

EXAMINATION OF THE NORTH ESSEX AUTHORITIES

JOINT STRATEGIC (SECTION 1) PLAN

HEARING STATEMENT ON BEHALF OF PERSIMMON HOMES ESSEX

Matter 3 – Meeting Housing Needs (Policy SP3)

1. This Hearing Statement has been prepared by Vincent and Gorbings on behalf of Persimmon Homes Essex (“Persimmon Homes”).
2. Persimmon Homes are one of the UK’s leading builders of new homes with a track record of delivery in Essex and the wider eastern region. They are particularly active in north Essex and therefore a developer with significant experience of both market and planning issues in the area, as well as being a ‘user’ of the development plan.
3. Overall, Persimmon Homes are keen to ensure that the Joint Strategic (Section 1) Plan progresses to adoption but in a manner which fully and clearly addresses the manifest housing need in the three north Essex authorities. Persimmon’s participation in the examination has a particular focus on the Colchester Local Plan. In summary, Persimmon consider that the Joint Strategic Plan will not meet housing needs over the plan period, with the apportionment to Colchester, in particular, failing in this regard.
4. This statement addresses, where appropriate, the questions raised by the Inspector under Matter 3 – Meeting Housing Needs. We have not sought to answer every question posed by the Inspector but only those relating to the representations made by Persimmon on this matter in accordance with the guidance in IED004.

1) Does the Peter Brett Associates Objectively Assessed Housing Need Study, Nov 2016 update [the PBA Study, EB/018] appropriately define the housing market area? If it does not, what are the consequences for the policy SP3 housing requirement figures?
5. We raise no objection to the definition of the Housing Market Area *per se* although invite the Inspector to consider whether there is a sufficient degree of self-containment of household moves to accord with the guidance of PPG which provides for a containment level of 70%. We do not believe this has been fully justified by the evidence base, particularly given the exclusion of Maldon from the HMA.

2) *Are the proposed overall housing requirement in policy SP3 of 43,720 dwellings (2,186dpa), and the constituent requirement figures of 14,320 (716dpa) for Braintree, 18,400 (920dpa) for Colchester and 11,000 (550dpa) for Tendring, based on a sound analysis of the available and relevant evidence, and do they reflect the full, objectively-assessed need for housing over the period 2013-2033?*

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(c) Is the PBA Study justified in not making any adjustments to its household growth estimates to take account of out-migration from London?

6. Our overall view is that Policy SP2 is not sound because it is not fully justified. One of the key considerations that has not been fully taken into account is out migration from London. The 2011 Census (ONS) shows a strong functional relationship between the HMA and London, both in relation to Travel to Work flows and those households that indicated London as their previous residence. Around 7.5% of the economically active (over 16,000 people) in the HMA worked in London, and 7.6% of households (3,700) indicated London as their previous residence. The tendency for people to move out of London has almost certainly been exacerbated since the time of the 2011 census with (until very recently) continued house price inflation in London above that experienced in the outer south east, coupled with stagnating wages.
7. The new London Plan was published for consultation immediately before this statement was due to be submitted. Further comment on the issue of the extent to which the North Essex HMA should make adjustments to household growth to take account of out-migration from London may be necessary once the draft plan and related evidence base has been assessed. Whilst the Mayor's Draft Housing Strategy¹ indicates that the 2017 Strategic Housing Market Assessment (SHMA), which will be published alongside the new London Plan, will set out how London's 'housing needs' will be met in full, the extent to which this is realistic remains open to detailed scrutiny. Indeed, the Mayor has set out that London will need to deliver 66,000 homes a year to address its needs (*New figures reveal London needs to double rate of homebuilding, 27 October 2017, GLA*). However, this will require significantly higher delivery rates than are currently the case in the capital and it is presently unclear whether or how this will be achievable.

¹ London Housing Strategy : Draft For Public Consultation, September 2017

8. Indeed, the present development plan for London, the Further Alterations to the London Plan (FALP), adopted on 10 March 2015, recognise that London's land supply falls short of its projected housing need. For related authorities, which include the North Essex HMA, this means that additional new homes are required to help accommodate this cross-boundary unmet need.
9. The Inspector considering Further Alterations to the London Plan (FALP) accepted a need for around 49,000 dpa over 20 years, and up to 62,000 dpa in the initial years of the plan in order to address historical failure to meet targets. However, the Inspector noted that the draft further alterations only allocated targets totalling 42,389 dpa to the individual London Boroughs. The Inspector expressed doubts that the resulting shortfall could be met by relying on co-operation between Boroughs or by increasing housing densities. The Inspector recommended that the alterations be adopted despite his reservations, noting that non-adoption would "result in the retention of the existing housing targets" of 32,210 dpa, which he said were "woefully short of what is needed". The Inspector recommended that the mayor of London may need to explore the possibility of "engaging local authorities beyond the GLA's boundaries in discussions" to ensure that the capital's housing needs could be met.
10. The Mayor of London's alternative 'Central Variant' migration assumptions in his SHMA of 2013 sets out the expectation that more people will move out of London, and fewer will move in from the rest of England than had been projected by the DCLG in its 2011-interim household projections. At that time the Mayor was expecting that there will be 12,000 fewer households a year in London compared to the official DCLG projections. In this respect, the 2016 update to Objectively Assessed Housing Need Study (OAHNS) considers the impact of increased migration from London on the HMA (by comparing the GLA's central scenario against the 2012 Sub National Population Projections) and this analysis indicates that across the HMA there is likely to be a small increase in housing needs based on current GLA demographic models. It then concludes that that the annualised impact is relatively small and should not therefore be considered, even though the GLA demographic scenario exceeds the 2014-based Sub National Population Projection by 74 dwellings. However, it amounts to 1184 homes over the period 2017 - 2033. This is not an significant amount and should not be ignored. We would therefore suggest that even a minor uplift as indicated at paragraph 4.10 of the 2016 OAHNS should be considered.

