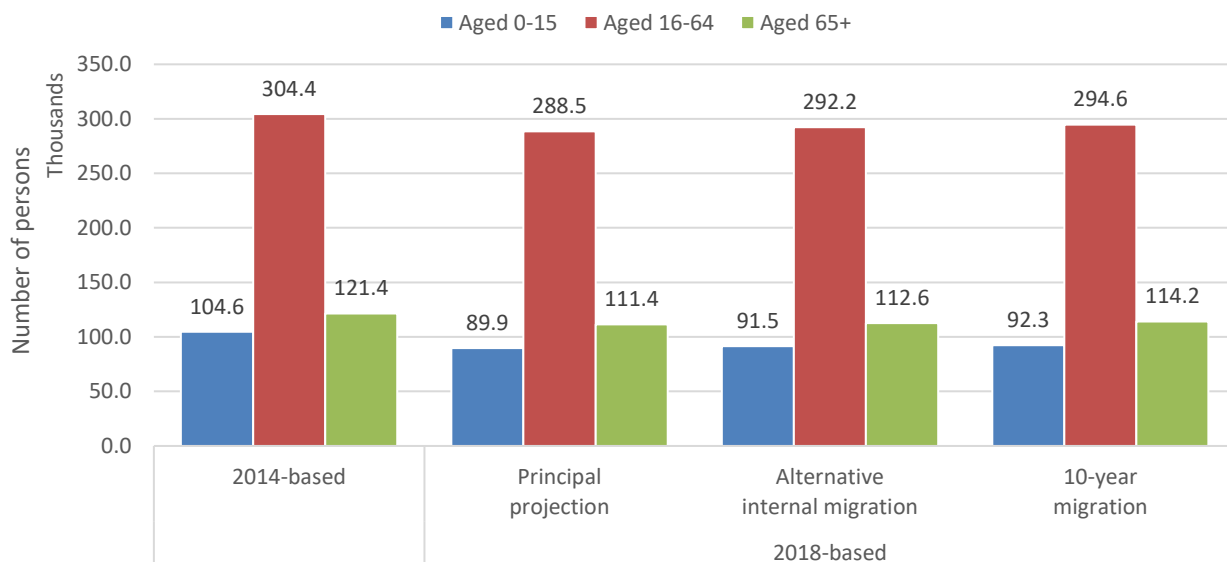


Figure 10: West Essex and East Hertfordshire Projected Population for 2033 by broad age band (Source: ONS)



35. It is evident that the changes to fertility rates have led to a significant reduction of children aged under 16 that are projected to be resident by 2033. Whilst the 2014-based projection showed almost 105,000 children, the 2018-based projections show between 89,900 and 92,300 children which represents a reduction of 12-14%.
36. There is also a substantial reduction of older people aged 65 or over, largely as a consequence of the changes to mortality rates. The latest data ranging from 111,400 to 114,200 persons in this age group, which is between 7,200 and 10,000 fewer than the 121,400 persons that had been projected by the 2014-based figures, a reduction of 6-8%.
37. The lower migration trends account for most of the changes to the remainder of the adult population, with the projected number of residents aged 16-64 ranging from 288,500 to 294,600 persons based on the latest figures compared to 304,400 persons projected by the 2014-based data. This represents between 9,800 and 15,900 fewer residents in this age group, a reduction of 3-5%.

## Aligning Jobs and Workers

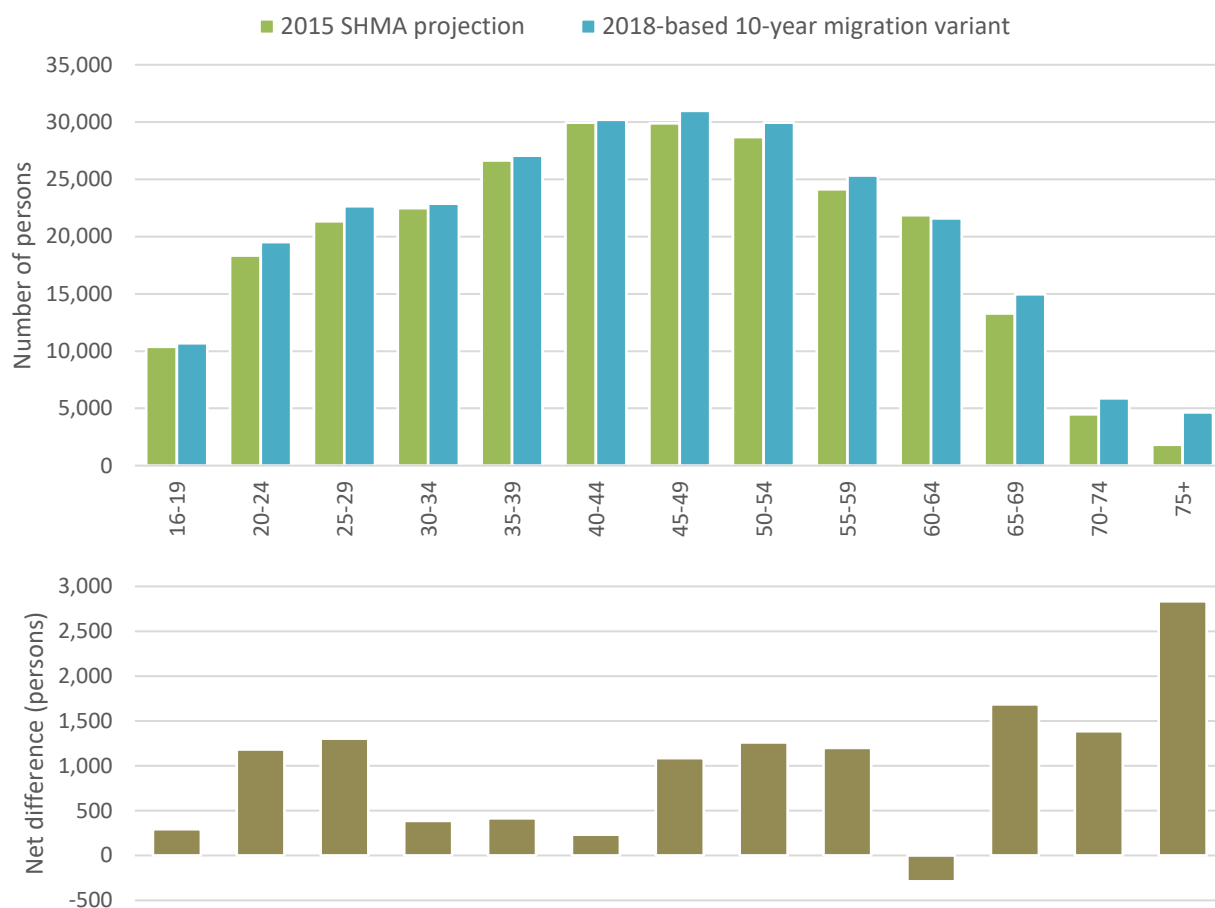
38. The reduction identified in the working aged population is particularly relevant to the OAN, given the need to ensure alignment between future jobs and workers. Whilst not all residents aged 16-64 will be economically active, many will be working or actively seeking work and any change to this population will impact on the number of workers available.
39. The SHMA analysis identified a total of 490,194 residents for the HMA in 2033 based on the projections using 10-year migration trends from the period 2001-2011 (2015 SHMA, figure 33). Of these residents, it was estimated that around 253,325 would be economically active based on the forecast change in economic participation rates, a growth of 26,439 workers over the 22-year period 2011-2033 (2015 SHMA, figure 39). Figure 11 shows an equivalent analysis of the economically active population based on the 10-year migration variant scenario from the ONS 2018-based population projections.

