Representations on Local Plan Expert Group
Objectively Assessed Housing Need

NMSS
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1 INTRODUCTION

1.1 There is much to be welcomed in the LPEG report. Plan-making is too complex and involves too many stages. Examinations are often wasteful as time is spent on endless technical detail. Yet more time, and large legal fees, are spent on arguing about five-year land supply at planning inquiries. The Duty to Co-operate will not work effectively without real teeth. The report suggests good solutions to these and other problems.

1.2 But on the critical question of measuring housing need the LPEG proposals are not helpful. This is much more than a technical issue, because housing numbers are a core issue in planning. The report is right to be critical of the existing Planning Practice Guidance (PPG). The assessment method set out in the PPG is poorly drafted, often ambiguous and in places technically poor. A refresh of the method is long overdue. LPEG report does put forward a revised version, in low-key presentation at Appendix 6 of its report. But this proposed new guidance is at least as unsatisfactory as the old one, and in similar ways, as this paper shows.

1.3 Below, in the next section we explore the practical consequences of the LPEG proposals. In Section 3 we make alternative suggestions for a simplified method to measure housing needs.

2 THE CONSEQUENCES OF APPENDIX 6

The England total

2.1 LPEG do not show the housing needs produced by their recommended method, which is a pity. We have tried to fill the gap with our own estimates. This has involved various approximations and omissions, which mean that our figures are under-estimates. For example, we have excluded the affordable housing need adjustment, which will increase the figure for some authorities by up to 10%.

2.2 On this basis we estimate that

- The recommended method would produce total housing need of at least 312,000 net new homes per year ('the LPEG housing need'), excluding any adjustment for affordable housing need.
- This is 40% above the 2012-based CLG household projection, published in 2015, which produces an annual need of 222,000 homes.

2.3 The largest single factor behind this difference is LPEG's market signals adjustment. The second largest factor is double-counting, due to the fact that for some areas the LPEG method projects migration from a five-year base and in other areas from a 10-year base[1]. The result is that for each year of the projection some tens of thousands of people are counted in two places at the same time.

2.4 We have also compared the estimated 'LPEG need' with past housebuilding. For England as a whole, the 'LPEG need' for 2001-11 is:

- More than double the average net new homes completed in the last three years, 2012/13 – 2014/15 (144,000 homes);
- 87% above the average net new homes completed over the last 10 years (167,000 homes).

2.5 The thinking behind this uplift is that allocating more housing land will lower prices, increase development and improve viability. But this will only happen if the sites allocated are actually developed, which in turn requires that housebuilding be financially viable, taking account of the costs of infrastructure and affordable housing.

2.6 There is no guaranteed that this will be the case. It is true that house prices are high and rising, but this is the outcome of a long period in which housing delivery has fallen far short of the official demographic projections. There is no evidence on what would happen to demand and viability if land allocations increased steeply to a level far above the projections, as the LPEG recommendations imply[2]. At the Planning

[1] The base period is the past period whose trends the demographic projection rolls forward. We have assumed that the adjustment applies both to national and international migration.

[2] Research for the Barker report, which has been updated since, has estimated the impact of house prices of lifting the *actual* supply of housing – that is, the number of homes built. But this is a very different matter from lifting land allocations (*planned* supply), because if too much land is allocated some of it will not be developed.

Summit on 21st April 2016 an early indication was given by Liz Peace, until recently chief executive of the British Property Federation:

'… a large part of the actual need is not going to be satisfied by the sort of product that is produced by housebuilders who are commercial providers - they're companies who have to make a profit…. in order to 'supply the real need, then we either need a large building programme for social or council housing … or, we need housebuilders to start building things that people can afford, but why would they do that?... '

2.7 Peace added that, as a non-executive director at housebuilder Redrow, she knew that the firm's executive committee '*would love to build more houses, they'd love to have more outlets but they don't want to build so many more houses that they get to the point where the price falls by 30 or 40 per cent, again, it's hardly going to fit their business model.*

'So you can't look to the volume housebuilders to supply a large chunk of that need. So we have a problem: who is actually going to build the houses in order to meet the greater part of that need that we're all agreed we have?'

2.8 Peter Andrew, deputy chairman of the Home Builders Federation, said '*we need more players in the market and one of those players may be the government*'.

2.9 In summary, the LPEG recommendations imply land allocations 40% above the latest official projections and more than double recent rates of housebuilding. There is no guarantee that this amount of development can be delivered in practice, no matter how much land the planning system allocates. In physical terms to bring forward this much land would need a huge boost in infrastructure provision, which would take many years to plan, design and deliver. In financial terms the risk is that oversupply will threaten viability, especially in areas where the market is already fragile.

2.10 To minimise these risks, we need to ensure that land is allocated in the right places. Unfortunately the Appendix 6 method does not do this, as we show in the next section.

The geography of housing need

2.11 The table at Appendix A below shows our estimates by local authority, suggesting that there are:

- No authorities for which the LPEG need is less than the CLG 2012 projection;
- 24 authorities for which the LPEG need is 75% or more above CLG 2012; the highest uplift is for Kensington & Chelsea (157%, followed by Copeland and Oadby & Wigston (112%).
- 25 authorities for which the LPEG need is 25% or less above CLG 2012.

2.12 Following the Appendix 6 method, we estimate that nearly all authorities attract a market signals uplift (the only exceptions are Bradford, County Durham, Gloucester, Rotherham and Redcar & Cleveland). This is many more authorities than the LPEG report suggests.

2.13 For house price affordability the last set of CLG tables, when applied using the thresholds suggested, show a much higher uplift than suggested in the report.

2.14 For the rental affordability measure, the appendix requires earnings to be compared to rents using ASHE data. This means that the approach assumes only one 'earner' per household paying rent as opposed to two or more which is common in the market place. Using earnings data from ASHE, as specified, the Appendix 6 method again results in many more authorities being given an uplift than suggested in the report.

2.15 The discrepancy in the rental indicator cannot be remedied simply by re-adjusting the thresholds up or down. Many old style SHMAs, knowing that earnings cannot reliably be applied to rents instead compare rents to household income. Household income is normally sourced from commercial firms because this data is not collected by ONS.

2.16 The table at Appendix A is ordered according to the ratio of annual LPEG need to the average housing completions achieved in the last three years, 2012/13 - 2014/15. To meet their LPEG need for 2011-31:

- Of the 325 local planning authorities, 324 would have to lift their recent rate of delivery by more than 50% (the exception is Barrow-in-Furness, with an uplift of 37%);
- 162 authorities would have to more than double their recent delivery
- 72 authorities would have to more than triple their recent delivery
- 34 authorities would have to more than quadruple their recent delivery.
- We might dismiss as anomalies the first two rows of the table, suggesting that Gosport's LPEG need is 18 times its recent output and Redbridge's need is 11 times its recent output. Next in the ranking is Tunbridge Wells (eight times), followed by York and Haringey (seven times).

2.17 The many examples of seemingly perverse results include:

- London, with an LPEG need of 77,000 homes a year against 56,000 in CLG 2012 and 49,000 in the London Plan – mainly the result of rolling forward migration from a period which is untypical of the long-term trend

- Cambridge, where the UPC was 116% of total population change in 2001-11, and ignoring it as LPEG recommends roughly halves the demographically projected housing need;

2.18 In summary, the geography of the new housing numbers is arbitrary – the outcome of double-counted migration, uncorrected technical errors such as Unattributable Population Change (UPC) and near-universal market signals uplifts. Despite their acknowledged limitations, the official demographic projections do provide useful evidence on the likely location of future need and demand, especially if they are corrected for major distortions such as the UPC. The LPEG adjustments strip away much of that information.

2.19 Where the arbitrary LPEG numbers happen to be very large, the result will be considerable resentment. In places where the market cannot realistically deliver these numbers, that resentment may be felt by housebuilders and landowners as well as local residents.

Cross-boundary unmet need

2.1 In addition to the numbers of homes discussed above, many local planning authorities will be required to accommodate 'exports' from neighbours who do not have the capacity to meet their own needs. We illustrate the resulting impacts through a short case study of the London housing market area (HMA) and adjoining HMAs, as defined in the NHPAU Geography of Housing Markets in England (2010)[1]. This is a very large area, comprising some 110 local authorities in England. In round numbers, we estimate that:

2.2 For London:

- The LPEG need is around 77,000 new dwellings per annum before any affordable need uplift is added (85,000 with a 10% affordable uplift).
- As noted earlier this is at least 28,000 above the housing need of 49,000 dpa assessed in the London Plan.
- It is also 35,000 more than the supply capacity of 42,000 dpa identified in the London Plan

2.3 Assuming that London remains constrained, under the LPEG proposals its unmet need automatically transfers to the rest of the London HMA. For these 23 authorities:

