

Sent by email to: local.plan@colchester.gov.uk

10/08/2017

Dear Sir/ Madam

Response by the House Builders Federation to the Colchester Local Plan

Thank you for consulting the Home Builders Federation (HBF) on the Colchester Local Plan. The HBF is the principal representative body of the housebuilding industry in England and Wales and our representations reflect the views of discussions with our membership of national and multinational corporations through to regional developers and small local housebuilders. Our members account for over 80% of all new housing built in England and Wales in any one year.

Duty to Co-operate

It is clear that Tendring, Braintree and Colchester have been working closely in the preparation of their Local Plans. The shared approach to meet housing need across the Housing Market Area (HMA) set out in 'Part 1' of each Local Plan shows real commitment to addressing the strategic and cross boundary issues facing the housing market area. However, we are disappointed that Chelmsford, despite being mentioned in paragraph 1.8 of the draft Local Plan as being part of the HMA, are not part of this shared policy framework. A strategic framework covering all four authorities would provide an even more appropriate approach to delivering much needed housing and the infrastructure required to support that growth. As Braintree, Tendring and Colchester have looked to meet housing need at a strategic level we have considered the evidence on housing needs and the Garden Communities under the strategic Part 1 of the draft Local Plan that is shared across each authority. Consequently we comment on the needs of each authority in this representation.

Local Plan Part 1

Meeting Housing needs in the North Essex HMA

Policy SP3 is not sound as it is unjustified

Policy SP3 sets out the housing requirement for each of the Councils in the HMA which would deliver a total of 43,720 new homes. Whilst we would agree with the use of the 2014 Sub National Population Projections (SNPP) as a robust demographic starting point we are concerned that this level of delivery underestimates housing needs. In particular we are concerned that this figure does not:

- Adequately consider increased in migration from London (reflecting the London Plan's migration assumptions that underpin its own assessment of need)

- Effectively assess key market signals in relation to Braintree and Colchester
- Use ONS data as the starting point for Tendring's Objectively Assessed Housing Need (OAHN).

London migration

It is essential that Council's across the East and South East of England consider the impact of expected changes in migration between the three authorities and London. The Mayor of London's alternative 'Central Variant' migration assumptions in his SHMA of 2013 sets out the expectation that more people will move out of London, and fewer will move in from the rest of England than had been projected by the DCLG in its 2011-interim household projections. The Mayor is expecting that there will be 12,000 fewer households a year in London compared to the official DCLG projections at the time of examination. In this respect, we are pleased to see that Section 4 of the 2016 update to Objectively Assessed Housing Need Study (OAHNS) considers the impact of increased migration from London on the HMA. The potential impact is assessed by comparing the GLA's central scenario against the 2012 Sub National Population Projections and this analysis indicates that across the HMA there is likely to be a small increase in housing needs based on current GLA demographic models.

However, we do not agree with the final assessment that due to the annualised impact being relatively small it should not be considered. 64 homes per year over the plan period equates to 1,280 homes. This is a significant amount of housing need and should not be ignored. We would therefore suggest that even a minor uplift as indicated at paragraph 4.10 of the 2016 OAHNS should be considered. The changes in migration patterns between capital and the HMA also reflect the difficulties that London Boroughs are having in meeting their housing needs and concerns that the amount of unmet need arising from the capital in future will increase. As part of the evidence supporting the Further Amendments to the London Plan the GLA indicated a land supply to realistically deliver 42,000 dwellings per annum against a needs assessment of between 49,000 and 62,000 per annum depending on whether unmet needs are delivered over the next five or twenty years. Therefore as a minimum there is likely to be an unmet housing need of at least 7,000 dwellings. The table below sets out the delivery expectations of those 17 London Boroughs with an adopted or emerging Local Plan that reflects the housing requirements from the Further Amendments to the London Plan which were adopted in 2013 and clearly illustrates our concerns.

