Examination of the Basingstoke and Deane Local Plan (2011 to 2029)

MF08 – Objectively Assessed Housing Need

Introduction

Following the Local Plan examination hearing for Issue 3 (Spatial Strategy and Housing Need), the Inspector issued a note (MF07) requesting clarification on several points relating objectively assessed housing need. The Council's responses to these questions are set out below.

(i)   Internal and international migration

1. The council can confirm that using a 10 year trend period for both internal and international migration, and applying the 2012-based DCLG household projection household representative rates, would indicate a requirement for <u>834 dwellings per annum</u> over the plan period. This scenario is named PG-10yr in the April 2015 Edge Analytics Report (Appendix A to the SHMA Update **PS/02/17**). The methodology of this scenario is explained in paragraph 3.6 of that report, and the consequent dwelling requirement is set out in Table 6 (p28).

(ii)   Commuting self-containment

2. The council can confirm that the sensitivity test (SENS2) in the April 2015 Edge Analytics Report held the commuting ratio at the 2011 Census constant throughout the plan period. This is the same as in the core scenario and SENS1, and this is explained in more detail in paragraphs B.50-54 of the Edge Analytics report (p45).

3. By way of further clarification, it should be noted that the council does not assume that the borough's labour force will precisely replicate the conditions in any of the sensitivity tests, but, instead, has used the sensitivity tests to show how the relationship between homes to jobs is affected by different employment assumptions. This is explained in more detail below.

4. The council has good reason to believe that the labour supply assumptions in the Edge Analytics core scenario are conservative, particularly in relation to economic activity rates and unemployment. A higher economic activity rate, or a lower unemployment rate, would result in fewer new homes being required to support job growth.

5. The projections obtained from Oxford Economics and Experian, and the national forecasts by the Office of Budgetary Responsibility (as explained in Section 5.2 of the Housing Needs Statement p29-35) all indicate that higher economic activity rates could be achieved than assumed by the Edge Analytics core scenario.

6. A comparison of the aggregate economic activity rates in each of the economic forecasts for the borough's 16+ population is set out in Figure 1. These show that Oxford Economics and Experian both assume a higher aggregate economic activity rate for the 16+ population than

is the case in all the Edge Analytics scenarios[1]. SENS2 indicated that the top of the borough's jobs range (700 jobs per annum) could be met through the delivery of 839 homes per annum[2].
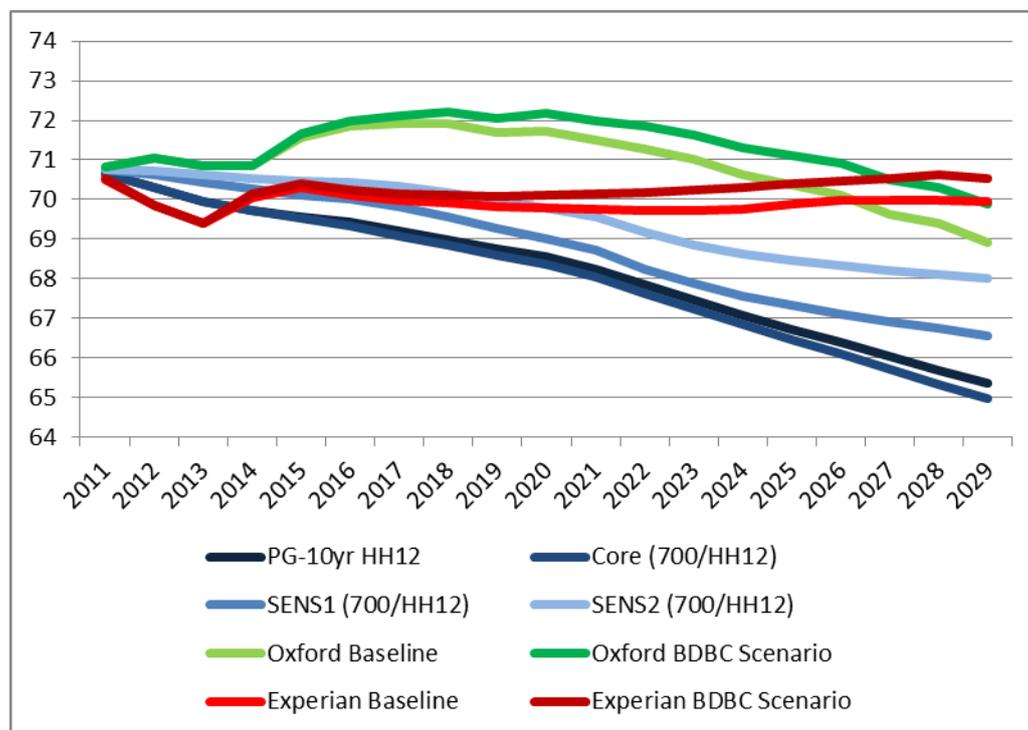

