

Report to the Cabinet

Report reference: C-025-2013/14
Date of meeting: 9 September 2013



Portfolio: Planning

Subject: Methodology for Determining Objectively Assessed Housing Need

Responsible Officer: Sarah King (01992 564347)

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Recommendations/Decisions Required:

- (1) To note the national planning policy, and best practice in determining Objectively Assessed Housing Need (OAHN);**
- (2) To note the implications of (1) for the preparation of the new Local Plan for Epping Forest District; and**
- (3) To agree the broad methodology for determining OAHN as set out in this report.**

Executive Summary:

In the vacuum left by the revocation of Regional Spatial Strategies (e.g. the East of England Plan), local authorities must now set their own Local Plan targets for the future development of housing. National policy requires that each area determine its 'Objectively Assessed Housing Need' (OAHN) using official population and household projections, housing information such as a Strategic Housing Market Assessment (SHMA), and economic data.

As housing markets do not respect administrative boundaries, the SHMA covering the housing market area which includes Epping Forest District also includes other local authorities. If the OAHN cannot be accommodated within a district's own boundaries, then the authority should work with other adjacent authorities within the housing market area, through the Duty to Cooperate (National Planning Policy Framework para. 178), to see if they can accommodate some of the unmet need.

National policy, guidance and best practice and recent Examinations in Public all point to the need for a robust determination of OAHN, based on clear evidence. This report deals only with the methodology for determining the OAHN. The next phase of work, which relates this to a target for market and affordable housing in the authority's area, will be addressed in a future Cabinet report.

Reasons for Proposed Decision:

To ensure that ongoing preparation of the new Local Plan is robust, conforms to national planning policy and guidance, and takes account of best practice.

Other Options for Action:

Not to consider Objectively Assessed Housing Need, as required by national planning policy (and

thus not to base a new housing target on this assessment). However, this would seriously risk the new Local Plan being found 'unsound', i.e. not being accepted at Examination in Public stage by the Planning Inspectorate. This in turn is very likely to mean that the Council would have much less control over where development takes place, as planning applications for housing would be more likely to be granted on appeal. There is therefore no realistic alternative option to establishing the Objectively Assessed Housing Need for the District and basing housing development targets upon this assessment.

Report:

Introduction

1. Until recently, housing figures for inclusion in each local authority's Local Plans were determined by Regional Assemblies, and set out within the relevant Regional Spatial Strategy (RSS). For Epping Forest District this was the East of England Plan (EEP). These figures took into account demographic modelling. However, Government has now revoked all Regional Spatial Strategies, and housing figures are no longer set at a regional or central Government level.
2. The responsibility of considering housing need and setting a figure through a Local Plan now rests with each individual local authority as set out in the National Planning Policy Framework (NPPF). This presents a significant challenge to local Councils, who often do not have much experience in such work, particularly demographic modelling.
3. Any new housing figure must of course be based on robust evidence, involving population forecasting, housing need and affordability and other issues, such as a Council's strategic ambitions for economic growth or regeneration.

National Planning Policy

4. The National Planning Policy Framework (NPPF) makes it clear that the planning system should supply an adequate amount of housing, stating that it must '*provide the supply of housing required to **meet the needs of present and future generations***' (para. 7). The document is predicated on the 'presumption in favour of sustainable development', one of the objectives of which is to widen the choice of homes in the country (para. 9). This presumption means that crucially, local plans should meet their objectively assessed needs (housing and other) unless '*any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in the [NPPF] taken as a whole*'.
5. The NPPF introduces the concept of Objectively Assessed Housing Need (OAHN) at para. 47: '*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 policies set out in this Framework*'.
6. Paragraph 47 refers to a Strategic Housing Market Area. A housing market, a regional or local area with its own supply and demand characteristics, does not usually respect district boundaries. Epping Forest District is part of the London Commuter Belt East housing market area, which also incorporates Brentwood, Broxbourne, East Hertfordshire, Harlow, and Uttlesford. The NPPF directs that local authorities should prepare a Strategic Housing Market Assessment (SHMA) in order to assess the likely housing need which '*meets household and population projections, taking account of migration and demographic change*' (paragraph 159). This paragraph also makes plain that local authorities must plan for the effects of migration, and not only consider 'natural' population change arising from their existing population.
7. Although "objectively assessed housing need" is not defined within the NPPF, paragraph

50 states that local authorities should '*plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community.....*'. This sends a clear message that population growth and change must be analysed in detail, using up to date demographic information, and looking at the types of households and different needs that they might have, e.g. older people and young families.

