

## **BASINGSTOKE & DEANE LOCAL PLAN EXAMINATION ISSUE 3: SPATIAL STRATEGY & HOUSING NEED**

**4.2 Is the plan's assessment of the household needs for Basingstoke over the plan period (to 2029), as equating to 850 dpa, (i.e. an increase from the submitted Plan figure of 748 dpa) expressed in amended policy SS1 and in the Strategic Housing Market Assessment (SHMA) (PS/02/17) and Housing Topic Paper (PS/02/18), based on the most up-to-date and robust objective assessment of housing need (OAHN) for the Borough?**

The new figure of 850 dpa represents a significant improvement upon the submitted plan figure. This is much closer to the indication of need provided by the 2012 Household Projections. The HBF considers that the official projections provide an important and reliable benchmark for the OAN of a particular authority. As the NPPG states that the *"household projections produced by the Department for Communities and Local Government should provide the starting point estimate of overall housing need"*. It considers that they are *"statistically robust and are based on nationally consistent assumptions"*.

However, we consider that the 850 dpa figure is grudging. Despite the uplift it still sits at the lower end of the considered range. It is highly debateable whether this figure will prove to be adequate in view of the Council's: a) assumptions about migration; b) discounting the UPC element; and c) its employment projections.

### **Demographic projections**

Consideration of the baseline demographic need should provide the starting point of the OAN. The most recent DCLG 2012 Household Projections indicate that 888 households may form or 15,984 (or 16,000 for simplicity) in total for the 18 years of the plan period that runs from 2011 to 2029.

Paragraph 3.1.3 of the *Housing Needs Statement* shows how the Council has considered the 2012 Household Projections as its starting point and has also applied the 2012-based ONS Sub-National Population Projections as the NPPG advises (ID 2a-017). After making an allowance for vacancies it generates a housing need figure of 936 dwellings. The figure of 936 dpa, according to the SHMA, represents the upper end of the OAN range (see paragraph 6.10).

The Council then applies 'sensitivity testing' to this figure to reflect local circumstances. This sensitivity exercise results in the lower demographic figure of 813 dpa (page 16 of the *Housing Needs Statement*).

It is necessary to understand why the resulting figure is so much lower than the official projections and to understand whether this is justified.

The SHMA states that the variations in the range (813 dpa to 936 dpa) are influenced by assumptions on future levels of migration (paragraph 6.10).

Section 3 of the *Housing Needs Statement* provides further explanation of the workings. The Council argues that the 2012 Household Projections cannot be relied upon (paragraph 3.2.13). Instead the Council has made its own adjustments. We consider that these adjustments are unjustified.

### **Internal migration**

In terms of internal migration the Council argues that it cannot use an internal migration period derived from the 2007-2011 five year period because this was one of recession. It argues that it would be unwise to use internal migration figures for this period. We are not convinced by this argument. In the case of B&DC discounting the last five years in favour of a longer 10 year time frame favours the Council as it depresses the OAN. Figure 3.2 in the *Housing Needs Paper* illustrates this and paragraph 3.2.15 provides an explanation. Interestingly, in the five years prior to the 2011 inward-migration from elsewhere in the UK into Basingstoke has been strong despite this being a recessionary period. This is interesting because it indicates the draw of B&DC, which – just like some other authorities in the Greater South East – has been affected by the recession to a much lesser degree than elsewhere in the country. Paragraph 3.2.4 of the paper suggests that the reason for the high levels of inward migration could be the consequence of the housing supply being constrained elsewhere. This is likely to be correct: the economic resilience of London and the South East coupled with the documented housing pressures in London have contributed to higher and sustained levels of migration from more constrained areas in London and the south east to relatively more affordable areas. Added to this is the fact is the Mayor of London's migration assumptions that underpin the latest iteration of the London Plan and the fact that the Surrey and Berkshire authorities have not been particularly dynamic in planning to meet their own housing needs either under the new NPPF-based regime or before. Then is also the problem of neighbouring West Berkshire under-delivering against its OAN. All this contributes to a scenario where it seems more likely than less likely that B&DC will experience rates of inward migration that are at least comparable to the trends that inform the 2012 household projections.

