
Wycombe District Local Plan Examination

Further Written Statement
submitted on behalf of Gallagher Estates
(ID: 0953)

**Matter 3:
Housing Provision, Supply, Affordability
and Gypsy and Traveller Accommodation**

June 2018

Wycombe District Local Plan Examination
Response to Inspector's Matters, Issues and Questions

Matter 3:

**Barton Willmore LLP on behalf of
Gallagher Estates (ID: 0953)**

Project Ref:	28134/P3/A5	28134/P3/A5
Status:	Draft	Final
Issue/Rev:	-	a
Date:	27 th June 2018	29 th June 2018
Prepared by:	Debbie Mayes / Michael Knott	Debbie Mayes/Michael Knott
Checked by:	Michael Knott	Michael Knott
Authorised by:	Michael Knott	Michael Knott

The Blade
Abbey Square
Reading
Berkshire. RG1 3BE

Tel: 0118 943 0000
Fax: 0118 943 0001
Email: planning@bartonwillmore.co.uk

Ref: 28134/P3a/A5/EF/MK/slh

Date: 29th June 2018

COPYRIGHT

The contents of this document must not be copied or reproduced in whole or in part without the written consent of Barton Willmore LLP.

All Barton Willmore stationery is produced using recycled or FSC paper and vegetable oil based inks.

INTRODUCTION

- 1.1 Barton Willmore LLP is instructed by Gallagher Estates to submit this further written statement in response to the Inspector's Matters, Issues and Questions. These representations expand upon the representations submitted on behalf of Gallagher Estates at the earlier stages of the Wycombe District Local Plan's preparation.
- 1.2 Gallagher Estates controls land off Shootacre Lane on the southern edge of Princes Risborough which is promoted for residential development. The site includes land which is identified as part of the 'Area for Comprehensive Development' in order to provide the southern section of the proposed Relief Road. It is not proposed in the Local Plan as an allocation for residential development; it is an omission site.
- 1.3 Our representations submitted in response to the Regulation 19 Local Plan consultation included a Vision Document which presents our client's development proposals for the site.

RESPONSE TO INSPECTOR'S QUESTIONS - MATTER 3

Issue: Is the objectively-assessed need for housing soundly based, supported by robust and credible evidence and is it consistent with national policy? And will it be met during the Plan period?

Objectively-Assessed Need for Housing

1. **Have the Housing and Economic Development Needs Assessments (HEDNA 2, HEDNA3, and HEDNA 5) been positively prepared and are their conclusions in respect of housing soundly based and justified?**

 2. **Is the objectively-assessed need for housing (OAN) of 13,200 additional dwellings over the plan period (660 dwellings per annum) based on robust and up-to-date evidence?**
- 1.1 No. Appendix 1 to this statement provides detail as to the reasons why Barton Willmore (BW) consider there to be weaknesses in the calculation of OAN set out in HEDN2, HEDN3, and HEDN5. Appendix 1 also provides sensitivity testing of the HEDNA approach, using the PopGroup demographic forecasting model. In this statement we provide a summary of Appendix 1, with relevant additional information since Appendix 1 was prepared in late 2017.

Demographic-led OAN

- 1.2 BW agree with the decision of the HEDNA to adjust the starting point estimate of OAN for **10-year migration trends**, however BW's sensitivity testing results in a slightly different population growth figure than the HEDNA's.
- 1.3 BW's sensitivity testing in Appendix 1 results in a slight difference in projected population growth (see Table 2.1, page 8, Appendix 1) for the 10-year migration trend (17,739 people as opposed to 19,090 people, 2013-2033) drawn from the same period (2005-2015). This is likely to be due to slightly different approaches to using the demographic modelling software (PopGroup).

- 1.4 We do not know what migration projection method HEDNA has used, for example whether migration rates or counts have been used, or whether a straightforward uplift to the counts projected by the 2014-based projections has been applied. The approach of BW is to use migration rates, which for internal in migration uses the UK population as the denominator. This is the approach adopted by the ONS and is considered the most robust method.
- 1.5 In terms of **HFRs** the HEDNA provides no interrogation of past trends or projections to determine whether an adjustment to the published HFRs by the Ministry for Housing, Communities and Local Government (MHCLG) is required. This analysis is required by PPG (ID2a-015) to determine whether HFRs have been affected by under-supply and worsening affordability of housing.
- 1.6 BW's HFR analysis fills the gap left by the HEDNA (paragraphs 2.34-2.46, Appendix 1). This analysis shows how a sharp worsening in affordability between 2001 and 2011 coincided with HFRs for the 25-34 age (first time buyer) group falling away from their projected path (2008-based), altering course from an already evident decline (HFRs were already constrained) into a pronounced and markedly steeper fall (see Figures 2.2, Appendix 1).
- 1.7 Figure 2.2 also shows how the lower quartile and median affordability ratios have risen significantly since the onset of recession in 2009. Bringing the evidence up to date, the lower quartile ratio has risen by 45% (from 8.30 to 12.03) and the median ratio by 50% (from 7.64 to 11.48), 2009-2017. This compares with a regional and national increase of 40% and 24% respectively (median), and 32% and 11% (lower quartile).
- 1.8 In this context BW adjust HFRs in the 25-34 and 35-44 age groups (50% return to 2008-based HFRs) in line with advice published by the Local Plans Expert Group (LPEG) report to Government in March 2016. Table 2.3, Appendix 1 shows how this increases the demographic OAN from 11,030 dwellings, 2013-2033 (552 dwellings per annum (dpa)), to 12,340 dwellings (617 dpa). The uplift of 11.8% for this factor alone illustrates the impact of HFRs and the importance of adjusting them for suppression.
- 1.9 In this context the demographic OAN determined by BW is **12,340 dwellings, 2013-2033 (617 dpa)** as opposed to the HEDNA's 11,207 dwellings (560 dpa; Figure 122, page 42, HEDN2).

Economic-led OAN

- 1.10 Although BW agree with the majority of the assumptions used to determine economic-led OAN in the HEDNA, we consider the approach to **commuting** to be flawed. This has implications for the assessment of economic led OAN.
- 1.11 On the face of it, the HEDNA 2016 suggests that the 2011 Census commuting ratio has been used for the purposes of establishing the economic-led OAHN (paragraph 7.41, HEDN3). However, the approach of the HEDNA does not apply the 2011 Census commuting ratio *consistently* across the assessment period, as would be expected by a 'policy-off' OAN.
- 1.12 Instead, it appears that ORS assume the same rate of jobs will be filled by workers from outside the HMA as suggested by the commuting ratio, ignoring the fact that if the ratio is to be held constant, then the same proportion of the HEDNA workforce will continue to work outside of the HEDNA area. As we have understood this from the explanation included in ORS' HEDNA, we calculate that this approach ignores 4,268 people (see Figure 4, our Appendix 2), thereby reducing the 2011 Census commuting ratio from 1.07 to 0.67, i.e. a net **out**-commute to a net **in**-commute.
- 1.13 This is a key weakness of the HEDNA and leads to an underestimation of housing need. In our sensitivity testing we amend this approach by applying the 2011 Census ratio as published, taking into account in-commuters and out-commuters. Our approach was upheld by the Court of Appeal¹.
- 1.14 The **number of jobs** used to determine economic-led OAN by HEDNA 2016 is an Oxford Economics (OE) April 2016 forecast (HEDN3, page 128, paragraph 6.25), preferred to alternatives because *"it is considered to provide the most realistic projection of employment land requirements, and are aligned to the key signals emerging from the market review and stakeholder consultation"* (HEDN3, page 130, paragraph 6.41).
- 1.15 The justification for this is accepted, although it should be noted that the alternative forecast considered (from Experian, dated June 2016) projects greater employment growth, that if realised, would give rise to greater housing need (all other things being equal) than the Oxford forecast.

¹ Court of Appeal Judgment between Oadby & Wigston Borough Council and (1) Secretary of State for Communities and Local Government (2) Bloor Homes Limited, Case No: C1/2015/2447, 27 October 2016

- 1.16 **Economic Activity Rates (EARs)** can be particularly contentious and have a significant bearing on the number of homes required to support jobs. However, BW consider the HEDNA's use of Office for Budget Responsibility (OBR) EARs to be robust. We agree with their use.
- 1.17 The rate of **double jobbing** is also important. The assumption used is that 5.9% of workers are double jobbing (paragraph 7.42, page 146, HEDN3). We take this to mean that for every 100 workers (employed persons), six of them are assumed to have two jobs. Accordingly, 100 workers fill 106 jobs. Although it cannot be determined how HEDN3 arrived at this assumption from the evidence in the document, we consider it to represent a reasonable assumption.
- 1.18 As we detail in Appendix 1 (paragraphs 3.11-3.15), BW do not wholly agree with the **unemployment** assumption applied by HEDN3, preferring use of modelled unemployment rates published by ONS. However, for the purposes of the sensitivity testing presented in Appendix 1 BW have adopted the HEDN3 approach. However, BW have had to calculate the figure for Wycombe based on HEDN3 approach, as HEDN3 does not provide the data.
- 1.19 BW's sensitivity testing of HEDN3's OAN (Table 3.3, page 20, Appendix 1) shows how the demographic-led OAN would support 5,340 additional economically active people, 2013-2033. This is a **shortfall** from the HEDNA job forecast of 4,560 people after an adjustment for unemployment.
- 1.20 An upward adjustment to the OAN is required to generate the economically active population (9,900 people) required to support the HEDNA job forecast (11,350 jobs, 2013-2033). Application of HFRs unadjusted for suppression would lead to OAN of **14,100 dwellings (705 dpa)**. Adjusting for HFR suppression in the 25-44 age group increases this to **15,500 dwellings (775 dpa)**.

Market Signals

- 1.21 HEDN3 applies a 20% uplift for market signals pressure in Wycombe. This is made by using the Eastleigh Local Plan Examination Inspector's decision (February 2015) to apply a 10% uplift to demographic-led need in Eastleigh, as a benchmark. BW consider this to be a rather simplistic and outdated method for determining the adjustment for market signals.

- 1.22 The Eastleigh decision was the first to set a proportional uplift for market signals, the decision is over 3 years old, and the decision was based on the Inspector's endorsement of the Council's evidence describing pressure as 'modest'. No evidence was submitted in that case to show if the 10% uplift would **improve** affordability. PPG (ID2a-2020) is clear that local authorities should *"increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability."*
- 1.23 Furthermore, as detailed in Appendix 1 there have been a plethora of more recent Inspectorate decisions recommending an uplift as high as 30%; alongside academic and Government-endorsed approaches to determining the uplift.
- 1.24 Although an uplift of 20% is welcomed, it is not considered sufficient in seeking to **improve affordability** in Wycombe. BW have referred to the University of Reading/Office for Budget Responsibility (UoR/OBR) affordability calculator endorsed by the Mid Sussex Local Plan Inspector in his February 2017 report. This calculator is attached at Appendix 2, updated to take account of the most recent data.
- 1.25 The UoR/OBR shows that the HEDNA's OAN (655 dpa) would lead to an increase in the median affordability ratio from 11.48 in 2017, to 13.20 by the end of the Plan period (2033). BW's recommended OAN (775 dpa) result in less of an increase (11.48 to 12.63). However, to maintain the ratio at the 2017 level by the end of the Plan period, supply of **1,015 dpa** would be required.
- 1.26 BW do not recommend OAN of 1,015 dpa, but this shows the level of supply that would be required to stabilise affordability levels. This should have a bearing on the OAN determined for Wycombe.
- 1.27 In addition, the proposed standardisation of the method for determining local housing need should also be considered. Following consultation this is expected to be adopted by Government in the revised National Planning Policy Framework. The standard method incorporates three steps to arrive at a local housing need figure, which is to be considered a minimum. The first step is to take the latest official household projection for the next 10 years (565 per annum). The second is to apply a market signals uplift using a standard formula. This results in a **42% uplift** in Wycombe to address affordability constraints, highlighting how a 20% uplift is inadequate.

Housing need within the Housing Market Area (HMA)

- 1.28 The weaknesses identified above in relation to the calculation of OAN set out in HEDN2, HEDN3, and HEDN5 apply to the assessment of housing need across the HMA. On this basis, we also consider the OAN for the local authorities within the Buckinghamshire HMA to be higher than ORS conclude in the HEDNA. Any increase in local housing need elsewhere in the HMA will restrict the amount of unmet need those authorities will be able to take from Wycombe, therefore requiring Wycombe's need to be met through increased delivery in Wycombe itself.