Figure 1: Comparison of Economic Activity Rates (16+) assumed by forecasts

7.   The unemployment rate has also already fallen faster than had been assumed by Edge Analytics in all their scenarios. Edge Analytics assumed an incremental decrease in unemployment from 5.0% in 2011 to 3.3% in 2029, with an assumed rate of 4.9% in 2015. By comparison, the current unemployment rate in Basingstoke and Deane borough is 3.8%. This would have the effect of increasing the working population for a given number of homes.

8.   The Oxford Economics and the Experian integrated economic forecasts were used to inform the council's jobs creation range, and both showed that 850 homes per annum could support the top of that range (700 jobs per annum), and that such a housing number would not constrain the borough's economic potential. Neither of these forecasts relied upon decreasing net out-commuting.

9.   The Council recognises that the relationship between homes and jobs is complicated and difficult to predict. The council is not suggesting that any of these scenarios will be precisely

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[1] Edge's sensitivity tests were based upon changes to the economic activity rates of the 16-74 age group rather than the whole population. Including the whole population in the calculation brings the aggregate rates down. To calibrate Edge's economic activity rates with the entire 16+ population (for which data was available from Oxford Economics and Experian), the Council had to make assumptions about the number of workers aged 75+, as these were not identified in the Edge projection. To inform this, the Council spoke with Experian who confirmed that their projection included very few people working aged 75+ at any time in the forecast period. Workers aged 75+ were therefore not added to the economically active population in the Edge projection, but it is considered that even if they were included they would have a negligible impact upon Edge's aggregate economic activity rates.

[2] Jobs-led SENS2, HH12 – As set out in Table 6 of the Edge Analytics report (April 2015), appendix A to the SHMA Update PS/02/17.

replicated, but when taken together, they support the council's assertion that 850 homes per annum is sufficient to support economic growth.

(iii) Affordable housing and affordability

(a) *Affordability*

How has affordability changed in the borough?

10. As set out in the Council's SHMA Update 2015 (**PS/01/17**), the ratio of lower quartile house prices to lower quartile earnings (the affordability ratio) rose from 4.04 in 1997 to 7.71 in 2013.

11. The evidence in the Housing Needs Assessment (**PS/02/47**) shows that affordability did not worsen in relation to neighbouring local authorities or regional or national trends.

