

## **IPSWICH CORE STRATEGY REVIEW AND SITES ALLOCATIONS & POLICIES EXAMINATION LOCAL PLAN EXAMINATION - STAGE 1**

### **MATTER 2: OBJECTIVELY ASSESSED NEED FOR HOUSING AND EMPLOYMENT LAND**

In Policy CS7 the Council considers that the objectively assessed housing need figure for Ipswich is 13,550 dwellings, or 677 dwellings per annum. The Council indicates that it has capacity for 10,585 dwellings (see table 2 of the local plan) although this is unclear. Consequently, on the basis of the Council's assessment, there is an unmet need of at least 2,965 dwellings (almost 3,000). However, the unmet need may be greater than this since policy CS7 is extremely vague about the land supply or where the land supply will come from to meet the unmet need.

In policy CS7 the Council states that to meet a remaining requirement of 5,851 dwellings the Council will rely on windfall sites and working with neighbouring local authorities *'later in the plan period'*. Paragraph 8.76 of the plan states that *"given the capacity constraints of housing land supply in the Borough, there will be a need to engage with neighbouring authorities through the Ipswich Policy Area to meet future population and household needs"*. Therefore, although there is an acknowledgement that Ipswich will not be able to meet its OAN entirely within its area, the local plan is unclear about the precise number.

However, firstly it is necessary to come to a view about the OAN for Ipswich.

#### **2.1 Is the identified objectively-assessed need (OAN) for housing of 13,550 new dwellings (an average of 677 per year), as set out in policy CS7, soundly based and supported by robust and credible evidence?**

The local plan has taken some time to come forward for examination since the Council originally concluded its regulation 19 consultation. Unfortunately, this means that the evidence base for the housing need – something that was already quite dated - has become even more dated.

However, in terms of the baseline demographic evidence, scrutiny of the most recent DCLG 2012 Household Projections suggests that the figure of 13,550 is robust. However, it is arguable that this is still only the 'starting point' and that an increase above this is warranted to address other indicators of need.

In its preparation the Ipswich Local Plan relied on two main sources of evidence: the 2012 SHMA and the *Ipswich Housing Market Area Population & Household Projections* of September 2013. We will consider each in turn briefly.

The SHMA 2012 utilises the East of England Forecasting Model which the report authors consider to provide a more robust assessment than the 'official' household projections when compared to the 2011 Census. Using this model the SHMA 2012 generates figures which it refers as *"results (that) form the basis of determining the*

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*overall scale of housing the local population is likely to need by 2031*". (See page 8). These figures presented in the table below:

	Household base in 2011	Projected Households in 2031	Change
Babergh	37,200	43,800	6,600
Ipswich	56,800	71,100	14,300
Mid Suffolk	40,000	51,100	11,100
Suffolk Coastal	54,100	68,300	14,200
Ipswich HMA	188,100	234,300	46,200

Nevertheless, and despite its virtues, the 2012 SHMA might be considered to be slightly dated. Therefore in keeping with the NPPF and NPPG the councils commissioned new demographic evidence. This is set out in the *Ipswich Housing Market Area Population & Household Projections* of September 2013. Like the 2012 SHMA before we have some concerns with this in terms of responding to the requirements of the NPPF and NPPG: it is an unadorned demographic projection rather than an OAN. This report uses the ONS 2011-Mid-Year Estimate population projections (published in 2012) for its 'Trend Migration Scenario'. It generates the following projections:

	Demographic projections. Sept 2013	Plan requirement 2011-2031
Babergh	3,250	6,000
Ipswich	13,550	9,500
Mid Suffolk	8,850	3,500
Suffolk Coastal	8,600	9,300
Ipswich HMA	34,250	28,300

On the basis of the demographic evidence provided by this report there is still an undersupply across the HMA, albeit it is not as substantial as previously measured by the 2012 SHMA.

**(a) Does the OAN take appropriate account of the 2012-based DCLG Household Projections?**

The DCLG 2012 Household Projections were published in February 2015 – just before the closing date of the consultation on the local plan review (March 2015). Nevertheless, the NPPF requires local authorities to take into account the latest household and population projections. The NPPG advises that the DCLG 2012 Household Projections should serve as the starting point for the objective assessment of need (OAN). This does not necessarily mean that they are accepted as the 'end' point – a local authority may consider sensitivity modelling to consider other demographic scenarios to adjust *"to reflect factors affecting local demography and household formation rates which are not captured in past trends"* (ID 2a-015-20140306). However, the official 2012 Household Projection serves as an important benchmark, against which other scenarios can be considered.