From a practical point of view whether B&DC can realistically 'buck the trend' of inward migration is also an important point. In reality the Council would only be able to alter this migration tendency if it did so as part of a coordinated sub-regional strategy that was prepared with other planning authorities: i.e. if it developed a joint plan with others that sought to re-direct migrants elsewhere to alleviate demand in Basingstoke, so that Basingstoke could reverse the general historic trend. Unfortunately, the Council cannot has forfeited its ability to do this because it regards itself as a 'self-contained' district. It has elected to plan independently. In theory, deploying a very different assumption about internal migration trends – something that results in some 60 fewer households per year than the official projection – would have demographic consequences for its neighbours. The Council's assumptions would really need to be agreed with others.

In reality it will be hard for Basingstoke to reverse this migratory trend on its own. The district is likely to continue to be attractive to those seeing relatively more affordable housing. As such, we do not consider that the Council is justified in discounting the internal migration. The Edge Analytics demographic 5 year trend (PG-5yr) shows a need to accommodate some 886 dwellings (see Figure 5, page 21). This is comparable to the 2012 household projection (888 dpa).

### **External migration**

The Council uses the last five years for international (external to the UK) migration. As it explains this excludes the peak of EU accession migration that occurred in 2005-2008 (paragraph 3.2.16). Again, like internal migration, it appears that the Council is cherry-picking the most favourable demographic data in order to suppress the OAN. The Council maintains that its assumption is the more realistic one (paragraph 3.2.16). Whether this would be a legitimate conclusion to reach is brought into question by the latest ONS data which shows that net international migration into the UK has reached an all-time high reaching a net figure of 330,000 people in the year to March 2015. According to the ONS, 636,000 people entered the country in the year ending March 2015, while 307,000 left the UK.

The HBF considers that the demographic starting point should be the 2012 Household Projections without adjustment. This indicates a need to provide for some 888 household per annum. When converted to dwellings, this means that the OAN should be the 936 dpa figure that the Edge report has identified. In view of the concerns expressed recently about the possibility that the 2012 Household Projections may have under-estimated the scale of international migration owing to the new ONS findings, we consider that the 2012 Household Projections provide a conservative starting point. By contrast the adjustments made by the Council to discount internal and international migration are too generous and are unjustified. The NPPF reminds us that Local Plans should be aspirational but realistic. In the absence of a wider sub-regional strategy prepared with other local authorities, the Council's assumptions about lower levels of international and national inward migration are unrealistic.

### **UPC**

We note that the Council has also included a UPC adjustment in its modelling despite the ONS note taking this into account when producing the 2012 Sub-National Population Projections. Paragraph 3.2.19 of the *Housing Needs Statement* explains that this has a small negative effect (1-2.5% of all the components of demographic change). The Edge modelling as included a UPC adjustment within the historic international migration estimate because, as paragraph 3.2.20 states "this is the component with which it is most likely associated". We have two things to observe: a) the NPPG endorses the DCLG 2012 Household Projections. As the PAS *Objectively Assessed Need and housing Targets* July 2015 version advice note observes, this endorsement of the official projections suggests that for housing assessment studies the default option is to exclude the UPC (i.e. not include a discount in the modelling – see paragraph 6.33); and b) given the recent evidence

from the ONS on international migration assuming lower international migration over the plan period would probably be very unwise.

The Council should show what effect it would have on the OAN calculation if this UPC adjustment is not made.

The effect of the discounting for migration results in an OAN calculation that is much lower than the official projection. It is questionable, therefore, whether the Council would be providing a 'significant boost' to housing supply in the way that the NPPF encourages. The Council may well prove correct in its assumptions about migration but the weight of the evidence of unmet housing needs in London plus the Mayor of London's own underlying migration assumptions, plus the unmet need in Surrey and Berkshire, plus the ONS statistics on international migration, all suggest otherwise.

