

Home Builders Federation

ID:8450

Matter 2

HARLOW LOCAL PLAN EXAMINATION

Matter 2 – Quantitative requirements, overall provision and five-year housing land supply

Questions:

2.1 Is the Full Objectively Assessed Need for housing between 2011-33 determined by the 2017 SHMA - 51,700 dwellings for the HMA and 7,400 for Harlow – robust?

No. As we set out in our statement, we are concerned that final update to the SHMA published in July 2017 has underestimated needs not only for the HMA but also for Harlow. We do not consider the use of the ten-year migration trend to have been justified and the market signals adjustment is insufficient. These concerns are considered in more detail below.

2.2 The starting point for the 2017 SHMA is the 2014 based household projections. Should the 2016 based household projections released in September 2018 be taken into account, and if so does the objectively assessed need require adjustment?

No. The 2016 based household projections see a reduction in the level of household growth across the Country. This is a result of changes in the subnational population projections, upon which the household projections are based, and adjustments in the approach taken in the household projections to considering household formation rates. The major concerns with regard to the latest household projections is that they will set in place the trend of younger people forming households much later in life than in previous years and mean that delivery will not meet the Government's stated targets – targets considered necessary to improve affordability. This posed a serious question for the Government as to whether it wants to see these trends continue or whether housing delivery needs to be at a level that will improve affordability and deliver homes that will improve the trend in household formation amongst younger people.



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

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

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

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

On the 20 February 2019 the Government finally published its response to the comments made to this consultation. In this response the Government confirmed that the 2014-based projections provide the most suitable basis for assessing housing needs considering these figures provide stability and certainty for the planning system in the short term. Therefore, the only approach we consider to be sound is for the continued use of 2014-based household projections.

2.3 Is the use of a 10-year migration trend in the 2017 SHMA justified?

The starting point for any SHMA is the official household projections, formerly published by MHCLG and now published by ONS. These projections are based on the Sub National Population Projections and use a 5-year trend when considering future migration patterns. However, there is a disagreement as to whether this short-term trend is an appropriate basis over which to consider household growth or whether a longer ten-year trend would provide a more accurate projection of household growth. Whilst this debate will continue it is important to note that the Government have not stated that it considers the ten-year trend to be a more appropriate approach and nor has it looked to change its methodology and extend the migration trend period to ten years. We recognise that the Government allow at paragraph 2a-017 for sensitivity testing as part of the OAN methodology but it also outlines that:

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

“Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.

Issues will vary across areas but might include:

- *migration levels that may be affected by changes in employment growth or a one-off event such as a large employer moving in or out of an area or a large housing development such as an urban extension in the last 5 years*
- *demographic structure that may be affected by local circumstances or policies e.g. expansion in education or facilities for older people”*

But, as we highlighted in our representation, no local justification has been provided with the SHMA suggesting that this is a preference of the consultants for a ten years trend rather than a specific local circumstance. Such a situation is wholly inappropriate. Aside from the lack of justification we have two further concerns.

Firstly, the ten-year trend period used covers a recessionary period where migration was substantially lower than normal. This should have indicated to the Council that any trend that included this period should have been considered inappropriate. Secondly, there are also wider concerns regarding the need for national consistency with regard to internal migration and adjusting trend periods within one area but not for all areas in the Country. For example, one difficulty in developing projections using a trend period is that it is possible for this period to have a different profile of migration (i.e. a different age structure of in- and out-migration). It is difficult to fully reflect any differences in age structure given that to do this would require understanding a full matrix of where population moves to and from (by age and sex) as such data is not readily available. There must be a concern that by adjusting the period only for those authorities in the HMA that there is a lack of consistency between these authorities and their neighbours.

Given the significance of the impact of using the 10-year migration trend - for the HMA as a whole it reduces household growth from 50,707 to 45,507 – we would suggest there is not sufficient justification for the use of this trend period. Unless a more reasoned justification for the use of a longer-term migration trend is provided, as required by PPG, we do not consider the current approach to be sound. If the Government is to achieve its target of delivering 300,000 new homes per year by the mid-2020s then the Council will need to use an unadjusted starting point for its calculation of OAN. If the situation should change significantly with regard to demographic trends, then the requirement to review plans every five years also gives the Council the ability to respond to any change.

