



Strategic Planning & Research Unit

For and on behalf of
Bedfordia Developments Ltd

Huntingdonshire Local Plan 2018
Response to Inspectors Questions
Matter 4: Overall Provision for Housing

Prepared by
**Strategic Planning Research Unit
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June 2018



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INTRODUCTION

- 0.1 This representation has been prepared by the Strategic Planning and Research Unit (SPRU) of DLP Planning Ltd (DLP) on behalf of Bedfordia Developments Ltd in response to the Inspector's Matters Issues and Questions. Our client has interests at Land East of Eaton Socon, West of River Ouse, St Neots.
- 0.2 SPRU previously submitted an OAN Assessment to the 2017 Regulation 19 consultation which is referenced throughout this hearing statement. This is appended to this hearing statement for ease of reference.

MATTER 4- OVERALL PROVISION FOR HOUSING

Issue:

“Whether the Local Plan has been positively prepared and whether it is justified, effective and consistent with national policy in relation to the overall provision for housing.”

Relevant policies – LP1

Questions:

- 1) **Is it justified to identify an updated OAN for housing for Huntingdonshire rather than the wider HMA? What are the implications of this for other authorities in terms of plan preparation and meeting identified needs?**
 - 1.1 The current summary of housing needs in the April 2017 Huntingdonshire Objectively Assessed Housing Need Report (OAHN Update 2017) [CD ref: HOUS/01] is set out in the table below together with the current planned levels of planned provision in adopted or emerging local plans. This supersedes the publication of the 2013 Strategic Housing Market Assessment for Cambridgeshire (2013 SHMA) [CD Ref: HOUS/07].
 - 1.2 The table below provides a summary of the updated housing figures for the Cambridgeshire and Peterborough area in July 2017 and reflects Peterborough City Council’s agreement to accommodate 2,500 dwellings from the Cambridge sub-region housing market area.

Table 1 Comparison of Housing figures and adopted and emerging allocations with SOAN

Dwellings per year	Overall Annual Housing Need	Annual Affordable housing need	Overall Annual Housing Target	Local Plan	Status	SOAN
Cambridge	700	520	700	700	MM ¹	583
East Cambridgeshire	586	130	518	575	A ²	598
Fenland	600	291	550	550	A	511
Huntingdonshire	804	316	840	804	S ³	1010
Peterborough	1005	620	1105	1066	S	942
South Cambridgeshire	975	279	975	975	MM	1182
Total for Combined Authority	4670	2156	4688	4670		4826

Source: Cambridgeshire Research Group 2017/Council web sites/DCLG September 2017

- 1.3 Table 2 below highlights that the OAN is being revised on a piecemeal basis.

¹ Main Modifications

² Adopted

³ Submitted

Table 2 Comparison of OAN Distribution across the Housing Market Area between 2013 SHMA and Updated OAN

Local Authority area	OAN from 2013 SHMA (2011 – 2031)	Updated OAN
Cambridge	14,000	No change
East Cambridgeshire	13,000	12,900 (2014-2036)
Fenland	12,000	No plan review
Forest Heath	7,000	6,800
Huntingdonshire	17,000	Not yet available
South Cambridgeshire	19,000	19,500
St Edmundsbury	11,000	Not yet available

Cambridgeshire and Peterborough Strategic Planning Unit February 2017, Update on OAN in the Cambridge Sub-Region Housing Market Area, page 2

- 1.4 If available, the latest information informing the SHMA / OAN should be used; the Council should consider if the most up to date information would have an impact upon the housing need / requirement figure in the submitted Local Plan. Whilst we appreciate that the Councils have identified a shared HMA, there is nothing within national planning guidance which should prevent a need assessment for the HMA being updated.
- 1.5 If the housing need figure is updated for reasons specific to Huntingdonshire, any implications to other Plans will have to be dealt with by those authorities, when appropriate.
- 1.6 Given the change from the submitted OAN to the Standardised OAN (SOAN) as set out within table 1, we consider that it is necessary for the Council to consider the most up to date information so that an informed view can be taken on whether the submitted Local Plan requirement should be updated or not.

2) Was the methodology employed in the Huntingdonshire Objectively Assessed Housing Need Update of 2017 appropriate and does it provide a robust basis for establishing the OAN?

- 2.1 We have no objection to the use of the 2014-based Sub-National Household Projections. It is noted that the 2016-based household projections are due in September, but it is more appropriate to rely on the 2014 projections for the purposes of the EiP.
- 2.2 We consider that there should be an uplift to adjust the impact of falling household formation in the 25 to 44 age groups. The approach used is to hold the 2011 HRR steady for those in the 25 to 44 age group that were projected to decline. The implication of these assumptions is to produce a small uplift in the overall dwelling requirement. This is set out in our Regulation 19 submission (Appendix 1, Table 4, page 29).
- 2.3 The OAHN Update 2017 does not propose any change to the 2014-based Projections on the grounds that headship rates are similar to national levels. This does not mean that they have not been adversely impacted by the recession and issues of affordability. As such, we do not consider this conclusion to be robust.
- 2.4 We consider that the justification for just a 5% uplift in response to market indicators is not robust and that the analysis contained in the SPRU Regulation 19 submission

(appendix 1, paragraphs 4.43 to 4.51) provides a more robust assessment of these indicators and concludes that a 20% uplift is required.

- 2.5 The Regulation 19 Submission (appendix 1) considers the level of dwellings required to support the future national average levels of economic growth as suggested by Office for Budget Responsibility. This suggests a dwelling requirement of between **829 and 1,277 dwellings a year**. The range is generated by assumptions regarding future patterns of commuting as well as levels of unemployment and Economic Activity Rates.
- 2.6 The OAHN Update 2017 does not assess the level of dwellings required to meet the 14,400 in the plan but considers the level of housing proposed in the plan the 794 dpa is required to meet the job growth in the East of England Forecasting Model (EEFM) of 12,370 (see table 6 of OAHN Update 2017, page 20).
- 2.7 The OAHN Update 2017 (CD Ref: HOUS01) does conclude that there is a requirement to increase dwelling provision to meet future (EEFM 2016) job growth. This increase is from 19,140 to 19,910 dwellings (Table 6 and Para 89 of page 20) taking account of an adjusted estimated based on a 4% uplift. The adjusted housing figure results from applying an upward adjustment to the housing need number suggested by the 2014- based household projections, to bring the population and households in 2036 to 4% above the levels suggested by the official 2014-based projections.
- 2.8 We consider that the level of housing should be integrated with the level of jobs proposed in the plan (NPPF, paragraph 158). The PPG also highlights:

“Plan Makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area. Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate. Failure to do so will mean that there would be an increase in unmet housing need.”
 (Paragraph: 018, Ref ID: 2a-018-20140306).
- 2.9 We further consider that as the EEFM also models changes to other variables such as commuting and economic activity rates then it is appropriate to test these as we have done in our submission. The OAHN Update 2017 (CD Ref: HOUS01) does not test these assumptions but accepts still accepts them and uses the population output of the model to derive the job-based housing requirement. Accepting activity rates and commuting levels untested from the EEFM is unsound as it may reduce the need for additional housing.

3) Is it justified in not making adjustments to the demographic led figure derived from the 2014 based household projections in terms of alternative migration trends, evidence on household formation rates or other factors?

- 3.1 We do not consider there is a justification based on past patterns of migration to adjust the 2014 migration assumptions.
- 3.2 We do consider that there should be an uplift to reflect the depression of household formation rates in the 25 – 44 age groups. This is set out on pages 28 to 31 of our Regulation 19 submission (Appendix 1).

- 3.3 The implications of the 2014 Household projections is that there would be considerable growth in “other households” (Those with 3 or more unrelated adults and in “Couples with one other adult”. Both these types of households had been declining in the 1990’s until the issues of affordability really starting to impact in 2001 (see tables 3 and 4 of SPRU OAN report of our original Regulation 19 submission, appendix 1).
- 3.4 In order to address the issue of using past trends to build into future projections continued reduction in household representation rates, the model has been rerun for the chosen scenarios with a different assumption. The approach used is to hold the 2011 HRR steady for those in the 25 to 44 age group that were projected to decline. The implication of these assumptions is to produce a small uplift in the overall dwelling requirement.
- 3.5 In considering the Household Representation Rates (HRR) at the local level the DCLG part 1 data suggest a declining rate in almost all of the categories of households with head of household between the ages of 25 to 44.
- 3.6 In the article ‘Making sense of the new English household projections’ (Ludi Simpson and Neil McDonald Town & Country Planning April 2015) the authors recommend that local planners explore a number of scenarios in terms of addressing potential suppressed household formation rates they suggested that one scenario was to allow for no further decrease in household representative rates for any age-sex-relationship group, leaving increases in place.
- 3.7 This increases the average requirement from 765 dpa to 816 dpa (see table 4 SPRU Regulation 19 Submission, appendix 1).
- 3.8 The OAHN Update 2017 (HOUS01) considers the issue of Household Formation Rates in paragraphs 61 to 65 and concludes that no adjustment is required as they are similar to both national rates and selected comparators. The problem with this approach however is that both national rates and those of comparators have been adversely affected by the housing crises and as such all seriously depress household formation rates and lead to the formation of the type of non-traditional multi person households described above. If this represented a change in housing preferences then taking this trend into the future would be acceptable, the evidence on the desire for homeownership however suggest that these trends are derived from Individuals compromising on their preferences due to lack of housing supply.

4) How have economic/jobs growth forecasts and changes to working age population been taken into account? Is the 4% uplift to take account of this justified?

- 4.1 The SPRU Regulation 19 submission (Appendix 1) sets out our position It is noted that the OAN Update considers the figure for future job growth that of 12,370 (table 6 page 20) which is based upon the 2011 to 2036 period.
- 4.2 As the first part of the plan period has passed, it is important to consider whether the outputs of the model are realistic, as set out in table 7, page 40 of our R.19 submission (Appendix 1) these are:
 - a. Employment growth of 9.1% can be supported by just a 3.9% increase in the working population.

- b. This means that of the forecast 7,614 new jobs will be filled by changes to unemployment, commuting, and the economic activity rate of the existing population.
 - c. In terms of unemployment this is projected to be 0.7% at 2016, reducing to 0.4% by 2036. As we set out at paragraph 5.20 and 5.21 of our original submission, the lowest levels of unemployment for the area, experienced in the last 15 years are 2.5% for males and 2.3% for females.
 - d. The Residence Employment Rate will increase by 3.4 percentage points (this is a 5% increase).
 - e. Out commuting will increase by 4,981 persons.
 - f. The resulting level of housing need will be 13,262 (663 dpa).
- 4.3 The EEFM job projection suggests that employment will not return to the 2006 level until 2026 and that future growth will be moderate.
- 4.4 The model EEFM “flexes” economic activity rates, unemployment rates, and commuting ratios in order to balance the population that is inputted into the model to the projected levels of potential job growth.
- 4.5 The use of alternative assumptions to those included in the EEFM has been subject to challenges in the high court [2016] EWHC 3329 (QB) before Mr Justice Dove (Chelmsford City Council (claimant) and Secretary of State for Communities (defendant) and Local Government and Gladman Developments Ltd (interested party)). The matter under consideration is described in paragraph 2 as being:
- “It is contended that in identifying a figure for job demand based on the East of England Forecasting Model output (“EEFM”) the interested party ought also to have used the same underlying inputs and forecasts from that modelling when identifying an appropriate economic activity rate (“EAR”). It is submitted that when the Inspector accepted the interested party’s evidence he adopted the methodological inconsistency of which the interested party is said to have been guilty, namely using job demand based upon the EEFM forecast and then applying alternative EAR assumptions (said to be more realistic) in order to derive the housing requirement.”*
- 4.6 This decision concluded that it was not inconsistent to use an alternative (in this case the Office for Budget Responsibility (OBR) rate) for EAR instead of the rated used in the original projection. Furthermore, the Inspector was able to consider the realism of the assumed rates in the model and those alternatives such as the OBR.
- 4.7 In summary therefore, care should be taken of variables that are derived from economic forecasting models and these should be tested in terms of their appositeness and realism.
- 4.8 The SPRU approach is explained in section 5 of the Regulation 19 submission this uses the following:
- a. Reduced unemployment since 2011 to 2.60% for males and to 2.60% for males and 2.7% for females (Nomis 2017). Further reductions to the lowest level of unemployment experience in the last 15 years have then been modelled from 2021 onwards for the rest of the plan period. This is 2.5% for males and 2.3% for females (referenced as UE in the tables below).

- b. The SPRU assessment of the level of commuting is adjusted to reflect the ratio as at 2016 this is then constant for the remainder of the plan period. This approach has been regarded as robust by Inspector's at South Worcestershire (Appendix 4 paragraphs 15, 24 and 67) and Aylesbury Vale Plan Examinations. (Appendix 2, paragraphs 8, 16 and 36 to 38)
- c. We have used the Participant Rates for England as a whole from the Office for Budget Responsibility (OBR) (2017) and applied these national rates of change to the actual local activity rates for each age/sex group. The OBR FSR has been prepared for the purposes of setting Government Policy as is a sound basis upon which to rely.

5) How have market signals been taken into account? What do they show? What is the basis for the 5% uplift? Is this appropriate or should it be higher? Is it appropriate to include the uplift for economic/jobs growth within this figure?

- 5.1 The OAHN Update 2017 (CD Ref: HOUS01) considers house prices, level of residential sales, average monthly rents, overcrowding, concealed households, homelessness, households in temporary accommodation, in the context of England as well as Maidstone and East Northamptonshire (see figure 5, figure 8, figure 9, figure 10, figure 11, figure 12, figure 13 of HOUS01).
- 5.2 In paragraph 112 of the OAHN Update 2017, the 5% is justified by reference to the market signals over the relevant period (2009 to 2014) are very modest, and suggest a less than moderate level of under-provision, relative to need. This appears to be based on a comparison with England as a whole. Within pages 2 to 5 (Appendix 3 [there are no paragraphs numbers in this letter]) of the Inspector's Interim Letter to the Mid Sussex Plan, the approach that should be taken, as set out in the PPG is that when comparisons are made, to justify a market signals response, these are made against similar districts or housing market areas. Furthermore, the indicators for the particular assessment area should not be lost within the comparable assessment. If indicator are worsening for the particular area a response should be made; regardless of whether, in comparison to other places, the comparative areas do not require a response of a similar level, or at all.
- 5.3 We do not consider that Maidstone in Kent or East Northamptonshire represent suitable comparisons. No evidence has been produced to justify this selection of comparators. It is important to note that the Chartered Institute of Public Finance and Accountancy (CIPFAstats) was established as a partnership between individual local authorities and CIPFA over a century ago to provide an essential and comprehensive framework for reviewing the efficiency of locally provided services, helping users to manage their resources more effectively. Its purpose is not to identify similar housing market areas. Also, as different criteria can be selected in the model the outcome may change depending upon the criteria selected.
- 5.4 Lastly the use of comparators which have similar levels of market stress are likely to have similar statistics and as such are not a good indicator of whether there would be a benefit to increasing supply to assist affordability and household formation.
- 5.5 The Market Indicators that are not considered by the OAHN Update 2017 but have been considered in the SPRU Regulation 19 submissions (appendix 1) are:
 - d. Ratio of Median quartile houses prices compared to median quartile earnings (Chart 6, page 35);

- e. Ratio of median house price to median gross annual residence-based earnings (Table 6, page 37);
 - f. Ratio of lower quartile rent to lower quartile annual residence-based earnings (Table 6, page 37).
- 5.6 This are considered to be extremely important indicators of housing market pressures and the conclusions drawn from their analysis in the SPRU Regulation 19 report (appendix 1) should be given significant weight.
- 5.7 In respect of the response to market indicators rather than relying upon a single piece of guidance produced by Peter Brett Associates and published by the Planning Advisory Service (Objectively Assessed Need and Housing Targets Technical Advice Note Second Edition July 2015) the SPRU Regulation 19 submission has had regard to the following:
- a. The research undertaken by the National Planning and Housing Research Unit which recommended an uplift in the East of England of between 11% to 28% just to prevent the affordability issue from worsening;
 - b. The recommendations of the Local Plan Advisory Group whose approach would suggest an uplift of 20%;
 - c. The draft Standard Methodology approach (which has been consulted upon twice by the government) to calculate an appropriate market response which suggests an uplift of 26%;
 - d. A range of Inspector's decisions recommending uplifts of up to 45%. (Paragraph 4.11 of original R.19 submission, Appendix 1).
- 5.8 The SPRU Regulation 19 approach (Appendix 1) is a more rounded approach and actually address the key indicators of affordability and the suggested response to these indicators has been recommended in the context of both research work, expert advice, but remains lower than that required by the emerging guidance.
- 5.9 The SPRU Regulation 19 Report suggests that the evidence supports the application of a 20% uplift to address the identified market factors.
- 6) Given the scale of identified affordable housing need, should the OAN be increased to assist in delivering more? If so to what extent?**
- 6.1 Yes, but increase is within the adjustments being proposed for Household Representation Rates and Market Uplift.
- 6.2 The OAN Update (2017) (CD Ref: HOUS01) suggests that there is need for 7,897 affordable dwellings (316 dpa).
- 6.3 The affordable housing need represents some 39% of the housing requirement of 804 dpa in the OAN Update 2017.
- 6.4 It therefore requires all schemes to deliver 40% for the need to be met in reality there will be a number of schemes below the 11 dwelling threshold and other schemes which will for viability reasons not be able to deliver 40%. As such there is a clear justification for increasing the housing requirement to assist meeting the affordability housing need.
- 6.5 This confirms that the issue of affordable housing is required to be addressed as part of the OAN but that the results of estimates of need are usually incompatible with what

is likely to occur in practice. This would seem to be a critique of affordable housing assessments, and one which we would share.

7) In overall terms is the OAN of 20,100 between 2011-2036 (804/yr) appropriate and justified? Is there a basis to arrive at an alternative figure and if so what?

7.1 No.

7.2 The methodology that is clearly set out in the SPRU reg 19 submission represents both an appropriate methodology with clear evidential justification. This concludes that the OAN should be **974 dpa**.

8) Is the Local Plan justified in seeking to make provision to meet this OAN? Is there a case to make provision for a higher or lower number? How does it compare with past rates of delivery?

8.1 Yes, there are no reasons why in the case of Huntingdonshire the full OAN should not be delivered and the plan should ensure that the strategy and sites selected are the most appropriate to actually deliver these dwellings.

9) Is the approach of the Local Plan towards housing provision and jobs growth/employment land provision consistent?

9.1 No, the employment and housing strategies are not integrated as required by Paragraph 158 as set out earlier in this representation.

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For and on behalf of
Larkfleet Homes

Report on the Objectively Assessed Housing Need (OAN)
for Huntingdonshire District Council

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April 2017



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Report on the
Objectively Assessed Need for Housing in
Huntingdonshire District Council

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0.0 EXECUTIVE SUMMARY

Summary

- 0.1 A Full Objective Assessment of the Need for Housing (OAN) undertaken in accordance with the recommendations of the Local Plan Expert Group (LPEG) suggests a housing requirement of some **979 dwellings** based upon the demographic requirement plus an uplift to reflect market signals (20%) (Appendix 1).
- 0.2 This report also considers the level of dwellings required to support the future national average levels of economic growth as suggested by Office for Budget Responsibility. This suggests a dwelling requirement of between **868 and 1,277 dwellings a year**. The range is generated by assumptions regarding future patterns of commuting as well as levels of unemployment and Economic Activity Rates.
- 0.3 The report concludes that the dwelling requirement for the plan should be based on a figure substantially higher than the demographic baseline in order to respond to the market indicators and the increased pressures from economic growth. On balance, the fully objectively assessed need for housing is in order of **979 dwellings a year**, in accordance with the LPEG recommendations to Government. This figure is sufficient to support the other assessments of need that have been undertaken as a way of testing this figure, derived from a demographic projection based on the most recent household projections with an uplift for market indicators. It can be noted however, that this level of provision would not be high enough to accommodate rates of employment growth if these are higher than the projected national average.
- 0.4 This is explained further below.

The approach

- 0.5 This report undertakes an objective assessment of the need for housing (OAN). It differs from the earlier work commissioned by the Council in the following ways:
 - a. It incorporates both the underlying population projections and the household formation rates from the most recent household projections (published in 2016) by the Department of Communities and Local Government - these are referred to as the DCLG 2014 household projections.
 - b. It takes into account the most recent evidence on migration from the 2015 Mid-Year Estimate (MYE) of population published by the Office for National Statistics (ONS).
 - c. It applies the methodology for determining Objectively Assessed Need as set out in the recommendations to the Government for changes to the National Planning Practice Guidance (NPPG) from the Local Plan Expert Group (LPEG) as it is noted that Communities Secretary Sajid Javid has stated that he agrees with the 'central thrust' of the LPEG recommendations.
- 0.6 It is noted that the LPEG Report only makes recommendations in respect of determining the Full Objectively Assessed Housing Need (OAN). This is the same as the OAN, and as such the resulting OAN for the purposes of this report is tested against other projections, these being:
 - a. Long term migration trend (most recent 10 years);

- b. Employment led projections, to ensure that the OAN does not limit economic growth by constraining the availability of labour.

The Local Plan Expert Group Approach

Output A

- 0.7 Step A is to begin with the latest DCLG household projections and allow for the local level of vacancy. This gives a requirement of 765 dwellings a year.
- 0.8 This is then compared to a projection using the average migration for the last 10 years (making no allowance for unattributed population change – UPC). Over the last 10 years migration has occurred at a lower average than that used in the DCLG projections so this results in no change to level of need.
- 0.9 The higher of these two projections should then be uplifted to reflect improvements to household formation for the 25 to 44 age groups. This report models this increase and uplifts the need to 816 dwellings a year.
- 0.10 The LPEG recommendation is that it should be the higher of these two figures that should be selected for the FOAHN. The Output A dwelling figure is therefore **816 dwellings a year**.

Output B

- 0.11 Step B is to consider the adjustments to be made to Output A in order to reflect issues of affordability.
- 0.12 In this case the ratio of median quartile house prices to median earnings ('The House Price Ratio') is between 7.0 and 8.7 and, as such, the LPEG recommendation is that a 20% uplift should be applied.
- 0.13 The lower quartile rent to lower quartile annual residence-based earnings ('The Rental Affordability Ratio') is between 30% and 35% and, as such, the LPEG recommendation is that a 20% uplift should be applied.
- 0.14 This increases the dwelling figure to **979 dwellings a year**.

Output C

- 0.15 This requires the calculation of the number of total dwellings required to provide for the level of affordable dwellings based on the likely percentage of affordable dwellings will be provided as a percentage of market housing.
- 0.16 The 2013 Strategic Housing Market Assessment Report estimates affordable need as being 288 dwellings a year (SHMA 2013, page 27: 212 affordable homes 2011 to 2036).
- 0.17 The total number of dwellings necessary to meet affordable needs (at the likely rate of delivery of 40%) would be 720 dwellings a year.
- 0.18 Output C therefore is **720 dwellings a year**.

Output D

- 0.19 The LPEG recommended response is that if Output C is higher than output B then either this dwelling requirement should be met or a further 10% should be added to Output B whichever is the lower.

- 0.20 In this case Output C is not higher and therefore the OAN is set by Output B.
- 0.21 Output D is therefore **979 dwellings a year**

Scenario testing

Demographic Modelling

- 0.22 In order to test the output of the LPEG approach this report has undertaken further modelling including:
 - a. The application of improved household formation rates for under 44's. This increased the DCLG projection from 765 dwellings a year to 816 dwellings a year.
 - b. Long term migration trend (most recent 10 years including the 2015 Mid-Year Estimates). As these levels of migration are lower than the DCLG projection, they have not been modelled as in accordance with the LPEG advice, the higher of the two projections should be preferred.

Employment led projections

- 0.23 The employment led projection is based upon the local rate of growth from 2011 to 2016, then the national average level of employment growth as set by the Office for Budget Responsibility (OBR January 2017). This varies but averages at 0.33% growth per year.
- 0.24 Depending upon a range of assumptions this level of employment growth would require **829 to 1,277 dwellings a year**. This suggests that there is a requirement to increase the level of housing to meet these current projections above that which has been calculated as necessary to meet the DCLG migration led projection. This increase is potentially higher than that required to meet the uplift required by market indicators.

Conclusion on Housing Requirement

- 0.25 The LPEG derived housing requirement of **979 dwellings year** is higher than the OAN suggested by the Council's evidence base and is due both to the application of the LPEG recommended methodology and application of more up to date evidence in the form of new household formation rates and migration.
- 0.26 Considering all the new evidence also supports a housing requirement of at least this level of dwelling provision, taking account of a reasonable uplift to reflect market indicators and economic growth.
- 0.27 To conclude, a demographic based requirement using the LPEG recommended approach would be **979 dwellings a year** (DCLG based). This is a substantial uplift on the DCLG base projection but is required to address issues of affordability and will also support some of the projected economic growth.

