Appendix 1
Plymouth and West Devon: Local Plan Examination

Assessment of the Local Plan Proposals: The Requirement to Increase Planned Housing Supply

Client: Barratt David Wilson Homes South West

Consultee ID 1016822
December 2017

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Executive Summary

1. This report examines the planned level of housing provision as set out in the Submission Local Plan for Plymouth and South West Devon 2014-2034. In particular this report focuses on the failure of the Local Plan to properly address the requirement set out in PPG Paragraph 029, which requires policy makers to consider increasing the total housing provision in the Local Plan to help deliver the number of affordable homes required to meet the need for affordable housing.

2. The report provides evidence and analysis relating to the scale of affordable housing delivery in the recent past, broken down between subsidised rented housing and low cost home ownership/intermediate housing; and relates this to the assessed requirement for affordable housing as set out in the Strategic Housing Market Assessment dated February 2017.

3. The Submission Local Plan sets out proposals to deliver at least 330 affordable homes per annum (6,600 homes over the plan period), which represents 24.7% of the total planned delivery of new homes of at least 26,700 additional homes (1,335 homes pa over the plan period). Actual delivery of new homes in the first three years of the Local Plan period has averaged 1,250 dpa. This means that annualised requirement for the remainder of the plan period 2017/18 to 2033/34 is for 1,497 dpa.

4. The Local Plan authorities need to build into the Local Plan process an allowance for non-implementation of planning consents, and delays to implementation of consented schemes. The Local Plan authorities should therefore identify sites sufficient to deliver 1,500 homes pa in the remainder of the Plan period plus a margin of 20% to allow for non-implementation, or delays that result in schemes only delivering new homes after the end of the Plan period in 2033/34.

5. In the recent past the Plan authorities have delivered a high proportion of all new homes as affordable homes (37% over the period 2012/13 to 2016/17), but this is to a considerable extent associated with under-delivery of market homes, and high levels of affordable housing delivery in Plymouth. Actual delivery of affordable homes in this period has averaged 272 affordable homes pa, which can be compared with the Plan requirement for 330 affordable homes pa.

6. More restricted public sector funding for affordable housing and changes to policy are likely to make it harder than in the recent past to deliver affordable housing. In particular, developments of less than 10 homes will, in general, no longer be required to deliver affordable housing. This is particularly likely to affect affordable housing in the Thriving Towns and Villages Policy Area. The evidence shows that West Devon and South Hams have delivered much less affordable housing as a percentage of all new homes than Plymouth.

7. The level of affordable housing provision set out in the Local Plan is based on the SHMA Part 2. There is no evidence that the Plan authorities have considered an uplift to overall planned housing provision in the Plan area, to enable the development of additional affordable housing as required by PPG Paragraph 029. The absence of such consideration has been highlighted in submissions on behalf of Barratt Homes as part of the Section 19 Local Plan Consultation.

8. There are substantive reasons for believing that the SHMA Part 2 under-estimates the scale of housing need in the Plan Area, and over-estimates the degree to which planned affordable housing provision will meet that need. In particular, the analysis is very sensitive to the assumption that any
9. The evidence in the SHMA shows that using the threshold of 35% of gross income to define which households are in housing need, there are currently 5,450 household in need of affordable homes. This level of existing need, once meshed with newly arising need, generates a requirement for 344 affordable homes pa over the Plan period. However if it were to be assumed that households should not pay more than 30% of their gross income in rent, then the need for affordable housing more than doubles to 694 dpa.

10. This finding alone would indicate that the Plan authorities should increase the planned level of housing to enable a higher level of affordable housing delivery, whether that is deemed to be part of the calculation of OAN, or a policy response to the scale of need evidenced in the SHMA Part 2. However there is additional evidence that not all buyers of Shared Ownership or other forms of Low Cost Home Ownership are likely to be assessed as being in housing need.

11. Based on the past split between affordable rented homes and LCHO homes delivered in the Plan area, if only 75% of LCHO are bought by households deemed to be in housing need as defined in the SHMA, then the required level of total housing provision in the Plan area would rise from 1,335 dpa to 1,780 dpa, based on the SHMA assessment of need. This represents a 33% uplift. It is not proposed that this scale of uplift be applied, but it highlights the sensitivity of modest changes in assumptions to the assessed scale of need.

12. In view of the evidence presented in this report of the likely shortfall in planned provision of affordable housing relative to the need for affordable housing, Wessex Economics recommend a 15% uplift to the planned provision of housing from the current proposed plan provision of 26,700 dwellings 2014-34. This would mean planning for provision of an additional 4,005 dwellings or an additional 200 dwellings pa over the Plan period.

13. Based on performance over the last 5 years in terms of affordable housing delivery across the HMA, this additional plan provision would deliver an additional 840 affordable rented homes in the Plan period (c42 homes pa); and 400 low cost home ownership dwellings (c20 units pa). This represents a meaningful contribution to the supply of affordable housing, while the market should be able to absorb a development of an additional 140 market sale homes per annum.

14. It is recommended that this uplift to overall housing provision be focused on West Devon and South Hams, since there is clear evidence that housing affordability is more stretched in these two authorities, and the levels of housing need when measured in terms of households in need per 1,000 households are higher than in Plymouth.

15. At the same time delivery of affordable housing has accounted for a significantly lower proportion of new homes in West Devon and South Hams than in Plymouth. It would make sense to concentrate this uplift to planned housing provision in the Thriving Towns and Villages Policy Area, since these are the areas where within the Districts where access to affordable housing is likely to be most needed.

In terms of sustainability and ease of delivery it will be best to focus this additional development on the larger settlements in the Thriving Towns and Villages Policy Area. It is
acknowledged, however, that development in the Thriving Towns and Villages Policy Area is more constrained by environmental considerations that development in the Plymouth Policy Area.