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The HBF places great weight upon the DCLG Household Projections. They provide the only independent projection and estimate of future housing needs that is available. Every other projection that is produced – whether by a local authority or by someone in the development industry – reflects the client’s own assumptions. This is also true of the ONS Population Projections. The ONS and DCLG already convert the population projections into a household projection by applying headship rates, hence the reference to using the Household Projections as the benchmark, rather than the 2012 Population Projections which will entail making certain assumptions about the propensity for households to form in different age cohorts. The official 2012 Household Projections, therefore, provide an important benchmark, against which one can compare the local authority’s own assessment.

The DCLG 2012 Household Projections record the following projected household formation for the period 2011-2031 (see DCLG *Table 406: Household projections by district, England, 1991- 2037*). All the figures are rounded. We have compared these with the planned housing requirements in the adopted and emerging Ipswich local plans:

	DCLG 2012 Household Projections 2011 - 2031	Current planned requirements
Babergh	5,000	6,000
Ipswich	11,000	9,500
Mid Suffolk	9,000	3,500
Suffolk Coastal	9,000	9,300
Ipswich HMA	34,000	28,300

The new figure for the HMA of 34,000 is largely consistent with the overall picture for the HMA as assessed previously by the *Ipswich Housing Market Area Population & Household Projections* of September 2013. There are differences at local authority level however: the new demographic projections show a decrease in the projected household formation for Ipswich although this is counteracted to a degree by a relatively large increase in Babergh, plus smaller increases in Mid Suffolk and Suffolk Coastal. However, the planned housing requirements (the housing targets in the local plans) exceed the projections in the case of Babergh and Suffolk Coastal although in the case of Ipswich and Mid Suffolk the projections indicate that there could be a significant undersupply. Across the HMA the planned housing requirements fall some 5,300 dwellings short of the indication of need that is suggested by the latest DCLG 2012 Household Projections.

The official projections serve as the starting point, but local authorities may consider sensitivity testing based on other scenarios, although these alternatives will need to be justified.

Since the close of the consultation on the publication version of the local plan in February 2015 Ipswich Council has prepared a new paper called *Topic Paper: Reviewing the Ipswich Housing Figures – Updated October 2015*.

It is not clear from this new report how the Council has considered the DCLG 2012 Household Projections. The paper provides a summary of projections provided for the Council by Luton Borough Council's Research and Geospatial Information Team (paragraph 28). This provides projections for the Ipswich Housing Market Area. These are shown in tables 1 to 4 on pages 7 and 8. The report says that the new projections have been provided to account for the 2011 Census (see paragraph 23). Unfortunately the report does not explain what projections have been used. We assume these are the ONS 2012 Population Projections.

Nevertheless, if one considers *Table 3: Total households change 2011-2031 in the Ipswich Housing Market Area* the new projections provided under the Trend Migration scenario (34,250 households) corresponds to the DCLG 2012 Household Projections for the four authorities of the Ipswich HMA (34,000 households). We assume that the trend migration scenario reflects a similar period for modelling trends as used by the ONS. Importantly, the Council states in paragraphs 30 and 38 that the trend migration scenario is identified by the Council as the scenario that best reflects the objectively assessed housing need for Ipswich.

We tend to agree that this scenario should serve as the baseline position. This generates a demographic figure of 13,550 households (not necessarily homes) for Ipswich. The lower migration scenario would not be appropriate. However, it may be appropriate for the Council to consider an alternative scenario that accounts for higher rates of net migration and household suppression. It would also need to convert the household projection into a housing need projection by applying a vacancy/second homes allowance

If one compares this with the DCLG 2012 Household Projections these indicate a lower demographic figure for Ipswich than this – 11,000 households, although on the basis of the Ipswich HMA as a whole the 2012 Household Projections indicate a similar level of overall household formation (34,000 households). Scrutiny of the DCLG 2012 Household Projections suggest that increased net out-migration from Ipswich into the other three districts, especially Babergh, has occurred over the 2001-2011 Census period.

