

# SHMA – Objectively Assessed Need Review

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## 1.0 Background

- 1.1 Following the Local Plan hearings that took place between the 9<sup>th</sup> of May 2016 and the 12<sup>th</sup> of May 2016 the Inspector raised a number of issues regarding the methodology used by the Council to calculate its Objectively Assessed Need (OAN).
- 1.2 The OAN is assessed within the Council's Strategic Housing Market Assessment (SHMA). It represents the overall demand for new housing regardless of any planning constraints on development across the Local Plan Period running from 2014 to 2032. It is used as the basis for determining the housing target for the District, which is set out in Local Plan Policy LS2 – Housing Targets and Distribution. It is therefore essential to ensure that the OAN is robust and transparent in its assessment of housing need.
- 1.3 There is no overriding national methodology for how an OAN assessment should be carried out beyond the principles set out in national policy. As such by applying different methodologies and assumptions it is possible to end up with different OAN figures that are 'correct' as long as their methodology is rational. It is therefore possible to argue for either higher or lower housing targets.
- 1.4 The aim of the Council's OAN assessment was to establish a fit for purpose OAN based on clear 'workings out'. The Council's SHMA was intended to do just this.
- 1.5 During the hearings session it became apparent that the Inspector had a number of concerns regarding the methodology used by the Council to determine its OAN.
- 1.6 In addition an alternative OAN methodology was put forward by Barton Willmore (acting on behalf of Story Homes). This alternative assessment was based on different data sources and procedural assumptions. As a result these alternative OAN figures were higher than contained within the Submission Draft Local Plan (SD001).
- 1.7 In response to the outcome of the hearings and the round up session held on the 12<sup>th</sup> of May the Inspector advised that the Council should seek to address the issues raised, which are as follows:
  1. Assessment of Barton Willmore's alternative OAN assessment, followed by a decision of whether the Council agrees with what is being suggested. The Inspector also encouraged the Council to advocate our approach if we did not feel that Barton Willmore's assessment was suitable.
  2. The Inspector considered that the Communities and Local Government 2012 projections, which are used as baseline data by the Council in its assessment of the OAN for the District, are insufficient on their own due

to potentially suppressed household formation rates as a result of the recession.

3. The Inspector considered that the 10% uplift to take account of market signals applied by the Council early in its assessment of the OAN should either be removed all together from the calculations or moved to a later part of the assessment.
4. The Inspector advised that the Council should reassess its employment forecasts. This is the portion of the OAN assessment with the most range in terms of what approach is correct. The Council was advised to ensure that it could provide a complete explanation of the methodology.
5. The Council was asked to provide a 'policy off' figure for its OAN, as this is not explicitly stated in the SHMA.
6. The Inspector advised that the Council may wish to apply a 'policy on' approach.
7. The Inspector asked the Council to confirm/ demonstrate that the OAN will boost supply beyond past delivery rates.
8. The Inspector indicated that any OAN must be deliverable.

## **2.0 Assessment of Barton Willmore's calculation of OAN**

- 2.1 Prior the hearing sessions of the 9<sup>th</sup> of May to the 12<sup>th</sup> May 2016 Barton Willmore (on behalf of Story Homes) put forward their own alternative OAN assessment. This was provided because Barton Willmore does not consider the OAN figure of 3,600 additional dwellings between 2014 and 2032 to be representative of a Full Objectively Assessed Need. Consequently they have produced an alternative assessment of OAN for the District.
- 2.2 Planning Practice Guidance<sup>1</sup> makes it clear that there is no one methodology for assessing OAN. Instead it states that a methodology should be prepared, which must be transparent. The Council considers that the SHMA methodology complies with both PAS guidance and with the guidance set out in the PPG in that it transparently demonstrates how each stage in the OAN process is reached.
- 2.3 Guidance provided by both PAS and the PPG indicates that there are multiple ways by which different OAN figures can be reached without one being definitively correct. Therefore a decision on whether an OAN is correct does not necessarily indicate that an alternative OAN is not also correct.

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<sup>1</sup> (PPG, ID: 2a-500)

- 2.4 The Inspector has advised that the Council should assess the alternative OAN produced by Barton Willmore and comment on whether we agree with its assessment or not, and if not that we should seek to justify our own approach. In order to facilitate this decision we have broken down the alternative OAN assessment provided by Barton Willmore into its individual stages (based on the information provided as part of Barton Willmore's assessment<sup>2</sup>). We then address the methodological points on which Barton Willmore's assessment departs from our own.
- 2.5 An explanation of the Council's OAN is set out in Appendix 1 and a breakdown of Barton Willmore's alternative OAN is set out in Appendix 2.
- 2.6 The assessment carried out by Barton Willmore utilises the same starting point as the Council in determining its OAN. This is **110 households per annum** (based on 2012 CLG projections).
- 2.7 The next stage in the process in Barton Willmore's assessment is to uplift the figure of 110 household per annum. Barton Willmore applies a figure of 9.54%. This is based on CLG 2014 figures and Council tax base whereas the Council bases its assessment on the 2011 Census. This explains the slight difference of 2 dwellings per annum (dpa) in the two starting points.
- 2.8 The next stage in the OAN assessment process is to assess the demographic OAN. There are three ways in which Barton Willmore's methodology differs from the Council's.
- 1.) The 2012 Sub National Population Projections are replaced with a figure based on the 2012 SNPP and long term migration trends.
  - 2.) CLG 2012 based household formation rates are adjusted to account for what Barton Willmore considers to be suppressed household formation rates for 25-44 year olds.
  - 3.) Barton Willmore does not apply the 10% uplift to address market signals<sup>3</sup> at this stage.
- 2.9 Looking at Barton Willmore's assessment of household formation they opine that the 2012 based household formation rates have been suppressed by the recession. To compensate for this they adjust the rate of formation for 25-44 year olds, which is the group they consider to be most affected by the recession in terms of their ability to form households. The adjustment is based on an average of three sensitivity tests which look at three approaches to 'amend' the household formation rates;

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<sup>2</sup> Eden Local Plan 2014-2032 – Examination Library (EL2.006d)

<sup>3</sup> PAS Guidance, Objectively Assessed Need and Housing Targets; Technical advice note, paragraph 7.19.

- A full return to 2008 based household formation rates
- A gradual return to 2008 rates so that by 2032 they represent 50% of projected growth in the original 2008 rates
- A gradual full return to 2001 household rates for males and females only where 2012 rates are projected to decline below 2001 rates (in Eden's case this applied to males between 25 and 34 years).

- 2.10 Based on these three approaches applied to the POPGROUP model Barton Willmore's demographic OAN figure is raised from 122 to a range of 122-131 dpa. This is an increase of 0-9 dpa.
- 2.11 Looking at Barton Willmore's population projections, they opine that the 2012 SNPP used by the Council in its assessment of demographic OAN are constrained because they represent a period of recession in which migration rates were lower than they would otherwise have been and therefore population growth projected in the SNPPs is correspondingly lower as well.
- 2.12 Barton Willmore applies a sensitivity test to produce alternative migration trends in comparison to those used to produce the 2012-based Sub National Population Projections. The sensitivity test considers migration over a more recent five year period (2009-2014) and a longer term 10 year period (2004-2014). This test then looks at two different methods for considering alternative migration trends.
- 1.) A 'counts' based approach – based on the average net migration count per year, by age and gender, for each migration flow (in and out) over a given period;
  - 2.) A 'rates' based approach- based on the average migrant count per year divided by the reference population, by age and gender for each migration flow over a given period. The reference population is taken to be the UK population minus District population for in flows and District population for out flows.
- 2.13 Barton Willmore indicates that of the two approaches they prefer the rates based approach.
- 2.14 The result of this rates based approach is to increase the demographic housing need by a 26 dpa, in addition to the increase generated by their uplift for suppressed household formation rates. This takes the demographic OAN figure to between 148 and 157 dpa.
- 2.15 The first issue raised by Barton Willmore is that the CLG 2012 population projections are lower than the previous 2008 projections as a result of the recession.

