



# Hart, Rushmoor and Surrey Heath Strategic Housing Market Assessment

## Summary and Discussion of OAN in the Light of DCLG's Proposals and Updated Data

**Client: Hart, Rushmoor and Surrey Heath Councils**  
**December 2017**

Wessex Economics Ltd,

Brewery House, High Street, Twyford

Winchester, SO21 1RF

T: 0118 938 0940

Contact: [chris.cobbold@wessex-economics.co.uk](mailto:chris.cobbold@wessex-economics.co.uk)

## Introduction

1. This document brings together the findings of the four Update Annexes to the HRSH SHMA 2016, which address the implications of the DCLG's 'Planning for the right homes in the right places' consultation; and additional analysis and commentary on the components of OAN using the current PPG process, in the light of submissions made on the Hart and Rushmoor draft Local Plans, and new data.
2. The focus is on seeking to answer the question 'is the OAN set out in the HRSH SHMA 2016 still appropriate, or does it need to be updated in any significant way?' In coming to opinion expressed in this document, Wessex Economics have taken account the direction Planning Inspectors appear to be taking in Local Plan Examinations

## The 'Planning for Homes' Approach to Calculation of OAN

3. The starting point for this discussion is the *Planning for Homes* consultation. If this is adopted as proposed by DCLG, then unless the Rushmoor and Hart Local Plans have been submitted for examination 'on or before 31<sup>st</sup> March 2018', then the revised OAN methodology will apply. The HRSH authorities should, however be prepared for refinements to be made to the standard methodology, and possible changes to the timetable for implementation.
4. The only official caveat with respect to the timing of the introduction of the standard methodology set out in the *Planning for Homes* consultation is that if the revised NPPG has not been published by 31<sup>st</sup> March 2018, then authorities have a time window to submit their plans for examination using the existing methodology up to the point at which the revised NPPG is published.
5. Figure 1 shows that for all the HRSH authorities, the OAN that would emerge on the basis of the current proposals as set out in the *Planning for Housing* Consultation, would be 22% lower than the assessed OAN as set out in the HRSH SHMA 2016. This would be a significant reduction in OAN, though authorities can plan to provide more homes than indicated by OAN

**Figure 1: OAN Calculated Based on the 'Planning for Housing' Consultations compared to HRSH SHMA 2016 OAN by Authority**

	OAN subject to Cap	OAN without Cap	HRSH SHMA 2016	HRSH SHMA % Uplift on Capped OAN	HRSH SHMA % Uplift on uncapped OAN
Hart	293	310	382	30%	23%
Rushmoor	295	295	436	48%	48%
Surrey Heath	351	384	382	9%	-1%
HRSH	939	989	1,200	28%	21%

Source: Wessex Economics

6. If the approach to the calculation of OAN in the *Planning for Housing* is adopted the OAN for the HRSH area will be 78% of the OAN set out in the HRSH SHMA 2016. Even if the proposed 'caps' were removed the OAN would be only 82% of the OAN set out in the HRSH SHMA 2016. This is very largely the consequence of the uplift in housing requirements made in response to anticipated employment growth in the HRSH SHMA 2016.

