

Weymouth & Portland and West Dorset Councils

Objectively Assessed Housing Need: Latest Evidence Technical note

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1 INTRODUCTION

- 1.1 In 2014 Weymouth & Portland Borough Council and West Dorset District Council commissioned Peter Brett Associates (PBA) to provide an assessment of housing needs in their areas over the Local Plan period 2011-31. The resulting report was published in July 2014 and titled Strategic Housing Market Report Part 1¹. It was part of the evidence base informing the housing targets in the Councils' joint Local Plan, adopted in October 2015. The purpose of the present note, also commissioned by the Councils, is to advise on the implications for these housing targets of the new information which has come to light since the 2014 study.
- 1.2 This advice will help inform the early review of the Local Plan that the Councils are working on, following a recommendation from the Local Plan Inspector that the review should identify additional housing land, capable of meeting need to 2036. The advice is needed because since the previous housing needs assessment most of the underlying data have been superseded by new information. This applies especially to demography, where new official projections are quite different from earlier versions, mainly because the 2011 Census showed that some earlier expectations were wrong.
- 1.3 Other new information includes updated economic forecasts, and also recent decisions from planning Inspectors, the Secretary of State and the courts that have helped clarify how housing needs should be measured under existing national policy and guidance.
- 1.4 In this short note we briefly review the main findings of the 2014 report in the light of this new information. Following the order of that report, we discuss demographic projections in Section 2, the alignment of jobs and housing in Section 3 and past supply and market signals in Section 4. Section 5 draws some conclusions regarding housing needs assessment for the Local Plan review.
- 1.5 These conclusions reflect current national policy and guidance, and in particular the method set out in National Planning Practice Guidance for the objective assessment of housing need. But the Housing White Paper, published in February 2017, announces that the Government will consult on a new, more standardised assessment method. The Government intends to publish this consultation 'at the earliest opportunity this year' and to start using the new method by April 2018. Given the indicative timeframe, it is likely that to inform later stages of plan preparation the Councils will need to use the new method for calculating objectively assessed need.

¹ Part 2, published in a separate volume, dealt with housing mix and tenure and affordable housing need. The present report does not cover these issues.

2 DEMOGRAPHIC PROJECTIONS

Earlier projections

- 2.1 In line with National Planning Practice Guidance (PPG), housing needs assessments should start from the latest official demographic projections. Those projections comprise the ONS sub-national population projection (SNPP), and the CLG household projection, which groups the SNPP population into households. At the time of the 2014 report, the latest official household projection was the 2011-based interim release, which only looked forward to 2021, and was too early to incorporate the findings of the 2011 Census. The latest SNPP was the 2012-based release (ONS 2012), published in 2014. This provided a more up-to-date population projection, which did take account of the Census, but the CLG had not yet translated that population into households.
- 2.2 To fill this gap in the official projections, in the PBA 2014 report we modelled our own household projection, based on ONS 2012. This projection, called ONS/PBA 2012, was in effect a preview of the 2012-based household projection (CLG 2012). It implied a housing need of 554 net new dwellings per annum (dpa) for the plan area in 2011-31 – comprising 398 dpa for West Dorset and 156 dpa for the Weymouth and Portland.
- 2.3 In February 2015, the CLG 2012 household projection was finally published and the Inspector examining the joint Local Plan asked for a note on the implications of this new projection. We submitted this note to the examination, on behalf of the Council, in March 2015. The note showed that CLG 2012 implied 539 dpa for the plan area – the sum of 381 for West Dorset and 158 dpa for Weymouth & Portland. These CLG 2012 housing numbers superseded the ONS / PBA 2012 projection. But they did not make a material difference to our earlier analysis, because they were not significantly different from ONS / PBA 2012.
- 2.4 In the 2014 report we concluded that the official projections were not a robust measure of future housing need. The base period whose migration trends these projections carry forward is 2007-12. In this period net in-migration was much lower than in earlier times, with fewer people in the core working age groups. This lower and older migration was likely due to the recession. Continuing the same trends into the future would result in significant decline of the resident labour force, so in the future additional local jobs would have to be filled by increases in net in-commuting.
- 2.5 For a more robust assessment of future housing need, the 2014 report created three new projection scenarios, called PBA Trends. These scenarios were named according to the base period whose migration trends they rolled forward. Trends 2007-12 and Trends 2001-11 were based on recent periods of five and 10 years respectively. Trends 2001-07 was based on the years that preceded the recession.
- 2.6 The 2014 report identified the pre-recession scenario, Trends 2001-07, as its preferred measure of future housing need. In this scenario there is enough migration into the area to produce a small increase in the labour force, which would support economic growth. The scenario shows household numbers increasing annually by

709 in the plan area, comprising 551 in West Dorset and 158 in Weymouth & Portland. After allowing for vacant and second homes, the resulting objectively assessed housing need was identified as 775 dpa for the plan area, made up of 605 dpa in West Dorset and 170 dpa in Weymouth & Portland. This OAN figure was taken forward as the Local Plan housing target.

