

Planning for the right homes in the right places

Response to the Government Consultation



Executive Summary

We agree that there would be merit in simplifying the objective assessment of housing need across England in alignment with meeting the objectives of *'boosting significantly'* the supply of housing as set out in the National Planning Policy Framework.

However, the current system is complicated and this is because calculating the appropriate objective assessment of need is a complex process. We must be wary of unintended consequences of a simplified approach. As currently drafted there is a significant risk that some authorities, due to political and community pressure, may not align their objective assessment of need with their own economic ambitions.

In response to the consultation Homes for the North would like the Government to consider:

- 1 Setting 300,000 homes per annum as the minimum required across England;
 - 2 Utilising a variant demographic baseline which takes into account increased household formation rates for younger households to ensure that trends of increased concealed households are not 'locked-in' to future household projections;
 - 3 An additional uplift (of up to a maximum of 10%) to meet the need for affordable housing. The approach to affordability adopted only applies an uplift in accordance with market signals in the owner occupied sector, failing to recognise that these can be suppressed in areas where the housing offer is poor;
 - 4 Setting out the full justification for the uplift and cap applied in respect of affordability contained within the standard methodology.
 - 5 An additional adjustment to ensure there is a sufficient level of homes delivered in the future to meet the need for genuinely affordable housing, which is not accounted for within the simplified methodology. The Government should update the methodology for identifying affordable housing needs which allows alignment with the level of housing identified through objective assessments of housing need;
 - 6 A change to the wording of paragraphs 28 and 46 of the consultation document to require that objective assessment of need is sufficient to deliver the housing required to achieve economic-led strategies identified by local authorities or LEPs etc. Without this additional detail and clarity, there is a risk that local authorities will shy away from delivering the housing needed to support their economic aspirations due to local politicians more concerned about criticism from their electorate regarding large new housing sites rather than them making the tough decisions required to deliver the true amount of housing required to achieve social and economic objectives. Alignment with economic growth should not be viewed as a deviation or uplift; rather local authorities must be compelled to do so; and
 - 7 The Government's consultation document is predicated with the aim to simplify and streamline the process of identifying local housing need. To identify the housing need and then disaggregate this to specified groups would go against the aim for simplicity. We do not support an approach that would define and control housing mix.
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Contents

1.0	Introduction	1
2.0	Proposed approach to calculating local housing need	2
	Q1(a) Do you agree with the proposed standard approach to assessing local housing need?	2
	If not, what alternative approach to other factors should be considered?	2
	Alternative approach or other factors to consider	10
	Q3. Do you agree that we should amend national planning policy so that a sound plan should identify local housing needs using a clear and justified methodology?	12
	Q4. Do you agree with our approach in circumstances when plan makers deviate from the proposed method, including the level of scrutiny we expect from Planning Inspectors?	12
3.0	Planning for a mix of housing needs	14
	Q10(a) Do you have any suggestions on how to streamline the process for identifying the housing need for individual groups and what evidence could be used to help plan to meet the needs of particular groups?	14
4.0	Summary	16

1.0 **Introduction**

- 1.1 This is a response to the Government consultation 'Planning for the Right Homes in the Right Places' by Homes for the North (H4N).
- 1.2 H4N is an alliance of nineteen of the largest housing associations operating across the North who wants to ensure enough homes are delivered across the North of England to support its sustainable growth in a rebalanced economy. H4N members collectively provide around 450,000 homes for almost 1 million people in the North of England.
- 1.3 The response focuses on the key questions of relevance to H4N contained in the consultation.

