

Eden District Local Plan Examination

Objectively Assessed Housing Need - Position Statement

Statement by Eden District Council

October 2016

1.0 Introduction

- 1.1 The Eden Local Plan is currently undergoing Examination. Hearing sessions were held in May, July and September. An issue arising from these hearing sessions has been the need to identify an agreed housing target for the District. This is called the Objectively Assessed Need (OAN).
- 1.2 Going into the Examination the Council set out its OAN in its Strategic Housing Market Assessment (SHMA)¹. Over the course of the Examination discussions the Inspector suggested various changes that could be made to the methodology used by the Council to calculate its OAN. These changes have been applied to the OAN methodology.
- 1.3 This paper has been produced by Eden District Council in order to provide a Position Statement in respect of the current methodology for Objectively Assessing Housing Need (OAHN) in Eden District and to address several issues raised by the Inspector following the September hearings.
- 1.4 This paper sets out each of the steps Eden District has made in assessing housing need for the District, following the PPG methodology.
- 1.5 Eden District Council's approach to assessing OAN follows the approach set out in Planning Practice Guidance (PPG). The methodology is broken down into three stages as set out below

Stage	Methodology
Stage 1: Identify a demographic OAN	Identify demographic OAN requirement. Based on 2014 CLG Household Projections, based on a five year migration trend <i>(ID2a, 015, 016)</i>
Stage 2: Economic OAN	Calculate the number of jobs likely to be needed across the plan period 2014-2032 and determine the amount of housing needed to account for this jobs growth <i>(PPG-ID2a, 018)</i>
Stage 3: Market Signals Uplift	Consider the need to adjust the OAN starting point to reflect appropriate market signals <i>(PPG-ID2a, 019)</i> .

- 1.6 Following the September hearing sessions the Inspector raised some additional matters that he considered that the council should address in its Position Statement. The matters are as follows;
 - If possible apply an uplift to the 2014 HFRs, or provide some indication of what effect such an uplift would have on the demographic OAN.
 - Provide a jobs led OAN figure.

¹ SHMA Taking Stock Parts 1-4, Examination Library ref (EB030)

- Identify if the Council has considered the effect of economically inactive in-migrants on the jobs led figure. If no assessment was made the Council should attempt to provide one.
- The Council should attempt to address the criticisms it makes in the SHMA Taking Stock –parts 1-4 paragraph 4.100 in relation to the jobs led OAN.

2.0 Stage 1 - Demographic OAN

2.1 The demographic OAN originally produced by the Council is set out in the SHMA². This document was submitted to the Inspector and as a result of the Examination hearings the methodology has undergone several changes. This Position Statement sets out the Council's current methodology in determining the demographic OAN for the District.

2014 Household Projections

- 2.2 Following the submission of the Eden Local Plan an updated set of 2014 based CLG Household Projections were published by the Department of Communities and Local Government. We are now required to recalculate our demographic OAN using this most up to date information.
- 2.3 In addition to using the 2014 CLG Household Projections the Inspector also instructed the Council to consider both five and ten year migration trends when looking at the 2014 CLG Household Projections.
- 2.4 The Council determined that it did not have capacity in house to apply a 10 year migration trend to the 2014 Household Projections in house. Therefore to comply with the Inspector's suggestion we contacted colleagues in Cumbria County Council's Performance & Intelligence | Performance & Risk Unit. This is the department in Cumbria Council who produce the POPGROUP model, which is available to the County Council's partners for use in determining their housing needs.
- 2.5 Cumbria County Council was able to provide projections based on both 5 and 10 year migration trends. They do this using their POPGROUP modelling software. So in this regard the Council has moved towards a methodology more in-keeping with that suggested by Barton Willmore in their proposed methodology for calculating demographic OAN.
- 2.6 In calculating the 10 year migration trend the County Council starts its figures from the ONS 2014 figures but replaces the projection for 2015 with the mid-year estimate for that year and then projects from then onwards based on average migration for the 10 years 2006-2015.
- 2.7 The demographic OAN figure provided by the County Council indicated that the starting point for the 5 year based trend was 85 dwellings per annum (dpa). This figure is 3 units less than the starting point proposed by Barton Willmore in

² SHMA Taking Stock Parts 1-4, Examination Library Ref (EB030)

their Position Statement³. This difference arises from the different vacancy and second home rate. Barton Willmore applies a rate of 9.45 while the Council apply a rate of 8.90. Notwithstanding this, the difference is relatively small.