- 2.7 The preferred scenario was the highest of the scenarios we considered. It was based on rolling forward migration trends from the period 2001-07. We rejected the alternative Trends 2007-12 scenario, based on a five-year trend, for the same reason as ONS / CLG 2012: it rolled forward the migration trends seen in the recession, with less inward migration overall and an older age profile. The Trends 2001-11 projection, based on a 10-year trend, broadly covered an economic cycle and included both 'boom and bust'. However, based on conservative economic activity rate assumptions, the 2014 report suggested that meeting this projection would be unlikely to provide any growth in the local labour force.
- 2.8 The table below compares the PBA scenarios tested in the 2014 report with the 2012-based official projections (but not the 2011-based official projections, which are now out of date). It also shows the more recent 2014-based official projections, which are discussed further in the next section.

Table 2.1 Alternative demographic projections

Thousands Except p.a. figures	PBA PROJECTIONS			OFFICIAL PROJECTIONS	
West Dorset	2007-12 Trends	2001-11 Trends	2001-07 Trends	ONS/CLG 2012	ONS/CLG 2014
Households					
2011	44.4	44.4	44.4	44.4	44.4
2031	51.7	53.9	55.4	51.3	51.9
2036					53.6
2011-31 p.a.	364	476	551	347	377
2011-36 p.a.					370
Dwellings					
2011-31 p.a.	400	523	605	381	414
2011-36 p.a.					406
Weymouth & Portland	2007-12 Trends	2001-11 Trends	2001-07 Trends	ONS/CLG 2012	ONS/CLG 2014
Households					
2011	28.5	28.5	28.5	28.5	28.5
2031	30.9	31.4	31.7	31.5	31.8
2036					32.6
2011-31 p.a.	120	145	158	147	163
2011-36 p.a.					163
Dwellings					
2011-31 p.a.	131	159	170	158	179
2011-36 p.a.					180
Plan area	2007-12 Trends	2001-11 Trends	2001-07 Trends	ONS/CLG 2012	ONS/CLG 2014
Households					
2011	72.9	72.9	72.9	72.9	72.9
2031	82.6	85.3	87.1	82.8	83.7
2036	0.0	0.0	0.0	0.0	86.2
2011-31 p.a.	483	621	709	494	540
2011-36 p.a.					533
Dwellings					
2011-31 p.a.	531	682	775	539	593
2011-36 p.a.				-	586

Source: ONS, CLG, PBA

Updated official projections

- 2.9 2016 saw the publication of new official demographic projections, the 2014-based SNPP (ONS 2014) and 2014-based CLG household projections (CLG 2014).
- 2.10 As shown in Table 2.1, for the period 2011-31 CLG 2014 shows growth of 540 households p.a., resulting in a housing need of 593 dpa. As the plan period has been extended to 2036, the table also shows the CLG 2014 figures for the period 2011-36. For the plan area over this extended period the projection shows annual household growth of 533, resulting in housing need of 586 dpa.

- 2.11 The 2014-based release are now the most relevant official projections, because they are the most up-to-date available. The table below compares their headline results with the 2012-based version.

Table 2.2 Summary of official projections for the plan area

Source	Period	Households p.a.	Dwellings p.a.
2014 report - ONS / PBA 2012	2011-31	507	554
March 2015 note - CLG 2012	2011-31	494	539
April 2017 note - CLG 2014	2011-31	540	593
April 2017 note - CLG 2014	2011-36	533	586

Source: ONS, CLG, PBA

- 2.12 In summary, for the plan area over the period 2011-36 the latest official demographic projections imply a housing need of 586 dpa. This is slightly higher than earlier figures derived from the 2012-based projections. In line with National Planning Practice Guidance (PPG), and given that the Councils are intending to extend the plan period to 2036, we advise this figure of 586 dpa is the most appropriate 'demographic starting point' for the local plan review.

