Vale of Aylesbury Local Plan EiP

Response to Discussion Document D5: Acting on Interim Findings

1. The Council has asked Opinion Research Services (ORS) to consider Discussion Document D5 in the context of responding positively to the Inspector's Interim Findings.

2. The Interim Findings confirmed that the HEDNA adjustments to the population estimates at the start of the projections were convincing (para 12) and the Inspector accepted the baseline housing need identified by the HEDNA as the basis for applying the uplift(s) for establishing OAN and the Housing Requirement.

3. Nevertheless, the Inspector identified three specific concerns about the OAN identified by the HEDNA and the associated VALP Housing Requirement:

   » Firstly, the Inspector noted that the years following the financial crisis of 2008 were included in the migration trends and, on this basis, he was not convinced that sufficient migration had *"been accommodated within the Council's forecasts"* (para 14).

   » Secondly, the Inspector considered that local affordability justified an uplift of more than 10% and proposed that this *"should be 15% to be in proportion with that recommended for Eastleigh"* though went on to say that more recent evidence *"suggests that the uplift for VALP should more likely be 20% than 15%"* (para 19).

   » Thirdly, the Inspector discussed the Cambridge-Milton Keynes-Oxford Arc and its potential to help increase housing delivery, noting that *"greater levels of development will be required within and around the arc's existing towns and cities"* (para 25).

4. Taking these three issues collectively, the Inspector proposed a higher uplift to the baseline housing need concluding that *"this should be at least 20% and probably 25%"* which represents a range of 22,800 to 23,600 dwellings (para 26).

5. Whilst the Interim Findings stated that this range would represent the OAN for Aylesbury Vale, Discussion Document D5 has since confirmed that the Inspector was *"deliberately conflating a "policy on" consideration with the OAN in order to arrive at a Housing Requirement figure"* (para 9). Given this clarification, it is now clear that the Inspector's Interim finding was that the Housing Requirement should range from 21,100 to 22,200 dwellings, and that this would include any "policy on" allowance for the arc. The OAN would inevitably have a lower range, as it would exclude any allowance for the arc – but the split was not set out in the Interim Findings.

6. Discussion Document D5 invited the Council *"to suggest an appropriate figure"* for the OAN for Aylesbury Vale (para 13) in the context of the concerns identified in the Interim Findings.

Concern 1: Migration

7. As previously noted, the Interim Findings confirmed that the HEDNA adjustments to the population estimates at the start of the projection were convincing. In other words, the HEDNA has established a reasonable estimate for the number of persons resident in Aylesbury Vale each year from 2001 to 2015.

8. Given that the HEDNA has established convincing population estimates for 2001 and 2011, the natural corollary must be that the associated estimate of the change in population between these two dates is also convincing. On the same basis, having established convincing population estimates for 2005 and 2015, the associated estimate of population change from 2005-2015 must also be convincing.

9. Therefore, in accepting that the HEDNA adjustments to the population estimates at the start of the projection were convincing, it inevitably follows that the HEDNA must also have established convincing estimates for the overall change in population for both trend periods that were considered: 2001-2011 and 2005-2015.

10. It is widely accepted that records of births and deaths are generally accurate, and therefore there is reasonable certainty about the extent of natural population change each year. Based on this information, we can establish the overall level of natural change recorded in the periods 2001-2011 and 2005-2015.