- 2.8 In accordance with the Inspector's suggestions the Council also requested that Cumbria County Council provide a demographic OAN figure based on a 10 year migration trend. The County Council provided this information which suggests a need for 111 dpa as opposed to 85.
- 2.9 The Inspector also suggested that the Council consider the need to apply uplift the household formation rates within its assessment of demographic OAHN for people aged 25 to 44 years of age. This was suggested on the grounds that it is this age range that has been most significantly affected by the economic downturn and recession.
- 2.10 The Council considered its ability to provide this assessment and concluded that it would require additional bespoke modelling work, potentially by a consultant and is therefore not achievable within the time frame of the examination process.
- 2.11 In considering the impact of uplifting the household formation rates the Council has looked to the Position Statement provided by Barton Willmore⁴. In paragraph 2.22 of their Position Statement Barton Willmore state that;

"Applying the HFR sensitivities has the impact of increasing the level of housing need indicated by the 2012-based household projections from 122 dwellings per annum to up to 131 dwellings per annum (2014-2032). The maximum uplift is therefore only equivalent to an additional 9 dwellings per annum and is relatively small given the older age profile of Eden District and given the HFR adjustment is only made to the rates for those aged 25-44 years."
- 2.12 Based on this information the Council can assume that applying a similar uplift to the 2014 based figures would result in a similar (although slightly lower) uplift.
- 2.13 If all of the above uplifts were applied to the CLG6 2014 Household Projections for Eden, they would give a figure of at most 120 dpa. This number is clearly significantly below the figure proposed within the Local Plan and SHMA.
- 2.14 The next stage in the process is to assess the number of homes needed over the plan period to support jobs growth in the district.
- 2.15 The Council's position regarding the jobs led OAN is set out in stage 2 of this Position Statement.

³ Position Statement on OAN (EL4.029)

⁴ Position Statement on OAN (EL4.029)

3.0 Stage 2 - Jobs led OAN

- 3.1 The methodology for the jobs based calculation of OAN was discussed during the July and September hearing sessions. During this time several changes were made, which are outlined below.
- 3.2 Following the July hearing a change was made to the Jobs to Dwellings Calculator based on the advice of the Inspector, namely the removal of net commuters into the District from the calculations. This change was suggested because as the Inspector correctly noted, the Council does not need to provide housing for workers who commute into the District because they live elsewhere and incorporating them into our projections would lead to inflated housing need figures. The effect of this amendment is also to reduce the upper range of the additional jobs shown in line 1 of the table from 2,564 to 2,430. The upper figure in this range is calculated by applying a growth rate of 9.16% to the 2011 Census employees 'resident workforce in employment plus net commuting' figure of 27,993. This figure is inclusive of 1,466 net commuters who do not live in the district. Removing the 1,466 net commuters reduces the 2011 Census figure from 27,993 to 26,527. When multiplied by the growth rate of 9.16% this gives a figure of 28,957, an additional 2,430 jobs.
- 3.3 Prior to the September hearing session an error was identified within the Jobs to Dwellings Calculator set out in the SHMA⁵. This error amounted to an incorrect labour force ratio being applied in line 6 of the Jobs to Dwellings Calculator and referenced in paragraph 4.95 of the SHMA. This error has now been corrected and is incorporated into the amended Jobs to Dwellings Calculator below.
- 3.4 The correct labour force ratio is calculated by dividing the number of 'employees in employment' (26,527) identified in the 2011 Census by the number of 'current jobs' (27,228) identified in the Experian data, which gives a labour force ratio of 0.97.