16. It may be appropriate therefore for an element of the uplift of 4,005 dwellings to be provided in the Plymouth Policy Area, particularly in locations on the boundary of Plymouth with West Devon and South Hams, where additional affordable housing supply will help meet need in the two rural authorities.
1. Introduction

1.1 This report has been prepared by Wessex Economics on behalf of Barratt Homes. The report focuses on the planned level of housing provision set out in the Plymouth and South West Devon Joint Local Plan 2014-34. In particular this report focuses on the failure of the Local Plan to properly address the requirement set out in PPG Paragraph 029, which requires policy makers to consider increasing the total housing figures in the Local Plan to help deliver the required number of affordable homes.

1.2 A submission was prepared by Wessex Economics on behalf of Barratt Homes and submitted in April 2017 in response to the Regulation 19 Consultation Draft Local Plan (Consultee Reference 1016822, and Comment ID 1521 Strategy & Housing Need and Supply). This previous submission presented evidence that the assessment of the need for affordable housing was flawed, and called on the Submission Authorities to undertake analysis to address these flaws.

1.3 Wessex Economics has not been able to identify that any additional analysis has been undertaken to address the points made in Barratt Homes’ April 2017 submission in response to the Regulation 19 Consultation Draft Local Plan; nor does it appear that any amendment has been made to the Submission Local Plan to increase overall housing provision in order to address the need for affordable housing.

1.4 In the light of this absence of additional evidence, Wessex Economic presents additional evidence in this submission for the Local Inspector to consider as part of the Local Plan Inquiry process. This report examines:

- the number of new homes that the Submission Local Plan is planning for and the anticipated number of affordable homes to be provided broken down by authority and policy area
- the number of affordable homes delivered over the 5 years 2012-17, and the split between affordable rented homes and low cost home ownership/intermediate homes
- the scale of housing need as identified in the SHMA and the type of housing required to provide for that need
- the magnitude of the likely shortfall in affordable rented housing provision in the HMA and hence the scale of the uplift in to the planned provision of new homes required
- evidence of affordability being more stretched in West Devon and South Hams than in Plymouth
- evidence of the delivery of affordable homes being proportionately lower in West Devon and South Hams compared with Plymouth taking account of the different numbers of households
- the logic therefore of concentrating the uplift in planned housing provision in response to evidence of housing need being concentrated on the Thriving Towns and Villages policy area
- a recommendation of the scale of the proposed increase in planned housing delivery required to deliver a significant but proportionate uplift in affordable housing provision.

1.5 The additional evidence presented shows that proper consideration has not been given to applying an uplift to the OAN derived from identifying the demographic starting point, market signals and
economic factors, to enable provision of additional affordable housing. An uplift to the planned provision of housing set out in the Local Plan (based on the OAN) is required to meet the levels of housing need identified in the SHMA Part 2, once consideration is given to affordability criteria, and the significant numbers of households who are not deemed to be in housing need who access Low Cost Home Ownership.
2. Proposals for Housing Provision in the Submission Local Plan

2.1 This report focuses substantially on the overall quantum of housing to be provided in the Plymouth and SW Devon Joint Planning area in the 20 year period 2014 to 2034, the split between market and affordable housing, and the distribution of planned housing development. It is important therefore to state in simple terms what the current Submission Local Plan proposes in terms of housing provision.

2.2 Figure 1 shows that the Local Plan is planning for delivery of at least 26,700 homes with 71% of these being provided in the Plymouth Policy Area, and the balance of 29% being provided in the Thriving Towns and Villages Policy Area. Overall around 25% of all new homes are to be provided as affordable homes, with a somewhat higher percentage delivery of affordable homes in the Thriving Towns and Villages Policy Area (26.6%) compared to the Plymouth Policy Area (23.9%).

**Figure 1: Overall Housing and Affordable Housing Provision Proposed in the Plymouth and SW Devon Local Plan by Policy Area**

<table>
<thead>
<tr>
<th>Plymouth Policy Area</th>
<th>Thriving Towns &amp; Villages</th>
<th>Total for Plan Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Dwellings in Plan Period (at least)</td>
<td>19,000</td>
<td>7,700</td>
</tr>
<tr>
<td>Average Annual Dwellings per (at least) year</td>
<td>950</td>
<td>385</td>
</tr>
<tr>
<td>Total Affordable Dwellings in Plan Period (at least)</td>
<td>4,550</td>
<td>2,050</td>
</tr>
<tr>
<td>Average Annual Affordable Dwellings (at least)</td>
<td>228</td>
<td>103</td>
</tr>
<tr>
<td>Affordable Housing as % of Total Dwellings</td>
<td>23.9%</td>
<td>26.6%</td>
</tr>
</tbody>
</table>

Source: Wessex Economics; Plymouth and SW Devon Local Plan by Policy Area

2.3 Figure 2 presents the planned level of housing by local authority, including an estimate of affordable housing provision. The Local Plan does not appear to provide details of planned provision of affordable housing by local authority. Wessex Economics has therefore provided estimates based on the assumption that in each authority 24.7% of additional homes are to be provided as affordable homes. This is based on the anticipated average delivery of affordable housing in the Plan area expressed as a percentage of total planned delivery of new homes.
2.4 It is appropriate to consider whether the level of affordable housing being planned for is deliverable. Wessex Economics has analysed the net additional delivery of new homes in the Plymouth and South West Devon Local Plan Area for the five year period 2012/13 to 2016/17\(^1\). Figure 3 shows the number of net additional dwellings delivered collectively in Plymouth, West Devon and South Hams over this 5-year period.

2.5 The data set used to identify total housing supply in the period 2012/13 to 2016/17 is the DCLG’s data on Net Additional Dwellings. This is the most comprehensive data on annual additions to housing stock analysed by local authority. Figure 3 shows that the data set includes new build homes, net conversions, provision of additional homes through change of use, and takes into account demolitions. These different sources of housing supply and loss of housing stock are used to establish the total net delivery of additional dwellings in any particular year.