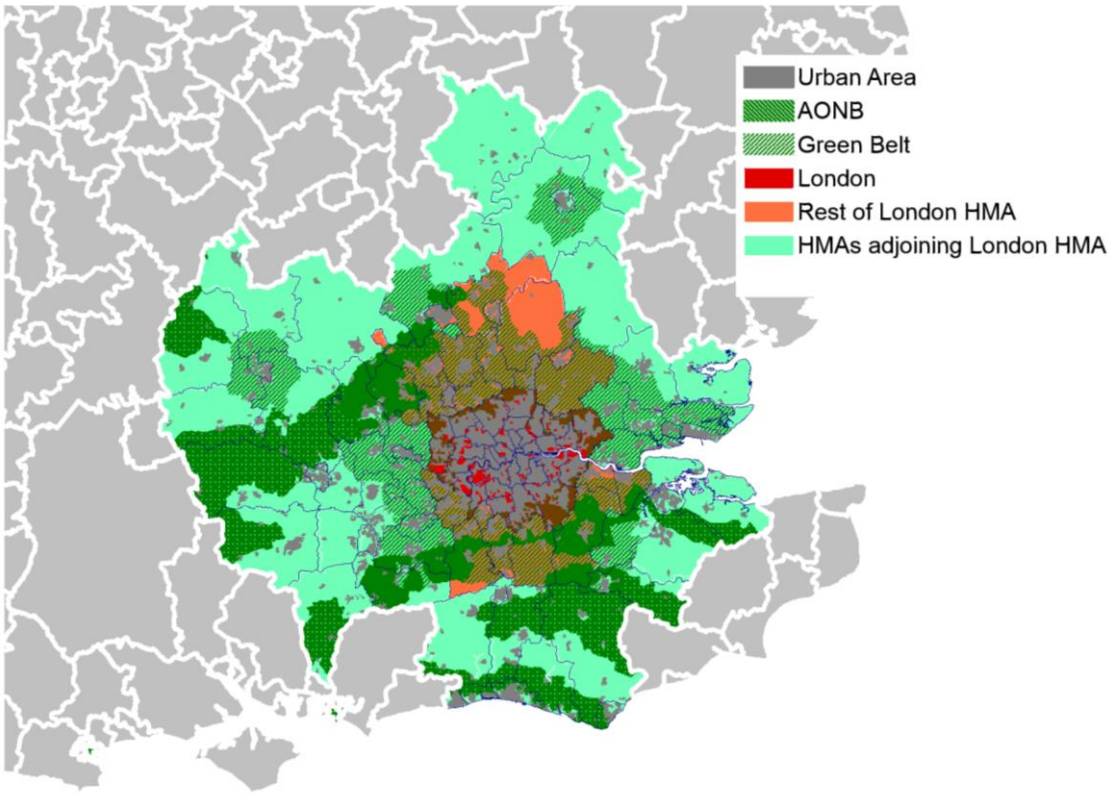
- The CLG household projection implies a need for 12,500 dpa.
- The LPEG method would increase this number to around 17,000-19,000 dpa, depending on the affordable housing adjustment.
- Adding London's LPEG unmet need triples this need to around 60,000 new homes
- Because these areas are generally constrained, mainly due to the Green Belt, their recent delivery has been much lower than even the CLG projections. To meet

[1] For this analysis we use the NHPAU's 'single-tier' HMAs.

their need in full, together with London's unmet need, they would have to increase delivery roughly tenfold.

2.4 We also considered the implications of spreading London's unmet need more widely, across the non-London authorities which are either in the London HMA or adjacent HMAs.

Figure 2.1 London and adjoining HMAs



2.5 For this area, which covers around 75 local authorities, we estimate that:

- Total need from the CLG projection is around 45,000 dpa.
- The LPEG method lifts this to 62,000 dpa without an affordable uplift (up to 68,000 dpa with the uplift.
- Adding the London gap of at least 35,000, the authorities would need to find land for at least some 100,000 new homes a year.
- Overall, this would require doubling the rate of delivery of recent years.
- But many local authority areas have no undeveloped land within their boundaries, and for others what land they have is protected by designations recognised in the Framework, such as the Green Belt and AONBs.
- Those authorities that do have land will have to make up the total, so the impact on them will be much greater.

2.6 We have analysed recent SHMAs across the 75 authorities, to see how these numbers compare with the authorities' current position. Our findings suggest that the authorities are collectively planning for housing need some 10% above the CLG 2012 projections, which equals slightly more than double their recent rates of delivery.

2.7 So, tortuous as the needs assessment process may be under the current PPG, it is achieving a major boost in planned land supply around London – albeit it will be some time until new homes are built and any impact on affordability materialises. Meanwhile the GLA is working effectively with out-of-London authorities to ensure that they address London's unmet need as currently defined. These positive developments will be disrupted if the much higher LPEG numbers are accepted.

2.8 As discussed earlier, we cannot be sure that there is enough effective demand (from affordable providers as well as market housing) to deliver the very large new numbers – especially as under the LPEG proposals the recipients of London's unmet need will include weak housing markets inaccessible to the capital.

2.9 Even if demand is forthcoming, development on the scale required by LPEG would take a long time. There are at least two reasons for this:

- The strategic solutions rightly favoured by LPEG, such as new settlements, have long gestation periods, normally beyond the time horizon of a Local Plan, until new rail connections, highway improvements, water treatment works etc are planned and delivered.
- Much of the development would have to be on sites which have never been considered for development before, because they are in the Green Belt or other protected areas hitherto considered sacrosanct. Little or no technical work has been done to assess the feasibility and impacts of developing such sites. To fill this information deficit will also take time.

2.10 Meanwhile, under the LPEG proposals the Councils concerned would be accumulating 'backlogs' against targets that they have no chance of meeting within the required timeframe.

3 A SUGGESTED ALTERNATIVE

Introduction

3.1 LPEG is right to seek to clarify and simplify the method set out in the PPG. That guidance leads to protracted debate and excessive costs to all parties to a local plan examination. However, as discussed above the LPEG proposals would produce excessive OAN estimates and perverse consequences for many authorities. They also have major technical flaws, which mean that they would be difficult to apply in practice, probably causing even more delay, controversy and unnecessary cost than the current PPG.

3.2 In the sections below we discuss these flaws where necessary, but our purpose is to suggest practical alternatives. In this we accept that shortcuts and rough approximations are necessary, to avoid excessive complication and protracted debate. Our recommendations are set out in bold type.

3.3 **The recommended assessment method will produce a 'default number' for each local planning authority. Departure from that number should not be absolutely prohibited, but it should only be allowed where there is compelling evidence that not to do so would lead to the OAN being over- or underestimated by a large margin, say 20%.** This is to allow for the possibility that the default position may be perverse for a small number of authorities. At the same time it will not undermine the purpose of the exercise - to create a method that is both sound and proportionate.

Population

Migration

3.4 The LPEG report recognises that the population projections on which the latest CLG household projections are based (the 2012 SNPP) may need adjustment. Because for many places migration is highly volatile over time, projections based on a period as short as five years are generally unstable and unreliable. In relation to the current official projections, a particular problem is that their base period, 2007-12, included a severe economic downturn. The report proposes that the population projection should be based on the higher of:

- The official projection
- A projection obtained using a 10-year internal migration trend to the latest Mid-Year Estimates.

3.5 The weaknesses of this proposal include:

- The use of an 'up only' adjustment:
  - Ignores the fact that internal migration is by definition a zero sum within the UK, and therefore an upward adjustment in one place should be offset by a downward adjustment somewhere else. But the LPEG method does not do

this, so the combined effect of local adjustments will be to exaggerate the population growth expected nationally, as many people are counted twice in different places.

- Prevents downward adjustments where there is a good case that the 2012 SNPP exaggerates the likely population increase. A good example is the London area, for which the Inspector examining the Further Alterations to the London Plan agreed a GLA population projection that was below the 2012 SNPP and assumed some reversion to earlier trends in net out migration from London.

- The removal of discretion prevents consideration of exceptional factors which may distort the projections. Examples include a large one-off urban extension which will have caused atypical net internal migration during the base period, and flows associated with special groups such as armed forces and students..
- It ignores the technical issues involved in adjusting the projected inflows to an authority. Some methods produce implausible results for some authorities, presumably due to the size and complexity of the models and datasets used.

3.6 **A better simplification would be to base the projected internal migration (domestic and international) on flows in the most recent 10-year period for which data are available. The new Guidance could specify a standard method for this. But a better solution would be for CLG (or local authorities collectively) to commission the ONS (and / or other demographic experts) to produce revised projections on this basis. The result would not be an alternative to the SNPP, but a projection created specifically for calculating the OAN.**

3.7 This collective approach would produce more robust results and save money. It would also avoid the lengthy and expensive controversies that arise where different models, purportedly doing the same thing, produce different results.

3.8 I**n line with the general rule at paragraph 2.16 above, it should be allowed to correct the 10-year-based projections (in either direction) if there is convincing evidence that they are seriously distorted by special factors. Examples of such factors include unusual events in the base period –e.g. where the area was a growth area under now cancelled planning policy, special groups such as armed forces and students, and technical anomalies in the modelling.**

Unattributable Population Change

3.9 The LPEG proposal that no adjustments be made for UPC is a simplification too far, because errors on this scale can cause very large distortions to the projections.

3.10 Appendix B below is a technical analysis of the UPC by the demographer John Hollis. Its main findings include:

- The UPC has a large impact on demographic projections for local authorities:
  - For the period 2001-11 it varied between +28,800 (London Borough of Brent) and -40,000 (Leeds).

  - Its contribution to authorities' total population change varied between plus 1,400% (Tendring DC) and minus1,800% (Oadby & Wigston DC).
  - In 91 of the 324 LAs in England (leaving aside City of London and the Isles of Scilly) UPC was equivalent to more than 50% of the total population change.
  - As well as total population the UPC distorts the age profile of that population, and hence on household formation and economic activity and the size of the workforce.
- At the level of local authorities, as opposed to England as a whole, the ONS's arguments for setting aside the UPC do not apply. Indeed the evidence suggests that the errors that led to the UPC are still impacting on the Mid-Year Population Estimates. These errors should be taken into account in making demographic projections.
- ONS in 2015 published a report and data tool that help explain the UPC for each local authority area and correct for it. The tool provides extensive and valuable new evidence. But it does not supply a corrected version of either historical statistics or forward projections.

3.11 In conclusion, it is not acceptable to leave aside the UPC in assessments of future housing need. **To provide a robust demographic starting point, the 10-year projection mentioned earlier should be adjusted so it includes in its migration base a portion of the 2001-11 UPC. To quantify that portion, and determine its age and sex profile, should be based on analysis of the ONS tool and the results of the 2001 Census for areas of potential over-count. Like the 10-year projection as a whole, it would be best for these adjustments to be made centrally, by ONS and /or other demographic experts, who would be commissioned by CLG or by local planning authorities collectively**.

