

LICHFIELDS



How do you link housing and jobs to ensure greater sustainability?

Matthew Spry, Senior Director

11 October 2018



On the agenda

- Strategic planning for jobs and housing
- Where are we with policy?
- Where does this leave us?

Not on the Agenda

- Detail of other issues around housing need, including specifics of the standard method itself or the new ONS projections
- But the solution MHCLG are working on provides opportunity to address issues I will cover

RESI

ONS statistics cast doubt on 300,000 homes target

By Guy Montagui-Jones | Thu 11 October 2018



A new set of household growth forecasts from the Office for National Statistics (ONS) suggests that the government's target to build 300,000 new homes a year is wildly off the mark.



Household growth of 159,000 a year is now forecast, well down on the previous projection of an extra 210,000 households a year. Source: Shutterstock/gracloud

A new set of household growth forecasts from the Office for National Statistics (ONS) suggests that the government's target to build 300,000 new homes a year is wildly off the mark.

Household growth of 159,000 a year is now forecast, well down on the previous projection of an extra 210,000 households a year. This is potentially a big issue because the ONS figures are traditionally used as a starting point for local authorities to calculate housing need and therefore inform planning decisions.

More on revised standard housing need method by Christmas, says chief planner

9 October 2018 by Bryan Johnston

Further details on revisions to the method of calculating local housing need are expected to emerge before Christmas, a top government official said at an event in London today.



Chief planner Steve Quartermain

Strategic Planning for Jobs and Housing

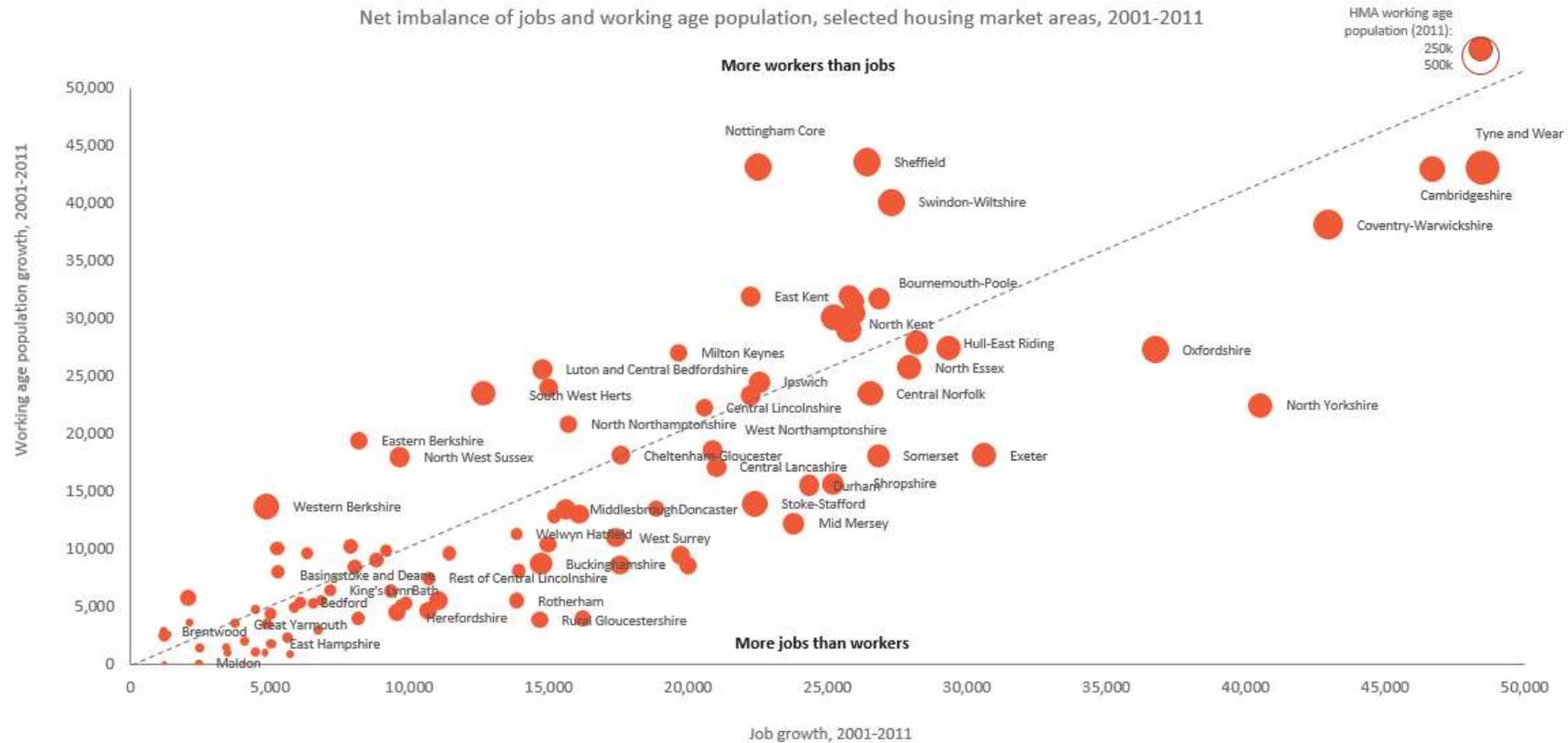
Relationship of jobs and housing

Future Challenges

- Ensuring economic growth is not undermined by shortage of housing
- Labour supply vs scale of employment
- Sustaining crucial services in growth areas
- Providing right type of accommodation
 - Affordable
 - Entry-level owner occupation
- Aligning with Growth deals and infrastructure investment