3 JOBS AND HOUSING

- 3.1 In line with the PPG, a housing needs assessment should estimate whether its 'demographic starting point' projection will provide a sufficient resident workforce to meet the future demand for jobs – so that job growth is not constrained by lack of housing. If the demographic projection does not provide enough workers, it should be adjusted upwards until it does (unless the supply gap can be closed by other measures, such as improved transport infrastructure).

Earlier projections

- 3.2 Following this advice, in the 2014 PBA report we compared the future labour force to forecast labour demand, using Experian's economic model. The model tested two future population scenarios – firstly the pre-recession preferred scenario (Trends 2001-07), which was used to establish the objectively assessed need for the local plan, and secondly the Experian standard projection current at the time, whose population assumptions were taken from the now-outdated SNPP 2010.
- 3.3 Running the model using the pre-recession demographic scenario, Trends 2001-07, showed a demand for 1,682 jobs between 2011 and 2031. Running the model based on the SNPP 2010 future population scenario showed a demand for 2,072 jobs over the same period. The Experian forecast predicted that neither version of future population would constrain job growth – though the 'official projection' showed more net in-commuting, as net new jobs were filled by net new in-commuters rather than local residents.
- 3.4 In December 2014 we produced a note for the plan examination to clarify and update our analysis of labour market alignment. In this note we considered new job numbers, produced by the Autumn 2014 version of the Experian forecast. It showed a demand

for 13,640 additional jobs for the period 2011-2031. This forecast was the basis of the job figures referred to in the adopted local plan. At the Local Plan examination objectors presented in evidence alternative forecasts produced around the same time by Cambridge Econometrics and Oxford Economics. These alternative forecasts showed 12,800 and 8,300 additional jobs respectively.

- 3.5 The Autumn 2014 Experian forecast was based on the ONS 2012 population projection – which as noted earlier implied a housing need of 539 dpa over the plan period. It predicted that this projected population would provide enough or more than enough workers to meet job demand, so the population of the plan area would not be a constraint on job growth. Hence the December 2014 note concluded that providing 775 dpa, in line with our preferred scenario, would provide considerably more workers than would be needed to fill the jobs forecast by Experian. This extra labour supply, or ‘headroom’, could be used to support more new jobs, through policy intervention for example, or decreased economic activity rates if people chose to retire earlier than Experian expects.