Household formation

3.12 LPEG proposes that the household formation rates (household representative rates, headship rates) that convert population into households should be those in the 2012-based CLG projections - except for groups aged 25-44, where formation rates should move to the mid-point between the 2008 and 2012-based projections by 2033. The result is to lift the assessed need, above the 2012 projections, because the 2008 projections generally show higher formation rates for these young adult age groups.

3.13 The basis of this recommendation is that the 2012-based formation rates are the results of 'suppressed' household formation, caused by the recession and other economic features of the preceding decade.

3.14 LPEG acknowledges the findings of demographic research that the 2008 rates over-estimated household formation – largely due to demand-side factors which are not due to the recession and will not change in the economic recovery, such as student debt and more precarious employment. But LPEG dismisses these findings in a footnote:

'*The reducing tends of household formation in any projection are estimates of what will occur based on past trends rather than reflecting an assessment of what housing people need… Our firm view is that the purpose of OAN is not as an abstract exercise in projection, but to inform a local housing requirement figure and should be seen in the context of the NPPF, which seeks to address the needs for all types of housing, the needs of different groups in the community, and to widen opportunities for home ownership…'*[3]

3.15 Clearly the underlined word 'need' is central to LPEG's argument here. It is difficult to understand the argument unless we know what 'need' means. But LPEG does not address this question, except to mention in passing that '*arriving at a definition of objectively assessed need is undoubtedly complex'*[4]*.* Without this definition, there is no basis in LPEGs analysis for choosing between one projection and another. Indeed, based on the footnote quoted above there is no good reason to use demographic projections at all – bearing in mind that projections are nothing more than a rolling forward of past trends, driven by the changing age and sex profile of the population.

3.16 A simple way to avoid this logical dead end, following the existing PPG, which starts by predicting future ***demand***. Demand is the amount of housing that ***will be*** built if planning does not restrict land supply, but rather releases as much land as developers (in both the market and affordable sectors) want to develop. To predict demand involves a sequence of steps, set out in the existing PPG:

i Start from demographic projections

which estimate what will happen to household numbers if past trends continue, taking account of the changing age profile of the population, but assuming that other drivers of demand will be the same in the future as in the past.

ii Adjust for any past undersupply

which would mean that past housebuilding and hence household growth fell short of demand, because planning restricted land supply;

iii Adjust for other factors not captured by the projections

which means factors that impact on housing demand and are likely to be different in the future from what they were in the past. In the PPG the main such factor is future jobs.

3.17 Policy objectives or aspirations (how much housing ***ought to be*** built) are considered separately at the next stage.

3.18 In the above logic, the role of the projections is to help determine what *will* happen to number of homes and households, provided that the planning system allocates enough development land. For this purpose it seems clear that the 2012 formation rates are more helpful than the 2008 ones:

[3] LPEG *Discussion Paper No 2*, page 16, footnote 16

[4] LPEG *Report to Government, paragraph 3.19*

- Authoritative studies[5] have shown that the formation rates projected by CLG in 2008 were over-optimistic at the time they were produced, and have become even more so in the intervening years.
- The reasons are factors that suppress demand as opposed to supply: fewer women are remaining childless; more people live in couples (partly because men live longer so there are fewer widows); work is more precarious, social benefits are lower, and young people are increasingly burdened by student debt.
- Because household demand continues to be suppressed by these factors, in the foreseeable future household formation rates across England will not rise as the CLG 2008 projection expected, no matter how much land planning authorities supply.

3.19 LPEG of course are right to be concerned about a future in which young adults have a falling chance of establishing their own households. But allocating housing sites in line with the 2008-based formation rates cannot solve the problem. Given that these projections are unrealistic, they may lead to allocating land in the wrong places, where demand is deficient and the allocated sites remain vacant. But even if the homes being planned for do get built, in the market sector there is no way of reserving those homes for the young adults we want to help. Increasing the planned land supply cannot improve affordability for a specific group, because house prices and rents are the same for everyone.

3.20 What the 2012-based projections tell us is that older age groups, who have more capital, will acquire a greater share of the available housing; and this is why some younger adults will have a lower chance of having a home of their own. If more homes are built than suggested by the 2012-based projections the same forces will be in play. Consequently the larger part of the additional homes will be occupied by older and more affluent people, and the larger part of any improvement in affordability will benefit more affluent people, except where younger people are helped by targeted measures such as starter homes.

3.21 The problem cannot be solved by basing land allocations on technically inaccurate demographic projections. It requires policy intervention beyond the scope of land-use planning.,

3.22 In conclusion, **housing needs assessments should take household formation rates from the latest CLG projections, which are currently the 2012-base projections.**

3.23 Additionally **the new Guidance should include a logical framework as set out at para 3.16 above, to explain the logic of the OAN calculation and clarify the meanings of need and demand.**

3.24 The present PPG does not deal with these matters explicitly; this is one of the main reasons why so much time and money is spent in fruitless debate, especially about adjustments to household formation rates and market signals. Unless we are clear

[5] See for example TCPA Tomorrow Series Paper 17, quoted in the LPEG Discussion Papers.

about the purpose of these adjustments, there are no ground rules about what they should be. This is why under the present system every plan examination, and almost every inquiry dealing with five-year-land supply, involves a lengthy debate on OAN going back to first principles. Such principles should be set in national guidance, not constantly reinvented.

Empty and second homes

3.25 To turn an estimate of the increase in the number of households into a housing requirement we need to allow for empty and second homes – which at any one time will not accommodate any households. LPEG proposes that this should be done using data from the most recent Council Tax Base, except where the vacancy rate is above the national rate - in which case the national rate should be used 'to reflect the impact of measures to encourage bringing empty homes back into use'.

3.26 It seems perverse to allow local authorities the 'benefit' in advance of steps they may or may not take to reduce the proportion of empty homes.

3.27 It is also not entirely clear whether the cap would apply to second homes as well as empty homes. It would be unreasonable to apply it to second homes. A significant minority of local authority areas have proportions of second homes far above the average, usually because they are attractive places for holidays or week-ends away. This applies to a number of areas in the South West for example. There is no reason to expect that numbers of second homes in these places will fall to equal the national average. If the OAN calculation assumes that this fall will happen, it will wrongly understate the true housing need in many places.

3.28 For the reasons above**, we suggest that the OAN calculation should use actual percentages of empty and second homes, as calculated from the latest Council Tax Base, with no adjustments.**

Past underprovision and market signals

3.29 It is to be welcomed that LPEG recommend narrowing the range of potential market signals to house price affordability and rent affordability, as most of the other indicators mentioned in the PPG add relatively little in practice. It is not clear why the suggested indicators are *median* house price affordability and *lower-quartile* rent affordability.

3.30 Another problem with the LPEG recommendations is possible double counting. A demographically based OAN is determined by population change and household formation (plus the assumptions for empty and second homes).

3.31 Arguably the OAN calculation should either adjust these variables in the demographic projections, or adjust the results of the projections, but not both. But if our proposed approach (see para 3.4 onwards) is accepted this problem disappears, because there are no adjustments to the projections except to correct errors and anomalies.

3.32 Of far greater concern is the suggestion that, depending on the range within which those indicators fall, 10%, 20% or 25% uplifts should be applied. These are arbitrary quantities.

3.33 In our view fixed uplifts are a good proposal, because of their simplicity, and because detailed analysis is unlikely to provide better answers. We have no experience of a past with no planning and no other constraints on land supply. Therefore there is no 'scientific' basis for determining true, unconstrained demand – how much development there would be if land supply were not constrained – either for local areas or England as a whole.

3.34 But we consider that the proposed uplifts are too high, because of their aggregate impact. Because they are upwards-only, they are the main reason why the overall LPEG need for England is substantially about the CLG 2012 household projection, as discussed in Section 2 above. Since we lack rigorous evidence, as discussed above, the 'correct' aggregate need must be a matter of judgment. But the latest official projections seem to be a good candidate:

- The Framework advises that planning should be aspirational but realistic.
- For England as a whole:
  - The official projections are aspirational, because they imply housing delivery across England one third above the average of the last 10 years, and more than 50% above the average of the last three years.
  - They are arguably realistic because they roll forward much longer-term trends; albeit maybe not quite realistic enough, in this long base period many of the factors that are now reducing demand had not yet set in.
- At local level, an argument in favour of using the projections (after correction for errors and anomalies) is that they provide good (though not perfect) evidence on the geography of future demand.

3.35 If the above is accepted, and the official projections are a robust starting point, the market signals adjustment should not distort the projections too much. It should not provide a near-universal uplift, as it does now, but apply only to places where market pressures are exceptional. The national decision to use the official projections (or another aggregate number) already incorporates a view on the standard position across England. The market signals adjustment should correct for departures from that standard.

3.36 **In summary, we agree with LPEG that the market signals adjustment should be much simplified, so it uses just two indicators and fixed adjustments. But these fixed adjustments should be recalibrated so they apply to a minority of local authority areas, where market pressures are exceptional.**

3.37 **We are unable to calculate such recalibration in the short time available for these representations. But it should not be a difficult task.**

3.38 Consideration ought to be given to whether market signal adjustments should be applied where there is no prospect of a supply response in the relevant market area, for example National Parks or London Boroughs.

Future jobs

3.39 At the local authority level econometric forecasts of jobs growth are highly volatile and can vary substantial from one forecasting house to another. To provide a basis for a soundly-based discussion of the housing needs of an area they need to be sense checked against the available data on local economic performance and in many cases this will lead to the conclusion that at least some of the sectoral forecasts should be adjusted (up or down) for realism. This is complicated process which calls for a fair degree of judgment to be exercised. As a consequence it is a fertile area for lengthy and often inconclusive debate. There have been instances in which consultants have argued in section 76 appeals that economically based OANs should be uplifted by 100% or more to support economic growth.