2.6 Over the most recent 5 year period for which data is available, Figure 3 shows that on average a total of around 1,130 additional dwellings have been added to the housing stock in the HMA. The Local Plan is therefore proposing an 18.5% uplift over the actual net annual delivery of additional dwellings over the five year period 2012/13 to 2016/17.

2.7 However as set out in Part 1 of the SHMA, and discussed in previous representations by Wessex Economics on behalf of Barratt Homes, housing delivery in the HMA in each of the constituent local authorities over the period 2001/02 to 2013/14 has fallen well below the required Plan levels applying at the time (see the SHMA Part 1, pages 31-34, Figures 12, 13, 14 and 15). This period of time includes both the relatively buoyant development market prior to 2007/08, the recession 2008/09-2011/12 and the recovery phase (2012/13 onwards).

2.8 Delivery in the first three years of the Local Plan have averaged 1,250 dwellings pa, a shortfall of some 6% of the annualised Local Plan requirement for housing supply; and the effective annualised target for the period 2017/18 to 2033/34 is now 1,497 dwellings pa, a 12% uplift on the annualised Plan requirement of 1,335 dwellings pa based on the 20 year plan requirement.

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\(^1\) DCLG Table 123: Housing supply: net additional dwellings, component flows of, by local authority district, England. This data set is only available from 2012/13 to 2016/17
Figure 3: Total Net Additional Housing Supply for Plymouth, West Devon South Hams HMA and Affordable Housing as a Proportion of Total Supply

<table>
<thead>
<tr>
<th>Year</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
<th>Total</th>
<th>Per Annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Build</td>
<td>884</td>
<td>967</td>
<td>1,124</td>
<td>1,704</td>
<td>1,071</td>
<td>5,740</td>
<td>1,148</td>
</tr>
<tr>
<td>Net Conversions</td>
<td>10</td>
<td>40</td>
<td>17</td>
<td>29</td>
<td>26</td>
<td>122</td>
<td>24</td>
</tr>
<tr>
<td>Net Change of Use</td>
<td>46</td>
<td>88</td>
<td>54</td>
<td>38</td>
<td>96</td>
<td>318</td>
<td>64</td>
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<tr>
<td>Net Other Gains and Losses</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>66</td>
<td>1</td>
</tr>
<tr>
<td>Less Demolitions</td>
<td>112</td>
<td>33</td>
<td>203</td>
<td>61</td>
<td>143</td>
<td>552</td>
<td>110</td>
</tr>
<tr>
<td>Total Net Additions</td>
<td>830</td>
<td>1,051</td>
<td>992</td>
<td>1,710</td>
<td>1,050</td>
<td>5,633</td>
<td>1,127</td>
</tr>
</tbody>
</table>

Of which

| Social/Affordable Rent | 150 | 190 | 400 | 250 | 170 | 1,170 | 234     |
| LCHO                  | 160 | 80  | 140 | 110 | 80  | 570   | 114     |
| Total                | 310 | 270 | 540 | 370 | 250 | 1,740 | 348     |

As % of Total Net Additions

| Social/Affordable Rent | 18% | 18% | 40% | 15% | 16% | 21% | 21%     |
| LCHO                  | 19% | 8%  | 14% | 6%  | 8%  | 10% | 10%     |
| Total Affordable Housing | 37% | 26% | 54% | 22% | 24% | 31% | 31%     |

Sources: Wessex Economics: Housing supply; net additional dwellings, component flows of, by local authority district, England, DCLG: Affordable Housing Supply Statistics, Tables 1106C, 1106aC 1107C, 1108C, DCLG

2.9 The respective planning authorities are likely to need to grant permissions in excess of plan requirements in order to hit their targets for housing provision, given the national evidence that around 10-20% of all planning permissions never get built out, and another 15%-20% of planning applications are revised and re-presented as new applications².

2.10 It is known that the number of planning applications in London that do not get built is significantly higher than in the rest of the country; but in planning for new homes all local authorities should expect to need to award planning consents in excess of the planned level to take account of non-implementation and also the additional time lapses that arise from applications being withdrawn and then represented.

2.11 Thus the Local Plan Authorities in Plymouth and West Devon, need to identify sites sufficient to deliver at least 1,500 homes plus a margin of say 20% to allow for non-implementation or delays in delivery that push delivery of homes to the years beyond the end of the plan period – that from 2034/35 onwards.

2.12 Figure 3 also presents data on affordable housing provision broken down into social/affordable rented homes and Low Cost Home Ownership dwellings, derived from DCLG Affordable Housing Supply statistics; it should be noted that DCLG rounds figures to the nearest 10, so these figures are estimates of affordable housing supply rather than exact figures. Affordable housing has accounted for an average of 31% of the net additions of 1,127 dwellings over the years 2012/13 to 2016/17, with 21% accounted for by affordable/social rented housing, and 10% by Low Cost Home Ownership properties.

2.13 Figures 4, 5 and 6 show the same data, but separately for each of the three authorities in the HMA. Figure 4 shows that in West Devon, over the past 5 years for which data are available, on average only 20% of the total net additional homes delivered were delivered as affordable homes and only 14% of total net additional homes delivered have been affordable rent/social rent homes. The

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² Quoted in Start and Finish, page 12, Nathaniel Lichfield and Partners, November 2016
picture is very similar for South Hams (see Figure 5) with only 19% of net completions being affordable homes, and only 12% of the total additional homes delivered being affordable/social rent homes.

