



Strategic Housing Market Assessment – Part 1

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1 INTRODUCTION

Study overview

- 1.1 Dover District Council (DDC) and Shepway District Council (SDC) jointly commissioned to undertake this study in March 2016.
- 1.2 As part of the commission to update the SHMA for both districts, the brief set out the following requirements:
 - Define the housing market area for both districts
 - Objectively assess the level of housing need in Dover district and Shepway
 - Consider demographic projections of need
 - Assess likely change in job numbers and the implications of this on housing need
 - Look at market signals
 - Calculate affordable need
 - Estimate future housing need by dwelling size, household type and tenure
 - Consider the housing requirements of specific groups
 - Assess the potential level of housing need from London
 - Consider other policy changes
 - Engage with key stakeholders
- 1.3 The brief confirmed that the 'updated SHMA will be used to inform a review of planning policies in both Dover district and Shepway to ensure they are up-to-date and in conformity with the NPPF'.

Structure of the report

- 1.4 The study is structured as follows:
 - Section 2 provides a brief overview of the policy and evidence base background;
 - Section 3 draws Dover district (and Shepway's) housing market area.
 - Section 4 establishes the demographic starting point with reference to the evidence base background, the latest Department for Communities and Local Government (CLG) projections and alternative trend-based scenarios.
 - Section 5 reviews evidence on past housing provision, market signals and affordable housing to establish whether a market signals uplift to the demographic starting point is required.
 - Section 6 considers the alignment of housing and future jobs
 - Section 7 draws together the preceding three sections to identify the objectively assessed need (OAN).
 - Finally, Section 8 summarises our findings and discusses how the DDC might translate the assessed need into a housing target for the Local Plan.

- 1.5 Accompanying this Part 1 report, is the Part 2 report which focuses on the calculation of the level of affordable housing need and the size and tenure of all dwellings within the OAN.

2 POLICY BACKGROUND AND EVIDENCE BASE

Policy background

- 2.1 The development plan for Dover district comprises the saved policies of the Local Plan (2002), the Core Strategy (2010) and the Land Allocations DPD (2015).
- 2.2 The Core Strategy pre-dates the NPPF and the revocation of the Regional Spatial Strategy (RSS) for the south east. The housing target set out in the Core Strategy is based on the RSS high-growth scenario which planned for 14,000 new homes, of which 10,100 related to the plan period of 2006 to 2026. The residual related to the allocation of Whitfield to 2031.
- 2.3 The Land Allocations DPD allocates housing land in accordance with the Core Strategy, and in addition to those strategic sites already identified.
- 2.4 We consider how DDC has performed against these targets in Section 6.

Material considerations

- 2.5 As set out above, the adopted housing target is derived from a combination the previous SHMA and SHLAA. However, for this study, it is important to note that many older SHMAs were commissioned for a very different purpose to the new-style SHMAs.
- 2.6 The main product of a 'new style' SHMA is to advise on the housing market area's NPPF- and PPG-compliant housing need i.e. its objectively assessed need (OAN) and possible housing targets (including a policy-led affordable housing uplift). They form the main evidence base to inform a local authority's housing target.
- 2.7 A number of pre-PPG SHMAs have proposed various geographies across Kent. The most recent, the 2009 East Kent SHMA, identified an East Kent HMA which included Canterbury, Dover district, Shepway, Swale and Thanet. This does not however follow the current guidance on the definition of HMAs set out in the PPG.
- 2.8 Added to this, the older SHMAs were informed by now out-of-date data: all pre-date the 2011 Census and new Travel to Work Area data. The statistical base underpinning this study is very different to older versions.
- 2.9 For these reasons, this study does not consider the findings of the East Kent SHMA in any further detail.

Summary

- 2.10 The Core Strategy was adopted before the publication of the NPPF, and the housing target was derived from an old-style SHMA which was carried out prior to the publication of the PPG and does not follow the required method.
- 2.11 However, the PPG is clear that this does not necessarily render the housing targets out of date. With regard to housing requirements, the PPG states that:

‘Housing requirement figures in up-to-date adopted Local Plans should be used as the starting point for calculating the five-year supply. Considerable weight should be given to the housing requirement figures in adopted Local Plans, which have successfully passed through the examination process, unless significant new evidence comes to light. It should be borne in mind that evidence which dates back several years, such as that drawn from revoked regional strategies, may not adequately reflect current needs.’¹

- 2.12 This study, as new evidence, will identify an OAN for Dover district. In the event the identified OAN is in-keeping with the adopted housing requirement for Dover district, DDC may continue to place weight on those targets, despite being based on outdated RSS figures
- 2.13 However, this needs to be looked at in the round, and should DDC decide to update the Core Strategy then it would be appropriate to use the OAN for planning purposes.

¹ Reference ID: 3-030-20140306

3 DEFINING THE HOUSING MARKET AREA

Introduction

- 3.1 Much of the demand or need for housing is not tied to specific local authority areas, because people's decisions on where to live are driven by access to jobs, schools, family etc., rather than administrative boundaries. An HMA is an area of search.
- 3.2 The NPPF instructs that, where a housing market area (HMA) covers more than one local authority, plan-makers should assess housing needs for the whole area rather than each authority individually. Therefore, the first step in the study is to see if Dover district is a standalone HMA. If it were not, in order to provide a sound needs assessment we would need to add further authorities to the analysis, even if they are not taking part in the study.
- 3.3 The PPG provides technical advice on how housing market areas should be defined, noting that an HMA should be a reasonably self-contained area in terms of migration – so that a high proportion of house moves occur within the area, as opposed to crossing its boundaries. It adds that this share of moves occurring within the HMA is '*typically 70% ... excluding long-distance moves (e.g. those due to a change of lifestyle or retirement)*'. The PPG also identifies other data that can help identify HMAs, including commuting patterns, '*which will influence house price and location*'.
- 3.4 In identifying a housing market area for Dover district, our starting point is the geography defined in a study by the Centre for Urban and Regional Studies (CURDS) and others for the former National Housing and Planning Council (NHPAU). That study, published by CLG in 2010², created a consistent set of HMAs across England, based on migration and commuting data from the 2001 Census. As the NHPAU study is the only one of its kinds and has not been updated following the 2011 Census, we test the findings against up-to-date on migration and commuting data from that Census, as well as house price and other contextual data.

The NHPAU geography

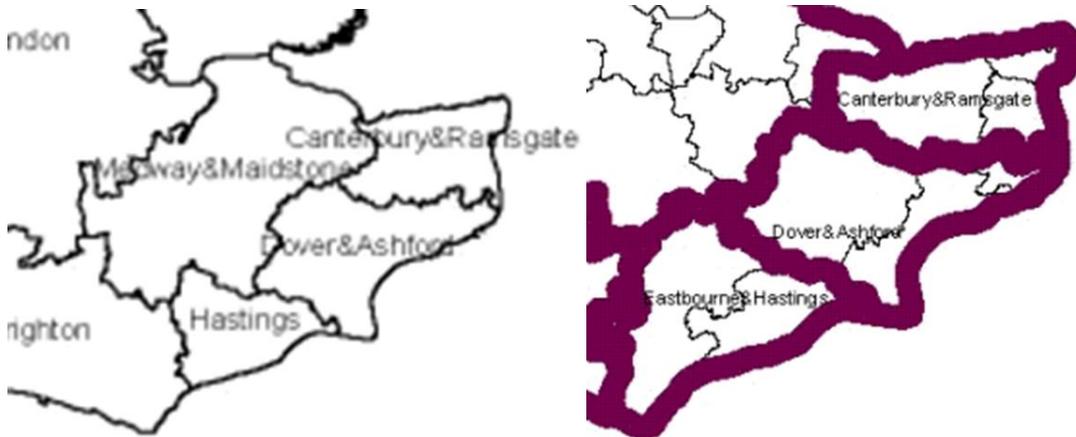
- 3.5 The results of the NHPAU study are hosted on the CURDS website. It defines a three-tiered hierarchy of HMAs: strategic, single-tier and local. The study starts from a fine-grained analysis, producing HMAs that cut across administrative boundaries. But for the strategic and single-tier layers the study also provides a 'silver standard' version, which fits the HMAs to local authority boundaries.
- 3.6 In our view, for our present purpose the single-tier 'silver standard' geography³ is the most helpful. We take this view for pragmatic reasons. Thus, we prefer the single-tier layer because strategic HMAs are often too large to be manageable; we prefer the 'silver standard' because HMAs boundaries that straddle local authority areas are

² C Jones, M Coombes and C Wong, Geography of housing market areas, Final report, November 2010, Department for Communities and Local Government

³ <http://www.ncl.ac.uk/curds/assets/documents/6.pdf> / <http://www.ncl.ac.uk/curds/assets/documents/28.xls>

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

Figure 3.1 CURDS geography – single tier (left) and strategic tier (right)



Source: CURDS

- 3.7 The single tier geography shows an HMA comprising Dover district, Shepway and Ashford (108). The strategic tier, which is less used because it is often much too large, shows the client authorities on the fringes of much larger HMAs: Shepway and Ashford are grouped as one strategic HMA (93) and Dover district, Canterbury and Thanet are grouped separately (94).
- 3.8 However, the CURDS geography was based on the 2001 Census. We therefore undertake below an updated analysis of commuting and migrations flows derived from the recent 2011 Census as a more robust basis for defining the HMA.

Migration

- 3.9 The next step in our analysis is to test Dover district and Shepway (as DDC's commissioning partner) separately. Although this study has been jointly commissioned (and this itself is a very strong contextual indicator implying the two LPAs recognise strong housing market links), it would not be sound to simply conclude they form a HMA without testing each LPA first.

The 70% test

- 3.10 The PPG does not specify how self-contained a HMA needs to be. So for more precise guidance on how to test the HMA we refer to the original source behind the PPG, which is an advice note published by CLG in 2007⁴. The note's introductory comments on this are already familiar, because they are repeated in the PPG:

'Analysis of migration flow patterns can help to identify these relationships and the extent to which people move house within an area. The findings can identify the areas within which a relatively high proportion of household moves (typically

⁴ Communities and Local Government, *Identifying sub-regional housing market areas, Advice note, March 2007*

70 per cent) are contained. This excludes long distance moves (e.g. those due to a change of lifestyle or retirement).

3.11 The 2007 advice note goes on to provide more specific guidance, which is not repeated in the PPG:

'Identifying suitable thresholds for self-containment: The typical threshold for self-containment is around 70 per cent of all movers in a given time period. This threshold applies to both the supply side (70 per cent of all those moving out of a dwelling move within that same area) and the demand side (70 per cent of all those moving into a dwelling have moved from that same area).'

3.12 The tables below show these measures of containment for the area. In this calculation:

- Migration data taken from the 2011 Census and relates to persons moving house in the year ending on Census day.
- Total moves comprise moves within England and Wales only, excluding those whose origin or destination is in other countries of the UK or overseas. We exclude this category because they are long-distance moves, as defined by the PPG following the 2007 advice note.
- This is a conservative definition of long-distance moves, because in practice many moves within England and Wales also qualify as long-distance, regardless of how 'long-distance' is defined. This issue will be explored in more detail later.

3.13 Looking at the two districts in isolation neither district meets the indicative 70% self-containment thresholds. For Dover district the 'origin' self-containment is 66% i.e. 66% of local people moving home, who already live in Dover district, move to another home within the district. For 'destination' moves this is 67%. For Shepway the containment is 67% and 62%.

Table 3.1 Dover district self-containment calculations

| Origin (moves from) | Destination (moves to) | | Total trips from the HMA | Origin containment |
|-------------------------|------------------------|-----------|--------------------------|--------------------|
| | the HMA | Elsewhere | | |
| the HMA | 7,519 | 3,846 | 11,365 | 66% |
| Elsewhere | 3,774 | | | |
| Total moves to the HMA | 11,293 | | | |
| Destination containment | 67% | | | |

Table 3.2 Shepway self-containment calculations

| Origin (moves from) | Destination (moves to) | | Total trips from the HMA | Origin containment |
|-------------------------|------------------------|-----------|--------------------------|--------------------|
| | the HMA | Elsewhere | | |
| the HMA | 7,778 | 3,834 | 11,612 | 67% |
| Elsewhere | 4,694 | | | |
| Total moves to the HMA | 12,472 | | | |
| Destination containment | 62% | | | |

- 3.14 The self-containment thresholds are only indicative; they should not be applied rigidly. But the self-containment for both districts is below the 70%. This could be improved if we started to exclude additional long distance and lifestyle moves as the guidance suggests. However, practically the data does not support such analysis. The motivation for migrating is not captured in the data so this analysis could only be based on very broad assumptions that could not be verified e.g. that all older age moves are ‘retirement’ and so classed as lifestyle.
- 3.15 A larger HMA is likely to be more statistically robust and does not need to be defined on such broad assumptions. So we next test the relationship with the two districts together. As noted, the commissioning authorities consider their housing markets are linked; this work is commissioned jointly, and so testing the two districts together is a reasonable step.
- 3.16 When the two districts are considered together, self-containment improves and the ‘around’ 70% threshold is achieved. Destination moves now reaches 69%. It is reasonable to assume that, if we could robustly remove any long-distance or lifestyle moves, it would exceed the 70% threshold.

Table 3.3 Dover district and Shepway self-containment calculations

| Origin (moves from) | Destination (moves to) | | Total trips from the HMA | Origin containment |
|-------------------------|------------------------|-----------|--------------------------|--------------------|
| | the HMA | Elsewhere | | |
| the HMA | 16,491 | 6,486 | 22,977 | 72% |
| Elsewhere | 7,274 | | | |
| Total moves to the HMA | 23,765 | | | |
| Destination containment | 69% | | | |

- 3.17 In migration terms, we consider that the two districts form a reasonable HMA.

Could the HMA be improved further?

- 3.18 Before we firmly conclude that the two districts form an HMA, we briefly look at the links between this possible HMA and its neighbours. We do this by adding neighbouring authorities into our analysis to see how this improves the headline self-containment. Mathematically the larger the HMA, the more self-contained it will be. But we look to see whether any improvement is to such a degree as to change our initial conclusions.
- 3.19 We do this for the Kent authorities; starting with those having the highest flows with Dover district and Shepway. We do not extend the analysis to the west because the data shows that migration links with Hastings and Rother are very weak. Also Hastings (with Rother) both have post-NPPF plans and their HMA geography has already been found sound by their respective plan Inspectors.
- 3.20 Adding further local authorities to the HMA makes only modest improvements to the degree of self-containment. The detailed tables are in Appendix A; in summary, a potential HMA of:

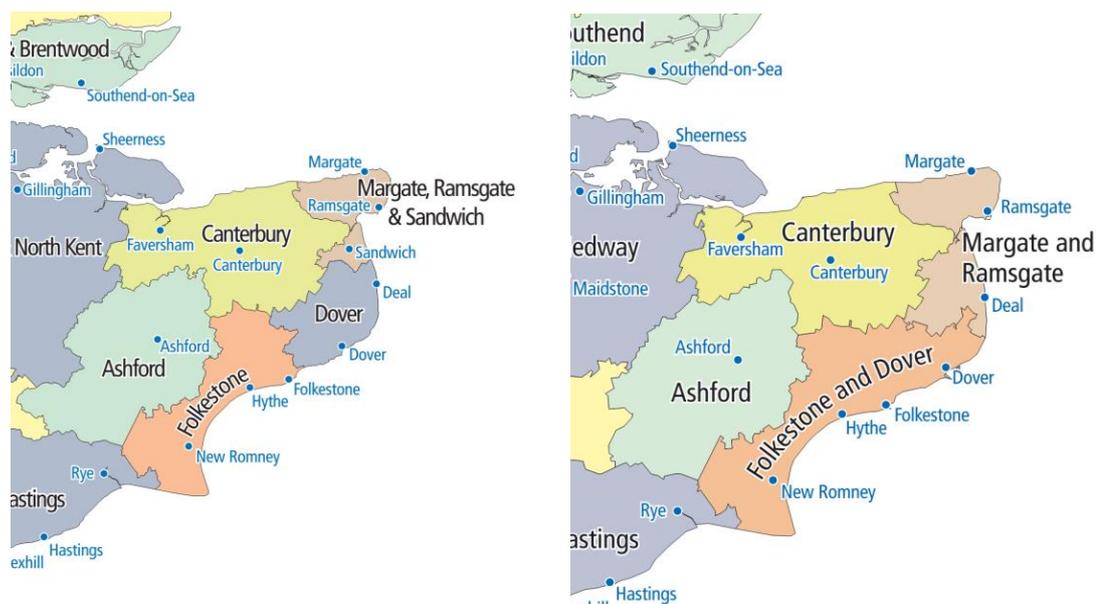
- Dover district, Shepway and Thanet would achieve 77% (origin) 72% (destination) containment
- Dover district, Shepway, Thanet and Canterbury would achieve 76% and 71%
- Dover district, Shepway, Thanet, Canterbury and Ashford achieve 77% and 72%.

- 3.21 As noted above the larger the HMA, the more likely self-containment will improve. For the more challenging destination measure no combination provides more than a 2.5% improvement over the two districts alone.
- 3.22 Looking at migration data suggests Dover district and Shepway form a reasonable HMA; adding neighbours improves self-containment but not to any large degree. However, migration is only one measure we need to consider. In the next section we consider commuting and the new Travel to Work areas.

Commuting

- 3.23 In considering commuting, we focus our analysis on the TTWA geography. Within TTWAs commuting is as self-contained as possible. The calculations are undertaken at the national level and the resulting single-tier geography is the ‘best fit’ possible. It does not conform to LPA boundaries and is made up of middle-level super output areas.
- 3.24 In August 2015, new TTWAs were published by the ONS. These are based on 2011 Census data and supersede the 2001-based TTWA data which informed the NHPAU analysis. However, it is useful to consider how the geographies, and therefore commuting flows and linkages, have changed over time as shown below.

Figure 3.2 2001 TTWA (left) and 2011 TTWA (right)



Source: ONS

- 3.25 In the 2001-based TTWA geography, Dover district and Folkestone were in separate TTWAs. However, in the latest set, their TTWA has been merged. However, the

merger is not simple: the northern parts of Dover district, which are less accessible to Dover town centre and especially Folkestone, are now placed in the Margate and Ramsgate TTWA (Thanet).

- 3.26 Connectivity between Dover district and Folkestone experienced a step change improvement in the mid-1990s with the opening of the A20 dual carriageway and Roundhill tunnel. Because it takes time for commuting (and housing) patterns to adjust, the true impact of this would not have been felt in time for the 2001 Census. So the 2011 Census is the first set of data available which shows this amended geography. This may explain why the TTWA geography has shifted in this area.

Dover district's commuting patterns

- 3.27 Because the latest TTWA geography now splits Dover district, we have also looked in detail at the lower level commuting data from the Census⁵ for the two main towns in the north of the district (Deal and Sandwich) which are now placed in a separate TTWA to Dover town.
- 3.28 To identify the pattern of flows the figure below shows where commuters from Deal (MSOA Dover 004) commute to (red lines) with the blue lines showing where commuters into Deal commute from. For Deal the strongest links are to Dover town, Sandwich (Dover district) and to a lesser extent Canterbury. Despite forming part of the Margate TTWA, the local data shows weak commuting links with the core Thanet district towns.

Figure 3.3 Local commuting data for Deal (MSOA 004)

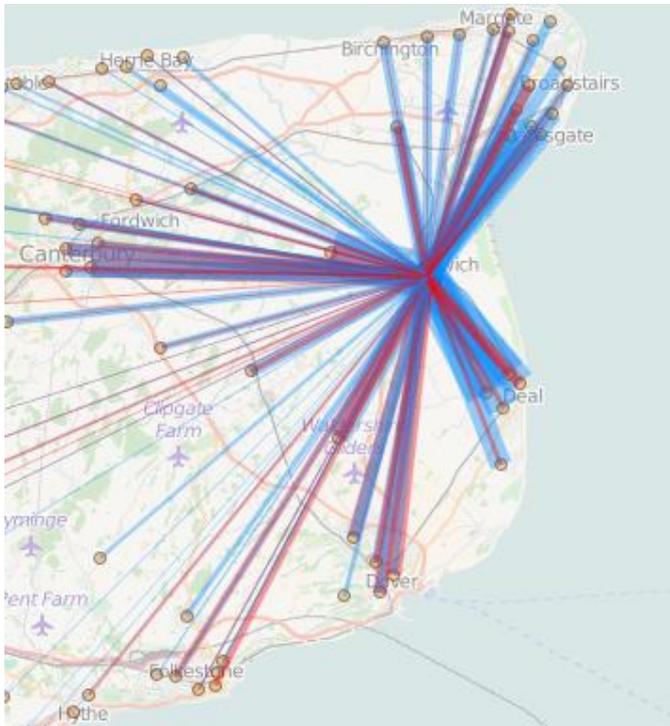


Source: ONS

⁵ MSOA Table WU03EW

3.29 Identical analysis for Sandwich (MSOA Dover 002) is much more mixed; but on balance flows within Dover district, including to other Dover district towns (especially Deal) are stronger than cross-boundary flows to Canterbury and Thanet.

Figure 3.4 Local commuting data for Sandwich (MSOA 002)



Source: ONS

3.30 There are obvious links with Thanet and Canterbury; residents in Sandwich commute to work in all three districts. However, Sandwich appears to be at the threshold of a number of different commuting catchments but the data is not strong enough to warrant splitting the town from Dover district and the rest of the HMA. Sandwich is also much smaller and so less significant when it comes to placing Dover district into the best fit HMA. The 2011 population of Sandwich was only 5,000 people so 1/6th of that in Dover or Deal.

3.31 The table below summarises commuting flows from the MSOAs that comprise the northern part of the district lying outside the defined Dover district and Folkestone TTWA.