12. As Figure 2 (below) shows, the greatest changes in affordability took place at the beginning of this period (before 2003). The affordability ratio has not significantly worsened over the last ten years.
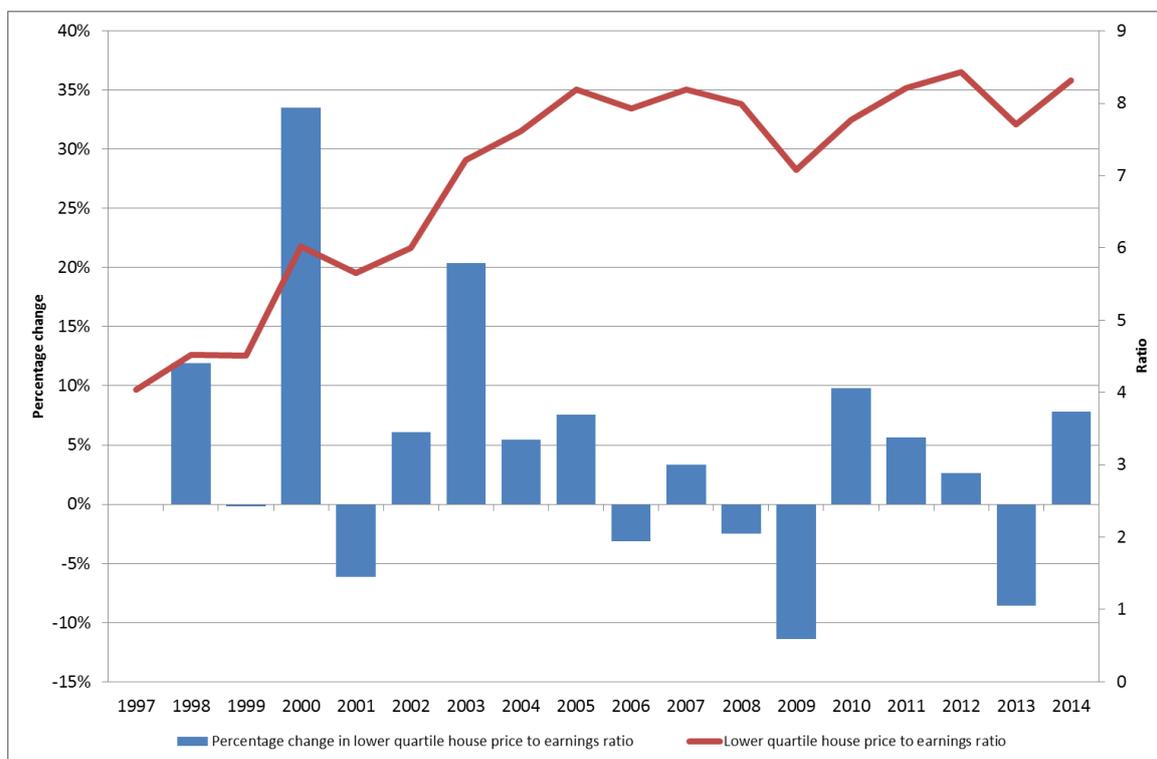

Figure 2: Ratio of lower quartile house prices to lower quartile earnings and annual percentage change (Source: CLG live tables 576 2003-2013. 2014 data calculated by BDBC using Land Registry Price Paid data and ASHE).

13. Paragraph 19 of the NPPG (ID: 02a-019-20140306) identifies that the housing need number suggested by the household projections should be adjusted to reflect market signals. One of the 'relevant signals' is affordability which is defined as 'the ratio between lower quartile house prices and the lower quartile income or earnings'. Paragraph 20 (ID: 02a-020-20140306) goes on to indicate that a 'reasonable' upward adjustment to the planned housing number will be appropriate where there is a worsening trend.

14. As set out in the NPPG (and explained in more detail in the 2015 PAS Technical advice note **PS/04/52** , para 7.3), one of the reasons it is necessary to review affordability is to ensure the household requirements would not be underestimated by rolling forward supressed past trends.

15. In the case of Basingstoke and Deane, the council's preferred demographic scenario (as set out in the Housing Needs Statement **PS/02/47**) uses 10yr internal migration trends and 5yrs international migration trends (PG 10yr-5yr). The PG 10yr scenario (as identified in question i) uses 10yrs data for both internal and international migration. As shown in Figure 2, affordability has been relatively stable over the last 10 years, suggesting there was not an undersupply in new housing. It is therefore not considered necessary to adjust the housing number in relation to this market signal.

16. It is also considered that the ten year period covers a period where there were a range of local and national economic circumstances, and is long enough to understand whether there are any underlying issues in the housing market that need to be addressed.