Figure 4: Total Net Additional Housing Supply for West Devon and Affordable Housing as a Proportion of Total Supply

<table>
<thead>
<tr>
<th>Year</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
<th>Total</th>
<th>Per Annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Build</td>
<td>66</td>
<td>85</td>
<td>111</td>
<td>138</td>
<td>150</td>
<td>579</td>
<td>116</td>
</tr>
<tr>
<td>Net Conversions</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>7</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Net Change of Use</td>
<td>7</td>
<td>16</td>
<td>4</td>
<td>13</td>
<td>9</td>
<td>49</td>
<td>10</td>
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<tr>
<td>Net Other Gains and Losses</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Loss Demolitions</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total Net Additions</td>
<td>74</td>
<td>104</td>
<td>116</td>
<td>154</td>
<td>156</td>
<td>644</td>
<td>129</td>
</tr>
<tr>
<td>Of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social/Affordable Rent</td>
<td>0</td>
<td>10</td>
<td>50</td>
<td>10</td>
<td>20</td>
<td>90</td>
<td>18</td>
</tr>
<tr>
<td>LCHO</td>
<td>0</td>
<td>0</td>
<td>30</td>
<td>0</td>
<td>10</td>
<td>40</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>10</td>
<td>80</td>
<td>10</td>
<td>30</td>
<td>130</td>
<td>26</td>
</tr>
<tr>
<td>As % of Total Net Additions</td>
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<td>10%</td>
<td>43%</td>
<td>6%</td>
<td>10%</td>
<td>14%</td>
<td>14%</td>
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<tr>
<td>Social/Affordable Rent</td>
<td>0%</td>
<td>10%</td>
<td>26%</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>LCHO</td>
<td>0%</td>
<td>0%</td>
<td>26%</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Total Affordable Housing</td>
<td>0%</td>
<td>10%</td>
<td>69%</td>
<td>5%</td>
<td>15%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Sources: Wessex Economics: Housing supply; net additional dwellings, component flows of, by local authority district, DCLG: Affordable Housing Supply Statistics, Tables 1106C, 1106aC 1107C, 1108C, DCLG

Figure 5: Total Net Additional Housing Supply for South Hams and Affordable Housing as a Proportion of Total Supply

<table>
<thead>
<tr>
<th>Year</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
<th>Total</th>
<th>Per Annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Build</td>
<td>151</td>
<td>138</td>
<td>137</td>
<td>397</td>
<td>287</td>
<td>1,110</td>
<td>222</td>
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<tr>
<td>Net Conversions</td>
<td>11</td>
<td>14</td>
<td>6</td>
<td>18</td>
<td>4</td>
<td>53</td>
<td>11</td>
</tr>
<tr>
<td>Net Change of Use</td>
<td>29</td>
<td>42</td>
<td>33</td>
<td>13</td>
<td>35</td>
<td>152</td>
<td>30</td>
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<tr>
<td>Net Other Gains and Losses</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Loss Demolitions</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Net Additions</td>
<td>192</td>
<td>194</td>
<td>176</td>
<td>428</td>
<td>326</td>
<td>1,316</td>
<td>263</td>
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<td>Of which</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social/Affordable Rent</td>
<td>0</td>
<td>60</td>
<td>40</td>
<td>20</td>
<td>40</td>
<td>160</td>
<td>32</td>
</tr>
<tr>
<td>LCHO</td>
<td>30</td>
<td>20</td>
<td>20</td>
<td>10</td>
<td>10</td>
<td>90</td>
<td>18</td>
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<tr>
<td>Total</td>
<td>30</td>
<td>80</td>
<td>60</td>
<td>30</td>
<td>50</td>
<td>250</td>
<td>50</td>
</tr>
<tr>
<td>As % of Total Net Additions</td>
<td>0%</td>
<td>31%</td>
<td>23%</td>
<td>5%</td>
<td>12%</td>
<td>12%</td>
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</tr>
<tr>
<td>Social/Affordable Rent</td>
<td>16%</td>
<td>10%</td>
<td>11%</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
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</tr>
<tr>
<td>LCHO</td>
<td>16%</td>
<td>41%</td>
<td>34%</td>
<td>7%</td>
<td>15%</td>
<td>15%</td>
<td></td>
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<tr>
<td>Total Affordable Housing</td>
<td>16%</td>
<td>41%</td>
<td>34%</td>
<td>7%</td>
<td>15%</td>
<td>15%</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Wessex Economics: Housing supply; net additional dwellings, component flows of, by local authority district, DCLG: Affordable Housing Supply Statistics, Tables 1106C, 1106aC 1107C, 1108C, DCLG

2.14 Figure 6 shows that in Plymouth City over the past 5 years affordable housing provision has accounted for 37% of total additional housing supply, a level of supply that is significantly higher than the policy requirement for 30% provision of affordable housing on developments of 11 or more homes. This figure is boosted in part because there have been years in which there have been significant number of properties demolished; it is not known if these include affordable housing. If they do include loss of affordable housing then the net gain in affordable housing supply will be overstated.
Figure 6: Total Net Additional Housing Supply for Plymouth and Affordable Housing as a Proportion of Total Supply

<table>
<thead>
<tr>
<th>Year</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
<th>Total</th>
<th>Per Annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Build</td>
<td>668</td>
<td>734</td>
<td>875</td>
<td>1169</td>
<td>604</td>
<td>4,061</td>
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<td>21%</td>
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<tr>
<td>LCHO</td>
<td>23%</td>
<td>8%</td>
<td>13%</td>
<td>9%</td>
<td>11%</td>
<td>12%</td>
<td>12%</td>
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<td>Total Affordable Housing</td>
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<td>24%</td>
<td>57%</td>
<td>29%</td>
<td>32%</td>
<td>37%</td>
<td>37%</td>
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Sources: Wessex Economics: Housing supply; net additional dwellings, component flows of, by local authority district, DCLG: Affordable Housing Supply Statistics, Tables 1106C, 1106aC 1107C, 1108C, DCLG

2.15 Overall across the HMA it appears that 31% of net additional housing supply over the last 5 years has been delivered as affordable housing, though this may overstate the net gains in affordable housing because it is unclear if demolitions in Plymouth have included affordable housing. The net additional affordable housing supply recorded in recent years has been heavily dependent on significant volumes of affordable housing delivery in Plymouth (accounting for 37% of net additional housing supply in the City), while affordable housing delivery in West Devon and South Hams has not exceeded 20% of net additional housing supply in their respective Districts.

