

Introduction

- 1.1 This Position Statement has been produced by Barton Willmore on behalf of Story Homes to provide justification for why Barton Willmore's Objectively Assessed Housing Need (OAHN) for Eden District of between 277 and 289 dwellings per annum (dpa) represents the most credible housing needs assessment for Eden and why the Council's OAHN of 216 dpa (2014-2032) (as recently revised) is flawed.
- 1.2 Despite the Council increasing their OAHN marginally adjusting from 200 dpa to 216 dpa due to their identified error in the Jobs to Dwellings Calculator, the Council's methodology for assessing OAHN remains unchanged. Eden District Council's (EDC's) most recent October 2016 OAHN Position Statement therefore re-iterates many of points made by the Council previously. Story Homes responded to those earlier statements initially in our August 2015 report 'Technical Review of EDC's Housing Evidence Base' and subsequently expanded upon in our August 2016 Position Statement.
- 1.3 Story Homes has now reviewed the most recent work EDC has undertaken upon request from the Inspector to consider the implication on housing need of a 10-year migration trend and adjustments to the household formation rates for 25 to 44 years. The original exclusion of these considerations was raised as a concern by Barton Willmore in our August 2016 Position Statement.
- 1.4 Nonetheless, Story Homes continues to have concerns with EDC's OAHN assessment. These concerns can be summarised as follows:
- Calculation of the 10-year migration trend;
 - Household Formation Rate (HFR) adjustment;
 - Conclusions on demographic OAHN;
 - Assessment of economic OAHN; and
 - Approach to Market Signals uplift.
- 1.5 We expand upon each of these issues below.
- i) 10-year migration trend**
- 1.6 EDC's most recent October 2016 Position Statement states that a 10-year migration gives rise to a need for 111 dpa. Barton Willmore's 10-year migration trend identifies a need for 148 dpa *before* any adjustments are made to address suppressed household formation.

- 1.7 The difference between the two assessments is because of two factors:
- The time-period from which the 10-year migration trend is drawn; and
 - Whether the 10-year migration trend has been projected using a fixed count of migrants or the rates based approach.
- 1.8 Barton Willmore's 10-year migration trend is drawn from the period 2004-2014 and is projected using the rates based approach.
- 1.9 The rates based approach applies an average of migration rates by five-year age group and gender. The benefit of the rates based approach is that it enables a migrant profile that is specific to Eden District to be taken into account, which therefore reflects the outmigration of younger people and in migration of older people, an acknowledged characteristic of Eden. Furthermore, the rates are applied to the projected demographic profile of Eden and therefore reflects the changing age structure rather than applying a constant, fixed count of migrants across the board.
- 1.10 The rates based approach is the method which ONS apply when producing the SNPP and therefore Barton Willmore consider this to be a robust approach.
- 1.11 It is not entirely clear which approach EDC's 10-year migration trend has applied, but paragraph 2.6 of the Council's October 2016 Position Statement states '*projects from then onwards based on average migration for the 10-years 2006-2015*'. Barton Willmore therefore believe EDC's 10-year migration trend is very likely to have been based on a fixed count of migrants, which is considered a less robust approach, as it does not take into account the age profile of migrants to EDC or changing demographic profile over time. Given Barton Willmore's 10-year migration trend does address these factors, it is considered Barton Willmore's 10-year migration trend is more robust.

ii) HFR adjustment

- 1.12 EDC acknowledge in their October 2016 Position Statement that adjusting HFRs was *beyond the Council's ability and would require additional bespoke modelling work*.¹ It is unclear why EDC did not request Cumbria County Council (CCC) to model the impact of adjusting HFRs in a similar vein to how EDC asked CCC to model the impact of a 10-year migration trend? It appears that the Council has selectively chosen the factors which it wishes to scrutinise in greater detail. In the absence of undertaking any work themselves on this issue, EDC have

¹ Paragraph 2.10, EDC Objectively Assessed Housing Need – Position Statement, October 2016

turned to the modelling work undertaken by Barton Willmore and presented in our August 2016 Position Statement.

1.13 Barton Willmore has sensitivity tested the implications of three different approaches to adjusting HFRs for people aged between 25-44 years. Our analysis was based on the DCLG 2012-based HFRs and resulted in an uplift of up to an additional 9 dpa (2014-2032) from the 2012-based starting point.