### **Past delivery and market signals**

In terms of market signals Figures 4.2 and 4.3 show a worsening trend in affordability using either the lower quartile or median price indexes. This worsening trend applies to all the other neighbouring authorities as well as to B&DC.

Rents are similarly on an upward rise. Figure 4.7 shows that overcrowding has increased between the two Census by 1.2%. This represents a 28% increase in B&DC (paragraph 4.4.3).

These trends indicate that levels of housing demand have tended to exceed the expectations of past plan-makers.

Paragraph 4.3.3 observes that affordability in the district has not worsened in comparison to other neighbouring authorities or to the national trends. This is generally true. However, this does not mean that there isn't an issue of worsening affordability in the district. The graphs illustrate this. While the NPPG does say that appropriate comparisons should be made it does not say that evidence of similar trends elsewhere in the sub-region or nationally obviates the need for an adjustment. The NPPG states: "*A worsening trend in any of these indicators will require upward adjustment to planned numbers compared to ones based solely on household projections*" (ID 2a-020). There is a worsening affordability trend in the district so it would seem inappropriate for the Council to neglect this.

We are not going to suggest that an additional percentage should be added to the calculation (such as the Eastleigh and Uttlesford 10%, or even the Canterbury 20%). Instead, it is our view that the evidence of a worsening of affordability in the district adds additional weight behind our argument that it is unreasonable for the Council to discount migration in the way it does. To compensate for deteriorating affordability the OAN would need to be 936 dpa rather than the figure of 850 dpa advocated by the Council.

### **Employment**

Paragraph 5.1.3 of the Housing Needs Statement explains that a figure of 450 net new jobs has been used to inform the jobs range.

The SHMA had explained that that to support the Revised Local Plan Policy EP1 of providing between 450 and 700 jobs per annum an annual housing requirement of between 1,004-840 dpa would be needed. Paragraph 3.15 of the Edge Analytics Report shows that if the more conservative 2012 Headship Rates are applied (paragraph 3.15) then 1,004 dpa would be required. This is set out in Figure 5 on page 21 of the Edge Analytics report.

As we remarked in our representations, the lower end of the jobs range – Jobs-led 450 – is supported by an OAN of 850 dpa, but only just. The two other headship rate scenarios indicate the need for more homes than this. The housing requirement of 850 dpa therefore, barely supports the delivery of jobs at the lower end of the range. Like the demographic range, this seems somewhat grudging. This would not be in keeping with the exhortation in paragraph 17 of the NPPF for plan-makers to ‘respond positively to wider opportunities for growth’.

We note paragraph 5.1.8 which considers the M3 LEP business strategy. This notes that although the M3 LEP plan does not set location-specific targets the plan does suggest an annual job rate for B&DC of 697 jobs per annum. This is close to the Edge Analytics Jobs-Led 700 scenario (666 jobs) which indicates a need for 1,004 dwellings.

We note paragraph 5.1.5. This indicates that the Oxford Econometrics model identifies a requirement for an average of 772 jobs per annum over the plan period.

We recognise the difficulty in accurately correlating housing supply to employment generation. It is impossible to do so with any accuracy. Nevertheless we consider that the difference between the Jobs-Led 450 and Jobs-Led 700 scenarios are sufficiently wide to cast doubt on the appropriateness of alighting upon the figure of 850 dpa as being representative of the OAN when the official projection figure of 936 dpa seems to align better with the LEP’s employment ambitions.

Paragraph 5.24 of the Local Plan observes that the district has an aging demographic. If this trend continues then more of the new housing stock will be occupied by retirees rather than those of a working age. The Council should compensate for this tendency by setting a housing supply that is higher than the minimum level necessary.

