Joint Local Plan – Plymouth, South Hams, West Devon

Establishing the "Objectively Assessed Need"   June 2016

Introduction

1.1 National Planning Policy requires authorities to identify their objectively assessed need for housing in the housing market area. The process that has been used follows that set out in the Planning Practice Guidance (PPG) and also the Planning Advisory Service Technical Advice Note "Objectively Assessed Housing Needs and Housing Targets (updated July 2015) as well as considering the recent Local Plans Expert Group recommendations which have been submitted to Government.

1.2 Further consideration of the Plymouth sub regional area has found that while there are important functional links to the west with parts of Cornwall, and to the east with Torbay and Exeter, the Plymouth Housing Market Area (HMA) is made up of Plymouth, South Hams and West Devon Local Authority areas, including the part of Dartmoor National Park which is within those local authorities area. This conclusion is based on up-to-date evidence on levels of migration and commuting within the context of the new Travel to Work area geography, using Peter Brett Associates standard methodology which is set out in a separate report "Testing and Establishing the Plymouth Housing Market Area".

1.3 Consequently following the SHMA (2013 -2015) work has been undertaken to update the objectively assessed need for this HMA using a consistent methodology and data across the area and including the most recent data. The objectively assessed need has been prepared for the whole of the HMA for the purposes of informing the preparation of the Joint Local Plan. The figures are for the HMA as a whole and not split between individual districts.

1.4 The starting point in estimating overall housing need is the official household projections, however, it is recognised that these may require adjustment to reflect factors affecting local demography. In order to ensure a consistent approach is taken across the HMA an update of demographic and economic projections has been commissioned. Local demographic projections, produced by Devon County Council, using the same methodology as the adjacent Exeter Housing Market Area have been produced. A number of longer term local trend based projections were produced which can be tested against the most recent 2014 based sub national population projections and 2012 based household projections.

1.5 A key issue is establishing the timescale of the plan and using the most up-to-date start date. Given that it is now 2016 and the plan is likely to be adopted in 2017, it is necessary to base the plan on the most recent factual evidence and ensure it is appropriately long term. The Office of National Statistics (ONS) has released new 2014 mid-year population estimates which provide an official count of the 2014 population. Economic data is also available at 2014 so consequently it is appropriate to consider the housing need from 2014 to 2034, which will be the period covered by the Joint Local Plan.

1.6 It should be noted that new sub national population projections have just been issued and go through to 2039. It is necessary to consider the level of growth

shown by these projections to assess how they compare with the previous projections and other demographic information. It is also important to note that there will be growth beyond the plan period and it is essential to ensure flexibility of the plan and start to think about the delivery of sites beyond the plan period.

Demographic projections – understanding the population

1.7 It is useful to understand what the baseline population, households and dwelling stock is at 2014 so that the projections can be set in context. This is set out in the table below:

Table 1: Population projections, Household projections, and dwellings stock estimates

	2014 dwellings	2014 households	2014 population
Plymouth HMA	183,740	172,039	399,914

From ONS and CLG

1.8 The Planning Practice Guidance is explicit that the 2012 based household projections are the most up-to-date estimate of future household growth. These use information directly from the sub national population projections and represent a robust starting point for the calculation of objectively assessed need. The figures below demonstrate that on these figures there would be a growth of 32,600 people and 19,456 households in the HMA between 2014 and 2034.

Table 2: 2012 based population and household projections

	Population at 2034 (from ONS 2012 based SNPP)	Total growth 2014-2034	Households at 2034 (from DCLG 2012 based Household projections)	Total growth 2014-2034
Plymouth HMA	**431,600**	**32,600**	**192,757**	**19,456**

From ONS and CLG

1.9 However, ONS have just issued (25 May 2016) the latest 2014 based sub national population projections.   These go to 2039 and use the 2014 mid year estimates as the starting point at 2014; as such they supersede the 2012 based population projections and will be used to formulate the next set of household projections which will be released next year. These latest projections demonstrate higher levels of population growth for the HMA as a whole and there is projected to be 2,400 more people at 2034 than was shown in the previous 2012 based projections. The table below sets out these latest figures:

Table 3: 2014 based sub national population projections

	2014	2034	Growth
Total	399,900	434,900	**35,000**

From ONS

1.10 However, these official projections are based on short term trends and it is important to test a longer term trend, to ensure a more realistic representation of population change that has occurred across the HMA. A period of 10 years ensures that periods of boom, the recession and several years of recovery are included in the time period and thus projected forward. Consequently a 10 year (2004-2014) trend period has been assessed and Devon County Council has produced a consistent bespoke longer term trend projection for the HMA.

1.11 In comparison with both the 2012 and 2014 based sub national population and household projections the local 10 year migration trend projections demonstrate a much higher growth overall in the HMA of approximately 15,000 more people. This longer term projection is considered to be far more robust because it is less reliant on short term variation. It also more accurately reflects the growth agenda that has been pursued within the City and the reality of what has been occurring in the more rural parts of the area over a more reliable period of time.

