

# Joint Local Plan Review for West Dorset, Weymouth and Portland

LEVEL OF GROWTH – HOUSING BACKGROUND PAPER  
ISSUES AND OPTIONS CONSULTATION VERSION

FEBRUARY 2017

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## Contents

1.	Introduction .....	1
	Purpose of Background Paper.....	1
	Local Plan and the Review .....	1
2.	National Policy and Guidance .....	2
	National Planning Policy Framework .....	2
	National Planning Practice Guidance .....	2
3.	Evidence and Research .....	4
	Local Plan Exploratory Meeting .....	4
4.	Current Approach .....	8
5.	Proposed Approach .....	9
	Shortfall in Housing Land Provision to 2031.....	9
	The Need for Additional Housing 2031 to 2036 .....	11

## 1. Introduction

### PURPOSE OF BACKGROUND PAPER

- 1.1 This background paper supports the review of the West Dorset, Weymouth & Portland Local Plan, which was adopted in October 2015.

### LOCAL PLAN AND THE REVIEW

- 1.2 The adopted local plan sets out the long term planning strategy for the area and includes detailed policies and site proposals for housing, employment, leisure and infrastructure. However, the local plan inspector required an 'early review' to be undertaken, which should be in place by 2021. He indicated that the review should identify additional land capable of meeting needs to 2036.
- 1.3 As part of the review it is important to establish the level of housing growth required to 2036, which is five years beyond the current end date of 2031, as this will ensure that social and economic needs are met, contributing to the achievement of sustainable development. The review also considers the need to change policies in relation to affordable housing, which is the subject of a separate background paper.
- 1.4 Policy SUS 1 – Level of Economic and Housing Growth in the current local plan already identifies the need for housing growth and employment land provision for the period to 2031. This background paper provides a general overview of issues relevant to the level of housing growth for the period to 2036. Issues relevant to the need for employment land provision to 2036 are discussed in a separate background paper.
- 1.5 This is a working document which will be updated as evidence is acquired and the consultation process proceeds.

## 2. National Policy and Guidance

### NATIONAL PLANNING POLICY FRAMEWORK

- 2.1 One of the national core planning principles (in paragraph 17 of the NPPF) is that *"planning should ... proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth. Plans should take account of market signals, such as land prices and housing affordability and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities."*
- 2.2 Paragraph 47 of the NPPF indicates that *"to boost significantly the supply of housing, local planning authorities should: ...use their evidence base to ensure that their local plan meets the full, objectively assessed needs for market and affordable housing in the housing market area"* as far as is consistent with the NPPF.
- 2.3 Paragraph 159 of the NPPF sets out how the need for housing should be assessed. It states *"local planning authorities should have a clear understanding of housing needs in their area. They should ... prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should: identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:*
- meets household and population projections, taking account of migration and demographic change;*
  - addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and*
  - caters for housing demand and the scale of housing supply necessary to meet this demand."*

### NATIONAL PLANNING PRACTICE GUIDANCE

- 2.4 The 'Housing and Economic Development Needs Assessment' section of the National Planning Practice Guidance (PPG) contains more detailed guidance on how a local planning authority should assess the need for housing.

- 2.5 Paragraph 2a-015-20140306 states *“household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need”*. However, it also recognises that these projections are *“trend based”* and that *“they do not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour.”* For this reason *“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.”*
- 2.6 Paragraph 2a-019-20140306 sets out how ‘market signals’ should be taken into account. It states *“the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings.”* It indicates that relevant market signals may include: land prices; house prices; rents; affordability; rate of development; and overcrowding.
- 2.7 Paragraph 2a-020-20140306 discusses how plan makers should respond to market signals. It states *“appropriate comparisons of indicators should be made. This includes comparison with longer term trends (both in absolute levels and rates of change) in the: housing market area; similar demographic and economic areas; and nationally. A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections.”*
- 2.8 Paragraph 2a-018-20140306 also sets out how employment trends should be taken into account. It states *“plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.”*
- 2.9 It goes on to say *“where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.”*
- 2.10 The next section discusses the evidence and research undertaken to establish the need for housing in the local plan area.