**Figure 11: 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	<b>10,345</b>	5,390	5,297	<b>10,688</b>	+252	+90	<b>+343</b>
Aged 20-24	10,013	8,783	<b>18,796</b>	10,517	8,998	<b>19,516</b>	+504	+215	<b>+720</b>
Aged 25-29	11,068	9,733	<b>20,802</b>	11,847	10,801	<b>22,649</b>	+779	+1,068	<b>+1,848</b>
Aged 30-34	12,781	10,652	<b>23,433</b>	11,910	10,954	<b>22,865</b>	-871	+302	<b>-568</b>
Aged 35-39	13,721	11,703	<b>25,424</b>	14,068	13,000	<b>27,068</b>	+347	+1,297	<b>+1,644</b>
Aged 40-44	15,776	14,079	<b>29,856</b>	15,280	14,906	<b>30,186</b>	-496	+827	<b>+331</b>
Aged 45-49	16,177	14,777	<b>30,953</b>	15,436	15,544	<b>30,980</b>	-741	+767	<b>+26</b>
Aged 50-54	13,874	12,588	<b>26,462</b>	15,149	14,794	<b>29,942</b>	+1,275	+2,206	<b>+3,480</b>
Aged 55-59	11,142	9,304	<b>20,446</b>	13,135	12,195	<b>25,329</b>	+1,993	+2,891	<b>+4,883</b>
Aged 60-64	8,122	5,152	<b>13,273</b>	11,348	10,230	<b>21,577</b>	+3,226	+5,078	<b>+8,303</b>
Aged 65-69	3,341	1,722	<b>5,063</b>	8,081	6,892	<b>14,974</b>	+4,740	+5,170	<b>+9,911</b>
Aged 70-74	1,023	481	<b>1,505</b>	3,053	2,827	<b>5,880</b>	+2,030	+2,346	<b>+4,376</b>
Aged 75+	294	234	<b>528</b>	2,374	2,276	<b>4,650</b>	+2,080	+2,042	<b>+4,122</b>
<b>Total</b>	<b>122,471</b>	<b>104,415</b>	<b>226,886</b>	<b>137,588</b>	<b>128,715</b>	<b>266,303</b>	<b>+15,118</b>	<b>+24,300</b>	<b>+39,418</b>

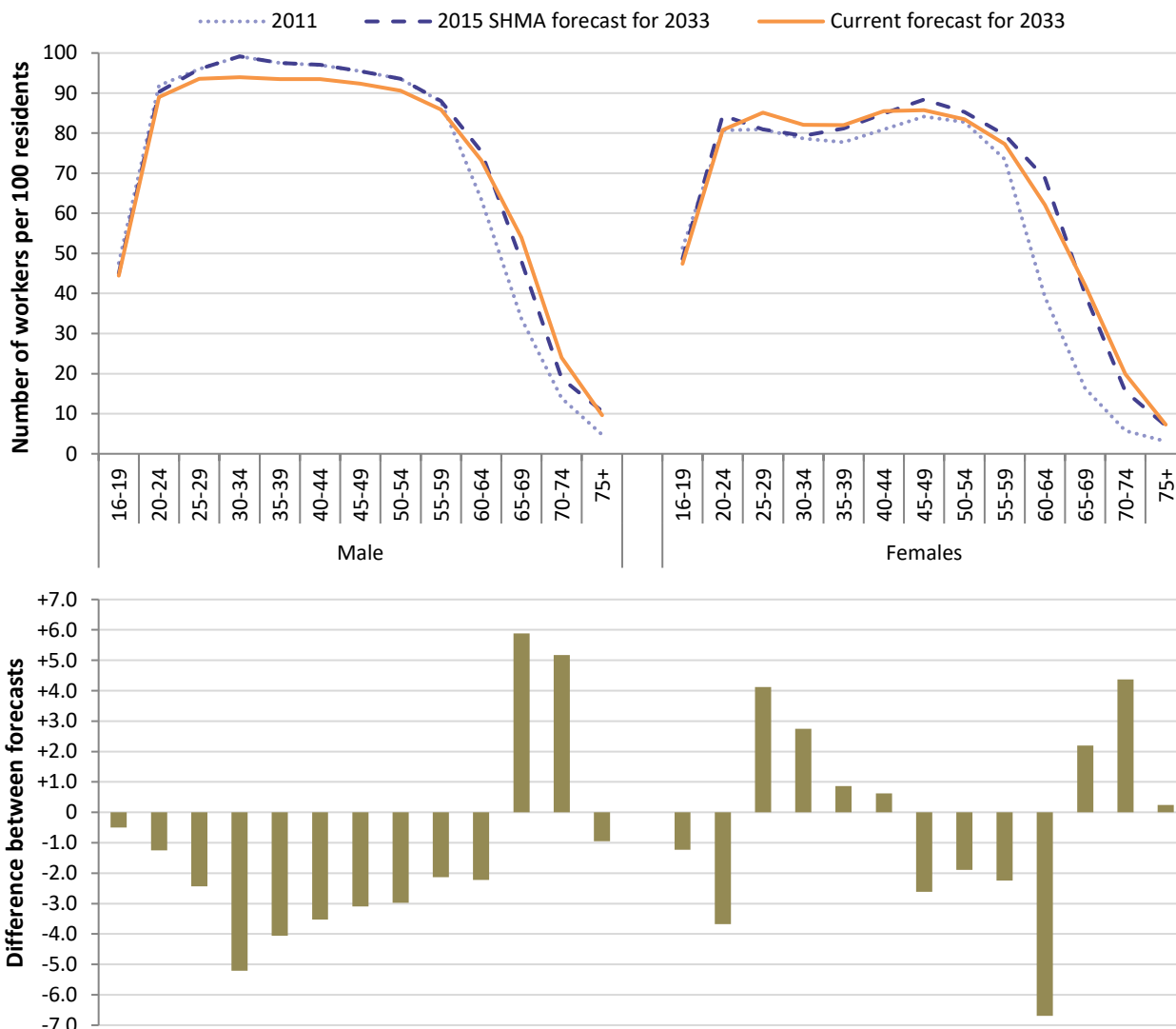
40. Through applying the latest participation rates to the 10-year migration variant from the ONS 2018-based projections yields a growth of 39,418 workers, which is notably higher than the increase of 26,439 workers that was identified by the 2015 SHMA. Figure 12 compares the number of economically active persons identified based on both projections.