After taking the various employment projections into account we consider that an OAN of 936 dpa would align better with the employment objectives of the LEP than the figure of 850 dpa advocated by the Council.

### **The London effect**

The Council argues that there is no need to account for London (paragraph 7.3.1). It cites the first stage of the Canterbury Local Plan examination in its defence.

The Canterbury inspector's Note on the Main Outcome of Stage 1 Hearings states in paragraph 18:

*"The possibility that London may not be able to accommodate all its housing needs arose in the Report of the Inspector who examined the Further Alterations to the London Plan, published in November 2014. The Mayor/Greater London Authority have begun a process of dialogue with Councils in the South East in which Canterbury are participating and will no doubt continue to do so as appropriate. However, the aim of boosting significantly the supply of housing would not be best served by delaying the Plan until it is clear whether Canterbury should be in receipt of any unmet needs. This should be considered in a future review of the Plan if necessary."*

We are not sure that this statement amounts to a definitive judgement that there will be no consequences for B&DC or any other authority arising from considering the issues facing London.

The HBF has argued consistently at examinations across the greater south east of England that local authorities should make an allowance for London when calculating its OAN. This is not simply a matter compensating for the unmet need in London. We recognise that the Mayor of London insists that he will be able to meet London's objectively assessed housing need of 49,000 dpa in full despite there being planned supply for only 42,000 dpa and despite the inspector's report on the London Plan (November 2014) casting doubt on the ability of London to find the land to provide for 49,000 dpa. It is not simply a question of the unmet need but a question of the Mayor of London's own underlying *migration assumptions* to his own assessment of need. This is summarised in paragraph 1.10C of the London Plan. London is already a sizeable net exporter of population as appendix 2 of the *Housing Needs Statement* illustrates. The Mayor's own assessment of London's demographic needs is based on an assumption of 5% increase in out-migration and a 3% decrease in inward migration over the plan period. If B&DC does not account for the Mayor of London's assumptions then this will result in a number of 'floating' households who will not going to be catered for by either London or B&DC. This will have consequences in B&DC for those lower down the social scale. It will be the poorer households who will be forced to deal with the consequences of ignoring London. It will be poorer households who will be priced-out by relatively more affluent incomers from London.

In preparing his Further Alterations to the London Plan (FALP) the Mayor of London did write to some authorities in the greater south east warning them of the effect of his assumptions about changes in inward-and-outward migration in relation to London. The most well know example is his letter to Bedford Council. But the Mayor wrote to other authorities as well such as Arun and St Albans. The Mayor stopped writing the letters probably because of the hostile reaction from the south east authorities. Many of these authorities appeared at the examination of the FALP objecting to the Mayor's housing requirement figure and the fact that the London Plan would undersupply against the OAN. These issues have not gone away.

At the very least, the Mayor of London's assumptions about migration would undermine the Council's decision to discount the official projections in favour of its

alternative discounted internal and international migration modelling. In view of the housing pressures in London the OAN is likely to be closer to the official projection of 936 dpa (and would probably be higher) rather than the figure of 850 dpa advocated by the Council.

The HBF would therefore favour the figure of 936 dpa as representing the OAN. This could be rounded down to 930 dpa for the purposes of the Local Plan.

### **Affordable housing need**

We note that the Council has assessed the net affordable housing need to be 310 dpa. The gross need is 980 dpa and only falls to 310 dpa if an annual supply of 670 affordable dwellings can be provided. The ability to reduce the net annual need to 310 dpa relies heavily on turnover in the affordable housing stock (relets). The number of relets required is 522 (social and intermediate). This is explained at paragraph 8.113 of the Edge report. Table 8.18 shows that the average number of relets over the last five years has been 373. This is significantly lower than the number required to ensure that current and newly arising affordable housing needs can be addressed. In view of the indices of deteriorating affordability it is questionable whether relets at this rate can be sustained. Recent evidence suggests they cannot.

