

Date: 28th February 2017

Consultee ID: 757334

Matter 2

HULL LOCAL PLAN EXAMINATION

Matter 2: Is the Plan's housing requirement justified, and will it ensure that objectively assessed needs are met in the relevant housing market area and support the economic objectives of the Plan?

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 2 of the Inspector's *Schedule of Matters, Issues and Questions* (exam ref: HLP010).
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 7th September 2016 and the Hull Local Plan Proposed Changes consultation, dated 31st January 2017. The HBF has also expressed a desire to attend the examination hearing sessions.

Issue 2.1: Housing Market Area

Is the objectively assessed need for housing based on an appropriate functional housing market area, and should the geographic extent of this be clearly set out in the Plan in order for it to be justified and effective?

3. The HBF considers the identified HMA to be appropriate. The inclusion of additional text and a map, as identified in the Council's response to the Inspector's preliminary questions (exam ref: HLP007-R), would be welcomed to improve clarity.
4. Whilst the HBF is content that the identified area represents an appropriate HMA it is noted that the calculation of the objectively assessed need for housing (OAN) has not been undertaken on a consistent basis. Whilst the majority of the components making up the OAN are considered at both local authority and HMA geographies, the assessment of market signals is undertaken solely at local authority level (*December 2016 Hull and East Riding Joint Housing Need Study*, exam ref: H006).
5. The reason for this discrepancy is unclear and unjustified. Given that the OAN is being set across the HMA and then disaggregated, the assessment should be consistent in its use of data. The current methodology fails to do this in relation to

market signals. Whilst this may not lead to significantly differing results it may lead to differing conclusions.

Issue 2.2: Objectively Assessed Need for Housing

In establishing the objectively assessed need for housing in the housing market area has appropriate consideration been given, and where necessary adjustments made, to the 2014-based DCLG household projections to take account of:

a) household formation rates being different to those in the past, for example due to them having been previously suppressed by undersupply; changes in the age structure of the population; or realistic but aspirational assumptions about future economic and employment growth;

6. No, the HBF does not consider that adequate regard has been paid to the suppression of household formation rates. We discuss this issue within paragraphs 24 to 27 of our comments upon the submission version of the plan. It is also worth noting that paragraph 3.81 of the *Joint Housing Need Study* (exam ref: H006) indicates that suppression can be identified within the 25-34 year age group across the HMA. Yet it is not given further consideration, this is not considered a justified approach.

7. The PPG (ID 2a-015) is clear 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 trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing.”

8. The city has several issues which are likely to have suppressed household formation rates, these include the lack of availability of suitable accommodation within the city, poor delivery rates and areas of market failure. These issues combined with the wider implications of the economic downturn across the HMA as a whole provide a clear case for re-considering household formation rates.

9. In addition the Council's *City Plan* (exam ref: LOC001) seeks to provide jobs growth of 7,500 over a 10 year period. It is also noted that across the city, since 2013, unemployment has dropped by 7,150 people and across the HMA it has dropped by 10,964 people. This represents a 41% change within the city and 39% change across the HMA (figure 4.21, H006). These are significant changes which are likely to improve rates of household formation. Whilst the HBF is not suggesting a direct correlation between the reductions in unemployment and increased levels of household formation it would provide the potential for such improvements.
10. Furthermore it is clear that the Government wishes to increase household formation rates, particularly amongst younger age groups through established initiatives such as '*Help to Buy*' and '*Starter Homes*' and within the rental market as expressed within the recently published Housing White Paper.
11. Given this background the HBF consider that improvements to household formation rates, particularly within younger age groups is not only justified but an essential component of the OAN. The current approach is therefore considered unsound.

b) migration levels being different to those in the past, for example due to realistic but aspirational assumptions about future economic and employment growth and the objective of minimising unsustainable commuting patterns;

12. The HBF considers it likely that migration levels may indeed be higher in the future due to the economic regeneration which is being undertaken within the city. It is notable that whilst migration has been relatively strong in ERYC it has been either weak or often a net negative in Hull. The regeneration effects of the Local Enterprise Partnership (LEP) *Investment and Delivery Plan 2012-2020* (March 2014) which details the investments that are planned across the Humber LEP area, which together total £4bn of activity, are likely to be significant. This scale of investment is highly likely to attract additional workers to the area. This will provide a 'step-change' in the fortunes of the city and the wider HMA and as such is likely to boost potential migration above the rates previously experienced.
13. The HBF provides further comment upon economic growth and the assumptions provided in H006 within our comments upon the Hull Local Plan Proposed Changes (paragraphs 12 to 16). In summary these are concerned with

the lack of clear alignment between housing growth and the economic ambitions for the area and assumptions around economic activity.

