Matter 1H Government Office for the South East of England (7447)

Draft RSS for The South East of England -The South East Plan
Examination in Public - November 2006 to March 2007
Written Statement on behalf of HM Government - October 2006

1H.1 Is the demographic evidence, including migration assumptions, underpinning the draft RSS clear and reasonable, bearing in mind the latest Government population and household projections?

1. According to the latest Government household projections (2003-based) the South East's households may grow by 36,950 pa over the plan period. The new 2004-based sub-national population projections that were published on 12th October 2006 project a slower population growth for the South East compared to the 2003-based round (41,100 pa instead of 46,000 pa for the Plan period). The dampening effect on the region's total population is much smaller at 1.1% at 2026.

2. The difference stems from what appears to be a one-off methodological change to the apportionment of international migration[i]. Revisions to the projections have been upwards for London but downwards for both East of England and South East. It is too early to draw clear conclusions on exact implications on household numbers but we note Prof. Dave King's initial estimate indicating a possible reduction of household growth by about 2,000 pa.

Regional Assembly's trend based demographic projections (3rd round)

3. These included two key sets; one based on a 5-year migration trend and the other on a10-year trend. The latter formed the basis for the highest consultation option on housing growth.

   These differ from the official projections due to:
   - Projection baseline – 2001 based as opposed to 2003 based
   - Population base – Chelmer projection using net migrant levels as a control
   - Migration assumptions – 1991 to 2001 10-year trend and profile
   - Fertility and mortality rates – 2002-official projection based
   - Marital rates – SEERA derived data (2001 Census based)
   - Household representative rates – SEERA derived data (2001 Census based)

4. The resultant differences in population numbers and profiles (including age, marital rates and H/hold representative rates etc) have lead to a projected household growth of 30,300 pa. This is below even the old 1996-based projections (by 1,500 pa for 2006-2021).

The Regional Assembly's 5-year migration based projections indicated a household growth of about 34,400 pa.

5. In our view, the Assembly's 5-year based projections were more robust than the 10-year based projections as they:

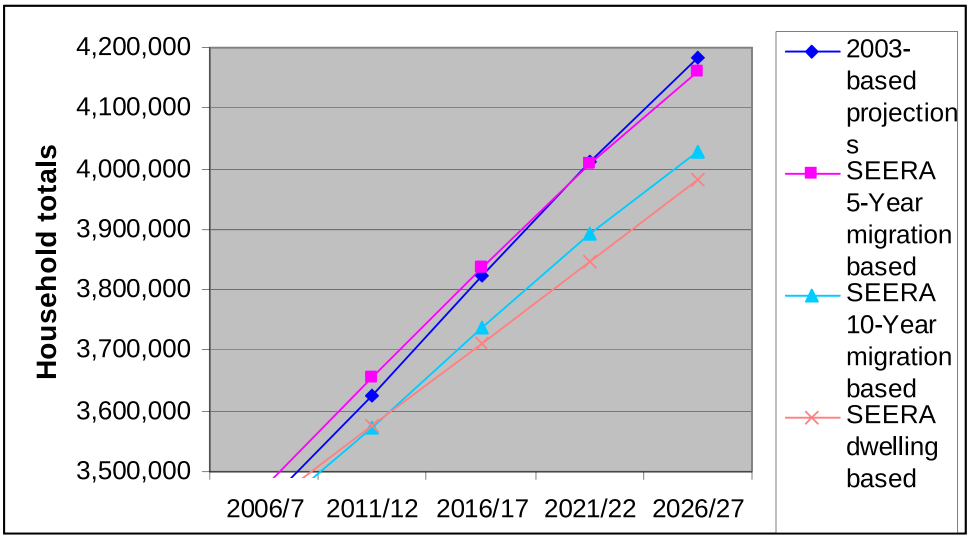
- used a more recent population basis (draft 2002-based population projections);
- were less susceptible to under projection (The significant increase in international migration trends in late 90s and early 2000s make a 10-year based trend less appropriate); and, most importantly
- were methodologically more consistent with the latest official household projections.