Other affordability considerations
17. It is also helpful to consider whether the extent to which the ratio of house prices to earnings is the only (or the best) measure of affordability. Such a ratio does not factor in housing costs, which for market housing are influenced by mortgage interest rates and lending policies. Although the NPPG does not refer directly to the cost of borrowing, interest rates have significantly and materially reduced since 1997, and in particular since 2008 (as shown in Figure 3 below), easing the cost of mortgage repayments and house ownership. This should be treated as a relevant factor when considering the absolute affordability of housing.
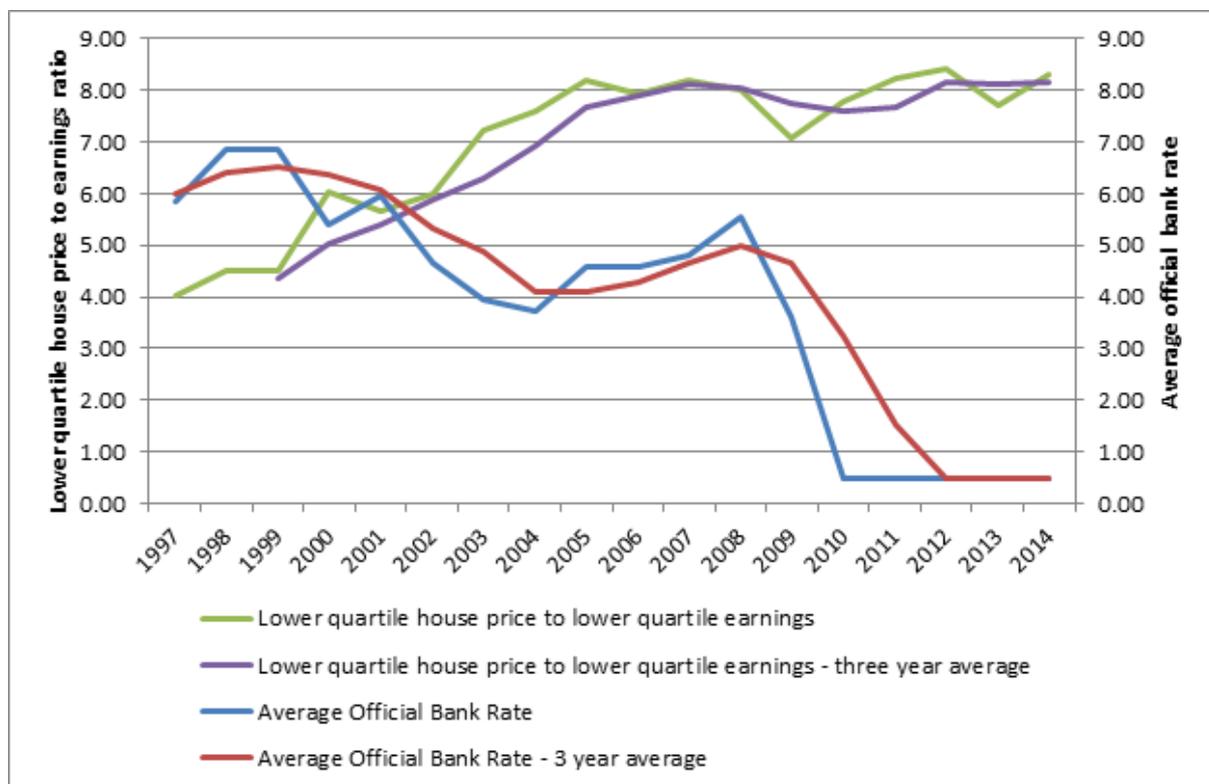

Figure 3: Ratio of lower quartile house prices to lower quartile earnings, and average official bank rate (Source: CLG live tables 576 2003-2013. 2014 data calculated by BDBC using Land Registry Price Paid data and ASHE).