2.0 **Proposed approach to calculating local housing need**

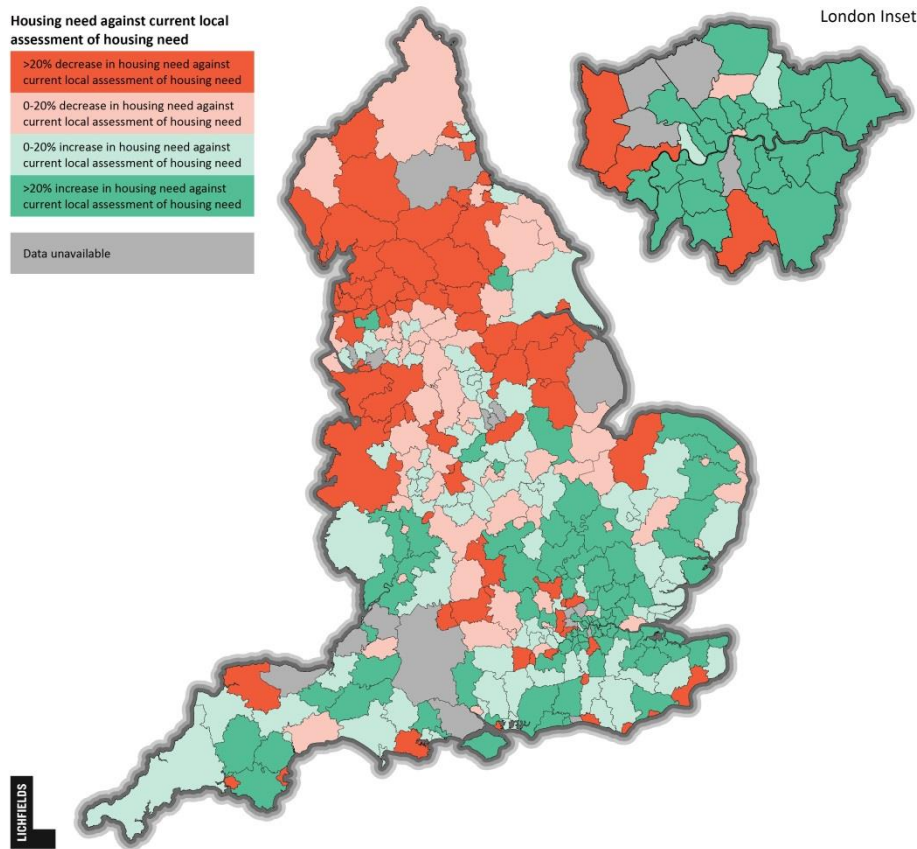
Q1(a) Do you agree with the proposed standard approach to assessing local housing need?

If not, what alternative approach to other factors should be considered?

Introduction

- 2.1 We agree that there are benefits of simplifying the methodology for calculating objective assessments of need (OAN), particularly in respect of the speed of Local Plan preparation which in turn will help support the housing delivery required to help address the housing crisis in England.
- 2.2 However, the proposed approach and the indicative numbers published alongside the consultation raise a number of concerns for H4N in terms of the North of England. These are principally:
- 1 Demographic projections project forward past trends which are heavily influenced by historic delivery rates and recessionary factors, and do not facilitate growth to achieve improved economic outcomes;
 - 2 Affordability ratios at a local authority level in the North mask more localised affordability issues, in some cases resulting in a lower ratio identified at a local authority level;
 - 3 The nature of affordable stock in the North is often characterised by small, poor quality properties in the wrong location. This can suggest there is more affordable housing available in the long-term than is the case; and
 - 4 How the proposed consultation deals with local planning authorities (LPAs) who want to plan for housing growth beyond that identified by the Government’s indicative housing need numbers.
- 2.3 The proposed approach confirms the Government’s support for LPAs who want to deliver more homes through the consultation document at paragraphs 28 and 46. However, it does so in a way which, we believe, does not provide LPAs with the obligation, or incentives, to continue with their economic-led strategies for growth.
- 2.4 The impact of the proposed approach, which does not include any uplift to meet economic objectives, can be seen in the map at Figure 1.1.

Figure 1.1 Comparison of proposed Government approach with existing OAN



Source: "Planning for the right homes in the right places" Lichfields Insight Analysis

- 2.5 Figure 1.1 illustrates the reduction on the indicative local housing need, particularly across the North of England as a result of the Government’s proposed approach compared to existing OAN evidence. If local authorities subscribed only to delivering housing in line with the outputs of the proposed methodology, this overall reduction in housing delivery would also reduce the amount of affordable housing that would be delivered.
- 2.6 The indicative housing need identified by the Government as the starting point for assessing future housing need, results in an annual need for the North of c.44,000 new homes between 2016 and 2026. This is almost 21% lower than the currently identified local assessment of need in the North set out in existing OANs which are based on a large number of LPAs adopting an economic-led future assessment of housing need, and 12.5% lower than the estimates contained in our report ‘Future Housing Requirements in the North’(August 2017)¹ based upon credible regional economic projections.
- 2.7 Sajid Javid MP confirmed at the launch of ‘Future Housing Requirements in the North’ that the report was “convincing” to ensure more housing can be brought forward.
- 2.8 H4N’s concerns about the approach currently set out at paragraphs 28 and 46 are supported by Lichfields’ extensive experience of working on Local Plans and their evidence cases (for both

¹ <http://www.homesforthenorth.co.uk/wp-content/uploads/2017/09/H4N-Future-Housing-Requirements-for-the-North-full-research-report-September-2017-1.pdf>

developers and LPAs), the experience of members of H4N and analysis by Lichfields in its ‘Planned and Deliver’ report (April 2017)².