Draft RSS dwelling based scenario:

6. This indicates the demographic scenario represented by draft RSS dwelling proposals. It demonstrates the population and household growth to be accommodated by the proposed housing provision. Compared to Government projections, the draft RSS is making provisions for

- 246,900 (12,350 pa) fewer people, and
- 196,100 (9,800 pa) fewer households

If realised it would be the lowest population growth experienced by the region for many decades.



Level of uncertainty on future household growth

7. There are uncertainties inherent in all projections and the results are generally less robust at detailed levels. However, future trends associated with the drivers of demographic change appear to be upwards:

- **Migration**:
  - Difficult to predict accurately either the scale or the direction of change.
  - Recent experience indicates an upward trend.
  - 2004-based population projections have already amended national projections upwards. The low quantum of population growth projected for the South East by 2004-based projections is due to a one-off methodological change and not due to a downward migration trend.

- **Fertility**:
  - Past trends downwards.
  - Impact seems to be marginal (1,000 less H/hold per year in England under low fertility assumption)[ii]

- **Life expectancy** :
  - Trend is upwards.
  - Impact of change seems significant (12,000 more H/hold per year in England under high life expectancy assumption)[iii]

- **Economic context:**
  - Positive correlation with growth.
  - As the plan period may cover a number of economic cycles, it is reasonable to assume the trend growth to be upwards or steady.

- **H/hold representative rate:**
  - Single person households account for 71% growth.
  - Increasing tendency to stay single, marry late, divorce and live longer will continue to increase H/hold representative rate.
- European experiences show that the saturation point may be further ahead[iv].

1H.2 Is appropriate weight given to assessments of overall housing need, taking account of any housing needs outstanding at the start of the Plan period, the best available evidence on future housing demand and need, and affordability concerns?

1. Housing backlog:
- Draft RSS backlog estimated as 29,000.

- Only 9,000 out of 17,552 concealed households were included as only about half of the concealed households were assumed to 'prefer' a separate dwelling - based on an ONS survey published in 1990[v]. We question whether this sufficiently reflects the preferences / needs / policy aims of today.

- The backlog has increased between the mid-1990s and 2001 and is likely to have[vi] changed between 2001 and 2006

2. There is no clear Government guidance on handling backlog. However:
   - LPAs generally add an allowance over and above the estimates of newly arising need and use a 5-year time frame in assessing local housing needs.

   - The London Plan has set a precedent for RSSs by making an additional provision to be provided during the first ten years

3. The handling of the backlog in the draft RSS would benefit from greater transparency. Policy H1 states that housing provision includes an allowance to address the backlog existing at 2001:
   - Is the backlog expected to be met during the first ten years (about 3,000 pa) as the draft RSS maintains on page 31 (paragraph 3.3.2).

Best available evidence on future housing demand:

4. Government's view is that household projections are not an assessment of housing need but they are an indication of the likely increase in households given the continuation of recent demographic trends[vii]. In translating household growth to housing demand the following factors may need to be considered:

Vacancy and Second Homes allowance:

5.. At 2.7%, the vacancy levels identified at the 2001 Census are within the need for frictional vacancies. The Assembly assumes 3.3% as the allowance to cover vacancies, second homes and holiday homes. At the draft RSS housing level of 28,900 pa this means 954 dwellings pa.

Future housing need and affordability concerns

6. A step change in the supply of housing to offer everyone the opportunity of a decent home, at a price they can afford, within a sustainable community is the key aim of Government's policy on housing . Over the last 30 years house building rates in England have halved whilst the demand has increased by a third. If these trends were to continue the Government's analysis in Barker suggests that affordability would worsen substantially, with just 35 per cent of 30-34 year old couples able to buy their own home in 2026, compared with 54 per cent today and 63 per cent at the end of the 1980s." If we don't

build more homes less than a third of today’s ten year olds will be able to afford a place of their own in twenty years time.”

