

Date: 20th October 2016
Consultee ID: 755686
Matter 3

NORTH TYNESIDE LOCAL PLAN EXAMINATION

Matter 3: Objectively Assessed Needs for Housing

1. The following hearing statement is made for and on behalf of the Home Builders Federation. This statement responds to selected questions set out within Matter 3 of the Inspector's *Schedule of Matters, Issues and Questions* (exam ref: EX/INS/11) and *Inspector Questions on Council Additional Evidence* (exam ref: EX/INS/16).
2. The Inspector's Issues and Questions are included in bold for ease of reference. The following responses should be read in conjunction with our comments upon the submission version of the Local Plan, dated 14th December 2015. The HBF has also expressed a desire to attend the examination hearing sessions.

Issue 1 – Is the Council's objectively assessed housing need and the resultant proposed provision of 17,388 new dwellings over the period 2011-2032 (an average of 828 per year) soundly based (justified, effective and consistent with national policy) and supported by robust and credible evidence?

3. The HBF considers that the Council's identified objectively assessed housing need sits at the lower end of a potential range. We therefore consider that a positively prepared plan would seek to apply a higher housing requirement. Our reasoning is included within our comments upon the submission version of the Local Plan, dated 14th December 2015, and in response to selected Inspector's questions below.

a) Does the North Tyneside Strategic Housing Market Assessment (SHMA) and additional forecasting work by Edge Analytics provide a robust and appropriate basis for objectively assessing the full housing need? What factors were taken into account and is the methodology appropriate? (NPPF, paragraph 159)

4. The HBF considers the overall methodology employed in determining and selecting the scenarios to be generally appropriate. Our main concerns relate to some of the assumptions used and the chosen objectively assessed needs figure. We expand upon these points in response to other questions below.

b) What demographic based projections provide the most suitable starting point for establishing objectively assessed housing need (OAN)? What are the assumptions in terms of population change and are these justified?

5. The PPG (ID 2a-015) identifies that the most recent household projections, provided by CLG, should be used to provide the 'starting point' for establishing the OAN. The PPG goes on to consider that the CLG household projections may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. These factors are addressed in further detail in our response to question 'e' below.
6. At the time of submission the most recent demographic based projections were the 2012-based sub national household projections (2012 SNHP). These indicated a starting point of 16,260 households over the plan period or an annual average of 774 households. The more recent 2014 based SNHP suggest a slightly lower starting point of 14,331 house over the plan period or an annual average of 682 households.

c) How has 'unattributable population change' been dealt with?

7. It is understood that this is included within the OAN modelling work and assigned to international migration. The HBF has no objection to this approach.

d) Now that the 2014 based household projections are available should they be used to review the figures? How do they differ from previous projections and what effect would this have?

8. The 2014 based household projections represent the most up to date set of official projections. In conformity with the PPG the HBF considers that these should be given consideration. They do, however, only provide a starting point and should not be considered in isolation. We expand upon this issue in respect of the '*Inspector Questions on Council Additional Evidence*' (exam ref: EX/INS/16) discussed later in this hearing statement.

e) Does the OAN appropriately consider the likelihood of past trends in migration and household formation continuing in the future? Are the assumptions justified? Is an element of the Borough's OAN being accommodated in Newcastle and Northumberland?

9. Despite good performance against the previous, Regional Spatial Strategy (RSS), recent levels of delivery, since 2008/9, have been poor. It should also be noted that

the low RSS requirement was set to increase to 500dpa (net) in 2011/12. The following table identifies housing delivery compared to relevant targets.

