Reference 1185183
Thakeham Homes

Wealden Local Plan Examination

Matter 3 Objectively Assessed
Needs for Housing and
Employment Land
Matter 3: Objectively Assessed Needs for Housing and Employment Land

Issue 1: Whether the Council’s approach to calculating its full, objectively assessed needs is justified, based on up-to-date and reliable evidence, effective, positively prepared, and consistent with national policy?

This statement has been prepared on by RPS Consulting Services Ltd, on behalf of Thakeham Homes.

Objectively Assessed Need – Housing

48. Does the plan period cover an appropriate time frame for the provision of housing (2013-2028), and is it consistent with national policy? Should it be extended. If so, why? Why is a different time period chosen to that set for employment and retail matters?

1.1 In progressing the Wealden Local Plan to examination, the Council has sought to reduce the plan period from an end date of 2037 to 2028, thus covering a minimum period of 15 years rather than the previously advocated 24-year period (2013-37). The Council has sought to justify the shortened timescale based on environmental constraints related to the potential impact of overall growth on a number of ecologically-designated sites located in the area, but also on the change in the assessment of the OAN, leading to an increase from 736 dpa to 950 dpa (based on its own evidence). However, as demonstrated later in this statement, we consider the Council’s OAN to be an under-estimate of housing need in Wealden and, in this context, a reduced timescale would undermine the requirement to plan for the future housing needs of Wealden.

1.2 Furthermore, it is clear that the reduction in the plan period by five(?) nine years would necessitate the delivery of less development based on fewer sites being needed (subject to adoption of the proposed housing requirement). In our view, the matter of addressing potential significant effects of the Plan can be dealt with through appropriate monitoring of plan delivery and robust evidence of the effects of accommodating growth on those designated sites linked to Policy WLP13 (Review of the Wealden Local Plan), which would trigger a Plan review. Consequently, we see no need to reduce the plan period to the minimum which, assuming adoption during 2020, would only leave around eight years to deliver the scale of growth needed by 2028.

51. Should the recently published 2016-based household projections be taken into account in setting the OAHN? If so, what would be the consequence.

1.3 No. RPS agrees with the decision taken by Wealden District Council (WDC) not to rely on the 2016-based sub-national projections for the purposes of calculating the objectively assessed need for housing. RPS considers this to be sensible and pragmatic, given that the 2016-based projections are recognised by Government, in its consultation on proposed changes to national policy and guidance on assessing housing need in 2018\(^1\), as potentially building in past

\(^{1}\) MHCLG Technical consultation on updates to national planning policy and guidance (October, 2018)
performance in housing delivery into future projections of housing growth and thus undermining its attempts to promote a significant boost in the supply of housing nationally.

1.4 With regards to Wealden, future baseline growth derived from the 2016-based projections would suggest a reduction compared to the 2014-based projections, from 893 hpa\(^2\) to 836 hpa\(^3\) for the period 2013-2028. This would result in even less ability of the Local Plan to provide sufficient homes needed to support future employment growth and addressing the worsening affordability of housing in the District (RPS provide more detailed comments on these issues later). We would therefore advise against a shift away from the current baseline projections at this stage to maintain certainty and stability in the plan-making process.

1.5 On this basis, the 2014-based projections remain a valid starting point for assessing housing need. Additionally, given that it is acknowledged the District is part of a wider housing market area, it would be premature to consider adjustments in Wealden in isolation, in line with recent Inspectors Reports elsewhere (i.e. Nuneaton and Bedworth Local Plan IR, para 72, April 2019).

52. Is the OAHN figure of 950 dwellings per annum, robust and justified? Does it take into account appropriate market signals, household size and household formation, forecast jobs growth and the need for adequate levels of affordable housing to be provided?

1.6 No. RPS has concerns with a number of the assumptions used to underpin the objectively assessed need calculation, which we will address in turn.

Demographic-starting point (migration)

1.7 RPS acknowledge the use of the 2014-based sub-national projections by the Council as the starting point for establishing the demographic (baseline) projection of housing need for Wealden. However, the Council has sought to apply a reduction to the (CLG) baseline projections based on the use of an alternative migration trend (10-year) based on migration patterns observed between 2004-15.