- 2.9 ‘Planned and Deliver’ found that all 31 Local Plans identified for an early review have been required to address, at least in part, issues of housing need and supply. Almost half of Local Plans have had to change their housing targets through the examination process, with the vast majority of those required to increase planned housing numbers. The Housing White Paper (February 2017) surmises that at least some of this is attributable to Councils ducking “*potentially difficult decisions*”, because they are free to come up with their own methodology for calculating objectively assessed need”. This is obviously a key driver underpinning the consultation. Without a clear commitment from Government to require LPAs to align their housing needs with their employment growth / regeneration plans, there is a risk that the problems which many LPAs in the North are seeking to address are actually reinforced. The result of this would be a continuation of the issues currently experienced in respect of retaining and attracting highly qualified young people to the North. This issue was highlighted through our research ‘Brain Gain: the role of Homes and Place Making in attracting Graduate to the North of England’⁴ (November 2016).
- 2.10 Our suggested changes do not require the Government to change the transparent and simple nature of the calculation underpinning the starting point for assessing housing need. In those LPAs where affordability is a more significant factor than a need to align housing with economic growth, the proposed standard methodology would continue to set the need at the appropriate level. Our proposal would simply require (rather than encourage) LPAs to set a higher figure where economic growth is a more significant factor than affordability.
- 2.11 We set out a number of proposals which would provide the support needed for LPAs in the North to deliver the higher level of housing required to enable a step change in their economies and redress socio-economic imbalances between the North and South.
- 2.12 In respect of affordability, the proposed methodology would address the issue as set out by Government. However, in northern LPAs where economic growth is a more significant factor than affordability, a clearer, firmer approach is required.
- 2.13 The proposed methodology also fails to consider the need to deliver genuine affordable housing.
- 2.14 We consider these issues in more detail below.

Insufficient Housing Overall

- 2.15 The Consultation proposals refer to external commentators suggesting that England needs between 225,000 and 275,000 net additional homes every year to keep up with population growth and start to tackle years of under-supply. Under the proposed standardised methodology, approximately 266,000 new homes would be required annually across the country. This is around 20,000 higher than existing local assessments of need (nationally).
- 2.16 Whilst we welcome the uplift, we remain concerned that 266,000 is less than the 300,000 many now think is needed to correct the current housing crisis (and which is closer to the ‘uncapped’ figure resulting from the standardised methodology) and decades of under-delivery. It should also be noted that the 266,000 figure will only be met if the plan-making system works perfectly. In reality, if some constrained areas cannot meet needs and the Duty-to-Cooperate fails to redistribute this to areas that can, England’s real housing needs will not be met.

² http://lichfields.uk/media/3000/cl15281-local-plans-review-insight_mar-2017_screen.pdf

³ Fixing Our Broken Housing Market page 13

⁴ <http://www.homesforthenorth.co.uk/wp-content/uploads/2016/11/H4N-The-Brain-Gain-Research-November-2016.pdf>

2.17 The Housing White Paper is quite clear that there is an acute need across England to build more homes:

"The housing market in this country is broken, and the cause is very simple: for too long, we haven't built enough homes" page 9

2.18 For example, over 10% (27,470 dpa) of England's overall housing need using the proposed standardised methodology is located in Local Authorities where (according to the DCLG spreadsheet), over 70% of the land area is covered by Green Belt, National Parks, Areas of Outstanding Natural Beauty or Sites of Specific Scientific Interest. It is highly likely that many of these areas will therefore seek to use these environmental (and in the case of Green Belt), policy constraints to justify a lower housing requirement than the methodology would suggest.

2.19 Unless adjoining districts within the same Housing Market Area (HMA) are willing and able to pick this need up in addition to their own, and be committed to working strategically, we are concerned that the housing need will fall through the cracks, and the 266,000 target, which we do not consider to be sufficiently high in the first instance, will not be met.

2.20 We suggest that the Government sets 300,000 as its baseline housing requirement for England rather than the 266,000 target identified in the consultation.

2.21 H4N's recent research 'Future Housing Requirements for the North', which was launched in September 2017, recognises that many LPAs across the North, particularly in the City Regions have identified local housing needs based on economic-led future scenarios and as such identified a level of housing significantly higher than past trends in housing delivery (87%). This highlights the ambition of the North to redress the current North South economic divide and plan for housing delivery significantly higher than the demographic baseline. This approach must continue to be a requirement of planning guidance.