**Figure 12: Economically active population by 2033 for West Essex and East Hertfordshire by 5-year age band (Source: Modelled outputs based on ONS and OBR data)**



41. Whilst this new analysis identifies a clear increase in the number of workers expected aged 16-64 (an extra 7,072 persons overall within this age group), a substantial number of the additional workers are aged 65+ (an extra 5,905 persons, equivalent to 45.5% of the increase).
42. Much of this additional growth is as a consequence of changes to the participation rates which are based on forecasts from the Office for Budgetary Responsibility (OBR) applied to current and historic estimates for the local areas. The basis for these forecasts and the reasons for the likely future changes was discussed in the original SHMA (2015 SHMA, paras 3.45-3.63).
43. Figure 13 compares the participation rates for 2011 (based on Census data) with the rates for 2033 based on the latest forecasts available at the time of the original SHMA and updated figures based on the most recent data. Whilst the overall pattern of labour force participation remains very similar to the original forecast, the latest figures suggest lower rates of participation amongst men aged under 65 and women aged under 25 and 45-64; however, this is offset against higher participation amongst women aged 25-44 and all persons aged 65-74.

**Figure 13: Economic activity rates in 2011 and 2033 for West Essex and East Hertfordshire by age and gender based on OBR Labour Market Participation Projections**



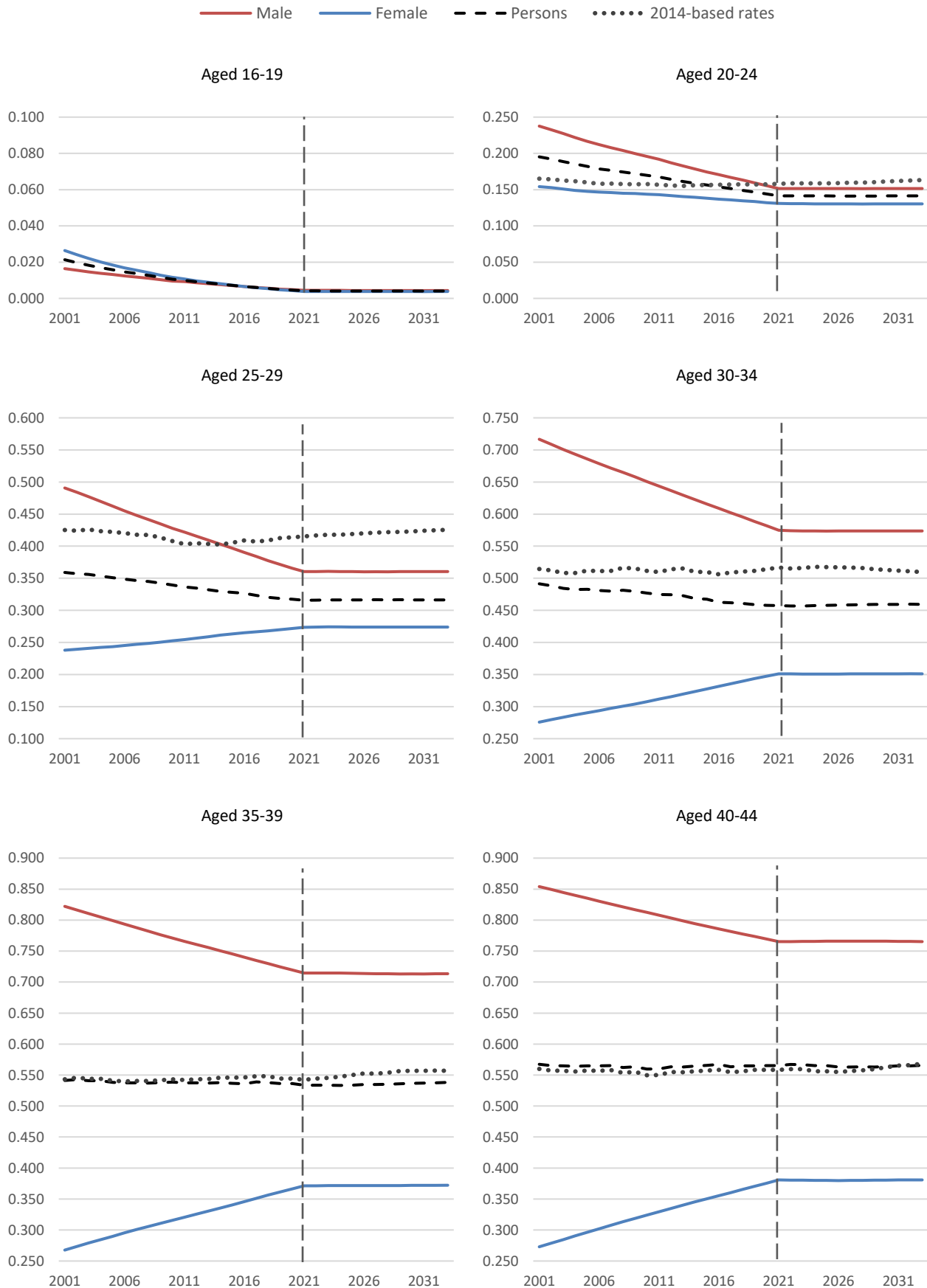
44. Whilst the 2015 SHMA concluded that there was a shortfall of 7,800 workers across the West Essex and East Hertfordshire housing market area (2015 SHMA, para 5.44) based on an overall population of 490,194; **the 501,142 persons identified by the 10-year migration variant of the 2018-based projections would provide sufficient workers to align with the jobs growth** – partly due to the larger number of residents overall, but more importantly due to the different age structure (with fewer children and people aged 75+) and the impact of changes to the forecast economic activity rates.
45. On this basis, there would not be any need to increase the housing number to accommodate any additional workers within the area. This is consistent with the conclusions of the 2017 Update, where no jobs uplift was necessary – albeit that was due to a higher projected population and larger household growth than identified by the 10-year migration variant of the 2018-based projections.



