

**Monmouthshire LDP Examination – Housing Provision**

**29/3/2013**

**Matter 3 (Sessions 3 – 5): Housing Provision – Strategy**

**Key Issue 2 - Is the amount of housing provision set out in the LDP realistic and appropriate and is it founded on a robust and credible evidence base?**

* Is the chosen level of 4,000 dwellings during the plan period a minimum figure?

We do not believe 4000 dwellings represents a ‘minimum figure’, as it does not correspond to the prevailing evidence on housing needs or demands, or the social and economic needs of the county over the LDP period. We deal with these issues in detail below in our section titled *Main Comments*.

* Is the evidence on which the housing provision is based sufficiently up-to-date?

The evidence is not up to date, as the LDP housing requirement is based on the 2003 Household Projections. We deal with this issue in more detail with our comments below (in relation to the question titled - *Why might it be necessary to make up the shortfall in provision since 2006?)*

* Are reasonable assumptions made particularly with regard to migration and household formation?

We do not believe reasonable assumptions have been made.

In terms of the council’s most recent comments on short term migration, we believe it is more important to look at the bigger picture and the general direction of the LDP in terms of its aims and objectives, rather than to get too bogged down in the detail of one particular component of change. In this respect, we believe the need for the LDP to provide for the required level of population growth, in line with its economic and social aspirations, is much more important when trying to identify a suitable housing requirement, and this should be at the forefront of the LDP housing strategy. Our *Main Comments* section below provides more detail on this and demonstrates how the proposed LDP housing requirement is woefully inadequate.

Furthermore, the council openly admits that net migration is something the LDP can exert some control over through its housing policies (paragraph 3.1 of the latest Report of Consultations 2012) and therefore, the fact that net migration has run slightly lower than predicted should not concern the authority in any way, and certainly should not be a reason for the authority not to set a housing target that aims to buck this recent short term trend.

Notwithstanding the above, if we look at the bigger picture in terms of population change, we can see from the recent population estimates, in real terms, population growth is actually running higher than predicted. To illustrate this, the graphs below show population change (both actual and predicted) in Monmouthshire between the years 2001 and 2021.

As you can see from the graphs above, despite the council’s concerns with short term net migration, it is clear that population levels in general are now increasing at a much faster rate than predicted. In this respect, the population in Monmouthshire in 2011 was recorded as 91508 people, whereas in the 2008 projections, it was predicted to be 88862 people. As such, we believe this demonstrates the futility of using one component of change to create an argument to suggest population growth is abating, when in real terms, clearly the opposite is the case.

In terms of the arguments on household formation or average household size, the reason household sizes have not reduced as predicted is clearly linked to the recession and issues, for example, with respect to the ability of people to move out of the family home at a younger age.

However, this can and will be influenced significantly by policy proposals at a national and local level.

For instance, the Welsh Government has recently announced the launch of NewBuy Cymru, which is designed to bridge the deposit gap for FTB’s in order for more people to be able to afford a new home. The scheme will run over the next thee and half years and has the potential to help over 3000 people onto the property ladder. This will clearly have an impact on average household sizes.

In addition to this, as part of the recent budget, the UK Government has announced a number of schemes that will help people move into new homes. In this respect, the Help To Buy initiative includes the launch of a more wide ranging mortgage guarantee scheme, which applies to new and existing homes, and has the benefit of significantly more funding than the current scheme. This will apply in Wales and will be available from January 2014. In addition to this, again under the Help To Buy initiative, the UK Government announced the launch of an equity share model, which provides a equity loan to borrowers in order to bridge the home buying deposit gap. The Chancellor has allocated significant funding to Wales for this scheme, and we will be in urgent discussions with the Welsh Government on when this will be adopted in Wales. In England, this scheme comes into operation in April this year and again has the potential to help a significant number of people onto the property ladder.

Also, it is within the gift of the authority, through the LDP, to have an impact on average household size. Suppressing house building levels will only further exacerbate the imbalance between supply and demand, which is without doubt, the biggest cause of house price inflation and a key issue of concern in Monmouthshire. If the LDP aims to provide properly for its predicted population growth, it has the chance to redress this imbalance and hopefully bring house prices to more affordable levels. This, with the new schemes being released by the WG, will also clearly have an impact on average household sizes.

Also, general improvements in the market, as lenders become less risk adverse, will also help to speed up the process of people moving into new homes. Very recently, the Principality and Monmouthshire Building Societies release 95% mortgage deals to the public, which again will bring homes more into the reach of more people and will therefore have an impact on average household sizes.

