

Hart Local Plan Examination 2018

Our ref 16154/01/MS/BHy
Date 25th October 2018
On behalf of Wates Developments Limited (“Wates”)

Subject Matter 3 – Housing: the objectively assessed need for housing and the housing requirement

3.1 Having regard to the transitional arrangements contained in the NPPF, 2018 is the use of the standard methodology for calculating housing need justified?

1.1 The Council had concluded that the standard method would be used for the purposes of its plan, prior to the final version of the NPPF confirming transitional arrangements. The Council’s Duty to Co-operate Statement (CD9), published in June 2018, set out (para 17) that:

“Hart’s Plan is based on the standard methodology, having followed transitional arrangements set out in the Government consultation ‘Planning for the right homes in the right places’...”

1.2 However, the use of standard method is not justified. The NPPF 2018 (as published in final form in July 2018) sets out very clear transitional arrangements at Annex 1, paragraphs 212-214. For the purposes of plan-making, paragraph 214 is clear that:

“The policies in the previous Framework will apply for the purpose of examining plans, where those plans are submitted on or before 24 January 2019...” (emphasis added).

1.3 As the Hart Local Plan was submitted before 24th January 2019, the plan’s housing need figure should not derive in any way from the standard method, as the Council has done (noting that, even then, it does not use the standard method figure without further adjustment). This was raised in Wates’ response to the Regulation 19 Local Plan consultation (Policy SS1, Representation ID 188). The Plan, and housing need and requirement, is to be examined and tested against the NPPF 2012, and associated guidance.

1.4 It should also be noted that Government has stated its intention to revise the standard method, to be consulted upon “before Christmas”. It is highly likely the standard method as it is currently set out, will never actually apply for Plan Making purposes, so it would not be sound to place weight upon it at this juncture. We note that precisely this point was made by the Inspector determining one of the first s.78 appeals under the revised NPPF concerning housing needs¹ (:

“Finally, Government guidance indicates that the new methodology for assessing the housing needs is incomplete and so it would be premature to make and rely upon such an assessment.” (APP/F2360/W/18/3198822 para 44)

1.5 The same reasoning applies with equal force in the present context. If the Council is to follow through the logic of its decision to apply new standard method rather than an OAN assessment pursuant to the 2012 NPPF, then the application of the standard method will necessarily be informed by the anticipated changes to it.

¹ APP/F2360/W/18/3198822, Land of Brindle Road, Bamber Bridge, Preston PR5 6YP (31 August 2018)

3.2 Does the use of the standard methodology fulfil the requirements of the first bullet point of paragraph 47 of the NPPF, 2012?

- 1.6 No, the use of the standard method does not fulfil the requirement of paragraph 47 of the NPPF 2012 – but nor does it claim to do so. There is an important distinction between the NPPF 2018 (para 60) which requires plans to be informed by an assessment of “local housing need” conducted using the standard method and the NPPF 2012 (paras 47 and 159) which requires authorities to identify “objectively assessed need” for housing within a SHMA in line with the PPG 2014. They are two different constructs in national policy.
- 1.7 Paragraph 47 of the NPPF 2012 sets out that local authorities should use their evidence base to ensure their Local Plan meet the full, objectively assessed need (OAN) for market and affordable housing in the housing market area (HMA), while paragraph 159 sets out what this evidence base should address (including migration and demographic change, all types of housing and housing demand). The PPG accompanying the NPPF 2012 provides further information on assessing need and identifies that an OAN should fulfil the following criteria, and these are the bases for HOU1a (“the SHMA”):
- Be proportionate and consider only future scenarios that could reasonably be expected to occur (ID 2a-003);
 - Be based on facts and unbiased evidence. Constraints should not be applied to the assessment of need (ID 2a-004);
 - Utilise household projections published by DCLG as the starting point (ID 2a-015);
 - Consider sensitivity testing, specific to local circumstances, based on alternative demographic projections and household formation rates (ID 2a-017); and
 - Take account of employment trends (ID 2a-018), market signals (ID 2a-019) and affordable housing needs (ID 2a-029).
- 1.8 By contrast, the standard method uses just two metrics – household growth and the affordability ratio - to produce a minimum housing figure which becomes the starting point for the overall housing requirement. This does not purport to represent full OAN in line with the previous framework or guidance, which addresses the factors set out above. The PPG 2018 clarifies that the standard method:
- “... uses a formula to identify the minimum number of homes expected to be planned for, in a way which addresses projected household growth and historic under-supply.” (PPG 2018, ID 2a-002)*
- 1.9 The standard method does not account for (or claim to account for) several factors which inform an OAN. Separate provisions are made within the PPG 2018 to address factors which may lead to a higher requirement figure than the standard method (see PPG 2018 ID 2a-010), but these are not part of the standard method for determining the minimum housing need figure. The differences are summarised below.

Demographic-led needs

- 1.10 The standard method (and PPG 2018) does not allow for a departure from the official household projections as the starting point, unless ‘exceptional circumstances’ have been demonstrated. By contrast, the PPG 2014 at ID 2a-015 and ID 2a-017 states that plan-makers should address factors such as past under-delivery of housing in the demographic-led assessment of need which are not reflected in official projections. These adjustments to the demographic projections in the

PPG 2014 are in addition to addressing market signals, which is a separate part of the assessment, set out at ID 2a-019/020.

Market signals

- 1.11 A market signals uplift of sorts is present in both the PPG 2014 OAN methodology (as market signals) and the standard method (as the affordability uplift). However, the standard method applies a fixed percentage uplift based on the affordability ratio, whereas the PPG 2014 requires addressing a wider range of market signals (prices, rents, affordability, land values, homelessness/overcrowding) and provides no guidance as to what scale should be applied, only that plan-makers should “...increase planned supply by an amount that, on reasonable assumptions ... could be expected to improve affordability...” (PPG 2014 ID 2a-020). Therefore, an element of judgment is needed as to what scale this could be.

Employment-led needs

- 1.12 The PPG 2014 is clear at ID 2a-018 that plan-makers will need to consider the location of housing where there is a mismatch between likely job growth and the supply of economically active residents. In practice, this means making an uplift to the OAN in areas where there is expected to be a shortfall in workers; an adjustment and consideration absent from the standard method.

Affordable housing needs

- 1.13 An assessment of/uplift for affordable housing needs is also absent from the standard method (an uplift for this may be considered, but it is separate to the standard method calculation). By contrast, it has been clarified by the courts (see *King’s Lynn*²) that under the PPG 2014 methodology, affordable housing needs should have an “important influence” on the OAN:
- “This [at PPG ID 2a-028] consideration of an increase to help deliver the required number of affordable homes, rather than an instruction that the requirement be met in total, is consistent with the policy in paragraph 159 of the Framework requiring that the SHMA “addresses” these needs in determining the FOAN. They should have an important influence increasing the derived FOAN since they are significant factors in providing for housing needs within an area.” (King’s Lynn, para 33) (emphasis added)*
- 1.14 *King’s Lynn* accepts that in some cases meeting affordable housing needs in full might lead to an unrealistic figure (see *King’s Lynn* para 32) (indeed the PPG 2014 clarifies that OAN assessments should not consider purely hypothetical scenarios at ID 2a-003). But where it is necessary, possible and reasonable to make an uplift to deliver more affordable housing needs, consideration of this should form part of the OAN in an assessment under PPG 2014.
- 1.15 In summary, an OAN undertaken in line with the NPPF 2012/PPG 2014 cannot simply be substituted with the standard method (as the Council has done) because of the fundamental differences in inputs, methodology and outputs.