2.16 It is unlikely that it will become easier in the future to deliver additional affordable housing. The change in government policy that local authorities cannot apply affordable housing policy requirements on most developments of 10 or fewer dwellings will, other things being equal, reduce affordable housing supply, though it may contribute to bringing forward more private sector development, since small developments will be relieved of the obligation to provide affordable housing.

2.17 This policy change is likely to have more of an impact on the delivery of new affordable homes in West Devon and South Hams, and specifically in the Thriving Towns and Villages Policy Area, since small sites are likely to account for a higher proportion in this Policy Area than in the Plymouth Policy Area.

2.18 It should also be noted that the volume of publicly-funded affordable housing delivered has been on a downward trend over the past 8 years (see Figures 7 and 8). This is unlikely to change, given constraints on public funding, and the emphasis of public funding now switching to enabling development through infrastructure provision and bringing land forward for development to support an overall increase in housing supply, with affordable housing provided through Section 106 agreements.
2.19 The evidence that West Devon and South Hams have consistently delivered much lower numbers of affordable homes than Plymouth, both in terms of actual numbers but more importantly in percentage terms, needs to be taken into account when considering which parts of the HMA may require a greater boost to affordable housing provision than others.

2.20 There is a prima facie case that there is a stronger case for boosting overall housing delivery in West Devon and South Hams, than in Plymouth, in order to boost the supply of affordable housing, given that the proportion of affordable housing delivered in these two authorities has been so much less in proportionate terms than in Plymouth. The only case for taking a different view would be if the need for affordable housing is significantly less in West Devon and South Hams than in Plymouth.
3. The Scale and Nature of Need for Affordable Housing

3.1 Part 2 of the Plymouth & South West Devon JLP SHMA, dated February 2017 presents figures for the Objectively Assessed Need for Affordable Housing. The report is published as a separate document to Part 1 of the SHMA on the basis that, according to the consultants, the calculation of affordable housing need ‘is a separate calculation and related to a different meaning of the term ‘need’ to that OAN set out in Part 1 of the SHMA.

3.2 Wessex Economics would agree that the approach taken to establish the level of need for affordable housing provision is a very different type of analysis to that involved in establishing OAN based on demographic trends, market signals and employment considerations. However, PPG requires authorities to undertake an objective assessment of the need for affordable housing and consider if total housing figures should be increased to help deliver the required number of homes. (PPG 029)

3.3 It is not evident that this final step has been taken by the Plan authorities. Wessex Economics raised this issue previously in representations as part of the Regulation 19 Consultations; but the Plan does not appear to have given any further consideration to this issue; nor does there seem to be any justification for making no change between the Regulation 19 Local Plan and the Submission Local Plan.

3.4 Thus no cognisance appears to have been given in the Submission Local Plan to the issues raised by Wessex Economics in our previous submission. Thus this document raises the same issue, but presents additional analysis. In summary the three key issues are as follows:

- The appropriateness of assumption that assumes that no household that is a position to spend less than 35% of its gross household income on rent of a property of an appropriate size given the composition of the household is in need of affordable housing.
- The assumption that only households in housing need are housed in intermediate housing, most of which is delivered in the form of Low Cost Home Ownership. This assumption is unsafe, and hence the supply of affordable housing available to those in need is less than assumed in the SHMA.
- The absence of consideration that the delivery of affordable homes is very different across the HMA with clear evidence of much lower levels of delivery as a percentage of total homes delivered in West Devon and South Hams, and consideration of addressing this local need by increasing overall housing provision in these areas.

Assessing the Scale of Current and Future Housing Need

3.5 The SHMA identifies that there are some 9,930 households living in unsuitable housing or lacking their own housing in the HMA, with the most common reason being that households are living in overcrowded conditions (around 58% of all those deemed to be in need). (SHMA Part 2, Table 5.1, p 52)

3.6 The SHMA Part 2 goes onto assess how many of those households living in unsuitable accommodation are deemed to be unable to afford alternative accommodation in the private sector.
3.7 The SHMA *assumes* that households are not deemed to be in need of affordable housing if that household can access a dwelling of a suitable size (without subsidy) without spending more than 35% of their gross income on rent. This is a key assumption and the levels of housing need are clearly very sensitive to modest alterations in this assumption. Table 5.14 (p63) in the SHMA Part 2 examines the impact of varying this affordability ratio.

3.8 Table 5.14 identifies that if it were to be assumed any households that has to spend more than 30% of its gross income in rent to be in need of affordable housing, then the assessed annual requirement for affordable housing in the HMA more than doubles from 344 dwellings pa to 694 dpa. The requirement for affordable housing increases to 1,080 dpa if it is deemed that households in need should not have to pay more than 25% of their gross household income on rent.

3.9 Part 2 of the SHMA justifies the use of the assumed threshold that only households that would have to spend more than 35% of their gross household income on rent are deemed to be in need. The SHMA estimates that on average *private rented tenants* in Plymouth are spending around 40% of their household income on rent; with private rented tenants in South Hams and West Devon spending on average 37% and 36% of their household income on rent.

3.10 On the basis that private rented tenants are paying this proportion of their income in rent, the SHMA states that it is reasonable to assume that the appropriate threshold for determining what level of rent is affordable should be determined by relation to this market evidence.

