

READING LOCAL PLAN EXAMINATION

Housing Requirement and Five Year Housing Land Supply

Issue 2. Is the housing requirement justified and deliverable and has it been calculated in accordance with national policy and guidance?

Q1. It is necessary to understand whether recent household projections should inform the calculation of the Objectively Assessed Needs (OAN). What should be the starting point for the calculation of OAN, and has sufficient regard been paid to economic growth?

Prior to the amendments made to PPG following the introduction of the standard methodology paragraph 2a-016 of this guidance stated:

Wherever possible, local needs assessments should be informed by the latest available information. The National Planning Policy Framework is clear that Local Plans should be kept up-to-date. A meaningful change in the housing situation should be considered in this context, but this does not automatically mean that housing assessments are rendered outdated every time new projections are issued.

The Council in preparing its OAN used the 2012 based household projections as the demographic starting point. However, these were not significantly different to the 2014 based projections and as we stated in our representations we do not think that there was a meaningful change that would make the OAN unsound should it be based on the earlier projections. Whilst recent Sub National Population Projections have been published by ONS the household projections based on these new population estimates have not been published. If these new projections are to be considered at these hearings it will be important to assess an implications alongside the Government's national targets for the delivery of new homes and their aim of improving the affordability of housing.

Q2. Has the affordable housing need been calculated in accordance with the guidance in the PPG and is the approach sound? What is the appropriate uplift that would be expected to improve affordability?

Our main concern with the Council's approach to its assessment of housing needs is the approach taken to market signals. The Strategic Housing Market Assessment states that a 10% uplift on the base line demographic projections would be sufficient to improve affordability. However, the market signals suggest that a more significant uplift is needed to see improvements in affordability as required by PPG. Since the Local Plan was published new data on affordability has been published by the Government. This latest data shows that affordability has continued to worsen. The ratio for residence based lower quartile incomes to house prices has continued to worsen increasing from 10.45 in 2016

to 11.28 in 2017. This ratio is now significantly higher than prior to the economic recession with this ratio peaking at 8.41. Lower quartile house prices have also risen sharply increasing by 50% since 2013, from £167,500 to £249,500 – an average annual increase of 12%. This compares to an annual average growth over the last 14 years of 7.7%.

PPG recognises that plan makers should not attempt to estimate the precise impacts of any increasing housing supply on affordability. However, the market signals indicate that the worsening affordability requires a more substantial uplift if, as required by PPG, they could be expected to improve affordability. In considering the degree of uplift required to improve affordability the Government's national target for housing delivery provides some context as to what they consider is required to begin to improve affordability.

In his budget statement the Chancellor announced the Government's target for house building across the country stating:

"I'm clear that we need to get to 300,000 units a year if we are going to start to tackle the affordability problem, with the additions coming in areas of high demand."

The levels of uplift and aspirations set out by the Government are also broadly supported in evidence submitted by the Treasury to the House of Lords Select Committee on Economic Affairs suggested that to stabilise house price growth and prevent affordability from worsening would require between 250,000 and 300,000 new homes to be built each year. To achieve the lowest estimate of the growth required to stabilise the housing market with regard to affordability would mean a 1.04% increase per annum to the existing national housing stock. Given the variability of affordability across the country this would require greater increases above existing stock in those areas which are least affordable. This position is also consistent with paragraph 2a-020 of PPG which states that:

"The more significant the affordability constraints (as reflected in rising prices and rents and worsening affordability ratio and the stronger the indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be."

It is evident is that even meeting the lowest estimates of what is considered necessary to improve affordability will require far greater uplifts than have been applied since the publication of PPG. For example, to increase housing stock in Reading by 1.04% each year would require the delivery of 718 dwellings per annum (dpa)¹ – roughly a 32% uplift on the demographic starting point.

As such, as we set out in our stated the OAN of 699, which provides a 28% uplift on the demographic starting point would seem to be reasonable.

¹ Current housing stock in Reading of 68,779 was taken from the DCLG live table 100 on dwelling stock <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>

Q3. Is the adjustment for London migration sufficient, and if not, what should the figure be?

Yes. The potential impact of increased migration from London, given the capital's inability to meet its own housing needs and the improved transport links with Reading, is an important consideration. As such we welcome the proposed uplift.

Q4. Is the housing requirement of 15,433 homes as set out in Policy H1 justified? Is the plan sufficiently flexible to ensure delivery of housing to meet the requirement over the plan period?