### 3. Evidence and Research

#### LOCAL PLAN EXPLORATORY MEETING

- 3.1 The local plan was submitted in June 2013 (CD/SP2) supported by an update to the original (2008) Strategic Housing Market Assessment (The Dorchester / Weymouth Housing Area 2011 Strategic Housing Market Assessment Update Final Report - CD/HOUS2), which was produced by JG Consulting in association with Chris Broughton Associates in January 2012.
- 3.2 2011-based interim household projections were published by DCLG in April 2013 and these were also used to inform the submitted local plan. At the time, the councils considered these interim projections to be a reasonable starting point in establishing future housing needs, as they took account of some of the findings from the 2011 Census.
- 3.3 The local plan inspector was concerned that potential weaknesses had been identified in the 2011-based interim household projections which would only be corrected when further updates were released in 2014. His view was that these projections should be treated with caution and he queried whether the councils' studies were sufficiently robust to provide an objective assessment of housing need.
- 3.4 The councils commissioned additional work (A Review of Future Housing Requirements for West Dorset District and Weymouth and Portland Borough, Dr Keith Woodhead, June 2013 – CD/SUS1), which was discussed at an exploratory meeting held on 22 January 2014. Notes of the meeting are set out in CD/INSP8.
- 3.5 The councils considered that this additional work demonstrated that the evidence of housing need provided a sound basis on which to plan for future development. However, the local plan inspector remained concerned over the issue of housing provision and produced a response following the exploratory meeting, suggesting a number of ways forward for the councils (CD/INSP10).
- 3.6 The option favoured by the councils was to suspend the examination to enable further work to be undertaken on the assessment of housing needs. The further work was published in July 2014. The 2014 SHMA (CD/SUS10) included two parts: Part 1 (produced by Peter Brett Associates - PBA), which examined the objectively assessed housing needs for the local plan area; and Part 2 (produced by HDH Planning & Development), which focused on the objectively assessed need for affordable housing.
- 3.7 The 2014 SHMA was not an update to the earlier work: it took a fresh look at housing need. The report and its approach relied heavily on advice published by the

Planning Advisory Service (PAS) in July 2014, which provided greater detail on how housing need should be objectively assessed. Much of this advice is now included in the PPG. The 2014 SHMA was used to inform the current local plan and its findings are briefly outlined below.

#### 2014 SHMA: PART 1

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- 3.8 Part 1 of the SHMA (CD/SUS10) examined a range of potential housing need figures informed by demographic projections, which were tested to establish a 'preferred' objectively assessed housing need figure for the Dorchester / Weymouth Housing Market Area (HMA), which is also the local plan area. The findings of the 2014 SHMA Part 2 are discussed in the background paper on affordable housing.
- 3.9 The 2012-based sub-national population projections (adjusted to give a figure for households by PBA) identified the formation of 507 new households per annum. Once an allowance was made for second homes and empty properties, PBA estimated a need for 554 new dwellings per annum. Reflecting paragraph 2a-015-20140306 of the PPG, the consultants considered this to be a good starting point for assessing housing need across the plan area.
- 3.10 The official 2012-based household projections were not published until February 2015. At that time PBA produced a note (CD/SUS15) updating their position. The new official household projections indicated the formation of 494 new households per annum (compared with the 2014 SHMA estimate of 507) giving rise to a need for 539 dwellings per annum (compared with the 2014 SHMA estimate of 554) once an allowance was made for second homes and empty properties.
- 3.11 In the 2014 SHMA, the consultants also had regard to other factors recognising that since 2007 house building and migration into the area had fallen, which they considered was probably as a direct result of the credit crunch and recession. They felt that the figures of 507 households / 554 homes were *"unlikely to represent a true reflection of housing need over the plan period."*
- 3.12 The consultants tested a number of scenarios, which also had regard to economic trends, particularly labour supply to support the economy. Scenarios tested included 'longer term' (10-years: 2001 to 2011) and 'pre-recession' (2001 to 2007) projections.
- 3.13 The 10-year projection broadly covered an economic cycle and included both 'boom and bust' elements. It suggested growth of 621 households per annum, or a need for 679 new homes a year. However, based on conservative economic activity rate assumptions, it also suggested that meeting this projection would be *"unlikely to provide any growth in the local labour force."* This raised a concern that the supply



of the working age population that is economically active (i.e. the labour force supply) under this projection would be less than the projected job growth.