Demographic Starting Point

2.22 The current guidance on housing and economic development needs assessments states:

"Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need...The household projections are trend based, i.e. they provide the household levels and structures that would result if the assumptions based on previous demographic trends in the population and rates of household formation were to be realised in practice. They do not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour." (PPG ID: 2a-015)

2.23 Thus, the PPG establishes that the projections may not accurately reflect need in local areas due to housing under-supply which has suppressed household formation. Housing under-supply has been a persistent issue in England. A shortfall in housing supply make it physically impossible for new households to be formed at the rate that was projected. The Redfern Review⁵ considered the ratio of houses to households and found that:

⁵ The Redfern Review into the decline of home ownership (November 2016)

“Unfortunately, [this] can only tell us so much about the availability of housing. This is ultimately because household formation is limited by the available housing stock. The ratio doesn’t tell us about the households that would have formed had there been more homes available for them to live in – the so-called ‘hidden household’ problem. This is pertinent to this Review, which has already uncovered that younger people have not been able to access the housing market as freely as others, as a result of tougher deposit requirements and falling relative incomes. This could mean that the price signal does not fully reflect what is occurring in the market (i.e. there is an element of allocation through a ‘rationing’ effect)”

- 2.24 Constrained household formation has particularly been the case in the North, where the recession had a particularly significant impact and it was only in 2012 when the North of England was formally considered out of recession, 2 years later than the south.
- 2.25 An over-reliance on the CLG household projections, and a failure to interrogate their outputs, could have a counter-productive impact on our ability to provide sufficient housing going forward. This is particularly the case in the North as the affordability uplift has little effect in many LPAs.
- 2.26 The new methodology has the same limitations of many current Strategic Housing Market Assessments (SHMAs) namely that the starting point is a level of population growth based on historic trends. An adjustment to take account of market signals may not be sufficient to compensate (as a big percentage uplift to a low figure still results in a figure that is too low).
- 2.27 We believe further consideration should be given to establishing a variant household projection which includes an adjustment for concealed households, which reflects an uplift for hidden affordability issues separate to the issue of market signals. This would adjust upwards the demographic starting point, which currently locks in the issue of concealed households perpetuating more recent adverse trends into the future.

Uplift for market signals and allowance for affordable housing

- 2.28 Theresa May’s recent Conservative Party keynote speech on 4th October 2017 very firmly put the delivery of affordable housing right at the top of the Government’s agenda, with the Prime Minister stating clearly that she was going to make it her mission to solve the problem. An additional £2 billion in funding was committed to deliver affordable housing and encourage LPAs to get back to delivering social housing alongside housing associations.
- 2.29 Whilst we support the Government’s proposals made at their conference in October, we are concerned that the proposed methodology will do little if anything to accelerate affordable housing provision. Specifically, affordable housing need is no longer a component in arriving at the overall housing need figure. Whilst the consultation proposes that LPAs should continue to assess affordable housing need as well as that for students, travellers, PRS and build to rent, because it is not factored into the overall need calculation, the right amount of housing needed to meet affordable needs is at risk.
- 2.30 The Government’s proposed approach reduces the market signals assessment from the 6 indicators currently identified in the PPG (ID 2a-019), to one - median affordability ratios. The adjustment proposed; each 1% increase in the ratio of house prices to earnings above four results in a quarter of a per cent increase in the need above projected household growth, aligns with the 225,000 to 275,000 net additions identified as needed in the White Paper. It is underpinned by the view that less affordable areas need to deliver more homes.

