ED167B

Appendix 2 - Vale of Aylesbury Local Plan EiP

Response to the Inspector's Interim Findings

1. The Council has asked Opinion Research Services (ORS) to consider the Inspector's Interim Findings report (dated 29 August 2018) received on Friday 31 August 2018 and the subsequent correction issued on Monday 3 September.

2. We are pleased that the Inspector was convinced by the explanations of the adjustments to the population estimates at the start of the projection period (para 12). However, we note that the Inspector has set out some concerns about the influence of neighbouring and overlapping housing market areas (paras 10-11), assumed rates of migration (paras 13-16), the uplift applied in response to market signals (paras 17-20 and para 26) and the impact of the Cambridge-Milton Keynes-Oxford Arc (paras 21-25). On the basis of these concerns, the Inspector has concluded a housing requirement of 31,500 for the plan period (paras 27-28).

3. Although we recognise that the Inspector must reach his own view based on all of the evidence presented, we would invite him to reflect on some of his interim conclusions before finalising this report. We are particularly concerned that some of his reasoning does not reflect the evidence and we believe that his overall conclusions, particularly in relation to the response to market signals, is inconsistent with views given by other Local Plan Inspectors.

4. The correction issued on 3 September has helpfully clarified the arithmetic, but we remain concerned about the stages of the process at which some of the adjustments have been applied and the inaccurate use of the terminology used to describe some stages of the calculation. Whilst these concerns may not necessarily impact on the final housing number for the plan, it remains important that the different components are appropriately identified to avoid any unnecessary misunderstandings.

Housing Market Areas

5. We note the Inspector's concerns about the influence of neighbouring housing market areas. Nevertheless, the data which has informed the assessment incorporates the functional relationships that exist between neighbouring areas in relation to established migration trends and commuting patterns. These are already factored into the analysis, and no specific adjustments are needed unless the established patterns are expected to change.

6. Where changes to underlying patterns are considered necessary or likely – for example, where there may be unmet housing need that will influence future migration patterns or where there are identified shortfalls

of future workers that will impact on commuting flows – it is necessary for these issues to be discussed under the Duty to Cooperate. However, no such issues have been identified relating to either London or Milton Keynes and therefore no adjustment to the Aylesbury Vale housing requirement figure is justified.

7. Of course, it remains appropriate to consider the influences of neighbouring HMAs when establishing the OAN for the local population, in particular when considering any adjustments for market signals given that these inherently relate to housing market areas.

8. The proposed 10% uplift for market signals in Aylesbury Vale is consistent with the 10% that ORS proposed for Milton Keynes, and whilst the Milton Keynes Local Plan Inspector has yet to issue a report, his recent letter (examination document INS4 dated 13 August 2018) notes that *"based on what is before me, I see no need at this stage to recommend any adjustments to the submitted OAN of 1,766 dwellings per annum for plan soundness"*. Given this context, it seems likely that the proposed market signals uplift of 10% will be endorsed for the Milton Keynes HMA.

9. Whilst the HEDNA Update does not make specific reference to the market signals for London, the proposed 10% uplift for market signals in Aylesbury Vale and 20% for southern Buckinghamshire were based on ORS' professional judgement which took account of the Mayor's views set out by the Greater London Authority (GLA). The GLA prepared an SHMA in 2013 to inform the Further Alterations to the London Plan (FALP). Whilst this did not include an explicit response to market signals, it incorporated a sequence of specific adjustments which increased the household projection-based estimate of housing need by 20.3% on average across the region and the study was accepted by the FALP Inspector. More recently, the GLA has published an SHMA in 2017 to inform the new London Plan. Once again, this does not include an explicit response to market signals but identifies an annual need of 55,540 based on household growth and applies a sequence of specific adjustments to yield an overall need for 65,878 dwellings, equivalent to an uplift of 18.6%. ORS was aware of the extent of the adjustment proposed by the 2013 SHMA at the time that the HEDNA Update was prepared and the proposed responses to market signals were considered appropriate in the context of the London HMA.