Jobs to Dwellings Calculator (amended)

1	Total new jobs	2293	2430
2	Current Jobs	27228	
3	Total residents 2014	52700	
4	Labour Force in Employment	26527	
5	Labour force ratio (row 4 divided by row 2)	0.97425 4	
6	Future additional residential workforce (row 1 multiplied by row 5)	2233.96 5	2367.43 8
7	Total population equivalent (row 6 multiplied by 1.99 - 1.99 is calculated as row 3 divided by row 4)	4445.59 1	4711.20 2
8	Total households (row 7 divided by 2.28 people per household according to 2011 Census)	1949.82 1	2066.31 7
9	Total dwellings (row 8 multiplied by 1.089 – dwellings to households 2011 Census)	2123.35 5	2250.21 9

⁵ SHMA Taking Stock Parts 1-4, Table 21. PP.53, Examination Library Ref (EB030)

10	Total dwellings per year	117.964 2	125.012 2
	Replacing Lost Workers		
11	Decline in economically active population 2014-2032	-1920	
12	Equivalent Employees (in employment/ economically active) - 26527/28413)=0.93	1785.6	
13	Total population Equivalent	3553.34 4	
14	Total households	1558.48 4	
15	Total dwellings	1697.18 9	
16	Total dwellings per year	94.2882 9	
	Total job driven need		
17	Rows 10+16	212.252 4	219.300 5

3.5 The Jobs to Dwellings Calculator indicates that the job driven housing need for the district is between 212 and 219 dwellings per annum. A midpoint of this figure would be 216 dwellings per annum.

3.6 The results of the jobs led assessment were compared to alternative methods for determining jobs based OAN.

3.7 The First assessment was based on bespoke economic and housing forecast using the POPGROUP model. The Council's view regarding POPGROUP and its limitations particularly with regards to 'circularity' within the model are covered in both the SHMA⁶ and the SHMA – Objectively Assessed Need Review⁷.

3.8 Shortly before the September hearing session colleagues in Cumbria County Council's Performance & Intelligence | Performance & Risk Unit informed the Council that they will not be producing further employment-led POPGROUP projections using employment projections from the Experian model until they have had an opportunity to address their concerns regarding the assumptions made in the models relating to labour supply.

3.9 The second alternative method that was considered in the SHMA involved projecting past growth. This method produced a figure of 179 dpa, which is lower than the figure of 200 originally suggested by the Council and the figures identified in the amended Jobs to Dwelling Calculator above.

3.10 The Council considers that method 1 which uses the most comprehensive data is the most appropriate method to use as the basis for assessing jobs housing need.

⁶ SHMA Taking Stock Parts 1-4, PP.55, Examination Library Ref (EB030)

⁷ SHMA – Objectively Assessed Need Review, Examination Library Ref (EL4.017)

3.11 The third stage in the OAN methodology set out in the PPG is to assess the need for a market signals uplift. The Council's position on this stage of the methodology is set out below.

4.0 Stage 3 Market Signals Uplift

4.1 Planning Practice Guidance⁸ states;

“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.”

4.2 Eden District Council concluded in its SHMA that an uplift should be applied to the CLG 2012 Household Projections. The Council applied an uplift of 10% in line with Planning Advisory Service (PAS) guidance⁹.

4.3 Barton Willmore criticised the Council's reliance on the PAS guidance during the hearing sessions and in their Position Statement¹⁰, pointing out that the note has no official status and provides informal advice only. The Council accepts that this is the case; however it should be borne in mind that the PAS guidance constituted the only guidance available to the Council at the time that the SHMA was produced and that there is still only limited advice on the subject of what level of upward adjustment should be applied to the demographic figures if such a need is identified.

