

Report to the Cabinet

Report reference: C-033-2015/16
Date of meeting: 8 October 2015



Portfolio: Planning Policy

Subject: Strategic Housing Market Assessment

Responsible Officer: Sarah King (01992 564347).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) To note the findings of the updated Strategic Housing Market Assessment (SHMA) and that it be added into the Local Plan Evidence Base

Executive Summary:

The existing adopted Strategic Housing Market Assessment (SHMA) which covers EFDC (along with East Herts, Harlow and Uttlesford Districts) is out of date and requires revision. A revised, robust SHMA has been prepared by consultants, covering the same four authorities, and in compliance with requirements in the National Planning Policy Framework, the Planning Practice Guidance and technical advice from the Planning Advisory Service.

The revised SHMA presented to Cabinet provides figures for Objectively Assessed Housing Need (OAHN), for Epping Forest District, and the other three Districts named above. The figure for OAHN is of course not the housing target, but an important step towards establishing one. It is recommended that the revised SHMA be included in the Local Plan Evidence Base, so that it can be balanced along with all the other evidence, to help find the eventual future housing target for the district through the Local Plan process (Please see also the report on Economic evidence also being submitted to this Cabinet meeting).

Reasons for Proposed Decision:

To ensure that the Evidence Base for the new Local Plan includes a robust up to date SHMA, conforming to national policy and guidance, and demonstrating cross border co-operation. This is fundamental to preparing a Local Plan which can be found 'sound' at Examination in Public.

Other Options for Action:

Not to include the updated SHMA into the Local Plan Evidence Base. However, doing this would jeopardise the Local Plan timetable, and risk the new Local Plan being found unsound at Examination in Public stage. Also, as the updated SHMA is a joint study with three other authorities in the Housing Market Area (East Herts, Harlow and Uttlesford District Councils), even if it were not noted by this Council it is extremely likely to appear in the other authorities' Evidence Bases, and so will be public and in use within our Housing Market Area.

Report:

Background

1. The National Planning Policy Framework (NPPF, 2012) and the Planning Practice Guidance (PPG, 2014) require local planning authorities to prepare a Strategic Housing Market Assessment (SHMA) to assess housing need in their area. Discussions on Objectively Assessed Housing Need (OAHN) and SHMAs have been prominent at Examinations in Public in the last few years. Of the 126 Local Plans examined or submitted for Examination since the NPPF was published, approximately 37% of these ran into problems concerning housing numbers; these plans were either withdrawn, delayed, or eventually found 'sound' but only subject to an immediate or early review (analysis as at March 2015).

2. Previous SHMAs have been prepared for the defined Housing Market Area of 'West Essex/East Herts', comprising Epping Forest DC, East Herts DC, Harlow DC and Uttlesford DC. The last of these was published in 2012 and is significantly out of date.

3. Opinion Research Services have produced a new SHMA in accordance with requirements in the National Planning Policy Framework, the Planning Practice Guidance and technical guidance from the Planning Advisory Service. Opinion Research Services are consultants who produce SHMAs for many local authorities across the county, and have been successful in defending their SHMAs at Examination in Public.

