

**Housing Needs in Central
Bedfordshire – Review and Critique
of the Evidence Base**
On behalf of O&H Properties

August 2017

Turley

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Our reference

OHPP3002

August 2017

Executive Summary

1. This report has been prepared by Turley on behalf of O&H Properties to provide a review and critique of the planned level of housing provision proposed within the Central Bedfordshire Draft Local Plan 2015-2035 ('the Draft Plan') published by Central Bedfordshire Council ('the Council').
2. The planned level of housing provision is based upon the Council's latest published objective assessment of housing need (OAN) in the *'Initial Strategic Housing Market Assessment for Central Bedfordshire and Luton, 2015 – 35'*¹ ('the Initial SHMA'), published in June 2017. This concludes that there is an OAN for 32,000 homes over the plan period in Central Bedfordshire (1,600 per annum) and 51,000 homes across the housing market area (HMA), which extends to include the administrative area of Luton.
3. The Draft Plan proposes a level of housing provision which meets the concluded OAN for Central Bedfordshire and allows for the provision of an additional 7,400 homes to accommodate a proportion of the unmet needs arising from Luton, resulting in an overall 'need' for 39,400 homes in Central Bedfordshire over the plan period. The Council has applied a range of contingency allowances in providing for sufficient housing to meet this need. A range of associated housing requirements, 42,600 – 54,960 dwellings, 2,150 – 2,748 dwellings per annum, are therefore being consulted upon in the Draft Plan. The Council indicates that this range is intended to provide a degree of flexibility recognising emerging strategies and opportunities for enhanced growth.
4. The technical review undertaken within this report indicates that providing for 42,600 homes as proposed at the lower end of this range would run the risk of failing to meet the housing needs of Central Bedfordshire or the wider HMA in full. A number of factors identified throughout this report indicate a need to increase housing provision beyond this level, including:
 - The likely **underestimation of population and household growth** projected in the Initial SHMA, which would underestimate the full demographic need for housing over the plan period;
 - Existing and projected **tightness in the local labour market** and the subsequent need to plan for additional growth in the labour force to provide the flexibility required to support the level of job growth considered likely by the Council, based on wider economic conditions and historic performance;
 - Market signals of **imbalance between housing supply and demand** in Central Bedfordshire and the wider HMA, with the positive adjustment applied in the Initial SHMA considered to fall at the lower end of adjustments which could be considered reasonable; and
 - The **scale of unmet housing need in Luton**, which is likely to be higher than implied to date following the publication of the Initial SHMA. Other authorities have maximised their contribution towards accommodating Luton's unmet needs,

¹ Initial Strategic Housing Market Assessment for Central Bedfordshire and Luton 2015 – 35, ORS, June 2017

and additional provision in Central Bedfordshire is therefore required to meet evidenced housing needs in full.

5. This report has not sought to arrive at a modelled position on the OAN for housing in Central Bedfordshire. However, the evidence available at the current point in time indicates that the upper end of the range proposed by the Council is considerably more likely to represent the level of housing growth required to meet needs in full and allow sufficient flexibility. This supports the provision of 54,960 additional homes in Central Bedfordshire over the plan period. The Council should take the technical considerations raised in this report into account in planning for a level of housing growth which fully meets needs.

1. Introduction

- 1.1 This report has been prepared by Turley on behalf of O&H Properties to provide a review and critique of the planned level of housing provision proposed within the Central Bedfordshire Draft Local Plan 2015-2035 ('the Draft Plan') published by Central Bedfordshire Council ('the Council').
- 1.2 The Draft Plan identifies under Policy SP1 that a minimum of 43,000 new homes will be delivered in Central Bedfordshire over the plan period (2015 – 2035), equating to a minimum requirement of 2,150 dwellings per annum (dpa). This forms the lower end of an identified range of housing provision, however, with the upper end providing for almost 55,000 homes (2,748dpa).
- 1.3 The planned level of housing provision within the Draft Plan is based upon the Council's latest published objective assessment of housing need (OAN) in the '*Initial Strategic Housing Market Assessment for Central Bedfordshire and Luton, 2015 – 35*'² ('the Initial SHMA'), published in June 2017. This concludes that there is an OAN for 32,000 homes in Central Bedfordshire (1,600 per annum) and 51,000 across the housing market area (HMA), which extends to include the administrative area of Luton.
- 1.4 The Council in introducing the Strategic Housing Market Assessment (SHMA) is clear to confirm that this represents an '*initial*' assessment of housing needs, in anticipation of the Government's planned consultation on a standardised methodology for calculating housing needs later this year.
- 1.5 Elsewhere in the Council's evidence base, the OAN is introduced as being a '*baseline figure*'³ in this context.
- 1.6 The planned level of provision evidently exceeds the OAN. This takes into account an allowance to provide for an additional 7,400 homes, in order to accommodate a proportion of the unmet needs arising from Luton. This is added onto the OAN to derive an overall '*need*' for 39,400 homes in Central Bedfordshire. In establishing a housing requirement, the Council applies a range of contingency allowances which result in the levels of planned provision outlined above (42,600 – 54,960 dwellings).
- 1.7 It is evident that there is an implicit acknowledgement by the Council that there will be a significant need for new homes in the authority over the plan period. The inclusion of a contingency allowance – whilst prudent in this context – potentially masks the full needs facing the area by implying that a lower level of provision may be justifiable. The evidence assembled within this report confirms that the more cautious approach reflected by the upper end of the range of provision is considerably more likely to represent a minimum level of housing which should be planned for to ensure that future needs are met in full.
- 1.8 It is recognised, as referenced above, that the Government's delayed consultation on the standardised methodology for calculating housing need adds a degree of uncertainty

² Initial Strategic Housing Market Assessment for Central Bedfordshire and Luton 2015 – 35, ORS, June 2017

³ Development gain and economic benefit from East West Rail in Central Bedfordshire, May 2017, Paragraph 3.3

on the level of need which is to be planned for. The Department for Communities and Local Government (DCLG) has recently confirmed that the methodology will be consulted upon following the summer 2017 parliamentary recess. This falls outside of the Local Plan consultation period. Further context on the anticipated consultation is provided below, introducing the current guidance relevant to the Local Plan's housing evidence base as currently prepared and the anticipated implications of the changes proposed within the Housing White Paper (HWP) published in February 2017.

Guidance for Assessing Housing Needs

- 1.9 The Initial SHMA produced in May 2017 and earlier 2015 SHMA⁴ were prepared in the context of the latest current policy and guidance in the form of the National Planning Policy Framework (NPPF) and accompanying Planning Practice Guidance (PPG). The PPG methodology has been interpreted since its publication in 2014 through Local Plan Examinations, S78 Inquiries and the Legal Courts. As the HWP acknowledges, the PPG in its current form is open to interpretation, with inconsistencies in its application often apparent in the different judgments made by Local Plan Inspectors⁵.
- 1.10 However, the following stepped process has been broadly followed by Inspectors in assessing the reasonableness of the concluded OAN:
- (i) The Latest DCLG Published Household Projections – the 'Starting Point'⁶
 - (ii) Adjustment to the DCLG Household Projections – Demographic Need⁷
 - (iii) Taking Employment Trends into Account⁸
 - (iv) Responding to Market Signals⁹
 - (v) Taking into Account the Need for Affordable Housing¹⁰
- 1.11 It is considered that the methodology applied in the published SHMA evidence broadly follows this stepped methodology for arriving at an overall OAN. However, it is considered on the basis of the critique set out within this report that the latest evidence, in the form of the Initial SHMA, does not arrive at a suitable, robust or PPG compliant assessment of need for Central Bedfordshire.

Housing White Paper

- 1.12 In February 2017, the Government published its Housing White Paper¹¹. Through the HWP, the Government reaffirmed its appreciation of the scale of the acknowledged

⁴ Luton and Central Bedfordshire Strategic Housing Market Assessment Update, ORS, 2015

⁵ It is noted for example that the recent Local Plan Inspectors views on the Mid Sussex (February 2017) and Maidstone (December 2016) regarding the need for market signals adjustment were diametrically opposed despite the two authorities being geographically proximate.

⁶ PPG Reference ID: 2a-005-20140306

⁷ PPG Reference ID: 2a-017-20140306

⁸ PPG Reference ID: 2a-018-20140306

⁹ PPG Reference ID: 2a-019-20140306

¹⁰ PPG Reference ID: 2a-029-20140306

¹¹ Fixing our Broken Housing Market – the Housing White Paper, DCLG, February 2017

national housing crisis and the need for *'radical, lasting reform that will get more homes built right now and for many years to come'*¹².

1.13 The Foreword of the paper confirms that:

*"Our broken housing market is one of the greatest barriers to progress in Britain today. Whether buying or renting, the fact is that housing is increasingly unaffordable – particularly for ordinary working class people who are struggling to get by"*¹³

1.14 The HWP confirms that there is a need to deliver between 225,000 – 275,000 homes or more annually to keep up with population growth and start to tackle years of under-supply. It also states that the building of more homes is required to *'slow the rise in housing costs so that more ordinary working families can afford to buy a home and it will also bring the cost of renting down'*¹⁴.

1.15 As part of its approach to elevating the provision of housing, the Government has set out its intention to consult upon a standardised approach to assessing housing requirements¹⁵. This methodology will not be published for consultation until Parliament returns in September 2017. The SoS had previously announced an intention to consult by the end of July, confirming the *'simple'* aim of the proposed standard methodology to *'ensure these plans begin life as they should, with an honest, objective assessment of how much housing is required'*¹⁶. The implications of the methodology and its application through the development of Local Plans, as recognised by the Council, will need to be considered upon its release, particularly given that guidance to date indicates that authorities submitting Local Plans for examination from April 2018 onwards will be required to prepare their plan on basis of the new standardised methodology¹⁷.

1.16 In its report to Government, the Local Plans Expert Group (LPEG) proposed a standardised methodology which included a number of notable points of departure from the current PPG. While it is noted that the Government's response to the LPEG recommendations did not comment on the appropriateness of the alternative methodology proposed and that the SoS has recently indicated that *'it is not possible to give substantial weight'* to the LPEG methodology¹⁸, these proposed changes included:

- A limiting of the scope for adjusting the demographic projection of need, with an obligatory adjustment to household formation rates and the selection of either the latest official sub-national population projections (SNPP) or a longer-term 10 year trend-based migration scenario where it implies a higher level of need;
- The removal of the need to consider the implications of job growth on the scale of housing growth required, based on associated change in the labour force;

¹² DCLG (February 2017), 'Housing White Paper: Fixing our broken housing market' , pg 7

¹³ *Ibid*, pg 5

¹⁴ *Ibid*, pg 5

¹⁵ *Ibid*, pg 24

¹⁶ <https://www.gov.uk/government/speeches/sajid-javids-speech-to-the-lga-conference-2017>

¹⁷ DCLG (31 July 2017) Planning Update Newsletter

¹⁸ APP/WO340/W/15/3141449, 17 July 2017

- A limiting of the assessment of market signals to just two indicators, with a prescribed range of proportionate adjustments to be applied; and
- A prescribed proportionate adjustment to support the delivery of affordable housing where it is evident that the full need for affordable housing could not be met through the adjusted demographic projections of need, taking into account the anticipated policy proportion sought.