1.0 INTRODUCTION

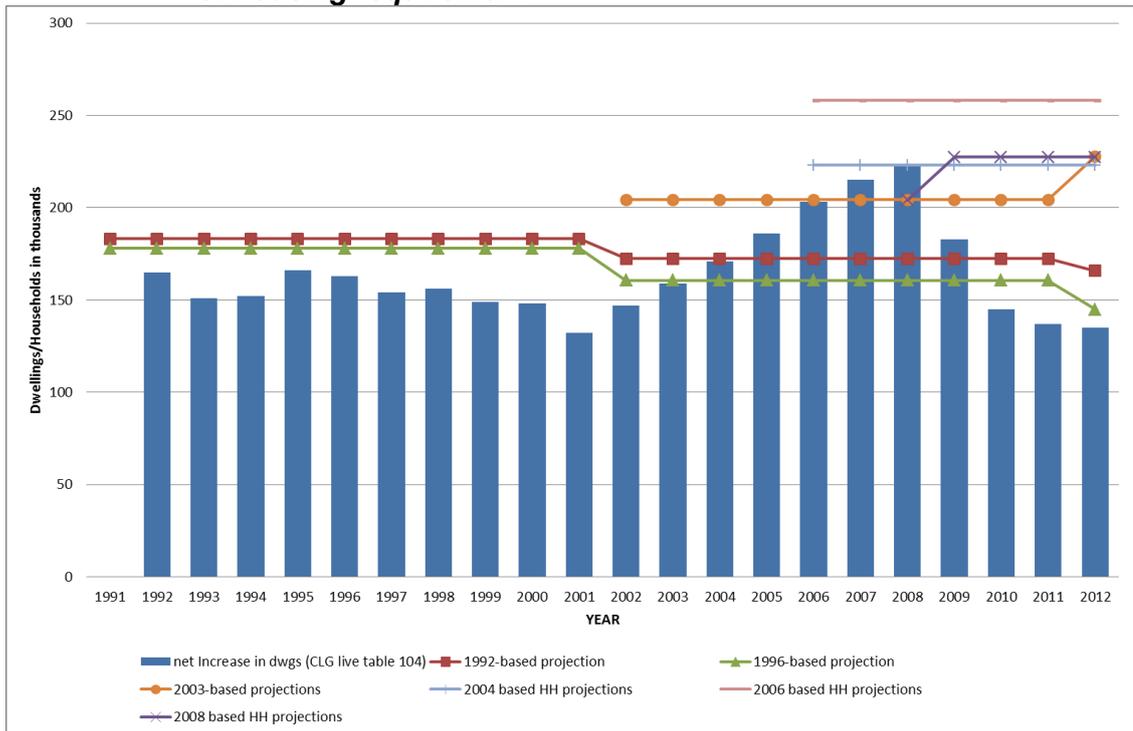
- 1.1 The purpose of this report is to consider the up-to-date evidence regarding the housing requirement for inclusion in the Proposed Submission Local Plan. It concludes that taking into account up to date evidence on household formation, market indicators and economic growth that the plan should provide for **979 dwellings a year**. It also concludes that as there is pressing need for housing, there is no justification to delay meeting this need immediately.
- 1.2 This figure is higher than the 17,000 dwellings (850 dpa) for the period 2011 to 2031 suggested on page 2 of the SHMA 2013.
- 1.3 The date of the SHMA evidence base means that it does not take into account the 2014 sub national household projections (DCLG 12 July 2016) or the 2015 Mid-Year Estimates.
- 1.4 The up to date DCLG household projections are the starting point for the consideration of the OAN. Applying a 20% market uplift to the most up to date DCLG projections would result in a requirement of 979 dwellings a year. Given the high affordability ratios in Huntingdonshire, a 20% uplift is considered to be a suitable response.
- 1.5 The DCLG projections are the starting point, but as recognised by the SHMA 2013 there is a requirement to consider whether these adequately reflect the appropriate pattern of migration, the need to deliver affordable housing, the support for economic growth and respond to market indicators. This report considers all of these issues.

2.0 THE RESPONSE TO THE HOUSING CRISIS AND THE OBJECTIVELY ASSESSED NEED FOR HOUSING

The background to the national housing crisis

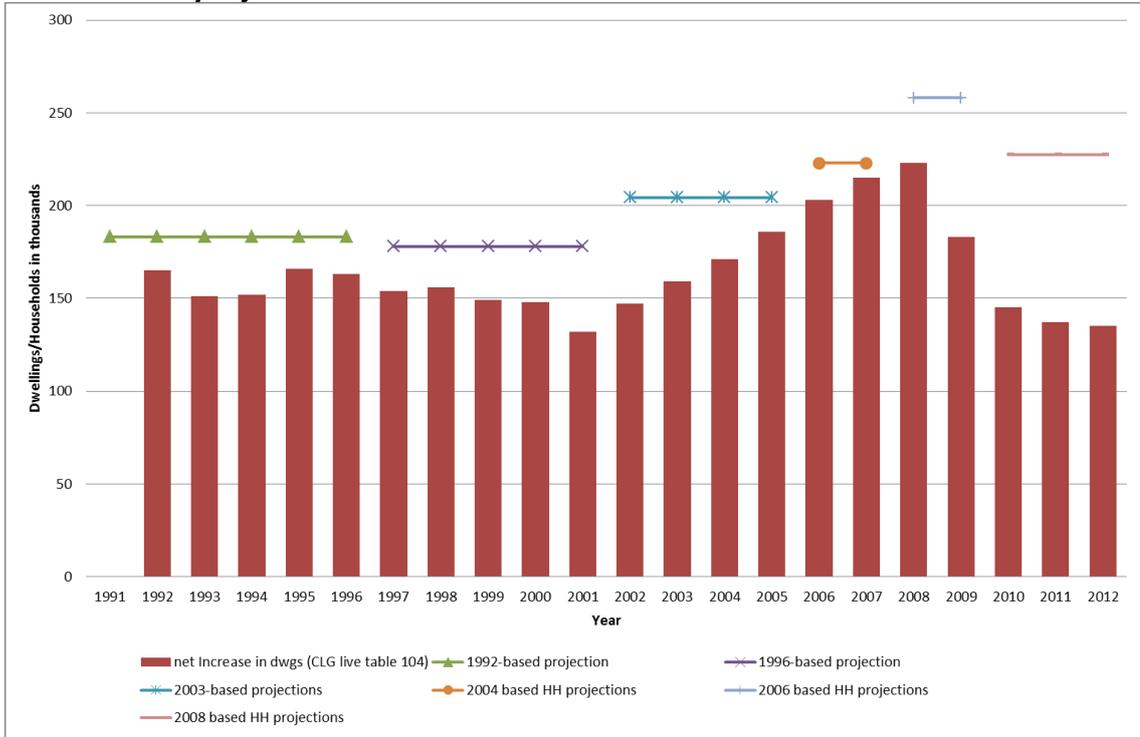
- 2.1 The chart below illustrates the level of housing requirement as contained in the official DCLG Projections against the recorded level of completions (also from the DCLG).
- 2.2 This illustrates that the issue of undershooting the official projection has occurred consistently since 1991.

Chart 1: Net additions to the housing stock compared to the projected level of housing requirement



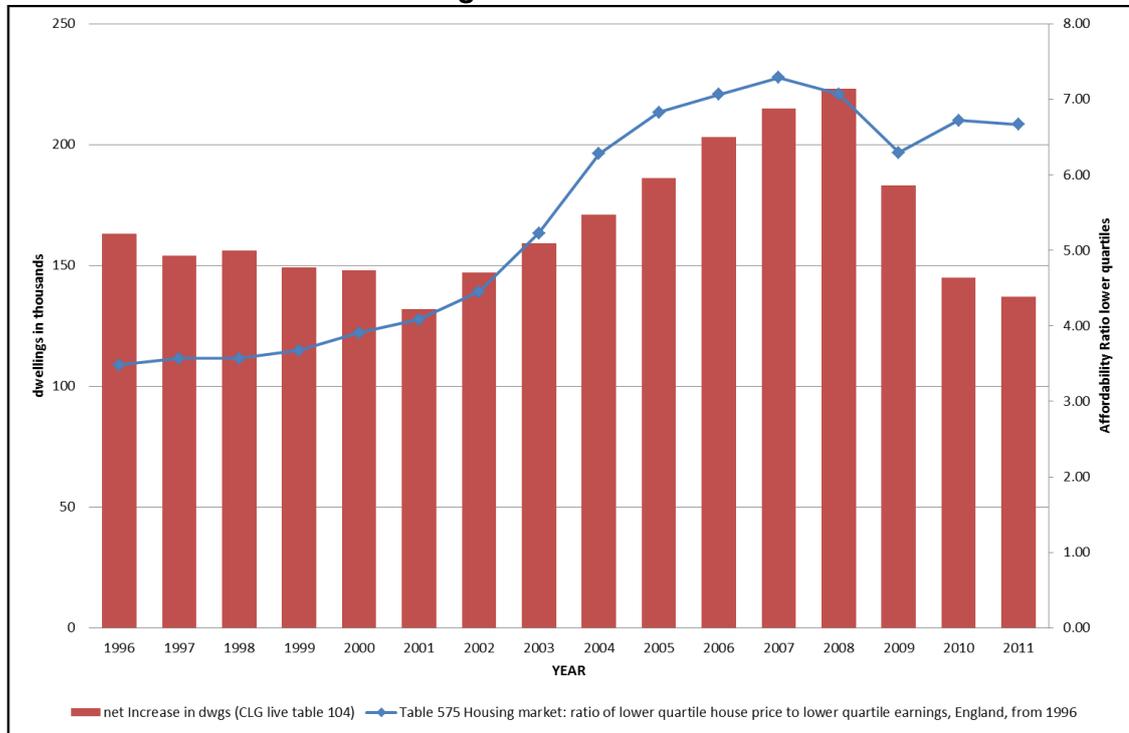
- 2.3 While there was an increase in the delivery of homes from 2001 onwards this was outpaced by the projected rise in demand.
- 2.4 This is more clearly illustrated by the next chart which just plots the most up-to-date projection against the number of dwellings completed.

Chart 2: Net additions to the housing stock compared to the most current projection



- 2.5 The unresponsive nature of the planning system and the chosen policy emphasis by governments during this period are both contributory factors to this increasing gap between supply and demand. The consequences of this under provision are well documented in terms of increased issues of affordability that have occurred over the last decade. This is illustrated in the chart on the next page which demonstrates that as the economy started emerging out of recession in the mid 1990's, the inability of the planning system to respond quickly to the increased demand for housing resulted in an increase in issues of affordability.
- 2.6 In the period 1996 to 2011 the affordability ratio increased from just over three times earnings to over seven times earnings by 2007, and that despite the impact of the recent recession the ratio remains at over six times earnings.

Chart 3: Changes in affordability ratio for lower quartile compared to net increase in dwellings



- 2.7 On first glance it would appear to be counter intuitive that affordability ratios would rise at the same time as the output from the house building industry increased. However, if one considers the potential backlog of unmet demand as modelled by the difference between the projected level of need and the actual level of completions since 1991, then it becomes very apparent that the increase in output was not only meeting the level of projected demand at that time but also displaced or delayed demand from these earlier years.
- 2.8 The worsening affordability issue and the subsequent recession have not, however, reduced the desire for home ownership as the 2010 opinion survey undertaken by YouGov for the Council of Mortgage Lenders, because it found that more people than ever before wanted to be home-owners in the long term.
- 2.9 In the results of the survey some 85% of people cited home-ownership as the tenure they hoped to be living in a decade from now i.e. before 2021. This suggests that the home-ownership aspiration remains firmly rooted in the population. The same question about home-ownership aspirations has been asked periodically since 1975 and last time the survey was undertaken, in 2007, the proportion who expected to be home-owners in ten years' time was 84%. The levels of aspiration therefore have not diminished since the recession.
- 2.10 The survey did find that over the short-term, the desire for home-ownership has dipped; with only 76% of those surveyed considering that home-ownership was their ideal tenure in two years' time. This was down from 78% from the previous survey (2007). This result was strongly influenced by the much lower short-term appetite

(42%) for home-ownership among adults aged 18 to 24. This corresponds to the 2011 interim projections that finds household representation rates in these younger age groups were also depressed. What is pertinent is that while this younger age group are recognising the short-term difficulties in household formation they are actually the age group with the highest ten-year home-ownership aspirations (88%).

2.11 The table below shows the summary findings for all adults.

Table 1 Percentage of GB adults preferring to live in owner-occupied homes

Date of YouGov Survey	2007	2010
In two years' time	78%	76%
Ten years from now	84%	85%

2.12 This survey would tend to support the analysis of demand that emerged from the previous recession in that most people see home-ownership as their tenure of choice over the long term. The unintended consequence of planning for suppressed levels of housing formation based on the 2012 Household Projections is that it will make it more difficult for people, especially young people, to fulfil their housing aspirations in the future.

The Government's approach to the Housing Crisis

2.13 In a House of Commons Debate (24th October 2013) concerning the issue of planning and housing supply, the former Planning Minister, Nick Boles, emphasised the pressing need for more housing by stating that:

'I need not start by underlining the scale of the housing crisis faced by this country, the extent of the need for housing or the grief and hardship that the crisis is visiting on millions of our fellow citizens.'

2.14 Clarifying the word 'crisis', the Minister commented that in the previous year the percentage of first time buyers in England who were able to buy a home without their parents' help fell to the lowest level ever, under one third. He also commented that the first time buyer age has crept up and up, and is now nudging 40 in many parts of the country. In response to questions Mr Boles reaffirmed:

'Housing need is intense. I accept that my hon. Friend the Member for Tewkesbury (Mr Robertson) does not share my view, but many hon. Members do, and there are a lot of statistics to prove it.'

2.15 In the Queens Speech (4th June 2014) the Government restated its pledge to boost housing supply (official GOV.UK press release). Her Majesty the Queen announced that her Government will increase housing supply and home ownership.

2.16 A spokesman for the DCLG subsequently added that everyone needs the security and stability of a decent, affordable home, and more people who aspire to own their own home should have the opportunity to do so.

2.17 In his annual Mansion House speech (12th June 2014), the then Chancellor of the Exchequer George Osborne addressed the concerns raised by the Bank of England, the OECD, the EU, the IMF and the Prime Minister in terms of tackling the long term challenge of housing supply. The key points regarding planning for housing in the speech were as follows:

'At home, our economy is still too unbalanced, so I am the first to say we need to continue our efforts to boost business investment, exports and housing supply' (page 2).

'Robust financial markets are an important part of building a resilient economy...I want to address another market which can create a risk to Britain's economic stability and prosperity. Not a new risk, but an old and very familiar one to us in this country and that's our housing market' (page 5).

'As well as being the biggest investment of a lifetime "a home is also a place to live and build our lives – and we want all families to be able to afford security, comfort and peace of mind. That means homes have to be affordable – whether you're renting or buying. The only way that can be achieved over the long term is by building more, so supply better matches demand"' (pages 5 and 6).

'British people want(ing) our homes to go up in value, but also remain affordable; and we want more homes built, just not next to us' immediately prior to observing that 'you can see why no one has managed yet to solve the problems of Britain's housing market' (page 6).

As a consequence, *'we see the social injustice of millions of families denied good homes' (page 6)*

'I am determined to back aspiration in every way I can, including the aspiration to own your own home' (page 6).

'Across the country, the ratio of house prices to incomes is high by historical standards. And while average loan to value ratios for new lending are still well below normal, loan to income ratios have risen to new highs' (page 7).

2.18 Mr Osborne identified that the Government has taken new steps to protect financial stability, strengthen the new role of the Bank of England and complete the range of tools at their disposal. This sought to address the economic problem of how to stop rising house prices leading to an unsustainable rise in household indebtedness and threatening the wider economy, but he commented that such measures do not address the social problem of how we stop young families being priced out of the housing market altogether (page 9).

2.19 The long term solution identified in the speech was that:

'we need to see a lot more homes being built in Britain. The growing demand for housing has to be met by growing supply.... I will not stand by and allow this generation, many of whom have been fortunate enough to own their own home, to say to the next generation; we're pulling up the property ladder behind us. So we will build the houses Britain needs so that more families can have the economic security that comes with home ownership' (pages 9 and 10).

The House of Commons Library note (SN06921) 'Housing demand and need' (England) (23rd June 2014)

2.20 This note usefully brings together much of the research in this area and identifies the 'demand gap' as being the shortfall between the demand for housing each year and the number of housing completions. It states that there has been a long-term gap between the estimated annual demand for housing in the regions and the number of houses constructed each year in each region as well as nationally. Based on an

estimated annual demand of 243,300, it estimates that the total shortfall between 2010/11 and 2012/13 across the whole of England was -396,610.

- 2.21 In respect of the rate of housebuilding and the market's ability to meet demand the note refers to the National Housing Federation (NHF) report (December 2013, Home Truths 2013/14: the housing market in England), which stated:

'House prices are now so far out of reach that many local people and families are struggling to raise a deposit for a mortgage. Demand for homes remains as high as ever, but this isn't being matched by an increase in supply, pushing prices up more. England is already extremely short of housing and needs around 240,000 new homes a year just to meet demand. Currently we're not even building half that amount and the numbers are falling. In 2012/13, around 107,000 new homes were completed, 11% fewer than in 2009.'

- 2.22 The Note also refers to the original Barker Review: 'Review of Housing Supply: Delivering Stability: Securing our Future Housing Needs' which was published alongside the 2004 Budget. The report commented on the high long-term trend in real-terms house price increases (2.4 per cent annually over the previous 30 years). It said that 70,000 additional houses per year might be needed to reduce increases in house prices to 1.8 per cent per year, and 120,000 per year to reduce it to the EU average of 1.1 per cent. The Note states that the report made 36 recommendations on how the industry and Government could improve the functioning of the housing market, and that around 30 were subsequently implemented.

- 2.23 The follow up report, 'Barker Review: a decade on' (March 2014) is also referred to as it commented on current levels of affordability in the housing market, saying:

'The decade that has passed since Kate Barker conducted her Review of Housing Supply for the Government has seen a worsening in all indicators of housing affordability and the associated prospects for aspirational would-be homeowners. Despite the best efforts and intentions of successive ministers, the 10 years since the Review has ultimately been a lost decade in terms of addressing the shortcomings of the housing market. There can be no doubt that the housing crisis facing the country in 2014 is far greater than that discussed by Barker in 2004.'

The Bank of England and the housing crisis

- 2.24 The Bank of England's Deputy Governor for Financial Stability; Sir Jon Cunliffe stated (1st May 2014):

'the history of our housing market over the past 25 years as being one in which the supply of housing in the type and place that people want has not kept up with demand.'

- 2.25 His principal starting point was that the recommendations of the Barker Review of Housing Supply (April 2004) have never been realised, and that the recent increase in housing starts are still lagging behind the recent growth in transactions.

- 2.26 The Inside Housing report (2nd May 2014) set out that:

'nearly a third of people in hostels and supported accommodation are ready to move on but are unable to due to a lack of affordable homes.'

- 2.27 The Governor of the Bank of England, Mark Carney, also made some further reference to the issue of housing in his Mansion House speech (12th June, 2014) in which he stated that:

“the underlying dynamic of the housing market reflects a chronic shortage of housing supply, which the Bank of England can’t tackle directly. Since we are not able to build a single house, I welcome the Chancellor’s announcement tonight of measures to increase housing supply” (page 6).

European Commission: Building Growth: Country-specific Recommendations 2014

- 2.28 The European Commission adopted a series of economic policy recommendations entitled ‘Building Growth: Country-specific Recommendations 2014’ (2nd June 2014) which includes specific recommendations to individual Member States to strengthen their economic recovery. The relevant European Commission press release states that these recommendations were based upon detailed analysis of each country’s situation and provide guidance on how to boost growth, increase competitiveness and create jobs in 2014-2015. The Paper for the UK specifies that:

‘the risks in the housing sector relate to a continuing structural under-supply of housing; the relatively slow response of supply to increases in demand results in high house prices and in household indebtedness’ (page 3).

International Monetary Fund (IMF) United Kingdom - 2014 Article IV Consultation Concluding Statement of the Mission

- 2.29 The International Monetary Fund (IMF) issued its ‘United Kingdom - 2014 Article IV Consultation Concluding Statement of the Mission’ (June 2014) in which it found that the UK economy has rebounded strongly and growth was becoming more balanced, with inflation having fallen rapidly and good macroeconomic performance expected to persist, but that productivity and the housing market present risks to this outlook. In particular it found that house price inflation is particularly high in London and is becoming more widespread (page 1) and suggests that the imbalances in the housing market should be addressed through supply-side remedies. It concludes that fundamentally, house prices are rising because demand outstrips supply (page 3) and that the UK has a secular problem with inadequate housing supply (page 3).

Organisation for Economic Co-operation and Economic Development (OECD)

- 2.30 In the OECD’s ‘Economic Policy Reforms 2011: Going for Growth Housing and the Economy: Policies for Renovation’ it is estimated that the long-run price responsiveness of new housing supply tends to be relatively strong in North America and some Nordic countries, while it is weaker in continental European countries and the United Kingdom (Figure 4.1; Caldera Sánchez and Johansson, 2011).
- 2.31 It goes on to highlight that during recent decades very large price increases were observed in the United Kingdom and the Netherlands which are two countries where the responsiveness of new housing supply to housing prices is noticeably low. This contrasts to other countries where supply tends to be more flexible, such as the United States, who experienced more moderate price increases. These estimates also show that house prices are more volatile where housing supply is rigid, because variations in demand translate more fully into changes in prices (page 8).

- 2.32 The report highlighted that public policies play a role in the responsiveness of the market via land-use and planning or rental regulations, with new housing supply responsiveness tending to be lower in countries where it takes longer to acquire a building permit (page 9).
- 2.33 The OECD also called for action (The Guardian, 6th May 2014) to address the fact that in the UK house prices significantly exceed long term averages relative to rents and households' incomes.

The new Government

- 2.34 The new Government that has formed after the Brexit vote has continued to pursue the issue of increased housebuilding. In commenting upon the increase in the number of new homes built and started in June 2016, the Communities Secretary Sajid Javid said:

"We've got the country building again with more new homes started and built than this time last year.

"This is real progress but there is much more to do. That's why we are going further and increasing our investment in house building to ensure many more people can benefit."

- 2.35 In terms of continued support for home ownership Housing Minister Gavin Barwell said in response to the latest English Housing Survey, (released 21 July 2016):

"We are determined to ensure that anyone who works hard and aspires to own their own home has the opportunity to do so.

"Since 2010 over 300,000 households have been helped into home ownership through government-backed schemes.

"The ground-breaking Housing and Planning Act will allow us to go even further delivering our ambition to build an additional 1 million homes."

- 2.36 This suggests that the Government is continuing with its earlier aspirations and policies regarding housebuilding and homeownership – it remains committed to delivering 1 million homes over the life of the current Parliament.

The Local Plan Expert Group

- 2.37 It is pertinent to note the recommendations to Government from the Local Plans Expert Group, (established by the Communities Secretary and the Minister of Housing and Planning), which was given a remit to consider how local plan-making can be made more efficient and effective.

- 2.38 In paragraph 11.4 the LPEG recommend;

"that the NPPF makes clear that local plans should be required not only to demonstrate a five-year land supply but also focus on ensuring a more effective supply of developable land for the medium to long term (over the whole plan period), plus make provision for, and provide a mechanism for the release of, developable Reserve Sites equivalent to 20% of their housing requirement, as far as is consistent with the policies set out in the NPPF. Reserve Sites represent land that can be brought forward to respond to changes in circumstances."

- 2.39 Therefore, the provision of additional allocations beyond the bare minimum to meet the present housing requirement would be in line with the guidance being offered to government from the LPEG.
- 2.40 The LPEG also provide suggestions on how to amend the NPPG to provide greater clarity in the preparation of the OAN, the main points are summarised below:
- a. Changes proposed: Paragraph: 003 Reference ID: 2aS003S20140306:
 - i. The total number of homes needed in an area can be greater than the number that might be assumed based solely on estimates of population change.
 - ii. The FOAHN does not include the need for specialist types of accommodation such as student accommodation, care homes and other uses falling within the C2 Use Class. The SHMA, should carry out separate assessments of the need for C2 accommodation, but the outcomes of this should not be integrated with the FOAHN.
 - iii. Affordable housing need: this is the scale of affordable housing need based on the methodology outlined in this guidance. An adjustment to address affordable housing need should form part of the FOAHN.
 - iv. Demographic Starting Point: this is the scale of housing that would be sufficient to meet the number of households estimated through the use of official projections and limited adjustments based on sensitivities using a ten year migration trend and adjustments to the household representative rates for those aged 25 to 44.
 - v. Market Signals: for the purposes of assessing FOAHN, this should be based on two housing market indicators drawing on official data on house prices, rents and incomes.
 - vi. Unmet Need: This is the amount of FOAHN that the housing requirement of an individual area (either at HMA or local authority level) would not meet. Unmet needs from one local authority area should be met elsewhere within the HMA subject to the provisions of paragraph 14 of the National Planning Policy Framework. If an HMA is unable to meet its FOAHN, then these unmet needs should be met in adjacent HMAs, subject to the provisions of paragraph 14 of the Framework.
- 2.41 In respect of evidence on migration, the report recommends that either the DCLG or most recent 10 Year Migration projection taken from most recent MYE should be used (Paragraph: 017 Reference ID: 2aS017S20140306)
- 2.42 It is recommended that household formation rates are adjusted for 25 – 44 year cohorts adjusted to the midpoint between the 2008 and the latest DCLG projections (proposed amendment to paragraph: 015 Reference ID: 2aS015S20140306).
- 2.43 In terms of responding to Job Growth and Economic activity, the proposed changes to paragraph: 018 Reference ID: 2aS018S20140306 suggest that plan makers may choose to use estimates of future employment growth to justify a plan adopting a housing requirement in excess of the FOAHN for housing but this is a policy matter for plan makers in setting the housing requirement.

