

Town and Country Planning Act 1990 Section 78

Appeal by Redrow Midlands Ltd
Land east of Kestrel Close and Beechfields Way,
Newport

Proof of evidence of Cristina Howick On behalf of Telford and Wrekin Council

Peter Brett Associates

November 2016

PLANNING INSPECTORATE REFERENCE: APP/C3240/W/16/3144445

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CONTENTS

1	INTRODUCTION.....	1
	Credentials.....	1
	Scope of evidence.....	1
2	THE COUNCIL’S HOUSING NEEDS ASSESSMENT	3
	Defining the housing market area.....	3
	Demographic projections.....	4
	Past provision and market signals	6
	Future jobs	7
3	RESPONSE TO APPELLANT’S CRITICISMS	10
4	SUMMARY	12

1 INTRODUCTION

Credentials

- 1.1 My name is Cristina Howick. I am a Partner of Peter Brett Associates LLP (PBA) and was previously the Joint Managing Partner of Roger Tym & Partners, which merged with PBA in 2011. My qualifications are an MA in Philosophy, Politics and Economics (PPE) from the University of Oxford and an MSc in Urban and Regional Planning from the London School of Economics (LSE).
- 1.2 I am an economist by training and have been working as a planning consultant for over 20 years. I have worked extensively on housing need and housing targets, providing evidence and advice both to local planning authorities and developers / promoters. I am the main author of the Technical Advice Note on Housing Needs and Housing Targets issued by the Planning Advisory Service (PAS), of which the second edition was published last July.
- 1.3 I directed the study of Telford and Wrekin Objectively Assessed Housing Need, which was published by the Council in March 2015. I also directed production of the 2016 Background Paper that provides additional evidence on housing need, to help inform the forthcoming Local Plan examination. Elsewhere in the West Midlands my experience includes the Greater Birmingham Strategic Housing Needs Study, commissioned by 13 local authorities, and evidence and advice on housing numbers for Birmingham City, Solihull, South Worcestershire, Wychavon and Warwick.
- 1.4 All the information in this proof is true to the best of my knowledge and all the views expressed in it are my professional opinions.

Scope of evidence

- 1.5 My evidence relates to the objectively assessed housing need (OAN) for Telford & Wrekin borough over the plan period 2011-31. Its purpose is to refute the assertions at paragraph 4.10 on pages 7-8 of the appellant's Statement of Case (SoC)¹, that the Council's objectively assessed housing need of 497 new dwellings per annum (dpa) over the plan period² is too low, and the correct figure is around 900 dpa'.
- 1.6 Following this Introduction my proof is in two chapters. In Chapter 2 I summarise the housing needs assessment that my practice, Peter Brett Associates, provided for the Council. This is the evidence that underpins the Council's objectively assessed need. In Chapter 3 I will respond directly to points a.-e. at paragraph 4.10 of the SOC, which are criticisms of the Council's evidence.
- 1.7 Appendix 1 of the appellant's SoC is a report by planning consultants DLP for Redrow (September 2015), which critically reviews the Council's OAN assessment, but stops

¹ CD 2.26. There are two paragraphs 4.10 in the Statement of Case. I refer to the second one.

² As I note later, the latest evidence slightly suggests an updated number of 502 dpa, which is not significantly different.

short of calculating an alternative number. A few months later a new report by DLP for Redrow, dated March 2016, was submitted to the consultation on the draft Local Plan. This newer report covers much the same ground as the earlier one but additionally calculates an alternative OAN, equal to 1.215 dpa.

- 1.8 In my evidence I do not comment on the DLP report of September 2015, because it is not referenced to in the main text of the Statement of Case, and I believe it has been superseded by the DLP report of March 2016. A detailed critique of that March 2016 report is in the Council's Matter 1 OAN Background Paper³.

³ CD4.9

2 THE COUNCIL'S HOUSING NEEDS ASSESSMENT

- 2.1 In this chapter I summarise the Council's objective assessment of housing need, as provided in the Council's OAN re (March 2015)⁴, and supported by additional evidence in the OAN Background Paper (November 2016)⁵. Both these documents were produced by Peter Brett Associates (PBA).
- 2.2 As required by the National Planning Practice Guidance (PPG), the first step in our study was to test whether Telford & Wrekin formed a housing market area in its own right. Having established that this was the case, we went on to assess the area's housing need. The assessment began with demographic analysis to provide a trend-based demographic projection ('the demographic starting point'). It then sensitivity-tested this initial housing number against factors not captured by the projection, comprising past provision and market signals and the future demand for labour. Finally the assessment commented briefly on affordable housing need, although this does not bear directly on the objectively assessed need for all housing (the OAN). These elements of the study are summarised in turn below.