Summary

- 1.29 In summary, the OAN for Wycombe (as set out in Appendix 1) should be a **minimum of 775 dpa** to meet demographic-led need, an uplift for economic growth, and to address market signals pressure.

BUCKINGHAMSHIRE HOUSING MARKET AREA

Housing Need Technical Review

November 2017

BUCKINGHAMSHIRE HOUSING MARKET AREA
HOUSING NEED TECHNICAL REVIEW

November 2017

Project Ref:	28225/A5
Status:	Final
Issue/Rev:	02
Date:	12/12/17
Prepared by:	DU/DM
Checked by:	JD/DU
Authorised by:	JD

Barton Willmore LLP
The Observatory
Southfleet Road
Ebbsfleet
Kent
DA10 0DF

Tel: 01322 374660
Email: research@bartonwillmore.co.uk

Ref: 28225/A5/DU/DM/mob
Date: 12 December 2017

COPYRIGHT

The contents of this document must not be copied or reproduced in whole or in part without the written consent of Barton Willmore LLP.

All Barton Willmore stationery is produced using recycled or FSC paper and vegetable oil based inks.

CONTENTS

PAGE NO.

1.0	INTRODUCTION	01
2.0	DEMOGRAPHIC OAHN PRESENTED IN THE COUNCIL'S EVIDENCE	04
3.0	THE APPROACH TO RECONCILING HOUSING NEED AND JOB GROWTH IN THE COUNCIL'S EVIDENCE	16
4.0	THE APPROACH TO MARKET SIGNALS TAKEN IN THE COUNCIL'S EVIDENCE	22
5.0	SUMMARY AND CONCLUSIONS	29

APPENDICES

APPENDIX 1: THE APPROACH TO ASSESSING HOUSING NEED

APPENDIX 2: PLANNING FOR THE RIGHT HOMES IN THE RIGHT PLACES CONSULTATION

1.0 INTRODUCTION

- 1.1 This report has been prepared by Barton Willmore LLP's Development Economics Team on behalf of (in alphabetical order) Gallagher Estates Ltd and Richborough Estates Ltd to support representations to the Vale of Aylesbury Local Plan (Proposed Submission) and the Wycombe District Local Plan (Publication Version).
- 1.2 The report specifically responds to the Objective Assessment of Overall Housing Need (OAHN) required by the NPPF and PPG, and provides a review, critique, and evaluation of the most recent evidence in respect of the objective assessment of housing need (OAHN) for the local authorities of Aylesbury Vale and Wycombe, which are located in the Buckinghamshire Housing Market Area (BHMA).
- 1.3 The Council's latest housing needs evidence base was prepared by Opinion Research Services (ORS) and reported in the 'Buckinghamshire Housing and Economic Development Needs Assessment (HEDNA) Report of Findings (December 2016)'. An addendum has recently been published in September 2017, however the September 2017 report does not update the OAHN approach. Rather the 2017 Addendum includes a short erratum to correct some of the figures that were presented in the December 2016 report. Barton Willmore therefore address the December 2016 report conclusions for Aylesbury Vale and Wycombe in this report.
- 1.4 The BHMA is defined as consisting of four local authorities: Aylesbury Vale, Chiltern, South Buckinghamshire and Wycombe. The report presented here by Barton Willmore focusses on Aylesbury Vale and Wycombe following our review and critique of the OAHN presented for Chiltern and South Buckinghamshire in December 2016. The conclusions set out in Barton Willmore's December 2016 report continue to reflect our position in respect of Chiltern and South Buckinghamshire.
- 1.5 To provide clarity, we have set out the OAHN figures presented in the 2016 and 2017 reports to show where the minor differences have occurred. See Table 1.1 below.

Table 1.1: HEDNA's Full Objectively Assessed Housing Need (2013-2033)

	HEDNA 2016 (dwellings per annum)	HEDNA Addendum 2017 (dwellings per annum)
Aylesbury Vale	19,250 (963)	19,385 (969)
Chiltern	6,615 (331)	6,654 (333)
South Bucks	6,694 (335)	6,895 (345)
Wycombe	12,824 (641)	13,108 (655)
Buckinghamshire HMA	45,383 (2,270)	46,042 (2,302)

Source: ORS

- 1.6 The minor differences between the two HEDNA reports is due to miscalculation of OAHN in Figure 122 of the 2016 HEDNA. In the 2016 HEDNA the adjustment for household formation (135 dwellings in Aylesbury and 284 in Wycombe) was not added to the full OAHN figures. The 2017 HEDNA addendum rectifies this but does not change the approach of the 2016 HEDNA.
- 1.7 Barton Willmore's review of the draft HEDNA 2016 report (dated October 2016) in December 2016 in respect of Chiltern and South Bucks identified that the HEDNA 2016's OAHN for Chiltern (331 dwellings per annum – dpa) and South Bucks (335 dpa) over the local plan period 2014-2036 provided a combined need for the two authorities of 14,700 dwellings (668 dpa). This was considered to provide a significant underestimate for reasons set out in our December 2016 report. Our analysis identified that the full OAHN was in the range of between 16,080 and 17,370 dwellings 2014-2036 (between 731 and 790 dpa).
- 1.8 Although we note how the proposed standardised method for establishing local housing need (published by CLG for consultation between September and November 2017) is yet to be formally adopted by Government, the intention is currently to do so in 2018. The most recent Local Development Scheme (LDS) for the South Bucks and Chiltern Local Plan (07 November 2017) suggests the Plan will not be submitted until December 2018, by which time the proposed standard method is likely to be formally adopted. In this context it is important to note how the standard method shows need of 316 dwellings per annum in Chiltern, and 432 in South Bucks. Our December 2016 report shows need of 340-410 dpa in Chiltern and 390-400 dpa in South Bucks.
- 1.9 The report we present here in respect of Aylesbury Vale and Wycombe is structured as follows:
- 1.10 **Chapter 2** addresses the demographic projections presented in the Council's evidence base, specifically the population projections and their conversion into household projections.
- 1.11 **Chapter 3** addresses the approach and results reported in the Council's evidence base concerning the number of homes needed to support future jobs growth. Specifically, this chapter considers the number of jobs that the evidence base suggests the OAHN should be underpinned by and how that number of jobs is converted into homes based on a number of assumptions.
- 1.12 **Chapter 4** examines the market signals evidence presented in the Council's evidence, paying particular attention to affordability, and appraises the conclusions regarding market signals (worsening or not) and the proposed response. An alternative to the conclusions and response to market signals by the Council's evidence is presented alongside an explanation as to why it should be preferred.

- 1.13 Finally, **Chapter 5** summarises the main findings of this review and presents overall conclusions on whether there is the potential for an increase to the Council's existing OAHN.
- 1.14 **Appendix 1** sets out the NPPF and PPG approach to assessing housing need.
- 1.15 **Appendix 2** summarises the proposed standard method for calculating local housing need, as published in CLG's 'Planning for the Right Homes in the Right Places' consultation.

2.0 DEMOGRAPHIC OAHN PRESENTED IN THE COUNCIL'S EVIDENCE

i) Introduction

2.1 Section 3 of HEDNA 2016 provides a comprehensive review of past population change across Buckinghamshire, as a basis for first developing plan period population projections for each district and second, converting it into a household and dwelling projection.

2.2 In response to the challenge posed by PPG for the assessment of need to arrive at a 'demographic OAHN' that takes the official projections as a starting point and considers other local evidence alongside it (see Appendix 1 to this report), HEDNA 2016 sets out to address the following lines of inquiry

- Are there any known problems with local data?
- Do we need to take account of any anomalies?
- What period should be used for population trends?
- Has housing delivery suppressed formation rates?

2.3 To support their approach, the following guidance points from PPG ID2a 015 to 017 are referenced:

- Sensitivity testing, specific to local circumstances, based on alternative assumptions in relation to underlying demographic projections and household formation rates ... local changes to be clearly explained and justified on the basis of local evidence. (ID2a 017)
- Taking account of the most recent demographic evidence including the latest ONS population estimates (ID2a 017).

2.4 In addition, PAS OAHN advice is also referenced, specifically the support it lends to basing population projections on a ten year (or greater) period of change in migration levels (PAS, July 2015, paragraph 6.24), in contrast to the ONS population projection which use a 5 year period.

2.5 We consider the demographic analysis of the BHEDNA below for Aylesbury Vale and Wycombe, starting with the approach to determining the population projections.

ii) Population Projection

- 2.6 At the outset it should be noted how the 2016 BHEDNA concludes that a *downward* adjustment to the official ONS 2014-based Sub National Population Projections (SNPP) and Mid-Year Population Estimates (MYPEs) are required in **Aylesbury Vale**.
- 2.7 This results in a conclusion that demographic-led OAHN in Aylesbury Vale is significantly lower than the PPG's 'starting point estimate' of OAHN, the official CLG household projections. ORS' approach to the demographic-led OAHN results in a conclusion that demographic-led OAHN for Aylesbury Vale is 16,934 dwellings, 2013-2033 (847 dpa). This represents a significant 16.4% decline from the CLG starting point estimate of 21,028 dwellings over the same period (1,051 dpa). We consider ORS' justification for this below.
- 2.8 The BHEDNA suggests there are three main reasons why the official ONS population projections for Aylesbury should be adjusted, as follows:
1. Over-estimated population in Aylesbury Vale in the 2001 Census, leading to population growth being underestimated between 2001 and the 2011 Census;
 2. Over-estimated population growth in the 2000s by the ONS MYPEs, specifically the method of estimating international migration over-estimating inflows;
 3. The ONS MYPEs continuing to over-estimate population growth post-2011 Census, when considered against administrative data also recorded by ONS.
- 2.9 In respect of the first point listed above (the 2001 Census population), ORS conclude that the 2001 Census population was 'likely' to have been over-estimated at 165,760 people and that the true figure was around 162,500 people instead (nearly 3,400 people lower than the 2001 Census figure). However it is considered that this view is not given any certainty by ORS and is therefore not properly justified.
- 2.10 It may well be the case that the Census estimate was wrong, however the ORS estimates provides no greater certainty about number, age and gender structure of the population in 2001. All it does is takes us from an official, quality assured statistic to an unofficial alternative that has not been quality assured. Moreover, the 2001 position is of itself irrelevant, of greater importance are the components of population change between the 2001 and 2011 Census and components of change after 2011; because these are the building blocks of plan period population and household projections.

Unattributable Population Change (UPC) 2001-2011

- 2.11 The second point concerns the MYPEs during the 2001-2011 inter-censal period. ORS consider that the MYPEs over-estimated population growth and that this is justified by reference to the **'Unattributable Population Change' (UPC)** element published by ONS.
- 2.12 The UPC element is a discrepancy in the official population statistics that arose between the 2001 and 2011 Census. When 2011 Census results were published, the population in some places was different from what had previously been estimated. ONS therefore adjusted the population figures in the inter-censal period (2001-2011) to bring the figures in line with the Census, but in some cases there remained a discrepancy; reported as UPC.
- 2.13 ONS decided not to readjust its 2012 or 2014-based SNPP to take account of UPC because it did not introduce any bias in the trend data. Furthermore, the ONS considered that UPC was unlikely to be seen in continuing subnational trends because:
- **"it is unclear what proportion of the UPC is due to sampling error in the 2001 Census,**
 - **adjustments made to population estimates following the 2001 Census, sampling error in the 2011 Census and/or error in the intercensal components (mainly migration)**
 - **if it is caused by either the 2001 Census or 2011 Census, then the components of population change will be unaffected**
 - **if it is caused by international migration, it is likely that the biggest impacts will be seen earlier in the decade between 2001 and 2011 and will have less of an impact in the later years when improvements were introduced to migration estimates"**¹
- 2.14 Following the approach of ONS, Barton Willmore's approach is to **exclude** UPC from the assessment of alternative migration trends whether UPC is positive or negative. This approach stems from advice received from the ONS when the UPC element was first introduced in 2013, in which ONS advised Barton Willmore that *"As we cannot be certain whether or not the "other unattributable" relates to migration it would seem sensible to exclude it from migration trends."* UPC by the nature of its name is not attributable to any particular component of population change and therefore to include UPC along with migration trends is not considered appropriate.
- 2.15 It is also notable how the Local Plans Expert Group (LPEG) recommended the exclusion of UPC from the calculation of OAHN in their recommended changes to the PPG's OAHN methodology, presented to Central Government in March 2016.