10. **The responses to market signals proposed by the HEDNA Update are fully consistent with those for the neighbouring and overlapping housing market areas of both London and Milton Keynes and these wider HMAs do not provide a justification for an increased response to market signals.**

Migration

11. We note the Inspector's concerns about both migration trend periods encapsulating the years following the financial crisis of 2008 and the possibility of the average migration rate being depressed. However, this conclusion is not borne out by the evidence.

12. Figure 41 of the HEDNA Update shows the trends in migration based on 10-year averages from 1991-2001 to 2005-2015. This identifies that the most recent period 2005-2015 (on which the HEDNA projection is

based) is notably higher than all of the earlier periods, despite encompassing the years immediately after the 2008 crisis. On this basis, we are confident that the population projections take account of migration trends based on the upper end of previous rates and that the full housing needs of the local population have been identified. **This does not provide a justification for an increased response to market signals.**

Market Signals

13. We note the Inspector's concerns about the relative uplift in response to market signals when compared to Eastleigh. At the time of the Original HEDNA, the affordability ratio for Aylesbury Vale was identical to the ratio for Eastleigh's wider HMA: both 8.1x (Original HEDNA para 7.80). On this basis, the 10% uplift proposed was considered appropriate. When the HEDNA Update was prepared, the ratios had started to deviate, and on this basis a higher uplift may have been justified. However, given that the house price and income data on which the ratios are based are both informed by survey data (which is subject to fluctuation from year-to-year), on balance we concluded that the overall uplift of 15% remained reasonable for Buckinghamshire and that a differential between Aylesbury and southern Buckinghamshire was still appropriate. **However, we appreciate the Inspector's reasoning set out in the Interim Findings to justify a 15% uplift and would not consider this unreasonable in the context of the evidence.**

14. Nevertheless, we are concerned that the Inspector may have been misled that the differences between Aylesbury Vale and the rest of the HMA are decreasing (para 19). The evidence in the HEDNA Update showed 2015 lowest quartile affordability ratios of 10.4x for Aylesbury Vale and 12.1x for Buckinghamshire based on data tables published by CLG which have since been discontinued. Data is now only published by ONS, and the equivalent ratios for 2015 from this data were 10.68x for Aylesbury Vale and 11.35x for Buckinghamshire (a difference of 0.67) with the latest ONS ratios for 2017 being 11.96x and 12.67x respectively (a fractionally larger difference of 0.71). Whilst the affordability ratios for both areas have increased, any higher uplift cannot be justified by an argument that the Aylesbury Vale ratio is converging with the ratio for Buckinghamshire, given that the difference between the two remains largely unchanged.

15. Of course, a larger affordability ratio in itself may justify a higher response. However, it is important to recognise that the affordability ratio for Aylesbury Vale ranked 86th out of 325 local authority areas in 2017. There are 85 local authority areas with higher ratios, and whilst the ratio for Aylesbury Vale is above average, it is outside the upper quartile. It is important to recognise that this is not an area which experiences affordability problems at the extreme relative to other areas and therefore any response to market signals must reflect this.

16. Given this context, we would draw the Inspector's attention to the schedule included in the Council's response to the initial questions on the HEDNA (questions 29 and 51) prepared by ORS (pages 13-14). This identifies a number of areas with affordability ratios higher than Aylesbury Vale where Local Plan Inspectors have recently endorsed market signals responses of 10% or less (Adur, Arun, Brighton & Hove, Horsham, Maldon and South Cambridgeshire). Only four areas had larger market signals percentage uplifts

across the whole of the Wider South East, and all have affordability ratios higher than Aylesbury Vale: Waverley (15.6x) = 25%; Mid Sussex (13.2x) = 20%; East Hertfordshire (13.1x) = 14%; Lewes (11.7x) = 13%. The 10% uplift proposed for Aylesbury Vale is consistent with (or higher than) every other area in terms of its relative scale. **Whilst a 15% uplift may be justified, the evidence does not support an uplift of 20% if it is to maintain consistency with other decisions taken elsewhere.**