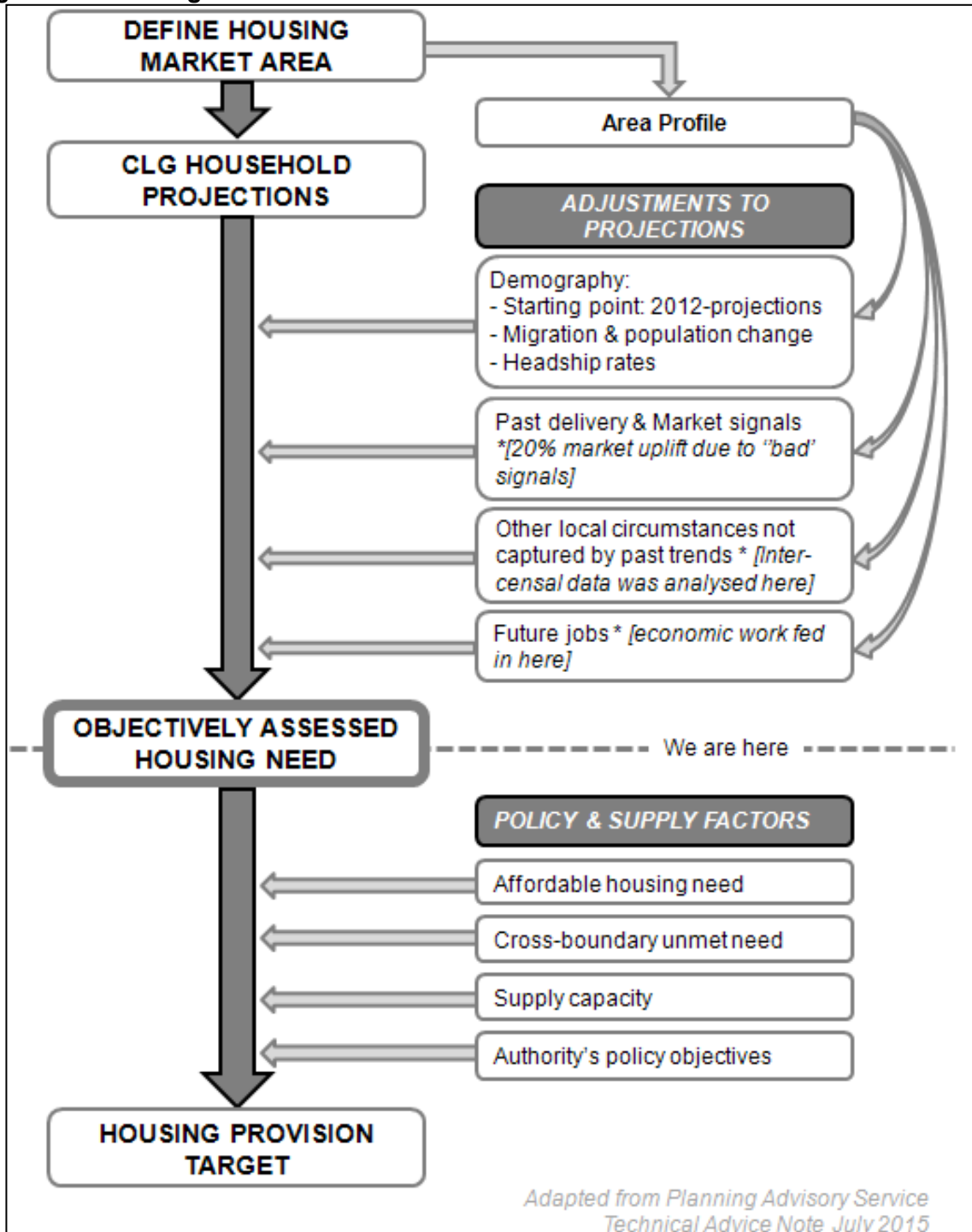
Objectively Assessing Housing Need within a SHMA

4. The NPPF and the PPG give specific requirements for a SHMA that Inspectors at recent Examinations have paid particular regard to. The Planning Advisory Service (PAS) '*Objectively Assessed Need and Housing Targets - Technical advice note, 2nd edition, 2015*' also gives detailed advice on preparing a SHMA which is robust. Together these documents set out that a SHMA should:

- assess '*full housing needs*', analysing the mix of housing and range of tenures needed over the Local Plan period. This should meet household and population projections, taking account of migration and demographic change. (NPPF, para. 159);
- treat 'housing need' as '*....the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period*'. A SHMA '*....should cater for the housing demand of the area and identify the scale of housing supply necessary to meet that demand*' (PPG, para. ID: 2a-003);
- be an objective analysis of the evidence, '*entirely about need and demand, to the exclusion of any supply-side factors such as physical constraints, policy designations and adverse impacts of development.*' (Technical advice note, PAS, July 2015); and
- analyse Market Signals, for example dwelling prices, rents, affordability, rate of development, overcrowding etc., and if these are 'bad' (meaning if they are 'worse' than England as a whole, and/or getting relatively worse over time) that the projections should be uplifted to compensate (PPG, para. ID: 2a-019/020).

