

Reference ID

Taylor Wimpey UK Ltd

Chelmsford Local Plan Examination

Matter 3: Objectively Assessed
Housing Need

Main Matter 3 – Objectively assessed housing need

Main Issue – Whether the identified objectively assessed housing need is soundly-based, supported by robust and credible evidence and is consistent with national policy?

Qu.14 The OAHN Study Update (EB048) (OAHN Update) identifies 671 dwellings per annum (dpa) ‘demographic starting point’ for Chelmsford. Is the use of the 2014-based sub-national household projections for this ‘starting point’ appropriate? In the light of the latest 2016-based household projections, do these represent a meaningful change in the housing situation and what bearing, if any, do they have on the assessment of the OAHN and the soundness of the plan?

1.1 RPS consider that the 2014-based projections represent an appropriate starting point for the consideration of how the OAHN is calculated. The 2016-based projections published on 20 September 2018 do represent the most recent published information, however there are clear concerns with using this data. The 2016-based projections represent a significant shift in household growth from previous projections, and a number of authorities have seen numbers markedly drop. This was, in part, anticipated by the Government, who issued a clear health warning with the 2016-based projections and how these should be used in the context of the ‘standard method’ for calculating housing need. The Government’s concerns were principally linked to whether these were capable of achieving growth of around 300,000 dwellings per annum, consistent with the national policy objectives.

1.2 Things have now moved on and these concerns have been realised by the Government following the publication of the 2016-projections. On 26th October 2018, the Government issued its consultation on changes to national planning guidance including revisions to the standard method for assessing housing need to be consistent with increasing housing supply¹. The Government considers that the 2014-based data will provide the demographic baseline for assessment of local housing need in the short-term. RPS agrees with this approach as a sensible and reasonable way forward in terms of defining an appropriate starting point for the assessment of local housing need for Chelmsford. The 2016-based projections should therefore not be used.

Qu. 15 The OAHN Update concludes that for Chelmsford there is a need for a market signal adjustment, due to house prices and private rents being well above the national average and affordability being substantially above the national average. A market signals uplift of 20% is recommended which when added to the base point of 671 dpa equates to 805 dpa. Is this uplift justified and based on robust evidence?

1.3 RPS has already submitted representations on the issue of market signal uplift as part of the consultation on the publication version of the local plan, in February 2018. This representation

¹ MHCLG *Technical consultation on updates to national planning policy and guidance*, October 2018