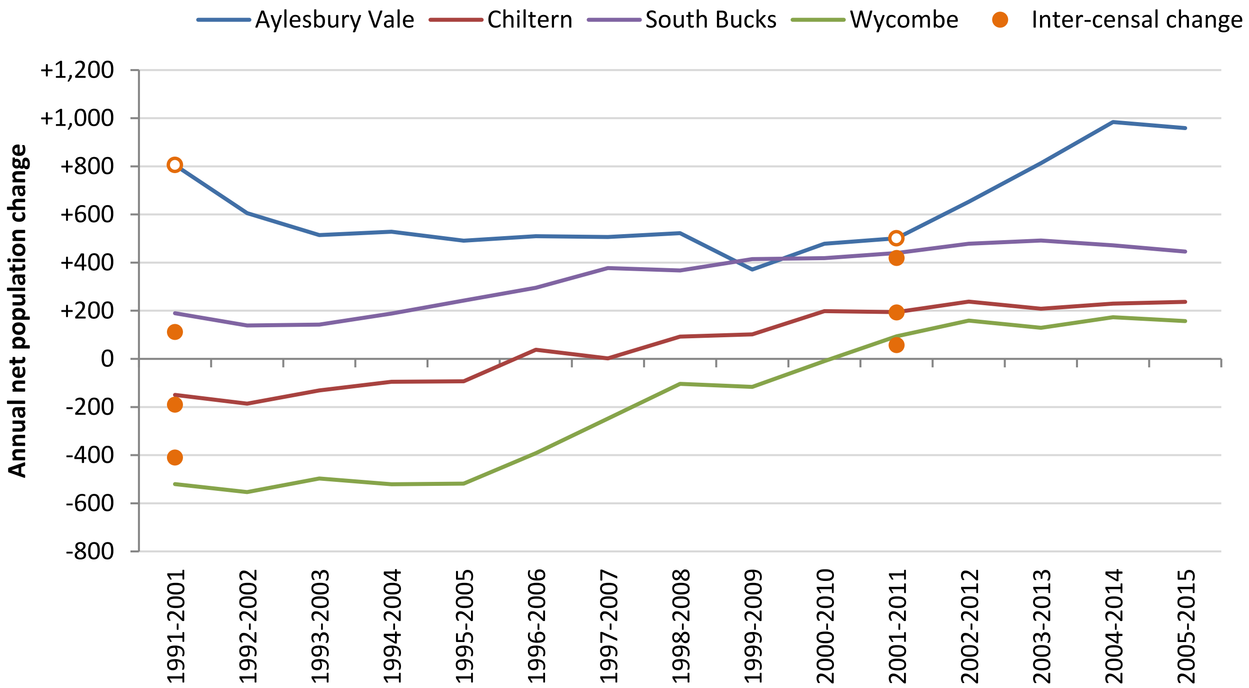
11. Given that the HEDNA provides convincing estimates of overall population change and we also have reasonable certainty about the level of natural population change (based on recorded births and deaths), it follows that the difference between these two figures must provide a convincing estimate of other population changes (not associated with births or deaths). These other changes will be due to population moving into or out of the area from elsewhere; in other words, these other changes represent net migration.

12. On the basis that the HEDNA population estimates for the start of the projection were convincing, we can conclude that the HEDNA must also provide convincing estimates of net migration for the trend periods 2001-2011 and 2005-2015.

13. It is important to recognise that the starting point for establishing the OAN are household projections; and these project forward past trends. Given that the HEDNA has produced convincing estimates of net migration trends, it is entirely appropriate that these inform the future projections. Nevertheless, as rightly noted in the Interim Findings (para 14), both the 2001-2011 and 2005-2015 trend periods encompass the years following the financial crisis of 2008 and this could have impacted on migration rates; so it is appropriate to consider whether an alternative trend period may be more appropriate.

14. The HEDNA Update presents the 10-year trends from 1991-2001 through to 2005-2015 at Figure 41, which is replicated overleaf.

Figure 41: 10-year migration trends 1991-2001 to 2004-2015 (Source: UK Census of Population 1991, 2001 and 2011; ONS Mid-Year Population Estimates, revised; Buckinghamshire HEDNA adjusted estimates for Aylesbury Vale)



15. Based on this evidence, net migration reduced from a gain of around 800 persons per year over the 10-year period 1991-2001 to a gain of around 500 persons per year consistently for the periods 1993-2003 through to 1998-2008, with annual averages ranging between 491 and 529 persons. Whilst net migration was lower over the 10-year period 1999-2009, the average gain for the period 2001-2011 (+501 persons) was broadly consistent with averages for the years prior to 2008, and the average gain for the period 2005-2015 (+959 persons) was notably higher than recorded in any previous period since 1991.

16. On this basis, it is clear that the migration trends that the HEDNA used (based on the period 2005-2015) were not based on average rates that had been depressed as a consequence of the financial crisis as was the case in some parts of the country. Net migration to Aylesbury Vale was actually higher than recorded over previous years, which is consistent with housing completions in Aylesbury Vale being only marginally lower (2,294 dpa) than the required amount (2,430 dpa) from April 2008 to March 2011. The figures clearly show that the HEDNA household projections are based on migration trends that are notably higher than those observed in earlier years.