1.14 EDC have taken Barton Willmore's uplift of 9 dpa at face value and have applied this to EDC's 10-year migration trend to present demographic OAHN of 120 dpa. Barton Willmore have two concerns with EDC's approach:

- Barton Willmore's uplift of 9 dpa was to the 2012-based Starting Point. A different demographic projection (with a different age and gender profile) will result in a different HFR uplift given that HFRs are applied by age and gender. Therefore it cannot be assumed that applied to the more recent DCLG 2014-based Starting Point the uplift will remain at 9 dpa as EDC have assumed²; and
- Barton Willmore's August 2016 Position Statement (Figure 1.1) provided a comparison of the DCLG 2012 and 2014-based HFRs which identified the 2014-based HFRs project similar household formation for 25-34 year olds but lower household formation for 35-44 years than the previous 2012-based HFRs. EDC therefore wrongly state in their October 2016 Position Statement³ that applying a similar uplift (referring to Barton Willmore's uplift) would result in a similar (although slightly lower) uplift. This is not correct. Given the 2014-based HFRs project lower household formation for 35-44 year olds, the impact of the HFR adjustment would be greater.

1.15 Therefore whilst Barton Willmore welcome EDC's consideration of a HFR adjustment, the adjustment applied by EDC has not been considered correctly alongside the other adjustments EDC have made (for example, adopting a 10-year migration trend). EDC have taken Barton Willmore's HFR uplift and applied this as a set increase rather than taking account of the changing age and gender profile a different demographic projection may have on household formation.

² Paragraph 2.12, EDC Objectively Assessed Housing Need – Position Statement, October 2016

³ Paragraph 2.12, EDC Objectively Assessed Housing Need – Position Statement, October 2016

iii) Conclusions on demographic OAHN

- 1.16 Barton Willmore present demographic OAHN of between 148 and 157 dpa (2014-2032) based upon the results of a 10-year migration trend, using the rates based approach, with adjusted 2012-based HFRs applied to address suppressed household formation for 25-44 year olds. EDC present demographic OAHN of 120 dpa (2014-2032) also based on a 10-year migration trend (but believed by Barton Willmore to be based on a fixed-counts approach), with a HFR adjustment to address suppressed household formation for 25-44 years.
- 1.17 Both parties therefore present demographic OAHN that is above the latest DCLG 2014-based Starting Point of 88 dpa (2014-2032). However, Barton Willmore do not consider EDC's methodology, and therefore final assessment of demographic OAHN, to be fully reflective of local circumstances and therefore it cannot provide a sound demographic assessment. To make it sound, the Council would need to revise its assessment to address the points we have raised regarding the 10-year migration trend and HFRs.
- 1.18 In conclusion therefore, Barton Willmore consider EDC's current demographic OAHN to provide an underestimation of demographic housing need in Eden District. It is therefore considered that Barton Willmore's demographic OAHN of between 148 and 157 dpa (2014-2032) should be preferred.
- 1.19 Nonetheless, despite Barton Willmore's criticisms of EDC's approach to establishing demographic OAHN, both parties agree that their demographic OAHN will not support economic growth in Eden District and therefore an uplift to demographic OAHN is required.

iv) Assessment of Economic OAHN

- 1.20 EDC's October 2016 Position Statement identifies a job driven housing need for the district of between 212 and 219 dpa and takes a mid-point of this range.⁴ 216 dpa (2014-2032) is therefore presented by EDC as economic OAHN to support growth of an additional 135 jobs per annum in the district. Barton Willmore present economic OAHN of between 277 and 289 dpa to also support growth of 135 additional jobs per annum in Eden district over the period 2014-2032.

⁴ Paragraph 3.5, EDC Objectively Assessed Housing Need – Position Statement, October 2016

1.21 The difference in identified economic OAHN to support the same level of job growth, is due to the different methodologies applied by both parties. EDC's assessment utilises the Job to Dwellings Calculator – a model developed in-house by EDC. Barton Willmore's assessment utilises the POPGROUP and Derived Forecast (DF) forecasting model – a model owned by the Local Government Association (LGA) and used by over 90 users including academic, public and private sector and which supports several Local Plan examinations. Cumbria County Council are users of the POPGROUP and DF model and undertook economic-led modelling using POPGROUP for the recently adopted Carlisle Local Plan. It has also been used to underpin other Local Plan evidence based studies across the Region and North West.