(d) Is the PBA Study justified in applying a market signals uplift of 15% for Braintree and Tendring, and in making no market signals adjustment for Colchester?

11. In our view this is one of the major flaws of the housing requirement in the Plan.
12. The 2016 OAHNS examines the issue of market signals and concludes that an uplift to the demographic projections may be justified on the basis of housing completions below target and lack of affordability. It compares mean house prices, average private rents, and the affordability ratios based on both workplace and residents' earnings in the four HMA authorities, compared with the national average. On this basis it recommends an uplift of 20% for Chelmsford, 15% for Braintree and Tendring and no uplift for Colchester. In our view these figures are somewhat arbitrary and not definitively benchmarked.
13. We accept that at the moment the PPG provides no specific guidance on how such an adjustment should be made and refers to the fact that the market signals uplifts recommended by Local Plan Inspectors have been a matter of judgement. It does however emphasise that the market signals adjustment should increase supply by *“an amount that could be expected to improve affordability.”* (ID2a-020).
14. Moreover, the conclusions reached in the OAHNS are not justified with respect to this issue. The reason for not increasing allowing for a market uplift in Colchester is given as being that affordability is slightly above the national average with house prices and rents well below national averages. This comparison against the national average for affordability should be seen in the context that average house prices nationally at eight times average earnings is an all-time record high (Housing White Paper, 2017, p5). Furthermore, the Government White Paper recognises that this results in social and economic costs, including reduced levels of home ownership, significantly higher proportion of people living in private rented accommodation, increase proportion of income spent on housing, and reduced mobility. The White Paper 2017 recognises that actions need to be taken to address affordability, the principal action being increasing supply.
15. Decreasing home ownership generally is such that affordability is an issue across the country. The OAHNS comparison with national averages is therefore not a valid justification for not applying a market signals uplift. We would subscribe to the analysis undertaken by Barton Willmore for Gladman Developments Limited (part of the latter's Regulation 19 representations) which indicates that in the period 2001 – 2011 median

house prices in Colchester increased by 304%, well in excess of the national average increase of 267% and the wider HMA (278%) and regional averages (303%). This upward trend compared to the national average is likely to continue given: (1) the strength of the local economy, (2) continued shortfall in housing supply within Greater London, (3) continued shortfall in housing supply with the south Essex Local Authorities constrained by Green Belt who may not meet full OAHN, (4) relative attractiveness of the area.

16. The OANHS indicates that the median affordability ratio for Colchester in 2016 was 8.71. In other words, a median house price costs 8.71 times more than median wages. Even with the initiatives announced in the February 2017 White Paper and the Autumn Spending Statement, house prices in Colchester are preventing people getting onto and moving up the property ladder. It is clear that affordability *is* an issue in Colchester at the present time. Furthermore, that trend is likely to continue unless housing supply increases.
17. Moreover, the OAHNS does not consider how the market signals uplift it proposes will affect future affordability. Again, we consider the evidence presented by Barton Wilmore is compelling in this regard. The analysis shows that the OAHNS proposed OAHN for Colchester (920 dwellings per annum) would result in Colchester's affordability ratio worsening by 39% from 8.71 in 2016 to 12.08 in 2037.
18. Whilst, as noted above, PPG does not presently set out clear guidance, advice was provided by the Local Plans Expert Group (March 2017). This suggested the following banding for market uplift:-
 - less than 5.3 = 0% uplift;
 - 5.3 to less than 7.0 = 10% uplift;
 - 7.0 to less than 8.7 = 20% uplift
 - more than 8.7 = 25% uplift.
19. This has been followed by the Government publishing "*Planning for the right homes in the right places: consultation proposals*" on 14th September 2017. Whilst this is not presently Government policy it shows the clear direction of travel. This suggests an uplift for market signals as follows :-

$$\text{Adjustment factor} = \frac{\text{Local affordability ratio} - 4}{4} \times 0.25$$

The overall housing need figure is therefore as follows:

Local Housing Need = (1+adjustment factor) x projected household growth

20. Using either the LPEG advice or the Government's proposals would lead to significant increases in the housing requirement for each district, but particularly in Colchester, as shown in Table 1 below.

