

NORTH ESSEX AUTHORITIES
Shared Strategic (Section 1) Plan
Inspector: Mr Roger Clews
Programme Officer: Mrs Andrea Copsey
Email: copseyandrea@gmail.com

8th October 2020

Dear Mr. Clews,

IMPLICATIONS OF THE 2018-BASED HOUSEHOLD PROJECTIONS FOR THE HOUSING REQUIREMENTS IN THE SECTION 1 PLAN (IED/026)

Thank you for the opportunity to provide our view on the matters raised by your two questions set out below.

This letter reflects the views of the Andrewsfield New Settlement Consortium and Countryside Properties.

This letter is structured around the questions below

- (a) Do you consider that the publication of the 2018-based household projections represents a meaningful change in the housing situation from the situation that existed when I produced my letter of 27 June 2018 [IED/023]?
- (b) If so, what are the implications of that change for the soundness of the housing requirement figures in the submitted Section 1 Plan?

Summary responses

(a)

- 1.2 Consideration of whether a meaningful change has taken place should be derived from evidence from a range of sources that the demand for homes over the Plan Period is likely to change substantially from the position established when the plan was first submitted.
- 1.3 While the raw 2018-based household projections suggest at face value a significant weakening of demand, as noted in the Stantec report, the method chosen by the ONS to assemble the data and model outputs casts very considerable doubt on their usefulness in providing a housing needs figure.

- 1.4 The proposed new formula for the standard method to arrive at housing need figures¹, while not directly relevant to this assessment, nevertheless provides a benchmark against which to judge what a reasonable outcome would be if the 2018-based household projects are to be taken into account.
- 1.5 Notwithstanding the formula used to arrive at a housing figure, the market signals data analysed in this letter point to increasing demand for homes in Braintree and the East of England. This supports the conclusion that no meaningful change has occurred that would justify a substantial reduction in the OAN for homes in the area.

(b)

- 1.6 As noted in your letter IED/122, a key test of soundness of the local plan is that it is justified. Clearly, the quality of the evidence on which it rests is key to the assessment of justification. Evidence should not only be up-to-date, but also adequate and relevant.
- 1.7 Given the flaws identified in the 2018-based household projections, it is important regard is had to wider contextual factors, in this case the demand and supply balance for homes in Braintree, to ensure the reliability of the evidence on which the housing target rests. When professional judgement is applied to all the evidence, we believe the reasoned conclusion is that no meaningful change has taken place as a result of the 2018-based household projections.

[Response to question \(a\)](#)

Detail

- 1.8 As noted in paragraph 35 of your letter IED/022 to the NEA, factors that might indicate a meaningful change in housing need include population and household projections and employment forecasts published since June 2018, and any changes in market signals.
- 1.9 The Stantec report provides a reasoned judgement as to the appropriateness of translating the raw 2018-based household projections into a revised housing need figure. In this letter, the landowners respond to this commentary and build on it with reference to changes in market signals.
- 1.10 In their view, in order to arrive at an assessment of whether the 2018-based household projections constitute a meaningful change, it is critical to consider a wider body of indicators that capture the current balance between need and demand for homes.
- 1.11 For reasons set out in paragraphs 2.6 and 2.7 of the Stantec document, the 2018-based household projections do not make a significant impact on the OAN for housing in Colchester and Tendring local authority areas. The focus of this letter is therefore Braintree where, as set out in the calculations in

¹ Changes to the current planning system, Consultation on changes to planning policy and regulations, page 11

your letter of 9th September, the 2018-based household projections, if taken at face value, present a case for a substantial reduction in the OAN for housing.