17. The position expressed in Discussion Document D5, that based on the general experience of the recession the trend-based migration component of the HEDNA population projection might be too low, cannot be maintained in light of the evidence. Insofar as the Interim Findings considered the HEDNA adjustments to the population estimates at the start of the projection to be convincing, the underlying migration figures which form part of those estimates must also be considered convincing and therefore the evidence base for Aylesbury Vale must be considered reliable. Although the Interim Findings query whether the financial crisis might have led to suppressed migration (para 14), the local evidence shows that this did not happen

in Aylesbury Vale. Indeed, for whatever reason, migration during the period 2005-2015 was actually close to the highest rate recorded during any 10-year period since 1991.

18. Given this evidence, the migration component of the Council's population projections is unlikely to be too low. On that basis, the projections should not need to be uplifted for migration as has been suggested. Projections should be based on past trends, and those past trends do not support the application of a higher rate of migration. The Council considers that the original figure remains appropriate.

19. The Council recognises though that the Inspector may still have concerns about assumed rates of <u>future</u> migration. This is consistent with PPG, which identifies that the housing need number suggested by household projections may need to be adjusted – but this would be part of the response to market signals (considered below) and not an adjustment to the migration rates which inform the HEDNA household projections, which are already based on convincing estimates of <u>past</u> migration.

Concern 2: Market Signals and Affordability

20. Based on the "Eastleigh comparison" the Inspector concluded that an uplift of 15% would be more appropriate than the 10% that the HEDNA proposed, though he notes (Discussion Document D5, para 10):

> *"That any affordability uplift based on the "Eastleigh comparison" would be too low in any event and should be increased still further by a percentage which can only be a matter of judgement. I would be content for the Council in the first instance to suggest an appropriate figure."*

21. The Inspector sets out three arguments that he considers "compelling" in terms of the "Eastleigh comparison" being too low (Discussion Document D5, para 12 bullets):

> *"That the Eastleigh figure was arrived at through professional judgement in the absence of any precedent and without the assistance of any scientifically based objective method.*
>
> *That the Local Plans Expert Group (LPEG) report offers a systematic method.*
>
> *That the LPEG method produces a higher figure than the "Eastleigh comparison" method."*

22. We agree that the Eastleigh figure was arrived at through professional judgement; however, we note that Discussion Document D5 has recognised that this *"can only be a matter of judgement"* (para 10).

23. We agree that the LPEG report offers a systematic method; however, we would suggest that the approach proposed by LPEG is no more a *"scientifically based objective method"* than the "Eastleigh comparison" and the consequences of both methods are considered further in this document.

24. We agree that the LPEG method produces a higher figure that the "Eastleigh comparison" method; however, this does not make either approach more correct than the other. This remains a matter of professional judgement based on the evidence, and there is a need for consistency in decision-making.

25. The Government's ambition set out in the Autumn Budget 2017 is to *"raise housing supply to 300,000 homes per year, on average, by the mid-2020s"*.[1] Estimates produced by ORS in April 2016 showed that the approach proposed by LPEG would yield an overall housing need of 6,592,880 dwellings for England over the 20-year period 2012-2032, which yields a simple average of 329,600 dpa. Therefore, the LPEG method yields a housing need figure that is around 10% higher than the Government housing supply ambition on the basis that housing need was met in full every year.