Defining the housing market area

- 2.3 The NPPF advises that, where a housing market area (HMA) covers more than one local authority, plan-makers should assess housing needs for the whole area rather than each authority individually. Therefore the first step in the study is to see if Telford & Wrekin is a standalone HMA. If it were not, in order to provide a sound needs assessment we would need to add further authorities to the analysis, even if they are not taking part in the study.
- 2.4 The PPG provides technical advice on how housing market areas should be defined, noting that an HMA should be a reasonably self-contained area in terms of migration – so that a high proportion of house moves occur within the area, as opposed to crossing its boundaries. It adds that this share of moves occurring within the HMA is 'typically 70%... *excluding long-distance moves (e.g. those due to a change of lifestyle or retirement)*'. The PPG also identifies other data that can help identify housing market areas, including commuting patterns – '*which will influence house price and location*'⁶.
- 2.5 In identifying a housing market area for Telford & Wrekin, our starting point in the 2015 OAN report is the geography defined in a study by the Centre for Urban and Regional Studies (CURDS) and others for the former National Housing and Planning Council (NHPAU). That study, published by CLG in 2010⁷, created a consistent set of

⁴ CD 4.1

⁵ CD 4.9

⁶ Reference ID: 2a-011-20140306

⁷ C Jones, M Coombes and C Wong, Geography of housing market areas, Final report, November 2010, Department for Communities and Local Government

- HMA's across England, based on migration and commuting data from the 2001 Census. As the NHPAU study (which is the only one of its kind) has not been updated following the 2011 Census, we then tested its findings against more recent data on migration and commuting data from that Census.
- 2.6 In the case of Telford and Wrekin the NHPAU geography did not provide a definite answer, because administrative boundaries have changed since that geography was created. Rather, it suggested two broad options: the borough could be identified as a housing market area on its own, or, if testing showed it was not self-contained enough, it could be combined with Shropshire.
- 2.7 Testing the former option against migration and commuting data, we found that the borough did in fact meet the PPG criterion, with migration containment of at least 70%. Commuting self-containment was also around 70%, which meets the Official Statistics definition of a Travel-to-Work Area (the PPG does not provide a quantitative threshold for commuting containment).
- 2.8 Based on this analysis the OAN study concluded that Telford & Wrekin forms a separate housing market area as defined in the PPG. Therefore it is consistent with national policy and guidance to assess housing need for the borough on its own.
- 2.9 The report added that the Duty to Co-operate did not stop at the HMA boundary. It might be that the borough would be required to accommodate unmet need from areas beyond the HMA, so far as was reasonable and sustainable. Such cross-boundary unmet need is not part of the OAN unless and until the authority concerned has agreed to accommodate it as part of its plan-making process, under the Duty to Co-operate.

Demographic projections

The 2015 OAN study

- 2.10 As required by the PPG, PBA's housing needs assessment took as its starting point the latest official demographic projections. At the time these projections comprised:
- The 2012-based ONS Sub-National Population Projection ('ONS 2012'), produced by the Office of National Statistics
 - The 2012-based household projection produced by the Department of Communities and Local Government ('CLG 2012'), which groups the ONS 2012 population into households, using factors known as household reference rates (HRRs, also known as headship rates or household formation rates).
- 2.11 With regard to population, in the OAN study we found that ONS 2012 underestimated trend-based population growth, due to showing dramatically lower net migration in the future than in the past. Accordingly we created two alternative projection scenarios, called PBA Trends 2003-13 and PBA Trends 2008-13, which provided a better reflection of past migration. The Trends scenarios carry forward the migration history of the previous 10 years and five years respectively. They show