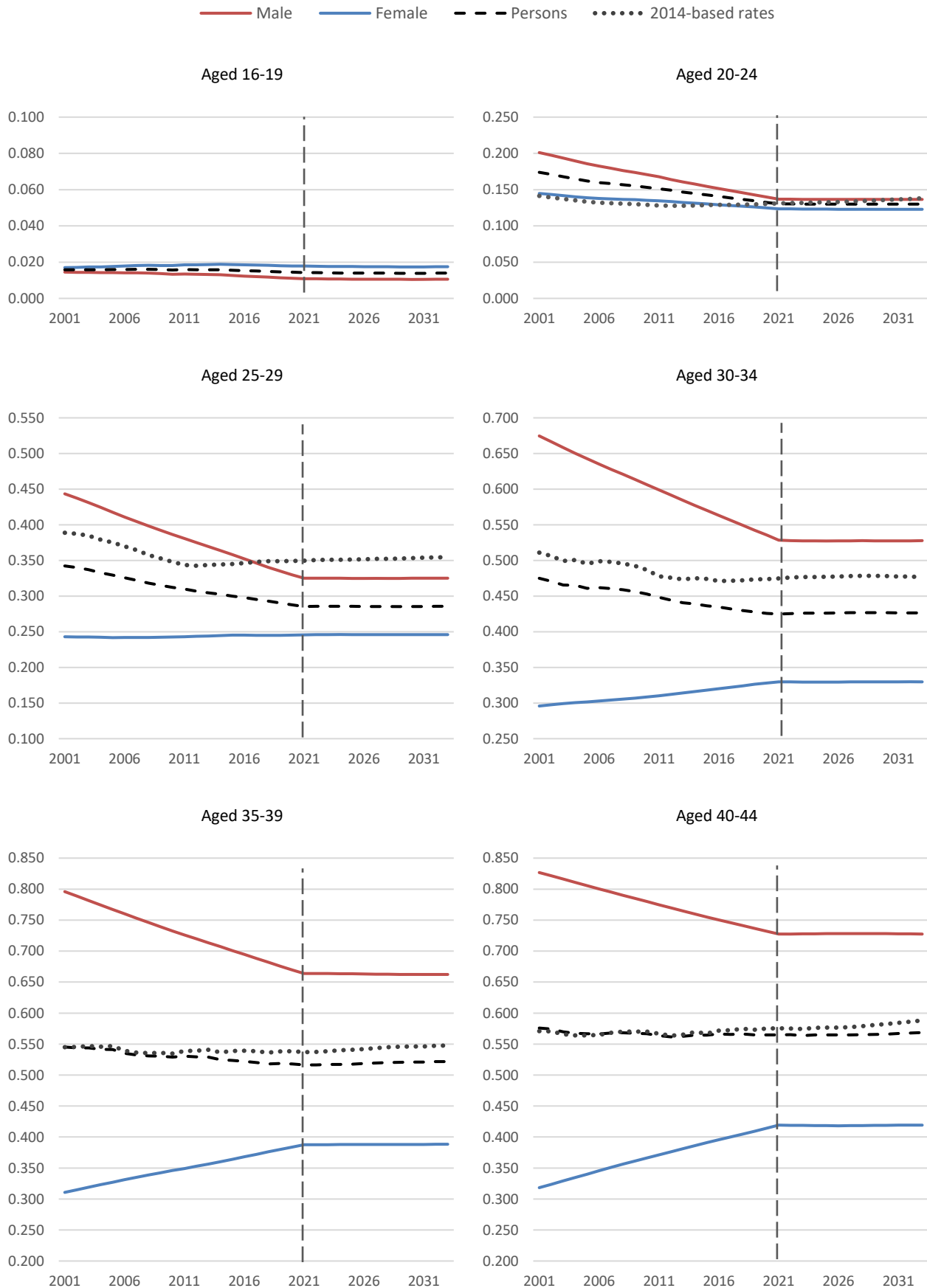
## Household Formation

46. As previously noted, the ONS introduced an entirely new methodology for calculating household formation when they took responsibility for the 2016-based household projections. Both the new ONS method and the previous CLG method for establishing household formation are based on the probability of individuals being household representatives (the statistical “head of household”), with past estimates based on Census data for individual age/gender groups in each area.
47. Whilst the previous CLG household formation method used Census data covering the period 1971 to 2011 to establish the trends (see the 2015 SHMA paras 2.64-2.72), and therefore recent changes (such as the reduction in young households being able to form in some areas) had only limited impact. However, the new ONS household formation method only uses data from the 2001 and 2011 Census – assuming that these trends will continue up until 2021 with rates then held constant from 2021 onwards – so recent changes are likely to have a more significant impact on the projection.
48. Figure 14 to Figure 17 show the male and female household representative rates from the 2018-based household projections by age group for each of the local authority areas, and also how these are projected to change over time. It is clear that the rate is projected to decline for males in all age groups under 45 and for females in most age groups under 30.
49. The charts also show a combined rate for all persons for the 2018-based projections, and the equivalent combined rate for the 2014-based projections. The 2018-based projections identify that the overall rate is projected to decline across all age groups under 40 and remain stable for those aged 40-44 in all four of the local authority areas. In contrast, the 2014-based projections generally showed no change in the overall rate (or a small increase) across almost all age groups over the period 2011-2033 despite some groups showing a reduction over the previous 10-year period 2001-2011.
50. Equivalent rates identified by earlier household projections (albeit based on a different definition) had been increasing for younger age groups throughout the 1990s – so it is argued that if more housing had been delivered over the 10-year period 2001-2011 at a price that was sufficiently affordable for local residents, more young people would have been able to form new households and the household representative rates would not have declined.
51. Of course, there are many socio-economic factors driving the change in household formation.
  - » Increased participation rates for higher education mean that many young adults will no longer seek a job when they leave school; and whilst youngsters entering employment would often leave home permanently at that time and many would not return, far more tend to return to their family home after completing university – especially those that have yet to secure employment after graduating;
  - » Young couples are now less likely to form lifetime partnerships in their late teens and early twenties than had been the norm for previous generations; and the absence of such long-term relationships inevitably leads to fewer couples choosing to get married or otherwise cohabit; and
  - » There are different cultural approaches to young adults living independently, with some groups choosing to live as extended families, so changes in the ethnic mix of the population over time has also impacted on household formation.
52. On this basis, it is clear that housing supply and affordability is one of many drivers. However, whilst it is probably unreasonable to assume that formation rates would continue increasing, it is not unreasonable to assume that individual rates would return to their previously recorded levels and remain stable at that point.