Past alignment of jobs-housing

Net imbalance of jobs and working age population, selected housing market areas, 2001-2011



Note: Figures refer to projected population growth in LA/HMA over the 25 years from 2016 to 2041, rounded to nearest ten, jobs growth is projected forwards from 2001-2011 based on working population growth.

Source: ONS, Lichfields Analysis

Alignment may reduce commuting

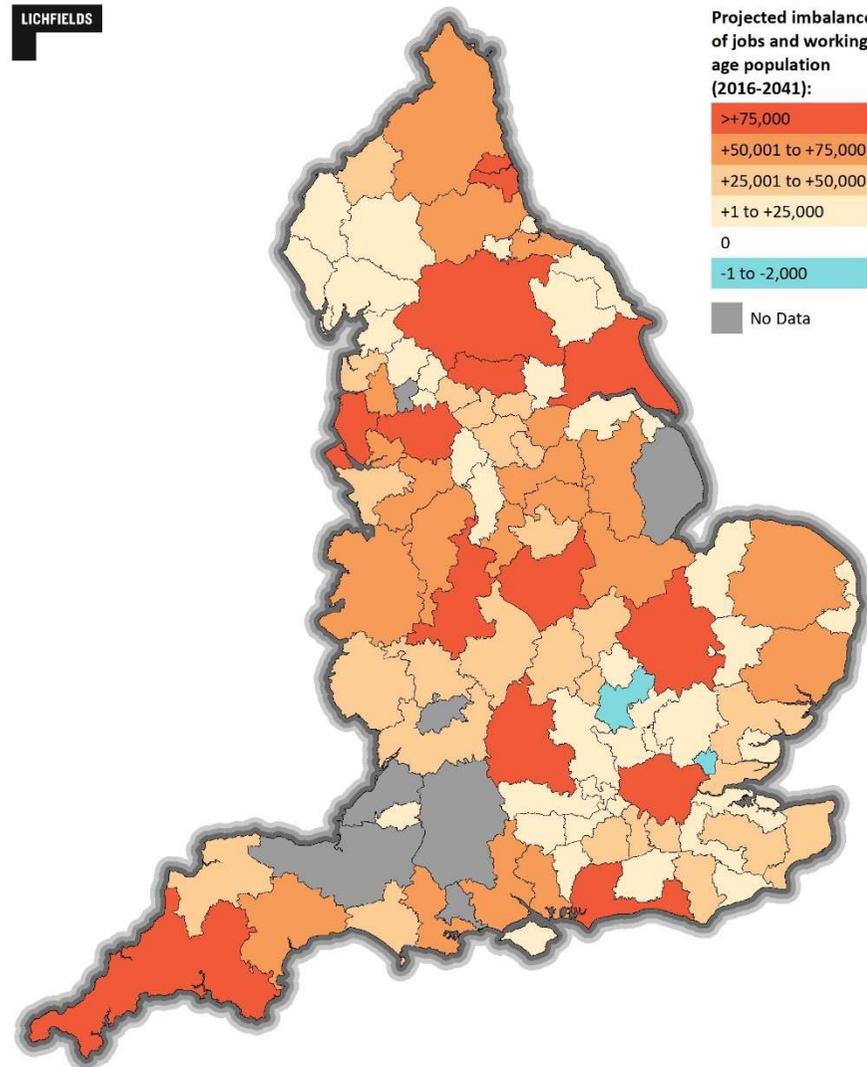
Net imbalance of jobs and working age population vs change in average commuting distance, housing market areas, 2001-2011



Note: Figures refer to projected population growth in LA/HMA over the 25 years from 2016 to 2041, rounded to nearest ten, jobs growth is projected forwards from 2001-2011 based on working population growth.