- 1.12 As noted in paragraph 4 your letter IED/023 (quoting relevant Planning Practice Guidance, PPG) the release of new household projections does not automatically mean that housing assessments are rendered outdated. The Stantec report sets out a number of reasons why translating the raw uplift in household numbers set out in the 2018-based household projections to generate a revised housing requirement is not appropriate. Two are worth particular emphasis.
- 1.13 Firstly, they are informed by only two years' worth of internal migration data. Given the substantial fluctuations in net migration in Braintree (the data presented in the report averaged 260 per year, but increased to 951 in 2019), this makes the unadjusted 2018 projections unreliable as a guide to future demand for homes.
- 1.14 Secondly, the 2018-based household projections reflect weak household growth during 2016-2018 (the period that provides the data that informs assumptions on net internal migration in Braintree). The low household growth was an unavoidable consequence of below target net completions in Braintree over the period 2013 – 2019 (completions averaged 376dpa against an objectively assessed need of 716dpa², resulting in a cumulative shortfall of 2,383 dwellings during this period). The “self-fulfilling prophecy” built into the 2018-based household projections largely discredits their use in the generation of housing targets without substantial adjustments to take into account key indicators of demand and supply balance.
- 1.15 It is crucial that, in considering whether a meaningful change has occurred, to take into account that, had Braintree met its housing targets over the period 2013-19, this would have made a significant difference to the 2018-based household projections to the extent that the forecast fall in the growth in household numbers would have been substantially lessened. Failure to do this “bakes in” weak land supply to the detriment of many households who aspire to live in the area but cannot do so for want of a home that is both suitable and affordable and those in unsuitable accommodation already in the area who wish to move to a new home.
- 1.16 It is the fundamental to role of planning to address these challenges to ensure both the number and type, size and tenure of homes is adequate to meet local demand.³ The effect of the under supply of housing over the 2013-19 period, and its effect on the growth of household as evidenced in the 2018-based household projections, provides evidence that the housing target should be increased, not reduced when considered in the light of acute imbalances in the local housing market.
- 1.17 The NEA, in their letter to you NEA020_5, are right to point out that a revised version of the standard method (SM2) to arrive at the local housing need assessment (LHNA) is currently being consulted

² Objectively Assessed Housing Need Study November 2016 update, page 78

³ 2012 NPPF, paras 47, 50

on, with the introduction likely to take place later this year. While the standard method is not directly relevant given the Braintree Local Plan is being examined under the 2012 NPPF, it is nevertheless worth pointing out that the Government, while asserting that the latest evidence should be used to support policy development, will not sanction the use of the 2018-based household projections as providing an appropriate basis for arriving at local authority housing needs figures. Indeed, SM2 provides a means of adjusting the raw 2018-based household projections to arrive at numbers that are consistent with resolving imbalances in the supply and demand for housing in England, a condition common to Braintree.

- 1.18 The shortfall in homes over the period 2013-19 in Braintree in itself should mean the suggestion that a meaningful change has occurred that justifies a significant change to the housing figure in Braintree should be treated with profound scepticism. Current PPG requires local authorities to add a 20% buffer to their housing targets to address the problem of under-supply (based on the extent to which the Council had met its housing needs as measured in the Housing Delivery Test)⁴. It is worth noting that until such time that a new Local Plan is adopted, Braintree is subject to these requirements and is expected to meet a current housing target of 1,030dpa. Objectively speaking, given the under-delivery experienced in the district, this number should be seen as an appropriate housing target, or be seen as a credible upper target.
- 1.19 In arriving at a reasonable balance and taking into account the concerns surrounding the 2018-based household projections, SM2 does provide a helpful benchmark. It generates a local housing need figure for Braintree of 776dpa. Critical to this is that, built into the method, is Braintree's high affordability ratio and the extent to which this key metric has deteriorated since 2009 (40.4% over the period from 7.30 in 2009 to 10.25 in 2010). It thus begins to reflect the demand and supply imbalances that prevail in the area.