- higher population growth – 838 and 785 persons per annum respectively, against 583 persons per annum in the ONS 2012 official projection.
- 2.12 To translate the Trends population scenarios into housing we used household formation rates (household representative rates, HRRs, headship rates) from the CLG 2012 household projection⁸. To translate the resulting household growth into numbers of dwellings we applied an adjustment for unoccupied dwellings (vacant and second homes). The resulting housing number for the plan period was 483 dpa or 497 dpa, according to the scenario chosen. We considered that 497 dpa was the more reliable number, because it rolled over past trends from a longer base period (2003-13) and so would be less affected by short-term factors. Therefore we concluded that 497 dpa was the correct demographic starting point for the housing needs assessment.
- 2.13 Since the report was published some parties have argued that the household formation rates behind this assessment were too low. They favoured a return towards the higher formation rates used in the CLG 2008 projection, specifically for young adult age groups aged 25-34 or 25-39. In the Council's 2016 Background Paper⁹ we demonstrate that this is wrong for two reasons:
- At *national level*, as discussed in the Council's Background Paper, authoritative academic studies¹⁰ show the CLG 2012 formation rates provide the best available view of future housing demand. The 2008 rates do not reflect current trends in housing demand, because they are based on very old evidence, they were over-optimistic at the time they were adopted and they look even more so in the light of subsequent evidence. Accordingly the 2012 rates are supported by the PPG and planning Inspectors; and
 - At *local level*, in line with the PPG formation rates may depart from the official projections if the evidence shows that the projections carry forward a historical undersupply of housing land. But for Telford & Wrekin PBA found no evidence of undersupply¹¹ in the period which the projections roll forward. Formation rates for the relevant age groups were, and were projected to be, equal to or higher than national benchmarks. Therefore the CLG 2012 HRRs are the correct demographic starting point for the housing need calculation.

⁸ An HRR is the proportion of the household population in a given demographic group who are household representatives (formerly known as heads of household). Since each household has exactly one representative, the number of heads of household equals the number of households. The HRR is the inverse of average household size. Thus, HRRs impact on housing need. For a given population higher HRRs means more household, more dwellings and smaller household size.

⁹ CD 4.9

¹⁰ L Simpson, *Whither household projections?* in *Town and Country Planning*, December 2014, Vol 83; N McDonald and C Whitehead, *New estimates of housing requirements in England, 2012 to 2037*

¹¹ CD 4.1, paragraph 4.20

The 2016 update

- 2.14 Earlier in 2016 the ONS and CLG released their 2014-based demographic projections (ONS 2014 and CLG 2014), which supersede the 2012-based version used in the OAN report. Our analysis and testing of these new projections is in the Background Paper. We found that the ONS 2014 population projection rolled forward the short-term effects of the recession. Accordingly we created an alternative scenario, Trends 2005-15, to provide a better reflection of long-term migration trends.
- 2.15 To translate the resulting population into households we used the CLG 2014 household formation rates – which are virtually identical to the 2012 CLG rates discussed earlier, being produced by the same method, and hence are justified for the same reasons I have discussed above.
- 2.16 The result is an updated starting point projection of 502 dpa. This is not significantly different from the 497 dpa figure. It is also equal to the housing number implied by the CLG 2014 projection, although the underlying population projection is different, as the PBA scenario shows more population and a younger age profile than ONS 2014.

Past provision and market signals

- 2.17 As advised in the PPG, while demographic projections should be the starting point in assessing housing need, they should be tested against further evidence. If the evidence of past provision and market signals shows that housing land has been undersupplied in the past against demand and need, then the starting point projections will understate that need and should be adjusted upwards.
- 2.18 The 2015 OAN study analysed the market signals used in the PPG and found that house prices were below national and regional benchmarks and had grown slightly more slowly, affordability was good relative to the benchmarks and overcrowding was below average. The Background Paper added to this analysis updated affordability data recently published by CLG. There is nothing in this market evidence to suggest an undersupplied market. Therefore the OAN study concluded, and the Background Paper confirms, that there is no justification for market signals uplift to the demographic starting point.
- 2.19 Some objectors have challenged this conclusion on the grounds that past housing delivery in Telford & Wrekin has consistently and significantly fallen short of targets in earlier plans. They infer that this underdelivery should trigger a market signals uplift to the demographic starting point from paragraph 015 of the PPG:

'The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under delivery of housing. As household projections do not reflect unmet housing need, local planning authorities

*should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply.*¹²

- 2.20 As discussed in the Background Paper, this inference is wrong for two reasons:
- Firstly, the targets referred to were maximums (taken from the former Regional Strategy); as such it would not have been logically possible to under-deliver against them. No minimum targets were set, therefore even if no houses had been built in the borough this would not constitute under-delivery against the plan.
 - Secondly, with reference to the PPG paragraph quoted above the objectors are misunderstanding the word ‘under-supply’. The PPG in this instance is talking about housing being under-supplied against demand or need – as is obvious from the paragraph as a whole, but especially from the words ‘the household projections do reflect unmet housing need’. The objectors are misreading this under-supply as ‘under-provision against policy targets’, which is a different matter entirely.
- 2.21 This again confirms that there is no justification in Telford & Wrekin for a ‘market signals uplift’ to the demographic starting point of 497 or 502 new dwellings p.a..

