



Gladman Developments Ltd

Examination of the Hart Local Plan 2016 - 2032

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?

No, having regard to the transitional arrangements contained in the NPPF 2018 the use of the standard methodology for calculating housing need is clearly not justified. Paragraph 214 of the NPPF 2018 states that 'the policies in the previous Framework will apply for the purpose of examining plans, where those plans are submitted on or before 24th January 2019.

The NPPF 2012, as clarified by the Hunston and Solihull High Court Judgments clearly establishes the need for a housing requirement to be informed by objectively assessed housing need (OAN) as part of a two-staged approach. Even before considering the issues of whether the requirement is justified in terms of the wider obligations of the NPPF 2012, such as the previous proposed 'policy on' uplift to the housing requirement to meet more of the affordable housing need. The Council are mistaken to use standard method and this is contrary to the Judgment, national policy and guidance.

The standard methodology is not finalised. It is currently the Government's intention to review the methodology and consult on proposed changes before Christmas. We may not have the finalised methodology before March 2019. It is as a result of authorities like Hart that the Government is considering the methodology particularly where this has resulted in housing requirements going down. The use of the standard methodology is currently therefore erroneous until a time as it is finalised even if uplifts are proposed as a means of flexibility.

As support of for this, Gladman would refer to the initial findings of the Peterborough Local Plan Examination, where the Inspector found that the Plan's housing requirement should be based on the OAN figure identified through the up-to-date SHMA and not the local housing need method in the Plan¹.

¹E029 Letter from the Inspector to the Council Initial Findings – Peterborough Examination August 22nd https://drive.google.com/file/d/16SARB50_lb4QWpKdGvkbaVwR1mDFqVU3/view

In this instance, it is apparent that the Council appear to be 'cherry picking' the Government's revised policy and guidance by relying on the standard methodology formula for housing need, but none of its other provisions which should be taken as a whole. For example, if the Council wanted to adopt the use of the standard methodology Gladman submit it should also be adhering to Paragraph 22 of the NPPF 2018 which requires strategic policies to look ahead over a minimum of 15 years from adoption. The Hart Local Plan would currently fail this requirement. Gladman would also suggest that the Council should be adopting the new definition of 'deliverable' for determining its 5-year housing land supply on adoption of the Local Plan as it is clear this must be informed by evidence.

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

No, as stated above it is not yet determined what the final methodology will be and therefore there is considerable uncertainty as to what the full objectively assessed needs of the housing market area will be. Use of the standard methodology is currently a best guess as to what the full needs of the housing market area will be.

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 upon?

Gladman maintain the use of the standard methodology even with an uplift to account for any uncertainty is not justified at this time.

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

Noting that this is implied through the uplift to the proposed standard methodology Gladman do not consider this to be a formal inclusion of unmet need from Surrey Heath because as stated in our hearing statement to Matter 1 this unmet need has not been formalised and ratified through examination of the Surrey Heath Local Plan.

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?

This response should be understood with reference to and in the context of Gladman's Regulation 19 Representations. These representations provide a detailed critique of the SHMA and its espoused OAN of 382 dpa.

As set out above, the Local Plan has been submitted in the transition period before the 2018 NPPF takes effect for plan-making purposes. This being the case, the plan and its policies should be considered under the 2012 NPPF and the associated guidance in the PPG. Gladman's Regulation 19 Representations do this but we set out in summary overleaf our concerns regarding the identified OAN in the SHMA.