7. The South East is one of the least affordable regions and is becoming increasingly less affordable. In the 10 years since 1995, average house prices nearly trebled. The average first time buyer deposit rose from £5,134 to £42,930 between quarter two of 1995 to that of 2005.

8. Government’s analysis has emphasised the necessity of maintaining a much higher level of supply, especially in the South, to address the affordability concerns over the longer term. The significant shortfall between housing demand and draft RSS overall provision questions the understanding demonstrated by the draft RSS on affordability.

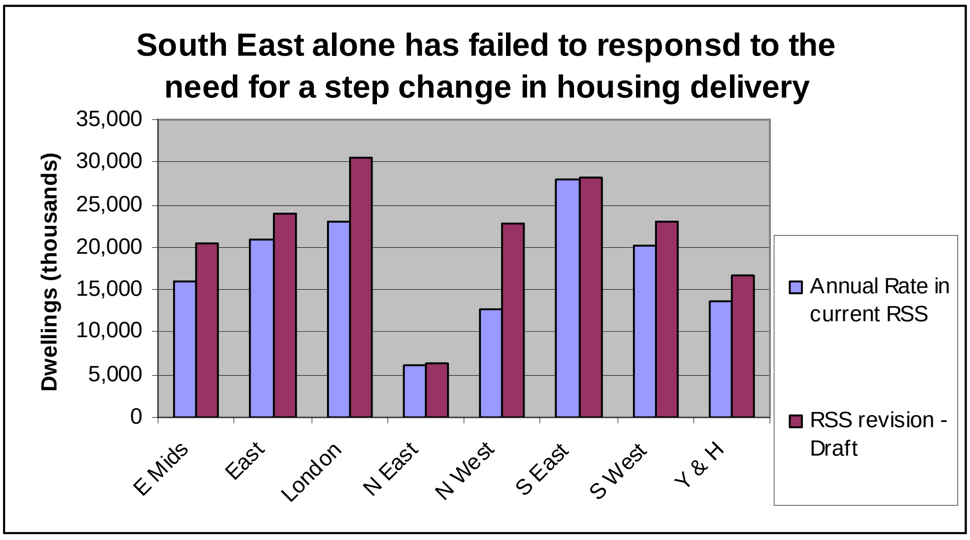
1H.3 Taking account of all relevant factors (eg overarching vision, demographic, economic, environmental and social factors, capacity and public opinion) does the draft strategy plan for an appropriate and deliverable total level of housing growth in the period 2006 to 2026?

Government's Vision:

1. In March 2001, the Government said that a higher level than in RPG9 is likely to be necessary to meet the long term needs of the region and wanted the RPG to be reviewed by 2006[viii].

2. The Government's vision on housing and planning is well established and clearly articulated in the "Sustainable Communities Plan: Homes for All" and the Government's response to the Barker Review. The Government's analysis emphasises the necessity for a significantly increased level of housing supply for the longer term. [ix] The Government has declared an aspiration to increase the rate of house building in England to 200,000 pa by 2016[x]. Draft PPS3 has begun to translate this commitment into planning policy with its emphasis on balanced housing markets and long term affordability. The 'Mike Ash letter' informed the RPBs of the need to take account of the direction of travel in RSS reviews. As indicated in our response to draft RSS< several letters to the Regional Assembly suggested at various stages of the process that higher figures should be tested.

3. Most English regions, both in North and in South appear to have responded to the direction of travel in Government Policy with draft RSS proposals noticeably higher than the extant RSS requirement[xi]. The South East is the exception where the draft RSS proposal is a 50 dwellings pa above the extant RSS requirement (and 1,400 pa below the post Sustainable Communities Plan commitment). The implication of phasing in some sub-regions means the draft RSS (RPG9) supply trend is downwards overall even though it allows some welcome increase during the first ten years.



Demographic evidence

4. The dwelling provision does not appear to have taken into account demographic trends revealed by the Government's projections or the Assembly's own technical evidence.