¹ Page 7, ONS Quality and Methodology Information: Subnational population projections, 10 September 2015

- 2.16 Furthermore when considering alternative net-migration periods (such as the 10-year 2005-2015 period considered in the BHEDNA) to the 5-year periods underpinning the official ONS SNPP, ONS have advised that UPC is only likely to have been a factor in the early part of the 2001-2011 period. This provides further justification for excluding UPC from the alternative 10-year migration trend applied in the ORS HEDNA.
- 2.17 Inclusion of the UPC in Aylesbury Vale would equate to a **reduction** of 5,855 people in Aylesbury Vale but in contrast an **increase** of 5,482 people in Wycombe. Given the approach of ONS and for the reasons given above it is considered robust to exclude UPC from the OAHN process.

Population Change 2011-2015

- 2.18 In respect of **Aylesbury Vale**, the ORS BHEDNA then considers that it is possible the population change from 2011 to 2015 could have been 9,646 people rather than the 13,827 people concluded on by the ONS MYPEs.² This is based on consideration of Patient Register data published by ONS rather than use of the official ONS MYPEs. It is notable how the Patient Register data recorded 3,300 people more people in 2011 than the MYPE but a difference of only 870 people in 2015.
- 2.19 We consider that there is no reasonable justification offered in the BHEDNA to depart from the MYPEs for this Patient Register data. This is emphasised by the broadly comparable figures for 2015 (difference of only 870 people as set out above). Furthermore the patient register relies in part on people registering or de-registering with General Practitioners. This means that not all residents of an area have registered and that some may have left the area either to move elsewhere in the UK or overseas are not de-registered. As a key source of data to verify the HEDNA's assumption about change since 2011, there are therefore several good reasons to be cautious about its accuracy.
- 2.20 The base year for demographic modelling in **Wycombe** remains as per the 2013-based ONS MYPE (173,834 people).

Summary

- 2.21 The result of the three points discussed above is a 10-year net-migration scenario (2005-2015) which results in population growth of only 34,800 people (2013-2033) in Aylesbury Vale. This compares with 46,740 people projected by the official 2014-based ONS SNPP.

² Page 7, ONS Quality and Methodology Information: Subnational population projections, 10 September 2015

- 2.22 As discussed above, Barton Willmore's approach is to **exclude UPC** from net-migration trends (whether positive or negative) based on advice published by ONS and the fact that the ONS exclude UPC from their own projections. It is notable how UPC is a significant *positive* figure in Wycombe (which would result in an increase to housing need figures if included in demographic modelling) but is *excluded* from the ORS assessment in Wycombe.
- 2.23 On this basis we have therefore undertaken our own sensitivity testing of the demographic OAHN for Aylesbury Vale and Wycombe set this out in Table 2.1 in respect of the population projection this sensitivity testing results in against the results of the ORS HEDNA.
- 2.24 It should be noted that we have used the 2005-2015 period for our 10 year migration scenario in order to remain consistent with the 10 year period applied in the ORS HEDNA. The only difference between the ORS and Barton Willmore projection is therefore the inclusion/exclusion of UPC.

Table 2.1, Population Projections for Aylesbury Vale, Barton Willmore and HEDNA 2016

Aylesbury Vale	2013	2033	2013-2033
10 year trend (2005-2015), Barton Willmore	181,071	226,389	45,318
10 year trend (2005-2015), HEDNA 2016	179,159	213,948	34,789
10 year trend (2001-2011), HEDNA 2016		203,798	24,639
2014-based SNPP	181,071	226,357	45,286
Wycombe			
10 year trend (2005-2015), Barton Willmore	173,834	191,573	17,739
10 year trend (2005-2015), HEDNA 2016		192,924	19,090
10 year trend (2001-2011), HEDNA 2016		192,153	18,319
2014-based SNPP		194,134	20,300

Source: ORS Buckinghamshire HEDNA 2016 and Barton Willmore modelling

- 2.25 As can be seen in Table 2.1, the differences between the scenarios applied in the ORS HEDNA are significant in **Aylesbury Vale** as we have already identified in this section of the report. However our own sensitivity testing of the 10 year migration scenario (excluding UPC) results in an almost identical level of population growth to the unadjusted official ONS 2014-based SNPP (difference of only 30 people over the 20-year period assessed).

- 2.26 In this context we consider the 2014-based ONS SNPP to show a robust level of population growth, which is only ratified by our sensitivity testing of the 10 year migration scenario applied without an adjustment for the negative level of UPC recorded in the District between 2001 and 2011.
- 2.27 In respect of Wycombe District, our sensitivity testing of the 10 year migration scenario is slightly lower than ORS', with the 2014-based ONS SNPP showing the highest level of growth in Wycombe.
- 2.28 We do not know what migration projection method HEDNA 2016 has used, for example whether migration rates or counts have been used, or whether a straightforward uplift to the counts projected by the 2014-based projections has been applied. The approach of Barton Willmore is to use migration rates, which for internal in migration uses the UK population as the denominator. This is the approach adopted by the ONS and is considered the most robust method.
- 2.29 Notwithstanding this and in the context of our discussion set out above it is considered that the 2014-based ONS SNPP for both Aylesbury Vale and Wycombe represent robust scenarios for growth and should be considered the most robust for the purposes of establishing demographic-led OAHN in the two Districts. However to remain consistent with our previous report we have concluded on the 10-year migration trend as forming the basis for demographic-led OAHN.

iii) HEDNA 2016's Approach to Household Formation

- 2.30 In contrast to a forensic approach to population change, where a range of local data sources are examined and compared, interrogation by HEDNA 2016 of local household formation rates, both past and projected is non-existent.
- 2.31 Instead, the published 2014-based household formation rates, which are multiplied by the population projections reviewed above (after the communal population has been deducted), are said to *'reflect real demographic trends, and therefore we should not adjust these further'* (HEDNA 2016, page 75, paragraph 3.105).
- 2.32 This conclusion is reached without local investigation and analysis and is at odds with; i) the reports stated line of inquiry (has housing delivery suppressed formation rates?); and, ii) the PPG which at ID2a 015 warns that *'formation rates may have been suppressed historically by under-supply and worsening affordability of housing'* and at 017; *'plan makers may consider*

sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates’.

2.33 To fill the evidential gap in HEDNA 2016, the question of whether to adjust the published household formation rates, and if so by how much, is considered below.

iv) Household Formation Rates and the Demographic OAHN

2.34 The household formation rate projections used by CLG’s 2014-based household projection is largely the same to the formation rate projections used in the 2012-based projections (and the Council’s OAHN). Both take their bearing from household numbers and sizes by age and gender identified through 2011 Census data, collected at a time when household formation is widely regarded to have been constrained.

2.35 HEDNA 2016 fails to acknowledge the underlying relationship between household formation trends and affordability. In both Aylesbury Vale and Wycombe, a sharp worsening in affordability between 2001 and 2011 coincided with household formation rates for the 25-34 age (first time buyer) group falling away from their projected path (2008-based), altering course from an already evident decline (formation rates were already constrained) into a pronounced and markedly steeper fall (see figures 2.1 to 2.3).

2.36 Over the period 2013 to 2033, the 2014-based household formation rate projection for 25-34 year olds continues the rate of decline observed between 2001 and 2011 and as it does, the gap with the 2008-base rate projection, which did not anticipate a continued worsening of the affordability problem, continues to widen. For Aylesbury Vale this is a greater rate of decline than the interim 2011-based household formation rate projections, which were widely acknowledged to be suppressed.

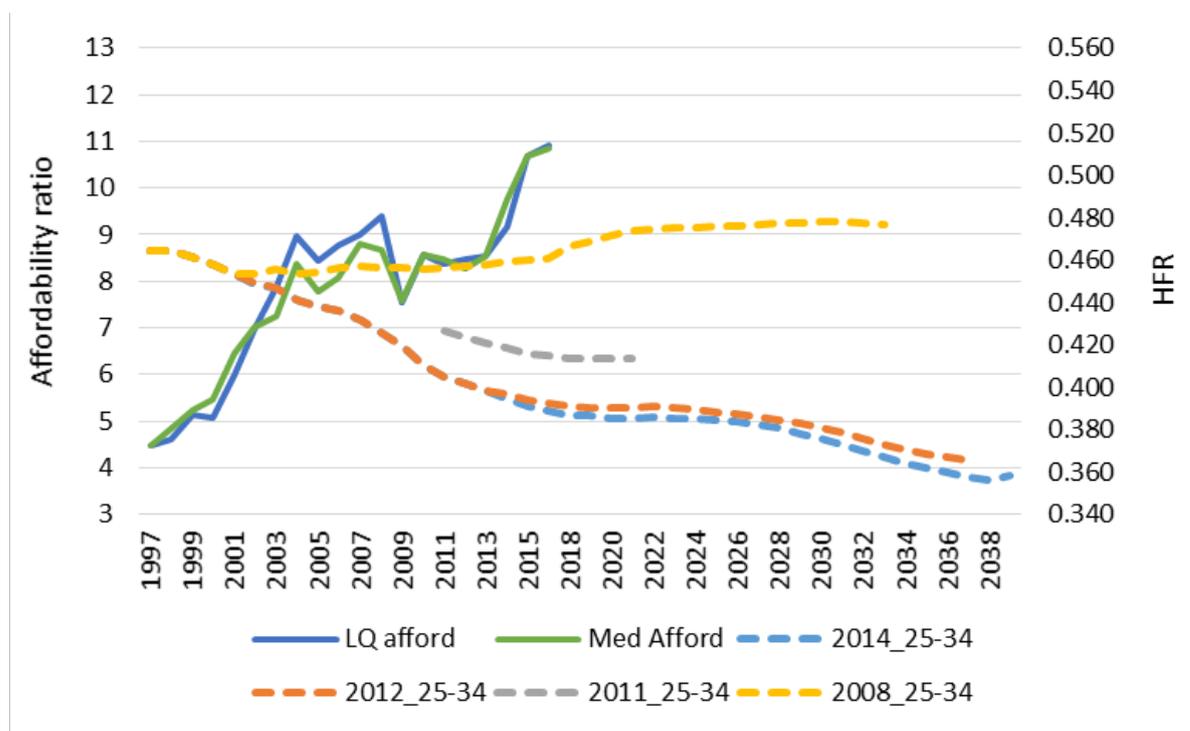
2.37 The lower quartile affordability problem first peaked in 2006 for Wycombe and 2008 for Aylesbury Vale (10.33x and 9.41x respectively) and thereafter moderated/plateaued until 2014/15. Since 2014/15, it has increased again, to 10.92 in Aylesbury Vale and 11.29 in Wycombe. These both remain higher than the national (7.16) and regional (9.99) averages. The median house price to income ratio has followed a similar path.

2.38 Relative to the situation across England as a whole, the 2014-based 25-34 age group formation rate for Aylesbury Vale and Wycombe were evidently already suppressed and declining prior to the 2001 Census, which is not surprising in light of the affordability problem prior to that point. The projected worsening of that trend should be addressed through the OAHN, in line with PPG.

2.39 In both districts the recent (2013 to 2015) worsening of the affordability problem is indicative of worsening undersupply relative to demand manifest as a worsening of the affordability. Figure 2.3 provides a comparison with the national picture and shows how affordability problems at the national level are not as acute as in Aylesbury Vale and Wycombe.