- 2.44 Where plan makers choose to set a policy on housing requirement in excess of the FOAHN, based on employment growth, this should be based on applying the changes in economic activity rates that are projected in estimates produced annually by the Office for Budget Responsibility, applied to the local baseline rates of economic activity. The existing commuting ratio should be applied, based on a comparison of economically active residents drawn from the Annual Population Survey and the number of jobs drawn from BRES.
- 2.45 In terms of the approach to measuring affordability LPEG refer to new tables to be published by the DCLG to provide the following measurements but in the meantime the advice is that the latest available information on these measures should be used. The recommended measures are as follows:
- a. House price affordability – the ratio of median quartile house prices to median earnings ('The House Price Ratio') and
 - b. Rental affordability – lower quartile rental costs as a percent of lower quartile earnings ('the Rental Affordability Ratio').
- 2.46 The Report goes onto state that the new DCLG Live Tables will apply an average over the most recent three years of data, to allow for any anomalies and volatility which may occur from one year to the next. In the event the DCLG Live Tables are not available or up to date at the time of plan preparation, plan makers should use the latest available source data to generate their own indicators.
- 2.47 In considering the appropriate response to market signals the proposed alterations to paragraph: 019 Reference ID: 2aS019S20140306 suggest the following upward adjustments for market signals based on the data published by DCLG, using the following benchmarks
- a. Where the House Price Ratio is less than 5.3 and Rental Affordability Ratio is less than 25%, no uplift is required
 - b. Where HPR is at or above 5.3 and less than 7.0, AND/OR the RAR is at or above 25% and less than 30%, a 10% uplift should be applied
 - c. Where the HPR is at or above 7.0 and less than 8.7, AND/OR the RAR is at or above 30% and less than 35%, a 20% uplift should be applied and
 - d. Where the HPR is at or above 8.7 AND/OR the RAR is at or above 35%, a 25% uplift should be applied
- 2.48 In response to adjustments for Affordable Housing, the Report advises that where the total number of homes that would be necessary to meet affordable housing is greater than the figure arrived at based on the demographic starting point and application of market signals, an upwards adjustment should be made of either 10% or, if lower than 10%, then they should be met in full, to arrive at a figure for FOAHN. If the figure required to deliver the affordable housing requirement is however lower, then the market adjusted demographic figure should be considered to be the OAN (Output B).
- 2.49 This however remains draft advice to the Government and the current approach is summarised below.

The Objective Assessment of Need for Housing

National Planning Policy Framework

2.50 The Framework requires that:

- a. planning should proactively drive and support sustainable economic development to deliver the homes that the country needs. The Framework requires that every effort should be made, objectively, to identify and then meet the housing needs of an area and take account of market signals (such as land prices and housing affordability), and set out a clear strategy for allocating sufficient land which is suitable for development in the local area, taking account of these needs (paragraph 17);
- b. local authorities should significantly boost the supply of housing (paragraph 47);
- c. planning should deliver a wide choice of quality homes and widen the opportunity for home ownership;
- d. the evidence base for the Objective Assessment of Housing Need should be adequate, up-to-date and relevant (paragraph 158) and include Strategic Housing Market Assessments (SHMA) for the whole of the Housing Market Area (HMA) taking into account household and population projections including migration and demographic change (paragraph 159); and
- e. the Objectively Assessed Need for Housing has to be determined prior to applying any constraints or engaging in the Duty to Cooperate (paragraphs 152 and 179).

The Approach to Objectively Assessed Need in the Framework

- 2.51 In determining the Objectively Assessed Need for Housing, the Framework requires that this should be based upon a consideration of demographic projections and trends (paragraph 159) as well as meeting demand. The assessment also needs to consider the needs of the economy so that planning is not an impediment to sustainable growth (paragraph 19).
- 2.52 Local planning authorities are required to ensure that their assessment of, and strategies for, housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals (paragraph 158).
- 2.53 The Framework sets out a clear process for local authorities to set a housing requirement for their local plan. The first is to produce a SHMA to assess the full needs for the Housing Market Area (paragraph 159). This should:
- a. Meet projected needs taking account of migration;
 - b. Assess needs for all types of housing; and
 - c. Provide the scale of supply to meet housing demand.
- 2.54 The Framework then sets out how to proceed from establishing this Objectively Assessed Housing Need to determine the housing requirement. This second part of the procedure consists of three stages:

- a. to test alternative strategies to meet this need in full (paragraph 152), including working with other authorities to meet these needs across local authority boundaries (paragraph 179);
 - b. consideration of measures to mitigate negative impacts if these are unavoidable (paragraph 152); and
 - c. consideration of compensatory measures where mitigation measures are not possible (paragraph 152).
- 2.55 A fuller explanation of the interpretation of the Framework with regard to the Objective Assessment of the Need for Housing is set out in the Planning Practice Guidance.

The Planning Practice Guidance

- 2.56 In respect of the calculation of the five-year housing land supply the Guidance states (Paragraph: 030 Reference ID: 3-030-20140306) that the starting point should be the housing requirement figures in up-to-date adopted local plans and that considerable weight should be given to the housing requirement figures in adopted local plans.
- 2.57 The Guidance goes on to warn that evidence which dates back several years, such as that drawn from revoked regional strategies may not adequately reflect current needs.
- 2.58 In such circumstances, where evidence in local plans has become outdated and policies in emerging plans are not yet capable of carrying sufficient weight, then the Guidance (Paragraph: 030 Reference ID: 3-030-20140306) suggests that the following should be considered:
- a. information provided in the latest full assessment of housing needs; and
 - b. where there is no robust recent assessment of full housing needs, the Household Projections published by the Department for Communities and Local Government (DCLG) should be used as the starting point.
- 2.59 In both cases the weight given to the above should take account of the fact that they have not been tested.
- 2.60 The Guidance states that the definition of need requires the identification of the scale and mix of housing and should cater for the housing demand of the area, identifying the scale of housing supply necessary to meet that demand.
- 2.61 The assessment of development needs should be proportionate and include those future scenarios that could be reasonably expected to occur.
- 2.62 Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints.
- 2.63 Local planning authorities are required to assess their development needs working with the other local authorities in their relevant Housing Market Area or functional economic market area in line with the Duty to Cooperate.
- 2.64 Where local plans are at different stages of production, local planning authorities are required to co-ordinate future housing reviews so they take place at the same time.
- 2.65 The starting point for the Objective Assessment of Housing Need is the Household Projections published by DCLG. The Guidance (Paragraph: 015 Reference ID: 2a-015-20140306) highlights that these are trend based and do not predict the impact

that future Government policies, changing economic circumstances, or other factors might have on demographic behaviour. As such 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:

- a. household 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;
 - b. unmet housing need - evidence of the extent to which household formation rates are or have been constrained by supply will need to be taken into account.
- 2.66 Local needs assessments should be informed by the latest available information and a meaningful change in the housing situation should be considered in the context of the requirement for the Local Plans to be kept up-to-date.
- 2.67 The Guidance states that in respect of the 2011-based Interim Household Projections, these only extend to 2021, so plan makers would need to assess likely trends after that date.
- 2.68 The Guidance (Paragraph: 017 Reference ID: 2a-017-20140306) also confirms that the Household Projections produced by DCLG are statistically robust and are based on nationally consistent assumptions; but suggests that 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. Such testing should take into account the most recent demographic evidence including the latest Office of National Statistics (ONS) population estimates.
- 2.69 Future employment trends are required to be taken into account (Paragraph: 018 Reference ID: 2a-018-20140306) by an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate, with reference to the growth of the working age population in the Housing Market Area. The Guidance states that any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the Housing Market Area figures suggest, will need to be agreed with the other relevant local planning authorities under the Duty to Cooperate. Failure to do so will mean that there would be an increase in unmet housing need.
- 2.70 In particular 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 and in such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.
- 2.71 The Guidance (Paragraph: 019 Reference ID: 2a-019-201403060) further requires that consideration must be given to whether the DCLG Projections are appropriate on issues such as:
- a. migration levels;
 - b. demographic structures that may be affected by local circumstances or policies;

- c. employment trends - in such circumstances where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems (Paragraph: 018 Reference ID: 2a-018-20140306); and
 - d. market signals - 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. Relevant signals may include the following:
 - i. Land prices.
 - ii. House prices - longer term changes may indicate an imbalance between the demand for and the supply of housing.
 - iii. Mix adjusted house prices (adjusted to allow for the different types of houses sold in each period) measure inflation in house prices.
 - iv. Rents - the Office for National Statistics publishes a monthly Private Rental Index.
 - v. Affordability – DCLG publishes quarterly the ratio of lower quartile house price to lower quartile earnings by local authority district.
 - vi. Rate of development - if the historic rate of development shows that actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan.
 - vii. Overcrowding - the number of households accepted as homeless and in temporary accommodation is published in the quarterly Statutory Homelessness release.
- 2.72 In respect of market signals, plan makers should not attempt to estimate the precise impact of an increase in housing supply but 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.
- 2.73 In areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.
- 2.74 Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the Housing Market Area figures suggest, will need to be agreed with the other relevant local planning authorities under the Duty to Cooperate. Failure to do so will mean that there would be an increase in unmet housing need.

The importance of meeting affordable housing needs

2.75 In the Judgement *Satnam Millennium Limited and Warrington Borough Council* (Case No: CO/4055/2014) the question of compliance with policy was considered, including the required response to evidence of affordable housing needs. The Judge found that the Local Plan Core Strategy (Local Plan) for Warrington was not in compliance with the Framework for the following reasons:

'(i) The assessed need for affordable housing was 477 dpa.

(ii) This assessed need was never expressed or included as part of the Objective Assessed Need (OAN).

(iii) Under the "Housing Requirements" section of the Report the Inspector does not deal with affordable housing. Paragraphs 102 – 104 set out above is under a section entitled "Other Housing Needs". This is in the context of Policy SN2 which relates to the percentage of housing developments that should incorporate affordable housing.

(iv) Nor is there anything in Mr Bell's statement which suggests that the proper exercise was undertaken. This exercise is:

(a) having identified the OAN for affordable housing, that should then be considered in the context of its likely delivery as a proportion of mixed market/affordable housing development; an increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes;

(b) the Local Plan should then meet the OAN for affordable housing, subject only to the constraints referred to in the Framework; paragraphs 14 and 47.'

The approach to be taken to the selection of alternative scenarios and competing assumptions.'

2.76 One of the most recent decisions to address this issue is *Borough of Kings Lynn & West Norfolk v SSCLG* [2015] EWHC 2464 (Admin) where Mr Justice Dove commenting upon this issue describes the first part of the stage of determining OAN as follows:

'31. In terms of the first element of the assessment in the first of the sub-bullet points in paragraph 159, namely meeting household and population projections taking account of migration and demographic change, the PPG illustrates that this is a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgment about trends and the interpretation and application of the empirical material available. These judgments will arise for instance in relation to whether, for example, adjustments for local demography or household formation rates are required (see paragraph ID 2a-014–20140306), and the extent and nature of adjustments for market signals (see paragraph ID 2aa-018–20140306). Judgment will further be involved in taking account of economic projections in undertaking this exercise.'

2.77 This highlights the importance of demographic and economic considerations, but in terms of addressing affordable housing, Dove J describes this as the "second stage" of Paragraph 159 of the Framework, (paragraph 32). He goes on to state (paragraph 32) that neither the Framework nor the PPG suggest that affordable housing needs have to be met in full when determining that FOAN. He opines that there is no doubt that this is because often the calculation of unmet affordable housing produces a figure which the planning authority has little or no prospect of delivering due to the

reliance on open-market schemes to provide a proportion of affordable housing. He specifically refers to the Guidance (paragraph ID 2a-208–20140306) to support this position. This states:

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

- 2.78 Dove J states (paragraph 33) that this requires the consideration of an increase to help deliver the required number of affordable homes, rather than an instruction that the requirement be met in total but nevertheless:

'They should have an important influence increasing the derived FOAN since they are significant factors in providing for housing needs within an area.'

- 2.79 In paragraph 34, Dove J states he disagrees with Hickinbottom J in the case of Oadby and Wigston Borough Council v Secretary of State [2015] EWHC 1879 in so far as paragraph 34(ii) of his judgment might be taken to be suggesting that in the FOAN, requires the total need for affordable housing to be met in full. Such a suggestion, he states, is not warranted by the Framework or the PPG.

The general approach to plan positively

- 2.80 The generation of the Objectively Assessed Housing Need requires consideration of a number of assumptions and scenarios. It is our view however, that the approach required to be taken in the selection of these assumptions should reflect the objectives and principles of the Framework and Guidance. This is probably best summarised by Inspector Clews in his further interim conclusions on the South Worcestershire Plan in which he stated (paragraph 59):

*'59. I have taken into account the argument of DLP that (in summary), where there is a choice of reasonable alternative assumptions on, for example, future HRR trends or employment growth, guidance in the NPPF indicates that **one should choose the highest reasonable assumption when modelling future housing need**. Similar arguments were put by other participants who considered the SENS2 and SENS3 figures to be too low.'*

(my emphasis)

Conclusion on the approach to the Objectively Assessed Need for Housing

- 2.81 The Framework and Guidance provide an appropriate background against which to approach the choice of assumptions as part of the Objective Assessment of Need for Housing.
- 2.82 This report considers three areas of Objectively Assessed Need identified by the Guidance, these being:
- a. Demographic;
 - b. Market, and
 - c. Economic.

- 2.83 In considering these three areas, the Framework requires plans to be aspirational and realistic; this in practice means selecting the highest reasonable assumption amongst the choice of assumptions available.

3.0 DEMOGRAPHIC DRIVERS OF HOUSING NEED

The DCLG 2014 household projections

- 3.1 The table below sets out a range of projections starting with the most recent SNPP (2014) and uses the household representation rates in the 2014 DCLG Household Projections.
- 3.2 The Baseline projection is useful in that it incorporates all the latest data from the 2015 Mid Year Estimates, including migration, and models this forward.
- 3.3 This suggests that migration in the last 5 years has been lower than that projected forward by in the DCLG Household projections (which are based upon the ONS 2014 Sub National Population Projections SNPP)

Table 2 Demographic projections of housing need

Dwelling change	2011-2016	2016-2021	2021-2026	2026-2031	2031-2036	2036-2041	2011-2036	Annual Average 2011 - 2036
SNPP	855	870	775	704	621	588	19,129	765
Baseline	844	744	625	520	401	271	15,662	626

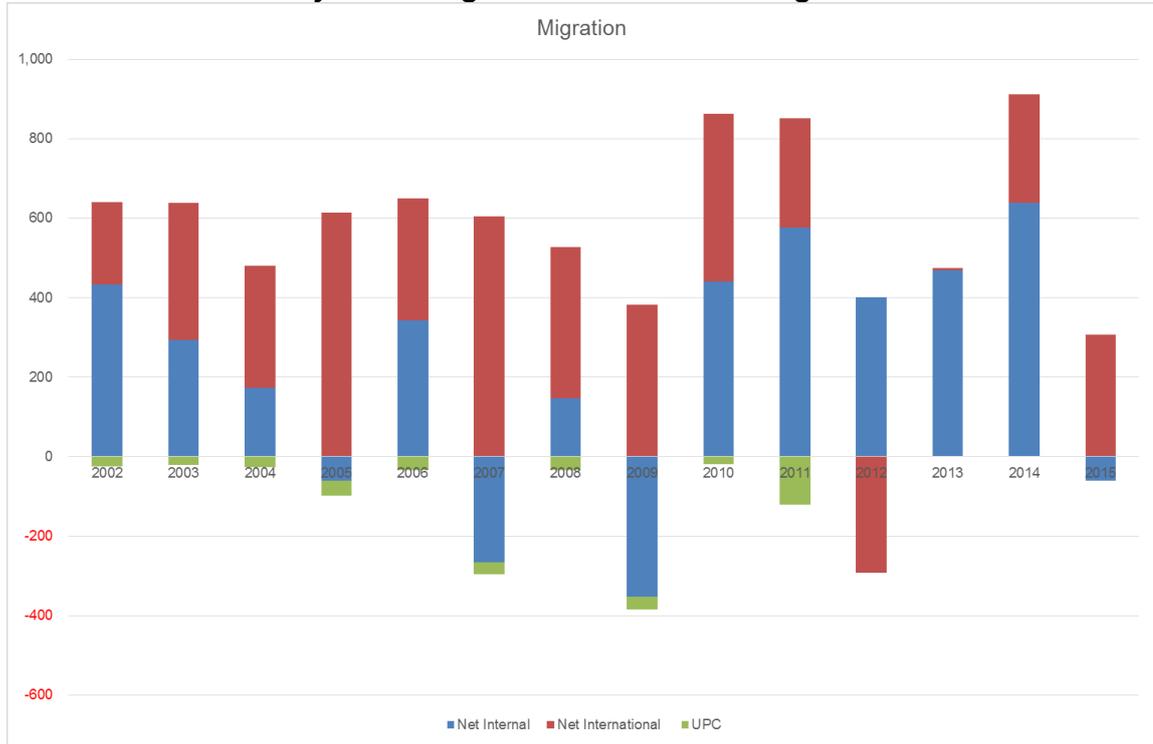
Source: SPRU outputs of Chelmer Model

- 3.4 The DCLG based dwelling requirement at 765 dwellings a year is lower than the 850 dwellings required in the SHMA 2013 (page 2). One of the main drivers for this will be the assumptions regarding migration. The 2014 DCLG/ONS projections maybe projecting lower levels of future migration into the District than that assumed by the SHMA.

Migration Assumptions

- 3.5 The chart below illustrates that migration into Huntingdonshire has been net inflows but that the makeup of these flows does fluctuate in terms of internal and international migration. In terms of migration, the more recent estimates are based upon an improved methodology. In particular many of these improvements relate to the estimation of international migration as these are considered less robust than the internal migration estimates.
- 3.6 It is noted that the LPEG suggested amendment to the NPPG Paragraph: 017 Reference ID: 2aS017S20140306 which states that:
'The official population and household projections are statistically robust and are based on nationally consistent assumptions. It will not be open for plan makers or other interested parties to reject use of the official population and household projections, for example because of perceived concerns over their statistical robustness, the implications of unattributable population change (UPC), local factors underpinning population change during the trend period, or the length of trend period upon which the projections are based.'
- 3.7 In this report SPRU adopts the approach advocated by the LPEG above with regard to UPC.

Chart 4: Summary of net migration flows for Huntingdonshire



Source: ONS 2015 MYE

Headship assumptions

3.8 In the DCLG “Household Projections 2012 Based Methodology Report” the approach adopted to modelling future household formation is explained on page 19 as follows:

‘f. Projecting household representative rates The procedure followed to project the household representative rates at the national level is consistent with the 2011-interim projections, with 5 observations to project forward but there are remain issues that some of the Census points (particularly the 1991 Census) look to be quite strange.

The projections of the household representative rates use a combination of two fitted trends:

A simple logistics trend - a straight line fitted to $\ln(X_t / (1-X_t))$

A dampened logistics trends where an S-shaped curve is fitted to $\ln(X_t / (1-X_t))$

These functions were developed as part of the development for the Stage One methodological review to fit through the Census points as some of the trends are linear whilst others have a curve.

As with previous vintages of the projections, it is still not clear which of these is the most appropriate. The dampened trend provides a better fit for the Census data. But consideration has to be given to the extent to which data errors may have affected measured past trends and also to the fact that the data for 2011 by demographic type are estimates based on the trends by age from the LFS as well as some data from the 2011 Census. Further detail on concerns with some of the previous Census points (particularly 1991) is provided in the 2008-based methodology document.

Given the uncertainty, the alternative projections are weighted together using the following weights:

15 to 29 year olds: 80:20 weights for dampened / simple trend

30 year olds and over: 60:40 for dampened/ simple trend

The reason for the differential weights is that Labour Force Survey (LFS) data indicate declining aggregate household representative rates for the younger age groups and, consequently, there is evidence that it is more appropriate to give a bigger weight to the dampened trend in these cases.'

- 3.9 These are trend based projections and as such reflect previous levels of under provision that have led to the present housing crises. The PPG makes it clear that these projections do not reflect unmet need (Paragraph: 015 Reference ID: 2a-015-20140306).
- 3.10 The changes between 2001 and 2011 reflected in these projections are:
- a. the 36% rise for those living in Other households without dependent children;
 - b. the 30% rise between 2001 and 2011 for those living in Other households with dependent children;
 - c. households with six or more people rose 25% between 2001 and 2011;
 - d. households with six or more people saw the largest proportional at almost 50%;
 - e. 18% of all occupied household spaces were privately rented, an increase from 12% in 2001. This was the largest increase of all housing tenure types;
 - f. owner occupancy declined from 69% to 64% over the same period.

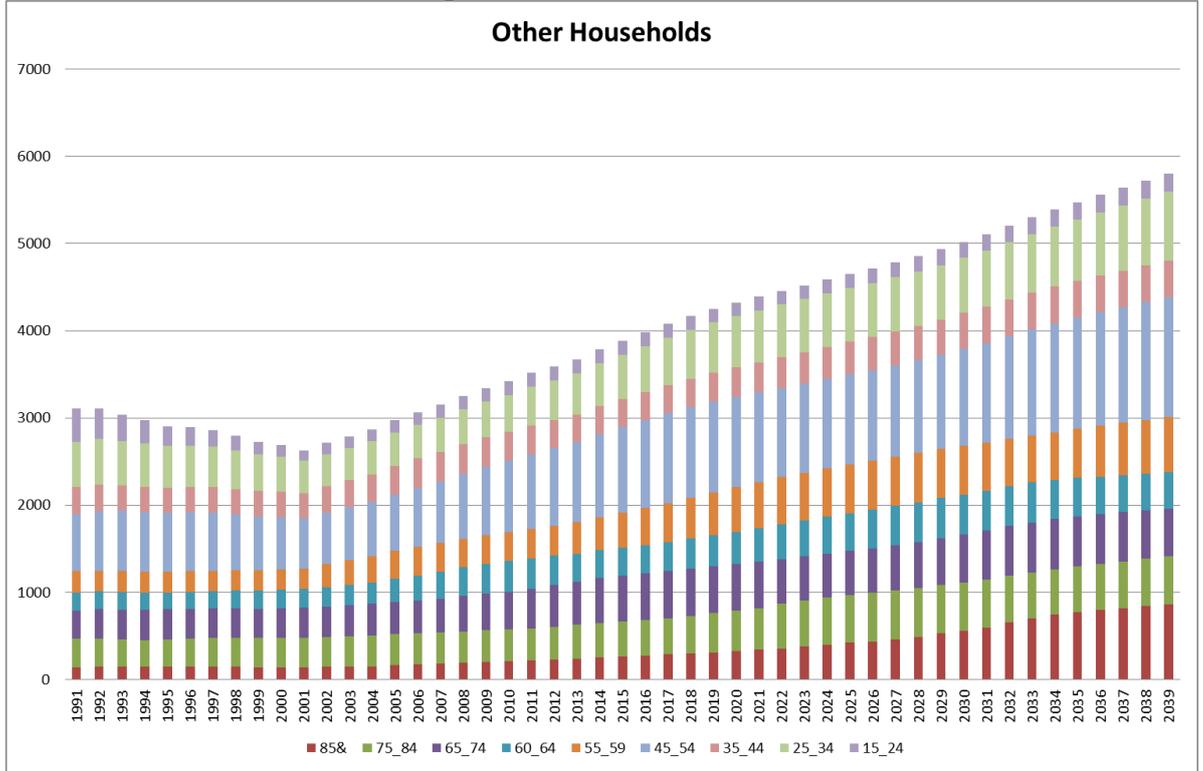
Source: 2011 Census Analysis, Households and Household Composition in England and Wales, 2001-2011

- 3.11 In respect of the growth in Other households, these have not only increased substantially but have also increased in average size. The average size of Other households without dependent children increased from 2.92 people in 2001 to 3.06 in 2011 and saw the largest percentage increase (5.1%). Within this main category, the Other category includes unrelated adults sharing a household space and multi-family households with no dependent children; this category increased by 4.1% from 2.90 people to 3.02. It is suggested by the ONS that this may reflect an increase in young working adults sharing accommodation and multigenerational households.

Changes to household formation and increases in “other Households”

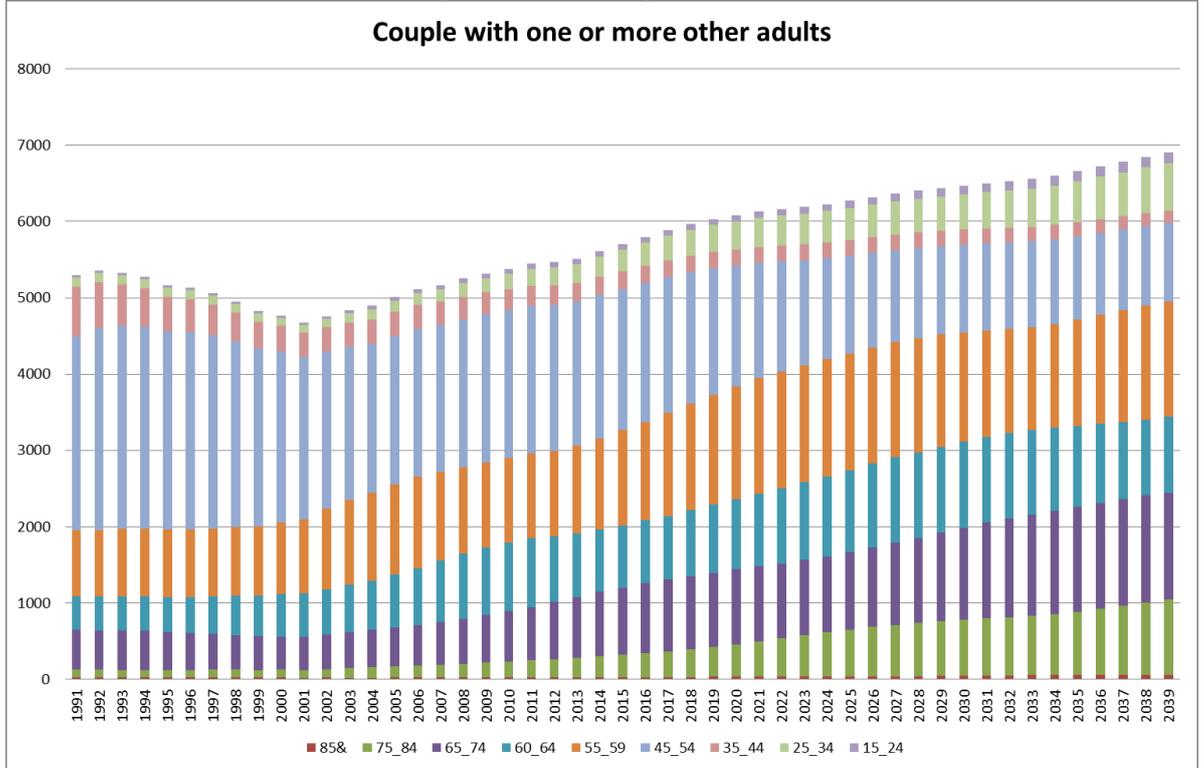
- 3.12 One of the impacts of the growing unaffordability of housing is the number of children who stay in the parental home longer, and if they do move out they have to rent with others in households that often consist of three or more unrelated adults. This rise in renting and the decrease in home ownership is related to the increase in other households. The growth in households with three or more unrelated adults living together is not likely to be the first choice of many residents as many still seek homeownership as the tenure of choice. The following charts show that there is projected to be a substantial growth in Other households in the District doubling from the low point in 2001 of under 3,000 to almost 6,000 households.