2.4 Is the 14% uplift used in the 2017 SHMA justified?

As highlighted in our representation the Council made the decision alongside its partners in the HMA to reduce its response to market signals from a 20% uplift to one of 14%. The SHMA outlines that this decision was justified on the basis of the implications for net migration and average household size. In effect the SHMA took the decision to place limits on the level of net migration. Given that London has not met its

housing needs and the poor delivery in the HMA that will have suppressed household growth we are concerned that the decision to reduce market signals was made to reflect the level of development that the Councils in the HMA considered to be deliverable. This would raise the question as to whether the 14% market signals assessment was indeed an objective decision based on the relevant indicators or one based on capacity. We would suggest that the evidence supports a minimum uplift of 20% be applied and the 14% uplift is not justified.

The evidence on market signals shows an HMA with some of the worst affordability ratios outside of London. Evidence in the 2015 SHMA shows a market under pressure and as such a recommendation that a 20% adjustment be made to market signals. Since this SHMA was published the situation has worsened. Whilst pressure is seen across all indicators the concerns are best encapsulated in the lower quartile affordability ratios. In 2009 following the recession the ratio in Harlow was 6.38. However, since then it has steadily worsened and now sits at 10.81. Compared to the other Borough's in the HMA this is relatively affordable, but this still means that lower quartile house prices are over ten times lower quartile salaries for the area. Harlow has also seen its affordability worsen more rapidly than the other LPAs in the HMA. The affordability ratio has increased by 69% since 2009 – comparable with Epping Forest where the affordability ratio has increased by 68%. The other two areas in the HMA, East Hertfordshire and Uttlesford, have seen their ratios increase 58% and 45% respectively. Given that paragraph 2a-021 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*” we would suggest that a more substantial uplift is necessary.

2.5 The plan sets a housing requirement of 9,200 dwellings to be delivered in the plan period compared to the objectively assessed need of 7,400 dwellings. The extra 1,800 dwellings are to meet Harlow's affordable housing and regeneration needs (paragraph 7.23). Is this additional figure justified as a requirement, as opposed to a figure for potential supply? If not intended to meet the housing needs of other authorities in the HMA, which appears to be the case, what would be the effect of these additional 1,800 dwellings on housing delivery in nearby authorities, or on commuting patterns, and would this be desirable?

The requirement in the local plan reflects the agreement made within the housing market area as to the appropriate distribution of housing growth required to meet the needs of the HMA. This position is set out in the 2017 Memorandum of Understanding (HEBDTC1). In order to meet housing need for the HMA in full, as is required by paragraph 47 of the 2012 NPPF, the Council's housing requirement must be set at the level agreed between the other authorities, unless they were to increase their own housing requirement. As such there is no buffer with regard to the Council's housing supply, rather they are meeting their apportionment of the needs of the HMA as agreed with Epping Forest, Uttlesford and East Hertfordshire.

However, if the Council does not consider itself to be meeting the wider needs of the HMA as part of its housing requirement the question then remains as to who has

committed to meeting these needs? There must be a commitment to delivering the full needs of the HMA in the relevant local plans in order for there to be the necessary certainty that housing needs will be met over the plan period. The MOU between the authorities agreed to the distribution and there must be the necessary commitments to delivering this need to ensure supply is maintained. Therefore, whilst we disagree with the Council's assessment of need, we would consider it sound to set a requirement above their assessed level of housing needs where this meets the wider needs of the HMA.

2.6 Does the plan provide for a five-year supply of deliverable housing sites against the housing requirement? Is an allowance made for the non-implementation of commitments, and if not, should one be? Is the housing trajectory, for individual sites and all the allocated sites combined, realistic?

We would agree that the Council has a five-year housing land supply on the basis of the Council's delivery expectations. Whilst we cannot comment on the trajectories for individual sites, we would support the inclusion of an allowance for the non-implementation, or slower than expected delivery, of the plan's commitments.

2.7 Would the allocations and policies in the plan deliver 9,200 dwellings over the full plan period to 2033? Will the strategic housing site east of Harlow and Policy HS2 sites be all but built out as appears to be assumed? Paragraph 7.31 states the allocations in the plan exceed the requirement by 105 dwellings - is this sufficient flexibility to ensure delivery?