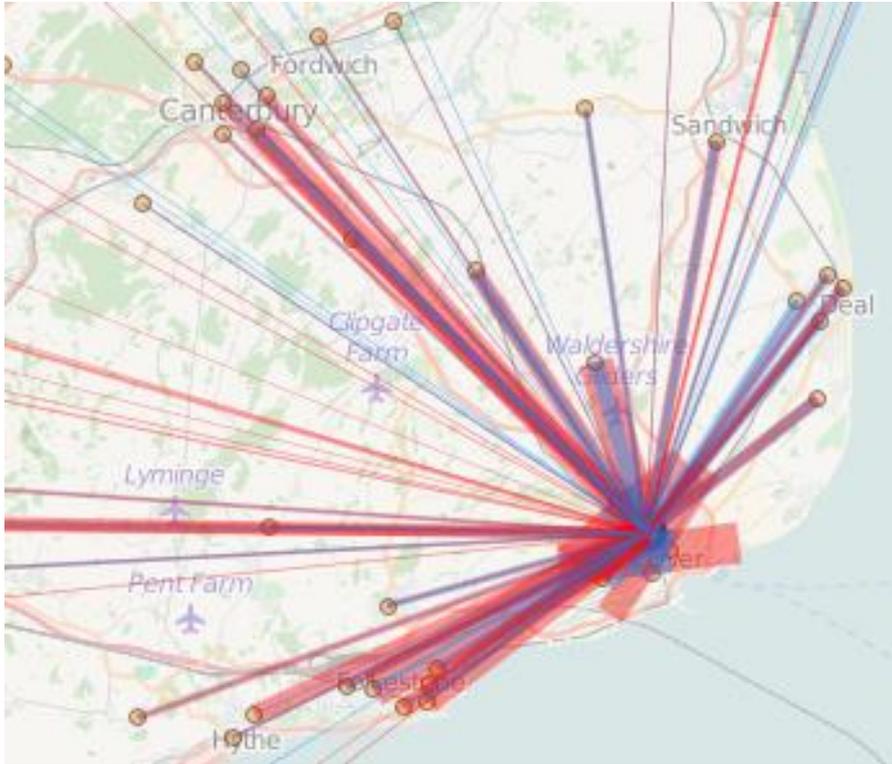
Table 3.4 Summary table of commuting flows across Dover district, Thanet and Canterbury

| | Dover 001 | Dover 002 | Dover 003 | Dover 004 | Dover 005 | Dover 007 | Dover 009 |
|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Thanet | 221 | 349 | 176 | 162 | 203 | 148 | 94 |
| Dover | 660 | 747 | 1,606 | 1,115 | 1,860 | 1,638 | 1,122 |
| Canterbury | 806 | 409 | 202 | 204 | 230 | 204 | 207 |

Source: ONS

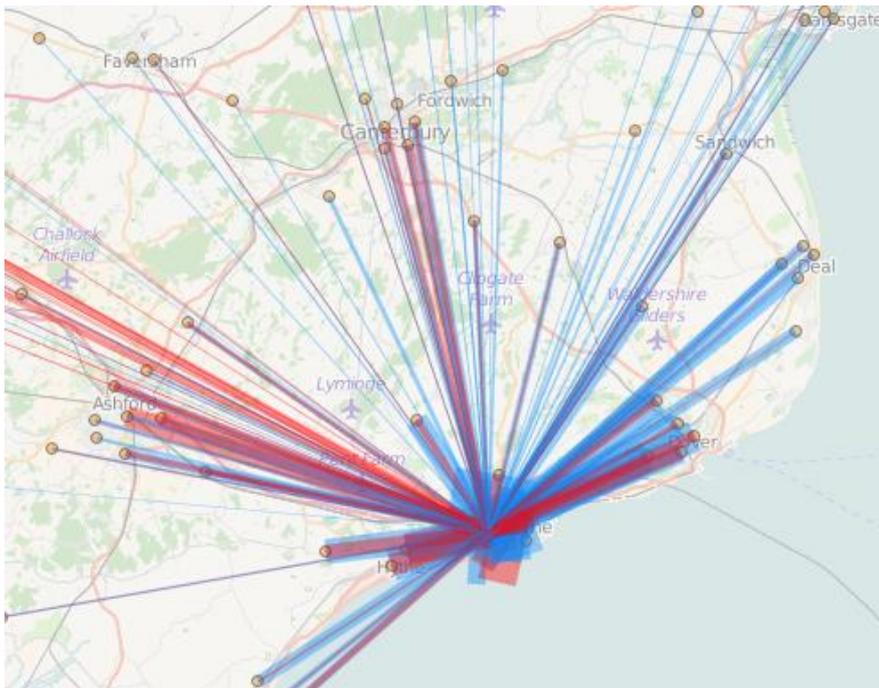
3.32 For completeness; the map below shows MSOA Dover 011 (Central Dover town/Buckland) and Shepway 006 (Folkestone). Both are urban MSOAs and show very strong links between the two towns, as well as relatively weak links with Thanet and Canterbury.

Figure 3.5 Local commuting data for MSOA Dover district 011



Source: ONS

Figure 3.6 Local commuting data for Shepway MSOA 006



Source: ONS

Conclusions

- 3.33 The new TTWA geography therefore endorses a best-fit HMA geography of Shepway and Dover districts; alternative groupings require adding two or more TTWAs together which defeats the logic of a TTWA. The two main towns (Folkestone and Dover district) are clearly part of one TTWA.
- 3.34 While the TTWA geography splits Dover district, this is likely to be a product of the method which defines a ‘best fit’ single tier TTWA geography. Looking at the detail of the northern part of the district, Deal has much stronger links to Dover district and its main towns (Dover and Sandwich) than any cross-boundary town. Should new homes be provided in Deal they appear much more likely to meet the economic needs of Dover than any of the Thanet towns. Sandwich is more mixed; on balance links to Dover town are slightly stronger and cross boundary links are split between Canterbury and Thanet towns. However, Sandwich is a significantly smaller town and so less weight should be afforded when trying to identify the best fit for the district.
- 3.35 There is no suggestion, in evidence or alternative SHMAs, suggesting Shepway forms part of a housing market with Thanet or Canterbury.

House prices

- 3.36 Another measure used to define HMAs is house prices. The PPG states:
- “This analysis [of house prices] uses house prices to provide a ‘market-based’ reflection of housing market area boundaries. It enables the identification of areas which have clearly different price levels compared to surrounding area”*
- 3.37 In simple terms, house price ‘cliffs’ can be used to help define an HMA.
- 3.38 The map overleaf is a snapshot in time from Zoopla (one of the main online house price databases). Average prices in Dover and Folkestone town centres are very similar and distinct from either Canterbury or Ashford. In general, the evidence then supports a two-district HMA, clearly separated from Canterbury and Ashford.
- 3.39 Within Shepway and Dover district there are towns where housing is more expensive than Folkestone or Dover town. Shepway has Hythe and New Romney, Dover district has Sandwich and Deal. Sandwich has clear parallels with Canterbury to the west but a very clear differential with Margate (Thanet).
- 3.40 For the northern part of Dover district, where the TTWA splits Dover district, the data does not show a very strong pattern. But it does show Sandwich as a reasonably clear threshold separating a possible Thanet market from Dover town market. But Sandwich its-self is very difficult to place. From this data, following the advice in the PPG, Sandwich town would appear to be the boundary between a Thanet market and a Dover district one.

Figure 3.7 House price data



Source: Zoopla ZED Index Data <http://www.zoopla.co.uk/property/estimate/about/>. October 2016.

Neighbouring local authorities

- 3.41 Before concluding we briefly look at the neighbouring local authorities' evidence bases.
- 3.42 As noted above, links westwards from either Dover or Shepway; into Rother and Hastings are very weak and their Plans have already adopted a Rother/Hastings HMA. Links between Hastings and Ashford could be enhanced if the railway line was improved or electrified.
- 3.43 Looking northwards the Ashford SHMA addendum (2014) does not suggest the Ashford HMA extends into either Shepway or Dover district. It does not question the conclusion of previous iterations of the SHMA that Ashford borough forms a self-contained HMA.
- 3.44 Thanet has recently published their own SHMA (2015). In this work they conclude that Thanet requires Dover district and Canterbury to form a HMA. But they do not provide a OAN for either Canterbury or Dover. So no alternative OAN is available for this possible alternative HMA.
- 3.45 It is not unusual for there to be differing views about the extent of an HMA and in practice the edges of any HMA are blurred. Local authority districts do not always reflect housing market or economic boundaries. Also this discrepancy highlights a shortcoming in the PPG method where local Councils are required to identify *their* HMA. So different conclusions can be reached depending on the 'seed' council at the start of the assessment.

- 3.46 In this case the Thanet SHMA was commissioned by Thanet as a single district study and because of the geography, where the Thanet self-containment calculation is too low to suggest it forms a self-contained HMA it can only mathematically be improved by adding Dover district and Canterbury. Here this work is commissioned jointly by Shepway and Dover districts who together form a HMA and also (from other work) a Functional Economic Market Area.
- 3.47 What is suggested is that Dover District needs to take a pragmatic approach; accepting that while the Dover District / Shepway HMA is an appropriate HMA for the purposes of assessing housing need across the full housing market area there are links between parts of Dover district and its near neighbours. Should unmet housing need arise from Thanet, and the district be unable to accommodate this need, land in some northern parts of Dover could meet this need. From our analysis this appears to be restricted to land in or around Sandwich as opposed to either Dover town or Deal. Should new homes be promoted in either Dover town or Deal they are much more likely to address need arising in the Dover/Shepway HMA as opposed to Thanet. They would be unlikely to address any shortfall from the single district Thanet OAN calculation.
- 3.48 Taking this approach to a possible Thanet HMA is also pragmatic given the Canterbury Local Plan is reaching the final stages of its examination. That plan has, as with Thanet so far, progressed using a single district housing evidence base.

Conclusion

- 3.49 The possible Shepway HMA is reasonably uncontentious. To the west, the HMA is soundly defined; to the north, Ashford does not consider Shepway as part of their HMA (although as with any HMA there are cross-boundary links). The strongest Shepway flows and links are with nearby Dover town.
- 3.50 Placing Dover district is more challenging; especially with Thanet being surrounded by the sea on three sides which means that any mathematical self-containment will always improve with Dover district and Canterbury included. But looking in detail at Dover district and its towns as a whole, Dover district is better placed with Shepway; recognising the links between the towns of Dover district and Folkestone. But in the north of the district a pragmatic approach is needed recognising that the HMA boundaries are not clear cut and do not perfectly follow administrative boundaries.
- 3.51 In this case Thanet Council has identified its own OAN. This is the housing need arising from the Thanet towns. Pragmatically the first call to meet this need should be land within the district; so closest to where the need has emerged.
- 3.52 Any unmet need from Thanet should be addressed through the duty to co-operate; working with Canterbury district to identify the best sites or areas where new housing will meet the needs calculated from Thanet district.

4 PAST DEMOGRAPHIC CHANGE

Introduction

- 4.1 Before considering the future population in Dover district, including demographic projections, we first briefly look at the past. This is important because demographic projections are derived by rolling forward into the future - 'projecting' *past trends* in the *components of demographic change* for different *demographic groups*. It is normal to find that different 'vintages' of population and household projections only differ in their results because they incorporate a different base period with a different base population or migration profile.
- 4.2 In this section we focus on demographic change up to 2014. New 2015 data has recently been released but this does not inform the last, and most recent round, of official population projections. When we consider alternative demographic scenarios however we include an additional sensitivity test which considers this single year of new data.

Changes 2001-14

- 4.3 Since mid-2001⁶ the population of Dover district has been estimated to have risen by 8,400 to reach 113,100 at mid-2014. This increase has been made up of a loss of 800 persons due to natural change (births to resident women being less than deaths of residents) and an increase due net migration and 'other changes' of 9,200 persons. The net migration and other changes include an unattributable population change (UPC) gain of 3,150⁷. If UPC and other changes, such as armed forces and prisoners, are ignored there was an estimated net migration gain of only 6,050. Net migration within the UK was estimated to have been a gain of 4,350 and there was an estimated net migration gain from overseas of 1,700.
- 4.4 As show in the figure below, over the thirteen-year period:
- Annual births have increased, while deaths have varied little, so that natural change has switched from annual losses of around 200 in 2001-04, to gains or very modest losses since 2005-06.
 - Net migration within the UK has been the main driver of population increase but has varied between gains of over 800 in 2003-04 to a loss of nearly 200 in 2008-09.
 - Net overseas migration has been positive in most years with a maximum of over 200 in 2009-10.
 - Other changes, which apart from UPC, include net movements of prisoners, armed forces and boarding pupils, was a gain averaging around 300 a year in

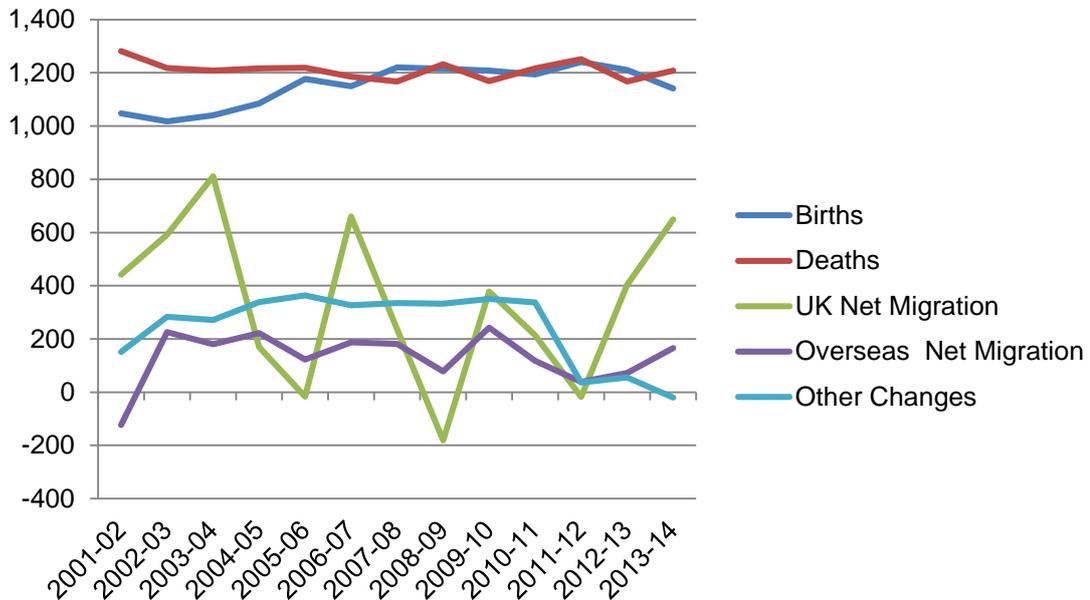
⁶ We use 2001 simply because it is a Census year, so we have an accurate demographic baseline.

⁷ ONS has stated that the 'unattributable' losses (or gains in other authorities), often referred to as UPC, may be due to errors in either the 2001 or 2011 Censuses, giving rise to errors in the mid-year estimates of those years, or errors in either the UK or overseas migration calculations or both.

2001-11 when it included UPC, but has been an average of only 24 a year since 2011.

- The net result is that the population has risen in all years since 2001 but at very different annual levels varying between less than 50 and over 1,100.

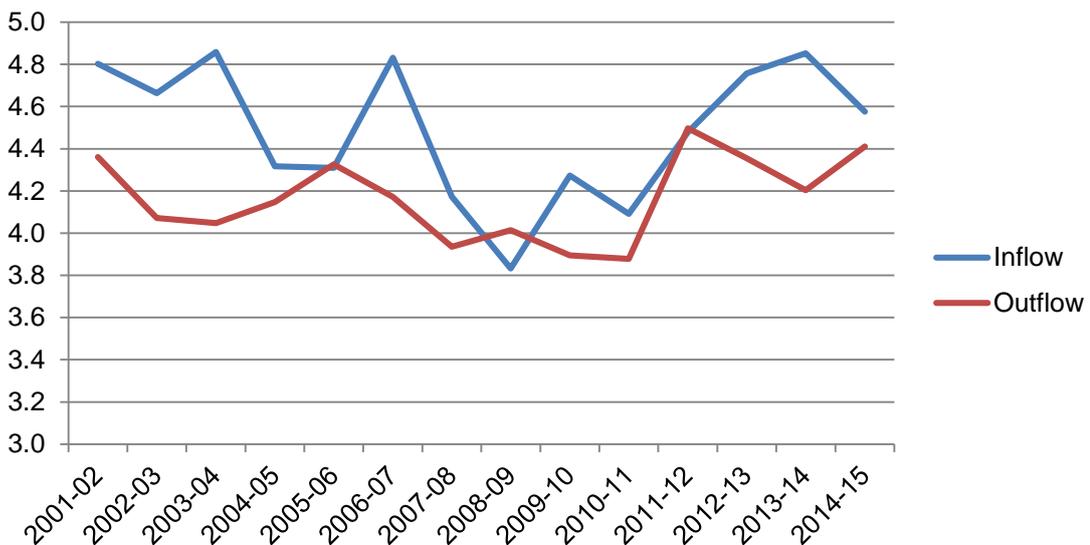
Figure 4.1 Components of population change in Dover district 2001-14



Source: ONS © Crown Copyright

- 4.5 Three aspects of population change require more detailed analysis: gross migration movements, both within the UK and overseas, and UPC.

Figure 4.2 Dover district gross UK migration flows 2001-14 (thousands)



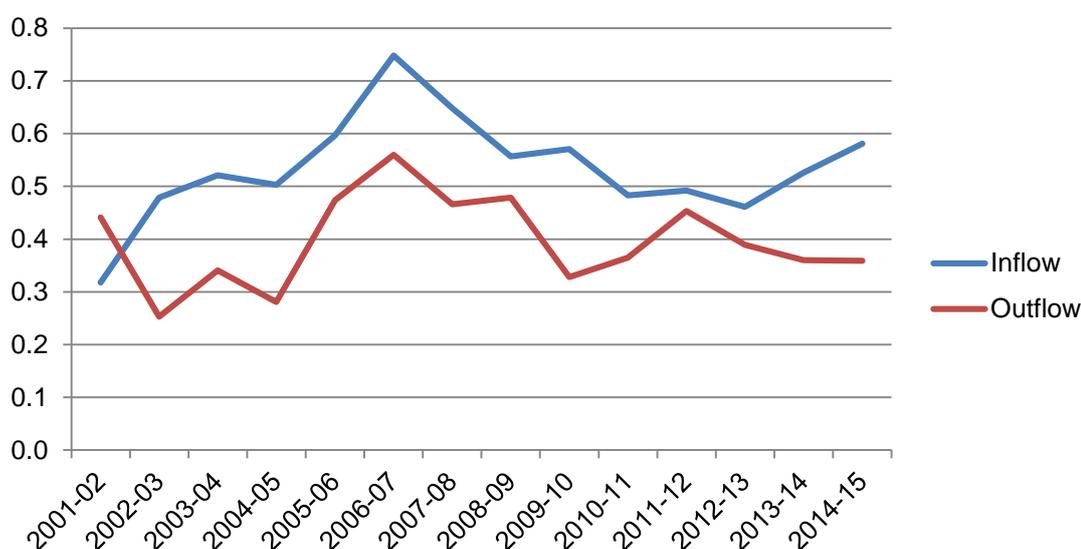
Source: ONS © Crown Copyright

- 4.6 The gross outflow from Dover district to the rest of the UK has averaged around 4,150 per year and has shown a rising trend since 2010-11. The gross inflow has been more variable, falling from 4,800 in 2003-04 and 2006-07 to below 3,900 in

2008-09. It has since recovered to over 4,800 in 2013-14. The inflow was generally in decline from 2001-02 to 2007-08 and fell a little more in the following year before recovering. As such, the recession effects on Dover district appear to be less than in many other locations.

- 4.7 The volumes of migration with overseas are estimated to be much less than those within the rest of the UK, averaging around 500 people in and 400 people out each year. There were peak inflows and outflows in 2006-07; however, levels have been more stable in the past five years, broadly aligning with the 13-year averages.

Figure 4.3 Gross overseas migration flows for Dover district 2001-14 (thousands)

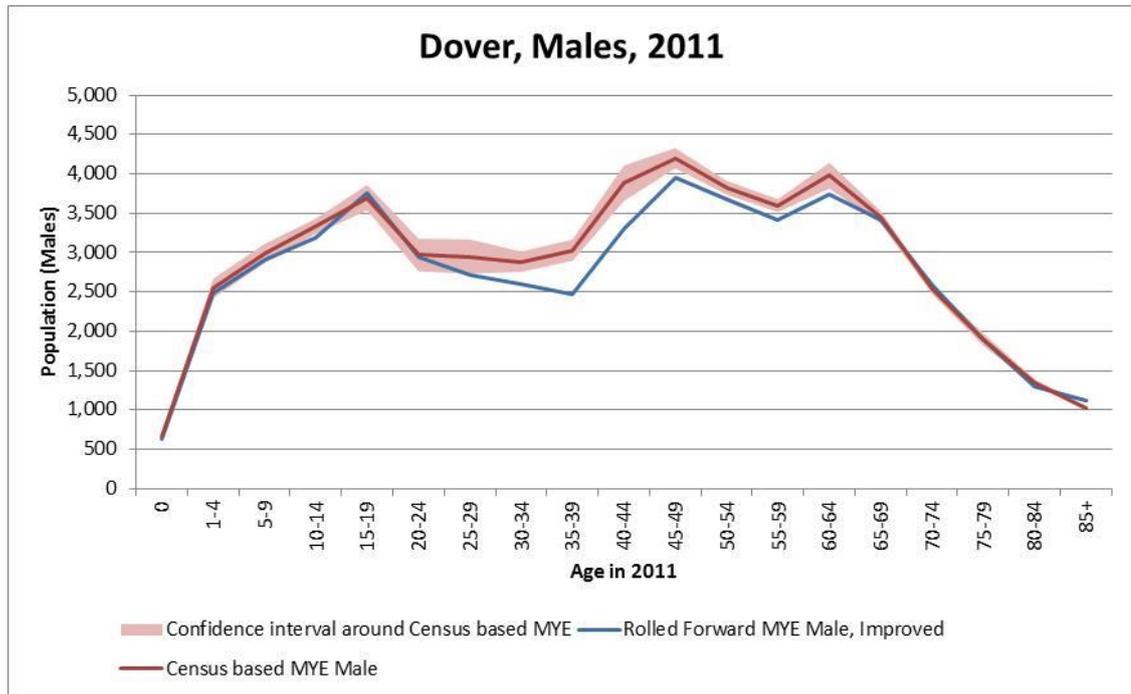


Source: ONS © Crown Copyright

- 4.8 The annual ONS mid-year estimate change analyses between 2001 and 2011 showed UPC for Dover district to be a net gain of 3,153. In September 2015, ONS published a paper⁸ and an associated data tool.
- 4.9 The two following charts, based on ONS data, show that the 2011 Census-based mid-year population estimates for Dover district were above the rolled forward estimates based on the 2001 mid-year estimates. The differences were most apparent for males in their 30s and 40s and for females in their 20s and early 30s. At these ages the rolled forward estimates for both males and females are outside the 95% confidence intervals of the 2011 Census-based estimates.