## Revised Demographic Starting Point

7. Comments made in response to the publication of the draft Hart and Rushmoor Local Plans, indicate that demographic scenarios should be run using the 2014-based SNPPs and Household Projections; and that additional consideration should be given to uplifts in household formation rates to deliver a partial return to the household formation rates reflected in the 2008-based Household Projections focusing on the 25-44 age groups.
8. Figure 2 summarises the outcomes of the additional modelling undertaken to address these issues. The following points can be made in comparing this updated analysis with the HRSH SHMA 2016:
  - The '*demographic starting point*' based on the 2014-Household Projections is lower than the equivalent demographic starting point set out in the HRSH SHMA 2016, which is based on the 2012-based Household Projections. The HMA dwelling requirement based on the 2014 HHPs is 686 dwellings pa, compared to 785 dpa as set out in the HRSH SHMA 2016 (Figure 8.23)
  - A 10 year migration trend is commonly regarded by many demographers as preferable to the 5 year domestic migration trend used by ONS, though it is a departure from what PPG indicates should be used as the demographic starting point. Figure 2 shows that the dwelling requirement linked to the 10 year migration trend is 710 dpa, compared to the 785 dpa figure adopted in the SHMA.
  - The dwelling requirement based on a 15 year migration trend is 751 dpa, again lower than the 785 dpa figure set out in the HRSH SHMA 2016.
12. It is clear that the demographic starting point, on the basis of the most recent data, is actually lower than that used in the SHMA by between 34 dpa and 99 dpa.
13. However, a number of representations made on the Rushmoor and Hart Local Plans argued that consideration should be given in the demographic analysis to alternative demographic scenarios based on a full or partial recovery in household formation rates, given that there is some evidence that household formation has been suppressed over the past 20 years or more.
14. The HRSH SHMA 2016 did address this issue (paras 8.91 to 8.103), but did not make any adjustment in the first stage in establishing the demographic starting point to allow for an uplift in household formation rates. Instead this was addressed in Section 9 of the SHMA in connection with the uplift to be applied in response to market signals.
15. In response to the consultation feedback, Wessex Economics has tested a '*part-return to trend*' scenario which sees the rate of household formation return to a mid-point between the household formation rates set out in the 2008-based and the 2014-based Household Projections.
16. Figure 2 shows the results of this modelling expressed in terms of dwelling requirements. The baseline scenario based on 2014-based SNPPs generates a figure just slightly below the 785 demographic starting point set out in the HRSH SHMA 2016 (767 dpa) and the 2014-based SNPPs with a 10 year migration trend generates a figure just above the SHMA figure (790 dpa)
17. The two other scenarios (2014-based SNPPs updated with MYE, and 2014-based SNPPs updated by MYE and 15 year migration rates) generate somewhat higher dwelling requirements at 805 and 833

dwellings pa. But it should be borne in mind that the OAN in HRSH SHMA 2016 of 1,200 dpa, still represents an uplift of 44% over the highest figure of 833 dpa.

**Figure 2: Calculation of the Demographic Starting Point (Dwellings)**

	Hart	Rushmoor	Surrey Heath	HRSH
<i>HRSH SHMA 2016</i>				
<i>Demographic Starting Point Adopted</i>	254	280	251	785
<i>Baseline</i>				
2012-based CLG HH Projection - Households	240	281	234	754
2014-based CLG HH Projection - Households	207	215	245	667
2014-based CLG HH Projection - Dwellings	212	222	252	686
<i>Alternative Scenarios - Dwellings</i>				
2014-based SNPPs updated by MYE	218	250	255	724
2014-based SNPPs MYE 10 year migration	230	244	236	710
2014-based SNPPs MYE 15 year migration	301	208	243	751
<i>Part Return to Trend HH Representative Rates</i>				
2014-based CLG HH Projection - Dwellings	232	259	276	767
2014-based SNPPs updated by MYE	239	287	279	805
2014-based SNPPs MYE 10 year migration	251	280	260	790
2014-based SNPPs MYE 15 year migration	323	243	266	833

Source: Wessex Economics

## Employment Growth

18. The review of employment growth set out in Annex 4 identifies that in 2015-16, the HRSH economy has experience a significant set-back with the loss of around 3,500 to 4,000 jobs. When combined with the evidence of full-employment in the UK economy, this calls into question whether the HRSH economy will in fact see employment grow at the pace assumed in the HRSH SHMA 2016 of 1,200 jobs pa in the period 2013-32.
19. There is also a strong argument that given high levels of employment, the focus of economic policy should shift from employment creation to focus on increasing productivity and increasing earnings. Since the Global Financial Crisis, UK productivity growth has been dismal, and as a result earnings and incomes have not increased significantly in real terms. It should be borne in mind that two of the three forecasting houses forecast job growth from 2014-32 of 909 and 945 jobs pa. It now seems appropriate to give more weight to these forecasts and much less to the forecasting house that forecast 1,480 jobs pa growth over the period 2014-32.
20. Wessex Economics has therefore re-run the housing requirements linked to the employment scenarios, based on the updated population projections; and on the basis of the partial return to 2008-based household formation rates. Figure 3 shows the number of new homes required linked to the three employment scenarios (respectively 900, 1050 and 1,200 jobs pa growth) based on the updated demographics; and separately for the scenarios for the part-return to 2008 household formation rates