Future jobs

The 2015 OAN report

- 2.22 The National Planning Policy Framework requires that planning should deal with jobs and housing (as well as community services) in an integrated manner. One aspect of this integration that bears on housing needs assessment is the alignment of jobs and housing. The PPG, as interpreted by planning inspectors, requires that housing needs assessments assess the future demand for labour in their areas, and compare this with the number of workers that would result from the starting point demographic projection. If the comparison shows that the projections would not provide enough workers to meet demand, then the demographic projection understates need and should be uplifted – unless the imbalance can be resolved by improved transport infrastructure.
- 2.23 As part of the OAN study, therefore, we commissioned the economic forecasters Experian to produce a customised forecast, modelling the number of workplace jobs that would be consistent with our preferred demographic scenario, which as discussed earlier implied housing provision of 497 dpa. The result showed an additional 17,064 workplace jobs¹³ over the plan period, equal to 853 jobs per annum. This was a demand forecast, not constrained by local labour supply. Experian’s modelling predicted that the population in the PBA Trends 2003-13 scenario would be enough or more than enough to fill the forecast jobs. We concluded that there was no justification for a ‘future jobs’ adjustment to our demographic estimate of housing need.

¹² Reference ID: 2a-015-20140306 CD4.10

¹³ Workplace jobs are the jobs based in an area, in this case Telford and Wrekin.

- 2.24 In s78 appeals and the Local Plan consultation some parties challenged this analysis, mainly on the grounds that its assumptions on future economic activity rates were over-optimistic. In response PBA provided additional evidence from Experian that supported its view of future activity rates. It also asked Experian to model what would happen to labour market balance if the objectors' relatively pessimistic expectations about activity rates were correct, both at national and local level. The modelling suggested that, even with these lower activity rates, the Trends scenario would still provide enough workers to meet demand. The reason is that lower local activity rates overall result in lower economic activity in the UK as a whole, and so less demand for jobs in the local authority area. All this analysis is in the Background Paper⁹.
- 2.25 PBA's approach to labour market alignment, and activity rates in particular, was supported recently by two appeal decisions in Chelmsford¹⁴ and the Inspector's Interim Report on the Gloucester Cheltenham & Tewkesbury Core Strategy¹⁵. The Background Paper⁹ gives details of the analysis and these Inspectors' advice, and also responds to some smaller objections to PBA's labour market analysis.

The 2016 update

- 2.26 The analysis described above was informed by the 2012 official demographic projections from ONS and CLG. More recently, PBA has tested the new 2014 official projections against the latest Experian forecasts (September 2016). The analysis is set out in the Background Paper³. This latest forecast estimates that population growth in line with the ONS 2014 projection will be enough to meet future demand over the plan period. It follows that the population shown in PBA's updated demographic starting point, which shows a larger and younger population than ONS 2014, provides more than enough workers to meet demand. Again, there is no justification for a 'future jobs' uplift to the demographic starting point projection.

Affordable housing

- 2.27 The latest assessment of affordable housing need in Telford & Wrekin is the Strategic Housing Market Assessment (SHMA) published in March 2016¹⁶. This new assessment renders out of date the discussion of affordable housing need in the OAN study, which was based on an earlier SHMA. The 2016 SHMA identifies the borough's affordable need as 665 net new units per annum, assuming that the accumulated backlog of need is absorbed over a five-year period. In the Background Paper we provide an alternative calculation, in which the backlog is absorbed over 20 years. This reduces the total annual affordable need to 264 net new units per annum.
- 2.28 These affordable need figures should be considered by the Council in setting a housing target, and requirement, in its Local Plan. But they make no difference to the objectively assessed need for all housing (the OAN). That is because, as accepted by planning Inspectors and confirmed by the High Court in the Kings Lynn judgment

¹⁴ CD 28 & CD 29

¹⁵ CD 4.14

¹⁶ CD 4.3

(July 2015),¹⁷ affordable housing need is not a component of the OAN, and the OAN is not required to cover it in full. The implication is that affordable housing has no bearing on the five-year land calculation used in the present appeal.

¹⁷ CD 6.3

3 RESPONSE TO APPELLANT'S CRITICISMS

3.1 Having summarised our housing needs assessment, I can now reply briefly to the criticisms set out at the second paragraph 4.10 on pages 7-8 of the appellant's SOC. Below, I repeat these critical points (in italics) and answer them in turn.