Table 3.1: Housing delivery compared to requirement

Relevant Plan target	Year	Net Completions	Difference	Cumulative difference
RSS – 400dpa	2004/5	755	+355	+355
	2005/6	732	+332	+687
	2006/7	585	+185	+872
	2007/8	584	+184	+1056
	2008/9	304	-96	+960
	2009/10	286	-114	+846
	2010/11	255	-145	+701
Local Plan - 828dpa (based upon submitted plan)	2011/12	391	-437	+264
	2012/13	450	-378	-114
	2013/14	379	-449	-563
	2014/15	414	-414	-977
	2015/16	536	-292	-1,269

Source: adapted from North Tyneside Council AMR 2014-15 (exam ref: NT01/10), 2016 SHLAA (exam ref:

10. In such cases the PPG states;
- ‘If the historic rate of development shows that actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan.’ (ID 2a-019)*

Given these issues the HBF considers that the Council is correct to consider how this under-delivery may have influenced future trends. The Council has done this by looking at long-term migration rates and providing jobs-led scenarios for identifying an appropriate OAN. The HBF supports these considerations, however, we also consider that the Council should have looked at the impact of the under-delivery, as well as the recession, upon headship rates.

11. This issue of headship rates is particularly important within the 25 to 34 year old age group, which will have the highest propensity to form households and take-up jobs. This group were particularly hard-hit by the recession and as such the household representation rates are likely to have been significantly depressed. A significant rise in this age group to take-up the new jobs provided within North Tyneside will inevitably lead to higher rates of household formation than has been projected within the 2012 SNHP. The HBF considers it would appear prudent to consider an uplift in headship rates amongst this group, to reverse the negative trend. It is also notable that the Government is actively trying to boost home

ownership, particularly amongst younger age groups through initiatives such as 'Help to Buy' and 'Starter Homes'. The PPG notes that the household projections do not take account of such policy interventions by Government (PPG ID 2a-015).

12. It is also clear that an element of the Borough's OAN is being accommodated in Newcastle and Northumberland. I refer the Inspector to our matter 1 hearing statement. The effect of these agreements is provided through the SENS2 scenario developed within the Edge Analytics paper '*Evaluating the impact of the 2012-based household projections, June 2015*' (exam ref: NT07/5). This leads to a reduction in housing need of 336 dwellings per annum (dpa) (paragraph 2.27, Local Plan Supporting Statement 6, exam ref: NT03/6). These adjustments are made solely to the demographic projections. The Council, however, rightly takes account of its economic ambitions in determining its OAN but does not apply the SENS2 scenario to these projections. Rather the Council utilises its SENS3 scenario which is reliant upon an assumption that the ratio between the resident workforce and jobs will change over the Plan period and does not appear to directly relate to the agreements with Newcastle or Northumberland. The impact of the SENS3 analysis upon the jobs-led scenarios is to reduce housing need by 389dpa (paragraph 2.27, Local Plan Supporting Statement 6, exam ref: NT03/6). This is 53dpa greater than the SENS2 assessment. The Council should provide greater clarity upon its reasoning and justification for using a different sensitivity test.

13. The Council's housing requirement is the mid-point of three scenarios, the 2012 Subnational Population Projection, 10 Year migration trend and Medium Jobs Led scenario (SENS3). The HBF is concerned that this 53dpa is lost in the assessment and as such the mid-point of the three scenarios would be greater (852dpa).

f) What are the assumptions regarding economic/employment growth, how and at what point in the OAN methodology, have they been factored in and are they justified? Is the OAN appropriately aligned with forecasts for jobs growth?

14. The HBF understands that the economic/employment growth projections are based upon the work undertaken by ARUP within the 2015 *Employment Land Review* (exam ref: NT05/3/1). This has been fed into the OAN through a number of jobs-led scenarios. These scenarios take account of the North East Local Enterprise Partnership (LEP) ambitions for jobs growth set out within the Strategic Economic Plan (SEP) over the period 2014 to 2024. The HBF is supportive of this approach which conforms with the NPPF and PPG requirements to align housing and employment strategies.