c) market signals, including (i) land prices, (ii) house prices, (iii) rents, (iv) affordability, (v) rates of development, and (vi) overcrowding;

14. The HBF does not consider that market signals are adequately dealt with. The *Joint Housing Needs Study* (H006) does consider the various market signals identified within the PPG. However, in terms of consistency, as noted in paragraph 4 above, they are applied at local authority rather than HMA geography. This is important as many of the market signals indicators are higher for ERYC than Hull, indicating a greater stress across the HMA as a whole. For example utilising the Local Plan Expert Group methodology¹ based upon house price affordability alone² a 10% uplift should be applied for ERYC compared to a 0% uplift for Hull. Given that the housing requirements for both authorities are derived from a disaggregation of the HMA figures it is essential to consider market signals across the whole HMA.

15. The HBF addresses market signals within our response to the submission version of the Local Plan, paragraphs 29 to 38. Whilst it is recognised that these were based upon the information provided within the *2015 Updated Objectively Assessed Need for Housing in Hull* (exam ref: H002) and this has subsequently been updated (H006) the key concerns in relation to a lack of uplift to take account of overcrowding, rate of development and affordability remain.

d) the needs of particular groups, including those that would live in (i) residential institutions and care homes (Use Class C2); (ii) sheltered housing; (iii) purpose built student accommodation; and (iv) houses in multiple occupation;

e) ONS' unattributable population change (UPC); and

f) any other relevant factors.

16. The HBF has no further comments at this stage to parts d,e or f of the Inspector's question.

Based on your answers above, are the objectively assessed need figures of 2,021 dwellings per year in the housing market area and 562 dwellings per year for Hull included in the Plan justified?

¹ Local Plans Expert Group (2016): Report to the Communities Secretary and to the Minister of Housing and Planning

² House price affordability– ratio of median quartile house prices to median earnings

17. Due to the reasons provided above, and within our comments upon the Hull Local Plan Proposed Changes, we consider that the methodology employed within the study suppresses the overall OAN for the city and the wider HMA. Whilst the HBF has not undertaken any modelling of our own it is recommended that the Council give clear consideration to the issues identified above.

Is this objectively assessed need uniformly distributed over the plan period, or are needs likely to vary between the early (eg up to 2021), middle (eg 2021-2026), and later (eg 2026-2032) parts of the period?

18. The HBF is unaware of any convincing evidence which would require a 'stepped' approach to the OAN.

Issue 2.3: Housing Requirements

In order to determine a housing requirement for Hull, to what extent (if any) should the objectively assessed need figure be adjusted to take account of:

a) the expected number of vacant and second homes in the City;

19. The HBF understands that a vacancy rate of 3.6% (figure 3.36, H006), including second homes, has been utilised and added to the demographic scenarios across the HMA. It is less clear if this has been included on employment-led scenario. Clarity upon this issue would be welcomed.

b) unmet needs from outside the Plan area, having particular regard to the East Riding of Yorkshire Local Plan Strategy Document (adopted April 2016);

20. It is understood that 59dpa are added to the employment-led OAN to account for under-provision within ERYC. Given that this is part of the OAN for the HMA it is appropriate that any unmet needs within ERYC are met within Hull. The Inspector will, however, be aware that we are concerned that the OAN for the HMA may be under-estimated in the most recent evidence provided by the Council (H006). The unmet needs from ERYC may therefore be greater. It is notable that at the time of the examination of the ERYC Local Plan Strategy the Inspector considered the unmet need amounted to 533dpa (Paragraph 92, ERYC Inspector's report).

c) whether an increase in the overall housing requirement would be likely to help deliver more affordable homes in the City in accordance with policy 5(2) and thereby help to meet identified requirements;

21. Yes, the HBF considers that an increase in the overall housing requirement would assist in delivering more affordable homes and help meet the identified requirements. The HBF notes that the *Joint Housing Needs Study* (H006) identifies an annual shortfall of 141 affordable dwellings. This represents over 22% of the proposed housing requirement and is in excess of what is likely to be achieved over the plan period. In such cases the PPG 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)

d) flood risk;

e) environmental constraints; and/or

22. The HBF has no further comments at this stage to parts d or e of the Inspector’s question.

f) any other relevant factors.

23. A key issue which isn’t adequately addressed is the alignment of the City Plan and LEP economic strategy and housing growth. The employment-led OAN figure is based upon the REIU Policy-on projections. These projections anticipate jobs growth of 150 jobs per annum for Hull and 1,050 for East Riding (figure 4.1, H006).