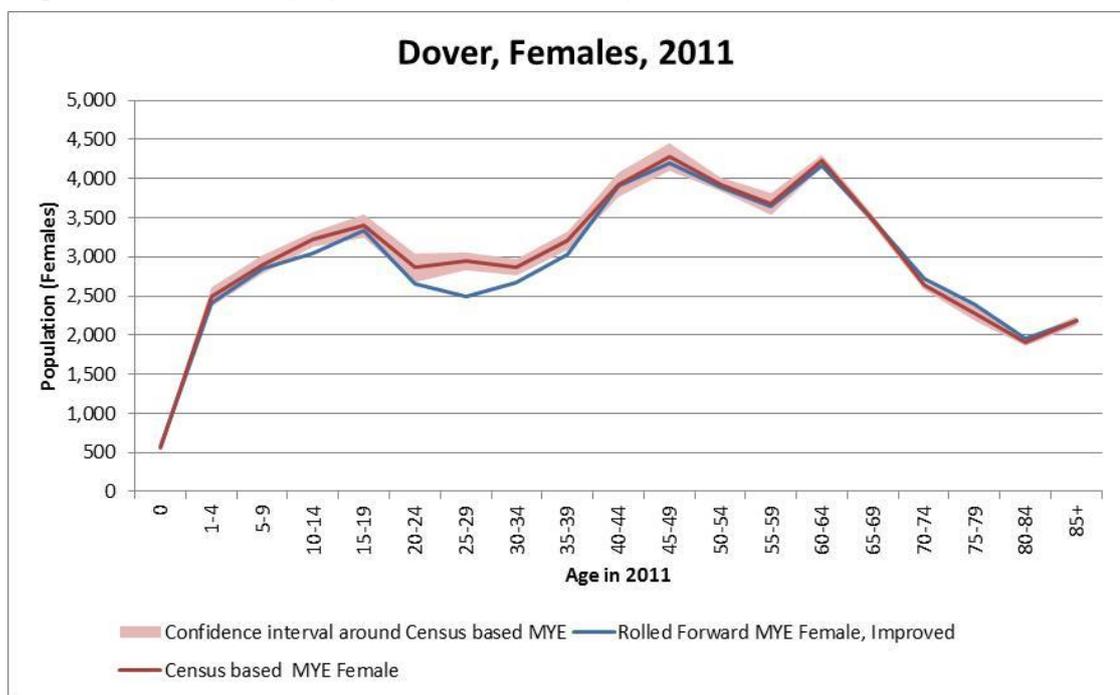
⁸ Further understanding of the causes of discrepancies between rolled forward and census based local authority mid-year population estimates for 2011

Figure 4.4 Male population estimates (2011)



Source: ONS © Crown Copyright

Figure 4.5 Female population estimates (2011)



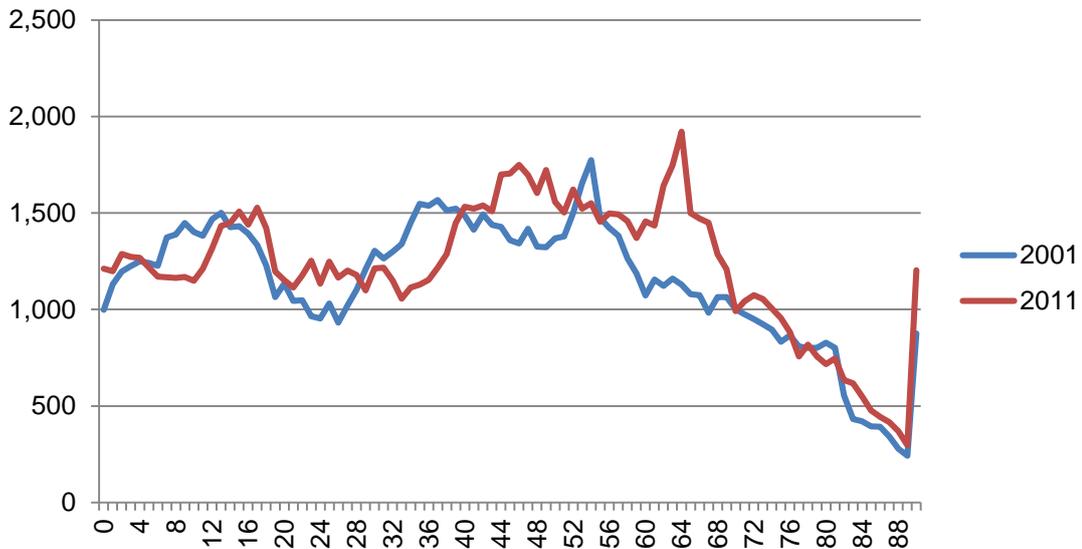
Source: ONS © Crown Copyright

4.10 The discrepancies i.e. the differences between the rolled forward estimates and the Census-based estimates for 2011, are the accumulated UPC over the period 2001-11. The discrepancies for males were generally higher than those for females.

- 4.11 The causes of the low rolled forward estimates have been analysed by ONS under a number of headings: international emigration, international immigration, internal migration and the process of rolling forward from 2001.⁹
- International emigration: the estimates for Dover district for males aged 20-39 and females aged 25-34 were considered to be too high. These exaggerated estimates were considered to have reduced the rolled forward estimates.
 - International immigration: the estimates for Dover district for females aged 30-34 were generally considered to have been too low. These under estimates of immigration
 - Internal migration: the estimates for Dover district were considered not to have been a problem.
 - The process of rolling forward from 2001 is only likely to have had a relatively small impact of increasing the rolled forward estimates for females aged 70-84.
- 4.12 Although ONS offer no direct numerical insight of the individual effects UPC appears from the analysis that most of the discrepancy is due to some inaccurate estimates of international migration. Nor is there any indication of the annual effects of each of the factors throughout the decade.
- 4.13 Given the ONS analysis, it appears that UPC in any base period of a population projection would be mainly due to inaccuracies in migration estimation and so should be considered as migration in any projection based on a period including years between 2001 and 2011. As all of the effects tended to reduce the rolled-forward population, any projection needs to take account of some combination of increased gross inflow and reduced gross outflow at particular age groups to best reflect past changes in the base period.
- 4.14 Figure 4.6 shows that Dover district's population has aged over the last inter-censal decade, particularly with an increase in people in their 60s and early 70s. There are also some increases of mature workers in their 40s as well as teenagers and those in their 20s. There are a few more pre-school age children, but a reduction of those of primary and early secondary school ages. Some of these differences, notably the spike at age 64 in 2011, are partly due to the ageing on of the population resident in 2001, but others also include net migration effects.

⁹ ONS also considered the estimates of school boarders (which had some mixed impacts at younger ages) and the presence of armed forces (not relevant to Dover).

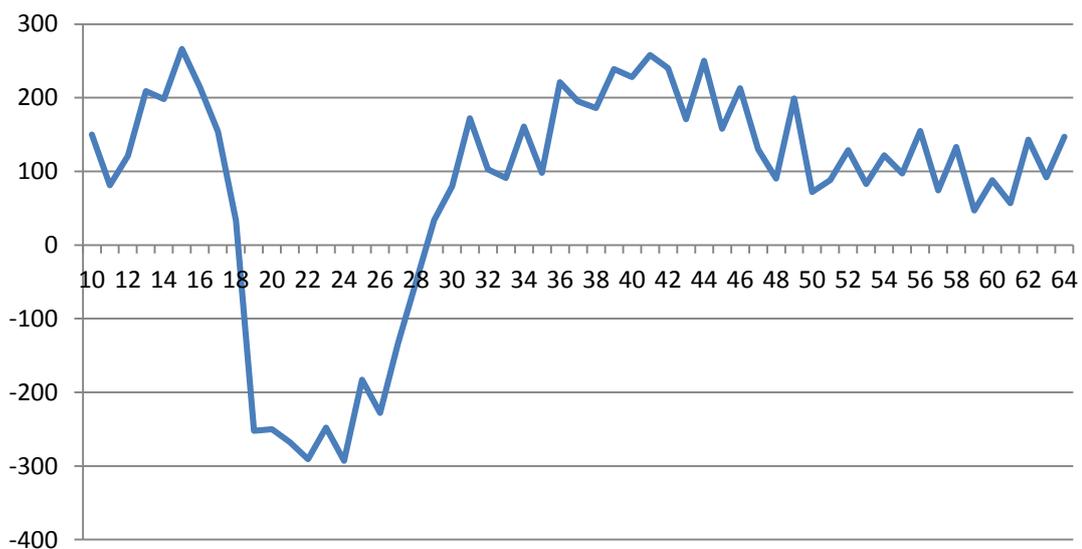
Figure 4.6 Detailed age structure 2001 and 2011



Source: ONS © Crown Copyright

4.15 Figure 4.7 shows the net migration pattern of Dover district over the decade 2001-11. The data are obtained by looking at the difference between the 2001 and 2011 mid-year estimates, with an allowance for 10 years' difference in age i.e. 20 year olds in 2011 less 10 year olds in 2001. The figures will therefore also contain the small impact of deaths in the resident population aged 0-54 at 2001 over the following decade. All ages are expressed in 2011 terms, so the average age of migration would be about five years younger than shown by the x-axis scale, though relatively little migration tends to occur before age 18.

Figure 4.7 Net migration for Dover district from 2001-11 by ages 10-64 (2011)



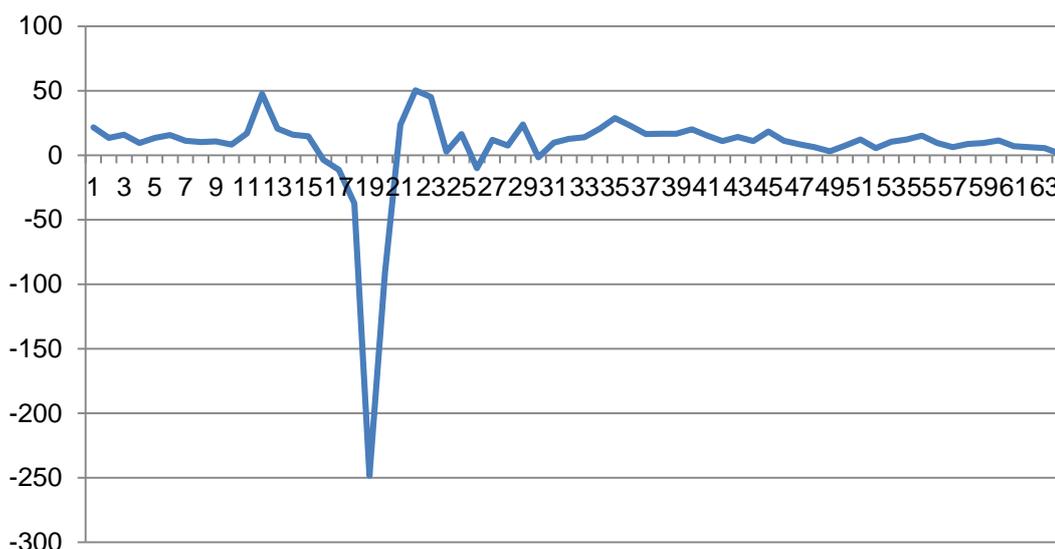
Source: ONS © Crown Copyright

4.16 The net impact has been a gain of children, a significant net loss of students and young workers in their early/mid 20s but gains from the early 30s through to the 60s.

Dover district has therefore failed to attract back much of its student outflow but has continued to attract a working age population and their families.

- 4.17 Figure 4.8 takes a different view of net migration, presenting the average annual levels by age over the decade. These data also exclude the minor impact of annual deaths by age 64 of the resident population. The figure clearly confirms the high net outflows at the student ages (18-20) followed by a smaller ‘graduate’ return flow in the early 20s and an inflow of workers up to the mid-40s. There is also evidence of an annual intake of about 50 12 year olds; presumably to an education establishment.

Figure 4.8 Average annual net migration 2001-11 by age



Source: ONS mid-year estimates

Summary

- 4.18 The population of Dover district has been growing over the past 13 years. The Part 2 report¹⁰ explores how this population growth translated into households in further detail but it is noted that average household sizes declined slightly over the period. This growth in population has been fuelled by domestic migration, from other parts of the country, although international migration is also positive. Data by individual years are very unreliable and are surrounded by a very large margin of error; but the longer-term averages are broadly stable with low years offset by high years.
- 4.19 Regarding the profile of migration into the district. The district loses younger age adults, most likely migrating for university or other ‘bright lights’. But this rebounds in the early 20s and subsequent inward migration is spread though middle ages. There is some small evidence of retirement-related migration at the older ages but this is much less than may be observed elsewhere along the coast. The migration profile is more balanced than would be observed in a true ‘retirement’ destination district.

¹⁰ Section 2

- 4.20 Natural change is negative, with more deaths than births but in more recent years the data shows an upward trend in births.
- 4.21 The analysis does suggest a small UPC problem in the district. UPC is positive here and *may* suggest that the official population projections are slightly too low (the official projections exclude UPC). But before reaching conclusions the analysis suggests that we need to consider, as part of our sensitivity tests, including UPC in alternative scenarios.
- 4.22 Additional (with UPC) scenarios are also warranted to see whether including the UPC population inside a projection results in a differing housing need from the 'official' household projections. Making a positive UPC population adjustment may increase the size of the population (because it increases migration into the district) but does not automatically result in more new homes being needed. This is because the number of new homes needed is dependent on the profile and structure of the population, how this structure falls into households, and not necessarily the size of the population.

5 DEMOGRAPHIC EVIDENCE

Method

- 5.1 In line with the PPG, the starting point of our objective assessment of housing need is the official household projections from the CLG, which are derived from the sub-national population projections (SNPP) produced by the Office for National Statistics (ONS). The SNPP show future population by local authority area and are normally released at two-year intervals, with additional releases in response to new data – recently the 2011 Census. The CLG translates the population into households. The projected growth in household numbers, with a small adjustment for vacant and second homes, is used as the measure of housing need.
- 5.2 The official projections, like all projections, are trend-driven – that is, they roll forward (project) past trends into the future. Accordingly, still following the PPG, we test and amend them through alternative projection scenarios that adjust for:
- Technical flaws in the official modelling, including:
 - Superseded or otherwise inaccurate historical data - projections are only past trends rolled forward, so a projection based on the wrong trends will be inaccurate);
 - Anomalies in the modelling – the official models are very complex, mainly because they cover hundreds of local authorities; even if the models are accurate ‘on average’, they will not necessarily be accurate for every single authority in every single year.
 - External (non-demographic) factors that bear on demographic change but are not captured in the projections, because they are likely to differ in the future from what they were in the past – in particular the macroeconomic climate.
- 5.3 For any geographical area, the change in housing numbers is the outcome of three components: The first two factors, natural change (equal to births minus deaths) and migration (UK and international) impact on population change. The third factor is the ratios that turn population into households, known as household reference rates (HRRs, also known as headship rates or household formation rates). Alternative scenarios are mostly based on varying assumptions about migration and household formation. In contrast to natural change, these factors are difficult both to measure for the past and even more difficult to predict for the future.
- 5.4 Later in this chapter we will sensitivity-test the projections and consider alternative scenarios to deal with any factors that the projections do not capture, in line with the PPG. This includes scenarios with UPC included.

Official releases

- 5.5 The official demographic projections are issued in two separate publications:

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

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

Recent releases

- 5.7 The NPPF, published in March 2012, advised that the official CLG household projections should be the starting point for assessing housing need. However, at that time, and until recently, we did not have a full set of recent projections that were fit for purpose.
- 5.8 The 2008-based projections were increasingly out of date and known to be erroneous. The Census when reported did not support the expected (projected) population of household structure. Effectively the Census ‘disproved’ the projections.
- 5.9 The 2011-based projections, published in 2013, were labelled ‘interim’ because of data limitations, and they only ran to 2021.
- 5.10 On 27 February 2015 CLG produced 2012-based household projections (‘CLG 2012’), which superseded earlier versions. CLG 2012 projections were derived from the 2012-based SNPP (‘SNPP 2012’) published in 2014.
- 5.11 In order to model future HRRs the CLG 2012 projections use the same method as CLG 2011, but use a different starting point - in that they are based on revised estimates of actual HRRs at 2011.
- 5.12 Finally; earlier this year (2016) this CLG 2012 was superseded with a new set of 2014-based projections (CLG 2014). In a break from past trend, where population and household projections were published in alternate years, the 2014 based population projections were quickly followed by new 2014 based household projections.
- 5.13 The household projections, and their HRRs, were calculated using the same method as the CLG 2012 although used two years of additional data. However, as we discuss in detail below, the household projections use a very long series of data (1971 onwards) and so the introduction of two years of additional data is not significant.
- 5.14 At the time of writing the PPG has not been amended to reflect the new CLG 2014. Instead it refers to the older (superseded) CLG 2012 as the official ‘demographic starting point’. But despite this common sense would suggest that the CLG 2014 should now be used regardless.

- 5.15 So for this work we take the 2014-based population and household projections as the starting point, but we use the 2012s as an additional sensitivity test.
- 5.16 Because Dover district and Shepway form a single HMA the following analysis covers both districts to ensure that the work complies with paragraph 159 of the NPPF which required the SHMA to assess the housing need across the HMA. However, this report focuses on Dover district and only a summary for Shepway is included.

Population projections

- 5.17 The ONS 2014-based SNPP were the second to take full advantage of the results of the 2011 Census. Earlier sets, including both the 2008s and (to a lesser extent) 2011s, were shown to be erroneous when the Census reported. The Census did not report the population, nor household structure projected.
- 5.18 As with the 2012 projections the 2014-based population projections used as the base for migration the annual average flows that each authority had with each authority in the rest of England in the previous five years and with overseas in the previous six years. Cross-border flows within the UK were also based on the previous five years but treated separately in the modelling.
- 5.19 For population the projections are composed of two main elements. Firstly, migration into or out of the district. This can be domestic (England plus cross UK border) and international (EU and outside EU). Secondly 'natural change' which is births over deaths. A migrant arriving in the district who then has a child (or dies) can also inform the natural change elements.
- 5.20 We consider both main areas of population growth below.

Migration

- 5.21 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 SNPP 2012 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. This in most cases leads to an increased net inflow.
- 5.22 Table 5.1 compares the SNPP 2012 and SNPP 2014 projections of migration for Dover district.

Table 5.1 Net migration to Dover district by origin 2014-37

| | | SNPP 2012 | SNPP 2014 |
|---------|---------------|-----------|-----------|
| 2014-15 | England | 300 | 400 |
| | Cross-border | -100 | 0 |
| | International | 100 | 200 |
| | Total | 295 | 630 |
| 2036-37 | England | 800 | 900 |

| | | SNPP 2012 | SNPP 2014 |
|---------|---------------|-----------|-----------|
| | Cross-border | -100 | 0 |
| | International | 100 | 100 |
| | Total | 829 | 976 |
| 2014-37 | Total | 14,214 | 18,415 |

Source: SNPP 2012 and SNPP 2014. Note: figures do not sum due to rounding in ONS data

5.23 The SNPP 2014 shows Dover district will attract nearly 18,500 new residents via migration over the projection period. Most of this migration is ‘domestic’ flowing from elsewhere in the UK. At 2036 (the end of the projection period) domestic migration runs at 900 persons per year compared to 100 international migrants.

5.24 What is notable in the case of Dover district is that while the ONS domestic migration flows are trend based, projecting forward what was observed on the trend period, here they are increasing over time. This is because the ONS trends work on age and sex propensities to migrate. As discussed above, migration into Dover district is generally middle aged (and older) and as the national population ages, the size of the ‘origin’ population (the group of people who have a known propensity to migrate into Dover district) increases. So the flows into Dover district increase over the projection period; and at a faster rate than a simple continuation of past trend flows to Dover district would suggest.

Natural change

5.25 Natural change is the second main driver of population growth inside the projections. In Dover district, as is common on the South Coast, natural change is negative i.e. more people die each year than are born. However, the population is ‘topped up’ and grows through largely domestic migration flows.