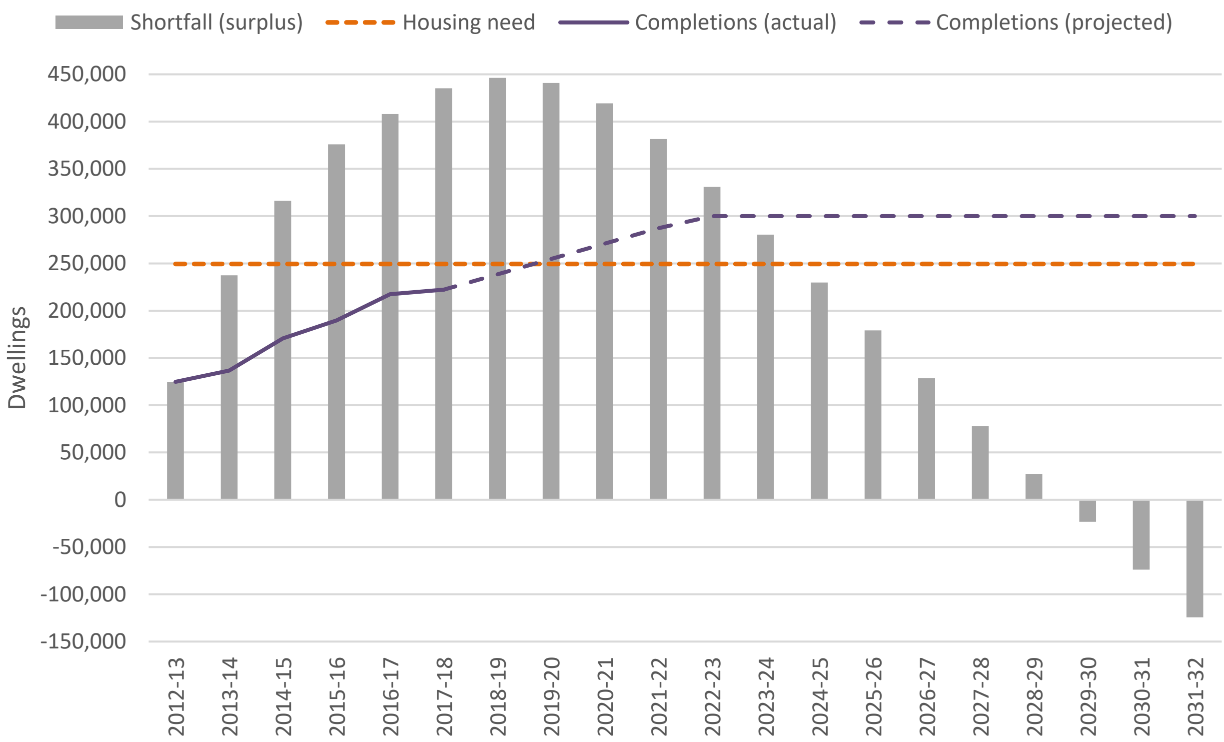
26. However, it is widely recognised that there is a need to increase housing delivery from the rates achieved at the start of the LPEG period and that this will be an incremental process. Completion rates have already increased significantly: from 124,700 dwellings in 2012/13 to 222,200 dwellings in 2017/18, with a total 1,061,200 net additions to the stock over the 6-year period 2012-2018.[2] Taking account of completions to date, the LPEG method yields a residual need of 395,100 dpa on average over the period 2018-2032. This is 32% higher than the Government ambition. Our conclusion is that the LPEG method significantly exaggerates housing need, and so the LPEG method should be approached with caution.

27. The HEDNA Update sets out the overall housing need for England on pages 140-142. This concludes an average housing need of 239,500 dpa using the HEDNA approach based on the 25-year period 2014-2039. This only counts concealed families when considering market signals, which yields an uplift of less than 2% (HEDNA Update para 7.17). As the household projections identify a lower rate of growth over the latter years of the projection, considering the period 2012-2032 increases this simple average to 249,400 dpa; and taking account of completions to 2018 yields a residual need of 280,500 dpa on average over the period 2018-2032. Given this context, an uplift of less than 2% in response to market signals yields an annual housing need that is already close to the Government's ambition for the mid-2020s.

28. The chart overleaf shows the national housing need identified by the HEDNA in the context of actual and projected dwelling completions, assuming that the rate of housing delivery continues to increase at a similar pace to that recorded since 2012. On this basis, delivery is likely to reach a peak of 300,000 dpa by 2022/23, which would be consistent with the Government's ambition. Assuming that this rate of delivery is then sustained, on average, throughout the period to 2032, the chart shows that overall delivery would be around 125,000 dwellings higher than the housing need identified by the HEDNA over the 20-year period to 2032. This represents an uplift of around 3% in addition to the 2% uplift for concealed families.

29. On this basis, the Government's aspiration to *"raise housing supply to 300,000 dwellings per year, on average, by the mid-2020s"* justifies a market signals uplift of around 5% on average across England when considered over the 20-year period 2012-2032. Whilst rates of delivery in the latter years will need to be higher when compared to the identified housing need, this is to address shortfalls in housing delivery during the early years rather than an increase to the baseline need.

