



Title: **Harborough Local Plan Examination – Position Statement on the Housing Requirement**

Date: **3<sup>rd</sup> October 2018**

From: **Nick Ireland, Director, Icen Projects**

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At the end of the hearing session on Tuesday 2<sup>nd</sup> October, the Inspector invited the Council to prepare a Position Statement setting out the different stages leading to the latest calculation of objectively assessed housing need, including its approach to the latest (2016-based) household projections, and how affordable housing has been considered. He also asked that the Statement consider whether there has been a meaningful change in the level of housing need which would justify a lowering of the housing requirement within the Plan.

The Council's team has reflected on these issues overnight and can confirm that **the Council's view is that the Plan should retain the housing requirement of 11,140 dwellings (557 dpa)**. It considers that this represents positive planning and provides additional flexibility over and above the OAN of 532 dpa to

- a) future proof the requirement to some degree against changes to housing need figures moving forwards,<sup>1</sup>
- b) provide further flexibility as regards economic growth, and
- c) potentially make a contribution to unmet needs from Leicester, should such an unmet need be shown to exist, and it be agreed that Harborough should contribute to meeting that need.

### **Calculation of Harborough's OAN**

#### HEDNA

The HEDNA identified an OAN of 532 dpa. This figure was essentially derived by applying a 15% affordability uplift to the demographic need (based on 10 year migration trends) of 463 dpa. This figure was above the economic-led housing need of 456 dpa.

#### 2016 Sub-National Population Projections

In document IC3 the Council considered, at the inspector's request, 2016-based Sub-National Population Projections (published May 2018), the latest affordability ratio and what market signals adjustment should be made. Taking a consistent approach to the HEDNA but capturing the then latest demographic information – ONS Revised Mid-Year Population Estimates and 2016-based SNPP – this generated a lower demographic need for 422 dpa (as compared to the 463 dpa figure generated by the HEDNA), as the figure to which an affordability adjustment should be applied.

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<sup>1</sup> Noting that the 2018 NPPF in Para 33 outlines that strategic policies may require updating where local housing need has changed significantly

IC3 then reviewed the latest evidence on affordable housing need and market signals. It identified an affordable housing need for 179 dpa 2017-31 (IC3 Appendix 1). The Council considers that there is a good prospect that this will be met through delivery of the Plan (see the affordable housing trajectory set out in EXAM3). IC3 recognised that a market signals adjustment was warranted and considered a range of approaches to looking at what adjustment might be appropriate, specifically:

- a. Benchmarking adjustments applied in other areas (IC3 Figure 6.2)
- b. Comparison to past housing delivery rates in Harborough (IC3 Table 6.2)
- c. Benchmarking Growth Rates in Housing Stock (IC3 Table 6.3)
- d. Indicative Affordability Modelling using OBR/ Reading Model (IC3 Tables 6.5 and 6.6).

The benchmarking exercise identified that a 15% adjustment would be warranted, but the Council concluded that if such adjustment was applied to the lower demographic need figure of 422 dpa, then the resulting scale of housing provision (485 dpa) might not be sufficient to improve affordability.

On this basis the Council concluded that the OAN of 532 dpa should be retained as this could, on reasonable assumptions, be expected to improve affordability in the District over the remainder of the Plan period. A figure of 532dpa would mean a significant uplift on historical delivery rates in the District (IC3 Tables 6.2 and 6.3) and support delivery rates above those achieved across broader geographies. Further, the indicative OBR/Reading modelling suggested that this level of provision would see affordability improve (Table 6.5).

The conclusion drawn was that 532 dpa was sufficient to support improvements in affordability, not that a specific percentage uplift should be applied to the demographic need (see IC3 Page 25). That said, having regard to the demographic need figure of 422 dpa, an OAN of 532 would effectively amount to an affordability adjustment of 26%.

#### 2016 Household Projections

The new Household Projections take the ONS 2016-based Sub-National Population Projections, which were considered in document IC3 (Question 5) and apply new age/sex specific assumptions on household formation to generate projections for household growth. The results are shown in Table 1 below.