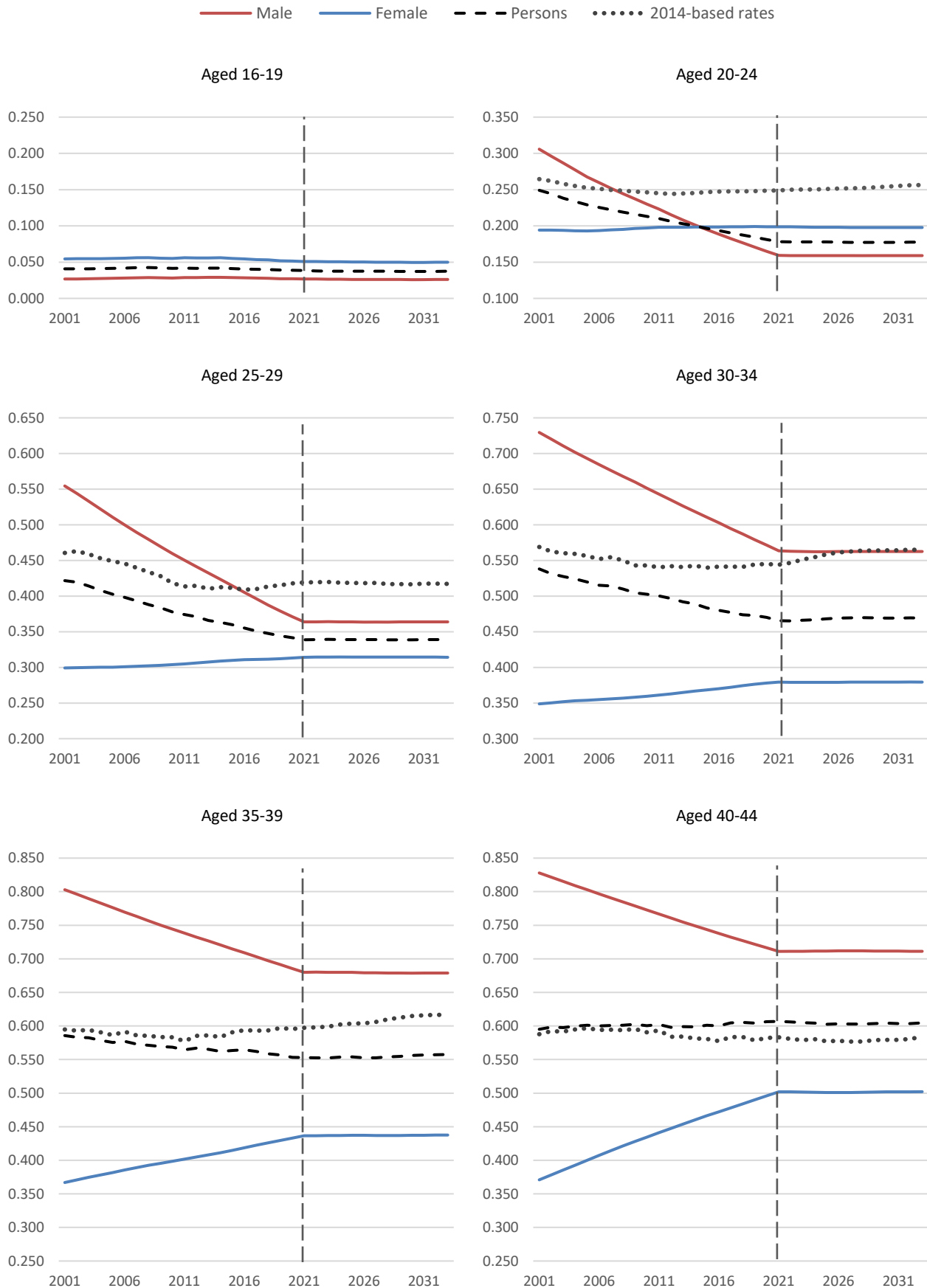
**Figure 14: Household representative rates for East Hertfordshire from the ONS 2018-based household projections by age and gender, 2001-2033 and from the CLG 2014-based household projections by age (Source: ONS; CLG)**



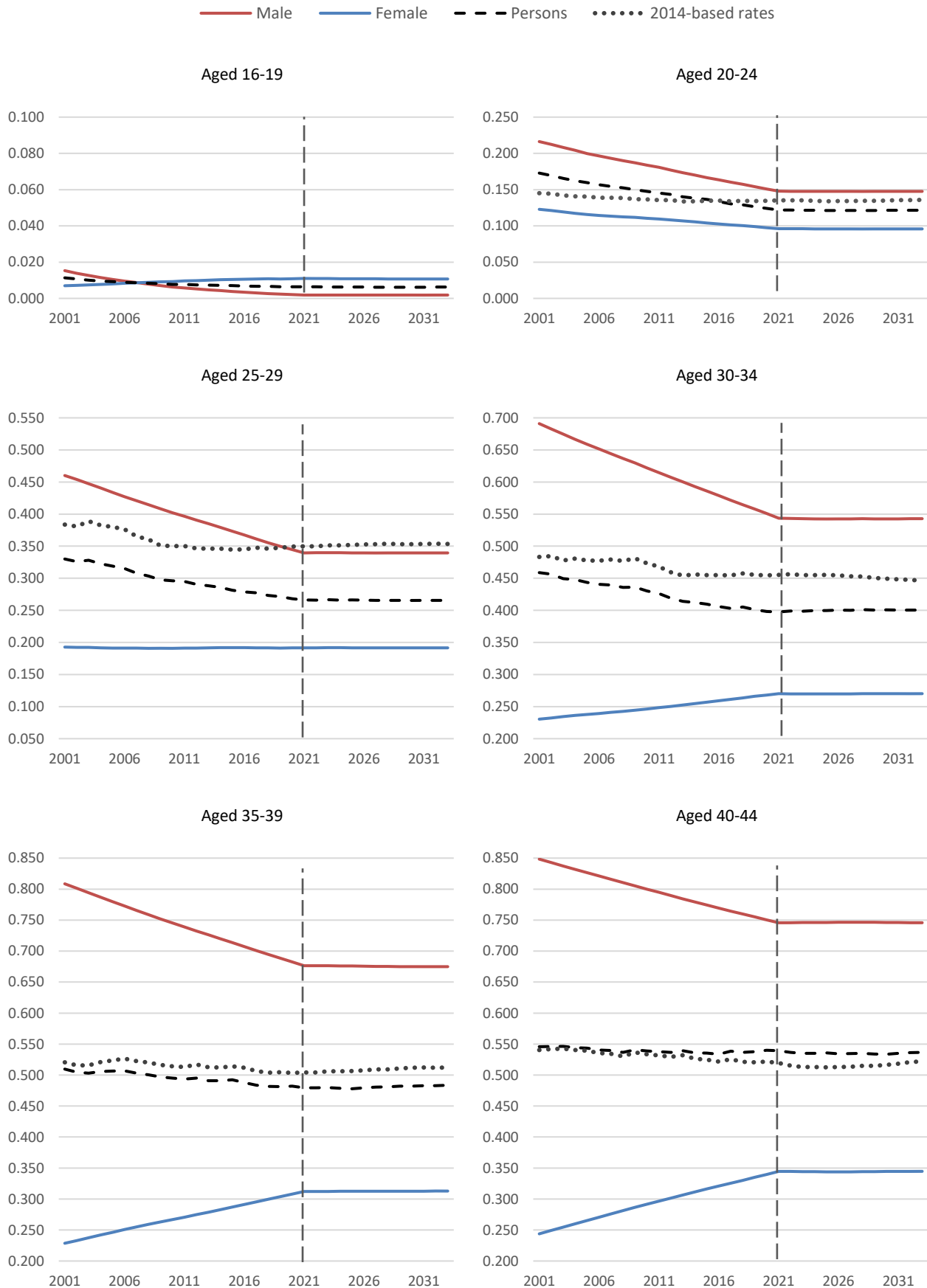
**Figure 15: Household representative rates for Epping Forest from the ONS 2018-based household projections by age and gender, 2001-2033 and from the CLG 2014-based household projections by age (Source: ONS; CLG)**