Household Projections

The PPG states: *“Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need.”*²

The SHMA utilises the 2012 Household Projections (2012 HP) but also makes reference to the 2014 Household Projections (2014 HP).³ The 2012 HP project a need for 247 dpa in Hart and the 2014 HP project a need for 211 dpa.⁴ We have reviewed the 2016 HP which show a need for 207 dpa.⁵

Household projections are based on population growth data from the last five years.⁶ It is therefore important to understand if the data that underlies the household projections is robust and representative of true demographic trends. To do this, the PPG states that:

*“The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by undersupply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under delivery of housing. As household projections do not reflect unmet housing need, local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply.”*⁷

The SHMA considers a number of alternative ‘sensitivity’ scenarios which adjust the migration assumptions of the 2012 HP. These are set out below:

- The SHMA updates the 2012 HP to include the data in the 2013 and 2014 Mid-Year Estimates of Population (MYE) which were published subsequently;
- The SHMA updates the 2012 HP to include an adjustment for un-attributable population change (UPC);⁸
- The SHMA produces a long term migration scenario based on migration levels over the period 2001 to 2014; and
- The SHMA updates the long term migration scenario to include an adjustment for UPC

The results of these sensitivity scenarios in terms of household growth are set out below (Figure 1).

	Households 2014	Households 2032	Change in households	Change in households pa	Dwellings (per annum)
2012-based SNPP (as updated)	36,603	41,045	4,442	247	254
Long-term migration	36,603	42,800	6,197	344	354
UPC adjustment	36,603	40,066	3,463	192	198
Long-term migration/UPC	36,603	42,008	5,405	300	309

Source: Wessex Economics

² PPG Ref ID: 2a-015-20140306

³ Paragraph 21 of the SHMA

⁴ Taking into account a 3% vacancy rate

⁵ Taking into account a 3% vacancy rate

⁶ Six years in terms of international migration data

⁷ PPG Ref ID: 2a-015-20140306

⁸ Discussed further below

Figure 1. Projected Household / Dwelling Growth (2014 to 2032) – Alternative Scenarios in Hart

The SHMA selects the 2012 HP as the most appropriate scenario for understanding future demographic growth.

We have a number of concerns⁹ with the SHMA's selection of a short-term trend. It is clear that in Hart, the longer term migration scenario (354 dpa) is significantly higher (even once adjusted for UPC; 309 dpa) than the 2012 Household Projection estimate of housing need (254 dpa); showing that migration in the shorter-term has been a lot lower (see Figure 2). The Planning Advisory Service¹⁰ (PAS) states that the choice of 'reference period'¹¹ for migration is important because the resulting projection is extremely sensitive to the demographic (and particularly migration) assumptions that feed into the period. The PAS advice to Local Authorities (which the SHMA recognises¹²) suggests that the official household projections can be "very unstable" and it is often more appropriate to adopt a longer base period to establish robust migration trends, returning to the 2001 Census given the quality of this data point¹³. Demographic researchers Ludi Simpson¹⁴ and Neil MacDonald¹⁵ have stated that there are issues with using a shorter reference period (as the Household Projections do) as they are more susceptible to distorting cyclical trends, particularly if the period aligns with the economic downturn as the latest household projections do¹⁶.

The SHMA itself recognises that there can be short-term 'recessionary' effects on migration trends, noting the much lower migration from London during the recession¹⁷. There is however no assessment of this in the SHMA.

There is the added complication in Hart of the Thames Basin Heaths Special Protection Area (SPA); a European Protected Site partly located in the authority. Most of Hart District falls within the 5km buffer zone of the SPA and crucially the two largest settlements of the district. This has meant that in the years following mid-2005 (when the SPA was designated) there have been strict requirements for planning applications in terms of moratoria and the provision of Suitable Alternative Natural Greenspace which has meant a reduction in densities and housing numbers. This is confirmed by paragraph 2.8 of the Council's five year supply statement which states:

"Housing completions in the District between 2008 and 2011 reduced considerably as a direct result of the temporary 'moratorium' on granting planning permissions for residential development that occurred while a suitable SPA mitigation strategy was put in place."

⁹ Paragraph 3.14 to 3.19 of GVA's Technical Review of Hart Housing Need Evidence as part of Gladman's Regulation 19 Representations.

