Borough of Pendle

REPORT FROM:	PLANNING, BUILDING CONTROL AND LICENSING SERVICES MANAGER
TO:	EXECUTIVE
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PLANNING FOR THE RIGHT HOMES IN THE RIGHT PLACES: CONSULTATION PROPOSALS

PURPOSE OF REPORT

To inform the Executive of the consultation and to agree our response

RECOMMENDATION

That the Executive agree to respond as set out in the report.

REASON FOR RECOMMENDATION

In order that Pendle has an input into the national framework on housing supply
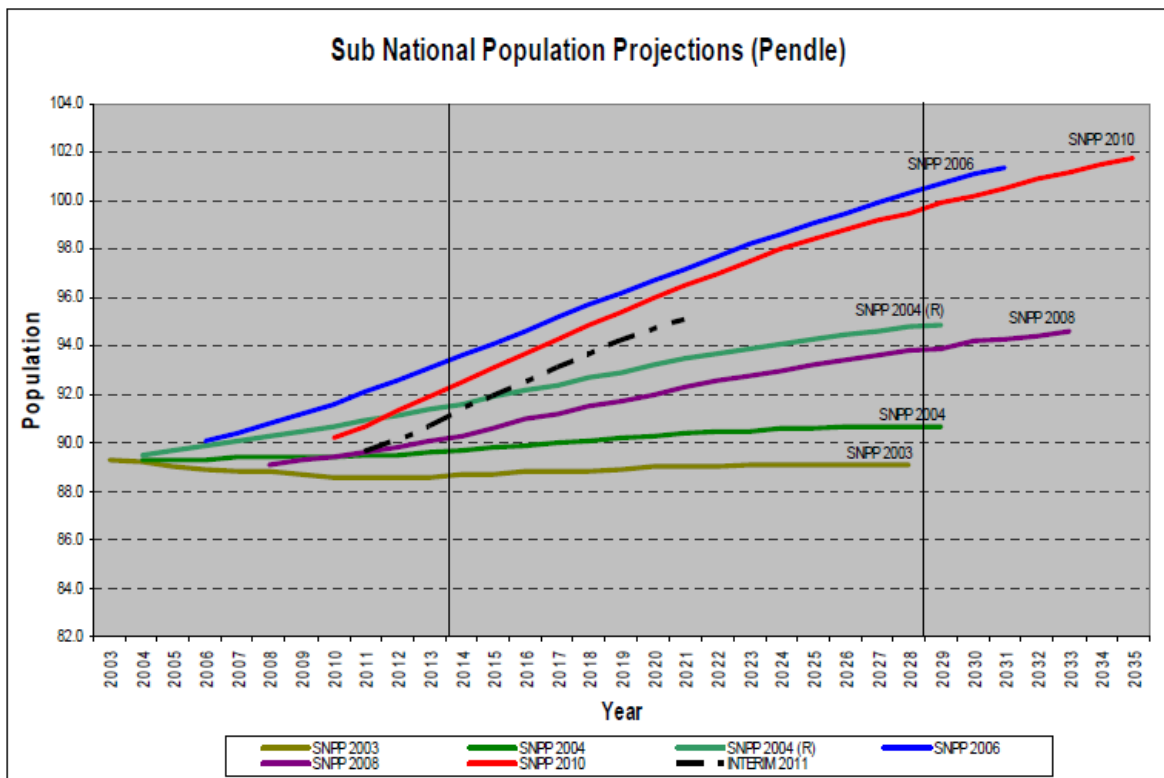
ISSUE

1.1 The Housing White Paper, February 2017, proposed a raft of measures designed to fix what the White Paper termed a broken housing market. It identified the lack of choice of homes as a barrier to progress in Britain alongside the high cost of housing and hence the inability of people to get onto the housing ladder. The Forewords by the Prime Minister and Secretary of State both refer to the slow pace of building and hence the need to increase supply to meet national demand.

1.2 One of the measures suggested in the White Paper was to put forward a way of unifying how all Councils approach identifying the housing numbers needed in their local plan. For ease of reference this will be referred to as OAN – Objectively Assessed Need. The consultation on this has been issued with a deadline for comments of 9th November 2017.