² Borough Council of Kings Lynn and West Norfolk v Secretary of State for Communities and Local Government, ELM Park Holdings Ltd [2015] EWHC 2464 (Admin)

3.3 Is uplifting the housing requirement by some 33% above that calculated by the standard methodology to 388 dwellings per annum justified? What evidence are the uplifts based on?

- 1.16 The Council has applied an uplift of 33% to the – incorrectly used - standard method figure. Therefore, the figure of 388 dpa is inherently flawed because it derives from a figure which should not be used in the first place.
- 1.17 The uplift of 33% is the overall uplift from the original standard method figure (292 dpa) to the final figure of 388 dpa. The 388 dpa is arrived at as set out in Appendix 2 of CD1 – based on the standard method figure of 292 dpa, uplifted to 310 dpa (having removed the cap) and uplifting 310 dpa by a further 25%, giving 388 dpa.
- 1.18 The basis for uplifting by 25% appears to be arbitrary – the reference to the 25% appears in Appendix 2 of CD1 (and TPO1 page 7) but there is no substantive reasoning for this precise figure. We consider a large uplift is likely necessary to meet the ‘reasonably be expected to improve affordability’ test in the PPG 2014, but there is no justification why the uplifts proposed are the right scale to address the acute housing need issues in the District.

3.4 Does or should the housing requirement formally include any unmet need from Surrey Heath?

- 1.19 The housing requirement does not include any unmet need from Surrey Heath with the Council’s reasons set out in TOP1 (paras 4.6-4.14). However, none of these reasons withstand basic scrutiny. The omission of any unmet need in Hart’s housing requirement was an issue highlighted in the representations made by Wates to Policy SS1 p.6 at Regulation 19 stage.
- 1.20 Firstly, the housing requirement should include unmet need from Surrey Heath because the NPPF 2012 (against which the Hart Local Plan is to be examined, as per Annex 1 of the NPPF 2018) is clear that:
- “To boost significantly the supply of housing, local planning authorities should...use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area...” (NPPF 2012, paragraph 47) (emphasis added)*
- 1.21 It is not adequate to dismiss unmet need because there is apparently no shortfall against the standard method (as the Council currently does at para 4.8 of TOP1) – the standard method does not currently apply for the purposes of plan-making in Hart and unmet need should be measured against an OAN contained within a SHMA. This is another significant error in the Council’s Duty to Co-operate Statement (CD9) which incorrectly states at paragraph 12 that the housing numbers in the Hart Plan should be based on the standard method. In any case, the standard method is subject to change imminently³, and it is premature to draw conclusions about what figures it might produce in the future now; the Council should address what is known now.
- 1.22 Surrey Heath’s current plan comprises the Core Strategy which contains a housing requirement (Policy CP3) of 3,240 dwellings 2011-28, equivalent to 190 dwellings per annum. The SHMA (HOU1) identified Surrey Heath’s OAN to be 382 dpa 2014-32 (HOU1a para 35)⁴. This means

³ As clarified in the Government statement accompanying the NPPF in July 2018, published as part of the 2018 PPG.

⁴ Rushmoor Council is currently consulting main modifications to its emerging plan which meets its OAN as set out in the SHMA. Once adopted, no unmet need against the OAN will exist from Rushmoor in the HMA.

that since the base date of the SHMA (i.e. 2014) a backlog of need has been accruing within the housing market area, at a rate of 198 dwellings per annum. This is not being met in Rushmoor⁵. This is need which is going unmet through plans now and should be addressed in the Hart Local Plan in order for the Council to demonstrate that the plan meets paragraph 47 of the NPPF 2012.

- 1.23 Notwithstanding that existing unmet need should be measured against OAN in HOU1, it also is unjustified to not meet needs arising now on the assumption that future unmet needs may reduce or disappear altogether because more sites may be found in Surrey Heath. The Council cannot evidence or demonstrate with any certainty that future unmet needs will diminish, and should prepare its plan based on evidence of need and supply now. That evidence of need should be based on a SHMA (e.g. HOU1) and supply based on the planned housing requirements set out in the local plans for the area. On these bases, there is unmet need in the HMA which Hart should meet.
- 1.24 Furthermore, given the constraints that exist across the HMA (with Surrey Heath largely constrained by Green Belt, Rushmoor largely urbanised and Hart relatively unconstrained) it would not be unreasonable for Hart to provide for unmet need from Surrey Heath; that at least should be tested through a Sustainability Appraisal addressing the HMA's unmet need. The Surrey Heath Final Draft Issues and Options Local Plan states (para 3.17) that Surrey Heath Council do not consider that exceptional circumstances have been demonstrated in order to release green belt because alternative approaches – i.e. meeting needs elsewhere in the HMA – should be considered first.
- 1.25 A very similar situation has recently been explored in Waverley⁶ where no provision to meet Woking's unmet need was made citing similar reasons to Hart Council (e.g. unmet need was not arising until later in the plan period, Woking may be able to increase supply, etc). The Inspector rejected those arguments, stating:
- “...the NPPF states that local planning authorities should meet the objectively assessed need within their housing market area... Waverley...is significantly less constrained...making no allowance in Waverley for Woking's unmet need is therefore not a sound position.*
- The under provision exists now and has been growing since the start of Woking's plan period; it needs to be addressed. It is true that any future review of Woking's local plan will provide an opportunity to re-examine housing opportunities and adjust its assessment of unmet need against a new OAN calculation, but it is very clear from Woking Borough Council's evidence... that the town will very probably remain unable to accommodate a significant proportion of its OAN in the future...” (Waverley Local Plan Inspectors' Report February 2018 paras 27-30)*
- 1.26 Similarly, the Mid Sussex Local Plan was required to increase its housing requirement to address almost all of the unmet need from neighbouring Crawley, after the Inspector⁷ noted limited opportunities in other authorities.
- 1.27 On the basis of the requirements of the NPPF 2012 (particularly para 47) the Hart plan is unsound because it is not demonstrating how needs are being met across the housing market area.

⁵ Rushmoor's emerging plan is currently undergoing main modifications and is expected to be adopted soon. It plans to meet solely Rushmoor's own needs (as per HOU1a) and does not make provision for unmet need from Surrey Heath

⁶ Waverley Local Plan Part 1 Inspector's Report published February 2018

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

⁷ <https://www.midsussex.gov.uk/media/2892/id11-inspectors-interim-letter-housing-20-feb-17.pdf>

3.5 If the use of the standard methodology for calculating housing need was considered to be inappropriate, is the objectively assessed need figure of 382 dwellings per annum set out within the Strategic Housing Market Assessment (SHMA) robust?