3.11 The flaw in this approach is that by focusing on the percentage of household income spent on rent, no consideration is being given to what that leaves in absolute terms for lower income groups to live on. A simple illustration makes the point:

- A household with a gross monthly income of £1,000 if paying 35% of gross income for their rent will have to pay £350 in rent and have to live on the balance of £650 for all other expenditure in that month
- However, a household with a gross monthly income of £2,000 if paying 35% of gross income in rent would £700 in rent each month but will have a balance of £1,350 to live on.
- The household with the higher income has £650 more income to spend after allowance is made their housing costs.

3.12 The differences in the circumstances between these two households are substantial. It cannot and should not be assumed that those in need of affordable housing are in the same circumstances as those living in the private rented sector. At the very least, local authorities must consider whether an increase in provision of affordable housing, achieved by permitting a higher level of housing provision than that determined based on demographic trends, market signals and employment issues, could enable more low income households to be provided with good quality homes.

3.13 The importance of the assumption that the benchmark for determining if a household is in need should be based on people not being in need if they pay less than 35% of the gross household income on rent is made clear in the SHMA Part 2.
3.14 If those in housing need are deemed to be those who would have to pay more than 30% of their household income on rent (as distinct from the assumption above of a threshold of 35% of their income), the number of households in need in the HMA increases from an annualised requirement for 344 affordable dwellings pa to 694 dwellings pa; that is, the requirement for affordable housing more than doubles (SHMA Part 2, Figure 5.14, page 63).

3.15 Given the sensitivity of the scale of need to assumptions of the proportion of income that it is deemed that people can afford to pay on rent, the Local Plan authorities should plan to provide larger number of additional affordable homes than currently set out in the Submission Local Plan. There is a case for saying this a 30% threshold is a better basis for determining the OAN for affordable housing; but even if this is not deemed to be a figure for OAN, authorities are still required to consider making a policy decision to increase housing supply in order to deliver a higher number of affordable homes.

The Mismatch of Affordable Housing Provision and Meeting Assessed Need

3.16 Part 2 of the SHMA implicitly assumes that affordable housing as defined in the NPPF Annex 2, contributes to meeting the identified level of housing need as assessed in the SHMA. In Planning terms affordable housing comprises both subsidised rented housing and low cost homeownership products (mostly shared ownership).

3.17 In practice, many households who buy LCHO products are not deemed to be in housing need, since in their previous accommodation they may well have been paying less than 35% of their gross income in rent. By implication, a significant proportion of what is deemed to be the supply of affordable housing in the SHMA, is not in fact addressing the need for affordable housing as set out in the SHMA.

3.18 Relatively limited data is available on the buyers of LCHO homes. However the Council for Mortgage Lenders has recently published a report entitled ‘Shared Ownership: Ugly Sister or Cinderella’ that provides insights into those that buy Shared Ownership properties. Shared Ownership is the most common form of affordable home ownership, and probably accounts for the majority of intermediate affordable housing.

3.19 Figure 9 shows the key characteristics of shared owners in England as a whole compared to first time buyers with a mortgage. What is really significant in terms of understanding the type of households who buy shared ownership properties is that:

- on average the buyers of shared ownership property manage to put down a deposit of almost £19,500, with the deposit being on average 27% of the mortgage they take out;
- on average the buyers are able to secure a mortgage on purchase of £63,700; with the average value of the property being £175,200
- by deduction, given the average property value, mortgage and deposit, buyers are accessing a significant level of funding from other sources – probably the bank of mum and dad.

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3.20 The CML report also has some specifically regional data. In the South West region as a whole, the mean gross income of those buying Shared Ownership properties in 2015 was £29,000; these households borrowed an average of £68,000 on properties with an average value of £185,000.

3.21 Other relevant facts about shared owners derived from the CML report are as follows:

- Almost all SO buyers have at least one person in full-time employment
- Around 90% have not previously owned a property
- Over the period 2007-15 the proportion of couple households has increased from 34% to 45%

3.22 In view of these facts it is very probable that a high proportion of shared ownership properties are being sold to households that would not be deemed to be in housing need, on the basis used in the SHMA. A high proportion are likely to have been either living in the private rented sector and paying less than 35% of their income in rent; or living in the parental home, without living in overcrowded conditions or property otherwise to fail the Health and Safety Housing Standard.

3.23 If this is so, then it would be reasonable to assume, unless specific local evidence can be provided, that a significant proportion of the supply of affordable home ownership will not be used to house those in housing need as defined in the SHMA, though it may theoretically be available to those assessed as being in need. Figure 10 shows the implication for meeting the needs of those unable to afford market housing if 75% of affordable home ownership products are if fact bought by households not counted as being in housing need.

3.24 The first column shows the position if all LCHO properties are occupied by those in housing need as defined in the SHMA. The 330 affordable dwellings pa delivered is the assumed level of affordable housing delivery in the Submission Local Plan (see Figure 1).

3.25 However, if 25% of LCHO affordable housing is purchased by households who are not assessed as being in need, then this would result in not all of the housing need identified in the SHMA being met. The figure of 1,780 dpa is the overall number of homes that would have to be built to ensure that all those deemed to be in need can be provided with affordable housing. The final column looks at the scenario where 50% of LCHO homes are bought by those not counted as being housing need.
The analysis above allows a revised assessment to be made of the adequacy of the planned level of housing in the Plan area to meet the assessed need for affordable homes. This can be assessed for the three different scenarios of housing need, as follows:

- The assumption that all those who spend less than 35% of their income on rent are not in need of affordable housing; and the alternative assumption that the assessment should be made on the basis that all those who spend less than 30% of their income on rent are not in need of affordable housing.

- The assumption that the supply of affordable housing that directly addresses the identified housing need should be based on the planned provision of affordable rented housing, plus 75% of low cost home ownership housing, reflecting the likelihood that some LCHO sales will be to households not deemed to be in housing need based on their income.