Source: ONS, Lichfields Analysis

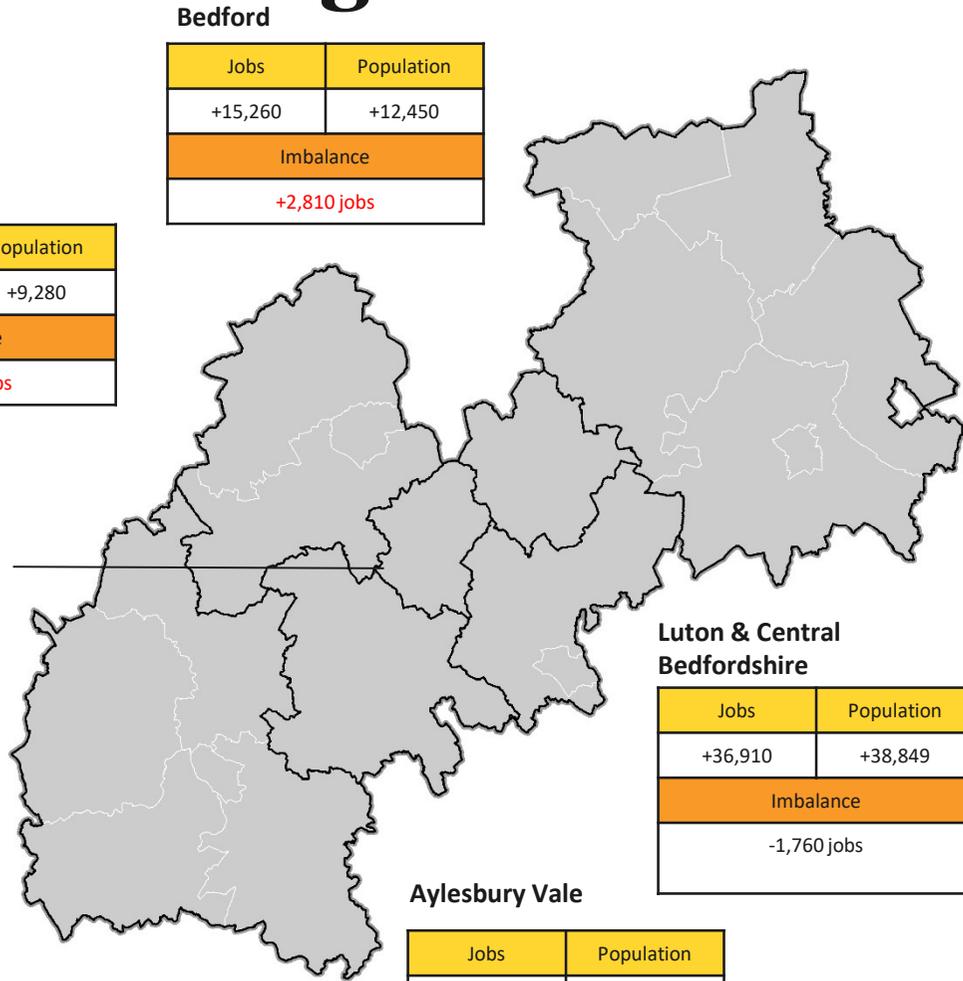
Greater potential for labour shortages (1)



Note: Figures refer to projected population growth in LA/HMA over the 25 years from 2016 to 2041, rounded to nearest ten, jobs growth is projected forwards from 2001-2011 based on working population growth.