- 2.16 For clarity the Office of National Statistics considers that the economic downturn officially ran from 2008 (Quarter 2) and 2009 (Quarter 2).
- 2.17 It is acknowledged in the SHMA that when comparing the 2012 SNPP rates to the earlier sets from 2008 our predicted population increase declines from 3,200 to 700. In terms of housing projections the increase falls from 3,363 to 1,194 (-1,379).
- 2.18 The SHMA, in accordance with PAS guidance<sup>4</sup> 'sensitivity tested the 2012 projections using the POPGROUP model provided by Cumbria County Council. This assessment helps to identify the reasons for the difference in the two sets of projections.
- 2.19 The POPGROUP model outputs three scenarios which are set out in Table 3 of the SHMA<sup>5</sup>. They are, a zero net population, a population led five year migration trend, and a population led ten year migration trend. The three scenarios produce the following results:
1. Zero net population = 9 dpa
  2. Population led five year migration trend = 53 dpa
  3. Population led ten year migration tend = 152 dpa
- 2.20 The POPGROUP 'sensitivity test' discussed in the SHMA showed that if the Council were to only seek to meet the requirements of its existing population then only 9 dwellings per annum would be needed within the plan period. However when migration is factored into the model the number of dwellings required per year increases significantly to 152 based on a ten year migration trend. This tells us that migration is the main factor affecting population growth in the District. When we compare the five and ten year trends and the effect they have on potential dwelling requirements over the Plan Period it is clear that there is a difference in the projected need for dwellings depending on if we apply a 5 or 10 year migration trend.
- 2.21 Natural population change in the District is fairly constant in both sets of population projections while the amount of in migration into the District in 2012 is projected to be half the number projected in 2008. Moreover 1,900 people projected to move overseas are expected to stay.
- 2.22 The SHMA analyses who is moving in and out of the District by looking at age profiles. Table 5 of the SHMA<sup>6</sup> shows that the 2012 and 2008 projections both

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<sup>4</sup> Objectively Assessed Need and Housing Targets, Peter Brett for the Planning Advisory Service, July 2015. Paragraph 6.17.

<sup>5</sup> SHMA Taking Stock 2015 (Parts 1-4) p.15.

<sup>6</sup> SHMA Taking Stock (Parts 1-40, Table 5,p.19

predict that we should expect to see the proportion of all age groups below the age of 65 decrease over the plan period. The SHMA does not consider that the only factor affecting population increases in the District will come from older people moving into Eden and retiring.

- 2.23 The SHMA ‘unpacks’ the in-migration trends further by looking at the ages of those projected to move into the District in the Plan Period<sup>7</sup>. It shows the largest numbers coming into the District are in fact of working age, but that we still have an ageing population. The SHMA considers that what may be happening is that working age people are moving into the District, bringing children with them and that over the Plan Period they subsequently retire and their children leave the District (this would account for our ageing population, which was present in both sets of projections).
- 2.24 The fact that the working age population is predicted to decrease in both the 2008 and 2012 projections (albeit to differing degrees) would also suggest that the trend for working age people to leave the District is not solely a consequence of the recession and was a feature of Eden’s demographic profiled even during the economic prosperity that preceded the recession.
- 2.25 When considering the potential impact of the recession we should be careful not to confuse a correlation with a cause. For example based on an assessment of Mid-Year Population Estimates 2001 – 2015 for Eden it is noticeable that there are instances where in migration falls significantly that are not clearly related to a recession, for example in 2005-6 when in migration fell from 349 to 73 and rose again to 286 in 2006-7. Similarly in- migration rose from -78 in 2009-10 to 227 in 2011-12 and then fell again in 2012-13.
- 2.26 From this evidence it can be concluded that although the recession may have had some impact on in-migration into the District it is also clear that rates of in migration into Eden tend to fluctuate quite considerably independently of the economic downturn. This is not surprising given the small numbers of in-migrants we are dealing with.
- 2.27 An assessment of internal migration statistics set out in Table 9 of the SHMA<sup>8</sup> provides a useful summary of the Council’s findings:
- 1) Internal migration to and from Eden from the rest of the UK fluctuates, and can vary year on year given the small numbers involved.
  - 2) Internal migration is a bigger driver of population change than the rest of Cumbria (except South Lakeland) and the North West region.
  - 3) There does seem to be some recessionary effect possibly at work as the and the percentage of total population in migration decline from

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<sup>7</sup> SHMA Taking Stock (Parts 1-4), Table 6,p.20

<sup>8</sup> SHMA – Taking Stock (Parts 1-4),p.29



2007 onwards although this picked up over the past couple of years (2012/13 and 2013/14)

- 4) It is not clear what the recessionary effect may be reflecting. It could be a reduction in housebuilding restricting choice (as the PAS guidance suggests). But given that most migrants into Eden are of working age it is more likely to be a response to fewer job opportunities in the District.

2.28 The Council concludes that given the District's falling levels of in-migration, increase in overcrowded households, falling completion rates during the recession and the fact that Eden does seem to have underperformed. While the PPG advised that demographic projections can be adjusted, it does not specify a method. Therefore the Council looked to the PAS technical note which advised that the Council could apply 10% uplift to its demographic projections in light of the issues above.

2.29 Based on the SHMA's assessment the Council considers that while the impact of the recession should not be wholly discounted as a reason for the difference between the two sets of population projections pointed out by Barton Willmore, care should be taken not to overestimate its effect, or to set aside the 2012 projections.

### **3.0 Does the Council agree with Barton Willmore's assessment of household formation rates?**

3.1 In terms of household projections Barton Willmore considers that the CLG 2012 based household formation rates should be adjusted to account for suppressed household formation rates for 25-44 year olds in the District.

3.2 The adjustment is based on an average of sensitivity tests which look at three approaches to 'amend' the household formation rates;

- 1) A full return to 2008 based household formation rates;
- 2) A gradual return to 2008 rates so that by 2032 they represent 50% of projected growth in the original 2008 rates;
- 3) A gradual full return to 2001 household rates for males and females only where 2012 rates are projected to decline below 2001 rates (in Eden's case this applied to males between 25 and 34 years).

3.3 The Council determined that its projections should be based on the OAN assessment on the 2012 projections. The rationale for this decision was based on a number of considerations.

- 3.4 Eden was one of the first authorities to apply the 2012 projections to its calculations. At the time these were confirmed in Planning Practice Guidance<sup>9</sup> as the most up to date official projections for local authorities.
- 3.5 We would draw the Inspector's attention to the article referenced in the PAS guidance<sup>10</sup>. In this article it is pointed out that the 2008 rates have been criticised as being based on a period of economic optimism contrasted to the period of economic down turn purportedly represented by the 2012 projections. The article and PAS guidance both indicate that it is no longer relevant to appeal to the previous household projections as though they represented an underlying trend in household formation. This argument applies equally to attempts to project in-migration at rates present in previous sets of figures. Simply seeking to steer a middle ground in the hope that there will be a return to previous levels of activity is not considered sound.
- 3.6 PAS guidance<sup>11</sup> at the time clearly indicated that:

“But when starting on a new housing assessment or updating an earlier one, plan-makers should set aside HRRs that pre-date 2012:

- The CLG 2011 interim HRRs are no longer helpful because the historical facts on which they were based are now considered inaccurate.
- The CLG 2008 HRRs are no longer helpful because they are based on very old evidence, and anyway may not reflect the true long-term trend (a recent study<sup>12</sup> argues the 2008 rates came at a time when rates had already turned down ahead of the recession, and are ‘*only evidence of the optimism of the period*’).”
- Therefore alternative scenarios based on one or both of these sets of HRRs are also unhelpful. This includes rates that are midway between the two (indexed , partial return to trend etc) and those that use the 2008 set (full return to trend)”