It is important to ensure that the plan is sufficiently flexible to be able to cope with greater change in household size should this arise during the plan period. In light of the above, and taking into account the current population figures (above) and the figures highlighted within the 2011 Census, it is clear that the population in a few years’ time will be far greater than predicted within the WG projections. In this respect therefore, if household sizes do reduce, the LDP will be falling well short of providing for its predicted population, which will cause an even greater mismatch between demand and supply and potentially make the problems of affordability much worse than they presently are.

In light of the above, we do not believe the household formation figures within the Census provide any mandate for the Council to constrain housing growth. Indeed, relying on household sizes not reducing is not only contrary to the council’s current strategy, but is also a very risky approach to take, particularly given that the break in the decline in household size is a temporary one, which has been artificially held up by the problems inherent in the market.

* Is sufficient provision made?

Sufficient provision is not made. We deal with this in detail below in our section titled *Main Comments*.

* Why might it be necessary to make up the shortfall in provision since 2006?

We believe this is important for a number of reasons.

Firstly, we believe it is important to note that this is something the council clearly considered to be important in their original evidence to inform the strategy that now underpins the LDP. In this respect, in the process of informing the Preferred Strategy the council were considering the needs and requirements of the authority over the period 2006 – 2021 in all growth options that were being considered. In doing so, the council were using the 2003 regional household projections as the base date, which identified a requirement for 5250 new homes between 2006 - 2021. With respect to the Preferred Option (Option 2), the Council stated that, *“if it is assumed that build rates will be 250 per year until 2011 then 1250 houses will have been provided in the period 2006-11. To meet the SEWSPG apportionment of 350 dwellings per year, therefore, a further 4,000 homes will be needed over the plan period between 2011 and 2021 at a rate of 400 dwellings per year.” (Preferred Strategy, page 36).*

Therefore, you can see from this that the Council were employing the following strategy to identify the appropriate LDP housing requirement:-

* Gross dwelling requirement (2006 – 2021) = 5250 dwellings (or 350 per year) - based on the 2003 household projections
* Assumed dwelling completions (2006 – 2011) = 1250 (250 per year)
* Resultant LDP dwelling requirement (2011 – 2021) = 5250 – 1250 = 4000 dwellings or (400 per year).

Therefore it is clear the council saw fit to adopt a development rate of 400 dwellings per year over the period 2011 – 2021 (rather than 350). The reason for this was order to account for the shortfall in development that would have accrued over the period 2006 – 2011, in light of their assumed development rate of 250 dwellings, compared to the actual requirement of the 2003 household projections (350 dwellings).

In light of the above, it is clear that the 400 dwellings per year figure for the LDP was chosen specifically to address the shortfall in provision that would accrue in the years 2006 – 2011, when the **actual** level of development was compared with that which was **required** by the 2003 household projections. It is important to note here that the Council has not changed its position with respect to how the LDP dwelling requirement was conceived and as such, this is **exactly** the methodology used to inform the housing requirement for the Deposit LDP.

It is clear therefore from the above, that LDP plan period should cover the period 2006 – 2021, and not merely the period 2011 - 2021.

Having established that the Preferred Strategy was based on the period 2006 – 2021 and the housing requirement was chosen specifically to take account of the period 2006 - 2021, we now believe it is important to address the issue of the ‘starting point’ for analysis. In the Preferred Strategy Document, which is dated May 2009, the Council state (on page 36) that the chosen housing requirement was *“in accordance with the agreed regional housing apportionment”*, which is based on the 2003 Household Projections. However, given that the 2006 Household Projections were released at the time of the Preferred Strategy, we believe the chosen housing requirement did not properly reflect the requirements of national guidance, as it was not based on the latest Household Projections. We made these comments through our Preferred Strategy representations and also within our comments to the Report of Consultations dated 18th May 2010. Indeed, if the LDP housing requirement was based on the 2006 Household Projections, the housing requirement for the plan period 2011 - 2021, using the council’s methodology, would have been 6569 dwellings. For clarity, this would be derived as follows:-

* 2006 HH Projections 2006 – 2021 = 7518 households
* Dwelling requirement (x4%) = 7819 dwellings
* Assumed build rate (250 per year) 2006 – 2011 = 1250 dwellings
* LDP household requirement = 7518 – 1250 = 6569 dwellings

However, the council chose not to accept this argument, despite the fact that it would have been more in line with national guidance and is entirely consistent with their own methodology. We accept that the new household projections came out at a similar time as the Preferred Strategy, however, again we must stress that the council has not changed its position on this in the last four years since the release of the Preferred Strategy. This is despite there being numerous household projections released in the interim, along with guidance from the Welsh Government stipulating how the housing requirements in LDP should be **based** on the **latest Household Projections**. In this respect, it cannot be disputed that the LDP housing requirement is still based on the 2003 household projections, which is clearly unacceptable and contrary to national guidance.