3.40 The LPEG response to this is to suggest that the market signals and other adjustments they propose are '*likely to respond proportionately to housing market pressures arising for local economic growth across the housing market area*'. Therefore '*estimates of future employment growth should not be used as part of* the *calculation of housing need*'. However *'*

'*Where plan makers choose to set a 'policy on' housing requirement in excess of the FOAHN, based on employment growth, this should be based on applying the changes in economic activity rates that are projected in estimates produced annually by the Office for Budget Responsibility, applied to the local baseline rates of economic activity. The existing commuting ratio should be applied, based on a comparison of economically active residents drawn from the Annual Population Survey and the number of jobs drawn from BRES.'*

3.41 We are concerned about two aspects of these recommendations. Firstly, it cannot be right to relegate labour market balance to an optional 'policy-on' adjustment. Many areas rightly expect much faster job growth in the future than they have in the past, perhaps because due to exceptional economic opportunities, which may be driven by the market rather than policy. Other things being equal above-trend job growth will drive above-trend demand for housing, because many people move to places where there are job opportunities. In line with the principles of the NPPF planning should aim to meet that demand.

3.42 The second cause for concern is that the recommendation is technically faulty. Appendix C below provides a critique by Experian Economics, one of the three main providers of local economic forecasting in the UK. There are two main problems with the LPEG approach (along with many smaller ones).

3.43 Firstly, the assumptions used to forecast job demand should be consistent with those used to forecast labour supply. In particular, if jobs-to-housing calculations use OBR trends in economic activity to forecast labour supply, as LPEG recommends, the same trends should be used to forecast labour demand. Generally this will require a bespoke forecast, because the main forecasters do not use the OBR rates. If a standard forecast is used the calculation of labour market balance will be inconsistent. The practical result is often a greatly inflated view of the population and housing required to match a given number of new jobs.

3.44 Secondly, it does not make sense to keep the existing commuting ratio fixed. Statistics show commuting ratios have always changed over time in response to the interaction of supply and demand. Accordingly forecasting models show them changing in the future. The only logical and feasible approach to commuting (and other economic variables such as unemployment) is in two stages. First we should use forecasts to estimate what *will* happen to commuting (among other variables). Secondly, if this is not what policy considers *should* happen – for example because the forecast changes in commuting are too large – we should consider policy responses to alter that position.

3.45 To repair these and other problems, **we suggest that the new PPG include a short section to guide calculations of labour market alignment. Among other things this should advise on ensuring that forecasts of job demand and labour supply are based on mutually consistent assumptions. The guidance should have the benefit of technical advice from economic forecasters.**

Affordable housing need

3.46 LPEG proposes that, if housing development in line with the OAN would not provide enough developer contributions from market housing to meet affordable need in full, the OAN should be adjusted upwards by up t0 10%. As we understand it this adjustment overlaps with the market signals adjustment if any.

3.47 This proposal does have the advantage of simplicity. But its logic is faulty, because, the imperative to pay for affordable housing is nothing to do with the need or demand for market housing. In many places there will not be enough viable demand for market housing to deliver the 10% uplift.

3.48 Therefore **we suggest that the affordable housing uplift should be treated as a policy issue, separate from the OAN. The PPG should say that, if housing development in line with the OAN would not generate enough developer contributions to meet the affordable housing need, the authority should consider lifting its policy target (requirement) by 10%, subject to demand and viability**.

3.49 **In addition the revised PPG should make it clear that affordable housing need is not part of the OAN and the OAN is not required to meet it in full. These two numbers relate to different meanings of the word 'need'. To avoid confusion we suggest that the OAN be renamed 'demand'.**

Backlogs

3.50 The LPEG group suggest that shortfall or oversupply from previous plan targets should automatically be carried into new plans. This is to "ensure that any surplus or shortfall is not cancelled out by virtue of a regular plan review".

3.51 This is a misguided proposal. The failure to deliver previous plan targets may be a symptom of a lack of viable demand; the previous target was too high to be delivered. Previous plan targets may not have been achieved because the OAN was set at a

level to match a job target which has not been achievable. Following the LPEG approach, where targets are purposely divorced from viable demand this circumstance can arrive more frequently than today. Manually adding unviable need to a new plan may only further compound the issue in future plans.

3.52 Conversely, where delivery has exceeded plan targets it may be a symptom that the past target was too low.

3.53 For new plans any overprovision in the past will be carried into new trend based the demographic projections. So no further adjustment is needed.

3.54 In cases of under provision these people may have either migrated elsewhere; to place where supply was more readily available, so they became part of another area's demographic projection and housing need which does need correction. Or where they have been unable to unwilling to live in another authority area they may have contributed to adverse market signals and the need assessment corrected through that route. In either case no further adjustment to the OAN or new plan is needed.

3.55 Further consideration needs to be given to where a failure to meet past targets is a product of slow plan making, for example where site allocation documents have not been progressed or where development management has caused delay. There should be measures to ensure that such authorities are not seen to benefit from past failures. But adjusting the OAN is not the right response.

4 SUMMARY

4.1 While there is much to be welcomed in the LPEG report, on the critical issue of measuring housing need the report's proposals are not helpful. LPEG is right to be critical of the method set out in the PPG. But its own proposed new method, set out at Appendix 6 of the report, is at least as unsatisfactory as the old one. In this paper we explore the practical consequences of the Appendix 6 proposals and make alternative suggestions for a better and simple method.

The consequences of Appendix 6

4.2 We estimate that the LPEG recommendations imply land allocations 40% above the latest official projections and more than double recent rates of housebuilding. There is no guarantee that this amount of development can be delivered in practice, no matter how much land the planning system allocates. In physical terms to bring forward this much land would need a huge boost in infrastructure provision, which would take many years to plan, design and deliver. In financial terms the risk is that oversupply will threaten viability, especially in areas where the market is already fragile.

4.3 To minimise these risks, we need to ensure that land is allocated in the right places. Unfortunately the Appendix 6 method does not do this, as our authority –by-authority estimates of the 'LPEG housing need' indicate.

4.4 The table at Appendix A shows these local estimates. They suggest that, leaving aside any adjustments for affordable need, the new method will increase the OAN above the CLG projections for all local planning authorities. Compared to the rates of delivery of the last three years, to meet the LPEG housing need 324 of the 325 local planning authorities would have to lift their rates of delivery by more than 50%. 162 authorities would have to more than do e geography of the new housing numbers is arbitrary – the outcome of double-counted migration, uncorrected technical errors such as Unattributable Population Change (UPC) and near-universal market signals uplifts. Despite their acknowledged limitations, the official demographic projections do provide useful evidence on the likely location of future need and demand, especially if they are corrected for major distortions such as the UPC. The LPEG adjustments strip away much of that information.

4.5 Many authorities will be required to provide even more land that our OAN estimates suggest, in order to accommodate unmet need from their more constrained neighbours. Thus, if London's recalculated unmet need is to be exported to the rest of the London HMA, that area will have to increase its recent rates of delivery tenfold.

A suggested alternative.

4.6 We agree with LPEG that there should be a simpler and more standardised method for measuring housing need. Departure from that method should not be absolutely prohibited, but it should only be allowed where there is compelling evidence that not

to do so would lead to the OAN being over- or underestimated by a large margin, say 20%

4.7 Our main proposals for an alternative method are as follows.

i In establishing the 'demographic starting point, projected internal migration (domestic and international) on flows in the most recent 10-year period for which data are available. The new Guidance could specify a standard method for this. But a better solution would be for CLG (or local authorities collectively) to commission the ONS (and / or other demographic experts) to produce revised projections on this basis. The result would not be an alternative to the SNPP, but a projection created specifically for calculating the OAN.

ii It should be allowed to correct the 10-year-based projections (in either direction) if there is convincing evidence that they are seriously distorted by special factors. Examples of such factors include unusual events in the base period – e.g. where the area was a growth area under now cancelled planning policy, special groups such as armed forces and students, and technical anomalies in the modelling.

iii Where Unattributable Population Change (UPC) is large, to provide a robust demographic starting point, the 10-year projection mentioned earlier should be adjusted so it includes in its migration base a portion of the 2001-11 UPC. To quantify that portion, and determine its age and sex profile, should be based on analysis of the ONS tool and the results of the 2001 Census for areas of potential over-count. Like the 10-year projection as a whole, it would be best for these adjustments to be made centrally, by ONS and /or other demographic experts, who would be commissioned by CLG or by local planning authorities collectively.

iv Housing needs assessments should take household formation rates from the latest CLG projections, which are currently the 2012-base projections.

v the new Guidance should include a logical framework as set out at para 3.16 above, to explain the logic of the OAN calculation and clarify the meanings of need and demand.

vi To translate household numbers into dwellings, the OAN calculation should use actual percentages of empty and second homes, as calculated from the latest Council Tax Base, with no adjustments.

vii As suggested by LPEG, the market signals adjustment should be much simplified, so it uses just two indicators and fixed adjustments. But these fixed adjustments should be recalibrated so they apply to a minority of local authority areas, where market pressures are exceptional. We are unable to calculate such recalibration in the short time available for these representations. But it should not be a difficult task.

viii The new PPG include a short section to guide calculations of labour market alignment. Among other things this should advise on ensuring that forecasts of job demand and labour supply are based on mutually consistent assumptions. The guidance should have the benefit of technical advice from economic forecasters.

ix The affordable housing uplift should be treated as a policy issue, separate from the OAN. The PPG should say that, if housing development in line with the OAN

would not generate enough developer contributions to meet the affordable housing need, the authority should consider lifting its policy target (requirement) by 10%, subject to demand and viability.

x In addition the revised PPG should make it clear that affordable housing need is not part of the OAN and the OAN is not required to meet it in full. These two numbers relate to different meanings of the word 'need'. To avoid confusion we suggest that the OAN be renamed 'demand'.

xi Further consideration needs to be given to where a failure to meet past targets is a product of slow plan making, for example where site allocation documents have not been progressed or where development management has caused delay. There should be measures to ensure that such authorities are not seen to benefit from past failures. But adjusting the OAN is not the right response.