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<sup>9</sup> Planning Practice Guidance (Reference ID: 2a-016)

<sup>10</sup> L Simpson and McDonald, *Making Sense of the New English Household Projections*, in *Town & County Planning* April 2015

<sup>11</sup> Objectively Assessed Need and Housing Targets, Peter Brett for the Planning Advisory Service, July 2015. Paragraph 6.41

<sup>12</sup> L Simpson and McDonald, *Making Sense of the New English Household Projections*, in *Town & County Planning* April 2015

- 3.7 PAS<sup>13</sup> guidance indicates that prior to the arrival of the 2012 projections many housing needs studies applied ‘indexed’ or ‘partial return’ or even ‘full return’ approaches to their household formation rates. Barton Willmore proposes just such an approach. However in their case they apply a combination of all three of the above approaches.
- 3.8 Given the similarities between Barton Willmore’s approach and those which PAS guidance advises the Council avoid, particularly with reference to return to trend approaches it is not considered that such an approach would be appropriate in the case of Eden’s OAN.
- 3.9 While we don’t necessarily discount the issues that Barton Willmore has raised we do not consider their approach to be sound in light of guidance indicating that we should not be looking to re-establish old projections in the hopes that things will return to ‘business as usual’ or that the economy will return to the same level of economic prosperity that was present in past years.
- 3.10 While PAS guidance<sup>14</sup> does permit alterations to the 2012 projections to take account of local circumstances, it considers approaches such as indexing and return to trend to be unsuitable and out of date.
- 3.11 PAS guidance suggests two possible ‘rule of thumb’ approaches to uplifting the 2012 projections.
- 1) Applying a 10% increase to projected housing needs.
  - 2) Try to estimate what household growth would have been if land supply had not been especially constrained. This approach relies on having demographic data that reflects an unconstrained period, which is not readily available in Eden’s case.
- 3.12 The Council applied the suggested 10% adjustment suggested in PAS guidance.
- 3.13 It is clear that both the Council’s and Barton Willmore’s approaches apply an adjustment to the demographic OAN. The Council considers that its approach is sound on the grounds that it is in compliance with the available PAS guidance and Planning Practice Guidance, whilst PAS guidance specifically advises against using an approach similar to Barton Willmore’s.

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<sup>13</sup> Objectively Assessed Need and Housing Targets, Peter Brett for the Planning Advisory Service, July 2015.

<sup>14</sup> Objectively Assessed Need and Housing Targets, Peter Brett for the Planning Advisory Service, July 2015. Paragraph 7.19

## **4.0 Economic OAN**

- 4.1 The next stage in the OAN process is to assess the level of housing needed to support job growth in the Plan Period. This is acknowledged by both the Council and Barton Willmore as being the most difficult to model accurately and as the section of the assessment likely to generate the most varied results depending on the method used to calculate need.
- 4.2 Barton Willmore concludes that the labour force capacity of the demographic assessment will not support the job growth in line with the likely demand for jobs arising during the Plan Period, as does the Council in its own methodology. Barton Willmore cite the ageing population of Eden as being a potential contributor to the fall in potential productivity in the District, the corollary of which is that there will be increased demand for new working age people to come into the District to fill jobs and point out that much of this need will be met by net migration into the District as migrants into the District tend to be younger working age families.
- 4.3 Barton Willmore proposes that 66 jobs per annum (jpa) are required over the plan period. This calculation is based on a 'triangulated' average of forecasts by Experian Economics, Cambridge Econometrics, and Oxford Economics.
- 4.4 The reason for the triangulation of the three figures arises from the significant variation in the projected jobs in each assessment. Experian predicts 67 jobs per annum, Oxford Economics predicts -16 and Cambridge Econometrics predicts 147.
- 4.5 To meet this figure Barton Willmore considers that the housing need in Eden District would have to increase to between 225 and 236 dwellings per annum. This represents an uplift of 77-79 dpa on their Demographic OAN. This is noticeable in that it represents more houses than workers.
- 4.6 Barton Willmore's OAN assessment concludes that based on a job demand of 66 jobs per annum; there is a need for between 225 and 236 dpa.
- 4.7 Barton Willmore's method for determining the economic element of the OAN differs from the Council's in several ways;

Table 1: Economic OAN assumptions

EDC	BW
Range of growth based on 2011 Census figures and sensitivity tested economic forecasts.	<p>Triangulated average of Experian Economics (march 2016) – 67 jpa</p> <p>Oxford Economics (March 2016) --16 jobs per annum</p> <p>Cambridge Econometrics (November 2015) – 147 jpa</p> <p>Average = 66 (jpa)</p>
Economic Activity Rates 2011 – (held constant)	2011 Census rate by 5 year age group and sex for Eden projected following OBR Nov15 national projection which assumes increased activity based on increasing state pension age.
Dwellings Calculator does not apply unemployment rate directly	3.9% unemployment returning to pre-recession average of 2.0% by 2021 baes on ONS data provided by APS for Eden.
Dwelling Calculator does not apply commuting ratio directly	2011 Census value of 0.95 fixed over the forecast period.

4.8 There are several differences in the data sources used in the two alternative methodologies. It is difficult to argue which forecasts to adopt because different forecasting bodies can produce very different figures despite all claiming to be accurate, this is certainly the case regarding Barton Willmore’s choice of three forecasts, each of which predicts a markedly different number of required jobs per annum.

- 4.9 The SHMA makes it clear that any assessment of the number of jobs needed in the District and what level of housing requirement they will generate over the plan period has the potential to vary depending on initial data assumptions. The Council concluded that the appropriate course of action (in order to avoid under representing potential jobs need) was to look at each piece of data available and use a range in the case of future jobs. It was hoped this would act as a form of 'sensitivity test' for the Council's preferred model (all of the available data sources are set out in the SHMA<sup>15</sup>). The SHMA also bases its assessment of economically active workers in 2014 on a figure derived from census data as opposed to survey data. The Council considers that census data is more robust than survey data given the small size and population of the District.
- 4.10 Barton Willmore's methodology increases the economic activity rates over the plan period to account for possible increases in the state pension age. The Council does not. The reason given in the SHMA for holding economic activity rates constant is that while some methods assume a higher future economic activity rate due to increasing retirement ages, the Council thinks that to do so without factoring in an ageing population to possibly offset this would not be methodologically robust and has been criticised in other examinations. It is however accepted that this is a possible weakness in the methodology.
- 4.11 Barton Willmore includes an unemployment rate in their calculations. The Council by comparison does not directly apply one. Eden has one of the lowest unemployment rates in the Country 0.7% of all workers in December 2014. This indicates that there is very little in the way of an untapped workforce in the District to take up new jobs. It also means that very few new dwellings would be taken up by unemployed people.
- 4.12 Barton Willmore also applies a Commuting ratio to their calculation. While the Council does not apply one directly, a net commuting is factored into the jobs to dwellings calculator.
- 4.13 The Council considers that its approach to calculating the economic OAN is robust but acknowledges that there is no single way to calculate an economic OAN. With this in mind the Council has set out an overview of how it 'sensitivity tested' its own preferred methodology.
- 4.14 Throughout the process of assessing the economic OAN, which is set out in detail in the SHMA and in Appendix 1 of this document the Council has sought to use the most robust data in assessing its economic OAN.
- 4.15 The Council makes a number of decisions when applying its methodology which are likely to mean that it is both robust and may in fact over estimate the amount of provision required in the District.