Taking this forward, if the latest Household Projections (2008) are used as the base date, and using the same methodology employed by the Council (albeit using actual build rates over the period 2006 – 2011, rather than assumed rates), this would necessitate a requirement for 5091 dwellings. This was set out clearly within our Deposit representations.

Further to this, again using the same methodology, but using an additional year’s data from completions in 2012, the housing requirement for the LDP plan period would be 5278 dwellings. We demonstrated this clearly through our FPC representations. Again, both these proposed housing requirements would be entirely consistent with the Council’s methodology, but they would be more in line with the requirements of national guidance, as they are based on the latest Welsh Government Household Projections.

In light of the above, it is clear that the Council has not properly considered the housing requirement for the LDP. The housing requirement within the deposit LDP is based directly on the calculations utilised in the Preferred Strategy document, which used the household requirement from the 2003 household projections over the period 2006 – 2021, adjusted to reflect the shortfall in actual provision over the period 2006 – 2011. Fundamentally, basing the LDP housing requirement on the 2003 household projections is completely inappropriate and is contrary to national guidance. Indeed, if the housing requirement for the LDP was based on the latest Household Projections, using the council’s own methodology, this would clearly result in a housing requirement of 5278 dwellings, as we set out within our FPC representations.

Further to the above, we believe it is also important to point out that the shortfall in housing provision over the period 2006 to-date, essentially represents ‘lost’ housing provision. In this respect, if the Council were considering their housing requirement for the LDP from 2006, then essentially this ‘lost’ housing would no longer be an issue, as it would be accounted for within the housing assumptions of the LDP. However, by taking its baseline at 2011, the LDP is effectively ignoring the period 2006 – 2011, which means that the housing that was meant to be delivered in that period is not being accounted for, and will never be accounted for.

In light of the above we believe it is essential that the LDP covers the period 2006 – 2021, as this is this period that has been used (by the Council) to directly inform the LDP housing strategy. It would also help to ensure that any ‘lost’ housing experienced over this period is accounted for and the problems therewith are addressed. This, we feel, should be the baseline housing requirement with which to ascertain how the LDP responds to its other aims and objectives, particularly those in relation to job growth and investment. We describe this in our section titled *Main Comments* below.

* Are the Council’s reasons for not including a flexibility or contingency allowance still reasonable and appropriate?
* What contingencies are there with regard to the amount of housing provision if sites fail to come forward or achieve the anticipated number of units?

We do not believe the authority has properly justified their position with respect to the lack of a flexibility allowance provided within the LDP. There will always be external challenges to housing delivery and as such, we believe it is completely inappropriate for the council to suggest that all their LDP housing sites will come forward without problem or delay. In this respect, it would only require a **problem on one site** to result in the housing requirement not being met and without a contingency, the council would have no options available to them in order **to rectify the situation**. The need for a flexibility allowance, in our view, is essential in order to ensure the housing requirement can be met and also to ensure a sufficient amount of readily available land for development is made available across the authority.

In addition to the above, the authority would be the only authority in Wales to propose an LDP that does not include a flexibility allowance. For instance:-

* Bridgend Council proposed a flexibility allowance of 13% in order to account for *“any unforeseen risks in the delivery of sites.”*
* Torfaen Council proposed a 20% flexibility allowance in order to *“allow for flexibility and choice in the range of housing sites to deliver the LDP target.”*
* Blaenau Gwent Council adopted a 13% flexibility allowance in their plan to account for “*range and choice*”. Indeed, this particular change to the LDP to include a flexibility allowance was specifically requested by the Welsh Government.

The above are just three examples of where local authorities have found it necessary to include a flexibility allowance in their housing land supply, in order to ensure the housing requirement can be supported. As we state above, Monmouthshire would be the only council proposing not to include a flexibility allowance in their plan, which we believe is contrary to national guidance and would result in the LDP housing strategy falling foul of Soundness Test CE4.

Further to the above, within the latest report of consultations the authority quotes previous Inspectors’ decisions on this matter. However, frankly, we believe this is irrelevant. The previous Inspectors were operating under a very different planning regime and were not bound by the current tests of soundness, particularly CE4. One suspects that those Inspectors would have made a different decision if they were operating under the current regime, as has indeed been the case with all Inspectors’ decisions on this matter thus far in the LDP process.

In light of the above, we believe the LDP should provide a flexibility allowance of at least 10% in the land supply, in order to ensure the housing requirement can be achieved. In this respect, based on a housing requirement of 5900 dwellings, the LDP should allocate a housing land supply of at least **6490 dwellings.**

* What evidence is there as to when dwellings/sites will be completed? Will there be a 5 year supply of housing land throughout the plan period?

We would welcome evidence on this from the Council prior to the examination, in order for us to comment more fully on this matter. This has been raised at a number of LDP examinations, and therefore we believe is a critical issue that needs to be addressed.

