

Home Builders Federation

Matter 4

NEW FOREST DISTRICT LOCAL PLAN EXAMINATION

Matter 4: Objectively Assessed Need and the housing requirement

Issue - Whether the Local Plan has been positively prepared and whether it is justified, effective and consistent with national policy in relation to Objectively Assessed Need and the housing requirement

4.1 The New Forest District falls within the three Housing Market Areas (Southampton, Bournemouth, and Salisbury). What is the basis for undertaking an assessment of OAN for the New Forest District and National Park areas, rather than part of the wider HMAs? Is this an appropriate approach?

See response to question 2.4 in our matter 2 statement.

4.2 Was the methodology employed in the Objectively Assessed Need Report 2017 appropriate and does it provide a robust basis for establishing the OAN?

Our principle concerns with the approach taken by the Council in establishing OAN in HOU1 relate to the demographic starting point; the consideration of economic growth; and the approach taken to market signals. These concerns are outlined in more detail in our answers to the questions below.

4.3 Is it justified in not using the 2014 subnational based population projections? Is the use of 10-year population trend-based data justified as an alternative approach?

In May 2018, the ONS published its 2016 based population projections. These indicated that the Council's alternative 10-year scenario based on the 2016 mid-year estimates, under estimated population growth in NFDC. In our statement we therefore suggested that the Council consider the latest population projections rather than their own alternative scenarios as this was the most up to date evidence on population growth available at that time.

However, in October 2018 the Government provided clarity with regard to its position on the 2016-based projections in the "Technical consultation on updates to national planning policy and guidance". This clearly sets out the Government's concerns regarding the use of the 2016-based projections and why it did not consider these to be justification for lower housing needs.

The proposals in this consultation have now been confirmed and it would suggest that the 2014-based projections should be used as the basis for assessing housing needs. As the position has since moved on there must be concerns that the Council's decision



is not consistent with the Government's current position with regard to the 2014-based projections. This would suggest, and contrary to our previous comments, the Council should be using the 2014-based projections as the starting point for assessing housing needs.

4.4 Are the assumptions regarding migration justified?

No. The approach taken by the Council cannot provide the level of sophistication compared to that provided by the ONS with regard to migration.

4.5 Are the assumptions regarding household growth justified?

The assessment of OAN in HOU1 concludes its section on headship rates stating that it is unlikely that 2014-based household formation rates do not include any degree of suppression. This statement would also seem to be contradictory with paragraph 5.30 of the OAN report which shows a shortfall in delivery against previous assessments of need. This evidence would suggest that the lack of housing delivery will have meant that households would not been able to form at expected rates and this will have in part led to the reduction in population for the area shown in the 2016-based subnational population projection. The decision not to include an adjustment to take account of suppression in household formation as required by paragraph 2a-015 of the PPG cannot be considered justified or consistent with PPG and as such is unsound.

4.6 What evidence is there in relation to future economic/jobs growth? How have economic/jobs growth forecasts and changes to working age population been taken into account?

The approach taken in HOU1 is to consider the level of labour supply within the Borough. However, whilst it is important to consider labour supply it is also necessary to consider the level of jobs growth expected within the Borough, and indeed across the functional economic area (FEA), to understand whether the growth in workforce resulting from increase in housing supply would be sufficient to meet the demand for labour. By considering only one part of this scenario the Council cannot say whether there will be sufficient working age people to support future economic growth. So whilst HOU1 states on page 41 that there the increase in labour resulting from housing growth provides opportunities for growth it makes no assessment as to whether that growth is sufficient to meet future demands for labour.