1.17 While the Government intends to standardise the methodology for assessing housing needs and intends to incentivise authorities to use the new approach, the HWP indicates that local authorities will be able to continue to decide to use an alternative methodology. The HWP confirms that in such instances it is suggested that Councils will be expected to justify to the Planning Inspectorate where they propose to depart from the methodology, with the Government confirming that they will *'consult on what constitutes a reasonable justification for deviating from the standard methodology, and make this explicit in the National Planning Policy Framework'*¹⁹.

Report Structure

1.18 This report is structured as follows:

- **Section 2: Published Evidence Review** – a summary of the key evidence base documents on housing need and an overview of the derivation of the OAN following the methodological steps set out within the PPG;
- **Section 3: Calculating the OAN** – headline review of the adjustments made through the OAN calculation to respond to the key drivers of demographic and economic change in Central Bedfordshire and Luton as well as the justification behind the scale of adjustment made to respond to evidence of worsening market signals in Central Bedfordshire and Luton;
- **Section 4: Unmet Housing Needs** – the level of housing provision proposed in Central Bedfordshire includes an allowance for accommodating unmet needs arising from Luton. This is considered in the context of the evidence of need presented in earlier sections, highlighting authorities' collective plans to respond to this unmet need;
- **Section 5: Conclusion and Implications** – a summary of the implications of the review for the soundness of the Draft Local Plan with regards to its evidence-based justification in providing for housing need, drawing upon analysis in preceding sections.

¹⁹ DCLG (February 2017), 'Housing White Paper: Fixing our broken housing market', pg 23

2. Published Evidence Review

- 2.1 This section provides a summary of the published OAN for Central Bedfordshire. This primarily focuses on the evidence presented in the latest Initial SHMA, which was published as part of the consultation on the Draft Plan in July 2017.
- 2.2 The SHMA considers housing need collectively across Central Bedfordshire and Luton, with a separate breakdown for each authority not consistently presented at each stage of the analysis. This section therefore includes reference to the OAN across the two authorities. However, the focus of the analysis in the subsequent sections primarily relates to Central Bedfordshire, on the basis that it is this Local Plan which is currently being consulted upon.
- 2.3 Despite representing an *'initial'* report, it is understood that this evidence supersedes the earlier 2015 SHMA, which was referenced as informing policy prior to this consultation. It is noted that the 2015 SHMA informed the Luton Local Plan which was subject to Examination in Public in 2016 and 2017. The Council has subsequently published main modifications for consultation between April and May 2017 which will be taken into account before the Inspector finalises his report to the Council. A short summary of the 2015 SHMA is therefore included for reference in this section and compared with the outputs of the 2017 Initial SHMA.

Initial 2017 SHMA 2015 – 2035

- 2.4 The Initial SHMA confirms that it establishes the OAN for housing for both Luton and Central Bedfordshire, with this geography considered to best fit the Luton housing market area (paragraph 1.9) over the twenty year period (2015 – 2035).
- 2.5 The Initial SHMA concludes with an OAN for 1,600 homes per annum for Central Bedfordshire over the period from 2015 to 2035. This is evidently higher than the concluded OAN set out in the previous 2015 SHMA, which identified a need for 1,475 dwellings per annum over the period from 2011 to 2031.
- 2.6 The Initial SHMA follows a comparable methodology to that used in the 2015 SHMA, with a stepped process considering:
- **Demographic projections including variant population projections** – the Initial SHMA considers that a reduction in the scale of population growth projected by the 2014-based SNPP is appropriate;
 - **Concealed households and homeless households** – to the trend-based growth projection, the SHMA adds the estimated number of homeless households in 2015 without temporary accommodation or in temporary accommodation in communal establishments and the net increase in concealed families where the household representative is under 55 between 2001 and 2011, based on Census counts;
 - **Vacancy and second home rate** – a rate of approximately 4% is applied to the adjusted household growth projections to translate them into dwellings;

- **Balancing jobs and workers** – the projected growth in the population is considered to provide a labour-force which is able to support growth of approximately 23,900 jobs over the plan period. This is based on the level of job growth currently being planned for, drawing upon the conclusions of the Functional Economic Market Assessment²⁰ which adopted forecasts from the Experian model (paragraph 4.34). It is subsequently considered that no upward adjustment is required in response to this element of the PPG methodology; and
- **Responding to market signals** – the SHMA recommends that an uplift of 10% is applied to the demographically projected level of housing need to respond to evidence of worsening market signals in Central Bedfordshire with circumstances suggested as being comparable to those in similar areas.

2.7 The adjustments applied through this stepped process are summarised in Table 3.1, which adapts Figure 66 of the Initial SHMA.

Table 2.1: Initial SHMA OAN Process for Central Bedfordshire 2015 – 2035 (per annum)

OAN Methodological Steps	Households	Dwellings ²¹
2014-based household projections 2015 – 2035	1,729	1,801
Adjustment for local demographic factors ²²	-342	-357
Adjusted demographic projection	1,387	1,444
Adjustment for suppressed household formation rates	+15	+15
Baseline demographic growth	1,402	1,460
Further adjustment to balance jobs and workers		0
Further adjustment in response to market signals ²³		+129
Objectively assessed housing need 2015 – 2035 (rounded)		1,600
Uplift from 'starting point'		-11%

Source: Adapted from the Council's Initial SHMA (May 2017)

- 2.8 Table 3.1 shows that the adjustments applied result in an OAN which is some 11% lower than the implied level of need based upon the 'starting point' 2014-based household projections.
- 2.9 The Initial SHMA presents its OAN for Central Bedfordshire and Luton. Across the two authorities, an OAN for 51,000 dwellings is identified over the period 2015 to 2035. Evidently, netting off the OAN for Central Bedfordshire provides an OAN for 19,000 homes in Luton.

²⁰ Functional Economic Market Assessment and Employment Land Review, PBA, May 2016

²¹ Where not presented in Figure 66, dwelling figures have been derived based on the relationship between household and dwelling figures presented in Figure 66

²² 'Correcting issues in the trend-based data and adopting 10-year migration trends'

²³ Less previous adjustment for suppressed household formation

2.10 Table 2.2 shows the OAN for Luton alongside Central Bedfordshire to show the cumulative OAN across the HMA. This is consistently based on dwellings per annum.

Table 2.2: Initial SHMA OAN Process for the Central Bedfordshire and Luton HMA 2015 – 2035 (dwellings per annum)

	Central Bedfordshire	Luton	HMA
2014-based household projections	1,801	1,178	2,979
Adjustment for local demographic factors	-357	-323	-681
Adjusted demographic projection	1,444	855	2,299
Suppressed household formation rates	+15	+81	+96
Baseline demographic growth	1,460	936	2,395
Balancing jobs and workers	0	0	0
Responding to market signals ²⁴	+129	+5	+134
Objectively assessed housing need	1,589	941	2,529
Rounded OAN	1,600	950	2,550
Uplift from 'starting point'	-11%	-19%	-14%

Source: Adapted from the Council's Initial SHMA (May 2017)

2.11 The Initial SHMA suggests that the implied OAN of 2,550 homes per annum across both authorities represents an average increase in the dwelling stock of 1.3% each year over the twenty year plan period. It is referenced that this level of proportionate growth is notably higher than the 1.0% growth required across England to deliver 239,500 dwellings annually and towards the upper end of the rate of housing need identified in areas surrounding Central Bedfordshire and Luton²⁵. A more detailed analysis of annual housing growth rates of authorities within the area is presented within the Bedford SHMA Update²⁶ produced by the same authors, highlighting the comparable rate of growth in Bedford (1.3%) but the higher rate suggested in Greater London (1.4%), the wider Cambridge housing market (1.5%) and Milton Keynes (1.6%). Given the Draft Plan's recognition of the authority's relationships with these surrounding centres and the Oxford – Cambridge corridor it would not be unreasonable to expect a comparable rate of growth to these areas²⁷.

2.12 The emerging Luton Plan includes a housing requirement for 8,500 dwellings over the period from 2011 to 2031. The examining Inspector has confirmed an unmet need of 9,300 dwellings in Luton within his recently published report and appended Main Modifications (August 2017). As set out in section 1, Central Bedfordshire Council has responded to this unmet need by providing for 7,400 homes within its Draft Plan to accommodate a substantial proportion of this unmet need.

²⁴ Less previous adjustment for suppressed household formation

²⁵ Initial SHMA, 2017, Paragraph 4.91

²⁶ ORS (2016) Bedford Strategic Housing Market Assessment Update 2016, Figure 96

²⁷ Central Bedfordshire Draft Local Plan 2035, Central Bedfordshire Council, July 2017 (paragraph 7.1.1)

- 2.13 The addition of 7,400 homes to the OAN for Central Bedfordshire results in a total need for 39,400 homes in Central Bedfordshire over its plan period. Whilst the plan periods differ, the addition of the housing requirement within the emerging Luton Local Plan suggests a total provision of 47,900 homes across the two authorities. This evidently falls some 3,100 homes short of the OAN concluded in the Initial SHMA concluded OAN. It is appreciated that the Luton Local Plan is based on the 2015 SHMA, which is considered below. Further consideration is given to the implications of the shortfall based on the latest evidence in section 4 of this report.

2015 SHMA Update

- 2.14 As set out in the introduction to this section, the OAN concluded in the 2017 Initial SHMA is higher than that concluded in the 2015 SHMA.
- 2.15 The 2015 SHMA concluded that there was an OAN for 47,300 dwellings across the HMA, equating to 2,365 dwellings per annum. This was split to derive an OAN for 29,500 in Central Bedfordshire and 17,800 in Luton, although the stepped calculation is not presented at individual authority level.
- 2.16 Table 2.3 shows the OAN concluded across the HMA within the 2015 SHMA, compared with the updated OAN presented in the 2017 Initial SHMA. This is again based on dwellings per annum for consistency.

Table 2.3: 2015 SHMA Update Concluded OAN Stepped Calculation

	2015	2017
Official household projections	2,766	2,979
Adjustment for local demographic factors	-622	-681
Adjusted demographic projection	2,144	2,299
Suppressed household formation rates	+53	+96
Baseline demographic growth	2,197	2,395
Combined impact of further adjustments ²⁸	+165	+134
Objectively assessed housing need	2,362	2,529
Uplift from 'starting point'	-15%	-15%

Source: Adapted from the Luton & Central Bedfordshire SHMA Update (Summer 2015)

Housing Requirement for Central Bedfordshire

- 2.17 The Draft Plan identifies that a minimum of 43,000 new homes will be delivered over the plan period (2015 – 2035) under Policy SP1 in Central Bedfordshire, equating to a minimum requirement for 2,150 dwellings per annum. This forms the lower end of an identified range of housing provision, however, with the upper end providing for almost 55,000 homes (2,748dpa).