5. The PAS technical advice note gives a helpful diagram of the processes involved in objectively assessing housing need (adapted below with comments in italics relevant to EFDC), and then taking this forward through further work to the next stage, identifying the housing provision target. The revised SHMA only deals with the first half of the diagram – up to identification of Objectively Assessed Housing Need - the position marked by the dotted line on Figure 1 below.

Figure 1 - PAS diagram



Defining the Housing Market Area

6. Government policy requires that a SHMA should assess housing need in an effective Housing Market Area (HMA). An HMA is ‘...a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work.’ (PPG, para. ID: 2a-010). HMAs are defined by considering a range of matters including dwelling prices, where people choose to move to, and travel to work patterns. In practice this means that HMAs very often cross administrative boundaries, and local planning authorities are required to work with all the other authorities within their Housing Market Area, under the Duty to Cooperate, to prepare a SHMA.

7. The 2010 SHMA defined the Housing Market area as including Epping Forest DC, East Herts DC, Harlow DC, Uttlesford DC Brentwood BC and Broxbourne BC. However Broxbourne BC and Brentwood BC elected not to be included in the 2012 SHMA, or in the new SHMA. Both of these authorities form part of the Co-operation for Sustainable Development group, through which ongoing Duty to Co-operate discussion can be facilitated, and indeed the methodology for this SHMA was discussed at this group.

8. The revised SHMA has reconsidered the factors which help to define a Housing Market Area, and has found that Epping Forest DC, East Herts DC, Harlow DC and Uttlesford DC still form an effective Housing Market Area, and so it proceeds to assess housing need on that basis.

Official CLG/ONS projections

9. The Planning Practice Guidance requires that Government’s Household Projections and Population projections must be the starting point for identifying OAHN (as shown in Figure 1). The Office for National Statistics produces the ‘Sub-National Population Projections’ which are in effect the national ‘official’ population projections.

10. The most recent of these were published in 2014 and suggest that over the 2011-2033 Local Plan period, the population over the SHMA area would increase by 4,432 per year.

Figure 2 – Baseline CLG/ONS population projections per year

| 2011-2033 | East Herts DC | Epping Forest DC | Harlow DC | Uttlesford DC | SHMA area total |
|---------------------------------------|----------------------|-------------------------|------------------|----------------------|------------------------|
| Additional population per year | 1,376 | 1,286 | 673 | 1,096 | 4,432 |

NB – totals may not sum due to rounding

Adjustments to Projections (based on local circumstances)

11. The Planning Practice Guidance allows that local authorities ‘...may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates ...’ (PPG, para. ID 2a-017).

12. The new SHMA undertook careful analysis of national projections between the Censuses (2001 and 2011) referred to as the intercensal period, and found that future projections of migration were significantly larger than those which had actually been seen on the ground, especially for Epping Forest DC.

13. The robustness of the Census in terms of monitoring migration patterns has been reinforced by the Public Administration Select Committee who stated that the Census ‘...provides the most accurate data on the number and characteristics of migrants at the local level...’ (House of Commons Public Administration Select Committee Migration Statistics (HC 523, July 2013)).

14. Opinion Research Services were able to use the analysis of changes in data between the Censuses to produce instead, projections which were based on real changes which took place in the local area. They noted that ‘On balance, data for the most recent intercensal period provides the most reliable basis for future population projections’ (p41 of the SHMA). This had the effect of reducing the baseline projections in the SHMA area, in some districts more than others.

15. The intercensal projections (Figure 3) are far more robust for the local area in that they are based on actual trends experienced in the area. They suggest that over the 2011-2033 Local Plan period, the population over the SHMA area would increase by 2,952 per year. These figures are similar to those produced from the Essex Planning Officers Association forecasts undertaken by Edge Analytics and used in previous SHMAs, which provide a benchmark.

Figure 3 – Intercensal projections

| 2011-2033 | East Herts DC | Epping Forest DC | Harlow DC | Uttlesford DC | SHMA area total |
|---------------------------------------|---------------|------------------|-----------|---------------|-----------------|
| Additional population per year | 931 | 661 | 399 | 962 | 2,952 |

NB – totals may not sum due to rounding

16. The specific method used for deriving these intercensal projections has been supported previously at Examination, where it was noted that ‘a 10 year period is a reasonable approach’ and ‘the inter-censal period provides a readily understandable and robust check on the reasonableness of the average’ (Report on Bath & North East Somerset Examination in Public, June 2014). The new SHMA is based on these intercensal projections.