**Main Comments**

We have already demonstrated why the base line housing requirement for the LDP (based on the latest WG Household Projections and using the Council’s methodology) should be 5,278 dwelling. However, in line with our previous representations (and the aims and objectives of the LDP), we now believe it is necessary to establish what level of housing would be required as a result of requirement to facilitate economic growth and investment.

Since the submission of our original representations a significant amount of time has passed, therefore, we thought it necessary to update our original evidence to ascertain whether or not our original recommended housing requirement of 5,278 dwellings was still valid. This results of this exercise are considered below and provides more up to date evidence to inform a more robust and realistic housing requirement for the LDP.

In order to identify the correct number of homes for Monmouthshire County Council over the forthcoming Local Development Plan (LDP) period, we commissioned Nathaniel Litchfield and Partners to undertake an assessment of the likely housing requirement the LDP should adopt, in order to ensure the aims and objectives of the LDP, in terms of job growth and investment, are supported. The reason we selected Nathaniel Litchfield and Partners for this exercise, was that their HEaDROOM assessment model utilises the nationally recognised PopGroup suite of software which was developed by the Local Government Association and is used by over 70 local authorities in the UK, and also by the Department for Communities and Local Government. However, and more fundamentally, the PopGroup software is used exclusively by the Welsh Government to create the Local Authority Household Projections, which national guidance stipulates should form the basis of LDP housing requirements. Therefore, given that the methodology is nationally recognised to be sound and robust and given NLP’s expertise in this area, we were confident that this exercise would identify and sound and robust housing requirement for the county, to be included within the LDP.

The full report is contained within Appendix 1 of this submission, and therefore, we do not feel it is necessary to repeat the detail of it here, however, below is a summary of the main findings and conclusions.

Essentially, the report identified that there is a potential housing demand in Monmouthshire of between 4,100 (410 dwellings per year) under the baseline scenario (A) to 8,300 dwellings (830 per annum) under the economic growth scenario (D) between 2011 and 2021. These scenarios are provided in the table below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Demographic Led | | Economic Led | | |
| Scenario A: Baseline | Scenario B: Census | Scenario C: 1,700 Jobs | Scenario D: 2,800 Jobs | Scenario E: 0 Jobs |
| Pop Change, 2011-21 | 3,050 | 3,550 | 9,850 | 12,000 | 6,500 |
| Of which Natural Change | -650 | -150 | -50 | 100 | -400 |
| Of which Migration | 3,700 | 3,700 | 9,900 | 11,900 | 6,900 |
| **Dwelling Change, 2011-21** | **4,100** | **4,700** | **7,400** | **8,300** | **5,900** |
| Dwellings p.a. | 410 | 470 | 740 | 830 | 590 |
| Employment Change | -1,800 | -1,500 | 1,700 | 2,800 | 0 |
| Employment p.a. | -180 | -150 | 170 | 280 | 0 |

In terms of the table above, the Demographic led scenarios identify a potential housing requirement over a 10 year period of 4,100. However, this does not take account of the undersupply in housing that has built up over the period 2006 – 2011/12. If this were taken into account, the figure for demographic requirements would be more akin to our original suggested dwelling requirement of 5278 dwellings. However, one important thing to note from these demographic led scenarios is that they would both result in severe economic decline. Indeed, the NLP report states that the proposed LDP housing requirement (4000 dwellings) would result in even further economic decline, demonstrating a potential loss of 2,100 jobs.

In terms of the economic led scenarios, it is clear that the proposed housing requirement within the LDP would be woefully inadequate, resulting in significant job loss. Therefore, it would seem that to achieve the aspirations for economic growth set out within the LDP of 1700 jobs and 2800 jobs, the corresponding housing requirement would need to be 7400 dwellings and 8300 dwellings respectively. Indeed, to merely stem economic decline, the report highlights a requirement for at least 5900 dwellings. This again demonstrates that the proposed LDP housing requirement would be completely inadequate and would result in an LDP that not only is contrary to national guidance, but also contradicts the aims and objectives it sets out.

The report concludes by stipulating that the housing requirement figure for Monmouthshire should not solely rely on demographic data but should be more visionary given the economic aspirations for the area. Therefore, the LDP housing requirement should be based both on demographic and economic considerations. This would be entirely consistent with the aims and objectives of national guidance, particularly the Wales Spatial Plan and the role of Monmouthshire within the South East Region. It would also be consistent with the requirements of PPW, which stipulates that deviation from the Household Projections is permissible, provided there is sufficient evidence to justify departure.

Further to the above, the report also provides a measured approach to its recommendations, by suggesting the need to consider the likelihood of delivering the LDP requirement, set against the very real issues the LDP needs to address.

