Chesterfield Local Plan Examination: Considering the Housing Requirement

Draft Report

Iceni Projects Limited on behalf of
Chesterfield Borough Council

September 2019
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1. INTRODUCTION

1.1 Chesterfield Borough Council has commissioned Iceni Projects Limited ("Iceni") to consider and comment on two issues raised by the Local Plan Inspectors in respect of the housing target in the Chesterfield Local Plan. These issues are:

- Whether there would be any significant consequences where they to recommend that the LHN figure of 240 dpa derived from the standard method be used as the starting point for the housing need, including for other authorities in the HMA/ Sheffield City Region; and

- Whether there would be evidence to justify any adjustments to the LHN as to arrive at an alternative, higher figure.
2. CONTEXT

2.1 Chesterfield Borough Council published its Draft Local Plan in December 2018, consulted on it, and then submitted the Plan to the Secretary of State in June 2019. The plan as submitted covers a plan period from 2018-33.

2.2 Policy LP1 (Spatial Strategy) in the Plan sets out that the Council will make provision for the delivery of a minimum objectively-assessed need (OAN) of 4,374 dwellings over the 2018 – 2033 period. Paragraphs 2.1 – 2.6 and Table 1 within the Plan on page 15 set out how the housing requirement has been derived. This is as follows:

- The starting point has been the SHMA Update 2017 which identified an OAN of 265 dwellings per annum over the 2014-33 period to meet the Borough’s housing needs, equating to 5,035 dwellings (265 x 19);

- This has then been rebased to take account of the starting point of the plan period in 2018 by subtracting net completions of 661 dwellings over the 2014-18 period, giving a plan period requirement of 4,394 dwellings (5035-661 = 4,394). This is equivalent to annual average provision of 292 dpa.

2.3 At the time at which the Plan was in preparation there was some ambiguity regarding the appropriate approach to use in calculating an area’s Local Housing Need. The Government announced its intention to introduce a standard method to calculating housing need through the Housing White Paper in February 2017, and initiated a process of reviewing national planning policies, which culminated in the publication in July 2018 of a revised National Planning Policy Framework (NPPF). This introduced the standard method for assessing housing needs. The method was designed around 2014-based Household Projections.

2.4 However shortly after this new (2016-based) household projections were released by ONS using a new methodology for projecting household growth in September 2018. Government then initiated a consultation on changes to standard method which ran from October – December 2018. It set out its views on the way forward in February 2019, concluding that the 2014-based Household Projections should continue to be used to provide the demographic baseline within the assessment.

2.5 This timeline is set out in Figure 1 below.

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1 MHCLG (Oct 2018) Technical consultation on updates to national planning policy and guidance
The timeframes for the pre-submission consultation on Chesterfield’s Local Plan can be overlaid on this. The Plan was drafted in Autumn 2018 and consulted on between Dec 2018 – February 2019. This was a period in which the standard method was essentially in flux, with Government having introduced it (through the July 2018 NPPF) but there being considerable uncertainty on the numbers, given that 2016-based Household Projections were the latest official projections available; but Government has indicated that it was minded to review and potentially change the method.

To put some figures on it, at that time at which the draft Plan was finalised and the consultation began, the standard method would have generated a need for 247 homes per year when using 2014-based household projections, but 203 homes a year using the 2016-based household projections. A straight reading of extant guidance at that time would have directed the use of the latter, lower figures. But there was uncertainty regarding how Government might adjust the method itself.

**Figure 2: Standard Method Figures as at Winter 2018/19**

<table>
<thead>
<tr>
<th>Setting the Baseline:</th>
<th>2014-based Household Projections</th>
<th>2016-based Household Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Growth pa over next 10 years, 2008-28</td>
<td>224</td>
<td>184</td>
</tr>
<tr>
<td><strong>Affordability Adjustment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median workplace-based affordability ratio, 2017</td>
<td>5.69</td>
<td>5.69</td>
</tr>
<tr>
<td>Adjustment factor</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Step 2 housing need figure</td>
<td>248</td>
<td>203</td>
</tr>
</tbody>
</table>
2.8 Given the uncertainty associated with the standard method local housing need figures, the Council elected to use the OAN figure generated from the 2017 SHMA. This is set out in the Housing Topic Paper (Document TP1).