1.3 The consultation reinforces the Government's aims of providing the right homes in the right places, building them faster than we are at present, diversifying the housing stock and tackling the impact of the housing shortage. When the proposals are finalised the National Planning Policy Framework ("the Framework") will also be updated early in 2018.

1.4 The consultation (para 9) recognises that already built into the Framework is a requirement for Councils to understand and plan for the necessary number of homes in their area, including use of the duty to co-operate where housing markets cross administrative boundaries. Pendle has done this in the form of a joint Housing Market Assessment with Burnley, which formed part of the evidence base for the adoption of the Core Strategy.

Baseline

1.5 The proposal is to set a housing baseline starting with the projected household growth in an area. These projections are updated every 2 years following the release of the sub-national population projections ("SNPP").

1.6 The SNPP are projections, not forecasts. This means that they simply project forward estimated population changes based on a set of given parameters. As will be seen below when these parameters change, widely varying results occur. Population forecasts however try to forecast what a population would be and it would be preferable to use an agreed set of forecast population estimates instead of the current SNPP projections.

1.7 The consultation does not deal with a fundamental issue here. The graph above shows the population projections that have been issued since 2003. What is immediately striking is the widely ranging figures, which in effect yo-yo up and down very quickly. For example in 2004 to 2006 there was an increase of (rounded figures) 6,000, two years later falling by 7,000, two years later rising by 7,000, a year later falling by 3,000 and a year later falling by 6,000.

1.8 Plan making is costly and requires an intensive use of resources. The proposal suggests that this will be made easier by the use of national figures, but the reality is that this will be a

charter for disagreement between those in favour of growth and those against, as inevitably the figures will change year by year. This change, as can be seen in Pendle, could be significant. If more or less land is required due to the ever shifting baseline plan making will become chaotic and extremely difficult.

Household Growth

1.9 Projecting household growth is itself a difficult task as there are many different parameters that need to be considered. For example in Pendle we know that household sizes are higher than in many other parts of the country. This in essence means Pendle is more overcrowded than other areas and you would expect an aspiration to be to improve overcrowding levels and to reduce household sizes down to a national average. Hence more housing would be needed in order to achieve a reduction in household size.

1.10 The consultation indicates that current approaches to understanding housing need are too complex. The reality is that identifying need is a complex process because the nature and functioning of housing markets is also complex. Hence the derivation of need must react to the specific needs and aspirations of specific areas. Pendle has argued that a one size fits all approach to the five year supply of housing land is not appropriate as it does not differentiate between housing areas with differing economic profiles and issues. The same can be said about a simplistic one size fits all approach to deriving OAN.

1.11 The approach taken is overly simplistic. It takes no account of important issues in the assessment of housing need such as the actual level of affordable housing need, specific local issues (e.g. the high level of private rented properties we have in Pendle), or aspirations for economic growth.

1.12 The proposal is to use an average yearly household growth rate over a 10 year period. Household growth in some areas will be influenced by overheating in the local economy where there may have been high demands for housing . In other areas, such as in Pennine Lancashire, market conditions themselves will have driven household growth down. The formulae here would lead to an every decreasing downward spiral in low demand areas where low viability would push household formation rates down leading to less house building and thus a continued depressed household formation rate.

1.13 The proposal to address this is to put in place a formulae that correlates household income to house prices. The theory here being that lack of supply will force house prices up. This would be reflected in what is referred to as the median affordability ratio. Here median house prices would be compared to median earnings. Where there is a 1% increase in the ratio of house prices to earnings, above 4, a quarter of a percent increase in housing is proposed. The formulae given is:

$$\frac{\text{Local Affordability Ratio} - 4}{4} \times 0.25$$

1.14 The theory behind this is a well-known one based on simple supply and demand. The less supply the higher demand and thus the need to supply the market more to satiate that demand. What is not clear anywhere in the consultation is how the figures have been derived and if they are justified. No evidence produced to back the figures up so that they can be tested to see how they would affect different Local Authority areas with different housing market characteristics.

1.15 For example median prices in Pendle have gone down by 3.4% over the last year yet new sites coming to the market are being sold off plan. This shows that there is demand for more

housing but prices are reducing. Median gross earnings increased over the period. The model used would reduce the housing requirement due to the overall reduction in prices and increase in wages. That would not reflect the need for housing in Pendle.