¹⁰ Technical Advice Note on Objectively Assessed Need

¹¹ By reference period it is meant the period of migration that is used to form the projection

¹² Paragraph 8.5 to 8.6 of the SHMA

¹³ Paragraph 6.42 of the PAS OAN Technical Note

¹⁴ Professor of Population Studies at the University of Manchester

¹⁵ Previously Chief Executive of the National Housing and Planning Advice Unit

¹⁶ Town and Country Planning Journal, April 2015

¹⁷ Paragraph 8.11 to 8.12 of the SHMA

We have assessed the relationship between housing delivery and migration in Hart (Figure 2). The District saw notably low housing delivery between 2008-15 which corresponded with a significant reduction in net migration.

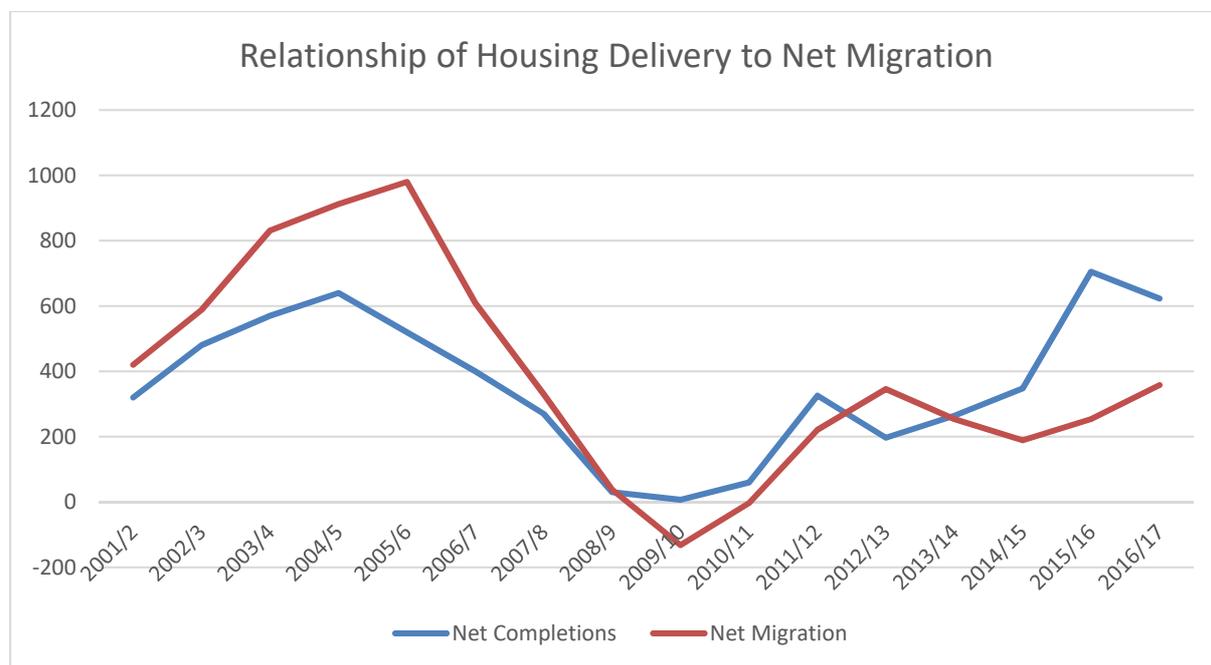


Figure 2. A comparison of net housing delivery and migration in Hart

This analysis shows that it is inappropriate to base a population projection (as the SHMA does) on a period where an artificial constraint to housing and population growth was in place (i.e. the moratorium) and where the recession was likely to have further constrained migration. Furthermore, whilst the moratorium was only in place three to four years, it clearly affected housing supply for years after that (Hart failed to meet its housing requirement in seven out of ten years from 2007/8). This would correlate with the dramatic reduction in migration that took place (see Figure 2).