²⁸ Higher of adjustment required to respond to market signals or balance jobs and workers

- 2.18 At Table 7.2 of the Draft Plan, the Council presents this range of '*total planned housing delivery*'. The Council indicates within the Draft Plan that this range is intended to provide a degree of flexibility recognising emerging strategies and opportunities for enhanced growth.
- 2.19 The minimum level of provision reflects the inclusion of a 10% contingency on the need arising in Central Bedfordshire (i.e. not including any contingency relating to the unmet needs from Luton). This therefore adds 3,200 dwellings to the total '*need*' including the unmet need for Luton separately and results in the requirement to deliver 42,600 homes.
- 2.20 The upper end of the presented range involves the addition of a greater level of contingency to the '*need*'. In total, a contingency of 15,560 dwellings is added to the '*need*' figure, resulting in a planned provision for 54,960 homes at the upper end of the range. This contingency recognises:
- The application of a 20% contingency to the need arising solely in Central Bedfordshire. This equates to 6,400 additional units, resulting in a need for 45,800 homes; and
 - The addition of a further 20% contingency to the 45,800 homes. This adds a further 9,160 homes to derive 54,960 homes over the plan period.

Summary

- 2.21 The Council has updated its evidence base with regards to the need for housing in Central Bedfordshire to inform the Draft Plan. This has included the publication of a new SHMA, which is classified as an '*initial*' assessment in recognition of the potential implications of the Government's planned consultation on a new standardised methodology for calculating OAN.
- 2.22 The Initial SHMA concludes that the need for housing in Central Bedfordshire and the wider HMA – which includes Luton – has increased since production of the 2015 SHMA.
- 2.23 The Initial SHMA concludes that there is a need for 51,000 homes across Central Bedfordshire and Luton over the period from 2015 to 2035. This takes into account adjustments following the stepped methodology prescribed within the PPG, and indicates that there is an OAN for 32,000 dwellings in Central Bedfordshire and 19,000 dwellings in Luton.
- 2.24 The emerging Luton Local Plan is approaching adoption with the Inspector's Report published in August 2017, but can only accommodate 8,500 dwellings over its plan period to 2031. This results in a substantial level of unmet need when compared against the OAN in both the 2015 SHMA and the more recent 2017 Initial SHMA. This implies that unmet need is being displaced to Central Bedfordshire and to other authorities with which Luton has acknowledged housing market relationships.
- 2.25 The Council has used the latest published OAN to inform the establishment of its housing requirement in the Draft Plan. This has recognised its responsibility to take into consideration the accommodation of a proportion of unmet housing needs in Luton, but

also applied a further contingency allowance by way of a buffer recognising national policy requirements²⁹. This indicates that the Draft Plan is providing for between approximately 43,000 and 55,000 dwellings over the plan period. Commitments of just over 23,000 dwellings are identified, with a residual need to identify land for new housing development.

- 2.26 Section 3 of this report considers the assumptions made within the Initial SHMA through each of the stages of the methodology for calculating OAN, as set out within the NPPF and PPG. Compliance with this methodology is assessed to consider the justification for its concluded position. Where it is considered that the SHMA fails to fully comply with the guidance, illustrations of the potential implications of updates or corrections are presented at individual stages, particularly where it is considered that the approach of the Initial SHMA serves to underestimate the full need for housing in Central Bedfordshire.

²⁹ DCLG (2012) National Planning Policy Framework, paragraph 47

3. Calculating the OAN

- 3.1 This section considers the inputs to the OAN concluded in the 2017 SHMA for Central Bedfordshire. As recognised in section 2, the SHMA presents the OAN across the HMA, including Luton. At a number of the steps in the methodology, inputs are not broken down between the two authorities. On this basis, this section where relevant considers the evidenced need for housing across the two authorities. This recognises their identification as a functional housing market area and the acknowledged strong relationship and inter-dependencies particularly relating to economic matters.
- 3.2 The section is structured to consider the assumptions made with regards to the following stages of the PPG methodology:
- The adjusted demographic projection of need;
 - The supporting of likely job growth; and
 - The adjustment made to respond to evidence of worsening market signals.
- 3.3 Specific reference is not made in this critique to the calculation of affordable housing need, albeit it is recognised that the SHMA identifies a sizeable need for affordable housing over the plan period. This will form an important consideration in the scale of housing to be provided for over the plan period.

The Initial SHMA's Adjusted Demographic Projection of Need

- 3.4 The PPG states that the latest official household projections produced by DCLG – and based upon the SNPP dataset produced by the Office for National Statistics (ONS) – should provide the ‘starting point’ for assessing housing need. The PPG recognises that the household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends³⁰. The PPG confirms that:

“Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence”³¹

- 3.5 The PPG also confirms that account should be taken of the most recent demographic evidence including the latest population estimates published by ONS³² and that:

“The household projections produced by the Department for Communities and Local Government are statistically robust and are based on nationally consistent assumptions”³³

- 3.6 The Initial SHMA dedicates a significant level of analysis to the derivation of a population projection which is considered to reflect local demographic data.

³⁰ PPG Reference ID: 2a-015-20140306

³¹ PPG Reference ID: 2a-017-20140306

³² *ibid*

³³ PPG Reference ID: 2a-017-20140306

3.7 The following assumptions are understood to have been applied in the modelling of this preferred demographic projection which is trend-based in nature:

- A ten year historic period (2005 – 2015) is preferred over the five year trend period used in the ONS projections (2009 – 2014). It is stated that this approach is endorsed by the Planning Advisory Service (PAS) and has been considered appropriate through a number of Local Plan Examinations, including Luton;
- The population count between the two Census years identified a potential mis-estimation of population growth relating to a number of factors, the exact nature of which remains uncertain. This resulted in the identification of a comparably large negative unattributable population change (UPC) component between 2001 and 2011 in Central Bedfordshire of some 7,200 persons. Figure 13 of the Initial SHMA indicates that this has been included in full in the derivation of the historic trend, with the negative correction more pronounced in Figure 12 over the period 2005 – 2011. This contrasts with the approach taken by the ONS in deriving their official population projections which do not include any adjustment to take this factor into account, thereby excluding it as a factor historically. In the case of Central Bedfordshire, this would suggest a higher level of population growth between the Census years. Equally, it is considered that reflecting the ONS's national assessment of the accuracy of population estimates between the Census years, it is more likely that errors occurred earlier in the decade, with the methodology for estimating population change subsequently improved;
- Whilst the ONS has not identified any UPC relating to the mid-year population estimates published since 2011 – nor is it anticipated that it will do so prior to the 2021 Census results – the Initial SHMA adjusts downwards the more recent estimates for the period 2011 to 2015 by some 2,500 persons. This is based upon an assumption that the '*systematic error*' within the ONS's methodology has persisted, and that the more up-to-date estimates continue to overstate population growth. The ONS's Quality Assurance Statistics are used to support this adjustment noting that the Patient Register data suggests a lower level of growth by some 2,300 persons over the same period³⁴; and
- The implication of the above is that the 10 year trend-based scenario is based upon a projected average net in-migrant flow of around 1,700 persons per annum. This is the adjusted level advanced in the Initial SHMA as being a direct extrapolation of that seen over the historic period from 2005 to 2015.

3.8 The following sub-sections challenge the robustness of the alternative projection of population growth advocated within the SHMA as forming the demographic starting point. Whilst it is acknowledged that there are uncertainties relating to the historic demographic data in Central Bedfordshire and the HMA – and that there is recognised merit in using a ten year projection scenario in some circumstances – there is a range of counter-evidence which would suggest that the SHMA is likely to underestimate future demographic growth on the basis of the methodology it applies.

³⁴ It is noted however, that the Patient Register data presented in Figure 14 suggests a higher population of 276,330 in 2015 compared to the 271,500 preferred for this year in 2015. The scale of difference is also less pronounced than the 2,500 assumed in the Initial SHMA.

The Use of a 10 Year Trend Based Projection

- 3.9 It is recognised that a number of Local Plan Inspectors have given greater weight to the use of longer-term trend-based projections of need in preference to the more short-term nature of the ONS projections.
- 3.10 In the context of this approach being accepted by the Luton Local Plan Inspector, it is considered reasonable to accept that such an approach can be viewed as having some merit in Central Bedfordshire, albeit that the scale of adjustment from the official projections needs to be carefully considered.
- 3.11 The level of growth resulting from this longer-term trend in the Initial SHMA has been considered in the context of other demographic projections nationally developed to similarly establish how the population will change if long-term trends persist. The Greater London Authority (GLA) has recently published a national set of variant projections developed by their in-house statisticians and reviewed by the Centre for Population Change at the University of Southampton.
- 3.12 Three variant projections were based built upon different historic periods. The GLA has selected its Central variant – which uses a 10 year historic period (2006/7 – 2015/16) – to derive future projections. Significantly, reflecting on the experience of the EiP on the Further Alternations to the London Plan, the GLA has produced the projection not only for Greater London but for each authority across England. It is understood that in developing the scenario, the GLA has given consideration to UPC and integrated the latest 2016 mid-year population estimates (MYE) produced by the ONS. The methodology adopted by the GLA, whilst applying a number of variant assumptions to the ONS, applies a consistent broad modelling approach.
- 3.13 Table 3.1 presents the household growth projected in Central Bedfordshire by this scenario over the period 2015 to 2035. This is compared against the DCLG 2014-based household projection and the adjusted demographic projection presented within the Initial SHMA.

Table 3.1: GLA Central Scenario (10 year migration) for Central Bedfordshire (2015 – 2035)

	Households	Dwellings (4.0% vacancy)	Dwellings per annum
2014-based SNHP	34,587	36,028	1,801
GLA Central variant	33,151	34,532	1,727
SHMA demographic scenario	27,738	28,894	1,445

Source: GLA, Turley

- 3.14 While both the GLA and the authors of the Initial SHMA develop a scenario based on migration trends recorded over ten years, it is evident that the level of household growth – and resultant housing need – significantly differ.
- 3.15 Although the GLA projection takes account of an additional year of data – therefore drawing upon a ten year period one year advanced from that modelled within the Initial

SHMA – it projects a level of household growth which aligns much more closely to the official projections published by DCLG.