As the Council notes delivering 310 affordable dwellings per year represents 36.5% of the total housing figure. This sits comfortably within the 40% target affordable housing percentage (policy CN1). However, the HBF has drawn attention the viability results which would tend to suggest that many of the case study areas will struggle to sustain this level of affordable housing. In keeping with the advice in the NPPG, the Council would improve its opportunities for securing affordable housing by increasing the overall quantum of housing development. A housing requirement of 930 dpa would allow the annual need for 310 dpa to be secured.

### ***4.3 Have the 2012 based household projections brought about any amendments to the OAHN?***

Comparison of the Council's various scenarios with the indication of need provided by the DCLG's 2012 household projections is interesting. It provides a salutary corrective to the Council's own modelling. It is interesting that the Council avoids referring to this basic DCLG figure in the SHMA 2015 report (see for example pages 10-11 of the Edge report which goes directly into its sensitivity modelling) although it does refer to the figure of 936 dpa in the Housing Needs Statement of August 2015. The figure of 936 dpa is the result of the 2012 household projection converted into a housing need figure by adding a vacancy allowance.

The DCLG 2012 Household Projections show that over the 18 year period 2011 to 2029 some 888 households will form each year (<https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections>).

The Council has not stated what this basic figure is in its SHMA 2015. Instead it has gone immediately into its sensitivity modelling which results in a demographic figure

of 813 dpa. We are not saying that the Council's modelling is necessarily wrong (that will be a matter for discussion at the examination) but it is interesting that its own demographic starting point of 813 dpa is significantly lower than the DCLG's own projection. It is important to understand the reasons behind this. As we have explained above, it appears that the difference relates to the Council's treatment of migration. It is necessary to consider whether these assumptions are soundly based.

By way of comparison, the previous 2011-interim household projections indicated that some 1,000 households would form per year over the 2011 to 2029 plan period.

Therefore the latest official projections – to which the Government attaches weight (NPPG, ID 2a-017) – show that the rate of household formation has declined compared to what had been projected previously. The decline, however, is not as great as the Council has forecast in its own sensitivity modelling.

This unadorned figure of 888 dpa is the only independent benchmark that exists (everything else is someone else's modelling) and therefore we consider that it is important that it is noted at examinations. It provides the benchmark against which to test the veracity of a council's modelling assumptions.

***4.8 Are the affordable housing targets viable or will they compromise the delivery of both market and affordable housing?***

We refer to our representations of October 2013 and June 2014.

The *Basingstoke & Deane Viability Study*, November 2013, identifies problems with the ability of some key sites to sustain a rate of 40% affordable housing in combination with other development requirements. We refer to paragraph 5.46 of the study. Examination of the results of the case studies show that Case Studies 2, 4, 7, 8, and 9 are all unviable at 40% affordable housing. Case Study 12 is also unviable when the discounted (time and cash flow) sensitivity test is applied (which we agree is a sensible approach in view of the time it will take to build-out a scheme of 3,000 plus dwellings).

This means that six out of the total of 12 case studies that are considered are unviable. This is not a reassuring margin. Generally, as a rule of thumb, the HBF considers that at least 80% of schemes should be viable – i.e. that they are capable of sustaining the full weight of local plan policies, S106 and/or CIL requirements.

***4.10 Is policy SS2, for the regeneration of priority areas within the Borough, justified and realistic in terms of viability and resource constraints?***

We refer to our representations of October 2013 and June 2014.

The *Basingstoke & Deane Viability Study*, November 2013, considers that strategic sites are those developments consisting of at least 400 dwellings or more (paragraph 3.11). These are treated as having a benchmark land value of £400k (see paragraph 3.11).

Paragraph 5.44 notes that case study 12 (3,000 dwellings) is unviable when the discounted figures are considered which considers the effect of a discounted cash flow (paragraph 5.41). CS 12 would be unable to sustain a CIL contribution in addition to 40% affordable housing. This is important when one considers the wording of Policy CN6: infrastructure.

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