Environmental Implications:

5. We refer to our statements on relevant matters on the implications and the cross-Governmental programme to address these.

6. A particular concern relating to draft RSS is the implications of the Thames Basin Heaths SPA. While the distribution of housing across the region may, be affected by the Technical Assessor's view of the optimal way forward, the quantum of housing across the region should, however, remain unaffected.

Economic implications:

7. Maintaining the momentum of economic development should be an objective in planning for housing. Economic growth should not be frustrated by a lack of homes for those wishing to take up new employment opportunities.[xii] We draw attention to our statements on 1B and 1G and encourage the Panel to consider the evidence on economic implications.

Social Implications:

8. We have already referred to our significant concerns on the worsening housing affordability in the region (1H.2) and the significant challenges arising from the scale of estimated affordable housing need (statement on 4A).

9. Nearly 220,000 people (gross) moved into the region from the rest of the UK in 2005.[xiii] The future economic prospects for London and the South East indicate that the competition for jobs and homes will continue, and may result in driving less affluent South East residents from the market if the market is not able to balance demand with supply. As the negative implications are significantly more likely to fall on less affluent residents, arguably, the draft policy could be socially divisive.

Land Capacity:

10. The planning pipeline at 2005 is estimated as 231,895 dwellings[xiv] but the region is delivering more housing per hectare than previously estimated with the help of increased densities. Density will continue to reduce land intensity in appropriate circumstances.

11. In 2004/05 76% of net dwelling completions were on previously developed land (PDL). The Regional Assembly's evidence indicates significant capacity for the first 10 years but less for the remainder.

Assessments are varied, appear to be inconclusive and the robustness of the Assembly's needs to be tested. [xv] Urban capacity and brown field capacity are not finite concepts and the flow of new PDL sites does not appear to be running out as some commentators have predicted (Statement on 2A). PDL capacity does not, in any case, override society's need for adequate housing.

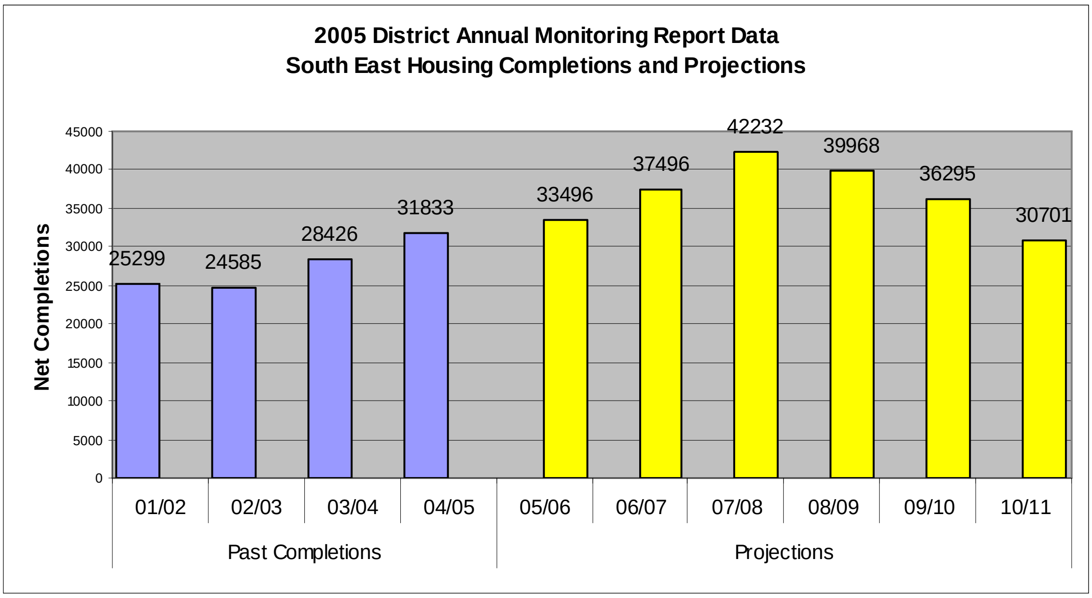
12. We also draw attention to the potential contribution from public land outlined (sub-matter 2A) and the case for a strategic view on Green Belt reviews (sub-matter 2B).