Table 3 Growth in Huntingdonshire Other Households



Source: DCLG Household projections 2014

Chart 5: Growth in Huntingdonshire Couple with one or more other adults



Source: DCLG Household projections 2014

- 3.13 The second chart on the previous page illustrates the growth in couples living with one or more other adult. Like the growth in other households this type of household has reversed its decline to 2001 and there are projected to be over 2,000 more such households by 2039.
- 3.14 It is not considered that the continued growth in “other households” or couples living with one or more other adults is appropriate given the requirement in paragraph 50 of the Framework to increase the opportunities of home ownership and the requirement of the Framework to meet demand for housing in full. Three or more unrelated adults sharing a property is not an appropriate long term arrangement for many households and is contrary to the research regarding the desire amongst most people to secure home ownership in the long term.

Modelling Changes to Household Representation Rates

- 3.15 In order to address the issue of using past trends to build into future projections continued reduction in household representation rates, the model has been rerun for the chosen scenarios with a different assumption. The approach used is to hold the 2011 HRR steady for those in the 25 to 44 age group that were projected to decline. The implication of these assumptions is to produce a small uplift in the overall dwelling requirement.

Table 4 Demographic projections allowing for improved household representation rates

Dwelling change	2011-2016	2016-2021	2021-2026	2026-2031	2031-2036	2036-2041	2011-2036	Annual Average 2011 - 2036
SNPP	855	870	775	704	621	588	19,129	765
SNPP HRR2011	829	917	831	771	730	753	20,390	816

Source: SPRU outputs of Chelmer Model

Output of Scenario modelling

- 3.16 The outputs of the modelling of different demographic scenarios are set out in the Table on the next page.
- 3.17 The comparison of the Sub National Population Projection (SNPP), which forms the basis of the DCLG household projections, to the SNPP HRR illustrates the impact of the application of improved household formation rates for under 44’s. This increases the DCLG projection from 765 dwellings a year to 816 dwellings a year giving a total of an extra 1,261 dwellings over the plan period and an increase of 6%.

Conclusion

- 3.18 These results suggest that demographic pressures are likely to persist and that an OAN which seeks to meet the housing needed by the country as a whole (as required by paragraph 17 of the Framework) would require a higher level of housing than suggested by the DCLG household projections.

Table 5 Demographic Scenario Modelling outputs

	2011-2016	2016-2021	2021-2026	2026-2031	2031-2036	2036-2041	2011-2036	Annual Average 2011 - 2036
Dwelling change								
SNPP	855	870	775	704	621	588	19,129	765
SNPP HRR2011	829	917	831	771	730	753	20,390	816
Baseline	844	744	625	520	401	271	15,662	626
Labour force change								
SNPP	189	103	116	157	225	305	3,948	158
SNPP HRR2011	189	103	116	157	225	305	3,948	158
Baseline	80	-162	-199	-193	-178	-64	-3,261	-130
Population change								
SNPP	1,312	1,480	1,540	1,300	1,120	1,240	33,761	1,350
SNPP HRR2011	1,312	1,480	1,540	1,300	1,120	1,240	33,761	1,350
Baseline	1,224	1,027	1,029	751	481	492	22,558	902
Migration								
SNPP	541	871	846	801	813	845	19,359	774
SNPP HRR2011	541	871	846	801	813	845	19,359	774
Baseline	453	488	484	482	481	481	11,943	478
Workplace employment								
SNPP	165	88	99	134	193	261	3,397	136
SNPP HRR2011	165	88	99	134	193	261	3,397	136
Baseline	80	-138	-169	-164	-152	-54	-2,715	-109
Resident employment								
SNPP	181	97	110	148	212	288	3,745	150
SNPP HRR2011	181	97	110	148	212	288	3,745	150
Baseline	88	-152	-187	-181	-167	-60	-2,994	-120
Resident unemployment								
SNPP	183	6	6	9	12	17	1,082	43
SNPP HRR2011	183	6	6	9	12	17	1,082	43
Baseline	168	-10	-12	-12	-11	-5	613	25

4.0 MARKET DRIVERS OF HOUSING NEED

Background to approach on affordability

- 4.1 In considering what weight one might attribute to such a conclusion, we note the quote in the Housing Demand and Need (England) House of Commons Library Standard Note: SN06921 (23rd June 2014 pages 17 and 18) from the 'Barker Review: a decade on' (March 2014) commenting on current levels of affordability in the housing market, saying:

'The decade that has passed since Kate Barker conducted her Review of Housing Supply for the Government has seen a worsening in all indicators of housing affordability and the associated prospects for aspirational would-be homeowners. Despite the best efforts and intentions of successive ministers, the 10 years since the Review has ultimately been a lost decade in terms of addressing the shortcomings of the housing market. There can be no doubt that the housing crisis facing the country in 2014 is far greater than that discussed by Barker in 2004.'

- 4.2 The same document also quotes the findings of the DCLG published research on the impact of restricted housing supply on prices (DCLG: 'The impacts of restricting housing supply on house prices and affordability' November 2010, page 61) as follows:

'Our findings point to the planning system as an important causal factor behind the 'affordability crisis'. Moreover, recent studies have suggested that regulatory constraints have become more binding over the last few decades (Cheshire and Hilber, 2008; Glaeser et al. 2005b) and are likely to become even more binding in the future (Hilber and Robert-Nicoud, 2009). To the extent that the latter is true, our findings imply that housing affordability problems may become even worse during upswings and house price booms in the future, especially in highly urbanised areas, where the ratio between house prices and income may rise even more dramatically than elsewhere.'

- 4.3 The DCLG report went on to recommend changes to the planning system to 'provide greater incentives to local planning authorities to permit more residential developments' (DCLG: 'The impacts of restricting housing supply on house prices and affordability', November 2010, page 63).

Advice from the National Housing and Planning Advice Unit (NHPAU)

- 4.4 The National Housing and Planning Advice Unit (NHPAU) publication "Meeting the housing requirements of an aspiring and growing nation: taking the medium and long-term view" (June 2008), using the then available official projections recommended that a range of housing requirements should be tested though the examination of development plans, which at that time were the regional plans.
- 4.5 The approach to responding to issues of affordability was to derive the lower end of the range from the latest official household projections. The starting point for the housing supply trajectory was 2007, with net additions rising to the Government's target of 240,000 annual net additions by 2016 with the distribution between regions informed by the latest household projections. The trajectory was also required to satisfy two other commitments; delivery of 2 million net additions to stock by 2016 and 3 million by 2020, with delivery assumed to be held constant after 2020 (paragraph 105).

- 4.6 The upper end of the range drew on the Unit's demographic analysis of backlog, and the results from their affordability modelling. The Unit's advice was that the resulting numbers should not be viewed as a maximum (paragraph 107).
- 4.7 Paragraph 108 states that the affordability results in table 5 of the report are the number of new homes required to stabilise the lower quartile house price to earnings ratio at the level it was at in the first quarter of 2007 (This is the PSA 20 baseline level).
- 4.8 The Demographic Method was considered as another way of looking at housing pressures (paragraph 109). This differed from the affordability analysis in that it didn't directly consider the economic drivers of housing demand, like earnings and interest rates. Instead, the approach used household projections and made allowance for constrained demand, vacancies in new supply, and demand for second homes. At the England level, despite the differences in methodology, the numbers produced by the Demographic Method are similar to those generated from the affordability analysis, with average annual net additions to 2026 being around 260,000 (paragraph 110). This compares to the 231,500 dwellings derived from the official projections (table 11) and represented an increase of some 12%.
- 4.9 This change is not consistent across the country and Table 11 sets out the NHPAU Supply Ranges for the period 2008-2026 for both the minimum and the maximum. For the East of England these are as follows:
- a. Minimum of the proposed housing supply range
 - i. HMG Green Paper targets 2008-2026 East of England - 30,600 dwellings a year
 - b. Upper end of the proposed housing supply range
 - i. 2008-2026 Revised 2004-based Household Projections plus backlog - 33,900 dwellings a year
 - ii. Stabilising affordability at PSA20 baseline by 2026 - 39,200 dwellings a year
- 4.10 The scale of the proposed uplift in supply for the East of England was between 11% (demographic approach) and 28% (stabilising affordability). While it would not be applicable to simply use these percentage increases, it does provide a range in which to consider the appropriate response to the current affordability ratios.

Inspector's findings in response to Market Signals

- 4.11 The PPG does not specify the size of the market adjustment, saying only that it should be 'reasonable', and that authorities should monitor the situation and review supply accordingly. Inspectors' decisions regarding plans at examination suggest the following:
- a. modest under provision / market pressure (Uttlesford, Eastleigh) 10%
 - b. significant under provision / market pressure (Canterbury) 30%.
 - c. under provision and market signals BANES 45%
- 4.12 In the Eastleigh Local Plan, the Inspector judged a 10% increase applied to the demographic based projection to be reasonable:

“It is very difficult to judge the appropriate scale of such an uplift. I consider 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 HMA. Exploration of an uplift of, say, 10% would be compatible with the “modest” pressure of market signals recognised in the SHMA itself.”

- 4.13 In finding the Uttlesford Plan unsound the Inspector in his summarised conclusions after the hearing session on 3 December 2014 stated:

‘The most recent (phase 6) demographic work by Edge Analytics (on the basis of the SNPP-2012 data) indicates an annual dwelling requirement of 508 using 2011-based household formation rates or 549 using 2008-based rates. The average of the two rates gives a requirement of 529pa. In my view this is an appropriate starting point, allowing for some return towards long-term pre-recession trends and avoiding embedding post-recessionary conditions judged to have been reflected in the 2011 Census. In itself this is a small addition (6pa) to the plan’s provision of 523pa would not be a major issue.

However, Planning Practice Guidance 2a-019 recognises that various factors may require some adjustment to be made to demographically-modelled household projections (e.g. affordable housing needs, employment issues and market signals). The brief for the forthcoming Strategic Housing Market Assessment (SHMA) currently being produced for Uttlesford and its 3 neighbouring authorities in the ‘Harlow/M11 corridor’ requires PPG compliance on these matters. It remains to be seen how these factors will be considered and weighed in the SHMA.

While evidence on some of these topics is patchy, taking them in the round and without discussing them in detail here, I consider that an uplift of at least 10% would be a reasonable and proportionate increase in the circumstances of Uttlesford, say to about 580pa.

The submitted plan therefore does not provide for a full PPG-compliant OAN.’

- 4.14 At Canterbury the Inspector commented as follows before concluding that a level of 800 dwellings a year was an appropriate OAN (Appendix 34):

‘The PPG indicates that the housing need number suggested by household projections should be adjusted to reflect appropriate market signals. The HNR identifies problems with house prices, rents and affordability in Canterbury compared to England and Kent. An uplift of 10% to reflect a modest pressure of market signals has been used by Inspectors in other examinations. However, here NLP conclude that the scale of market signal pressure is greater than modest, such that on reasonable assumptions the uplift should be more than 10% with 20% used by way of illustration to give a need figure of 744 dpa.’

Report on the Examination into Bath and North East Somerset Council’s Core Strategy 24 June 2014 (Appendix 30)

- 4.15 The Inspector’s report on the Bath and North East Somerset (BANES) Examination although published in June 2014, relates to the Plan which was submitted in 2011 and an examination which ran between January 2012 and April 2014.

- 4.16 In paragraph 25, the Inspector sets out why the submitted plan (which made provision for around 11,000 homes) was unsound, including the fact that there was no Framework compliant assessment of the housing requirement. The Inspector

highlighted the issues with regard to the evidence at that time (December 2013), stating there was a greater than normal degree of uncertainty and complexity in determining the most appropriate starting point for any future projection over the plan period.

- 4.17 In the Bath and North East Somerset Strategic Housing Market Assessment Update 2013 Addendum 1a to the Draft SHMA: Future Projections (July 2013 – Appendix 31), ORS utilised the updated MYE to establish the various projections and in paragraph 8 they stated that in the light of feedback raised in representations to the EiP, this updated analysis has been based on longer periods of 10 years and 5 years compared to their earlier work that used 3 and 5-year averages. The report stated that the 5 and 10-year periods provide a more stable basis for the projections.
- 4.18 The Inspector gave two reasons for taking the full impact of other changes to migrations; first that without these changes the figures between 2001 and 2011 would not correlate with the Census results, and second, the uncertainties inherent in some of the data, particularly for flows of migrants internationally, lead him to conclude that a 10-year period was a reasonable approach.
- 4.19 At paragraph 43 the Inspector stated that the 10-year period selected by ORS also enables a simple cross-check drawn directly from the increase in the population of the District between 2001 and 2011 shown by the MYE for those years which are most closely related to the Censuses.
- 4.20 It is appropriate to note that the evidence submitted used the MYE to 2011 as these were the most up to date available, with the 2011/12 data only becoming available after ORS had submitted their addendums to the SHMA (Inspector's Report paragraph 42).
- 4.21 Our reading of the report is not that the Inspector specifically supported an approach that used the two censuses as a way of determining future migration but that in this case he found reference to the census data a readily understandable and robust check on the reasonableness of the chosen average migration.
- 4.22 The Inspector's preferred level of migration of 552 persons produced a dwelling requirement of 9,950 (20 years), which over the 18-year plan period is 8,955 (this dwelling requirement is based on a mid-point between the two different headship rates assumptions).
- 4.23 The housing requirement in the Plan is higher than this projection and at 13,000 dwellings this is an increase of 4,045 dwellings (45%).
- 4.24 In paragraph 73 the Inspector referred to his own note (ID28) that the dwellings which had not been delivered to meet the requirement of the adopted Local Plan (1996-2011) should be added to any assessment of housing needs. This amounted to 1,167 dwellings and was justified by the Inspector at paragraph 75 in which he stated:

'It is not always the case that a shortfall from a previous plan period should be added to a newly assessed housing requirement. This is particularly so where, as here, the start date of the new plan (2011) aligns with the base date of the SHMA and other evidence on housing needs. Where the requirement is derived from a thorough assessment of needs, including any appropriate adjustments for market signals, adding a shortfall from an earlier plan may not be required. The addition of the shortfall for BANES remains justified here as an element of a needed market adjustment.'

4.25 The justification for this increase is summarised in paragraph 77 of his report:

'The outcome of the Council's overall approach is that there is an upward adjustment from the "common sense" household projection of 8,995 to 13,000 as a consequence of the addition of the local plan shortfall and further provision of market housing to deliver the needed affordable housing. This can be regarded as a significant response to market signals...'

4.26 Taking account of the uplift to meet undelivered dwellings (1,167) the uplift accepted to address market signals was 28%.

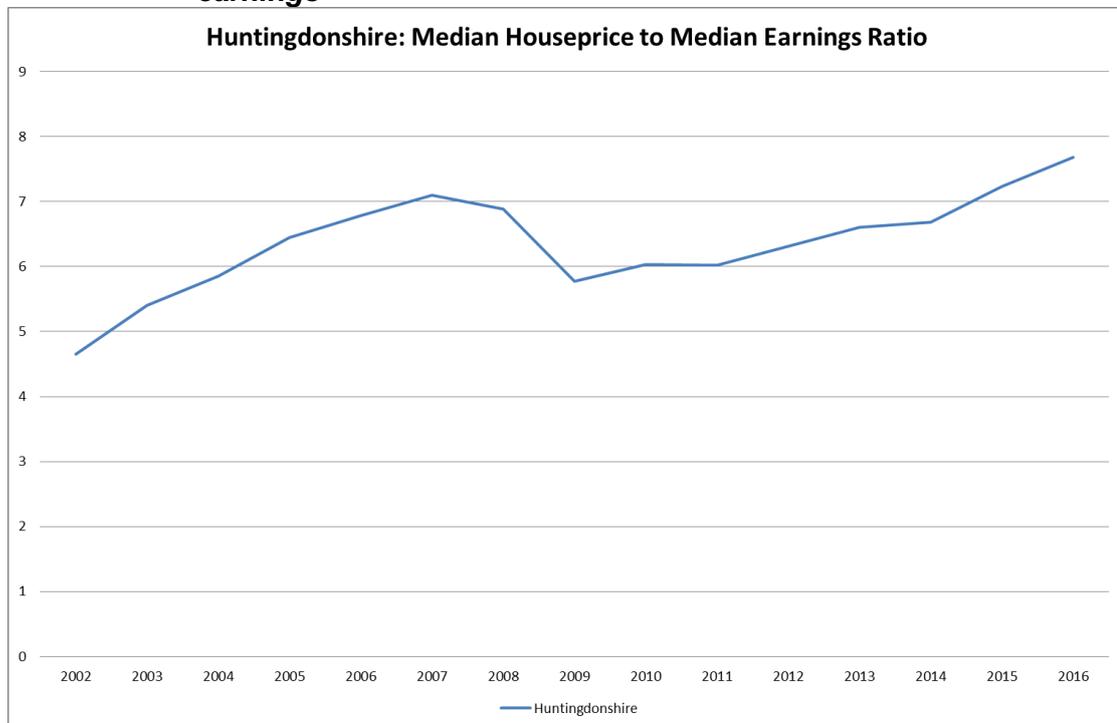
4.27 It is noted that the final housing requirement for BANES was substantially higher than the extant household projections from DCLG available at that time of 439 households a year (2011 interim projections Table 430: Comparison between 2011-based projections and 2008-based projections, England, 2011- 2021).

Affordability – Ratio of house price to earnings

4.28 The ratio of median house prices compared to median earnings is one of the two measures of affordability suggested by the LPEG. This indicator suggests that rising house prices in Huntingdonshire has resulted in a worsening of the affordability ratio from below 5 in 2002 to just under 8 in 2016.

4.29 This suggests that for many households, home ownership was potentially accessible in 2002 but this opportunity has now reduced substantially. This is a strong indicator that an adjustment is required to reflect the character of the local housing market area.

Chart 6: Ratio of median quartile house prices compared to median quartile earnings



Source: DCLG Live table 576

- 4.30 The LPEG approach has some clear advantages to simply comparing affordability ratios between neighbouring authorities. Locations in the East of England and the South East are all impacted by the influence of the London housing markets and as such, under supply has in the past lead at least in part to the current housing crisis. To simply bench mark one unaffordable location with another and to find similar levels of affordability (or more accurately unaffordability) is not evidence that there is no excess market demand, just that the excess of market demand is similar.
- 4.31 The responses required by LPEG to this measure are as follows:
- where the House Price Ratio is less than 5.3 no uplift is required;
 - where HPR is at or above 5.3 and less than 7.0 a 10% uplift should be applied;
 - where the HPR is at or above 7.0 a 20% uplift should be applied; and
 - where the HPR is at or above 8.7 a 25% uplift should be applied.
- 4.32 Considering the rising median affordability ratio in the Chart above, one can appreciate that in 2002 there would have been no requirement to provide a market adjustment to the demographic projections according to the LPEG criteria, however this position was quickly passed in 2003 where an additional 10% would have been required, then by 2007 a 20% uplift would have been required. While the ratio then fell as a result of the recession it has since gradually increased and is now at its highest ever level again requiring a 20% uplift.
- 4.33 This scale of the uplift on the DCLG projections is within the range previously suggested by the NHPAU of 11% to 28%. It is towards the top of this range but again this is to be expected considering the very close relationship between Huntingdonshire and Cambridge as well as London.

Affordability – Rent

- 4.34 While increasing access to home ownership is an important policy consideration (Framework paragraph 50), this has not been achieved and many households are having to rent alongside those who prefer this form of tenure.
- 4.35 The Rental Affordability Ratio suggested by LPEG considers the lower quartile rental costs as a percent of lower quartile earnings.
- 4.36 The responses required by LPEG to this measure are as follows:
- where Rental Affordability Ratio is less than 25%, no uplift is required
 - where RAR is at or above 25% and less than 30%, a 10% uplift should be applied
 - where RAR is at or above 30% and less than 35%, a 20% uplift should be applied and
 - where RAR is at or above 35%, a 25% uplift should be applied
- 4.37 The Table below undertakes the LPEG calculation and this calculation, like the assessment based on the median house price ratios, also suggests that there should be a 20% uplift from the Demographic projections.

Table 6 Summary of affordability measures

Huntingdonshire	2014	2015	2016	last 3 years	LPEG Recommendation
Ratio of median house price to median gross annual residence-based earnings	6.68	7.23	7.68	7.20	20%
Ratio of lower quartile rent to lower quartile annual residence-based earnings	28%	31%	31%	30%	20%
	5.3 to 7	7 to 8.7	over 8.7		
House price adjustment Median	10	20	25		
	25 to 30	30 to 35	above 35		
Rental Adjustment lower quartiles	10	20	25		

Sources: ONS Tables 5c 6c and VOA

Implications of affordable housing need

- 4.38 The SHMA 2013 suggests that there is need for 7,212 affordable dwellings (288 dpa).
- 4.39 The affordable housing need represents some 34% of the housing requirement in the SHMA 2013.
- 4.40 Paragraph 43 of the Satnam judgement clearly requires affordable housing to be assessed as part of, and included in, the Objectively Assessed Need in order to be policy compliant.
- 4.41 Mr Justice Dove in Kings Lynn v Elm Park Holdings (July 2015), highlighted earlier, stated that the following approach should be taken in the consideration of affordable housing:
- a. In reference to the Guidance (paragraph ID 2a-208–20140306) that:

‘The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.’
 - b. consequently that this requires (paragraph 33) the consideration of an increase to help deliver the required number of affordable homes, rather than an instruction that the requirement be met in total but nevertheless:

‘They should have an important influence increasing the derived FOAN since they are significant factors in providing for housing needs within an area.’
- 4.42 This confirms that the issue of affordable housing is required to be addressed as part of the OAN but that the results of estimates of need are usually incompatible with what is likely to occur in practice. This would seem to be a critique of affordable housing assessments, and one which we would share.

Conclusion on response to market indicators

4.43 The evidence on affordability indicates that the position in Huntingdonshire has become worse over the last decade and a half, and affordability is a major issue across all indicators.

4.44 In considering what weight one might attribute to such a conclusion, the following quote provides an appropriate context:

'The decade that has passed since Kate Barker conducted her Review of Housing Supply for the Government has seen a worsening in all indicators of housing affordability and the associated prospects for aspirational would-be homeowners. Despite the best efforts and intentions of successive ministers, the 10 years since the Review has ultimately been a lost decade in terms of addressing the shortcomings of the housing market. There can be no doubt that the housing crisis facing the country in 2014 is far greater than that discussed by Barker in 2004.'

Source: Housing Demand and Need (England) - House of Commons Library Standard Note: SN06921 (23rd June 2014 pages 17 and 18) from the "Barker Review: a decade on" (March 2014)

4.45 The same document also quotes the findings of DCLG published research on the impact of restricted housing supply on prices (DCLG "The impacts of restricting housing supply on house prices and affordability" November 2010 page 61) as follows:

'Our findings point to the planning system as an important causal factor behind the 'affordability crisis'. Moreover, recent studies have suggested that regulatory constraints have become more binding over the last few decades (Cheshire and Hilber, 2008; Glaeser et al. 2005b) and are likely to become even more binding in the future (Hilber and Robert-Nicoud, 2009). To the extent that the latter is true, our findings imply that housing affordability problems may become even worse during upswings and house price booms in the future, especially in highly urbanised areas, where the ratio between house prices and income may rise even more dramatically than elsewhere.'

4.46 The DCLG Report went on to recommend changes to the planning system to 'provide greater incentives to local planning authorities to permit more residential developments' (DCLG: "The impacts of restricting housing supply on house prices and affordability" November 2010 page 63).

4.47 In light of these findings it is considered that the evidence suggests there should be a positive response by the District to the evidence of the doubling of affordability ratios. Such a response would meet the guidance in paragraph 17 and 50 of the Framework, by providing an increased level of housing supply above the DCLG projections. The Local Plan will then secure improvements in affordability and widen access to home ownership in the HMA.

4.48 It is noted that in requesting local authorities to address the issue of market signals, other Inspectors have suggested that in areas of substantial market pressure an increase of 30% (Canterbury) to 45% (BANES) be applied.