15. Within our comments upon the Pre-submission version of the Local Plan we made comments upon the potential mismatch between jobs and the housing requirement (paragraphs 26 to 28). The Council has subsequently clarified the position in relation to this mismatch within paragraph 2.8 and table 1 *Local Plan Supporting Statement 6* (exam ref: NT03/6). This indicates that the 654 jobs per annum, over the plan period relates to the LEP jobs target of 707 jobs per annum but only for the period 2014 to 2024, after which the level of jobs growth returns to the baseline forecast. It is, however, notable that the housing requirement of 828dpa is 20dpa lower than the 848dpa identified under the Jobs-led Med Sens 3 scenario (table 1 *Local Plan Supporting Statement 6*).
16. The HBF understands and agrees with the use of +336 jobs per annum over the period 2011 to 2014 (paragraph 2.8 Local Plan Supporting Statement 6). But considers that whilst aspirational the ambitions for jobs growth identified within the SEP should be extrapolated over the remaining plan period 2014 to 2032. Whilst it is understood that the SEP is a 10 year plan (2014 to 2024) it would appear illogical that employment growth would suddenly revert back to baseline levels in 2025. The HBF considers a more positive approach would be to maintain this higher level of jobs growth throughout the plan period, as included in the Jobs-led High scenarios, or at least anticipate a tapering back to baseline levels by the end of the plan.
17. It for the above reasons we consider that the current plan target of 828dpa sits at the lowest possible end of an appropriate OAN range.

g) Does the Council's assessment of OAN take sufficient account of market signals and any backlog in delivery?

18. The 2015 SHMA identifies that no adjustment for market signals is required. The HBF agrees, from the data presented, it would not appear that an uplift is required. It should, however, be noted that the analysis of market signals is over a very short period, just 4 or 5 years (table 4.7) and as such is likely to mask longer term trends. Whilst many of the signals are not significant when compared to national averages it is clear that house prices in North Tyneside were higher than the neighbouring authorities of Newcastle and Northumberland and greater than the Tyne and Wear average (Figure 3.1; 2015 SHMA). In addition relative affordability is the second worst against lower and median quartile house prices, behind Newcastle and Northumberland respectively, within the region (Table 3.1 & 3.2;

2015 SHMA). Indeed the affordability ratio is continuing to get worse within North Tyneside rising from 5.04 to 5.72 between 2013 and 2015 (CLG live table 576).

19. As discussed above, paragraph 9, it is also clear that the Council has failed to meet its housing requirement since 2007/8. The HBF is therefore of the opinion that there is a justification to provide a moderate uplift of the housing requirement based upon market signals.

h) Is the methodology for assessing affordable housing needs robust and in line with government guidance?

20. The HBF raises no objections.

i) How does the OAN reflect issues of housing affordability in the area?

21. The HBF is unclear how the OAN has taken the need for affordable housing into account. The 2015 SHMA identifies a net annual shortfall of 490 affordable homes per annum, which represents almost 60% of the overall housing requirement, this is clearly unlikely to be feasible due to economic viability implications.

22. Between 2004/5 and 2014/15 just 1,032 affordable homes have been provided (AMR 2014-15, exam ref: NT01/10. This represents an average of just 103 affordable dwellings per annum, less than a quarter of the overall annual shortfall. In such cases the NPPG advises;

'An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes'. (ID 2a-029)

23. The HBF is unaware that any such consideration has been given and suggests that moderate uplift in the housing requirement can be justified by the identified need for affordable housing.

j) Taking all these factors into account is there a robust evidence base for the OAN in North Tyneside? Is there a basis to arrive at alternative figures? Is it a correct interpretation that an element of North Tyneside's OAN is being accommodated in adjoining authorities?

24. Whilst the OAN is within an appropriate range the HBF considers that it sits at the bottom end of this range. We would, therefore, have significant concerns if the

figures were proposed to be further lowered. We consider that there is sufficient justification for the figure to be moderately increased based upon the following factors;

- i. Suppression of headship rates;
- ii. Mismatch between assumptions on the proportion of the housing need from North Tyneside being accommodated in other authorities with the assumptions of the neighbouring authorities;
- iii. Economic ambitions over the plan period;
- iv. Market signals, and
- v. Affordable housing need.

k) Does the Council's sustainability appraisal of the housing requirement infer that there are reasonable (lower and higher) alternatives? Explain what other levels of housing have been considered for the Plan period and why they have been rejected. How has sustainability appraisal been used to support the scale of housing provision in the Plan? [Are there negative (unsustainable) effects of lower or higher housing provision?]

