

BRECKLAND LOCAL PLAN EXAMINATION

Matter 3 – Housing: the objectively assessed need for housing

Issue – OAN

Question 3.1 Is the Objectively Assessed Need (OAN) figure of 612 dwellings per annum (dpa) as identified in the Strategic Housing Market Assessment (SHMA) justified.

No. In our representation we outlined our concern that the 8.5% uplift in the SHMA to take account of market signals is insufficient.

Question 3.2 Does the SHMA methodological approach to establishing the OAN follow the advice set out in the Planning Practice Guidance (PPG) (under the heading 'Methodology: assessing housing need')?

The broad approach follows the advice set out in PPG. However, the use of the ten year migratory trend is not supported by PPG. Whilst PPG allows for adjustments to be made to reflect specific events it does not support adjustments made with regard to the preference of a local authority for a different trend period.

Question 3.3 The OAN is based on applying a 10 year migration trend (2005 to 2015) to the ONS 2014-based sub-national population projections. Why is this more appropriate than the 'starting point' estimate provided by the latest Government household projections? What is the difference from the 2014 based projections?

This is not a more appropriate trend than the one used in the ONS 2014 based Sub-National Population Projections (SNPP). The reason for using this trend is one of preference. We recognise that there are advantages and disadvantages to both the five year and the ten year migration trend. The Council set out in paragraph 2.15 that the five year trend has the potential to roll forward short term trends compared to a ten year trend. Alternatively it could be argued that the ten year trend could be considered to take account of past trend that are no longer applicable which will dampen the impact of newly occurring trends that are seen in an area.

Regardless of whether there is a preference for a ten or five year migration trend it is important to come back to the Government's position with regard to the official population and household projections published by ONS and DCLG (now MHCLG) respectively. PPG states in paragraph 2a-017:

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

Confirmation of the Government's position with regard to the robustness of the official projections was also mentioned in last year's consultation 'Planning for the Right Homes in the Right Places' with paragraph 16 of this consultation stating that they are the "most

robust estimates of future growth". So whilst others may prefer the 10 year migration trend the Government have been clear that those projections using a five year migration trend are the most robust estimates of future growth. If the Government had considered a ten year trend to be more appropriate it would have said so in guidance.

However, we recognise that there may be circumstances where adjustments to official projections might be needed. Paragraph 2a-017 provides examples of the sort of one off situations that may require a Council to make local adjustments. However, the Council have not provided any such justification. Instead the Council have outlined in paragraphs 2.9 to 2.16 of the SHMA a general preference for the 10 year migration trend, resulting in an "on balance" decision rather than a clear local reason for its use.

The SHMA also fails to mention an important reason for the Government's decision to require the use of these national data sets - the consistency they bring to the consideration of household growth and estimates of housing need. Applying a different trend in one area does not take into account the fact that if these were used across the country a completely different set of outcomes may arise. Without a nationally consistent set of projections the Council cannot know the full outcomes from applying a 10 year migration trend. Unless the Government specifically state that a 10 year trend is appropriate and provide this on a national basis it should not be used by the Council. So whilst the outcome of its use for Breckland is less significant than in other areas the most appropriate approach would be to use the official projections produced by ONS and MHCLG.

Finally the Council's concerns that this data will not provide a robust basis for long term planning should not be a significant factor. Reviews of housing needs local plan are now required every five years, and should the recent changes proposed to NPPF be confirmed later on this year these reviews will need to be completed within five years of adoption. These reviews will ensure that changes in population projections will be considered regularly and as such not require the Council to dampen projections by using a ten year migration trend.

3.4 An uplift has been added to the OAN to take account of concealed families and homeless households. How has the figure of 42 dpa (approx. 1.5% uplift) been arrived at and is it justified?

No comment

3.5 A further uplift of 8.5% has been added to reflect market signals (to improve affordability). How has this figure been arrived at and is it justified? Is the uplift sufficient to address affordability issues?

PPG established the principle that where market signals indicated that the housing market was under pressure, due to the past under supply of housing, then local planning authorities should increase supply above the baseline demographic projections. However, the Government did not elaborate as to what an appropriate uplift would be, other than stating in paragraph 2a-020 that it should be "reasonable". Because of this there have been discussions at many local plan examinations as to what an appropriate uplift should be. Uplifts have generally ranged from 5% to 20% depending on market signals, but it would seem that more recently inspectors, and LPAs, have been choosing higher uplifts where market signals are worst. However, there have been examples of uplifts above this level. Cambridge agreed an uplift of 30% and a recent example is

Waverley Borough Council¹ where the inspector agreed that a 25% uplift was required to address the considerable affordability concerns in that Borough.

Outside of local plan examinations there have been other recommendations as to the level of uplift required to address the issues of undersupply and affordability that are a current feature of housing markets across the Country. The Local Plan Expert Group, for example, suggested in their final report that where lower quartile incomes to lower quartile house prices were greater than 8.7 then LPAs should uplift supply by 25% above the baseline demographic projection.

But since the publication of the SHMA the Government have given some indication as to what it considers to be reasonable as part of its consultation on the standard methodology in Planning for the Right Homes in the Right Places and most recently in the revised PPG. Whilst the standard methodology is still only a consultation, and as such can only be given limited weight, we do consider it to provide the only indication as to what the Government considers to be a reasonable uplift in relation to market signals.

As part of this consultation the Government sets out its proposal for a standard methodology to be used when establishing the housing needs for each LPA in the Country. Most importantly the consultation establishes the Government's intention with regard to market signals and the level of uplift it considered is required to meet needs, address past under supply and improve affordability. The standard methodology proposes a formula that requires an uplift of 2.5% above the demographic base for every 1 point above the baseline affordability ratio. The baseline ratio was set at 4 and would mean that, for example, an area where the median workplace to house prices affordability ratio was 8 would be required to provide an uplift of 25% on its base demographic projections. For Breckland this would result in an uplift of 26%.