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<sup>15</sup> SHMA – taking Stock (Parts1-4),pp.42-50

- 4.16 The starting figure for how many workers will be required in Eden is based on the 2011 Census as this is considered to be more reliable than survey data which is less reliable when applied to small populations.
- 4.17 In deciding whether to use its figures representing economically active or employees in employment in the calculations for potential housing demand the Council decided to take the higher figure to ensure that it would avoid an underestimation.
- 4.18 The Council notes that its calculations do not take account of how many ‘lost’ workers will be releasing housing for new workers coming into the District. Although most ‘lost’ workers are likely to be due to people retiring or young people leaving the District
- 4.19 It is assumed that all part time workers have only one job. In reality there will be some ‘double jobbing’ meaning that the figures are likely to be an overestimate.
- 4.20 At District, and in particular Eden’s level, forecasts become less reliable. Experian’s national projections are distributed according to the proportion of employment per sector located in the area. The assumption is that Cumbria’s sectors will follow national trends. The Council considers that this means the District-level projections from Experian are at best a guide.
- 4.21 To address the difficulties surrounding this stage of the OAN the Council has compared their range of 194-206 dpa with additional scenarios which use different calculation methods.
- 4.22 The outcome of these alternative methods are set out below.

Table 2: Jobs driven housing growth potential methodologies

	<b>Method</b>	<b>Homes Per Year Needed</b>
1	Demographic Projections and Economic Forecasts	186-204
2	POPGROUP Forecasts	307
4	Projecting Past Growth	179

- 4.23 The outcome of these methods are useful in that they demonstrate that the Council’s preferred methodology will ensure an uplift on the number of houses needed if it used a method based on projecting forward past growth (2001-2011).
- 4.24 The POPGROUP figure of 307 dpa is significant in that it is clearly much higher than both the Council’s preferred method and the Projecting Past Growth method.
- 4.25 A key element of POPGROUP models is that they can only be driven by one element at a time (population, housing or employment), whereas these variables are often interrelated. A new job in the District does not always lead to

a new household and neither do new households always generate jobs. Depending on the driving assumption the outcome of the POPGROUP model will often vary widely. For example if jobs are used as the driving assumption in the model then it will assume that there are enough workers coming into the District to fill all jobs, which is not always true in reality (particularly in Eden where we have established that both in the 2008 and 2012 sets of figures population under 65 is projected to decrease over the plan period).

- 4.26 In addition to assuming that new workers will come to the District to fill new jobs POPGROUP models also bring in extra people to fill jobs being generated by retiring residents. The model then adds in extra population as the new assumed in-migrants have children. We have already established that in both sets of population projections all age groups under retirement age are predicted to fall. Importantly it is also clear they didn't stay in the 2008 projections either. POPGROUP models react by bringing in more hypothetical in-migrants who then also have more hypothetical children. This trend can become self-reinforcing.
- 4.27 In short POPGROUP assumes there will always be new in-migrants to fill jobs that are new or vacated. It also assumes that new jobs will create new housing need. These figures rely heavily on the assumption that new workers always come to fill vacant or expected new jobs and will live in the District.
- 4.28 This explains why jobs led POPGROUP modelling tends to produce housing targets significantly larger than other models (including other housing or population driven POPGROUP models, such as those set out in Table 3 of the SHMA<sup>16</sup>).
- 4.29 In contrast to a POPGROUP model the other potential method for determining an economic OAN which is explored in the SHMA is to rely on projecting past growth.
- 4.30 The past growth method<sup>17</sup> is based on actual past job growth over a 10 year period and generates a requirement of 179 new homes per annum assuming that job growth continued at the same rate as it did from 2001 to 2011. This is less than what would be provided by the Council's Demographic Projections and Economic Forecasts. More importantly it demonstrates two points. Firstly that the Council's chosen method will provide a significantly higher number of houses than we would need if past growth were to continue and secondly it demonstrates that the a jobs led POPGROUP model tends to produce much higher levels of housing need than other methods.
- 4.31 The Council does not consider that the POPGROUP jobs led model can reflect a true need.

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<sup>16</sup> SHMA – Taking Stock (Parts 1-4), table 3, p.15

<sup>17</sup> SHMA- Taking Stock (Parts 1-4), p56



4.32 Based on the sensitivity testing set out above the Council considers that its preferred Demographic Projections and Economic Forecasts assessment of need are the most appropriate methodology.

## **5.0 EDC Conclusions - Demographic and Economic OAN**

5.1 From the assessment of Barton Willmore's methodology for producing a demographic and economic OAN the Council has concluded that;

- The use of a 10 year migration trend as the basis for the OAN may simply reflect a period of economic boom rather than the recession. PAS guidance tells us that periods of economic prosperity are not necessarily indicative of underlying trends.
- The Council adjusts its demographic OAN to take account of falling levels of in-migration, increases in overcrowded households, falling completion rates during the recession and the apparent underperformance on housing completions compared to national trends. It does this by applying the 10% adjustment supported by PAS guidance.
- Barton Willmore's approach to Household formation rates runs counter to PAS guidance.
- The Council considers that its economic OAN methodology uses the most robust data sets available to the Council and provides for both the demographic needs of the District as well as providing an uplift to support future job growth.

## **6.0 Affordable Housing**

6.1 Barton Willmore states that their OAN would provide a significant uplift to address affordability issues in Eden.

6.2 This argument is essentially correct but affordable housing cannot be considered in isolation when we determine our 'policy on' factors. The Council must consider its ability to maintain a five year housing land supply it must be based on achievable aspirations set out by the Council.

6.3 In assessing its affordable housing need the Council follows guidance set out by the Government to rely on 'secondary' data. The Council then followed the methodology for establishing need set out in Government guidance.

6.4 The Council breaks this process down into 5 stages which are set out in the SHMA and Appendix 1. In brief they identify the following;

Table 3: Overview of affordable housing calculations

<b>Stage</b>	<b>Affordable housing figure</b>
Stage 1: Current Need	824 overcrowded households
Stage 2: Future Need	150 newly-arising housing need (gross each year)
Stage 3: Affordable Housing Supply	140 annual supply of social re-lets (not new build, net)
Stage 4: Estimate of Annual housing Need	199 annual affordable supply
Stage 5: net annual shortfall	116 net annual shortfall

6.5 The net annual shortfall figure above represents a snapshot in time and cannot be multiplied across the plan period.

6.6 The Council’s approach is to apply a ‘trajectory of need’, which tracks the supply and need across the plan period. The Council programmes its current backlog of households in need to clear over the first five years of the plan. It then factors in newly arising need of 86 units and existing households falling into need of 64 units, which when added together these figures results in a need for 3,524 new affordable homes over the plan period.

6.7 In terms of supply the Council then identifies a committed supply of 279 affordable homes available over the first 5 years. Then the Council estimates the likely supply after the first five years. The Council assumes 30% affordable housing on the 200 figure which will generate 60 affordable units per year after the first 5 years of the plan period. In addition to this there is an annual supply of re-lets of 140 units per year plus 3 units per year on average intermediate stock. When our potential supply is added together over the plan period it gives a total of 3,633 affordable homes. Therefore the housing target of 200 dpa would slightly outstrip need. Furthermore it would do this comfortably without having a negative impact on deliverability.

6.8 We consider that while Barton Willmore’s proposed housing targets would have a greater impact on affordable housing by virtue of representing a greatly increased overall housing figure. However the Council would not be able to demonstrate a 5 year housing land supply were it to adopt a ‘policy on’ figure at the level suggested by Barton Willmore.

6.9 The figure of 56 (committed supply of new affordable stock) affordable homes per year between 2014 and 2018 represents committed supply and therefore it is likely to be delivered. However, our subsequent 30% target remains aspirational and actual delivery is based on viability considerations. If we look at the annual average, proportion of affordable housing provision delivered over the last five years it is 28.5% which indicates that supply is achievable. These figures are influenced by large 100% affordable housing schemes which have been delivered in Penrith.