Market signals

- 1.20 However, to provide further contextual evidence that should inform whether the 2018-based household projections represent a meaningful change, it is worth reviewing how key market signals have evolved over the period 2013-19. The trends identified are long term and justify policy intervention where public welfare is likely to be compromised.
- 1.21 As noted above, the supply of new homes has substantially under-shot Braintree's objectively assessed need. In order for this to reflect a state of equilibrium within the local housing market this would require demand indicators over the period since 2013 to show a similar pattern of weakening demand. In order to explore this question, a number of lead indicators of demand strength are briefly analysed below. These are:
- Median workplace affordability ratio (MWAR)
 - Residential land values

⁴ PPG (Housing supply and delivery) 010 68

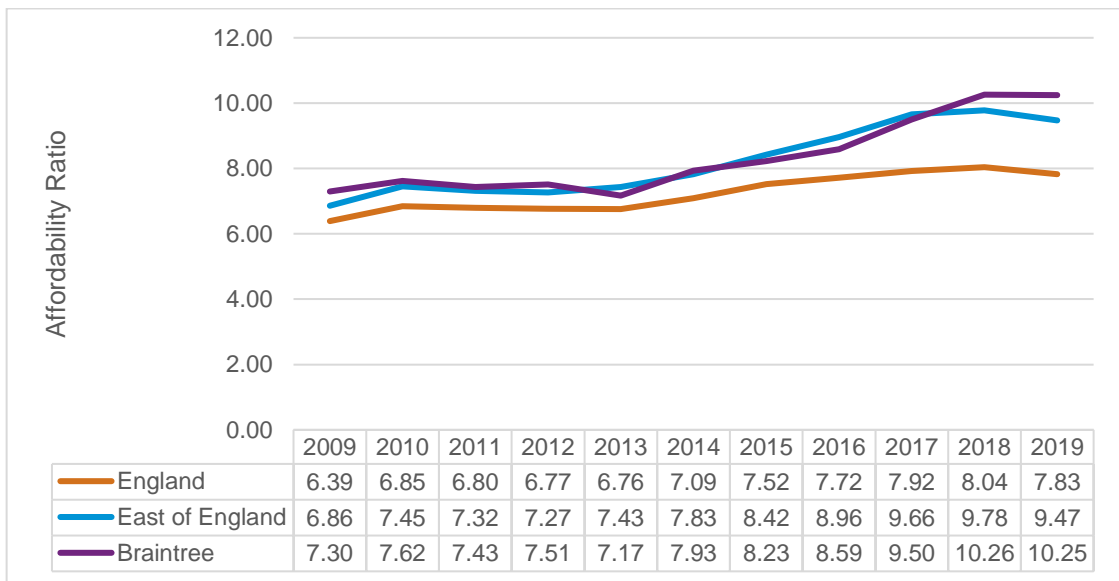
- House prices
- Rents

1.22 The Figure below presents data since 2009 relating to the change in the median workplace affordability ratio in Braintree, the eastern region and England.

1.23 As noted earlier, the MWAR shows a steady deterioration, indicating that house prices are unaffordable to households on median wages in all three geographies to the extent that home ownership, for these households, is entirely unrealistic without substantial alternative sources of private wealth or State subsidy.

1.24 Moreover, the deterioration in Braintree is substantially worse (40.4%) than in either the East of England (38%) or England (22.5%). This provides a clear indication of a demand and supply imbalance in the housing market in the area to the extent that households on normal median incomes are unable to afford for-sale homes likely to be suitable for their needs.