London Borough	FALP requirement	Delivery	Difference
Bromley	641	641	0
Camden	1,120	889	231
Croydon	1,592	1,435	157
Enfield	798	798	0
Hackney	1,599	1,599	0
Hammersmith & Fulham	1,100	1,031	69
Haringey	1,502	1,502	0
Havering	1,170	1,170	0
Hounslow	822	822	0

Lambeth	1,195	1,559	-364
Redbridge	1,252	1,123	129
Richmond Upon Thames	315	315	0
RBKC	733	733	0
Southwark	2,000	2,736	-736
Sutton	427	363	64
Tower Hamlets	3,931	3,931	0
Wandsworth	1,812	1,812	0
Total	22,009	22,459	-450

This table shows there is an undersupply of 450 dpa compared to the housing targets in the London Plan. Although there are still 16 London boroughs who have yet to produce up-to-date plans that adopt the new London Plan housing targets, the evidence at the moment suggests that the London boroughs are struggling to produce local plans that will meet the London Plan minimum figure of 42,000 dpa let alone increase supply to achieve the London (lower end of the range) OAN of 49,000.

The evidence indicates the starting point should be increased, as a minimum, within both Colchester and Braintree based on GLA scenarios. Further consideration may need to be given to uplifting Tendring's starting point in future depending on London's ability to meet its housing needs. Tendring has in the past seen relatively high net in-migration from London. This is shown in the Edge Analytics report Greater Essex Demographic Forecasts 2013-2037 Phase 7 May 2015. Figure 2 of this report shows that Tendring experienced similar levels of net in migration from London to those authorities in Essex that border the Capital.

Market signals

The 2016 OAHNS examines the issue of market signals and recommends an uplift of 20% for Chelmsford, 15% for Braintree and Tendring and no uplift for Colchester. We disagree with some of this assessment and suggest the evidence points towards a higher uplift for Braintree and Colchester given the affordability ratios and rising house prices seen across the area.

With regard to Braintree there are clear affordability issues that are not dissimilar to those found in Chelmsford. Affordability ratios based on work place earnings in Chelmsford are 10.9 compared to 9.7 for Braintree. Despite a steeper fall in house prices during the recession the study shows that values have grown in line with the rest of Essex with Figure 5.17 showing a worsening trend with regard to affordability ratios since 2013. Therefore whilst we would agree that there has been no long term historical under supply of homes in Braintree compared to previous plan targets a high, and worsening, affordability ratio and steeply increasing house prices indicates that a 20% uplift in line with Chelmsford is warranted.

The study sets out that it does not consider there to be sufficient evidence to support an uplift for Colchester. The reasons given are that affordability is "slightly above the national average" with "house prices and rents well below national averages". Whilst

helpful in providing context studies should be careful when considering affordability ratios and house prices against other authorities as well as national and local averages. The affordability of housing is a national concern and the affordability ratio for England reflects this issue. Just because affordability is close to the national position should not be sufficient justification for not applying a market signals uplift. The same applies to local benchmarking. House prices could be lower within one area of an HMA but if incomes are also disproportionately lower there would still be significant affordability concerns that would support an uplift in the OAHN. The issue of using comparisons to assess market signals was considered at the examination into the Mid Sussex District Plan. On page three of his interim conclusions on the Council's housing requirement 2017 the inspector stated:

“The Council places much reliance on the relative position of Mid Sussex vis- à-vis other districts in the HMA and in Sussex. It believes that if house price trends and related signals in Mid Sussex are broadly aligned with those in nearby authorities, which by and large they are, it should not be necessary to make a significant uplift to its OAHN to reflect market signals. The flaw with this is that if each authority simply had regard to similar trends in neighbouring authorities, and each plan were to replicate the OAHN approach of its neighbours, the cycle would be perpetuated and there would be no adequate response to continually worsening affordability.”

It is also worth remembering that despite lower than average house prices and rents it would still require someone on lower quartile earnings working in Colchester to borrow 8.7 times their salary to afford a home within this area. We would therefore suggest that based on the affordability ratios a minimum 10% uplift is applied on the basis of market signals. However, it should be noted that the Local Plan Expert Group advised that where affordability ratios were at this level uplifts of 20% should be considered. Therefore, to suggest, as the report does in paragraph 5.101, that there is no strong evidence for a market signal uplift would seem absurd.

Future jobs

We are pleased to see the consideration of jobs growth on the basis of whether there are sufficient homes, once the starting point and market uplifts have been considered, to meet the employment expectations of the area. Only where OAHN based on the demographic starting point and market uplifts indicate this would be below the jobs growth expected in the area should an additional uplift be applied. The approach taken in the 2016 OAHNS would appear to be reasonable and given the uncertainties around economic forecasts we are pleased to see that a range of forecasts are considered.

