

Herefordshire Council Examination of the Local Plan

**Note on Household Projections – G L Hearn, 18 March 2015
Response by Herefordshire Council, 18 March 2015**

COMMENT

In a note commissioned by Herefordshire Council G L Hearn has considered the implication of revised household projections published in February 2015 that update those used in the Local Housing Market Assessment of 2013. The current projection suggests a figure of 14200 homes for the plan period, 2300 fewer than indicated in the Draft Core Strategy. However the note further suggests that an upward adjustment might be appropriate to reflect the possibility of higher household formation rates by families where the head of family is below the age of 45 and dependent on the availability of larger numbers of affordable homes; this could take the figure to 15000. A further upward adjustment might be reasonable to support increased employment due to economic growth. At what appears the most optimistic interpretation this might raise the figure to 16200 homes in the plan period.

It should be stressed that in the G L Hearn note the word 'might' is used in referring to the appropriateness of both these upward adjustments. Furthermore what appears as the absolute maximum number of new homes that might be justified in the most favourable economic circumstances is still 300 lower than the Core Strategy target. Nonetheless the Authority maintains its confidence in the robustness of the 16500 figure.

In fact Herefordshire Council has been anxious to pursue very ambitious new housing targets for some time. In the Regional Spatial Strategy it proposed a total of 18000 and was rumoured to favour a still higher figure. There were, however, arguments that employment prospects did not justify high levels of new housing even when the national economy was considerably more buoyant than it has been since 2008.

The arguments now put forward relating to an increased rate of household formation and a growth in employment require very careful scrutiny. All the current indicators suggest a steady increase in housing costs (purchase and rental) above the rate of inflation – the result of continuing low interest rates and the release of money from pension pots, much of which is likely to be invested in property. As far as the type of housing needed is concerned it is true that, for example, in the Ross HMA, there is an overwhelming preponderance of need (90%+) for units having up to and including three bedrooms. It is very unlikely, however, that developer led provision will deliver this kind of mix.

New household formation also depends on the development of employment opportunities and the rates of remuneration associated with such opportunities. Herefordshire currently has the lowest wage and salary levels of any area in the West Midlands. Herefordshire Council has placed great emphasis on improving the

local employment profile, but its efforts are inevitably limited by factors outside its control. Herefordshire is disadvantageously situated in terms of its strategic geography. It has poor road and rail links to London, Birmingham, Bristol and Manchester. These are issues of national not locally controlled infrastructure. All the evidence of recent years suggests the regional influence on development, which has favoured the London conurbation and south-east, the M4 corridor and the London-Oxford-Cambridge triangle. The HS2 project, if proceeded with, is likely to provide a third axis and draw much investment and development into its corridor. It was instructive to learn at the Examination hearing on Matter 8 that, though the Leominster Enterprise Park had recently, after a very considerable time, achieved a better level of occupancy, much of this was due to the relocation of a local business, with a net increase of only 50 jobs.

In these circumstances the Core Strategy projected housing target of 16500 could be viewed as injudicious and imprudent. A figure of not more than 15000 would be more appropriate.

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