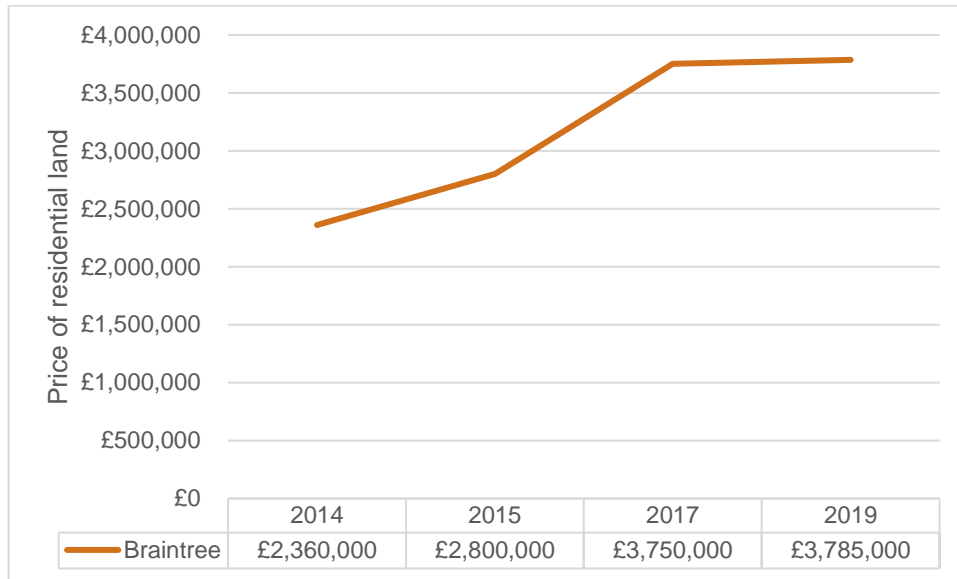
Figure 1: Median Workplace Affordability Ratio, Braintree, East of England, England 2013-19



Source: ONS

1.25 Figure below describes trends since 2014 in residential land values in Braintree. Since 2014, these values have increased by 60.4% in Braintree. The value of land in the area exceeds the average for the East of England as a whole by around 2.5% in 2019. This indicates that demand from developers for suitable sites for development is very high and that supply is insufficient to meet demand. This fuels increases in house prices and further erodes affordability.

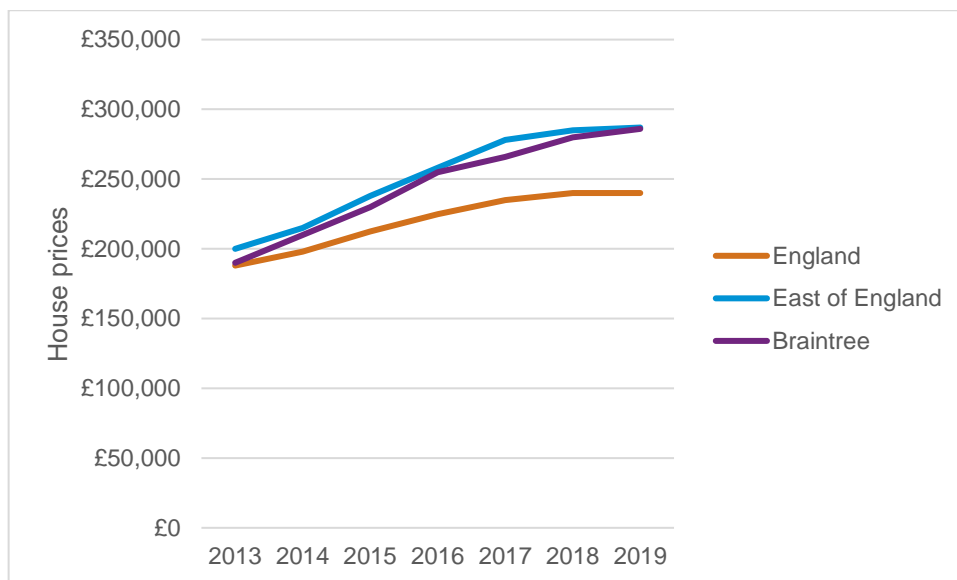
Figure 2: Residential Land Values, Braintree 2014-2019



Source: MHCLG

- 1.26 Figure below describes the trajectory, since 2013, of house prices in Braintree, the eastern region and England. The evidence shows firstly that house prices in all three geographies have increased substantially over the period. Also, the increase in Braintree (50.5%) has exceeded that of the eastern region (43.5%) and England (27.7%). This serves to emphasise the acute nature of the imbalance between supply and demand for housing in the area compared with other relevant geographies.