18. The affordability ratio is a different indicator to the Affordable Housing Needs Assessment which attempts to identify and address the actual number of households in housing need. The council's Affordable Housing Needs Assessments (Appendix 9 of the Housing Needs Assessment PS/02/47, and the updated data attached as an appendix to this document) have assessed affordable housing needs using the methods recommended in the NPPG.

(b) Affordable housing needs assessment

19. In response to the Inspector's question (iii)(b), the council has recalculated its assessment of affordable housing need based on two additional scenarios:

   - The first additional scenario includes single person households aged 34 and under within the 'other households in housing need' row in table 3.1 of the Housing Needs Statement.
   - The second additional scenario is based on the updated housing register as at October 2015, after the council's new housing allocations policy has come into effect.

20. The results of these assessments of affordable housing need are set out in Table 1 below and the detailed calculations can be found in Appendix 1.

	SHMA (May 2015) PS/02/17a	Housing Needs Assessment (August 2015) PS/02/47 Appendix 9	Response to Inspector's Note on OAN (October 2015) MF08	Response to Inspector's Note on OAN (October 2015) MF08
Annual affordable housing need requirement	318	310	357	296
Includes single person households aged under 35	Yes	No	Yes	Yes
Base date of housing register	December 2014	August 2015	August 2015	October 2015 (new housing register)

*Coloured text corresponds to that used in appendix 1

Table 1: Summary of Affordable Housing Needs Assessments published in 2015

21. The housing needs assessments show that by including single person households aged under-35 into the calculation of need set out in the Housing Needs Statement, August 2015 (**PS/02/47)**, the annual affordable housing requirement rises to 357.

22. However, based on the council's housing register at October 2015, following implementation of the new housing allocations policy, the annual affordable housing requirement falls to 296.

23. It is recognised that using the housing register data for October 2015 is likely to be a conservative estimate as the new allocations policy has only recently taken effect, and some households may reapply and be added to the register over the coming months. However, the housing register is now significantly reduced (from 7,010 in August 2015 to 1,733 in

October 2015) and it is not expected to reach past levels again due to new, more stringent eligibility criteria.

(iv) Implications for the Local Plan

24. As requested by the Inspector, the council has reviewed affordability and revisited the Affordable Housing Needs Assessment to address the issues raised at the Local Plan hearing sessions. Given the findings of this work, the council does not consider that there is a requirement to increase the council's housing target.

25. The council considers that the number of homes proposed in the Plan (850 dwellings per annum) would deliver sufficient affordable homes to meet the borough's need, as indicated by the most up-to-date assessment based upon the October 2015 housing register. The requirement for 296 affordable homes per annum is equivalent to 34.8% of the proposed housing target. Whilst it is recognised that current need may increase in the future as the register becomes more settled, there is headroom for this to be accommodated within the requirement for 40% affordable housing, as set out in Submission Policy CN1.

26. It is therefore considered that 850 dwellings per annum is an appropriate housing target as it would meet the borough's demographic needs, align housing supply with economic growth, deliver sufficient affordable housing to meet the borough's current and future needs, and that no adjustment is required in order to respond to market signals.

Appendix 1
Replacement tables for the Affordable Housing Needs Assessment (October 2015)

During the Local Plan Examination Hearings, queries were raised about how the council had calculated its affordable housing requirement. In particular, the Inspector questioned the exclusion of single person households aged under-35.

At the hearing session on 8th October, the council explained that a new Housing Allocations policy has been adopted by the council, so that with effect from 1st October 2015 applicants must have both a housing need and a local connection in order to be eligible for inclusion on the housing register. Housing register applicants were asked to re-apply if they wished to remain on the housing register. Although three letters were sent to those on the housing register over the last nine months, many households did not re-apply. As a result the number of households on the housing register reduced from 7,010 in August 2015 to 1,733 in October 2015. It is expected that households will re-apply over the coming months and the number of applicants on the housing register will rise, although it is not anticipated to reach past levels again due to new, more stringent eligibility criteria.