17. The Interim Findings notes that application of the LPEG methodology would set a 25% market signals uplift for Aylesbury Vale. However, the Secretary of State has stated that *"it is not possible to give substantial weight to the relevant LPEG proposals"* relating to housing need (para 22 of the Decision Letter for Appeal Reference APP/WO340/W/16/3144193). This has also been the view given by Inspectors at numerous other appeals.

> ***Inspector Mike Hayden (para 43, Appeal Decision APP/P0240/W/16/3152707)***
> *"Likewise, although the LPEG approach would suggest an uplift of 20% for Central Bedfordshire based on its analysis of house prices and rents to household earnings, it was agreed in discussion that the LPEG recommendations carry very little weight as they have not been adopted and have no status in national planning policy or guidance."*
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> ***Inspector Michael Boniface (para 33, Appeal Decision APP/K0235/W/17/3167566)***
> *"The appellant's approach is largely informed by the Local Plans Expert Group (LPEG) methodology, but the recommendations to Government made by this group are not adopted, have no status in terms of planning policy or guidance and could change. As such, I attach this methodology little weight."*
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> ***Inspector C J Ball (para 27, Appeal Decision APP/Y2620/W/16/3150860)***
> *"LPEG's standard methodology recommendations were not endorsed by the recent Housing White Paper and DCLG's commitment to consult on a standard methodology cannot be taken to mean the LPEG methodology. There is no certainty as to whether LPEG's recommendations will be accepted so, as things stand, they carry no real weight as a consideration in the calculation of OAN."*
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> ***Inspector Jonathan Manning (para 37, Appeal Decision APP/X1545/W/15/3139154)***
> *"The appellant has also provided an alternative calculation of OAN, based on the methodology put forward by the Local Plans Expert Group (the LPEG). However, as pointed out by the Council the LPEG report is a consultation document with no formal status and has had no formal response from the Government to date. The Barton Willmore report at Paragraph 7.4 accepts that the report holds no weight in the determination of OAN. I agree with this view and consequently afford the appellant's alternative OAN calculation based on the LPEG methodology, little, if any weight."*

18. On the basis of views given by the Secretary of State and other Inspectors, **it is inappropriate to conclude a market signals response of 25% based on the LPEG recommendations.**

Cambridge-Milton Keynes-Oxford Arc

19. In relation to the Cambridge-Milton Keynes-Oxford Arc, the Interim Findings summarise the NIC conclusions that *"with the right interventions, annual output of the corridor in 2050 could be approximately double the growth expected without intervention"* (para 22) and that *"rates of house building will need to double if the arc is to achieve its economic potential"* (para 23). Given this context, it is important to recognise that the Arc presents the opportunity for very substantial, aspirational growth that could help to meet housing need at a regional and national scale.

20. Given that the OAN is a measure of the housing need that the local population is likely to need over the plan period (taking account of migration), any uplift to the housing number in response to the Arc should be an adjustment to the housing requirement as a reflection of local or national policy; i.e. a "policy on" decision. **On this basis, the Arc does not provide any justification to influence the response to market signals, given that the market signals uplift is a component of the OAN.**

Terminology

21. We have significant concerns about the terminology used in the housing requirement calculation document. This document does not differentiate effectively between OAN and housing requirement and housing supply; for given the complexities involved it is evidently important for clarity when dealing with the adjustments at different stages of the process in order to avoid unnecessary confusion.

22. Unmet need from elsewhere in the HMA does not form part of the OAN: it is additional need counted as part of the housing requirement based on agreement under the Duty to Cooperate. Similarly, any uplift relating to the Cambridge-Milton Keynes-Oxford Arc should be excluded from the OAN and, if any allowance can be justified at this stage, it should be added as an additional "policy on" element within the housing requirement.

