

Eden Local Plan (2014-2032) Examination

Inspector: Melvyn Middleton BA(Econ) DipTP Dip Mgmt MRTPI

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Mr K Hutchinson
Principal Planning Officer
Eden District Council
(via email)

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Dear Mr Hutchinson

Eden Local Plan Full Objectively Assessed Housing Need

Thank you for your recent letter. This follows on from comments made by representatives of the building industry, in response to your Council's paper received on 23 October 2016, which was meant to address the outstanding housing need issues raised at the September Hearings and previously.

We have been discussing your Full Objectively Assessed Housing Need (FOAHN) since I first wrote to you with questions about it in January. There were and still are a number of outstanding objections, largely from representatives of the building industry, who have criticised your overall methodology and a number of your assumptions. I have endeavoured to give pointers at the conclusion of each of the three Hearing sessions, as to how your in-house methodology and results could be made more robust. However, the results of this have been somewhat disappointing, with a general reluctance on your part to change things unless in a downward direction. Consequently, apart from recalculating your demographic housing need using the 2014 household projections, removing commuters from and correcting a discovered arithmetic mistake in the jobs led forecast, there has been no fundamental movement on your part since the plan was submitted.

My function in examining this plan is to establish whether or not its strategy and individual policies are sound. It is not to dictate what they should actually be or say. This is because Development Planning in many contexts is not an exact science and there is often more than one sound answer to a problem. FOAHN in particular falls into this category. Nevertheless, whatever FOAHN we eventually agree on, it needs to meet the soundness tests. In this instance I am not yet persuaded that your FOAHN meets the tests of soundness particularly that it has been positively prepared. I

consider that on the current evidence base I am unable to be able to justify your FOAHN in my report.

The National Planning Policy Framework (Framework) says that you should use your evidence base to ensure that the Local Plan meets the FOAHN and that in particular it should boost significantly the supply of housing. This is nowhere more important than in local planning authorities, such as Eden, that have been failing to deliver housing because of supply constraints. The National Planning Practice Guidance (PPG), whilst setting out a methodological approach to the establishment of the FOAHN, is not prescriptive and points out that there is no one methodological approach. Although not usual, your use of an in-house bespoke methodology for calculating your FOAHN, rather than one of the statistical packages, is not wrong. It nevertheless has to meet the guidance contained in the Framework and have regard to the advice contained in the PPG.

The Plan's development strategy is aimed at boosting economic activity within Eden District, whilst at the same time diversifying its economy and encouraging the establishment of more technical and better paid jobs. This is driven by a wish to reverse long established net out-migration trends among the younger element of the working-age population, particularly 16-24 year olds and a desire to increase average incomes in the district from a comparatively low level. To achieve this, the FOAHN is based on a jobs led calculation using a job forecast provided by Experian (135 additional jobs per annum). This has not been challenged and I do not take issue with it, although a jobs growth forecast of this magnitude, in a small district with a declining working age population, has clear ramifications for in-migration and the level of new housing required to accommodate it.

As further background I should point out that as you know, the District has one of the lowest unemployment rates in the whole of the UK, one of the lowest affordability ratios in the north-west and there is historic evidence of significant movement into this attractive rural area by persons over 50 who are either economically inactive or soon to be so and of second home purchases. The principal ramifications of these are net out-migration among the younger age groups and an affordable housing requirement that is comparatively high. In the absence of major investment through the public sector, the private housing market has to bear the brunt of meeting that need, if it is to be met. In consequence the higher the provision for market housing the more likely is the need for affordable housing to be met. Additionally, relative house prices are more likely to fall if there is more choice and competition in the private housing market, thereby making Eden more attractive to economically active migrants wishing to relocate, particularly those that are young adults.

The Framework expects you to boost the supply of housing and without this the affordability of housing in the district is unlikely to improve. This is because a continued comparative shortage of houses will lead, through competition, to a

commensurate disproportionate increase in their relative price. Because no land has been specifically allocated for housing development in Eden District since the adoption of the 1996 Local Plan, it is difficult to set a benchmark against which to measure a boost in supply because the market has been historically constrained. Average completions over the 15 years prior to 2016 were only 175dpa whereas since 2008 the target has been 239. However the recession probably had a significant impact on these figures, as well as the constrained land supply. The average in the four years, before 2006 was 212 and it has returned to 197 over the past four years despite

the supply issues. In this context is the target of 216 sufficient to make a game changing impact on the area's economic development aspirations and prospects?