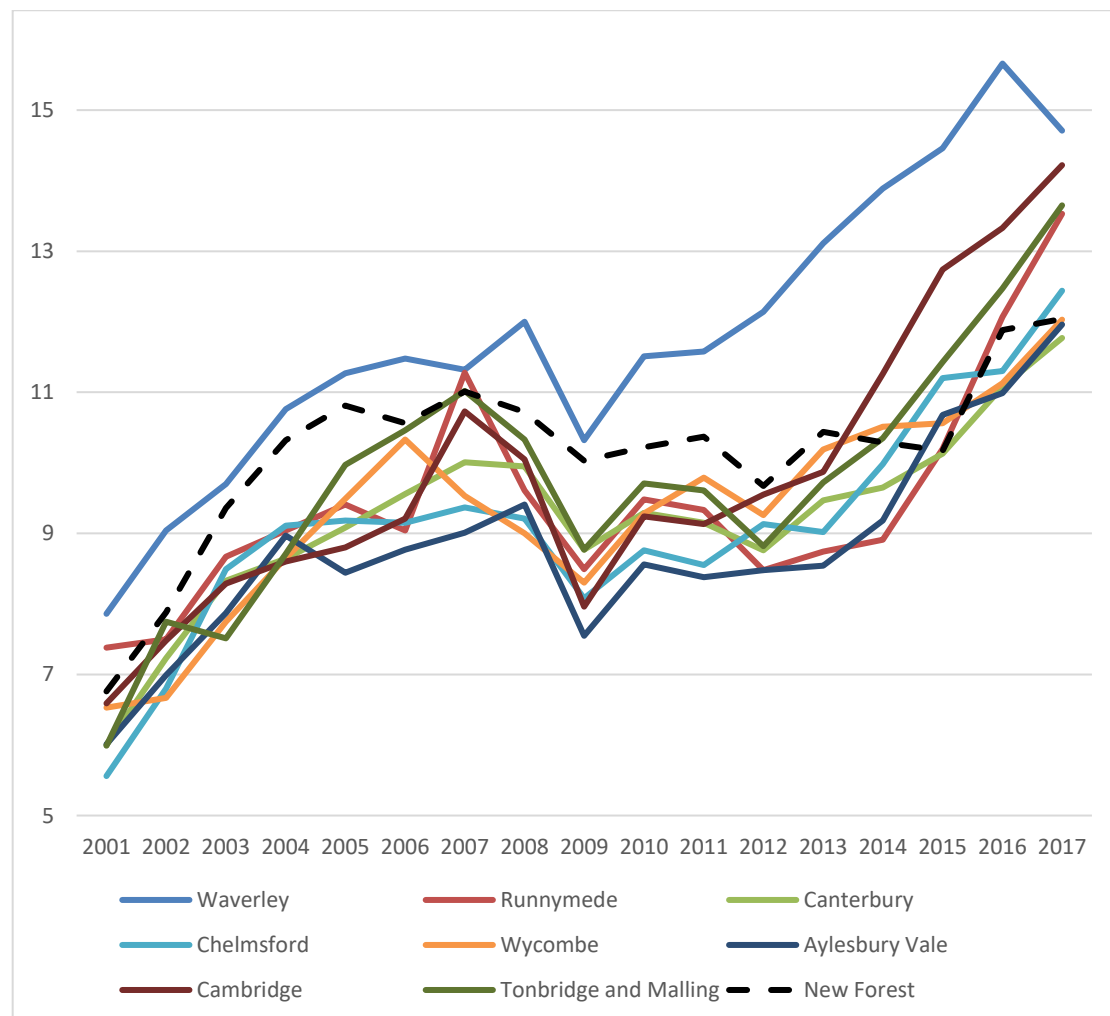
4.7 Is the approach of considering whether the level of housing growth would merely act as a barrier to economic growth in the New Forest District justified? Should economic/jobs growth forecasts be factored in to the calculation of OAN?

The Council can only know whether housing delivery is barrier economic growth if consideration is given to the level of jobs growth expected in the FEA over the plan period. This is particularly important considering there is an ageing population within the NFDC, and the Council cannot rely on older people working longer to meet its employment needs as is suggested in paragraph 3.36. It is essential that job/ economic growth forecasts are considered as part of the calculation OAN for it to be consistent with national policy.

4.8 How have market signals been taken into account? What do they show? What is the basis for the 15% uplift? Is this appropriate?

The 15% uplift proposed by the Council is not appropriate. Paragraph 2a-020 of PPG establishes that appropriate comparisons of indicators should be made, including comparison with longer term trends in the housing market area; similar demographic and economic areas; and nationally. It also states that a worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections.