No. The Council are not meeting housing needs as required by paragraph 47 of the NPPF. Whilst statements have been made with regard to these homes being provided elsewhere within the HMA the statements from these Council provide no certainty that these homes will be delivered. A clear statement from those authorities that these homes will be provided for is essential to ensure the soundness of the plan.

Q4a. Are the requirements of Policy H1 relating to working with neighbouring authorities sufficiently robust?

No. There is no certainty that these homes will be delivered. Whilst statements have been provided no authority has yet to accept any responsibility for their delivery. Whilst there is some comfort gained from the revised NPPF which requires unmet needs from neighbouring authorities to be taken into account when establishing the amount of homes to be planned for we would suggest that stronger wording is required. One approach could be that any unmet needs will form part of the Council's housing trajectory until local plans are submitted within the HMA that that address the unmet needs of Reading.

Housing

Issue 7. Are the policies for Housing justified, deliverable and consistent with national policy?

Q1. Is the density and mix in Policy H2 justified? Are the requirements in relation to self and custom build based on robust evidence?

The self-build requirements are not justified and have not been considered as part of the viability assessment. For example the policy as proposed could require a 10 unit scheme to provide two plots for self-build units. This could have a significant impact on the viability of the development, an impact that has not been tested. We recognise that the Council has a duty to provide sufficient self-build plots to meet needs but we would suggest that as outlined in PPG paragraph 57-025 the Council should seek to achieve this through engaging with land owners and using their own land rather than imposing requirements on all sites over 10 units for the provision of self-build plots. We would therefore suggest the policy is amended to read:

“Residential proposals for ten houses or more, excluding houses that are to be provided as affordable homes, will be expected to consider making appropriate provision for plots as self- or custom-build housing based on the number of entries in the self-build register. The provision of self-build plots will be secured through legal agreement. Any plots that have not been sold after 12 months of appropriate marketing will revert to the developer to build.”

We would also suggest that paragraph 4.4.14 is amended to remove the final sentence replacing it with the following sentence:

“No development would be expected to provide more than 2% of its houses a self-build plots.”

Such an approach would be more in line with PPG and the evidence on self-build register and ensure that delivery self-build plots is spread across development sites in the Borough.

Q2. What is the justification for the affordable housing requirements set out in Policy H3 and for departing from the Written Ministerial Statement (2014)? What evidence is there that demonstrates exceptional need for sites of between 1 and 9 dwellings?

H3 sets out the Council’s intention to require a financial contribution for affordable housing on all sites of fewer than 10 units. This is inconsistent with paragraph 23b-031 of Planning Practice Guidance and the ministerial statement published on the 2 March 2015. It is also inconsistent with paragraph 63 of the revised NPPF.

The history behind the Government’s small site exemption policy and the Ministerial Statement that brought it into national policy is long and tortured. However, what must be remembered is that following the various legal challenges the final decision was that the Government were able to introduce new policy in this manner and that it should be given the same weight as if it were in the National Planning Policy Framework. Therefore, in order to depart from such a key part of the Government’s policy framework the bar must be set very high.

Before considering the Council’s evidence base it is worth reiterating why the Government introduced this particular policy. The Ministerial Statement is clear that the reason for introducing this policy was to “ease the disproportionate burden of developer contributions on small scale developers”. This is distinct from whether or not such development are viable in general but whether they are a disproportionate burden on a specific sector that faces differential costs that are not reflected in general viability assessments. These costs have led to a reduction in the number of small and medium (SME) sized house builders. Analysis by the HBF² shows that over the last 30 years changes to the planning system and other regulatory requirements, coupled with the lack of attractive terms for project finance, have led to a long-term reduction of total SME house builder numbers by about 70% since 1988. The Government is very anxious to

²http://www.hbf.co.uk/?eID=dam_frontend_push&docID=25453&filename=HBF_SME_Report_2_017_Web.pdf

reverse this trend and increase the number of small businesses starting up and sustaining this activity. Improving business conditions for SME home builders is the key to long-term supply responsiveness.

It is also worth considering the Government's broader aims for the housing market. This is most clearly set out in the Housing White Paper (HWP). Their aims are not just to support existing SME house builders but to grow this sector again which was hit hard by the recession with the number of registered small builders falling from 44,000 in 2007 to 18,000 in 2015³. To grow the sector one key element has been to simplify the planning system in order to reduce the burden to new entrants into this market. Therefore, the focus of the Council should be on freeing up this sector of the house building industry rather than seeking to place financial burdens that the Government have said should not be implemented.