Source: ONS, Lichfields Analysis

Undermining CaMKOx Potential



Bedford

Jobs	Population
+15,260	+12,450
Imbalance	
+2,810 jobs	

**Northampton
(West Northants)**

Jobs	Population
+52,220	+9,280
Imbalance	
+32,940 jobs	

**Cambridge
(Cambridgeshire)**

Jobs	Population
+116,920	-3,158
Imbalance	
+119,920 jobs	

**Milton
Keynes**

Jobs	Population
+49,160	+15,310
Imbalance	
+33,850 jobs	

**Luton & Central
Bedfordshire**

Jobs	Population
+36,910	+38,849
Imbalance	
-1,760 jobs	

**Oxford
(Oxfordshire)**

Jobs	Population
+91,870	-3,158
Imbalance	
+103,590 jobs	

Aylesbury Vale

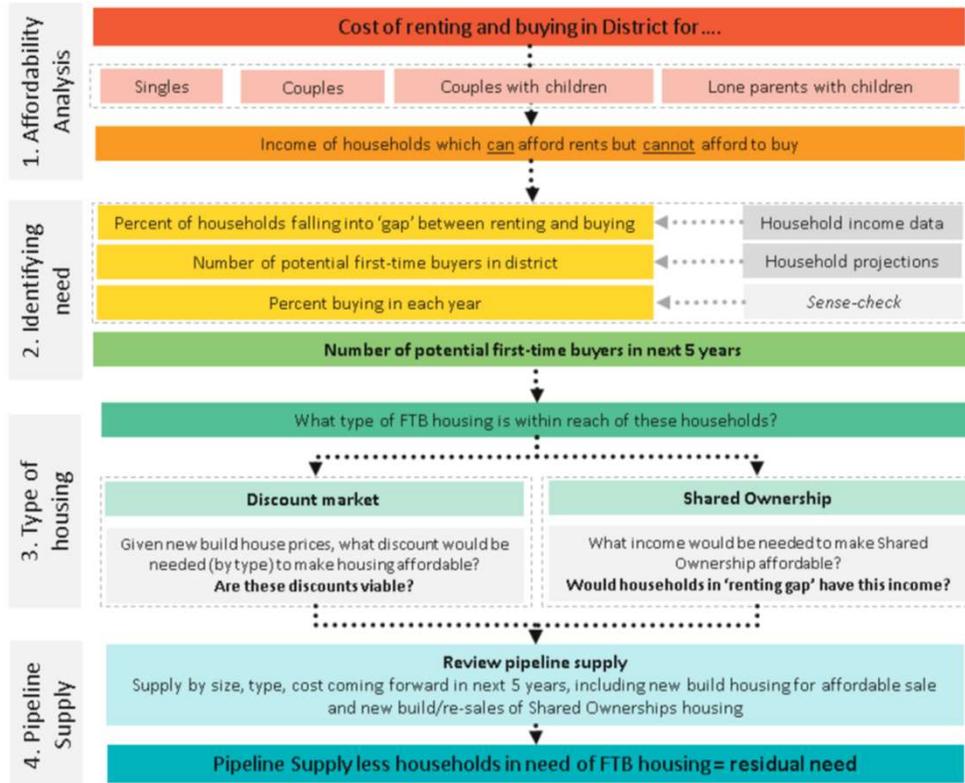
Jobs	Population
+15,830	+18,160
Imbalance	
-2,330 jobs	

Projected job growth 2016-41 (2001-2011 trend-based)	Projected working age population growth 2016-41 (SNPP, 16-64)
Net imbalance between projected job growth and working age population living within the HMA	

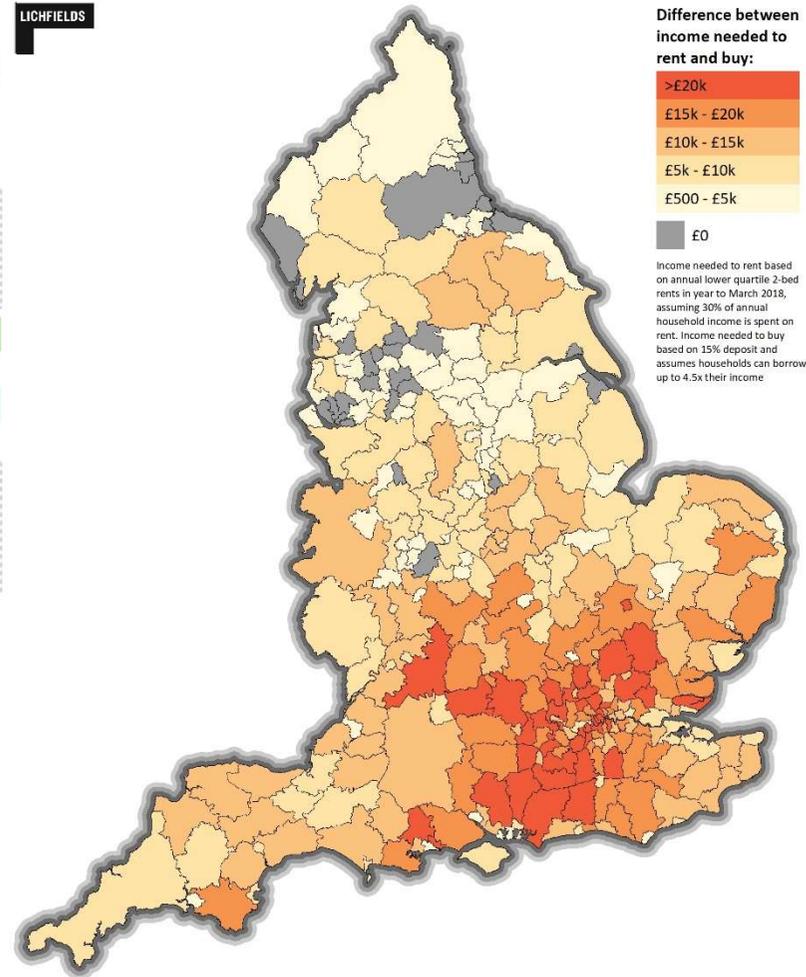
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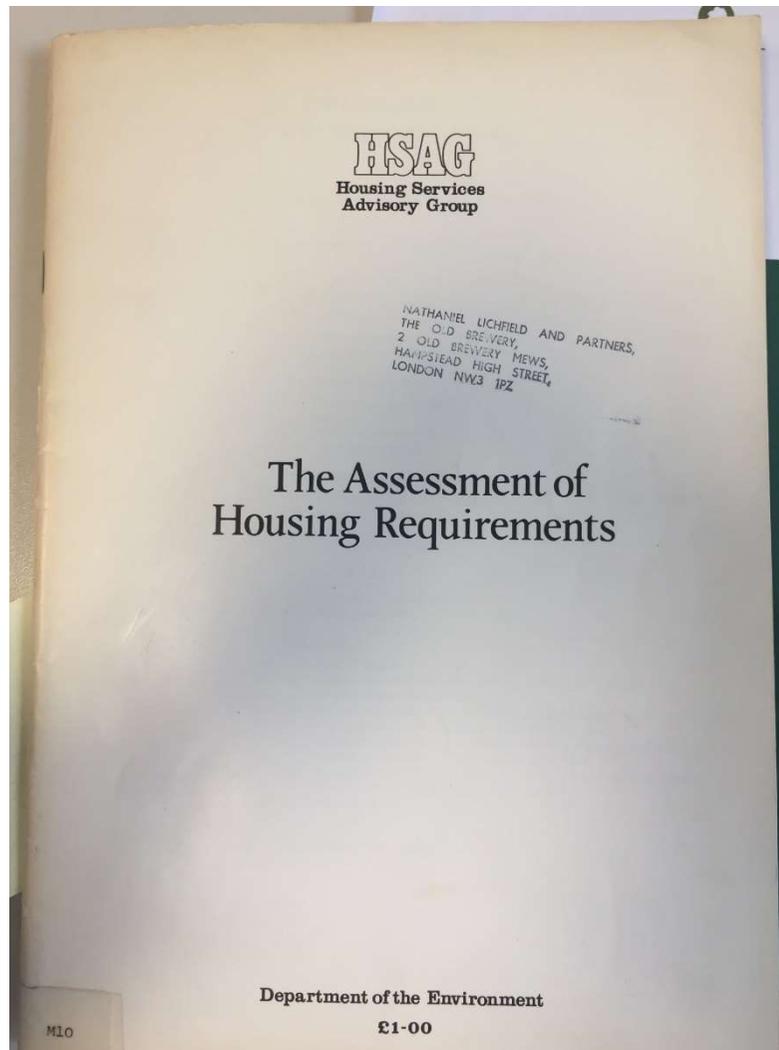
Barriers to owner-occupation