It is evident that the market signals show a worsening trend with regard to the affordability of housing within NFDC. The lower work placed ratio for NFDC now stands at just over 12, almost double the ratio in 2001 and a sharp rise since 2015. It must also be recognised that the affordability ratio has been consistently high over the past decade with lower quartile house prices generally being 10 times lower quartile salaries. Whilst a range of factors will have contributed to this the lack of supply will have had a significant impact on long-term affordability problem and the recent spike in the affordability ratios. This would suggest that a more substantial response to market signals is required. When looking at other areas it is possible to see that those areas with affordability ratios similar to New Forest are making uplifts of at least 20%. The chart below shows the affordability ratios of all those authorities who have made an uplift of 20% or more to account for market signals.



What this chart shows is that NFDC is very similar in affordability to those authorities that have applied a 20% uplift. There is now a growing recognition that the affordability

uplifts that were being applied were not sufficient to address affordability and that these had to be more substantial. The need for higher uplifts was also brought into sharp relief by the introduction of the standard methodology. This highlighted that the Government's expectation was that uplifts should have been far higher if it was to achieve its aims of improving affordability. Indeed, if the Government are to achieve its aim of delivering 300,000 homes by the mid 2020's the uplifts applied during this transitional phase must, if they are to be considered sound, look forward and ensure that there is consistency between local delivery and national targets.

4.9 Given the scale of identified affordable housing need, should the OAN be increased to assist in delivering more? If so to what extent?

Yes. We would suggest that the affordable housing needs within NFDC would support the Council adopting a higher housing target. One approach would be to include a higher market signals uplift given that affordability is such a key component of that mechanism. We would support a minimum overall uplift of 20% in response to market signals and to improve affordable housing delivery.

4.10 In overall terms, is the OAN of 10,420 for the Plan period (2016-36) or 521 dwellings per annum appropriate and justified? Is there a basis to arrive at an alternative figure and if so what?

The level of delivery is not appropriate or justified. As set out above there are key components of the Council's OAN that are not justified and must be addressed to ensure the plan is sound. As this plan has been submitted under the transitional period, we are aware that the standard method for assessing local housing needs cannot be used. However, it is worth noting even if all authorities were to deliver in line with this method the country would fall short of the Government national target. There must, therefore, be concerns that the SHMA is some 405 dpa short of the standard method. The Government's decision to use the 2014 based Household Projections in the standard methodology is a material consideration and one that indicates that their use in housing needs assessments currently being examined in the transitional period is a sound approach. In addition, an uplift of at least 20% should also be applied.

4.11 Is the housing requirement figure of 10,500 for the plan period set out in Policy 5 appropriate and justified?

The requirement is not appropriate as it is based on an unsound assessment of housing need. It is also essential that the requirement is established as a minimum. As currently worded, there is no clarity as to whether the Council will or won't achieve its housing requirement.

4.12 Is the approach to the housing requirement consistent with that for the provision of employment land and economic growth set out in the Local Plan?

See answers to questions 4.6 and 4.7.

4.13 What is the basis for the phased approach to annual average housing requirements in principle and in terms of the specific figures? Is this approach justified?

No. As we outline in our statement the such an approach is not consistent with paragraph 03-035-20140306 of PPG which requires authorities to deal with any backlog within the first five years of the plan. The proposed stepped trajectory pushes

back delivery of the backlog until much later in the plan period. The impact of the proposed trajectory will mean that housing supply will not improve in the short term and lead to a worsening of affordability in NFDC. The Council will seek to deliver just 230 homes each year until 2021 and then just 450 until 2025/26 – a level that will not even meet the Council's own lowest estimates of household growth during this period. The Council should look to allocate additional small sites that could deliver within the next 5 years in order to address its backlog and do more to meet needs earlier in the plan period. Plans should be prepared to address the back log as required by PPG unless it can be shown that neighbouring authorities will be delivering more to compensate.

Mark Behrendt MRTPI

Planning Manager – Local Plans SE and E