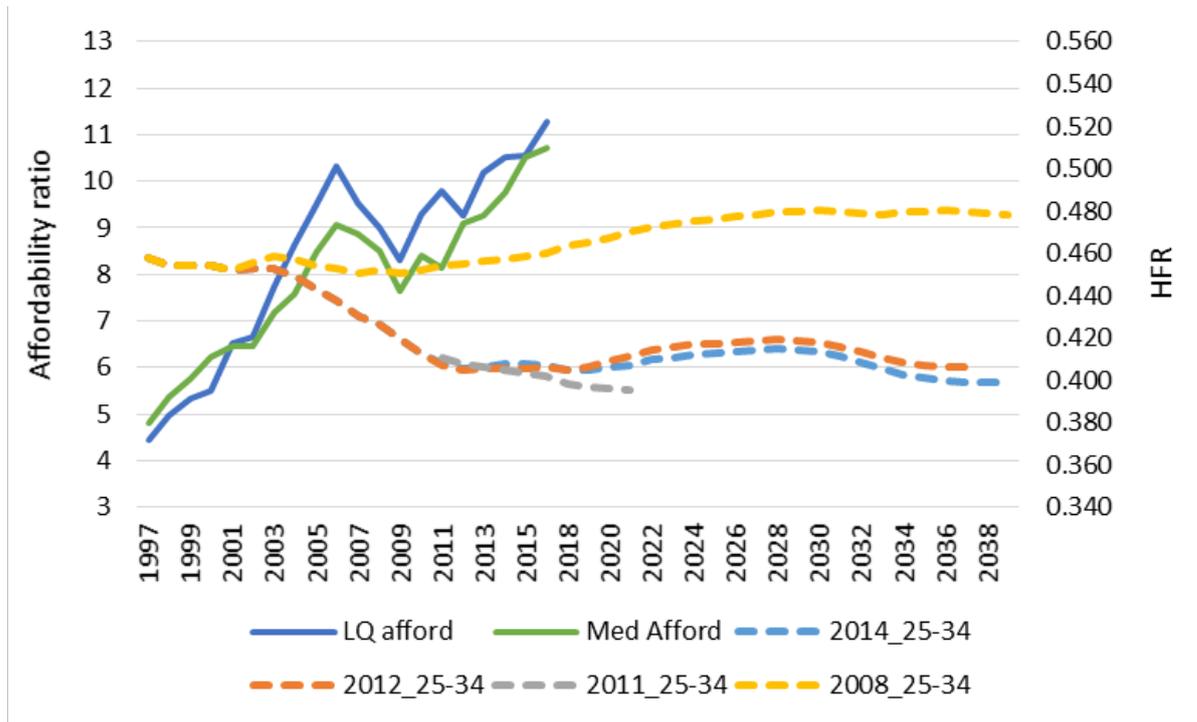
2.40 In conclusion, it is clear that household formation in both Aylesbury Vale and Wycombe is suppressed in the context of rapidly deteriorating affordability between 2001 and 2011, two points in time that directly influence CLG’s 2014-based (and 2012-based) household formation rate projection. In absolute and relative terms (compared to the same projections for England as a whole) suppression is evident in the CLG household formation rate projection for both districts and should be addressed.

Figure 2.1: Household formation (25-34 rate) and affordability, Aylesbury Vale



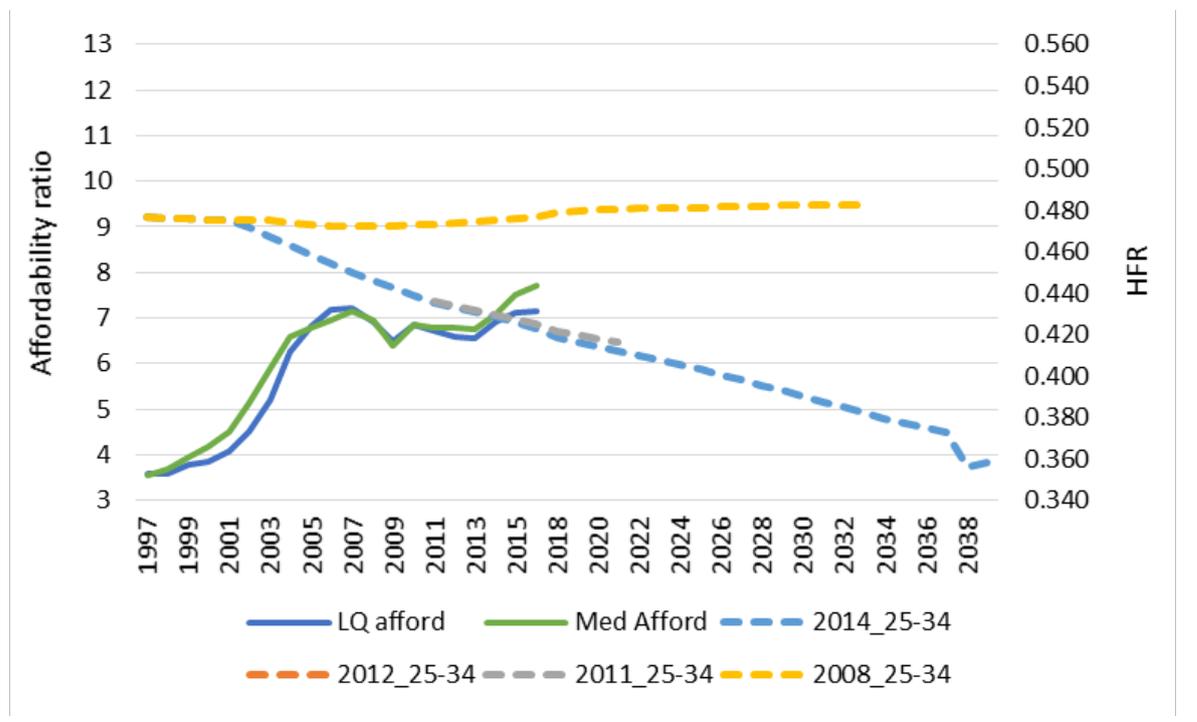
Source: CLG live tables and Barton Willmore. Note that the left hand axis relates to affordability and the right hand axis to household formation. ONS made changes to its house price indices in 2013, accordingly two 2013 affordability values are shown, one using the old method (up to 2013) and one using the new method (2013 onwards)

Figure 2.2: Household formation (25-34 rate) and affordability, Wycombe



Source: CLG live tables and Barton Willmore Note that the left hand axis relates to affordability and the right hand axis to household formation. ONS made changes to its house price indices in 2013, accordingly two 2013 affordability values are shown, one using the old method (up to 2013) and one using the new method (2013 onwards)

Figure 2.3: Household formation (25-34 rate) and affordability, England



Source: CLG live tables and Barton Willmore Note that the left hand axis relates to affordability and the right hand axis to household formation. ONS made changes to its house price indices in 2013, accordingly two 2013 affordability values are shown, one using the old method (up to 2013) and one using the new method (2013 onwards)

- 2.41 Whilst the need to make some form adjustment for suppressed household formation is widely accepted, the precise nature of the headship rate adjustment is the subject of debate and disagreement.
- 2.42 Table 2.2 and 2.3 shows the effect of making an adjustment to the 25-44 year age group formation rates only, by applying a partial (50%) return to the 2008-based rates. The resultant formation rate projection then applied to the Aylesbury Vale and Wycombe 10 year migration trend based population projections (less communal population) developed by Barton Willmore.
- 2.43 This is the approach advocated by LPEG, which assumes, as is shown to be the case in Aylesbury Vale and Wycombe, that formation rates will have been suppressed by undersupply and worsening affordability of housing; and so should be adjusted upwards.
- 2.44 Note that for consistency, we have applied the vacancy and second homes rates (household to dwelling conversion factor) applied by HEDNA 2016 (noted on page 76, paragraph 3.107) and the communal population numbers and formula used by CLG in the 2014-based household projections, which we assume to be similar to or the same as the approach of HEDNA 2016 (page 73, Figure 52 contains the relevant numbers).

Table 2.2, Aylesbury Vale Demographic OAHN, Barton Willmore Assessment

AYLESBURY VALE Demographic OAHN	2013	2033	2013-2033 (per annum)
Population	181,071	226,389	45,318 (2,266)
Households (unadjusted HFR)	72,067	93,473	21,406 (1,070)
Dwellings (unadjusted HFR)	74,913	97,165	21,406 (1,113)
Households (adjusted 25-44 HFR)	72,067	95,424	23,358 (1,168)
Dwellings (adjusted 25-44 HFR) and 'demographic' OAHN	74,913	99,194	24,280 (1,214)

Source: Barton Willmore

Table 2.3: Wycombe Demographic OAHN, Barton Willmore Assessment

WYCOMBE Demographic OAHN	2013	2033	2013-2033
Population	173,834	191,573	17,739 (887)
Households (unadjusted HFR)	68,953	79,597	10,644 (532)
Dwellings (unadjusted HFR)	71,454	82,484	11,030 (552)
Households (adjusted 25-44 HFR)	68,953	80,862	11,909 (595)
Dwellings (adjusted 25-44 HFR) and 'demographic' OAHN	28,258	34,548	12,341 (617)

Source: Barton Willmore

2.45 As can be seen from tables 2.2 and 2.3, the **demographic OAHN for Aylesbury Vale and Wycombe (based on the Barton Willmore 10 year migration trend based population projection and making the headship rate adjustment described above) is calculated to be for 24,280 and 12,341 dwellings, 2013-2033, respectively (1,214 and 617 dpa respectively).**

2.46 This represents an increase of 2,874 dwellings (Aylesbury Vale) and 1,311 dwellings (Wycombe) compared to the same projection using the unadjusted CLG household formation rates; and 6,696 more dwellings than the HEDNA 2016 demographic OAHN of 17,584 dwellings for Aylesbury, and 1,418 dwellings more than the HEDNA 2016 demographic OAHN for Wycombe (10,923 dwellings 2013-2033).

iv) Summary

2.47 In summary it can be concluded that the 10-year migration trend used in the HEDNA, and adjusted for household formation suppression in the 25-44 age group, results in a **demographic-led OAHN of 24,280 dwellings in Aylesbury Vale, and 12,341 dwellings in Wycombe.**

2.48 It should be noted that our 2005-2015 trend scenario for Wycombe results in broadly comparable population growth (17,739 people, 2013-2033) to the HEDNA's scenario based on the same period (19,090 people, 2013-2033). This is considered to show consistency and provide support for our Aylesbury Vale scenario for the 2005-2015 period.

2.49 Drawing together our conclusions from our 2016 report which covered the remaining two authorities of the HMA (Chiltern and South Bucks) we can conclude on the demographic-led OAHN for the HMA being the figures set out in Table 2.4. We have set these out as per annum figures owing to the different Plan periods between the four authorities.

Table 2.4: Barton Willmore Demographic OAHN Conclusions

Local Authority/HMA	Dwellings per annum
Aylesbury Vale	1,214
Chiltern	270
South Bucks	314
Wycombe	617
Buckinghamshire HMA	2,415

Source: Barton Willmore demographic modelling

2.50 Barton Willmore's conclusion represents an increase of 425 dwellings per annum (8,500 dwellings over 20 years) from the HMA figure presented in ORS' 2016 HEDNA.

3.0 THE APPROACH TO RECONCILING HOUSING NEED AND JOB GROWTH IN THE COUNCIL'S EVIDENCE

3.1 In relation to future jobs growth, Section 7 of HEDNA 2016 quotes PPG ID2a 018 and refers to the need to compare growth in the labour force (derived from the household projection) with future jobs growth. PAS OAHN advice is also quoted, specifically a reference to the need adjust demographic projections upwards if they fall short of supporting future jobs growth.

3.2 The test of whether the 'demographic OAHN', presented at the conclusion of HEDNA 2016 Section 3 (Figure 55, page 77), is capable of supporting projected job growth, depends upon i) the job growth projection used, ii) the assumptions used to reconcile (or link) job growth forecasts and the population projection underpinning the 'demographic OAHN'.

i) Forecast Job Growth

3.3 The job growth forecast used by HEDNA 2016 is an Oxford Economics April 2016 forecast (HEDNA 2016, page 128, paragraph 6.25) preferred to alternatives because *'it is considered to provide the most realistic projection of employment land requirements, and are aligned to the key signals emerging from the market review and stakeholder consultation'* (HEDNA, 2016, page 130, paragraph 6.41).

3.4 This explanation is accepted, although it should be noted that the alternative forecast considered (from Experian, dated June 2016) projects greater employment growth, that if realised, would give rise to greater housing need (all other things being equal) than the Oxford forecast.

ii) Assumptions Used to Link Jobs and Homes

3.5 HEDNA 2016 uses a range of linking assumptions, as follows.

iii) Double Jobbing

3.6 The Oxford Economics workplace job growth forecast is used, representing the actual number of forecast jobs. HEDNA 2016 then applies a double jobbing ratio, to account for the eventuality that an employed person, working in the HMA, might hold more than one of the forecast jobs. The assumption used is that 5.9% of workers are double jobbing (paragraph 7.42, page 146, 2016 HEDNA). We take this to mean that for every 100 workers (employed persons), six of them are assumed to have two jobs. Accordingly, 100 workers fill 106 jobs.

3.7 The extent of double jobbing is impossible to quantify from the information provided in HEDNA 2016 and it is entirely possible that it is not relevant in Buckinghamshire. Nevertheless the effect on population change is marginal, so for the purposes of this review, a double jobbing rate of 5.9% is accepted and has been applied in our test of HEDNA 2016's 'future jobs OAHN'.

iv) Economic Activity Rates

3.8 The choice of activity rates used is particularly contentious and different assumptions can lead to materially different OAHN for housing calculations. However in this case, HEDNA 2016 has applied the economic activity rates published by the Office for Budget Responsibility (OBR).

3.9 OBR is described as providing *'independent and authoritative analysis of the UK's public finances for Government, which include detailed analysis of past and future labour market trends'* and notes that their analysis of labour market participation projections (economic activity rates) *'is not based on simplistic trends but is designed to capture dynamics that are specific to particular ages and those that cut across generations'* (HEDNA 2016, page 122, paragraph 6.5 and 6.6).