- a. *'The suppressed levels of household formation which not only result in the area having a higher than average household size than England as a whole but taken forward do not see this declining despite the aging population (which would normally lead to an increase in smaller households). The importance of this is demonstrated by the application of the average household size to the SHMA modelled population at 2031 and this would suggest a household growth of some 800 a year.'*

The borough has a higher average household size than England as a whole: comparison of average household size between Telford & Wrekin and England does not tell us anything about 'suppressed household formation'. Average household size depends on several factors, including the age profile and lifestyles of the population. Older people on average live in smaller households than younger ones, for obvious reasons. If average household size is higher in the borough than England, the likely reason is that the borough has a younger population than England. Among these younger age groups it may also have a higher proportion of people living in couples or families as opposed to singles.

The borough's average household size is not declining despite ageing population: in the projections we have used, the average household size does decline, as shown in the table below.

Average household size, alternative projections

Persons	ONS/CLG 2012	ONS/CLG 2014	PBA Trends 2005-15	PBA Trends 2010-15
2011	2.470	2.469	2.469	2.469
2031	2.322	2.330	2.365	2.369

Source: CLG, PBA

In any case household size can, and often does, increase for reasons which are nothing to do with a shortfall in land supply. As discussed in the Background Paper among other place, many of the factors that have pushed household sizes upwards (housing formation rates downwards) are on the demand side, such as more precarious employment and student debt.

- b. *'Improved economic activity is not reflected in increased levels of household formation.'*

I think the point being made that economic growth and increased prosperity should result in increased household formation rates, as more people are able to afford their own home.

The household projections do indeed show such effects, but they do not apply to everyone. The benefits only go to certain groups - largely middle-aged and older people, whose prosperity includes large amounts of equity in owner-occupied housing. Other people, including younger couples, are finding it more difficult to access their own housing - precisely because they are not prosperous enough to compete successfully in the housing market with the former group.

- c. *'Past migration rates even over a 10 year period appear to be reduced compared to provision and population growth in the period prior to 2000.'*

I think the point being made is that migration in the last 10 years was below migration in the last century, and hence migration in the last 10 years must have been suppressed by inadequate housing land supply.

If migration was indeed higher before the year 2000, this may be due to many causes unrelated to constrained land supply. Depending on the period being looked at, examples include a changing age profile (younger people are more likely to migrate than older ones), the economic climate (migration tends to go down in recessions and rise in the booms) and planning policy – including the designation of Telford as a New Town, which means that *over the last 40 years or more the borough... has been planning for a growing town that not solely met the needs of its own population*¹⁸.

- d. *'The emerging shortfall in Birmingham is likely to have implications in terms of accommodating the scale of this under provision, it is clear that the wider market provision at Telford and Wrekin have a role to play.'*

The borough may or may not accommodate cross-boundary unmet need from Birmingham, albeit it is not part of the same housing market area. But any such cross-boundary provision would be a matter of policy. It cannot be counted as part of the OAN.

- e. *'The calculation of the balance between the levels of housing and employment growth are reliant on assumptions about activity rates that are contrary to trends for the area and the region.'*

This issue is discussed briefly in paragraph 2.24 above, and at length in paragraphs 2.43 onwards of the Background Paper.

¹⁸ Telford & Wrekin Council, *Technical Paper – Housing Growth*, June 2016

4 SUMMARY

- 4.1 My evidence relates to the objectively assessed housing need (OAN) for Telford & Wrekin borough over the plan period 2011-31. Its purpose is to refute the assertions at paragraph 4.10 on pages 7-8 of the appellant's Statement of Case (SoC), that the Council's objectively assessed housing need of 497 new dwellings per annum (dpa) over the plan period¹⁹ is too low, and the correct figure is around 900 dpa¹.
- 4.2 In response to the SOC, in Chapter 2 of my evidence I have provided a step-by-step summary of the housing needs assessment that underpins the Council's figure. This assessment is mostly in the 2015 OAN report and is expanded and updated in the October 2016 Background Paper. Both these evidence base documents were produced by Peter Brett Associates on behalf of the Council. I have shown that our assessment was robust and fully compliant with national planning guidance. In particular, I have demonstrated that, on the information available:
- i The household formation rates we have used, based on the latest CLG projections, are the best available measure of future housing demand;
 - ii If housing is provided in line with our needs assessment, it will provide enough or more than enough workers to meet 'business-as-usual' labour demand.
- 4.3 In Chapter 3 of my proof I have responded to the appellant's specific criticisms of the PBA needs assessment. In particular, I noted that the borough might or might not accommodate unmet housing need from Birmingham, but even if it does such imported need will not be part of the objectively assessed need as defined in the planning guidance.

¹⁹ As I note later, the latest evidence suggests a slightly higher number, 502 dpa, which is not significantly different.