- 2.31 Our view is that the market signals uplift set out in the proposed methodology is very much a correction for escalating house prices in the private sector and does not go far enough to meet the 300,000 homes per annum required or address the need to meet affordable housing needs.
- 2.32 The approach to affordability adopted by Government is too narrow and arbitrary. It only applies an uplift in accordance with market signals in the owner occupied sector, which fails to recognise that this market can be suppressed in areas where the housing offer is poor. The proposed methodology does not justify the uplift or cap applied. The overall impact is a skewing of housing numbers to already overheated markets.
- 2.33 The new methodology fails to quantify the need for genuinely affordable housing (ie subsidised housing for rent, shared ownership etc). We believe an adjustment for this should be included in the assessment of need, in addition to the formula proposed as there is no simple uplift factor that could be applied.
- 2.34 Evidence shows that the poorest households spend a greater proportion of income on housing costs and there is a need to increase delivery of affordable homes to reduce housing costs for those in most need. The use of the affordability ratio as set out within the new simplified methodology risks compounding historic issues.
- 2.35 We do not disagree that more homes are required in less affordable areas. However, LPA median affordability ratios in the North do not recognise and address the following issues:
- 1 Local issues in respect of affordability; and
 - 2 The characteristics of the affordable stock across the North.
- 2.36 The market signals uplift fails to recognise that in some areas, particularly in the North, whilst there is a greater proportion of affordable homes, these are not necessarily in a form which meets need or demand. Much of the housing stock in the North is affordable but is of the wrong type, of the wrong size, and in the wrong locations. The reality is that securing a mortgage would be virtually impossible for many households.
- 2.37 The National Audit Office report ‘Housing in England: Overview’ (January 2017) states⁶:
- “In 2001, the Department set out a definition of a decent home. By April 2013 there were approximately 1.1 million fewer non-decent social rented homes than when this standard was introduced. Around a third of homes in the private rented sector are non-decent, compared with 14% in the social rented sector” (paragraph 1.7).*
- 2.38 It is our view that there remains a need for LPAs to be required to identify the need for affordable housing. We would support a new, standardised methodology (to be defined by DCLG), for assessing affordable need such that depending on the scale of that need, it is clear whether an adjustment is appropriate to increase the housing requirement to assist in the delivery of social housing. This is not dissimilar to the current approach, but a clearer methodology and the extent to which this is within the OAN, or is a separate policy-on consideration (perhaps linked to the consultation document’s question on housing mix, and what to do with the outputs of it) would be welcomed. We recommend that this would be such that if the number of dwellings required to meet affordable housing needs are greater than the local housing need indicative number identified by Government, a further uplift of up to 10% is applied.

⁶ <https://www.nao.org.uk/wp-content/uploads/2017/01/Housing-in-England-overview.pdf>

Supporting Regeneration

- 2.39 The reliance upon LPA affordability issues within the Government’s proposed methodology masks wider issues of housing mix and choice in the North, which need to be considered when setting housing requirements to meet future needs.
- 2.40 The North suffers with a housing stock which does not meet needs or aspirations. This was recognised through the creation of the Housing Market Renewal (HMR) programme which sought to tackle issues of low demand due to the poor quality and mix of housing stock. The HMR programme was successful in tackling some of the areas with the greatest concentrations of low demand, which largely fell in areas which had a combination of poor quality social rented or private sector housing.
- 2.41 Despite its success alongside other investment programmes, there remains a large proportion of stock across the North which may be considered as affordable, when measured using affordability ratios, but fails to meet demand. A large proportion of affordable stock in the North is of poor quality, too small and in the wrong location.
- 2.42 H4N’s research ‘Future Housing Requirements for the North’⁷ highlighted, through testing two different future trajectories of growth which could drive the rebalancing of the North South divide, that diversification of the housing stock is critical. This is particularly the case in respect of meeting the needs of younger households to help retain them in the North upon graduation and supporting housing delivery within and across City Regions.
- 2.43 H4N research ‘Brain Gain: The Role of Homes and Place Making in Attracting Graduates to the North of England’⁸ found that the North of England has a significant qualifications deficit compared to London. This leads businesses to complain about skills gaps in the workforce and, ultimately limits the growth potential of the north of England.
- 2.44 Evidence in the report highlighted that over the last 10 years, the number of people in these groups leaving the area covered by the Northern Powerhouse initiative has been greater than the numbers entering. In total, this has led to a net outflow of 75,500 highly qualified British resident individuals. Whilst this outflow has been masked by significant inflows of highly qualified immigrants from outside of the UK, the report questions whether these trends can be relied upon to continue to bolster the Northern Powerhouse’s talent pool in the future

Aligning housing and economic growth

- 2.45 The primary reason why the Government’s proposed approach results in a lower local housing need for LPAs in the North are that their current respective OAN and subsequent housing requirement figure is based on economic-led future scenarios.
- 2.46 This supports the NPPF, which states at paragraph 47:
“To boost significantly the supply of housing”
- 2.47 And paragraph 158:
“Local planning authorities should ensure that their assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals”
- 2.48 The current PPG at paragraph ID:2a-18 states:

⁷ <http://www.homesforthenorth.co.uk/wp-content/uploads/2017/09/H4N-Future-Housing-Requirements-for-the-North-full-research-report-September-2017.pdf>

⁸ <http://www.homesforthenorth.co.uk/wp-content/uploads/2016/11/H4N-The-Brain-Gain-Research-November-2016.pdf>

“Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area. Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate. Failure to do so will mean that there would be an increase in unmet housing need.

Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.”