3.10 The use of OBR economic activity rates have been supported by Inspectors in a number of section 78 appeal and Local Plan Examination decisions in preference to economic activity rate assumptions that have been considered to be overly optimistic in older age groups. Furthermore the OBR rates were supported by the Local Plans Expert Group (LPEG) in their recommendations to Government (March 2016). We assume that the 2015 OBR rates would have been used in HEDNA 2016 and these have been applied in our test of HEDNA 2016's 'future jobs OAHN'. However it is important to note how January 2017 rates are also now available.

v) Unemployment Rate

3.11 The yield of economically active residents from the 'demographic OAHN' provides an estimate of likely growth in the labour force; the proportion of the population, in each year of the projection, that is *either* in work (employed) *or* available for work but not in work (unemployed).

3.12 Typically, as is the case with HEDNA 2016, evidence based assumptions about future unemployment are used to derive separate projections of resident employment and unemployment that sum to the projection of economically active residents (the labour force).

- 3.13 Specifically, HEDNA 2016 factors in a fall in unemployment (and commensurate increase in employment) of 3,772 over the period March 2013 to March 2015, based on the same numerical decrease in the unemployment claimant count over the same period (HEDNA 2016, page 146, Figure 113). This figure is only presented at a local authority level for Aylesbury Vale (1,278 people). We have therefore calculated the figure for Wycombe based on data from the Annual Population Survey (APS) which shows an unemployment split of 40% across the HMA for Wycombe (equating to 1,511 people).
- 3.14 The use of the claimant count data in isolation is questionable, because the standard measure of unemployment comprises claimants and persons not in receipt of benefit. Thus measuring change in the claimant count may not reflect real change in unemployment, either in the past, or in the future.
- 3.15 A preferred method is to factor in modelled unemployment rates (standard measure, capturing the full picture) published by ONS. From this source, annual unemployment rate estimates for each year of the projection for which data is available (currently up to 2016) can be inputted, and thereafter a return to the long run or pre-recession average can be factored in. Notwithstanding this approach we have remained consistent with the approach of the HEDNA for our OAHN sensitivity testing.

vi) Commuting

- 3.16 On the face of it, the HEDNA 2016 suggests that the 2011 Census commuting ratio has been used for the purposes of establishing the economic-led OAHN (paragraph 7.41). However the approach of HEDNA does not apply the 2011 Census commuting ratio consistently across the assessment period.
- 3.17 Instead, ORS assume that the same rate of jobs will be filled by workers from outside the HMA as suggested by the commuting ratio, ignoring the fact that if the ratio is to be held constant, then the same proportion of the HEDNA workforce will continue to work outside of the HEDNA area. This leads to an underestimation of housing need.
- 3.18 This is a key weakness of the ORS assessment and in our sensitivity testing we amend this approach by applying the 2011 Census ratio as published, taking into account in-commuters and out-commuters. For Aylesbury Vale, the commuting ratio is 1.20 (a net out-commute). Our approach is therefore to assume, for example, that for every 100 jobs created, 120 workers will be required.

- 3.19 For ease of reference the full set of assumptions used by Barton Willmore is set out in Table 3.1, alongside a brief summary of their relationship to the assumptions used by HEDNA 2016.

Table 3.1, Future Jobs OAHN Assumptions, Barton Willmore Assessment

Linking assumption	Source	Notes
Economic activity	OBR, Fiscal Sustainability Report 2015, by 5 year age group and gender	Also used by HEDNA 2016
Unemployment Rate	ONS, Annual Population Survey, unemployment rate, model based	HEDNA 2016 deducts fall in claimant count, 2013 to 2015, from 'double jobbing' adjusted jobs forecast.
Commuting	Derived from 2011 Census, origin and destination tables	HEDNA 2016 adjusts the effect of the ratio as described in paragraph 3.17 above.
Job growth	Derived from OE forecast data presented in and used by HEDNA 2016; growth of 16,900 jobs in Aylesbury Vale and 11,350 jobs in Wycombe over the period 2013 to 2033.	
Double jobbing	Derived from HEDNA 2016 (not sourced); 'based on 5.9% of workers double jobbing'	

- 3.20 The results of our test of the HEDNA 2016 'future jobs' OAHN for Chiltern and South Bucks is set out in table 3.2 and 3.3.

Table 3.2, Aylesbury Vale Future Jobs OAHN, Barton Willmore Assessment

AYLESBURY VALE Future Jobs OAHN Calculation	2013	2033	2013-2033 (per annum)
Population (Demographic OAHN)	181,071	226,389	45,318 (2,267)
Economically active (Demographic OAHN)	99,439	117,892	18,453 (923)
HEDNA Job Target			16,900 (845)
<i>Workplace employment target (OE based, after 'double jobbing')</i>			15,962 (798)
<i>Resident based employed target (after Census 2011 commute ratio)</i>			19,199 (960)
<i>Shortfall before reduction in unemployment</i>			-746 (-37)
<i>Unemployed</i>			1,278 (64)
<i>Shortfall/Surplus after reduction in unemployment</i>			532 (27)
Uplift from demographic OAHN required?			No

3.21 Table 3.2 shows how the demographic-led OAHN we have determined for Aylesbury Vale (24,280 dwellings, 2013-2033) will support the level of job growth (16,900 jobs, 2013-2033) set out in the 2016 HEDNA. However it should be noted how the surplus in the labour force to support the job growth (27 people per annum) is marginal.

Table 3.3, Wycombe Future Jobs OAHN, Barton Willmore Assessment

WYCOMBE Future Jobs OAHN Calculation	2013	2033	2013-2033 (per annum)
Population (Demographic OAHN)	173,834	191,573	17,739 (887)
Economically active (Demographic OAHN)	92,808	98,148	5,340 (267)
HEDNA Job Target			11,350 (568)
<i>Workplace employment target (OE based, after 'double jobbing')</i>			10,718 (536)
<i>Resident based employed target (after Census 2011 commute ratio)</i>			11,415 (571)
<i>Shortfall before reduction in unemployment</i>			-6,075 (-304)
<i>Unemployed</i>			1,511 (76)
<i>Shortfall/Surplus after reduction in unemployment</i>			-4,564 (-228)
Uplift from demographic OAHN required?			Yes
	2013	2033	2013-2033
Population (Economic Led OAHN)	173,834	200,001	26,167 (1,308)
Economically active (Economic Led OAHN)	92,808	102,708	9,900 (495)
Dwellings – Unadjusted Household Formation Rates (Economic Led OAHN)	71,454	85,553	14,099 (705)
Dwellings – Adjusted Household Formation Rates (Economic Led OAHN)	71,454	86,952	15,498 (775)

- 3.22 Table 3.3 shows how an uplift to support the 2016 HEDNA's job growth forecast (11,350 jobs, 2013-2033) would be required in Wycombe. Our demographic analysis concluded how 617 dwellings per annum would be required, once account is taken of suppressed household formation in the 25-44 age group. However this would need to increase to 775 dwellings per annum, 2013-2033, in order to support the 2016 HEDNA job growth.
- 3.23 Taking our December 2016 report for Chiltern and South Bucks into consideration, our analysis has found the following requirement for the authorities of the Buckinghamshire HMA:

Table 3.4: Barton Willmore Economic OAHN Conclusions

Local Authority/HMA	Dwellings per annum
Aylesbury Vale	1,195
Chiltern	275
South Bucks	425
Wycombe	775
Buckinghamshire HMA	2,670

Source: Barton Willmore demographic modelling

4.0 THE APPROACH TO MARKET SIGNALS TAKEN IN THE COUNCIL'S EVIDENCE

i) Introduction

4.1 Market signals guidance is quoted extensively in the PPG, including:

- The need to adjust upwards starting point estimate of need if a worsening trend in any market signal is observed (2a 020)
- Making comparison with other areas and with long term trends (2a 020)
- The more significant the affordability constraints, the larger the need for improvement and the larger the additional supply response should be – by an amount that could reasonably be expected to improve affordability (2a 020)

4.2 Evidently, HEDNA 2016 is alive to, and acknowledges; i) the need to make a market signals adjustment where worsening trends are observed; and, ii) that the scale of the uplift should be commensurate with the scale of the problem. However, the scale of uplift question is appropriately characterised as one where no definitive official guidance is available, thus HEDNA 2016 seeks to exercise professional judgement.

ii) HEDNA 2016 Approach Critique

4.3 HEDNA 2016 notes that whilst 2a 020 indicates that that the greater the affordability problem the greater the uplift to household projection (and in relation to past supply) should be, it provides no definitive guidance as to what that uplift should be. In order to find an answer to that question, reference is made to the Eastleigh Local Plan Examination, where a 10% uplift was considered appropriate to alleviate modest market signals pressure. It further notes that PAS 2015 presents the 10% adjustment as appropriate for areas where there is evidence of moderate under provision or where market signals evidence is mixed.

4.4 Accordingly 10% is used by HEDNA 2016 as a benchmark adjustment where market signals pressures are assessed to be moderate; said to be indicated by a local lower quartile affordability ratio that is 20% greater than the lower quartile ratio for England as a whole³.

³ 20% is arrived at by comparing the lower quartile affordability ratio of 8.6x in Eastleigh (8.5x for the HMA) with that of England (c7x); a difference of 20%. See HEDNA 2016, page 155, paragraph 7.84.

- 4.5 This forms the basis of the HEDNA's conclusion to apply a 10% adjustment in Aylesbury Vale and a 20% adjustment in Wycombe. These adjustments are applied to the starting point estimate of OAHN (the CLG household projection, adjusted downwards in Aylesbury Vale) in order to reach the conclusions of OAHN set out in the HEDNA.
- 4.6 Alternatively to the Eastleigh decision, reference might have been made to the Mid Sussex or Canterbury Local Plan Inspectors findings. In Canterbury, the Inspector concluded that a 30% uplift from the starting point took 'reasonable account of market signals, economic factors, a return to higher rates of household formation and affordable housing need' (CDLP, August 2015).
- 4.7 The latter reflects the fact that the adjustments made to the starting point estimate of housing need are overlapping, with the proviso that resultant FOAHN for housing is of sufficient magnitude to at least accommodate projected demographic change, employment growth, alleviate any suppressed household formation and address any adverse market (particularly affordability).
- 4.8 In the case of Canterbury, it is evident that the market signals adjustment originally proposed by the Council was 20%, supplemented by 6% adjustment to address suppressed household formation (in line with ID2a 015 and 017); a rolled up adjustment of 27% to the starting point estimate of housing need.
- 4.9 In Mid Sussex (February 2017), the Inspector determined that a 20% uplift to the starting point estimate of OAHN (CLG household projection) should be applied. *"An uplift of 20% from the basic OAN figure of 730 dpa would give 876 dpa. From all the material that has been submitted this figure is in my view the most well-founded and most realistic, being compatible with the greatest part of the evidence base. Evidence indicates that it would counter worsening affordability and would accommodate most of the affordable housing need for reasonable preference groups."*⁴
- 4.10 The rolling up of adjustments for suppressed household formation and market signals is evidently preferred by HEDNA 2016 to considering the issues individually (page 76, paragraph 3.105), whereas PPG deals with suppressed household formation (2a015 and 017) and market signals separately (2a 019 and 20). For the purposes of transparency, it arguably better to consider the issues separately, so that the evidence and remedy can be clearly justified, albeit that adjustments are all made from a common starting point estimate of overall housing need.

⁴ Page 6, Mid Sussex Local Plan Examination Housing Requirement Conclusions, 20 February 2017

4.11 For the purposes of comparison with Eastleigh (the HEDNA 2016 market signals uplift benchmark), it can be noted that at the time Canterbury Council's evidence was prepared and examined the lower quartile affordability ratio for Canterbury was 9.1, 40% higher than the England ratio, compared to Eastleigh, where the lower quartile affordability ratio was 20% higher than the England ratio. In respect of Mid Sussex, the ratio was even higher at 13.17.

iii) Local Plans Expert Group recommendations

4.12 Eastleigh, Canterbury, and Mid Sussex are isolated examples of cases where Local Plan Inspectors have attempted to grapple with question of what an appropriate uplift for market signals should be, in the absence of specific guidance (the gap left by PPG ID 2a020). Until recently and the Government's '*Planning for the Right Homes in the Right Places*' consultation proposals (discussed later in this report), the only systematic approach to this issue, and clear guidance to answer the question of how much uplift, was offered by the LPEG recommendations (March 2016).