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But none of these issues are new



APPENDIX 4 THE RELIABILITY OF POPULATION, HOUSEHOLD AND EMPLOYMENT PROJECTIONS AND FORECASTS

1 Forecasts of population and employment are required to assist a range of planning and housing decisions but because of their uncertain reliability it is important that they should not be given undue weight. Recently, increasing attention has been drawn to inaccuracies of past forecasts, and the relevance of future uncertainties in policy planning (see for example *Demographic Change and Social Policy: The Uncertain Future* Centre for Studies in Social Policy, June 1976). One of the most spectacular mistakes was the view expressed in 1949 by the Royal Commission on Population that 'we can forecast with a good deal of confidence a substantial decline in the annual number of births over the next fifteen years', after which annual fertility rates increased in 1965 to the highest level for over 40 years. The official projections made in 1965 then assumed that fertility would continue to increase and concern about population increase persisted in the Report of the Population Panel in 1973 (Cmnd 5258). In fact, since 1965 fertility has declined by 30%.

10 Forecasts of *labour demand* are usually constructed independently of population estimates. They are, however, generally assumed to be inaccurate over even the medium term and the Department of Employment has cautioned against attempts at quantitative forecasts on the basis of general surveys of employers. A brief examination of demand estimates in Regional studies indicates that the caution is well founded. In the Northern Region demand was expected to fall by 0.3% between 1966 and 1971, while in fact it declined by over 5% representing an error of 94% in the forecast change. The predictions of change in labour demand between 1966 and 1971 in Yorkshire and Humberside were still more inaccurate; demand for labour declined 81% over the period, whereas the forecast anticipated a static or slightly increased demand.

¹ A survey among employers on the constraints of efficiency in manufacturing industry in the South East found that '... housing was the most serious infrastructure problem reported and was directly linked with the labour supply restraint'. In two sub-areas firms believed that labour shortages were directly attributable to an imbalance between employment and the stock of housing in the area due to a '... failure on behalf of the authorities to perceive the inevitable relationship between employment and the housing of workers, particularly in rented accommodation'. This finding matches that of a survey in 1975 by Hampshire County Council of employers in the north east of the County, which found that housing problems were the second most quoted problem after the scarcity of specialist labour.

Where are we with policy?

The 'old' NPPF

- Year: 2012
- Context: Recession and recovery
- Key paras: 19, 158, 160

19 “The Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth. Planning should operate to encourage and not act as an impediment to sustainable growth. Therefore significant weight should be placed on the need to support economic growth through the planning system.”

158 “Local planning authorities should ensure that their assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals.”

160 “LPAs should ... work closely with the business community to understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability”

The 'old' PPG

- Year: 2014
- Key para: 2a-018

How should employment trends be taken into account?

Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area. ... Failure to do so will mean that there would be an increase in unmet housing need.

Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.

Where were we?