1.28

No, the OAN of 382 dpa set out in the SHMA (HOU1a, see also HOU2a) is not robust. We explore this in further detail in our Technical Appendix, but in summary:

- 1 Neither the 2012-based nor the 2014-based population/household projections are suitable for the purposes of assessing housing need in Hart because they draw upon migration from a period in which housebuilding was at historic lows in the District (see Technical Appendix Figure 1). These historic lows were not due to factors which might occur again (for example, market cycles), rather an artificial constraint which was placed on housing supply by the Council;
- 2 As per PPG 2014 ID 2a-015 the assessment of need should reflect this. Whilst HOU2a attempts to address this issue by presenting scenarios based on longer term migration trends (10 and 15 years), these periods still encompass the years in which the moratorium was in place, having a dampening effect on the average level of completions (and therefore migration) (see Technical Appendix Figure 3). Therefore the basis of the OAN assessment – the demographic-led needs – is flawed (also affecting any elements flowing from it or applied to it, including a market signals uplift or affordable housing needs assessment).

These points regarding issues around the housing moratorium and the effect on projections were raised in Wates’ representations Regulation 19 Local Plan consultation, see response to Policy SS1 p.5; those representations note that prior to 2008 average completions had been around 374 dpa.

As shown in Figure 3 of the Technical Appendix, even the 15 year scenario presented in HOU2a (see HOU2a Figure 2) draws upon a period which includes the moratorium where completions were much lower than this, at just 339 dwellings per annum. Therefore even the 15 year scenario, which suggests a demographic-led need of 301-323 dpa (as shown in Table 1 of this Technical Appendix) is below what should be considered the minimum demographic-led projection;

- 3 The scale of market signals uplift applied in the SHMA is not one which, on reasonable assumptions, could be expected to improve affordability. The method – of applying a fixed percentage uplift to the official projections – will in any event produce an inherently flawed number because of the fundamental problems with those projections;

Again, this issue was raised in the Wates’ representations cited above whereby an alternative approach which was based on a percentage dwelling stock growth was presented. This shows that at a rate of 1.3% per annum (which is the rate needed nationally to achieve 300,000 homes per annum) would be 507 dpa for Hart (see representations p.5), but that because Hart’s affordability ratio was worse than nationally, a greater uplift would be needed to have an impact on affordability.

This approach is reasonable because basing the housing number on existing stock as a starting point means the number is not affected by any flaws found in the projections (as is the case in Hart). As set out in para 3.16 of the Technical Appendix, higher rates (of 1.3%) would not be beyond what could be expected to occur given growth rates elsewhere, notably Cherwell and Aylesbury Vale. There is no reason why a similarly high rate of growth is

undeliverable in Hart – by way of example a rate of 1.5% per annum would yield 584 dpa for Hart;

Alternatively, were the correct demographic-led projection established, it might be appropriate to make a fixed percentage uplift in a similar way to CD1 Appendix 2 (which makes a 33% uplift for various market signal type factors).

- 4 The Council has deferred affordable housing needs from the SHMA (HOU1a) to its Affordable Housing Background Paper (HOU5), and believes they form part of the requirement and not the OAN. *King's Lynn* makes it clear that affordable housing needs should influence the OAN, given they are an important element of meeting needs within an area. The fact that the Council's considers 485 dpa to be deliverable means this should inform the OAN, not the requirement – albeit in the context of a Local Plan this is moot; NPPF 2012 para 47 compels Local Plans to seek to meet the full OAN for market and affordable housing.

1.29 In order to fulfil the requirements of the NPPF 2012/PPG 2014, there are several elements of OAN which must be addressed in the Council's evidence but currently are not; as a result the OAN of 382 dpa is a significant under-estimate. The requirement of 485 dpa in HOU5 is evidence that in the Council's own view, its OAN could have been higher, but this still represents a very modest growth rate for an area as unaffordable as Hart.

1.30 In our view, a housing figure informing the Plan of at least c.500 dpa would be a figure which addresses past-under delivery, delivers at a rate of 1.3% of stock (507 dpa) which could be expected to improve affordability and provides an uplift which would contribute to meeting the District's severe affordable housing needs (485 dpa), all the while being a level which could reasonably be expected to occur. This level of housebuilding has been observed and exceeded numerous times in recent years in Hart without there being a plan in place, there is no reason why putting a plan in place could or should not increase and sustain delivery to these levels.

Technical Appendix – Matter 3

Our ref 16154/01/MS/BHy

Date 25th October 2018

Subject **Objectively Assessed Housing Need and the Housing Requirement - Hart**

1.0 Introduction

1.1 This Technical Appendix has been prepared by Lichfields on behalf of Wates Developments Limited (Wates) in the context of the emerging Hart Local Plan (PSLP). It provides further detail on our response to Matter 3: Housing: the objectively assessed need for housing (OAN) and the housing requirement.

1.2 As Hart's PSLP has been submitted before 24th January 2019, it will be examined against the NPPF 2012 (and PPG 2014), as per the transitional arrangements set out in Annex 1 (para 214) of the NPPF 2018. Therefore we have reviewed the Council's evidence against the requirements of the NPPF 2012/PPG 2014, which are summarised at our response to question 3.2 in the Matters Statement.

2.0 Summary of Council's evidence to date

2.1 The Hart Proposed Submission Local Plan (PSLP) (CD1) covers the period 2016-32 and Policy SS1 "Spatial Strategy and Distribution of Growth" sets out that the plan will meet the need for 6,208 homes 2016-32 (**388** per annum). Table 1 of the PSLP shows a supply of 6,346, equating to a small buffer of 2% over the requirement. The PSLP (para 101/Appendix 2) states that this figure is based on:

- 1 The Standard method figure as published September 2017 – 292 dpa;
- 2 Removal of the cap as the Council is confident it can deliver more than 292 – giving 310 dpa; and
- 3 A further 25% uplift applied giving 388 dpa. Appendix 2 states that this is based on contingency allowances, flexibility, affordable housing supply, etc.

Hart, Rushmoor and Surrey Heath SHMA 2014-32, November 2016 (HOU1a)

2.2 HOU1a ("the SHMA") undertook the assessment of need based on the PPG 2014 for Hart, Rushmoor and Surrey Heath ("the housing market area/HMA"). It assessed the need for Hart to be 382 dpa (with the HMA OAN 1,200 dpa), based on:

- 1 A starting point based on the 2012-based population/household projections) giving 254 dpa for Hart and 785 dpa for the HMA;
- 2 A market signals uplift of 15% giving 292 dpa for Hart and 903 dpa for the HMA;
- 3 Employment-led needs – based on growth of 1,200 jobs per annum, this generated a need for 361 dpa Hart (1,135 dpa HMA) (this includes some allowance for headship rate uplift – see SHMA Figure 11.17);

- 4 No further uplift for affordable housing, but OAN rounded up to 1,200 dpa for HMA, giving 382 dpa for Hart.