APPENDIX A
ESTIMATED LPEG NEED

Table 4.1 LPEG need, preliminary estimates, 2011-31

A	B	C	D	E	G	H	I	J
Rank by Col H		LPEG need Estimated (dwellings)	CLG 2012 h/hold projection (dwellings)	LPEG uplift over CLG 2012	Annual net completions 2012/13-2014/15 (dwellings p.a.)	LPEG need as % of net additions (Col H)	Market signals / affordability uplift	UPC 2001-11 as % of population change
1	Gosport	9,731	5,893	65%	27	1825%	25%	27%
2	Redbridge	57,144	43,389	32%	260	1099%	25%	1%
3	Tunbridge Wells	15,751	12,247	29%	97	815%	25%	40%
4	York UA	21,732	15,445	41%	147	741%	25%	-16%
5	Haringey	56,460	41,962	35%	393	718%	25%	24%
6	Enfield	62,370	47,491	31%	487	641%	25%	2%
7	New Forest	19,853	14,622	36%	157	634%	25%	-33%
8	Trafford	26,584	18,184	46%	213	623%	25%	47%
9	Luton UA	30,269	22,113	37%	243	622%	25%	-1%
10	Hounslow	53,617	40,620	32%	440	609%	25%	9%
11	Bromley	49,253	34,675	42%	417	591%	25%	-58%
12	Southend-on-Sea UA	21,518	16,113	34%	183	587%	25%	71%
13	Pendle	6,472	4,428	46%	57	571%	20%	-515%
14	Sutton	35,921	27,618	30%	320	561%	25%	-86%
15	Broxtowe	10,307	7,421	39%	97	533%	25%	-112%
16	Runnymede	11,557	8,307	39%	117	495%	25%	-251%
17	Camden	47,765	30,070	59%	483	494%	25%	-122%
18	Havering	34,254	24,924	37%	347	494%	25%	-9%
19	Rother	14,470	9,488	53%	147	493%	25%	2%
20	Tower Hamlets	82,207	61,183	34%	847	485%	25%	-10%
21	Kingston upon Thames	31,441	22,468	40%	330	476%	25%	-130%
22	Waltham Forest	46,047	33,985	35%	510	451%	25%	45%
23	Blackpool UA	5,284	3,069	72%	60	440%	25%	-202%
24	Richmond upon Thames	31,669	22,086	43%	363	436%	25%	-55%
25	Crawley	13,597	11,995	13%	157	434%	10%	-25%
26	Guildford	15,842	10,551	50%	187	424%	25%	-92%
27	Epping Forest	18,518	13,340	39%	220	421%	25%	-41%
28	Gateshead	12,251	8,779	40%	147	418%	25%	81%
29	Eastbourne	15,733	9,791	61%	190	414%	25%	18%
30	Merton	35,221	26,493	33%	427	413%	25%	-151%
31	Harrow	39,132	29,086	35%	477	410%	25%	10%
32	Tendring	19,359	12,664	53%	237	409%	20%	1423%
33	Boston	9,219	5,530	67%	113	407%	20%	-17%
34	Westminster	50,658	27,967	81%	623	406%	25%	-197%

A	B	C	D	E	G	H	I	J
Rank by Col H		LPEG need Estimated (dwellings)	CLG 2012 h/hold projection (dwellings)	LPEG uplift over CLG 2012	Annual net completions 2012/13-2014/15 (dwellings p.a.)	LPEG need as % of net additions (Col H)	Market signals / affordability uplift	UPC 2001-11 as % of population change
35	Welwyn Hatfield	18,133	11,174	62%	227	400%	25%	-64%
36	Maldon	6,807	4,588	48%	87	393%	25%	-55%
37	North Hertfordshire	18,924	14,066	35%	243	389%	25%	-2%
38	Brighton and Hove UA	35,542	26,422	35%	463	384%	25%	53%
39	Birmingham	121,929	88,175	38%	1,593	383%	25%	28%
40	Thurrock UA	23,820	16,079	48%	313	380%	25%	-6%
41	West Devon	7,286	5,901	23%	97	377%	20%	-10%
42	Poole UA	17,324	13,093	32%	230	377%	25%	32%
43	Tamworth	5,754	4,199	37%	77	375%	25%	1%
44	Braintree	19,084	14,189	34%	257	372%	25%	7%
45	Ashford	20,559	14,058	46%	277	372%	25%	2%
46	Stevenage	10,069	7,670	31%	137	368%	25%	49%
47	Adur	8,214	5,643	46%	113	362%	25%	-31%
48	Oxford	13,283	8,315	60%	183	362%	25%	24%
49	Broxbourne	11,343	7,670	48%	157	362%	25%	31%
50	Sevenoaks	13,750	10,083	36%	190	362%	25%	-7%
51	Lewes	14,669	10,893	35%	203	361%	25%	-29%
52	East Dorset	8,149	5,738	42%	113	360%	25%	-37%
53	East Cambridgeshire	15,150	11,424	33%	213	355%	25%	-44%
54	Waveney	10,995	6,491	69%	157	351%	20%	-84%
55	Barking and Dagenham	40,828	30,480	34%	583	350%	25%	-13%
56	Slough UA	23,630	17,958	32%	350	338%	25%	34%
57	Shepway	14,023	10,221	37%	210	334%	20%	52%
58	Bolton	25,222	18,963	33%	380	332%	25%	31%
59	Thanet	19,593	14,613	34%	297	330%	20%	7%
60	Derby UA	26,740	19,029	41%	417	321%	20%	-12%
61	Worthing	16,399	12,274	34%	257	319%	25%	14%
62	Dacorum	17,640	14,202	24%	277	319%	20%	22%
63	Hastings	9,975	7,645	30%	157	318%	25%	45%
64	Barnet	80,575	60,430	33%	1,267	318%	25%	-18%
65	High Peak	8,236	5,851	41%	130	317%	20%	-129%
66	Medway UA	35,877	27,040	33%	570	315%	25%	9%
67	Portsmouth UA	21,085	16,279	30%	337	313%	25%	-7%
68	Ealing	54,903	40,905	34%	887	310%	25%	29%
69	Spelthorne	12,981	9,796	33%	210	309%	25%	16%
70	Melton	3,902	3,370	16%	63	308%	10%	7%

A	B	C	D	E	G	H	I	J
Rank by Col H		LPEG need Estimated (dwellings)	CLG 2012 h/hold projection (dwellings)	LPEG uplift over CLG 2012	Annual net completions 2012/13-2014/15 (dwellings p.a.)	LPEG need as % of net additions (Col H)	Market signals / affordability uplift	UPC 2001-11 as % of population change
71	Herefordshire, County of UA	21,703	14,036	55%	353	307%	25%	-15%
72	Newcastle upon Tyne	26,318	16,966	55%	437	301%	25%	-61%
73	Stockport	23,546	17,395	35%	393	299%	25%	274%
74	Waverley	11,938	9,177	30%	200	298%	25%	-9%
75	Purbeck	4,366	2,254	94%	73	298%	25%	34%
76	Ipswich	14,671	10,744	37%	247	297%	25%	36%
77	Three Rivers	12,250	9,443	30%	207	296%	25%	-32%
78	Greenwich	46,806	34,923	34%	790	296%	25%	47%
79	Hillingdon	50,487	37,396	35%	857	295%	25%	-11%
80	Great Yarmouth	10,164	8,018	27%	173	293%	10%	-3%
81	Basingstoke and Deane	24,350	18,379	32%	417	292%	25%	-3%
82	Tandridge	11,997	8,596	40%	207	290%	25%	-9%
83	Harlow	9,088	6,546	39%	157	290%	25%	16%
84	Wigan	25,894	19,778	31%	450	288%	25%	40%
85	Swale	22,860	17,236	33%	400	286%	25%	-10%
86	Mole Valley	9,311	7,083	31%	163	285%	25%	8%
87	Harrogate	11,211	7,663	46%	200	280%	25%	11%
88	Islington	49,535	37,759	31%	887	279%	25%	-21%
89	Kirklees	39,420	29,616	33%	713	276%	20%	32%
90	Manchester	68,556	46,292	48%	1,243	276%	25%	23%
91	Bexley	31,541	20,941	51%	587	269%	25%	0%
92	Brentwood	8,556	6,092	40%	160	267%	25%	10%
93	South Bucks	9,057	6,603	37%	170	266%	25%	-9%
94	Gravesham	13,946	9,196	52%	263	265%	25%	9%
95	Christchurch	6,518	4,229	54%	123	264%	25%	5%
96	Norwich	15,650	11,555	35%	297	264%	25%	-27%
97	Oldham	18,806	13,747	37%	357	264%	25%	43%
98	Wycombe	15,893	11,761	35%	303	262%	25%	55%
99	Elmbridge	13,249	7,766	71%	253	261%	25%	-3%
100	Reigate and Banstead	23,163	17,870	30%	443	261%	25%	-7%
101	Croydon	64,110	48,110	33%	1,237	259%	25%	34%
102	King's Lynn and West Norfolk	16,819	10,426	61%	327	257%	25%	8%
103	Eastleigh	14,582	10,842	34%	283	257%	25%	16%
104	Arun	24,944	16,037	56%	487	256%	25%	-46%
105	Coventry	53,686	38,805	38%	1,060	253%	25%	-106%
106	Windsor and Maidenhead UA	17,878	12,999	38%	353	253%	25%	-4%

