

Home Builders Federation

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Matter 3

CHELMSFORD LOCAL PLAN EXAMINATION

Matter 3 – Objectively assessed housing need

Main issue - Whether the identified objectively assessed housing need is soundly based, supported by robust and credible evidence and is consistent with national policy.

13. Does the identified HMA, comprising Braintree, Colchester, Chelmsford and Tendring Council areas, provide a robust and appropriate basis for assessing housing needs? Is the exclusion of the Maldon Council area justified?

No comment

14. The OAHN Study Update (EB048) (OAHN Update) identifies 671 dwellings per annum (dpa) 'demographic starting point' for Chelmsford. Is the use of the 2014-based sub-national household projections for this 'starting point' appropriate? In the light of the latest 2016-based household projections, do these represent a meaningful change in the housing situation and what bearing, if any, do they have on the assessment of the OAHN and the soundness of the plan?

The 2016-based household projections see a reduction in the level of household growth across the Country. This is a result of changes in the subnational population projections upon which the household projections are based, and adjustments in the approach taken in the household projections to considering household formation rates. These are considered in turn below.

In May 2018 the ONS published the 2016-based population projections. These showed a significant reduction in the level of population growth for the majority of Boroughs across the country. These reductions were a result of two key changes to the inputs into these population projections. Firstly, the projections reflect the anticipation that life expectancy will not increase at the same rate as before. This will mean that the numbers of older people are not set to grow at the rate expected in the 2014-based projections. Secondly, the level of international in-migration is not expected to continue



at the same rate as previously. These adjustments have meant a reduction in population growth and will have an impact on household growth.

Alongside the reduction in population growth changes have also been made to household formation rates. These rates determine the number of households that are likely to form based on the sub national population projections. In previous iterations of the household projections these rates have been derived from household formation data going back to 1971. However, the latest household projections use a much more limited data series between 2001 and 2011. This has led to a lower household formation rates amongst younger people than would have been expected in the past as it reflects the fact that, due to higher house prices and reduced wage inflation, younger people have not been able to form households at the same rate as previous generations.

The major concern with regard to the latest household projections is that they will continue the trend of younger people forming households much later in life than in previous years. This posed a serious question for the Government as to whether it wants to see these trends continue or whether housing delivery needs to be at a level that will improve affordability and deliver homes that will improve the trend in household formation amongst younger people.

The Government have now provided some clarity on its position regarding the latest household projections in the latest consultation on its revised approach to the standard methodology¹. This consultation continues to state that the Government's aspiration is to increase delivery to 300,000 dwellings per annum by the mid-2020s. The document also recognises that this will not be achieved if the Government uses the latest household projections. It is proposed in the consultation that when assessing housing needs:

- the 2014 based projections will provide the demographic baseline;
- that the lower numbers in the 2016 based projections do not qualify as exceptional circumstances to depart from the standard methodology

Whilst we recognise that the principles set out in the consultation document have been made in relation to the standard method they provide a clear statement from Government that the 2016 based projections should not be used for assessing housing needs. Indeed, bullet point 2 of paragraph 27 of the consultation document recognises that whilst the Government generally recommends the use of the latest data in producing assessments of housing need, in this case there are such significant changes to the method that suggest these should not be used in the short term. The Government state in paragraph 27 of the consultation document that they:

“...would like to see the new method settling down before making a decision on whether this data provides the best basis for planning.”

¹ www.gov.uk/government/consultations/changes-to-planning-policy-and-guidance-including-the-standard-method-for-assessing-local-housing-need

Therefore, the only approach we consider to be sound, given the Government's position as set out in the consultation on the standard methodology, is for the continued use of 2014 household projections.

15. The OAHN Update concludes that for Chelmsford there is a need for a market signal adjustment, due to house prices and private rents being well above the national average and affordability being substantially above the national average. A market signals uplift of 20% is recommended which when added to the base point of 671 dpa equates to 805 dpa. Is this uplift justified and based on robust evidence?

As set out in our representation our main concern with regard to the Council's SHMA is whether or not the uplift that has been made to the demographic starting point is sufficient to improve affordability as required by paragraph 2a-020-20140306 of PPG. The Council's evidence shows that Chelmsford has become increasingly unaffordable over the last decade. The latest data on house prices and affordability published by Government shows that this situation has not changed. Median house prices increased by nearly £58,000 (21%) between 2015 and 2017. This rate of increase is slightly higher than the regional increases of 19% but substantially higher the 9% increase in house prices nationally. A similar situation can also be seen in the lower quartile house prices which provide a clear picture as to affordability at Borough level. Lower quartile house prices during the same period increased by 18% rising from £215,000 to £253,000. Compared to lower quartile work placed based incomes this results in the lower quartile affordability ratio increasing from 11.20 to 12.24. What is also concerning is that this ratio is now significantly higher than they were prior to the recession in 2008 when it stood at 9.37.

It is therefore clear that Chelmsford continue to have a significant problem with regard to the affordability of accommodation. Affordability is worsening at higher rate than for the Country as a whole and for the region. As such the uplift needs to be substantial to be consistent with PPG.