**Conclusion**

In light of the above, given the conclusions of the report compiled by NLP, we believe the housing requirement of the LDP should be set at a minimum of **5900 dwellings.** Not only would ensure the shortfall in housing provision is addressed over the period 2006 – 2011, but would also ensure that economic decline is curtailed as much as possible. Again, we believe sufficient justification has been provided to deviate from the Household Projections (as required by national guidance). Indeed, by setting this minimum housing requirement, we believe the LDP strategy would be better placed to remain consistent with the other necessary aspects national guidance, as well as its own aims and objectives.

In recommending this figure, we must point out that the evidence demonstrates that a much higher level of growth is required for Monmouthshire, however, we believe setting this as a minimum level of growth would provide a robust foundation to ensure the LDP sets off on the right track with respect to achieving its aims and objectives, whilst providing a sound basis with which to make any alterations to the housing requirement through the monitoring and review process as things progress.

**Appendix 1**

**Nathaniel Litchfield Report**

**Monmouthshire Local Development Plan, 2011-2021: Housing Requirements Assessment**

**A report on behalf of**

Home Builders Federation

Barratt Homes

Bovis Homes

Persimmon Homes

Redrow Homes

Taylor Wimpey

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**Monmouthshire Local Development Plan, 2011 – 2021: Housing Requirements Assessment**

Home Builders Federation, Barratt Homes, Bovis Homes, Persimmon Homes, Redrow Homes and Taylor Wimpey

March 2013

31014/GW/0

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# Introduction

* 1. This report has been prepared by Nathaniel Lichfield & Partners on behalf of the Home Builders Federation, Barratt Homes, Bovis Homes, Persimmon Homes, Redrow Homes and Taylor Wimpey in order to identify the objectively assessed housing requirement for Monmouthshire County Council over the forthcoming Local Development Plan (LDP) period, between 2011 and 2021.
  2. It is intended to inform the LDP which is currently under preparation. The key objectives of the LDP are to create more inclusive, prosperous and vibrant communities; support a thriving and diverse economy; and, deliver a level of housing that is sufficient to provide a wide ranging choice for existing and future residents.

## HEaDROOM

* 1. In undertaking this assessment, NLP has employed its HEaDROOM framework, an analytical tool which is used for defining the quantum of housing that should be planned for through Local Development Plans.
  2. HEaDROOM provides the basis for assembling and presenting evidence on local housing requirements in a transparent manner and makes use of the industry-leading PopGroup suite of software which was developed by the Local Government Association and is directly used by over 70 local authorities in the UK and by the Department for Communities and Local Government and the Welsh Government. This provides a robust and transparent means by which the housing implications associated with a range of inputs can be tested.
  3. HEaDROOM provides a mechanism by which key challenges can be understood and competing objectives assessed. It offers an understanding of the role of housing in ensuring that the future population of a locality can be accommodated in a manner that respects environmental limitations and strategic aspirations, but which also recognises the extent to which housing plays a crucial role in securing the economic well-being of the local area. In so doing, it has the capacity to provide the detailed evidence that is required to inform sound planning decisions, based upon an appreciation of the (potentially competing) policy requirements and the local nature of the relevant area.
  4. The key variables that should be tested as part of the process of assessing future housing need are summarised below:

**Demographic**

Natural Change

Migration (domestic and international)

**Housing**

Household Formation Rates

Housing Vacancy / Second Homes

**Economic**

Employment Growth

Economic Activity

Unemployment

Commuting

* 1. By flexing each of these inputs in turn, it is possible to develop a range of alternative scenarios which will have a range of implications in terms of the future housing requirements. The strengths and weaknesses of data and conclusions for each assessment basis can then be considered and balanced in order to achieve a much narrower range of housing numbers targets.

## Housing Need

* 1. Planning Policy Wales (PPW) provides a policy vehicle for the delivery of the Assembly Government’s objective of providing more housing of the right type and offering more choice. It requires local authorities to develop evidence-based policies in their development plans and ensure that these are based upon an up-to-date assessment of the full range of housing requirements across the plan area over the plan period.
  2. PPW goes on to state that *“the latest Assembly Government local authority level Household Projections for Wales should form the starting point for assessing housing requirements”*. However it also recognises that *“local planning authorities should consider the appropriateness of the projections for their area”* and that *“where local planning authorities seek to deviate from the Assembly Government projections, they must justify their own preferred policy-based projections by explaining the rationale behind them”* in relation to (inter alia):
     1. The Wales Spatial Plan;
     2. Local housing strategies;
     3. Community strategies;
     4. Local housing requirements;
     5. The needs of the local and national economy;
     6. Social considerations (including unmet need);
     7. The capacity of the area in terms of social, environmental and cultural factors to accommodate more housing;
     8. The environmental implications; and,
     9. The capacity of existing or planned infrastructure.
  3. Although PPW does recognise how some supply-side matters might be taken into account when seeking to identify local housing requirements, it is important to distinguish housing requirements and housing supply as two distinct elements of the process of planning for future residential development, as follows:
     1. Housing requirements: how many houses are needed in a local area?
     2. Housing supply: how / where can these houses be delivered?
  4. Housing requirements and supply could be summarised as each involving the following considerations.