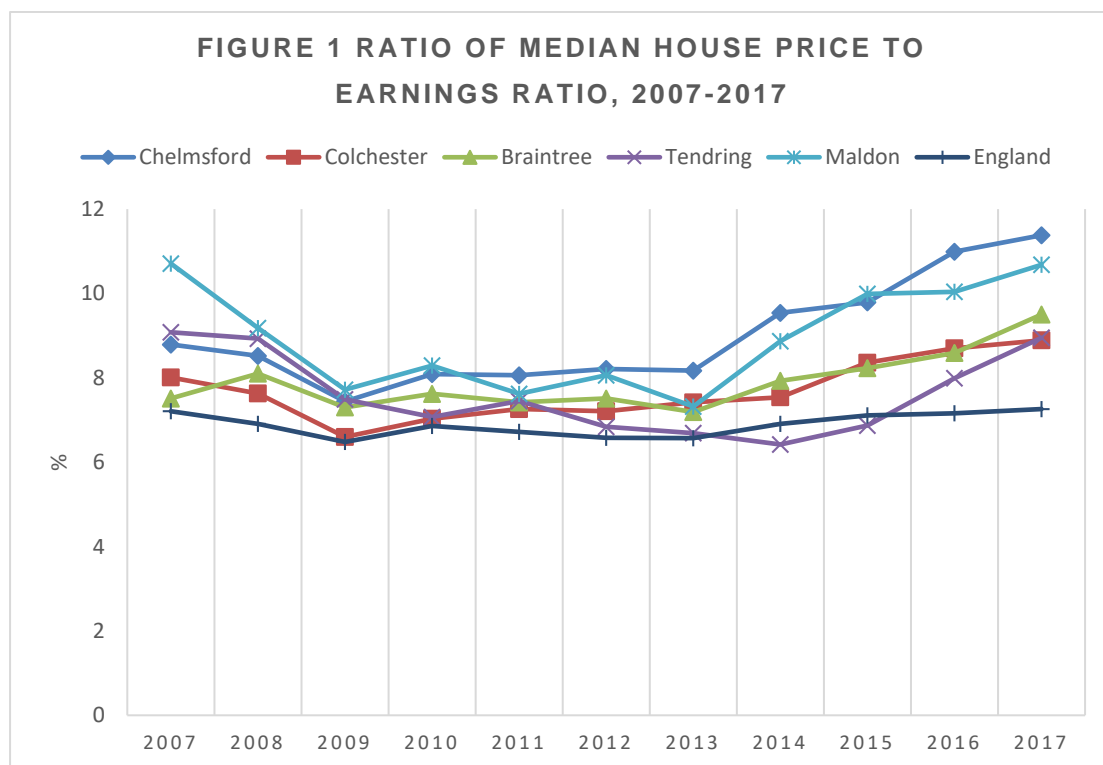
updates our evidence utilising the latest published data relating to local house prices and incomes for Chelmsford. Our representations submitted at the Regulation 19 stage reflected on the affordability problem facing people and households in Chelmsford up to 2016. Table 1 below summarises from figures published by ONS, now including data for 2017. The data suggest that affordability continues to worsen in Chelmsford, as it does across large parts of Essex.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Chelmsford	8.79	8.52	7.44	8.09	8.06	8.21	8.17	9.54	9.79	10.99	11.38
Colchester	8.01	7.63	6.6	7.03	7.26	7.21	7.42	7.54	8.36	8.7	8.89
Braintree	7.51	8.1	7.3	7.62	7.42	7.51	7.19	7.93	8.23	8.59	9.5
Tendring	9.08	8.93	7.49	7.07	7.45	6.84	6.69	6.42	6.87	7.99	8.95
Maldon	10.71	9.18	7.72	8.29	7.62	8.06	7.32	8.87	9.99	10.04	10.68

Table 1 Median House Price to workplace earnings ratios, 2007-17 Source: ONS, Table 5c

1.4 Significantly, the data also illustrates that the affordability problem is most acute in Chelmsford, when compared to the other authorities in Essex and that this is a problem that has occurred over a sustained period of time.

1.5 Figure 1 below presents an updated picture of housing affordability based on this measure in visual format. These indicate that [un]affordability has increased from 10.99 to 11.38 or 3.6% in just one year between 2016 and 2017. However, over the 11-year period affordability has worsened by 29% in Chelmsford since 2007, even allowing for a brief improvement between 2007 and 2009 largely due to the fall in house prices following the recession.



Source: ONS, Table 5c

1.6 It should also be noted that the Council's own evidence identifies Chelmsford as the least affordable area in Essex in terms of house prices, but also average rental levels (as shown, as an example, in figure 5.12 of EB048). When compared to England as a whole, where the ratio is 7.91, the difference is even more stark.