4.4 Barton Willmore point out that there is no clear guidance in the PPG regarding how much of an uplift to the OAN should be applied to account for adverse market signals. Their approach is to consider how much of an uplift the economic OAN provides to the demographic OAN and past delivery of housing in Eden. Barton Willmore then compare this uplift to the advice set out in the Barker Review¹¹ (2004) which states that need should exceed past supply by 86% to improve affordability. They consider that their economic led OAN figure achieves this target. This assessment should be taken in context however because it relies on the economic-led OAN based on the CLG 2012 Household Projections and not the 2014 Household Projections, which are the most up to date. Nevertheless Barton Willmore's assessment such as it is does not suggest the need for an upward adjustment to the household projection because their suggested OAN figure of between 277 and 298 dpa would achieve significantly more of an uplift than is suggested by the Barker Review.

4.5 Eden District Council considers that upwards adjustment to the demographic OAN is required to take account of market signals. However the criticisms presented by Barton Willmore and the advice of the Inspector at the examination hearing sessions prompted the Council to consider in greater

⁸ PPG (ID2a 019)

⁹ Planning Advisory Service (PAS), Objectively Assessed Need and Housing Targets (Technical advice note)

¹⁰ Position Statement Objectively Assessed Housing Need For Eden District(EL4.029)

¹¹ The Barker Review of Housing Supply 2004

detail what level of uplift would be appropriate. This was considered during the hearing session and following the advice of the Inspector the Council has considered the matter in further detail.

4.6 The Local Plans Report to the Communities Secretary and to the Minister of Housing and Planning, published in March 2016 by the Local Plans Expert Group (LPEG) sought to provide advice on possible reforms to the local plan process. In particular it identifies the several aspects of the Objectively Assessed Housing Need process to be particularly problematic. The advice within the report has not yet been adopted by Government; however it provides some useful guidance on how the Council might identify what level of uplift should be applied to the demographic OAN.

4.7 Appendix 6¹² of the local Plans Report to Government includes illustrative suggestions for how the adjustment might apply;

“Based on the data published by DCLG, LPAs should apply an upward adjustment to the Demographic starting point in line with the following benchmarks:

- Where the House Price Ratio is less than 5.3 and Rental Affordability Ratio is less than 25%, no uplift is required;
- 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;
- 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
- Where the HPR is at or above 8.7, AND/OR' the RAR is at or above 35%, a 25% uplift should be applied.”

4.8 The guidance provided by the LPEG suggests that DCLG should publish data which will allow plan makers to assess market imbalances occurring in their area. However as this information is not available the Council made its own assessment.

4.9 Based on CACI 2016 Affordability data for Eden the house price ratio is above 5.3 but less than 7.0 the RAR is above 30% based on an average of all properties.

4.10 This assessment indicates that Eden does not fit exactly into either the category described in bullet points 1-4 in terms of affordability. Instead it falls between bullet point 1 and 2. As such the Council considers a 15% uplift (half way between the two suggested uplifts) to be reasonable.

4.11 The table below shows the extent to which differing uplifts would change the demographic OAN figure.

¹² LPEG Appendix 6 (Lpeg.org)

Comparison table of potential market signals uplifts		
% uplift applied to 2014 demographic starting point	Uplifted CLG 2014 Household projections 10 year migration rate Starting Point 111 dpa	Unaltered CLG 2014 Household Projections 5 year trend Starting point 85 dpa
10%	122 dpa	94 dpa
15%	128 dpa	98 dpa
20%	133 dpa	102 dpa
25%	139 dpa	106 dpa

4.12 It is clear that none of the suggested uplifts to the demographic OAN will result in a figure greater than that identified within the economic OAN assessment. Therefore as the demography led OAN is not sufficient to support projected employment growth the Council considers that its economic OAN figure is the one that should be used.