2.9 The Housing Topic Paper explains that in effect given the uncertainty associated with what Chesterfield’s housing need might be at the point when the draft Plan was prepared, the Council chose to use the SHMA OAN of 265 dpa to ensure that the Plan would "deliver a robust housing target in the face of any revised methodology." This was the Council’s underlying rationale for proposing the housing target it did – in order to ensure essentially pitch the level of housing provision too low.
3. UNDERSTANDING THE BASIS OF THE SHMA OAN FIGURE

3.1 The 2017 OAN Update Report, prepared by GL Hearn, followed the approach set out in the 2012 NPPF and associated 2014 Planning Practice Guidance to assessing housing need, in order to define Chesterfield’s Objectively-Assessed Need (OAN) for housing. The process defined in that Guidance was one of considering demographic trends, and making adjustments to migration and household formation where appropriate to define a ‘demographic need,’ and then overlaying evidence relating to potential economic growth; market signals; and the need for affordable housing and making judgements leading where appropriate to upward adjustments to the level of housing need.

3.2 The way which Chesterfield’s OAN was derived can essentially be traced through the GL Hearn Report:

- It took 2014-based Household Projections as a starting point. These showed household growth of 4,288 over the 2014-35 period as shown in Table 2 in the report. This is equivalent to annual household growth of 204 per annum (4,288 / 21 = 204 pa). Including a 2.9% allowance for vacant homes, this generated a need for 210 dpa (Table 14).

- It then made an upward adjustment to migration through using 10 year migration trends, uplifting population growth from 5.3% to 6.6% (Table 8). This increased the need by 24 dpa to 234 dpa;

- It then made an upward adjustment to assumptions on household formation for those aged 25-34 and 35-44 upwards, returning then to a position which sits half way between that shown in the 2008-based and 2014-based Household Projections by 2035 (see Para 2.42). This increased the need by a further 31 dpa to 265 dpa (Table 19).

3.3 The SHMA considered scenarios for economic performance in Section 3. This essentially showed that there would potentially be an interaction between housing need and economic performance. It showed that broadly the demographic scenarios would support the scale of economic growth shown in trend-based economic forecasts (with a 2% difference shown, see Table 89 which is well within the error margins associated with this type of long-term forecasts). However if more aspirational levels of employment growth were achieved, this might support higher levels of net in-migration.

3.4 For Chesterfield more specifically, the trend-based projections showed jobs growth of 1,700 between 2014-35, which the SHMA modelled would require 251 dpa. As this was below the conclusions on the demographic need, no upward adjustments were warranted to support economic growth.

3.5 A higher “growth scenario” was modelled which appraised the implications of more positive performance in respect of jobs growth across a number of sectors. For Chesterfield these were
logistics/distribution, accommodation and food; and financial and insurance services. However this scenario would see employment growth of 0.4% per annum, which is essentially double the rate of jobs growth seen historically in the Borough (0.2% pa). The SHMA set out that whilst this highlighted the sensitivity of housing need to economic performance, it did not provide a clear basis for drawing conclusions on minimum OAN figures.

3.6 The SHMA found that market signals pointed to relative low house prices and land values, and that taking account of the adjustments made in drawing the conclusions on the demographic need, no further adjustments for market signals were warranted by the evidence (Para 9.16). It found no basis in Chesterfield for upward adjustments to support affordable housing delivery.
4. **SIMILARITIES BETWEEN THE CHESTERFIELD OAN CALCULATION AND THE STANDARD METHOD**

4.1 Whilst there are clear substantive differences in the overall methodology for calculating OAN using the 2014 PPG methodology and the standard method, in the specific case of Chesterfield some similarities can be drawn. These are as follows:

- Both the standard method and the OAN, as set out in the 2017 GL Hearn Study, took the 2014 based Household Projections as a starting point.
- Both then make upward adjustments to this which are intended to support additional household formation and migration to Chesterfield, taking account of notional constraints which fed into the baseline household projections.