3.16 A similar picture is also apparent when considering Luton, as shown in Table 3.2.

Table 3.2: GLA Central Scenario (10 year migration) for Luton (2015 – 2035)

	Households	Dwellings (2.6% vacancy)	Dwellings per annum
2014-based SNHP	22,948	23,561	1,178
GLA Central variant	21,482	22,055	1,103
SHMA demographic scenario	16,651	17,095	855

Source: GLA, Turley

3.17 It is not immediately clear why the difference between the GLA’s modelled 10 year projection scenario and that advanced within the Initial SHMA is so pronounced in both authorities. The scale of the difference highlights that further justification is required to support the projection used in the Initial SHMA.

3.18 It is noted that the authors of the SHMA recently directly used the GLA Central scenario as part of an updated consideration of the housing needs in another HMA-wide study covering the West Essex and East Hertfordshire authorities³⁵. Here, the GLA projection also indicated a higher level of housing need than the scenario presented in the preceding SHMA. It appears that in the West Essex SHMA the GLA projection is used as the basis of establishing a reasonable upper end of an OAN for the area, with the addition of an adjustment to headship rates.

3.19 Evidently, a comparable approach to the updating of the analysis and the integration of the higher level of projected household growth under the GLA projection would result in a higher level of housing need across the HMA, irrespective of any subsequent adjustments responding to economic and market signal aspects. This recognises the need for 1,727 dwellings per annum implied by the GLA projection, which is some 127 dwellings per annum higher than the rounded OAN presented in the SHMA, even though the latter incorporates adjustments relating to household formation rates, market signals and balancing jobs and workers. The GLA scenario also indicates a need for housing which is some 153 dwellings per annum higher than the concluded OAN for Luton, prior to the application of any further adjustments.

Historic and Future Levels of Migration

3.20 The level of net migration assumed within the Initial SHMA is an important factor lowering the population and household growth projected. In combination with natural change, this has an important impact on the overall population over the period assessed.

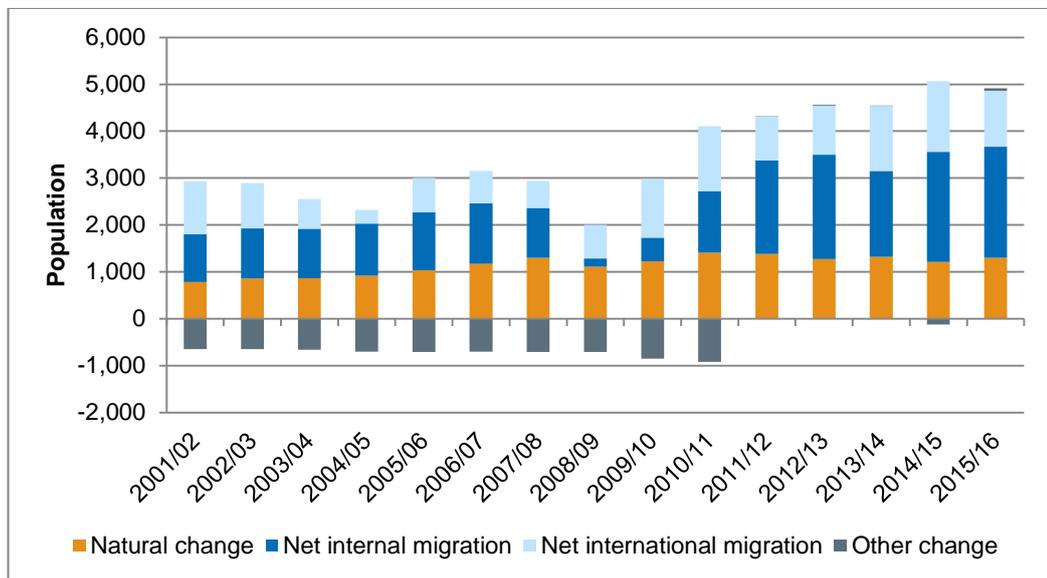
3.21 For Central Bedfordshire, the Initial SHMA assumes a net migration of 1,700 persons per annum based upon the historic average over the period 2005 – 2015. As set out

³⁵ West Essex and East Hertfordshire SHMA – Establishing the Full Objectively Assessed Need, ORS, July 2017

above, this assumes that UPC in Central Bedfordshire is fully included and also assumes a reduction in the more recent levels of migration since the 2011 Census relative to official estimates.

3.22 The historic level of net migration to Central Bedfordshire recorded by the ONS since 2001 is shown in Figure 2001, alongside other components of change. This clearly shows a rising trend in net migration since 2008, albeit also noting that net migration has been consistently positive since 2001. More recently, the ONS evidence indicates that net migration has reached or exceeded 3,000 persons per annum for a number of years. Over the past decade, natural change has averaged approximately 1,270 persons per annum.

Figure 3.1: Components of Population Change in Central Bedfordshire (2001 – 2016)



Source: ONS

3.23 The SHMA’s projected net migration of 1,700 per annum evidently falls notably below more recent levels of migration in particular, with the impact of natural change – assumed at approximately 980 persons per annum³⁶ – also falling below the level seen historically.

3.24 These assumptions also contrast with the assumptions made by the GLA in developing its Central projection, which is similarly based on a ten year historic period. This is illustrated at Table 3.3, which presents rounded figures on projected components of change in the absence of detailed figures in the Initial SHMA. The higher levels of net migration and other changes projected by the 2014-based SNPP are also clear, as expected given its shorter historic trend period.

³⁶ Calculated based on difference between annual population change and annual net migration presented in the Initial SHMA. Projected natural change under the preferred demographic scenario is not specified within the report

Table 3.3: Comparing Projected Components of Change under the GLA Central Projection and the SHMA's Projection

	Annual population change projected	Annual net migration projected	Other components including natural change
2014-based SNPP	3,530	2,210	1,320
GLA Central	3,203	2,120	1,080
SHMA demographic scenario	2,677	1,700	980

Source: GLA / 2017 SHMA

- 3.25 Whilst the GLA projection evidently projects a higher level of migration and natural change, in the case of the former the average over the projection period (2,120 persons) still falls considerably below the net levels suggested by the ONS estimates more recently (i.e. in the region of 3,000 persons per annum). This suggests that all of the projections assume that net migration will not be sustained at the level suggested by the ONS over recent years but that the SHMA's projection implies a notable reduction over the plan period.
- 3.26 Importantly, this is considered at least in part a result of the GLA aligning its model more closely with the ONS methodology, basing domestic migration on a matrix with an out migrant from one area also recorded as an in migrant to another. This recognises that the GLA model has been built to cover the whole of England, and therefore does not simply extrapolate historic migration counts to and from the two authorities of Luton and Central Bedfordshire. Instead, account is taken of the comparative trends in moves to and from other places sharing a functional migration relationship with the HMA. Arguably, the GLA model – and that employed by the ONS in developing the SNPP – therefore has a greater level of sophistication and robustness in modelling future migration impacts. This would therefore challenge the justification for the lower levels of migration and population growth suggested by the Initial SHMA.
- 3.27 It is recognised that the adjustments applied to Luton's historic population profile and the extent to which they impact on future assumptions around the level of migration relate to other factors, primarily associated with concerns around the under-enumerated population in 2001. These issues have been considered by the Inspector examining the Luton Plan and are not separately commented on here. It is, however, of note that within his report the Inspector clearly identified that whilst for the purposes of getting a Plan adopted he recommended the scale of housing provided for *'there are several factors which could indicate that the OAN figure might be different and potentially higher'*³⁷.

Sense-Checking Recent Population Growth Estimates

- 3.28 As noted above, it is apparent that the recent ONS estimates of population change have suggested a strong level of population growth in both Central Bedfordshire and across

³⁷ Luton Local Plan, Inspector's Report, August 2017, paragraph 97

the HMA. Table 3.4 illustrates that the estimates have suggested a level of growth over the last two years which is stronger than that projected under the 2014-based SNPP.

Table 3.4: Comparing 2014-based SNPP with Mid-Year Population Estimates 2014 – 2016 Central Bedfordshire

	Central Bedfordshire		HMA	
	SNPP	MYE	SNPP	MYE
Mid-2014	269,076	269,076	480,038	480,038
Natural change	1,100	1,213	3,100	3,259
Net internal migration	1,400	2,347	-700	751
Net international migration	1,500	1,507	5,200	4,812
Other change	–	-121	–	-128
Mid-2015	273,200	274,022	487,800	488,732
Natural change	1,300	1,300	3,400	3,504
Net internal migration	1,400	2,368	-800	-429
Net international migration	1,300	1,190	4,500	3,866
Other change	–	57	–	55
Mid-2016	277,300	278,937	495,100	495,728

Source: ONS

- 3.29 It is evident that a significant factor in the higher level of population change over the last two years has been high levels of net in-migration from other parts of the UK (internal migration) into Central Bedfordshire.
- 3.30 The Initial SHMA expresses concern that the more recent population estimates published by the ONS have sustained the error evident between the Census years and are therefore overestimating levels of population growth. The Initial SHMA relies upon Quality Assurance data published by the ONS alongside its MYE datasets. Indeed, its 'corrected' population estimates directly attribute the reduction in the annual population growth estimates since 2011 on the basis of the difference between the Patient Register numbers and the MYE figures (as shown in Figure 14 of the SHMA). This difference equates to some 2,340 persons over the four years 2011 – 2015, which is essentially removed from the ONS figures.
- 3.31 Whilst it is recognised that there is a possibility that more recent estimates by the ONS have overestimated population growth to a degree, insufficient evidence is presented within the SHMA to justify such a blunt adjustment. It is noted in this context that:
- The ONS Consultation Paper on the 2014-based Sub-national Population Projections for England responds to a noted issue raised in previous consultations by a number of authorities – with regards to the validity of adjusting their official population counts – by confirming that *'we would not make*

*adjustments because administrative data sources differ from the ONS's mid-year population estimates (MYE). Whilst we are looking to see where we can use administrative data sources in our population statistics, the MYE remain the most reliable estimates of the population*³⁸;

- The methodological note accompanying the 2014-based SNPP confirms that no adjustment is made for UPC, with the following considered rationale provided as to why UPC is unlikely to be seen in continuing sub-national trends³⁹:
 - *“It is unclear what proportion of the UPC is due to sampling error in the 2001 Census, adjustments made to population estimates following the 2001 Census, sampling error in the 2011 Census and/or error in the intercensal components (mainly migration);*
 - *“If it is caused by either the 2001 Census or 2011 Census, then the components of population change will be unaffected;*
 - *“If it is caused by international migration, it is likely that the biggest impacts will be seen earlier in the decade between 2001 and 2011 and will have less of an impact in the later years when improvements were introduced to migration estimates.”*
- The ONS has explicitly acknowledged the limitations of patient registers in relation to their timeliness and coverage⁴⁰, and outlines how the register is ‘supplemented by complementary data and methods in order to produce quality statistical outputs’⁴¹. Patient register data is therefore only one of a range of data sources used by the ONS to develop the MYE dataset, with recognised quality issues if used in isolation without complementary data.