The SHMA takes its demographic starting point from the 2012 HP. The 2012 HP project forward the period 2007 to 2012; a period affected significantly by the moratorium and recession. Gladman’s position is that migration data should be taken from the period prior to the 2008 moratorium. Between 2001 and 2008 net migration was 665 persons per annum (512 persons per annum once adjusted for UPC). Compare this to the period feeding into the 2012 HP (97 persons per annum or -6 persons per annum once adjusted for UPC) and it is clear that the moratorium and recession is likely to have had a significant effect on these projections. This is further justified by the fact there also seems to be some potential for population growth post-2011 to have been underestimated in the MYE¹⁸. This would cause further concern with using the latest projections.

This is a specific issue affecting Hart and therefore it is appropriate to make a specific adjustment to the demographic model used to assess housing need in Hart District. It is possible to understand, broadly, the likely result of a projection based on pre-2008 migration data. The 2008 Household Projections utilise migration data from 2003/4 to 2007/8. The 2008 Household Projections project a

¹⁸ See paragraph 3.19.1 and 3.19.2 of GVA’s Technical Review of Hart Housing Need Evidence as part of Gladman’s Regulation 19 Representations.

need for 424 dwellings per annum (72% higher than the 2012 HP and 101% higher than the 2014 HP).

Household Formation Rate

Paragraph 15 of the PPG Chapter on Housing and Economic Development Needs Assessments states that *“The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates.”* It is clear therefore that the PPG requires an assessment of housing need to reflect factors which may affect household formation and to ensure that any factor which could have artificially constrained trends is identified and addressed.

Paragraph 8.80 of the SHMA recognises that household formation rates have fallen significantly in young adults. This is confirmed by Figure 3 below which provides rates from the 2014 (Stage 1), 2011 and 2008 Household Projection vintages as well as observed rates of change (pre-2014 grey line). From Figure 3 it is clear that since 2001 HRRs in young adults have plummeted. The 2014 HP HRRs assume that this fall will continue indefinitely.

The SHMA considers that the constraint to household formation in young adults is only temporary as household formation in older age groups is not affected in the same way.¹⁹ The SHMA therefore makes no adjustments to household formation rates in its demographic model, stating that any adjustment would be to improve access to housing for young persons which would, in essence, overlap with the market signals adjustments.²⁰

Our view is that it is appropriate to adjust household formation projections in the demographic stage of the housing need assessment where there is evidence that the economic and demographic circumstances on which those projections were based are likely to change going forward. This is confirmed by paragraph 15 of the PPG methodology and has been ratified by the Planning Inspectorate.²¹ It is our view that an upward adjustment should be made to the household formation rates to account for this and that this would increase the demographic need further, in addition to the migration adjustments mentioned earlier.

¹⁹ 8.83 of the SHMA

²⁰ 8.100 of the SHMA

²¹ Paragraph 3.23 of GVA’s Technical Review of Hart Housing Need Evidence as part of Gladman’s Regulation 19 Representations. Letter to Arun Council from Planning Inspectorate 2 February 2016 (Para 1.21)