23. Furthermore, the buffer does not form part of the housing requirement: it is part of the housing supply that the plan identifies to provide flexibility and help ensure that the housing requirement can be achieved.

24. On this basis, we would suggest that the terminology in the housing requirement calculation document is updated as follows for the subtotals and total:

- Subtotal ~~(needs of Aylesbury Vale district)~~ (OAN)
- ~~Subtotal (OAN)~~ Total (Housing Requirement)

  This then needs to be compared against

- Total ~~(Housing Requirement)~~ (Housing Supply)

25. Subsequent references to the housing requirement within the Interim Findings should then be based on the Total (Housing Requirement) and not the housing supply that the plan identifies to meet that.

In Conclusion

26. As we have previously noted, we recognise that the Inspector must reach his own view based on all of the evidence presented. However, ORS is fundamentally concerned about the Inspector's approach in applying an uplift due to market signals of 25%.

27. ORS' work relating to OAN and affordable housing has been accepted by Inspectors at every Local Plan Examination at which it has been fully tested; these include Bath and North East Somerset, Camden, Cheshire East, East Hertfordshire, Hackney, London Legacy Development Corporation, Luton, Milton Keynes (based on initial views), Redbridge, Stevenage and West Northamptonshire JCS.

28. Furthermore, ORS has not had an adverse view from any Inspector where ORS has given evidence or supported the council directly at any of 25 planning appeals since April 2015. These include:

» 2 appeals where we have successfully defended an adopted housing requirement;

» 15 appeals where an OAN has been endorsed based on an SHMA prepared by ORS in the absence of an up-to-date housing requirement;

» 5 appeals where the Appellant withdrew their objection to OAN after exchange of evidence;

» 2 appeals where the Inspector gave no view on the OAN where it was concluded that 5-year housing land supply could not be demonstrated regardless; and

» 1 appeal pending the Inspector's decision.

29. Whilst we recognise that it is right for our work to be scrutinised and challenged, in particular through the Local Plan Examination process, we value our reputation and are concerned that any criticisms are fully justified.

30. ORS strongly disagrees that the proposed market signals response of 20-25% has any robust justification and we strongly encourage the Inspector to reflect on his interim conclusions in the context of this paper before finalising this report. Specifically, we would seek to emphasise that the OAN assessment:

» Takes full account of the functional relationships that exist between neighbouring HMAs and the responses to market signals are fully consistent with those for London and Milton Keynes: these do not provide any justification for an increased response to market signals;

» The population projections take account of migration trends based on the upper end of previous rates and that the full housing needs of the local population have been identified: these do not provide any justification for an increased response to market signals;

» The affordability ratios for Aylesbury Vale justify a 10% response to market signals in the context of decisions elsewhere, however this is based on a judgement and an uplift 15% would not be unreasonable;

» The affordability ratios for Aylesbury Vale are not converging with Buckinghamshire: this does not provide any justification for an increased response to market signals;

» The affordability ratios for Aylesbury Vale are above average but remain outside the upper quartile, so an uplift of 20% would not be justified if it is to maintain consistency with other decisions taken elsewhere;

» The LPEG recommendations do not provide an appropriate basis for concluding that a market signals response of 25% would be reasonable in the absence of any other justification;

» The Cambridge-Milton Keynes-Oxford Arc does not provide any justification to influence the response to market signals: any uplift to the housing number in response to the Arc should be an adjustment to the housing requirement as a reflection of local or national policy decisions.

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

32. If the Inspector considers it necessary to include an uplift for the Cambridge-Milton Keynes-Oxford Arc and believes that there is sufficient justification for this at this stage, we would respectfully suggest that this is applied as an uplift to the OAN and not confused with the response to market signals.

33. We hope that these comments are helpful and that the Inspector will reflect on them and revisit his original conclusions before his Interim Findings are finalised.