5.0 Final OAN Position

- 5.1 We have now reached the point where the Council has undertaken all three stages in the OAN methodology set out in the PPG.
- 5.2 At this point the Council concludes that its OAN figure should be the midpoint of its economic OAN calculation 212 to 219. The OAN figure proposed by the Council is therefore 216 dpa.
- 5.3 In addition the Council's OAN figure of 216 represents an uplift of 95% against the 111 dpa starting point. This means that the Council's proposed OAN figure also complies with the guidance set the Baker Review.

6.0 Additional Issues

- 6.1 In addition to establishing its position with regards to its OAN methodology, after the September hearings sessions, the Inspector also asked the Council to address several additional issues. The first of the additional issues raised by the Inspector related to the role of economically inactive migrants coming into the District over the Plan period, particularly in-migrants who are retired. The Inspector requested that the Council explain how it had considered the role of economically inactive in-migrants in its calculations. The second additional issue related to paragraph 4.100 in the SHMA which sets out five criticisms of the chosen methodology within the SHMA. The Inspector requested that the Council justify its position regarding each of these criticisms.

7.0 The Role of Economically Inactive Migrants

- 7.1 In terms of the role of economically inactive in-migrants into the District the methodology used in the SHMA does not make an adjustment. The SHMA's assessment of migration trends in Task 1¹³ indicates that the District does not necessarily receive primarily retired in-migrants. In considering the available data the SHMA identifies that the biggest movements of people are for those of working age (16-64).

- 7.2 In preparing this position statement the Council has also considered the Mid-2015 Population Estimates to ensure that the findings of the SHMA are still correct. These figures indicate that the number of in-migrants between the ages of 20 and 29 shown an increase, while in-migrants between the ages of 20 and 64 show a decrease. The number of in-migrants between the ages of 65 and 74 also shows a net decrease. There is a net increase of 27 in-migrants between the ages of 75-79 but the age range of 80 to 90+ year olds is also shown to decrease.
- 7.3 Based on the available evidence the Council's position regarding economically inactive in-migrants has not changed in relation to that set out in the SHMA.

8.0 Justifying the criticisms set out in the SHMA

- 8.1 During the September hearings the Inspector pointed out that paragraph 4.100 of the SHMA discusses several limitations regarding its methodology. The inspector suggested that the Council should attempt to justify the criticisms set out in its SHMA¹⁴.
- 8.2 As a starting point it is helpful to explain that the purpose behind identifying the criticisms within the SHMA was to identify potential weaknesses within the Council's methodology in order to ensure transparency particularly given the scope for different methodologies. Once it identifies these weaknesses the SHMA goes on to seek to address them by taking the precaution of seeing if the range seems sensible in comparison to additional scenarios using different calculation methods.
- 8.3 The alternative methods considered by the Council include bespoke economic and housing projection model (POPGROUP projection) and an estimate based on past trends. Based on the outcomes of these two comparative scenarios the Council concluded that its demographic projections and economic forecasts projection is the most appropriate option.
- 8.4 The Inspector requested that the Council justify each of the criticisms it has made. These criticisms are discussed below.

SHMA Criticism 1:

"If we assume we need to replace 'lost' workers we do not know how many will free up existing housing stock as they leave. However, in reality much of our 'lost' workforce is likely to be the result of retirement or younger people leaving to pursue job or education opportunities elsewhere. Neither are likely to free up existing stock to any great extent."

¹³ SHMA, Taking Stock, Parts 1-4, PP. 11-23

¹⁴ SHMA, Taking Stock, Parts 1-4, PP. 54

8.5 To take account of the loss of economically active workers we apply a ratio based on the relationship between the economically active population to employees in employment figure from the 2011 Census. The critique makes it clear that it is not possible to identify precisely whether lost workers are likely to be the kind that will free up additional housing stock without expending significant resources on primary research, an approach which is not supported in the PPG ¹⁵. The Council considers that given what we know about the District's demographics the majority of lost workers will be from people retiring and from younger people leaving home and as such it is unlikely that the lost workers will free up any significant amount of housing.

SHMA Criticism 2:

"Similarly, if we plan for dwelling numbers based on economic growth we have no way of knowing how much of our new stock will be taken up by people not working. However, given low unemployment rates we do not think this will be a major factor."