Table 1 : Dwelling requirement taking account of Market Signals – alternative approaches

Authority	Household projections starting point p.a.	Affordability ratio	% uplift from OAHNS	Submission Draft Plan Local Housing requirement (2013 – 2033)	% Uplift using LPEG approach	Housing requirement using LPEG approach		% uplift using Consultation Paper approach	Housing requirement using Consultation paper approach	
						Dpa	Total 2013 – 2033		DPA	Total 2013 - 2033
Braintree	623	8.59	15%	14,320	20%	748	14,952	28%	797	15,949
Colchester	866	8.71	0%	18,400	25%	1,082	21,650	29%	1,117	22,343
Tendring	475	7.85	15%	11,000	20%	570	11,400	24%	589	11,780
Total				43,720			48,002			50,072

3) Should the Section 1 Plan make provision for higher or lower housing requirement figures, and if so, what is the justification for the alternative figures?

In particular:

(a) Should the requirement figures reflect those proposed by CAUSE (2,005dpa overall, comprising 624dpa for Braintree, 831dpa for Colchester and 550dpa for Tendring)?

(b) Should the requirement figures reflect those proposed by the Home Builders' Federation (2,540dpa overall, comprising 762dpa for Braintree, 1,002dpa for Colchester and 776dpa for Tendring)?

21. For the reasons set out above, we very much agree with the approach in the representations of the HBF and believe there should certainly be increases, in particular in Colchester and Braintree. The figures suggested by CAUSE would have a significant and detrimental effect on affordability.
22. Taking the figures in Table 1 above, together with the additional requirement related to the housing migration from London, we consider that Braintree's requirement should be at least in the order of 760 - 810 units p.a., and the requirement for Colchester should be at least in the order of 1,125 – 1,160. We note from Colchester's most recent Annual Monitoring Report that a net of 933 homes were built between 1 April 2015 and 31 March 2016. There is no doubt that the market could sustain an increase in unit delivery, and that this is needed to meet manifest affordability issues.
23. The key reason why these figures should be taken fully into consideration when examining the soundness of the plan is that the plan needs to be flexible and to avoid the need for a significant review after five years. If sufficient sites are not brought forward to meet the above housing requirements, affordability will worsen. This will then trigger a more significant review of the plan after 5 years to properly address this matter. We believe that increasing the housing requirement now is a sensible approach.

(c) Should the requirement figures be reviewed to reflect the criticisms made by Barton Willmore in their Technical Review of [each] Council's Housing Need Evidence Base (July 2017), commissioned by Gladman Developments Ltd?

24. For the reasons identified above we generally concur with the analysis by Barton Willmore, particularly in relation to the market signals uplift. Indeed, we note that Barton Willmore conclude that a much higher level of requirement would be needed to ensure any reduction in affordability in Colchester (1,560 dpa).

5) Should policy SP3 make it clear that the five-year supply of housing land must include an appropriate buffer in accordance with NPPF paragraph 47?

25. Yes. In order to be sound, the Plan should consider the recent history of supply and define the level of buffer – 5% or 20% depending on recent performance against requirement – that would be used to define the 5-year supply. This is a critical issue for the soundness of the Plan given the reliance on the strategic Garden Communities and the inevitable lead time for these to deliver units. Whilst examination of the strategic section of the plan cannot reasonably look in detail as to whether each authority can in fact demonstrate a deliverable supply of sites to meet their 5-year requirement (as per para. 8 of the Inspector's initial observations [IED001]), we consider that this will be an issue in Colchester if the overall requirement is increased as suggested by ourselves, the HBF and other participants. Maintaining a 5-year supply in the early years of the plan will require more sites that can be quickly delivered. For this reason, SP3 should be very clear on this matter.

6) How will any undersupply of housing against the relevant requirement since 2013 be accounted for in the Section 1 Plan?

26. As per our comment above, it is important to ensure that previous under-supply is fully factored in to the overall requirement. We look forward to the Councils' response on this issue and reserve the right to make further comments.

7) Should policy SP3 include mechanisms for:

(a) review of the housing delivery strategy in the event of a failure to maintain the required level of housing supply?

(b) review of the housing requirement figures in order to provide for possible future unmet need from other local authority areas??

27. For the reasons set out above, the Plan should be sufficiently flexible to avoid having to undertake a review. This means ensuring that the highest reasonable housing requirement should be adopted and that sufficient sites are allocated – including smaller sites that are available in the short term – to ensure that the eventualities described above do not manifest themselves.

28. That said, there would be some benefit in ensuring that the triggers for a review of the housing implementation strategy and requirements of the Plan are enshrined in policy SP3. This would allow for further allocations to be brought forward in the short term, particularly if delivery at the assumed rate from the Garden Communities proves optimistic.