1.12 A 20 year and 30 year trend projection were also considered but these show a smaller overall population and dwelling growth than both the official household projections and the 10 year trend and are not considered to be sufficiently representative of the growth which has occurred in the City or to properly reflect its growth agenda and future plans. Given that the 10 year projection demonstrates a higher need across the whole HMA, and that it is based on a longer time period reflecting both the recession and recovery, it is considered that this is a more robust demographic projection to use in establishing the OAN. This approach is given additional credence by the recent population projections which show an upward trend in population across the HMA which indicates that relying solely on the official projections may not provide sufficient flexibility for long term strategic planning of the Joint Plan area.

1.13 The local 10 year migration trend demonstrates that the population for the HMA will grow from 399,914 at 2014 to 450,575 at 2034 as shown below:

Table 4: 10 year migration trend population projection

	2014	2034	Total growth
Total HMA	**399,914**	**450,575**	**50,661**

From DCC local projection modelling

Demographic projections – translating the population to dwellings

1.14 In translating the population scenarios into households it is necessary to consider what household representative rates (or headship rates) are used. The most recently available 2012 household representative rates are considered to be the most up to date and robust and consequently have been used to translate the

population into households. This is line with the Planning Advisory Service (PAS) technical advice note on Objectively Assessed Need and Housing Targets July 2015 and other professional advice from the TCPA and academics. We consider that the 2008 rates were optimistic and it is clear that demand continues to be supressed due to factors such as more people living in couples, because men are increasingly living longer, work is more precarious, social benefits are lower and young people are increasingly burdened by student debt.

1.15 Devon County Council use POPGROUP to produce population and housing projections, details of the methodology is available in the Exeter HMA local modelling report March 2015.   The dwelling requirement is calculated directly from the population projections using the known population (2014 midyear estimate) as the starting point. The approach is consistent with the method used by ONS and DCLG, although the population data is refined to be more accurate at the Devon level. It should also be noted that the model takes full account of vacancy rates to project dwellings, so this does not need to be added again into the calculation. However, it should be noted that for the official household projections it is necessary to add a vacancy allowance in the adjustment to dwellings.

The following vacancy rates from the 2011 Census have been used. These can be compared with the CLG tables on dwelling stock estimates and vacant dwellings from council tax base returns (tables 125 and 615) which demonstrate that each of the authorities within the HMA are below the national average vacancy rates in 2011 and very similar in 2014.

Table 5: Vacancy rates used in DCC projections

	Occupied	Vacant
Plymouth	96.7%	3.3%
South Hams	85.2%	14.8%
West Devon	92.1%	7.9%

From Census 2011

Table 6: Vacancy rates

	2011 Vacancy rates (%)	*2014 vacancy rates (%)*
Plymouth	*2.55*	*2.64*
South Hams	*2.93*	*2.50*
West Devon	*2.76*	*2.39*
England	*3.13*	*2.61*

From CLG Council tax base and Housing stock estimates

1.16 The dwelling projections resulting from the 10 year migration trend population scenario are set out below. This results in a significant increase above the DCLG household projections for the housing market area.

Table 7: Dwellings required from 10 year migration trend scenario

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	Dwellings 2014-2034
Total HMA	**26,700**

From DCC local projections modelling

Adjustments - Market signals

1.17 The PPG is clear that the starting point should be adjusted to reflect appropriate market signals and indicators. Consideration of market signals is important because they demonstrate the balance between the *demand for* and the *supply of* dwellings.

1.18 Market signals and indicators were explored in considerable detail in the SHMA and have been updated for this work. This is set out in a separate report " Market Signals Update June 2016". Using the PPG criteria we have considered house prices, affordability, private rental levels, delivery of development, and other issues such as overcrowding, homelessness and temporary accommodation. An example of an indicator is the house price ratio which is the ratio of median quartile house prices to median earnings and is a comparison of housing costs against the ability to pay and is therefore a good measure of how affordable it is to buy a property. The higher the ratio the less affordable it is for households to buy and get onto the property ladder.

1.19 The assessment demonstrates that there are clearly issues of constrained supply and affordability in parts of the HMA where an imbalance exists with market undersupply relative to demand. Consequently it is necessary to factor in an appropriate uplift to the figures to recognise the previous undersupply as well as the high house prices and rental levels and particularly responding to the lack of affordability in South Hams.

1.20 There is no accepted current good practice in relation to the level of uplift which should be applied, and Inspectors are interpreting this differently across the country and in some cases applying a rather arbitrary 10% uplift. We have considered the Local Plans Expert Group (LPEG) recommendations which set out indicators and benchmarks for house price ratios and have incorporated these into the assessment. Although these recommendations have not been accepted by the Government, they are useful and relevant in part and do attempt to simplify this process.

1.21 Our approach is to consider all the relevant market signals and indicators set out within the PPG and examined in detail in the SHMA across the districts to identify what sort of scale of uplift might be appropriate. Up to date data is currently being produced in relation to market activity and delivery and will be fed into the process as it emerges. The assessment concludes from the current data that is only available for the different districts, that different levels of uplifts may be appropriate for the different indicators and in the different constituent authority areas. Consequently the assessment identifies an uplift range for each district. By then

using the highest end of the range it ensures the approach is robust and factors in the highest level of possible uplift. This is then applied according to the broad distribution of growth and results in a weighted uplift across the HMA.