3.32 By way of a further indicative sense-check of the implied population growth in Central Bedfordshire, Figure 3.2 contrasts the historic level of population growth in Central Bedfordshire with historic levels of completions. There is evidence of a correlation with more recent strong levels of population growth following an increase in the rate of net completions.

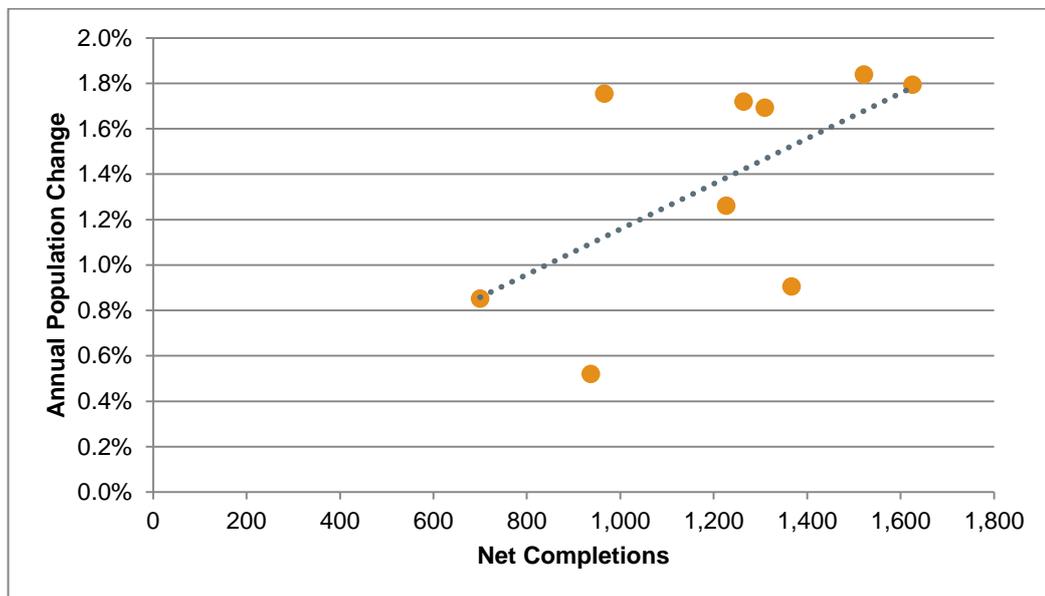
³⁸ ONS (January 2016) Consultation on the 2014-based Subnational Population Projections for England – consultation paper

³⁹ ‘Information Paper Quality and Methodology Information’, 27 May 2016, ONS, pg 7

⁴⁰ ONS (2017) Annual Mid-Year Population Estimates QMI

⁴¹ ONS (2016) Patient Register: quality assurance of administrative data used in population statistics, Dec 2016

Figure 3.2: Comparing Annual Population Growth and Net Completions in Central Bedfordshire



Source: Central Bedfordshire Council AMR, Turley

- 3.33 With regards to the more recent uplift in completions, it is understood that this has been driven in no small part by the granting of a higher number of permissions in Central Bedfordshire since the publication of the NPPF, with the authority failing to demonstrate a five year supply of housing land and its earlier version of the Local Plan being found unsound at Examination in 2015.
- 3.34 Whilst it is acknowledged that there is an element of uncertainty as to the accuracy of the more recent ONS estimates of population change in Central Bedfordshire, it is noted that they do reflect a period of increased housing provision, in line with identified levels of need. On this basis, while they may be subject to correction following the publication of the 2021 Census, until this point there is insufficient evidence to make a significant adjustment which is then extrapolated forward through the projections and resulting in a significant downwards departure as to the implied need from the official projections.

Supporting Likely Job Growth

- 3.35 The PPG sets out that the objective assessment of housing needs should consider likely job growth by taking economic trends and/or forecasts into account. Projected change in the working age population should also be considered⁴².
- 3.36 Aligning likely job growth and housing need is dependent upon a complex number of variables, which link the change in employment levels to the labour-force and therefore the population. These variables relate to changes in the age profile of an area as well as assumptions around labour-force behaviour, including assumed changes in economic participation (activity rates), unemployment and commuting flows.

⁴² PPG Reference ID 2a-018-20140306

- 3.37 The Initial SHMA references the level of job growth concluded as likely within the Functional Economic Market Assessment, which forecasts the creation of 23,900 jobs in Central Bedfordshire⁴³. The Draft Plan similarly references the intention to *'deliver a minimum of 24,000 new jobs over the plan period'* within its proposed spatial strategy, by *'growing existing employment locations and sectors and by taking full advantage of...transport infrastructure opportunities'*⁴⁴.
- 3.38 In Luton, the SHMA retains the planned job growth of 18,000 which has been used to underpin its emerging Local Plan and has been considered as reasonable by the Inspector. This therefore represents a combined assumed growth of 41,900 jobs across the two authorities.
- 3.39 This evidently represents a comparatively strong level of employment growth. It is of note, however, that the scale of job growth in Central Bedfordshire originates from a baseline employment forecast produced by Experian, which informed the Functional Economic Market Assessment in May 2016. This clearly asserted the 'policy-off' nature of the forecast *'in that it is the baseline level of jobs growth that would occur without any further policy interventions and does not reflect Central Bedfordshire's growth aspirations'*⁴⁵.
- 3.40 This baseline forecast was itself the lower of two job forecasts referenced in the study, with the East of England Forecasting Model (EEFM) at the time suggesting that 26,700 additional jobs would be created over the same period. The study identified *'shortcomings associated with the forecasts which mean that they do not adequately reflect the potential for job growth in Central Bedfordshire'*⁴⁶.
- 3.41 Its recommendations on the balance between employment land supply and demand appear to suggest that economic potential may have been constrained within the assessment, noting that:
- "There is a continued onus on Central Bedfordshire to ensure that planning for housing and jobs align. The current level of job growth is broadly in balance with the projected housing numbers; for that reason, we have suggested that a positive response to this is to plan for improvements in the quality of employment within Central Bedfordshire"*⁴⁷
- 3.42 Whilst the focus on higher quality employment is considered to form an important policy objective, this appears to indicate that the employment growth potential of Central Bedfordshire could be higher if additional labour was available.
- 3.43 The Draft Plan⁴⁸ is clear in highlighting that the Experian forecast *'estimates future trends based upon past information'* and that *'a number of local "real-world" factors...also need to be considered that suggests a higher jobs target is achievable than that suggested through economic modelling'*. This includes the *'historic annual delivery*

⁴³ Functional Economic Market Assessment and Employment Land Review, PBA, May 2016

⁴⁴ Central Bedfordshire Draft Local Plan 2035, Central Bedfordshire Council, July 2017 (paragraph 7.1.3)

⁴⁵ Functional Economic Market Assessment and Employment Land Review, PBA, May 2016 (Appendix A, paragraph 2.9)

⁴⁶ *Ibid*, Appendix A Paragraph 6.48

⁴⁷ *Ibid*, Appendix A Paragraph 8.23

⁴⁸ Central Bedfordshire Draft Local Plan 2035, Central Bedfordshire Council, July 2017 (paragraph 13.1.10)

of 2,180 jobs per annum (2010-2015) and our aspiration to realise fully the area's economic potential.

3.44 Reference is made within the Draft Plan to the '*dynamic and diverse economy*' of Central Bedfordshire, with high rates of business survival. Strong existing transport links are to be further enhanced through the delivery of major improvement projects, including the A5-M1 link road, improvements to the A421, the M1-A6 link road, A1 improvements and the Oxford to Cambridge Expressway.

3.45 The National Infrastructure Commission (NIC) has highlighted the scale of economic opportunity in the corridor linking Cambridge, Milton Keynes and Oxford, and its interim findings are directly referenced in the Draft Plan. However, no reference is made to the NIC's important finding that:

"...a lack of sufficient and suitable housing presents a fundamental risk to the success of the area. Without a joined-up plan for housing, jobs and infrastructure across the corridor, it will be left behind by its international competitors. By providing the foundations for such a strategy, new east-west transport links present a once-in-a-generation opportunity to secure the area's future success"⁴⁹

3.46 East West Rail has been identified as a key part of the infrastructure needed to support growth across the corridor, and the first section – linking central Oxford with Bicester – is due to fully open in December 2017. The Government has expressed its commitment to accelerating construction through development funding⁵⁰.

3.47 The NIC has identified a number of areas within the corridor which are experiencing – or are forecast to experience – significant shortages of labour, with development constraints inhibiting growth. Alongside investment in improving infrastructure, elevating housing provision in Central Bedfordshire will therefore be a critically important component of realising the economic potential of the growth corridor. This emphasises the importance of planning positively in the context of the economic objectives of the corridor.

3.48 In light of this wider economic potential and historically strong economic performance, the Draft Plan indicates that job growth is likely to exceed the baseline target, and that growth in key sectors will indeed be supported to ensure that local and national business needs are catered for⁵¹. The baseline provision for 24,000 new jobs, whilst an agreed useful reference point risks underestimating the job creation likely in Central Bedfordshire over the plan period. The implications of a higher growth in jobs on the labour force – and the resultant need for housing – have not been considered by the Council through its evidence base.

The Relationship between Jobs and Housing

3.49 Across the housing market area, the Initial SHMA concludes that a continuation of long-term demographic trends would support a growth in the size of the workforce. Importantly, however, the analysis indicates a very tight alignment between the

⁴⁹ Cambridge – Milton Keynes – Oxford Corridor: Interim Report, National Infrastructure Commission, November 2016

⁵⁰ Autumn Statement 2016, HM Treasury

⁵¹ Central Bedfordshire Draft Local Plan 2035, Central Bedfordshire Council, July 2017 (paragraph 13.1.13)

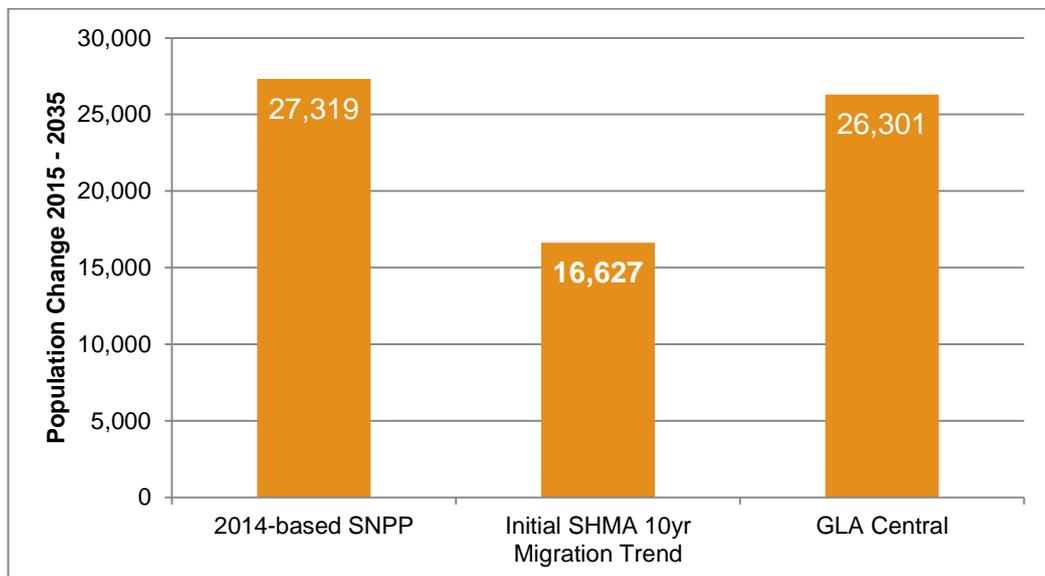
projected increase in the number of workers available and working locally (30,200 workers) and the need generated by the forecast growth in employment when allowing for commuting and people holding second jobs (30,300 extra workers). This suggests close alignment between planned job growth and projected changes in the labour force⁵².

