“Radical” plans to boost housing supply.

East of England

Briefing Note

20/12/2016
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This Briefing Note is a precursor to the Housing White Paper which is expected early in the New Year, which the Communities Secretary, Sajid Javid, has said will set out “radical” plans to boost housing supply.

The White Paper will respond to the Local Plans Expert Group (LPEG) recommendations on making local plans more efficient and effective. One of the issues tackled by LPEG is the standardisation of approaches to Objective Assessment of Housing Need (OAHN). They recommend that there should be 4 stages to the OAHN:-

Output A

‘Step A’ takes the latest DCLG household projections and allows for a local level of vacancy.

This is then compared to projections using the average migration over the last 10 years (making no allowance for unattributed population change – UPC). Both projections should be uplifted to reflect changes in household formation for the 25 to 44 age group.

The LPEG recommendation is that it should be the higher of these two figures that should be selected for the OAHN.

Output B

‘Step A’ takes the latest DCLG household projections and allows for a local level of vacancy.

a. Where the House Price Ratio (HPR) is less than 5.3 (median quartile house prices to median earnings) and the Rental Affordability Ratio (RAR) is less than 25%, (lower quartile rental costs as a percentage of lower quartile earnings) no uplift is required

b. Where HPR is at or above 5.3 and less than 7.0, and/or the RAR is at or above 25% and less than 30%, a 10% uplift should be applied

c. Where the HPR is at or above 7.0 and less than 8.7, and/or the RAR is at or above 30% and less than 35%, a 20% uplift should be applied and

d. Where the HPR is at or above 8.7 and/or the RAR is at or above 35%, a 25% uplift should be applied

Output C

This requires the calculation of the number of total dwellings required to provide for the level of affordable dwellings as a percentage of market housing.

Output D

The LPEG recommended response is that if Output C is higher than output B, then either the dwelling requirement should be met or a further 10% should be added to Output B whichever is the lower.

In order to ascertain what such an approach would mean for the East of England, SPRU have looked at what the lowest levels of OAHN for each district could be, utilising both the housing projections published this summer (DCLG 2014 Household Projections, Table 425) and the most recent evidence on affordability averaged over the last 3 years (DCLG data sourced from ONS House Price Statistics and The Annual Survey of Hours and Earnings, Table 577).

The results, as set out on the table on the next page, are what we consider will be the lowest OAHN, and further research into rental affordability, affordable housing needs and the 10 year migration rates could all push these rates higher.

The LPEG recommendations did not allow for the OAHN to be adjusted to reflect projected economic growth, although the housing requirement could be increased to address planned economic growth. At present of course the OAHN does have to take into account such growth, and as such this would, at least until the LPEG recommendations are confirmed, may further justify the OAHN to be higher.

In conclusion, while the White Paper, if it follows some or all of the recommendations, might reduce discussion as to how adjustments are made to finally arrive at the OHAN, there is still a role for testing Council’s approaches, in terms of the evidence on migration and affordability.

The SPRU team at DLP have considerable experience in undertaking these assessments both for local plan examinations and at appeal. So if you would like to discuss the issues raised in this briefing note further please contact:

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LPEG based OAHN for the East of England*

<table>
<thead>
<tr>
<th>Counties, unitary authorities and districts in the East*</th>
<th>OAHN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bedford UA</td>
<td>1204</td>
</tr>
<tr>
<td>Central Bedfordshire UA</td>
<td>2181</td>
</tr>
<tr>
<td>Luton UA</td>
<td>1290</td>
</tr>
<tr>
<td>Peterborough UA</td>
<td>923</td>
</tr>
<tr>
<td>Southend-on-Sea UA</td>
<td>1027</td>
</tr>
<tr>
<td>Thurrock UA</td>
<td>1044</td>
</tr>
</tbody>
</table>

**Cambridgeshire**

- Cambridge                                              564  
- East Cambridgeshire                                     541  
- Fenland                                                479  
- Huntingdonshire                                         879  
- South Cambridgeshire                                    990  

**Essex**

- Basildon                                               931  
- Braintree                                               739  
- Brentwood                                               427  
- Castle Point                                            313  
- Chelmsford                                             830  
- Colchester                                              986  
- Epping Forest                                          883  
- Harlow                                                  455  
- Maldon                                                  247  
- Rochford                                                318  
- Tendring                                                716  
- Uttingsford                                             636  

**Hertfordshire**

- Broxbourne                                             528  
- Dacorum                                                942  
- East Hertfordshire                                     967  
- Hertsmere                                               663  
- North Hertfordshire                                     900  
- St Albans                                              816  
- Stevenage                                               428  
- Three Rivers                                            572  
- Watford                                                 738  
- Welwyn Hatfield                                        815  

**Norfolk**

- Breckland                                              618  
- Broadland                                               452  
- Great Yarmouth                                         344  
- King’s Lynn and West Norfolk                            474  
- North Norfolk                                          483  
- Norwich                                                580  
- South Norfolk                                          805  

**Suffolk**

- Babergh                                                 346  
- Forest Heath                                           344  
- Ipswich                                                 440  
- Mid Suffolk                                             478  
- St Edmundsbury                                         393  
- Suffolk Coastal                                        445  
- Waveney                                                 334  

* Table shows LPEG recommended methodology, using latest DCLG projections - ratio of median house price to median earnings by LPA (average 2013-15) alongside average change in household projections for LA districts, England (2014-39)