Tendring and UPC

We fundamentally disagree with the decision to reduce the starting point for Tendring on the basis of UPC. In doing so the Council appears to be seeking to base future needs on past housing delivery rather than rely on the Government's published projections. We do not consider such a scenario to be appropriate and we consider Tendring's starting point for their OAHN should be the 2014 SNPP of 675 dwellings per annum. Given that this is a 20 year plan and planning policy requires regular reviews of

this plan it will be possible to consider future iterations arising from ONS demographic projections should this be required. By using the 2014 estimates as a starting point ensures consistency not only with other authorities in the HMA but will also allow for effective strategic reviews in future across all three local planning authorities.

Conclusion on OAHN

Based on both increased migration from London and concerns regarding affordability we would suggest the following OANs for each of the three Councils forming part of the “North Essex” area:

- Braintree – 762 dpa (623 starting point plus 12 units for London migration scenario and a 20% uplift)
- Colchester – 1002 dpa (866 starting point plus 45 units for London migration scenario and a 10% uplift)
- Tendring – 776 dpa (675 plus 15% uplift)

This level of delivery would require the North Essex HMA to deliver 2540 homes per annum, a total of 50,800 new homes between 2013 and 2033.

Garden communities

Part 3 of SP8, SP9 and SP10 are unsound as they are not consistent with national policy

We welcome the identification of three new settlements across the North Essex HMA. This shows not only a commitment to delivering housing not only for this plan period but beyond 2033. However, we do have a point of consistency to raise about the target for affordable housing in each new settlement. In SP7 the target of 30% is clearly set out in part v. However, in Policy SP8 and Policy SP9 these targets are set out as minimums. An essential part of the local plan is to provide certainty to the applicants and to decision makers with regard to new development. Placing a minimum on the affordable housing requirement suggests that a higher proportion may be applicable and is purely a starting point for negotiation. The local plan must be clear as to the target it is seeking provide a clear signal to the market that can be factored in by developers when acquiring land. To make these policies sound the affordable housing requirement in SP8, SP9 and SP10 should not be set as minimums.

Local Plan Part 2

Policy SG2: Housing Delivery

We recognise that over the last 15 years the Council has regularly met and exceeded its annual target for new homes. However, we have concerns regarding the approach the Council has taken when considering housing supply and inconsistencies with the plan period set out for the North Essex HMA and the period used in SG2. This approach means that over delivery from previous plans is being used to improve the 5 year housing land supply by removing backlog resulting from under delivery against the

new housing requirement of 920 dpa. We are concerned that this may not be in line with Planning Practice Guidance which states:

“The housing requirement is set at the starting point of the plan, which can be earlier than the date the plan is adopted. For a plan to be found sound it would have to be based on an objectively assessed need for housing.” (Paragraph: 036 Reference ID: 3-036-20140306)

The same paragraph goes on to state:

“In assessing this need, consideration can be given to evidence that the council has delivered over and above its housing need in previous years.”

This suggests that over delivery against needs in the past should be factored into the assessment of need for housing rather than as part of land supply by carrying forward any over-delivery from previous plans. On this basis we would argue that the starting point for considering housing delivery within this plan should be 2013/14 in line with policy SP3 and that any suggested over delivery from the previous plan be considered as part of the housing needs assessment. Such an approach would be more consistent with PPG and recognises that past housing requirements were often capacity based targets rather than a reflection of housing needs. However, this strong delivery does mean that the Council does not have to consider a 20% buffer on its housing requirement.

In considering the five year land supply we have used the Housing Land Supply Statement published in June 2017 as the basis for our assessment. Using the table at paragraph 4.5 we have been able to calculate that for the 2013/14 to 2016/17 of the plan period the Council have a backlog of housing against planned supply by 110 dwellings. As required by PPG the Council should reduce this backlog within the first five years of the Plan. This method, commonly known as the Sedgfield approach, is the one we would suggest the Council adopts. The other approach taken is to meet any backlog across the whole plan period, otherwise known as the Liverpool approach. This second approach has significant disadvantages in that it delays the delivery of much need housing to later in a plan which in turn places great pressure on plan delivery and the risk of not meeting planned targets. The outcomes of both these approaches are set out below.