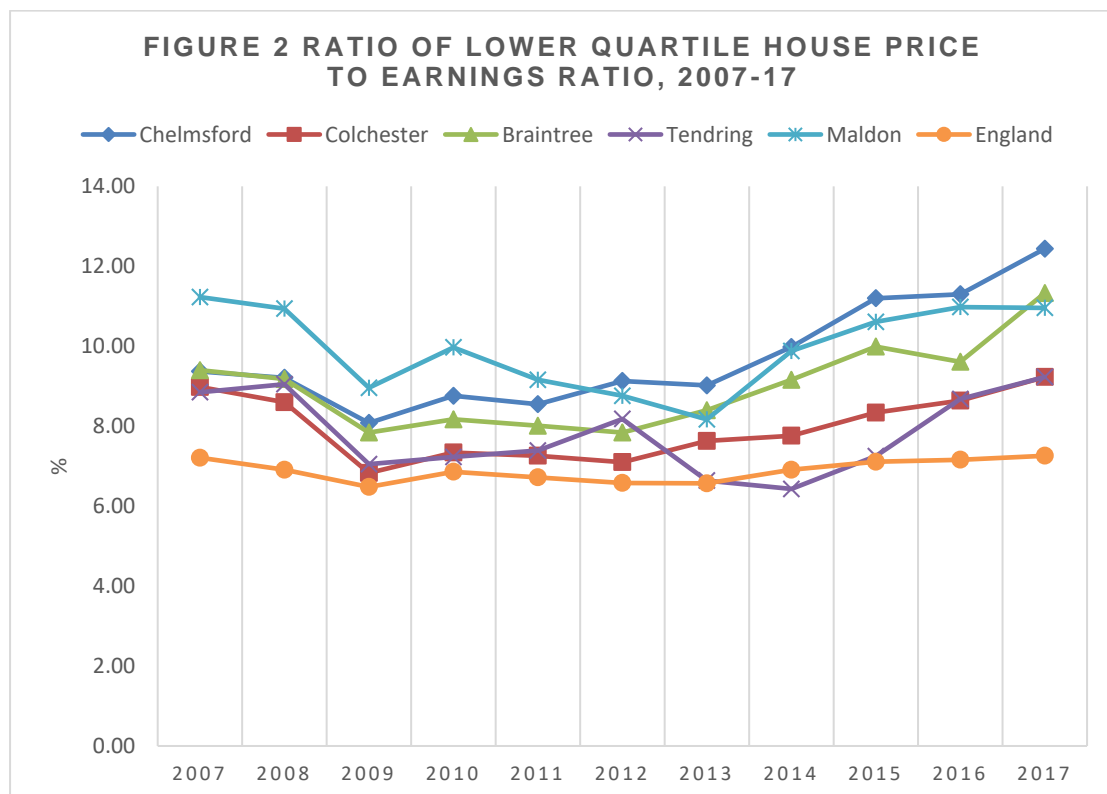
1.7 Consideration should also be given to the changing nature of affordability for lower quartile prices and earnings, as this affects those most in need of housing. Table 2 below shows how affordability is more acute for lower income households in Chelmsford than those with median earnings, being 12.44 at 2017.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Chelmsford	9.37	9.21	8.08	8.76	8.55	9.13	9.02	9.98	11.20	11.30	12.44
Colchester	8.98	8.60	6.83	7.34	7.26	7.10	7.63	7.76	8.34	8.64	9.23
Braintree	9.40	9.18	7.84	8.17	8.01	7.84	8.40	9.16	9.99	9.61	11.33
Tendring	8.85	9.05	7.05	7.23	7.39	8.18	6.64	6.43	7.25	8.68	9.23
Maldon	11.23	10.94	8.96	9.97	9.16	8.76	8.17	9.88	10.61	10.98	10.96
England	7.21	6.91	6.48	6.86	6.72	6.58	6.57	6.91	7.11	7.16	7.26

Table 2 Lower Quartile House Price to workplace earnings ratios, 2007-17

Source: ONS, Table 6c

1.8 Figure 2 illustrates the lower quartile data in graphical form. It is clear from the evidence that action to tackle the affordability problem is most pressing in Chelmsford.



Source: ONS, Table 6c

1.9 Based on the evidence presented above, RPS maintain their position that the Council is not going far enough to address the clear and pressing problem with housing unaffordability in Chelmsford and is a considerable distance off making the contribution that the Government consider necessary in their commitment to deliver 300,000 dwellings per annum. To this end, the Council should apply an adjustment in excess of the 20% put forward in its evidence.

1.10 The Government's new standard method provides a good indication of how affordable housing signals should be interpreted. On the basis of the 2017 Median Workplace affordability ratio, the standard method would recommend an uncapped uplift of 46% to account for the affordability pressures in the Borough. A capped figure of 40% for the Authority would uplift the starting point of 671dpa to 939dpa. Although it is not advocated to use the standard method, adopting a position which draws upon this figure would also make a significant contribution towards reducing the severity of the affordability pressures in the area, consistent with the Governments policy aspirations and ensure longevity of the plan

Qu. 16 In relation to London's housing needs, the OAHN Update concludes that only an insignificant uplift to the HMA's housing need is justified. Is this approach reasonable and based on robust evidence? Is there alternative evidence demonstrating a need to consider accommodating London's housing needs?

1.11 It is noted that the 2016 OAHN Update recognises the distinction between the population projections provided by the ONS and those from the Greater London Authorities. The OAHN 2016 Update (EB048) makes no upward adjustment towards meeting any of London's unmet housing need during the plan period. RPS has submitted representations advocating for an adjustment of at least 14 dwellings dpa based on the Council's own evidence (in Table 4.1 of the OAHN 2016 Update). This is considered to be a reasonable approach, which reflects the fact that a total of 20% of all commutes from Chelmsford are into London (Census 2011). Net-in migration from London to Chelmsford was 1,470 people in 2017 (ONS migration data).