25. Yes, this is included in appendix 4 of the SA report. The HBF considers this a matter for the Council to address.

l) Should the amount of housing proposed in the plan be increased or decreased? If so, to what level and on what basis?

26. The HBF considers there to be sufficient justification to increase the housing requirement, based upon the factors outlined in our response to question 'j' above.

m) to n)

27. The HBF has no further comments at this stage.

Inspector Questions on Council Additional Evidence

a) Is there agreement that the most recent demographic statistics from ONS (Feb 2016) should be considered (PPG, paragraph 2a-017) and the household projections (July 2016) should form the starting point of any assessment (PPG, paragraph 2a-015)?

28. Yes, the HBF agrees that the 2014 based SNHP should be considered as an appropriate starting point.

b) Consequently, does a lower figure of a minimum of 15,269 dwellings for the plan period represent a reasonable alternative?

29. No, as described above the HBF considers the Council's submitted figure of 17,388 to represent the lowest end of an acceptable OAN range. Our reasoning for this is provided in response to earlier questions. A reduction to 15,269 dwellings would be significantly below this range and would jeopardise the ability to meet the economic aspirations of the area.

30. The lower figure also does not take into account the changes of the 2014 SNHP to other local authorities within the wider housing market area. This is discussed in greater detail against question 'e' below.

c) Has the additional work by Edge Analytics correctly applied and interpreted the 2014 data having regard to the methodological guidance in the NPPF, PPG and other recognised sources (i.e. the Planning Advisory Service (PAS))? In particular, as part of the recalibration work, should or has it had appropriate regard to market signals?

31. The Edge Analytics work does not consider market signals this is only considered within the 2015 SHMA. As noted in response to part 'g' of the Inspectors initial matter 3 questions, above, the HBF notes a worsening in the key affordability indicator over the period 2013 to 2015. We also consider the initial assessment of market indicators to be lacking due to the short data timeframe and lack of appropriate comparators.

d) Is the Council intending to submit any proposed modifications or undertake any additional sustainability appraisal work in light of the contents of this document?

32. This is a matter for the Council to consider.

e) In terms of the Duty to Cooperate does the additional work reflect a similar pattern across the wider housing market area? Given the approach to objectively assessed housing need 'north of the Tyne' has there been dialogue with Newcastle and/or Northumberland on the respective signals from the 2014 data for the authority areas?

33. The Northumberland Core Strategy is still emerging and is to undergo further consultation prior to submission and eventual examination. It is therefore difficult to draw too great a conclusion upon how it will respond to the changes within the household projections. It is also clear that the Northumberland SHMA, whilst acknowledging the connections with North Tyneside, considers Northumberland to be a separate and self-contained housing market area. The HBF does, however,

acknowledge that between the 2012 and 2014 SNHP the average annual household requirement starting point has dropped from 628 to 573 (over the North Tyneside plan period). Since 2013 affordability has also worsened in Northumberland.

34. In terms of Newcastle they have an adopted Core Strategy and Urban Core Plan. This identifies a net housing requirement of 850dpa. The 2014 SNHP indicates over the period 2011 to 2032 the starting point should be an annual average of 1,083 households, this compares to the 2012 SNHP of an annual average of 801 households. Therefore over the housing market area, including Northumberland, the difference in the starting point between the 2012 and 2014 SNHP over the North Tyneside plan period is a positive increase in need, as follows;

Table 2: Annual average change between 2014 and 2012 based household projections over period 2011 to 2032.

Local Authority	Annual average difference in households
North Tyneside	-92
Northumberland	-55
Newcastle	+282
Total difference	+135

Source: CLG 2012 and 2014 based household projections

35. It is therefore considered that a reduction in the OAN for North Tyneside is unwarranted and further supports our conclusion that the current 828dpa figure should be considered as a minimum.

Yours sincerely,

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