**Figure 16: Household representative rates for Harlow from the ONS 2018-based household projections by age and gender, 2001-2033 and from the CLG 2014-based household projections by age (Source: ONS; CLG)**



**Figure 17: Household representative rates for Uttlesford from the ONS 2018-based household projections by age and gender, 2001-2033 and from the CLG 2014-based household projections by age (Source: ONS; CLG)**



53. Figure 18 sets out the change in household representative rates between the Census years in 2001 and 2011 by age group and gender. The number of households is calculated by multiplying these rates with the household populations by age and gender. This shows that had the rates not declined over this period, an additional 2,408 households would have formed in the area.
54. Through undertaking a similar analysis for the population in 2033 using the 10-year migration variant scenario from the 2018-based projections, we can establish that there would have been a further 2,261 household formations had the household representative rates remained at the levels recorded in 2001.

Figure 18: Impact of declining household representative rates over the period 2001-2011 (Source: ONS)

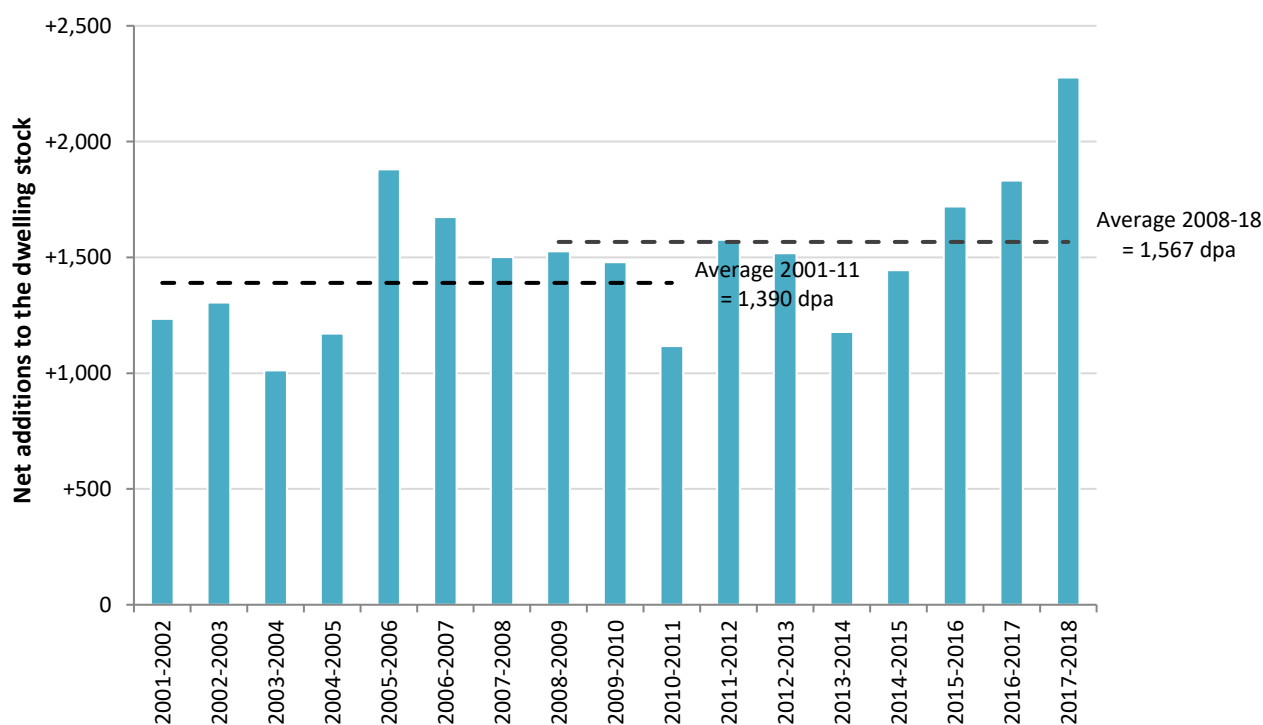
	Male				Female				Overall impact on total households
	Household representative rate		Change 2001-11	Impact on households in 2011	Household representative rate		Change 2001-11	Impact on households in 2011	
	2001	2011			2001	2011			
<b>East Herts</b>									
Aged 16-19	0.0164	0.0092	-0.0072	-24	0.0264	0.0107	-0.0157	-49	-73
Aged 20-24	0.2376	0.1918	-0.0458	-146	0.1541	0.1431	-0.0111	-35	-181
Aged 25-29	0.4907	0.4217	-0.0690	-246	0.2379	0.2545	+0.0166	+61	-185
Aged 30-34	0.7166	0.6437	-0.0729	-310	0.2758	0.3116	+0.0358	+158	-152
Aged 35-39	0.8221	0.7658	-0.0564	-275	0.2676	0.3206	+0.0529	+271	-3
<b>Sub-total</b>	-	-	-	<b>-1,001</b>	-	-	-	<b>+406</b>	<b>-594</b>
<b>Epping Forest</b>									
Aged 16-19	0.0145	0.0135	-0.0010	-3	0.0170	0.0186	+0.0016	+4	+1
Aged 20-24	0.2011	0.1677	-0.0334	-112	0.1448	0.1347	-0.0100	-34	-146
Aged 25-29	0.4434	0.3807	-0.0627	-202	0.2428	0.2429	+0.0001	+0	-202
Aged 30-34	0.6746	0.5989	-0.0757	-270	0.2958	0.3102	+0.0145	+56	-214
Aged 35-39	0.7959	0.7261	-0.0698	-278	0.3107	0.3493	+0.0386	+166	-112
<b>Sub-total</b>	-	-	-	<b>-865</b>	-	-	-	<b>+193</b>	<b>-671</b>
<b>Harlow</b>									
Aged 16-19	0.0268	0.0289	+0.0021	+4	0.0546	0.0561	+0.0015	+3	+7
Aged 20-24	0.3058	0.2231	-0.0827	-195	0.1943	0.1980	+0.0038	+10	-185
Aged 25-29	0.5545	0.4504	-0.1041	-295	0.2992	0.3049	+0.0057	+18	-277
Aged 30-34	0.7295	0.6431	-0.0864	-255	0.3488	0.3611	+0.0123	+37	-218
Aged 35-39	0.8029	0.7382	-0.0647	-177	0.3669	0.4016	+0.0347	+101	-76
<b>Sub-total</b>	-	-	-	<b>-917</b>	-	-	-	<b>+169</b>	<b>-748</b>
<b>Uttlesford</b>									
Aged 16-19	0.0153	0.0058	-0.0095	-19	0.0070	0.0097	+0.0027	+5	-14
Aged 20-24	0.2163	0.1807	-0.0356	-64	0.1228	0.1096	-0.0133	-24	-88
Aged 25-29	0.4601	0.3964	-0.0637	-114	0.1927	0.1911	-0.0017	-3	-117
Aged 30-34	0.6910	0.6147	-0.0763	-156	0.2304	0.2482	+0.0178	+39	-118
Aged 35-39	0.8085	0.7387	-0.0698	-169	0.2286	0.2708	+0.0422	+112	-57
<b>Sub-total</b>	-	-	-	<b>-523</b>	-	-	-	<b>+129</b>	<b>-394</b>
<b>OVERALL TOTAL</b>	-	-	-	<b>-3,306</b>	-	-	-	<b>+898</b>	<b>-2,408</b>