**(b) Does the OAN appropriately consider the likelihood of past trends in migration and household formation continuing in the future?**

Ipswich Council favours its trend migration scenario. The HBF agrees that this is the appropriate starting point. We would not support the adoption of a lower migration trend that assumes a reduction in net migration by international migrants by 20.7% (see paragraph 32 of the October 2015 Update) because the latest evidence from the ONS is that the post 2011 Census projections have under-estimated the true scale of international migration to the UK. We agree with the Council that this scenario is likely to be an unrealistic one (paragraph 41).

The Household Constrained Scenario is useful for comparative purposes but does not represent an NPPF complaint assessment of need since it is based modelling

current levels of supply and how this will affect the rate of household formation (paragraph 42).

It is therefore sensible for the Council to assume that future patterns of population, migration and household formation will at least be similar to what has occurred in the past, as projected by the ONS and DCLG (see paragraph 38 of the report).

However, there may be a case for the Council (ideally in conjunction with the other three authorities of the HMA) to consider an alternative scenario that assumes a higher rate of household formation to reflect the possibility that economic factors and supply constraints have suppressed household formation in Ipswich.

The East of England forecasting Model Scenario is one such scenario. Unfortunately, the East of England forecasting Model Scenario uses population figures from the pre 2011 Census (paragraph 36 of the report). The Council also discounts this scenario because although it indicates a higher need across the HMA, it results in a lower supply in Ipswich. The Council argues that this would be inconsistent with its economic forecast (although the report does not say what its employment forecast is).

#### Migration from London

We note at paragraphs 5.3.1 to 5.3.6 of the SHMA 2012 the references to the influence of London. Paragraph 25 of the *Topic Paper October 2015 Update* observes that most of the housing growth arising from migration is the result of moves to the area from London and Essex.

Migration from London is likely to increase over the plan period owing to a combination of: a) the Mayor of London's migration assumptions underpinning the new London Plan; and b) supply and affordability problems in London.

The PAS July guidance observes that the official projections may underestimate future migration – show too little population growth for prosperous parts of the country which have been recipients of net migration in the past (see paragraph 6.23). An observation by Neil McDonald and Christine Whitehead for the TCPA is also important here. They note on page 11 of their paper for the TCPA titled *New Estimates of Housing Need in England 2012 to 2037* that the projected increase in households in London is very high under the 2012 household projections. However, they say that the London figure may be exaggerated as the 2012-based population projections probably underestimates the likely outflows from London to the rest of the UK because the ONS uses five-year trend periods to estimate moves between local authority areas. This five-year trend period (2007-2012) encompasses the recession during which net outflows from London to the rest of the UK were substantially lower than during the preceding five year period (2001-2006). The projections for London, therefore, may be recession influenced – i.e. fewer people left London than tended to be the case hitherto. It follows, they argue, “that the net inflows to other regions, particularly into the East and the South East, may have been under-estimated (our emphasis).

It is precisely this potentiality that informed the latest version of the London Plan (what was called the *Further Alterations to the London Plan* at the time of its

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examination). Underpinning the calculation of the London's future housing needs is an assumption that outward migration was stifled during the recession but would resume on its pre-recession course over the life of the new plan to 2025. This is shown in the Mayor's demographic projection called the Central Variant C. Compared to the 2011-based Interim Household Projections (the dataset used to inform the London Plan) this assumes an increase in out-migration from London of 5% and decrease in inward migration from elsewhere in UK by 3% compared to the official projections. This resulted in a projection by the Mayor whereby he has forecast that annually only 39,500 households will form per year (paragraph 3.60 of the Mayor's SHMA 2013) compared to the 2011-interim projections (the official projections that were available at the time when the London Plan was examined) that projected that some 52,000 households would form in London each year based on past trends. The Mayor's explanation for the difference is his assumption that there will be increased out-migration from London and decreased inward-migration into London over the period 2011 to 2036.

This is a factor that the Council needs to take into account since the Mayor's own demographic assumptions have been accepted by the inspector considering London's Plan and will have consequences for Ipswich and the HMA. In essence, it is likely that Ipswich will be subject to more net inward migration and fewer people leaving than before.

The inspector for the London Plan, in his report (dated 18 November 2014), does refer to this effect. He notes that the Mayor's SHMA *"includes assumptions relating to migration...likely to be material to the preparation of local plans outside London."* (Paragraph 8).