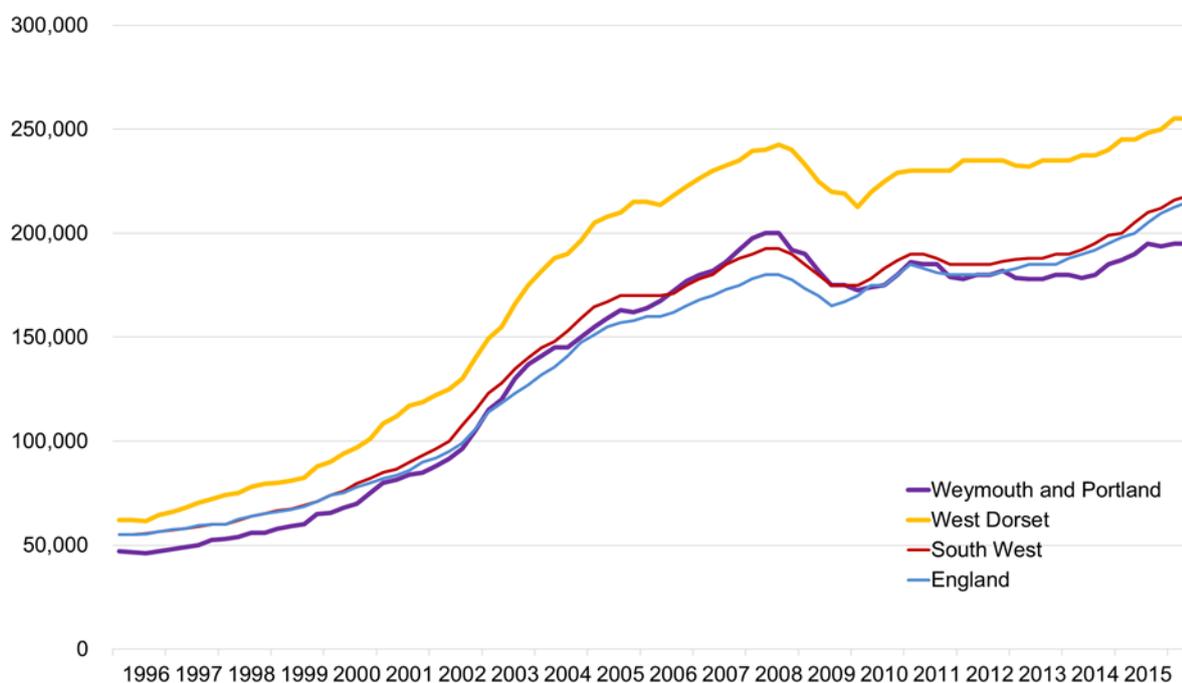
Updated forecasts

- 3.6 For the purpose of the present note we have looked at Experian’s latest standard forecast, dated December 2016. This forecast is based on the ONS 2014 population projection, which as discussed earlier implies a need of 593 dpa over the period 2011-31.
- 3.7 This forecast shows demand for 9,000 additional jobs over this period, well above the 2,100 jobs forecast in the 2014 report and broadly comparable with more recent forecasts. The forecast also predicts that the ONS 2014 sub-national population projection will provide enough or more than enough workers to meet that demand. So, if population changes in line with the forecast, the resulting supply will not constrain job growth in the area. One of the factors behind this conclusion is that in recent years Experian has revised upwards its view of future economic activity rates, reflecting new evidence that people are retiring later, chiefly due to the increase in State Pension ages.
- 3.8 As a preliminary conclusion, the evidence above confirms that providing 775 dpa, in line with the Local Plan, will provide significant ‘headroom’ – i.e. more workers than are required to fill the jobs forecast by Experian. Using the 2014-based official projections, rather than the 2012-based ones used in earlier analyses, does not change that conclusion.
- 3.9 To verify these figures would require more detailed analysis of the Experian forecasts, and probably further testing against alternative forecasts from other providers. However, given the Government’s intention to consult on options for introducing a more standardised approach to assessing housing requirements, it would be more appropriate to re-appraise the situation once this further consultation has been published, hopefully later in 2017.

4 MARKET SIGNALS

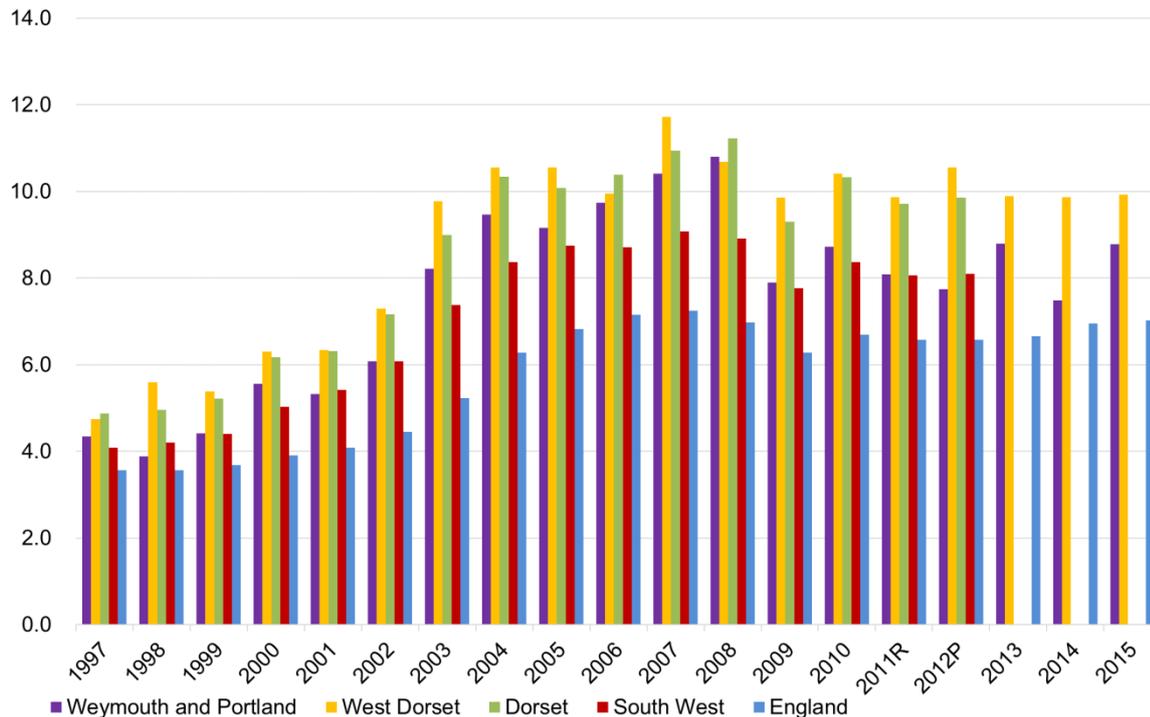
- 4.1 The PPG advises that housing needs assessments should analyse market signals, such as house prices and affordability, to determine if housing land has been undersupplied in the past against demand or need. If that is the case, then demographic projections that carry forward that past should be adjusted upwards, so that past undersupply is not carried forward into the future.
- 4.2 In the two charts below we show two key elements of our earlier analysis, relating to house prices and affordability. The charts provide a brief partial update to the earlier analysis.
- 4.3 In relation to house prices, the two districts within the plan area are quite different:
- In West Dorset the median house price is well above national and regional benchmarks (on the latest data, £250,000 against £215,000 for England and £218,000 for the South West), and has been since records began in 1997. Up until the mid-2000s house prices also grew faster in the district than the country and region. But in more recent years, including the five-year base period whose migration trends the official projections carry forward (2009-14), house price growth has paralleled the national and regional trends.
 - For Weymouth and Portland, both the level of house prices and its rate of change closely tracked the national and regional trends.