Table 5.2 Dover district population change by component 2014-37

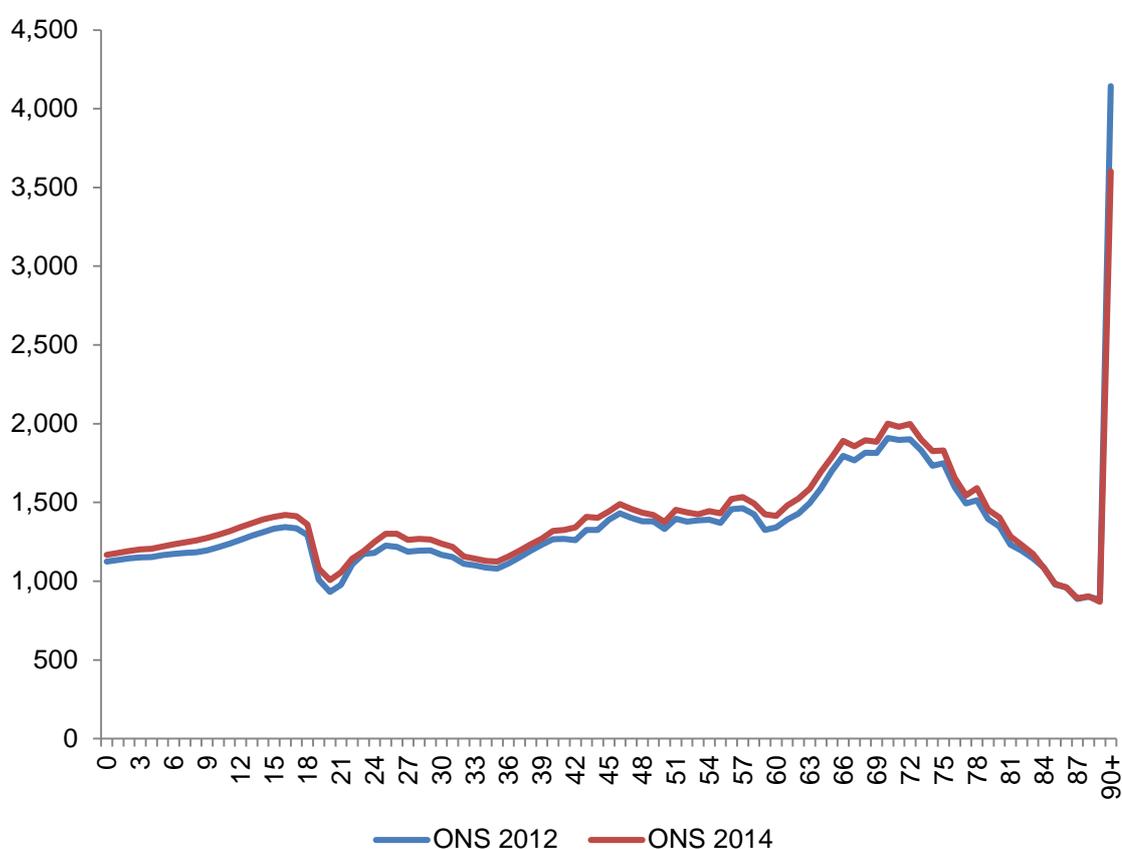
| | | SNPP 2012 | SNPP 2014 |
|---------|----------------|-----------|-----------|
| 2014 | Population | 112,234 | 113,066 |
| 2014-37 | Births | 25,983 | 26,463 |
| | Deaths | 30,148 | 30,702 |
| | Natural change | -4,165 | -4,239 |
| | Net migration | 14,214 | 18,415 |
| | Total change | 10,049 | 14,176 |
| 2037 | Population | 122,283 | 127,242 |

Source: SNPP 2012 and SNPP 2014

5.26 Compared to the SNPP 2012, natural change is now projected to be in the order of 100 lower between 2014 and 2037. This is due to projected increases of about 550 deaths and 480 births.

- 5.27 Figure 5.1 shows the effect of the changed components on the age structure at 2037. The most significant change is the reduction in the projection of persons aged over 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. In general, the projection is higher at all other ages.
- 5.28 In both sets of projections, 2012 or 2014, the age structure of Dover district is dominated by older persons around 70 years old. This is most likely to be a product of older age migration flowing into the district which then stays in Dover district as opposed to moving elsewhere.

Figure 5.1 Age structure in 2037



Source: SNPP 2012 and SNPP 2014

CLG 2014 projections

- 5.29 Over the period 2014-37 the projections show the population increasing from 113,000 to 127,000 persons. The population projections provide a detailed age and sex structure for this population and this structure is attributed to households in the household projections by applying household reference rates (HRRs). These are sometimes also referred to as headship rates or household formation rates.
- 5.30 HRRs are the propensity that any person (age or sex) will form the head of a household. For historic reasons males are chosen as the head of household over

women living in the same household. So for middle age males their HRR is very high, whereas rates for females are always much lower.

- 5.31 A reasonably new complication is that CLG have now produced two set of headship rates to accompany the official projections, Stage 1 and Stage 2. However, only Stage 1 rates inform the number of households in the official projections (NPPF 159). Stage 2 rates are constrained to the Stage 1 outputs and can never be used to derive an alternative number of households. We discuss this in more detail below.

Stage 1 HRRs

- 5.32 Table 5.3 compares the Stage 1 results from the CLG 2012 and 2014 projections.

Table 5.3 Stage 1 household projection by age of representative 2014-37

| | | 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 |
|----------------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2014 | CLG 2012 | 160 | 1,243 | 2,441 | 3,012 | 3,090 | 3,874 | 4,820 | 4,651 | 4,574 | 4,409 | 5,226 | 3,806 | 3,196 | 2,486 | 2,263 | 49,251 |
| | CLG 2014 | 164 | 1,246 | 2,410 | 2,998 | 3,086 | 3,954 | 4,875 | 4,668 | 4,657 | 4,442 | 5,261 | 3,836 | 3,191 | 2,461 | 2,234 | 49,486 |
| 2037 | CLG 2012 | 168 | 1,149 | 2,480 | 3,177 | 3,198 | 3,612 | 4,073 | 3,979 | 4,236 | 4,448 | 5,660 | 6,253 | 5,208 | 4,369 | 5,706 | 57,715 |
| | CLG 2014 | 177 | 1,205 | 2,629 | 3,312 | 3,299 | 3,818 | 4,212 | 4,133 | 4,455 | 4,730 | 5,937 | 6,570 | 5,475 | 4,531 | 5,367 | 59,846 |
| 2014-37 | CLG 2012 | 8 | -94 | 39 | 165 | 108 | -262 | -747 | -672 | -338 | 39 | 434 | 2,447 | 2,012 | 1,883 | 3,443 | 8,464 |
| | CLG 2014 | 13 | -41 | 219 | 314 | 213 | -136 | -663 | -535 | -202 | 288 | 676 | 2,734 | 2,284 | 2,070 | 3,133 | 10,360 |
| | Difference | 5 | 53 | 180 | 149 | 105 | 126 | 84 | 137 | 136 | 249 | 242 | 287 | 272 | 187 | -310 | 1,896 |

Source: CLG 2012 and CLG 2014 Projections

- 5.33 The CLG 2014 projections imply growth in households 2014-37 from 49,500 households in Dover district (2014) up to 60,000 in 2037. A growth of around 10,500 households or around 460 additional households per year. This is an increase from the previous 2012 projections which showed a growth of 8,500 households over the same period.
- 5.34 Compared to the CLG 2012, increases occur across all ages except at 85+, where there was a reduction of 300. Some of these changes are due to the changes in the age structure of the SNPP 2014 and some are due to any amendments to the underlying household representative rates.
- 5.35 To test the changing rates, the SNPP 2014 for 2037 was put into the CLG 2012 model. For Dover district, and as shown in the table below, the use of the 2012 or 2014 HRRs makes almost no difference to the number of households projected.

Table 5.4 Stage 1 household projection by age of representative (2037)

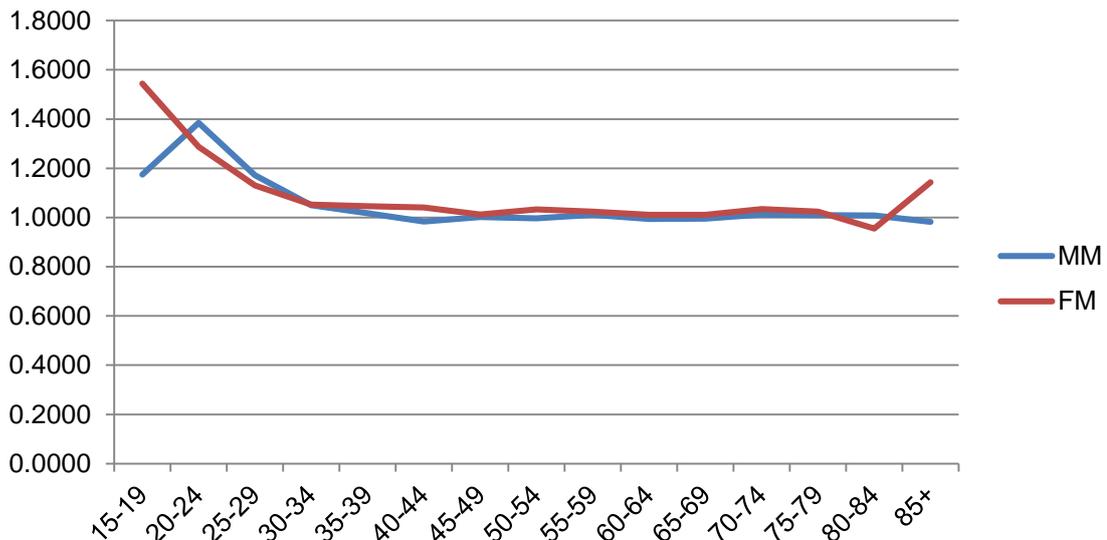
| | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45-49 | 50-54 | 55-59 | 60-64 | 65-69 | 70-74 | 75-79 | 80-84 | 85+ | Total |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| CLG 2012 HRRs | 178 | 1,210 | 2,641 | 3,318 | 3,311 | 3,810 | 4,198 | 4,121 | 4,448 | 4,730 | 5,942 | 6,562 | 5,458 | 4,531 | 5,384 | 59,841 |
| CLG 2014 HRRs | 177 | 1,205 | 2,629 | 3,312 | 3,299 | 3,818 | 4,212 | 4,133 | 4,455 | 4,730 | 5,937 | 6,570 | 5,475 | 4,531 | 5,367 | 59,846 |
| Difference | -1 | -5 | -12 | -6 | -12 | 8 | 14 | 12 | 7 | 0 | -5 | 8 | 17 | 0 | -17 | 5 |

Source: CLG 2014 projection compared to using the CLG 2012 rates with the SNPP 2014

- 5.36 There is no evidence that the HRRs in Dover district need any amendment to reflect local issues related to household formation. Compared to national rates, households generally form much more readily than the UK average; especially for younger coupled households which make up the majority of household formation.

5.37 The chart below compares the national rate and the local (Dover district) rate across the five-year age bands. The analysis uses the 2012 HRRs but as noted above they are nearly identical to the 2014 HRRs. Where the ratio is above 1.0 then households form more readily in Dover district than the UK average. The chart shows both Male/Males coupled households (MM) and Female/Male households (FM). In both cases household formation is higher in Dover district than the UK.

Figure 5.2 Coupled HRRs (2012-based HRRs) (2014) – Dover district indexed to national HRRs



5.38

Source: CLG

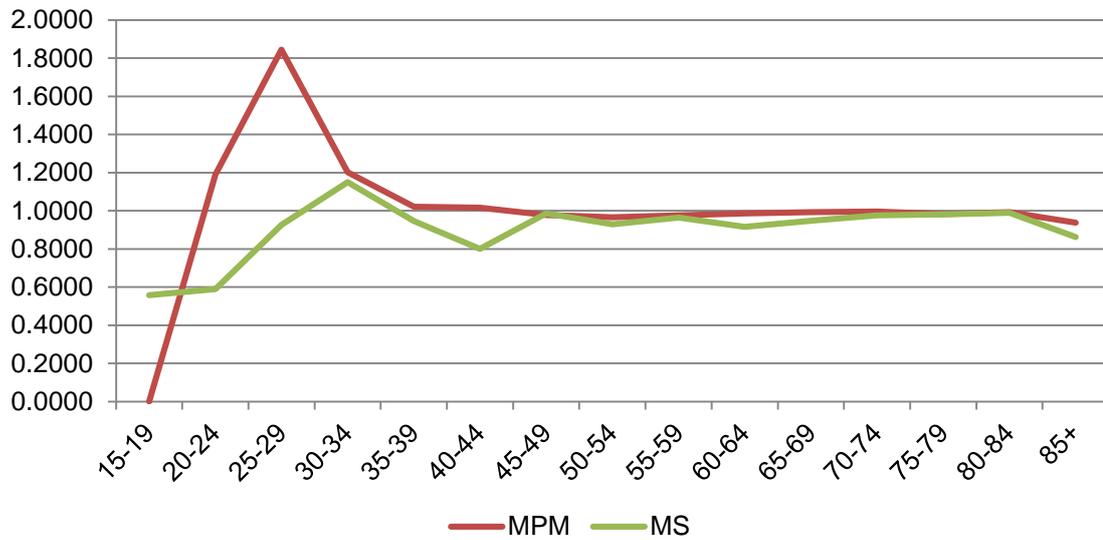
5.39 Looking at single people the picture is much more mixed. For those previously married household formation is much higher than nationally (Male Previously Married or Female Previously Married or MPM/FPM).

5.40 However, for singles (never married) the local rates are slightly poorer (Male Single or Female Single MS/FS) at the young age groups. But for these groups the absolute difference on the number of households needed is very limited because so few young single people are the head of the household. For example, the national rate for single males aged 20-24 is only 0.13.

5.41 At the older ages single households form in line with national trends with the exception of a slight worsening for male singles at 40-44. This is caused by a local drop in rates at these ages, falling from 0.6 at ages 35-39 falling to 0.5 at 40-44 before recovering again post 44 to the national average.

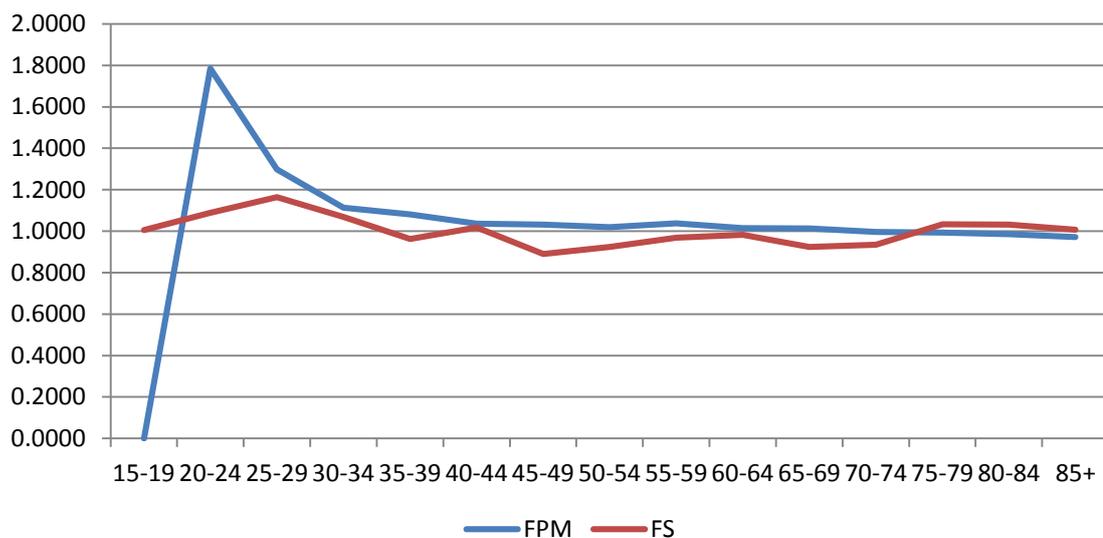
5.42 This is unlikely to be realistic because it suggests that some single males (who had households at age 39) lose their homes and regain then at 45. This anomaly highlights the difficulty in interpreting the data at this very detailed level. The samples are small and the data needs treating with a large degree of caution.

Figure 5.3 Male single HRRs (2012-based) at 2014



Source: CLG

Figure 5.4 Female single HRRs (2012-based) at 2014



Source: CLG

5.43 On balance the testing shows that the CLG HRRs are sensible to apply in Dover district. Planning cannot control how housing stock is occupied; whether it is used for single people, families, young or old people. However, for the majority of households and population, that is those living in coupled households, the application of CLG HRRs here allow room for households to form much more readily than nationally. There is no weight of evidence to suggest we should depart from the national rates.

Stage 2 HRRs

5.44 As noted above CLG have now released a further set of rates. These Stage 2 HRRs do not inform the number of households shown in the official projections. The number of households is derived from the use of Stage 1 rates only.

- 5.45 Stage 2 rates present a variation on how the population may form into the same number of households but using a different set of assumptions. The main difference is that Stage 1 rates use a long term trend, from 1971 onwards, whereas Stage 2 a very short-term trend (2001 onwards).
- 5.46 The two sets of HRRs (Stage 1 and 2) are not directly compatible; they cannot be merged or directly compared with any degree of accuracy. At Stage 2 the Stage 1 results are converted to eight household types but are then separated out by a reduced number of age groups that are mainly 10-year groups rather than 5-year.
- 5.47 Because the Stage 2 HRRs are constrained to the Stage 1 total, applying the Stage 2 HRRs to the Dover district population still results in a household growth of 10,361 (as with the Stage 1) but the households are spread differently. This results in some significant differences with the age structure of the two sets of results. This is shown in Table 5.5.

Table 5.5 Stage 1 and 2 household projections by age 2014-37

| | 15-24 | 25-34 | 35-44 | 45-54 | 55-59 | 60-64 | 65-74 | 75-84 | 85+ | Total |
|---------------------------|-------|------------|-------|-------------|-------|-------|------------|--------|-------|--------|
| Stage 1 2014 | 1,410 | 5,408 | 7,040 | 9,543 | 4,657 | 4,442 | 9,097 | 5,652 | 2,234 | 49,486 |
| Stage 1 2037 | 1,382 | 5,941 | 7,117 | 8,345 | 4,455 | 4,730 | 12,507 | 10,006 | 5,367 | 59,846 |
| Stage 2 2014 | 1,400 | 5,401 | 7,142 | 9,702 | 4,660 | 4,319 | 9,028 | 5,606 | 2,227 | 49,486 |
| Stage 2 2037 | 1,302 | 5,202 | 7,163 | 9,271 | 4,717 | 4,450 | 11,885 | 10,343 | 5,514 | 59,847 |
| 2014 S1 less S2 | 10 | 7 | -102 | -159 | -3 | 123 | 69 | 46 | 7 | 0 |
| 2037 S1 less S2 | 80 | 739 | -46 | -926 | -262 | 280 | 622 | -337 | -147 | -1 |
| Stage 1 2014-37 | -28 | 533 | 77 | -1,198 | -202 | 288 | 3,410 | 4,354 | 3,133 | 10,360 |
| Stage 2 2014-37 | -98 | -199 | 21 | -431 | 57 | 131 | 2,857 | 4,737 | 3,287 | 10,361 |
| 2014-37 S1 less S2 | 70 | 732 | 56 | -767 | -259 | 157 | 553 | -383 | -154 | -1 |

Source: CLG 2014 projection

- 5.48 Significantly the Stage 2 results have reduced households headed/represented by persons aged 15-34 and 60-74 while increasing at other ages, notably 45-54 by over 900. So while still generating the same number of households overall, Stage 2 HRRs show that following short-term trends in household formation older people are more likely to occupy more of the housing stock at the expense of younger people.

ONS 2015 mid-year population estimate

- 5.49 The 2015 MYE was published in June 2016. It shows an increase of 162 persons since 2014 reaching a total of 113,228. The total change over the year is much less than in 2013-14 (728) and, apart from 2011-12, was the lowest since before 2001-02. Natural change (-188) was the lowest since 2002-03, due to an increase in deaths, and net migration (350) was the third -lowest since before 2001. The new estimate is lower than the SNPP 2014 at 2015 by over 300 and, if it is a turning point in

demographic change in Dover district would imply that the ONS 2014 projections will be too high.

- 5.50 This data (unless revised) suggests that the next round of official projections (SNPP 2016), may be lower than the 2014-based projections. But ONS often revises data and we still don't know the 2016 MYE. So it is too early to use this data to dismiss the 2014 based projections. However, it does suggest Dover district needs to keep a 'watching brief' on the emerging demographic data and plan for a contingency scenario where the OAN (and so demographic need) is lower than currently projected. Should demographic need (and the OAN) fall too far below any housing target, additional policy-on measures may be needed to deliver the new homes and jobs the workers will need to pay for them.

Summary

- 5.51 The current set of household projections are 2014-based. For Dover district they show average growth in households 2014-37 of 450. This compares with 368 in the CLG 2012 projections.
- 5.52 In terms of average annual requirement – the OAN for Dover district – the CLG 2014 projections imply a rate of 481 net new homes per year compared to 393 from the CLG 2012 projections.
- 5.53 Both calculations assume that the 2011 Census net vacancy/second homes level of 6.4 per cent persists.
- 5.54 For Shepway the CLG 2014 household projections indicate average growth in households 2014-37 of 538. This compares with 479 in the CLG 2012 projections.
- 5.55 In terms of average annual requirement – the OAN – the CLG 2014 projections imply a rate of 566 net new homes per year compared to 505 from the CLG 2012 projections. Both calculations assume that the 2011 Census net vacancy/second homes level of 5.0 per cent persists.
- 5.56 So for the HMA as a whole the two sets of official projections show a combined demographic housing need of 1,019 dpa (2014 based) and 872 dpa (2012 based).
- 5.57 Although the PPG has yet to be revised, still referring to the 2012s as the official demographic starting point, common sense would suggest that the 2014s should be used in preference.

Alternative scenarios

- 5.58 As we explained earlier, to predict UK migration the ONS population projections carry forward the trends of the previous five years¹¹. This choice of base period can be critical to the projection, because for many areas migration has varied over time.

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

London

- 5.59 A number of local authorities have chosen to adopt 10-year projections (or longer) to help minimise this volatility. This approach, adopting a long term trend projection, has most vocally been championed by the GLA. The GLA have repeatedly made the case that local authorities in and around London, or with London links, should adopt a longer term trend when estimating their demographic need. In the London case this is because migration flows between London and elsewhere pre, post and during the recession were very different. The short-term trend period used by the ONS therefore fails to pick up likely migration, and so the need for new homes, over a long plan period.
- 5.60 But London's links with Dover district are reasonably weak. This is evidenced in the migration and commuting flows from the 2011 Census, specifically:
- Migration: from London to Dover accounted for 3.8% of total flows out of the district. Flows to Dover from London accounted for 4.9% of flows.
 - Commuting: the Census showed that 1,050 of Dover residents worked in any of the London boroughs i.e. 2.6% of the district's resident workforce. Conversely only 207 people, i.e. a tiny fraction of the capital's workforce, commuted from London to Dover district.
- 5.61 Even if these flows increase over time, in the context of overall migration flows and the strongest relationships with Dover being with the south east region, the GLA advice less directly relevant, to sensitivity-test the impact of different base periods PBA have run a number of alternative base period projections.