**Supply**

Land

Environment

Infrastructure

Policy

**Requirements**

Demographic

Economic

Housing

* 1. Whilst housing requirements will clearly impact upon supply-side considerations (i.e. by determining the number of houses that need to be provide for), it would not ordinarily be appropriate for land supply matters to determine the housing requirement for a particular area.

# Scenario Assumptions and Approach

* 1. Based on past trends and the baseline housing, economic and demographic context of Monmouthshire, NLP has identified a number of scenarios which reflect potential future growth. These have been identified to reflect what has occurred previously, as well as what might happen in the future given the range of factors which affect population and household growth. The implications of the different scenarios can be identified and addressed in order to better understand future housing requirements.
  2. We explain the rationale behind each scenario below and set out the results of our modelling process in the next chapter.

## Demographic led scenarios

### Scenario A: 2008-based population projection (Baseline)

* 1. This baseline scenario draws upon the latest 2008-based Welsh Government (WG) population and household projections. It considers the implications of a continuation of fertility, mortality and migration trends, together with household formation and occupancy rates that were experienced over the 5 years to 2008. An allowance for second homes and vacancies has enabled the translation of household projections to a dwelling requirement. This scenario represents a potential future scenario based upon most up-to-date inputs and assumptions for Monmouthshire. However, it is draws upon data from a relatively short period of time and takes no account of the future impact of national or local policies.

### Scenario B: Census

* 1. In addition to the baseline scenario, it is helpful also to consider the implications of the initial tranche of Census results. The preliminary Census data, which was published in July 2012, is very limited and only provides a breakdown of Monmouthshire’s population in 2011 by five year age cohorts. No Census 2011 data is currently available in relation to migration or natural change. This scenario considers the impact of constraining the 2011 population to the figures contained within the Census results and then applying fertility, mortality and migration rates from the Welsh Government 2008-based projections. Household and dwelling rates are applied in the same was as for the Baseline scenario.

## Economic led scenarios

* 1. Housing and employment are inextricably linked and need to be synergetic. An imbalance between them can act to constrain economic growth and regeneration or create unsustainable commuting patterns.
  2. The job-led scenarios serve to help understand the demographic and housing implications of a given change in the number of local jobs, taking account of assumptions regarding economic activity, unemployment and commuting. This will help to understand the balance which needs to be struck between housing and employment provision.
  3. The Council’s evidence has identified two alternative employment figures: 1,700 and 2,800 over the 10 year Plan period:
     1. The 1,700 job figure comes from (now outdated) economic forecasting (2008) for the period from 2006 to 2026; and,
     2. The 2,800 figure comes from applying the historic job growth between 1998 and 2008 without any reference to market realities or the ways in which this scale of growth might be acheieved.
  4. In addition zero job growth has been tested to understand the implications of economic stagnation.
  5. In order to demonstrate the sensitivity of housing requirments to changes in the economy and understand the implications of the identfied employment figures, we have tested the population and housing implicaitons associated with each of these levels of economic growth (Scenarios C – E).

# Results of HEaDROOM Analysis

* 1. The results of the HEaDROOM analysis can be compared with the proposed housing delivery set out within the Monmouthshire LDP Focused Changes Document (October 2012). This identified a requirement of 4,000 dwellings between 2011 and 2021, based on the application of Welsh Government household projections, less an allowance for the part of Monmouthshire that falls within the Brecon Beacons National Park.

## HEaDROOM Outputs

* 1. The analysis is summarised in the table below, which indicate that there is a potential housing demand in Monmouthshire of between 4,100 (410 dwellings per year) under the baseline scenario (A) to 8,300 dwellings (830 per annum) under the economic growth scenario (D) between 2011 and 2021.

Table 3.1 Summary of Demographic and Economic Scenarios over period 2011-2021

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Demographic Led | | Economic Led | | |
| Scenario A: Baseline | Scenario B: Census | Scenario C: 1,700 Jobs | Scenario D: 2,800 Jobs | Scenario E: 0 Jobs |
| Pop Change, 2011-21 | 3,050 | 3,550 | 9,850 | 12,000 | 6,500 |
| Of which Natural Change | -650 | -150 | -50 | 100 | -400 |
| Of which Migration | 3,700 | 3,700 | 9,900 | 11,900 | 6,900 |
| **Dwelling Change, 2011-21** | **4,100** | **4,700** | **7,400** | **8,300** | **5,900** |
| Dwellings p.a. | 410 | 470 | 740 | 830 | 590 |
| Employment Change | -1,800 | -1,500 | 1,700 | 2,800 | 0 |
| Employment p.a. | -180 | -150 | 170 | 280 | 0 |

Source: NLP Analysis of PopGroup Outputs

* 1. As shown above, the dwelling requirement associated with each of these scenarios exceeds the level proposed by Monmouthshire’s LDP Focused Changes Document. However, the demographic-led scenarios would result in a reduction in employment over the Plan period, contrary to the aims and objectives of the LDP. By implication, the housing figure contained in the Focused Changes Document will result in an even more substantial imbalance between the stated aspiration for employment growth and actual delivery.