1.22 Barton Willmore has several concerns with EDC's approach to calculating economic OAHN as follows:

- The Jobs to Dwelling Calculator works on basic conversion ratios. This simplistic approach does not take account of age/ gender specific variables and how they are projected to change over the plan period;
- Specifically, the future additional workforce is simply calculated by applying a labour force ratio derived from 2011 Census and Experian data, to the projected number of new jobs. No account is given to the economic activity of Eden residents and how this is projected to change over time with the changing demographic profile. Common practice is to apply economic activity rates by age and gender to the demographic projection;
- No account is taken of unemployment and how this might change over time. EDC state in Paragraph 8.8 of their October 2016 Position Statement that at 2.2% Eden has one of the lowest unemployment rates in the Country and 'therefore applying an unemployment rate to the jobs led calculations would not significantly alter the outcome of the assessment'. Barton Willmore disagree with EDC's statement. Any level of unemployment will affect the assessment of housing need (increase the level of need) and should therefore be considered no matter how large or small;
- Furthermore, the calculation of housing need within the economic assessment is again based on a simple conversion ratio of applying an average household size of 2.28 people per household (based on 2011 Census data) to the projected population growth. It is not considered appropriate to fix the average household size over the whole projection period because DCLG projections project average household size to decline in future years. In addition, this approach does not take account of the tendency of different

age groups to form households. Common practice is to calculate housing need based on the application of HFRs by age and gender.

- 1.23 For the above reasons, EDC's approach is considered to underplay the level of housing needed to support economic growth in the District.
- 1.24 Barton Willmore's assessment of economic housing need for Eden District fully considers all the issues identified above. In addition, by using the POPGROUP and DF forecasting model, it ensures consistency in approach between the demographic and economic assessment of housing need.
- 1.25 EDC's criticism of using POPGROUP for establishing economic housing need is largely in respect of its perspectives of 'circularity' and the treatment of in-migrants.
- 1.26 In respect of 'circularity' the Council's criticism relates to the use of an Experian job projection which is constrained (e.g. 'capped') by their estimate of 1) the nationally available labour force, itself derived published National Population Projections (2012-based in this instance), 2) their own national Economic Activity Rate projection, 3) their own estimate of changes in the national unemployment rate. Regional projections then sum to the national projection, and local (district level) projections sum to the regional projections.
- 1.27 Local (district level) job growth is constrained (capped) by Experian's estimate of the locally available labour force, itself arrived at by, 1) flexing economic activity rates over time, 2) flexing the commuting ratio over time, 3) flexing the unemployment rate over time. Local projections are controlled to the extent that district projections must sum to the regional projection (as regional must sum to national). The key point to note is that Experian fixes population at all levels (local, regional, national), therefore they cannot flex population (whereas it does flex economic activity, commuting and unemployment) in order to arrive at a labour force estimate.
- 1.28 Economic activity rates are key to the 'circularity' argument. The suggestion is that applying a different set of economic activity assumptions to those used to produce the Experian projection will result in a different local, regional and national projection. This would only be the case if we are unable to vary (flex) population growth; bearing in mind that varying population growth is a routine part of assessing housing need in line with the published guidance. Adjusting population *and* activity rates together means that Experian's local, regional and national labour force and job growth projections can be sustained and are not eroded.