24. The City Plan (LOC001) identifies jobs growth of 750 per annum over a 10 year period (2013 to 2023) for Hull alone. It is also noted that since 2013 unemployment has dropped by 7,150. The *Joint Housing Needs Study* (H006) relates this to almost meeting the targets set out within the City Plan. As noted within our response to the Hull Local Plan Proposed Changes this is not matching like with like. Furthermore the REIU Policy-on projections would appear unduly pessimistic if this were the case given that this is a rate well in excess of 2,000 additional jobs per annum.

25. Furthermore the LEP *Investment and Delivery Plan 2012-2020* (March 2014) identifies significant jobs growth. The Council’s *Hull and East Riding Joint Background Paper* (exam ref: DTC002) anticipates this will create 8,800 jobs (direct and indirect) in housing sector alone over 14 years (paragraph 4.5). This equates to 628 jobs per annum in Hull.

Based on your answers above, is the net housing requirement figure of 620 dwellings per year for the City justified?

26. No, due to the reasons provided above the HBF does not consider the housing requirement justified. Whilst we have not undertaken our own modelling it would appear that an increase is justified.

Should this requirement be met evenly over the plan period, or should different requirements be set for different parts of the period?

27. The HBF is unaware of any convincing evidence which would require a 'stepped' approach to the housing requirement. In this regard it is considered that an even requirement throughout the plan period is the most appropriate. This will ensure that the needs of the area are met on a consistent basis and not 'put-off' until later in the plan period.

Issue 2.4: Five Year Requirement

Based on a longer term view that takes account of peaks and troughs in the housing market, has there been a record of persistent under delivery of housing in the City?

28. Yes. The Council sets out its levels of net housing delivery in response to the Inspector's questions (exam ref: HLP007-R). This is replicated below and compared against the most recently set housing requirement for the area in the Regional Spatial Strategy (RSS).

Year	Net completions	RSS requirement (net)	Cumulative under / over delivery
2006/7	510	280	+230
2007/8	544	280	+494
2008/9	260	880	-126
2009/10	-91	880	-1,097
2010/11	366	880	-1,611
2011/12	491	880	-2,000
2012/13	427	880	-2,453
2013/14	493	880	-2,840
2014/15	798	880	-2,922
2015/16	586	880	-3,216

29. Whilst it is recognised that the RSS has now been revoked it does bear testament to the level of under-delivery when compared to previous targets, applied through an adopted plan. The HBF does not consider that this can be viewed as anything but persistent under-delivery. It is noted that within the most recent *Authority Monitoring Report* (examination ref: LOC014) a 20% buffer is applied to

the five year housing land requirement (table 4.5). This is considered the correct approach.

What do you consider the current five year requirement to be assuming (a) a 5% buffer and (b) a 20% buffer in accordance with NPPF paragraph 47?

30. Utilising a base date of 1st April 2016 and the Council's preferred housing requirement the HBF consider it would be as follows;

Five year requirement with 20% buffer

A. Annual housing requirement*5	3,200
B. Under-supply (2011 to 2016)	150
C. Buffer 20% of A+B	670
D. Five year requirement (net) (A+B+C)	4,020
E. Gross inclusive of predicted demolitions (794)	4,814

Five year requirement with 5% buffer

A. Annual housing requirement*5	3,200
B. Under-supply (2011 to 2016)	150
C. Buffer 5% of A+B	168
D. Five year requirement (net) (A+B+C)	3,518
E. Gross inclusive of predicted demolitions (794)	4,312

31. It should be noted that the above tables are made utilising the Council's information within *Authority Monitoring Report (AMR)*, table 4.5 (examination ref: LOC04) and is made without prejudice to our other comments upon the housing requirement.

32. The AMR identifies a different five year requirement (table 4.5). The difference is due to the fact that the under-supply (row f) is added after the buffer. This is considered a flawed approach as the under-supply is part of the residual five year requirement and as such the buffer should be added to this also. This approach is consistent with the advice provided by the Planning Advisory Service within their *Five Year Land Supply FAQ* web resource (question 17).

Issue 2.5: Potential Main Modifications

What specific changes, if any, are needed to make the Plan sound in terms of it setting out an appropriate housing requirement for the period 2016 to 2032 such that objectively assessed housing needs in the housing market area will be met where it is reasonable to do so and consistent with achieving sustainable development?

33. The HBF considers that an increase in the overall housing requirement is needed to reflect our concerns above and the economic ambitions of the LEP and Council. Whilst the HBF has not undertaken any modelling of this it is likely that an appropriate housing requirement for Hull, based upon the 2014 household projections, is likely to be in excess of 700dpa.

Yours sincerely,

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