2018 Review of Inspectors' Decisions on SHMAs and OAN
Updated Technical Paper for Tandridge District Council

June 2018
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Appendix 1: Original Technical Paper (September 2015)
1. **Introduction**

1.1 Turley has been commissioned by Tandridge District Council (‘the Council’) to update the suite of five housing technical papers\(^1\) produced in 2015, which have formed part of the Council’s Strategic Housing Market Assessment (SHMA) evidence base since their publication. Updated papers are required by the Council to inform the ongoing preparation of the Local Plan and to ensure that account is taken of the latest available evidence.

1.2 This paper provides an updated review of Local Plan Inspectors’ reports, with regards to conclusions reached on the application of the methodology for calculating the objectively assessed need (OAN) for housing.

1.3 The original technical paper\(^2\) – included in full at Appendix 1 – considered Inspectors’ decisions which had been published after Planning Practice Guidance (PPG) was released in March 2014, and that were available as of September 2015. This paper considers Inspectors’ reports which have been published in the intervening period up to May 2018. Reflecting the significant volume of Local Plans adopted during this period, the paper concentrates on those reports which are considered to provide important confirmation and clarification with regards to the application of the OAN methodology, rather than seeking to be a comprehensive review.

**Policy Framework and Guidance**

1.4 At the time of writing, the Government has recently concluded a consultation on a revised version of the National Planning Policy Framework (NPPF), with supporting proposed amendments to the PPG published in draft form as part of this consultation. It is understood that the Government intends to publish a revised version of the NPPF by summer 2018. Whilst on this basis a new NPPF will be in place in the short-term, the proposals for its implementation indicate that plans submitted within six months of the date of its final publication will not be expected to take any account of the revisions. It is understood that the Council aims to submit its Local Plan during 2018, and therefore within this window.

1.5 On this basis, this review is intended to highlight key areas of clarification provided by Inspectors in relation to the interpretation and application of the methodology prescribed in the current PPG, and therefore the current NPPF.

1.6 Prior to this review, however, a short section is included which establishes the potential implications of the revised NPPF and draft PPG, albeit noting that in both cases – as identified above – these are only in draft form at the time of writing. In this context, it is also of note that Inspectors have yet to expressly ascribe weight to these proposed revisions in arriving at a concluded OAN within reports available at the time of writing, despite acknowledging its publication.

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\(^{1}\) Separate technical papers were produced on defining the housing market area; analysis of market signals; addressing the needs of all household types; affordable housing needs assessment; and review of Inspectors’ decisions on SHMAs and OAN

Report Structure

1.7 This report follows a similar structure to the original technical paper, albeit with the insertion of a short initial section (section 2), which provides a summary of the changes to the national policy context. Section 3 cites a number of selected Inspectors’ reports to highlight key areas of clarification and/or areas where alternative approaches have been applied in the concluding of an NPPF-compliant OAN through these Local Plan Examinations.

1.8 The review in section 3 focuses on the following aspects of the stepped methodology currently prescribed through the PPG:

- Demographic projections of housing need;
- Taking employment trends into account;
- Responding to market signals; and
- Considering affordable housing needs.

1.9 As with the original paper, whilst the focus is placed on reviewing Inspectors’ interpretation of Local Plan evidence through Examinations in Public (EiPs) – with regard in particular to the conclusions around the establishing of an NPPF-compliant OAN – reference is also made to a number of important recent legal judgements in the Courts.
2. Changes to the National Policy Context with regards to the Assessment of Housing Needs

2.1 At the current point in time, the PPG remains the official guidance on establishing housing needs. The Government has, however, confirmed its intention to introduce a new standardised approach to assessing housing needs, as part of the ‘radical, lasting reform’ required to address the national housing crisis and ‘get more homes built right now and for many years to come’.

2.2 In September 2017, the Government published its proposed method as part of its consultation on ‘planning for the right homes in the right places’. A reduced number of methodological steps are proposed when compared with the existing PPG. The most recent official household projections continue to be treated as the ‘starting point’, with adjustments formulaically applied to take account of the relationship between median house prices and earnings.

2.3 The latter aspect represents the only adjustment that is required to be made to the household projections to derive the ‘minimum’ need. This is introduced as representing a ‘market signals’ adjustment, and is based on the application of an arithmetic formula. This therefore removes any judgement as to the scale of uplift which is reasonable and the need to consider other signals of market imbalance.

2.4 The emerging guidance does, however, recognise that in a number of instances the formula would result in a significant implied uplift. The Government has therefore proposed a ‘cap’ on the level of adjustment applied through the methodology, with the stated aim of ensuring that it is ‘deliverable’. Under the proposed method, the market signals adjustment is capped at 40% above recently adopted housing requirements, or household projections if higher than requirements adopted more than five years ago.

2.5 The Government has confirmed the intention to implement the new approach through revisions to the NPPF and associated updates to the PPG. The consultation on these documents closed on 10 May 2018. Within the consultation draft PPG, the standard method is largely unchanged from that proposed by the Government in the prior consultation. This has been confirmed by the Government in its published response to the September consultation, in which its view was expressed that the methodology was ‘the most appropriate method that meets the three key principles of being simple, realistic and based on publicly available data’. The exact form of the proposed standard method will, however, only be confirmed following the publication of the final revised NPPF and associated PPG.

2.6 The considerably simplified nature of the proposed standard method means that an arithmetic calculation of local housing need will be available to each authority. As part

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3 DCLG (2017) Housing White Paper – fixing our broken housing market, p7
4 DCLG (September 2017) Planning for the right homes in the right places: consultation proposals
6 MHCLG (March 2018) Government response to the Planning for the right homes in the right places consultation – A summary of consultation responses and the Government’s view on the way forward
of its consultation on ‘planning for the right homes in the right places’\(^7\), the Government published an indicative figure for each local authority, based on underlying data sources available at the time. However, as the draft PPG acknowledges, these figures will be subject to regular updating on an annual basis to take account of the latest affordability ratio (usually published in March) and the most up-to-date sub-national household projections (SNHP) which are published every two years.

2.7 It is of note that the indicative figures published in September 2017 by the Government are therefore technically out-of-date, following the release of the 2017 affordability ratio dataset in April 2018. Looking forward, a more substantial change to each authority’s calculated need can be anticipated on the basis of the draft methodology, following the scheduled release of the 2016-based SNHP dataset in September 2018.

2.8 The potential for notable changes in the minimum calculated need resulting from the formula has been emphasised by the release of the 2016-based sub-national population projections (SNPP) in May 2018. These projections are based on estimated population trends over the past five years (2011 – 2016), with these estimates themselves having been recently revised by the Office for National Statistics (ONS) in March 2018. These revisions were made to incorporate ‘methodological improvements and previously unavailable data’\(^8\).

2.9 For many authorities, the 2016-based SNPP suggest a notably different underlying scale of population growth when compared to the 2014-based iteration, which underpins the 2014-based SNHP and therefore the indicative figures released to date by Government.

2.10 There is further potential for more pronounced change when considered that the ONS has now assumed responsibility for the production of household projections, replacing the Ministry for Housing, Communities and Local Government (MHCLG). It is understood that the ONS intends to use current methods as a ‘starting point’ in producing the 2016-based household projections, albeit this does not currently confirm whether more substantive changes will be made\(^9\).

2.11 Within the draft PPG, there is a clearly expressed expectation that on the introduction of the revised NPPF authorities will be expected to follow the standard method ‘unless there are exceptional circumstances that justify an alternative’\(^10\). It reasserts this point by stating that these circumstances should be ‘compelling’ and must be ‘properly justified and will be subject to examination’\(^11\).

2.12 Whilst the proposed standard method as set out in the draft PPG stresses the use of the official projections as forming the ‘starting point’ for the calculation, it does acknowledge that authorities may present ‘exceptional circumstances’ for using alternative projections of population and household growth which would imply a lower level of need. It is clear to stress, however, that in doing so:

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7 DCLG (September 2017) Planning for the right homes in the right places: consultation proposals
8 ONS (March 2018) Revised population estimates for England and Wales: mid-2012 to mid-2016
9 ONS (June 2017) Response to the ONS consultation on the household projections for England
11 Ibid, pg 26
“The plan-making authority will need to make sure that the evidence base is robust and based on realistic assumptions, and that they have clearly set out how they have demonstrated joint working with other plan-making authorities. In such circumstances, the Planning Inspector will take the number from the standard method as a reference point in considering the alternative method.”

2.13 In addition, the Government has made clear through the draft planning guidance that ‘there may be circumstances where it is justifiable to identify need above the need figure identified by the standard method’, which is to be explicitly considered as ‘the minimum starting point in establishing a need figure for the purposes of plan production’ rather than a maximum figure that must be planned for. In particular, it acknowledges that:

“The method relies on past growth trends and therefore does not include specific uplift to account for factors that could affect those trends in the future. Where it is likely that additional growth (above historic trends identified by household projections) will occur over the plan period, an appropriate uplift may be applied to produce a higher need figure that reflects that anticipated growth.”