**Figure 3: Estimates of Annual Housing Need for Employment Based Scenarios – 2014-32**

	900 jobs pa		1,050 jobs pa		1,200 jobs pa	
	Stage 1 HRRs	PRT HRRs	Stage 1 HRRs	PRT HRRs	Stage 1 HRRs	PRT HRRs
Hart	260	282	286	308	311	334
Rushmoor	300	338	330	369	360	399
Surrey Heath	299	324	325	350	351	377
HRSB	859	944	941	1,027	1,022	1,110

Source: Wessex Economics

21. Figure 3 shows that under all these scenarios are consistent with the OAN of 1,200 dpa. Since the need for additional labour is met by increased net in-migration, the more that OAN is driven by employment considerations, the less of any uplift over the demographic starting point contributes to improving affordability in response to market signals. This was an issue raised at the Netherfield Copse appeal by the appellants.

### Market Signals

22. Under the current PPG, there is guidance on what market signals to examine and the sources of data; but no guidance whatsoever on what level of uplift should be applied. *Planning for Housing* has an approach to calculating an uplift in response to market signals, but it would not seem appropriate to lift that approach and apply it in the context of current PPG.
23. What appears to be emerging from Local Plan Examinations is the selection of a figure by Inspectors that broadly calibrates the uplift on the demographic starting point (or the adjusted demographic starting point including an uplift to allow for enhanced household formation) based on affordability indicators. This is generating uplifts of 20%-35% in the South East of England.
24. Figure 4 shows that the current assessed OAN for the HRSB represents a 52% uplift on the Demographic Starting Point identified in the HRSB SHMA 2016. If the starting point were to be regarded as the 833 dwellings pa requirement, as discussed in para 17, based on the Demographic Starting Point, plus adjustment to permit a higher rate of household formation than that embedded in ONS Household Projection, then an OAN of 1,200 dpa represents a 45% uplift on this starting point.

**Figure 4: Impact of Percentage Uplifts on HRSH SHMA Demographic Starting Point and Demographic Variant with Increased Household Formation.**

	HRSH 2016 SHMA Demographic Starting Point	Annex 2: Updated Demographic Starting Point and Enhanced HH Formation
<b>Starting Point</b>	<b>785</b>	<b>833</b>
<b>% Uplift on DSP</b>		
20%	942	1,000
25%	981	1,041
30%	1,021	1,083
35%	1,060	1,125
40%	1,099	1,166
45%	1,138	1,208

Source: Wessex Economics

## Conclusions

25. The analysis undertaken drawing on the most recent data for the HRSH Housing Market Area, and taking into account recent decisions at Local Plan Examinations, would indicate that the OAN for the HRSH HMA remains valid, given the requirements set out in Planning Policy Guidance, which currently inform how OAN should be determined.
26. The OAN is some 28% higher than that would be generated by the 939 dwelling pa requirement associated with the Government’s proposed standard methodology set out in the *‘Planning for Housing Consultation* including the cap; and some 21% higher than the assessed need without the application of the cap.
27. The HRSH SHMA 2016 assesses affordable housing need and includes an uplift for concealed households only. The HRSH SHMA presents the case that any *additional* uplift in planned housing provision to help further meet affordable housing need is a policy-on decision in the context of the significant uplift from the demographic start point, to meet employment growth.
28. This position was challenged by the appellant at the Netherfield Copse appeal, but the Appeal Inspector did not take a position on this issue in coming to his decision to allow the appeal and grant outline planning permission. In fact the Inspector at the Netherfield Copse did not address the issue of OAN or comment in any way on the SHMA in coming to his decision to approve the planning application.
29. It is important to re-iterate that the OAN set out in the HRSH SHMA 2016 of 1,200 dpa represents a very substantial uplift (53%) over the demographic starting point of 750 dpa.
30. The update of employment trends, which demonstrate a reversal of past trends of employment growth in the HRSH area is also significant. In view of this Wessex Economics has run scenarios of job growth based on assumed levels of job growth of 900 jobs pa and 1,050 jobs pa.

31. In Wessex Economics' opinion lower levels of job growth do not provide a basis for reducing OAN. This is because the scale of the affordability challenge is so substantial, that the reduced pressure to plan for homes to provide housing for additional workers, will enable an enhanced contribution to addressing the adverse market signals in the HRSH area.