- 3.50 The proximity of these figures does, however, suggest little flexibility exists to support a higher level of job growth or any variation in labour-force behaviours, such as that considered likely in Central Bedfordshire based on wider economic conditions and historically strong job growth. This suggests tightness in the labour market which could constrain the area's economic potential in the future, and indeed this has been acknowledged as an issue in Central Bedfordshire elsewhere in the Council's evidence base⁵³.
- 3.51 No breakdown as to the balance between job and labour-force growth between the two local authorities is presented within the Initial SHMA, inhibiting an appreciation of the projected labour force growth available to support job creation in each authority. The importance of considering the authorities collectively in this regard is recognised, given their strong functional relationship. However, the absence of this information creates a challenge in understanding whether one or both authorities will provide the housing needed to support their future economic growth.
- 3.52 In the absence of this modelling output, the projected change in the working age population provides an indication of future change in the labour force, albeit this does not take into account changes in unemployment or economic activity. Data has been extracted from Figure 18 of the Initial SHMA with comparable projections of the change in presented age groups (15 – 64) also taken from the GLA Central 10 year scenario and the 2014-based SNPP. This is illustrated at Figure 3.3.

⁵² 2017 Initial SHMA, Paragraph 4.39

⁵³ Functional Economic Market Assessment and Employment Land Review, PBA, May 2016 (paragraph 6.25)

Figure 3.3: Projected Growth in the Working Age Population in Central Bedfordshire



Source: Initial SHMA, ONS, GLA

- 3.53 It is apparent that all of the projections indicate a relatively positive level of growth in the working age population of Central Bedfordshire. This reflects the positive migration profile of the authority.
- 3.54 However, it is noted that the preferred demographic projection in the SHMA shows a notably lower level of growth in this core working age population, relative to the other projections. This also falls somewhat below the planned job target of 24,000, outside of the impact of any enhanced growth opportunities referenced within the Draft Plan. While this gap can potentially be resolved through the behaviour of the labour force – including a continuation of existing commuting relationships – this serves to reinforce the tightness of the labour force position in Central Bedfordshire, and indicates that this position is likely to continue. Planning for a higher level of population growth would mean that the Council's economic ambitions could be supported and indeed enabled, providing additional flexibility to support job growth.

A Reasonable Adjustment in Response to Market Signals

- 3.55 The PPG establishes that an assessment of market signals should be undertaken as part of the OAN. Absolute and relative long-term trends are expected to be analysed and compared with those across the HMA, similar demographic and economic areas and national trends.
- 3.56 The PPG clearly states that where a worsening trend is evident over the longer-term:

“The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings”⁵⁴

3.57 The PPG goes on to assert that:

“In areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.”⁵⁵

3.58 The SHMA applies a 10% adjustment in recognition of a worsening of market signals across the HMA. This is consistently applied in each authority.

3.59 In justifying this adjustment, it is noted that this incorporates a recognised level of need related to an adjustment for historically suppressed household formation rates. This element is considered initially below, before a wider consideration is given to the reasonableness of the overall 10% adjustment applied.

Adjusting for Suppressed Household Formation Rates

3.60 As noted in section 2, the Initial SHMA applies an adjustment to capture the higher level of housing need resulting from improving household formation rates. This equates to an uplift of only 15 dwellings per annum in Central Bedfordshire, or circa 1% in isolation. The Initial SHMA specifies that the scale of uplift is derived from:

- The increased number of concealed families where the household representative is under 55 between the two Census years 2001 – 2011; plus
- The number of households in 2015 accepted as homeless but without temporary accommodation provided; plus
- The number of homeless households currently in temporary accommodation in communal establishments.

3.61 In the first instance, it would appear that the majority of the adjustment is predicated upon the calculated uplift in concealed families between the two Census years, therefore capturing households which became concealed over the decade to 2011. On the basis that the OAN in the Initial SHMA now has a base date of 2015, it is apparent that no account is taken of any additional concealed families restricted from forming over the intervening four years.

3.62 Secondly, the Census only records families who are concealed, with the definition of family precluding any single person without children. This therefore fails to take into consideration the growing number of younger people who have been forced to remain in the family home, unless they are cohabiting with a partner or have children themselves.

⁵⁴ PPG Reference ID: 2a-019-20140306

⁵⁵ PPG Reference ID: 2a-020-20140306

Such individuals equally represent a concealed household if not able to form, but are not captured within the approach taken in the Initial SHMA.

- 3.63 The increase in young households excluded from accessing the housing market represents a fundamental issue for the Government. The explanatory notes to the Housing and Planning Act 2016 cite the statistic that over one in four (26%) younger people aged 20 to 34 were still living with parents as of 2014. Young adults in this age group in the UK are also more likely to be sharing a home with their parents than at any time since 1996⁵⁶.
- 3.64 The approach taken within the Initial SHMA on this basis only partially reflects the housing needs of households unable to form, with the scale of uplift in housing provision unlikely to be sufficient to accommodate an improving position for younger households.
- 3.65 A number of Local Plan Inspectors have endorsed an alternative practice of directly adjusting the projected household formation rates of younger people, considering such an approach an appropriate response to the historic suppression of younger household formation⁵⁷.
- 3.66 The Initial SHMA does not include any sensitivity testing in relation to adjustments to younger household formation rates in Central Bedfordshire. Indeed, the SHMA states in the context of the household formation rates projected by the 2014-based SNHP that:
- “The changes since 2008 were anticipated and these reflect real demographic trends, and therefore we should not adjust these further”*⁵⁸
- 3.67 The absence of any sensitivity testing is considered to undermine the robustness of the adjustment concluded in the SHMA. It is noted that adjustments are applied in Luton, although it is understood these are related to concerns around the historic data and the impact of a changing ethnic profile of the population, neither of which are identified as issues in Central Bedfordshire.
- 3.68 In other SHMAs, it is noted that the authors of the Initial SHMA have sought to consider the implications of household formation rate adjustments. Indeed, the more recently published SHMA for West Essex and East Hertfordshire⁵⁹ referenced earlier develops a demographic projection through adjustments to headship rates, based on the assumption that the rates of younger households aged under 35 would be no lower than the equivalent rate recorded in 2001. In justifying the concluded OAN in this instance, this is described as ‘a comprehensive response to suppressed household formation’.
- 3.69 Reviewing the underpinning household formation rates⁶⁰ in Central Bedfordshire by age and gender indicates that a comparable adjustment would generate a more marked increase in household formation than implied by the limited adjustment made when only including concealed and homeless households, as advanced in the Initial SHMA. It is

⁵⁶ ONS Digital (February 22, 2016) ‘Why are more young people living with their parents?’

⁵⁷ Report on the Examination into the Brighton and Hove City Plan Part One, February 2016 (para 21); Report on the Examination of the Tamworth Local Plan 2006 – 2031, February 2016

⁵⁸ Initial SHMA, (July 2017), Paragraph 2.89

⁵⁹ West Essex and East Hertfordshire SHMA – Establishing the Full Objectively Assessed Need, ORS, July 2017

⁶⁰ Based on Stage 1 headship rates published by DCLG

considered that such an adjustment should be considered in the future development of the Council's evidence base in the context of the market signals adjustment.

- 3.70 It is recognised that the SHMA does, however, acknowledge that the historic rate of supply may have affected the historic rate of household formation with this *'one of the reasons that we also consider market signals when determining the OAN for housing'*⁶¹.
- 3.71 On this basis the reasonableness of the 10% adjustment applied is also considered separately below.

The reasonableness of a 10% adjustment

- 3.72 The selection of a reasonable market signals adjustment, in the absence of clear and prescriptive guidance in the PPG, remains one of professional judgement.
- 3.73 The SHMA confirms that the approach taken to apply a 10% adjustment – as opposed to the previous varied adjustments of 5% in Central Bedfordshire and 20% in Luton – was debated through the Luton EiP hearings. The extent to which this approach was favoured by the Inspector is not clear, noting that his primary focus was the OAN for Luton. In broad terms, the elevation of the adjustment in Central Bedfordshire is considered to be more reasonable.
- 3.74 It is helpful to frame the judgement as to the reasonable level of adjustment in the decisions of other Local Plan Inspectors. Local Plan Inspectors are increasingly providing their own individual interpretation of what constitutes a reasonable upward adjustment through the examination of Local Plans.
- 3.75 A review of Local Plans found sound at Examination since the start of 2016 has been undertaken. This has identified six Inspectors who have specifically identified a positive (above 0%) adjustment being reasonable to respond to market signals. These uplifts have ranged from 5% in High Peak to 20% in Camden and Bromsgrove⁶², with Inspectors highlighting evidence which *'points to the need for a modest upwards adjustment for affordability in the form of a percentage uplift rather than a precise figure'*⁶³ and acknowledging *'the degree of uplift used by Inspectors at other examinations in comparison with the significance of...considerations here'*⁶⁴.
- 3.76 In seven of the areas reviewed, however, Inspectors have been expressly satisfied that market signals evidence does not suggest *'a demand-supply imbalance...that would justify a higher housing figure'*⁶⁵. Some Inspectors have also concluded that the scale of uplift already applied in deriving the OAN – through adjustments to support economic

⁶¹ Initial SHMA, (July 2017), Paragraph 2.89

⁶² The 20% market signals uplift applied in Bromsgrove was decided by the Council, and was not endorsed or justified within the housing needs evidence base. However, the Inspector was *'satisfied that [the] assessment is appropriately justified'*

⁶³ Planning Inspectorate (May 2017) Report on the Examination of the North Tyneside Local Plan (para 61)

⁶⁴ Planning Inspectorate (March 2016) Report on the Examination into High Peak Local Plan (para 39)

⁶⁵ Planning Inspectorate (December 2016) Report on the Examination into the Derby City Local Plan Part 1: Core Strategy

growth, for example – would simultaneously boost supply and provide an appropriate response to worsening market signals⁶⁶.