The council therefore recognises that the housing register at October 2015 may under-represent the level of current housing need within the borough because the new housing allocations policy has only just come into effect.   However, it is worth noting that the level of current housing need (when annualised and current supply is taken into account) varies between 10 dwellings per year (based on the new housing register) and 80 dwellings per year (based on the old housing register including those aged 34 and under - see table 3.13, below). Whilst the council considers this is an important component of the affordable housing need requirement, this only represents a small component of need when compared to the future level of arising need (which is either 802 or 811 dwellings per year).

The methodology for calculating the affordable housing requirement was presented in Appendix 9 of the Housing Needs Statement (PS/02/47) and it accords with the Planning Practice Guidance (sections 02a-022-29). This document re-presents six of the tables that make up the affordable housing needs assessment relating to under-35s or the new housing register. The other tables in the housing needs assessment remain unchanged. Scenario B (green) sets out the impact for the affordable housing requirement of adding back in the single person households aged under-35 and scenario C (blue) shows the impact of the council's new housing register on the level of current need. The previously published affordable housing needs assessment figures are presented alongside these to enable easy comparison as scenario A (red).

Key

Scenario A: August 2015 Housing Needs Assessment which excluded single person households aged under-35 <u>as previously published</u> in Appendix 9 of Housing Needs Statement (PS/02/47)

Scenario B: As scenario A (August 2015 Housing Needs Assessment), but <u>with single person households aged under-35</u> added back in

Scenario C: <u>October 2015</u> Housing Needs Assessment – includes single person households aged under-35 – <u>based on the new housing register</u>

Stage 1: Current unmet gross need for affordable housing (NPPG ID: 02a-024)

Table 3.1 - Current Housing Need

Element of housing need (Ref. Paragraph ID: 02a-024 of NPPG)	Source	Number of households from original data source	Double counting adjustment	Revised number of households after double counting removed
Homeless households	Housing Register. ("Accepted homeless" indicator).	36 36 41	Double counting should be deducted from the Housing Register number below.	36 36 41
Those in priority need who are currently housed in temporary accommodation	The Council's P(1)E return. This includes B&B, hostels, those placed in the private rented sector (rent bond, PSL etc). Snapshot figure at the end of the quarter (Q4: 2014/15 – March 2015).	62 62 62	All those who are homeless are placed in temporary accommodation. Assumed that all households in temporary accommodation are on the HR, so deduct from Housing Register number below.	26 26 21
Overcrowded households	2011 Census 1,592 households x 2.28% (assumes that the increase in the number of overcrowded households in the borough from 2011 – 2015 is equivalent to that shown in the English Housing Survey to 2013/14 (2.28%).	1,628 1,628 1,628	Double counting deductions: 323 concealed households[3]. 619 / 619 / 290 households on the housing register[4].	686 686 1,015
Concealed households	2011 Census 744 concealed families (1.07% of all households): assume this proportion is held constant to 2015 and applied to the number of households forecast by Edge[5] (73,004) in 2015.	781 781 781	Of the 781 concealed families in the Borough in 2015, need to remove double counting with Housing Register – 427 / 427 / 170 households[6].	354 354 611
Other households in housing need (including existing affordable housing tenants in need currently housed in	Housing Register. Those households with housing need as defined by NPPG and local connection.	2,668 3,874 1,733	LESS homeless as above (36 / 36 / 41), less the net of those in temporary accommodation (26 / 26 / 21).	2,606 3,812 1,671

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[3] 43.4% of concealed households have children so are more likely to be overcrowded.

[4] Defined as overcrowded on the housing register – excluding concealed.

[5] Based upon Edge PG-10yr-5yr demographic scenario. If Edge PG-10yr demographic scenario had been used, this would result in a household forecast of 73,061, of which 1.07% = 782 concealed households.