1.12 A key case in point is the West Surrey SHMA and the recent examination into the Waverley local plan examination which it underpinned. The Inspector, in his final report², accepted that there were 'strong relationships' between London and West Surrey authorities comprising Guildford, Woking and Waverley. Consequently, the Waverley Inspector recommended a contribution of 12 dpa towards London's housing need as part of the Waverley OAHN.

² Waverley Borough Local Plan, Inspector's Report February 2018 (paragraph 30)

1.13 Consequently, given the equally strong relationship between Chelmsford and London in terms of migration and commuting patterns, RPS argue that there is good evidence to support a commensurate contribution from Chelmsford towards addressing London's unmet housing need. It is suggested that 14 dwellings dpa should be considered as a minimum and the Council should consider the issue in more detail as part of the examination.

Qu. 17 The OAHN Update uses two different economic forecasting models, the East of England Forecasting Model (EEFM), and Experian. Whilst the Update concludes that both forecasts are reasonable, for the purpose of assessing housing need the EEFM is recommended. It concludes that the jobs-led housing need over the plan period is 706 dpa for Chelmsford. Is the approach identified robust and is the identified need reasonably aligned with the forecasts for jobs growth?

1.14 The starting point for our response to this question is the representation RPS made to the pre-submission document (SD 001)³.

1.15 At this time, the Council does not appear to have carried out any additional analysis to address the point raised in our submission. Therefore, it remains difficult to provide a definitive response without this analysis being completed. However, to assist the Inspector on this matter we provide some additional observations on the Council's evidence, set out below.

1.16 The first point RPS would like to make is that it is essential that the Council's approach is clear and transparent. In this regard, the choice of the EEFM forecast over the Experian forecast appears to have been made on the basis that the EEFM forecast is simply higher than that produced by Experian. This is stated by the authors in paragraph 6.28 of the OAHN update. Furthermore, the preference for EEFM is taken based on the opinion of the report authors "*...in the interests of positive planning...*" (para 6.33 of EB048). RPS do not necessarily object to this in principle, but equally any preference should also be credible, grounded in the evidence.

1.17 In terms of the evidence presented that underpins the EEFM forecast, the preference for the EEFM forecast is made (at Table 6.3 of EB048) on the basis of fewer jobs and more homes as an output compared to the Experian forecast. The demand for labour, measured by the number of workplace jobs is affected by a range of factors and assumptions, and this is summarised in paragraph 6.6 of EB048. This includes applying a 'discount' for those people who might do more than one job, known as 'double' jobbing', as well as net-commuting. However, it is not clear from the evidence what factor has been applied to account for double-jobbing and whether this is reasonable or not.

³ Extract from 'RPS for Taylor Wimpey UK Ltd, Critique of Objectively Assessed Need for Housing in Chelmsford Borough, 14 February 2018', response to Chelmsford Local Plan Pre-Submission Document (para 5.15)

1.18 There also appears to be little consideration given in the Council's evidence to the appropriateness, or otherwise, of economic activity rates underpinning the conversion of population into labour supply. In the absence of any robust evidence on this, we would recommend the use of the Office for Budgetary Responsibility activity rates as an appropriate basis for assumptions regarding future economic activity.

1.19 In summary, and in light of our concerns with the overall approach to the consideration of 'alternative' employment forecasts set out above, the Council would be better advised not to choose the EEFM forecast simply because it produces a higher dwelling figure than Experian.

1.20 Instead, a more sensible approach might be to test the impact of an 'average' jobs forecasts on the likely growth in dwellings, based on robust and up to date information. The data presented by the Council is now of a considerable vintage given the volatility of employment forecasting, so before this matter is assessed, newer projections should first be sought.

QU. 18 In relation to affordable housing the SHMA Update (2015) identifies the need for 179 new affordable homes per year which equates to 22% of the OAHN figure. As such the study does not recommend an uplift for affordable housing. Is the SHMA's methodology for assessing affordable housing needs robust and in line with Government guidance and are the identified needs justified? Are the conclusions of the OAHN update robust in this regard?