- Combined effect, employment growth was at least to some extent, part of the approach to assessing housing need
- What that growth was in practice dominated by opaque, circular and arguably discredited models
- Some difficulties around concept of “policy off” (OAN) and “policy on” requirement
- But legal judgments (e.g. Hunston, Solihull) helped to clarify some important issues

The 'new' NPPF

- Year: 2018
- Context: Housing crisis
- Key paras: 80, 81

80. “Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development. The approach taken should allow each area to build on its strengths, counter any weaknesses and address the challenges of the future. This is particularly important where Britain can be a global leader in driving innovation, and in areas with high levels of productivity, which should be able to capitalise on their performance and potential.”

81 “Planning policies should:

- a) set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration;*
- b) ...*
- c) seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and*
- d) be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation)...*

The 'new' NPPF

- Year: 2018
- Context: Housing crisis
- Key paras: 36, 60

36. *“Local plans and spatial development strategies are examined to assess whether they have been prepared in accordance with legal and procedural requirements, and whether they are sound. Plans are ‘sound’ if they are:*

*a) Positively prepared – providing a strategy which, as a minimum, seeks to meet the area’s objectively assessed needs**

**... such needs should be assessed using a clear and justified method, as set out in paragraph 60 of this Framework.”*

b) Justified – an appropriate strategy, taking into account the reasonable alternatives

c) Effective ...

d) Consistent with national policy – enabling delivery of sustainable development

60. *“To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for”*

The 'new' NPPF

- Year: 2018
- Context: Housing crisis
- Key paras: Glossary

Local housing need: the number of homes identified as being needed through the application of the standard method set out in national planning guidance, or a justified alternative approach.

The 'new' PPG (1)

When might a higher figure than the standard method need to be considered?

The government is committed to ensuring more homes are built and are supportive of ambitious authorities who want to plan for growth. The standard method for assessing local housing need provides the 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 **actual housing need** may be higher than the figure identified by the standard method.

Where additional growth above historic trends is likely to or is planned to occur over the plan period, an appropriate uplift may be considered. This will be an uplift to identify housing need specifically and should be undertaken prior to and separate from considering how much of this need can be accommodated in a housing requirement figure. Circumstances where this may be appropriate include, but are not limited to:

- where growth strategies are in place, particularly where those growth strategies identify that additional housing above historic trends is needed to support growth or funding is in place to promote and facilitate growth (e.g. Housing Deals);
- where strategic infrastructure improvements are planned that would support new homes;
- where an authority has agreed to take on unmet need, calculated using the standard method, from neighbouring authorities, as set out in a statement of common ground;

The 'new' PPG (2)

When might a higher figure than the standard method need to be considered?

In addition authorities should also consider:

- previous delivery levels. Where previous delivery has exceeded the minimum need identified it should be considered whether the level of delivery is indicative of greater housing need ; and
- recent assessments of need, such as a Strategic Housing Market Assessments (SHMA). Where these assessments suggest higher levels of need than those proposed by a strategic policy-making authority, an assessment of lower need should be justified.

Paragraph: 010 Reference ID: 2a-010-20180913

The 'new' PPG (3)

If authorities use a different method how will this be tested at examination?

Where a strategic policy-making authority can demonstrate an alternative approach identifies a need higher than that identified using the standard method for assessing local housing need, the approach should be considered sound as it will have exceeded the minimum starting point.

Any alternative approach which results in a lower housing need figure than that identified using the standard method should in principle be considered to be unsound, on the basis that the minimum need has not been identified. The strategic policy-making authority will need to demonstrate, through a robust evidence base, that the lower need figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances to deviate from the standard method. This will be tested at examination.

Paragraph: 015 Reference ID: 2a-015-20180913

Where does this leave us?

Where does that leave us?

- Confused?
 1. Plans should, as a minimum, meet OAN assessed as set out in para 60
 2. Para 60 tells us the minimum number of homes needed (bottom of range) is informed by LHN assessment, conducted using standard method in PPG
 3. Glossary tells us LHN = standard method set out in PPG, or a justified alternative approach
 4. PPG gives us standard method, but also identifies when a higher figure needs to be considered, including economic growth, previous SHMAs etc, which show actual need is higher
 5. PPG tells us any figure higher than standard method derived should be considered sound as it will have exceeded the minimum starting point. What does that mean for areas that go higher, but not high enough?
 6. To be sound, a plan must be consistent with NPPF, what if housing need in standard method doesn't match paras 80 and 81 on economic growth?
- What actually is housing need? And how does it relate to the presumption in favour and what's needed for a sound plan?
- A diminution in clarity