4.13 LPEG proposed a three step approach to arriving at FOAHN for housing; i) official projections and estimates of population and household change must be used to determine baseline demographic need, ii) there should be a mandatory uplift to household formation rates and iii) using measures of absolute affordability, the need for a market signals uplift (additional to the household formation rate adjustment) is determined and a scale of suitable adjustment determined, by reference to banding thresholds for uplifts of 0%, 10%, 20% and 25%.

4.14 The banding thresholds and relevant uplifts were arrived at having regard to Inspector's deliberations at Eastleigh and Canterbury, as well as Uttlesford (a 10% uplift applied) and the latest OAHN evidence for Cambridge which proposes a 30% uplift in response to affordability.

4.15 However the limited number of examples studied do not provide a consistent basis for determining the scale of uplift that should be applied at the district level in order to arrive at FOAHN for housing. Hence the median house price affordability banding thresholds arrived at by LPEG (less than 5.3x = 0% uplift, 5.3x to less than 7.0x = 10% uplift, 7.0x to less than 8.7x = 20% uplift, more than 8.7x = 25% uplift).

4.16 Given that the LPEG approach provides a comprehensive and transparent approach to the question of what the scale of the local market signals adjustment could reasonably be, it should be preferred to the approach taken by HEDNA 2016, which takes its bearing from one Inspector's decision only. Furthermore, it should be applied to the demographic OAHN, *after and in addition to* the headship rate adjustment.

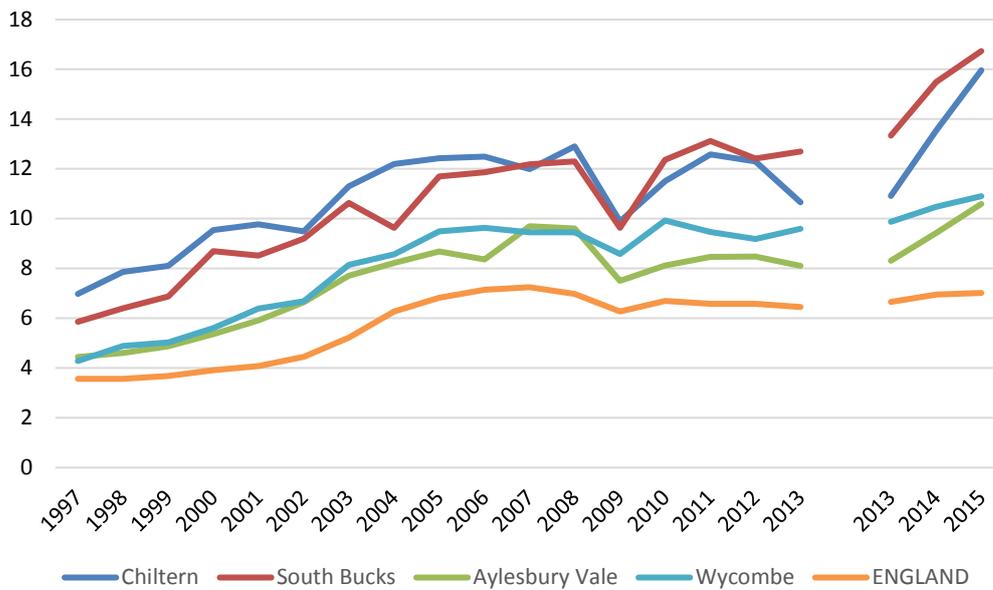
- 4.17 The comprehensive review of market signals in HEDNA 2016 Section 7, which highlights the relative and absolute affordability problem faced by Buckinghamshire is noted, alongside the conclusion that a market signals uplift is warranted (HEDNA 2016, page 154, paragraph 7.76).
- 4.18 To this analysis can be added reference to the lower quartile house price to incomes affordability ratio, which at the start of the plan period (2013) was 30% greater in Aylesbury Vale and 55% greater in Wycombe than the England average. The median house price to income ratio is similarly high. Comparative affordability data is presented in figures 4.1 and 4.2 for the authorities of the HMA against the national average.
- 4.19 For the purposes of calculating the LPEG uplift, the average of the most recent three years of recorded data is used. CLG live table 577 provides median house price affordability data for the three years 2014 to 2016. The average for Aylesbury is 10.4x and the average for Wycombe is 10.3x median incomes. This puts both districts in the 25% uplift category based on LPEG's conclusions.
- 4.20 Based on the LPEG method we can therefore conclude that the market signals adjusted demographic OAHN, derived from the 10 year migration trend observed between 2005 and 2015, adjusted for household formation suppression in the 25-44 age group would be 30,350 dwellings in Aylesbury Vale (1,518 dwellings per annum). In Wycombe the figure would be 15,246 dwellings (771 dwellings per annum), broadly comparable with the economic-led OAHN we have determined above (15,498 dwellings).

iv) Planning for the Right Homes in the Right Places consultation

- 4.21 Reference should also be made to the recent 'Planning for the Right Homes in the Right Places' consultation, which seeks to establish a standardised method for establishing housing need at local authority level across the country. The proposed standard method incorporates some of the steps suggested by LPEG, the main one of which is to apply an adjustment to the latest CLG household projection based on the median affordability ratio (as proposed by LPEG).
- 4.22 The adjustment proposed by the standard method incorporates a calculation that would lead to a **43% increase** to the starting point estimate OAHN (the unadjusted CLG household projection) in Aylesbury Vale for affordability. In Wycombe the adjustment would be a **42% increase**.

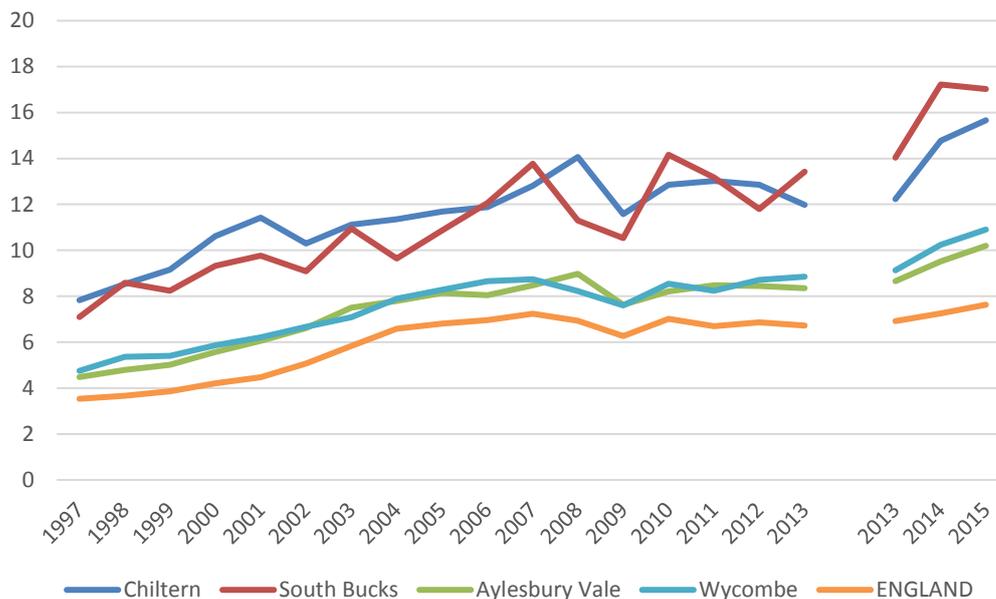
4.23 The proposed consultation caps any adjustment at a maximum of 40%, however the adjustments required under the LPEG and Proposed Standard Method emphasise how the HEDNA’s approach based on a 10% increase in Aylesbury Vale and a 20% increase in Wycombe fail to provide an adequate adjustment.

Figure 4.1: Lower Quartile HP Affordability, Absolute Change 1997 to 2015



Source: CLG Live table 576. ONS made changes to its house price indices in 2013, accordingly two 2013 affordability values are shown, one using the old method (up to 2013) and one using the new method (2013 onwards)

Figure 4.2: Median HP Affordability, Absolute Change 1997 to 2015



Source: CLG Live table 577. ONS made changes to its house price indices in 2013, accordingly two 2013 affordability values are shown, one using the old method (up to 2013) and one using the new method (2013 onwards)

v) Market Signals Summary

4.24 In summary, the ORS 2016 HEDNA uplift of 10% for market signals pressure in Aylesbury Vale, and 20% in Wycombe is inadequate in the context of:

- The conclusions of LPEG, whose proposals for addressing affordability in the FOAHN require a 25% uplift to the demographic-led OAHN (after an adjustment for household formation suppression in the 25-44 age group has been applied to the baseline demographic OAHN) where the median affordability ratio exceeds 8.7. As evidenced above, the 3-year averages in Aylesbury Vale and Wycombe are 10.4 and 10.3 respectively, comfortably within the 25% uplift category;
- **The LPEG method would result in OAHN of 30,350 dwellings (1,518 per annum) in Aylesbury Vale, and 15,246 dwellings (762 per annum), 2013-2033, in Wycombe;**
- In addition, although not formally adopted yet, the proposed standard method for determining local housing need was consulted on by Government between September

and November 2017. The market signals adjustment that would result from this proposed method would be over 40% in both authorities.

- **The proposed standard method to address market signals would result in housing need of 30,590 dwellings (1,530) in Aylesbury and 16,046 dwellings (802 per annum) in Wycombe;**

5.0 SUMMARY AND CONCLUSIONS

5.1 This review of the FOAHN for housing (overall housing need only) in Aylesbury Vale and Wycombe has been prepared to support representations to the Vale of Aylesbury Local Plan (Proposed Submission) and the Wycombe District Local Plan (Publication Version) regarding the level of development that should be planned for, in light of **the need for 19,300 dwellings (Aylesbury) and 12,900 dwellings (Wycombe) over the 20-year plan period, 2013 to 2033, calculated by HEDNA 2016**. We acknowledge that the HEDNA 2017 increases the assessment of housing need to 19,400 dwellings (Aylesbury Vale) and 13,100 dwellings (Wycombe) due to a miscalculation in the HEDNA 2016. However, the overall approach to assessing housing need remains as presented in the HEDNA 2016 and for this reason our critique has been focused on the HEDNA 2016.

i) Overall Approach of HEDNA 2016

5.2 On the face of it, the HEDNA 2016 approach to assessing overall housing need is compliant with the PPG methodology. The process described by the report involves appraisal of the published household projections, identifying and addressing any demographic issues, deriving an adjusted projection as necessary and then testing whether the result will 1) accommodate enough workers to meet job demand and 2) help to alleviate worsening market signals (where evident). The OAHN is arrived at by a further uplift, if required, to the extent that it will satisfy tests 1 and 2.

5.3 However in practice a number of shortcomings have been identified that give rise to an underestimate of housing need, summarised below and in table 5.1, alongside the relevant PPG guidance.

Household Formation and the Demographic OAHN

5.4 The 2016 HEDNA attempts to justify significantly lower population growth than the PPG's starting point estimate, i.e. the official 2014-based ONS Sub National Population Projections (SNPP) and the 2014-based CLG household projections. However we do not consider that the reasons for doing so are properly justified. All the HEDNA's approach does is to take us from an official, quality assured statistic to an unofficial alternative that has not been quality assured. There is no robust justification for this approach in Aylesbury Vale, and we consider the downward adjustment to the 2014-based ONS SNPP and CLG projection should not be given any weight.

- 5.5 Turning to household formation rates, the interrogation by HEDNA 2016 of local household formation rates, both past and projected, is non-existent. Furthermore the published 2014-based household formation rate projections are adopted without scrutiny because they are assumed to *'reflect real demographic trends, and therefore we should not adjust these further'* (HEDNA 2016, page 75, paragraph 3.105).
- 5.6 This conclusion is at odds with PPG which at ID2a 015 warns that *'formation rates may have been suppressed historically by under-supply and worsening affordability of housing'* and at 017; *'plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates'*.
- 5.7 To fill the evidential gap, our analysis (chapter 2) shows that relative to the situation across England as a whole, The 2014-based 25-34 age group formation rate for Aylesbury Vale and Wycombe were evidently already suppressed and declining prior to the 2001 Census, which is not surprising in light of the affordability problem prior to that point. This effect has also been observed in the 35-44 age group albeit to a lesser extent. The projected worsening of that trend since 2001 and the projected decline after 2011, in the context of severe affordability constraints, is indicative of engrained household formation rate suppression and should be addressed through the OAHN, in line with PPG.
- 5.8 After making the adjustment to household formation rates advocated by LPEG (25-44 age group), our analysis shows how the starting point estimate of OAHN would increase from 21,867 to 23,831 dwellings, 2013-2033 in Aylesbury (9% increase) and from 11,390 to 12,706 dwellings, 2013-2033 in Wycombe (11.6% increase).
- 5.9 **However after adjusting the population projections in line with the HEDNA 2016 approach we conclude that the full demographic OAHN, based on the 10 year migration trend observed between 2005 and 2015, is 24,280 dwellings (1,214 per annum) in Aylesbury Vale, and 12,341 dwellings (617 per annum) in Wycombe.**

Future jobs OAHN

- 5.10 We find that the level growth in the population and housing growth necessary to support projected job growth has been significantly underestimated by HEDNA 2016. This would appear to originate from one key area – the approach to commuting applied in the HEDNA 2016. All other assumptions in respect of the economic OAHN appear to be reasonable.