Hart, Rushmoor and Surrey Heath SHMA – Summary and Discussion of OAN in the light of DCLG’s proposals and updated data, December 2017 (HOU2a)

- 2.3 HOU2a presented alternative scenarios based on consultation responses to the SHMA, using the 2014-based projections (published in 2016), longer term migration trends and partial catch-up headship rates. The outcomes of these scenarios for Hart and the HMA (in terms of dwellings per annum 2014-32) are shown below.

Table 1 Summary of alternative figure (dwellings per annum) in HOU2a

	Hart	HMA
	Dwellings per annum	Dwellings per annum
November 2016 SHMA Starting Point	254	785
DCLG 2014-based Projections	212	686
with headship rate adjustment	232	767
DCLG 2014-based Projections, updated with MYEs	218	724
with headship rate adjustment	239	805
10 Year Migration	230	710
with headship rate adjustment	251	790
15 Year Migration	301	751
with headship rate adjustment	323	833
Employment-led (1,200 jpa)	311	1,022
with headship rate adjustment	334	1,110

Source: HOU2a Figure 2

- 2.4 HOU2a concluded that neither the updated projections nor the alternative migration scenarios provided a justification to amend the OAN set out in the SHMA (HOU1a), and therefore the OAN for Hart and the HMA remained as in the previous SHMA (382 dpa for Hart, 1,200 dpa across the HMA). HOU2a also noted that as published in September 2017, the standard method yielded 293 dpa for Hart (939 dpa for the HMA), or 310 without the cap applied (989 for the HMA). This is below the 382 figure (1,200 HMA) concluded in the SHMA and no changes to the housing figures were recommended in HOU2a (this would have been premature in any case, because the transitional arrangements for the NPPF 2018 had not yet been made clear).

Affordable Housing Background Paper, March 2017 (HOU5)

- 2.5 HOU5 sets out the Council’s response to affordable housing need and the additional dwellings per annum it was seeking to provide over and above its OAN of 382 dpa. It re-iterates the findings in HOU1a, i.e. that there is a shortfall of 306 affordable homes per year to 2032 (based on HOU1a, see HOU5 Table 2.2)
- 2.6 HOU5 explores various scenarios of overall delivery and affordable housing delivery (up to 750 dpa total) and recommends an increase in the housing requirement from **382 dpa** (the OAN set out in HOU1a) to **485 dpa** (representing a 27% uplift). It concludes that this could deliver 194

affordable homes per annum in total, contributing to meeting more of the identified affordable housing need.

2016-based Sub-National Population Projections and housing need using the ‘Standard Method’, June 2018 (HOU8) (JGC)

- 2.7 A further paper – HOU8 -was prepared on behalf of the Council in June 2018 to provide an update based on the recently published 2016-based population projections and the standard method. As the 2016-based household projections had yet to be published, HOU8 sets out an estimate of what the 2016-based household projections might produce by using applying the 2014-based headship rates to the 2016-based population projections. It estimates that the 2016-based household projections would yield growth of around 200 per annum over a 10 year period.
- 2.8 HOU8 notes that Hart would be subject to a 50% (uncapped) uplift under the standard method, which when applied to a starting point of c.200 dpa would give c.300 dpa (depending on exactly which period/household projection figure is used). When capped (at 40% uplift) the figure derived from the standard method for Hart would be c.280-290 dpa (see Figure 12 of HOU8).
- 2.9 HOU8 does not set out the potential implications for OAN in Hart, potential implications for the plan requirement or how the figure relates to previous SHMAs which have looked at OAN in the context of current PPG (including employment, etc). HOU8 is simply a statement of fact regarding what the new projections/standard method might produce for Hart and does not appear to have fed into the requirement in the PSLP.

Summary

- 2.10 The Council had previously been advancing its plan – and has submitted evidence for examination – based on an OAN derived from the NPPF 2012/PPG 2014. In the context of the transitional arrangements set out at paragraph 214 of the NPPF 2018, the Council should continue to advance its plan on this basis. However, the Council has – incorrectly – changed its approach in the plan, to a housing figure which derives from the standard method. This is directly contradictory to the transitional arrangements set out in NPPF 2018 Annex 2.
- 2.11 In any case, the Council’s current evidence which purports to follow the PPG 2014 methodology (as set out in HOU1a/HOU2a) which concludes on an OAN of 382 dpa and a requirement of 485 dpa is not robust and is not an appropriate basis for an OAN for Hart, for the reasons set out in Section 3.0 below.

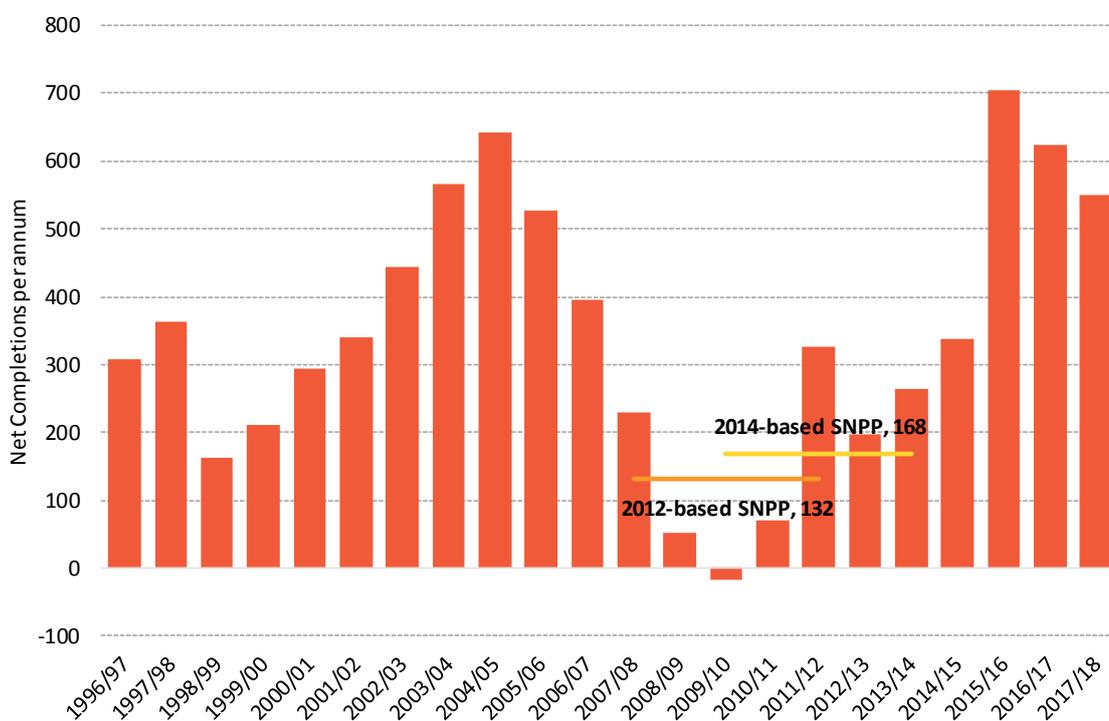
3.0 Review of Council’s evidence (HOU1a, HOU2a and HOU5)