- 1.29 Furthermore, Experian do not provide economic activity rates at the local authority level. Therefore it is entirely appropriate when modelling housing need at a local authority level to consider an alternative set of economic activity rate projections as Barton Willmore have done. Barton Willmore use economic activity rates by 5-year age group and gender for Eden District from the 2011 Census and project them forward following the trajectory from the Office for Budget Responsibility (OBS) November 2015 national participation rate projections. This is the best independent source of economic activity rates available.
- 1.30 EDC's criticism of using the POPGROUP model for establishing economic OAHN on the basis of the 'circularity' argument is considered unjust, especially given that their own Dwelling to Job Calculator also applies a different set of assumptions regarding economic activity (through the labour force ratio) to those used by Experian.
- 1.31 In respect of the treatment of in-migrants, the September 2015 SHMA stated:
- "As a consequence of an ageing population the model is bringing in extra people to fill the new jobs based on the age profile of in-migrants. As working in-migrants tend to be younger adults and have the greatest fertility rates, the model then starts adding in extra people in the years following the new jobs as the people who migrate in then have children. In addition, because the population-led scenarios project a dip in working age adults, the model has to bring in more migrants than just those needed to fill the new jobs because the model also has to fill the existing jobs in the area; to make up for the drop in local working age people. It is this self-reinforcing trend that drives the higher housing numbers'.⁵**
- 1.32 This does accurately reflect the broad approach of the POPGROUP forecasting model and also what is actually happening in Eden District. The POPGROUP model adjusts in and out migration to balance the relationship between population size and jobs growth, taking into account economic activity, unemployment and commuting patterns. All of the data used within the POPGROUP forecasting model is specific to Eden District. Eden District currently imports labour to meet job demand and Barton Willmore's modelling applies the same commuting ratio across the entire plan period (to assume a change would be considered a policy change because it would affect neighbouring authorities assessments from which labour is drawn, which is against PPG requirements). Therefore Barton Willmore's analysis is not inflating housing need by providing housing for people who live outside of the district but work in Eden District.
- 1.33 Nonetheless, Eden District does have an ageing resident population and economic growth cannot be supported unless there is further migration of working age people to Eden District.

⁵ Paragraph 4.105, Page 55, Taking Stock, A Strategic Housing Market Assessment Parts 1-4 Objectively Assessed Need and the Local Plan Housing Target, Report for Publication: September 2015

The reality is that working age people moving to Eden District will bring families with them, or begin having families. There is no escaping this social process and therefore it is essential that EDC plan appropriately for housing need.

- 1.34 Barton Willmore note the issue raised by the Inspector that our modelling appears to assume that one additional dwelling is required to support each additional job. Technically this is not the case and that assumption has not been made. The results are the direct outcome of the modelling process and are related to the age-sex structure of Eden’s population, migrant profile, economically active residents and household formation structures. It just so happens that the two figures are coincidental.
- 1.35 To help further illustrate how Barton Willmore does not simply apply a 1:1 ratio of dwellings to jobs, we have calculated dwelling to job ratios using the outputs from the various scenarios we have run. The results are summarised in Table 1 (below).

Table 1: Dwelling to job ratios for Eden District

	Jobs		Dwellings*		Dwelling to Job ratio	
	2014	2032	2014	2032	2014	2032
135 jobs per annum	29,228	31,658	25,754	30,756	0.88	0.97
66 jobs per annum	29,228	30,416	25,754	29,228	0.88	0.98
10-year migration trend	29,228	28,416	25,754	28,554	0.88	1.00

* Based on the application of 2012-based HFRs unadjusted

- 1.36 In 2014 (the base year), the dwelling to job ratio is the same for all scenarios, at 0.88. As we move towards the horizon year of the forecast – 2032, the ratio increases. Part of the demand for housing will come from the natural increase of the population, as the resident population ages, yet this does not increase demand for additional jobs.
- 1.37 The effect of this varies at 2032 depending on the scenario. As is shown in Table 1, the job-led scenarios produce lower dwelling to job ratios as the number of jobs increases. This may at first seem counter-intuitive but what is happening is that the dwellings become more ‘efficient’ in delivering labour to fill the jobs. The job-led scenarios require a higher level of housing, which in turn lead to higher levels of in-migration. The in-migrants are likely to be younger families with relatively high levels of economic activity.
- 1.38 Barton Willmore has not updated its economic assessment of housing need for Eden District to take account of the 2014-based HFRs. This was not deemed necessary given the similarity of the 2014-based HFRs to the 2012-based HFRs already used in the assessment. Our August

2016 Position Statement discussed this issue in more detail. Given the job number remains unchanged (+135 jobs per annum) the application of similar HFRs will generate the same level of housing need and therefore Barton Willmore's economic OAHN of between 277 and 289 dpa remains sound even in light of the more recent 2014-based HFRs.