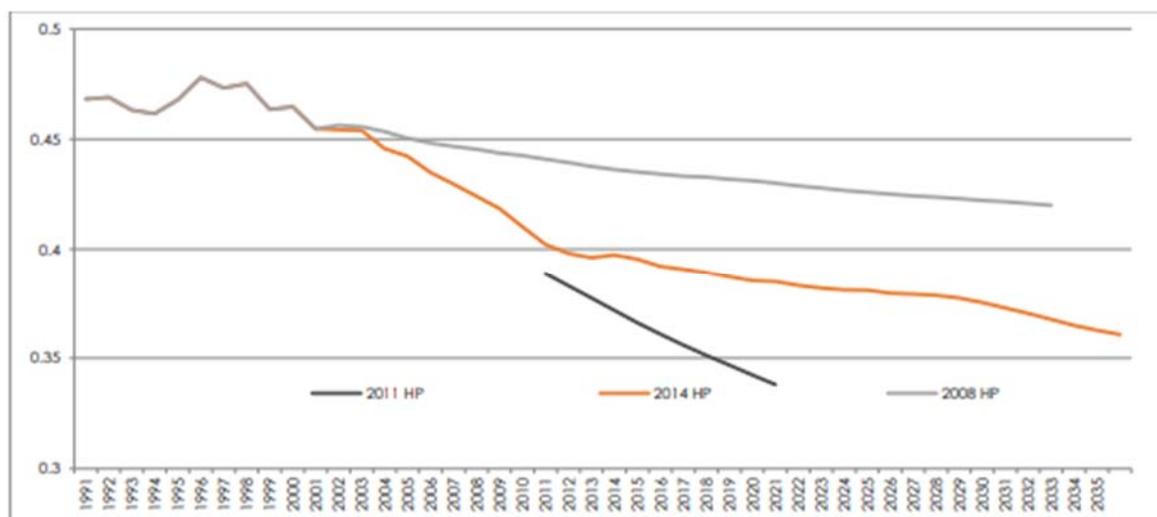


Figure 3. HRRs for 25 to 34 Year Olds in Hart taken from 2014-based Household Projections

Market Signals

Market signals data is set out in detail in Gladman's Regulation 19 representations²². It shows a significant worsening in affordability and increases in rents and house prices. There has also been a historic undersupply of housing relative to requirements. The SHMA's suggestion of a 15% increase was based on 2015 data. Affordability has become worse, both absolutely and relative to the national average. Furthermore, in light of other areas this adjustment is insufficient (Hart has worse or similar market signals to Mid Sussex, Luton and Cambridge where, respectively, 20%, 20% and 30% market signals adjustment was found to be sound).

Given the market signals in Hart relative to the similar areas and nationally (and relative to the other areas where higher adjustment have been made) it is considered that a greater market signals is required than 15%. It is our view that a 20% increase is appropriate in Hart.

Affordable Housing

Gladman's Regulation 19 Representations²³ contain a detailed discussion of affordable housing. It states that between 2011 and 2017 the Council has delivered 632 affordable units out of a total need for 780 units. This represents a shortfall of around 150 affordable units. The 2017 Annual Monitoring Report states that of outstanding planning permissions (2,821 units) just 803 are affordable or just over 24%. This is far fewer than the 34% required to meet the affordable housing need or the 40% emerging policy target. There would therefore appear to be some concern over whether the plan will achieve its target given the shortfall that already exists and the likely shortfall in the committed supply. In our view there is a justification for an uplift to the housing requirement to further deliver both subsidised rent and subsidised ownership properties.

²² Figure 6 and paragraphs 3.25 to 3.34 of GVA's Technical Review of Hart Housing Need Evidence as part of Gladman's Regulation 19 Representations.

²³ Paragraphs 3.39 to 3.42 of GVA's Technical Review of Hart Housing Need Evidence

Summary

In summary our view is that:

The Household Projections are not an appropriate basis for considering demographic growth in Hart. Over the period feeding into the latest iterations of the Household Projections, Hart has had a moratorium on housing and has had strict SANG policies which reduce housing densities and numbers across the district. This has constrained migration and therefore the latest projections. To understand un-constrained migration levels, it is our view that migration data, adjusted for UPC where appropriate, should be taken from pre-2008. This would significantly increase the demographic projection in Hart to more than 400 dpa.

The SHMA acknowledges that there has been suppressed household formation however no adjustment is made in the demographic stage of the analysis. This Review concludes that an adjustment is necessary to household formation rates in young adults given the historic fall in rates and the projected fall in rates. This would lead to a further increase in the demographic stage of the OAN process in Hart

Market signals data is showing a significant worsening in affordability and increases in rents and house prices. There has also been a historic undersupply of housing relative to requirements. The SHMA's suggestion of a 15% increase was based on the 2015 data and in light of other areas this adjustment is insufficient. We consider that a 20% increase is appropriate in light of the significant worsening in affordability that is taking place in the authority. Again, this would lead to a further increase in the OAN.

There is a justification for an uplift to the housing requirement to further deliver both subsidised rent and subsidised ownership properties.

Our view is that the OAN in Hart is likely to be around 500 dpa when all these factors are considered together.