- 3.14 The pre-recession projection reflected the economic growth at that time and also included some net movement of people into the area to work. The 2014 SHMA indicated that the ageing population locally meant that without more people of working age moving into the area, there would be a significant decline in the labour force. The pre-recession projection showed sufficient migration into the area to result in a small increase in the local labour force, which would support the growth of the economy.
- 3.15 The 2014 SHMA suggested growth of 709 households per annum, or a need for 775 new homes a year, which was recommended as the figure for the objectively assessed need for housing in the joint local plan area. Whilst this figure gives significant 'headroom' above the figures based on the 2012 household projections, it was considered that this higher figure was justified on the basis of poor market performance in recent years and the need to plan for a sufficient local labour supply to both support the current economy and deliver an element of economic growth.
- 3.16 It should be noted that job forecasts were subsequently revised through the course of the local plan examination and more information on this is given in the level of growth: employment land background paper.

#### COMPARISON OF 2012-BASED AND 2014-BASED PROJECTIONS

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- 3.17 The 2014-based household projections were released in July 2016 and have been compared with the 2012-based household projections.
- 3.18 For the adopted local plan, the official 2012-based household projections (produced in February 2015) for the period 2012 to 2037 showed an average annual growth in households of 494 across the local plan area (347 in West Dorset and 147 in Weymouth & Portland). In their April 2015 note (CD/SUS15) the consultants (PBA) estimated that this gave rise to a need for 539 dwellings per annum, taking account of vacant properties and second homes. It should be noted that these figures are slightly below those in the (earlier) 2014 SHMA (also produced by PBA), which was based on the 2012-based population projections with an estimate of the household formation rate.
- 3.19 The 2014-based household projections for the period 2014 to 2039 show a modest increase in the forecast average annual growth in households of 539 across the local plan area (365 in West Dorset and 174 in Weymouth & Portland). Assuming the same overall percentage uplift to take account of vacant properties and second homes, an initial estimate is that there would be a need for approximately 589 dwellings per annum.

3.20 The need for new homes derived from the 2014-based household projections, although slightly higher than the need based on the 2012-based household projections, is still significantly below the objectively assessed need for housing identified in the current local plan based on the 'pre-recession' projection (from 2001/07) of 709 households / 775 dwellings per annum.

3.21 These different figures are set out in summary in Figure 3.1.

Figure 3.1 – The Implications of Different Household Projections for Household Growth and the Need for Additional Dwellings

HOUSEHOLD PROJECTION	AVERAGE ANNUAL HOUSEHOLD GROWTH	AVERAGE ANNUAL RATE FOR DWELLINGS
2012-based	494	539
2014-based	539	589
2001 / 2007-based	709	775

3.22 Despite the modest increase in the 2014-based projections, there is still significant 'headroom' in the figure of 775 dwellings per annum used in the adopted local plan to account for poor recent market performance and to allow for an element of in-migration to increase the labour supply to support the economy.

3.23 It is considered that the figure of 775 dwellings per annum should remain the objectively assessed need for housing in the local plan area and does not need to be changed.

## 4. Current Approach

- 4.1 As discussed earlier, national planning policy requires a council to assess its housing needs and ensure that its local plan meets the full objectively assessed need for housing in the relevant Housing Market Area (HMA). West Dorset and Weymouth & Portland is considered to be a single HMA, making the whole plan area the appropriate area to plan for housing growth.
- 4.2 National planning policy also indicates that there should be sufficient land of the right type available in the right places and at the right time to support economic growth and innovation.

### LEVEL OF ECONOMIC AND HOUSING GROWTH: POLICY SUS<sub>1</sub>

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- 4.3 Policy SUS<sub>1</sub> in the current local plan sets out the level of economic and housing growth that should be delivered in West Dorset and Weymouth & Portland in the period from 2011 to 2031.
- 4.4 It indicates that provision will be made for a deliverable supply of housing land to accommodate in the region of 775 dwellings per annum – a total of 15,500 new homes over the plan period. The delivery of this level of housing growth will support the local economy, helping to generate around 13,000 jobs, and allowing in-migration of working age people to boost the currently reducing workforce.

## 5. Proposed Approach

- 5.1 As explained above, it is considered that 775 dwellings per annum should remain the objectively assessed need for housing in the local plan area and this figure does not need to be changed. However, there are reasons why the overall level of housing provision needs to be re-examined in the local plan review, which are:
- the shortfall in the provision of housing land in the local plan for the period to 2031, as identified by the local plan inspector; and
  - the need for an early review of the local plan to make provision for growth for a further 5 years (i.e. to 2036), as identified by the local plan inspector.
- 5.2 These reasons are discussed in more detail below.