6.10 The Court of Appeal Judgement issued on 11 May 2016 in the case between the Secretary of State for Communities and Local Government and West Berkshire has implications for the provision of affordable housing in Eden District:

Within the former Urban District of Penrith:

- Sites of 1 – 10 dwellings with no more than 1,000 square metres of floor space: no contribution;
- Sites of 11 and above: 30% affordable housing on site.

Within the designated rural area (i.e. excluding Penrith):

- Sites of 1 – 5 dwellings: no contribution, except in locations outside the settlements named in Policy LS1 where new housing will be restricted to 100% affordable 'rural exception' homes only;
- Sites of 6 – 10 dwellings: commuted sum;
- Sites of 11 and above: 30% affordable housing on site.

6.12 Since April 2003, 47% of all housing completions in the District have been delivered in sites with 11 or more units. Projecting this forward, it would mean that 94 units a year (based on the current OAN of 200 per annum) would be delivered on large sites. The annual affordable housing supply (providing 30% is achieved on all sites) would therefore be 28 units per annum. This would result in an undersupply of 32 units per year, or 509 units by the end of the remaining plan period. This undersupply would be offset, in part, by commuted sums and rural exceptions housing. Furthermore the impact of the Starter Homes Initiative will have an effect.

6.13 The Starter Homes initiative will also have an impact on affordable housing provision over the plan period. Starter Homes are intended to sit alongside existing affordable housing products although they won't be subject to a perpetuity clause, meaning they will only benefit the purchaser and not future occupiers. Starter Homes are likely to reduce the amount of traditional affordable housing products delivered within Eden.

6.14 The SHMA does not take account the effect of the Court of Appeal Judgement or the potential impact of Starter Homes on the Council's ability to deliver traditional affordable housing products. Therefore it is likely that the Council will have to carry out additional work to ascertain the exact effect of both the changes to affordable housing regulations and the Starter Homes initiative on the its aspirations regarding affordable housing.

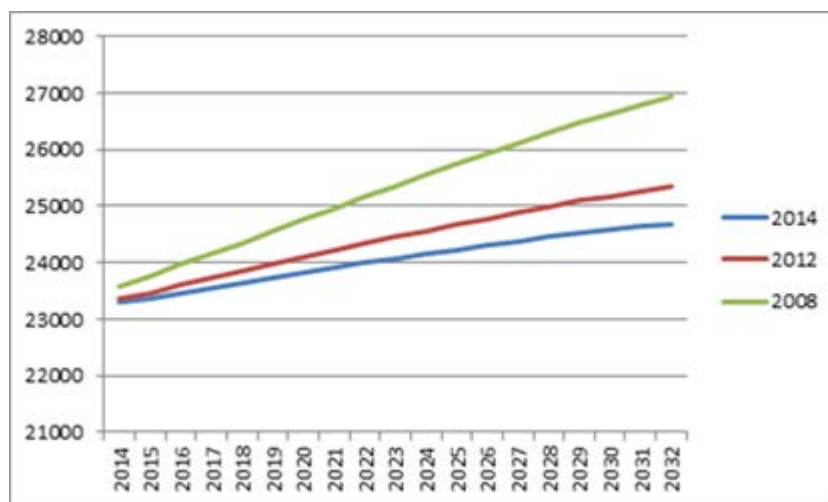
## **7.0 Potential suppression of the CLG 2012 projections**

- 7.1 The Inspector indicated that the Communities and Local Government 2012 projections which underpin part of the Council's assessment of demographic OAN may be suppressed as a result of the recessionary period which they cover. The same may be true for certain rates of household formation. The assessment of Barton Willmore's alternative OAN has considered this issue in detail and the Council's position is as follows.
- 7.2 The SHMA takes account of the fact that the recession may have affected the 2012 projections. It includes an assessment of what may be driving the differences between the 2008 and 2012 projections and concludes that inward migration into the District is the main variable in driving population growth and that there may be some recessionary effect on the District. However it also finds that the level of immigration into the District does fluctuate from year to year and that these fluctuations are not necessarily related to specific recessionary periods. It notes that issues such as supply may also have played a role in suppressing household formation or may have deterred people from moving into the District.
- 7.3 The Council's approach to dealing with this issue is to apply the 10% uplift to its demographic OAN. This is suggested in PAS guidance.
- 7.4 In determining whether or not to adjust the 2012 projections household formation rates the Council has decided that its approach, which is based on PAS guidance and Planning Practice Guidance, is the correct one. This guidance<sup>18</sup> specifically warns against taking an approach that would involve mixing or blending projections. The starting point for our initial OAN figure is therefore based on the 2012 projections.
- 7.5 At this point the Council would like to draw the Inspector's attention to the 2014 household projections, which were released on the 12<sup>th</sup> of July 2016. The Council has not been able to assess these projections in detail however it notes that the number of households predicted for the district drops compared to the 2012 projections. The table below illustrates the respective trends of each set of projections.

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<sup>18</sup> Objectively Assessed Need and Housing, Peter Brett for the Planning Advisory Service, July 2015. Paragraph 6.41.

Figure 1: Household Projections – comparison of trajectories



- 7.6 This matter may merit discussion during the hearings and we would welcome the Inspector's views on the latest projections.
- 8.0 The 10% uplift applied to the demographic OAN should be removed from the methodology all together or applied later**
- 8.1 The Inspector indicated that the 10% uplift applied to the demographic OAN in the SHMA to account for market signals be applied later in the methodology or removed entirely.
- 8.2 This 10% uplift is applied to take account of falling levels of in-migration, increases in overcrowding, falling completion rates during the recession and apparent underperformance in housing completions compared to national trends.
- 8.3 The Council considers that the application of the 10% uplift is appropriate and applying it later in the methodology would mean uplifting the Council's economic OAN, which is not its purpose. The Council requests that we revisit the issue of where to apply the 10% uplift.
- 8.4 The Council's request notwithstanding a brief assessment of the effect of moving the 10% uplift to later in the methodology was carried out. Assuming that the rest of the OAN methodology were to remain unchanged and we were to apply the 10% market uplift after we had made our assessment of both demographic and economic OAN then the Council could expect its Full OAN to increase to between 200 and 213 dpa.

**9.0 The Inspector advised that the Council should ensure that its employment forecasts are justified. The Inspector pointed out that this section of the OAN assessment has the most potential for variation between given methodologies**

9.1 The Council considers that its assessment of economic OAN is justified. The step by step approach to the economic elements of the OAN is set out in Appendix 1.

**10.0 The Inspector asked the Council to provide a ‘policy off’ OAN**

10.1 This SHMA proposes to meet the Full OAN which is identified as 194-206 dpa.

**11.0 The Inspector asked the Council to demonstrate that the OAN would provide a boost in supply beyond past delivery rates.**

11.1 The Council considers that the figure of 200 dpa will boost significantly the supply of housing above past rates as demonstrated when it is compared to table 4 below, which shows an average of 167 dwelling completions per year between April 2003 and March 2016.

11.2 It’s clear that the Council has only seen completion rates beyond its proposed OAN figure on three occasions between April 2013 and March 2016. Only once did completions exceed the Core Strategy figure of 239.