Headline Results of the Revised SHMA

17. The detail of the methodology and consideration of all of the factors involved in Figure 1 in arriving at OAHN are given in the revised SHMA report.

18. The revised SHMA gives the following headline results (Figure 4) for Objectively Assessed Housing Need (in net additional dwellings) for the Housing Market Area as a whole, and for each local authority, over the Local Plan period 2011-2033. It quantifies EFDC’s OAHN over the Local Plan period as 11,300 net additional dwellings.

Figure 4 – headline results from the revised SHMA

| OAHN 2011-2033 (dwellings) | East Herts DC | Epping Forest DC | Harlow DC | Uttlesford DC | SHMA area total |
|---|--------------------------|-----------------------------|----------------------|--------------------------|----------------------------|
| Market | 12,200 | 8,100 | 2,500 | 9,700 | 32,500 |
| Affordable | 4,200 | 3,200 | 3,400 | 2,800 | 13,600 |
| TOTAL | 16,400 | 11,300 | 5,900 | 12,500 | 46,100 |

NB – totals may not sum due to rounding

19. It should be noted that Central Government defines ‘affordable housing need as ‘those households who cannot afford to meet their housing needs in the market’ (meaning renting or buying). This is calculated on the basis of local circumstances. Central Government (Definitions of general housing terms, 2012) sets out that ‘affordable housing’ includes:

- Social rented housing - owned by local authorities and private registered providers for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency; and
- Affordable rented housing - is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80 per cent of the local market rent (including service charges, where applicable) and
- Intermediate housing - homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

20. The revised SHMA also gives a detailed breakdown of the OAHN for each district by tenure and by dwelling size. The breakdown for Epping Forest District’s OAHN is given in Figure 5 (breakdowns for the other authorities are in the revised SHMA report).

Figure 5 – detailed results for EFDC from the revised SHMA

| OAHN 2011-2033 (dwellings) | | EFDC (dwellings) | EFDC (% , rounded) |
|----------------------------|--------------|------------------|--------------------|
| Market Flat | 1 bed flat | 430 | 4% |
| | 2+ bed flat | 450 | 4% |
| Market House | 2 bed house | 1,020 | 9% |
| | 3 bed house | 4,090 | 36% |
| | 4 bed house | 1,580 | 14% |
| | 5+ bed house | 510 | 5% |
| MARKET total | | 8,100 | 72% |
| Affordable Flat | 1 bed flat | 570 | 5% |
| | 2+ bed flat | 450 | 4% |
| Affordable House | 2 bed house | 710 | 6% |
| | 3 bed house | 1,180 | 10% |
| | 4+ bed house | 310 | 3% |
| AFFORDABLE total | | 3,200 | 28% |
| GRAND TOTAL | | 11,300 | 100% |

NB – totals may not sum due to rounding

Implications Going Forward

21. As noted above, the revised SHMA gives a figure for this district for Objectively Assessed Housing Need, which is not the housing target. However it is an important step towards establishing the eventual housing target in future through the Local Plan process. The next steps that need to be taken in order to establish a housing target are shown on Figure 1, below the dotted line. This represents a significant amount of work, considering constraints, policy aims, other evidence etc.

22. This Council's Members will also need to continue to discuss housing need with its SHMA partners (East Herts, Harlow and Uttlesford Councils) through consideration of what the SHMA says about OAHN, and how it could potentially be accommodated within the four authorities. These initial discussions will be held through the established Co-operation for Sustainable Development Board and then brought back to each individual authority for decision making.

23. The SHMA does not take into account the viability of providing for the housing need identified, i.e. how easy/difficult it would be for the market to deliver the required levels of affordable housing. This will be analysed through the ongoing Viability Study (Dixon Searle Partnership), and further work on the new Local Plan.