v) Market Signals Uplift

- 1.39 We acknowledge EDC's further consideration of the need for a market signals uplift. There is currently no set guidance for applying a market signals uplift hence the Local Plans Expert Groups (LPEG) providing a recommendation to the Communities Secretary and to the Minister for Housing and Planning. EDC's consideration of the LPEG proposal is therefore welcomed.
- 1.40 However, EDC incorrectly state that DCLG data (as referred to by LPEG) is not available and for this reason undertake their own assessment of affordability using CACI data. EDC identify that 'for Eden the house price ratio is above 5.3 but less than 7.0, the RAR is above 30% based on the average of all properties'.⁶ EDC therefore conclude Eden does not fit exactly into the LPEG categories for adjustment and therefore proposes a 15% uplift which is half way between two of the LPEG categories.
- 1.41 DCLG Live Table 577 provides affordability ratios based on median house prices and median earnings for all local authorities in England. LPEG requires an average over the most recent three years to be taken. On this basis, Eden District's affordability ratio is 7.1 (based on average from 2013-2015) which according to the LPEG categories requires an uplift of 20% to address market signals.
- 1.42 LPEG requires the markets signals uplift to be applied to the demographic OAHN (once adjustments for migration trends and household formation have been applied). Applied to EDC's demographic OAHN this results in a need for 144 dpa (120 dpa + 20%). Applied to Barton Willmore's demographic OAHN this results in a need for between 178 and 188 dpa (148-157 dpa + 20%).
- 1.43 On this basis, both parties demographic OAHN even with a 20% uplift for market signals falls short of the level of housing needed to support economic growth in Eden District. Therefore in Eden District, no adjustment for market signals is required **providing the correct economic OAHN is adopted**. If the economic led approach is rejected by the Inspector, then

⁶ Paragraph 4.9, EDC Objectively Assessed Housing Need – Position Statement, October 2016

the need for a market signals uplift will not have been factored into the overall OAN and this must be achieved via a separate assessment by the Council.

Conclusion

- 1.44 In conclusion, therefore, whilst Barton Willmore acknowledge EDC have increased their economic OAHN from 200 dpa to 216 dpa (2014-2032) this represents an underestimate of economic housing need in the District.
- 1.45 Furthermore, whilst Barton Willmore acknowledge EDC have made some minor adjustments to their methodology following various requests from the Inspector (for example, taking account of a 10-year migration trend, applying a HFR adjustment and the removal of the net commuter variable) it is felt that such changes have been made in a piecemeal fashion without fully understanding how such changes affect the entire assessment.
- 1.46 In particular, we refer to the inconsistency between the calculation of housing need within the demographic assessment compared to the economic assessment. EDC's demographic assessment has utilised the POPGROUP forecasting model under commission from CCC and therefore has applied HFRs by age and gender and subsequently made a HFR adjustment (although rather simplistically). In contrast, the economic assessment does not apply HFRs and therefore assesses housing need by simply applying an assumption about average household size from the 2011 Census – which is outdated and does not reflect changes to the projected age and gender profile of Eden District, or changes to household structures.
- 1.47 Barton Willmore question EDC's reliance on the POPGROUP model for establishing demographic OAHN but its dismissal of POPGROUP for the calculation of economic OAHN. This appears to be an illogical process and one that is purely because EDC does not like the higher level of need CCC identified using this approach (which was 307 dpa).
- 1.48 There are significant flaws in the methodology used by EDC which results in an under estimation of housing need for the District. EDC's criticisms of using the POPGROUP model for establishing economic OAHN are unsubstantiated and could equally be applied to the Jobs to Dwellings Calculator that EDC have used to establish OAHN of 216 dpa (2014-2032). However, given the additional weaknesses we have identified in this Statement with EDC's approach, we consider that our position is robust and better reflects the true economic OAHN for Eden District of between 277 and 289 dpa (2014-2032). We request that the Inspector requires EDC to get CCC to run the economic-led scenario through POPGROUP to confirm that our position is correct.

- 1.49 Economic OAHN of between 277 and 289 dpa will support economic growth of 135 additional jobs per annum in Eden District, as well as meet Eden District's changing demographic needs. It positively address suppressed household formation for younger people responding to market signals issues as required by NPPF and PPG.