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/661430/Building_the_homes_the_country_needs.pdf
[2] MHCLG Live Table 122



30. In summary, the LPEG method exaggerates housing need whereas the "Eastleigh approach" is consistent with the Government's ambition, which requires an average market signals response of 5% for England. Given this context, the 10% uplift proposed for Eastleigh represents double the increase needed nationally on average, which seems appropriate given the relative market signals for that area.

31. It is important to recognise that the "Eastleigh approach" yields an uplift that is broadly consistent with all plans adopted across the Wider South East. Pages 13-15 of the Council's response to the Inspector's initial questions on OAN (June 2018) set out the range of market signals uplifts that had been tested at Examination at that time. Only four areas had uplifts in response to market signals that were higher than the 10% proposed for Aylesbury Vale; Waverley (25%), Mid Sussex (20%), Luton (20%) and East Herts (14%). The uplifts in two of these areas were proposed by ORS: Luton and East Hertfordshire.

32. An uplift of 20% was proposed for Luton due to market indicators identifying acute overcrowding and homelessness pressures, despite the area being more affordable. However, the overall uplift proposed for the Luton and Central Bedfordshire combined area was 10%.

33. An uplift of 14% was proposed for East Herts (as part of the West Essex and East Herts HMA) to respond to a range of market indicators, in particular affordability. Lower quartile affordability ratios for 2016 were 13.10 for East Herts, 16.77 for Epping Forest, 9.53 for Harlow and 13.30 for Uttlesford; an average of 13.18 for the four areas, which is 84% higher than the equivalent ratio of 7.16 for England.

34. The East Hertfordshire Inspector Christine Thorby concluded in her report (July 2018):

> *32. Market signals. The updated SHMA considers market signals affecting the HMA. This demonstrates that there are considerable housing market pressures in the HMA, with*

> *price and affordability indicators being higher than the national average, across all of the partner authorities.* ***Of particular concern is affordability with worsening rates seen over the last few years.*** *Census data also shows that 6.6% of households are overcrowded.* ***Taking this into account a 14% market signal uplift is appropriate as a response to address market pressures.*** *This equates to over 6,200 dwellings across the HMA.* ***This has been tested through benchmarking with other Authorities demonstrating similar market signals, and the impact assessed on overcrowding and affordability. This shows that the uplift is reasonable and would make a considerable difference to overcrowding and affordability in East Herts.***

35. The only other two areas in the Wider South East with adopted plans where a market signals uplift of more than 10% has been proposed are Waverley (25%) and Mid Sussex (20%).

36. In Waverley, the LPA had originally proposed to only uplift in response to suppressed household formation; an uplift from 493 to 519 dpa using 2012-based CLG projections. The 2014-based projections were subsequently published and these reduced the starting point to 396 dpa, but the Local Plan Inspector proposed a 25% uplift to this figure which essentially returned the need to original 2012-based starting point. Even with a 25% uplift, the overall housing need represents a growth of only 0.94% per year, which is less than the 1.05% needed nationally to achieve 250,000 dwellings per year (see the chart on page 15 of the Council's response to the Inspector's initial questions on OAN, June 2018). This example is a clear outlier and cannot be relied upon when establishing any norm.

37. In Mid Sussex, the LPA proposed to only uplift in response to suppressed household formation but the Inspector concluded that a further uplift was justified and recommended an uplift of 20%. The lower quartile affordability ratio for this area was 13.17 in 2016, which is almost identical to the average ratio for the West Essex and East Hertfordshire areas. However, the household projections for Mid Sussex represented a marginally lower rate of growth than identified for East Hertfordshire (1.17% cf. 1.21% per year) so a higher uplift may have been appropriate (see the chart on page 15 of the Council's response to the Inspector's initial questions on OAN, June 2018).

38. There are no other examples (including Local Plans examined more recently) of any OAN figure which has informed an adopted Local Plan (or where an Inspector has given interim views following Examination hearings about the housing number) where the uplift for market signals has been higher than 10%; and Inspectors have endorsed an uplift of 10% in Adur (where the affordability ratio was 12.44), Brighton & Hove (11.51) and South Cambridgeshire (11.03). Given this context, it would appear inconsistent to conclude that the OAN for Aylesbury Vale was unsound based on an uplift of 10% when the affordability ratio is lower at 10.99. Of course, affordability is only one of the market indicators that should be considered, but it received particular focus in the analysis set out in the Interim Findings.