4.2 The second of these steps was undertaken using a different methodology, but the principle is essentially the same. ID: 2a-006-20190220 in Planning Practice Guidance sets out why an affordability adjustment is applied in the standard method. It states:

   An affordability adjustment is applied as household growth on its own is insufficient as an indicator of future housing need because:

   - household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and
   - people may want to live in an area in which they do not reside currently, for example to be near to work, but be unable to find appropriate accommodation that they can afford.

   The affordability adjustment is applied in order to ensure that the standard method for assessing local housing need responds to price signals and is consistent with the policy objective of significantly boosting the supply of homes. The specific adjustment in this guidance is set at a level to ensure that minimum annual housing need starts to address the affordability of homes.

4.3 The standard method thus applies the affordability adjustment to address potential constraints to household formation and migration which can be built-in to the 2014-based household projections. It uses a formula based on the median affordability ratio to do this. The SHMA essentially made adjustments on a similar basis, but did no by making specific adjustments, based on judgement, within the demographic modelling.
5. IS IT INAPPROPRIATE FOR THE PLAN TO USE AN ALTERNATIVE METHOD?

5.1 Planning Practice Guidance addresses whether an alternative method can be used to the standard method and how this will be tested at examination. It sets out the following in ID: 2a-015-20190220:

Where data availability does not allow the standard method to be used, consideration will be given to whether it provides the basis for a plan that is positively prepared, taking into account the information available on household formation and affordability.

Where a strategic policy-making authority can show that an alternative approach identifies a need higher than using the standard method, and that it adequately reflects current and future demographic trends and market signals, the approach can be considered sound as it will have exceeded the minimum starting point.

Where an alternative approach results in a lower housing need figure than that identified using the standard method, the strategic policy-making authority will need to demonstrate, using robust evidence, that the figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances that justify deviating from the standard method. This will be tested at examination.

Any method which relies on using the 2016-based household projections will not be considered to be following the standard method as set out in paragraph 60 of the National Planning Policy Framework. As explained above, it is not considered that these projections provide an appropriate basis for use in the standard method.

5.2 Iceni would note that in Chesterfield’s current circumstances, there is not an issue of data availability and the standard method could be used.

5.3 Equally however, the standard method is intended to be used to provide a minimum local housing need figure. The SHMA OAN methodology identifies a higher number than the standard method, and does take account of both demographic trends and market signals. It is thus an approach which by default could be considered sound as it is above the standard method.

5.4 Iceni also note that the PPG sets out in ID: 2a-010-20190220 that there may be circumstances where it is appropriate to plan for a higher housing need figure than the standard method indicates, including in circumstances where increases in housing need are likely to exceed past trends because of:

- Growth strategies or funding in place to promote or facilitate additional growth;
- Strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or
- An authority agreeing to take on unmet need from neighbouring authorities as set out in a statement of common ground.
In respect of previous Strategic Housing Market Assessments, the PPG states in this Paragraph that: “there may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently-produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.”

The Council’s Housing Topic Paper, which is dated June 2019, considered these issues in Paragraphs 1.5 – 1.6. It noted three reasons as to why the Council considered it appropriate to continue to use the SHMA method:

- The revised LHN methodology was published in the revised NPPF and PPG in February 2019, after the submission plan had been approved by the council and subject to public consultation under regulation 19.

- The LHN methodology results in a housing need figure significantly lower than the SHMA. However the LHN is considered only the starting point for the housing requirement. The SHMA, which started with a similar population only projection has already taken into account a wider range of factors including demographic data and jobs growth. In addition, Chesterfield currently sits within (as a non-constituent member) the Sheffield City Region LEP, which is refreshing its SEP and agreed in principle a devolution deal worth £30m in 2015. In addition Chesterfield is to benefit from being a stop (1 train in each direction every hour) for High Speed rail services to and from Sheffield following the implementation of HS2 phase 2B.

