

RUSHMOOR LOCAL PLAN EXAMINATION

Issue 3. Is the housing requirement justified and deliverable and has it been calculated in accordance with national policy and guidance?

Q1. It is necessary to understand whether recent household projections should inform the calculation of the Objectively Assessed Needs (OAN). What should be the starting point for the calculation of OAN?

Paragraph 2a-016 of Planning Practice Guidance (PPG) requires, wherever possible, local needs assessments to be informed by the latest available information, whilst recognising that housing assessments should not be rendered out of date every time new projections are published. However, where there is meaningful change then these should be considered. The Council have considered their position with regard to the 2014 household projections and we would not disagree with their assessment as set out in CD02_01c.

Q2. What is the appropriate uplift that would be expected to improve affordability?

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.

The Government's aspirations are also in line with this evidence. 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 National Planning Policy Framework (NPPF), which also confirmed the Governments continued intention to apply a standard methodology for assessing housing needs which sets out where these 300,000 homes will be delivered. Most importantly this methodology establishes that where housing is least affordable will be required to deliver the greatest uplifts against baseline household growth. It therefore provides a clear indication as to what the Government considers to be the necessary uplift required to improve affordability.

This is important as since Planning Practice Guidance established the principle of a market signals uplift there have been discussions at many local plan examinations as to what a "reasonable" response 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.

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 Rushmoor this would result in an uplift of 34%. We consider this approach provides the clearest indication as to what level of uplift could reasonably be expected to improve affordability. The levels of uplift and aspirations set out in the standard methodology are also broadly supported in 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 is 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 Rushmoor has become an increasing problem since the start of the century. The lower quartile work place based house price to income ratio has nearly doubled from 5.26 in 2001 to 9.50 in 2016². A similar position can be seen with median house price to earnings ratios (the indicator used in the standard methodology). In 2016 this was 9.42 having increased from 4.68 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 15% suggested in the Council’s SHMA where affordability is poor. However, as we mentioned in our statement the OAN for Rushmoor is based on expected employment growth. Housing needs must be set at a level that will ensure a local workforce that is able to sustainably support the level of jobs growth expected in the Borough. This is significantly above this level and as such there is a reasonable expectation that this proposed level of housing growth will have an impact on affordability.

Q3. Have employment trends been properly taken into account, and is the selection of the central scenario (scenario 3) of average annual job growth justified?

No comment

Q4. Should the housing requirement include an allowance for London migration?

Changing migratory patterns between London and the rest of the south east has a significant impact on housing markets across the region. As such the expectation that migration patterns will return to those seen prior to the recession in 2008 should have been considered as part of the SHMA. This expectation has formed part of the mayor’s

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

² Source: Office for National Statistics.

assessment of housing needs and would see increased out migration from the capital and reduced in-migration into the capital from other areas. This return to pre-recession internal migration trends is considered in the GLAs most recent SHMA. Paragraph 3.25 of that document states:

“Outflows began to rise again in 2013, reaching 292,000 in 2016. As a result of these shifts in both in-migration and outmigration net domestic outflows fell from 110,000 in 2004 to 32,000 in 2009 before rising again to 93,000 in 2016.”

It is also important to consider the fact that London has consistently failed to meet its housing target of 42,000 homes which means has played a part in increasing out migration from the capital. London had its best year for completions since the onset of the recession when in 2015/16 38,553 net completions were secured (however, it should be noted that this figure includes 4,564 non-conventional i.e. C2 use class, bedrooms and homes). In the previous year - 2014/15 - net housing completions (conventional and non-conventional) were 31,894 (London Plan AMR 2014/15). This level of delivery is also lower than the 49,000 homes that the GLA said was required to meet needs in 2013 and substantially less than the 66,000 homes that the new London Plan states is required to meet needs over the next ten years.

As such we would have expected to see some consideration within the SHMA as to the potential impact of increased outflows from London as a result of higher housing costs in the capital, improved mortgage availability and the fact the London has consistently failed to meet its own housing targets.

Q5. Has the affordable housing need been calculated in accordance with the guidance in the PPG and is the approach sound?

No comment

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