2.14 The draft guidance does not provide an exhaustive list of the circumstances in which such an uplift is appropriate, but cites the following examples:

- Growth strategies are in place;
- Strategic level infrastructure improvements are planned; or
- Funding is in place to promote and facilitate growth, through the Housing Infrastructure Fund and Housing Deals for example.

2.15 The draft guidance indicates that factors such as the above can justify a higher housing need figure, which can be presented as the upper end of a range uplifting the standard method at its lower end. There is an intention to consider alternative approaches which identify a higher housing need figure as sound unless there are compelling reasons to indicate otherwise.

2.16 As referenced in the introduction to this report, the documentation published alongside the latest consultation confirmed that ‘policies in the previous Framework will apply for the purpose of examining plans where those plans are submitted on or before’ the date which is six months after the date of the revised NPPF’s final publication.

2.17 The Government’s intention to publish the final version of the revised NPPF ‘before the summer’ suggests that Local Plans submitted before the end of 2018 are likely to be examined based on existing policy and guidance, including the existing PPG and its

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12 Ibid, pg 26
13 Ibid, pg 26
14 Ibid, pg 26
15 Ibid, p26
stepped approach to calculating housing needs. Implementation could be further delayed to January 2019 in the event that the revised NPPF is published in final form in the weeks before the summer recess, which commences on 24 July 2018.
3. **Review of Inspectors’ Interpretation of the PPG/NPPF on SHMA evidence**

3.1 This section provides an overview of Inspectors’ interpretations of the staged methodology currently advocated by the PPG, in relation to the preparation of a SHMA evidence base that complies with the NPPF. This is based on a selection of Local Plan Inspectors’ reports produced since the original paper, specifically:

- **Waverley**, found sound in February 2018;
- **Central Lincolnshire**, found sound in April 2017;
- **Mid Sussex**, found sound in March 2018;
- **Canterbury**, found sound in June 2017;
- **Telford and Wrekin**, found sound in November 2017;
- **Luton**, found sound in August 2017; and
- **Derbyshire Dales**, found sound in November 2017.

**Demographic projections of housing need**

3.2 The original paper identified that Inspectors had consistently sought to ensure that OAN evidence took account of the latest demographic projections, noting that under the PPG these form the ‘starting point’ for the calculation of need18.

3.3 A review of subsequent Inspectors’ reports confirms that this remains an important consideration. The report on the Waverley Local Plan, for example, confirms that the Inspector expressed conclusions on OAN with reference to the 2014-based SNHP, despite this not having formed the basis of the published SHMA upon which the submitted Plan’s requirement was based:

> “The SHMA findings are based on the 2012 Household Projections which indicated a demographic need for 1,352 dpa across the HMA, of which 493 were apportioned to Waverley Borough. However, the 2014 CLG household projections, published in 2016, are meaningfully different from those of 2012 and indicate a lower demographically-based figure for Waverley of 378 dpa. This becomes a starting point of 396 dpa after factoring in the SHMA-assessed vacancy rate of 4.7%”19

3.4 The original paper also highlighted that a number of Inspectors had considered it appropriate for the calculation of need to depart from the ‘official’ population and household projections, where these were considered to be misrepresentative on the basis of the historic period from which they were based.

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18 PPG Reference ID 2a-015-20140306
19 Waverley Borough Local Plan, Inspector’s Report, February 2017, paragraph 19
3.5 The Inspector examining the Luton Local Plan, for example, concluded that:

“There is no certainty about which trends will most accurately forecast what will happen in the future. However, where net migration can show significant variations over time, it is not unreasonable to use a longer term trend. This avoids making a long term forecast primarily on the basis of what has happened over only a limited number of years, which may not be representative of what will happen over a plan lifetime.”

3.6 A similar conclusion was reached by the Inspector examining the Telford & Wrekin Local Plan, who observed that:

“...there is broad agreement that an adjustment needs to be made to the 2014-based projections in order to ensure that recessionary trends are not perpetuated. In principle, it seems to me that the adoption of a trends-based population projection by the Council is therefore justified. As noted above, recent migration data show a marked departure from previous years. While some objections have been raised to using a 10 year period upon which to base trends, I consider that adopting a shorter 5 year time period would be likely to give undue prominence to what has been a marked change. There is no certainty that such a dramatic rise will continue: it may indeed represent a post-recessionary ‘bounce-back’, as suggested by the Council.”

3.7 A similar position was concluded as being reasonable by the Inspector examining the Central Lincolnshire Local Plan, where it was concluded that:

“There is no certainty about which trends will most accurately forecast what will happen in the future. However, in circumstances where actual net internal migration has shown significant variations over recent years it is reasonable to use a longer-term trend. This avoids the problem of making forecast primarily on the basis of what happened in a recessionary period and has the advantage of balancing out highs and lows. Furthermore, as the SHMA points out, the use of a 10 year trend does not suggest a full return to the rates of net migration seen in the early 2000s. It is therefore a prudent, reasonable and justified approach.”

3.8 In the case of the Luton Local Plan, the Inspector also considered – on the basis of the Council’s evidence in this particular locality – that it was justified to further adjust historic official datasets. Here, the Inspector noted the Council’s evidenced concern with the impacts of under-numeration in the 2001 Census. He observed that whilst:

“The Council’s evidence and analysis of this rather key point could have been set out with much greater clarity and with more transparency...there is sufficient evidence to justify approaching the DCLG household projections with some degree of caution and the Council’s downward adjustment to the official household projections falls within the boundary of what reasonably be justified. Nevertheless, the issue is not clear cut.”

3.9 It is of note, however, that the Government’s proposed standard method appears – based on the published draft – to “raise the bar” with regards to an authority justifying...
a departure from the official projections. As set out in section 2, the draft guidance confirms that this should only be undertaken where there are exceptional circumstances. Where this position is advanced, full account must be taken of the implications for other authorities with which housing market relationships are shared.

3.10 Finally, the treatment of so called “unattributable population change” (UPC) in considering demographic inputs to the OAN calculation has also been debated.Whilst this has only been identified by the ONS between the Census years – with more recent projections, namely the 2016-based SNPP, therefore no longer drawing upon a period affected by this factor— it has been referenced in the conclusion on OAN in a number of Inspectors’ reports.

3.11 In the justification for the OAN in the Central Lincolnshire Local Plan, the Inspector considered it appropriate to make a modest upward adjustment to account for UPC. This was specifically considered as being appropriate given the longer-term trend period being drawn upon, with the Inspector noting that:

“The SHMA indicates that these differences may result from discrepancies in the assessment of migration flows dating back to the earlier part of the 2000s and that these are less likely to apply if more recent trends are relied upon which are less prone to data error. We have no reason to doubt this analysis and, given that the OAN is based on longer term migration trends, the adjustment is reasonable”

3.12 This can again be considered in the context of the proposed standard method, and its reliance on projections that are now based on a five year period since the Census (2011 – 2016). As noted in section 2, these estimates have themselves been recently revised to incorporate an improved methodology. This limits the extent to which UPC remains a continuing issue for the purposes of assessing housing need, given that its historic impact is wholly contained an historic period (2001 – 2011) that is now excluded from the trend period for the official projections.

**Taking employment trends into account**

3.13 The original paper highlighted that the relationship between job growth and housing need formed an important area of debate in the derivation of a number of OANs.

3.14 A review of subsequent reports reaffirms that this has been an important area of debate. The complex relationship between likely job growth and the implications for demographic change and therefore housing need were, for example, of significance in the concluded OAN for Telford and Wrekin. The Inspector there considered in great detail the input level of job growth and a series of labour-force behaviour assumptions. Ultimately, the Inspector reached the conclusion that a significant uplift was justified from the demographic projections in order to ensure that job growth was not constrained. The Inspector noted that ‘there is a need for an upwards adjustment to [the] demographic-based assessment of housing need’ with the final adjustment

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24 The 2016-based SNPP draws upon the preceding five year period (2011 – 2016), which entirely postdates the 2011 Census. UPC was only identified prior to 2011.

25 Central Lincolnshire Local Plan, Inspectors’ Report, April 2017, paragraph 38

26 Telford & Wrekin Council Telford & Wrekin Local Plan, Inspector’s Report, November 2017, paragraph 41
representing an uplift of 72% from the ‘starting point’ of the 2014-based household projections.

3.15 The Inspector examining the Waverley Local Plan also carefully considered the evidence with regards to forecast employment growth, applying a level of judgement as to the likely future job growth to which the OAN for housing should ensure it supports. The Inspector concluded that:

“The basket of forecasts points towards employment growth of 0.6% pa if the most anomalous projection is discounted. This is a little above the historic rate of growth of 0.5% per annum and has a sense of realism about it”

3.16 Finally, the importance of this aspect in supporting a notably elevated level of assessed need when contrasted with the trend-based demographic projections was established within the examination of the Derbyshire Dales Local Plan. Here, in considering the need to support employment growth – and recognising affordability issues – the Inspector concluded that:

“...an affordability uplift of 24 dpa is applied to the 260 dpa economic growth led figure leading to an OAN for the District as a whole of 284 dpa...This represents a 60% increase on demographic needs shown by the 2014-based household projections”

3.17 It is recognised that as set out in section 2, the Government’s proposed standard method omits the need to directly assess the relationship between job growth and housing need in establishing the ‘minimum’ local housing need. However, the draft PPG acknowledges that there may be circumstances where a higher need for housing will arise as a result of a growing local economy.