4.49 The NHPAU previously recommended a range of between 11 and 28%.

4.50 The LPEG proposed modifications would suggest an increase of 20% when measured against its criteria.

- 4.51 A suitable response to market signals in Huntingdonshire would be an uplift of 20% on the DCLG assessment (adjusted for improved household formation for the 25 to 44 age groups) of 816 dwellings a year which would result in a requirement of **979 dwellings a year**.

5.0 ECONOMIC LED HOUSING REQUIREMENTS

Introduction

- 5.1 The SHMA 2013 concludes that there is reasonable balance between jobs and housing, stating:

'4.9 Overall, there is a reasonable balance of additional jobs and homes across the housing market area, reflecting the historic trends of relative self-containment in the wider geographic area. However, there are differences in the balance of projected jobs and homes between districts. This is symptomatic of the established relationship between the economic strengths of Cambridge and the larger towns, and the wider housing market area. In particular, challenges of housing affordability, particularly in and close to Cambridge, means that the wider market area provides an important source of housing choice. This reflects the normal functioning of a housing market and economic area across administrative boundaries.'

- 5.2 As with the other data in the SHMA, the evidence on employment growth has changed. The most recent update of the work relied on by the SHMA is the East of England Forecasting Model in its most updated form. The outputs of this are summarised below:

Table 7 The East of England Forecasting Model

Table 1: Key indicators	2016	2036	
Demography			
Total population (000s)	175.903	199.311	23.409
Working age population (000s)	109.841	114.129	4.288
Migration & other changes (000s)	0.630	0.419	-0.211
Labour market			
Employees in employment (000s)	71.584	79.501	7.918
Self-employed (000s)	11.813	11.509	-0.304
Total employment: jobs (000s)	83.948	91.561	7.614
Total workplace employed people (000s)	82.283	88.713	6.429
Residence employment (000s)	87.833	99.243	11.410
Residence employment rate (%)	68.522	71.944	3.422
Net commuting (000s)	-5.549	-10.530	-4.981
Unemployment level (000s)	0.768	0.451	-0.317
Unemployment rate (%)	0.699	0.395	-0.304
Housing			
Households (000s)	73.189	86.161	12.971
Demand for dwellings (000s)	74.826	88.088	13.262

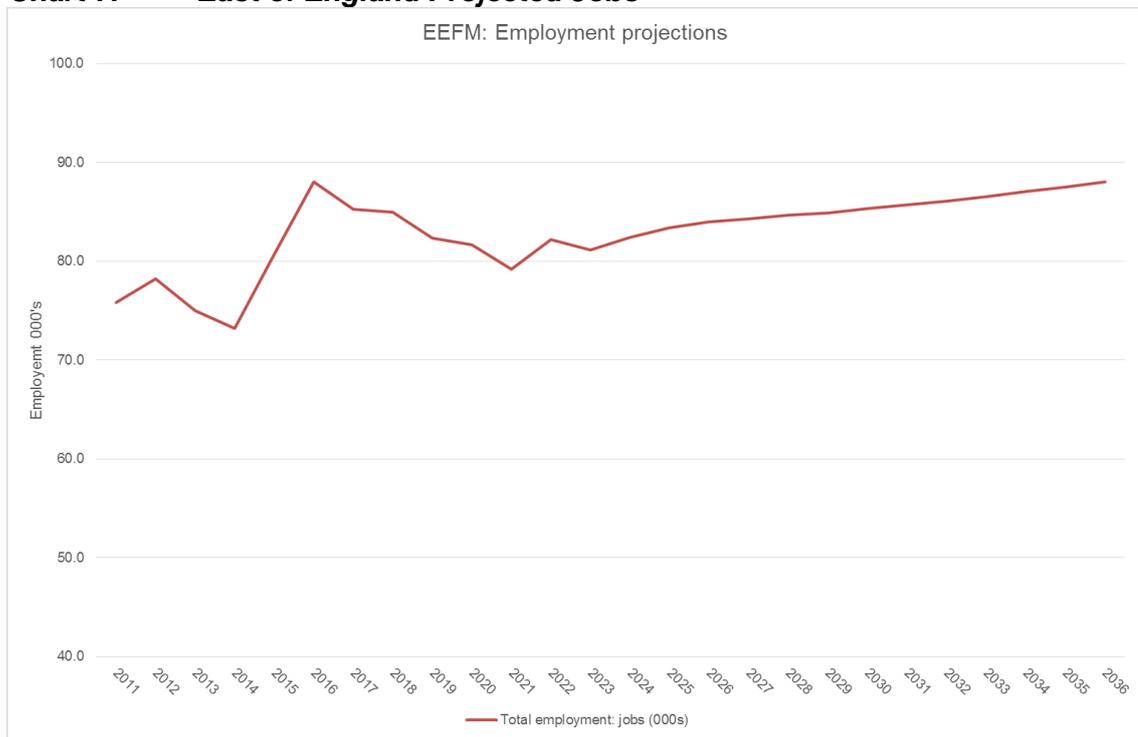
Source: EEFM 111/08/2016

- 5.3 It is important to consider whether the outputs of the model are realistic these are:
- Employment growth of 9.1% can be supported by just a 3.9% increase in the working population.
 - This means that of the forecast 7,614 new jobs will be filled by changes to unemployment, commuting, and the economic activity rate of the existing population.

- c. In terms of unemployment this is projected to be 0.7% at 2016, reducing to 0.4% by 2036.
- d. The Residence Employment Rate will increase by 3.4 percentage points (this is a 5% increase).
- e. Out commuting will increase to by 4,981 persons.
- f. The resulting level of housing need will be 13,262 (663 dpa).

5.4 The EEFM job projection is illustrated in the chart below. This suggests that employment will not return to the 2006 level until 2026 and that future growth will be moderate.

Chart 7: East of England Projected Jobs



Source: EEFM 2016

5.5 A new note by Neil McDonald (April 2017) discusses how the EEFM can be used to estimate the number of homes needed to support economic growth, on the use of the projections of population change to determine future housing need the note states:

'The EEFM's forecast of the change in the population in a local authority area can be used to estimate the homes needed to support the forecast change in jobs. If the demographically-based assessment of the area's need for housing does not provide at least the working age population suggested by the EEFM, migration from the rest of the UK should be increased until a sufficiently large working age population is projected. Having produced a population projection that is consistent with the EEFM, household formation rate assumptions can then be used to turn that projected population into a number of households, and hence a number of homes.'

5.6 In relation to the use of the jobs forecast to calculate future housing requirement the note states:

'The EEFM is an integrated model, which forecasts both jobs (labour demand) and the population needed to fill those jobs. Users should not make alternative estimates of the population needed to fill the EEFM jobs, based on economic activity/participation rates from another source. To do so is logically inconsistent with the EEFM and the results may be highly misleading. The note includes a worked example which shows that using Office for Budget Responsibility employment rates to estimate the working age population required to support an Experian UK jobs forecast over-estimates the increase required by a factor of 3. Had Experian assumed that the OBR activity rates represented the limit of the jobs which the population could support it would have produced a much lower jobs forecast.'

- 5.7 The first point to note is that the EEFM actually models dwelling need, so to some extent the advice in the first point of the conclusion is superfluous. It is worth noting however that while dwellings demand is an output of the model it is not derived from the employment forecast but from the population that is an input to the model (paragraph 4.1).
- 5.8 The model “flexes” economic activity rates, unemployment rates, and commuting ratios in order to balance the population that is inputted into the model to the projected levels of potential job growth.
- 5.9 This issue of the flexing of variables in economic models the Inspector at the appeal Land east of Kestrel Close/Beechfields Way, Newport, Shropshire, (Ref: APP/C3240/W/16/3144445) concluded:
- 5.10 *'In terms of my assessment of the contrasting assumptions, I would regard SPRU's approach to be the more conservative. Realistically, given that the Experian model has demonstrated capacity to allow 'flexing', for example in relation for some variation to commuting, SPRU's approach appears to be the 'worst case' outlook and in reality the figure of 864 dwellings per annum (with no adjustment for HRR rates) should be regarded as a generous maximum for the purposes of assessing the need for housing as local factors do not point to a sufficient need to depart from the official projections in relation to HRR.'*
- 5.11 The same issue was considered at the Telford Local Plan Examination it which the inspector reported in his initial note (30 March, 2017) his response to his fellow Inspector's findings:
- '4. I note that the Inspector concerned adopted a figure of 864 dwellings per annum as a 'generous maximum' in respect of OAN for the purposes of that appeal. While I am not bound by that figure, it is clearly an important material consideration to which I must have regard. Furthermore, I can advise that I share some of the concerns raised by that Inspector in respect of the robustness of the Council/PBA approach to testing the labour market implications of its demographic projections. Specifically, I consider that the stated position that 'double-jobbing' will rise to 7% by 2031 – which has a significant effect on labour supply estimates – is not firmly evidenced. I also share my colleague's caution about the increase in activity rates that is suggested for those ages 65 and over. The rate of increase suggested by PBA in that regard appears striking.*
- 5. I accept that as a result of the methodology that PBA has used, these figures represent outputs of the Experian model rather than inputs. However, they suggest to me that the Council's position that (in summary) the level of jobs growth that it has identified could be supported by the supply of labour is insufficiently robust.'*

5.12 The approach taken in this report is set out in the next part of this section.

Assumptions in the SPRU job lead dwelling projections

Projected Jobs

- 5.13 This approach has used both the OBR rates for changes to activity rates and the OBR national rate of employment growth with the exception of the first period 2011 to 2016 which uses the rate of growth from the Nomis database.
- 5.14 This results in an average rate of employment growth of 0.33% a year. This is much lower than past rates of growth as illustrated in the table below. It is also lower than the average rate of growth of 0.45% per year that results from the EEFM (2016 to 2036).
- 5.15 This low level of growth is in the context of the past rates of recorded employment growth which suggest Huntingdonshire has in the longer term, matched the rate of employment growth in England as a whole.

Table 8 Past rates of job growth

Total jobs				Annual Rate		
Date	HDC	Great Britain	East	HDC	Great Britain	East
2000	76,000	28,973,000	2,621,000			
2001	74,000	29,283,000	2,654,000	-2.6%	1.1%	1.3%
2002	77,000	29,477,000	2,699,000	4.1%	0.7%	1.7%
2003	74,000	29,747,000	2,728,000	-3.9%	0.9%	1.1%
2004	71,000	30,042,000	2,707,000	-4.1%	1.0%	-0.8%
2005	78,000	30,539,000	2,773,000	9.9%	1.7%	2.4%
2006	83,000	30,339,000	2,807,000	6.4%	-0.7%	1.2%
2007	83,000	30,667,000	2,807,000	0.0%	1.1%	0.0%
2008	84,000	30,689,000	2,813,000	1.2%	0.1%	0.2%
2009	82,000	30,266,000	2,789,000	-2.4%	-1.4%	-0.9%
2010	84,000	30,235,000	2,770,000	2.4%	-0.1%	-0.7%
2011	81,000	30,897,000	2,829,000	-3.6%	2.2%	2.1%
2012	81,000	31,132,000	2,869,000	0.0%	0.8%	1.4%
2013	82,000	31,574,000	2,888,000	1.2%	1.4%	0.7%
2014	84,000	32,456,000	2,979,000	2.4%	2.8%	3.2%
2015	86,000	33,202,000	3,032,000	2.4%	2.3%	1.8%
15 yr Average	667	281,933	27,400	0.9%	0.9%	1.0%
10 yr Average	800	266,300	25,900	1.8%	0.9%	1.0%
5 yr Average	400	197,800	17,467	0.50%	1.9%	1.8%
Average since 2011	1,250	576,250	50,750	1.5%	0.0%	-0.1%

Source: Nomis 2017

Double jobbing

- 5.16 There are no official figures for those persons who take two or more jobs, commonly referred to as “double jobbing”.
- 5.17 The Financial Times reported (25th January, 2015) that there are now about 1.2m workers with two jobs, up from about 1.05m workers in 2007. This is out of a total workforce of 31.4m persons in the UK and therefore represents about 4% of the workforce.
- 5.18 This information would support the use of a 4% allowance for double jobbing.
- 5.19 In the workings of the Chelmer model the labour force projection mode is driven by the change in work place people employed not total jobs. By applying the growth rate to the workplace people employed it is assumed that the current rate of double jobbing is maintained.

Unemployment

- 5.20 The evidence suggests unemployment has reduced since 2011 and to 2.60% for males and 2.7% for females (Nomis 2017). These changes have been factored into the model.
- 5.21 Further reductions to the lowest level of unemployment experience in the last 15 years have then been modelled from 2021 for the rest of the plan period. This is 2.5% for males and 2.3% for females.

Changes to the pattern of commuting

- 5.22 Evidence of unmet need in the wider area would suggest that increased out commuting is likely and the EEFM does in fact model increased levels of out commuting.
- 5.23 In the SPRU assessment the level of commuting is adjusted to reflect the ratio as at 2016 this is then constant for the remainder of the plan period. This is in line with findings of the Aylesbury Vale Inspector who required evidence to justify changes to the pattern of commuting stating (IL Paragraph 37):
- 5.24 *‘There is no substantive evidence that the jobs density or patterns of out-commuting are likely to change to the extent required to support the planned level of employment growth without the need for significantly more housing. In simple terms there is a clear and substantial mismatch between the level of housing and jobs planned.’*
- 5.25 The approach for the South Worcestershire Plan was that commuting rates were held constant (Inspector’s Further Interim Conclusions on the outstanding Stage 1 Matters paragraph 15 and 24).
- 5.26 In light of the above commuting ratios have been assumed to remain unaltered.
- 5.27 Allowing for increased levels of out commuting as in the EEFM would drive up the level of dwellings requirement.

Economic Activity Rates

- 5.28 In line with the LPEG recommendations this report has considered the published evidence of Participant Rates for England as a whole from the Office for Budget Responsibility (OBR) and applied these national rates of change to local activity rates for each age/sex group.

- 5.29 A second approach has been used which is to allow for all age groups under 60 to increase by 0.1% a year while continuing to use the OBR rates for the over 65's. This increases the number of workers that might be expected from any given population.

Conclusion on balancing economic and housing strategies

- 5.30 In order to support the national average level of employment growth Huntingdonshire would need to plan for between 829 and 1,277 dwellings a year. This takes into account all of the above assumptions regarding how unemployment and activity rates may change in the future. The outputs of the model are summarised in the Table on the next page.
- 5.31 It is pertinent to note that that the advice in the NPPG (Paragraph: 018 Reference ID: 2a-018-20140306) suggests that plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also have regard to the growth of the working age population in the housing market area.
- 5.32 This Guidance suggests a less complicated approach than adopted either by SPRU in this report or in the SHMA 2013, all of which engage a number of assumptions to secure a match of employment growth with the demographic projection of the working age population. The implication of engaging these assumptions is to suggest higher levels of economic activity. We would caution against any over reliance on these untested assumptions that may reduce the need for additional housing.
- 5.33 The basic conclusion is that the rate of employment growth in the EEFM (9.1%) is more than double the rate of growth in the working age population (3.9%). The model therefore has to make considerable adjustments in order to achieve an appropriate balance. The EEFM does not however allow for migration to assist in resolving this imbalance.
- 5.34 In conclusion, the DCLG projection of 765 dwellings a year would not support the average level of employment growth even taking account of the above assumptions on reduced unemployment, and assuming assumptions about double jobbing and activity rates are correct.
- 5.35 If the assumptions above are correct, then there would be a requirement for at least 868 dwellings a year to support the future economic growth of the District.

6.0 CONCLUSION ON THE OBJECTIVELY ASSESSED NEED FOR HOUSING

- 6.1 This report, following the Local Plan Expert Group recommended approach and based upon up to date evidence, including the 2014 DCLG household projections and the MYE up to and including 2015, suggest that the OAN for Huntingdonshire is in the order of **979 dwellings a year for the whole plan period**.
- 6.2 This is in excess of the 765 dwellings a year that are projected in the 2014 DCLG projections, which represent the starting point for any consideration of need.
- 6.3 The factors which strongly suggest this higher level of OAN for housing are:
 - a. Evidence of high affordability ratios suggesting that at least an uplift of 20% should be applied to the demographic based forecast (In terms of the LPEG proposed approach this would result in a requirement of 979 dwellings a year).
 - b. Evidence of a higher level of housing required to support economic based employment projections would suggest between 829 and 1,277 dwellings a year.
- 8.2 The Strategic Housing Market Assessment 2013 does not represent a full objective assessment of housing needs in terms of the policy requirements for the following reasons:
 - a. It is not based upon the most recent DCLG projections or most recent evidence on employment growth.
 - b. It does not sufficiently address the market signals which suggest a significant uplift is required to alleviate the problems of:
 - i. high rental levels and high rental affordability ratios; and
 - ii. high house price ratios.
- 8.3 In conclusion, the published requirement for 17,000 dwellings (850 dpa) for the period 2011 to 2031 as suggested on page 2 of the SHMA 2013, is an inadequate response to the requirements of the Framework and the NPPG. It is considered the approach adopted to determining housing need in the evidence base of the plan is unsound. It will not assist in meeting the needs of the country as a whole (Framework paragraph 17), nor is it based on an appropriate evidence base which will deliver a significant uplift in the supply of housing (Framework paragraph 47).

APPENDIX 1: LOCAL PLANS EXPERT GROUP (LPEG) – RECOMMENDED OAHN METHODOLOGY

Stage	Step	OAHN Process	Dwellings
A. Demographic Starting Point	1	Latest DCLG household projection (2014 – based ONS SNPP)	765
	2	10-year migration trend (2005-2015) scenario dwgs	
	3	DCLG household projection (2014 – based ONS SNPP) (50% 25-44 HFR return to 2008-based HFRs) dwgs	50
	4	OUTPUT A: Demographic starting point (Dwellings)	816
B. Market Signals	1	Ratio of median house prices to median earnings (3 year average)	7.20
	2	Upward adjustment required to Output A	20%
	3	OUTPUT B: Demographic starting point plus market signals adjustment dwelling	979
C. Affordable Housing Need	1	Estimate affordable need based on standard methodology (dwellings) 2013 SHMA	360
	2	Total number of dwellings necessary to meet affordable needs based on requirement of 2011 SPD Paragraph A.11 and draft policy LP 25 of 40%	40
	3	OUTPUT C: Number of dwellings required to meet affordable housing need (dwellings)	900
FULL OAHN	1	If C is greater than B then OAHN is the lower of meeting either 1) Output C in full, or 2) Output B plus 10%?	No
	2	Output B plus 10%	10%
	3	FULL OBJECTIVELY ASSESSED HOUSING NEED	979

APPENDIX 2: MIGRATION

Unattributable Population

- A1.1 The ONS “Report on Unattributable Population” sets out its reasons for not making an adjustment for UPC in the 2012-based Subnational Population Projections as it was considered that an adjustment for UPC could only be made if it can be demonstrated that it measures a bias in the trend data that will continue into the future. It states that the quality assurance of the 2012-based Subnational Population Projections did not reveal any problems indicating that adjustments for UPC are necessary. No adjustment was made because the UPC for England (103,700) is within the confidence interval for the international migration estimates. It is also within the sum of the confidence intervals for the 2001 and 2011 Census.

Reliability of Migration Statistics - Migration Statistics Improvement Programme

- A1.2 In April 2008, the Office for National Statistics established the Migration Statistics Improvement Programme (MSIP) which was created to improve the quality of migration statistics at both the national level and the local level.
- a. The final report of the MSIP identified the following main deliverables from the MSIP:
 - b. Improvements to the International Passenger Survey (IPS)
 - c. Coherent Government Reporting on Migration
 - d. Data sharing, record linking and assessment of administrative data.
 - e. Improve demographic models to enhance migration and population estimates
 - f. Introduce Additional Census Questions to identify short and long term migrants
 - g. Long-term international immigration estimates by local authority
 - h. Short-term international immigration by local authority
 - i. Population statistics measures of uncertainty
 - j. Plausibility Ranges
 - k. e-Borders

- A1.3 As suggested by the range of issues addressed, the main focus was the impact of international migration at national and local levels.

Reliability of Migration Statistics - House of Commons Public Administration Select Committee (PASC) Seventh Report of Session 2013-14 (16 July 2013) - International Passenger Survey

- A1.4 The Seventh Report of Session 2013-14 (HC 523) concerned itself with the suitability of the International Passenger Survey and its general underestimation of migration in the decade to 2011 (paragraph 38). The ONS reported that its changes implemented in 2009 had largely addressed migration estimates for local areas (paragraph 42).
- A1.5 The select committee concluded in terms of local area that while the IPS did not provide accurate estimates of international migration in local areas, the census was too infrequent to act as a routine source of data.

A1.6 The Government's response was that it did not agree that the IPS was inadequate to measure, manage and understand levels of migration (response to recommendation 1). In response to questions 5 to 8, the government highlights the wealth of data from the 2011 census and changes such as a new question in the IPS on emigration and in the Labour Force Survey.

A1.7 The conclusion we would draw from this evidence is that there is the potential for the level of international migration to be subject to more variation than other parts of the mid-year estimates. Given the underestimation that has occurred in the past in respect of the country as a whole, we would not consider it appropriate to model a lower level of international migration, when compared to that which has occurred in the recent past.

Reliability of Migration Statistics - Methods used to revise the national population estimates for mid-2002 to mid-2010 (ONS December 2012)

A1.8 This paper was published to describe the potential causes of the underestimate of some 464,000 persons between the mid-2011 population estimate and the 2011 Census. The population estimate was some 0.8 per cent lower than the official census figure.

A1.9 Table 1 (page 3) highlights that much of this difference is explained by EU8 immigration ('EU8' countries are the eight countries of central and eastern Europe that joined the European Union in 2004: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia). As well as other international migration there remained "other" unidentified factors.

A1.10 On page 14, the report highlights that there were some issues with the 2001 census but improvements were made in the 2011 census.

A1.11 In commenting on the remaining "Other" element of the population the report states that underestimation of migration is likely to be important, in particular with the EU8 migration (page 14), so that while 250,000 persons are allocated to the missed EU8 migrants the 134 allocated to "other" includes the potential for even more EU8 Migrants to have been missed.

A1.12 This report concludes that there was a substantial underestimation of net migration over the decade, with most of the underestimation occurring in the middle part of the decade but that IPS improvements from 2009 led to more accurate figures from 2009 onwards, and that a combination of other factors over the decade has also contributed a large proportion of the difference. It goes on to state:

'These findings and the subsequent allocation of the difference mean that the revised mid-2002 to mid-2010 estimates offer a much improved series, meeting the need for a continuous series between the mid-2001 and official mid-2011 estimates.'

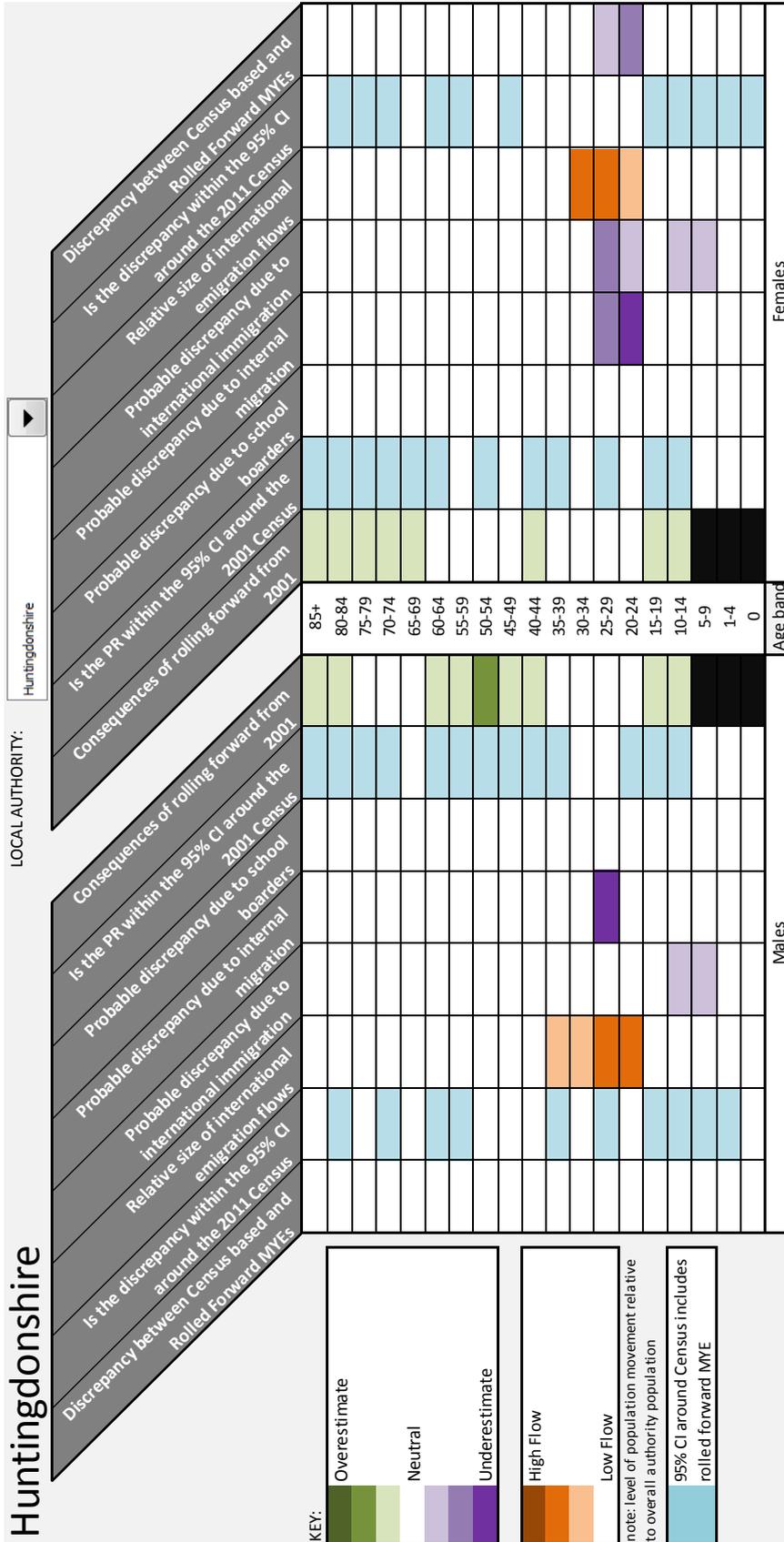
A1.13 The improvements made to the data post 2009 suggest that greater reliance may be placed on these later data sets.