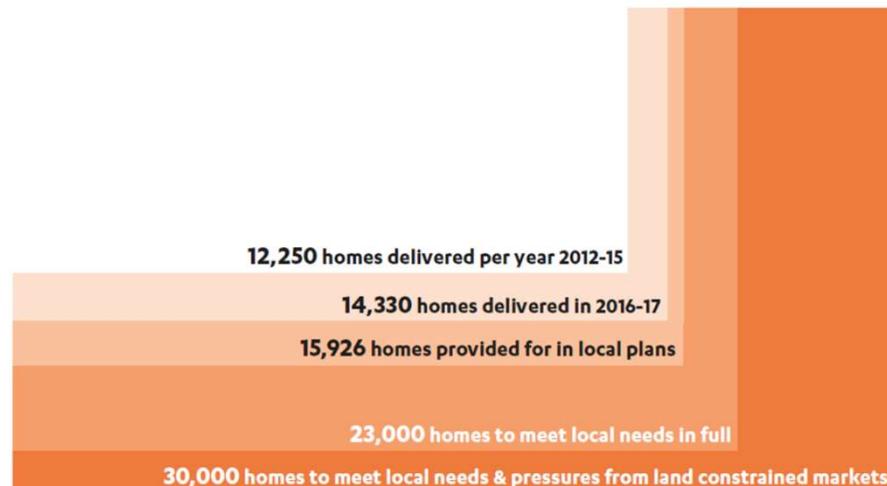
Unpicking the mess

- Govt's theory:
 - No one size fits all policy. Areas that want to be ambitious and pursue growth above standard method figure = no barrier to doing so in planning terms
 - Politics may be different
 - Standard method predicated on basis that employment pressures likely to =worse affordability and thus areas get bigger uplift for market signals
 - Increased problems with demographic projections has raised questions over this assumption
 - Will the MHCLG 'fix' by Christmas sort this?
- What if the fix doesn't work for our growth areas?
- Opportunity for a revision to the PPG to address ambiguous/unclear drafting
- Or it's heading to the Courts

Growth Deals – the bigger game?

- Return of regional planning
- Carrots (but is there stick?)
- How to evidence?
- How to agree?
- How to reverse into Local Plans
- Local conversations

Figure 5: Average annual housing need, planned housing development and housing completions across the CaMkOx arc²⁴



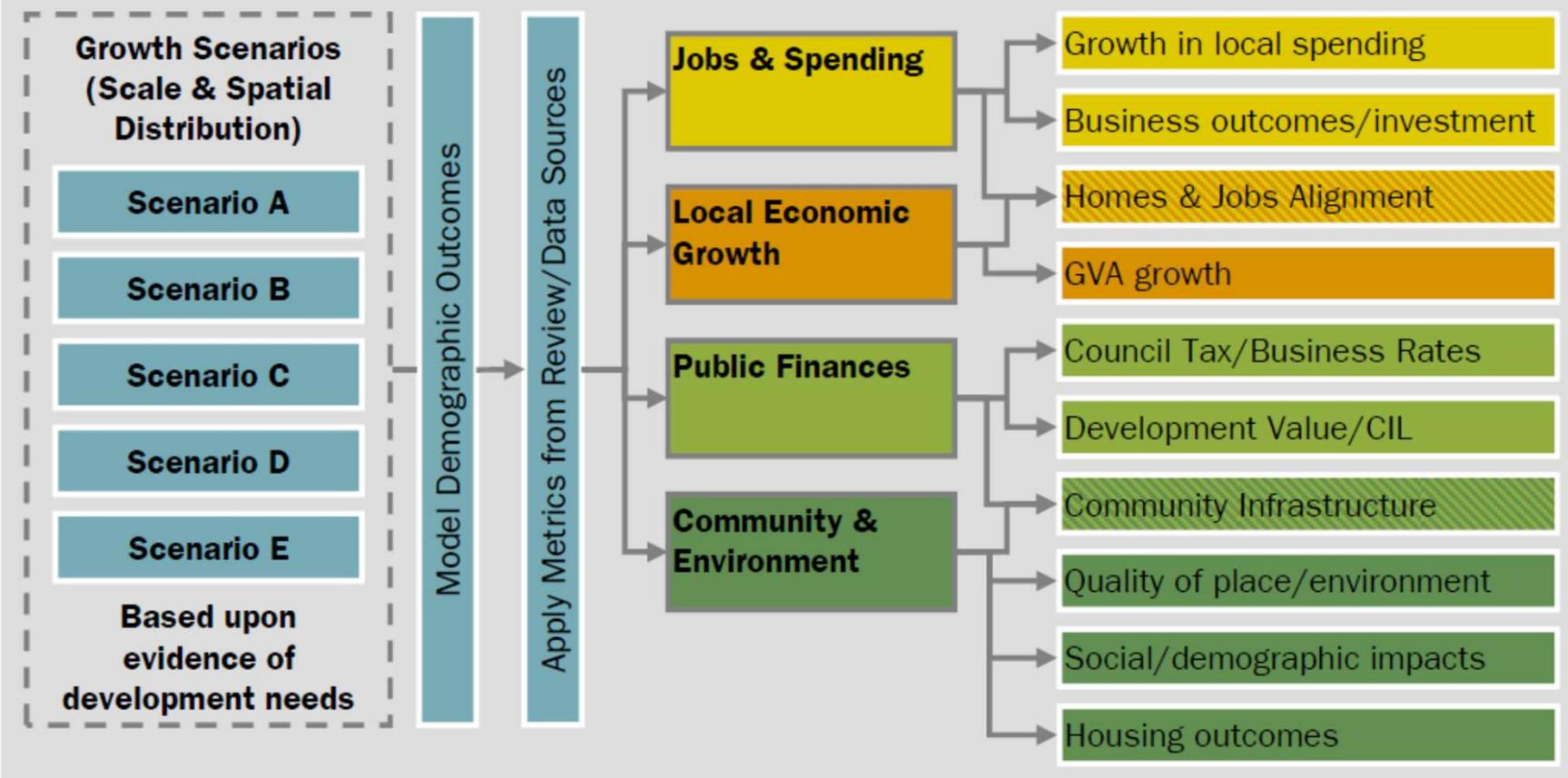
PARTNERING FOR PROSPERITY:

