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Dear Tony,

Eden SHMA: Objectively Assessed Need Review (13th July 2016) – HBF Position Statement

1. During the hearing sessions on 19th July 2016 the Inspector invited participants to comment upon the SHMA – Objectively Assessed Need Review (13th July 2016) (examination ref: EL4.017, hereafter referred to as the OAN Review) by the 19th August 2016. The following comments provide our response to this document. These comments should be read in conjunction with the comments provided within our response to the submission version of the Local Plan and examination hearing statement (examination ref: EL2.004).

General comments

2. The Council places significant reliance upon selected elements of the 2015 Guidance provided by the Planning Advisory Service (PAS) titled ‘*Objectively Assessed Need and Housing Targets: Technical advice note*’ (hereafter referred to as PAS guidance). Whilst this guidance is useful it should be stated that it is not official guidance or national policy. Indeed paragraph 1.2 of the guidance states;

“The note has no official status. It provides informal advice, which local authorities and others use at their own risk.”

3. The tests of soundness require plans to be assessed against the requirements of the NPPF and other Government statements relating to plan making. The National Planning Practice Guidance (PPG) provides the Government’s official guidance on how the NPPF and other material statements should be interpreted. Both the NPPF and PPG are supplemented by a number of High Court Judgements which provide further clarity. The HBF place greater weight upon these documents.
4. It is not to say that the PAS guidance does not provide some useful pointers on determining an objectively assessed housing need (OAN). But rather it should not be read as the sole and definitive guide on such matters. It is also clear that for it to

be useful the PAS guidance should be read in its entirety rather than specific weight being provided to certain elements whilst other aspects are ignored.

Assessment of Barton Willmore's calculation of OAN

5. The HBF recognises the methodology utilised by Barton Willmore and supports its conclusions upon need. It is noted that the methodology has been used to successfully identify the OAN at other Local Plan Examinations. The key elements of disagreement between the Barton Willmore study and that of the Council primarily relate to household formation rates, migration, economic signals and market signals. In addition to the household projections each of these are taken in turn below.

Household projections

6. This is a point of general agreement between the two OAN calculations. Whilst now superseded by the 2014 based household projections, both the Council and Barton Willmore utilise the 2012 based household projections. This is correct, as these were the most up to date projections at the time of the analysis. Barton Willmore then uplift this figure by 9.54% to take account of empty / second homes. This is slightly higher than the Council's assessment but we consider this more robust as it is based upon more recent information (paragraph 2.7, EL4.017). The difference between the two is slight, just 2dpa.
7. The 2014 household projections are lower than their 2012 counterparts, identifying a starting position of 88dpa (2014 to 2032). This is likely to be due to the continued suppression of both household formation rates and migration within the area and is a consequence of poor supply and continued influence of the recession in the years preceding 2014. Whilst the figure is lower this does not automatically mean that a lower overall OAN is also required. This is because the Council would need to take account of the factors discussed in the remainder of this response. The PPG is also clear that OAN assessments are not automatically rendered out of date upon the publication of new household projections (PPG ID 2a-016).

Household formation rates

8. The Council applies a 10% uplift to the demographic starting point to address market signals. Appendix 1 of the OAN Review document suggests that this uplift is applied to account for falling levels of in migration, increase in overcrowded households, falling completion rates during recession and Eden's

underperformance on housing completions when compared nationally. However paragraphs 3.11 and 3.12 appear to suggest that this 10% uplift is also provided to take account of suppressed household formation rates. This is considered an incorrect approach and a misinterpretation of the PAS guidance.

9. The 10% uplift referred to within the PAS guidance relates to the report of the Eastleigh Inspector who recommended non-adoption of the plan (footnote 34 PAS Guidance). The 10% uplift whilst suggested by the Inspector was not specifically tested (paragraph 41, Eastleigh Inspector's report February 2015) and as such cannot be relied upon to provide any certainty in the case of Eastleigh, never mind Eden. It is also clear that this uplift refers directly to the market signals identified by the PPG (ID 2a-019) and not the demographic starting point. The 10% was not a response to suppressed household formation rates or migration trends which are discussed separately within the Inspector's report. Furthermore the PAS guidance also draws a distinction between market signals and household formation rates, being within totally different chapters.

10. It is also notable that the PPG provides a distinction between adjustments for household formation rates from any market signals uplift. The PPG question '*What is the starting point to establish the need for housing?*' (ID 2a-015) is clear that the household projections plus such adjustments for issues such as household formation and the effects of under-delivery on migration represent the demographic starting point. A market signals uplift is clearly made after this starting point. The PPG clearly separates the two issues and states;

"The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals,..." (PPG ID 2a-019)

11. This stance is also agreed by the Local Plan Expert Group (LPEG). In its recommendations to Government, for a standard methodology for OAN, it notes that adjustments to household formation rates in younger age groups and for worsening market signals are separate and both are required (Flowchart Steps A & B in Appendix 6).

12. Barton Willmore's approach is to consider improvements to the household formation rates identified within the 2012 SNHP separately to market signals. Due to the reasons provided above and below this is considered appropriate.