- 5.11 The 'policy off' approach to commuting which has been upheld in the Court of Appeal is to apply an unadjusted (therefore policy off) figure such as the 2011 Census commuting ratio.⁵ The 2016 HEDNA uses the 2011 Census ratios, but crucially ORS assume that the same rate of jobs will be filled by workers from outside the HMA as suggested by the commuting ratio, ignoring the fact that if the ratio is to be held constant, then the same proportion of the HEDNA workforce will continue to work outside of the HEDNA area. This leads to an underestimation of housing need.
- 5.12 After applying the commuting ratio as we have identified above, and carrying forward the need to address suppressed household formation, **we conclude that the demographic-led OAHN of 24,280 dwellings (1,214 per annum), 2013-2033, will meet the job demand set out in HEDNA 2016 for Aylesbury Vale. However in Wycombe there is a need to uplift the demographic OAHN to 15,498 dwellings (775 per annum), 2013-2033.**

Market signals

- 5.13 HEDNA 2016 Section 7 provides comprehensive review of market signals and highlights a significant relative and absolute affordability problem faced by Buckinghamshire, concluding that a market signals uplift is warranted. Further evidence presented in Chapter 4 of this review highlights a severe affordability problem in both Aylesbury Vale and Wycombe.
- 5.14 In light of the approaches to address affordability advocated by LPG and the Government's proposed standard method for assessing housing need, we conclude that FOAHN presented in the BHEDNA is inadequate and should be increased.
- 5.15 Given that the LPEG approach provides a comprehensive and transparent approach to the question of what the scale of the local market signals adjustment could reasonably be, it should be preferred to the approach taken by HEDNA 2016, which takes its bearing from one Inspectors decision only. Furthermore, it should be applied to the demographic OAHN, *after and in addition to* the headship rate adjustment.

⁵ Court of Appeal Judgment between Oadby & Wigston Borough Council and (1) Secretary of State for Communities and Local Government (2) Bloor Homes Limited, Case No: C1/2015/2447, 27 October 2016

- 5.16 **We therefore conclude that the market signals adjusted demographic OAHN, derived from the 10 year migration trend observed between 2005 and 2015, would be at least 30,350 dwellings (1,518 per annum) in Aylesbury Vale, and 15,246 dwellings (762 per annum), 2013-2033, in Wycombe.** This exceeds the demographic-led and economic led OAHN for Aylesbury Vale, but is on a par with the economic-led OAHN we have determined for Wycombe (1.7% difference between the two figures).

Table 5.1: PPG OAHN for housing guidance and HEDNA 2016

PPG ID 2a 015 to 020		HEDNA 2016	
Latest CLG household projections starting point		2014-based, up to date at the time the assessment was carried out.	
Adjustments to projections	1. Demography	A. Household formation (ID2a 015, 016) <i>may have been suppressed historically by undersupply and worsening affordability of housing. As a result, the CLG household formation rate projections may also be suppressed. If so they must be adjusted upwards so that the suppression is removed.</i>	Fails to fully investigate and address projected suppressed household formation
		B. Migration and population change (ID2a 016, 017). <i>Sensitivity testing of local migration and population change, taking account of the most recent demographic evidence from ONS.</i>	Downward adjustment to 2014-based ONS SNPP in Aylesbury Vale – not robustly justified. Sensitivity testing for 10 year migration trend (05-15) considered robust.
		1. Gives rise to the ' demographic OAHN '	Demographic OAHN underestimated in Aylesbury based on population growth. Also underestimate because no uplift for suppressed household formation applied.
	2. Future job growth (ID2a 018) <i>based on past trends and or projections should be taken into account. The OAHN must be capable of accommodating the supply of working age population that is economically active (labour force supply), if it does not them it should be adjusted upwards.</i>	2. Gives rise to the ' future jobs OAHN '	The number of homes needed to support future jobs growth is underestimated due to adjustment to the policy off commuting ratio.
	3. Market signals (ID2a 019, 020) <i>of undersupply relative to demand that are worsening trigger an upward adjustment to planned housing numbers that are based solely on household projections. The more significant the affordability constraints, the larger the additional supply response should be.</i>	3. Gives rise to the ' market signals uplift '	Worsening market signals are observed, particularly related to price, but uplift is insufficient, particularly in respect of Aylesbury Vale (10% increase).
Full objectively assessed housing need (FOAHN) (Overall housing need)		For the reasons identified above (1, 2 and 3) the HEDNA 2016 underestimates FOAHN for housing	

ii) FOAHN for Housing in Aylesbury Vale and Wycombe

5.17 In conclusion, we find the HEDNA 2016 assessment that FOAHN for housing in Aylesbury Vale (19,300 or 965 per annum) and Wycombe is (12,900 or 645 per annum) dwellings to be a significant underestimate. Tables 5.2 and 5.3 below compare the HEDNA 2016 FOAHN with the Barton Willmore assessment.

Table 5.2: Aylesbury Vale OAHN 2013-2033

	2016 HEDNA	Barton Willmore
Starting Point Estimate*	21,023*	21,036*
Demographic-led OAHN	17,719	24,280
Economic-led OAHN	19,250	23,895
Market Signals OAHN	19,207	30,350
FULL OAHN	19,300** (965)	30,350 (1,518)

*Households;

**Amended from 19,250 dwellings in Figure 122 of HEDNA;

5.18 The sensitivity testing we have undertaken shows the OAHN for Aylesbury Vale to be **at least 24,280 dwellings, 2013-2033 (1,214 dpa)**, a significant uplift from the 19,300 suggested in the 2016 HEDNA (amended marginally to 19,385 dwellings (969 dpa) in the 2017 addendum). However the LPEG and standard methods show a significant increase from the conclusions we have reached based on the existing PPG method.

Table 5.3: Wycombe OAHN 2013-2033

	2016 HEDNA	Barton Willmore
Starting Point Estimate*	10,991	10,991
Demographic-led OAHN	11,207	12,341
Economic-led OAHN	12,461	15,498
Market Signals OAHN	12,824	15,246
FULL OAHN	12,900** (645)	15,498 (775)

*Households;

**Amended from 12,824 dwellings in Figure 122 of HEDNA;

- 5.19 The sensitivity testing we have undertaken shows the OAHN for Wycombe to be **at least 15,948 dwellings, 2013-2033 (775 dpa)**, a significant uplift from the 12,900 (645 dpa) suggested in the 2016 HEDNA (amended marginally to 13,108 dwellings (655 dpa) in the 2017 addendum). It is considered that the broad similarities between our sensitivity testing and the LPEG/Standard methods supports our conclusions further.
- 5.20 Taking into account the conclusions of our December 2016 report in respect of Chiltern and South Bucks, our sensitivity testing results in the following OAHN for the Buckinghamshire HMA (rounded up to nearest 10):

Table 5.4: Barton Willmore OAHN Conclusions

Local Authority/HMA	Dwellings per annum
Aylesbury Vale	1,520
Chiltern	340 – 410
South Bucks	390 – 400
Wycombe	780
Buckinghamshire HMA	3,030 – 3,110

Source: Barton Willmore demographic modelling

APPENDIX 1

THE APPROACH TO ASSESSING HOUSING NEED

THE APPROACH TO ASSESSING HOUSING NEED

The requirement for all Local Planning Authorities (LPAs) to base their housing targets on objective assessments of need is rooted in national planning policy – specifically the National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG).

i) National Planning Policy Framework (NPPF, 27 March 2012)

NPPF sets out the Government's planning policies for England and how these are expected to be applied. NPPF states that planning should proactively drive and support sustainable economic development to deliver the homes that the country needs, and that every effort should be made to objectively identify and then meet housing needs, taking account of market signals (paragraph 17).

In respect of delivering a wide choice of high quality homes, NPPF confirms the need for local authorities to boost significantly the supply of housing. To do so, it states that local authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area (paragraph 47).

With regard to plan-making, local planning authorities are directed to set out strategic priorities for their area in the Local Plan, including policies to deliver the homes and jobs needed in the area (paragraph 156).

Further, Local Plans are to be based on adequate, up to date and relevant evidence, integrating assessments of and strategies for housing and employment uses, taking full account of relevant market and economic signals (paragraph 158).

For plan-making purposes, local planning authorities are required to clearly understand housing needs in their area. To do so they should prepare a Strategic Housing Market Assessment (SHMA) that identifies the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period (paragraph 159).

ii) Planning Practice Guidance (PPG, 06 March 2014)

PPG was issued as a web based resource on 6th March 2014, following the publication of 'beta' guidance in 2013. Guidance on the assessment of housing development needs (PPG ID2a) includes the SHMA requirement set out in NPPF and supersedes all previous published SHMA practice guidance (CLG, 2007).

The primary objective of the housing development needs assessment (the SHMA) is to identify the future quantity of housing needed, including a breakdown by type, tenure and need (PPG ID2a 002).

Housing need refers to the scale of housing likely to be needed in the housing market area over the plan period, should cater for the housing demand in the area and identify the scale of housing supply necessary to meet that demand (PPG ID2a 003).

The assessment of need is an objective assessment based on facts and unbiased evidence and constraints should not be applied (PPG ID2a 004).

Use of the PPG methodology for assessing housing need is strongly recommended, to ensure that the assessment is transparent (ID2a 005). The area assessed should be the housing market area (ID2a 008), reflecting the key functional linkages between places where people live and work (ID2a 010).

PPG methodology for assessing housing need

The full methodology is set out at ID 2a 014 to 029 (overall housing need at ID2a 015 to 020), and is introduced as an assessment that should be based predominately on secondary data (ID2a 014).

Step 1 - Starting point estimate of need

The methodology states that the starting point for assessing overall housing need should be the household projections published by the Department for Communities and Local Government, but that they are trends based and may require adjustment to reflect factors, such as unmet or suppressed need, not captured in past trends (ID2a 015).

“The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing.” (2a-015) (Our emphasis)

Step 2 - Adjusting for demographic evidence

The PPG methodology advises that adjustments to household projection-based estimates of overall housing need should be made on the basis established sources of robust evidence, such as ONS estimates (2a-017).

Step 3 - Adjusting for likely change in job numbers

In addition to taking into account demographic evidence the methodology states that job trends and or forecasts should also be taken into account when assessing overall housing need. The implication is that housing numbers should be increased where this will enable labour force supply to match projected job growth (2a-018).

“Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns ... and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.”
(2a-018)

Step 4 - Adjusting for market signals

The final part of the methodology regarding overall housing need is concerned with market signals and their implications for housing supply (2a-019:020).

“The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings.” (2a-019)

Assessment of market signals is a further test intended to inform whether the starting point estimate of overall housing need (the household projections) should be adjusted upwards. Particular attention is given to the issue of affordability (2a-020).

“The more significant the affordability constraints ... and the stronger other indicators of high demand ... the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.” (2a-020)

Step 5 - Overall housing need

An objective assessment of overall housing need can be summarised as a test of whether the household projection based starting point can be reconciled with a) the latest demographic evidence, b) the ability to accommodate projected job demand, c) the requirement to address worsening market signals. If it cannot be reconciled, then an adjustment should be made.

The extent of any adjustment should be based on the extent to which it passes each test. That is:

- It will at least equal the housing need number implied by the latest demographic evidence,
- It will at least accommodate projected job demand; and,
- On reasonable assumptions, it could be expected to improve affordability.

The approach used by Barton Willmore to objectively assess overall housing need follows the methodology set out in PPG 2a-014:20 and summarised above. The result is a policy off assessment of housing need that takes no account of the impact of planned interventions strategies and policies.

Affordable housing need assessment

The methodology for assessing affordable housing need is set out at 2a-022 to 029 and is largely unchanged from the methodology it supersedes (SHMA 2007). In summary, total affordable need is estimated by subtracting total available stock from total gross need. Whilst it has no bearing on the assessment of overall housing need, delivering the required number of affordable homes can be used to justify an increase in planned housing supply (2a-029).

