

Examination of the Arun Local Plan

Hearing session on 14 January 2016

Objectively assessed needs for market and affordable housing

1 Introduction

The National Planning Policy Framework (NPPF) (para 47) requires Local Plans to meet *'.....the full, objectively assessed needs for market and affordable housing in the Housing Market Area (HMA), as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period.'*

This requires a two-stage approach:

Stage 1 Identify the full objectively assessed needs (the OAN) for market and affordable housing in the HMA.

Stage 2 Assess the degree to which the OAN can be met, consistent with the policies set out in the Framework.

This hearing is concerned only with Stage 1. Issues concerning stage 2 are for Arun to consider as part of the programme of work which it will be undertaking during the suspension of the examination before consulting on revised proposals. Representations about matters concerning stage 2 will therefore not be covered at this hearing.

2 Demographic factors

[NPPG 2a-015] The 'starting point' for OAN is to be the DCLG household projection. This may require adjustment to reflect factors affecting local demography and household formation rates not captured in past trends. For example, formation rates may have been suppressed historically by undersupply and worsening affordability of housing.

[NPPG 2a-017] Plan makers may consider sensitivity testing specific to their local circumstances based on alternative assumptions in relation to the underlying demographic projections and household formation rates. Any adjustments should be explained and justified on the basis of established sources of robust evidence.

2.1 Starting point (including vacancy rate)

The Hearn report (PELVP 20) a) takes the most recent (2012-based) DCLG household projections as its 'starting point', b) allows for a constant vacancy rate of 5.6% based upon the census (767pa plus 5.6% =810??) and c) further updates this to take account of the 2013 Mid-Year Estimates (MYE), arriving at a base 'starting point' of 821 dwellings pa.

Question A

Is it appropriate to update the DCLG projections on the basis of the 2013 or 2014 MYEs?

[Note: Nexus states that as the 2014 MYE (showing further increase) was released after the Hearn report this could imply that this is too low. Others criticise the constant application over the period of a one-year uplift based on the MYE.]

Question B

Is it appropriate to apply a constant vacancy rate of 5.6% (based on the 2011 census)?

2.2 Natural change

Natural change in the Arun population has been negative every year in the period 2001/2 to 2012/13. Although it has become less so in recent years Hearn fig 8 projects it to become increasingly negative again over the period to 2031. Hearn states (para 2.8) that the most significant growth has been among the over 60s but that there has also been a notable increase in the 15-29 age group. BMEs represent a small proportion (7.8%) of which more than half (4.7%) is Eastern European.

2.3 Migration

The Hearn report models 5yr trends (2008-13) and 12yr trends (2001-13) (see table 10) putting 'more weight' on the shorter trend although it recognises that this includes the recession period in which 4 of the 5 years were the lowest in the past 12 years (see Figure 8, p27).

Past trends (2.24): 10yr net migration ave 1912 pa: 5yr migration ave 1662 pa.

The projected levels are 1714 pa over the first 5 yrs, rising to 1,775 if a 10 yr average is used.

Question C

Does the Hearn report adopt reasonable assumptions on migration trends?

2.4 'Unattributable population change' (UPC)

The nature of UPC is surrounded with uncertainty, although the Hearn report concludes (see paras 2.27-2.32) that UPC in Arun is more likely to reflect issues with recording of migration rather than census inaccuracies. In total UPC in Arun was about 405pa in 2001-11 (Hearn para 2.31).

Question D

Does the GLH report follow a suitably robust approach to UPC? - ie deducting 50% of the UPC from the 2012 SNPP (thus reducing the 'starting point' need

based on the latest CLG household projections from 821pa to 732pa, ie the midpoint of the figures in table 9).

3 Economic-driven projections

[National Planning Practice Guidance (PPG) 2a-018] Plan makers should assess likely change in job numbers based on past trends and/or economic forecasts as appropriate and also have regard to the growth of the working age population in the housing market area.

The Hearn report says (table 14) that the Experian forecast would require 982 dwellings pa assuming current commuting patterns (ie 38% out-commuting by Arun residents) or 841 based on an assumed commuting ratio of 1.00 for new jobs. On past employment trends the range would be (on the same commuting assumptions) 609 or 571 dpa. The report concludes (7.9) that past employment trends could be accommodated by provision of housing in line with demographic trends but that higher housing provision may be necessary to achieve Experian forecasts.

Question E Is the report's conclusion reasonable? Does its approach give sufficient weight to the plan's clear objective to make '*economic growth for job creation its number one priority*'?

4 Market signals

PPG 2a-019 The housing need suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Relevant signals may include the following: land prices, house prices, rents, affordability, rate of development, overcrowding

PPG 2a-020 Appropriate comparisons of indicators should be made. A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections. Volatility requires care.....rolling averages may be helpful. The more significant the affordability constraints.....and the stronger other indicators of high demand.... the larger the improvement in affordability needs and therefore the larger the additional supply response should be.....