55. Taking account of the 2,408 additional households in 2011 and the further 2,261 households that would have formed between 2011-33 would suggest a need to make an allowance for at least 4,669 households over and above the identified household growth in order to properly allow for suppressed household formation that is likely to have been introduced within the 2018-based household projections. This is notably higher than the 641 concealed families and homeless households that was allowed for by the 2015 SHMA and the 2017 Update, albeit that this did form part of the larger market signals uplift.

## Net Additions to the Dwelling Stock

56. Whilst migration is cyclic and subject to peaks and troughs from year-to-year, both the rate of net migration and household formation can be influenced by the availability of housing. An area that is providing significant numbers of additional homes will see a larger number of people moving to live in the area (and/or fewer moving away) and new households forming than an area where there is only a limited supply of new housing available.
57. Figure 19 shows the net additions to the dwelling stock each year based on the published Government figures. It is evident that the number of additional dwellings that were provided over the decade ending 2011 averaged around 180 dwellings fewer than the most recent 10-year period 2008-2018 (1,390 cf. 1,567 dpa). It is likely that this increased rate of housing supply accounts for at least part of the increase in the 10-year average net migration trends.
58. Nevertheless, the rate of housing supply remains considerably lower than the OAN of 2,095 dpa that was identified by the 2015 SHMA, and also the OAN of 2,350 dpa identified by the 2017 Update that was endorsed by the Inspector that examined the East Hertfordshire Local Plan. Therefore, despite the recent increase in the rate of net additions to the dwelling stock each year, there remains a shortfall when compared to the previously identified need.

Figure 19: Annual net additions to the dwelling stock 2001-2018 (Source: MHCLG Live Tables 122)



## Establishing Objectively Assessed Need

59. Figure 20 summarises the household growth identified by the range of different household projections for the period 2011-33, together with the associated housing need based on applying a vacancy rate to derive a dwelling number (“household projection-based housing need”).

**Figure 20: Summary of OAN based on the range of available Household Projections**

Projection	Household growth 2011-33	Household projection-based housing need
<b>OFFICIAL PROJECTIONS</b>		
CLG 2012	49,638	51,629
CLG 2014	50,697	52,730
ONS 2016 sensitivity 2	43,578	45,309
ONS 2016 principal scenario	40,213	41,818
ONS 2016 10-yr migration	40,629	42,256
ONS 2018 principal scenario	32,529	33,854
ONS 2018 5-yr migration	35,056	36,467
ONS 2018 10-yr migration	37,320	38,820
<b>SHMA PROJECTIONS</b>		
SHMA Update September 2015	36,899	38,382
OAN Update July 2017	43,759	45,507

60. The latest official projections (the ONS 2018-based projection principal scenario, using 2-year migration trends and the new ONS methodology for establishing household formation) suggest a household projection-based housing need of 33,854 dwellings. However, this figure increases to 36,467 dwellings when 5-year trends are applied for internal migration; and further increases to 38,820 dwellings when 10-year migration trends are applied.
61. We would not consider either the principal scenario (where internal migration is based on 2-year trends) or the “alternative internal migration variant” (based on 5-year trends) to provide an appropriate basis for establishing the OAN as both are based on short-term trends in migration and it is possible that neither would provide sufficient workers to align with the planned jobs growth. Of those scenarios available, we would only consider the 10-year migration variant providing a suitable starting point for the OAN figure.
62. The latest projections (based on 10-year migration trends) are higher than the housing need based on household growth identified by the 2015 SHMA (38,382 dwellings) but lower than that identified by the 2017 Update (45,507 dwellings). However, the need to take account of past under delivery of housing, and in particular the impact on suppressed household formation, means that it would be inappropriate to conclude that the OAN figure had also reduced by an equivalent amount.
63. The 2015 SHMA concluded an OAN of 2,095 dpa and the 2017 Update concluded an OAN of 2,350 dpa, which were both higher than the delivery of 1,390 dpa that was achieved on average from 2001-11 (Figure 19). This increase was partly necessary to address the reduced rates of household formation experienced over that decade, which the latest ONS 2018-based data suggests to be around 2,408 households (Figure 18). Whilst housing supply over the 10-year period 2008-18 increased to 1,567 dpa on average, there remains a shortfall relative to the identified housing need; and PPG sets out that assessments “*need to reflect the consequences of past under delivery of housing*” [ID 2a-015-20140306] as this can affect household formation (Figure 14 to Figure 17) and which also have consequences for migration (Figure 8).