	Liverpool method with 5% buffer	Sedgfield method with 5% buffer
Basic five year requirement 2017/18 to 2021/22	4,600	4,600
Backlog 2013/14 to 2016/17	52	167
Total 5 year requirement 2017 - 2022	4,652	4,767
Buffer applied (5%/20%)	4,885	5,005
Supply 2017/18 to 2021/22	5,216	5,216
Surplus/shortfall	331	211
Number of years supply in first five years	5.3	5.2

Source: HBF

Whilst this does show five-years' worth of supply as required by paragraph 47 of the NPPF we are concerned that this supply is marginal and lapsed permissions or delayed delivery could have an impact. As such we are surprised that no account appears to have been taken with regard to these issues. This is not just a concern with regard to the Council's five year housing land supply but delivery across the plan period.

Not every site, even those with planning permission, can be expected to come forward exactly as planned. Indeed the Draft Local Plan seeks to reallocate sites that were intended to come forward by 2021 with the expectation they are delivered the final third of the plan period. This is an issue that the Government is clearly aware of and the reason why the PPG in paragraph 025 (Ref ID: 3-025-20140306) states that "*An overall risk assessment should be made as to whether sites will come forward as anticipated.*" We would suggest that greater consideration must be given as to the likelihood that all the homes across the plan period are likely to be delivered and whether there is a lapse rate in permissions. This issue is a concern elsewhere in the HMA with Braintree reducing expected supply by 75 homes in their five year land supply to take account of the potential for lapsed planning permissions.

It is also a concern of Government. In 2015 at the HBF Planning Conference the presentation by the Department of Communities and Local Government illustrated the need to take account of lapse rates of 10-20% and non-implementation rate of between 15 to 20%. Appendix 1 of this letter shows the slide used during this presentation which emphasised "the need to plan for permissions on more units than housing start/completions ambition". Therefore we would suggest that that in considering supply some degree of contingency is required to offer sufficient flexibility to protect delivery from unforeseen circumstances.

We would suggest that more sites are allocated in the plan that will deliver in the first five years of the Plan. A greater number of allocated small sites would give greater certainty of planning permission to small developers who would be able to deliver these homes more quickly than for larger strategic sites. Such sites are also able to increase the number of outlets for housing sales and offers a diversity of housing that the market requires.

DM8 Affordable housing

DM8 is unsound as it is unjustified

Paragraph 173 of the NPPF established the importance of viability testing to ensure that the sites and scale of development identified in the Plan should not be subject to such scale of obligations and policy burden that their ability to be developed might be threatened. However, we are concerned policy DM8 has not fully considered the viability assessment not paragraph 173. The 2017 Viability Study highlights that relatively small flatted schemes in both value areas were not viable at 30% affordable housing. Whilst the study dismisses these as being generally unviable due to market conditions rather than as a result of proposed policies, it goes on to suggest that an uplift in sales value would make such developments viable. Consequently it could be argued that a reduction in the costs of development, such as a reduction in affordable housing contributions, could also have an impact on the viability of such a development.

Given the Government has clearly set out in the Housing White Paper its intention to ensure that land is used in the most efficient way and to support higher densities in “urban locations that are well served by public transport (such as around many railway stations)” we believe the Council should have considered amending this policy to better support such development. The current level of obligation within the policy could well stifle the delivery such developments and potentially threaten the deliverability of the Local Plan. We recognise that the Council have stated in DM8 that where development costs undermine viability an alternative level of provision will be considered but this places the onus on the developer even where the Council is aware that viability will make some forms of development unviable. In order to make this policy sound the Council must ensure it reflects the evidence and seeks to support the efficient use of land wherever possible and in particular higher density flatted development in its urban centres.

DM12 Housing Standards

DM12 is unsound as it is not sufficiently justified

In policy DM12 the Council are seeking to introduce optional technical standards in relation to both minimum space standards and accessible housing. However, whilst both of these optional standards have been tested, as required, against viability, Planning Practice Guidance is also clear that evidence of need is also required to support implementation. The Local Plan nor any of the evidence papers supporting the Plan set out why these policies are needed. For the option accessibility standards PPG is clear that their use should be based on local assessments of housing need.

Paragraph 007 (Ref ID: 56-007-20150327) states:

“Based on their housing needs assessment and other available datasets it will be for local planning authorities to set out how they intend to approach demonstrating the need for Requirement M4(2) (accessible and adaptable dwellings), and/or M4(3) (wheelchair user dwellings), of the Building Regulations.”

Whilst we recognise that there is some need for more accessible housing, with the 2015 SHMA sets out that 17.7% of the Housing Market Area are likely to have limiting long term health problem or disability, we are concerned that the Council has made no assessment as to the degree to which the evidence supports the level of provision suggested. A much clearer assessment of the need for such homes and the level of supply being suggested must be undertaken by the Council if this policy is to be considered sound.