Question F Does the Hearn report examine appropriate market signals? Does it reasonably conclude (5.35) that '*analysis of market signals points to some modest affordability pressures*'?

Question G Is Hearn's suggested response to market signals appropriate and PPG compliant? ie – adjusting the household formation rate of the 25-34 age group so as to add 26dpa or 3.5% to the underlying revised demographic starting point? [Para 2.47 states this to be '*an age group of concern where the latest projections show quite a movement away from figures in the 2008-based projections*' and indicate '*some degree of suppressed household formation (where) projected trends still leave the rate some way below figures in the older*

projections’] Alternatively, should an adjustment for suppressed demand be added to the demographic base factors? If so what should that adjustment be?

Question H Is the above adjustment mechanism the only (or most appropriate way) to provide an ‘uplift’ of the OAN to reflect market signals? If so, what should that adjustment be?

5 Affordable housing (AH)

[PPG 2a-029] The total need for AH should be considered in the context of its likely delivery as a proportion of mixed market and AH development, given the probable percentage of AH to be delivered by market housing led developments. An increase in the total housing figure included in the local plan should be considered where it could help deliver the required number of AH. [This paragraph is considered ‘difficult to follow’ by the Planning Advisory Service advice note on OAN, June 2014]

The Hearn report concludes that the annual net need for AH is 480pa (table 21) but that the overall net need is 220pa (or 29% of the projected overall need - see para 4.32). Although the private rented sector (PRS) is not included in the NPPF definition of ‘affordable housing’ the report observes (a) that the PRS plays a substantial role in accommodating lower income households who cannot meet their needs without support, but that (b) AH achieved through the plan would reduce the role of the PRS over time (paras 4.37-38). It concludes (4.41) that technically there is not necessarily a need to increase overall housing provision *per se* based on the evidence of affordable need, but that there are choices to be made concerning how to meet the housing needs of those who cannot afford market housing. The evidence therefore provides some justification for considering higher provision to enhance housing delivery.

Question I

Is any adjustment required concerning affordable housing?

6 Unmet need from elsewhere in the Housing Market Area

It is apparent that the OANs of authorities within the West Sussex Coastal HMA are not being fully met through the emerging local plans being prepared by the constituent authorities.

Figures presented by Barton Willmore (BW) state the situation as follows:

	OAN (dpa)	LP housing supply target (dpa)	Unmet need (dpa)
Adur	291	182	109
Arun	758	Undetermined	0
Brighton & Hove	1,506	660	846
Chichester	505	435	70
Lewes	520	345	175
Worthing	636	270	366
TOTAL	4,216	2,650	1,566

BW describes this unmet need as significant and suggests that it shows 'a collective failure' to meet the OAN of the Sussex Coast HMA effectively. There being no wider mechanism to address the shortfalls, other than the Duty to Co-operate and the soundness criterion for plans to be 'positively prepared' (NPPF para 182), the table prompts enquiry as to the extent of any contribution which Arun could make towards meeting the unmet needs of the HMA. This is a matter for Arun to consider in formulating its proposals for change to the plan and will need to be done in conjunction with its neighbours, particularly its nearest neighbours (Worthing and Adur) who have specifically raised the matter. It is notable that the Hearn report for the HMA of 2013 recommended that Arun should test its potential to accommodate sustainable additional growth to assist the area's wider needs. The HBF suggests that the existence of this undersupply within the HMA could fuel higher rates of movement into Arun from neighbouring areas to the possible detriment of Arun residents who may be out-priced.

7 Summary of some headline suggestions for the OAN

Mr Bell	365pa (based on extrapolating population change over the past 30yrs [to 163,300] and 20yrs of actual HH size data [to 2.15], against a trend-based employment background)
Mr Truin	480pa (based on short term migration trends discounting all UPC and HH size falling only to 2.15)
Villages Action Group	571pa (adjusting short-term migration UPC of 619 downwards to allow for economic trends with more stable commuting)
Mr Camerer Cuss	629pa (as summarised at his para 26)
Hearn report	758pa
Phoenix Planning	820pa
HBF	820pa
Nexus Planning	850pa (using 2012 updated by MYEs, applying 12 year migration trends, 50% UPC adjustment and the Hearn adjustment for 25-34 year olds) ranging up to 934pa (allowing for uplifts for economic factors, market signals and AH)
Lichfield for BEW	900pa
Gleeson	841-982pa
Dunhill Medical Trust	841-982pa
Barton Willmore	982pa (using DCLG demographic basis uprated for economic factors and market signals)