Table 4: Completions (April 2016)

<b>Monitoring Year</b>	<b>Total Number of Completions</b>
April 2003 - March 2004	186
April 2004 - March 2005	210
April 2005 - March 2006	148
April 2006 - March 2007	165
April 2007 - March 2008	158
April 2008 - March 2009	153
April 2009 - March 2010	104

<b>Monitoring Year</b>	<b>Total Number of Completions</b>
April 2010 - March 2011	129
April 2011 - March 2012	121
April 2012 - March 2013	237
April 2013 - March 2014	175
April 2014 - March 2015	129
April 2015 - March 2016	258

**12.0 The Inspector indicated that the Council must be able to demonstrate that the OAN is deliverable in the District.**

- 12.1 Table 4 above indicates that historical completions have consistently fallen below the Core Strategy's housing target (which is considered to be overly optimistic and was based on a desire to stimulate economic activity). One of the considerations in developing the OAN for the Emerging Local Plan was to ensure that a realistic housing target was identified, particularly one which would allow the Council to maintain a five year housing land supply.
- 12.2 Table 5 below shows an indicative breakdown of the Council's current land supply. It is clear that once the Council begins to approach a figure of 220 dpa our ability to deliver a five year housing land supply will become tenuous.
- 12.3 If the Council were to apply its current OAN of 200 dpa then it would indeed be deliverable.
- 12.4 Another issue that has arisen based on consideration of a possible increase in the Council's OAN figure comes from the fact that Cumbria County Council's assessment of infrastructure capacity and future requirements in the District is based on an OAN figure of 200dpa. The Council was concerned that increases in the housing target may have a knock on effect on infrastructure in Penrith.
- 12.5 Discussions were held on the 7<sup>th</sup> of July with representatives of Cumbria County who have agreed to produce a technical note for the hearing. At present it is understood that an increase in the housing target up to 220 dpa would not be expected to have a significant impact on infrastructure in Penrith.

Table 5: Land Supply Indicative Table (April 2016)

	<b>New Local Plan</b>	<b>250</b>	<b>245</b>	<b>240</b>	<b>235</b>	<b>230</b>	<b>225</b>	<b>220</b>	<b>215</b>	<b>210</b>	<b>205</b>
Local Plan Target (18 Years)	3600	4500	4410	4320	4230	4140	4050	3960	3870	3780	3690
Completions to Date	385	385	385	385	385	385	385	385	385	385	385
Target Completions	400	500	490	480	470	460	450	440	430	420	410
Undersupply	15	115	105	95	85	75	65	55	45	35	25
Undersupply + 20%	45	138	126	114	102	90	78	66	54	42	6
5 Year Requirement	1000	1250	1225	1200	1175	1150	1125	1100	1075	1050	1025
5 Year Requirement + 20%	1200	1500	1470	1440	1410	1380	1350	1320	1290	1260	1230
Requirement + Undersupply	1245	1638	1596	1554	1512	1470	1428	1386	1344	1302	1236
Annual Requirement	249	327.6	319.2	310.8	302.4	294	285.6	277.2	268.8	260.4	247.2
Total Units	1,534	1534	1534	1534	1534	1534	1534	1534	1534	1534	1534
<b>Supply (Years)</b>	<b>6.16</b>	<b>4.7</b>	<b>4.8</b>	<b>4.9</b>	<b>5.1</b>	<b>5.2</b>	<b>5.4</b>	<b>5.5</b>	<b>5.7</b>	<b>5.9</b>	<b>6.2</b>



## Appendix 1: EDC OAN Methodology Reference Table

EDC Methodology	Source	Explanation
Overview		<ul style="list-style-type: none"> <li>- To meet Household growth we will need 110 households per year. To adjust for market signals we apply an uplift of 10% (in accordance with PAS guidance). So 110 households per annum becomes 121 households per annum.</li>   <li>- We convert the figure of 121 households into a dwelling number by applying the current ratio of households to dwellings, which is 1.089 according to the 2011 Census (this reflects vacant and second home ownership). Applying this figure gives us a starting point figure of 132 dpa to meet future demand.</li>   <li>- The second stage of the process is to consider possible market pressures or signals. We conclude that there is no 'hotspot' type behaviour compared to neighbouring Districts, but that affordability has worsened over time, which could justify a need to raise targets (this matter is dealt with later in the SHMA process).</li>   <li>- The third stage is to look at the need to support future job growth. Several methods of looking at job growth were considered with the conclusion that up to 194-206 homes per year may be needed to support jobs growth.</li>   <li>- The fourth stage of the assessment considered whether the OAN figure which was reached in stage three would result in enough housing being developed to meet the District' s</li> </ul>

EDC Methodology	Source	Explanation
		<p>affordable housing need. It concludes that our figure of 200 per annum, together with new affordable housing supply will meet this need.</p> <ul style="list-style-type: none"> <li>- The fifth stage considers if we need to cater for neighbouring Districts. A small amount of need is identified in the part of Eden which lies in the Lake District National Park. We conclude that the figure of 200 homes per year will meet this need, and that it can be accommodated outside the National Park within the rest of Eden District.</li> <li>- Based on the assessment outlined above we conclude that a figure of 200 dwellings per annum is the appropriate figure.</li> </ul>
Identify housing market area		<ul style="list-style-type: none"> <li>- Eden is a largely rural District and its major employers and many of its residents are located at its biggest town (Penrith) which is centrally located within the area.</li> <li>- The area does not have any major settlements sitting next to its boundaries that cannot meet their own needs.</li> <li>- The area has previously been established through joint working with other Cumbrian authorities and common HMA geography has been agreed.</li> <li>- No significant cross boundary housing supply and demand issues have been identified through the duty to co-operate, and there have been no requests from other authorities for Eden to</li> </ul>

EDC Methodology	Source	Explanation
		<p>accommodate housing demand from elsewhere.</p> <ul style="list-style-type: none"> <li>- The area corresponds to the 'single tier' area set out in the 'Geography of Housing Market Areas' study referred to in the Planning Advisory Services technical note on establishing need. This work carried out by Newcastle University and published by the Department of Communities and Local Government in 2010 set out a 'top down' national set of housing market areas based on migration and commuting patterns from the 2001 Census.</li> </ul>
CLG Household Projections (2012 base)	<p>The 2011 census is the starting point.</p> <p>2012 household projections</p>	<p><b>Task 1:</b>  <b>110</b> households per year based on 2011 census.  (Equivalent to <b>120</b> dpa)</p>
10% uplift to address market signals	PAS Guidance <sup>19</sup>	<p>In response to identified Market signals (falling levels of in migration, increase in overcrowded households, falling completion rates during recession and Eden's underperformance on housing completions when compared nationally) an uplift of <b>10%</b> is applied to the 110 households per year figure, which gives us an uplift of <b>121</b> households per annum.</p>
Demographic Projections	<p>2012 – Based SNPP</p> <p>CLG 2012 based household</p>	<p>The figure of <b>121</b> households per annum is converted into a dwelling number by applying the current ratio of households to dwellings (based on 2011 Census – <b>1.089</b> dwellings to households, meaning there is</p>

<sup>19</sup> PAS: Objectively Assessed Need and Housing Targets; Technical Advice Note, p.31

EDC Methodology	Source	Explanation
	formation rates	second home ownership in the District). <ul style="list-style-type: none"> <li>• <b>132</b> dwellings per annum (inclusive of vacancy and second homes rate)</li> </ul>
Past delivery & market signals	<p>Royal Institute of Chartered Surveyors</p> <p>Valuation Office</p> <p>Department of Communities and Local Government (collected up to 2011)</p> <p>(House prices used as proxy for land prices)</p> <p>Department of Communities and Local Government</p> <p>Zoopla 'Zed-index'</p>	<p><b>Task 2</b></p> <p>No changes applied to the OAN at this stage, following assessment of land and house prices, rents, affordability, development rates, and overcrowding.</p>
Other local circumstances not captured by past trends		None Identified.
Future Jobs	<b>Jobs and workers now:</b> National online Manpower Information Service (NOMIS),	<b>Task 3:</b> Future job growth (Economic OAN).  <b>2011 Census</b>