Figure 3.1 Summary of Demographic and Economic Scenarios over period 2011-2021



Source: NLP Analysis of PopGroup Outputs

## Review of Scenarios

* 1. PPW seeks to *“provide more housing of the right type”* and in so doing, it emphasises the need for local planning authorities to ensure their Local Development Plan meets the full, objectively assessed needs for housing in the area. The forward-looking analysis set out above provides the basis by which this objective might be met. By reviewing the implications of each scenario, it is possible to identify which is best able to reflect Monmouthshire’s future housing need.

### Demographic Scenarios

* 1. The two demographic scenarios reflect the same approach in modelling the implications of past natural change and migration trends. Of these, changing migration levels tends to have the greatest direct impact upon future dwelling requirements.
  2. When considering trend-based scenarios, it is important to understand how these will project forwards a continuation of previous circumstances. For example, a legacy of limited housing delivery or a failure to attract employment growth is likely to have impacted upon net migration. In turn, this would affect future housing projections. Crucially, these scenarios are policy-neutral scenarios and do not consider the implications of specific objectives (for example, relating to economic growth).
  3. Both of the demographic scenarios would result in a reduction in the number of working age people (Scenario A: -5%; Scenario B: -4%). The implication of this would be that the level of house building associated with these scenarios would result in a substantial reduction in the number of jobs that could be supported by the local economy. This is shown over the Plan period in the Baseline and Census scenarios as a decrease in jobs of 1,800 and 1,500 jobs respectively. By implication, the housing requirement of 4,000 dwellings would result in an even greater level of employment loss (-2,100 jobs).
  4. By contrast, both scenarios would result in an increase in the number of retired people within Monmouthshire (Scenario A: 28%; Scenario B: 21%). This combination of a loss of working age people and increase in the number of retired people would create a potential economic “time bomb” in terms of greater demands upon public services but fewer people to provide these services and less taxation income to fund them.
  5. The Baseline and Census scenarios both indicate a housing requirement above that of the Monmouthshire County Council’s LDP Focused (4,100 and 4,700 dwellings respectively); neither would support economic growth and so adoption of these scenarios would not accord with the LDP vision and the Plan’s economic aspirations for Monmouthshire.
  6. Although the Census Scenario should be considered in the context of potential methodological weaknesses, it is helpful in highlighting the overall direction of travel as a result of the initial tranche of Census data and, importantly, points towards an upward pressure on population levels as a result of the application of this latest data. As such, it serves to further indicate that that housing requirement contained within the Deposit Draft LDP is inadequate, not just in economic terms but also in respect of the latest demographic evidence.

### Economic Scenario

* 1. In the light of the matters detailed above, the housing requirement figure for Monmouthshire should not solely rely on demographic data but should be more visionary given the economic aspirations for the area.
  2. Recognising the importance of achieving a balanced strategy that is internally consistent and therefore seeks to balance future housing and employment growth, it is evident that the objectively assessed housing requirement should be based both on demographic and economic considerations.
  3. A more balanced population increase will help facilitate and avoid the loss of younger people and increase in older persons in the future. Stemming the outflow of working age persons and achieving a balanced community will ensure the area might avoid the economic time-bomb that it is currently facing.
  4. The importance of selecting the correct future housing requirement figure is to ensure balanced growth in-line with the economic potential of an area. To achieve balanced and well-distributed growth, economic policies must align with policies seeking the future development of houses in the area. Policies must therefore ensure that they are pulling in the same direction to achieve the desired outcomes.
  5. Providing good ‘social’ foundations for an area, i.e. the correct type and amount of housing will help to deliver economic growth. In order to test the relationship between employment and housing growth, three employment-led scenarios have been applied. This applies the growth figures that informed the Council’s evidence base 1,700 and 2,800 jobs as well as the consideration of the implications of economic stagnation (zero job growth).
  6. The zero growth scenario is helpful in further demonstrating how the demographic scenarios and the proposed housing delivery contained within the Council’s LDP focused changes document fail to provide sufficient housing to ensure an appropriately aligned strategy. Given the scale of the dwelling requirement that is necessary to meet these aspirational employment figures, the zero job growth scenario is helping in demonstrating how many houses are required to ensure that there are no future job losses. By implication, any target below the 5,900 dwellings associated with this scenario would be detrimental to the well-being of the local economy.
  7. By contrast Scenario C (1,700 jobs) and D (2,800 jobs) anticipate the delivery of 7,400 and 8,300 dwellings respectively between 2011 and 2021. As with the other scenarios, these figures have taken into account assumptions regarding economic activity (taking account of changes to the statutory pension age), unemployment (gradually falling to 4.4% (the average figure experienced between 2004 and 2012)) and commuting (the ratio of the number of economically active persons to jobs holding steady at 1.06 - implying net out-commuting). However, these figures do not take account of the backlog in housing completions that built up between 2006 and 2011.
  8. All three economic scenarios can be understood in terms of:
     1. The expectation of continued out-commuting, e.g. to Newport, Cardiff and Bristol in particular. The provision of new jobs and houses in Monmouthshire is unlikely to address this substantially.
     2. An ageing population which means that:
        + 1. there will be a greater reliance upon in-migrants, rather than just local people, to fill the new jobs; and,
          2. there will be a need for in-migrants to fill existing jobs that will become vacant over time as people retire.
  9. As set out above, Scenarios C and D can be further understood in the context of ambitious (and very different) employment growth aspirations, such that they result in a housing requirement which is 85% and 110% (respectively) above that contained within the Deposit Draft LDP. The deliverability of this level of housing may need to be considered in further detail.