8.6 It is not possible for the Council to tell exactly how many new dwellings in the District built over the plan period will actually be taken up by unemployed people. However the SHMA identifies that as of December 2014 Eden had a job seekers allowance rate of 0.7% compared to the UK average of 1.9%. Based on the low unemployment rate in the District the SHMA concludes that in addition to having little or no untapped workforce to take up additional jobs demand, the amount of new housing likely to be taken up by unemployed people will also be low.

8.7 Some OAN methodologies do attempt to factor unemployed people into their calculations by applying an unemployment rate to the jobs based figures.

8.8 According to the regional labour market statistics in the UK (Oct 2016)¹⁶ for the period July 2015 to June 2016, Eden had the lowest unemployment rate in the Country at 2.2%. Therefore applying an unemployment rate to the jobs led calculations would not significantly alter the outcome of the assessment.

8.9 It is also important to note that unemployment rates are quite volatile and have a tendency to change over time. As such including them in the OAN calculations would risk building further uncertainty into the methodology.

SHMA Criticism 3:

"We have assumed that all our part time workers have only one job. In reality some will undertake 'double jobbing, meaning our figures are likely to be an overestimate."

¹⁵ PPG (ID: 2a-14)

¹⁶ Statistical bulletin: Regional labour market statistics in the UK: Oct 2016

- 8.10 This criticism means that it is likely that the Council needs to provide fewer dwellings to jobs than the jobs to dwellings calculator indicates. However without being able to accurately predict the exact relationship between full time workers, part time workers, and those working multiple jobs as well as the likely changes in this relationship between 2014 and 2032 the Council has relied upon the most robust data available.
- 8.11 The Council considered various sources of data when assessing its jobs led OAN figure, including the ONS Annual Population Survey (reported through NOMIS area profiles).
- 8.12 However the council wishes to take a proactive approach to the provision of housing to encourage economic activity in the District. The Council took the decision not to account for double jobbing. It is likely that to determine what the double jobbing numbers are would require a considerable level of research on behalf of the Council.

SHMA Criticism 4:

“If we rely on job projection data derived from Experian we know that this uses population and household projections as one of its inputs. Converting resultant figures back in jobs and household figures makes the process ‘circular’ to quote the PAS guidance, as it risks treating population as both an input and output and hence may over count.”

- 8.13 The council determined to use the Experian data as it considered it to be the most robust source available. This may still mean that the Councils jobs led calculation is somewhat of an overestimate. In order to sensitivity test the results of its jobs to dwellings calculator the Council tested the figure against two alternative models. The first was POPGROUP, and the second was based on projecting past growth. The Council’s model fell approximately between these two alternative methodologies. The Council considers that a range between 212 and 219 dwellings per annum would be sufficient.

SHMA Criticism 5:

“At a lower level of geography the projections become less and less reliable. This is particularly in issue with has a comparatively low number of people and jobs compared to many other local authority areas. Forecasts are created on a top down basis using Experian’s national sector-based projections which are then distributed according to the proportion of employment per sector located in the area. Unless we have strong evidence to suggest otherwise, the assumption is that Cumbria’s sectors will follow national trends. Whilst some adjustments have been made by Cumbria County Council based on things we know about (eg expansion of the nuclear sector and the plans of larger employers, as well as employer survey evidence about confidence in some sectors etc.) changes are limited, particularly in Eden’s case. This means that the district-level projections are really only a guide to trends and we can’t read too much into the precise numbers.”

8.14 Planning Practice Guidance indicates that plan makers should avoid expending significant resources on primary research and instead should look at secondary data¹⁷. The Council considers that the relatively small number of jobs in Eden compared to other geographical areas does mean that the secondary evidence is less reflective of local trends that it might be elsewhere. Notwithstanding this the Council considers that its methodology is sound in light of national guidance.

¹⁷ PPG (ID:2a-014)