



Sunderland Local Plan Examination

Story Homes and Mr Michael Ford - North of Usworth Hall

Matter Statement 3 - Housing and Employment OAN and Requirements

Issued May 2019

1.0 The Housing OAN and Requirement

(1.1) Does the evidence base support the requirement for housing of 745 dwellings per annum (dpa) or 13,410 dwellings for the LP period taking into account demographic and economic factors, market signals and affordable housing need?

- 1.1 The figure of 745 dpa is based on the jobs-led Experian SENS Scenario A, as set out in the Strategic Housing Market Assessment (SHMA) Update, and has been revised down from 768 dpa identified in the Issues and Options Plan, to ensure there is no double-counting in the jobs growth associated with the International Advanced Manufacturing Park (IAMP).
- 1.2 The objectively assessed need (OAN) is based on the 2014-based population and household projections as the starting point, which over the period 2015-2033 suggest an increase of 9,965 households which equates to 570 net additional dwellings each year. This is in alignment with the guidance set out in the PPG (2014). Edge Analytics has then considered a range of alternative demographic scenarios and economic scenarios which have underpinned the identification of the OAN.
- 1.3 The uplifted OAN is aligned to the wider economic objectives underpinning the Sunderland Core Strategy and Development Plan (CSDP) to deliver 7,200 new jobs by 2033. This is supported by the 'Economic Masterplan' ('Sunderland Economic Masterplan' SP30) in Sunderland and the economic opportunities which will be delivered through the IAMP which straddles land in Sunderland and South Tyneside.
- 1.4 The SHMA (2017) sets out the market signals assessment for Sunderland. However, it states that there are no indicators prompting a need for an adjustment to the OAN to reflect the market signals.
- 1.5 No adjustment is made to the OAN in respect of meeting affordable housing needs. The SHMA (2017) identifies the net affordable housing need as 542 dwellings per annum over the first 5 years of the plan period
- 1.6 The OAN identified is based on a jobs-led scenario and aligns with the core planning principles set out in the NPPF (2012) which indicate that a planned level of housing to meet OAN must respond positively to wider opportunities for growth and should take account of market signals, including housing affordability (paragraph 17).

(1.2) Is the approach to calculating the OAN and housing requirement reasonably consistent with other local planning authorities (LPAs) in the region?

- 1.7 The approach differs as a result of the Council submitting the CSDP before the 24th January 2019. Plan submitted prior to this date did not have to use the Government's standard method for identifying local housing need as their emerging Local Plans would be assessed on the 2012 NPPF and PPG.
- 1.8 Sunderland's approach is fully in alignment with NPPF (2012) against which the CSDP will be assessed through the Examination.

(1.3) Should the housing requirement be higher? A) To support job growth, including that at the International Advanced manufacturing Park (IAMP) and/or B) To support an uplift in household representative rates for 25-44 age range and to help address the affordable housing imbalance?

- 1.9 Our Client believes that the housing requirement in Sunderland should be higher.
- 1.10 Lichfields' approach to identifying OAN uses Popgroup modelling and is outlined in both 'Sunderland Core Strategy and Development Plan Document: Objective Assessed Housing Need' (September 2017) and 'Sunderland Core Strategy and Development Plan Review of Publication Draft' (July 2018).
- 1.11 The approach has been updated since the 2017 paper and now uses ONS job density data (rather than Cambridge Economics jobs data), resulting in a revised Labour Force Ratio within the modelling. This means Sunderland maintains its current level of net in-commuting, adjusted from a more balanced position utilised in the September 2017 Lichfields report. Lichfields' modelling also uses a revised employment-led scenario of 340 jobs per annum to reflect the reused jobs growth identified in the SHMA Addendum (2018).
- 1.12 The modelling indicates that, this level of future jobs growth would result in an OAN for Sunderland of 875 dpa/935 dpa Partial Catch Up (PCU). This represents the full OAN for Sunderland, and is higher than the OAN identified in the Council's evidence as a consequence of assumptions in respect of;
- An uplift in household formation rates for younger households;
 - Future economic activity rates; and
 - An upwards adjustment to help meet identified affordable housing needs.

Household Formation Rates

- 1.13 To help rectify the impacts of suppressed household formation, Lichfields has devised a sensitivity to the 2014-based Sub National Household Projections (SNHP). Lichfields has modelled a 'Partial Catch Up' scenario. Because young people have been disproportionately impacted by suppressed household formation in recent years, the sensitivity focuses around those aged 15-34. Young people are having to live with parents for longer than seen historically or pay a significantly greater proportion of their earnings to rent, which leaves them unable to save for a deposit for a house.
- 1.14 The sensitivity test is based on the assumption that, post 2017 (to allow for the full return to pre-recession trends) headship rates in the 15-34 age groups will return to an increase in line with

longer term trends, such that by 2033, half of the difference between the 2014-based and 2008-based projections is made up. This results in average household size declining at a slightly faster rate than the 2014-based SNHP projection as a higher percent of young people form households

Economic Activity Rates

- 1.15 Lichfields activity based on the projections published by the Office of Budgetary Responsibility (OBR) in January 2017. Lichfields adjust the Sunderland rates to follow the national projections made by OBR. These assumptions result in lower levels of future economic activity rates assumed in the SHMA (2017) and therefore requires a greater level of in-migration to meet future jobs growth in Sunderland.