Understanding the causes of discrepancies between the rolled forward mid-year estimates for 2011 and mid-year estimates based on the 2011 census (ONS 17 September, 2015)

A1.14 This report outlines an approach for providing reasonable indications of the likely causes of discrepancies, by component, between mid-year estimates for 2011, rolled forward from 2001, and census based population estimates for 2011. The aim of this

research was to provide indications of whether the accuracy of measurement of each component of the rolled forward mid-year estimates would have led to a tendency for the estimates to be either over or under estimated. It should be noted that this work does not seek to precisely quantify the contribution of any sub optimal estimation of each component to the overall discrepancy. The results of applying these approaches for each lower tier and unitary local authority in England and Wales by five-year age and sex are provided in an accompanying data tool.

- A1.15 This new tool identifies that the possible causes for the difference between the census and the rolled forward Mid-Year estimates. The output of the analysis for the borough is shown on the next page.
- A1.16 This suggests that there are a number of potential factors influencing the under and over estimation of future population levels and that the ONS are aware of these factors and have undertaken correction in preparing the more recent Sub National Population Projections
- A1.17 In light of this evidence it is not considered that it is necessary to make an adjustment to the migration led projections.



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John Byrne
Head of Planning
Aylesbury Vale District Council

Our Ref:

PINS/J0405/429/8

Date:

7 January 2014

Dear Mr Byrne,

Vale of Aylesbury Plan Strategy Examination:

- **Duty to co-operate**
- **Soundness in terms of the overall provision for housing and jobs**

1. Further to the initial hearing sessions held on 10, 12 and 13 December 2013 I set out below my conclusions in respect of the duty to co-operate (Matter 1) and soundness in terms of overall provision for housing and jobs (Matter 2) and explain the implications for the examination.

Background

2. The Council submitted the Vale of Aylesbury Plan Strategy (the Plan) for examination in August 2013, having previously published the Proposed Submission version of the Plan in May 2013.
3. Section 33A of the Planning and Compulsory Purchase Act 2004 (as amended) imposes a duty to co-operate in terms of the preparation of a development plan document as far as it relates to a strategic matter. The duty to co-operate came into effect in November 2011 and the Council does not dispute that it is required to meet it in relation to overall housing provision within the Plan, amongst other strategic matters. The duty requires the Council to have co-operated in maximising the effectiveness of the preparation of the Plan and in particular to have engaged constructively, actively and on an ongoing basis.
4. It is also of relevance that the National Planning Policy Framework (NPPF) was published in March 2012, over a year before the Proposed Submission version of the Plan was published and some seventeen months before the Plan was submitted for examination. The NPPF clearly sets out the approach that should be taken in terms of identifying and meeting needs for development including housing and emphasises the need for co-operation and collaboration, particularly where housing markets cross administrative boundaries and where local planning authorities may not be able to accommodate development requirements wholly within their own areas.
5. In the early stages of plan preparation, the Council commissioned work to consider the potential needs for housing and employment growth in the District. The Housing and Economic Growth Assessment (HEGA) was published in September 2011. This set out a number of scenarios for growth and informed the identification of initial

options for the overall scale of housing and employment to be planned for in the District. The HEGA focussed on the scale and distribution of growth within Aylesbury Vale; it did not specifically consider the potential development needs of other authorities or assess wider housing markets.

6. In light of the duty to co-operate and the publication of the NPPF, the Council commissioned the Strategic Housing Market Assessment: Validation Study (the Validation Study) in May 2012. The Validation Study (published in February 2013) undertook a review of the HEGA, defined a sub-regional housing market area (HMA) and identified potential housing requirements across it. The Validation Study considered that Aylesbury Vale is most appropriately regarded as being within the Luton and Milton Keynes HMA which also includes the local authority areas of Milton Keynes, Central Bedfordshire, Bedford and Luton.
7. Further work on demographic projections undertaken on behalf of the Council was published in April and May 2013. A supplementary report to the Validation Study was published in June 2013 to take account of updated information. This sets out the Council's up to date position in terms of potential housing needs and provision for each of the local authorities within the HMA.

Duty to co-operate

8. Whilst there are a number of cross-boundary issues requiring co-operation between the Council, other local authorities and relevant bodies, the overall provision for housing is of particular significance given the pattern of commuting and migration between Aylesbury Vale and other authorities, interrelationships in housing markets and the role that the District has had in accommodating growth on a sub-regional level.
9. The District boundary adjoins the urban area of Milton Keynes, which is likely to continue to be a major focus for housing and economic growth. The relationship between Aylesbury Vale and the growth of Milton Keynes has long been recognised as a key issue, in particular the potential for future growth of the urban area, partly or wholly within Aylesbury Vale. The need for joint working and effective co-operation on this matter is clearly set out in the recent Inspector's Report on the Milton Keynes Core Strategy (May 2013) and in the Core Strategy itself (Policy CS6) adopted in July 2013.
10. Based on the Validation Study, the Council acknowledges that Aylesbury Vale forms part of a wider HMA along with Milton Keynes, Central Bedfordshire, Bedford and Luton. It also accepts that there are interrelationships with other areas and is aware of concerns that due to environmental constraints, a number of authorities may not be able to accommodate all of their identified housing needs and may be looking to Aylesbury Vale to accommodate some additional growth.
11. The duty to co-operate is not a duty to agree. In addition, whilst consideration must be given to joint working and the production of joint local development documents, these are not specific requirements of compliance with the duty. The lack of jointly produced evidence and the fact that a number of other local authorities continue to have concerns in respect of the level of housing provision set out in the Plan are not in themselves reasons to conclude that the Council has failed to comply with the duty. It is the actions of the Council in terms of co-operating to maximise the effectiveness of the preparation of the Plan which are critical to my consideration of the matter.

12. There is no Strategic Housing Market Assessment (SHMA) or other assessment of housing needs produced jointly with other authorities. The Validation Study and supplementary report which considered housing needs across the wider HMA were commissioned and produced solely on behalf of the Council. The conclusion that a joint SHMA or equivalent document was not a realistic proposition appears to have been reached on the basis of discussions with officers of the other authorities concerned. Other authorities were not formally approached to undertake joint work on housing needs and provision.
13. Quite correctly, in light of the duty to co-operate and the publication of the NPPF, the Council acknowledged that the housing needs of the wider HMA should be identified and that further work to supplement the HEGA was necessary. Given the context of the strategic issues relating to housing provision, this was clearly a fundamental element of effective plan preparation requiring constructive, active and ongoing engagement with other relevant authorities.
14. The Council point to a number of meetings and discussions with adjoining authorities¹ during the preparation of the Validation Study. However, these authorities were not actively involved in establishing the scope of the Validation Study. Indeed, the Council confirmed at the hearing session that there was no written brief for the Validation Study and it was commissioned on the basis of verbal instructions. Whilst the objectives of the Validation Study are set out in paragraph 1.10, it is not clear what level and form of engagement with other authorities was intended.
15. There are various references to consultation with other authorities within the Validation Study. The adjoining authorities present at the hearing session considered their involvement in the Validation Study to be essentially that of consultees. They did not consider that they had been actively or directly involved in its preparation. Although adjoining authorities were sent the draft of the Validation Study in January 2013, no request for formal endorsement from these other authorities was made.
16. In the case of Bedford Borough Council, there does not appear to have been any direct contact from the Council or its consultants during the preparation of the Validation Study. For Luton Borough Council, consultation consisted of a telephone call on 27 November 2012. Neither Bedford nor Luton Borough Councils were sent the draft of the Validation Study. The two authorities in question do not adjoin Aylesbury Vale and the linkages in terms of commuting, migration and housing markets are less than for adjoining authorities. In neither case has the authority identified a specific unmet housing need that they consider should be met in Aylesbury Vale. However, it may be that the pattern of migration and housing markets could change over time, particularly given the significant issues in terms of the ability of Luton Borough to accommodate its own growth. In any event, they both form part of the Luton and Milton Keynes HMA and the Validation Study draws clear and specific conclusions in relation to their housing needs.
17. Adding to this concern is the fact that neither Bedford nor Luton Borough Councils were consulted on the Proposed Submission version of the Plan in May 2013.
18. The timing of the Validation Study in relation to the Council's decisions on overall housing provision is also of relevance. Following earlier consideration by the Cabinet meeting of 15 May 2012, the level of housing provision of 6,000 houses (in total approximately 13,500 including existing commitments) was agreed by the Cabinet at its meeting on 14 August 2012. At its meeting on 17 October 2012, the Council

¹ Also South Bucks District Council

agreed to the submission of the Plan following necessary publicity, on the basis of providing for a total of 13,500 houses, including existing commitments.

19. Whilst it was agreed that amendments to the Plan could potentially be made by the Head of Planning, these appear to relate to the timing of the revocation of the South East Plan and the potential need for revisions to explanatory text and supporting material along with minor presentational amendments. There is no indication in the Council's decision or the supporting papers that substantive changes to the policies or overall strategy for growth would be contemplated at that stage. Specifically, there is no mention of the potential for overall housing provision to be reconsidered in the light of continuing engagement with other authorities. The Council had already taken significant steps to determine its preferred level of housing provision at or around the time of commissioning the Validation Study. Its position on the matter had been clearly established whilst the Validation Study was still in preparation and the Council's decision to submit the Plan on the basis of overall provision for 13,500 houses was made before adjoining authorities were consulted on the draft Validation Study and before the final report was published. The conclusions of the Validation Study were drawn in the context that the Proposed Submission version of the Plan was making provision for 13,500 houses (Paragraph 7.16).
20. The extent to which engagement, particular of the limited form undertaken, could have genuinely influenced the overall level of housing provision appears to have been minimal. The response of other authorities to the Validation Study needs to be seen in this context along with their understanding of their role in the process. There is no record of any substantive engagement with other authorities in relation to the Updated Demographic Projections Reports of April and May 2013, or the supplementary report to the Validation Study of June 2013.
21. As I have noted above, the duty to co-operate does not place an obligation on the Council to have agreed with other authorities in terms of the overall level of housing to be planned for in Aylesbury Vale or how any unmet needs from other authorities will be met. However, the nature of representations from other authorities is an indication as to what extent engagement has been constructive in resolving strategic issues. Of the four other authorities within the HMA, only two, Milton Keynes and Central Bedfordshire Councils were invited to make representations on the Proposed Submission version of the Plan. Central Bedfordshire Council are supportive of the overall provision for housing. However, Milton Keynes Council expresses concern as to the balance between the provision for houses and jobs. It considers that the relationship between Aylesbury Vale and Milton Keynes, and specifically the potential need for the growth of the urban area of Milton Keynes into Aylesbury Vale has not been adequately addressed. It highlights the need for joint working on this issue and raises concerns as to the extent of engagement earlier in the process and the effectiveness of the consultation process.
22. Luton Borough Council has subsequently raised concerns regarding the potential scale of its housing needs and the inability to accommodate such levels of growth within its own boundaries. It has identified a potential level of housing need well in excess of the figure set out in the supplementary report to the Validation Study. Whilst accepting that links with Aylesbury Vale are less than those with other authorities, Luton Borough Council considers that given the potential scale of unmet housing need, it may be that some of it will need to be accommodated beyond adjoining authorities, including in Aylesbury Vale. Luton Borough Council wrote to the Council in June 2013, setting out these concerns and suggesting a member meeting and a jointly commissioned SHMA. Such a meeting has not taken place and the offer of commissioning a joint SHMA has not been taken up. Although at a late stage in the

process, the Council had the opportunity to reconsider submitting the Plan in the light of this request.

23. A number of other authorities beyond the HMA raise concerns in respect of the overall provision for housing and the implications for their areas². There are particular concerns in the case of Dacorum, Chiltern, Wycombe and South Bucks that the Plan does not give sufficient recognition to the interrelationships with Aylesbury Vale, constraints within these other areas and the potential need for Aylesbury Vale to accommodate some unmet housing needs.
24. The Council points to the practical difficulties in working jointly with numerous other authorities in identifying housing needs across authority boundaries and planning to ensure that these are met, given the different stages of plan preparation and evidence gathering. It also highlights the fact that other authorities were not in a position to demonstrate alternative clear and specific evidence regarding housing needs or quantify the level of potential unmet housing need. The Council emphasises the benefits of progressing the Plan to adoption rather than delaying the process to allow evidence in relation to the housing needs of other authorities to be gathered.
25. I note that discussions have taken place recently with the other authorities in Buckinghamshire and a shared framework relating to the alignment of Local Plan timetables and co-ordination of evidence was produced in November 2013. The Council have also sought to build in a contingency approach to the Plan to enable it to respond should unmet housing needs be identified by other authorities. I deal with the effectiveness of such a contingency approach in relation to soundness below. However, in my view, both of these actions represent a recognition by the Council of the need for co-ordination of evidence gathering and plan preparation and the potential for unmet needs from other authorities to be accommodated in Aylesbury Vale.
26. The key question is that of timing and the choice between having an adopted plan as soon as possible or a plan that at the point of adoption, effectively resolves strategic housing issues following genuine co-operation and collaboration with other authorities based on constructive, active and ongoing engagement.
27. As it stands there are significant issues in terms of potential unmet needs from other authorities and how they will be accommodated. There are particular issues concerning the relationship of Aylesbury Vale to Milton Keynes and its future growth. These issues have been left unresolved. The Council has been aware of these issues from early in the plan preparation process, if not before. There has been a substantial period of time since the duty to co-operate came into force and the NPPF was published. Whilst noting the lack of specific evidence on potential unmet needs from other authorities and accepting that collaboration and joint working is a two way process, it is the Council's duty, as the authority submitting the Plan for examination, to have sought to address these issues through constructive, active and ongoing engagement.
28. On the basis of the above assessment I consider that the Council has not engaged constructively, actively and on an ongoing basis and that this has undermined the effectiveness of plan preparation in dealing with key strategic issues. It is with regret therefore that I must conclude that the Council has not complied with the duty to co-operate.

² Chiltern District Council, Wycombe District Council, South Bucks District Council, Dacorum Borough Council, Hertfordshire County Council, South Northamptonshire Council and the West Northamptonshire Joint Planning Unit.

Soundness in terms of the overall provision for housing and jobs

29. Notwithstanding the above, I consider it appropriate to also set out my findings in respect of soundness, insofar as it relates to the overall provision for housing and jobs given that I held initial hearing sessions on the matter.
30. In order to be considered sound the Plan must be positively prepared, justified, effective and consistent with national policy. Paragraph 182 of the NPPF explains that it should be based on a strategy which seeks to meet objectively assessed development and infrastructure needs, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development. It should be the most appropriate strategy when considered against reasonable alternatives, be deliverable and based on effective joint working on cross-boundary strategic priorities. It should enable the delivery of sustainable development.
31. In terms of housing, local planning authorities should use their evidence base to ensure that the local plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies in the NPPF (Paragraph 47). The need for joint working and collaboration where there are cross-boundary issues and where development requirements cannot wholly be met within individual local authority areas is emphasised (Paragraphs 178-181).
32. In respect of overall housing provision, the Council initially consulted on options ranging from 12,000 to 21,000 additional houses between 2011 and 2031 (including commitments). These options were based on the scenarios for growth identified in the HEGA. The HEGA itself did not recommend a particular level of growth. As noted above, the Council had already taken significant steps to determine its preferred level of housing provision at or around the time of commissioning the Validation Study and its position on the matter had been clearly established whilst the Validation Study was still in preparation. The Validation Study, demographic projections of April and May 2013 and the supplementary report to the Validation Study were all produced against the background of the Council's decision in respect of housing and jobs growth.
33. The proposed level of housing growth is close to the bottom of the overall range of options initially consulted upon. The Council confirmed that it considered each of the options to be a credible assessment of housing needs and reflected reasonable alternatives. It also confirmed that there are no fundamental environmental or infrastructure constraints to higher levels of growth within the overall range identified.
34. The Plan would provide for an average of 675 houses per year. This compares with past completion rates which have averaged approximately 750 houses per year. I appreciate that past levels of growth were in the context of higher requirements set out in the South East Plan and in recent years a significant proportion of completions have been affordable houses supported by government funding which may not be available in future. However, the District has seen annual completions above the level proposed in the Plan even in the very difficult economic circumstances that have prevailed in recent years. In 2011/12 completions totalled 1,103 houses and in 2012/13 they totalled 934 houses.
35. On the basis of the Council's assessment, the Government's 2011-based interim household projections published in April 2013 indicate an annual need for 961 houses. The 2008-based household projections indicated a need for 765 houses annually. I note the Council's concern in relation to the 2011-based interim

projections, particularly in terms of migration assumptions given data from mid-year population estimates. However, whilst an over estimation of migration may play a significant part in the other (unattributable) component of change in the mid-year estimates, there is insufficient basis to conclude that it accounts for 100% of this figure. Indeed the ONS itself considers that it would be sensible to exclude the unattributable figure from migration trends (see Appendix 1 to M2/17) given the degree of uncertainty. Attributing all of this to migration, as the Council has done, has the effect of substantially reducing the estimates of past net in-migration to the District. The very recent trend suggests an increase in annual net in-migration, to approximately the levels assumed in the 2011-based interim household projections. Whilst the Council has concerns as to the assumptions which underpin the projections, I find insufficient evidence to conclude that they are inaccurate to the extent suggested.

36. The proposed level of housing in the Plan most closely reflects the projection in the HEGA based on a five year migration trend. The May 2013 Demographic Projections Report concludes that this scenario would require approximately 12,900 houses between 2011 and 2031 and see a growth of approximately 5,500 jobs. It also considers four economic led projections (two used in the original HEGA and two based on more up to date forecasts). All of the economic led projections show significantly more houses would be required than provided for in the Plan (approximately 16,600 to 21,500). The figures would be even higher if existing patterns of out-commuting were to remain. Notwithstanding the difficulties associated with economic forecasting, it is clear that the Council is planning for a level of housing well below that indicated by its own evidence in terms of potential economic growth.
37. The Plan seeks to make provision for at least 6,000 new jobs in addition to those on committed sites (approximately 10,000). Despite the doubts expressed by the Council in its statement and at the hearing sessions in relation to the implementation of existing commitments, the Plan is clearly based on a strategy of delivering some 16,000 additional jobs between 2011 and 2031. The Council's evidence indicates that significantly more housing than that planned would be required to support this level of jobs growth. There is no substantive evidence that the jobs density or patterns of out-commuting are likely to change to the extent required to support the planned level of employment growth without the need for significantly more housing. In simple terms there is a clear and substantial mismatch between the level of housing and jobs planned.
38. The Validation Study concluded (Paragraph 7.20) that potential economic growth could lead to a higher requirement for housing than proposed in the Plan and that an objective assessment of housing needs would be for between 6,000 and 9,000 houses in addition to commitments. It raises some doubt as to the realism of reducing out-commuting to the levels required to support housing provision at the lower end of this range and recognises that provision towards the upper end of the range would potentially allow for some unmet needs from other authorities to be met and support higher levels of job growth (Paragraph 7.21). It goes on to recommend a plan, monitor and manage approach to housing and employment growth. It seems to me that the Council's own evidence base raises concerns as to the appropriateness of the level of growth planned.
39. The decision on the level of housing provision was based on the needs of the District following initial consultation. There is no evidence that the potential needs of other authorities was a specific factor taken into account at that stage.
40. As explained above, I do not consider that the overall level of housing provision in the Plan is a result of effective co-operation and collaboration with other relevant

authorities. A number of key strategic issues remain unresolved. The contingency approach included in the Plan is not an effective or appropriate way to deal with the issue of potential unmet housing needs from other authorities. The decision on whether unmet needs had been identified and justified and that these should be met in Aylesbury Vale would be taken by the Council itself. On a practical level, the only effective response to such a situation would be a review of the Plan, given that the issue would be the overall level of housing provision rather than phasing and also that the Plan does not include site allocations. This is likely to take some time, even if the Council agreed to such a course of action. There is considerable uncertainty as to when and indeed whether strategic issues would be addressed.

41. There are significant strategic housing issues which need to be effectively resolved as soon as possible through the plan making process following genuine co-operation and collaboration with other authorities. Putting this off by relying on a potential future review wholly dependent on the Council's own interpretation of the situation would not be appropriate. Whilst there are clearly benefits in having an adopted plan as soon as possible, these would not in themselves outweigh the need for that plan to be effective in respect of housing issues.
42. Taking all of the above into account, I consider that in relation to the overall provision for housing and jobs, the Plan has not been positively prepared, it is not justified or effective and it is not consistent with national policy. It is therefore not sound.

Overall conclusions

43. You will appreciate that there is no mechanism to rectify a failure to comply with the duty to co-operate. Accordingly I must recommend non-adoption of the Plan and give reasons for the recommendation.
44. In terms of soundness, there would be a need for a substantial amount of additional work to rectify the deficiencies I have identified. This would require significant cross boundary co-operation with a number of other authorities and is likely to take some time, particularly given the difficult issues that would need to be addressed. Modifications required to make the Plan sound would make it fundamentally different to that submitted in terms of its overall strategy and the approach to growth. In the light of this, a suspension of the examination would be inappropriate, notwithstanding the failure to comply with the duty to co-operate.
45. Under the circumstances this leaves two options. Firstly the Council could choose to receive my report. Given my findings, I must recommend non-adoption of the Plan. Alternatively the Council may choose to withdraw the Plan under S22 of the Planning and Compulsory Purchase Act 2004 (as amended) I appreciate that you will be disappointed by my conclusions. However, I would be grateful if you could confirm the Council's position via the Programme Officer as soon as possible.
46. In the meantime, it would be inappropriate to proceed with the further hearing sessions scheduled to begin on 18 February 2014. I will be asking the Programme Officer to inform relevant parties that the further hearing sessions will not be taking place and there is no need to submit statements. The Council's website should also be updated to reflect the situation. A copy of this letter should be placed on the website and made available on request.

Yours sincerely

Kevin Ward

INSPECTOR

MID SUSSEX DISTRICT PLAN EXAMINATION

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Chris Tunnell
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20 February 2017

Dear Mr Tunnell,

Mid Sussex District Plan 2014-2031 Housing requirement

As promised, I am writing to set out my interim conclusions on the housing requirement for Mid Sussex for the period 2014-2031. This and its various components have been covered in considerable detail through written evidence from the Council, the Developers' Forum and a range of individual parties, and have been the subject of discussion at the hearings held on 29 and 30 November 2016, 1 and 9 December 2016, 12 and 13 January 2017 and 8 February 2017.

I should like to thank the Council and, through this letter, all the participants, for their helpful and well-researched contributions to the hearings. I should also like to take the opportunity to record the considerable degree of local interest throughout the proceedings.

I have based my comments in this letter on the "Mid Sussex District Plan 2014-2031, Submission Version", which is Document BP1 and is dated August 2016. This version (with the exception of Policy DP29: Affordable Housing) represents the Council's latest position on the emerging plan, moving on from the original Pre-Submission Plan (Document BP2) and the Focused Amendments (Document BP3). Both BP2 and BP3 have been subject to consultation but BP1 contains some further amendments that the Council would like to make, which have not yet been consulted upon. The housing requirement and its various components, together with the key documents that underpin them, have evolved during the various stages leading up to the submission of Document BP1. They are in the Examination Library on the Council's website, and it is not necessary to list them here.

The Council's proposed housing requirement for the plan period of 2014 to 2031, as set out in Policy DP5 of BP1, is for 13,600 dwellings, at an average rate of 800 dwellings per annum (dpa). The figure of 800 dpa can be broken down into a starting point of 714 dpa derived from the 2014 household projections, an allowance of 16 dpa for vacancy rates, giving a base objectively assessed need (OAN) of 730 dpa, and a market signals uplift of 24 dpa, giving a full objectively assessed need of 754 dpa. The remainder, 46 dpa, is available to meet unmet need in neighbouring authorities.

Issues

The main issues raised in relation to the housing requirement during the Examination are as follows.

- The calculation of the full objectively assessed need (the OAN) for housing, with particular regard to market signals uplift, the need for affordable housing and employment projections.
- The degree to which the housing requirement should make an allowance for the unmet needs of nearby authorities, with particular regard to Crawley, Brighton and Hove and the other coastal towns.
- The extent to which environmental, infrastructure and practical delivery constraints should affect the housing requirement.

Calculating the Full Objectively Assessed Need for Housing

Household projections

The 2014 CLG household projections, released in July 2016, provide a starting point of 714 dwellings per annum (dpa) for the plan period on which the OAN calculation can be based. Applying a vacancy rate leads to a basic OAN figure of 730dpa. This is a generally accepted figure and is soundly based.