3.18 In justifying a housing requirement within a Local Plan, it is anticipated that Inspectors will continue to seek evidence that planned levels of provision will not constrain the economic aspirations of the Local Plan, which is based on a realistic assessment of future employment growth. Based on the proposed revisions to the PPG, this will be of particular significance where the local authority has expressed a clear intention to support higher levels of future economic growth.

Responding to market signals

3.19 As summarised in section 2, the Government’s proposed standard method intends to simplify the application of adjustments to respond to evidenced market signals of affordability issues through the use of an arithmetic formula. This is understood to respond to an acknowledgement that there has been a high degree of variance in the application of the current PPG with regards to this important element.

3.20 The current PPG requires consideration of evidence of worsening in any market signal, listing six different indicators that should be considered. It confirms that a ‘reasonable’

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27 Ibid, paragraph 45
28 Waverley Borough Local Plan, Inspector’s Report, February 2017, paragraph 24
29 Derbyshire Dales Local Plan, Inspector’s Report, November 2017, paragraph 57
adjustment should be made which ‘on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability’.

3.21 This evidently lends itself to requiring a degree of judgement in both the assessment (SHMA) but also in the examination of the evidence by the Inspector through the EiP.

3.22 A review of Local Plans found sound at Examination since the start of 2016 illustrates the degree of variance in the judgments applied. This has identified a number of Inspectors who have specifically identified a positive (above 0%) adjustment as reasonable to respond to market signals. These uplifts have ranged from 5% in High Peak to 20% in Camden and Bromsgrove, with Inspectors highlighting evidence which ‘points to the need for a modest upwards adjustment for affordability in the form of a percentage uplift rather than a precise figure’ and acknowledging ‘the degree of uplift used by Inspectors at other examinations in comparison with the significance of...considerations here’.

3.23 In a number of the areas reviewed, however, Inspectors have been expressly satisfied that market signals evidence does not suggest ‘a demand-supply imbalance...that would justify a higher housing figure’. Some Inspectors have also concluded that the scale of uplift already applied in deriving the OAN – through adjustments to support economic growth, for example – would simultaneously boost supply and provide an appropriate response to worsening market signals.

3.24 The conclusion of the Inspector examining the Eastleigh Local Plan – which was not found sound, and therefore falls outside of the review process detailed above – has been widely cited in recent years as a benchmark in interpreting this stage of the PPG methodology. As noted in the original paper, the Inspector here advocated an uplift of 10% to respond to the ‘modest’ pressure reflected by market signals.

3.25 The Inspector considering the Canterbury Local Plan – found sound and included in the review above – recommended an uplift of 20% associated with evidence of worsening market signals, advising in his initial findings that this uplift needed to be considered in the context of other adjustments relating to household formation and the alignment of population change with economic growth. He noted that ‘the amount of uplift to be applied to the starting point estimate is a matter of judgement’ and identified the potential for ‘a degree of overlap between [the market signals uplift] and some of the other assumptions’, before recommending that ‘an uplift that took reasonable account

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30 PPG Reference ID 2a-020-2014036
31 The 20% market signals uplift applied in Bromsgrove was decided by the Council, and was not endorsed or justified within the housing needs evidence base. However, the Inspector was ‘satisfied that [the] assessment is appropriately justified’
32 Planning Inspectorate (May 2017) Report on the Examination of the North Tyneside Local Plan (para 61)
33 Planning Inspectorate (March 2016) Report on the Examination into High Peak Local Plan (para 39)
34 Planning Inspectorate (December 2016) Report on the Examination into the Derby City Local Plan Part 1: Core Strategy
36 Eastleigh Borough Local Plan, Inspector’s Report, paragraph 41
37 ‘Canterbury District Local Plan: Note on main outcomes of Stage 1 hearings’, August 2015
of market signals, economic factors, a return to higher rates of household formation and affordable housing needs was appropriate as a full OAN for Canterbury.\(^{38}\)

3.26 The Inspector considering the Mid Sussex Local Plan also suggested the appropriateness of directly applying a 20% uplift to the household projections. In his report, the Inspector noted that:

“Some other local authorities in broadly similar circumstances had adopted an OAN which included a market signals uplift of 20%... This would be compatible with the ranges derived from the market signals work and the employment analysis, and I considered that it was the most well-founded and most realistic figure for the OAN. Evidence indicated that it would counter worsening affordability and would accommodate much of the affordable housing need for reasonable preference groups, whilst meeting the housing need arising from forecast employment growth.”\(^{39}\)

3.27 The same Inspector examined the Waverley Local Plan and concluded here that a market signals adjustment of 25% was reasonable. The Inspector noted in framing the judgment that such an adjustment was required when considered that:

“The affordability situation in Waverley is one of the most severe outside London and all the analysis suggests that the uplift should be towards the upper end of that range, in the order of a 25% uplift from the starting point.”\(^{40}\)

Considering affordable housing needs

3.28 The original paper identified a number of Local Plan Examinations in which the calculation of affordable housing need had come under scrutiny. It is acknowledged that the calculation prescribed through the PPG follows a separate set of methodological steps to the other aspects of the OAN referenced above.

3.29 The relationship between the calculated affordable housing need figure and the concluded OAN has tended to draw greater debate within EiPs than the separate calculation of the affordable housing need element itself.

3.30 This recognises complexities in comparing the outputs of their separate calculations, illustrated for example when considering that existing households form a component of affordable housing needs. These households currently occupy housing, and therefore will not add to the overall need for housing suggested by household projections. Indeed, these households will vacate a property once their affordable housing need is met.

3.31 Reflecting this complexity, it has been confirmed by the High Court that:

“The Framework makes clear [affordable housing] needs should be addressed in determining the...[FOAN] but neither the framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which

\(^{38}\) Ibid (para 25/26)
\(^{39}\) Mid Sussex District Plan 2014-2031, Inspector’s Report, March 2018, paragraph 19
\(^{40}\) Waverley Borough Local Plan, Inspector’s Report February 2018, paragraph 22
the planning authority has little or no prospect of delivering in practice. This is because the vast majority of delivery will occur as a proportion of open-market schemes and is therefore dependent for its delivery upon market housing being developed”

This judgment has been recently upheld by the Court of Appeal, which acknowledged that the need for affordable housing and the OAN were products of ‘separate and different calculations and assessments’ with some overlap inevitable. It confirmed that:

“Planning judgment [is] required in gauging a suitable uplift to take account of the need for affordable housing, without either understating or overstating that need”

Arithmetic and ‘notional’ calculations of the total number of homes required to meet affordable housing need in full were noted in this judgment. However, the ‘risk of over exaggerating the “full, objectively assessed needs” by making a calculation of this kind’ was highlighted, with the Inspector’s conclusion that such an exercise was ‘purely theoretical’ supported on this basis.

The application of this judgment was demonstrated in the examination of the Mid Sussex Local Plan. Here, the Inspector considered the implications of the calculated affordable housing need as a contributing factor to deriving a judgement as to the OAN with particular reference to affordability aspects. The Inspector asserted:

“The analysis of affordable housing need, like the market signals affordability analysis, also pointed towards a higher OAN than underpinning submitted Policy DP5. The Statement of Common Ground with the Developers’ Forum of 7 February 2017 indicated that affordable housing need (based on a 15 year period) would be 258 dpa in respect of reasonable preference groups and 331 for the total waiting list. Net need plus committed housing would result in a need for a range of 1,120 dpa to 1,363 dpa at an affordable housing rate of 30%. This would be well in excess of the realistic range derived through household projections and affordability analysis, and of housing provision past and present, so it would be unlikely to be met in full. Nonetheless, it was clear that the plan should try to meet as much as was realistically possible”

When compared with the current PPG, it is important to note that the draft PPG retains broadly comparable text with regards to the calculation of affordable housing need and the approach to considering its implications in establishing the overall housing requirement. It is therefore possible that the implications of evidenced affordable housing need will continue to be considered, particularly as justification for authorities planning to surpass the minimum need figures derived from the proposed standard method in its current form.

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41 Borough Council of Kings Lynn and West Norfolk v Secretary of State for Communities and Local Government, ELM Park Holdings Ltd [2015] EWHC 2464 (Admin)
42 Jelson Ltd v Secretary of State for Communities and Local Government and Hinckley and Bosworth Borough Council [2018] EWCA Civ 24, paragraph 36
43 Mid Sussex District Plan 2014-2031, Inspector’s Report, March 2018, paragraph 17
Appendix 1: Original Technical Paper (September 2015)
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Technical Paper for Tandridge District Council

September 2015
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September 2015
1. Introduction

1.1 The evidence included within a SHMA has formed an important aspect of many Local Plan Examinations in Public (EiP) following the publication of the NPPF.

1.2 This paper considers a number of recent Inspector’s reports following EiPs. Emphasis has been placed on considering Local Plan examinations which have occurred since March 2014 which represents the date at which the Planning Practice Guidance was issued in its final form and therefore replaced all former guidance relating to the preparation of a SHMA.