The starting point has to be the Local Plan proposals for affordable housing provision. The Local Plan sets out that the authorities are planning for provision of at least 26,700 additional homes of which 6,600 will be affordable homes. On these numbers the Plan is planning to deliver fewer affordable homes (330 affordable dpa) than the assessed need for affordable housing as set out in the SHMA Part 2 (344 affordable dpa). Over a 20 year plan period this is a shortfall of 280 affordable homes relative to assessed need.

As discussed previously the SHMA Part 2 examines alternative scenarios on the scale of housing need, varying the threshold of the proportion of household income spent on rent below which a household is deemed to be in need. The SHMA Part 2 bases its conclusions on the assumption that...
only households that would be spending more than 35% of their income on rent are deemed to be in housing need. Based on this assumption the SHMA calculates an annualised need for affordable housing of 344 affordable dpa.

3.29 However, with the alternative assumption that any household that has to spend more than 30% of its income on rent, the annualised need for affordable housing increases to 694 affordable dwellings pa. It can be debated whether a 35% or 30% of income spent on rent is the more appropriate as a the basis for determining the OAN for Affordable Housing, but at very least the sensitivity of the outcome to this assumption, should lead the Plan authorities to consider an uplift to overall planned level of housing provision in order to deliver additional affordable homes. The Plan authorities have failed to evidence that consideration has been given to such an uplift.

3.30 Finally an underlying assumption in the SHMA is that new affordable homes are only made available to people in identified need categories, who would be paying more than 35% of their income on their housing costs. The reality is that Low Cost Home Ownership homes are not marketed solely to those who meet this criteria, and therefore are likely to be purchased in significant numbers by those who pay less than 35% of their income on rent.

3.31 If households not captured in the assessment of housing need buy LCHO homes, the overall housing requirement in the Plan area increases substantially if all those in need are to be housed. Figure 10 shows that even if just 25% of shared ownership homes provided in the Local Plan Area were to be sold to people who pay less than 35% of their household income in rent (that is they are not defined as being in need of affordable housing), then the annualised requirement for additional affordable homes would result in an OAN for affordable housing of 1,780 dwellings pa in the Plan area compared to the current plan proposal for 1,335 dwellings pa.
4. The Scale and Distribution of an Uplift to Planned Housing Provision to Increase Delivery of Affordable Housing

4.1 It is apparent that the scale of housing need in the Plan Area is likely to have been underestimated; and that the degree to which planned levels of affordable housing provision will in fact address the level of housing need identified in the SHMA Part 2 will have been over-stated. In the light of these two findings, the Plan authorities should have put forward proposals for an increase in planned housing provision.

4.2 In the absence of proposals put forward by the Plan authorities, Wessex Economics sets out in this section, what scale of uplift would be appropriate in the light of the evidence presented in the SHMA and in this report; and discusses whether that uplift should be distributed evenly throughout the Plan area or focused on particular areas.

The Scale of Uplift Required

4.3 The potential scale of shortfall in meeting identified need for affordable housing is substantial, given the evidence presented that Low Cost Home Ownership and other affordable home ownership products are likely to be taken up to a significant degree by those who are not deemed to be in need of affordable housing, in that they pay less than 35% of their income on housing costs (the benchmark of affordability used in the SHMA Part 2).

4.4 Any uplift in planned housing provision proposed in order to enable provision of additional affordable housing needs to be proportionate, and take into consideration market demand for new homes. A 15% uplift on the current Plan housing provision of 26,700 dwellings 2014-34 would mean planning for provision of an additional 4,005 dwellings or an additional 200 dwellings pa over the Plan period.

4.5 Based on performance over the last 5 years in terms of affordable housing delivery across the HMA (see Figure 3), this additional plan provision would deliver an additional 840 affordable rented homes in the Plan period (c42 homes pa); and 400 low cost home ownership dwellings (c20 units pa). This represents a meaningful contribution to the supply of affordable housing, while the market should be able to absorb a development of an additional 140 market sale homes per annum.

The Distribution of the Uplift

4.6 In considering the distribution of the uplift it is appropriate to consider a number of factors, such as anticipated household growth; the current distribution between the three authorities in terms of housing need; and market signals.

4.7 Figure 11 shows that anticipated scale of household growth based on the 2014 Household Projections. Of the three authorities in the Local Plan area, West Devon is forecast to grow the most rapidly in percentage terms, and the number of households will increase by a larger number than in South Hams. Unsurprisingly, Plymouth remains the largest authority in terms of the number of households and in terms of absolute household growth.
4.8 Figure 12 shows the requirement for affordable housing by authority associated with different levels of assumed affordability ratios (35%, 30% and 25%). This shows that relative to the number of households in each of the authorities, South Hams and West Devon have significantly higher levels of housing need than Plymouth.

4.9 The Government’s consultation on a Standardised Approach to the Calculation of OAN is based on a combination of official Household Projections and a measure of housing affordability. The Government’s preferred measure of housing affordability at the local authority level is the ratio of median house prices to median gross annual working place earnings⁵.

4.10 On the basis of this indicator, Plymouth is much more affordable than either West Devon or South Hams. Plymouth has an affordability ratio of house prices to workplace earnings of 6.26, compared with 9.73 for West Devon and 12.04 for South Hams. When affordability is so stretched it is a likely consequence that households that have strong local connections are, in effect, forced out of the area though many would wish to continue to live locally.

4.11 This forced out-migration is compounded by a low level of affordable housing provision in West Devon and South Hams compared to Plymouth. Figures 4, 5 and 6 show that affordable housing has accounted for an average of 37% of total net additional dwellings in Plymouth over the past five years; while in West Devon the equivalent figure is 20% and in South Hams the figure is 19%.