At the close of the September Hearings I asked your representatives in particular to look at:

1. the extent of suppressed headship rates in the years immediately before 2011 on the demographic forecast and to make an allowance for it if appropriate.
2. the extent to which the jobs led forecast includes provision for the housing needs of economically inactive migrants and ones that will retire before the end of the plan period and if such migration is likely to be significant, to consider factoring it into the calculation.
3. address the criticisms of your methodology that you made yourself in the Strategic Housing Market Assessment, Taking Stock.

In response you have said that you are unable to accomplish 1 because it would require bespoke modelling work and the employment of consultants. However you acknowledge that in the Barton Wilmore calculation, using the 2012 household projections and adjusted for suppressed headship rates, about 9 additional dwellings pa were required.

You accept that your methodology does not make an adjustment for economically inactive migrants in the jobs led forecast but point out that the district does not necessarily receive primarily retired in-migrants. You quote the 2015 mid-year population estimates but without any accompanying statistical information as justification. The final paragraphs of your Statement attempt to address your former criticisms.

In as much as 1 and 3 largely affect the demographic forecast and assuming you still wish to progress with a job led strategy, I do not propose to dwell on these considerations. If everything is taken into account, the revised forecast is

unlikely to result in a dwelling requirement much above 130, if indeed it is that high. As you are already proposing to use a job led forecast of 216, there would be a significant uplift in dwelling provision and in my view this meets the requirement for a market signals uplift in the context of the advice contained in the PPG.

Economically inactive migrants require somewhere to live and their exclusion from the job led calculations is a weakness in your methodology. The absence of an allowance for an increase in the number of second homes similarly reduces the robustness of your calculations, although that could be much less significant. The exclusion of migrating retirees from your calculations probably accounts for much of the difference between your forecast and that advanced by the building industry. Nevertheless, I do accept your proposition that the Popgroup model, used by Barton Wilmore to arrive at its forecast, is such that its circularity and underlying labour supply assumptions are likely to exaggerate the housing requirement from a jobs led forecast. However, it is far from clear as to the extent to which this has a bearing on the actual forecast.

The 2015 mid-year population estimates are a one year snap shot of demographic change based on a variety of indicators. It is generally accepted that the information that they contain is much less reliable than the census,

particularly when information from a particular year is examined in isolation. Your Statement does not include any statistical evidence concerning migration. To date the only information that I have been able to obtain on migration is from the one year migration by age group tables in the 2001 and 2011 Censuses. These clearly show a not insignificant increase in net in-migration to Eden District in both years among the 50+ age groups (288 and 198 respectively). The net figures for the over 65s are 75 and 49. I accept that a longer timescale may reveal different numbers but I doubt that they would be insignificant.

My concern is that if the housing target is set too low then there will be insufficient dwellings being provided to meet the requirements of both retirees and required economic migrants. That the former are financially better placed to afford the constrained supply and that in consequence there will be insufficient accommodation to house the numbers of economic migrants required to meet your job growth targets and your economic growth expectations will be frustrated. Additionally affordability would be unlikely to get better, which would also suppress the attraction of Eden to in-migrants seeking work as well as having ramifications for existing residents who cannot currently afford to buy any accommodation.

To move matters along can I ask you to consider the following:

- A Undertake a proper analysis of migration trends over the last 25 years and estimate what the level of in-migration by persons who are likely to be inactive, by the end of the plan period, is likely to be, assuming that the national economy performs similarly to that achieved in the pre-2008 economic cycle.
 - B If this does not suggest the need for an uplift in the dwelling requirement, then let me have a paper with comprehensive statistical information justifying why there is not a need for one, in due course.
 - C If it points to the need for uplift, then accommodate an appropriate one into your housing requirement.
- or
- D Modify downwards your job growth expectations.

Further courses of action could include:

- i) your agreement through a policy in the Plan to an early review of the FOAHN, say after 5 years or earlier if you are unable to maintain a 5 year supply with a 20% buffer.
- ii) the identification of additional reserve housing sites, particularly at Penrith and possibly at Appleby and Kirkby Stephen.

I would be grateful if you would consider the above and let me know how you wish to proceed.

Yours sincerely
Mel Middleton
Inspector