- The SHMA is joint evidence base across the HMA and provides clear alignment with neighbouring authorities NEDDC and BDC particularly. It is accepted by all partners and DCC as a robust piece of evidence.

Iceni has sought to consider these issues.

Delay to the Plan

The first bullet above suggests that the Council submitted the Plan using the SHMA OAN as it did not want to delay plan-preparation. This is laudable but does not indicate that the housing requirement could not be changed through the Examination.
Economic Growth Aspirations and HS2

5.9 The second bullet point above suggests that it might be justified to use a higher housing requirement to a) align with the aspirations/ growth strategy of the LEP; or to take account of strategic infrastructure investment in respect of HS2. Iceni has therefore sought to consider these issues.

5.10 The Sheffield City Region’s 2015 Strategic Economic Plan aspires to create 70,000 new jobs and 6,000 new businesses across the City Region between 2015 – 2025, as set out in the City Region Statement of Common Ground (Document SCG7).

5.11 It is important to remember however this was an aspirational economic target which was developed in advance of the UK’s vote to leave the EU, the impact of which is clearly having a drag on the UK economy. At the current time, there is clearly considerable uncertainty about future economic performance as our trading relationships with other countries could significantly change over the next few years, with particular impacts on the manufacturing and distribution sectors which are strongly represented in the economy in this area.

5.12 Iceni would also note that the Government in August 2019 has launched an independent review into whether and how to proceed with the HS2 rail line, intending to make a “go – no go” decision by the end of 2019 on whether it goes ahead. The current timetable for the first HS2 services is in late 2033,a and it seems possible that this may slip further back. Iceni would note that at the current time there is therefore uncertainty as to whether HS2 will progress; and in any case it is not expected to open until the end of the current plan period. It would be entirely feasible for any economic and housing market impacts of it to therefore be considered through a future review of the Local Plan.

5.13 It would thus represent positive planning to continue to plan for the higher levels of housing provision, and if these are delivered it would support stronger workforce growth. However equally a housing target is a minimum, and there is sufficient supply of developable land is provided there is no reason why the housing target could not necessarily be set lower, whilst ensuring sufficient land is provided to support the economic aspirations set out by the Council. Given the inherent uncertainties associated with long-term economic performance and HS2 investment, this might be prudent.

Alignment of HMA Evidence

5.14 In respect of the third issue noted in the Housing Topic Paper – the alignment of the evidence base with that of neighbouring authorities within the HMA – this could be of relevance where a) the level of housing need being planned for was below that identified in the standard method; or b) a drop in housing need resulted in a potential misalignment of the level of housing provision necessary to balance provision of homes and jobs. Iceni has therefore sought to appraise these issues.
5.15 Iceni’s analysis of the level of housing need generated across the HMA by the SHMA methodology and the standard method is shown in Table 3 below. This is compared to the housing targets in the current round of plans in each of the authorities.

5.16 Whilst the timeframes differ slightly, it is clear that the HMA authorities are planning collectively for a level of provision above the standard method with the plans in each of the three other HMA authorities planning for a level of provision above the standard method. Furthermore both Bassetlaw and NE Derbyshire are currently proposing to plan for a level of provision above the SHMA Update OAN figures.