39. The Interim Findings also noted the need to reflect the different characteristics of the Milton Keynes HMA. In our response to the Interim Findings, ORS confirmed that *"the proposed 10% uplift for market signals in*

Aylesbury Vale is consistent with the 10% that ORS proposed for Milton Keynes" (para 8). At that time, the Milton Keynes Inspector David Spencer had yet to issue his report. That report was published last week, and this clearly endorses the SHMA approach despite alternative submissions inviting *"significantly higher uplifts"*:

> *59. **The SHMA advocates 10% uplift for market signals** equating to 1,579 dwellings to avoid double counting with concealed households already factored in to the demographically adjusted OAN. **Alternative submissions invite significantly higher uplifts of between 15% and 25%.** A notable amount of work has been undertaken to benchmark Milton Keynes against other examined local plans over the past 2 years in the wider south-east of England. **The 10% figure proposed sits well within the range of uplifts within other South-East Plans dealing with broadly comparable affordability pressures** and would result in approximately a 1.6% increase in the housing stock.*
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> *60. **The 10% uplift for market signals (1,579 dwellings) would be effective, justified and positively prepared and in accordance with the relevant advice in the PPG** (paragraphs 2a-019 and 2a-020). However, I consider it important to recognise that a number of separate positive adjustments to the demographic starting point are proposed. There should not be a compounding of upwards adjustments so as to result in a distorted OAN. Accordingly, the higher adjustment of 1,739 dwellings for future jobs would also appropriately address the need to respond to market signals.*

40. Similarly, the Interim Findings set out that the analysis should reflect the influence of the London HMA. Again, our response to the Interim Findings identified that the GLA SHMA 2013 *"increased the household projection-based estimate of housing need by 20.3%"* and that the GLA SHMA 2017 made adjustments *"equivalent to an uplift of 18.6%"*.

41. ORS has prepared SHMA evidence for fifteen of the London boroughs and has proposed market signals uplifts ranging from at least 15% up to a maximum of 20%. The indicators relating to affordability for the London Borough of Camden are considerably worse than for most other local authorities (18.89 in 2016, 164% higher than the average for England) and ORS proposed that an uplift of 20% was appropriate (around four times the 5% uplift needed nationally). This was endorsed by Local Plan Inspector Katie Child:

> *27. The housing target in Policy H1 has been informed by the Camden SHMA (2015) which identifies OAN for an additional 16,800 dwellings in the borough over the Plan period. The Camden SHMA's general OAN methodology appears to be robust and in line with guidance in the PPG (Planning Practice Guidance), and at the hearing there was general acceptance of the use of the GLA's 2014-round long-term scenario as the demographic starting point. **The methodology incorporates an uplift of 20% to take account of market signals, which is proportionate in the context of high house prices in the borough.***

42. Discussion Document D5 invites the Council to propose an appropriate figure for the response to market signals on the basis that it is considered that the "Eastleigh comparison" method produces an uplift that is too low and that a higher uplift is justified, based on a number of arguments which were found compelling. These arguments largely relate to the LPEG report. However, as discussed above, the evidence demonstrates that the LPEG considerably exaggerates housing need at a national level.

43. In our original response to the Interim Findings, we concluded (para 31):

> *"ORS believes that our proposed response of 10% remains the appropriate uplift for Aylesbury Vale, but recognises that this is based on a judgement and could accept the rationale for a market signals response of up to 15%. However, we do not believe that a market signals response of 20-25% can be justified in the context of the evidence."*

44. This view is largely supported by the other representations put forward by the VALP hearing participants, with the exception of those who relied on the LPEG approach.

45. Barton Willmore and Chilmark Consulting proposed a 25% uplift and SPRU proposed a 20% uplift in response to market signals, all based on their interpretations of the LPEG method.

46. The views from representations put forward by the other VALP hearing participants (i.e. those who did not rely on the LPEG approach) unanimously accept that an uplift of 15% provides an appropriate minimum. This represents four out of the seven hearing participants that put forward alternative proposals. Their specific views can be summarised as follows:

» Pegasus – propose a 10% uplift in response to market signals;

» Nexus Planning – propose a 15% uplift in response to market signals;

» Regeneris – propose an uplift of at least 15% in response to market signals; and

» Lichfields – propose a 15% uplift as a minimum in response to market signals.