- 2.49 The PPG requires LPAs when undertaking OAN assessments to consider future economic-led scenarios taking into account the growth in the working age population. Where the future working age population is insufficient to support anticipated jobs growth and the consequence is unsustainable commuting patterns, amongst other things, the current PPG supports an uplift to ensure the working age population is able to meet the identified economic growth aspirations. On this basis, a large number of LPAs in the North have identified their OAN based on economic-led scenarios.
- 2.50 Given that the current (and proposed) starting point for assessing local housing need is based on demographic projections which, as highlighted earlier in this response, are particularly constrained by the impacts of the recession in the North, it is important that LPAs are supported to continue to identify a level of housing which supports wider economic aspirations. Without the uplift provided through the alignment of housing and economic scenarios, the North would be constrained by the level of growth underpinned by the demographic projections and in some areas would result in economic decline.
- 2.51 Without an ambitious economic growth strategy and the quality and mix of housing to support it, there is likely to be a continued loss of population to the South, particularly of educated and skilled younger people. This is an unsustainable position and runs counter to what the Government is trying to achieve through the Northern Powerhouse agenda and Industrial Strategy.
- 2.52 The Northern Powerhouse states:
- “Investing in the region’s residential and cultural assets will help to attract and retain the best talent to ensure long-term sustainable increases in productivity and growth”*
- 2.53 The concept of the Northern Powerhouse is supported by the Government who have:
- Allocated £3.4billion to the North through growth deals;
 - £70million to support the Northern Powerhouse Schools Strategy; and
 - £13billion on transport.
- 2.54 This investment confirms the Government’s commitment to investment in the North, which can only be supported by a supply of housing that is able to support wider investment and economic growth plans.
- 2.55 The current wording states that whilst identifying a housing need in excess of the Government’s indicative assessment of local need will be supported, it is not a requirement. This means that

when presented with an option of a lower housing need figure through the indicative assessment of local need, Councillors may choose to take the lower figure to minimise the political criticism from communities where more housing would need to be allocated.

2.56 This issue was confirmed more recently at the Conservative Party Conference, where Sajid Javid MP stated:

“Too much control is given to those who will never accept development”.

Alternative approach or other factors to consider

2.57 We suggest that in response to our comments above, the Government should make the following amendments to the proposals:

Adjustment to wording – market signals

2.58 The Government should fully justify the affordability uplift and cap applied in the proposed methodology.

2.59 In respect of ‘Step 2 an adjustment to take account of market signals’, it would be more correct to state at paragraph 21 of the consultation document;

*“each one **full point** increase rather than 1% (ie from 4:1 to 5:1)”*

Adjustment to meet Affordable Housing Need

2.60 We would propose that an additional uplift is required as part of the proposed methodology (of up to a maximum of 10%) based on an assessment of meeting local affordable housing need.

2.61 This would ensure that the proposed methodology meets genuine affordable housing needs (ie subsidised housing for rent, shared ownership etc).

Additional Clarity – paragraph 46

2.62 We welcome the flexibility provided by paragraph 46, and the comment that the Government wishes to make sure that proper support is given to those ambitious authorities who want to deliver more homes. However, we have a number of concerns regarding the alignment between economic growth aspirations and the housing methodology:

1 What happens to the soundness of a Local Plan where a Local Authority bases its housing requirement on the standard methodology need figure, but where evidence suggests this would not be sufficient to match the Plan’s economic strategy? Such alignment issues are regularly debated as part of a ‘policy-off’ OAN. Clarity is needed to ensure that a Local Plan must align its economic and housing strategies, and not an option for them to be aligned.

Paragraph 158 of the NPPF is clear that LPAs should ensure that their strategies for housing, employment and other uses **are integrated**. This is not written as an optional extra for ambitious local authorities only – it is a fundamental planning requirement and one that should be integrated in the proposed methodology.

2 We are clear that the alignment of housing with economic growth remains a requirement of the housing OAN calculations and that a suitable adjustment must be made in the housing requirement calculation as part of Local Plan preparations. A suitable adjustment to align with employment growth/regeneration would help to overcome the unintended consequences of the new approach and continue to support the emerging plans in the North where LPAs are following economic-led strategies.

- 3 The examples given in paragraph 46 of the consultation document whereby an uplift to the housing need figure would be appropriate are limited to strategic infrastructure, or through increased employment ambition as a result of a Local Economic Partnership's (LEPs) investment strategy, a bespoke housing deal with Government, or through delivering the modern Industrial Strategy. This does not include all of the possible economic growth agendas that would be relevant to an LPA seeking to comply with paragraph 158 of the Framework, not least the Council's own economic growth ambitions or the need to align with the employment land requirements set out in their other evidence base documents for the Local Plan (notably the Employment Land Review). We would suggest the list of proposals that may lead to a higher local housing need should be broadened.
- 4 It should be made clear that the presence of these triggers for a higher housing figure is actually to be tested as the basis for soundness. The current wording in the consultation document does not provide enough clarity to a LPA that if it failed to pursue a higher housing figure based on the presence of one or more of these factors could result in a Local Plan being found unsound.