1.3 The paper uses a number of the key methodological steps within the PPG to structure a consideration of Inspector’s interpretation of the guidance and the implications for the preparation of a sound and robust evidence base. The following aspects of the SHMA research process are therefore used to structure the presentation of the review:

- Use and definition of a Housing Market Area (HMA) Geography
- Demographic projections of housing need
- Taking employment trends into account
- Responding to market signals
- Concluding an Objective Assessment of Housing Need (OAN)
- Considering affordable housing needs

1.4 Prior to reviewing Inspectors conclusions on the above elements of the methodology section 2 of the report cites the EiP’s referenced and sets the context as to the Inspector’s overall conclusions and implications for the Local Plan process.

1.5 Whilst the focus is placed on reviewing Inspector’s interpretation of Local Plan evidence through EiPs with regard in particular to the conclusions around the establishing of an OAN reference is also made to a number of important recent High Court decisions.
2. Cited Inspectors’ EiP Reports

2.1 The review in section 3 references Inspector’s interim or full conclusions on the following Local Plan EiPs:

- **Cheshire East** – The Inspector’s interim views on the Cheshire East Local Plan Strategy was published in November 2014. These followed hearings held in October 2013. The submission draft Local Plan sought to provide for 27,000 new houses by 2030 (1,350 dpa) with an additional 500 dwellings to meet some of the needs of neighbouring High Peak BC and 20,000 jobs over the longer term and 13,900 jobs over the plan period. The Council’s housing evidence implied an OAN of 1,180 dpa with the planned level of provision uplifted to account of the economic aspirations of the Plan. The Inspector, however, when considering the evidence base and the policy response highlighted concerns that the evidence was neither clear or accurate in its approach to determining the OAN. The Inspector highlighted concerns relating primarily to the alignment of the economic and housing strategy and by implication the Council’s objective assessment of housing needs. The Inspector’s concerns related to the alignment of the methodology taken to arrive at the OAN set against the steps in the PPG. Other concerns were raised with regard to the proposed approach to amending the Green Belt. The Inspector advised the Council to progress a number of additional evidence based elements of work prior to hearings being reconvened.

- **Cheshire West and Chester** – The Inspector’s report on the Cheshire West Local Plan (Part One) was published in December 2014. The Inspector concluded that the Local Plan provided an appropriate basis for the planning of the Borough subject to a number of modifications. In relation to the local housing policy the Local Plan made provision for 1,100 dwellings per annum (22,000 new dwellings). This was predicated on the identification of an OAN aligned with this level of provision. The OAN represented a significant uplift from the level of need suggested by the latest and previous iterations of the DCLG household projections responding to economic and market signals.

- **Eastleigh** – The Inspector’s report on the Eastleigh Borough Local Plan was published in February 2015. The submission version of the Local Plan provided for a minimum of 10,140 dwellings over the plan period 2011 to 2029 (564 dpa). This figure was justified on the basis that it represented the derived apportionment from the South Hampshire Strategy (SHS) increased by 5%. The SHS was not based on a calculated OAN. The absence of a clear justification as to the extent to which the planned provision aligned with an evidence based OAN represented a significant area of discussion through the EiP. The South Hampshire Strategic Housing Market Assessment (SHMA) identified an OAN for the two HMAs within its study area. This included an identified assessment of

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need of 615 dpa for Eastleigh. A subsequent update to the SHMA for Eastleigh Borough Council identified an OAN of 549 dpa taking into account the 2012 Sub National Population Projections (SNPP). In the context of reviewing the evidence and the Plan’s proposed provision for housing the Inspector found, following the hearings at the EiP, that the Council had not recognised the full extent of affordable housing need in the Borough and, as a consequence, had not considered all options to seek to better address that need. The Inspector also highlighted evidence of market signals suggested that the additional market housing was required. Further issues in relation to the identified supply of land were also highlighted in this context. On this basis the Inspector recommended non-adoption of the Plan. The Council is now progressing with a new Plan with an extended time horizon to 2036, in line with the emerging review of the Partnership for Urban South Hampshire (PUSH) South Hampshire Strategy. The Council subsequently wrote to the Minister of State for Housing and Planning to express concerns with the Inspector’s conclusions4.

- **Horsham** – The Inspector published an initial set of findings on the Horsham District Planning Framework (HDPF) in December 2014 following the EiP hearings held in November5. The submission version of the Plan sought to provide for 13,000 homes between 2011 and 2031 an average of 650 dpa. The underpinning evidence to justify this policy position included a number of documents including a Locally Generated Needs Study and a SHMA. This evidence base pre-dated the publication of the PPG and therefore did not specifically identify an OAN. The justification for the housing policy position, however, suggested that the scale of provision was an uplifted position from local need to account for unmet needs from other authorities with housing market linkages. The Inspector concluded that the Council had not properly identified the correct level of housing need over the Plan period and consequently needed to modify the HDPF to show how a higher level of housing requirement could be met. The Inspector sought to consider the evidence presented to arrive at a considered OAN identifying a minimum need for 750 dpa with the range 750 – 800 dpa identified as having a number of advantages in addressing affordable homes. The Council submitted modifications to the Plan based upon an updated evidence base, including a new OAN report, which recognised an uplift to provide for 750 dpa. A subsequent hearing session was held in July 2015. Following this session the Inspector provided a further note to the Council6 setting out two further main modifications. The first of these modifications represented the Inspector’s advice that the requirement for the plan period should be 800 dpa to reflect the updated evidence including an identification of unmet needs within the HMA.

- **Stratford-upon-Avon** – The Inspector published his Interim Conclusions on the Stratford-on-Avon Core Strategy in March 2015 following EiP hearings held in January 20157. Following the submission of the Local Plan based on a consolidation of evidence the Council uplifted the planned level of provision for

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4 https://www.eastleigh.gov.uk/media/31062/ppi_Brandon_Lewis_MP.pdf
5 ‘Horsham District Planning Framework (HDPF) examination – Inspector’s initial findings’, 19th December 2014
6 ‘Inspector’s Note to the Council’ July 2015
7 ‘Examination of the Stratford-on-Avon Core Strategy Inspector’s Interim Conclusions’, March 2015
housing in the Plan from 10,800 to 11,320 dwellings. The underlying evidence base identified this level of need as the OAN with the Plan seeking to meet this in full. The Inspector concluded that a number of areas of further work were required for the plan to be found sound. This included the need to revisit the OAN with the Inspector concluding that the labour market adjustments contained in the evidence were not adequately justified with the concern being that an adequate labour supply would not be available to meet the projected job growth. The Inspector considered that the result would be an uplifting of the OAN. The Council has confirmed that further work is underway with the results to be consulted upon in Autumn 2015.

- **Durham** – The Inspector published his interim views on the County Durham Plan in February 2015 following hearing sessions held in November 2014. The submission version of the Plan sought to provide for housing needs in full with an OAN of 1,651 dpa identified within the Council’s evidence base. The calculation of the OAN included an uplift in response to the Plan’s economic growth policy approach. The Inspector reached a view that the Plan was not sound as currently drafted. In arriving at this conclusion the Inspector concluded that the OAN was too high. This position reflected a concern that the Council’s vision for a successful local economy incorporated unrealistic assumptions about job growth and associated in-migration. The Inspector identified that additional further work would be required to address the deficiencies identified and expressed concern that this could be achieved within a 6 month timeframe and would potentially lead to a significantly different plan. The Council submitted a Judicial Review of the Inspector’s interim views in May 2015 the outcome of which is still awaited.

- **Birmingham** – The Inspector published his Interim findings on the Birmingham Development Plan in January 2015 based on the hearing sessions held in October 2014. The submission version of the Local Plan sought to provide for a level of housing which it was recognised fell below the OAN for the authority. The OAN had been evidenced as part of a SHMA which included an HMA which extended significantly beyond Birmingham. The housing evidence, at the time of the Plan’s submission had not directly evidence the scale of unmet needs from Birmingham, albeit it had identified that there were unmet needs. With regards to the OAN the Inspector identified a number of areas of further work which he considered was necessary. This included specific reference to the treatment of headship rates, issues relating to adjusted population projections and the adjustments relating to economic and market signals. Subsequent to the Inspectors interim findings the Council has submitted updated evidence relating to the OAN and Sustainability Appraisal. The inspector has subsequently agreed with the Council a schedule of Main Modifications which it is understood will be consulted upon in the near future.

- **Central Bedfordshire** – The Inspector examining the Central Bedfordshire Development Plan issued a letter to the Council on the 16th February 2015.
following an initial set of hearings in February 2015\textsuperscript{10}. The submission version of the plan sought to provide for housing which met the identified OAN and an element of unmet need from Luton. The Inspector concluded that the Council has not complied with the Duty to Co-operate. An informing part of this conclusion was a recognition of the complex housing market area linkages in the area within which Central Bedfordshire is located.