UPC

- 5.62 There is also a query in Dover district surrounding the impact of including UPC. A number of objectors to various plans strongly support excluding UPC from the assessments on the grounds that the ONS choose to exclude UPC from the official projections. However, contrary to this view, PBA still choose to test the impact of UPC before drawing our conclusions.

The alternative projections

- 5.63 Drawing on Section 4's conclusions, all the alternatives include an adjustment for UPC. One of the projections (09-14 Trends) uses a short five-year trend period, as also used in the SNPP but includes UPC, whereas the official projections exclude UPC. Two of the projections use a longer trend period. So helping smooth any peaks and troughs in the year to year migration data while still picking up long-term trends. These two projections are a 01-14 Trends projection and a 10-year 04-14 Trends projection (Census to Census). Both include UPC.
- 5.64 For completeness we also show the 2008 and 2012 official projections.
- 5.65 The official projections are presented using both their respective Stage 1 HRRs; the Trends scenarios use the 2014-based HRRs. All Trends scenarios use the SNPP 2014 estimates as the base population and are based on recent migration levels. All

Trends scenarios include UPC as additional net migration in the appropriate years, but with its impact by age reflecting the recent ONS analysis.

5.66 A summary of the outputs are shown below:

Table 5.6 Projections summary

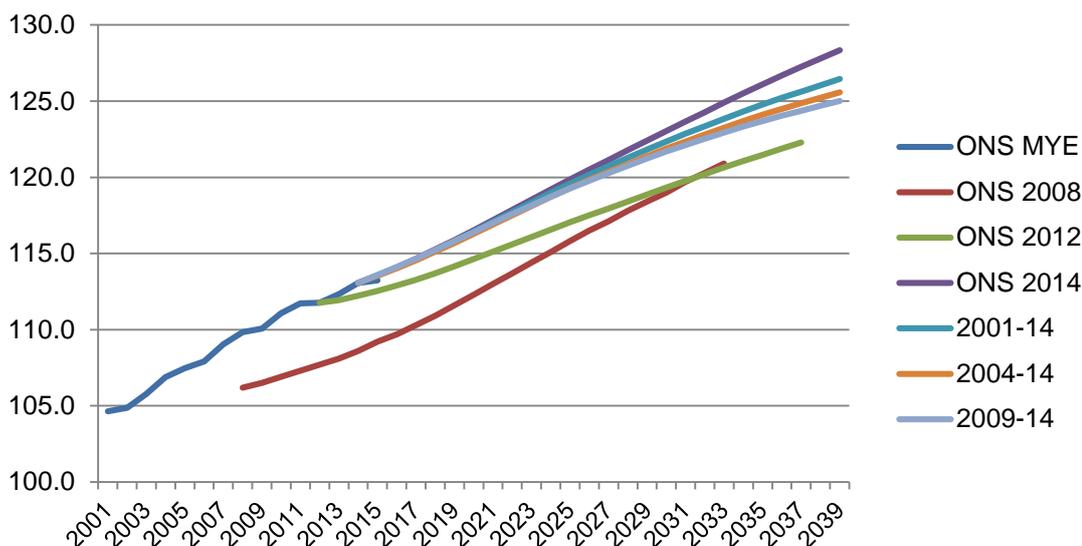
| | ONS/CLG 2008 | ONS/CLG 2012 | ONS/CLG 2014 | 2001-14 trends | 2004-14 trends | 2009-14 trends |
|------------------------|-----------------|-----------------|-----------------|-------------------|-------------------|-------------------|
| Population (thousands) | | | | | | |
| 2001 | 104.6 | 104.6 | 104.6 | 104.6 | 104.6 | 104.6 |
| 2011 | 107.3 | 111.7 | 111.7 | 111.7 | 111.7 | 111.7 |
| 2014 | 108.6 | 112.2 | 113.1 | 113.1 | 113.1 | 113.1 |
| 2016 | 109.7 | 112.9 | 114.1 | 114.1 | 114.0 | 114.1 |
| 2021 | 113.0 | 115.1 | 117.2 | 117.1 | 116.9 | 117.0 |
| 2026 | 116.5 | 117.5 | 120.5 | 120.2 | 119.8 | 119.8 |
| 2031 | 119.7 | 119.8 | 123.7 | 122.9 | 122.4 | 122.1 |
| 2037 | | 122.3 | 127.2 | 125.6 | 124.9 | 124.4 |
| 2039 | | | 128.3 | 126.4 | 125.6 | 125.0 |
| Population | | | | | | |
| 2001-14 | 3,954 | 7,588 | 8,420 | 8,420 | 8,420 | 8,420 |
| 2014-37 | | 10,049 | 14,176 | 12,561 | 11,795 | 11,304 |
| pa | | 437 | 616 | 546 | 513 | 491 |
| Households (thousands) | | | | | | |
| 2001 | 44.4 | 44.4 | 44.4 | 44.4 | 44.4 | 44.4 |
| 2011 | 47.1 | 48.4 | 48.4 | 48.4 | 48.4 | 48.4 |
| 2014 | 48.5 | 49.3 | 49.5 | 49.5 | 49.5 | 49.5 |
| 2016 | 49.4 | 50.0 | 50.4 | 50.3 | 50.3 | 50.3 |
| 2021 | 51.8 | 52.0 | 52.8 | 52.3 | 52.4 | 52.4 |
| 2026 | 54.2 | 53.9 | 55.2 | 54.3 | 54.3 | 54.4 |
| 2031 | 56.3 | 55.8 | 57.4 | 56.0 | 56.1 | 56.1 |
| 2037 | | 57.7 | 59.8 | 57.8 | 57.8 | 57.7 |
| 2039 | | | 60.6 | 58.4 | 58.3 | 58.1 |
| Households | | | | | | |
| 2001-14 | 4,124 | 4,879 | 5,114 | 5,112 | 5,112 | 5,112 |
| 2014-37 | | 8,464 | 10,360 | 8,332 | 8,295 | 8,192 |
| pa | | 368 | 450 | 362 | 361 | 356 |
| Homes | | | | | | |
| 2014-37 | | 9,043 | 11,069 | 8,902 | 8,863 | 8,753 |

| | ONS/CLG 2008 | ONS/CLG 2012 | ONS/CLG 2014 | 2001-14 trends | 2004-14 trends | 2009-14 trends |
|----|-----------------|-----------------|-----------------|-------------------|-------------------|-------------------|
| pa | | 393 | 481 | 387 | 385 | 381 |

Source: ONS/CLG/PBA

5.67 The chart below compares the population from the scenarios. It shows very clearly how the 2008 projections, when the Census reported, were erroneous. The 2011 population was expected to be 117,300 persons but the Census reported 111,700.

Figure 5.5 Comparing the population projections



Source: ONS/CLG/PBA

5.68 Compared to the SNPP 2012, the various longer-term Trends projections produce a much larger population. Population change in the SNPP 2012 was 437 persons per year, compared to the 04-14 and 01-14 projections which show growth of 513 and 546 persons. But while in terms of population growth the SNPP 2012 looks unusually low, compared to the SNPP 2014 (616 persons per annum), the longer-term trends projections are lower.

5.69 The SNPP 2014 is also higher than the PBA Trends 09-14 projection despite the fact that the 09-14 Trends projection shares the same trend period as the SNPP. In most cases elsewhere the PBA Trends 09-14 projection closely mirrors the SNPP. But as discussed above migration into Dover district appears more sensitive to the ageing of the population in the specific ‘origin’ districts compared to many other places. This results in an increase in domestic migration into Dover district, over and above past trends.

5.70 However, one potential drawback of this method is that it assumes that people will continue to migrate at the same ages as observed in the past; but as people live longer, work for longer and form families later, this propensity may be delayed as well. For this reason, the ONS data needs to be treated with some caution and only time will show whether the ageing population, increased retirement ages and demand

to stay in work for longer will delay people choosing to migrate to Dover district in the future.

Preferred demographic scenario

- 5.71 The official demographic starting point for housing need is the CLG 2014 projections. These show a demographic based need for 450 households per annum or 481 dwellings per annum using 2014 HRRs.
- 5.72 We have tested these using a number of differing sensitivity tests. Including longer term projections (01-14 and 04-14) and variations which include UPC. Alternative scenarios are lower than the current set of official projections. Additionally the 2015 MYE, as the most recent data are lower than the 2014-based projection.
- 5.73 This may suggest that the 2014s are slightly high for Dover district. They project forward a short-term series of data which is not borne out by longer-term trend (and the 2015 MYE). A longer-term trend projection (04-14 or 01-14), as favoured by the GLA, results in a demographic need for only around 400 dpa.
- 5.74 Part of the reason that the SNPP 2014 is high is because the ONS have made an assumption that because the age structure in the origin districts (those from where Dover district migrants will arrive from) is ageing in a way where the people have a greater propensity to migrate to Dover district, then absolute migration into Dover district will increase over time. So migration into Dover district, in the SNPP 2014, is a product of the ageing of the population in other HMAs coupled with the propensity of those age groups to move to Dover district. What is unknown is whether the general ageing of the population (the trend to stay working for longer and forming families later) will reduce these propensities in future so that people would delay their move to areas such as Dover district in future years.
- 5.75 Establishing OAN is not an exact science; as can be seen from the data above (and the range) demographic data is exceptionally volatile.
- 5.76 At the top of the range are the CLG 2014: there is no evidence that these are flawed, that their HRRs should be set aside or that they make unrealistic assumptions about future migration and natural change. But our testing shows that the level of migration projected in the 2014s is higher than past trends would suggest for the reasons set out above.
- 5.77 Also, looking briefly at the 2015 MYE data, the new estimated population for Dover district is lower than the projections would have suggested. Although this is only one year of additional data, and another year is expected before the SNPP 2016, this single year (of tentative) data suggests the next round of official projections may fall back again.
- 5.78 Only time and additional data can disprove the ONS assumptions of Dover district's future migration. But to 'future proof' any future planning strategy DDC may wish to consider how it could address a falling demographic OAN. If the demographic OAN falls this could be because migration has fallen or household formation reduced. To maintain and deliver to a higher housing target may require additional policy on

measures in the future to attract the households to migrate to the area, including making the area more attractive to economic led migration, or housing interventions to assist household formation.

- 5.79 There is a risk that if the target falls to far from the OAN, without sufficient policy measure in place to deliver the target homes, then DDC may find itself planning for a number of homes in excess of market demand. This could lead to an oversupply and also complicate the housing land supply moving forward. Should demand for the planned for number of homes fail to materialise then DDC would accrue an ever larger five-year housing land supply and a new plan revision would be the only way to repair this.

6 PAST DELIVERY AND MARKET SIGNALS

Introduction

- 6.1 The starting point of our ‘market signals’ analysis is provided by paragraphs 2a 015, 019 and 020 of the PPG:

‘The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under delivery of housing. As household projections do not reflect unmet housing need, local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply.’¹²

‘The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand ...’¹³

Appropriate comparisons of indicators should be made. This includes comparison with longer term trends (both in absolute levels and rates of change) in the: housing market area; similar demographic and economic areas; and nationally. A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections.’¹⁴

- 6.2 Considered together, the above passages explain why market signals are relevant and how they should be used in relation to housing needs assessments. In summary:
- Demographic projections roll forward past reality – the amount of housing that has been provided in the reference period on which they are based.
 - If this past supply met demand (need) in full then, other things being equal, the projection should be an accurate reflection of future demand.
 - But if past supply under delivered against demand, then the projections will carry forward that under delivery; therefore they understate demand and should be adjusted upwards.
 - To determine whether past supply has indeed under-delivered against demand, the PPG suggests two kinds of evidence: a series of specified ‘market signals’ such as prices or rents, and ‘other indicators’ which are not specified.

¹² Reference ID: 2a-015-20150227

¹³ Reference ID: 2a-019-20150227

¹⁴ Reference ID: 2a-020-20150227

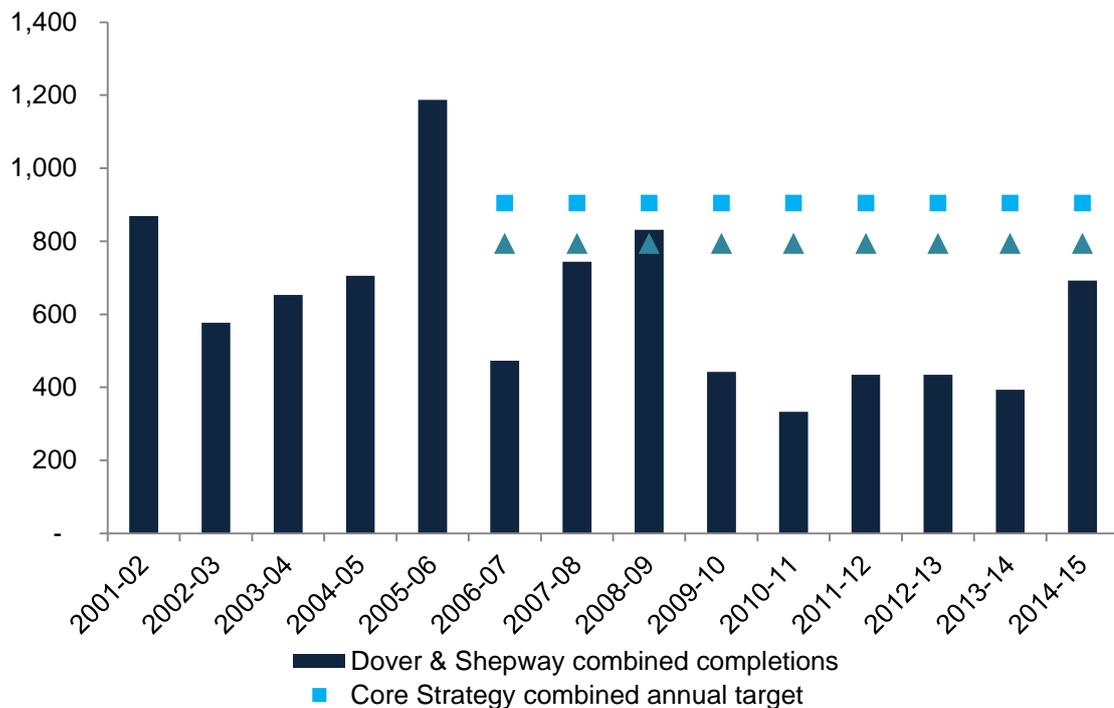
6.3 Below, we use two kinds of evidence to assess the balance of demand and supply in line with the PPG. Firstly, we interrogate the history of past delivery to see if there is any direct evidence that the supply of housing land has underprovided against demand. Secondly, we analyse the specific market signals listed in the PPG.

Past delivery

6.4 To see if planning in Dover district has underprovided housing land in the period on which our projections are based, we first examine the history of housing development in the HMA followed by a more detailed analysis of Dover district’s housing supply. We then look at various house prices, affordability, rents and finally overcrowding.

6.5 Figure 6.1 below shows combined net housing completions between 2001 and 2015 in Dover district and Shepway.

Figure 6.1 Combined net housing completions in Dover district and Shepway

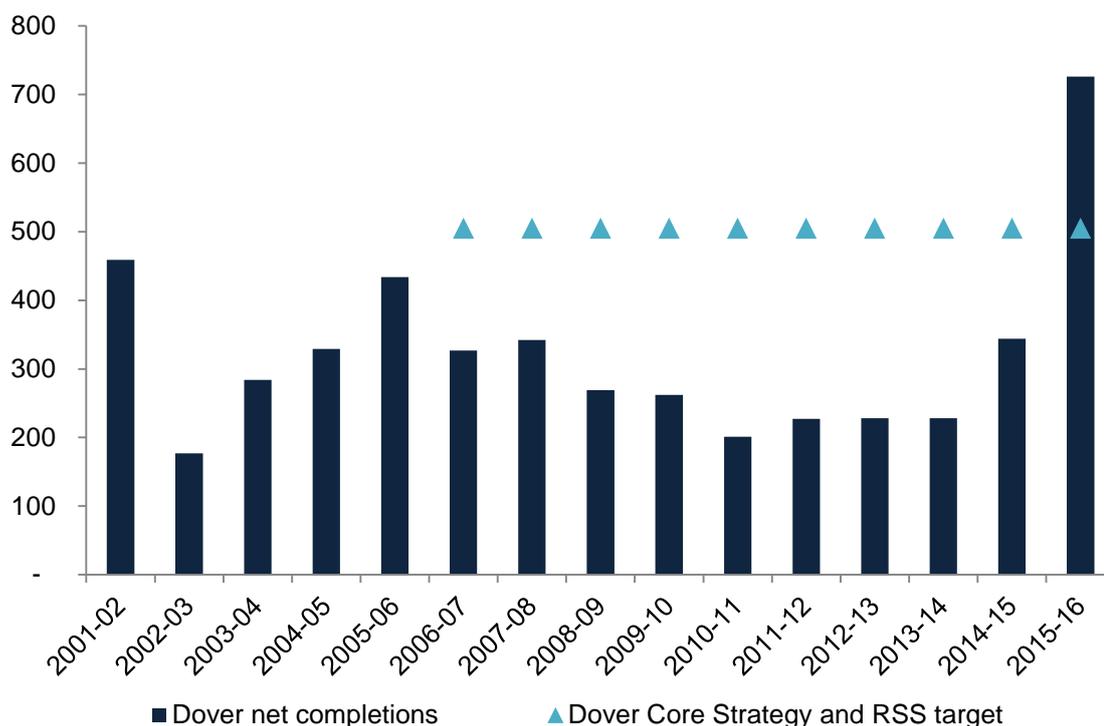


6.6

Source: AMRs

6.7 Net completions in the HMA peaked in 2005-06 and only met the RSS target once in 2008-09.

Figure 6.2 Net housing completions in Dover district



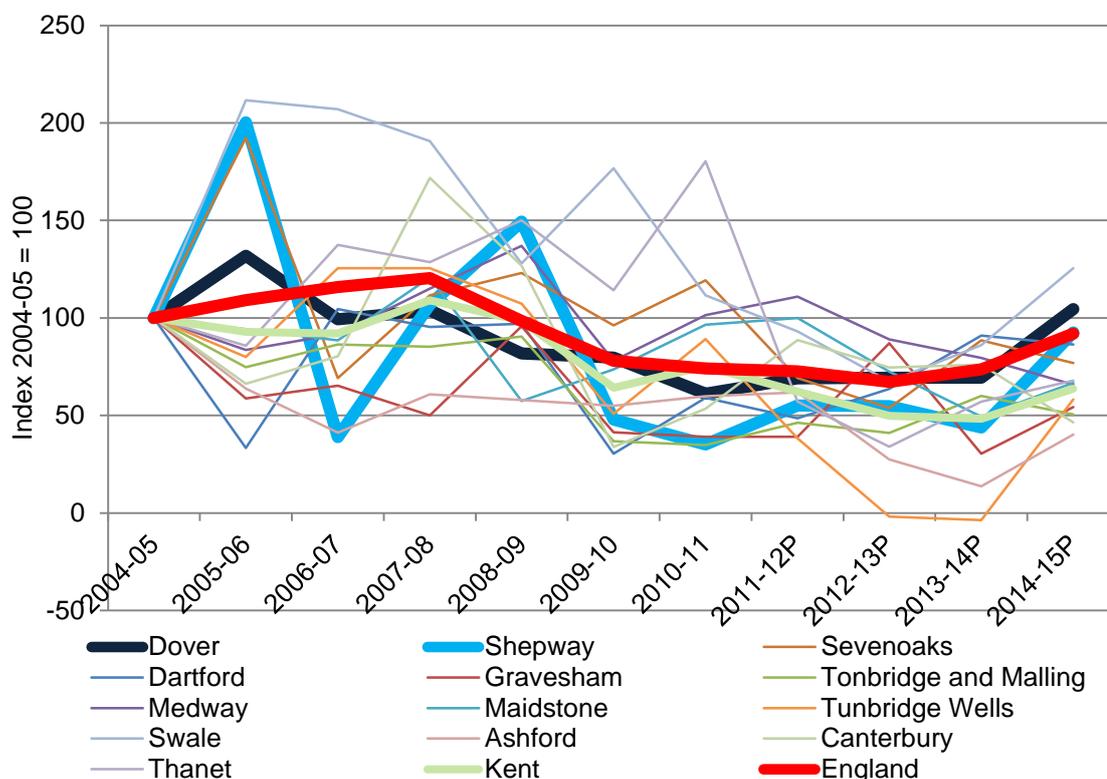
6.8

Source: DDC

- 6.9 Interestingly the Core Strategy promoted a higher target than the RSS required. The Core Strategy (2010) promoted a target of 14,000 homes to 2026. However, in line with the large strategic allocation at Whitfield (5,750 dwellings), it was anticipated that the delivery of 3,900 homes would happen after 2026. As a result, the housing delivery target was set as the same as the RSS, at 10,100 (505 dpa).
- 6.10 As was (and remains) common, the various site promoters were confident that these schemes would come forward as envisaged. Also at the time the plan was promoted, DDC could afford to adopt an aspirational target without the same five-year housing land supply concerns as now. But in reality the market demand for these homes failed to materialise as expected. Part of this is attributed to the recession, but also due to the delayed delivery of strategic sites at Aylesham and Whitfield and the fact that the allocations plan was only recently adopted. Demand for homes is now in Deal and Aylesham but has yet to return in Dover town.
- 6.11 Apart from in the most recent year of data, even post-recession DDC has been unable to achieve its housing target: the allocations remain constrained and cannot contribute sufficient deliverable homes to ensure the district has a five-year housing land supply. Between 2006 and 2015, the district averaged 322 dwellings compared to the Core Strategy and RSS target of 505 dpa. By 2015-16, Whitfield had delivered only 37 of the 5,750 planned homes.
- 6.12 Although Dover district failed to deliver its plan targets, the pattern of net completions broadly followed Kent and England. Figure 6.3 below benchmarks net housing

completions in the Dover district compared to other local authorities in Kent and England. Had the plan aspiration materialised, Dover district would have outperformed its comparators; however, for the reasons discussed this has not happened.

Figure 6.3 Indexed net housing completions



6.13

Source: CLG Table 122 / Dover district and Shepway AMRs¹⁵

6.14 Figure 6.3 above benchmarks housing completions in Dover district (and Shepway) with Kent and England. It shows that together although Dover district (and Shepway) outperformed the comparator areas in the mid and late 2000s, after this the rate of housing completions fell below the national average. This is the trend period (09-14) which informs our projection.