A new deal for the Cambridge-Milton Keynes-Oxford Arc



Making the local case - Futures

The Regeneration Benefits of Future Growth

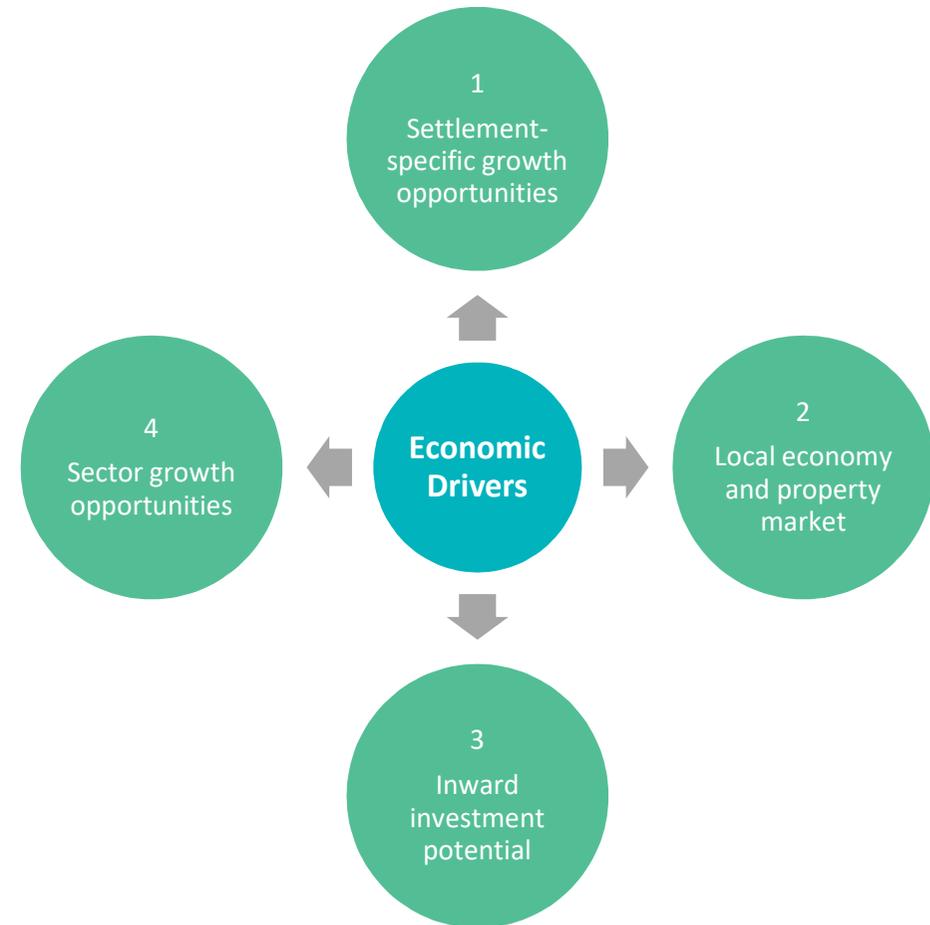


Making the local case - Futures



Making the local case - Sites

1. New community opportunities – creating a new place-based economic product
2. Local economy and property market
3. Inward investment potential
4. Sector growth opportunities – a strategy that is future-facing in terms of advances in technology, research and innovation. In line with the Government's Industrial Strategy



Conclusions

Summing up

- Major strategic planning issue for next generation of local plans
- 300,000 homes as a national ambition, but need to be in the right place to support our most productive economies
- Simplified methodology for housing need has been accompanied by a national policy-making muddle
- Needs unravelling by Christmas

- Keep an eye on the new dimension
 - “It’s regional planning Jim, but not as we know it.”
- Still need for local conversations about what sensible economic growth looks like