In terms of evidence we could find no evidence as to whether the Council has considered the burden on smaller developers arising from their proposed policy. There has been some consideration regarding the viability of this policy even that is relatively limited development scenarios with respect to such sites and which we consider insufficient to justify departure from a key objective of the Government.

In conclusion, the Council's focus on the general viability of affordable housing delivery on small sites and the impact of the previous policy is, in part, missing the broad scope of the Government's policy to support the growth of this particular sector and see it thrive once more. As such we do not consider the Council to have justified a departure from national policy with regard to the small site exemption. The policy will continue to be a burden to SME house builders and in particular to new entrants into the market. In addition the outcomes of the policy are likely to be ineffective in delivering the scale of affordable housing required to meet needs in Reading.

Q2a. Does Policy H3 provide sufficient certainty for the decision maker in terms of tenure and mix for affordable homes? If it does not, what changes to the Policy would be needed?

The local plan does not set out the Council's expectation with regard to the tenure mix for affordable housing. The Council outline that schemes should response to the most up to date information such as the SPD. Whilst we recognise that there needs to be flexibility with regard to tenure mix it is important that the broad tenure mix that the Council is seeking from development is included in the local plan. Such an approach provides greater clarity for the decision maker as to what the Council's expectations are and provides for greater certainty in decision making. The tenure mix is also a key element of viability and it is important to provide the necessary clarity within the local plan – either in policy or within the supporting text. We would suggest that the policy or supporting text include the Council's preferred tenure mix based on its supporting evidence. At present the SPD suggests a mix of 50% affordable/ social rented housing and 50% intermediate housing. Yet the SHMA suggests a split of 75-80% social/affordable rent to 20-25%

³ Fixing our Broken Housing Market, Department for Communities and Local Government, February 2017

intermediate rent. In addition the Viability Assessment has only considered a 50/50 split for development requiring less than 30% affordable housing provision on site. We would suggest that the Council at least provides an indicative tenure split within the local plan upon which applicants can begin to consider development viability.

Q4. Are the requirements in Policy H5 (parts a-f) justified, and based on robust evidence in all cases? Are the standards necessary in the light of technical standards and other regulatory requirements?

Space standards (Part a)

There would appear to be a contradiction with the Council's approach to space standards. The policy in the Core Strategy recognises that there will be circumstances where development cannot meet space standards – as is the case for development in the Central Area. In this area the Council have concerns that development will not come forward unless the Council is sufficiently flexible with regard to space standards. However, for the rest of Reading this level of flexibility is not considered to be necessary. On the basis of the Council's evidence there is very little need to have a minimum space standard for new development as the majority of new homes meet or exceed space standards. Only two developments have been substantially below space standards. This evidence would suggest that only where a site dictates the need for smaller homes will development come forward with units that are below the nationally described space standards. We would suggest that on the basis of the Council's evidence there is no justification for the adoption of space standards in Reading.

Accessible homes (part e and f)

We do not consider the Council's evidence base to justify a policy requiring all homes to be built to part M4(2). The Council state that the SHMA identifies that there will an increasing need for more accessible homes due to an ageing population and subsequent increase in the number of people with mobility difficulties arising due to this ageing population. In particular the Council highlight the increase in people with mobility difficulties which rises from 3,512 in 2013 to 6,254 2036. Whilst this is a substantial increase it is a small proportion of overall population and is significantly less than the 15,300 homes that are proposed to be delivered during the course of the plan. PPG requires the adoption of the higher technical standard to be based on needs and the Council's evidence would suggest that these do not support the provision of all homes being built to part M4(2).

Whilst the Council have stated that the costs of delivering part M4(2) is likely to be minimal there is no assessment as to the cumulative impact of this policy, alongside others in the local plan, will have on viability. The viability testing report appears to only consider the affordable housing policy and provides no consideration as to the impact of other policies on viability. Considering this is a key part of the evidence required to in order to justify the adoption of the optional technical standards part e and f cannot be considered sound.

The proposal to require 5% of homes on developments of 20 or more dwellings as being M4(3) is contrary to national policy. PPG sets out in paragraph 56-009 that the standard for wheelchair accessible homes only to properties where the local authority is responsible for allocating or nominating a person to live in that dwelling. This means that M4(3) can only be applied to affordable homes and the policy should be amended to reflect this position.

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