6.15 However, it is noted that since the adoption of the Land Allocations Local Plan in January 2015, the rate of completions has improved due to the availability of sites across the district.

Market signals

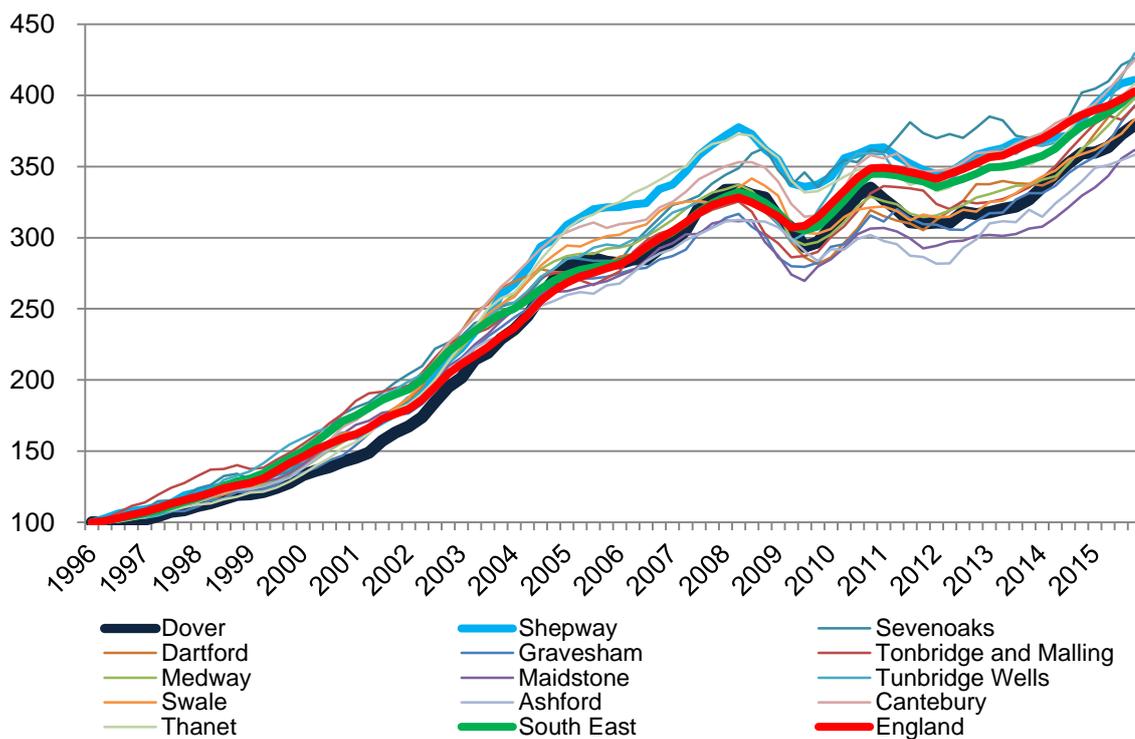
6.16 The PPG advises that house prices be monitored to identify if longer-term changes indicate an imbalance between the demand for, and the supply of housing. Land

¹⁵ Figures for 2011-12, 2012-13, 2013-14 and 2014-15 are provisional

Registry data published by the ONS¹⁶ shows that the average house price in the fourth quarter of 2015 for Dover district was £227,361 compared to £331,757 for the South East and £276,922 for England.

6.17 Figure 6.4 below shows the change in median house price indexed from 1996 against regional and national figures.

Figure 6.4 Indexed mean house prices, 1996-2015



6.18

Source: House Price Statistics for Small Areas, ONS

6.19 The change in house prices in Dover district closely matched the comparator areas up to the mid-2000s after which in Dover district the change in house price outperformed the regional and national averages. After 2008, the change in house price fell to a greater degree in Dover district than in England and the south east and recovered at a slower rate.

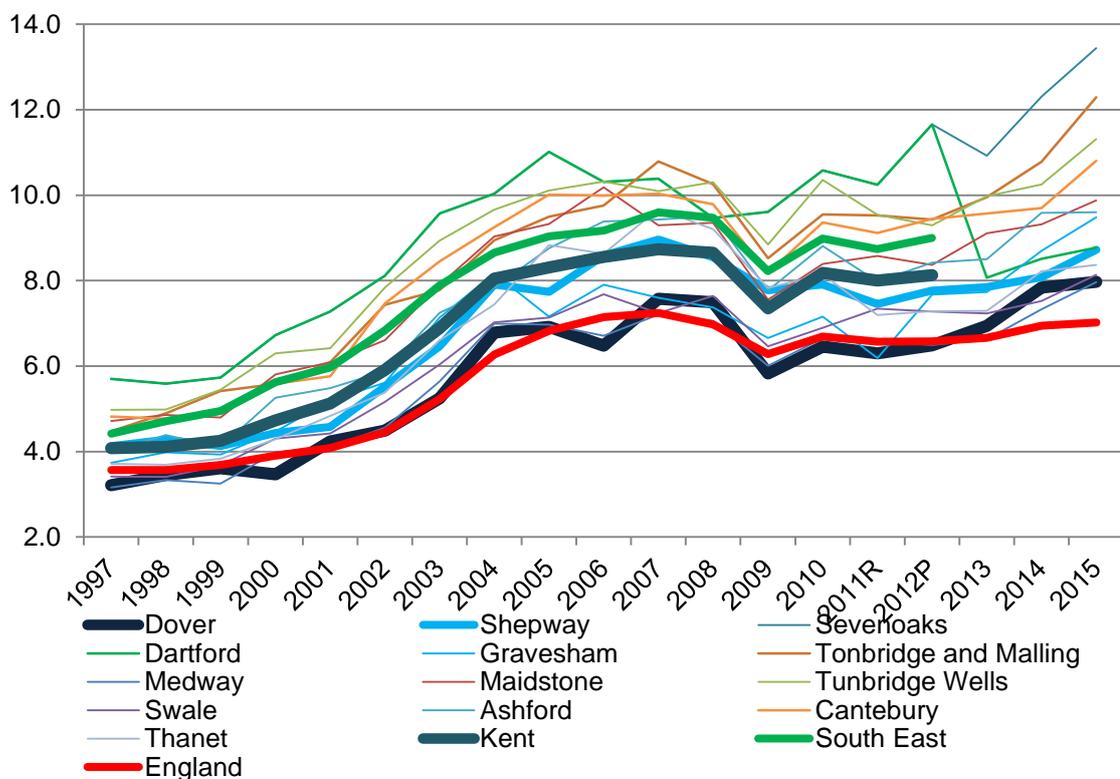
Affordability

6.20 Affordability, as defined by CLG, is the ratio of lower-quartile house prices to lower-quartile earnings. A high ratio indicates low affordability, where the cheapest dwellings are less financially accessible to people on the lowest incomes. Figure 6.5 below shows Dover district's affordability ratio from 1997 against comparator areas. We note that CLG no longer publishes county or regional data in its new affordability tables. By way of comparison at the county level, we plotted the affordability ratios of all the other local authorities in Kent.

¹⁶ House Price Statistics for Small Areas, ONS available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/medianhousepriceformationalandsubnationalgeographiesquarterlyrollingyearhpsdataset09> (Table 2a)

- 6.21 The figure below shows that affordability in Dover district and all comparator areas has generally worsened since 1997. Dover district largely tracked the national affordability ratio and was therefore lower than the Kent and south east average. The ratio for Dover district peaked in 2007 and more recently in 2015. While the affordability ratio fell during the recession, it increased at a faster rate than the national ratio.
- 6.22 Overall, Dover district is relatively more affordable than the county and regional average. It is also, together with Medway and Swale, one of the most affordable districts in Kent. However, looking since 2013, affordability has worsened in Dover district compared to England; but not compared to most Kent authorities.

Figure 6.5 Ratio of lower quartile house prices to lower quartile earnings



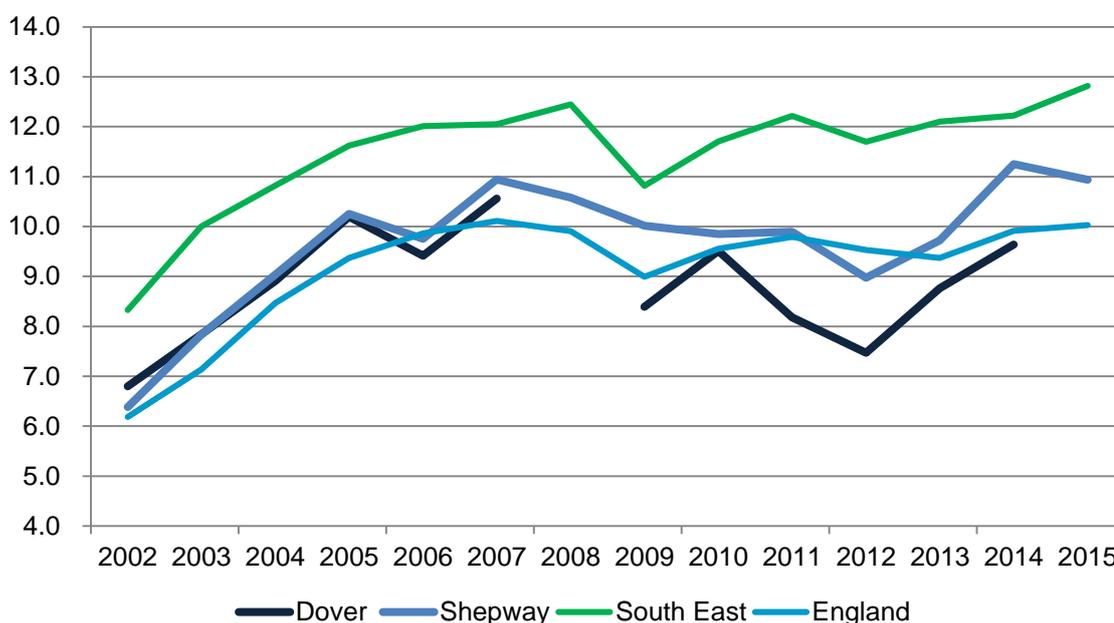
6.23

Source: CLG Table 576 and Table 576 (Discontinued) Ratio of lower quartile house price to lower quartile earnings.¹⁷ Note Kent and Region data was discontinued in 2012.

- 6.24 In providing this analysis, we note that the PPG advises that the ratio between lower-quartile house prices and lower quartile earnings can be used to assess the relative affordability of housing. But as acknowledged by CLG, the table reflects the earning power of commuters rather than the earnings of residents living in a given local authority. As such, we have devised a table comparing the ratio of lower-quartile house prices to lower-quartile earnings by place of residence as shown in Figure 6.6 below:

¹⁷ The new version of Table 576 (ratios for 2013, 2014 and 2015) is created using a different source of House Price data from the Discontinued Tables leading to slight differences in the distribution of affordability ratios. Since 2013, affordability ratios for counties and regions are no longer published by CLG.

Figure 6.6 Ratio of lower quartile house prices to lower quartile resident earnings



6.25

Source: ONS, PBA¹⁸¹⁹

6.26 The figure shows that before 2005, Dover district was relatively less affordable than the national average but more affordable than Shepway and the south east. Dover district saw the biggest fall in its affordability ratio compared to the comparator areas after the recession. Since 2012, Dover district’s ratio has increased due to the recovery in house prices, though is still lower than the comparator areas. It appears that the housing in Dover district is relatively less affordable for residents than workers.

Private rents

6.27 The PPG explains that rents provide an indication of the cost of consuming housing in a market area. Mix-adjusted rent information shows changes in housing costs over time. According to the PPG, longer-term changes may indicate an imbalance between the demand and supply of housing.

6.28 Data for market rents on a statistically consistent and comparable basis has only been available since 2011. Figure 6.7 compares average monthly rents between Dover district, regional and national rents.

6.29 The chart below clearly shows that average rent in Dover district are consistently lower than the county, regional and national averages. Average rents in Dover

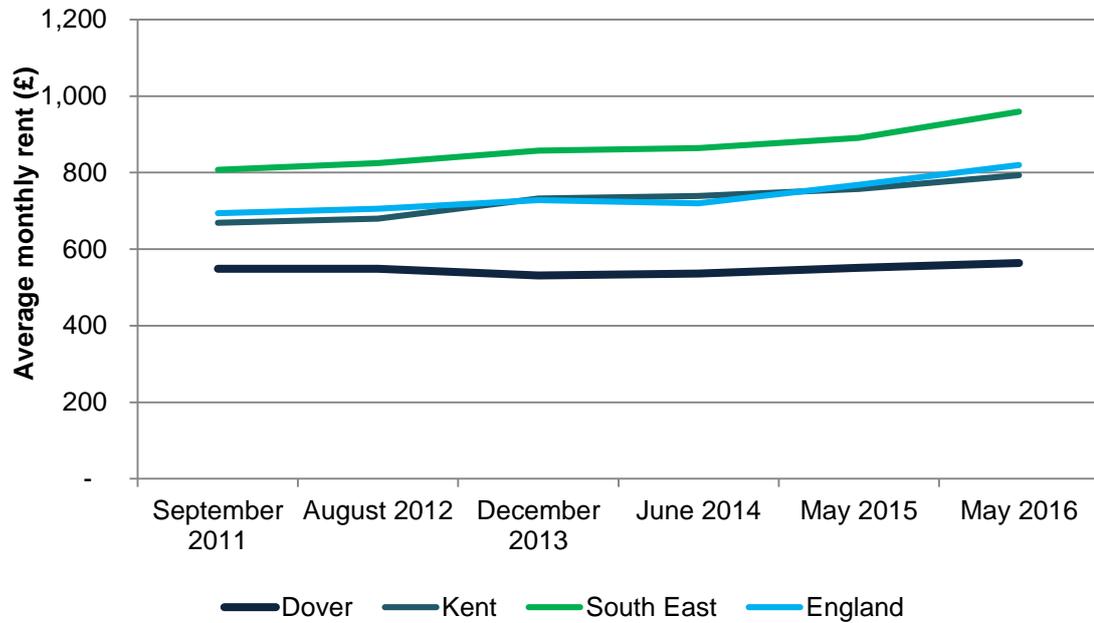
¹⁸ Lower quartile gross annual earnings derived from Annual Survey of Hours and Earnings (ASHE); ASHE data from 2014/15 provisional. Lower quartile house prices by region and country, quarterly rolling year, year ending Q4-1995 to year ending Q4-2015, ONS

¹⁹ 2008 and 2015 lower quartile gross annual pay data for Dover were not published by ONS because the data collected in the ASHE was considered unreliable.

district have largely remained stable, whereas average rents have increased steadily in all the other comparator areas.

- 6.30 The negligible increase in average rents in Dover district point to an unconstrained private rental market suggests that the overall housing market is less constrained.

Figure 6.7 Monthly market rents



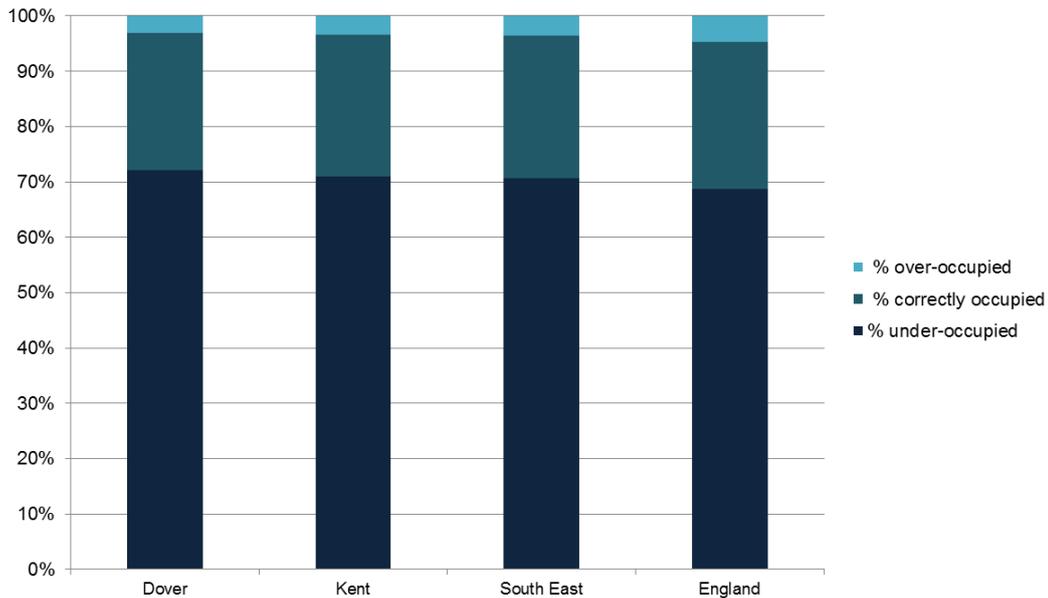
- 6.31

Source: VOA Private rental market statistics

Overcrowding

- 6.32 According to the PPG, indicators of overcrowding and concealed families could demonstrate unmet need for housing.
- 6.33 While overcrowding could be a symptom of relative unaffordability; it could also be related to the current stock being ill-suited to meeting the needs of the population. The presence of concealed families could be symptomatic of suppressed household formation rates but, in itself, it is not necessarily an indicator of unmet need because people could be choosing to live in households with more than one family.
- 6.34 Figure 6.8 below uses 2011 Census data occupancy rating as defined by the ONS. The ONS base the rating on the number of occupied bedrooms in the household. Figure below shows the occupancy rating of Dover district against comparator areas.

Figure 6.8 Occupancy rating



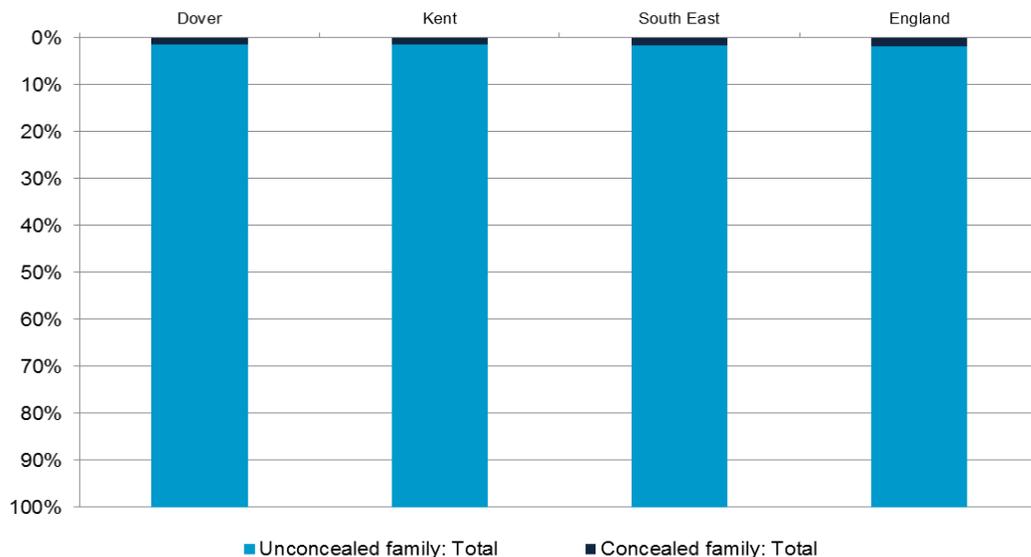
6.35

Source: ONS Table QS412EW

6.36 Dover district has the lowest percentage of over occupied housing (3.0%) compared to Shepway (3.4%), Kent (3.5%), the South East (3.6%) and England (4.6%). Dover district also has the highest percentage of under occupied homes at 72.1%. Overcrowding is not a problem in Dover district. The relatively large proportion of under occupied dwellings suggests that dwellings in Dover district are relatively large.

6.37 In addition to overcrowding, ONS also publishes data on concealed families based on 2011 Census data. ONS defines concealed families as households that do not include the Household Reference Person. The figure below compares the percentage of concealed households in Dover district and comparator areas.

Figure 6.9 Concealed families



Source: ONS Table LC1110EW

- 6.38 Dover district has the lowest proportion of concealed households at 1.5% which is similar to the county average and lower than Shepway's (1.7%). This is followed by the South East and England.
- 6.39 In terms of overcrowding and concealed households, Dover district appears to be less constrained than the national average indicating that the district does not have an unmet housing need.

Conclusions

- 6.40 The PPG sets out a number of indicators which are relevant when considering whether an uplift based on market signals is required. In looking at these indicators, the PPG suggests that:

*'comparison with longer term trends (both in absolute levels and rates of change) in the: housing market area; similar demographic and economic areas; and nationally. A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections.'*²⁰

- 6.41 Despite the significant shortfall in dwelling completions during the plan period, the market signals indicators do not suggest that the supply of housing was constrained by housing supply.
- 6.42 However; looking at the affordability ratio, the district shows deterioration in the last few years. The district has moved from a position where affordability was in line with the national average (although below the region and other local areas) to a position where affordability is getting relatively worse.

Scale of uplift

- 6.43 In terms of the market signal uplift, the PPG is not specific and states that:

'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.'

- 6.44 So 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.
- 6.45 In Eastleigh, the Inspector noted that affordability had worsened more than the national average and rents had risen more than the average. On this basis he concluded that *'a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only a part of a much larger*

²⁰ Reference ID: 2a-020-20140306

HMA... Exploration of an uplift [to the demographic projections] of, say, 10% would be compatible with the 'modest' pressure of market signals'.