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107	Lambeth	53,836	39,594	36%	1,067	252%	25%	16%
108	Castle Point	8,394	5,610	50%	167	252%	25%	-107%
109	Bromsgrove	8,640	5,788	49%	173	249%	25%	-3%
110	Bristol, City of UA	60,137	38,806	55%	1,207	249%	25%	-20%
111	Sandwell	33,769	26,723	26%	680	248%	20%	32%
112	Surrey Heath	7,434	4,765	56%	150	248%	25%	20%
113	St Albans	17,010	13,053	30%	343	248%	25%	19%
114	Rushcliffe	11,797	8,857	33%	240	246%	25%	-37%
115	Fareham	11,127	8,536	30%	227	245%	25%	-57%
116	Lancaster	11,893	6,930	72%	243	244%	25%	-209%
117	Hackney	51,817	39,115	32%	1,063	244%	25%	43%
118	North Tyneside	19,962	16,212	23%	413	241%	20%	20%
119	Brent	47,301	32,990	43%	983	241%	25%	65%
120	Warwick	16,099	11,847	36%	337	239%	25%	-2%
121	Dover	12,239	7,785	57%	257	238%	25%	45%
122	Southwark	64,160	44,893	43%	1,347	238%	25%	-43%
123	West Oxfordshire	13,786	9,540	45%	290	238%	25%	-6%
124	Chichester	15,674	11,496	36%	330	237%	25%	-7%
125	South Holland	11,231	8,417	33%	237	237%	10%	-7%
126	Sheffield	54,353	38,098	43%	1,150	236%	25%	4%
127	North Somerset UA	30,835	21,660	42%	653	236%	20%	-63%
128	North Warwickshire	4,712	3,288	43%	100	236%	25%	-114%
129	Suffolk Coastal	15,184	9,759	56%	323	235%	20%	-7%
130	Wirral	17,061	13,566	26%	363	235%	20%	194%
131	Amber Valley	11,526	7,627	51%	247	234%	20%	0%
132	Calderdale	21,566	17,046	27%	463	233%	20%	4%
133	Canterbury	21,662	12,764	70%	467	232%	25%	-27%
134	Northampton	33,854	22,554	50%	730	232%	25%	-15%
135	East Staffordshire	13,018	9,240	41%	283	230%	25%	18%
136	Tameside	20,368	15,998	27%	450	226%	20%	5%
137	Swindon UA	28,312	24,794	14%	630	225%	10%	20%
138	Bracknell Forest UA	16,298	11,326	44%	363	224%	25%	-127%
139	Lewisham	59,424	44,360	34%	1,327	224%	25%	-3%
140	Craven	4,908	2,808	75%	110	223%	25%	5%
141	Salford	35,054	25,814	36%	790	222%	25%	-4%
142	Leeds	85,314	57,606	48%	1,923	222%	25%	-114%

A	B	C	D	E	G	H	I	J
Rank by Col H		LPEG need Estimated (dwellings)	CLG 2012 h/hold projection (dwellings)	LPEG uplift over CLG 2012	Annual net completions 2012/13-2014/15 (dwellings p.a.)	LPEG need as % of net additions (Col H)	Market signals / affordability uplift	UPC 2001-11 as % of population change
143	Solihull	16,949	12,006	41%	383	221%	25%	-1%
144	Erewash	8,960	7,778	15%	203	220%	10%	5%
145	Maidstone	24,062	17,328	39%	547	220%	25%	6%
146	Bradford	39,841	37,701	6%	907	220%	0%	22%
147	Torbay UA	13,912	8,869	57%	317	220%	25%	-231%
148	Basildon	20,951	13,291	58%	483	217%	25%	25%
149	Newham	67,189	49,126	37%	1,563	215%	25%	36%
150	Bury	15,439	11,068	39%	360	214%	25%	-27%
151	Wokingham UA	18,978	14,204	34%	447	212%	25%	-232%
152	Woking	10,013	6,457	55%	237	212%	25%	43%
153	Nottingham UA	31,986	21,771	47%	760	210%	25%	-10%
154	Rochford	8,366	5,339	57%	200	209%	25%	4%
155	Chesterfield	6,722	4,245	58%	163	206%	10%	46%
156	Kingston upon Hull, City of UA	17,494	11,649	50%	427	205%	10%	-81%
157	East Lindsey	14,454	8,383	72%	353	205%	25%	-104%
158	Isle of Wight UA	16,941	11,382	49%	417	203%	25%	-34%
159	Derbyshire Dales	6,083	4,845	26%	150	203%	20%	48%
160	North Lincolnshire UA	13,860	10,346	34%	343	202%	10%	23%
161	North Dorset	7,342	3,939	86%	183	200%	25%	32%
162	Torridge	10,010	7,176	39%	250	200%	25%	-49%
163	Cheltenham	12,905	9,634	34%	323	200%	25%	17%
164	Winchester	12,475	9,465	32%	313	199%	25%	6%
165	Huntingdonshire	21,350	14,168	51%	540	198%	25%	-3%
166	West Dorset	11,709	7,745	51%	297	197%	25%	29%
167	South Hams	7,335	4,440	65%	187	196%	25%	24%
168	Lichfield	9,685	6,585	47%	247	196%	20%	7%
169	Staffordshire Moorlands	6,012	3,602	67%	153	196%	20%	43%
170	East Hertfordshire	21,036	16,071	31%	537	196%	25%	-19%
171	St Edmundsbury	10,938	7,241	51%	280	195%	25%	51%
172	Hertsmere	14,684	11,260	30%	377	195%	25%	1%
173	Chiltern	7,637	4,470	71%	197	194%	25%	36%
174	South Derbyshire	13,910	10,483	33%	360	193%	20%	-2%
175	Babergh	8,685	5,642	54%	227	192%	25%	26%
176	North East Derbyshire	6,247	4,907	27%	163	191%	20%	17%
177	Colchester	26,341	17,741	48%	690	191%	25%	-23%
178	Preston	9,897	6,229	59%	260	190%	25%	5%

A	B	C	D	E	G	H	I	J
Rank by Col H		LPEG need Estimated (dwellings)	CLG 2012 h/hold projection (dwellings)	LPEG uplift over CLG 2012	Annual net completions 2012/13-2014/15 (dwellings p.a.)	LPEG need as % of net additions (Col H)	Market signals / affordability uplift	UPC 2001-11 as % of population change
179	Burnley	2,390	1,207	98%	63	189%	20%	-38%
180	Bournemouth UA	24,989	19,969	25%	663	188%	20%	58%
181	Oadby and Wigston	2,637	1,246	112%	70	188%	20%	-1802%
182	Fenland	15,946	9,077	76%	423	188%	25%	-5%
183	Fylde	7,466	4,728	58%	200	187%	20%	-41%
184	Rochdale	12,780	8,824	45%	343	186%	25%	90%
185	Nuneaton and Bedworth	10,293	8,908	16%	277	186%	10%	23%
186	Lincoln	7,797	5,226	49%	210	186%	25%	22%
187	Warrington UA	24,857	17,908	39%	677	184%	25%	-9%
188	North Norfolk	12,951	8,556	51%	353	183%	20%	-89%
189	Tonbridge and Malling	17,539	12,550	40%	480	183%	25%	-2%
190	Wandsworth	39,334	27,421	43%	1,080	182%	25%	24%
191	South Tyneside	9,448	7,572	25%	260	182%	20%	80%
192	Breckland	15,140	11,174	35%	417	182%	10%	-17%
193	Stafford	11,732	7,916	48%	323	181%	25%	37%
194	Rugby	14,021	9,240	52%	387	181%	25%	17%
195	Broadland	11,822	8,446	40%	327	181%	20%	8%
196	Gedling	10,312	7,313	41%	287	180%	25%	-39%
197	Sefton	13,554	11,911	14%	380	178%	10%	24%
198	Wakefield	29,335	20,673	42%	823	178%	20%	-41%
199	Barnsley	24,055	16,364	47%	677	178%	20%	13%
200	Bassetlaw	8,522	6,595	29%	240	178%	10%	-3%
201	Wyre	7,777	5,465	42%	220	177%	10%	-206%
202	Watford	13,978	10,885	28%	397	176%	25%	62%
203	Chelmsford	18,174	13,405	36%	517	176%	25%	9%
204	Wolverhampton	18,613	11,506	62%	530	176%	25%	58%
205	North Kesteven	11,638	8,806	32%	333	175%	20%	1%
206	Central Bedfordshire UA	43,590	32,337	35%	1,250	174%	25%	-33%
207	Doncaster	20,456	12,301	66%	587	174%	25%	63%
208	South Northamptonshire	10,395	6,484	60%	300	173%	20%	-67%
209	Kettering	13,511	9,123	48%	390	173%	25%	12%
210	Malvern Hills	7,134	4,499	59%	207	173%	20%	-17%
211	Blackburn with Darwen UA	7,451	5,373	39%	217	172%	25%	52%
212	Epsom and Ewell	10,856	7,664	42%	317	171%	25%	14%
213	South Staffordshire	7,280	4,120	77%	213	171%	20%	53%
214	Forest Heath	8,401	6,154	37%	247	170%	25%	-62%