24. It should be noted that there are a number of things which will 'count against' the eventual housing target figure. The following can be deducted from the final housing target:

- completions from the start of the Local Plan period (2011 at present) – as at the end of June 2015 this amounts to 948 net dwellings (of which 185 were affordable). These figures are derived from completion certificates issued by Building Control. As long as the Local Plan is adopted by 2018 then all completions from 1st April 2011 onwards will count towards the target. (Local Plans must have a 15 year span as a minimum, so as long as the Local Plan is adopted in 2018, there will be 15 years remaining until the end of the Plan period, 2033. If for any reason the Local Plan were not adopted until 2019, then the 15 year Local Plan period would have to be from 2012 onwards, in which case completions from 2012 onwards could be counted, and so on);

- current permissions for housing, once they are built (completed). The analysis of current outstanding housing permissions is still ongoing but approximately 900 dwellings have been identified so far which have permission and have not yet been built;
- an allowance for ‘windfall’ – this relates to dwellings on sites which might not be allocated within the new Local Plan, but might come forward within the Local Plan period. Such sites are often smaller in size than those which might normally be allocated within a Local Plan. Government allows that this can be taken into account as long as there is evidence to support this having taken place in the past. Previous analysis undertaken has suggested that approximately 80 dwellings per year have been delivered in the District in this way in the past; and
- empty homes brought back into use – the Council has performed well against its target to bring empty homes back into use within the district, and thus an allowance can be made of approximately 30 dwellings per year to be delivered in this way.

25. After the OAHN has been assessed, the PPG requires that local authorities ‘consider’ whether to make any further uplift on the SHMA figures, to ensure that there is enough market housing planned in order to make the affordable housing deliverable (PPG, para. ID 2a-029). This does not fall within the remit of a SHMA or OAHN, as confirmed recently by the Inspector examining the Cornwall Local Plan; it is a policy decision that comes afterwards. It is also important to note that the revised SHMA already incorporates an uplift on baseline household projections for Market Signals, as required by the PPG (para. ID: 2a-019/020), so some uplift has already been made. This Council will need to consider this issue carefully in the coming months, while continuing to engage with SHMA partners.

26. The Council also needs to consider the implications of the SHMA in relation to the five year assessment of land supply. Every local planning authority is required to keep an up to date assessment of whether its existing (permitted) housing supply for the next five years equates to five years’ worth of its adopted housing target (PPG, para. ID: 3-030). As this Council’s housing target has still to be determined, this supply cannot be calculated. Brandon Lewis (Planning and Housing Minister) made clear in a letter to the Planning Inspectorate that a SHMA does not represent a housing target and should not be used in this way: *‘The publication of a locally agreed [SHMA] provides important new evidenceHowever, the outcome of a Strategic Housing Market Assessment is untested and should not automatically be seen as a proxy for a final housing requirement in Local Plans....Councils will need to consider Strategic Housing Market Assessment evidence carefully....Only after these considerations are complete will the council’s approach be tested at examination by an Inspector. Clearly each council will need to work through this process to take account of particular local circumstances in responding to Strategic Housing Market Assessments.’* (Brandon Lewis, December 2014).

Resource Implications:

The SHMA update was accounted for in the existing Local Plan budget.

Legal and Governance Implications:

The National Planning Policy Framework requires each local authority to *‘....prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries’*. (para. 159). Not having a robust SHMA within the Local Plan Evidence Base risks having the new Local Plan being found ‘unsound’, i.e. not being accepted at Examination in Public stage by the Planning Inspectorate.

Safer, Cleaner and Greener Implications:

The production of a new Local Plan, including consideration of population change and quantum of housing development, will be subject to Sustainability Appraisal and Habitats Regulation Assessment throughout the process. This will ensure that environmental, social and economic impacts and issues are weighed carefully.

Consultation Undertaken:

The SHMA is a piece of technical evidence produced by consultants, jointly commissioned with our SHMA partners, and as such will be used to inform policies in the Draft Plan - Preferred stage of the Local Plan, which will in turn itself be consulted on. Informal consultation was undertaken with senior officers from Planning Policy.