EDC Methodology	Source	Explanation
	<p>run by ONS.</p> <p><b>Jobs now and in the future:</b> Based on bespoke “Experian” projection data. (the data is commissioned for the County-wide POPGROUP analysis)</p> <p>ONS Statistics 2012 SNPP projections.</p>	<p>38,375 residents aged 16+, of whom 28,413 are economically active. 26,527 are in work and 6,685 are self-employed.</p> <p><b>Travel Flows</b> 1,466 more people travel in to Eden daily than travel out of Eden. Therefore the District is a net importer of labour. 75% of working residents work in the District (70% is considered to represent a self-contained housing market).</p> <p><b>NOMIS data</b> ONS Annual Population Survey – 28,500 economically active residents at 2014.</p> <p>‘Employment by occupation’ for 2014 based on ONS Annual Population Survey estimates 27,600 workers.</p> <p>ONS Business Register and Employment Survey (BRES) suggest 22,200 ‘employee jobs’ at 2013. This excludes self-employed and those working in agriculture.</p> <p>NOMIS reports a figure of 31,000 jobs at 2013. It includes part time workers and self-employed, as well as Government supported trainees. This compared to the resident working age population of 31,800 gives a job density ratio of <b>0.98</b>.</p> <p><b>Job Seekers Allowance data</b> Eden has low levels of unemployment (1.3%) and therefore has little in the way of an untapped workforce.</p>

EDC Methodology	Source	Explanation
		<p><b>Experian Data</b>  2014 Experian job projections data prepared for the County Council. This shows <b>22,037</b> full time equivalent and jobs at 2014 and <b>27,228</b> total employment.</p> <p>(FTE equivalent are defined as full time employees plus 40% of the hours worked by full time employees).</p> <p>Experian projections assume a forecast growth of 1,571 additional full time equivalent jobs over the period 2014-31 To account for the shortfall of 1 year between the projections and the end of our plan period we assume a proportional rate of growth for this year, giving us 1,663 additional jobs to 2032, meaning 23,700 jobs.</p> <p>The total employment figure is <b>29,722</b>.</p> <p><b>ONS 2012 SNPP</b>  Demographic OAN = 110 dpa.</p> <p>Economic activity rates derived from the 2011 Census (16-74 year olds, which is the age range provided by the census).</p> <p>This gives us a decline of 1,088 female workers; a decline of 832 male workers; and a total decline of 1,920 workers between now and 2032<sup>20</sup>.</p>

<sup>20</sup> SHMA, Table 19, p.50

EDC Methodology	Source	Explanation
		<p><b>Workers now and in the future</b></p> <p>For 2014 – The 2011 Census data gives us 28,400 workers for our calculation.</p> <p>For 2032 – The 2012 SNPP for 2014 with 2011 economic activity rates applied to the age range 16-74 gives us 26,480 workers in 2032. A decrease of 1,920 over the plan period.</p> <p>(Some Local Plans assume increasing economic activity rates due to increasing retirement ages. However this has been criticised and is not methodologically robust).</p> <p><b>Jobs now and in the future</b></p> <p>For 2014 – Experian - 27,228 in employment or 22,037 FTE jobs at 2014.</p> <p>For 2032 – Experian - 29,583 in employment and 23,608 FTE jobs to 2031 To calculate the extra year of our plan period. Take the 2031 figure 29,583 and minus the 2014 figure 27,228 to equal 2,355. Divide 2,355 by 17 years to give you 138.5 and add this to 29,583 to give you 29,722.</p> <p>29,722 in employment and 23,700 FTE to 2032.</p> <p>This is an increase of 2,494 over our plan period (or 1,663FTE)</p>

EDC Methodology	Source	Explanation
		<p>We apply the growth rate of 9.16% over the period 2014-2032 for all jobs to the 2011 Census 'employees resident workforce in employment plus net commuting' figure of 27,993 this would result in 30,557 jobs and- an additional <b>2,564</b> jobs.</p> <p>We apply a percentage increase based on the ONS NOMIS 2014 figure of 31,000 jobs quoted in the job density calculations this would result in 33,374 jobs – an additional <b>2,374</b> jobs.</p> <p>This gives us a range of <b>2,293-2,564</b> jobs.</p> <p>Converting the loss of 1,920 economically active workers and the gain of somewhere between 2,293 and 2,564 new jobs into housing demand.</p> <p>We chose the economically active figures of 2014-28,400 and 2032-26,441 to use in our calculations. We chose these because they represent the bigger number.</p> <p>We then apply the existing labour force ratio (employees to jobs) and apply this to the future jobs, to give us the future additional workforce. This is then converted into a population equivalent by assuming the current ratio of residents to employees, and then to households by dividing the figure by average household size according to the 2011 census (2028 people per household).</p> <p>Households are then converted to dwellings using the ratio that applied at the time of the 2011 Census i.e. (1.089 dwellings to households).</p>



EDC Methodology	Source	Explanation
		<p>For the loss of economically active workers we apply a ratio based on the relationship between the economically active populations to employees in employment figure from the 2011 Census to provide a figure for 'lost' workers.</p> <p>The full calculation to translate new jobs into dwellings is set out in the SHMA Table 21: Jobs to Dwellings Calculator.</p> <p>This gives a range of <b>194-206</b> homes per year.</p> <p>Given the methodological weaknesses of this part of the OAN other scenarios are tested to see if 194-206 seems reasonable.</p> <p>In brief these methods are:</p> <ul style="list-style-type: none"> <li>• Method 2 – POPGROUP – Bespoke economic and housing projection models  POPGROUP automatically assumes people automatically come into an area to do new or vacant jobs. This produces an unrealistic figure. It gives a figure of <b>307</b> new homes per year. For Eden the modelled rate was 307 dwellings per year, based on 2011 household formation rates (2012 rates not being available at the time).</li> <li>• Method 3 –Estimates based on past trends this gives a figure of 179 new homes per year, which is below the figure we have identified through our demographic projections and job forecast</li> </ul>

EDC Methodology	Source	Explanation
		calculations.
* this will give the OAN (Policy off)		<p>The range of <b>194-206</b> new homes per year is considered to represent what we need to meet future jobs growth.</p> <p>We take the midpoint of this range to be our Objectively Assessed Housing Need.</p>
Policy and supply factors		<p><b>Task 4.</b></p> <p>From this point we consider what is needed to meet our Policy Objectives.</p> <p>Our policy objective is to deliver enough affordable housing for those unable to access market housing.</p>
Affordable housing need		<p><b>Affordable Housing Need</b></p> <p>OAN and Affordable housing are calculated by alternate methods.</p> <p><b>Estimation of Housing Need</b></p> <p>The model: <i>New demand into the system - existing demand - demand leaving the system.</i></p> <p>The basic method set out in Government guidance is;</p> <ol style="list-style-type: none"> <li>1. <b>Current need</b> - People on the housing waiting list or in overcrowded or unsuitable accommodation.</li> </ol>

EDC Methodology	Source	Explanation
		<p>2. <b>People falling into need</b> - Total newly arising housing need (gross per year). The number of newly forming households multiplied by the proportion of those unable to afford market housing <b>plus</b> existing households falling into need. Then <b>subtract</b> current supply of available affordable housing stock, along with any that will already be built in the future given eventual figures. (There are several data sources available – Household projections/ English Housing Survey/ Local Authority and registered social landlords databases, and mortgage lenders.</p> <p><b>Results:</b>  <b>Stage1: Current Need</b>            Census 2011 = <b>824</b> overcrowded households.</p> <p>Our approach is to take the highest figure we can find to avoid underestimating need and to compensate for the fact that the 2011 census does not provide information on adult children living with parents.</p> <p><b>Stage 2:Future Need</b>            2012 household projections = <b>110</b> households per year            CACI data indicates that 78.4% of dual person households will fall into need.  <math>110 \times 0.784 = \mathbf{86}</math> affordable homes per year.</p>