- 6.46 In Uttlesford, the Inspector mentioned that house price increases had been slightly less than for Essex and England but from a very much higher base; median rents were higher than these comparators and had risen faster; and affordability had risen to a much higher peak prior to the recession. 'Taken in the round' these market signals as well as affordable need, the Inspector advised an uplift of 10%. He did not apportion the uplift between these two factors.
- 6.47 In Canterbury, the Inspector focused on three main market signals:
- Median house prices 12% above the national average (for comparison, Dover district house prices were 6% below the national average in 2014);
 - House price growth some 20 percentage points above the national average (growth in Dover district is 2 percentage points below national average over the trend period);
 - Affordability ratio consistently above the national benchmark - currently 9 against 6.5 for England (the ratio for Dover district is 8, compared to the 2014 affordability ratio for England of 6.7).
- 6.48 The Canterbury Inspector recommended an uplift of 30% to take account of these market signals, together with future jobs, affordable housing need and a post-recession recovery in household formation rates. The Inspector noted that these four factors overlapped and did not apportion the uplift between them.
- 6.49 From the three cases discussed above we cannot draw definite conclusions about the correct market signals uplift for Dover district. This is partly because the evidence used in Eastleigh, Uttlesford and Canterbury is not directly comparable: the indicators used are not always the same, some are measured as absolute levels and others as rates of change; they refer to different dates and are compared with different benchmarks. A further difficulty is that only one of the three Inspectors, in Eastleigh, provides an uplift for market signals alone. In the other two areas the adjustments they propose also take account of affordable need, future jobs and the impact of the recession on household formation.
- 6.50 In short, the size of any market uplift cannot be simply inferred from earlier examples; it also requires judgement. In our judgement, market signals for Dover district point to 'modest' market pressures, similar to Eastleigh and Uttlesford. This suggests an uplift of 10% over the plan period.

Applying the uplift

- 6.51 The PPG is very vague when it comes to addressing market signal indicators. Only advising that any uplift be 'reasonable'. It is difficult to draw meaningful conclusions from Inspector-led precedent elsewhere because each local economy and housing market is distinct. The PPG also warns that OAN is 'not an exact science' and so little comfort can be gained from direct statistical comparisons of other areas to derive

the scale of the market single uplift. The scale of a market signal adjustment is therefore a matter of judgement.

- 6.52 Our opinion is that a small adjustment is warranted but the scale should be between 5% and 10%. The evidence would suggest 5% today but the lack of affordability is on a 'upwards' trajectory with Dover district recently passing the national benchmark.
- 6.53 Also when discussing headship rates (in chapter 5), while the evidence is not strong to support departing from the national set of rates, and suggestions that 'headship rates' for young people (or single people) can be reverted simply by adjusting their theoretical formation rates has no statistical basis, we found above that household formation for some types of households (single people) is slightly worse than the national average.
- 6.54 So increasing housing delivery above the projection may be of some (unmeasurable) benefit and aid affordability (a market signal) at least providing some headroom for more positive household formation. So, taking a positive approach, planning for a 10% uplift would be prudent. However, this needs to be kept under review because should the household projections depart too far from the target then additional policy measures may be needed to deliver the housing target in full.

7 FUTURE JOBS

Introduction

- 7.1 This section examines whether housing provision in line with our preferred demographic projections would support enough workers to match the future job growth expected in the area. If that were not the case, in line with the PPG the projections should be adjusted upwards, unless the labour market can be brought into balance by other means, such as transport infrastructure.
- 7.2 The NPPF at paragraph 70 says that planning should integrate the location of housing, economic activity and community facilities and services. The PPG discusses the relationship between housing need and employment at paragraph 018²¹. It advises that plan-makers should make an assessment of future job growth and notes that, if future labour supply is less than this projected job growth, this could
- ‘result in unsustainable commuting... or reduce the resilience of local businesses’. In such circumstances, plan-makers will need to consider how the location of new housing and infrastructure development could help address these problems.’*
- 7.3 Planning Inspectors have interpreted this to mean that demographic projections should be tested against expected future jobs, to see if housing supply in line with the projections would be enough to support those future jobs. If that is not the case, the demographically projected need should be adjusted upwards accordingly; such adjustments overlap with the adjustments for past supply and market signals discussed in Section 6²². An alternative solution may be changes in commuting, whereby a labour deficit in one area is balanced by a labour surplus in neighbouring areas, provided that the planning authorities concerned are in agreement and the resulting travel is sustainable.
- 7.4 Inspectors’ advice also suggests that future jobs cannot be used to cap demographic projections. In other words, if the demographic projections provide more workers than are required to fill the expected jobs, they should not be adjusted downwards. One reason for this, as explained by the Bath & North East Somerset Inspector amongst others, is that much of the demand for housing is not driven by job opportunities, and people who do not work also need somewhere to live.
- 7.5 To provide an integrated view of future jobs, population and housing, we have used the local economic forecasts (September 2016) produced by Experian Economics, together with additional analysis specially commissioned from Experian. These forecasts have also been used in the DDC’s employment evidence base documents.

²¹ Reference ID: 2a-018-20140306

²² All adjustments referred here are policy-off. As confirmed by the High Court securing a ‘policy on’ regeneration led job target is outside the housing OAN (most clearly in Borough Council of Kings Lynn and West Norfolk v Secretary of State for Communities and Local Government, ELM Park Holdings Ltd. EWHC 2464.)

The Experian results are discussed in the next section and shown in full at Appendix B.

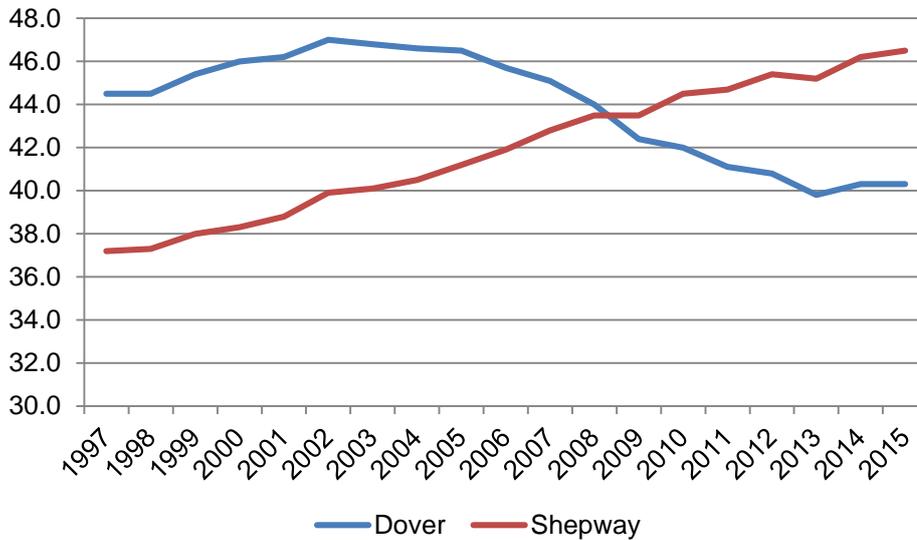
How many jobs?

Past trends

- 7.6 Before considering how many new jobs are forecast we briefly consider past trends. This is because the PPG suggests we look at past trends and/or forecasts. So there is no requirement to plan for past trends (or forecast growth) but it is sensible to consider them.
- 7.7 Most historic economic data dates back to 1997 when the ONS introduced the Annual Business Inquiry. However, caution is needed when simply looking at the average 1997 onwards because this spans one or more economic cycles. This distorts the data.
- 7.8 The most robust way to consider past trends to look across an economic cycle. The Bank of England²³ considered that the previous economic cycle lasted from 1992 until 2007 ('peak to peak'). So the current economic cycle commenced in 2007 and while the end of the cycle is still not clear the current day is a reasonable approximation; especially with the economic shock of Brexit.
- 7.9 Over the whole period where data is available (1997 – 2015) Dover district actually lost jobs. The district accommodated 44,500 workforce jobs in 1997 falling to 40,300 in 2014. Most of this loss was in the current economic cycle (from 45,100 in 2007 to 40,300 in 2014).
- 7.10 Dover district's HMA partner, Shepway, shows almost the inverse pattern. The chart below shows past job change since 1997 for Dover district and Shepway districts.

²³ The UK recession in context — what do three centuries of data tell us? By Sally Hills and Ryland Thomas of the Bank's Monetary Assessment and Strategy Division and Nicholas Dimsdale of The Queen's College, Oxford. Bank of England Research and Analysis (2010)

Figure 7.1 Workforce jobs (1997-2015)



7.11

Source: Experian, September 2016

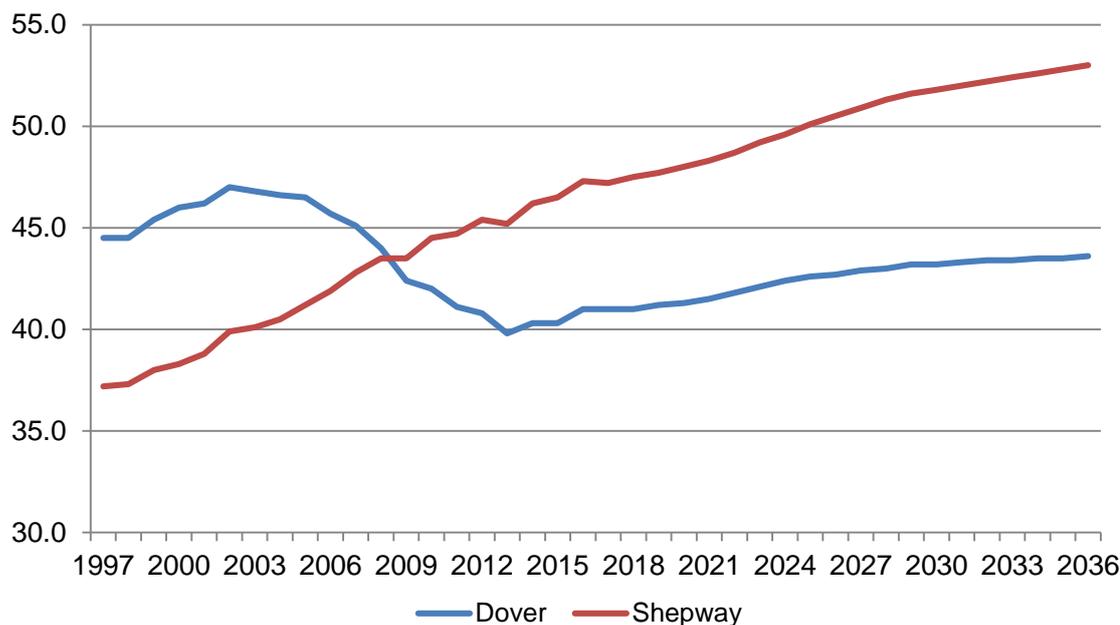
7.12 Looking briefly at the sectors, the decline has been across a number of broad sectors and cannot be simply attributed to a single industry. Sectors, which have shown strong growth elsewhere in the country, declined in the Dover district; for example, professional services, construction and retail. The EDNA will provide more detail around past sector performance but it is clear that planning for housing and labour supply in line with past trends would serve to embed this past decline into the future.

Future forecasts

7.13 Planning for past trend growth is not a sensible proposition for Dover district. So we now turn to consider the second source mentioned in the PPG: the forecasts. Figure 7.2 below shows the growth trajectory in the most recent (September 2016) Experian model run for Dover district and Shepway.

7.14 Shepway broadly continues its past trend growth. For Dover district this is arrested and shows a small positive return to growth. But the number of jobs, over the forecast period does not return to number of jobs in the early 2000s.

Figure 7.2 Experian workforce jobs (1997-2036)



Source: Experian, September 2016

- 7.15 As expected, the closure of the Pfizer manufacturing and research facility in Sandwich will have contributed to the loss of 2,900 jobs in the pharmaceutical sector between 1997 and 2036 across the district. However, the decline in the manufacturing of pharmaceuticals alone does not account for Dover district’s job loss. Looking at the sector breakdown, significant declines are projected in agriculture (50%), construction (40%) and professional services (34%). Notable growth sectors include residential care and social work (1,300 jobs). However, on balance, Dover district has 1,400 fewer jobs in 2036 than 1997.
- 7.16 Dover district’s declining sectors run counter to Shepway, Kent and the south east. In the comparator areas, jobs in the construction and professional service industries register significant gains between 1997 and 2036. In Shepway, the number of jobs in construction more than doubles to increase by 800, while the increase in jobs in professional services is projected to treble – an increase of 2,900 jobs.
- 7.17 A similar trend is seen in Kent where the number of construction jobs between 1997 and 2036 increases by 15,700 which is almost double the number of jobs in 1997. The number of professional jobs more than doubles to register an increase of 35,100 jobs. At the regional level, the number of construction jobs increase by 58%, and the number of jobs in professional services increase by 104%. All this points to a relatively weak local labour market in Dover district.

How many homes?

- 7.18 Once the policy-off job prospects have been established, the key question for the SHMA is whether the number of homes suggested by the demographic evidence provides a sufficiently large workforce; or whether additional new homes (and higher inward migration flows) are needed.

- 7.19 We answer this question working with Experian. The first question is whether the economic forecasts are constrained by a lack of labour in the area. Any economic forecast needs to be realistic and achievable. There are parts of the UK where there is a genuine shortage of labour in the local area and this means that the forecast does not represent the unconstrained economic potential of the area. In these places, increasing the labour available would result in higher job growth because it releases this constraint.
- 7.20 Because of this risk we asked Experian to confirm what they consider to be the full, unconstrained, demand for new jobs in the district. That is before any possible labour supply constraint has been applied to the forecast. This ‘demand for jobs’ estimate looks at the economic structure of the district today and applies Experian’s views of the sectors future growth potential.
- 7.21 In this case, Experian have confirmed that the unconstrained demand for labour is identical to that shown in their baseline model. There is no suggestion that a lack of labour is acting as any constraint on the number of jobs.
- 7.22 To understand how many homes this number of jobs requires we asked Experian to model the delivery of both the SNPP 2014 based population (and so CLG 2014 households) and also our adjusted, with market signal, number of new homes.
- 7.23 The SNPP 2014 is built into the Experian baseline and this testing shows how Experian expect the labour market to adjust should this number of homes (CLG 2014) be delivered in the district. The table below shows how the labour market balances demand and supply with this number of new homes delivered:

Table 7.1 Experian jobs scenario (2015-36)

| Scenario | Additional homes | | Additional people (thousands) | | Additional jobs (thousands) | |
|----------------------------------|------------------|----------|-------------------------------|----------|-----------------------------|----------|
| | Per annum | 21 years | Per annum | 21 years | Per annum | 21 years |
| Experian baseline | 481 | 10,101 | 0.63 | 13.20 | 0.16 | 3.30 |
| Experian scenario | 529 | 11,109 | 0.90 | 18.80 | 0.17 | 3.50 |
| Difference (baseline - scenario) | -48 | -1,008 | -0.27 | -5.60 | -0.01 | -0.20 |

Source: Experian²⁴

- 7.24 As the table shows the increase in population associated with the higher number of homes is expected to support additional jobs, albeit the scale of the increase is limited (200 additional jobs over 21 years).

Labour balance market

- 7.25 The data clearly point to a local economy which does not have a shortage of labour today, or should the SNPP 2014 be delivered in full. Dover district has strong

²⁴ Note: the base year of the Experian model is 2015 and the end year is 2036, hence the period analysed above is shorter than the study period.

commuting outflows (net) which we know from our earlier analysis relate to Shepway and Canterbury. Unemployment, today and in the future, is broadly stable and well above the regional averages. By 2036 the regional unemployment rate is forecast to be 3.9% versus 5.2% in Dover district.

- 7.26 We also asked Experian to model the higher (with market signals) number of new homes. By providing a higher population, the model shows some very small job growth (200 by 2036); these are largely arising from having a slightly larger population to service. However, the larger resident population suppresses economic activity rates, increases unemployment and increases outward commuting. This is because the full, unconstrained demand for labour is already satisfied by the lower population in the SNPP 2014.
- 7.27 While the impact of the additional population is not significant, the model highlights the risk that overproviding new homes (and labour) can have negative economic consequences for a labour market. Table 7.2 below shows how the key labour market variables have adjusted between the baseline and scenario model runs.

Table 7.2 Experian forecast comparison: baseline vs scenario

| Variable name | Difference between baseline and scenario in 2036 (thousands people ²⁵) |
|--|--|
| Labour force | 0.6 |
| Labour force - 16 to 64 | 1.2 |
| Labour force - 65 Plus | -0.6 |
| Population - retired | -1.7 |
| Population - student | 2.8 |
| Population - 16 plus | 2.5 |
| Population - 16 to 64 | 4.3 |
| Population - 65 plus | -1.8 |
| Total population | 5.3 |
| Working age population | 4.3 |
| Economic activity rate (%) - 16+ | -0.7 |
| Economic activity rate (%) - 16 to 64 | -3.0 |
| Economic activity rate (%) - 65 Plus | -0.8 |
| Economic activity rate (%) - Working Age | -4.1 |
| Workforce jobs | 0.3 |
| Jobs demand | 0.3 |
| Excess jobs | 0.0 |
| FTE jobs | 0.2 |
| Workplace-based employment | 0.2 |

²⁵ Unless specified otherwise under variable name

| Variable name | Difference between baseline and scenario in 2036 (thousands people ²⁵) |
|--------------------------------|--|
| Residence-based employment | 0.2 |
| Net commuting balance (inflow) | 0.0 |
| Unemployment | 0.4 |
| Unemployment rate | 0.6 |

7.28 The table shows that in this scenario, there are fewer older people (65+) and more younger people (16-64). This is because, as discussed earlier, the labour supply in Dover district is unconstrained. Instead of bringing in more people into the workplace, the model decreases the economic activity rate: as shown all measures of economic activity rates in Table 7.2. This is because the increase in the labour supply (600 additional people in the workforce) is much greater than the demand for jobs. Providing more young people in the area does not generate new jobs. Outward commuting also increases marginally, reflecting a weak local job market compared to neighbouring alternatives.

Experian comment

7.29 *“The increase in population in Dover has led to an increase in labour demand (particularly in public services). This increase is substantially smaller than the*
 7.30 *increase in population.*
 7.31 *At the same time, the increase in population leads to an increase in labour supply.*
 7.32 *However, this increase in labour supply is offset by a fall in economic activity rates.*
 7.33 *Economic activity rates are lower especially amongst working age adults since the*
 7.34 *increase in job demand is less than the increase in the labour force resulting in*
 7.35 *higher unemployment; higher unemployment discourages people from joining the local labour market as there is more competition to find employment.”*

Source: Experian

The EEFM forecast

7.36 As a cross check to Experian we briefly consider an alternative forecast. That is from the East of England Forecasting Model (EEFM). The EEFM was created by Oxford Economics to provide integrated economic, demographic and housing need forecasts by local authority across the East of England region. Its reach was expanded in 2011, so it also covers the East Midlands and South East regions and a number of LEP areas in the three regions.

7.37 The EEFM has recently been re-issued with a 2015 base but the most recent update excludes the Kent authorities in detail, only reporting Kent as a whole. The latest EEFM forecast which includes Dover district is the autumn 2014 release and covers the period 2011-31²⁶. For our purposes the fact that the EEFM is now slightly out of

²⁶ Oxford Economics, East of England Forecasting Model: 2014 baseline results, January 2015

date is not of major significance. This is because we are using the EEFM to test whether an economic uplift in OAN is needed because the labour market is constrained. This fact is unlikely to have changed between the two EEFM runs.

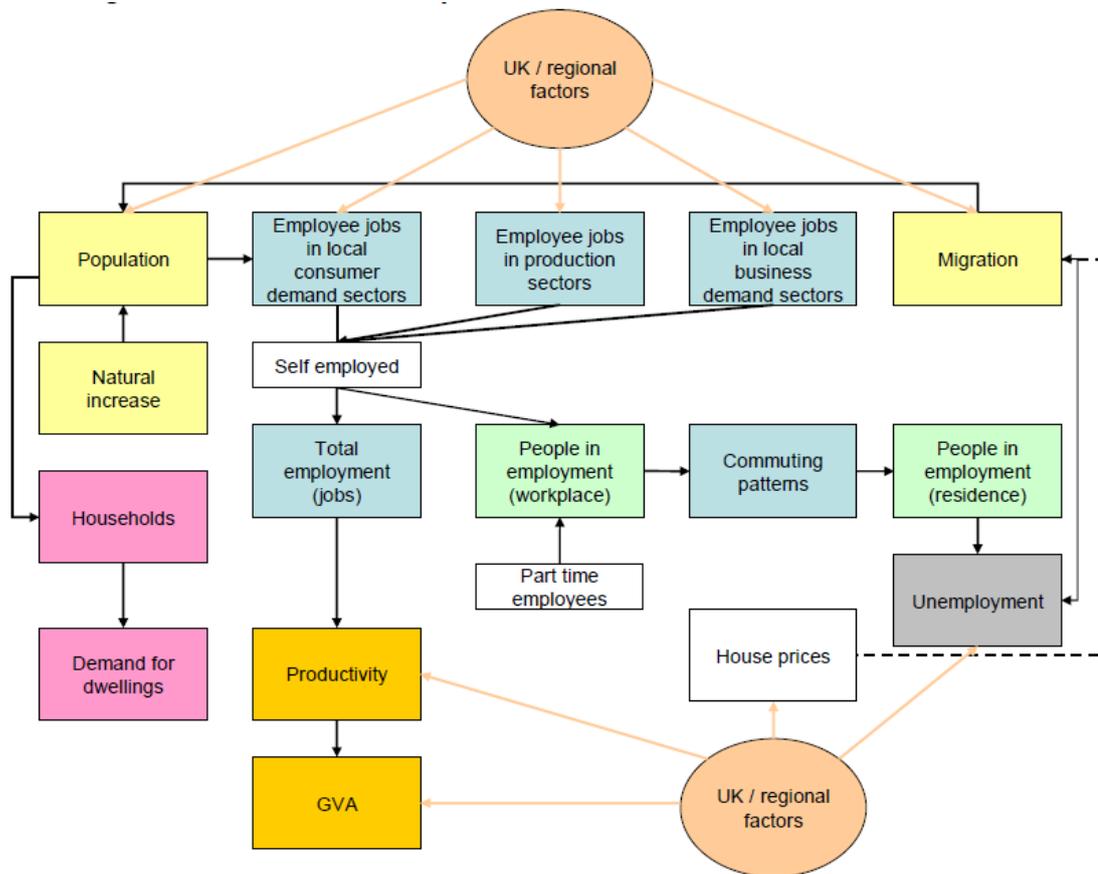
- 7.38 Considering the EEFM remains useful because Oxford Economics take a different approach to houses and labour from Experian.