Demographic-led Needs

- 3.1 The Council’s OAN, as set out in the SHMA (HOU1a), is based on employment-led figure, which exceeds the demographic-led needs plus a market signals uplift. However, the demographic-led needs in Hart are inherently flawed because recent migration trends are affected by the housing moratorium was in place (put in place to allow for a mitigation strategy for the Thames Basin Heaths Special Protection Area to be implemented).
- 3.2 Figure 1 shows net completions in Hart since 1996/97. Prior to the moratorium being in place, the lowest level of housebuilding was seen in 1998/99, when 163 dwellings were completed. After that, completions steadily rose to a high of 642 in 2004/05. Completions fell to their

lowest in 2009/10, when there -17 net completions, and across the three years 2008/09 to 2010/11, a total of just 105 dwellings were completed (c.35 per annum on average). Figure 1 also shows the average number of completions in the years feeding into the 2012-based and 2014-based population projections¹ – which form the basis for Council’s evidence in HOU1a and HOU2a. Even though the base period for the 2014-based projections included some years in which completions were recovering, the average number of completions was still only 168 per annum – brought down by the extremely low level of completions seen when the moratorium was in place. This is a very low average in the context of housing delivery levels seen before (in the early 2000s) and since (in the mid-2010s).

Figure 1 Net Completions in Hart 1996/97 to 2017/18

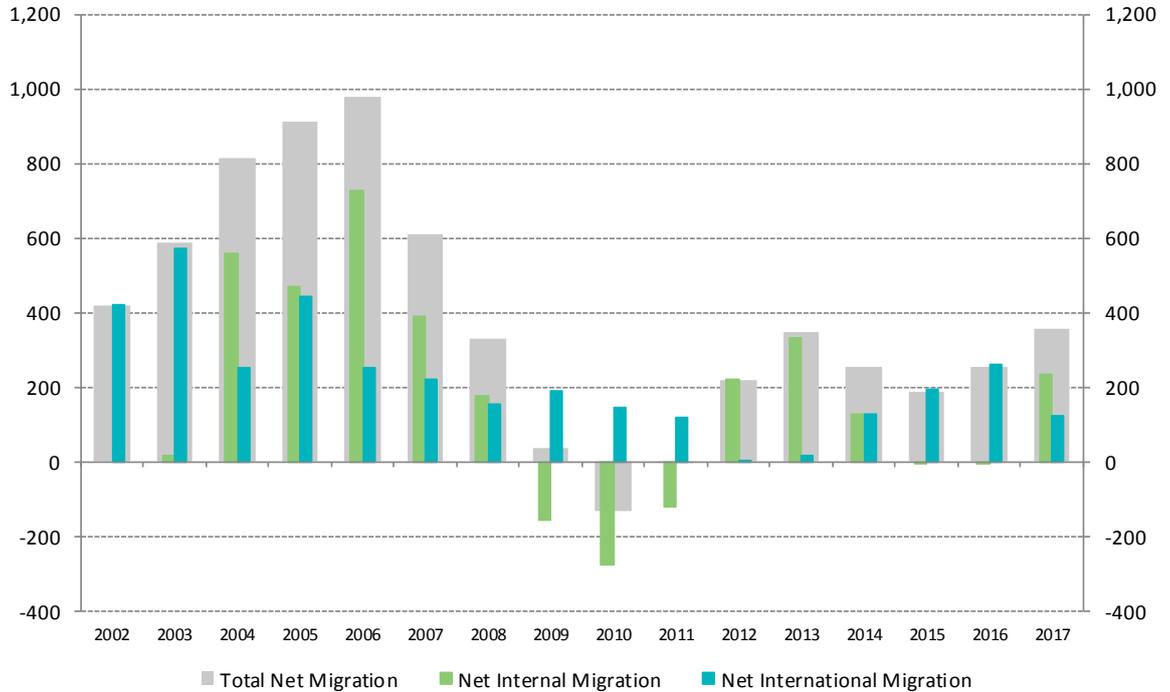


Source: Hart District Council AMR/Five Year Land Supply Statement

- 3.3 Figure 2 shows that migration trends in Hart have broadly followed trends in housing completions, with a notable peak in the mid-2000s (when completions were at their highest), before falling (particularly internal migration) in the late-2000s (when completions reached their lowest). Migration in recent years has very slowly been increasing, although not in line with the scale of completions. This could be, for example, because recent housebuilding in Hart has been releasing pent up demand from within the District, rather than there being a resumption of net in-migration.
- 3.4 However, it is evident that any demographic trend which draws upon the period where completions were at their historic, artificial low (i.e. 2008/09 to 2010/11) will be carrying forward levels of unusually low migration as a result.

¹ ONS sub-national population projections are informed by the preceding 5 years of trends for internal migration and 6 years for international migration.

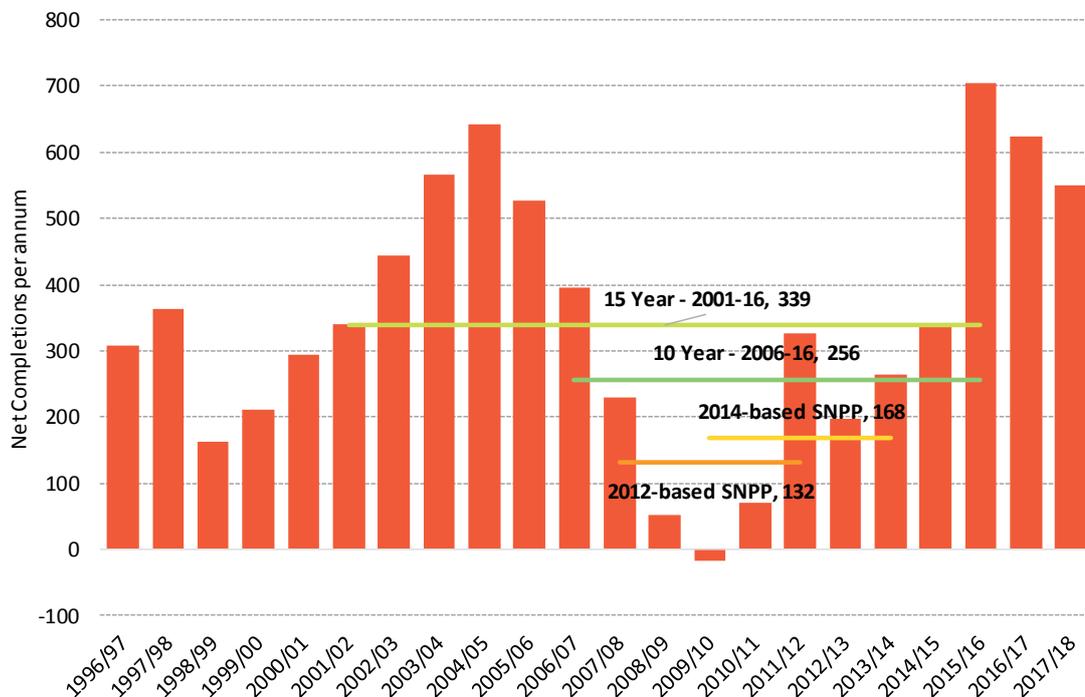
Figure 2 Migration (Internal, International and Total) - Hart - 2001/02 to 2016/17