Background Papers:

West Essex and East Hertfordshire Strategic Housing Market Assessment, Opinion Research Services, 2015

Economic Evidence report for West Essex and East Herts, Hardisty Jones Associates, 2015

National Planning Policy Framework, Department for Communities and Local Government, 2012 - <https://www.gov.uk/government/publications/national-planning-policy-framework--2>

Planning Practice Guidance, Department for Communities and Local Government, 2014-15 - <http://planningguidance.planningportal.gov.uk/blog/guidance/>

Objectively Assessed Need and Housing Targets - Technical advice note, 2nd edition, Planning Advisory Service 2015 - <http://www.pas.gov.uk/documents/332612/6549918/OANupdatedadvicenote/f1bfb748-11fc-4d93-834c-a32c0d2c984d>

Signal failure? A Review of Local Plans and Housing Requirements, Nathaniel Lichfield & Partners, 2015 - <http://nlplanning.com/uploads/ffiles/2015/03/219520.pdf>

Preliminary findings in the Cornwall Local Plan Strategic Policies Examination, Inspector Simon Emerson, 2015 - <https://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf>

Letter from Brandon Lewis MP (Minister of State for Housing and Planning) to The Planning Inspectorate, 2014 - <http://tinyurl.com/Brandon-Lewis-letter>

Report on Bath & North East Somerset Examination in Public, The Planning Inspectorate June 2014 - http://www.bathnes.gov.uk/sites/default/files/sitedocuments/Planning-and-Building-Control/Planning-Policy/Core-Strategy/cs_pins_final_report.pdf

Risk Management:

Not having a robust SHMA within the Local Plan Evidence Base risks having the new Local Plan found 'unsound', i.e. not being accepted at Examination in Public stage by the Planning Inspectorate. This would very likely mean that the Council would have much less control over where development took place, as planning applications for housing would be far more likely to be granted on appeal by the Planning Inspectorate. The Local Plan features in the current Corporate Risk Register (no. 1, rating A1).

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

- The inclusion of the revised, up to date Strategic Housing Market Assessment (SHMA) into the Local Plan Evidence Base is relevant to equality analysis, as it could impact on all people living, working and doing business within the district, as it will influence the new Local Plan.
- Data from the 2011 Census, the CLG Household Projections 2012 (released 2015), ONS 2012 Sub-national population projections, and ONS Vital Statistics were taken into account in the equality analysis.
- This data showed that the district, compared to the national average, has more older people, less younger people, slightly more married people, slightly less single people, slightly less people with a disability or long term illness, a slightly higher maternity rate, and a slightly higher proportion of 'White British' people. The district is very near to the national average in terms of the population split by household composition, religion or belief, and sex.
- The assessment did not highlight any negative impacts on people with the protected characteristics, as even though the updated Strategic Housing Market Assessment considers housing need, whilst factors like age, sex and household size are analysed, this is done in order to correctly identify the needs arising from different groups, to help try to meet them, not in order to treat them in any negative way. The SHMA seeks to assess need and respond appropriately.
- The assessment found that the inclusion of the revised, up to date Strategic Housing Market Assessment (SHMA) into the Local Plan Evidence Base could positively impact on some of the people with protected characteristics, and increase their equality of opportunity. This could be done through new SHMA helping to inform decisions in the Local Plan to provide:
 - more suitable housing for elderly people;
 - a sustainable mix of sizes of housing for families, single people etc.;
 - more adaptable homes that would benefit wheelchair users; and
 - affordable housing for those in priority need on the Housing Waiting List.
- The assessment noted that future housing provision (i.e. pitches) for Gypsy Roma Traveller (GRT) people would be aided by the separate Gypsy and Traveller Accommodation Assessment (GTAA) which was prepared with more accessible consultation for GRT people, such as face to face interviews. Government requires that Councils assess GRT need in this way, separately to need for the settled community which is assessed through the SHMA.
- The assessment found that the inclusion of the revised, up to date Strategic Housing Market Assessment (SHMA) into the Local Plan Evidence Base could help to foster good relations between communities, by helping to inform decisions in the Local Plan to help provide mixed, sustainable communities in

which older people, younger people, families, single people, wheelchair users, and those currently unable to afford housing in the area can live together in suitable homes and interact.

- The Local Plan will also be subject to its own Equality Impact Assessment.