- **Reigate and Banstead** – The Reigate and Banstead Local Plan was formally adopted on the 3\textsuperscript{rd} July 2014. This followed receipt of the Inspector’s report\textsuperscript{11} in January 2014 following hearing sessions in 2013. The Local Plan Submission Document was submitted in 2012 with the Inspector initially identifying additional work to be undertaken by the Council. The additional work and modifications to the Plan following the examination were identified as sound by the Inspector. The Local Plan policy position provided for a level of housing which it was acknowledged fell below housing need, albeit the underpinning evidence base did not identify an OAN in the context of the PPG\textsuperscript{12}. The Inspector considered that the evidence implied an OAN of between about 600 and 640 dwellings per annum with the Plan proposing the provision of an annual average of 460 dpa between 2012 and 2027.

- **Lewes** – The Inspector examining the Lewes Local Plan Part 1/ Joint Core Strategy wrote to the Council in February 2015\textsuperscript{13} with his initial findings on the submitted Local Plan following hearing sessions in January 2015. The Inspector proposed a number of main modifications for the Council to prepare to respond to a number of key points of soundness. This included the need to uplift the proposed housing requirement in the Plan to respond more positively to the evidence of housing need. The Inspector confirmed that the planned level of need, even accounting for the uplift, fell below the OAN identified within the evidence base recognising evidence of development constraints associated in particular with the South Downs National Park. The Inspector identified the need to provide for a minimum of 6,900 homes over the plan period (345 dpa). The Council identified an evidence based OAN for between 460 and 520 dwellings per annum over the plan period which was confirmed by the Inspector.

\textsuperscript{10} Inspector’s letter to the Head of Development Planning and Housing Strategy at Central Bedfordshire Council – subject Central Bedfordshire Development Strategy, 16\textsuperscript{th} February 2015
\textsuperscript{11} Report on the Examination into Reigate & Banstead Core Strategy Local Plan, 31\textsuperscript{st} January 2014
\textsuperscript{12} The latest SHMA was published in 2012 prior to the publication of the PPG in 2014.
\textsuperscript{13} Inspector’s letter to the Council on the Lewes Local Plan Part 1/ Joint Core Strategy, 10\textsuperscript{th} February 2015
3. **Review of Inspectors’ Interpretation of the PPG / NPPF on SHMA Evidence**

3.1 A review of the Inspector’s decisions referenced in section 2 is used to present an overview of the emerging interpretation of a series of methodological aspects of the PPG in relation to the preparation of an NPPF compliant SHMA evidence base.

**Use and definition of a Housing Market Area (HMA) Geography**

3.2 A review of the Inspector’s reports highlights that a pragmatic approach is often being taken to the definition of a HMA and the use of the definition in the translation of evidence into policy.

3.3 The Inspector considering the Stratford-on-Avon Core Strategy recognised from the evidence that the definition of a HMA geography was not a simple exercise with a number of studies in surrounding areas suggesting that the authority was included in more than one HMA. The SHMA prepared for Coventry and Warwickshire concluded that this geography provided the most relevant HMA for strategic planning purposes, within which Stratford-on-Avon was located. The Inspector concluded on this issue:

“There appears to be a high degree of consensus that whilst Stratford District straddles a number of HMAs, Coventry and Warwickshire is the most appropriate HMA. I acknowledge that my colleague has found that Stratford falls partly within the Birmingham HMA, which is consistent with DCLG research[^14^]. However the SHMA takes account of other indicators such as migration, travel to work flows and house prices in reaching the conclusion that it does. In the circumstances I have no sound basis to disagree with its conclusion.” (Paragraph 11)

3.4 The evidence underpinning the Cheshire West and Chester Local Plan supported the identification of the authority as a HMA. This included reference to analysis highlighting that 66% of those moving in the last five years moved within the Borough, with this including long-distance moves. The evidence also identified clear housing market interactions with other areas, notably Cheshire East, Wirral and Flintshire. The Inspector concluded in this contest; ‘such characteristics of the housing market are not unexpected given the extensive, largely rural nature of the Borough and its position in relation to other authorities’ (paragraph 13). The Inspector also confirmed that whilst the LEP geography included two other adjacent authorities there was no evidence to suggest that its geographic definition was based on housing factors. Overall the Inspector also adopted a pragmatic view concluding:

“The definition of a HMA requires an element of judgement and pragmatism. Taking all of the relevant factors into account, I consider that available evidence supports the view that the Borough can be described as a largely self-contained HMA. There is no evidence which would substantiate a specific alternative boundary for the HMA and there is nothing in the PPG to suggest that in some cases, a single local authority could not form the HMA. None of the other local authorities have questioned the Council’s

[^14^]: The Geography of Housing Market Areas’ [2010]
approach or suggested that the HMA should extend beyond the Borough.” (paragraph 15)

3.5 The Inspector considering the Central Bedfordshire Development PLAN concluded that the council had failed to comply with the Duty to Cooperate (DtC) with the first set of hearing not seeking to consider the OAN in full. The definition of the HMA including Central Bedfordshire formed an important point of consideration for the Inspector in considering the extent to which the DtC had been complied with.

3.6 The evidence presented within the Council’s SHMA identified that Central Bedfordshire was made up of parts of four other HMAs, reflecting its geography and location between a number of larger employment centres. Evidence was also submitted suggesting that it was located within a wider HMA geography based upon local authority boundaries. The Inspector recognised that there was emerging evidence being prepared by the authors of the SHMA to define HMA geographies across the wider area with the result being a series of interlocking HMAs which, it was acknowledged, were unlikely to coincide with administrative boundaries of any one authority or group of authorities. Important in this context the Inspector concluded:

“Translating the objectively assessed housing need for the HMA into a housing requirement figure for the Plan area is a matter for discussion under the Duty...With the publication of the 2012-based household projections imminent and several local plans in the wider area at points in their preparation where this data will be vital, there would appear to be an opportunity for meaningful activity through the Duty process. In my view therefore, in the particular circumstances of this area at this time the way that the authorities engage through the Duty is more important than the manner in which the boundaries of any particular HMA are drawn.” (paragraph 75)

3.7 Interestingly the Inspector examining the Stratford Local Plan also grappled with the issues associated with considering evidence presented both at a local authority and HMA level and stated:

“…at some point it is necessary to focus on the District rather than the HMA and I note that recent case law\textsuperscript{15} emphasises that the primary duty of the LPA is to assess the needs of the LPA’s area…

I have considered the argument that there is no support in the Framework for a plan to be based on figures for just a District. However the recent adoption of the North Warwickshire Core Strategy following my colleague’s report, would suggest otherwise.” (paragraphs 20 and 21)

3.8 It is evident that there is a recognition by Inspectors that HMA geographies are often complex and do not align directly with the authority boundary used within a Local Plan. Ensuring a compliant analysis with the indicators within the PPG is an important point of compliance with recognition of thresholds of containment a ‘test’ which provides the Inspector with a degree of quantified evidence. It is equally apparent that the consideration of the HMA through the DtC is of primary importance in ensuring that

\textsuperscript{15} Paragraph 25 (i) Satnam Millennium Limited v Warrington Borough Council [2015] EWHC 370 (Admin)
there is a clear and justified position as to how wider housing needs have recognised and reflected in the development of the Local Plan housing requirement.

**Demographic projections of housing need**

3.9 A number of the Inspector’s conclusions regarding the OAN stress the importance of ensuring that the analysis of demographic evidence references the latest household projections published by the DCLG. At the time of writing these are the 2012 based Sub National Household Projections (SNHP) which were released in February 2015.

3.10 The Inspector considering the Horsham Plan identified that the absence of a SHMA in conventional form and the interim updating of a number of documents meant that the most recent data was not reflected in the evidence (paragraph 6).

3.11 Whilst the latest household and population projections evidently represent an important starting point it is apparent that Inspectors have also had to address issues recognising that these trend-based projections can be influenced by the period upon which they are based.

3.12 The Inspector considering the Cheshire East Local Plan highlighted this issue with regard to historic migration rates, which evidently form an important factor in terms of projecting forward future population trends:

“Migration rates are another contentious factor. CEC uses short-term data for the period 2006/07-2009/10, which may be an appropriate starting point. However, historic rates of in-migration during the past decade may have been constrained by economic factors and the under-delivery of new housing; CEC’s own figures show significant reductions in in-migration between 2010-13, but acknowledge that internal migration may increase as the economy recovers and more opportunities arise in Cheshire East, even though this may be partly offset by migration to other areas by existing residents. By using figures from the last decade, the LPS is continuing the levels of migration associated with a period of economic recession and limited availability of new housing, rather than those associated with a more buoyant economy and more new housing.” (paragraph 44)

3.13 The Inspector examining the Stratford Local Plan also recognised the validity of adopting a longer-term historic period upon which to base trends:

“An assumption based on 10-year net migration should even out the peaks and troughs of the economy and better reflects the migration levels associated with the District’s employment growth.” (paragraph 20)

3.14 The Inspector examining the Reigate and Banstead Local Plan considered the issues associated with using trend based projections in a level of detail. The evidence underpinning the plan was produced in advance of the 2012 SNHP dataset and the 2011 Interim SNHP, albeit the latter dataset was considered through the hearing sessions. The Inspector recognised that in the case of Reigate and Banstead the areas designation as a Growth Point had resulted in a distinct profile of development historically. In this context, the Inspector noted:
“Population and household projections are trend-based – they indicate the growth that would occur if recent trends (generally over the past five years) continue over the period of the projection. Consequently they take no account of policy interventions or other individual factors which affect growth rates in particular areas at particular times. This has profound significance for Reigate & Banstead because of its participation in the government’s New Growth Points (NGP) initiative. This required the Council to “front-load” its delivery of this level of housing proposed in the SEP and led to a higher number of dwelling completions in the years 2006-2010. Not surprisingly, this led to a significant increase in migration into the borough over the same period: the evidence demonstrates a markedly higher increase in both overall population and in-migration over this period compared with Surrey authorities and the wider South East.” (paragraph 22)

3.15 On this basis the Inspector noted that with regards to the published DCLG projections: “Their value as reliable indicators of future growth is therefore limited” (paragraph 23). The Inspector identified a level of OAN for housing based upon earlier projections of need considering migration flows seen over the historic period. He did, however, reference that this position would need to be reviewed in light new projections which took into account in full the 2011 Census results (paragraph 30).