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215	Stockton-on-Tees UA	16,101	11,656	38%	473	170%	20%	-23%
216	Stoke-on-Trent UA	14,516	9,155	59%	430	169%	20%	45%
217	Hartlepool UA	6,411	4,156	54%	190	169%	25%	19%
218	Leicester UA	38,413	23,812	61%	1,147	167%	20%	34%
219	Bolsover	5,688	4,377	30%	170	167%	10%	16%
220	Reading UA	16,027	10,171	58%	480	167%	25%	88%
221	Wealden	20,653	13,700	51%	620	167%	25%	29%
222	South Cambridgeshire	23,230	17,515	33%	700	166%	25%	-5%
223	Charnwood	20,072	16,272	23%	607	165%	10%	-48%
224	Wellingborough	8,380	5,729	46%	253	165%	25%	-44%
225	Mansfield	7,933	5,215	52%	240	165%	10%	49%
226	Southampton UA	25,992	17,254	51%	787	165%	25%	-22%
227	Rushmoor	8,259	5,928	39%	250	165%	25%	76%
228	West Somerset	3,159	1,868	69%	97	163%	25%	223%
229	Liverpool	36,441	27,376	33%	1,137	160%	20%	87%
230	Hart	8,650	4,925	76%	270	160%	25%	-18%
231	Milton Keynes UA	42,101	30,730	37%	1,317	160%	25%	16%
232	Walsall	20,035	15,825	27%	627	160%	20%	58%
233	Daventry	7,772	5,707	36%	243	160%	20%	-20%
234	Worcester	9,369	7,073	32%	293	160%	25%	55%
235	Cheshire East UA	28,743	21,325	35%	907	159%	25%	9%
236	West Berkshire UA	15,683	10,674	47%	500	157%	25%	-2%
237	South Gloucestershire UA	32,774	22,003	49%	1,047	157%	25%	-31%
238	Weymouth and Portland	4,986	3,140	59%	160	156%	25%	105%
239	Cannock Chase	7,158	5,823	23%	230	156%	10%	39%
240	Havant	9,664	7,282	33%	313	154%	25%	84%
241	Mid Sussex	18,454	13,195	40%	600	154%	25%	42%
242	Stratford-on-Avon	14,396	9,420	53%	470	153%	25%	-15%
243	County Durham UA	30,060	27,308	10%	997	151%	0%	18%
244	Hambleton	6,001	4,001	50%	200	150%	25%	36%
245	Bedford UA	24,757	18,046	37%	827	150%	25%	-69%
246	Mid Suffolk	12,677	8,485	49%	423	150%	20%	13%
247	Shropshire UA	28,061	20,526	37%	940	149%	25%	40%
248	South Somerset	17,663	11,919	48%	593	149%	20%	-1%
249	Cherwell	16,818	11,213	50%	567	148%	25%	-22%
250	Exeter	15,005	8,485	77%	507	148%	25%	-49%

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251	Redditch	6,297	3,992	58%	213	148%	25%	69%
252	West Lindsey	9,327	6,303	48%	317	147%	10%	-4%
253	Newark and Sherwood	10,747	7,878	36%	367	147%	10%	-2%
254	Hyndburn	3,492	1,712	104%	120	145%	25%	134%
255	South Kesteven	16,109	11,367	42%	557	145%	20%	-12%
256	Mendip	12,298	8,573	43%	427	144%	25%	-31%
257	Harborough	10,991	7,857	40%	383	143%	25%	4%
258	Uttlesford	13,434	10,364	30%	470	143%	25%	8%
259	Plymouth UA	19,097	10,197	87%	670	143%	25%	3%
260	Sedgemoor	15,547	10,668	46%	550	141%	20%	-12%
261	Peterborough UA	27,882	18,658	49%	990	141%	25%	8%
262	East Northamptonshire	9,572	6,472	48%	340	141%	10%	7%
263	Cornwall UA	65,089	49,177	32%	2,337	139%	25%	-32%
264	East Hampshire	11,497	8,818	30%	417	138%	25%	17%
265	Mid Devon	9,026	6,129	47%	330	137%	25%	12%
266	Bath and North East Somerset UA	15,771	9,469	67%	577	137%	25%	-71%
267	St. Helens	13,125	10,331	27%	480	137%	25%	284%
268	Stroud	13,262	9,183	44%	487	136%	25%	5%
269	Gloucester	13,234	12,272	8%	487	136%	0%	14%
270	Dartford	14,407	11,709	23%	530	136%	10%	13%
271	South Ribble	7,422	5,637	32%	280	133%	20%	-7%
272	Rossendale	5,294	4,426	20%	207	128%	10%	3%
273	Forest of Dean	7,869	5,311	48%	313	126%	20%	-63%
274	Carlisle	6,948	4,451	56%	277	126%	10%	17%
275	Dudley	17,788	12,498	42%	710	125%	25%	61%
276	Selby	8,882	7,338	21%	357	125%	10%	-5%
277	Horsham	17,801	12,213	46%	720	124%	25%	-14%
278	Sunderland	13,818	9,792	41%	560	123%	10%	81%
279	Ashfield	10,744	8,334	29%	437	123%	10%	10%
280	Rotherham	13,847	12,232	13%	563	123%	0%	14%
281	Aylesbury Vale	27,302	19,178	42%	1,113	123%	25%	-65%
282	Corby	9,787	7,776	26%	400	122%	10%	27%
283	Wiltshire UA	48,662	35,349	38%	2,017	121%	25%	22%
284	Richmondshire	2,567	1,886	36%	107	120%	25%	54%
285	South Lakeland	7,050	3,798	86%	297	119%	25%	-93%
286	Newcastle-under-Lyme	9,004	5,129	76%	380	118%	20%	-140%

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287	South Norfolk	18,703	14,362	30%	793	118%	25%	6%
288	Blaby	7,895	5,224	51%	337	117%	25%	-18%
289	Eden	3,594	2,469	46%	153	117%	25%	0%
290	North Devon	8,347	5,789	44%	357	117%	25%	24%
291	West Lancashire	6,820	3,335	105%	293	116%	25%	-83%
292	South Oxfordshire	12,365	8,353	48%	533	116%	25%	26%
293	Knowsley	8,413	5,161	63%	363	116%	25%	68%
294	Vale of White Horse	13,033	8,131	60%	567	115%	25%	-17%
295	Scarborough	6,352	3,930	62%	277	115%	25%	50%
296	Taunton Deane	13,589	9,884	37%	597	114%	25%	-11%
297	East Devon	18,279	11,656	57%	803	114%	25%	-7%
298	Darlington UA	7,045	3,806	85%	310	114%	25%	56%
299	Teignbridge	14,638	9,828	49%	663	110%	25%	-95%
300	Rutland UA	3,717	1,997	86%	170	109%	25%	-29%
301	Hinckley and Bosworth	10,589	7,250	46%	487	109%	25%	-18%
302	Tewkesbury	11,550	8,054	43%	540	107%	25%	-21%
303	Allerdale	4,845	2,518	92%	233	104%	25%	51%
304	Ryedale	4,768	2,733	74%	230	104%	25%	-153%
305	City of London	4,844	2,642	83%	237	102%	25%	-7558%
306	Middlesbrough UA	7,614	5,226	46%	380	100%	25%	149%
307	Ribble Valley	4,562	2,876	59%	230	99%	20%	-38%
308	East Riding of Yorkshire UA	27,308	20,241	35%	1,380	99%	10%	-30%
309	Cotswold	9,089	5,823	56%	463	98%	25%	-33%
310	North East Lincolnshire UA	7,063	4,872	45%	363	97%	20%	89%
311	Northumberland UA	16,909	13,508	25%	877	96%	10%	43%
312	Wyre Forest	6,813	3,570	91%	353	96%	25%	-54%
313	Hammersmith and Fulham	15,285	8,096	89%	803	95%	25%	56%
314	Copeland	2,788	1,316	112%	147	95%	20%	60%
315	North West Leicestershire	8,802	5,224	68%	480	92%	20%	23%
316	Kensington and Chelsea	10,013	3,903	157%	547	92%	25%	165%
317	Chorley	11,470	9,893	16%	647	89%	10%	1%
318	Telford and Wrekin UA	14,821	9,220	61%	840	88%	25%	7%
319	Test Valley	11,637	6,341	84%	697	84%	25%	18%
320	Cheshire West and Chester UA	17,020	11,991	42%	1,070	80%	20%	5%
321	Halton UA	7,482	5,559	35%	473	79%	20%	79%
322	Wychavon	11,410	6,238	83%	737	77%	25%	-52%

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323	Cambridge	11,573	7,004	65%	833	69%	25%	116%
324	Redcar and Cleveland UA	3,392	2,743	24%	257	66%	0%	62%
325	Barrow-in-Furness	464	274	70%	63	37%	20%	58%

Source: LPEG, CLG, ONS, NMSS, PBA

'CLG 2012 projection' includes adjustment for empty homes as per Council Tax Base 2015.

Net completions are from CLG Live table 122.

For authorities re-organised in 2009 (shaded yellow) we were unable to calculate the impact of LPEG's adjustments to household formation rates.

Where the LPEG proposals do not specify calculations precisely we have made assumptions.

In some cases we have had to use data for other years than specified by LPEG.

The figures take no account of the affordable need adjustment proposed by LPEG. We are unable to estimate this adjustment.

APPENDIX B
UNATTRIBUTABLE POPULATION CHANGE

Unattributable population change 2001-11

By John Hollis
Demographic consultant

For England between mid-2001 and mid-2011 ONS estimated that Unattributable Population Change (UPC) amounted to 103,680, equivalent to 2.8% of total population change over the ten years. At the local authority level UPC varied between +28,800 (London Borough of Brent) and -40,000 (Leeds). In terms of its contributions to local authority total population change this varied between in excess of 1,400% (Tendring DC) and -1,800% (Oadby & Wigston DC).[6] In 91 of 324 LAs in England (leaving aside City of London and the Isles of Scilly) UPC was equivalent to in excess of 50% of the total population change.

UPC is effectively a correction factor between estimates for 2001 and 2011 and at the local level may be affected by:

- Errors in the 2001 Census and the 2001 MYE
- Errors in the 2011 Census and the 2011 MYE
- Errors in estimated International migration inflows or outflows
- Errors in estimated Internal (UK) migration inflows and outflows.

Given the size of UPC at the individual local authority level compared to the national figure and the range of both positive and negative effects, any UPC associated with migration is likely to be a product of incorrect distribution of migrant flows within England as much as with the estimation of flows into and out of England.

The ONS SNPP does not include UPC in its calculation of either internal or international migration. LPEG propose that in creating alternative local authority and HMA population projections based on the ten years prior to the latest ONS MYE no part of UPC should be considered as corrected migration.