An additional 105 units over the Council's housing requirement will not ensure that there is flexibility to take account of any changing circumstances, as required by paragraph 14 of the 2012 NPPF, and the potential for slow delivery. This is especially the case where a Council is relying on a few large strategic sites or a specific area to meet the majority of the area's needs. Considering the Council intends to deliver the majority of its housing needs on such sites it is essential that a substantial buffer is included within the Council's housing supply. The need for flexibility has been recognised as an important aspect of plan making for some time and was highlighted by DCLG in a presentation to the HBF Planning Conference in September 2015.

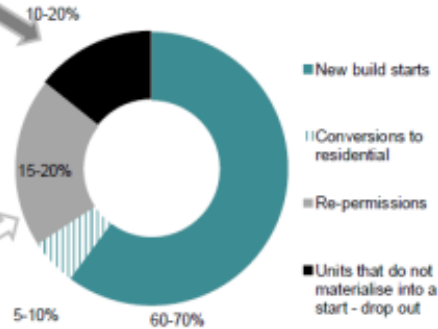
This slide illustrates that work by the Government suggests 10-20% of residential development with permission will not be implemented and that there is a 15-20% lapse rate on permissions. This does not mean that such sites will not come forward but that delays in delivery, changing ownership or financial considerations can lead to sites not coming forward as expected. For this reason, DCLG emphasised in this slide "*the need to plan for permissions on more units than the housing start/completions ambition*".



In recent years there has been a 30-40% gap between permissions and housing starts

- **Gap of around 30-40%** between the number of permissions given for housing and starts on site within a year. Estimate that for a year's permissions for housing around:
 - **10-20%** do not materialise into a start; the permission 'drops out': this could be because -
 - the landowner cannot get the price for the site that they want
 - a developer cannot secure finance or meet the terms of an option
 - the development is later not considered to be financially worthwhile
 - there are supply chain constraints hindering a start.

There may be scope to reduce this through policy.
 - **15-20%** are not abandoned but a **re-permission** is sought, for example to make a major change to plans or to extend the development period.
- Recent data and realities of private market suggests need to **plan for permissions on more units than housing start/completion ambition.**



More recently these same concerns were identified in Sir Oliver Letwin's independent review of build out, delivery on large housing sites may be held back by numerous constraints including discharge of pre-commencement condition, limited availability of skilled labour and building materials, a lack of capital, constrained logistics of sites, slow delivery of utilities and absorption rates of open market sales.

2.8 Has the cumulative impact of the policies and standards in the plan together with nationally required standards on the viability of housing development been appropriately assessed? Would these put the implementation of the plan at risk and would they facilitate development throughout the economic cycle?

The cumulative impact of the policies in the plan have been tested in the viability study and we do not have any concerns regarding the broad approach taken in this study. However, the results of this study do indicate that some types of development and development in specific locations is either unviable or marginal when the cumulative policy costs are considered. Paragraph 7.2 of the viability study (ref ...) notes that:

"The results generated by these appraisals indicate that although many developments could viably provide all or a large majority of the policy requirements, in order to ensure the delivery of the required growth in the District, particularly in Area 1 and flatted developments, that the Council needs to apply its policies flexibly."

Whilst we appreciate that there is scope for flexibility with regard the application of the local plans policies it must be remembered that this plan will be applied on the basis of the 2019 NPPF. This latest iteration of the Framework places far greater emphasis on viability at the plan making stage and how this the interacts with decision making.

Paragraph 57 in particular outlines that decision makers can assume that developments which comply with local plan policies can be assumed to be viable. However, this is not the case with certain developments in Harlow. Whilst we recognise that the majority of development will not be delivered on greenfield allocations where viability appears to be less of a concern it is important to recognise within the local plan the fact that sites on previously developed land in the urban area may not be able to sustain the cumulative costs arising from the policy requirements set out in the local plan.

The 2019 NPPF signals a move away from singular aspirational targets for affordable housing delivery towards setting affordable housing requirements that are deliverable in the vast majority of cases without recourse to negotiation. On the basis that the plan will be delivered under the new NPPF we would suggest that the Council will need to reduce the costs that are imposed on development through this local plan to ensure its policies are deliverable without the need for site by site negotiations.

2.9 Do Policies HS4 and H10 in the plan adequately provide for the housing needs of the travelling community? Should Policy H10 include a reference to need?

No comment

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