Market signals uplift

In response to market signals, the Council has applied a 24 dpa uplift to the figure of 730 dpa, leading to the conclusion that the full OAN in Mid Sussex is 754 dpa. This uplift is based on an analysis which shows that an average of 24 fewer households were formed per year between 2008 and 2012 within the age group 20-34, suggesting the suppression of household formation during the recession (Housing and Economic Development Needs Assessment (HEDNA) Update, Nov 2015, EP21).

This approach is said by the Council to be similar to analysis found sound at Horsham, Crawley, Chichester and Arun. I consider that Horsham and Crawley are the closest comparators, being in the same HMA (the Northern West Sussex Housing Market Area) as Mid Sussex. The Council's approach to the OAN uplift is understandable given that the same calculation has

been used elsewhere in the HMA. But circumstances in Mid Sussex are rather different now from when the examinations into the local plans for Horsham and Crawley took place and there are strong reasons why a different approach should now be taken.

The Horsham District Planning Framework and the Crawley Borough Local Plan were both adopted in late 2015, but the Examination hearings took place between 19 and 26 months ago, and the approaches towards market signals in both cases were clearly influenced by evidence derived from the recessionary and immediate post-recessionary periods. The Horsham Inspector's report referred to falls in house prices and flat indicators thereafter (para 36) and the Crawley Inspector's report refers to improved affordability and a fall in the proportion of households unable to buy without assistance (para 23).

However, time has passed since the recession. House prices have resumed an upward trend (NLP submission, Appx 8) and affordability has markedly worsened. In Mid Sussex, the housing affordability ratio (the ratio of lower quartile house prices to lower quartile earnings), after a fairly modest deterioration from 9.76 in 2009 to 10.1 in 2013 (MSDC2, 2.26), sharply deteriorated to 12.6 in 2015 (DCLG, published July 2016). These are the most recent circumstances and they require a new approach from that taken at Horsham and Crawley. The figures cannot be regarded as a cyclical spike: it is worth noting that in 1997 the affordability ratio stood at 4, and in 2000, 6.91. There will always be short term fluctuations in the housing market (such as the current slackening off), but the long term trend is plain. Based on the latest affordability ratio, Mid Sussex is the 22nd least affordable local authority in England outside London.

Since the affordability ratio is based on the relationship between lower quartile earnings and prices, it is not sufficient to explain the deterioration by suggesting that it simply reflects the desirable nature of the locality and the local housing market profile: there are very clear market signals in terms of a serious and growing affordability problem for those in the lower quartile income bracket.

The Council places much reliance on the relative position of Mid Sussex vis-à-vis other districts in the HMA and in Sussex. It believes that if house price trends and related signals in Mid Sussex are broadly aligned with those in nearby authorities, which by and large they are, it should not be necessary to make a significant uplift to its OAN to reflect market signals. The flaw with this is that if each authority simply had regard to similar trends in neighbouring authorities, and each plan were to replicate the OAN approach of its neighbours, the cycle would be perpetuated and there would be no adequate response to continually worsening affordability.

Such an approach fails to take into account Planning Policy Guidance (the PPG). The PPG indicates that comparisons should be made with longer term trends, both in absolute levels and in rates of change; similar demographic and economic areas; and nationally. The more significant the affordability

constraints, as reflected in rising prices and rents, and worsening affordability ratio, the larger the improvement in affordability needed and the larger the additional supply response should be. Planned supply should be increased by an amount that, on reasonable assumptions and consistent with the principles of sustainable development, could be expected to improve affordability.

It is necessary to look at absolute as well as relative conditions, and take a wider view as well as a local view. In the case of Mid Sussex both the long term affordability trend and the recent sharp deterioration point to the necessity for effective action to increase planned supply to improve affordability.

The Council said in the HEDNA Update of November 2015 (EP21, 5.23) that the proposed 24 dpa uplift "could be expected to improve affordability and assist with this age group". However, there is no evidence that the 24dpa uplift would improve affordability either generally, or for the 20-34 age group on which the uplift is targeted, and indeed the Council has more recently asserted that there is little evidence to suggest that even a significant uplift would improve affordability (MSDC1 and MSDC4). The affordability modelling by NLP (ED8) suggests that with a 24 dpa uplift, the affordability ratio would continue to deteriorate to between 13.59 and 14 by the end of the plan period.

The Council suggests that, instead of a further increase in housing provision, it might consider a "targeted approach" whereby it would increase the proportion of affordable housing on its housing sites, perhaps to 40%. I make no comment here on the viability or deliverability aspects of that idea. However, as a general observation, such an approach would not be an adequate means of addressing market housing affordability since it would only deal with a minority part of overall housing need, would accept as inevitable the continuing deterioration in the affordability of market housing, and (all other things being equal) would reduce the amount of new market housing that could be delivered.

In MSDC4 the Council highlights what it sees as the risks in applying a higher market signals uplift than 24 dpa. It considers that an authority such as Mid Sussex cannot improve affordability by itself, and that any proportionately greater stock growth in Mid Sussex compared with other authorities would simply be filled through in-migration, resulting in an inelastic price response to increased supply. However, these concerns are founded on the assumption that, if Mid Sussex were to make a substantial market signals uplift, it would be acting in isolation. That overlooks the fact that it is government policy to boost housing supply through the plan-led system, which will result in the raising of the housing requirement by other planning authorities. Looking beyond Horsham and Chichester, there is evidence of action being taken across a broad range of authorities in response to worsening affordability, with market signals uplifts, mostly of 10% to 20%.

For all the above reasons I do not consider the submitted plan to be sound. A significant uplift should be made to the OAN in response to market signals, to the point where it could be expected to improve affordability, in accordance with government policy. The Developers' Forum has put forward a number of approaches to assess the degree of uplift that should be applied to the base OAN (ED8, NLP, 7 December 2016). Of these, I consider that the approach with the greatest value is that based on the OBR house price forecast and University of Reading model updated to account for the OBR's November 2016 economic outlook. The Forum's calculations suggest that 918 dpa would be required to hold the affordability ratio constant until 2021, all other things being equal, including all housing needs being met in neighbouring areas. The separate sensitivity exercise by the Council, based on the same model but using some localised inputs from the Oxford Economics forecasts, suggests that a housing provision of 854 dpa would improve affordability. I acknowledge the Council's criticisms of the model but it is the best analysis available in the circumstances; the range it points to, 854 dpa to 918 dpa, has a sense of realism about it; and it correlates reasonably well with other forecasts and with a comparative analysis of other authorities (see below).

Before concluding on the OAN, I will turn to two connected points, affordable housing provision as a component of the OAN, and the relation with economic growth.

Affordable housing and the OAN

The local plan should meet the full objectively assessed need for both market and affordable housing, as far as consistent with the policies in the Framework. The Statement of Common Ground of 7 February 2017 (Appendix A) indicates that affordable housing need (based on a 15 year period) would be 258 dpa in respect of reasonable preference groups and 331 for the total waiting list. Taking into account housing commitments, net need plus committed housing would result in a need for a range of 1,120 dpa to 1,363 dpa at an affordable housing rate of 30%. These figures again point towards a higher OAN than indicated in the submitted plan. However, they are much higher than the realistic figures suggested by household projections and market signals uplift, and there is doubt as to whether such amounts could be delivered. An OAN of between 854 dpa and 918 dpa referred to above would allow a substantial proportion of the affordable housing need to be met.

Economic forecasting and the OAN

On the subject of projected jobs growth, there are considerable differences in estimates (ED8 Appendix 3) and figures as high as 687 jobs per annum have been put forward. It is nonetheless agreed between the Council and the Developers' Forum, based on PPG guidance, that the range of job growth to be considered for the purposes of establishing OAN should be 424-514 jobs per annum. The Council states that their proposed housing requirement of 800 dpa would provide 420 jobs per year (MSDC3, Appx D,

para 10). A range of scenarios using the 424-514 range are tested in Appendix B of ED8 based on work carried out by Barton Willmore using the PopGroup demographic model employed by the Council. These translate to a range of 862 dpa to 945 dpa. These figures again point to a higher OAN than that referred to in the plan and broadly lend support to the range 854 dpa to 918 dpa derived from the affordability analysis.

Conclusion on the OAN

Having regard to all the evidence I consider that conditions justify a significant uplift in Mid Sussex in response to market signals. The affordability analysis indicates that the OAN is in the range 854 dpa to 918 dpa with the analyses of employment growth and affordable housing suggesting figures in the upper part of the range. A comparative analysis (ED8 Appendix 3) demonstrates that a number of other authorities have responded to affordability issues with uplifts of 10% to 20%, and in one exceptional case, 30%. 10% would give just over 800 dpa which, in the light of all the evidence, is not sufficient. 25%, as suggested by the Developers' Forum, would broadly coincide with the top of the range but would be a higher percentage than most of the market signals adjustments in other authorities and would not fit well with the comparative evidence of affordability. An uplift of 20% from the basic OAN figure of 730 dpa would give 876 dpa. From all the material that has been submitted this figure is in my view the most well-founded and most realistic, being compatible with the greatest part of the evidence base. Evidence indicates that it would counter worsening affordability and would accommodate most of the affordable housing need for reasonable preference groups. It would also align with the range of employment forecasts, and whilst recognising that each authority is different, it would be comparable with the range of market signals uplifts accommodated by many other local authorities in broadly similar circumstances.

Having regard to all the evidence I consider that the full objectively assessed need for housing is 876 dpa, an uplift of 146 dpa (20%) over the base OAN figure of 730 dpa and 122 dpa over the Council's currently suggested full OAN.

So far I have dealt with the calculation of the objectively assessed need for housing, which paragraph ID: 2a-004 of the PPG makes clear should be based on facts and unbiased evidence and should not be subject to the application of constraints. The OAN does not include either an assessment of environmental or infrastructure constraints or an allowance for meeting the unmet needs of other authorities. I shall come on to the issue of unmet need next.

Unmet housing need in other districts

Crawley

Paragraph 47 of the Framework indicates that the full OAN should be met in the housing market area, subject to consistency with other Framework policies. Crawley, like Mid Sussex, is in the Northern West Sussex Housing Market Area and is unable to meet its housing need within its boundaries. Written into its plan is an obligation to work closely with neighbouring authorities to explore all opportunities for meeting its need in sustainable locations. Its shortfall is in the region of 335 dpa, of which 150 dpa is being taken by Horsham, leaving a residual unmet need of 185 dpa.

The proposed Mid Sussex housing requirement of 800 dpa would leave only 46 dpa to meet this need. Given the position of Mid Sussex immediately adjacent to Crawley, and within the same HMA, this aspect of the plan is not sound. Mid Sussex is the only authority other than Horsham that can make a significant contribution towards accommodating Crawley's unmet housing need. Opportunities in other authorities are very limited. It is reasonable for perhaps 35 dpa to be catered for elsewhere. The Mid Sussex District Plan should therefore include a contribution of 150 dpa, the same as that of Horsham, to meet this need.

Coastal West Sussex

The Coastal West Sussex Housing Market Area overlaps with the southern part of Mid Sussex District and is relevant to plan preparation in the District. Brighton and Hove's total housing need amounts to 30,120 of which the agreed plan target is 13,200, leaving a shortfall of 16,920 or 56% of the total. There are also large amounts of unmet housing need in other authorities including Adur and Lewes. However, the coast has different characteristics and patterns of migration, and any plan to satisfy this level of need will require input from a number of local authorities and necessitate a sub-regional approach of the kind referred to in paragraph 179 of the National Planning Policy Framework. Several local authorities, including Mid Sussex, are collaborating on a study, but it is in its early stages and there is not enough evidence available now to ascertain the proportion of this unmet need that ought to be accommodated in Mid Sussex.

It follows that there is no strong basis at the present time to make a numerical addition to the housing requirement of the Mid Sussex District Plan to address this need. But the cross-boundary study should be progressed as quickly as possible to bring an end to the uncertainty over how the unmet need is to be provided for. The District Plan should make a commitment that the Council will co-operate with Brighton and Hove and the relevant authorities in the Coastal West Sussex HMA to bring forward the study within a short space of time, and that it will be taken into account in the next review of the District Plan. A commitment to a plan review in two years' time, advocated by some at the hearings, is too onerous given the scale of the task, but a review is unlikely to be more than 5 years away.

Meanwhile the Council should consider whether the matter should have some influence over the pattern of smaller site allocations either in the present plan or in the subsequent site allocations plan.

Elsewhere

There is unmet housing need in Surrey authorities including Tandridge, but the first priority should be the unmet need in the same HMA as Mid Sussex. London has also been mentioned, but the issues are on a very much larger scale. Attempting to address elements of London's unmet need outside the Greater London area would involve multi-authority regional-level policy decisions. It would not be appropriate to include an explicit additional allowance for unmet need from London within this plan.

Sustainability and developability

Development constraints – the general picture

The Council states that the proposed housing requirement of 800 dpa is the point above which the advantages of additional housing provision are significantly outweighed by the disadvantages. The Sustainability Appraisal (SA) (BP5) concluded that higher level provision would be likely to have severe negative impacts on environmental sustainability objectives. The evidence base includes the key LUC reports "Capacity of Mid Sussex to Accommodate Development" (EP47) and "Sustainability Appraisal of Cross Boundary Options". The District has a number of nationally important designations, including the South Downs National Park, the High Weald Area of Outstanding Natural Beauty (AONB) and various heritage designations, and is within the zone of influence of Ashdown Forest, which is a Special Protection Area (SPA), and much of the remainder of the District is rural. The LUC reports also highlight heritage, environmental, biodiversity and other constraints, access to services and the capacity of the landscape to accommodate development. The highways network is under pressure in some places, notably East Grinstead.

The SA and the Strategic Site Selection Paper (EP23) assessed a number of strategic site options using a threshold of about 500 dwellings for a strategic site and rejected all but three contenders. The conclusion was that there were no options for allocating a further strategic site at this stage. As for smaller sites, 182 were found suitable, available and achievable in the Strategic Housing Land Availability Assessment (SHLAA), with a potential yield of 11,988 dwellings, and the Council argues that to meet 800 dpa every one of these sites will be required, and perhaps more, to ensure the 5 year housing supply is robust. To meet a higher requirement would require re-visiting sites that have been rejected.

I recognise the difficulties inherent in the precise definition of strategic sites, and will come back to the point later. The problem with the Council's approach is that the SA and SHLAA do not in themselves provide an adequate basis for supporting the Council's conclusion regarding the setting

of the housing requirement at 800 dpa, and indeed there is a degree of circularity about the Council's argument.

Limitations of the Sustainability Appraisal

Dealing first with the SA, this study makes generalised and in some cases questionable assumptions about the connection between levels of housing provision, benefits and impacts. Any reasonable consideration of the relevant analysis in the SA (paragraph 7.84 on) bears this out. For example, in the appraisal, the benefits arising from the provision of a decent and affordable home do not increase for options above 800 dpa, whereas more weight should be given to higher levels of provision if there is greater housing need. There are also a number of unjustified conclusions for a housing requirement above 800 dpa in respect of access to education and health, the creation of cohesive, safe and crime resistant communities, and flood risk.

The SHLAA

The SHLAA rejects a number of sites on the basis of availability, transport access, sewerage, landscape capacity, heritage assets, ancient woodland and so on. These are important issues but what the analysis does not do is to consider the extent to which they might be resolved or mitigated through highways and footway improvements, sewerage infrastructure, selective development of parts of sites, the incorporation of green buffers and other measures. In some cases the absence of evidence counts against a site without any further assessment. Moreover, more consideration should have been given to the potential for new freestanding developments as opposed to settlement extensions. I have no doubt from the site exercise carried out for the hearing on 8 February that there are sites rejected through the SHLAA process which, through their characteristics or location, might remain unacceptable. But other representors have given examples where relatively minor infrastructure or mitigation measures, different site boundaries or developable areas, might enable sites to come forward, and have cited other examples where identified constraints in the SHLAA have not proved obstacles to the subsequent allocation of sites, or to the grant of planning permission.

There are some constraints in certain localities, such as sewerage and highway capacity, which may be partially dependent on the programmes of other bodies to resolve. But housing provision is a government priority and should be reflected in the programmes of other public bodies. It is also the case that both site-related development contributions and CIL will assist in future in addressing such constraints.

Site and land identification

On the question of site identification and availability, Document MSDC5 suggests that to meet a requirement of 900 dpa, 12 sites totalling more than 300 units would be likely to be required in the AONB. But like the SA

and the SHLAA, it only takes the analysis so far; it does not take into account policy choices that might be made to redirect development away from sensitive areas or practical action that might mitigate its effects. It falls well short of demonstrating that harm would be caused to the AONB or other important designations through a higher housing requirement.

Large areas of the District are not covered by national designations. The LUC study EP47 which suggests that much of the District outside the national designations has “low landscape capacity for development” does not recognise that the scale of development required to meet housing needs will inevitably result in some landscape impact, and that such impacts are capable of a degree of mitigation. None of this evidence demonstrates that significant and demonstrable harm would arise from housing provision above 800 dpa.

In respect of site availability, the Council places a lot of weight on whether a site is actually being promoted by developers or landowners now, but the Framework only indicates that there should be a reasonable prospect of availability, which is a different thing, and allows for judgement and discretion in the identification of potential future land. It is important to recognise that the District Plan has a further 14 years to run and if the Council is unable to identify every particular site, paragraph 47 of the Framework leaves the option open to set broad locations and set a housing figure without having to be specific on all sites.

Setting the housing requirement

I consider that both the full OAN of 876 dpa and 150 dpa of Crawley’s unmet need can and should be accommodated in the District Plan, and that this can be achieved sustainably without conflicting with policies in the Framework. The evidence also demonstrates that the market can sustain such figures.

That leads to a minimum housing requirement for the plan period of 1,026 dpa, or 17,442 dwellings over the 17 year life of the plan.

The way forward

Further work will be required to identify sites or broad areas of land for potential development. At the hearings the Council expressed a strong preference for undertaking this work now. In conjunction with other public bodies and the development industry, there needs to be a positive and pro-active re-assessment of known sites and the identification of potential areas of growth. The self-imposed threshold for strategic sites should be lowered significantly from the current 500 dwellings. This will not only help with the identification of sites, it will enable a range of sites of different sizes to come forward at different times, and will limit exposure to delivery issues that can arise from the identification of only two or three very large sites, a subject which is particularly relevant to 5 year housing land supply. For the same reasons, as well as identifying strategic sites, the Council is strongly advised

to bring the Site Allocations Plan forward to an earlier date – although that might not be so important if the strategic sites threshold is dropped substantially and a range of sites and locations is identified now.

As part of this work, the spatial strategy should be clarified by establishing the approximate number of dwellings expected in each settlement or groups of settlements. The District Plan is a strategic plan and should contain this information. As submitted it is not sound because it provides inadequate guidance to neighbourhood plans and to the future Site Allocations Plan on the amounts of housing development they should aim to accommodate. Up to now, neighbourhood plans have been produced without sufficient guidance of this sort and indeed without the knowledge of the OAN and housing requirement. Future plans, both neighbourhood plans and the Site Allocations Plan, must take account of both the housing requirement and the numbers of new homes expected in each settlement otherwise they could well be at variance with the District Plan's spatial strategy and be unsound themselves. The District Plan must state that all future rounds of planning at the level below the District Plan must take into account the District Plan's spatial strategy and the amounts of development it expects at particular settlements.

The 5 year housing land supply will need to be calculated against the minimum housing requirement of 1,026 dpa once the site and land identification process has been undertaken. The methodology and trajectory can be discussed again at that time.

I shall look forward to seeing you at the hearing on 28 February to discuss selected topics that we have not already covered. We are then due to meet at a further hearing on 3 March to discuss the implications of this letter for future work. However, I will not enter into discussion on this letter's conclusions at either of the forthcoming hearings. Housing matters have been thoroughly researched and discussed and I do not consider that the outcome of either of these hearings will affect my interim findings on the housing requirement to any significant degree. The purpose of the hearing on 3 March is to talk about the further work programme and timescale required to make the plan sound, and to that end I invite you to send to me relevant headings for that discussion once you have considered the contents of this letter.

On receipt of this letter, the Council should immediately make it available to all interested parties by adding it to the Examination website.

Yours sincerely,

Jonathan Bore

INSPECTOR

STAGE 1 OF THE EXAMINATION OF THE SOUTH WORCESTERSHIRE DEVELOPMENT PLAN

INSPECTOR'S FURTHER INTERIM CONCLUSIONS ON THE OUTSTANDING STAGE 1 MATTERS

Introduction

1. This paper deals with the issues that remained outstanding following the publication of my Stage 1 Interim Conclusions [IC – EX/400b¹] after the first round of Stage 1 hearings in October 2013. It does not revisit issues which were resolved in the IC. In reaching these further interim conclusions I have taken account of all the evidence submitted during Stage 1 of the examination, including the discussions at the reconvened hearing sessions on 13 and 14 March 2014. My recommendations are in **bold type**.
2. The national Planning Practice Guidance [PPG] was published on 6 March 2014. Participants were notified and invited to raise any relevant points concerning PPG at the reconvened hearing sessions. They were also allowed a fortnight to make written representations on the implications of PPG for the Stage 1 matters. I have taken those representations into account in arriving at my conclusions and recommendations.

The housing requirement (Matter 1)

The objective assessment of housing need over the Plan period

Context

3. My IC concluded that *the analysis in the February 2012 SHMA² [CD090] does not provide a reliable basis for identifying the level of housing need in South Worcestershire over the Plan period*. I also found that *none of the other analyses of housing need presented to the examination provides a sufficiently firm basis on which to derive an overall housing requirement for the Plan period*.
4. I therefore asked the South Worcestershire Councils ["the Councils"] to undertake some further analysis in order to derive an objective assessment of housing need over the Plan period. My IC set out guidelines for that further analysis, and I gave some additional clarification in a letter to the Councils on 31 October 2013.
5. The further analysis commissioned by the Councils is set out in a report of January 2014 by AMION Consulting, entitled *South Worcestershire Development Plan – Objective Assessment of Housing Need* [EX/415 – "the AMION report"]. The modelling work which

¹ All documents with reference numbers prefixed by EX, CD or RM are available on the examination webpage.

² *Strategic Housing Market Assessment*

underpins AMION's analysis was carried out by Edge Analytics [Edge] using the POPGROUP model. It is reported in their *South Worcestershire Demographic Forecasts* (also dated January 2014) which forms Appendix B to the AMION report.

6. Below I comment on the AMION report and on modelling work carried out by other participants, before setting out conclusions on the level of housing need in the South Worcestershire area over the Plan period.

The assessment of housing need in the AMION report

Addressing my criticisms of the February 2012 SHMA

7. My IC advised that *the SHMA's underlying methodology, which involves modelling a trend-based demographic growth scenario and then modifying it to take account of additional in-migration resulting from forecast employment growth, is essentially sound*. My main criticisms of the SHMA's analysis were to do with the unsound adjustments it made to household representative rates [HRR], the unreliability of the economic forecasts on which it relied, and the lack of convincing evidence to support the increases in older people's economic participation rates which it assumed.
8. The AMION report follows a similar methodology to the February 2012 SHMA while seeking to address those criticisms. In accordance with my advice, demographic projections were based on the ONS 2011 and 2012 mid-year population estimates [MYE] and the revised MYE for 2002-2012, which reflect the results of the 2011 Census. HRR were sourced from the Census and official household projections produced by the Department for Communities and Local Government [DCLG], avoiding the unsound adjustments made in the SHMA.
9. There was some criticism of the approach taken to what the Office for National Statistics [ONS] describe as the "other unattributable" component of the adjustment ONS themselves made to the 2001-2011 MYE in the light of the 2011 Census results. But this approach had no significant effect on the outcome of Edge's jobs-led scenario modelling, which forms the basis for AMION's recommendations on the level of housing need. It is therefore unnecessary to examine that criticism in detail.
10. In carrying out their jobs-led modelling, Edge used employment forecasts from three different, respected analysts: Cambridge Econometrics [CE] (March 2013), Experian (September 2013) and Oxford Economics [OE] (November 2013). Both CE and Experian have since published more recent forecasts showing somewhat higher employment growth than those used by Edge. But some variation from one quarter to another is to be expected as the outlook fluctuates over the economic cycle. The variations are not so significant, when seen in the context of the whole Plan period, as to

call into question the use of the earlier forecasts in Edge's jobs-led scenario modelling.

11. Much more significant are the differences between each of the three forecasts used by Edge, with the CE forecast predicting job numbers to grow by over 10% in South Worcestershire from 2012 to 2030, compared to growth of around 6% predicted by Experian and OE³. Such differences are, of course, not unusual between forecasters each using their own methodology. The use of three separate growth forecasts (rather than just one as in the February 2012 SHMA) adds substantially to the robustness of Edge's modelling work. AMION's review of the three forecasts concludes that all three *provide up-to-date, representative and realistic forecast scenarios for planning purposes*. On the evidence before me I have no reason to disagree.
12. CE have also developed a *Smart Efficiency and Growth Scenario* which has been informing the Worcestershire Local Economic Partnership [LEP]'s Strategic Economic Plan and Local Growth Deal⁴. At the hearing session I was told that it had not been published in its final form. However, I understand that it envisages employment growth of some 25,000 jobs in the whole of Worcestershire between 2013 and 2025. I have no figures for the distribution of that growth across the districts, and moreover it appears that the level of growth envisaged is dependent, at least in part, on the success of a bid for substantial Government financial support. These various uncertainties mean that the *Smart Efficiency and Growth Scenario* does not currently provide a firm basis on which to project future housing need in South Worcestershire.
13. The AMION report has thus addressed two of my three principal criticisms of the SHMA. In respect of the third, concerning older people's economic participation rates, no change from the 2011 Census position is assumed in Edge's core scenario modelling. However, changes are assumed in Sensitivity Scenarios 2 and 3, which I consider further below.