Source: Lichfields based on ONS

- 3.5 The Council’s evidence attempts to address this issue, notably in HOU2a, which presents 10 and 15 year migration trend scenarios (drawing upon the periods 2006-16 and 2001-16 respectively). The use of longer term trends might be appropriate when attempting to account for cyclical factors such as market cycles, but is less useful in understanding long term trends where they include a period in which a specific policy constraint on housing was in place. Unlike market cycles, such an event is unlikely to occur again, therefore to assess future needs based on this event would be an unrealistic estimate of future need.
- 3.6 As shown in Figure 3 the use of a 10 year trend still incorporates all of the years in which the moratorium was in place, and completions averaged 256 per annum. The use of a 15 year period covers a period where net completions were slightly higher (339 per annum), but again still incorporates all of the years in which the moratorium was in place. Had the moratorium not been in place, completions almost certainly would have not fallen to the levels observed (even with the recession) and the average level of completions (and therefore migration) across all the base periods would have been higher.

Figure 3 Net housing completions in Hart across various base dates



Source: Lichfields based on Hart District Council

3.7 By way of example, were the level of housing completions between 2008/09 and 2010/11 replaced with alternative figures, for example the previous low of 163 observed in 1998/99, the 15 year average would have been around 373 dwellings per annum. Even this is likely to be conservative estimate given that completions would have been unlikely to fall to historic lows and remain at those levels for 3 years, however it serves to demonstrate that projections based on either the official projections or the alternatives set out in HOU2a are not appropriate because they do no address past under-delivery of housing in Hart, thus failing to address PPG ID 2a-015.

Summary

3.8 The SHMA (HOU1a) does not represent a robust basis for OAN for the purposes of Hart’s plan because it has not addressed historic under-delivery associated with the moratorium and the consequent impact of this “one off event” on the demographic projections as required by PPG 2014 ID 2a-017. Even the 15 year scenario does not robustly address the issue of the housing moratorium, and therefore the true scale of demographic-led needs is higher than the 15-year trend scenario (which suggests a minimum demographic-led need for 301-323 dpa for Hart).

Market Signals

3.9 The principle of a market signals uplift is not in dispute; HOU1a accepts that an uplift is needed and applies a 15% uplift to its starting point. However, there are two fundamental flaws with the SHMA’s approach:

- 1 The ‘typical’ approach (of applying a given percentage uplift to household projections) will only produce a robust figure if the household projections themselves are reasonable in the first place. For the reasons set out above, they are evidently not; and

- 2 The scale of uplift is not one which on reasonable assumption could improve affordability, as required by PPG 2014 ID 2a-020.

Applying a percentage uplift to demographic projections

3.10

Lower quartile house prices in Hart are currently (as of 2017) 14.4 times work-place based earnings; a ratio which has risen significantly in the last few years. Looking at several recent Inspector's reports from elsewhere across the wider South East shows that the 15% market signals uplift applied in Hart is low in comparison:

- 1 Waverley – Inspector's Report dated February 2018². The Inspector noted that in Waverley the affordability ratio had worsened from 13.1 at the start of the plan period to 15.5 and was one of the least affordable areas outside London (IR para 20). On this basis, an uplift of 25% was applied;
- 2 Mid Sussex – Inspector's Interim Findings on the housing requirement published in February 2017³. Citing worsening affordability since 2009, a ratio (as of 2015) of 12.6 and Mid Sussex being the 22nd least affordable authority outside London, the Inspector applied a 20% uplift (see IR p. 6);
- 3 Canterbury – Inspector's Interim Findings dated August 2015. The Council's evidence (prepared by Lichfields) at the time was based on the affordability ratio up to 2013, which was around 9.0 and had been fairly steady since the recession. At the time of preparing the Council's evidence, little precedent existed as to what scale of uplift should be applied. Lichfields concluded that pressures in Canterbury were worse than the 'modest' pressures in Eastleigh (where a 10% uplift was recommended⁴), and applied a 20% uplift; this was subsequently accepted by the Inspector⁵;
- 4 Cambridge/South Cambridgeshire – Inspector's Reports published September 2018.

The Councils' evidence⁶, published in 2015 and referring to data from 2013, concluded that the affordability situation in Cambridge was similar to that in Canterbury and applied a 30% uplift. In 2013, the ratio in Cambridge was around 10.0⁷. The Inspectors' Report for Cambridge⁸ stated that a 30% uplift represented a 'substantial but reasonable' uplift (IR para 29).

For South Cambridgeshire, the Council's evidence concluded pressures were similar to 'modest' pressures in Eastleigh and Uttlesford – as of 2013, the affordability ratio in South Cambridgeshire was just under 9.0. The Council applied a 10% uplift, which was subsequently accepted by the Inspectors⁹.

3.11

The affordability ratio in Hart (in terms of lower quartile house prices to lower quartile workplace-based earnings) has steadily risen following the recession from around 9.4 in 2009 to over 14 now. This compares to a ratio nationally of 7.3 – which has been stable for around 10 years. Figure 4 below shows how the ratio in Hart has compared to the above areas since 2009.

² http://www.waverley.gov.uk/downloads/file/5963/waverley_local_plan_part_1_examination_inspectors_report

³ <https://www.midsussex.gov.uk/media/2892/id11-inspectors-interim-letter-housing-20-feb-17.pdf>

⁴ The Eastleigh Local Plan in which the Inspector suggested a 10% uplift was found unsound and did not continue to adoption.

⁵ It is important to note that the overall uplift applied in Canterbury to reach the final OAN – once market signals, employment and affordable housing were accounted for – was 30%. However, the 20% proposed for market signals alone was accepted.