1.16 The base information informing population data is taken from the census. That is the most reliable data that is available. It is the data upon which the OAN for Pendle was based and at the time we were informed would provide the most robust base possible for forecasting our future housing needs. Subsequent releases of ONS population projections are less reliable as they are based on assumptions and not raw data. The further away from a census the more inaccurate the data can become as any incorrect assumptions made in previous releases will form an incorrect basis for the new projections.

1.17 It is important to have certainty in Plan making and to understand that population and household projections will fluctuate but that this does not make a Plan unsound or out of date. As with Pendle, once a sound assessment has been made guidance must make it clear that the figure should not be re-examined each time new projections are issued. It must be recognised that Plan making is set over a longer timeframe than the two year gap between the releases of population and household projections. If this is not made clear in guidance then every change on figures could lead to costly delays in Plan making and to potential challenges to Plans instantly being out of date. Guidance needs to recognise that the process of Plan making and population forecasts are misaligned and of the potential for this to slow Plan making down unless a mechanism is put in place to prevent challenges coming along once an OAN has been set.

Other Factors

1.18 Whilst the consultation does refer to the figures being minimum requirements they do not take into account other issues, in particular economic growth. Using the same base statistics that were used to derive the current OAN, as set out in the Core Strategy, the proposed methodology would reduce the annual requirement by 74 units. This leads to a conclusion that the methodology does not take account of the different issues that individual housing markets have and their needs or aspirations. What this would mean in practice is that Councils would have to carry out some form of Housing Market Assessment in order to assess the more detailed requirements of a housing market. The development industry would use these other factors to try to demonstrate that a Plan was unsound so evidence would need to be tested on an appropriate OAN regardless of whether the proposed methodology is introduced.

1.19 Pendle still has a significantly high proportion of terraced properties in its housing stock. We have an aspiration to diversify the housing stock and this is also recognised at paragraph 88 of the consultation as a general aspiration. The methodology proposed does not allow for issues such as this to be taken into account.

Local Plan Updates

1.20 The proposal is that Local Plans, or specific parts of them, should be updated every five years. In order to achieve that the process of making Plans needs to be streamlined. The evidence of how complex and difficult Plan making is can be seen with there still being a large number of Councils without Plans. It took us 9 years to update the Local Plan into the Core Strategy, partly due to the constant changes we had to react to in policy making centrally. Without a fundamental change to processes which must lead to a lack of challenge, reviewing Plans in a five year timeframe simply will not happen.

Local Plan Examination

1.21 Paragraph 41 indicates that the Framework will be amended so that having a robust method of assessing housing need becomes part of the test that Plans are assessed against. Using the Government methodology would satisfy that test. The precise wording of this has not been published so the implications of this cannot be looked at now. However the methodology for establishing an OAN has always been a key issue in the examination of Plans.

Land Ownership Registration

1.22 Pendle has been selected as one of the areas in which all publicly owned land will be registered in the land Registry. This is in recognition that Pendle is one of the areas in greatest housing need.

Transitional Arrangements

1.23 Different Councils will be at different stages in ether the adoption of their Plan or in the Plan preparation process. For Council's such as Pendle who have adopted a Plan within the last five years the OAN will not be reconsidered until the next review of the Plan. In our case that would be when we review the Core Strategy.

Neighbourhood Plans

1.24 Neighbourhood Plans will be expected to have a housing number given to them by the LPA based on a "reasoned judgement". We have already established this in our recently approved methodology.

1.25 If a Local Plan is out of date then the proposal is to derive the NP number using a formulae. Again there is no published information on this so we cannot comment on the implications for individual areas in Pendle.

Approach to Viability

1.26 The consultation proposes to set out a standard methodology of assessing viability for Plan making and for making decisions on planning applications. Local Plans will be expected to set out their approach to provision of affordable housing and also what infrastructure is needed in their area and how it will be provided. However no details of this are provided.

IMPLICATIONS

Policy: None
Financial: None
Legal: None
Risk Management: None
Health and Safety: None
Sustainability: None
Community Safety: None
Equality and Diversity: None

Background papers:
DCLG: Planning for the right homes in the right places: consultation proposals.