- 3.77 The conclusion of the Inspector examining the Eastleigh Local Plan is also widely cited as a benchmark in interpreting this stage of the PPG methodology, with the Inspector advocating an uplift of 10% to respond to the ‘*modest*’ pressure reflected by market signals. The interpretation of modest pressure recognised that ‘*not all signals demonstrate that Eastleigh is worse than the national or regional/sub regional averages. But on some crucial indicators it is*’⁶⁷.
- 3.78 The Inspector considering the Canterbury Local Plan recommended an uplift of 20% associated with evidence of worsening market signals⁶⁸, advising that this uplift needed to be considered in the context of other adjustments relating to household formation and the alignment of population change with economic growth. He noted that ‘*the amount of uplift to be applied to the starting point estimate is a matter of judgement*’ and identified the potential for ‘*a degree of overlap between [the market signals uplift] and some of the other assumptions*’, before recommending that ‘*an uplift that took reasonable account of market signals, economic factors, a return to higher rates of household formation and affordable housing needs*’ was appropriate as a full OAN for Canterbury⁶⁹.
- 3.79 The Inspector considering the Mid Sussex Local Plan recently suggested the appropriateness of directly applying a 20% uplift to the household projections. In his interim conclusions⁷⁰, the Inspector highlighted the significance of the fact that Mid Sussex was the 22nd least affordable local authority in England outside of London in arriving at the scale of adjustment considered reasonable.
- 3.80 This review has identified sixteen authorities where Local Plan Inspectors have supported adjustments ranging from 0 – 20% in response to market signals. While it is recognised that the PPG advocates the review of a range of market signals, the scale of adjustment concluded as necessary can be indicatively considered at a headline level in the context of a single and consistent market signal. This shows that the greatest uplifts – which exceed 10% – have to date been applied only in authorities where lower quartile house prices are currently over 11 times lower quartile annual earnings⁷¹.
- 3.81 The latest evidence indicates an affordability ratio of circa 11.5 in Central Bedfordshire and 8.5 in Luton. It is noted that uplifts of at least 10% – and indeed up to 20% – have been justified by Inspectors in three authorities with comparable affordability issues to Central Bedfordshire⁷².

⁶⁶ Planning Inspectorate (June 2016) Report on the Examination into the North Northamptonshire Joint Core Strategy; Planning Inspectorate (November 2016) Report on the Examination into Vale of White Horse Local Plan Part 1; Planning Inspectorate (August 2016) Report on the Examination into the Bradford District Core Strategy Development Plan Document

⁶⁷ Ibid (para 40)

⁶⁸ ‘Canterbury District Local Plan: Note on main outcomes of Stage 1 hearings’, August 2015

⁶⁹ Ibid (para 25/26)

⁷⁰ Jonathan Bore (February 2017) Mid Sussex District Plan Examination – Housing Requirement

⁷¹ ONS (2017) Ratio of house price to workplace-based earnings (lower quartile); uplift of 20% advocated in Canterbury (11.10), Bromsgrove (11.56), Mid Sussex (13.17) and Camden (19.21)

⁷² Eastleigh (10%, 10.18); Canterbury (20%, 11.10); Bromsgrove (20%, 11.56)

3.82 Consideration has been given to a broader range of market signals in Central Bedfordshire and Luton compared with Eastleigh, Canterbury, Bromsgrove and Mid Sussex, as shown at Table 3.5.

Table 3.5: Comparing Market Signals

	House prices ⁷³		Monthly rents ⁷⁴		Affordability ⁷⁵	
	Mean 2016	Change 2001 – 16	Mean 2016/17	Change 2011 – 17	2016	Change 2011 – 16
Central Bedfordshire	£297,392	136%	£793	29%	11.49	30%
Luton	£226,892	162%	£797	30%	8.48	10%
Eastleigh	£289,871	119%	£786	18%	10.18	21%
Canterbury	£303,062	146%	£843	20%	11.10	21%
Bromsgrove	£287,404	104%	£638	9%	11.56	12%
Mid Sussex	£394,916	129%	£935	18%	13.17	22%

Source: ONS; VOA

3.83 Comparing the market signals in Table 3.5 suggests that the 10% adjustment for Central Bedfordshire appears at the lower end of that which could be reasonably judged as appropriate. The application of a 10% adjustment can therefore be considered as a minimum level of adjustment with this also taking into consideration the points of critique made in relation to the adjustment applied to account for household suppression.

Summary

3.84 On the basis of the review of the evidence in this section, it is considered that the broad approach taken within the Council's latest Initial SHMA accords with the NPPF and PPG. However, it is considered that the latest OAN underestimates the future need for housing within Central Bedfordshire.

3.85 In particular, it is considered that the underlying projection of population and household growth used in the Initial SHMA underestimates the future demographically derived need for housing in the authority. Whilst its use of a longer-term trend-based projection is acknowledged, it is noted that the level of need implied falls considerably below a recent and comparable projection prepared by the GLA. Alongside a number of other concerns with regards to the justification for the adjustments to demographic assumptions applied it is considered that this serves to challenge the demographic projection of need advanced in the Initial SHMA.

3.86 It is evident that the authority has seen strong population growth more recently, and whilst this may not be sustained over the length of the plan period a higher level of growth would be expected than identified in the SHMA.

⁷³ ONS (2017) Mean price paid for administrative geographies – HPSSA Dataset 12

⁷⁴ VOA (2017) Private Rental Market Statistics; two beds

⁷⁵ ONS (2017) Ratio of house price to workplace-based earnings (lower quartile)

- 3.87 It is recognised that there are uncertainties involved in projecting future need and that the historical population estimates in Central Bedfordshire have been subject to mis-estimation between the Census years. However, the extent to which the SHMA's projection suggests such a notably lower level of population and household growth – relative to the 'starting point' of the 2014-based SNPP – is not adequately justified in accordance with the PPG.
- 3.88 The Council's evidence recognises the tight balance between jobs and labour-force in the area currently. The Initial SHMA indicates that this tightness is likely to remain throughout the plan period. While growth in the labour force is projected to relatively closely align with baseline job growth forecasts referenced in the Initial SHMA, this inherently provides limited flexibility to accommodate the higher level of job growth considered likely in the Draft Plan based on wider economic conditions and the strong historic performance of the Central Bedfordshire economy. The Council has consistently acknowledged that such baseline forecasts are unlikely to capture the full economic potential of the area, and its economic ambitions can only therefore be supported and indeed enabled through planning for a higher level of growth.
- 3.89 The SHMA acknowledges that the area has seen a worsening of market signals. It is evident that affordability has worsened, and is relatively acute compared to the national position. The SHMA applies a 10% adjustment as a positive response, acknowledging the historic implications of the sustained under-provision of housing.
- 3.90 This level of adjustment is considered to be at the lower end of that which could be considered reasonable. This takes into consideration the conclusions of other Local Plan Inspectors and the comparative scale of affordability issues in the authority.
- 3.91 Collectively, it is considered that the above strongly suggest that the OAN for housing in Central Bedfordshire is higher than the concluded OAN of 32,000 dwellings referenced in the Draft Plan.

4. Unmet Housing Needs

- 4.1 It is evident through the Draft Plan that the Council has acknowledged a need to accommodate unmet needs arising in Luton, albeit only part of the unmet need implied by modifications to the Luton Local Plan is proposed to be accommodated within Central Bedfordshire.
- 4.2 The Council's evidence confirms that the two authorities form a single housing market area, when best fit to administrative geographies. In this context, the accommodation of Luton's unmet housing needs, recognising in particular the scale of this unmet need, is required by the NPPF given that an undersupply of homes across the HMA will by definition have consequences for both authorities. This is considered in further detail within this section.

Meeting Unmet Needs in the Luton HMA

- 4.3 As noted above, the Council's recent evidence base has consistently identified that Luton and Central Bedfordshire represent a housing market area when best fit to administrative geographies. However, the Luton HMA has also been found to extend to cover small areas of neighbouring Aylesbury Vale and North Hertfordshire, and it is evident that this has been accepted by the Inspector during the Examination of the Luton Local Plan in 2016 and 2017⁷⁶. The Inspector's published main modifications state that:

*"Neighbouring authorities need to help meet Luton's unmet market and affordable housing needs in accordance with the Duty to Cooperate"*⁷⁷

- 4.4 The submission version of the Luton Local Plan references the OAN for 17,800 homes – based on the 2015 SHMA Update – which is not proposed to change through main modifications. The main modifications do, however, change the amount of housing to be provided for in Luton, with an elevation from 6,700 net additional dwellings to 8,500 homes over the plan period. This is identified as the housing requirement for Luton over the plan period within the main modifications, resulting in a reduction in the scale of shortfall previously identified in the Plan. This indicates an unmet need for 9,300 dwellings in the borough over the plan period, relative to the OAN calculated in 2015. This level of unmet need represents over 50% of the total OAN identified by the Inspector for Luton.
- 4.5 Luton Council published their latest Local Development Scheme in January 2017. This assumed adoption in July 2017 preceded by an Inspector's report in April 2017. This has evidently been delayed through the consultation on the Main Modifications, however, it would be anticipated that the Inspector's report would be expected by autumn 2017 with adoption by the end of the year. This would be expected to quantify the scale of unmet needs in Luton, taking account of the latest available evidence.
- 4.6 The modifications confirm that:

⁷⁶ Luton Local Plan, Inspector's Report August 2017 – Appendix containing Main Modifications – MM02

⁷⁷ Ibid (p5)

“Luton has the strongest functional links with Central Bedfordshire, therefore it is expected that a significant proportion of Luton’s unmet housing needs will be met in Central Bedfordshire”⁷⁸

4.7 It is further noted that:

“North Hertfordshire District and Aylesbury Vale District also fall within the Luton Housing Market Area so Luton BC will look to these local authorities to participate in joint working and, subject to the outcome of this work and preparation of joint evidence base, make provision for Luton’s unmet housing needs in their local plans or local plan reviews”⁷⁹

4.8 It is noted that the Councils have worked jointly to review potential growth options within the defined Luton HMA, albeit this study is ‘*very high level*’ and does not propose a distribution of growth to meet needs in full⁸⁰. The findings of the study are, however, understood to have formed the basis for agreement that ‘*unmet housing need arising from Luton within the Luton HMA could be accommodated on sites within the HMA area*’⁸¹.

4.9 It is noted that the Initial SHMA had not been finalised prior to the publication of the Inspector’s Report on the Luton Plan and that the scale of confirmed unmet need arising within Luton is based on the findings of the 2015 SHMA Update, which have been subsequently been updated through the publication of the Initial SHMA in 2017. As noted in section 2, this elevated the OAN for Luton and Central Bedfordshire, and also evidenced a higher OAN for the Luton functional HMA. While Figure 63 of the 2015 SHMA Update indicated that 31,200 dwellings were needed in this area, Figure 67 of the Initial SHMA – replicated below – indicates that 33,300 additional homes are now required, albeit over a slightly different period. This implies a need to accommodate 2,100 additional homes in the Luton HMA.