Allied to this is London's acute problems of affordability and the housing undersupply when compared to the need (the OAN for London). The size of the undersupply is a matter of some debate. The inspector identified the unmet need to be 6,600 dwellings per year. It would be higher at 20,000 dpa if the Mayor's higher range is used as the measure (requiring the backlog to be addressed in full by 2025). My own experience in commenting on the newly emerging London Borough plans is that many (such as Southwark and Croydon) are stating that they are unable to meet the new London Plan housing benchmark targets.

The Mayor of London's migration assumptions, coupled with the problems and pressures in the London housing market therefore point to a very strong possibility that net migration over the plan period into the Ipswich will exceed the official trends. Even the official trend-based projections probably under-estimate the housing need in the regions around London. As McDonald and Whitehead comment on page 19 of the TCPA report *New Estimates of Housing Need in England 2012 to 2037*:

*"Likely changes in internal migration would be expected to lead to more pressure in the South outside of London as more Londoners move out."*

For this reason, a mere trend-based projection for Ipswich and the HMA is unlikely to be reliable.

Adjusting for suppression among certain age-groups

We refer to paragraph 5.11.4 of the SHMA 2012. This observes that between 2001 and 2008 there was a steep decline in household formation rates among young people. The adoption of a trend-based projection as the OAN would not counter this tendency. Many local authorities have considered upwardly adjusting the projections on the assumption that household formation rates will improve among the young (although essentially this is an increase in supply to help counter-act the suppression of household formation among younger people). In view of the Council's wish to better align housing supply and jobs it is curious that the Council has not considered this as an option.

#### Allowance for second homes and vacancies

In addition to the figure of 13,550, it is normal practice to add an allowance for second and vacant homes – thereby converting a household projection to a dwelling projection (see for example the King's Lynn judgement where this was debated. 2015 EWHC 2464 (Admin)). On the basis of the 2011 Census, this figure is 3% nationally. Applied to the baseline figure of 13,550, this would require 406 additional homes to be added to the household projection to provide a dwelling projection of 13,956 dwellings. We would strongly recommend an adjustment for second and vacant homes to ensure that there is a sufficient supply of new homes to meet projected needs, especially if no other upward adjustments are to be made for potential suppression in household formation among certain age groups, higher migration, market signals, and the affordable housing need.

#### Summary on the demographic projections

The figure of 13,550 represents very much the baseline position. It is a very conservative projection. It shows the minimum number of homes needed in Ipswich should the trends of the past continue to 2031. It would not, however, provide a 'boost' to housing supply or provide flexibility in case Ipswich is subjected to higher levels of housing demand potentially as a consequence of higher economic growth, increased inward migration, potential suppression of household formation among certain age groups and growing problems of affordability resulting in the need for an increased affordable housing supply.

#### **(c) Does the OAN take appropriate account of 'market signals'?**

*Topic Paper: Reviewing the Ipswich Housing Figures – Updated October 2015* does not consider the question of market signals, although this is something that the NPPG advises should be taken into account by local planning authorities since a purely demographic-based projection would merely reflect what has happened in the past in terms of the pattern of household formation, not necessarily what is needed in the future to address housing need. Given that the OAN figure that the Council is using is purely a demographic projection, the Council would not be providing a 'significant boost' to supply as the NPPF encourages, and consequently there is a danger that the Council would be embedding current trends of deteriorating affordability in Ipswich up to 2031.

In line with some authorities who have added between 10% (Tandridge) and 20% (Chelmsford, Canterbury) on the demographic projection, we consider that Ipswich should add an allowance to account for market signals.

**(d) Is the OAN appropriately aligned with forecasts for jobs growth?**

It is unclear whether the *Topic Paper: Reviewing the Ipswich Housing Figures – Updated October 2015* has considered future employment forecasts in establishing an appropriate OAN. Matching jobs and homes, however, would appear to be an important objective of the Local Plan. We note paragraph 8.88 of the Local Plan. This refers the drivers of need identified in the SHMA as being the growth of employment and housing and investment in Ipswich aimed at raising qualification and income levels in Ipswich. Paragraph 8.85 of the Local Plan refers to matching jobs with the housing that workers want.