3.16 The Inspector considering the Lewes Local Plan recognised that there were substantial environmental constraints which impacted upon the ability of the authority to meet even the lower end of the OAN range. Importantly, however, in considering the evidence in its entirety his consideration of an appropriate response dismissed any potential reliance on a position which sought to dismiss the resultant need from migration pressures. With regards to the balancing of the NPPF definition of sustainable development, he noted:

“…my initial view is that the balance between the three elements of sustainable development, as set out in the NPPF, has not been properly struck in terms of the level of new housing in the plan in relation to the area’s needs. This is particularly so for affordable housing, given the area’s relatively strong housing market currently and the attractions of the district for in-migrants and retirees.” (no paragraph reference)

3.17 One other aspect considered by Inspector’s in a number of the EiPs is the identification of the Unattributable Population Change (UPC) component identified by the ONS following the release of the 2011 Census. In the case of Eastleigh, for example, the UPC represents a significant positive figure suggesting a likely under-recording of past in-migration. The Inspector noted:

“However, ONS has not included the UPC component in the 2012 SNPP, hence the population projections for Eastleigh are lower than before. ONS consider that the UPC should not be attributed to migration because, as its name implies, the reasons for adjustment is unknown. Given this advice and ONS’ approach to its own projections, it is reasonable for the JGC study to follow the same approach. Over time, the significance of the UPC will decline and ONS has improved its methodology for assigning international migration. Nevertheless, UPC may represent higher than accounted for migration into Eastleigh in the past, which may continue in the future. This is not reflected in the 2012-based SNPP and thus not in the JGC Study’s outputs.”

16 Justin Gardner Consulting
3.18 The Inspector did note in relation to the above that a higher projected level of need implied by projections within a wider SHMA across the PUSH area, factoring in elements of adjustment to the UPC, did, however, represent the impact of taking into account UPC and advanced this as a more robust approach.

3.19 The Inspector examining the Birmingham Plan was also presented with evidence submitted by the Council which advocated the inclusion of UPC within the population projections and requested additional explanation as to the consequences in terms of accuracy of excluding this component from the projections.

3.20 Prior to the publication of the 2012 Sub National Household Projections (SNHP) in February 2015 a considerable amount of debate regarding the appropriate application of headship rates to population projections was reflected in Inspector’s reports on a number of plans.

3.21 The Inspector examining the Birmingham Plan, for example, whilst not specifically challenging the application of an Indexed based approach (one which followed the 2011 SNHP rates and then reverted to a rate of change projected in the 2008 SNHP) sought further confirmation as to whether a more positive assumption around returns was more appropriate. Indeed the Inspector considering the SHMA underpinning the Stratford Plan recognised the application of a more sophisticated approach than the Indexed based one which applied a part return to trend for a selected age group, those aged in their 20s and 30s. Importantly the Inspector dismissed other advanced positions which assumed more positive returns to historic positions, stating:

“It concludes, at paragraph 5.25, that it is unlikely that there would be a full recovery in HFRs [Household Formation Rates] to the levels in the 2008 projections. In the circumstances I find no clear basis to assume a full return to trend when recent national figures show little sign of an improvement in average real incomes and thus housing affordability.” (paragraph 17)

3.22 It is apparent from the review of these specific Local Plan Examinations that there is recognition as to the importance of understanding the context in which trend-based projections are based whilst also recognising that the latest SNHP dataset published by the DCLG forms an important starting point consideration.

3.23 The significant market challenges in place over more recent years have formed an important point of consideration for Inspectors in considering the appropriateness of trends based projections drawing heavily upon this time period. The examination of longer-term period from which to base trends has therefore been accepted as representing a useful consideration as to generating alternative demographic based projections of need.

3.24 The release of the 2011 Census data has also raised identified challenges regarding the validity and appropriateness of historic data in authorities where the Census revealed a notably different population count than previously estimated by the ONS. This has been reflected in the analysis and discussion around Unattributable Population Change (UPC). Where this is identified as an issue the positive contribution it plays with regard to understanding projections of need based on longer historic time periods in particular has been recognised.
The release of the 2011 Interim SNHP dataset also instigated a significant amount of analysis and interpretation by Inspectors of changing household size and household formation rates. The release of the 2012 SNHP which builds in a greater level of analysis of the 2011 Census and presents projections over a full 25 year period has moved this point of discussion on. It is apparent from the guidance, however, that analysis should continue to be undertaken to assess the extent to which household formation rates have been affected by the local market context and therefore their appropriateness for projecting need in the long term.

**Taking employment trends into account**

The Inspector examining the Stratford Local Plan stressed clearly the importance of demonstrating an alignment between economic and housing policies, noting:

“Paragraph 158 of the Framework requires that the assessment of housing should take full account of relevant market and economic signals. As the Guidance makes clear, employment trends should be taken into account.” (paragraph 25)

A number of the Inspector’s reports cite the importance of sourcing a number of economic forecasts from which to understand a likely level of job growth. Indeed the Inspector considering the Stratford Plan drew upon a number of presented forecasts to consider the reasonableness of the recommended scale of job growth:

“ERM's projection of 12,100 appears to sit in the middle of the forecasts in the SHMA Addendum made by Cambridge Econometrics and Experian. Another source refers to a more recent Experian figure of 9,640. On balance the figure of 12,100 appears to be a reasonable estimate.” (paragraph 29)

In considering the alignment of housing and employment evidence the Inspector examining the Horsham Plan acknowledged the conclusions of an up-to-date Economic Growth Assessment (EGA) which suggested a much stronger level of job growth than it was implied could be supported by the level of housing presented in the OAN evidence. He noted:

“Employment forecasts should be treated with caution and I have some doubts that there is a real need in Horsham District for job growth at the baseline rate predicted in the EGA. Nevertheless, the NPPF requires positive planning to meet employment needs and the forecasts are the most recent available. Some increase on the figure of 600 dpa to reflect aspirations for an increased rate of job growth appears reasonable. I consider the discrepancy between the Council’s employment and housing projections is a significant flaw in the evidence base and the justification for the housing figure, which in practice appears not to be aligned to any employment forecast.” (paragraph 10)

The Inspector considering the Eastleigh Plan also stressed the uncertainty associated with economic forecasts, particularly at a local authority level:

“Economic forecasts have a high degree of uncertainty and, in isolation, do not provide a robust basis for planning land use requirements…It is also preferable for economic forecasts to be based on the functional economic area rather than an individual district and the LEP/PUSH best reflect this approach.” (paragraph 48)
3.30 Finally the Inspector considering the Central Bedfordshire Plan highlighted explicitly the issues relating to economic forecasts suggesting considerably different levels of forecast job growth over a relatively short period of time:

“The Council appears to derive its objectively assessed employment need from the East of England Forecasting Model (EEFM). However, the outputs from this appear to fluctuate wildly on an annual basis. For example, the Council’s Matter 2 hearing statement confirms that the 2013 model output for Central Bedfordshire was 15,000 jobs while the interim 2014 figure was 23,900. This had increased to 26,700 by the time of the hearing session (ED32). The headroom that can be regarded as aspirational within the 27,000 proposed therefore varies from year-to-year.” (paragraph 61)

3.31 The alignment of labour-force change and job growth presents an area of significant challenge. It is recognised that different assumptions are applied in different economic forecasting models with no definitive source of information. The Inspector examining the Stratford Plan considered this issue in significant detail. At a basic level the Inspector reviewed the evidence assembled by the Council and other participants and noted a general consensus that the 2012 SNPP suggested a decline in the resident population aged 16 – 64 of 4,600 between 2012 and 2031 or 6,000 if the period was extended back to 2011. The Inspector then contrasted this with the evidence put forward by the Council which suggested a growth in the working population or labour-force supply. The Inspector noted:

“It appears to rely on an ageing workforce and whilst I recognise the increase in the state pension age the employment yield from these age groups might be low due to lifestyle choices and other factors… The basis for these figures remains opaque and so I find that this particular adjustment has not been justified.” (paragraph 34)

3.32 The Inspector concluded in this regard, whilst also noting challenges to the approach taken to assume a reduction in out-commuting:

“On ERM’s own evidence there appears to be a huge disparity between the projected growth in the working age population in the District, 2,188, and recognised job growth forecasts of need which vary between 9,452 and 15,684. The significant potential economic consequences of failing to provide an adequate labour force are documented.