Figure 4.1 Median house prices



Source: ONS

Figure 4.2 Affordability – ratio of lower-quartile house price to lower-quartile workplace earnings



Source: CLG. Regional data were discontinued in 2013.

4.4 In relation to affordability the position is different. Both districts have higher ratios (worse affordability) than England, and also than the South West, which in turn is less affordable than England. West Dorset has worse affordability than Weymouth and Portland and the ranking of the different areas has been unchanged since records began in 1997. The long term trend has been for West Dorset to worsen relative to the national average, while Weymouth and Portland has moved broadly in line with the national trend, though with large fluctuations from year to year.

4.5 At the time the 2014 report was written it was very unclear how market signals should be translated into an uplift to the demographic projections, because the PPG itself provides little guidance – mainly noting that any adjustments should be ‘reasonable’. In the intervening years there have been many Inspectors’ decisions, but the extent to which these will be reflected in any more standardised methodology to be developed by the Government is, at present, unclear.

5 HOUSING NEEDS AND HOUSING TARGETS

5.1 Based on the analysis summarised above, the 2014 SHMA concluded that housing need in the plan area over the plan period 2011-31 would be 775 net new dwellings per annum. This figure was well above the official demographic projections that were current at the time.

5.2 Since we produced the 2014 study some of the main factors behind its conclusions have changed considerably:

- i We now have more robust and up-to-date official demographic projections, which imply housing need of 593 dpa for the period 2011-31 and 586 dpa for the period 2011-36.
 - ii Recent economic forecasts, which among other things incorporate a more optimistic view of future activity rates, suggest that this level of housing growth would be enough to meet expected labour demand in the area, supporting 9,000 additional jobs over the period 2011-31.
 - iii Recent appeal decisions suggest that taking account of market signals would be likely to increase the housing need estimate above the official projections. However, we will need to await the forthcoming Government consultation on developing a more standardised approach to assessing housing needs before we have greater clarity on how market signals should be taken into account in the future.
- 5.3 The above figures are provisional and need to be verified by further analysis. They may also need to be reworked in accordance with the more standardised approach to assessing housing needs being developed by Government. But the fact remains that our preliminary analysis has not identified any factors to suggest that the housing need figure should be increased over the 775 dpa in the current Local Plan.
- 5.4 Since the 2014 study legal judgments such as Gallagher² have made it clear that the objectively assessed, housing need (OAN) should not be influenced by policy considerations. Based on these legal judgments the setting of housing targets should proceed in two stages: firstly to determine the OAN and second to apply any policy considerations that lead to a lower or higher number. In this context, concerns about the social implications of an ageing population and the implications for jobs growth belong in the second stage; they should have no impact on the OAN. However, it is not clear at present, whether (or the extent to which) the Government's new more standardised method will reflect these legal judgements.
- 5.5 In summary, a new housing needs assessment should reflect the approach to establishing the objectively assessed need currently being developed by the Government. However, based on the current method and the latest data we consider that a new assessment should start from the 2014-based CLG household projection. This projection implies housing need of 593 dpa for 2011-31 and 586 dpa for 2011-36. Given that the plan period has been extended to 2036, the latter figure should be used.
- 5.6 It is hoped that the approach currently being developed by the Government will provide more guidance on how market signals and other considerations should be taken into account when establishing the objectively assessed housing need and revised housing targets.

² Solihull Metropolitan Borough Council v (1) Gallagher Homes Limited (2) Lioncourt Homes Limited [2014] EWCA Civ 1610