Element of housing need (Ref. Paragraph ID: 02a-024 of NPPG)	Source	Number of households from original data source	Double counting adjustment	Revised number of households after double counting removed
unsuitable dwellings)				
TOTAL				**3,708** **4,914** **3,359**

Table 3.2 - Affordability of households in unsuitable housing in Basingstoke and Deane

Unsuitable housed households	3,708	4,914	3,359
% unable to afford entry-level market housing (all unsuitably housed households)*	67.2%	64.2%	61.7%
Households in current need	**2,493**	**3,153**	**2,073**

*Affordability of households differs between scenarios due to the different incomes of those in current need

Stage 2: Newly arising affordable housing need (NPPG ID: 02a-025)

Table 3.7 - Affordability of newly arising need from existing households

Number of existing households potentially in need per year	296	296	296
Proportion requiring affordable accommodation**	77%	77%	79.9%
Number of existing requiring affordable accommodation per year	**228**	**228**	**237**

**Affordability differs in scenario C due to different income data from the Housing Register

Table 3.8 - Newly arising need (NPPG ID: 02a-025)

Number of newly forming households requiring affordable accommodation per year	574	574	574
Existing households falling into need per year	228	228	237
Total newly arising housing need (gross per year)	**802**	**802**	**811**

Stage 3: Current affordable housing supply (NPPG ID: 02a-026)

Table 3.9 - Current affordable housing supply

Affordable dwellings that are going to be vacated by current occupiers that are fit for use by other households in need	455	455	353
Surplus stock (vacant properties)	0	0	0
Committed supply of new affordable units (social rented and intermediate housing)	1,579	1,579	1,579
Units to be taken out of management (demolition or replacement schemes that lead to net losses of stock)	0	0	0
Total supply	**2,034**	**2,034**	**1,932**

Stage 4: Future housing supply of social and re-lets and intermediate affordable housing (NPPG ID: 02a-027)

No change

Stage 5: Estimate of net annual housing need (NPPG ID: 02a-029)

1.1.   This stage brings together all of the elements of housing need and affordable housing supply to calculate the overall level of need for the plan period. The following sub-stages are undertaken in accordance with the NPPG paragraph ID: 02a-029.

1.2.   Stage 5.1: Firstly, the net current need must be calculated by subtracting the current supply from the current unmet gross need for affordable housing.
- 2,493 – 2,034 = 459
- 3,153 – 2,034 = 1,119
- 2,073 – 1,932 = 141

1.3.   Stage 5.2: Then this figure must be converted into an annual flow. The Local Plan period is 2011-2029, meaning that there are fourteen years remaining in the plan period to meet the need.
- 459 ÷ 14 = 33
- 1,119 ÷ 14 = 80
- 141 ÷ 14 = 10

1.4.   Stage 5.3: Finally the total annual need for affordable housing is calculated by adding together the annualised current need figure and the annual newly arising need figure. Then the future supply from re-lets is subtracted to leave a total gross figure for annual need for affordable housing.
- 802 + 33 – 525 = 310
- 802 + 80 – 525 = 357
- 811 + 10 – 525 = 296

Table 3.13 - Results of the affordable housing needs model

Stage in calculation	Scenario A	Scenario B	Scenario C	Source of figure
Stage 1: Current unmet gross need for affordable housing (Total)	2,493	3,153	2,073	Table 3.2
Stage 2: Newly arising affordable housing need (Annual)	802	802	811	Table 3.8
Stage 3: Current affordable housing supply (Total)	2,034	2,034	1,932	Table 3.9
Stage 4: Future housing supply (Annual)	525	525	525	Table 3.12
Stage 5.1: Net current need (Total)	459	1,119	141	(Stage 1 - Stage 3)
Stage 5.2: Annualise net current need (Annual)	33	80	10	(Stage 5.1 / 14)
Total gross annual need (Annual)	980	1,027	950	(Stage 1/14 + Stage 2)
Total gross annual supply (Annual)	670	670	663	(Stage 3/14 + Stage 4)
Total gross annual need for affordable housing (Annual)	**310**	**357**	**296**	**(Stage 2+ Stage 5.2 - Stage 4**