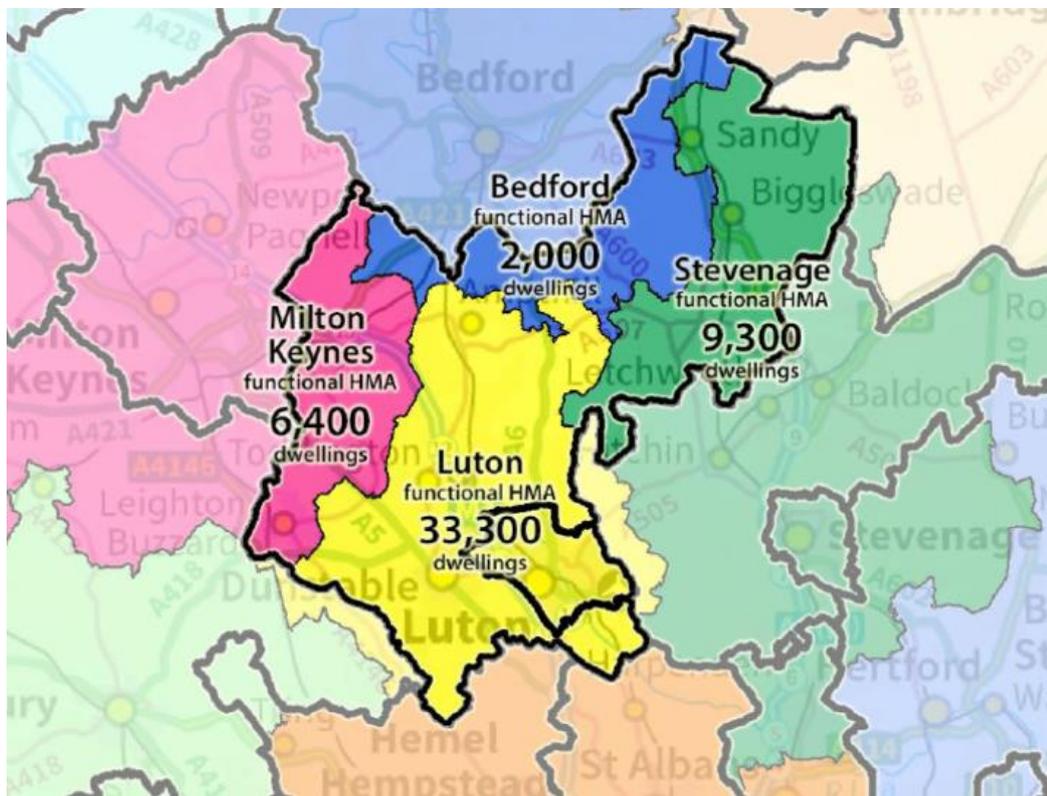
⁷⁸ Luton Local Plan, Inspector’s Report August 2017 – Appendix containing Main Modifications – MM10

⁷⁹ Ibid

⁸⁰ Central Bedfordshire Council (2017) Luton HMA Growth Options Study

⁸¹ Memorandum of Understanding between North Hertfordshire District Council and Central Bedfordshire Council in respect of the North Hertfordshire Local Plan, proposed submission version, October 2016 (para 5.12)

Figure 4.1: Housing Need in Functional Housing Market Areas within Luton and Central Bedfordshire (2015 – 2035)



Source: 2017 SHMA

- 4.10 The emerging Luton Local Plan is by implication unable to accommodate this higher need for housing. This further elevates the scale of its unmet housing need beyond the 9,300 dwellings suggested by main modifications, increasing to around 11,400 homes.
- 4.11 The NPPF requires co-operation between authorities in the HMA to meet housing needs in full. Through the draft Central Bedfordshire Local Plan, the Council intends to provide an additional 7,400 homes to address unmet needs in Luton. It is understood that North Hertfordshire District Council has agreed to contribute by accommodating 1,950 new homes over its plan period, and has '*maximised its contribution to the unmet need arising from Luton*'⁸². Aylesbury Vale intends to reduce the number of homes to be planned for through future consultation on its Local Plan, reflecting inter alia a reduced requirement to accommodate other authorities' unmet housing needs⁸³. The previous iteration of the draft Local Plan made no reference to providing for the unmet needs of Luton, instead highlighting a potential need to accommodate needs arising from authorities to the south⁸⁴.
- 4.12 Authorities are therefore jointly planning to provide for 9,350 additional homes outside Luton to contribute towards accommodating its unmet housing needs. While this would

⁸² Memorandum of Understanding between North Hertfordshire District Council and Central Bedfordshire Council in respect of the North Hertfordshire Local Plan, proposed submission version, October 2016 (para 5.13)

⁸³ <https://www.aylesburyvaledc.gov.uk/vale-aylesbury-local-plan-valp-submission-draft-update>

⁸⁴ Aylesbury Vale District Council (2016) Vale of Aylesbury Local Plan – Draft Plan for Summer 2016 Consultation

meet the unmet need implied by the 2015 SHMA Update, the latest evidence indicates that a residual need to accommodate circa 2,050 homes remains.

- 4.13 With Aylesbury Vale not planning to accommodate Luton's unmet needs – and North Hertfordshire maximising its contribution – this indicates that additional provision is needed in Central Bedfordshire to ensure that housing needs are met in full.
- 4.14 Indeed the Luton Local Plan Inspector anticipated such an issue confirming:

“...if an updated SHMA were to lead to a different, and potentially higher, OAN, the effects would largely influence planning decisions about housing numbers outside Luton, particularly in neighbouring Central Bedfordshire. This is because, on any realistic assessment, the housing capacity of Luton is significantly lower than the OAN and because, both geographically and functionally, Central Bedfordshire is clearly the most obvious candidate to accommodate a significant proportion of that unmet need. In this context the SOCG with CBC confirms that a new joint SHMA will inform the new Central Bedfordshire Local Plan. This will cover the period 2015 to 2035.”⁸⁵

Consequences of Failing to Meet Housing Needs

- 4.15 In the context of the analysis presented within section 3, it is evident that realising Luton's planned level of economic growth is inherently dependent upon its housing need being met in full. The 2017 Initial SHMA identifies a tight balance between labour-force and projected job growth across the HMA, which underpins the concluded OAN.
- 4.16 Failing to meet this need in full would constrain even the baseline level of job growth planned in Central Bedfordshire and Luton, as well as the higher job growth considered likely by the Council based on its strong historic performance and wider economic context.
- 4.17 Furthermore, reflecting the analysis in section 3, providing over 2,000 fewer homes in the HMA than needed over the period to 2035 will not resolve the evidenced worsening market signals of imbalance between supply and demand. In the context of the NPPF, there is no sound basis for planning for a level of housing provision which fails to meet the OAN. This is dependent upon additional provision in Central Bedfordshire, given that adjoining authorities have maximised their contribution – or indeed are intending to make no contribution – towards accommodating the unmet needs of Luton.
- 4.18 Collectively, this reinforces the importance of Central Bedfordshire planning for the needs of Luton. The pro-active stance adopted to date is evidently supported and fully justified. It is, however, considered important that the Council seeks to plan at the upper end of the range provided for in the Draft Plan to ensure that unmet needs are addressed.
- 4.19 This needs to recognise the elevated OAN for Luton based on the Initial SHMA and also take into consideration the concerns highlighted in the previous chapter on the extent to which the OAN is representative of the full need for housing in Central Bedfordshire.

⁸⁵ Luton Local Plan, Inspectors' Report, August 2017, paragraph 105

5. Conclusions

- 5.1 This report has been prepared by Turley on behalf of O&H Properties to provide a review and critique of the planned level of housing provision proposed within the Central Bedfordshire Draft Local Plan 2015-2035 ('the Draft Plan') published by Central Bedfordshire Council ('the Council').
- 5.2 The planned level of housing provision is based upon the Council's latest published objective assessment of housing need (OAN) in the *'Initial Strategic Housing Market Assessment for Central Bedfordshire and Luton, 2015 – 35'*⁸⁶ ('the Initial SHMA'), published in June 2017. This concludes that there is an OAN for 32,000 homes over the plan period in Central Bedfordshire (1,600 per annum) and 51,000 homes across the housing market area (HMA), which extends to include the administrative area of Luton.
- 5.3 The Draft Plan proposes a level of housing provision which meets the concluded OAN for Central Bedfordshire and allows for the provision of an additional 7,400 homes to accommodate a proportion of the unmet needs arising from Luton, resulting in an overall *'need'* for 39,400 homes in Central Bedfordshire over the plan period. The Council has applied a range of contingency allowances in providing for sufficient housing to meet this need. A range of associated housing requirements, 42,600 – 54,960 dwellings, 2,150 – 2,748 dwellings per annum, are therefore being consulted upon in the Draft Plan. The Council indicates that this range is intended to provide a degree of flexibility recognising emerging strategies and opportunities for enhanced growth.
- 5.4 The technical review undertaken within this report indicates that providing for 42,600 homes as proposed at the lower end of this range would run the risk of failing to meet the housing needs of Central Bedfordshire or the wider HMA in full. A number of factors identified throughout this report indicate a need to increase housing provision beyond this level, including:
- The likely **underestimation of population and household growth** projected in the Initial SHMA, which would underestimate the full demographic need for housing over the plan period;
 - Existing and projected **tightness in the local labour market** and the subsequent need to plan for additional growth in the labour force to provide the flexibility required to support the level of job growth considered likely by the Council, based on wider economic conditions and historic performance;
 - Market signals of **imbalance between housing supply and demand** in Central Bedfordshire and the wider HMA, with the positive adjustment applied in the Initial SHMA considered to fall at the lower end of adjustments which could be considered reasonable; and
 - The **scale of unmet housing need in Luton**, which is likely to be higher than implied to date following the publication of the Initial SHMA. Other authorities have maximised their contribution towards accommodating Luton's unmet needs,

⁸⁶ Initial Strategic Housing Market Assessment for Central Bedfordshire and Luton 2015 – 35, ORS, June 2017

and additional provision in Central Bedfordshire is therefore required to meet evidenced housing needs in full.

- 5.5 This report has not sought to arrive at a modelled position on the OAN for housing in Central Bedfordshire. However, the evidence available at the current point in time indicates that the upper end of the range proposed by the Council is considerably more likely to represent the level of housing growth required to meet needs in full and allow sufficient flexibility. This supports the provision of 54,960 additional homes in Central Bedfordshire over the plan period. The Council should take the technical considerations raised in this report into account in planning for a level of housing growth which fully meets needs.

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