If, for the sake of exemplification, it is assumed that 100% of UPC is a correction of estimated net migration it will have contributed in excess of 50% of 2001-11 adjusted migration (the estimated net migration from MYE change analyses plus UPC) in 135 of 324 LAs in England. In 66 LAs the UPC effect is greater than 100% of adjusted net migration. In only 136 LAs is the impact 25% or less. Clearly UPC is an important component of population change in the majority of LAs.

In the 274 LAs with estimated net in migration there is a positive UPC in 130 and a compensating negative UPC in 144.

In the 50 LAs with estimated net out migration there is a negative UPC in 12 and a compensating positive UPC in 38.

To assist the interpretation of UPC ONS has produced a UPC Guidance Tool to help identify the most appropriate component.

[6] The contribution of UPC to 'Total Change' and 'Adjusted Migration' may be in excess of 100% in those local authorities where the signs of the main elements of change (natural change, net migration and UPC) are in opposition. For instance in Tendring total change was -740, natural change was -8,591, net migration was +18,354 and UPC was -10,542.

http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/guide-method/method-quality/specific/population-and-migration/population-statistics-research-unit--psru-/latest-publications-from-the-population-statistics-research-unit/data-tool-17-sept.zip)

If a UPC adjustment is to be applied then the decision on where to place it is important, as the age/sex structures differ for the internal and international components and thus there are differing effects on household formation and economic activity. The Tool helps make a decision on whether UPC is a migration effect or a problem with the censuses or modelling. An apportionment of all or part of UPC between internal and international flows can be made, although much is left to judgement as the Tool does not numerically apportion UPC.

It is a further question as to whether a proportion of UPC should be added solely to the years prior to 2011 in the ten-year period or whether that level should also be added to migration in the years after 2011 as there have been no changes in the ONS methods used to roll forward the MYEs since the publication of the 2011 MYEs.

The undercount from the 2001 Census was only addressed in 15 LAs where the MYEs were adjusted following the Local Authority Studies.
http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/guide-method/method-quality/specific/population-and-migration/pop-ests/local-authority-population-studies/index.html

Only LAs that were underestimated were adjusted, there was no adjustment for any overestimation. No LA would have countenanced a reduction in MYE as it would have affected their Annual Spending Settlements which were then based on MYEs.

There is, therefore, evidence that any over-count in 2001 was never addressed and remained in the MYEs until the 2011 Census, which was considered a ‘better’ Census due to improved Quality Assurance. Therefore In those local authorities where there was some evidence of 2001 Census over-count, a portion of UPC should be excluded from any ten-year trends projections on the basis that that the 2011 Census corrected the over-count with negative UPC.

ONS argue that as the error does not introduce any bias into the trend data and that if it were due to international migration, then it was likely to be mainly in the early part of the decade (2001-2005) and as their international migration estimate methodology improved after 2005, the error is thought less likely to recur. See Page 6 of the ONS QMI paper on why ONS decided to exclude UPC from the SNPPs.
http://www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/populationandmigration/populationprojections/qmis/subnationalpopulationprojectionsqmi/qmisnnpsept15finalforpub_tcm77-180681.pdf

This argument may be satisfactory for England as a whole but it does not tackle the issue of the poor apportionment of flows amongst local authorities that is likely to be a major factor.

If however, the error is the third possibility identified by ONS, sub-national internal migration, then while some of those improvements have been addressed through the use of HESA data, the next set of improvements are yet to be incorporated.

There is no new evidence from ONS to demonstrate that the errors in the rolled forwards methodology for MYEs have been resolved. Indeed, the methodological changes that ONS

are working on will not be introduced until the MYEs of 2017 (publication expected June 2018) and therefore will not feed into the SNPPs until the cycle based on 2018 MYEs (publication expected June 2019. The 2018 SNPPs are expected to be published in May 2020 - just one year before the next Census- with a further delay until converted to households by CLG. It follows, therefore, that the errors inherent in the current rolled forwards MYEs are still applicable and should be part of the consideration of any alternative ten-year trends projection for calculating OAN.

In conclusion, it is better to prepare a ten-year projection solely for the purpose of calculating OAN – not as an alternative to the ONS SNPP – by including a portion of 2001-11 UPC in the migration base. That proportion and where to place it as either internal or international migration flows should be based on analysis of the ONS Guidance Tool and the ONS analysis of the results of the 2001 Census for areas of potential over-count. To make this work there needs to be a pre-agreed strategy for ONS, or other demographic experts, to allocate UPC appropriately in all districts, using the ONS UPC Tool and openly declared rules.

APPENDIX C
FUTURE JOBS AND LABOUR MARKET ALIGNMENT

Future jobs and labour market alignment

By Sunil Joshi

Experian Economics

1 Appendix 6 of the LPEG report advises on labour market balance as follows:

'Where plan makers choose to set a 'policy on' housing requirement in excess of the FOAHN, based on employment growth, this should be based on applying the changes in economic activity rates that are projected in estimates produced annually by the Office for Budget Responsibility, applied to the local baseline rates of economic activity. The existing commuting ratio should be applied, based on a comparison of economically active residents drawn from the Annual Population Survey and the number of jobs drawn from BRES'.

2 This advice involves a series of errors and omissions relating to economic forecasting models and economic data. These are discussed below, roughly in order of their likely impact on the result of the calculation.

3 The first problem is an omission and relates to economic activity rates. LPEG advises that calculations of labour market balance should use activity rate forecasts from the OBR. The OBR forecast only shows national figures, rather than rates for local areas. Therefore what LPEG clearly means is that the OBR's national trends (i.e. rates of change should be applied to activity rates for individual areas.

4 The advice should add that, if the OBR's national activity rate trends are used to forecast labour supply, the forecast job demand used in the market balance calculation should be based on the same trends in activity rates. Otherwise the calculation will be fundamentally inconsistent, because:

- Economic forecasting models incorporate a view about future trends in national activity rates into their predictions of future jobs.
- These trends in economic activity rates inform the prediction of national economic performance and hence job growth, which largely drive forecasts of local job demand.
- In the models as in real life, local and national activity rates follow similar trends, because these rates everywhere are driven in large part by national factors – including the rising State Pension Age and increasing longevity.

5 If inconsistent activity rates are used the calculation of labour market balance may be seriously distorted, because assumptions on future activity rates have a large impact on forecasts of local job demand.

6 Other significant problems with the advice include the following.

i. Using fixed activity rates is fundamentally unsound because:

- This requires that the increase in employment lead to a one-to-one reduction in unemployment (and vice-versa);
- This is empirically not true and fails to take into the fact that activity rates are endogenous responding to the state of the labour market:

- As unemployment rises, discouragement rises and activity falls;
- As unemployment decreases, people are drawn into the market and activity rates rise);

- Since the situation specifically involves a policy-on increase in employment, this assumption cannot be made.
- As an assumption, it necessarily overstates the population required to satisfy a particular increase in employment (since the inactive pool of workers are not available to fill jobs).

ii. Using a fixed commuting ratio is fundamentally unsound for these reasons:

- A particular commuting ratio implies a certain structure to the forecast which may be untenable:
  - Each job provided in an area has implications regarding the labour force in other areas (including the labour force available to fill jobs added there):

    A fixed number of additional workers must be added in the other area (subject to flex in unemployment rates);
  - Each worker provided in an area, it has implications regarding the available jobs in other areas (including the jobs available in that area to fill job there):

    A fixed number of additional jobs must added in the other area (subject to flex in unemployment rates);
- This structure may not be possible because (for instance):
  - One area may be aging so that adding sufficient workers to maintain commuting ratios may imply implausible activity rates (and potentially contradict the fixed activity rate previously assumed);
  - There may be no realistic way the additional jobs necessary to maintain commuting ratios.
  - Fundamentally, commuting ratios are likely to change (even ignoring transport and preference issues which are hard to model) because of the population and job demand factors being studied. These changes are both cyclical and related to long-term trends.
- Commuting ratios must, accordingly, also be treated as endogenous (or at least allowed to flex) in order to achieve realistic results.

7 Lesser problems with the advice are:

i. Using the economic activity rates from the Office of Budget Responsibility may not be appropriate for this purpose for reasons we have set out elsewhere. In particular,

- They are prepared for the purpose of the FSR and not for planning purposes;

- They have an unusual reduction in participation rates.

ii. Using raw BRES numbers to estimate jobs is problematic for the following reasons:

- BRES does not deal with agriculture satisfactorily;
- BRES does not address, and is not designed to address, self-employed workers at all (it has some information on a subset of unincorporated self-employed workers);
- BRES does not address Her Majesty's Forces or Government Sponsored Trainees;
- BRES' coverage of the public sector is not adequate (the ONS uses the Public Sector Census for Public Sector Jobs);
- Raw BRES numbers are inherently volatile because BRES is a survey and is not constrained so as to be consistent with e.g. the Census or the APS;
- In particular, BRES on its own is not constrained so as to be consistent with the official Workforce Jobs estimates at the Regional, GB and UK levels.

iii. BRES is a job count (not a people count as is APS employment). Some adjustments must, accordingly, be made to address the issue of multiple jobs. Assuming a fixed-ratio of multiple jobs does not take into account the facts that:

- The multiple jobs ratio varies over time;
- This variation is both:
    - Cyclical (double jobbing decreases during times of economic hardship);
    - A long-term shift (double-jobbing varies over time due to preferences and policies regarding multiple jobbing and also demographic changes in the labour force).

iv. It is not clear what is meant by the 'existing commuting ratio'. If this is the commuting ratio at the latest point in history, this is a very volatile measure, which can change drastically between different dates. This is less of a problem if long-term averages or endogenous commuting ratios are used. But using a fixed commuting ratio exacerbates this problem, since results will vary arbitrarily based on the base date chosen.