The reason why we consider this part of the consultation provides the clearest indication as to what is considered to be a reasonable uplift is that without this degree of uplift the Government are unlikely to meet their long stated aim of delivering at least 300,000 new homes each year from 2020. In fact this was the target set out in the 2017 Autumn Budget. In his budget statement the Chancellor announced the Government's target for house building across the country stating:

"I'm clear that we need to get to 300,000 units a year if we are going to start to tackle the affordability problem, with the additions coming in areas of high demand."

Since this statement the Government have confirmed this ambition during the launch of the consultation on the amendments to the NPPF, which also confirmed the Governments continued intention to apply a standard methodology for assessing housing needs.

If the Government are to achieve its aims of delivering this level of housing and addressing affordability it is clear they consider increases of 40% in those areas with the worst affordability will be necessary, and as such this degree of uplift should begin to be considered as reasonable. However, the 40% cap on the uplift above demographic projections, alongside the lack of a floor to prevent authorities such as Barrow in Furness ending up with a zero target, means that total delivery would still only be 266,000 new homes per annum. So whilst the Government might consider 40% to be the ceiling it will potentially prevent them from meeting their own target.

¹http://www.waverley.gov.uk/downloads/file/5963/waverley_local_plan_part_1_examination_inspectors_report

The levels of uplift and aspirations set out in the standard methodology are also broadly supported in evidence submitted by the Treasury to the House of Lords Select Committee on Economic Affairs suggested that to stabilise house price growth and prevent affordability from worsening would require between 250,000 and 300,000 new homes to be built each year. This roughly translates to a 1.3% increase per annum to existing national housing stock in order to stabilise the housing market with regard to affordability. Given the variability of affordability across the country this would require greater increases above existing stock in those areas which are least affordable. This position is also consistent with paragraph 2a-020 of PPG which states that:

“The more significant the affordability constraints (as reflected in rising prices and rents and worsening affordability ratio and the stronger the 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.”

It is evident that in order to deliver the homes needed, and also improve affordability, the uplifts to baseline demographic projections of household growth must be greater than have been applied since the publication of PPG. Affordability in Breckland has become an increasing problem since the start of the century. The lower quartile work place based house price to earnings ratio has nearly doubled from 4.55 in 2001 to 8.70 in 2016². Whilst rates of increase have slowed there has been no improvement in affordability which now slightly exceeds the highest previous point in 2008, the peak of the market prior to the start of the economic recession in 2008. A similar position can be seen with median house price to earnings ratios (the indicator used in the standard methodology). In 2016 this was 8.19 having increased from 4.33 since 2001.

Given that affordability of housing is related to both housing supply and incomes it is difficult to know what level of new house building is required to improve affordability. However, the Government's position with regard to its supply ambitions would suggest that it expects uplifts significantly higher than the 8.5% suggested in the Council's SHMA where affordability is poor. We would suggest a minimum of 20% would have a significantly better chance of improving affordability in comparison to the level suggested by the Council. It would be more in line with the Government's expectation as to what is needed to be delivered by each Council.

3.6 Is it justified and consistent with the PPG methodology to subtract the uplift from concealed families and homeless households from the market signals uplift?

No. The adjustment for concealed families and homeless households is a demographic adjustment made on the basis of paragraph 2a-015 of PPG. This paragraph states that adjustments should be made where formation rates have been historically suppressed by under supply and worsening affordability. It is to recognise that the demographic starting point for household growth would have been higher had delivery not been suppressed. The SHMA uses the number of concealed families and homeless households as a proxy for these adjustments. PPG is then clear in paragraph 2a-019 that the market signals uplift is then made to the starting point.

3.7 Does the SHMA take into account any accrued housing shortfall before 2011? If so, how?

No comment

² Source: Office for National Statistics.

3.8 Does the OAN provide enough new homes to cater for those likely to take up the new jobs expected in Breckland over the Plan period?

No comment

3.9 What relevance can be afforded to the Local Plan Experts Group recommendations and the Government's consultation planning for the right homes in the right places standard methodology?

The Local Plan Expert Group provided evidence as to the level of uplift that would be required above demographic projections in order to improve affordability. Its evidence provided assistance in an area of policy where the only real guidance was in paragraph 2a-020 which stated that uplifts should be "reasonable" and that:

"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."

However, the recommendations of LPEG have now been broadly taken on board by the Government in the standard methodology that was published as part of the "Planning for the Right Homes in the Right Places" consultation and subsequently in the proposed amendments to PPG published in March. As this is only a consultation then limited weight can be given to the consultation as whole. However, we do consider it provides some a far more solid indication as to the Government's position on two key matters – the use of the DCLG household projections as the demographic starting point for assessing needs and the level of uplift that the Government considers to be reasonable.

The reason we consider that these matters can be given more weight is that they are not new areas of policy or guidance. The debate has not been about whether it is correct to apply an uplift it is just when and by how much. The consultation gives a clear indication that the Government thinks uplifts should start where median house prices 4 times median work place income and that uplifts of up to 40% should be applied. It also provides a clear indication that an 8.5% uplift where the median house price to income ratio is over 8 can be considered to be insufficient. This position is also cemented by the Government's aim of achieving the delivery of 300,000 homes each year from 2020. Unless uplifts of the level being proposed in the standard methodology are applied the Government will not achieve this aim. In fact if all authorities were to adopt the methodology the Government would still fall short of this aim by 34,000 homes each year.