### SHORTFALL IN HOUSING LAND PROVISION TO 2031

- 5.3 The local plan was originally submitted for examination in June 2013 (CD/SP2). It identified sufficient land to enable the construction of between 12,340 and 13,220 dwellings by 2031 at the average annual rate of 617 to 661 dwellings per annum.
- 5.4 Work undertaken to inform the submitted local plan was based on interim household projections from 2011, which only provided an estimate of likely housing requirements to 2021. As these projections gave no indication of the changes likely to occur after 2021, the councils adopted a 'range' for the number of homes anticipated after this date to provide flexibility and cater for increased demand should it materialise in a more buoyant economy. Separate provision was made for West Dorset and Weymouth & Portland with growth in the former largely consistent with numbers provided over the previous 20 years. However, targets were set at a lower level than those previously delivered in Weymouth & Portland.
- 5.5 At the Local Plan Examination in Public (EiP), several housebuilders pointed out that neither council had been able to meet its annual housing targets in recent years and expressed concern that without further sites to improve choice, the deficit in housing completions was likely to get worse.
- 5.6 In paragraph 43 his report on the EiP, the local plan inspector observed that "*past building rates were largely consistent with planned targets until the effects of the economic downturn took hold contributing to a reduction in house completions. As building rates have yet to recover a deficit has developed since the start of the current plan period*" (i.e. 2011).
- 5.7 The local plan inspector (in paragraph 44 of his report) found the original evidence to support the housing targets in the submitted local plan (i.e. the 2012 SHMA update - CD/HOUS2) "*unconvincing and neither sufficiently robust nor fully in*

*accordance with the NPPF*". As a result further work was commissioned following the suspension of the EiP (i.e. the new 2014 SHMA: CD/SUS10), which used the most recent population forecasts as a starting point for assessing housing needs across the combined authority areas following a methodology, which the local plan inspector considered was *"consistent with national guidance."*

- 5.8 As previously discussed the further work considered a number of different projections and the consultants 'preferred' option for the objectively assessed need for housing was 775 dwellings per annum. At the EiP, the councils accepted that the pre-recessionary (2001/07) trends and higher migration levels witnessed in the early years of the new millennium provided a better basis for estimating future needs than the more pessimistic modelling work using the 2011-based projections.
- 5.9 In paragraph 69 of his report, the local plan inspector took the view that *"allowing for pre-recessionary migration movements also means that growth in the local labour force is unlikely to be inhibited by a constrained housing supply were migration flows to recover to those seen in more buoyant times (2001 – 2007)."*
- 5.10 He also stated, in paragraph 73 of his report, that *"the annual requirement of 775 dwellings (15,500 over the plan period) represents an increase of between 17 and 26% over proposals in the Submission Plan. Having regard to the available evidence I consider this is a reasonable estimate of the amount of housing required during the plan period."*
- 5.11 The consequence of the higher housing target was that the sites identified in the submitted local plan would not be sufficient to meet needs to 2031. The initial solution suggested by the councils was to move the end date of the plan period back from 2031 to 2028. However, the inspector sought a 15-year time horizon on the adoption of the local plan and consequently felt that the original plan period (i.e. 2011 to 2031) should remain.
- 5.12 The councils updated their Strategic Housing Land Availability Assessment (SHLAA) (CD/SUS9) and also commissioned consultants (BNP Paribas) to provide an independent assessment of likely rates of delivery on the main sites constituting the bulk of the housing supply (CD/SUS14).
- 5.13 Whilst the inspector agreed with most of this updated work, he disputed rates of delivery from some elements of the supply, notably: large windfall sites; pre-application or pending applications; re-used rural buildings; and sites identified in neighbourhood plans. As a result he concluded, in paragraph 81 of his report *"I have therefore excluded these as realistic components of the supply and only included rural exceptions sites where funding has been agreed. I accept that dwellings will come forward which fall within these categories but the current evidence is not sufficiently robust to justify their inclusion. As a result I consider the overall supply (including*

*completions between 2011 and 2014) amounts to 14,855 dwellings meaning there is insufficient land to meet housing needs to the end of the plan period.”*

- 5.14 The overall housing requirement between 2011 and 2031 is for 15,500 new homes. However, since provision is only made for 14,855 new homes in the local plan, there is a shortfall of 645 new homes for the period to 2031, which needs to be addressed as part of the review of the local plan.