1.8 The impact of applying the longer-term trend is to significantly reduce the starting point projection for both the 2013-37 period (Table A.9 of the Wealden OAN Update January 2017 refers) and alternative period 2013-28 (Table 1.3 of the Wealden OAN Update Draft Paper: 2013-2028, March 2017 refers). The latest projection based on the long-term migration trend, as shown in the March 2017 Paper, would see a reduction from 913dpa to 625dpa over period 2013-28 (approx. 32%).

\(^2\) Table 1.1 of Wealden Objectively Assessed Need (OAN) Update Draft Paper: 2013 to 2028 - March 2017

\(^3\) Taken from ONS 2016-based household projections: detailed data for modelling and analytical purposes (Table S1 Households)
1.9 The scenario based on the long-term migration trend forms the basis for the preferred demographic-starting point, which then underpins the rest of the OAN calculation. However, the March 2017 Paper (paragraph 1.9 refers) recognises the problem with the use of longer-term trends that might be influenced by the recessionary period (in this case around 2009), which resulted in overall lower internal in-migration flows. RPS therefore questions the use, uncritically, of the preferred (longer) trend which incorporates the period covering arguably the worst recession in economic recession in living memory. In these circumstances, there would appear to be no reasonable alternative other than using the migration assumptions incorporated into the CLG 2014-based projections, given the clear potential for a significant reduction in the provision of housing that would result by not doing so.

**Demographic-starting point (Household Formation)**

1.10 RPS acknowledge the inclusion of an adjustment to Household Formation rates (HFRs) for household suppression in those aged 25-44, incorporating a proposed return to the HFRs observed at 2001. However, in concluding on the OAN for Wealden over the period 2013-28, it is not clear how the adjustment has been applied (Table 1.10 of the March 2017 Paper refers), as it appears that the adjustment is applied following the market signals adjustment, rather than as part of the consideration and adjustment within the demographic-starting point as required by the PPG.

1.11 It is noted that the adjustment is appropriately applied under the scenario based on the Local Plans Expert Group (LPEG) scenario (Table 1.8 of the March 2017 Paper refers), which would be consistent with the PPG.

**Employment Growth**

1.12 The Council has considered a range of economic forecasts from a number of sources in the process of establishing its preferred OAN calculation. RPS is concerned that insufficient account is being taken of the need to ensure a balance between jobs and homes, as required by the PPG.

1.13 It is noteworthy that across the two different plan periods (2013-37 and 2013-28), housing need projections based on economic forecasts consistently show a broad alignment with the housing need established by the demographic-starting point projections. In terms of the latest evidence set out in the Regeneris Marc 2017 Report (Table 1.10 refers) the Council relies on two sets of economic-led forecasts of need; Cambridge Econometrics (CE), and Experian. Both these forecasts produce outputs that are either slightly below (Experian – 876 dpa) or very similar (CE – 916 dpa) to the DCLG demographic-starting point (913 dpa), indicating a broad alignment between the demand for workers and supply of new homes over either plan period. The Council’s preference is for the Cambridge Econometric forecast, which is more optimistic than Experian, but which still does not represent a need calculation significantly in excess of the demographic-based starting point. This also feeds through once household formation rates are returned to 2001 rates, in broad terms as shown in Table 1.10 referred to above.
1.14 The implication here therefore is that due to the similarity in outputs derived from both jobs-based and population-based projections, this demonstrates that an employment-based projections is unlikely to produce a significant increase in demand from additional people to access employment locally, which would go some way towards increasing the supply of housing to help address local affordability and suppression in household formation already catered for in other aspects of the OAN calculation. Consequently, this would justify a further adjustment to address worsening market signals that are not being catered for in the employment-led projections.

1.15 However, the Council ignores their own evidence on the balance between homes and jobs, choosing to base its demographic-starting point (prior to consideration of adjustments for market signal and affordable housing) on a reduced migration-trend-based approach that would not align with employment-led projections and so restricting the supply of labour below that which is needed to support the projected jobs growth.