For these reasons the demographic-led projection is inadequate to meet future changes in the District’s labour market: in short, it would appear that job growth within the District, even without the JLR\(^{17}\) allocation, is likely to exceed the labour supply. In the circumstances the housing figure is not aligned to the employment growth forecast and there are grounds for concern that the Council appears to be planning for a situation in which a key part of its labour force cannot live in the District.” (paragraphs 42 and 43)

3.33 A similar position was taken by the Inspector based on his assessment of the evidence submitted and presented at the hearing sessions on the Cheshire East Local Plan. The Inspector concluded that the scale of job growth planned for within the Plan did not reflect the purported ambition or indeed historical evidence. In addition with regards to economic activity rates he concluded:

\(^{17}\) Jaguar Land Rover
“CEC has also made some unduly optimistic assumptions about increased economic activity of older people, partly as a result of deferred state pension dates. This approach assumes that some of the extra workforce will come from the over-60s; this has the effect of depressing the need for housing for new workers, and assumes that older people work longer. It is difficult to find evidence for the likely impact of this change; it seems to be based on local forecasts rather than national OBR data, and has only recently formed part of the OAN calculations. Both the unduly pessimistic assumptions about job growth and the optimistic assumptions about the future economic activity rates of older people have the effect of artificially depressing the need for new housing for new employees. This is a high risk strategy which could result in the failure of the economic strategy of the plan at the expense of increased and less sustainable in-commuting.” (paragraph 50)

3.34 By contrast the Inspector considering the Eastleigh Plan applied a less prescriptive approach to ensuring that job growth and housing needs aligned, in part reflecting at least a recognition of the wider functional economic geography in which the authority was located.

“I am also satisfied on the basis of the Council’s calculations that the proposed levels of housing provision would provide more than enough workers to support employment development of the scale proposed in the Plan. Such calculations are however fraught with uncertainty and can only be a broad guide. The close economic relationship between Eastleigh Borough and adjoining parts of the economic area are reflected in high daily flows of residents to work outside the Borough and inflows of workers to Eastleigh from elsewhere. In these circumstances, I do not see a pressing need for job growth and population growth to necessarily be closely matched.” (paragraph 53)

3.35 The Inspector considering the Durham Plan examined in detail the alignment of housing provision and employment. In contrast to the other examples noted above he concluded that the scale of job growth planned for was not realistic in the context of the implications for the scale of housing implied to be required to support it:

“I disagree that the 1,651 dpa would be a reasonable calculation of OAN. Although it would reflect the economic aspirations of the Council and its partners, a more realistic view about employment growth and the associated levels of in-migration is necessary. A more cautious jobs growth target, reducing the reliance on in-migration, would be a more realistic and deliverable scenario that would reduce the evident risk that the planned level of housing might well be forthcoming but the anticipated jobs may not.” (paragraph 43)

3.36 A number of EIPs have considered the issues regarding assumptions relating to changes to commuting flows, with this issue considered, for example, as part of the Durham Local Plan examination. A recent High Court Judgement 18 provides clarification as the extent to which assumptions around altering labour-force patterns constitute a ‘policy-on’ factor as opposed to forming part of an OAN modelling exercise:

“For an authority to decide not to accommodate additional workers drawn to its area by increased employment opportunities is clearly a policy on decision which affects

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18 Oadby & Wigston BC v SSCLG [2015] EWHC 1879 (Admin)
adjacent authorities who would be expected to house those additional commuting workers, unless there was evidence (accepted by the inspector or other planning decision-maker) that in fact the increase in employment in the borough would not increase the overall accommodation needs. In the absence of such evidence, or a development or any form of agreement between the authorities to the effect that adjacent authorities agree to increase their housing accommodation accordingly, the decision-maker is entitled to allow for provision to house those additional workers. To decide not to do so on the basis that they will be accommodated in adjacent authorities is a policy on decision." (paragraph 34 i)

3.37 It is apparent that applying the PPG methodology and the requirements of the NPPF that Inspectors have recognised the importance of considering the alignment between likely future job growth and labour-force change and therefore the implications for increased or decreased pressure on housing.

3.38 The views expressed by Inspectors in the EiPs considered have highlighted that there is an appreciation as to the uncertainty involved in both forecasting employment change but also in estimating the changing size and nature of the labour-force. Ensuring that the evidence considers a range of data and assumptions is highlighted as being important in order to reach a balanced position. It is apparent that a number of Inspectors have sought to apply judgements as the reasonableness of proposed adjustments to support employment growth and or the extent to which the implied changes in population are realistic. This forms an important context or check when considering the outputs of the modelling seeking to align these two factors.

Responding to market signals

3.39 The Inspector examining the Eastleigh Local Plan, following his consideration of the evidence submitted provided a concluded position as the scale of adjustment which should be considered in response to market signals. He advocated consideration of a 10% uplift to respond to the 'modest' pressure of market signals recognised in the SHMA itself. The interpretation of modest pressure recognised that:

“Not all signals demonstrate that Eastleigh is worse than the national or regional/sub regional averages. But on some crucial indicators it is. Between 1997 and 2012, the affordability ratio for Eastleigh worsened by 97%. For the Southampton HMA and England the figures are 92% and 85% respectively (Barton Willmore, Open House October 2014, Table 6.4, for Hallam Land). Time series rental data from the Valuation Office Agency is available only between 2011 and 2013, but indicates rents rising by 7.4% in Eastleigh compared with 4.4% nationally and 6.9% in Hampshire (Open House, paragraph 5.12). Overall, market signals do justify an upward adjustment above the housing need derived from demographic projections only." (paragraph 40)

3.40 The Inspector considering the Horsham Plan did not suggest any specific adjustment being required in relation to market signals, despite recognising the affordability issues in the area, stating:

“With regard to market signals, Horsham has been part of a HMA with affordability issues for many years. These do not appear to be worsening however; house price rises appear to have been similar to but just below the national rate." (paragraph 12)
The Inspector considering the Stratford Plan also suggested that no uplift was required in relation to market signal, albeit again it was noted that this was in the context of uplifts suggested in relation to economic signals. The Inspector considered the implications of past rates of development within his summarising of the market signals evidence, concluding:

“Turning to rate of development, the Guidance identifies that supply indicators include the flow of new permissions expressed as a number of units per year relative to the planned number and the flow of actual completions per year relative to the planned number. The moratorium meant that planned supply was intended to be low and so the existence of the moratorium per se is not a reason to conclude that this indicator is met. Supply is taking time to recover but there is no evidence to demonstrate this is because planning permissions have not been implemented. Evidence in respect of Meon Vale indicates that sales have been high with completions for the current financial year running ahead of the Council’s estimate. Given the timeframe of the CS there is no basis to increase supply to reflect the likelihood of under-delivery of the planned housing numbers.” (paragraph 51)

It is apparent from the Inspector’s reports that it is important that a clear assessment of market signals is presented. The extent to which the evidence from these signals can be used to support or justify an uplift to the OAN, however, appears to represent a more challenging aspect to reach a point of consensus of approach. It is apparent that a number of Inspectors have sought to quantify a specific reasonable uplift where others have sought to consider it more in the round against other adjustments from the demographic projection of need.

Concluding an Objective Assessment of Housing Need (OAN)

The Inspector considering the Durham Plan, as noted above, considered that the level of housing provision within the Local Plan was not realistic in the context in particular of implied migration. On the basis of the evidence presented the Inspector advanced an alternative OAN predicated on a lower level of employment growth:

“In conclusion, for the reasons expressed above, I disagree that 1,651 dpa would be a reasonable calculation for OAN…As such the OAN is too high and should be lowered. In my view, a reduced economic growth scenario, closer towards that envisaged by Scenario 2 in Table 4 of R5, would represent a more realistic forecast upon which to plan for.” (paragraph 43)

The Inspector examining the Horsham Plan, as in the case of Durham, went so far as developing an alternative OAN on the basis of the evidence presented through the hearings. This departed significantly from the Council’s own presented evidence and took account of uplifts relating to economic factors and the existence of unmet need within the HMA in particular. His concluded ‘calculation’ was advanced based on:

“the broadly consensual baseline figure of about 600 dpa incorporates an assumption of job growth at a rate of more than 175 pa. Assuming a realistic allowance for employment growth of an additional 100 pa, together with an allowance to meet the needs of Crawley and possibly Brighton and Hove, as proposed in the submitted Plan, would increase the total to at least 750 dpa. An annual target in the range of 750-800
dpa would have the advantage of providing the opportunity to achieve the minimum required number of affordable homes, assuming provision at about 30%...” (paragraph 15)

3.45 The Inspector examining the Cheshire West and Chester Plan, which was considered as sound, also evaluated the evidence presented to him and drew a position as to the ‘reasonableness’ of the OAN:

“Taking all of the above into account, I consider that there is a sound basis for the OAN to be higher than that indicated by DCLG household projections in order to factor in economic growth, take sufficient account of market signals and address the need for affordable housing. The figure of 1,100 dwellings per year is optimistic and aspirational in terms of growth and would be sufficient to have a significant positive effect on the provision of affordable housing and respond to market signals. It is however in my view also realistic in respect of jobs growth and the implications for in-migration and population change.