Affordable Housing Uplift

- 1.16 Two High Court judgments go to the heart of addressing affordable housing within the identification of OAN. The decision in Satnam¹ establishes that affordable housing needs are a component part of OAN, indicating that the “proper exercise” is to identify the full affordable housing needs and then ensure this is considered in the context of its likely delivery as a proportion of mixed market/affordable housing development. The decision in Kings Lynn² follows and amplifies the Satnam judgment in establishing that identified affordable housing needs (para 36) “*should have an important influence increasing the derived FOAN since they are significant factors in providing for housing needs within an area.*” It is clear that affordable housing needs are a substantive and highly material driver of any conclusion on full OAN.
- 1.17 Given the extent of affordable need identified in Sunderland and the guidance set out in the PPG which has been clarified through subsequent legal judgements, it is not considered acceptable for the SHMA Addendum to state in respect of meeting affordable needs:
- “In reality, households in need who cannot access the market can pay proportionately more for their housing above suggested affordable thresholds, people can share dwellings to reduce housing costs and the private rented sector has the potential to accommodate households in affordable need” (SHMA Addendum at paragraph 2.28)*
- 1.18 The Publication CSDP at Policy H2 sets out a requirement for developments of more than 10 dwellings, or sites of 0.5ha or more, to provide 15% affordable housing. The OAN of 745 dpa identified in the SHMA Addendum and taken forward as the housing requirement in the Publication CSDP; 15% affordable housing would deliver 112 homes per annum; 20% of the identified affordable need in Sunderland. To address in full the affordable housing imbalance would require a significant uplift to the identified housing requirement.
- 1.19 The PPG (2014) sets out an approach to identifying affordable housing needs (ID 2a-022 and ID 2a-029), and states that the total affordable housing need should be;
- “...considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments...an increase in the total housing figures included in the plan should be considered where it could help deliver the required number of affordable homes.”*
- 1.20 Lichfields’ assumptions underpinning the OAN differ to those utilised in the evidence underpinning the Council’s OAN and result in a different level and higher OAN identified. As a

¹ Satnam Millenium Limited vs Warrington Borough Council [2015] EWHC 370 (Admin)

² Oadby and Wigston Borough Council vs Secretary of State for Communities and Local Government and Bloor Homes [2016] EWCA Civ 1040

consequence, we believe a higher housing requirement in Sunderland can be justified and that this would help go further towards meeting the identified affordable housing needs across Sunderland.

(1.4) Alternatively should the housing requirement be lower taking into account factors such as the impact of Brexit and introduction of the standardised methodology for calculation Local Housing Need?

- 1.21 Our Client does not believe that the housing requirement should be lower.
- 1.22 For Sunderland the standardised methodology results in a future housing need of 573 dpa (over a 10-year period as assessed by the standard methodology 2019 to 2029 based on the latest affordability ratio statistics from April 2019), this compares to 745 dpa identified in the Publication Draft CSDP (2018).
- 1.23 The Government remains committed to significantly boosting the supply of homes across England which underpins the Autumn Budget of 2017 which stated the target of delivering 300,000 new homes per annum by the mid-2020s.
- 1.24 The NPPF and PPG (2019) set out the Government's approach to assessing local housing need through the standard methodology. The standard method identifies a minimum starting point of the level of homes needed in an area.
- 1.25 The recently revised PPG Section on Housing and Economic Needs Assessment (2019) states that:
- "The Government is committed to ensuring that more homes are built and supports ambitious authorities who want to plan for growth. The standard method for assessing local housing need provides a minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates." [2a-010-20190220]*
- 1.26 The aim of the standard methodology is to focus future housing growth in areas of highest need. However, it is based on two factors – housing need and affordability – which are shaped by past delivery rates, and does not consider future economic aspirations or affordable housing need integrally, albeit that these matters can be used to justify a higher figure at plan making stage. There are challenges across much of northern England to ensure that the relatively lower levels of need in the north of England do not undermine future economic well-being. This is important in Sunderland and through our evidence highlights a higher OAN could be justified to ensure the economic ambition for Sunderland is realised.

2.0 The Employment OAN

(2.1) Does the evidence base support the OAN of at least 95 ha of employment land?

- 2.1 Our Client does not have any comments on this question.

3.0 Alignment between housing and employment requirements

(3.1) Is there sufficient alignment between housing and employment requirements?

- 3.1 Our Client supports the Council's approach to identifying an OAN and subsequent housing requirement based on an economic-led future scenario in Sunderland. This is aligned to the wider economic objectives for Sunderland to create over 10,000 new jobs across the city over the plan period. This is supported by the "Economic Masterplan" ('Sunderland Economic Masterplan' SP30) in Sunderland and the economic opportunities which will be delivered through the IAMP which straddles land in Sunderland and South Tyneside.
- 3.2 Policy SP1 outlines a need to delivery at least 13,410 new homes (745 dwellings per annum). As set out in our Client's previous responses to the Draft CSDP, the Lichfields' HEaDROOM analysis indicates a need to deliver a higher level of housing over the plan period (between 875 and 935 dpa). Whilst the SHMA adopts an alternative approach, an uplift has been applied to look to align the housing and economic growth strategies underpinning the CSDP.
- 3.3 Paragraph 4.10, in the supporting text, makes it clear that the housing requirement "*should not be seen as a ceiling, but rather the level of growth which is both needed and anticipated to take place over the Plan period*" (our Client emphasis). This is important given that if increases in future economic activity are achieved, there is a risk that the level of housing being planned for will be unable to support the economic drivers in Sunderland, which is the basis upon which the Core Strategy and Development Plan is based.