1.21 As alluded to in our previous submissions, RPS has concerns with the methodology used in calculating the annual net need.

1.22 RPS has a number of concerns with the approach outlined by the Council. As stated in paragraph 5.31 of the SHMA 2015 Update, it is proposed to exclude single households under 35 years who are deemed able to meet their own needs as part of shared households from the calculation of total affordable housing need. Paragraph 5.32 goes onto to say that single households are unlikely to access affordable housing because they would no longer be considered in 'priority need'. The result of applying this approach, summarised in Table A7.1b of the update is to see a reduction in the total annual need from 374 to 175.

1.23 RPS considers that applying such a discount is contrary to the NPPG advice available at the time (2015) which requires that all local authorities calculate the extent and scale of affordable housing need as it relates to *all* households. There is nothing in the NPPG that suggests it is justified to 'refine' the assessment by excluding certain households on the basis of their size, for whatever reason. Consequently, the RPS consider that the Council should apply the figure of 374, rather than the arbitrary figure of 179, as representing a more credible and therefore robust assessment of affordable housing need as stated in the SHMA 2015 Update.

1.24 Policy HO2 of the new local plan requires the provision 35% affordable housing on qualifying sites (11 or more dwellings). When this percentage is applied to supply from new site allocations totalling 9,085 this would theoretically deliver approx. 3,180 dwellings. When compared to the revised affordable housing need of 8,602 dwellings⁴, there is clearly a significant gap in delivery of new affordable homes. Even after accounting for the likely supply from current and future sources identified in the SHMA 2015 Update totalling 2,771⁵ this would still only deliver 5,951 affordable homes. RPS would, therefore, suggest that a suitable upward adjustment of at least 10% could be applied to the final agreed OAHN figure as being reasonable. Given the Council has stated that the need for affordable housing in the Borough is 'high'⁶, this would represent an appropriate adjustment.

Qu. 19 Overall is the OAHN Study conclusion that the OAHN for Chelmsford should be the higher of the two adjusted figures (market signals or jobs led) at 805 dpa, justified?

1.25 RPS do not consider it justified to apply either of the two adjusted figures as representing the OAHN for Chelmsford, for the reasons presented in our responses to the MIQs set out in this statement.

QU. 20 Does the OAHN assessment take adequate account of factors including migration trends, any suppressed household formation rates and forecast jobs growth? Does alternative evidence, such as that contained within Barton Willmore's '*Technical Review of Councils' Housing Needs Evidence Base*' (March 2018), commissioned by Gladman Developments Ltd, justify a higher OAHN?

1.26 In terms of suppression in household formation, RPS maintains the view at the pre-submission consultation stage that insufficient consideration has been given to this matter as part of the assessment of housing need. This is particularly important given the marked reduction in net completions in Chelmsford between 2009 and 2014 following the recession of 2008, and the likely impact this would have had on household formation amongst younger household groups (esp. 25-34 years), and the need to make a suitable adjustment to respond to this.

⁴ Based on 374 dpa over the 23-year plan period

⁵ Taken from Table A7.1b of EB047

⁶ As stated in paragraph 8.11 of SD001

Qu. 21 Should the starting point for assessing housing needs be the Government's standard methodology?

- 1.27 It is clear that for Chelmsford, the transitional arrangements of the July 2018 NPPF (para 214) should be enforced and the standard method will be used as part of a subsequent Local Plan review.
- 1.28 Nonetheless, and in response to the current situation, it is suggested that the Council should be adopting a new housing requirement that can 'flex' in response to the likely uplift that will result from the application of the revised standard methodology, to ensure that the new local plan adequately addresses future housing need, without the need for an early review of the plan. Such an approach would also be consistent with a housing requirement that is based on an OAHN figure that properly accounts for adjustments in response to likely employment growth, market signals, affordable housing need, and any unmet needs from the wider area (i.e. London).
- 1.29 It is therefore proposed to account for a 40% uplift to account for affordability pressures in the City area, increasing the starting point from 671dpa to 939dpa. In addition to this, it would be proposed to test further increases to the OAHN to account for affordable housing need, and unmet need from London. It is noted that this conclusion has been arrived at without thorough consideration of the impact of employment growth. As indicated in response to question 17, RPS considers that the Council should first assure itself that this component of the OAHN can be satisfied, following an updated assessment of employment growth.