“The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments ... An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.” (2a-029) (our emphasis)

iii) Housing White Paper – ‘Fixing our Broken Housing Market’ (February 2017)

The Housing White Paper was published in February 2017, and acknowledges a **need for 225-275,000 new homes per annum** to keep up with population growth and start to tackle years of under-supply in the country.⁶ The Paper acknowledges that one of the main problems leading to significant under-supply of housing has been the failure of local authorities to plan for the homes they need,⁷ and as a consequence the ratio of average house prices to average earnings has more than doubled since 1998.⁸

⁶ Paragraph 2, ‘Our housing market is broken’, page 9, ‘Fixing our broken housing market’, February 2017

⁷ Paragraph 4, ‘Our housing market is broken’, page 9, ‘Fixing our broken housing market’, February 2017

⁸ Paragraph 5, ‘Our housing market is broken’, page 9, ‘Fixing our broken housing market’, February 2017

In seeking to address these problems, the White Paper states how a 'radical rethink' of the approach to home building is required. This includes the existing approach to establishing the Objectively Assessed Housing Need (OAHN). The White Paper therefore states the following in respect of how the OAHN is proposed to be reformed:

"at the moment, some local authorities can duck potentially difficult decisions, because they are free to come up with their own methodology for calculating 'objectively assessed need'. So, we are going to consult on a new standard methodology for calculating 'objectively assessed need', and encourage councils to plan on this basis." ⁹

The White Paper acknowledges the recommendations in this regard of the Local Plans Expert Group (LPEG) report, which concluded that a standardised methodology was one of the most important reforms that could be made to improve plan-making.¹⁰

The White Paper confirms that Councils will be incentivised to use the new standard approach, although where it is justified, deviation from the standard approach may be acceptable:

"We want councils to use the new standardised approach as they produce their plans and will incentivise them to do so. We expect councils that decide not to use the new approach to explain why not and to justify to the Planning Inspectorate the methodology they have adopted in their area." ¹¹

The standardised methodology will therefore provide the 'baseline' OAHN, to which amendments can be made if it is deemed to have been justified. The timescale for the new standardised methodology is confirmed in the White Paper as follows:

"To incentivise authorities to get plans in place, in the absence of an up-to-date local or strategic plan we propose that by April 2018 the new methodology for calculating objectively assessed requirement would apply as the baseline for assessing five year housing land supply and housing delivery." ¹² (Our emphasis)

Consultation on the proposed changes is therefore expected in 2017. However, in the interim period the existing OAHN methodology set out in the PPG's Housing and Economic Development Needs Assessment (HEDNA) section is to be followed.

⁹ Paragraph 7, 'What we're going to do about it', page 14, 'Fixing our broken housing market', February 2017

¹⁰ Paragraph A.21, page 74, 'Fixing our broken housing market', February 2017

¹¹ Paragraph 1.14, 'Assessing housing requirements', page 23, 'Fixing our broken housing market', February 2017

¹² Paragraph 1.15, 'Assessing housing requirements', page 23, 'Fixing our broken housing market', February 2017

iv) **Sajid Javid's speech to the Local Government Association (04 July 2017)**

In the context of the White Paper, Sajid Javid's speech to the Local Government Association on 04 July 2017 should be referred to. In respect of housing need it reads as follows:

"It's hard to believe now, but just a few years ago it was fashionable for people to question the need for more house building.

They'd point to obvious flaws in the housing market, or too many empty homes, or immigration.

Today, most people recognise that even if those issues were solved overnight, it would still not be enough.

There's a serious shortage of decent, affordable housing in this country.

It's not the fault of any one government or party – we all carry some of the blame.

Since the 1970s – under Wilson, Callaghan, Thatcher, Major, Blair, Brown, Cameron and now May – we've supplied an average of 160,000 new homes each year.

That's far below what's needed

And that failure of supply to keep up with demand has led to predictable results.

Across the country the average house now costs almost 8 times average earnings – an all-time record.

Unless they can get a leg up from their parents, for many young people the dream of home ownership is just that – a dream.

And it's in housing that that we see most starkly the problems of inequality in this country.

Between those with wealth, and those without.

Between old and young.

And between those with security, and those who live with uncertainty day-in day-out.

The simple fact is that to put this right we need to build more homes that people want to live in, in places people want to live."

Sajid Javid's speech emphasises the difficulty faced by younger age groups when it comes to owning their own home, and the historic shortfall of housing dating back to the 1970s. In this context, the full objective assessment of housing need is highlighted as being even more crucial.

v) Chief Planning Officer Newsletter – 31 July 2017

Following on from the contents of the White Paper in respect of housing need, the Chief Planning Officer's newsletter to local authorities on 31 July included a 'Local housing need' section, which stated the following in respect of assessing housing need.

- A standardised methodology consultation to be published in September 2017;
- Notwithstanding the standardised methodology, Plans submitted for examination on or before 31 March 2018 may progress based on the existing PPG OAHN methodology;
- If a Plan is withdrawn from examination or found unsound, depending on the outcome of the consultation, a new Plan would have to be based on the standard methodology;
- The revised NPPF will include what constitutes 'reasoned justification' for deviating from the standardised methodology;
- No changes to existing up-to-date Plans (less than 5 years old) will be required until local authorities review or update the existing Plan.

This newsletter provides some direction of travel in respect of assessing housing need at HMA and local authority level. However the newsletter highlights that there may be 'reasoned justification' for determining housing need outside of the standardised methodology's boundaries. This indicates quite clearly that the standard methodology will not be definitive and that a need to challenge the existing evidence being put forward by LPAs will remain beyond the standardised methodology's adoption.

However until such a time as a standardised methodology is adopted, the existing PPG OAHN methodology remains the means by which the OAHN should be assessed.

APPENDIX 2

PLANNING FOR THE RIGHT HOMES IN THE RIGHT PLACES

PLANNING FOR THE RIGHT HOMES IN THE RIGH PLACES CONSULTATION PROPOSALS

i) Introduction

The Department for Communities and Local Government (DCLG) published the *'Planning for the Right Homes in the Right Places'* consultation on 14 September 2017. The consultation carries forward the commitment of the Housing White Paper to tackle the acute shortage of housing supply in the country and the significant worsening of affordability outlined in the Housing White Paper.

The consultation is of direct relevance to the existing PPG's approach to establishing full OAHN. As part of the consultation the Government have published a proposed standard approach to establishing local housing need (currently the OAHN). This is intended to replace the existing methodology set out in section ID2a of the PPG entitled 'Housing and Economic Development Needs Assessments' (HEDNA) which the consultation suggests *"leaves substantial room for interpretation"* as it is currently drafted. In short the Government intend the proposed methodology to provide a *"simpler, quicker, and transparent"* approach to assessing local housing need.

ii) Proposed Standardised Housing Need Figure for Aylesbury and Wycombe

The consultation proposals, if formally adopted without amendments, would result in a three-stage approach to determining OAHN as follows:

1. 'Setting the baseline' (paragraphs 16-17, CD12/2): Average of the most recent official household projections over 10 years (Currently 2016-2026). For Aylesbury and Wycombe this equates to **1,071 and 565 households per annum**;
2. 'An adjustment to take account of market signals' (paragraphs 18-24, CD12/2): Based on the median affordability ratio for the most recent year available (2016). For Aylesbury Vale and Wycombe the median affordability ratios in 2016 are 10.85 and 10.72 respectively.

The equation for determining the uplift in market signals is set out in paragraph 21 of the consultation proposals, and results in an uplift of 459 homes per annum in Aylesbury, and 237 in Wycombe.

These uplifts represent 43% (Aylesbury) and 42% (Wycombe) increases respectively from Step 1, and are to be added to the baseline need at step 1, i.e. $1,071 + 459 =$

1,530 homes per annum in Aylesbury, and $565 + 237 = 802$ homes per annum in Wycombe.

3. 'Capping the level of any increase' (paragraph 25, CD12/2): The consultation proposals state how a cap will be applied to the housing need figure, based on the status of the Local Plan. In the case of local authorities where the latest adopted Plan is more than 5 years old (such as Aylesbury and Wycombe), the Government's proposals state the new housing need figure should be capped at 40% above the annual requirement figure currently set out in their local plan or the latest CLG projection (whichever is the highest). The increases of 43% and 42% in Aylesbury and Wycombe respectively are therefore capped at 40%, leading to standard method figures of 1,499 homes per annum and 792 homes per annum respectively.

In conclusion, the proposed standardised methodology for establishing local housing need would lead to a requirement for **1,499 dpa homes per annum in Aylesbury**, and **792 homes per annum in Wycombe**.

Paragraph 28 of the proposals confirms how the standardised methodology will not make a specific adjustment for employment growth. However the proposals confirm that where a local planning authority seeks to plan for a higher number than the standard method shows, they may do so.

The consultation confirms that where a Local Plan is submitted for examination on or before 31 March 2018, the existing PPG HEDNA guidance will remain the methodology by which to determine OAHN.

iii) **Summary**

In summary I note that the consultation proposals published on 14 September 2017 are yet to be adopted as formal policy for establishing housing need, however it is considered to show a clear direction of travel in respect of the Government's approach to establishing housing need.

The housing figure based on this proposed standardised method also places the OAHN determined for Aylesbury into context (1,214 dpa under the existing PPG method in contrast to 1,499 dpa proposed by the standard method). The standard method figure for Wycombe (792 dpa) very similar to the 775 dpa determined under the existing PPG method.

The standard method figures for the Buckinghamshire HMA are set out in Table 1 below:

Table 1: Proposed Standard Method: Buckinghamshire HMA

Local Authority/HMA	Dwellings annum	per
Aylesbury Vale	1,499	
Chiltern	316	
South Bucks	432	
Wycombe	792	
Buckinghamshire HMA	3,039	

A2.10 However until such time as the proposed changes are formally adopted, which will be 01 April 2018 at the earliest, the existing PPG HEDNA approach remains the method by which OAHN should be assessed.

Figure 1: Condensed Commuting Matrix (2011 Census position)

	Place of Work		Resident based			
	Wycombe	Other	A. Total Employed Residents (2011, number)	B. Work in home district (rate)	C. Work elsewhere (rate)	
Usual Residence	Wycombe	54,297	32,604	86,901	62.48%	37.52%
	Other	27,294	-			
Wycombe workplace based	D. Total Employed in District (2011, number)	81,591		Commuting ratio:		
	E. Originate from home district (rate)	66.55%		number based	A/D =	1.07
	F. Originate from elsewhere (rate)	33.45%		rates based	E/B =	1.07

Figure 2: Projected Growth in Employed Residents (Figure 1 based; 11,350 jobs)

	Place of Work		Resident based			
	Wycombe	Other	A. Projected Growth in Employed Residents (number)	B. Work in home district (rate)	C. Work elsewhere (rate)	
Usual Residence	Wycombe	7,553	4,535	12,089	62.48%	37.52%
	Other	3,797	-			
Wycombe workplace based	D. Projected Employment Growth (number)	11,350		Commuting ratio:		
	E. Originate from home district (rate)	66.55%		number based	A/D =	1.07
	F. Originate from elsewhere (rate)	33.45%		rates based	E/B =	1.07

Figure 3: Projected Growth in Employed Residents (Figure 1 based; 11,350 jobs, assuming 5.9% double-jobbing)

	Place of Work		Resident based			
	Wycombe	Other	A. Projected Growth in Employed Residents (number)	B. Work in home district (rate)	C. Work elsewhere (rate)	
Usual Residence	Wycombe	7,108	4,268	11,375	62.48%	37.52%
	Other	3,573	-			
Wycombe workplace based	D. Projected Employment Growth (number)	10,680		Commuting ratio:		
	E. Originate from home district (rate)	66.55%		number based	A/D =	1.07
	F. Originate from elsewhere (rate)	33.45%		rates based	E/B =	1.07

Figure 4: Projected Growth in Employed Residents (SHMA commuting assumption, 11,350 jobs assuming 5.9% double jobbing)

	Place of Work		Resident based			
	Wycombe	Other	A. Projected Growth in Employed	B. Work in home district	C. Work elsewhere (rate)	
Usual Residence	Wycombe	7,108	0	11,375	62.48%	37.52%
	Other	3,573	-			
Wycombe workplace based	D. Projected Employment Growth (number)	10,680		Commuting ratio:		
	E. Originate from home district (rate)	66.55%		number based	A/D =	0.67
	F. Originate from elsewhere (rate)	33.45%		rates based	E/B =	1.07