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⁵ ONS Ratio of house price to workplace-based earnings (lower quartile and median), 1997 to 2016, Table 5c
Therefore both West Devon and South Hams have a significantly lower level of affordable housing delivery both absolutely and relatively compared to Plymouth City, despite higher levels of relative need.

4.12 All the evidence would point to focusing the proposed uplift to planned provision to enable additional affordable housing development in West Devon and South Hams, and particularly the areas covered by the Thriving Towns and Villages Policy Area designation, since these are the localities where affordability is likely to be even more stretched than in the Districts as a whole.

4.13 In the interests of sustainability it clearly makes sense to focus the bulk of the affordable housing provision and the enabling private sector housing development on larger settlements in the Thriving Towns and Villages Policy Area.

4.14 It is acknowledged, however, that development in the Thriving Towns and Villages Policy Area is more constrained by environmental considerations that development in the Plymouth Policy Area. It may be appropriate therefore for an element of the uplift of 4,005 dwellings to be provided in the Plymouth Policy Area, particularly in locations on the boundary of Plymouth with West Devon and South Hams, where additional affordable housing supply will help meet need in the two rural authorities.
5. Conclusions and Recommendations

5.1 Wessex Economics have been unable to identify any evidence that the Plan authorities have addressed the requirement set out in PPG Paragraph 029, which requires policy makers to consider increasing the total housing provision in the Local Plan to help deliver the number of affordable homes required to meet the need for affordable housing.

5.2 This may well be because the Plan authorities believe that the level of need for affordable homes as set out in Part 2 of the SHMA can be delivered. However, as set out in representations submitted on behalf of Barratt Homes in response to the Section 19 Local Plan Consultation, there are strong grounds for believing that an uplift in overall planned housing provision is both required and deliverable as a means of increasing affordable housing delivery.

5.3 There are specific reasons why an uplift to planned provision of new homes above the level set out in the Submission Local Plan should be made in order to deliver additional affordable homes.

5.4 First, there are substantive reasons for believing that the SHMA Part 2 under-estimates the scale of housing need in the Plan Area, and over-estimates the degree to which planned affordable housing provision will meet that need. In particular, the analysis is very sensitive to the assumption that any household that is paying less than 35% of its gross income in rent for a suitably sized dwelling is not deemed to be in need.

5.5 The evidence in the SHMA shows that using the threshold of 35% of gross income to define which households are in housing need, there are currently 5,450 household in need of affordable homes. This level of existing need, once meshed with newly arising need, generates a requirement for 344 affordable homes pa over the Plan period. However if it were to be assumed that households should not pay more than 30% of their gross income in rent, then the need for affordable housing more than doubles to 694 dpa.

5.6 This finding alone would indicate that the Plan authorities should increase the planned level of housing to enable a higher level of affordable housing delivery, whether that is deemed to be part of the calculation of OAN, or a policy response to the scale of need evidenced in the SHMA Part 2.

5.7 Second, there is evidence that not all buyers of Shared Ownership or other forms of Low Cost Home Ownership are likely to be assessed as being in housing need. Many individuals or households who by LCHO homes, may currently be living at home or in rented accommodation where they are not paying more than 35% of their income in rent.

5.8 Based on the past split between affordable rented homes and LCHO homes delivered in the Plan area, if only 75% of LCHO are bought by households deemed to be in housing need as defined in the SHMA, then the required level of total housing provision in the Plan area would rise from 1,335 dpa to 1,780 dpa, based on the SHMA assessment of need. This represents a 33% uplift. It is not proposed that this scale of uplift be applied, but it highlights the sensitivity of modest changes in assumptions to the assessed scale of need.

5.9 Third, PPG Paragraph 029 specifically requires authorities to consider an uplift in overall planned housing provision to help enable delivery of additional affordable homes. This is not contingent on there being a shortfall in affordable housing as assessed using the SHMA methodology.
Consideration has to be given to applying an uplift in recognition of relative shortage of all types of affordable housing across the country as a whole, and the problem of worsening affordability.

5.10 In view of the evidence presented in this report of the likely shortfall in planned provision of affordable housing relative to the need for affordable housing, Wessex Economics recommend a 15% uplift to the planned provision of housing from the current proposed plan provision of 26,700 dwellings 2014-34. This would mean planning for provision of an additional 4,005 dwellings or an additional 200 dwellings pa over the Plan period.

5.11 Based on performance over the last 5 years in terms of affordable housing delivery across the HMA, this additional plan provision would deliver an additional 840 affordable rented homes in the Plan period (c42 homes pa); and 400 low cost home ownership dwellings (c20 units pa). This represents a meaningful contribution to the supply of affordable housing, while the market should be able to absorb a development of an additional 140 market sale homes per annum.

5.12 It is recommended that this uplift to overall housing provision be focused on West Devon and South Hams, since there is clear evidence that housing affordability is more stretched in these two authorities, and the levels of housing need when measured in terms of resident households in need per 1,000 households are higher than in Plymouth.

5.13 At the same time delivery of affordable housing has accounted for a significantly lower proportion of new homes in West Devon and South Hams than in Plymouth. It would make sense to concentrate this uplift to planned housing provision in the Thriving Towns and Villages Policy Area, since these are the areas where within the Districts where access to affordable housing is likely to be most needed.

5.14 In terms of sustainability and ease of delivery it will be best to focus this additional development on the larger settlements in the Thriving Towns and Villages Policy Area. It is acknowledged, however, that development in the Thriving Towns and Villages Policy Area is more constrained by environmental considerations that development in the Plymouth Policy Area.

5.15 It may be appropriate therefore for an element of the uplift of 4,005 dwellings to be provided in the Plymouth Policy Area, particularly in locations on the boundary of Plymouth with West Devon and South Hams, where additional affordable housing supply will help meet need in the two rural authorities.