EDC Methodology	Source	Explanation
		<p>Existing households falling into need is based on Continual Recording of Lettings and Sales (CORE) Data = 64 households Combining 86 and 64 = <b>150</b> households per year.</p> <p>Stage 3: Affordable Housing Supply  Minus affordable housing supply.  Surplus stock = <b>0</b>  Committed supply of new affordable stock =<b>56</b>  Unit to be taken out of management = <b>0</b>  Annual supply of social re-lets (net) = <b>140</b>  Annual supply of intermediate stock available for re-let/sale at sub market levels = <b>3</b>  Total supply of affordable housing = <b>199</b> for the first 5 years, <b>203</b> thereafter</p> <p><b>Stage 4; converting the stock and flow of need into an annual affordable housing figure</b></p> <p>Total households = <b>23,043</b></p> <p>The following sub-stages are then applied to the total number of households.</p> <p><i>Stage 1. Current Need</i>  1a – homeless households and those in temporary accommodation – annual requirement = 0  1b – Overcrowded households – current need = <b>824</b></p>

EDC Methodology	Source	Explanation
		<p><i>Stage 2: Future Need</i></p> <p>2a – number of new households who can't afford based on ONS household formation (adjusted) and Paycheck Data – 78.4% new households cannot afford a lower quartile house = <b>86</b></p> <p>2b – Existing households falling into need – Annual requirement = <b>64</b></p> <p>2c – Total newly arising housing need (gross each year) – 2a+2b = <b>150</b></p> <p><i>Stage 3: Affordable Housing Supply</i></p> <p>3a – Committed supply of new affordable units – Total annual = <b>56</b></p> <p>3b –Units to be taken out of management – none assumed = <b>0</b></p> <p>3c –Total affordable housing stock available – 3a + 3b = <b>56</b></p> <p>3d – Annual supply of social re-lets (not new build, net) – Annual Supply (3 yr. average) = <b>140</b></p> <p>Total Households: <b>23,043</b></p> <p>3e – Annual supply of intermediate affordable housing available for re-let or resale at sub-market levels = <b>3</b></p> <p>3f – Annual supply of affordable housing – 3b+3c+3d+3e = <b>199</b></p>

EDC Methodology	Source	Explanation
		<p>Stage 4: Estimate of Annual Housing Need</p> <p>4a – total backlog need – 1b = <b>824</b></p> <p>4b – annual backlog reduction – assume backlog is removed over 5 years (20% p.a.) – 4b+4c = <b>165</b></p> <p>4c - –Plus newly arising need includes existing households falling into need – 2c = <b>150</b></p> <p>4d – Total annual affordable need-4b+4c = <b>315</b></p> <p>4e –Annual affordable supply- 3f = <b>199</b></p> <p>5 – net annual shortfall- 4d-4e = <b>116</b> (total affordable housing need, annualised over the next 5 years)</p> <p><b>Stage 5: Applying an element of housing need to the plan target</b></p> <p>Establishing a ‘trajectory of need’</p> <p>824 overcrowded households</p> <p>+86 annually (newly arising need) x 18=1,548</p> <p>+64 annually (households falling into need) x18=1,152</p> <p>There is a need for <b>3,524</b></p> <p>Amount of affordable housing supply coming forward: <b>279</b> committed supply available over the first 5 years.</p> <p>New affordable housing coming forward: 30% of 200</p>

EDC Methodology	Source	Explanation
		<p>= <b>60</b> units per year after the first 5 years factoring in <b>relets</b>(properties that are occupied by people in need and then become available again): <b>140</b> per year plus <b>3</b> per year on average of intermediate stock becoming available.</p> <p>Added to the potential supply over the plan period we get <b>3,633</b> affordable homes 2014-2032 (including re-lets).</p> <p>This means we have <b>no need</b> to increase our OAN beyond 200 units per year.</p>
Cross boundary unmet need	None identified	No other neighbouring Councils have requested that we meet any of their housing need.
Policy objectives	To meet the whole OAN for the District.	<p>The OAN 'Policy Off' figure is <b>194-206</b>.</p> <p>A figure of 200 is identified as the amount of housing we should plan for based on a consideration of potential policy on figures. This is based on the grounds that the 200 homes per year figure will ;</p> <ul style="list-style-type: none"> <li>- Meet the objectively assessed requirements for both market and affordable housing.</li> <li>- Significantly exceed available household projections</li> <li>- Boost significantly the supply of housing above past trends</li> <li>- Meet job growth aspirations</li> <li>- Provides an anticipated level of affordable housing to meet need.</li> </ul>

EDC Methodology	Source	Explanation
Housing target (Policy On)		The Policy On target is therefore <b>200</b> .



## Appendix 2: Breakdown of Barton Willmore alternative OAN methodology

<b>Barton Willmore OAN Methodology</b>	
1	<p>'starting point' – CLG 2012 based Household Projections. (Adjustment made to accommodate vacant and second homes = 9.54%) = <b>122</b> net additional dwellings pa.</p>
2	<p>Adjustment for 'suppressed' household formation between the ages of 25&amp;44 years. = <b>122-131</b> net additional dwellings.</p>
3	<p>Adjustment to migrant trends.</p> <p>Migration trends from the ONS 2012 –based SNPP have been suppressed These are replaced by 10 year period 2004-2014. Suggests a higher population increase. The combined demographic adjustment = <b>148-157</b></p> <p>The 2012 SNPP = (2007-2012) Barton Willmore replaces this with migration trends from 2004-2014 and 2009-2014.</p> <p>They consider these in two ways. By 'Counts' and 'Rates'.</p> <p>Counts = net migrant count per year by age and gender, for each migration flow (movement in and out) over a period.</p> <p>Rates = average migrant count per year divided by the reference population (reference population is the UK population minus District population for in flows and District population for out flows), by age and gender for each migration flow over a given period.</p> <p>Barton Willmore prefer a 'rates' based approach.</p> <p>The alternative migrant profile/ trends come from ONS Mid-Year Population Estimates 2003/04-2013/14 detailed</p>

	<p>components of change.</p> <p>The rates over the two time periods (2004-2014 and 2009-2014) are calculated for internal migrants only and for international migrants an average of counts over the two time periods are applied. Population is constrained to 2014 mid-year Population Estimates.</p> <p>The household representative rates are uplifted by the following means;</p> <p>CLG 2012 based household projections are returned to 2008 rates.</p> <ul style="list-style-type: none"> <li>i. A gradual full return to 2008 rates</li> <li>ii. A gradual return to the 2008 rates so that by 2032 they represent 50% of the projected growth in the original 2008 rates.</li> <li>iii. a gradual full return to 2001 household formation rates for male and females aged 25-34 and 35-44 years, only where the 2012 rates are projected to decline below the 2001 rates (this meant an adjustment to only male rates for those aged 25-34 years).</li> </ul>
4	<p><b>Economic OAN</b></p> <p>The ‘supporting job growth’ – scenario uses a <b>triangulated</b> average of Experian economics/ Cambridge Econometrics/ Oxford Economics. Barton Willmore concludes that the labour force capacity of the demographic assessment will not support the job growth in line with the likely demand for jobs arising during the Plan Period.</p> <p>The following method is applied:</p> <p>2011 Census rates by 5 year age group and sex for Eden projected following OBR Nov 15 national projection which assumes increased activity related to increased SPA.</p> <p>Unemployment rates 3.9% (2011) returning to pre-recession average of 2.0% by 2021 based on ONS data from APS for Eden</p> <p>Commuting ratio</p>

2011 Census value of 0.95 fixed over the forecast period (assumes Eden is a net importer of labour)

To house this additional population there will need to be between **225 and 236** net additional dwellings per annum.

To meet the Council's job growth aspirations of 135 net additional jobs per annum there is a requirement of **277-289** additional houses per annum.