Method

- 7.39 In the EEFM, population change, and the resulting household change and housing demand, are partly driven by job opportunities. For each local authority district:
- The number of workplace jobs (labour demand) depends partly on the size of the local population – because people’s consumption of local services creates jobs in retail, leisure and so forth – and partly on wider national / global demand. Numbers of jobs are translated into resident workers through double-jobbing²⁷ and commuting, and resident workers into resident population through activity rates.
 - On the labour supply side, the future resident population is initially determined by natural change and trend-driven migration (‘non-economic migrants’) (the EEFM makes its own projections rather than using the official ONS ones).
 - The model compares the resulting numbers of resident workers with the labour demand estimated earlier, to produce unemployment in each area. Places with low unemployment attract above-trend net migration (‘economic migrants’) as people move to places where there are more job opportunities. Hence the resident population in these places rises above the initial trend-driven number, while conversely in places where unemployment is high population falls below the trend-driven number.
 - Finally, the resulting population is translated into household demand, again using Oxford Economics’ own method, using projections of persons per dwelling, rather than the CLG household forecast).

²⁷ Double-jobbing is the difference between jobs and people employed. It results from the fact that some people have more than one job. This is not uncommon, partly because many jobs are part-time.

Figure 7.3 Main relationships between variables in the EEFM Model



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

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

Results

7.41 The EEFM suggests a job growth (2011-31) of 2,900 new jobs (net). Unemployment is higher than the County and regional average and over time outward commuting increases slightly. In 2031 around 14,000 residents commute out of the district to work.

7.42 The model has assumed the population grows to a similar size as the demographic scenarios we tested above. The EEFM shows the total population at 2031 of 123,200. The model estimates demand for an average of 378 dwellings per annum (2014-31).

7.43 So although the EEFM is now slightly out of date; there is no suggestion that Dover district requires more population (or labour) than our demographic analysis suggests. The very high outward flow of commuting and slightly higher unemployment rate than the County or regional averages suggest that, if anything, there is a slight oversupply of labour which the local economy struggles to employ.

Alternative views of economic activity rates

- 7.44 The use of Economic Activity Rates in calculating housing needs has caused some confusion in recent years. This stems from paragraph 18 of the PPG which states:
- ‘Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems’*
- 7.45 In practice the implementation of this paragraph has been taken further to mean that where there is evidence of a labour shortage the remedy is not simply or ‘consider the location of new housing or infrastructure’ but to simply increase housing supply.
- 7.46 However, the PPG provides no prescriptive way to estimate the size of the ‘working age population that is economically active’. In summary how to select and apply the ‘economic activity rate’ to the population.
- 7.47 The analysis above uses Experian’s own locally specific economic activity rates (or EEFM as a cross check). This is because economic activity rates in a local economy are ‘dynamic’ and flex in line with market demand. Rates therefore depend on the demand for jobs and the supply of labour. Experian have confirmed that the rates uses here are reasonable and sound to use.
- 7.48 These differ from alternative estimates, for example those calculated by the OBR, Kent County Council or the EU. These are generally lower than Experian (or other forecasts) rates and so when applied to the SNPP 2014 population at the local level require more people (and so homes) to supply the same number of jobs as calculated by the economic model.
- 7.49 The Experian job number quoted above is only valid providing all the other variables remain as per Experian. This includes the size of the resident population and the economic activity rate applied; should the size of the population increase the demand for jobs may change.
- 7.50 We have considered whether these alternative rates should be used in preference. But evidence shows that should these rates be preferred over the internal Experian rates then the number of jobs in the national and so local economy is also forecast to be lower.

Summary

- 7.51 We have tested the demand for labour in Dover district with Experian. They have confirmed that there is no justification for an economic uplift increasing the OAN above that arrived at through the demographic evidence. They have also advised, with the benefit of sensitivity testing the population, that the sector structure of the district struggles to absorb the available labour.

- 7.52 This has been cross checked with reference to the EEFM model. There does not appear to be a labour constraint evident in the district.
- 7.53 For the OAN the result is clear: no economic uplift is needed. Outside the OAN (and as a matter of policy) the analysis suggests a cautious approach to the housing target is needed unless significant (policy-on) economic intervention is secured (i.e. regeneration and other economic interventions). This needs to be in excess of that seen in the past, the economic forecasters already assume that past interventions continue in the future (i.e. past interventions form part of the trend).
- 7.54 This is a matter we expect the DDC's employment land evidence to consider in more detail when advising on plan targets.

8 CONCLUSIONS

Objectively assessed housing need

- 8.1 The method applied in this report follows that outlined in the Planning Advisory Service Technical Advice Note 'Objectively Assessed Housing Needs and Housing Targets'. This was first published in June 2014 and was updated in July 2015 to reflect emerging best practice.
- 8.2 It also follows the stages set out in the Planning Guidance to arrive at the 'overall housing needs figure' at paragraph 2a-020.

Defining the HMA (PPG paragraph 2a-008)

- 8.3 With reference to the tests set out in the PPG, we have defined an HMA comprising Dover district and Shepway. Homes in one district, Dover district or Shepway, are reasonably substitutable between the two areas. This is especially the case with the two main towns of Dover district and Folkestone which are now very well connected.
- 8.4 While the position of Shepway is straightforward in that the majority of its flows and links are with Dover district, the position of Dover district is less clear cut. So in defining this geography, we have considered Dover district's linkages with Canterbury and Thanet. As with any HMA, there are cross-boundary links; however, on balance, we have concluded that Dover district and Shepway form the most reasonable HMA for assessing housing need.
- 8.5 We recommend that for future planning Dover and Shepway adopt a shared HMA. But close working with Thanet, through the Duty to Co-operate, is needed to ensure that housing needs are met in the parts of Dover district where the boundaries are less than clear. This mainly relates to the Sandwich area.

Identifying the demographic starting point (PPG 2a-015)

- 8.6 With the HMA established, PBA tested the wide range of demographic data to identify the demographic starting point. This included producing alternative trend-based scenarios based on different periods. The most recent official projection shows need arising of 11,069 dwellings between 2014 and 2037 (481 dpa). We recommend using this as the demographic starting point.

Adjustment to the demographic projection (PPG 2a-017)

- 8.7 Paragraph 2a-017 of the PPG states that:

'The household projections produced by the Department for Communities and Local Government are statistically robust and are based on nationally consistent assumptions. However, plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates'

- 8.8 In Section 3 we tested the use of the 2012 HRRs for Dover district. This testing showed that they remained a robust set of data. We have also reviewed the 2014

headship rates and confirmed that, on the basis they introduce only two new years of data to a long-term trend, do not alter the conclusion that they are a robust data set to use in our projection.

- 8.9 The PPG²⁸ allows the OAN to be adjusted from the demographic assessment of need should ‘unusual circumstances’ apply in the area. These are circumstances which make the plan-maker query the migration flows into the district and encourages the use of ‘sensitivity tests’ to adjust for these risks. To that end, we tested a number of alternative projections.
- 8.10 That testing indicated that the official projections are high because of underlying assumptions on migration into Dover district which will increase absolute migration into the district over the study period. However, there is a question over whether the general ageing of the population (the trend to stay working for longer and forming families later) will reduce these propensities in future so that people would delay their move to areas such as Dover district in future years. But we do not think there is any evidence to suggest the official projections are flawed; therefore, we recommend that Dover district should plan for a range of OAN. The upper end of this range is 481 dpa as per the official projections.
- 8.11 We have also considered the relationship between Dover district and London. It is evident from the migration and commuting data that the links between Dover and London are relatively weak; that migration directly informs the projections we have looked at in Section 4. We have considered a longer-term projection; this approach broadly aligns with the approach taken by the GLA. The longer-term projection shows a lower need than the short-term projection which underpins CLG 2014. As set out above, we have adopted CLG 2014 as the demographic starting point; it therefore follows that Dover is meeting in excess of the level of migration from London as anticipated by the GLA.

How should employment trends be taken into account? (PPG 2a-018)

- 8.12 The PPG advises that:

‘Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.’

- 8.13 To address this paragraph of the PPG, we used independent and policy-off economic forecasts prepared by Experian and Oxford Economics. These have confirmed that Dover district is not labour market constrained, so that providing the number of new

²⁸ Reference ID: 2a-017-20140306

homes and population would not result in ‘unsustainable commuting’ or ‘reduce the resilience of local businesses’.

- 8.14 We do not see there is any need for a jobs-led adjustment to the OAN.

Market signals (PPG 2a-019)

- 8.15 Section 6 of this study considered market signals and past rates of housebuilding. Our analysis suggests that Dover district has becoming less affordable. We therefore suggest that an adjustment is needed to take account of market signals.

- 8.16 The PPG does not specify the size of this adjustment, saying only that it should be ‘reasonable’, and authorities should monitor the situation and review supply accordingly. But EiP Inspectors’ decisions on three occasions have used rules of thumb as follows:

- Modest under-provision/market pressure (Uttlesford, Eastleigh) 10%
- Significant under-provision / market pressure (Canterbury) 30%.

- 8.17 In this case, we consider the evidence in Dover district points to modest pressure i.e. while an adjustment is required, because against some of the market signals do not point to pressure. We therefore recommend a 10% uplift. This equates to 12,176 dwellings (529 dpa) over the period 2014-37.

Recommendations

- 8.18 The OAN for Dover district is 529 dpa over the period (12,176 dwellings). This number has been revised upwards to reflect a market signals adjustment. Furthermore, working with Experian, we have tested whether this number of homes provides sufficient labour to meet economic needs and concluded that there is no need for any adjustment. Additionally, we have concluded that this OAN is sufficient to meet needs flowing from London to Dover district.
- 8.19 As we have set out, DDC must have a watching brief on the projections and consider how relevant a potential future reduction in need might be in setting any housing target in order to future proof the OAN and any consequent five-year housing land supply. We recommend that for future planning Dover and Shepway adopt a shared HMA. But close working with Thanet, through the Duty to Co-operate, is needed to ensure that housing needs are met in the parts of Dover district where the boundaries are less than clear. This mainly relates to the Sandwich area.

Relationship to an updated assessment of affordable need

- 8.20 The household projections, corrected for market signals, and if met in full, provide for the full objectively assessed needs for market and affordable housing. In the PPG this is sometimes referred to as the ‘overall housing need figure’ and is reached by paragraph 20[1] of the PPG method, assuming the PPG method of assessing housing need is followed sequentially.

[1] Reference ID: 2a-020-20140306

- 8.21 But the PPG also requires a separate calculation of the housing needs for certain groups of people starting in paragraph 21. This flows from paragraph 20 and provides a 'breakdown' of the overall housing needs figure. It also calculates the affordable need for the district which is sometimes referred to as the 'affordable OAN'.
- 8.22 Affordable housing need influences the full OAN but the way it is calculated follows a separate method. Experts in affordable housing (HDH Planning and Development) have provided this calculation in a separate and self-contained SHMA Part 2 report. It is for DDC to consider whether more new homes, over and above the 529 dpa, should be provided in the plan to help address affordable housing need through policy adjustments following paragraph 29 of the Guidance.

APPENDIX A DEMOGRAPHIC DATA

| | ONS/CLG 2008 | ONS/CLG 2012 | ONS/CLG 2014 | 2001-14 Trends | 2004-14 Trends | 2009-14 Trends |
|-----------------------|-----------------|-----------------|-----------------|-------------------|-------------------|-------------------|
| Population (k) | | | | | | |
| 2001 | 104.6 | 104.6 | 104.6 | 104.6 | 104.6 | 104.6 |
| 2011 | 107.3 | 111.7 | 111.7 | 111.7 | 111.7 | 111.7 |
| 2014 | 108.6 | 112.2 | 113.1 | 113.1 | 113.1 | 113.1 |
| 2016 | 109.7 | 112.9 | 114.1 | 114.1 | 114.0 | 114.1 |
| 2021 | 113.0 | 115.1 | 117.2 | 117.1 | 116.9 | 117.0 |
| 2026 | 116.5 | 117.5 | 120.5 | 120.2 | 119.8 | 119.8 |
| 2031 | 119.7 | 119.8 | 123.7 | 122.9 | 122.4 | 122.1 |
| 2037 | | 122.3 | 127.2 | 125.6 | 124.9 | 124.4 |
| 2039 | | | 128.3 | 126.4 | 125.6 | 125.0 |
| 2001-14 | 3,954 | 7,588 | 8,420 | 8,420 | 8,420 | 8,420 |
| 2014-37 | | 10,049 | 14,176 | 12,561 | 11,795 | 11,304 |
| pa | | 437 | 616 | 546 | 513 | 491 |
| Households (k) | | | | | | |
| 2001 | 44.4 | 44.4 | 44.4 | 44.4 | 44.4 | 44.4 |
| 2011 | 47.1 | 48.4 | 48.4 | 48.4 | 48.4 | 48.4 |
| 2014 | 48.5 | 49.3 | 49.5 | 49.5 | 49.5 | 49.5 |
| 2016 | 49.4 | 50.0 | 50.4 | 50.3 | 50.3 | 50.3 |
| 2021 | 51.8 | 52.0 | 52.8 | 52.3 | 52.4 | 52.4 |
| 2026 | 54.2 | 53.9 | 55.2 | 54.3 | 54.3 | 54.4 |
| 2031 | 56.3 | 55.8 | 57.4 | 56.0 | 56.1 | 56.1 |
| 2037 | | 57.7 | 59.8 | 57.8 | 57.8 | 57.7 |
| 2039 | | | 60.6 | 58.4 | 58.3 | 58.1 |
| 2001-14 | 4,124 | 4,879 | 5,114 | 5,112 | 5,112 | 5,112 |
| 2014-37 | | 8,464 | 10,360 | 8,332 | 8,295 | 8,192 |
| pa | | 368 | 450 | 362 | 361 | 356 |
| Homes | | | | | | |
| 2014-37 | | 9,043 | 11,069 | 8,902 | 8,863 | 8,753 |
| pa | | 393 | 481 | 387 | 385 | 381 |

APPENDIX B EXPERIAN DATA

Baseline

| Local Code | Variable Code | Local/Combined | Variable Name | 2015 | 2015-36 | % |
|------------|---------------|----------------|---|--------|---------|------|
| SE0604 | LF | Dover | Labour Force | 54.10 | 3.70 | 7% |
| SE0604 | LF16_64 | Dover | Labour Force - 16 to 64 | 50.70 | -1.20 | -2% |
| SE0604 | LF65P | Dover | Labour Force - 65 Plus | 3.40 | 4.90 | 144% |
| SE0604 | POPPR | Dover | Population - retired | 27.10 | 10.10 | 37% |
| SE0604 | POPPS | Dover | Population - student | 19.90 | 0.40 | 2% |
| SE0604 | POPP16P | Dover | Population - 16 Plus | 93.60 | 12.80 | 14% |
| SE0604 | POPP16_64 | Dover | Population - 16 to 64 | 67.70 | -2.30 | -3% |
| SE0604 | POPP65P | Dover | Population - 65 Plus | 25.90 | 15.10 | 58% |
| SE0604 | POPPTOT | Dover | Total Population | 113.50 | 13.20 | 12% |
| SE0604 | POPPWA | Dover | Working Age Population | 66.50 | 2.60 | 4% |
| SE0604 | PRT16P | Dover | Economic Activity Rate (%) - 16+ | 57.80 | -3.50 | -6% |
| SE0604 | PRT16_64 | Dover | Economic Activity Rate (%) - 16 to 64 | 74.90 | 0.80 | 1% |
| SE0604 | PRT65P | Dover | Economic Activity Rate (%) - 65 Plus | 13.00 | 7.30 | 56% |
| SE0604 | PRTWA | Dover | Economic Activity Rate (%) - Working Age | 81.30 | 2.30 | 3% |
| SE0604 | W | Dover | Workforce Jobs | 44.50 | 1.70 | 4% |
| SE0604 | WZP | Dover | Jobs Demand | 44.50 | 1.70 | 4% |
| SE0604 | EXJ | Dover | Excess Jobs | 0.00 | 0.00 | 0% |
| SE0604 | FTE | Dover | FTE jobs | 35.10 | 2.10 | 6% |
| SE0604 | ELFSWA | Dover | Workplace based employment | 42.40 | 1.90 | 4% |
| SE0604 | ELFS | Dover | Residence based employment | 50.90 | 3.80 | 7% |
| SE0604 | NET_COMMUTING | Dover | Net commuting balance (inflow) | -8.50 | -1.90 | 22% |
| SE0604 | U | Dover | Unemployment | 3.20 | -0.10 | -3% |
| SE0604 | UR | Dover | Unemployment Rate | 5.90 | -0.60 | -10% |
| SE | W | South East | Workforce Jobs | 4,723 | 770.80 | 16% |
| UK | W | United Kingdom | Workforce Jobs | 33,950 | 4209.40 | 12% |
| SE0604 | WAFF | Dover | Agriculture, Forestry & Fishing WFJ | 0.9 | -0.30 | -33% |
| SE0604 | WEXT | Dover | Extraction & Mining WFJ | - | - | - |
| SE0604 | WMAN | Dover | Manufacturing WFJ | 3.9 | -1.10 | -28% |
| SE0604 | WUTL | Dover | Utilities WFJ | 0.3 | 0.10 | 33% |
| SE0604 | WCON | Dover | Construction WFJ | 2.6 | 0.30 | 12% |
| SE0604 | WDIS | Dover | Wholesale & Retail WFJ | 5.2 | 1.50 | 29% |
| SE0604 | WTRS | Dover | Transport & storage WFJ | 4.4 | -0.60 | -14% |
| SE0604 | WAFR | Dover | Accommodation, Food Services & Recreation W | 4.5 | 0.80 | 18% |
| SE0604 | WICO | Dover | Information & communication WFJ | 0.4 | 0.30 | 75% |
| SE0604 | WFIN | Dover | Finance & Insurance WFJ | 0.6 | 0.50 | 83% |
| SE0604 | WPRI | Dover | Professional & Other Private Services WFJ | 8.5 | -0.90 | -11% |
| SE0604 | WPUB | Dover | Public Services WFJ | 13.2 | 1.10 | 8% |

Scenario

| Local Code | Variable Code | Local/Combined | Variable Name | 2015 | 2015-36 | % |
|------------|---------------|----------------|---|--------|---------|------|
| SE0604 | LF | Dover | Labour Force | 54.10 | 4.30 | 8% |
| SE0604 | LF16_64 | Dover | Labour Force - 16 to 64 | 50.70 | 0.00 | 0% |
| SE0604 | LF65P | Dover | Labour Force - 65 Plus | 3.40 | 4.30 | 126% |
| SE0604 | POPPR | Dover | Population - retired | 27.00 | 8.50 | 31% |
| SE0604 | POPPS | Dover | Population - student | 19.90 | 3.20 | 16% |
| SE0604 | POPP16P | Dover | Population - 16 Plus | 93.30 | 15.60 | 17% |
| SE0604 | POPP16_64 | Dover | Population - 16 to 64 | 67.60 | 2.10 | 3% |
| SE0604 | POPP65P | Dover | Population - 65 Plus | 25.70 | 13.50 | 53% |
| SE0604 | POPPTOT | Dover | Total Population | 113.20 | 18.80 | 17% |
| SE0604 | POPPWA | Dover | Working Age Population | 66.30 | 7.10 | 11% |
| SE0604 | PRT16P | Dover | Economic Activity Rate (%) - 16+ | 58.00 | -4.40 | -8% |
| SE0604 | PRT16_64 | Dover | Economic Activity Rate (%) - 16 to 64 | 75.10 | -2.40 | -3% |
| SE0604 | PRT65P | Dover | Economic Activity Rate (%) - 65 Plus | 13.00 | 6.50 | 50% |
| SE0604 | PRTWA | Dover | Economic Activity Rate (%) - Working Age | 81.50 | -2.00 | -2% |
| SE0604 | W | Dover | Workforce Jobs | 44.50 | 2.00 | 4% |
| SE0604 | WZP | Dover | Jobs Demand | 44.50 | 2.00 | 4% |
| SE0604 | EXJ | Dover | Excess Jobs | 0.00 | 0.00 | 0% |
| SE0604 | FTE | Dover | FTE jobs | 35.10 | 2.30 | 7% |
| SE0604 | ELFSWA | Dover | Workplace based employment | 42.40 | 2.10 | 5% |
| SE0604 | ELFS | Dover | Residence based employment | 50.90 | 4.00 | 8% |
| SE0604 | NET_COMMUTING | Dover | Net commuting balance (inflow) | -8.50 | -1.90 | 22% |
| SE0604 | U | Dover | Unemployment | 3.20 | 0.30 | 9% |
| SE0604 | UR | Dover | Unemployment Rate | 5.90 | 0.00 | 0% |
| SE | W | South East | Workforce Jobs | 4,723 | 770.80 | 16% |
| SE0604 | WAFF | Dover | Agriculture, Forestry & Fishing WFJ | 0.9 | -0.30 | -33% |
| SE0604 | WEXT | Dover | Extraction & Mining WFJ | - | - | - |
| SE0604 | WMAN | Dover | Manufacturing WFJ | 3.9 | -1.10 | -28% |
| SE0604 | WUTL | Dover | Utilities WFJ | 0.3 | 0.10 | 33% |
| SE0604 | WCON | Dover | Construction WFJ | 2.6 | 0.30 | 12% |
| SE0604 | WDIS | Dover | Wholesale & Retail WFJ | 5.2 | 1.40 | 27% |
| SE0604 | WTRS | Dover | Transport & storage WFJ | 4.4 | -0.60 | -14% |
| SE0604 | WAFR | Dover | Accommodation, Food Services & Recreation V | 4.5 | 0.90 | 20% |
| SE0604 | WICO | Dover | Information & communication WFJ | 0.4 | 0.30 | 75% |
| SE0604 | WFIN | Dover | Finance & Insurance WFJ | 0.6 | 0.50 | 83% |
| SE0604 | WPRI | Dover | Professional & Other Private Services WFJ | 8.5 | -0.80 | -9% |
| SE0604 | WPUB | Dover | Public Services WFJ | 13.2 | 1.20 | 9% |