The core scenarios

14. On the basis of Edge's modelling work, the AMION report presents six core scenarios of population and household growth over the Plan period⁵. Three are described as "alternative trend" scenarios and essentially reflect differing assumptions about future migration trends, including a zero-migration "natural change" scenario. As none of these scenarios forms the basis for AMION's recommended level of housing need it is unnecessary to consider them in detail.

³ EX/415, p6, Table 2.4

⁴ EX/415, p3, footnote 1

⁵ Alongside a seventh core scenario which replicates the official 2010-based sub-national population projections.

15. The other three, jobs-led core scenarios were developed to correspond to each of the three employment growth forecasts discussed above. The population and household growth in each jobs-led core scenario includes the element of additional in-migration that is needed to fill the numbers of jobs that are forecast, assuming no change to commuting, unemployment and economic participation rates over the forecast period. Thus variations in the outputs of the three scenarios largely reflect the differences in the economic growth forecasts which underpin them, with the "jobs-led Cambridge" scenario predicting significantly higher levels of population and household growth than either the "jobs-led Experian" or "jobs-led Oxford" scenarios.
16. Criticisms of the jobs-led core scenarios focussed on two points. First, the base date for the population and household growth projections to 2030 is 2012, rather than 2011 as in the February 2012 SHMA. For 2006 to 2012 the model outputs are constrained to the MYE⁶ and do not reflect the changes in employment levels over that period as estimated by each of the three forecasters. This accounts for the fact that the figures for population and household change between 2006 and 2012 are the same in each of these scenarios.
17. It was suggested that the use of 2012 rather than 2011 as the base date for the projections has led to a "lost year" of significant employment growth which should have been taken into account when assessing housing need over the Plan period. But while strong employment growth between 2011 and 2012 is indeed reflected in the three employment forecasts, the same is not true of the whole "historic" period 2006 to 2012. Over those six years, Experian and OE estimate there has been a slight fall in the total number of jobs in South Worcestershire, while CE estimate growth of around 1,200 jobs⁷.
18. In the light of this, at best, modest rate of employment growth, it is unlikely that there would have been a significant uplift in job-related in-migration between 2006 and 2012. Thus I find that Edge were justified both in using the trend-based MYE as the basis for assessing population and household growth over that period, and in taking a 2012 base date for modelling their projections to 2030.
19. Secondly, the jobs-led core scenarios were criticised by some participants for using the "index" approach to HRRs when converting population projections to household projections. The "index" approach involves using HRR drawn from DCLG's 2011-based household projections for the period 2011-21. From the point thus reached in 2021, an index of HRR which tracks the rate of change forecast in the 2008-based household projections is then used for the rest of the Plan period. This approach was used by Nathaniel

⁶ EX/415, Appendix B, p21, footnote 11

⁷ EX/415, p6, Table 2.4

Lichfield and Partners [NLP] in their modelling work for the first round of Stage 1 hearings. I recommended its use for the Council's further analysis in my IC, to which reference should be made for a detailed consideration of the rationale behind the approach⁸.

20. The view of some participants is that the rate of change in HRR is likely to return to the trend reflected in the 2008-based household projections well before 2021. If that were to happen, it could significantly alter future levels of household growth: the options tested in Edge's Sensitivity Scenario 1 [SENS1] indicate that applying the 2008-based HRR from 2012 to 2030, instead of the "index" approach, would increase the dwelling requirement by around 14% to 16% for each of the jobs-led core scenarios⁹.

21. It is undoubtedly true that the number of concealed households has increased substantially over the past decade (both before and after the financial crash of 2008)¹⁰, and it is likely that many younger adults who are currently sharing accommodation with their parents or friends would prefer to have a place of their own. But while a shorter-term return to the 2008-based trend in HRR may be desirable, that does not necessarily mean it will occur. For that to happen will depend not just on housing land supply but also on demand-side factors such as mortgage availability. A recent report for the Royal Town Planning Institute [RTPI] comments that

... it is by no means inevitable that the availability of mortgage finance will return to the position that existed before 2007. Given the changes to the regulatory regime, the general view is that a degree of structural change has been "hard wired" into the way the system operates (Wilcox, 2013) and that this will have an impact upon access to mortgages and thus to home ownership. However it is not clear at this stage what the scale of these impacts will be ...¹¹

22. In the absence of conclusive evidence, ultimately it is a matter of judgment if and when the pattern of change in HRR will move back towards the longer-term trend reflected in the 2008-based household projections. In this regard it is interesting to note the attempt made by Professor Alan Holmans, in an influential recent paper for the Town and Country Planning Association [TCPA], to estimate the effects of a recovery in the housing market from 2016 onwards. Prof Holmans posits a "modified trend projection" which, at the national (England) level, indicates that household numbers would be just over

⁸ See EX/400b, paras 27-32.

⁹ EX/415, Appendix B, p33, Table 7

¹⁰ See McDonald, N & Williams, P, *Planning for Housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England*, RTPI, January 2014, pp 10-11; and ONS: *What does the 2011 Census tell us about concealed families living in multi-family households in England and Wales?*, February 2014, both referred to in RM1/13.

¹¹ McDonald & Williams, op cit, p11

1% higher in 2031 compared with the situation if the trend reflected in the 2011-based official projection were extended to 2031¹².

23. This is very similar to the difference between the dwelling requirements for South Worcestershire forecast in Edge's SENS1 Option A and Option C jobs-led core scenarios (these two options respectively reflect the "extended 2011-based trend" and "index" approaches in SENS1¹³). While it is in no way conclusive, the similarity in the two outcomes provides further support for the conclusion in my IC that the "index" approach used by Edge is based on reasonable assumptions.

Sensitivity Scenarios 2 and 3

24. In the AMION report, adjustments are made to the jobs-led core scenarios to produce Sensitivity Scenarios 2 and 3 [SENS2 and SENS3]. SENS2 involves adjusting both the unemployment rate from 2013 to 2020 (to reflect a period of economic recovery) and the economic participation rates for men and women aged 60 to 69 between 2012 and 2020. As in the core scenarios and in SENS3, commuting rates remain constant.
25. The unemployment rate is adjusted by assuming that the 2008-13 five-year average rate for each district¹⁴ applies at the start of the forecast period, and then reduces incrementally over the period 2013 to 2020, so that by 2020 each of the district rates is 17% lower than the 2008-13 average. The 2020 rate thus arrived at is then held constant for the rest of the forecast period.
26. 17% was chosen as the reduction factor on the basis that it represents the "average" difference between the 2008-13 five-year average and the 2004-13 nine-year average unemployment rate for each of the six districts that make up Worcestershire. While the discrepancy is not huge, for this method it would have been more logical, in my view, to take the somewhat lower differences for the three South Worcestershire districts as the basis for the reduction factor. On the other hand, SENS2 applies a higher unemployment rate at the start of the forecast period than each of the jobs-led core scenarios, which assume that the nine-year average rate applies constantly from 2012 to 2030.
27. Overall, therefore, the SENS2 adjustment to the unemployment rate to 2020 is not excessive and in any case is unlikely, in itself, to have substantially altered the population and household growth forecasts in the jobs-led core scenarios.

¹² Holmans, A, *New estimates of housing demand and need in England, 2011 to 2031*, TCPA, September 2013, pp 10-11 & Table 4, referred to in RM1/10

¹³ EX/415, Appendix B, pp 30-35

¹⁴ Derived from NOMIS Annual Population Survey data; see EX/415 Appendix B, p 60, Table 22

28. The SENS2 changes to older people's economic participation rates are intended to take account of changes to the state pension age. They were arrived at by adjusting the corresponding increases in participation rates forecast in a 2006 report by ONS¹⁵. The forecast increases were rounded up for women (from 33% to 40% for women aged 60-64, and from 16% to 20% for women aged 65-69), and rounded down more modestly for men in the same age groups.
29. These assumed increases in economic activity by older people are different from the assumptions built into Sensitivity Scenario 2 in the February 2012 SHMA, which I found were not supported by clear evidence. It is possible that the new rounded figures for women in the period to 2020 may still be a little optimistic, but on the other hand it is unlikely that the current trend of increased participation by older people will come to a halt in 2020, as SENS2 assumes.
30. There has been more recent work by the Department for Work and Pensions and others, and by the Institute for Fiscal Studies, on the impact of pension changes on economic participation¹⁶. While both these studies indicate more modest increases in older people's participation rates than SENS2, the *ex-post* work by the IFS reflects only the first two years of pension reform. Moreover, it is not just direct financial incentives but also improvements in health and length of life that are likely to encourage some older people to stay in work longer in future. I have seen no conclusive evidence that older people in South Worcestershire lack the necessary skills to do so.
31. In the context of the forecast period as a whole, therefore, SENS2's assumptions on older people's economic participation rates are reasonable. Overall, SENS2 projects a need for between 28,400 and 33,100 dwellings over the Plan period, depending on which employment forecast is taken¹⁷.
32. In contrast to SENS2, SENS3 applies an adjustment to the unemployment rate for the three South Worcestershire districts over the whole forecast period 2012 to 2030, using an index based on the Experian employment forecast¹⁸. Some participants criticised the index for a lack of realism in forecasting a steady fall in unemployment throughout the forecast period. But that is not an unreasonable assumption in the context of the almost constant year-on-year increase in jobs over the same period predicted by each of the employment forecasts. Moreover, since Experian, like OE, predicts much lower employment growth than CE between 2012 and

¹⁵ ONS, *Projections of the UK labour force, 2006 to 2020*, January 2006

¹⁶ DWP, *Pensions Bill impact assessments*, October 2013; and IFS, *Incentives, shocks or signals: labour supply effects of increasing the female state pension age in the UK*, January 2014, both referred to in RM1/2

¹⁷ EX/415, Appendix D, Table D8

¹⁸ EX/415, Appendix B, p 62, Figure 19

2030¹⁹, it is unlikely that the use of a single, Experian-based index would have artificially exaggerated the effect.

33. Overall, the index's district-level unemployment rates for 2020 do not differ greatly from the rates used in SENS2, and the rates for 2030 are not dissimilar to those achieved towards the end of the previous period of economic growth up to 2008²⁰.
34. SENS3 also draws on a body of academic evidence to demonstrate that there is a positive correlation between employment growth and economic participation rates²¹. Put simply, as the number of jobs in an area increases, more people are likely to choose to enter the labour market rather than staying at home to care for their families, for example, or remaining in retirement.
35. However, the account in the AMION report of the methodology used to arrive at the SENS3 alterations to participation rates²² is not wholly transparent. It does not appear to explain, for example, the significant variation between the alterations in the rates for each of the three districts. Nor is it clear that the fact that economic participation rates in South Worcestershire are typically above the regional and national averages²³ has been taken into account.
36. Furthermore, SENS3 assumes increases in participation rates for the 60-69 age groups that, to varying degrees, exceed those used in SENS2. It also assumes significant increases, of up to 41%, in participation rates among the 70-74 age-group. While these increases are from a relatively low starting point, they nonetheless assume that, by 2030, in each district up to 20% of men and up to 10% of women in this age-group will be active in the labour market. These are bold assumptions that, again, do not appear to be fully supported by the evidence.
37. The significance of both SENS2 and SENS3 for the assessment of housing need is that any decrease in the local unemployment rate or increase in local economic participation rates will reduce the level of in-migration needed to match the job growth that is forecast. Thus it is important that the assumptions on which they rely are soundly based. In the context of the positive economic forecasts that underpin the jobs-led core scenarios, I consider that SENS3's index approach to the unemployment rate is a reasonable one, and that there is likely to be some increase in economic participation rates across all age groups over the forecast period. I am not satisfied, however, that the specific economic participation rates used in calculating SENS3 are fully justified by the evidence before me.

¹⁹ EX415, Table 2.4

²⁰ This assessment is based on Tables 22, 23 & 24 and Figure 19 in EX415, Appendix B, pp 60-62.

²¹ See EX/415, Appendix C, Annex 1.

²² See EX/415, Appendix B, pp 55-59, Tables 19, 20 & 21.

²³ See RM1/2, paras 2.28-2.29 & Figure 2-1.

38. SENS3 projects dwelling need of some 25,100 to 29,600 in South Worcestershire over the Plan period, reflecting the range of underlying employment forecasts²⁴. Taking the mid-point and the mean of the SENS3 output figures, AMION calculate a "central" and an "average" case. This leads to their recommendation that the range between the "average" and "central" case figures derived from SENS3 – that is, 26,700 to 27,343 – should be considered as the best estimate of housing need for the South Worcestershire Councils to consider when setting their housing targets for the Plan period²⁵. The recommendation was supported by the Councils in their evidence to the reconvened Stage 1 hearing sessions.

Other approaches to assessing housing need

39. NLP presented an alternative assessment of housing need, originally devised in connection with a development proposal at Battenhall Farm, Worcester²⁶. Using POPGROUP, they modelled three employment-led scenarios. Like Edge's, NLP's scenarios are based on employment forecasts by CE, Experian and OE, albeit that the CE forecast is a later release (November 2013). The base date for NLP's projections was 2011.
40. NLP project an average annual dwelling requirement for South Worcestershire of between 1,389 and 1,809 from 2011 to 2030, depending on the employment forecast used. These figures are broadly comparable with the annual dwelling requirement (2012-2030) forecast by Edge's Option C jobs-led core scenarios, and thus significantly higher than those forecast by SENS2 or SENS3.
41. NLP used the same "index" approach to HRR as Edge, and their assumptions on unemployment and older people's participation rates do not differ greatly from those used in SENS2. Thus I surmise that the principal reason for the discrepancy between their figures and the SENS2 figures is the additional year's worth of employment growth built into the modelling by taking a base date of 2011 instead of 2012.
42. Using the Chelmer model, Pegasus Group modelled an employment-constrained scenario, also from a 2011 base date, drawing on Experian's December 2013 employment forecast²⁷. Pegasus used official population projections alongside a modified HRR index which assumes that the rate of change in HRR used in the 2008-based household projections will apply from 2016 onwards, rather than from 2021 as assumed by Edge and NLP. A downward adjustment of 9.8% was then made as a proxy for the adjustments made by Edge to derive their SENS2 figures from their jobs-led core scenarios.

²⁴ EX/415, Appendix D, Table D14

²⁵ EX/415, paras ES10 & 4.8

²⁶ RM1/7, Appendix 1

²⁷ RM1/18a

43. The outcome of Pegasus's Scenario 2, thus adjusted, is a dwelling requirement for South Worcestershire of 28,119 from 2011-2030²⁸. This equates to an average annual requirement of 1,480, which again is comparable with the outputs from Edge's jobs-led core scenarios and significantly higher than the corresponding SENS2 and SENS3 projections.
44. As Pegasus have adjusted their original Scenario 2 forecast in line with Edge's SENS2 assumptions, I infer that (as with the NLP figures) the use by Pegasus of a 2011 base date is probably the main reason for the divergence of their figure from the SENS2 Experian-based projection. Additional factors are likely to have been Pegasus's use of a modified HRR index and a later Experian forecast than either Edge or NLP.
45. DLP also used the Chelmer model to project two employment-led scenarios²⁹. Although not explicitly stated, it appears that the employment-led scenarios may be based on the CE and Central³⁰ job growth forecasts used by Edge, but from a 2011 base date. The outcome of DLP's employment-led scenarios is an average annual dwelling requirement of between 1,620 and 1,720 from 2011 to 2031.
46. DLP's use of a modified HRR index involving an adjustment back to the long-term trend from 2016 onwards is likely to be one reason why these figures lie somewhat above Edge's corresponding jobs-led core scenario forecasts. DLP's assumptions that unemployment falls back to its 2004 level and that older people's economic activity rates increase in line with the 2006 ONS forecast³¹ also differ somewhat from the assumptions used in SENS2. Once again, however, the main reason for the substantial divergence of DLP's dwelling growth forecasts from Edge's figures is likely to be the use of an earlier base date, reinforced here by the use of a later end date as well.
47. Finally, Peter Brett Associates [PBA] projected two employment-led scenarios³², again from a 2011 base date, one based on an Experian employment forecast from 2012 and the other on what is described as *the Councils' goal of 25,000 additional jobs in South Worcestershire between 2011 and 2030*. Edge's "index" approach to HRR is used and economic activity rates are based on ONS projections to 2020 and thereafter on work published in a 2011

²⁸ I have calculated this figure by making a 9.8% downward adjustment to the Scenario 2 Total Dwellings figure shown in Pegasus's Table 7. Pegasus themselves apply the 9.8% adjustment to their total dwellings figure for 2006-2030 (Table 10), but the principle is the same.

²⁹ RM1/10, Appendix 2

³⁰ The Central forecast is the mid-point between the highest (CE) and lowest (Experian) forecast.

³¹ See footnote 14 above.

³² RM1/19, Appendix 1

technical paper by Kent County Council. No change is assumed in unemployment.

48. The outcomes of the two scenarios are average annual dwelling requirements of 1,342 (Experian 2012 forecast) and 2,160 (based on 25,000 additional jobs) between 2011 and 2030³³. The discrepancy between the former figure and the SENS2 Experian forecast is, once more, probably mainly due to the use by PBA of an earlier base date. The latter figure is by some distance the highest in the projections before me, reflecting the scale of the job growth on which it is based. By comparison, the most optimistic of the employment growth forecasts used by AMION/Edge, CE's, predicted growth of some 15,000 jobs from 2012 to 2030³⁴.
49. The goal of 25,000 jobs (for 2006 to 2030) appears in the Councils' *Economic Prosperity Background Paper* (CD070). However, it should be clear from paragraphs 101-102 of my IC that, while I consider the Plan's employment land requirement to be justified in part by the Councils' aspirational jobs target, actual employment growth over the Plan period is likely to be lower than that target. In this regard I have found the three employment forecasts used in Edge's modelling work to be up-to-date, representative and realistic³⁵. It follows that there is no basis for preferring PBA's scenario based on growth of 25,000 jobs.

Planning Practice Guidance

50. The methodology used by AMION and Edge to construct their jobs-led core scenarios, and the alternative approaches discussed above, are all consistent with the relevant guidance in the section of PPG entitled *Housing and Economic Needs Assessments*, especially paragraphs 015 to 018. PPG also contains guidance on taking market signals into account, with the underlying premise being that rising prices and rents and worsening affordability ratios will require an increase in housing supply.
51. The available evidence³⁶ suggests that, while land and house prices in South Worcestershire are rising broadly in line with national averages, rents are rising more quickly. Moreover, affordability ratios are significantly higher than both the national and regional averages. Those findings, however, must be set in the context of the substantial increase in housing supply that would result from any of the needs assessments before me, compared with delivery rates in the first six years of the Plan period³⁷.

³³ Calculated from RM1/19, Appendix 1, Table 3.1

³⁴ EX/415, p6, Table 2.4

³⁵ See paragraph 11 above.

³⁶ See especially RM1/7, Appendix 1, section 5; and RM1/19, Appendix 1, paras 3.30-3.39.

³⁷ See paragraphs 57-60 below.

52. In this context, I can see no basis for concluding that market signals require a further increase in housing supply at this stage. Rather, it is something that the Councils should keep under review as the Plan is implemented, being prepared to respond appropriately if, for example, affordability ratios remain disproportionately high despite a significant increase in supply.

Conclusions on the assessment of housing need

53. The methodology used to produce the jobs-led core scenarios presented in the AMION report, including the use of a 2012 base date, is sound, and each of the three employment forecasts on which they are based is up-to-date, representative and realistic. The differences in the scale of household growth in each of the jobs-led core scenarios are due to the different levels of employment growth predicted by the three forecasts. There is no reason to presume that any of the employment forecasts is likely to be the most accurate.
54. Thus I consider that a figure which takes account of all three forecasts will give the best estimate of the likely growth in jobs over the Plan period and its effect on housing need. In this respect the "average" case calculated by AMION gives a better representation of the balance of outcomes from the jobs-led core scenarios than the "central" case.
55. Turning to the Sensitivity Scenarios, the "index" approach to HRR used in SENS1 Option C is appropriate. SENS2 applies valid assumptions about older people's economic participation rates. In the context of the employment forecasts, which predict steadily rising employment throughout the rest of the Plan period, SENS3's index approach to the unemployment rate is reasonable, and in principle there is likely to be some increase in economic participation rates across all age groups over the forecast period. However, the significant increases in economic participation rates used in calculating SENS3 are not fully justified by the evidence.
56. It follows that the objectively-assessed need for housing over the Plan period is likely to lie between the SENS2 and SENS3 jobs-led scenario "average" case forecasts. With the material before me, I am not in a position to separate the effects of the various assumptions in SENS2 and SENS3 and recalculate a precise figure. Nor do I think it would be cost-effective or proportionate to recommend that AMION carry out such a recalculation. In view of the number of variables that are already built into SENS2 and SENS3, it would be unrealistic to look for mathematical precision at this late stage in the process.
57. Instead, I consider it would be reasonable to take the mid-point between the SENS2 and SENS3 jobs-led scenario "average" case forecasts as representing the full, objectively-assessed level of

housing need over the Plan period. This gives the following projected dwelling requirement figures for 2006-30³⁸:

Malvern Hills	8,590
Worcester City	9,830
Wychavon	<u>9,950</u>
South Worcestershire	28,370

58. After subtracting the 4,909 dwellings built between 2006 and 2012³⁹, these figures equate to an annual average requirement of 1,303 for South Worcestershire in the period 2012 to 2030. This is broadly comparable with the range of figures arrived at by NLP, Pegasus and PBA (Experian 2012-based), after allowing for the difference in the forecast base date and the other differences in assumptions explained above. It is significantly lower than the range recommended by DLP, but again I am satisfied that the differences are adequately explained by the factors outlined above.
59. I have taken into account the argument of DLP that (in summary), where there is a choice of reasonable alternative assumptions on, for example, future HRR trends or employment growth, guidance in the NPPF indicates that one should choose the highest reasonable assumption when modelling future housing need⁴⁰. Similar arguments were put by other participants who considered the SENS2 and SENS3 figures to be too low.
60. As DLP point out, the NPPF seeks to promote sustainable economic growth and a sufficient supply of housing to meet the current and future needs of the whole community. In this regard its specific requirement in Local Plan preparation is for a full, objective assessment of likely housing need over the Plan period⁴¹. I have shown why, in my view, the figures set out in paragraph 57 above derive from such an assessment. Annual average provision of about 1,300 dwellings from 2012 to 2030 would substantially exceed the delivery rates achieved in recent years, bringing about the significant boost in the supply of housing sought by the NPPF.
61. **I therefore recommend that the Councils adopt the figures in paragraph 57 above as representing the full, objectively-assessed need for housing over the Plan period, and as the basis for making provision for housing in the Plan in accordance with national planning policy and guidance.**

³⁸ Source: EX415, Appendix D, Tables D8 and D14, Jobs Led Average Scenarios. The district figures are the mean of SENS2 and SENS3, rounded to the nearest 10 in each case, and then summed to give the South Worcestershire figure.

³⁹ See EX/415, p23, Table 3.5, column C

⁴⁰ RM1/10, paras 1.35-1.36

⁴¹ NPPF, paras 47 & 159

Other issues relevant to Matter 1

Windfall allowances

62. The Councils have recalculated the windfall allowance figures from Table 4e of the Plan in accordance with the advice given in my letter of 16 December 2013 responding to their draft proposed modifications [EX/413]. The new proposed figures are set out in the final column of the table at paragraph 3.4 of their reconvened Matter 1 hearing statement [RM1/1b]. I endorse these figures as they are based on the latest available evidence of windfall completions in each district over the period 2006 to 2013 and are calculated using a methodology which I found to be sound in my IC. **Table 4e should be modified accordingly.**
63. I agree with the Councils that no significant windfall provision is likely to come forward in the proposed urban extensions in the Wider Worcester Area, for the reasons given in paragraphs 4.1 to 4.4 of their statement.

Policy SWDP3 I

64. The Councils have put forward proposed modifications to policy SWDP3 I⁴² which clarify the relationship between the five-year housing land supply requirement and the sub-area totals set out in Table 4b⁴³. However, I find that the inclusion of criteria (i) and (ii) in the policy lead to ambiguity as to whether or not the policy is consistent with national policy guidance on maintaining a five-year housing land supply⁴⁴. Moreover the criteria unnecessarily duplicate other policy provisions in the Plan. **They should be deleted in order to ensure that policy SWDP3 I is effective.**

The requirement for retail provision (Matter 4)

65. The Councils' Matter 4 hearing statement [RM4/1] and the supplementary information provided by them after the hearing session [RM4/1a-c] adequately explain the arithmetic behind the proposed changes to Table 4d in the Plan in the Council's Draft First Schedule of post-hearing main modifications [EX/411].
66. However, it seems that the revised Table 4d in EX/411 (despite its title) does not show the total retail floorspace to be provided over the Plan period, as it does not appear to include all the retail completions and commitments that are included in Table 4e of the submitted Plan. This is out of kilter with Tables 4a and 4b, which show totals for employment land and housing provision for the whole of the Plan

⁴² In EX/411

⁴³ Those area sub-totals will need to be modified to reflect my recommendation on the dwelling requirements for the Plan period.

⁴⁴ NPPF, para 47

period, including completions and commitments. In the interests of consistency and effectiveness, **this apparent discrepancy should be rectified.**

67. At the original Matter 4 hearing session in October 2013, there was discussion of the fact that the Councils' retail studies make no allowance for expenditure inflow to the study area from shoppers living outside the area, for example commuters and tourists. On the evidence I saw and heard my view, which was not explicitly stated in my IC, is that this is unlikely to alter significantly the overall requirement for additional retail floorspace over the Plan period.

Roger Clews

Inspector

31 March 2014