47. As discussed at the hearings, Lichfields was the planning consultancy that was largely responsible for developing the LPEG method (given their role as technical advisor to the LPEG Panel). It therefore seems notable that they did not rely on the LPEG method, but instead proposed a 15% uplift as a minimum in response to market signals in Aylesbury Vale.

48. Taking everything into account, it is agreed that the uplift should be at least increased to 15%. However, to what extent any further uplift could be justified requires further consideration – in particular given the extent to which the LPEG approach would appear to have influenced this conclusion. The LPEG approach exaggerates need and cannot be relied upon.

49. In contrast, we have demonstrated that the "Eastleigh approach" yields uplifts which are consistent with those needed to align with the Government's ambition to *"raise housing supply to 300,000 homes per year, on average, by the mid-2020s"* – requiring an average uplift of 5% across England as a whole over a 20-year period.

50. The "Eastleigh approach" also provides consistency with uplifts that have been applied in other Local Plans which have been found sound. It would seem inconsistent for the VALP to not be found sound if it was based on an OAN which incorporated a 15% uplift, when numerous other areas with worse affordability have been found sound with lower uplifts. It would be particularly inconsistent given the very recent acceptance of a 10% uplift in an adjacent council's Local Plan where the respective HMA is common with the north of Aylesbury Vale.

51. Nevertheless, the Council notes the Inspector's view that a higher uplift is needed and has considered the proposed uplift in this context.

Concern 3: Cambridge-Milton Keynes-Oxford Arc

52. Discussion Document D5 has now confirmed that *"the arc should not have any influence over the housing requirement"* (para 4). As a consequence, the arc does not justify a "policy on" uplift when establishing the Housing Requirement and there is no need for any adjustment in response to the third concern identified by the Interim Findings.

53. On this basis, the Housing Requirement for VALP will need to be based on the OAN calculated for Aylesbury Vale together with the agreed unmet need from elsewhere in the Housing Market Area as was originally proposed.

Considering the Proposed Uplift

54. The HEDNA identified that the household projection-based estimate of housing need was 17,584 dwellings. This figure is based on past migration trends and provides the basis for any uplift to establish OAN.

55. The Inspector has proposed that this an uplift of at least 15% should be applied to this figure, which yields a total of 20,200 dwellings. As stated above we agree that this level of uplift can be justified and it therefore provides an appropriate minimum figure to consider.

56. The Inspector has also proposed an uplift of 20-25% for the Housing Requirement (a range of between 21,100 and 22,000 dwellings) – but this conflated a "policy on" consideration for the arc with the OAN. Therefore, the appropriate maximum for the OAN will inevitably have a lower range than set out in the Interim Findings given that it should not include any allowance for the arc.

57. Although it is a matter of judgement, it would seem reasonable to assume that any meaningful "policy on" contribution to the Housing Requirement as a consequence of the arc would represent at least 1,000 dwellings within the overall uplift proposed. This would imply that the range proposed by the Inspector might include an OAN of up to a maximum of 21,000 dwellings, with the arc element taking the figure up to the maximum requirement of 22,000 dwellings.

58. Whilst there is no single "correct" answer, we would propose that the OAN is based on the midpoint between the agreed 15% uplift (20,200 dwellings) and the maximum of the Inspector's range after making a reasonable allowance for the "policy on" element (21,000 dwellings).

59. **This yields an OAN for Aylesbury Vale of 20,600 dwellings** (equivalent to 1,030 dwellings per annum) and represents a 17% uplift on the household projection-based estimate of housing need.

60. The additional 3,016 dwellings included within the proposed uplift will allow future net migration to be 8,072 persons higher over the 20-year Plan period than was originally projected based on past migration trends, which represents an average increase of 404 persons per year.

61. The 10-year average for past net migration over the period 2005-15 was 959 persons per year (based on the HEDNA population trends – see HEDNA Update, figure 41). Therefore, the proposed dwelling uplift would allow net migration to increase 42% above the previous 10-year trend, which was already higher than recorded in earlier 10-year periods.

62. Given this context, we believe that this is reasonable in the context of the Inspector's Interim Findings and all of the other available evidence.

63. Taking account of the agreed unmet need from elsewhere in the Housing Market Area (8,000 dwellings) yields an overall Housing Requirement of 28,600 dwellings (equivalent to 1,430 dwellings per year).