2.63 A policy/guidance approach that reflects a change to the wording to paragraphs 28 and 46 of the consultation document is required to deal with situations where economic-led future strategies have been identified by an LPA. Without this additional detail and clarity, there is a risk that LPAs may shy away from delivering the housing needed to support their economic aspirations, preferring lower levels of future growth (based on the Government's standard methodology) which could result in a level of housing which is more acceptable politically and to local communities and avoids the challenges associated with identifying extra housing sites. This would fail to deliver the economic growth ambitions for the North.

2.64 If alignment with economic growth means a higher OAN (or policy-on housing requirement) than using the affordability uplift then this must be used. This will not change the position across most southern LPAs where affordability is the determining factor and would ensure that LPAs in the North are not tempted to choose the lower figure based on affordability which is less influential in the North.

2.65 We propose the following amendments to paragraph 46:

*"Plan makers may put forward proposals that lead to a local housing need above that given by our proposed approach. This could be as a result of a strategic infrastructure project, or through increased employment (and hence housing) ambition as a result of a Local Economic Partnership investment strategy, a bespoke housing deal with Government or through delivering the modern Industrial Strategy, **or Local Economic Strategies**. We want to make sure that we give proper support to those ambitious authorities who want to deliver more homes. To facilitate this we propose to amend planning guidance so that where a plan is based on an assessment of local housing need in excess of that which the standard method would provide **Where a LPA is planning for a level of housing to support economic growth and identify an OAN in excess of the Government's starting point this figure must be used and in these circumstances** Planning Inspectors are advised to work on the assumption that the approach adopted is sound unless there are compelling-reasons to indicate otherwise.*

Where plan makers adopt a 'policy on' housing requirement which is in excess of the level of housing need identified by the Government's methodology, the evidence base should be predicated on:

- *An assessment of the jobs growth underpinning the future economic scenario;*

- *The changes in economic activity projected by the Office of Budgetary Responsibility (OBR) rebased to the local baseline of economic activity (OBR projections are national projections but would be simple enough to set out a methodology to adjust to local circumstances); and*
- *The current commuting ratio maintained throughout the plan period based on a comparison of economically active residents drawn from the Annual Population Survey and the number of jobs drawn from a recognised economic forecasting house or BRES data published by ONS.*

We will also look to use the Housing Infrastructure Fund to support local planning authorities to step up their plans for growth, releasing more land for housing and getting homes built at pace and scale”.

- 2.66 This would ensure that the approach is consistent with paragraph 158 of the NPPF. In effect, it would enable northern LPAs to deliver the housing they need to fulfil their economic ambitions whilst having no effect on the uplift for southern LPAs due to the affordability approach.

Q3. Do you agree that we should amend national planning policy so that a sound plan should identify local housing needs using a clear and justified methodology?

- 2.67 Yes, H4N strongly agrees that national policy must be amended.

- 2.68 It is important that local housing needs are identified using a clear and justified methodology. This clarity is provided through the proposals set out by Government. However, a more robust approach in respect of the alignment of housing and economic strategies, in the context of paragraph 158 is necessary to prevent the North-South socio-economic divide from being exacerbated; and to support the objectives of the Northern Powerhouse.

- 2.69 Further details of the methodology which would be accepted as sound by Planning Inspectors is required to be contained within paragraph 46 of the proposals to ensure a clear and justified methodology is used in all situations; whether following the proposed standardised methodology or if applying an uplift for housing and economic alignment.

Q4. Do you agree with our approach in circumstances when plan makers deviate from the proposed method, including the level of scrutiny we expect from Planning Inspectors?

- 2.70 The proposals state at paragraph 46:

“To facilitate this we propose to amend planning guidance so that where a plan is based on an assessment of local housing need in excess of that which the standard method would provide, Planning Inspectors are advised to work on the assumption that the approach adopted is sound unless there are compelling reasons to indicate otherwise”

- 2.71 In our proposed approach alignment with economic growth would not be a deviation; LPAs would be compelled to do so.

- 2.72 We support the principle underpinning paragraph 46 which goes to the heart of the NPPF to ‘boost significantly the supply of housing’. However, in order for LPAs to be encouraged to deliver more homes, a fundamental part of the Government’s drive to solve the housing crisis, we consider additional guidance is required within paragraph 46 to support LPAs evidence local housing needs which go beyond the indicative housing number identified by the Government

and require LPAs to ensure housing requirements are aligned with local economic growth strategies including those identified by LEPs.