⁶ <https://cambridge.blob.core.windows.net/public/ldf/coredocs/rd-mc-040.pdf>

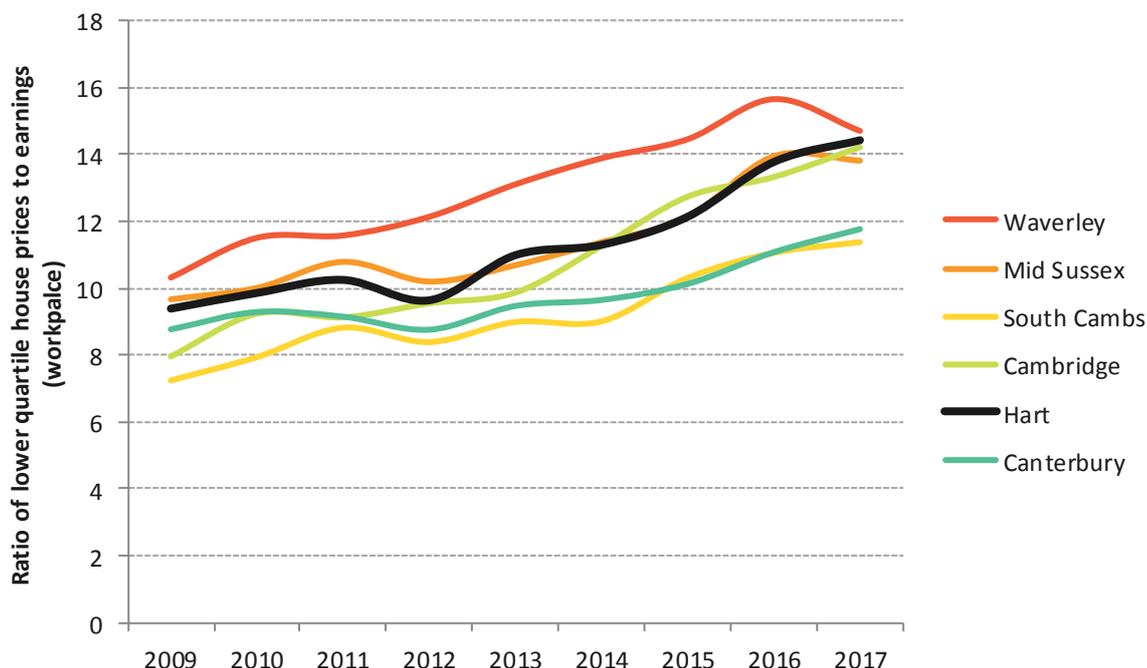
⁷ The Council's evidence 'Objectively Assessed Need: Further Evidence (November 2015)' shows (Figure 3.4) a ratio of just over 10.0 as of 2013. However this was based on data published by DCLG, and ONS have since taken over the publication of affordability data, resulting in some revisions. The current ONS data shows in 2013 the ratio for Cambridge was 9.87

⁸ <https://www.cambridge.gov.uk/media/5930/report-on-the-examination-of-the-cambridge-local-plan-2014.pdf>

⁹ <https://www.cambridge.gov.uk/media/5931/report-on-the-examination-of-the-south-cambridgeshire-local-plan.pdf> para37

Evidently, affordability has been steadily worsening across all areas, but the ratio in Hart is now amongst the worst areas outside London. Hart now stands at a similar level to Waverley, Mid Sussex and Cambridge where 25%, 20% and 30% uplifts respectively were applied (albeit these uplifts were applied when affordability may have been slightly different to the current level). However, this does indicate that – based on an appropriate demographic starting point, an uplift in the region of 20-30% is likely to be needed in Hart. Given that a 20% uplift was applied in Mid Sussex at a time when affordability was relatively better (at 12.6), applying an uplift at the top of this range – i.e. 30% would better reflect the severe situation in Hart currently.

Figure 4 Comparison of affordability ratios - Hart and comparator areas



Source: ONS

3.12 It has already been established above that the official projections and the alternative presented in HOU2a do not address previous under-delivery and therefore underestimate future demographic-led needs in Hart. However, were the Council to correctly establish its demographic-led needs, based on migration and housebuilding levels which are not dampened by the moratorium, then a market signals uplift in the region of 30% (not the 15% applied in HOU1a) is one which (based on comparators) could reasonably be expected to improve affordability. Indeed, the Council themselves apply a 33% uplift above the standard method figure (CD1 page 141) in order to account for many of the same issues which the NPPF 2012's market signals adjustment (NPPF para 17 bullet 3 and PPG 2014 ID: 2a-019) seeks to account for (e.g. affordability, rates of delivery, the benefits of boosting housing supply).

Stock-based approach

3.13 Wates's representations to the Regulation 19 consultation (see response to Policy SS1 p.5-6) present a stock based approach to a market signals uplift which is a suitable approach for benchmarking market signals uplifts in Hart because it does not depend on the official

projections, which in the case of Hart are influenced by a period of artificially suppressed housing delivery.

- 3.14 For context, the 2012-based projections which underpin HOU1a suggest a need for 254 dpa in Hart (see HOU1a Figure 8.24). 254 dpa represents just 0.65% of the current dwelling stock in Hart, therefore even with an apparently ‘significant’ uplift (such as 30%) this will still yield a relatively small number which is a small percent of the current stock, and unlikely to have a significant influence on affordability.
- 3.15 For context, a growth rate nationally of 1.3% is needed to achieve 300,000 homes per year; the Government’s target at which it considers it might be able to address affordability. Hart is significantly less affordable England overall (as shown above, as of 2017 it is in fact twice as unaffordable), and therefore as a minimum it would be reasonable to expect Hart to deliver its ‘fair share’, i.e. 1.3% annually. Were Hart just to deliver the national average (i.e. 1.3%) this would equate to 507 dpa. 507 dpa represents almost double the household projections (i.e. an uplift of 100% - appearing to be very significant indeed), but in the context of a very low starting point, 507 dpa would actually represent an average growth rate in line with the national average. In other words, because the starting point in Hart is so low, even a 100% uplift would not actually generate a figure which is unreasonable.
- 3.16 Given the significant affordability issues in Hart, it would be entirely reasonable – indeed necessary – for Hart to see a greater rate of growth than the national average (in the same that areas of lower demand could reasonably be expected to deliver less than 1.3% growth per year). By way of example, a rate of 1.4% would yield 545 dpa and 1.5% would yield 584 dpa. These rates of growth are not unreasonable in the context of growth rates in plans elsewhere in the South East, notably Cherwell and Aylesbury Vale. Cherwell’s adopted Local Plan has a growth rate equivalent to 1.8%, which is set to increase further when it undertakes its Local Plan Review to accommodate its share of Oxford’s unmet needs. More recently, the Inspector into the Vale of Aylesbury Local Plan 2013-33 has found that the Plan’s requirement should be increased to 31,500, equivalent to 1,575 dpa, or growth of 2.0% per annum. Evidently such levels of growth have been deemed reasonable and deliverable by Inspectors, and there is no reason to conclude that Hart could not also sustain a rate of growth of at least 1.3%.