1.16 Based on the foregoing analysis, it is clear that there is no justification to apply a discounted approach to migration trends, and that the DCLG projections should form the basis for consideration of further adjustments in light of the available evidence.

**Market Signals**

1.17 The Council's approach to assessing market signals in Wealden is set out in the SHMA 2016 Report (related to the projection period 2013-33), the OAN Update January 2017 Report (covering the previously stated plan period 2013-37), and the OAN Draft Paper March 2017 (relating to the amended plan period 2013-28). The consistent message that comes out of these reports (originally stated at paragraph 7.63-7.65 of the SHMA 2016 Report) is that clear evidence exists to support an upward adjustment to the demographic starting point in response to worsening housing affordability in Wealden over recent years.

1.18 However, whilst the SHMA 2016 Report did not propose a specific market signals adjustment in response, it did accept that the housing market was under stress with regards to high demand and insufficient supply in Wealden (paragraph 7.63 refers). Rather, the Council took the view that the economic-led (‘high growth’) scenario produced at the time would incorporate an uplift to the starting point (11.5%) sufficient to address the evident affordability problems (paragraph 7.65 refers). This formed the basis for the original OAN (736 dpa) that was consulted on at the Local Plan Issues and Options stage, which has since been superseded by more recent evidence (as summarised in Table A.1 of OAN Update January 2017 Report). In settling on the 736 dpa figure, it is noted that the Council accepted that the ‘high growth’ scenario was the most appropriate basis for understanding future jobs growth (paragraph 7.52 of the SHMA 2016 Report refers).
1.19 Subsequent evidence presented by the Council (in the January and March 2017 updates) now seeks to apply a different methodology to establishing the market signals adjustment for Wealden. However, RPS has some concerns with the Council’s approach.

1.20 In establishing the different outputs for housing need in Wealden (Table 6.1 of the Regeneris Report January 2017; and Table 1.10 of the Regeneris Report March 2017 refers), two ‘alternative’ market signals adjustments have been considered; 10% and 25%. RPS does not agree with the use of a 10% adjustment given this is less than the 11.5% ‘uplift’ that the SHMA 2016 Report suggested would address affordability issues in Wealden, despite the continued worsening of affordability of housing in the District. This is evident when looking at the change in affordability observed in Wealden since 2013.

1.21 Data from published figures on affordability ratios (both lower quartile and median house prices and incomes) for Wealden indicate the scale of the worsening picture. For lower quartile affordability, the ratio in 2013 was 11.14, but had increased to 12.86 by 2017, representing a 15.4% deterioration in affordability for those on the lowest incomes in the District. In addition, for those households in the median income category, the affordability ratio in 2013 was 10.51, but this had increased to 11.91 by 2018, representing a 13.3% worsening in this measure. Consequently, based on available evidence, a 10% adjustment would not reflect the current situation regarding affordability of housing in Wealden, which the Council continues to accept as being a problem for households.

1.22 Furthermore, the 10% adjustment, albeit considered as one of the scenarios, has been incorrectly applied to the demographic-starting point prior to any adjustment for household formation, contrary to the PPG advice which considers market signals as a separate factor in the calculation of OAN. For these reasons, the 10% adjustment should be discounted from the analysis at this point.

1.23 The proposed market signals adjustment of 25% included in the updated evidence (and within the Council’s preferred OAN figure) is clearly justified as being reflective of the worsening housing market indicators in Wealden, as set out in the Regeneris January 2017 Report (paragraph 4.1-4.10 refers) and also previous evidence set out in the SHMA 2016 Report (paragraphs 7.53-7.62 refers), as well as paragraph 1.20 of this statement.

1.24 However, whilst RPS agrees with the application of a 25% adjustment, we have concerns with how this factor has been applied in deriving the OAN figure. In deriving the preferred OAN of 946dpa, rounded to 950dpa (paragraph 4.3.3 of the Housing Background Paper refers), the adjustment has been applied to a ‘rebased’ demographic-starting point based using the long-term migration trends (Table 5.3 of the Regeneris January 2017 Report, and Table 1.9 of the Regeneris March 2017 Report). In line with our objections above, the use of a longer migration trend, in this instance, does not take proper account of the recessionary period (incorporating the period around
2008-9) which in turn risks building into the projection the effects this period had on household formation and migration trends across the country, with the knock-on effects locally.