Figure 3: House prices, Braintree, East of England, England 2013-19

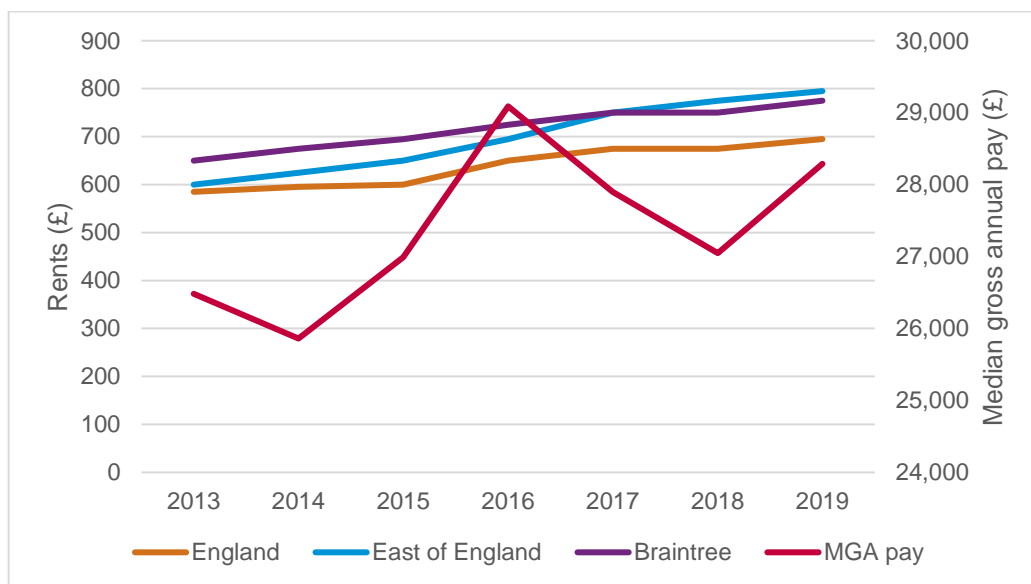


Source: ONS

- 1.27 Finally, it is worth noting the trends in rents over the same period. Rents are an important indicator of housing market dynamics as they reflect the value of the utility of a given property alone (in contrast to house prices that also embody the property's value as a store of wealth).

- 1.28 Rents in Braintree have risen broadly in line with those of England but lag the East of England. This suggests the availability of properties in the PRS is reasonably good and that it does provide access to market homes for those unable to afford for-sale homes.
- 1.29 Nevertheless, rents have increased substantially over the period and this has exceeded the rate of growth in pay for those on median incomes in Braintree by a substantial margin (19.2% as against 6.8%). This indicates that supply of rented dwellings should be strengthened in future years to moderate the rate of increase in rents so as to reduce the risk of the private rented sector becoming unaffordable to those on modest incomes.

Figure 4: Rents in Braintree, East of England, England 2013-19, Median gross annual pay in Braintree 2013-19



Source: VOA, ASHE

Conclusion

- 1.30 The range of market signals point to demand and supply imbalances that are likely to compromise the welfare of existing and future residents of Braintree. The picture that emerges is of a housing market that is unable to operate efficiently because of constraints on the supply of land for housing resulting in increasing land values and house prices and deteriorating affordability. An appropriate planning response to this is to adopt a housing target at the upper end of a range, supported by adequate and relevant evidence.
- 1.31 These findings demonstrate that the 2018-based household projections should not be construed a meaningful change to the future housing situation in Braintree.

Response to (b)

- 1.32 As noted in your letter IED/122, a key test of soundness of the local plan is that it is justified. Clearly, the quality of the evidence on which it rests is key to the assessment of justification. Evidence should not only be up-to-date, but also adequate and relevant⁵.
- 1.33 Having identified the flaws in the 2018-based household projections, it is important regard is given to wider contextual factors. In this case the factors are the demand and supply balance for homes in Braintree and ensuring the reliability of the evidence on which the housing target rests. When informed judgement is applied to all the long-term evidence, we believe no meaningful change has taken place as a consequence of the 2018-based household projections.

Yours sincerely

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⁵ National Planning Policy Framework 2012, para 158