**Table 1: Household Growth and Housing Need – 2016-based Household Projections**

	Households , 2011	Households , 2031	Growth in Households	Housing Need, 2011-31	Housing Need, pa
Harborough	34963	43276	8313	8600	430
Leicester	121891	136937	15046	15483	774
L&L HMA	388911	456195	67284	69548	3477

For Harborough the projections show a need which is 6 dpa higher than modelling contained within IC3 (Table 5.10), the demographic starting point rising from 424 dpa in IC3 to 430 dpa. Our analysis indicates that a similar scale of change (+6 dpa) would arise applying the updated household projections data to other scenarios.

For the HMA as a whole, the impact is however downwards; with a need for 3,477 dpa as compared to the figure of 4,080 dpa in IC3 (Table 5.11). This is a substantial drop of 15%. The level of housing need shown in the latest projections is substantially lower than the need shown in the previous 2014-based Household Projections (4,183 dpa, HEDNA Table 13). A very substantial drop in the housing need in Leicester is also shown, with a need for 774 dpa (2011-31) which compared to 1,538 dpa in the 2014-based Household Projections and 1,538 dpa based on the HEDNA 10 year trend projections.

This set of household projections are the first to be prepared by ONS. In this set of projections, HRRs for 2001 and 2011 are calculated using census data. These are then projected forward (based on a two point exponential model) to produce HRRs for years to 2021. From 2022 onwards, HRRs are held constant at 2021 rates. The use of just two data points to project household formation, which has arisen from changes in the definition of household reference persons, can be seen as a potential limitation of the new projections. The previous projections were based on trends shown by progressive census data since 1971. The differences in the figures to those in IC3 reflect the new household formation assumptions.

The new household projections result in a slight upward adjustment to the demographic need from 422 dpa in IC3 to 428 dpa – a 1.4% adjustment. However they do not change the basis of the conclusions drawn on the level of housing provision necessary to improve affordability (as set out in IC3) and therefore the OAN remains 532 dpa.

## Summary

In summarising the above, Table 2 below shows the implications of these various projections on the OAN calculation.

**Table 2: Comparison of Construction of the OAN**

<b>dpa 2011-31</b>	<b>HEDNA (HSG8)</b>	<b>Council's Response to Initial Questions (IC3)</b>	<b>2016-based Household Projections</b>
<b>Demographic Starting Point</b>	418 dpa (Table 13, p27)	424 dpa (Table 5.10 p12)	430 dpa
<b>10 Year Migration Trends</b>	463 dpa (Table 13, p27)	422 dpa (Table 5.13, p13)	428 dpa
<b>Economic-led Housing Need</b>	456 dpa (Table 30, p79)	435 dpa (Table 5.16, p15)	441 dpa
<b>Affordable Housing Need</b>	206 dpa (Table 39, p102)	179 dpa (Table A1.5, p59)	179 dpa
<b>Affordability Uplift</b>	15% applied to 463 dpa = 532 dpa (Para 12,31, p193)	532 dpa (Implies 26% on 422 dpa)	532 dpa (Implies 24% uplift on 428 dpa)
<b>OAN (2011-31)</b>	532 dpa	532 dpa	532 dpa

## **The Housing Requirement**

The Council has reflected on what the appropriate housing requirement should be, taking account of the Inspector's comments at the Hearing.

As noted above, the Council considers that the evidence continues to support an OAN of 532 dpa.

The Council has recognised that the modelling undertaken in IC3 could support provision of 533 dpa as being required to support growth of Magna Park (IC3, Page 16). This figure could rise by 3 dpa to 536 dpa if the household formation assumptions in the 2016-based Household Projections are used. The figure is however sensitive to the assumptions on the proportion of workers at Magna Park who will live in the District, and a higher number would potentially support higher self-containment.

Setting the housing requirement 25 dpa above the OAN at 557 dpa would represent positive planning which provides additional flexibility over and above the OAN to

- a) future proof the requirement to some degree against changes to housing need figures moving forwards,<sup>2</sup> or
- b) provide further flexibility as regards economic growth, and
- c) potentially make a contribution to unmet needs from Leicester should such an unmet need be shown to exist and it be agreed that Harborough should contribute to meeting that need.

The principle that provision above the OAN will both support additional workforce growth and provide headroom to meet unmet needs has already been accepted within this HMA through the Melton Local Plan Examination.

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<sup>2</sup> Noting that the 2018 NPPF in Para 33 outlines that strategic policies may require updating where local housing need has changed significantly