1.22 A summary of the market signals assessment is set out below which identifies the need for and scale of the uplift against each indicator, resulting in the range and highest uplift to be applied.

Table 8: Market signals uplift

	House Price Ratio and affordability and uplift	Private rental market uplift	Market activity and delivery uplift	Overcrowding and homelessness uplift	Uplift Range	Highest uplift to be used
Plymouth	Yes 10%	No	TBC	No	0-10%	10%
South Hams	Yes 25%	Yes 25%	TBC	No	25%	25%
West Devon	Yes 20%	Yes 10%	TBC	No	10-20%	20%

Adjustments - Second Homes

1.23 An allowance for second homes is not specifically included in the translation from households to dwellings and may be required in identifying the housing requirement in recognition of the fact that it is likely that the same percentage of new homes are expected to be taken up for second homes.   However, there is a clear overlap between vacancy levels in the census and the level of second homes measured from Council tax records.   While it is necessary to consider whether an additional second home allowance should be applied if the figures demonstrate that this is required because second homes represent an important element of the housing market in any local authority area, such as in South Hams, it may be that this is already accounted for in the vacancy rates being used. This approach has been endorsed by Inspectors including at the Cornwall Core Strategy Examination.

1.24 The distribution of second homes is not evenly spread across the HMA and is concentrated in certain areas. Evidence exists that while it represents approximately 10% of the South Hams district in some areas it is as high as …. (Appendix on this) The percentage of second homes according to Council tax records in the local authorities at 2014 is set out below:

Table 9: percentage of second homes

	% of stock that are second homes at 2014
Plymouth	*0.65%*
South Hams	*10%*
West Devon	*4%*

From local authority council tax records

1.25 Because the rates identified in table 5 are considerably higher than the national average vacancy rate and the district rates demonstrated by council tax records in table 6 it is considered that they also properly include the second home rates as set out above. Therefore because the rates in table 5 are used in full they provide a suitable element of adjustment for both vacancy and second homes. The individual rates have been used for the constituent districts and as a consequence the HMA figure represents a weighted adjustment.

Ensuring a viable workforce and integration with economic forecasts

1.26 It is essential that planning for housing, economic land uses and community facilities/services are integrated so that the demand for labour is fulfilled and there is no unsustainable commuting. This is clearly set out in the NPPF (paragraph 70). It is therefore important to consider whether housing provision in line with the demographic projections would support enough workers to match the future job growth expected in an area.

1.27 In aligning jobs and housing we have used the Plymouth HMA because many people travel across administrative boundaries, so planning for each district in isolation will not produce the most efficient and sustainable relationships between the location of houses and jobs.

1.28 We have worked with Experian to integrate demographic projections and economic forecasting. A baseline forecast using the official sub national population projections and the Experian participation rates as well as other standard assumptions demonstrates that the HMA will deliver approximately 20,100 jobs over the plan period. However, it is also necessary to also test the alternative 10 year migration trend projections. The number and age structure of this future population has been included within a bespoke model to understand what the implications are for this population on the workforce and in relation to jobs using mutually consistent assumptions about the factors that link jobs to population and housing. This is important because the models used by economic forecasters already incorporate a view of the factors that link workplace jobs to resident population. As well as the supply-side factors such as commuting, double-jobbing, economic activity rates and unemployment, they include a demand-side link, where additional population in an area creates additional demand for labour in retail, leisure, education, health and other local services. The bespoke projection using Experian participation rates demonstrates that 22,000 jobs are likely to be delivered over the plan period. This testing has shown that using the 10 year trend projection the labour market is not constrained and the demand for jobs can be met by providing for 30,300 dwellings across the HMA.

1.29 This is set out in more detail in a separate report "Assessment of Economic Forecasts June 2016".

Identifying the most appropriate OAN Scenario

1.30 There are two scenarios that could be pursued in setting the most appropriate objectively assessed need for the HMA.

1.31 These are:

- **Scenario 1:   Using official household projections and uplift for vacancy/second homes and market signals**

- **Scenario 2:   Using 10 year migration trend and uplift for market signals**

Table 10: Scenario 1: Household projections adjusted and uplifted

	Official Household projections 2014-2034	Adjust for vacancy/second homes rates	Cumulative total	Market signals uplift	OAN (dwellings) 2014-2034
HMA	19,456	6.9%	20,793	16%	24,123

Table 11: Scenario 2: 10 year migration trend projections uplifted

	10 year trend projections 2014-2034 (dwellings including vacancy/second homes adjustment)	Market signals uplift	OAN (dwellings) 2014-2034
HMA	26,704	13.4%	30,283

Recommendation

1.32 Scenario 2 above is considered to be the most robust demographic projection and representation of objectively assessed need for the Plymouth Housing Market Area because it uses a robust long term trend based projection and includes the whole allowance for vacancy/second homes rates, as well as appropriately weighted uplifts relating to market signals, using the highest end of the possible range of uplifts. This approach results in an objectively assessed need for the HMA of approximately 30,300 dwellings to be delivered over the period 2014-2034 in the Joint Local Plan.