#### THE NEED FOR ADDITIONAL HOUSING 2031 TO 2036

- 5.15 Despite his concerns on housing provision, the local plan inspector, in paragraph 108 of his report, considered that the councils' strategy was *"fundamentally sound"*. He considered that *"the most appropriate option is to endorse the LP (Local Plan) as a basis for guiding future development in the Plan area while recognising that an early review is necessary to resolve land supply issues in the latter part of the plan period and to address other issues to emerge from the examination process."*
- 5.16 The main 'land supply issue' is the 645 unit shortfall in housing provision for the period to 2031. Other 'issues emerging from the examination process' relate more to the distribution of development. In particular, the Inspector had concerns about the lack of housing provision in the local plan at Dorchester and Sherborne.
- 5.17 The inspector felt (paragraph 137 of his report) that it was *"not obvious ... whether the Councils are committed to finding a solution to the longer-term expansion of the county town"*, which he considered (paragraph 139) to be a *"matter of urgency"*. In the light of this he required that *"a strategy is in place to meet long term development needs at or in the vicinity of Dorchester by 2021 and that a site or sites necessary for its implementation are identified as part of (the local plan) review proposals."*
- 5.18 In relation to Sherborne the Inspector expressed the view (paragraph 196) that *"the identification of further land at Sherborne is, in my opinion, a necessary and logical requirement for the successful and sustainable planning of this part of WD (West Dorset) before the end of the plan period."* He concluded (paragraph 197) that *"as part of the Plan review I therefore consider development needs in Sherborne should be reappraised."*
- 5.19 More generally (at paragraph 82) he stated *"I consider it is imperative that an early review is undertaken to identify additional land capable of meeting housing needs to the end of the current plan period as well as the broad location for development in the five year period thereafter, in the expectation that current Government guidance will not change."*
- 5.20 Five years beyond the current plan period means that the local plan review would need to make provision for housing for the period up to 2036, rather than 2031. The

inspector indicated that this longer-term provision should be made "*in the expectation that current Government guidance will not change*". However, the councils have considered the implications of the most recent (2014) household projections concluding that the figure of 775 dwellings per annum should remain the objectively assessed need for housing in the local plan area.

- 5.21 Projecting forward the figure for the objectively assessed need for housing (i.e. 775 dpa) for another 5 years would require the identification of sufficient land to accommodate another 3,875 new homes across the local plan area.

#### OVERALL NEED FOR ADDITIONAL HOUSING PROVISION TO 2036

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- 5.22 When the 3,875 new homes needed as a result of extending the plan period by five years is added to the 645-unit shortfall for the period to 2031, it gives an overall requirement to 2036 of at least 4,520 new homes. The local plan review therefore needs to identify sufficient additional housing land to accommodate at least this level of housing growth.
- 5.23 The discussion of the issues in this paper has led to two questions being asked in the Initial Issues and Options Consultation document.

#### OBJECTIVELY ASSESSED NEED FOR HOUSING

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- 5.24 The currently adopted local plan identifies the objectively assessed need for housing as 775 dwellings per annum across the whole local plan area. The councils consider that in the light of new household projections this figure does not need to be changed. Views are sought on this conclusion.

**4-i. Do you consider that the figure of 775 dwellings per annum remains an appropriate figure for the objectively assessed need for housing in the local plan area in the light of the 2014-based household projections?**

#### OVERALL NEED FOR ADDITIONAL HOUSING PROVISION TO 2036

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- 5.25 The inspector clearly set out the parameters for the local plan review in his report and the councils are seeking to take that forward. Projecting forward the objectively assessed need (of 775 dpa) for a further five years (to 2036) and adding this to the shortfall in housing provision to 2031 (of 645 new homes) means that sufficient additional land needs to be identified to accommodate at least a further 4,520 new homes, which would be in addition to the supply already identified in the local plan for 14,855 new homes. Views are also sought on whether this is an appropriate level of additional housing provision for the period up to 2036.

**4-ii. Do you agree with the level of additional housing provision proposed for the local area to meet needs for a further five years (i.e. at least an additional 4,520 new homes in the local plan on top of that already identified)?**