# Conclusion

* 1. This HEaDROOM analysis demonstrates that the level of housing growth that is proposed in Monmouthshire County Council’s Focused Changes Document (October 2012) is inadequate to meet household growth and other strategic and economic objectives. If implemented, it would result in a Local Development Plan that is internally inconsistent and that fails to reflect the requirements contained within the PPW.
  2. Based on the objective of achieving alignment between jobs and housing, the dwelling requirement equates to between 7,400 and 8,300 units over the Plan period. However, recognising potential difficulties in achieving this level of growth, the evidence further underlines:
     1. The importance of ensuring that employment projections are up-to-date and reliable, and that they are realistic in the context of the local area. Any overly ambitious employment targets may result in unachievable housing requirements; and,
     2. The need to avoid any risk of providing a level of housing provision that will result in a future loss of working age population and local employment.
  3. In the light of this, a housing requirement of **at least 5,900 units** over the LDP period would be more readily achievable whilst also ensuring the decline in employment growth is stemmed as much as possible.
  4. The draft LDP fails to meet the Welsh Government’s housing requirements for Monmouthshire and the level of provision derived from this trend-based approach would significantly undermine job creation and employment well-being.
  5. PPW clearly recognises that local housing requirements may deviate from the official projections, so long as there is a clear justification for this approach. Taking account of the criteria set out in paragraphs 9.2.1 and 9.2.2 of PPW, the rationale for the proposed deviation to a housing requirement of at least 5,900 dwellings is set out below:
     1. **The Wales Spatial Plan (Update 2008):** Monmouthshireis located within the important ‘South East Wales Capital Region’. Central to the objectives for this area is the encouragement and delivery of economic growth. The provision of a level of housing in Monmouthshire that undermines economic growth would be counter to this WSP priority.
     2. **Welsh Government latest household projections:** TheBaseline scenario reflects the latest Welsh Government projections. However, this does not take account of specific policy objectives or initiatives, either at a Welsh or a local authority level and fails to take full account of future economic factors. Crucially, it would result in the loss of jobs which is inconsistent with the LDP vision. The initial tranche of Census data also points towards an upward pressure on population levels which are not considered in these projections.
     3. **Local Housing and Community strategies:** In thecontext of the identified social and economic implications of the baseline scenario, it is not considered that the delivery of the level of housing requirement associated with the Welsh Government projections would accord with the provisions of local housing and community strategies.
     4. **The needs of the local and national economy:** Achieving an alignment between housing and employment growth is important in supporting the well-being of any area. The analysis in this report has shown how demographic scenarios – including the Welsh Government Baseline – fail to pay regard to economic considerations and would undermine the integrity of the LDP by failing to deliver a robust strategy within which the key policy components are adequately aligned.
     5. **Social considerations (including unmet need):** The Newport, Torfaen and Monmouthshire Housing Market Assessment (draft July 2007, LHMA) provides an assessment of housing need in Newport and indicates there is significant unmet housing need in Newport. Pursuance of an (upward) deviation from the latest Welsh Government projections will help to ensure this existing and emerging affordable housing need is met.
     6. **The capacity of an area and environmental implications:** It is understood that there is capacity for more than 4,000 dwellings in Monmouthshire and that there are no environmental reasons which means the recommended (upward) deviation cannot be delivered.

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