We are aware that the East of England Economic Forecasting Model that provides the basis for the OAN (see paragraphs 34 and 35). It provides trend-based forecasts. It is unclear whether a trend-based forecast would provide a 'step-change' in supply necessary to rectify these identified problems of a mismatch between the supply of homes and the needs of the economy. We note that the trend is for the population to age in the HMA (paragraph 25 of the *Topic Paper October 2015 Update*). There is a risk that more equity rich older households will occupy more of the housing stock to the detriment of economically active households. We have previously referred to the observation in paragraph 5.11.4 of the SHMA 2012 that between 2001 and 2008 there was a steep decline in household formation rates among young people. These two tendencies would not be reversed by opting for a trend-based OAN.

Moreover, a plan that is not capable of meeting even the trend-based projection would only be adding to the problem of the mismatch. We note paragraph 93 of the *Topic Paper: Employment, January 2015*. The East of England Forecasting Model indicates a 'demand for dwellings' need of 14,400 dwellings and a household increase of 13,900. If the Local plan is only able to provide about 10,000 dwellings owing to capacity constraints (see paragraph 8.79 of the Local Plan) then the plan would not be able to support the forecast employment needs of the Borough.

**(e) Does the OAN take appropriate account of the need to ensure that the identified requirement for affordable housing is delivered?**

According to the last SHMA 2012 the net need for affordable housing (once the affordable supply is discounted) is quite considerable in Ipswich – a need for 584 homes per year (see page 8 of the SHMA 2012). The Topic Paper October Update suggests that this figure may be an underestimate as it is based on prices and does not reflect other barriers such as access to finance (paragraph 25).

The figure of 584 dpa is a large figure and represents something like 86% of the annual planned supply of 677 dwellings. The NPPG advises that the local planning authority should consider increases the overall level of supply where this can facilitate the supply of affordable homes.

The extent of the affordable housing need (which may be higher) does tend to indicate problems in the local housing market. This is another reason why a purely trend based projection would be unsuitable and probably would not represent the future needs of the borough.



### Student needs

According to the SHMA 2012 Ipswich has a large and increasing student population. Paragraph 25 of the *Topic Paper October 2015 Update* observes that there has been a 43% increase in households containing students in the HMA since 2008. The Council will need to assess the likely expansion of higher education institutions in Ipswich since this could have an effect on housing needs. An expansion of student numbers will not be captured by the projections since these are trend based. Conversely, the Council could clarify in the local plan that it will not be counting the completion of student dwellings (traditionally in the C2 use class) towards the housing requirement. This is what Norwich City Council did in its local plan. As the NPPG advises, it is necessary to avoid double-counting.

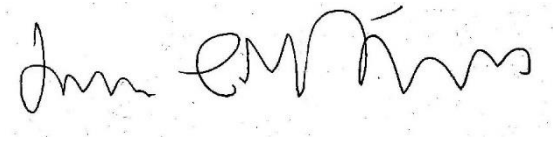
### **Conclusions on the OAN**

Ipswich's OAN cannot be considered in isolation from the needs of the HMA. As shown above, the recent DCLG 2012 Household demographic projections show a decline in the rate of household formation in Ipswich but an increase in the other three districts, especially Babergh, although the overall need across the HMA remains the same. This suggests increased outward migration from Ipswich. This means that although the other three districts in the HMA have post *2004 Planning and Compulsory Purchase Act* adopted part 1 local plans, the housing need assessments under-pinning these plans are probably now somewhat dated. There is also an unmet housing need in the HMA and in Ipswich itself.

Secondly, the HBF is very concerned about the implications of the Mayor of London's migration assumptions that has resulted in such a wide divergence in the Mayor's suggested pattern of household formation in London compared to the official projections (DCLG 2011-Interim and 2012). This will exert an influence on Ipswich and is a further reason why an unadjusted trend-based projection would be inappropriate.

Thirdly, the assessments of housing need for Ipswich and the HMA do not address certain requirements in the NPPG in terms of what needs to be considered when objectively assessing housing needs. The Ipswich and HMA studies merely comprise unadjusted demographic projections. There is consequently a danger that these studies will have underestimated the true extent of housing needs in the HMA.

The extent of the unmet need in Ipswich is also unclear because the local plan is so unclear in terms of how many homes the plan is able to deliver over the plan period 2011-2031. However, on the basis of the Council's assessment, there is an unmet need of at least 2,965 dwellings (almost 3,000). The unmet need may be greater than this since policy CS7 is extremely vague about the land supply or where the land supply will come from to meet the unmet need.

A handwritten signature in black ink, appearing to read 'James Stevens', written over a light grey dotted grid background.

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