64. As the latest projections are based on the new ONS household formation method, it is necessary to make a specific adjustment for suppressed household formation: a total of 4,669 households, comprised of 2,408 households at the start of the plan period and a further and 2,261 households that would have formed over the period 2011-2033 but who have not been captured due to the suppressed trends within the projection. Allowing for these additional households would increase the trend-based growth of 37,320 households to an increase of 41,989 households overall, equivalent to a housing need of 43,673 dwellings.
65. It is still necessary to make an appropriate adjustment in response to market signals, which would also help to offset the shortfall in housing delivery in the context of the previously identified need. The 2015 SHMA applied a 20% uplift as a response to market signals, but this adjustment also took account of the identified shortfall in the number of additional workers needed. The 2017 Update applied an uplift of 13.6% as a response to market signals, as the growth in workers already aligned to the identified jobs growth. Nevertheless, both of these uplifts were applied to the household projection-based housing need using the previous CLG household formation method; and both uplifts also included an allowance for suppressed household formation, which would need to be discounted to avoid any double counting.
66. The 2015 SHMA made a specific allowance for 641 concealed families and homeless households as part of the response to market signals. This represented 1.7% points within the overall 20% uplift that was applied. A similar allowance was calculated for the 2017 Update and included within Affordable Housing Update (July 2017). This identified a total of 697 households which represented 1.6% points within the overall 13.6% uplift that was applied. On this basis, when consider the response to market signals, it would be appropriate to apply a 12% uplift in addition to the adjustment for suppressed household formation, which yields a combined uplift of 26% relative to the household projection-based housing need.
67. Applying a 12% uplift to the housing need identified by the ONS 2018-based household growth (based on 10-year migration trends) after taking account of the adjustment for suppressed household formation – the housing need of 43,673 dwellings identified above – would yield an uplift of 5,241 dwellings with an overall housing need of 48,914 dwellings.
68. **On this basis, taking account of the latest available information from the ONS 2018-based projections, a Full Objectively Assessed Need for housing in West Essex and East Hertfordshire would be 48,950 dwellings over the 22-year period 2011-2033, equivalent to an average of 2,225 dpa.**
69. The housing need that is now identified is higher than the OAN that was identified for the period by the 2015 SHMA (46,100 dwellings) but lower than that identified by the 2017 Update (51,700 dwellings). This reflects the substantial reduction to the projected household growth, but it does not represent “*a meaningful change in the housing situation*”.
70. Having taken account of the necessary adjustments, the OAN identified using the 2018-based projections (48,950 dwellings) concluded above is 26% higher than the household projection-based estimate of need using the preferred scenario from the ONS 2018-based projections (the 10-year migration variant) and 44% higher than the household projection-based need using the principal scenario.
71. Whilst we have not undertaken any further analysis of the required housing mix, it is unlikely that the number of affordable homes needed will have changed very much – for typically the need for affordable housing tends to be driven by local need more than by migration. Therefore, a reduction in overall housing need is likely to have increased the percentage of affordable housing need and it will be important for the councils to maximise the number of affordable homes that are delivered over the 22-year Local Plan period.

## Distribution of FOAN between local authority areas and functional HMAs

72. Whilst the identified FOAN will be a key part of the evidence base, the Local Plans will be the mechanism through which the SHMA and associated evidence will be assessed against environmental and policy constraints, such as Green Belt, to identify a sustainable and deliverable plan requirement. The Local Plans will also consider the most appropriate spatial distribution for the FOAN across the housing market area.
73. Nevertheless, it is possible to establish the FOAN for each individual local authority area using an approach consistent to that used for the housing market area as a whole. Whilst this may not represent the most appropriate spatial distribution for meeting the FOAN, it provides a starting point for the process:
- » The household projections used for the baseline estimate are the official ONS 2018-based figures using 10-year migration variant scenario;
  - » The conversion from households to dwellings is based on Census data on the number of household spaces without any usual residents published for each local authority area;
  - » The adjustment in response suppressed household formation is based on a consistent analysis of the detailed data on household representative rates for each local authority area;
  - » The further adjustment in response to market signals, housing supply and migration pressures is based on an uplift of 12% across the housing market area, which is distributed pro rata to the household projection-based estimate of housing need taking account of the local adjustments for suppressed household formation.
74. On this basis, we can conclude that the Full Objectively Assessed Need for housing for the four local planning authority areas is as summarised in Figure 21.

**Figure 21: Full Objectively Assessed Need for Housing by local authority 2011-33**

	East Herts	Epping Forest	Harlow	Uttlesford	HMA
Household projection-based estimate of housing need using the ONS 2018-based household projections (10-year migration variant)	14,276	9,204	4,593	10,747	38,820
Adjustment in response to suppressed household formation	+1,104	+1,438	+1,498	+812	+4,853
Further adjustment in response to market signals, previous under supply of housing and migration pressures	+1,846	+1,277	+731	+1,387	+5,241
<b>Full Objectively Assessed Need for Housing 2011-33</b>	<b>17,225</b>	<b>11,920</b>	<b>6,822</b>	<b>12,946</b>	<b>48,914</b>
Annual average	783	542	311	589	2,225

75. The SHMA considered the OAN based on the whole of East Hertfordshire, Epping Forest, Harlow and Uttlesford administrative areas as a “best fit” to the West Essex and East Hertfordshire HMA. Nevertheless, the original SHMA identified that these administrative areas are in practice divided between four functional HMAs: Cambridge, Chelmsford, Harlow and Stevenage.
76. Figure 22 shows the distribution of the FOAN of 48,950 dwellings across the four functional HMAs within the four West Essex and East Hertfordshire LPAs based on a simple pro rata distribution based on the existing population at the time of the last Census in 2011.

Figure 22: Full Objectively Assessed Need for Housing 2011-33 across the functional HMAs within West Essex and East Herts  
(Note: Coloured areas show commuting zones; hatched area denotes Harlow & Stortford BRMA. FOAN figures only identify need within the four West Essex and East Hertfordshire local authority administrative areas)