Summary

- 3.17 The approach in HOU1a to market signals is flawed because it applies a percentage uplift to a flawed starting point, and if this approach were to be used it is imperative that the starting point is correct. Our analysis suggests that an uplift of 15% is insufficient for Hart based on the scale of affordability pressures and the uplifts applied elsewhere, and that (if the correct starting point were established) an uplift in the order of around 30% would be more appropriate. Alternatively, a stock-based approach provides a benchmark for what level might be reasonable – at 1.3% (the national average needed for 300,000 homes per annum) the figure for Hart would be 507 dpa. Growth rates as high as 1.8-2% have been seen elsewhere, and there is no reason why Hart could not deliver 1.3% per annum (507 dpa), particularly given these rates have been seen several times historically in Hart without there being a plan in place.
- 3.18 The PPG 2014 is clear that uplifts for market signals should be those which on reasonable assumptions could be expected to improve affordability and that scenarios should be those which could be expected to occur (and not purely hypothetical). From a market signals perspective, there is clearly significant scope for Hart’s OAN to be in excess of 15% above the starting point (as concluded in HOU1a), indeed this is necessary for there to be a prospect of

improving affordability. At the very least, growth of 1.3% per annum (507 dpa) is needed, and this should be treated as a minimum given the scale of affordability pressures in Hart.

Affordable Housing

- 3.19 The Council’s evidence identifies a significant need for affordable housing – as set out in HOU1a Figure 10.27 there is a need for 130 affordable rented homes and 180 subsidised purchase homes per annum in Hart.
- 3.20 There are two flaws in HOU1a which mean it does not properly address affordable housing needs in line with the methodology set out in PPG 2014;
- 1 Its assessment of newly arising need derives from it’s demographic-led need (which is the official projections) – as these are inherently flawed and an under-estimate of future growth, any affordable housing needs assessment flowing from it is similarly infected by these issues; and
 - 2 HOU1a does not undertaken the exercise set out in PPG ID 2a-029 and consider an uplift to the OAN where it could help meet needs (an approach which has been clarified in caselaw). Instead, this uplift is considered by the Council in HOU5 and is (incorrectly) stated to be part of the requirement, and not the OAN.
- 3.21 The PPG 2014 at ID 2a-029 states that:
- “The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.”*
- 3.22 HOU1a at paras 10.120-10.129 sets out how it accounts for affordable housing needs in the final OAN, in summary it makes an uplift for the amount of concealed households. However, this does not follow the exercise set out above, namely comparing the need to the likely rate of delivery, and considering an uplift as appropriate.
- 3.23 It has been clarified by the courts (see *King’s Lynn*¹⁰) that under the PPG 2014 methodology, affordable housing needs should have an “important influence” on the OAN in a given area:
- “This [at PPG ID 2a-028] consideration of an increase to help deliver the required number of affordable homes, rather than an instruction that the requirement be met in total, is consistent with the policy in paragraph 159 of the Framework requiring that the SHMA “addresses” these needs in determining the FOAN. They should have an important influence increasing the derived FOAN since they are significant factors in providing for housing needs within an area.” (King’s Lynn, para 33) (emphasis added)*
- 3.24 *King’s Lynn* accepts that in some cases meeting affordable housing needs in full might lead to an unrealistic figure (see *King’s Lynn* para 32) (indeed the PPG 2014 clarifies that OAN assessments should not consider purely hypothetical scenarios at ID 2a-003). But where it is necessary, possible and reasonable to make an uplift to deliver more affordable housing needs, consideration of this should form part of the OAN in an assessment under PPG 2014.

¹⁰ Borough Council of Kings Lynn and West Norfolk v Secretary of State for Communities and Local Government, ELM Park Holdings Ltd [2015] EWHC 2464 (Admin)

3.25 The Council deferred such an uplift to HOU5, which considers it to be part of the requirement. This directly contradicts King's Lynn, which is clear that affordable housing needs should have an important influence on the OAN because they are significant factors for providing for housing needs in the area, an interpretation which is consistent with paragraph 159 of the NPPF 2012. The Council's own evidence at HOU5 considers that 485 dpa is deliverable, however we consider that a rate of 1.3%, or 507 dpa would still be deliverable. Such a figure would clearly help deliver more affordable housing whilst remaining within what could reasonably be expected to occur.

4.0 Summary

4.1 There is no justification for the use of the standard method as the basis for the Hart Local Plan, however unfortunately the Council's evidence base which has been prepared with regard to the PPG 2014 is also not a robust basis for determining OAN for Hart. Its key failing are as follows:

- 1 Failing to address in any robust manner the historic under-delivery as a result of the moratorium, as required by PPG 2014 ID 2a-015. This means the SHMA's analysis flowing from this (including the market signals uplift and affordable housing) are also inherently flawed;
- 2 Failing to make an adjustment for market signals which on reasonable assumptions could be expected to improve affordability, as required by PPG 2014 ID 2a-020. Applying a fixed percentage uplift to a flawed starting point (as the SHMA has done) simply produces a figure which is also inherently flawed, and in any case our analysis of comparators shows that 15% is likely to be too low. The SHMA does not consider any other options, such as a stock growth based approach, which would not depend on the projections but could provide a useful benchmark for what Hart might be expected to deliver if it delivered simply at the national average rate (of 1.3%), or more given the scale of affordability pressures. A rate of 1.3%, or 507 dpa, is still well within what is 'reasonable', particularly given higher rates of 1.8-2% seen elsewhere;
- 3 Failing to address affordable housing needs as required by the PPG (and clarified in *King's Lynn*) within the OAN itself. Instead the Council defers this to the requirement, which does not reflect the NPP 2012 (para 159) or *King's Lynn*. HOU5 shows that the Council believes a figure in excess of 382 dpa is deliverable, and this should have formed part of the OAN.

4.2 In addition to the flaws in HOU1a/HOU2a regarding Hart's OAN, TOP1 also shows there is a shortfall of housing need in the order of 443 dwellings across the HMA against the SHMA's OAN (TOP1 Table 7), although clearly the shortfall would be higher if Hart's OAN were found to be higher than that in the SHMA (which, for the reasons set out above, we believe is). The Hart Local Plan should make provision for this unmet need given the requirements set out in the NPPF 2012, namely that authorities need to meet housing needs across their HMA. The Hart Local Plan currently omits any of this unmet need, and we set out at our response to question 3.4 in our Matter 3 Statement why this is unsound. The inclusion of unmet need from Surrey Heath would therefore also provide an indicator that the housing figure in Harts' Plan should be higher.

4.3 Taking into account the flaws in the Council's evidence base, the evidence for Hart indicates that a housing figure in the region of at least 500 dwellings per annum would be an appropriate basis for the plan. This would:

- 1 Reflect starting point demographic-led needs likely to be at least c.320dpa (but likely more) once accounting for the distorting and dampening effects the housing moratorium has had on the trend period from which the household projections draw;
- 2 Reflect the significant uplift necessary to address market signals and affordability in Hart.
- 3 Would broadly match the 1.3% stock growth per annum which nationally needs to be achieved to meet Government's 300,000 p.a. target.
- 4 Levels above 500 dpa would address more of the significant affordable housing need in the District; and
- 5 Contribute to meeting some of the unmet needs that exist across the Housing Market Area.