- 2.73 Further details and parameters underpinning what will be considered ‘sound’ by Planning Inspectors are required to be specified within paragraph 46. Without additional clarity to support and encourage LPAs, particularly in the north where the proposed level of housing would fall short of supporting future economic aspirations, there is a risk LPAs will not feel confident in pursuing an economic-led strategy which will subsequently be supported through the Local Plan process and be found sound.

3.0 **Planning for a mix of housing needs**

Q10(a) Do you have any suggestions on how to streamline the process for identifying the housing need for individual groups and what evidence could be used to help plan to meet the needs of particular groups?

- 3.1 The proposals set out in the consultation document suggest that the overall level of local housing need identified should be disaggregated into the need for different types and tenures of houses including:
- Older and disabled people;
 - Families with children;
 - Affordable housing;
 - Self build and custom-build development;
 - Student accommodation;
 - Travellers who have ceased to travel; and
 - Private rented sector and build to rent housing.
- 3.2 Whilst we propose that an uplift should be included with respect to meeting the need for affordable housing, we do not believe that this should be disaggregated to establish separate targets for different types and tenures.
- 3.3 There are a number of other issues in respect of disaggregating the total level of need identified which require further consideration:
- 1 Fixing the housing mix in Local Plan policy is likely to be flexible and will quickly become out of date.
 - 2 If the type and mix of housing required is set out within the policies of the Local Plan this could result in significant constraints being placed on the ability of developers to bring forward housing that meets market demand.

Developers know what products will sell within a market area and to constrain this knowledge through policy could have the unintended consequence of reducing the overall scale of market housing delivery, as housebuilders will simply not build if the only option is to build the right type of property. This would undermine the Government’s objective of building more homes across England.
 - 3 There is no formal guidance as to how the needs of each of these groups are to be robustly identified across the country, hence there is likely to be considerable variation and inconsistency amongst LPAs.
 - 4 The consultation proposals are clear that the different types and tenures of houses identified are not exhaustive. However, if they are to be defined in policy based on evidence, this could result in a very small proportion of the total housing need being identified for market housing or the needs of these specific groups could sum to a greater overall need than that arising from the standard methodology.
 - 5 Student accommodation and most elderly accommodation would be defined as C2, rather than C3 under the Use Class Order, and hence should be considered separately from the standardised formula defining C3 housing need (which is underpinned by the household

projections which specifically excludes the needs of those likely to be living in ‘institutionalised accommodation’).

- 6 The Government’s aim of ‘Planning for the right homes in the right places’ is predicated on the need to simplify and streamline the process of identifying local need. To identify the housing need to disaggregate to specified groups would seem to go against the aim for simplicity. As this would require detailed evidence, based on primary research to ensure local needs could be evidenced and established.

3.4 For all of these reasons we do not support an approach that would define and control housing mix to the levels proposed in the consultation for all of the different groups listed within the consultation.

4.0 **Summary**

- 4.1 To summarise, H4N understands the Government’s drive towards a standardised OAN methodology. We consider that the methodology represents a straightforward approach to estimating housing need which greatly simplifies the current guidance.
- 4.2 However, H4N is concerned that the one size fits all approach will produce counter-productive targets in many locations across the North, and that the safeguards are not in place to ensure that local authorities provide the housing that is needed to address the current housing crisis as well as socio-economic outcomes. Failing to do this will result in the North failing to meet and deliver its economic potential.
- 4.3 We expect the Government to provide more details in respect of the evidence underpinning their proposed methodology. In particular; the affordability uplift and the level at which the cap has been set.
- 4.4 H4N is concerned that the 266,000 holistic figure may still be too low to meet the true level of housing need resulting from decades of under-delivery influencing future household projections upon which the methodology is based. We consider the Government should set a baseline housing target of 300,000 per annum.
- 4.5 H4N considers there is a need to revise the methodology for assessing affordable need which can confidently be brought together with the assessment of objectively assessed need to ensure future housing needs meet the needs of market and affordable housing. We propose an additional uplift is required (up to 10%) in respect of meeting future affordable housing needs, a component which is currently missing from the proposed methodology.
- 4.6 We do not support the proposals to control housing mix to include all of the different groups identified in the list within the consultation proposals.
- 4.7 Most importantly, it is critical that the methodology is adjusted to compel LPAs to set an OAN that aligns with their economic growth ambitions where that would result in a higher figure than under the proposed affordability uplift.

GET IN TOUCH

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