With regard to Nationally Described Space Standards again PPG is clear that:

“evidence should be provided on the size and type of dwellings currently being built in the area, to ensure the impacts of adopting space standards can be properly assessed, for example, to consider any potential impact on meeting demand for starter homes.”

No evidence appears to have been provided on the size and type of dwelling being built in the area nor an assessment of the impacts of adopting the space standards on starter homes or other specialist accommodation where smaller unit sizes may be perfectly appropriate. As such the Council are not able to justify the use of space

standards as set out in policy DM12. We would therefore suggest that part v of DM12 be deleted.

DM18: Provision of public open space

The policy is unsound as it has not been adequately justified.

Whilst the Council have undertaken an open space assessment as required by the NPPF it is unclear as to how this relates to the need for 10% of the gross area of any site to be useable open space. Whilst the policy recognises that provision will be site specific it then goes on to state the level at which provision is expected. Given that there are significant differences in the levels of open space across the Borough, as set out in the evidence, we do not consider such prescriptive approach to be appropriate. Provision in any development should be based on the location of the development and its relative accessibility to existing open space.

With regard to large sites we would expect this consideration to be made within the policy allocating such a site. This would enable a more site specific consideration of the open space needs relating to such large sites as well as the impact this could have on viability.

DM19: Private Amenity Space

The policy is unsound because it is unjustified.

The Council needs to provide evidence to justify this local policy. The Government set out in its Housing White Paper (HWP) an emphasis on making the most effective and efficient use of land and avoid building homes at low densities where there is a shortage of land for meeting identified housing requirements. The HWP goes further stating that flexibility should be given in applying policy and guidance. This policy seeks to apply a rigid policy that could restrict the delivery of new homes by requiring private open spaces of a specific size with no evidence to support this requirement.

If the Council considers that such a policy is necessary then it needs to justify it better, demonstrating how recent residential development has provided very poor levels of private external open space. We have been unable to detect an assessment in the supporting evidence base. It can be difficult to judge what might represent an appropriate amount of external space, since there are no official guidelines on this question. The Council may also wish to consider the land supply implications of such a policy and the impact on overall delivery of housing.

Conclusion

For the Colchester Local Plan to be found sound it must pass the four tests set out in paragraph 182 of the NPPF. At present we consider the Publication Local Plan to be unsound due to:

- Under-estimation of objectively assessed housing needs
- Inconsistent application of affordable housing requirements on strategic sites
- Unjustified approach to planning obligations for affordable housing
- Unjustified policies in relation to housing standards

We hope these representations are of assistance in taking the plan forward to the next stage of plan preparation and examination. I would also like to express my interest in attending any relevant hearing sessions at the Examination in Public. Should you require any further clarification on the issues raised in this representation please contact me.

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Yours faithfully

Mark Behrendt
Planning Manager – Local Plans
Home Builders Federation
Email: mark.behrendt@hbf.co.uk
Tel: 020 7960 1616

Appendix 1



Department for
Communities and
Local Government

In recent years there has been a 30-40% gap
between permissions and housing starts

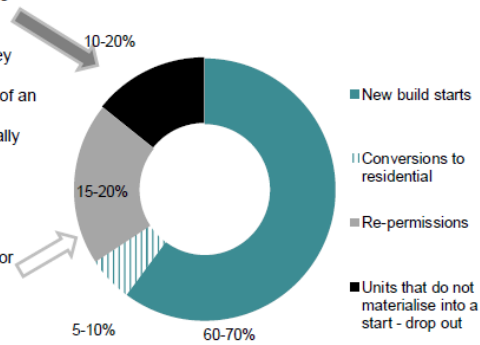
- **Gap of around 30-40%** between the number of permissions given for housing and starts on site within a year. Estimate that for a year's permissions for housing around:

- **10-20%** do not materialise into a start; the permission '**drops out**': this could be because -

- the landowner cannot get the price for the site that they want
- a developer cannot secure finance or meet the terms of an option
- the development is later not considered to be financially worthwhile
- there are supply chain constraints hindering a start.

There may be scope to reduce this through policy.

- **15-20%** are not abandoned but a **re-permission** is sought, for example to make a major change to plans or to extend the development period.



- Recent data and realities of private market suggests need to **plan for permissions on more units than housing start/completion ambition.**