13. The household projections draw upon long term trends since 1971. However, the methodology applied by DCLG means there is a greater reliance upon trends experienced over the last 5 years than to those experienced over the longer term. The implication of this bias is that the 2012 and 2014 household projections continue to be affected by the recently observed suppression of household formation rates. This suppression is associated with the impacts of the economic downturn, constrained mortgage finance, past housing undersupply and the preceding period of increasing unaffordability. Younger households were particularly affected by these past trends and evidence shows that household formation rates for these groups are likely to recover as the economy improves (Town & Country Planning Tomorrow Series Paper 16, "New estimates of housing demand and need in England, 2001 to 2031" by Alan Holman). Furthermore the PPG is clear that the household projections do not take account of policy interventions by Government (PPG ID 2a-015). Given that the Government is actively trying to boost home ownership, particularly amongst younger age groups through initiatives such as *'Help to Buy'* and *'Starter Homes'* it is likely that household formation rates will increase in the future.

14. Analysis of household formation rates in Eden identify that the 2014 SNHP project lower rates than their 2012 counterparts. Given that it has been widely acknowledged the 2012 SNHP suppress household formation, particularly amongst younger age groups, a further adjustment to the 2014 projections is considered justified.

15. Therefore the adjustment to household formation rates in younger age groups, as applied by Barton Willmore is considered appropriate and any market signals uplift should be applied later in the calculation as suggested by the Inspector.

Migration

16. The Council's adjustment for migration suppression is included within its 10% 'market signals' uplift (appendix 1 OAN Review). As stated above this is inappropriate.

17. The Barton Willmore study applies a 10 year migration trend. In the case of Eden, which has seen significant fluctuations within migration, this is considered a more robust approach. Furthermore the Council themselves notes that migration is the main factor driving Eden's projections and the fall is the main contributing factor

to the reduced projections (2015 SHMA, paragraphs 4.8 and 4.34; examination ref: EB030). It is therefore difficult to understand why the Council did not provide greater consideration to applying long-term trends.

18. The ten year migration trend applied by Barton Willmore includes both peaks and troughs in the market and as such is likely to smooth over some of the volatility experienced within the migration trends within Eden. It is also notable that neighbouring Carlisle, who have recently received a sound verdict upon their plan from their Inspector, did see fit to consider longer-term migration trends and the impact of a restricted housing supply (Carlisle Strategic Housing Market Assessment Update, 2014).

Economic Signals

19. The HBF agrees that determining likely economic growth over the plan period is difficult, however both the NPPF and PPG require economic and housing strategies to be aligned. The PPG requires plan makers to make an assessment of the likely change in job numbers based on past trends and/or economic forecasts, having regard to the growth of the working age population in the housing market area.
20. Whilst the methodologies of identifying the jobs growth between Barton Willmore and the Council varied the HBF note that the Inspector indicated that the job growth figures provided by the Council were appropriate. The Council identified growth of between 2,293 and 2,564 jobs over the plan period, or between 127 and 142 jobs per annum. A mid-point of 135 jobs per annum was therefore proposed. The HBF accept this level of jobs growth as being appropriate. It is noted that both Barton Willmore and the Council consider an uplift to demographic-led housing need is required to support growth of 135 jobs per annum.
21. The point of contention between the two studies is the amount of housing required to support this level of jobs growth. The Council suggest 200dpa, whereas the Barton Willmore analysis indicates a requirement of between 277 and 289dpa.
22. The HBF consider the Barton Willmore analysis to be more robust than that undertaken by the Council. Barton Willmore utilise a POPGROUP methodology to derive its forecast. This is criticised by the Council, as set out within our previous statements upon this issue the POPGROUP model is widely recognised as a robust tool to model housing need. It has been successfully used in numerous local plan

assessments across the country, including neighbouring Carlisle and Cumbria County Council.

23. The Barton Willmore study makes adjustments for Economic Activity Rates (to take account of the increase in state pension age) and unemployment, this has become standard practise and is not disputed by the HBF. The Barton Willmore methodology is therefore considered robust and has been found sound at numerous local plan examinations.
24. In contrast, as discussed in our previous correspondence on this matter, the Council's methodology has not been tested and relies upon significant assumptions. The Council itself admits its methodology has significant limitations and flaws, is not entirely robust and is only indicative (SHMA, paragraphs 4.100 and 4.101). On balance and given the evidence before the examination the HBF consider the Council's evidence upon OAN to be flawed and as such unsound.

Market Signals

25. The HBF remain of the opinion that a market signals uplift is justified. Our reasoning is described within paragraphs 22 to 25 of our response to the submission version of the plan and paragraphs 26 and 27 of our examination hearing statement. Furthermore it should be noted that affordability within Eden continues to get significantly worse. The most recent data from the Government suggests that the ratio of lower quartile house prices to income has increased from 6.59 in 2013 to 8.39 in 2015 (CLG Live Table 576). This is significantly above the average for England, 7.02 in 2015. Whilst the Council applies a 10% uplift, at the wrong point in the calculations, the significance of the market signals could be taken to suggest a much higher uplift of 20 to 25% could be warranted.
26. In terms of the point of application of the market signals uplift this is discussed earlier within this response (paragraphs 8 to 12).

Conclusion

27. In conclusion, due to the reasons stated above, the HBF considers the Barton Willmore assessment of OAN to be more robust and consistent with other recognised and sound methodologies both regionally and nationally. To meet the employment aspirations of the Council, for 135 jobs per annum a housing requirement of 277-289 net additional dwellings per annum would be required,

based upon the work provided by Barton Willmore. This is the range within which the housing requirement should be set.

Yours sincerely,

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