Figure 3: Housing Need and Proposed Housing Targets across the HMA (as at Sept 2019)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolsover</td>
<td>272</td>
<td>249</td>
<td>230</td>
<td>272</td>
<td>Submitted Plan: 5,168 dwellings 2014-33</td>
</tr>
<tr>
<td>Chesterfield</td>
<td>265</td>
<td>251</td>
<td>240</td>
<td>265</td>
<td>Submitted Plan: 4374 dwellings 2018-33</td>
</tr>
<tr>
<td>NE Derbyshire</td>
<td>283</td>
<td>283</td>
<td>248</td>
<td>330</td>
<td>Submitted Plan: 6600 dwellings 2014-34</td>
</tr>
<tr>
<td>HMA</td>
<td>1184</td>
<td>1124</td>
<td>1015</td>
<td>1257</td>
<td></td>
</tr>
</tbody>
</table>

5.17 Iceni find therefore that should the housing target in Chesterfield be adjusted downwards to align with the standard method, there would be no consequential impact on other authorities given that:

- Each of the HMA authorities is planning to meet its own housing needs. Chesterfield is not planning to meet unmet needs from other authorities; and
- The level of housing provision being planned for across the HMA, even with a lower requirement in Chesterfield, is still well above that identified as being needed to support the baseline economic scenario.

5.18 Drawing the above information together, whilst planning for a level of housing provision above the LHN figure of 240 dpa in Chesterfield is not necessarily unsound and could be considered positive planning; the evidential basis for doing so at the current time is not particularly strong.
6. MARKET CONDITIONS AND HOUSING LAND SUPPLY

6.1 The Housing Topic Paper shows the impacts of the different potential approaches to the housing requirement – using the SHMA OAN or the Standard Method LHN – on the calculation of five year housing land supply. A stronger five year land supply position is shown against the Standard Method LHN, not least as this has a later base date.

6.2 As the Topic Paper sets out, the Plan is reliant on two large complex brownfield sites to deliver a significant proportion of the housing requirement, both of which are reliant on significant investment in infrastructure. There are also complexities associated with the delivery of brownfield sites, influenced in part by the relative low housing values.

6.3 As the analysis of sales in Chesterfield Borough below indicates, the housing market is cyclical. A sustained period of macro-economic stability and growth supported strong market conditions between the late 1990s and 2007. There was then a recession and housing market downturn. There was some recovery in 2013 and 2014, but recovery has stalled and sales of market housing have persisted in recent years at a level which is below the pre-recession trend. These market conditions have influenced effective demand for market homes, which has in turn influenced housing delivery. There is no evidence that land supply has been constrained in recent years in the Borough.

**Figure 4: Market Housing Sales – Chesterfield Borough**

![Market Housing Sales Chart](image)

*Source: Derived from ONS House Price Statistics for Small Areas*

6.4 The Borough is a relatively low value market, with a median house price in 2018 of £150,000 compared an average across the East Midlands of £189,000 and national average of £240,000.
6.5 In practice market circumstances are thus likely to influence what level of housing delivery is achievable over the next five years, just as it has influenced housing delivery performance in the past.

6.6 Given Chesterfield’s comparatively weak and fragile housing market, there could be benefits in setting the housing target at a more cautious level aligned to the Government’s standard method; whilst maintaining the land supply as currently proposed. This would in essence allow stronger housing delivery such as delivery of the housing requirement in the submitted plan of 4,400 dwellings to 2033 if housing market conditions are strong enough to support this, whilst setting a minimum housing target at a level which is potentially more achievable.
7. IMPLICATIONS OF A LOWER HOUSING NEED ON THE WIDER EVIDENCE BASE

7.1 There would be minimal implications of a lower housing requirement on the wider evidence base.

7.2 Section 6 of the 2017 SHMA assessed the need for different sizes of affordable homes. This included analysis of the mix of homes needed based on the 2014-based Household Projections. These are the same projections used in the standard method. The SHMA’s findings on the need for different sizes of homes would thus hold true.

7.3 The modelling of specialist housing for older people in the SHMA (Section 8) was again based on the 2014-based Sub-National Population Projections. Again this is part of the same suite of demographic projections which feed into the standard method.

7.4 In respect of affordable housing, this was an input to deriving the OAN in the 2017 SHMA rather than influenced by it. The affordable housing needs evidence is not fundamentally influenced by the LHN and thus continues to remain robust.