Deliverability

13. Recent completions are well above draft RSS targets:
In 2004/05 South East LPAs recorded completions of 31,833 net dwellings, 10% more than draft RSS annual average. The indications from DCLG new build statistics[xvi] and expectations are that 2005/06 will see an even higher level of delivery.

14. The recent step change in completions demonstrates that both local authorities and the development industry can well manage a quick turn around.The net dwelling completions during the three years to 2004/05 are 24% above the previous three year total.

15. According to statutory Local AMRs, the South East trajectory is 30% above draft RSS provision in the first 5 year period:



New Growth Points

16. We emphasised the importance of new growth points in facilitating a step change in housing supply in our representations (see Pages 11 to 12, Part A response).

17. On 24th October, the Government announced the results of the bids by local planning authorities together with funding allocations. The bids from South East local authorities amount to an additional 77,807 houses for 2006-2016 and the funding allocation amounts to £11 million. [xvii]

18. It is appreciated that the draft RSS was not able to take account of potential New Growth Points however we welcome the Panel's advice on how the RSS should take account of the potential contribution from NGPs.

19. South East Plan Vs Evidence Base

- 38,000 pa if the draft RSS extrapolated the 2006-11 housing trajectory from Local AMRs.
- 38,000 pa if Draft RSS matched the dwelling requirement (minimum) implied by the 2003-based H/holds projections (H/holds growth + Vacancy rate similar to Assembly's scenario 7 – Please note that this does not take account of sharing allowances or implications of second homes.
- 36,000 pa above with a reduction of 2,000 pa to reflect implications of 2004- based sub-national population projections
- 34,000 pa if stayed within the mid range recommended for consultation by SEERA officers
- 31,900 pa if it was to match the 2004/05 net additions
- 29,500 pa if it stayed at the rate equivalent to post SCP commitments.
- **28,900 pa the level proposed in Draft RSS**
- **26,590 pa the household growth underpining Draft RSS scenario** (28,900 dwellings pa – allowance for vacancies etc + for backlog)

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[i] ONS, 12th October – Briefing Note – http://www.statistics.gov.uk/snpp

[ii] Government HH projections accompanied a sensitivity analysis based on variant household projections to demonstrate the margins of variability of household projections to changes to underlying assumptions on fertility, life expectancy and migration.

[iii] See above
[iv] Alan Holmans for TCPA

[v] Housing Need in the South East, Cambridge Centre for Housing and Planning Research University of Cambridge for the South East England Regional Assembly, December 2004– Page 20 http://www.southeast-ra.gov.uk/southeastplan/publications/research/housing/housing_needs-dec04.pdf

[vi] Housing Need in the South East: Summary, Cambridge Centre for Housing and Planning Research University of Cambridge, December 2004, page 6

http://www.southeast-ra.gov.uk/southeastplan/publications/research/housing/housing_needs-dec04-summary.pdf

vii 2003-based household projections. DCLG Stats release
viii RPG9, page 50
ix Affordability Targets: Implications on the Housing Supply, Dec 2005?
x Summary outlining the Barker response – DCLG, Dec 2005
xi West Midland is yet to publish the draft RSS proposals.
xii PPG3, paragraph 3.
xiii NHSCR data, ONS
xiv Regional AMR, 2005
xv Urban Housing Potential Update and Housing Potential on Previously Developed Land Outside Urban Areas, July 2006. Michael Ling for SEERA
xvi P2 data – Give latest figures and refernce

xvii DCLG News Release, Towns and cities to deliver new homes and jobs - successful new growth point bids confirmed. http://www.communities.gov.uk/index.asp?id=1002882&PressNoticeID=2269