1.25 Consequently, RPS suggest a more sensible and reasonable approach would be to apply the 25% adjustment to the demographic starting point that relies on the official DLG projections, without incorporating the suggested ‘migration discount’. The latest demographic-based projections, and economic-led forecasts, based on the Council’s own evidence suggest a range of between 876 to 972 dpa as being a suitable starting range prior to applying the 25% upward adjustment for market signals (Table 1.10 of Regeneris March 2017 Report).

1.26 Notwithstanding our submissions in response to question 51 above, if the 2016-based projections were to be preferred then it would be equally justified in applying the 25% adjustment to those projections.

Affordable Housing

1.27 The Council’s calculation of affordable housing need is set out in the SHMA 2016 Report (paragraph 7.66 refers), with an estimated need for 6,617 affordable dwellings (or 331 dpa) over the assessed projection period 2013-33. The Council has not updated this calculation, however the figure is considered to represent an adequate estimate of affordable housing need in Wealden for the purposes of this examination.

1.28 However, whilst we do not necessarily challenge this figure, we do raise concerns that the proposed OAN (which also equates to the Council’s proposed housing requirement) does not provide sufficient headroom against which to deliver the scale of affordable housing need. The Council identifies the requirement for 331 affordable homes per year as ‘high’ compared to the previous Local Plan and identifies it as a ‘particular issue’ within the area given the high house prices and relatively low incomes amongst those living and working within the District (paragraph 36.2 of the Wealden Local Plan Submission Version January 2019 refers). Based on this approach, every reasonable step should therefore be taken to address the acknowledged scale of affordable need as part of a Plan strategy that is both ambitious and deliverable.

1.29 To this end, we are concerned that no adjustment has been made to the proposed OAN to reflect the clear objective which is to maximise the delivery of affordable housing through securing ‘at least’ 35% affordable homes on qualifying sites (as set out in Policy HG 2 Target indicator). This is despite the recognition in the Local Plan (Policy HG2 Provision of Affordable Housing) that delivery of affordable housing on identified sites, both allocated and non-allocated, may not deliver as anticipated in terms of scale, timing or housing mix (including affordable housing) as a result of viability or other factors that emerge at the point at which sites are brought forward.

1.30 Consequently, it is prudent to build into the Plan an allowance to allow for such inevitable circumstances, to facilitate the provision of additional affordable housing where the need arises.
This provides further justification for an increase in the OAN consistent with other adjustments to the proposed OAN necessary to ensure local housing need is met in full, given that the OAN as proposed is clearly being set at the lower end of the range set out in the Council’s evidence (Table 1.10 of Regeneris March 2017 Report refers).

53. **Has an allowance been made for vacancy rates and second homes with reference to existing and future housing stock?**

1.31 Yes partly, but RPS does not agree with the figure applied by the Council. The figure used by the Council (2.4%) covers vacant dwellings is derived from ‘Average Council Tax Base data from DCLG for 2013 to 2015’ (Table 1.8 and 1.9 of Regeneris March 2017 Report refers). However, this figure appears low when compared to the level of vacancies based on Census 2011 data, which suggests a vacancy rate of 3.8% for Wealden District. Given the difference between the two values is quite large and the time period relatively short, we suggest a higher variable for vacant dwellings is justified in this instance.

1.32 Furthermore, no evidence is presented regarding the extent of second homes in the District, but given the scale of affordability issues locally and the rural nature of the District this is a factor that should be clarified by the Council.

54. **Is the level of housing planned appropriate? Should it be increased or decreased? If so, to what level and on what basis?**

1.33 No. The level of planned housing is not appropriate and should be increased in line with the objections presented in this statement.

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4 Figure taken from NOMIS Table QS417EW Household Spaces (29th April 2019)