It is not possible to identify a specific tipping point when aspirations for growth become unrealistic. However I consider that in broad terms, taking account of background trends and projections, figures for OAN much above 1,100 dwellings per year would fall into this category.” (paragraphs 46 and 47)

3.46 In Reigate and Banstead, the Inspector in finding the Plan sound, grappled with the issues associated with the identification of an OAN and the implications for failing to meet need in full. Whilst this evidently relates to the setting of the housing requirement as opposed to the OAN the Inspector’s logic included a deconstruction of the implied breakdown of need by local need (natural change) and migration factors. In the context of evidence submitted by the Council and endorsed by the Inspector that full consideration had been given to available land, including the release of Green Belt, the Inspector noted:

“It is important to reflect on what level of need would be met by the minimum 6,900 dwellings (or 460 per annum). It would cater for the full need arising from the local population (330-370 dwellings per annum) and allow for some continued in-migration (90-130 dwellings per annum) from other parts of the housing market (and wider) area, including some of the unmet need from Crawley Borough. The assessed demand for market housing would be met in full (278 dwellings annually) and, as the Council points out, provision in Reigate & Banstead would be proportionately much higher than that of all other East Surrey authorities (in relation to both population size and market demand). The 100 affordable dwellings each year would be substantially less than the need, though this is largely a consequence of the affordable supply being predominantly linked to the supply of market housing. If, as at Reigate & Banstead, total housing supply is constrained, substantial alternative funding would be required if greater inroads into the affordable housing need were to be made; there was no evidence of this at the examination.” (paragraph 67)

3.47 The Inspector considering the Lewes Local Plan was also presented as noted earlier, with a Plan in which the OAN was not met through the proposed housing provision as a result of ‘unacceptable consequences’ with regards to the impact on the South Downs National Park, flood risks and other significant constraints including coastal erosion. The
Plan proposed a level of housing provision which fell below even the lower end of the identified OAN range on this basis. The Inspector concluded, however, on the basis that he was not convinced that ‘no stone has been left unturned’ regarding potential housing sites:

“I cannot find sound a plan that is so far short of even the lowest end of the agreed OAN range and does not provide even enough new dwellings on an annual average basis to maintain the present levels of employment in the district…

My preliminary conclusion is that the new housing provision in the plan has to go up to a minimum of 6,900 in total (from 5,790 as now), or at least 345 dwellings a year on average over the plan period. This is still only equivalent to zero employment growth across the district, but at least not ‘planning for failure’ in economic terms.” (no paragraph numbers)

3.48 In the case of the Lewes Local Plan it is apparent that the Inspector has again recommended a level of housing provision taking into account the evidence presented to him, including the OAN within the housing evidence base.

3.49 It is apparent that a number of Inspectors have sought to provide firm recommendations as to the OAN where there is a concern that the interpretation of the evidence base, or the evidence base itself, is not sound in the context of the PPG / NPPF. In arriving at these OAN figures there is an assumption that there is a level of professional judgement and pragmatism. Equally in a number of instances it is apparent that Inspectors have sought to test the realism of assessed levels of need in the context of historical patterns and or the evidence of other drivers of the market, including for example the economic potential of an area.

3.50 Where OANs have been found sound it is evident that Inspectors have been convinced as to the extent to which all elements of the PPG methodology have been considered and applied.

**Considering affordable housing needs**

3.51 The Inspector considering the Eastleigh Plan considered the calculation of affordable housing in detail. He confirmed that the SHMA identified a comparatively high per annum need for affordable housing, 509 dpa. The position advanced through the evidence base and the Council’s interpretation was that there was no need for any increase in housing provision to meet this level of need, noting the Plan identified provision for 564 dpa in total. This was predicated upon analysis highlighting the extent to which needs were met within the Private Rented sector primarily although the SHMA did highlight that this still left a high residual need, some 310 dpa in Eastleigh.

3.52 In considering the calculation the Inspector arrived at a number of clear recommendations. Firstly with regard to the level of income expended by households on housing costs he concluded:

“Firstly, the PUSH SHMA assumes 30% of gross income spent on housing in the threshold for households in need of affordable housing. Many developer interests consider that this is too high and highlight the reference to a 25% threshold in the 2007
DCLG SHMA Guidance. But that document has been cancelled. National Policy Guidance (the Guidance) does not specify a threshold. I note that 30% of the estimated income required to access market housing in Eastleigh would be (just) insufficient to rent an entry two bedroom property. Three bedrooms would be out of reach. Thus a proportion of families would not be able to secure accommodation of adequate size when spending 30% of income on housing. A 30% threshold should thus be seen as the upper end of a possible range.

“In this context, I see no justification for the Council assuming that more than 30% of income could reasonably be spent on housing. Some households may be forced to so but that does not make it a justified approach to assessing need.” (paragraphs 32 and 33)

3.53 The Inspector also reached a clear position regarding the treatment of the Private Rented Sector in meeting housing needs, stating:

“Secondly, there is no justification in the Framework or Guidance for reducing the identified need for affordable housing by the assumed continued role of the PRS with LHA. This category of housing does not come within the definition of affordable housing in the Framework. There is not the same security of tenure as with affordable housing and at the lower-priced end of the PRS the standard of accommodation may well be poor (see for example: Can’t complain: why poor conditions prevail in the private rented sector, Shelter March 2014, provided by Tetlow King on behalf of Landhold Capital).” (paragraph 34)

3.54 This position was also reinforced within a recent High Court Judgement\(^\text{19}\) in it was clearly stated:

“…for the reasons I have given above…, private rental accommodation is not affordable housing; and the Inspector was entitled to ignore the fact that state-subsidised accommodation in the private rental sector might in practice keep people who would otherwise be accommodated in affordable housing off the streets.” (paragraph 50)

3.55 In comparing the calculation of affordable housing need with the overall modelling using population and household projections the Inspector acknowledged that the two were not directly comparable, noting:

“Most of this need for 509 dpa is not additional to the 550 – 615 dap arising from the demographic projections. It is a requirement for a distinct type of housing. I recognise that much of the need may be households in accommodation which is inadequate for their needs, but which may be adequate for other households. The SHMA’s assessment takes account of the release of affordable units for those needing to move who are already in affordable housing. Similarly, a move of a household from an unsuitable private unit to a suitable affordable unit would free-up that private rented unit, but such moves cannot happened unless affordable homes are available.” (paragraph 36)

\(^{19}\) Oadby & Wigston BC v SSCLG [2015] EWHC 1879 (Admin)
With regard to the extent to which the calculated need for affordable housing should be considered in the context of the setting of the housing requirement the Inspector examining the Eastleigh Plan stated:

“It would not necessarily be appropriate to increase the amount of market housing to deliver more affordable housing, depending on other policy responses which may be available to the Council, but it would be an advantage of increased overall provision.” (paragraph 11)

He did, however, recognise that the extent to which the Plan figure was adjusted upwards needed to be realistic, confirming:

“Increasing market housing to meet all the identified affordable housing need would require a threefold increase in overall provision. I do not consider this a realistic option to explore. In addition to the inevitable difficulties of securing delivery of such a scale of development, particularly in the short term and of providing sufficient infrastructure, such a scale of provision is much greater than even the most optimistic demographic projection. It would also result in the release back into the market of many dwellings in the PRS currently occupied by tenants in receipt of the LHA. Thus the cumulative effect of such provision over and above underlying demographic change would be very substantial and the consequences for the housing market are difficult to anticipate.” (paragraph 55)

The Inspector examining the Stratford Plan also highlighted the issues with simply basing an uplift based singularly on the assessed need for affordable housing, stating with regard to the approach:

“...the justification for this appears to be rather simplistic in relying on grossing up the annual affordable housing need to arrive at an estimate of OAN based on the policy requirement of 35%. It is not a good basis upon which to justify such an uplift. I am satisfied that an objective assessment of affordable housing needs has been undertaken in the SHMA, but I see no basis on which that should be used to determine the overall OAN for the District.” (paragraph 53)

This position was also indicated by the Inspector considering the Bromsgrove Plan, albeit as stated below he had not had the opportunity to hear all the evidence on the topic:

“At the hearing, BDC stated that it is unwilling to seek a substantial increase in the Plan’s overall housing requirement in order to ensure that identified affordable housing needs are met. I do not intend to comment on this matter now, as affordable housing is scheduled for discussion at a later point in the examination. However, it is clear that any such increase would be clearly distinct from the objective assessment of housing needs that is presently being considered. I am satisfied that an objective assessment of affordable housing needs has been undertaken in the SHMA, and indeed, have heard no substantive evidence to the contrary.” (paragraph 47)

From the above Inspectors reports the importance of having a PPG compliant affordable housing need calculation is clear. Inspectors have, however, sought to clarify that this calculation cannot be directly compared with the overall OAN and/or form a constituent
part of the OAN. There is a clear recognition that the evidenced OAN for affordable housing does, however, need to clearly be considered in the setting of a housing requirement within a local plan recognising both need and supply aspects.
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