As to what is an appropriate uplift, recent decision at Waverley, Guildford and Aylesbury Vale provide some indication that there is recognition that such uplifts need to be substantially higher than they have been in the past in order to improve affordability. The most recent decision by the inspector examining the Vale of Aylesbury Local Plan suggested in his interim report² an uplift of "*at least 20% and probably 25%*" was required to improve affordability. Considering this was in a Borough where the lower quartile affordability ratio is less than that found in Chelmsford, suggests that a 20% uplift is insufficient. Using the Standard methodology would require the Council to apply a capped uplift of 40% and results in an OAN of 980 dwellings per annum. This is the level of uplift that is required if the Government are going to deliver their goal of delivering 300,000 homes per year by the mid-2020s – the amount of homes that it considers need to be built each year to improve

²https://www.aylesburyvaledc.gov.uk/sites/default/files/page_downloads/ED166%20Interim%20findings%2029%20August%202018%20.pdf

affordability. What is evident is that an OAN of 805 dpa does not meet this expectation and as such cannot be expected to improve affordability in the Borough.

16. In relation to London's housing needs, the OAHN Update concludes that only an insignificant uplift to the HMA's housing need is justified. Is this approach reasonable and based on robust evidence? Is there alternative evidence demonstrating a need to consider accommodating London's housing needs?

The 2016 update to the SHMA outlined that the potential impact of increased outmigration from London would require a further 74 dpa to be added to housing needs. This was ignored as being insignificant despite it requiring an addition 1,776 dwellings across the HMA between 2013 and 2037. The assessment of the impact of London set out in the SHMA is based on the alternative projections undertaken by the GLA to take account of reduced migration during the recession and the expectation that this will return to pre 2008 trends. In addition to the expected return to pre 2008 trends we are also concerned that the failure to deliver sufficient homes to meet needs in the capital will also lead to both increased in-migration from the capital and less out-migration to London from areas such as Chelmsford. We would therefore have expected a further assessment of this situation within the SHMA.

17. The OAHN Update uses two different economic forecasting models, the East of England Forecasting Model (EEFM), and Experian. Whilst the Update concludes that both forecasts are reasonable, for the purpose of assessing housing need the EEFM is recommended. It concludes that the jobs-led housing need over the plan period is 706 dpa for Chelmsford. Is the approach identified robust and is the identified need reasonably aligned with the forecasts for jobs growth?

No comment

18. In relation to affordable housing the SHMA Update (2015) identifies the need for 179 new affordable homes per year which equates to 22% of the OAHN figure. As such the study does not recommend an uplift for affordable housing. Is the SHMA's methodology for assessing affordable housing needs robust and in line with Government guidance and are the identified needs justified? Are the conclusions of the OAHN update robust in this regard?

No comment

19. Overall is the OAHN Study conclusion that the OAHN for Chelmsford should be the higher of the two adjusted figures (market signals or jobs led) at 805 dpa, justified?

The primary concern of Government is that the objectively assessed housing needs responds to market signals and provides sufficient homes to meet demographic needs and improve affordability. The consideration of jobs growth as part of the assessment is to ensure that housing growth supports the economic expectations of the local authority. This is undertaken in order to avoid an increase in unsustainable commuting patterns and a reduction in the resilience of local businesses where the supply of

working age population is less than projected job growth (PPG - paragraph 2A-018-20140306). As such the decision to use the higher market signals led assessment of need is consistent with national policy.

20. Does the OAHN assessment take adequate account of factors including migration trends, any suppressed household formation rates and forecast jobs growth? Does alternative evidence, such as that contained within Barton Willmore's 'Technical Review of Councils' Housing Needs Evidence Base' (March 2018), commissioned by Gladman Developments Ltd, justify a higher OAHN?

The Council's SHMA does not make any adjustments to the baseline demographic starting point – in this case the 2014-based household projections – in relation to migration trends suppressed household formation or forecast job growth. PPG is clear in paragraph 2a-015-20140306 that where there is evidence that household formation has been suppressed by under supply and worsening affordability then the extent of this should be considered by local planning authorities. The evidence produced by Barton Willmore on behalf of their client would suggest that there has been a worsening in household formation rates amongst those in the 25 to 34 age cohort and that this correlates with worsening affordability. This would suggest that an adjustment should be made to demographic starting point to take account of this situation or that the market signals adjustment should be increased. There is a significant risk that the impact of poor delivery in the past and the subsequent impact on household formation rates amongst this cohort will become embedded unless addressed. As outlined above this would appear to be a key concern of Government with regard to the 2016 based household projections.

21. Should the starting point for assessing housing needs be the Government's standard methodology?

No. The revised NPPF establishes that the Standard Methodology should not be used as the basis for assessing housing needs during the transitional period. However, it does provide a useful indication as to the level of delivery that will be required if the Government are to achieve its stated aim of delivering 300,000 dpa by the mid-2020s. It is evident that where affordability is worst housing need assessments will need to apply significantly higher uplifts than have been the case in the past. To some degree this has been happening with, as outlined above, inspectors supporting far higher uplifts than was previously the case. However, even uplifts of 20% in areas such as Chelmsford will not be sufficient to deliver the number of homes required to meet national targets.

22. Have the needs of particular groups (eg older people and those requiring specialist support) been appropriately taken in to account in the OAHN?

No comment

23. Have the housing needs for gypsies, travellers and travelling showpeople been adequately assessed in accordance with national policy and have they been based on robust evidence?

No comment

24. The GTAA (EB05a) concludes there is a need for 6 additional pitches over the GTAA period to 2033 for Gypsy and Traveller households that meet the planning definition; a need for up to 17 additional pitches for Gypsy and Traveller households that may meet the planning definition – although if the ORS national average of 10% were to be applied this could be as few as 2 additional pitches; and a need for 18 additional pitches for Gypsy and Traveller households who do not meet the planning definition.

No comment

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