8. The NPPF also gives four tests which a Local Plan must meet to be found "sound" at Examination in Public. The first of these is that it must be '*Positively prepared – the plan should be prepared based on a strategy which seeks to **meet objectively assessed development and infrastructure requirements**, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development*' (paragraph 182). This section highlights one of the purposes of the Duty to Cooperate, namely that each local authority should identify its OAHN, and if it cannot be completely accommodated (due to physical capacity or significant harm to the other purposes of the NPPF), should work with adjacent local authorities to see if they can take on some of this unmet need. This is of course a two way process, some authorities may want to "export" need, and some may be prepared to "import" it. Given existing planning policy constraints such as Green Belt, it is likely that many authorities in Essex will wish in the first instance to export some of their need rather than take some from other districts. However, it is clear that the exceptional need to trigger a review of the Green Belt (NPPF, paragraph 83) applies where this need cannot be met on existing sites, and many of Epping Forest District's neighbours have similar constraints. Such a review forms part of the production of the Epping Forest District Local Plan. An accompanying item on this agenda relates to the Green Belt review.

9. Local authorities must also consider Gypsy Roma Traveller (GRT) need for pitches and sites as a facet of housing need. Advice on addressing GRT accommodation need is given in 'Planning Policy for Traveller Sites' (CLG, 2012) which was published alongside the NPPF. Paragraph 4 of this document explains that Government wants local authorities to '*.....make their own assessment of need for the purposes of planning*' and '*work collaboratively, developing fair and effective strategies to meet need through the identification of land for sites*'. This part of housing need will be assessed by the updated Essex-wide Gypsy and Traveller Accommodation Assessment, which is currently being prepared.

10. The key message therefore is that it is the responsibility of every local planning authority to plan for its own objectively assessed housing needs, including the needs of all types of households and special groups, and how these may be accommodated in future.

Guidance and Best Practice in Determining Objectively Assessed Housing Need

11. Several documents have been published in recent months on how to determine OAHN. Two of these have been produced jointly by the Planning Advisory Service (PAS) and the Local Government Association (LGA).

12. 'Successful plan-making: Advice for practitioners' (2013) discusses all aspects of preparing a local plan, including OAHN. It advises that local authorities must understand their OAHN in isolation first. The document makes it clear that consideration of local capacity and constraints must come after the initial determination of OAHN. It explains that '*If you have identified the need, but the plan isn't meeting it, you will have to **demonstrate how the harm caused by not meeting the need is outweighed by the harm caused by meeting it***'. Examples of factors that could outweigh not meeting the need are given as limiting development in National Parks and Areas of Outstanding Natural Beauty, i.e. nationally determined designations. This advice also reinforces the NPPF's requirements for OAHN to be determined using demographic information including migration trends, and a cross-border Strategic Housing Market Assessment (such as that outlined in para. 6 which includes this Council).

13. The document also refers to the Duty to Cooperate, and how this will come into play when any local authority is unable to meet the needs generated in its own area, or is being asked to help meet another authority's identified need. The guidance noted in paragraph 16 of this report makes a salient point in this respect, namely that it is entirely inappropriate to ask your neighbours to accommodate housing on land with the same capacity constraints or environmental designations that you have dismissed.

14. A further study called 'Choice of Assumptions in Forecasting Housing Requirements: Methodological Notes' (Cambridge Centre for Housing & Planning Research, 2013) notes that migration assumptions should not be altered from those in the official projections unless there is detailed evidence to support this. It states that '*.....authorities should normally plan on the basis of the official projections.*' The NPPF makes it clear that migration should be taken into account, and '**assumptions that imply departure from recent trends (on which the official projections are based) would need to be carefully justified**'. It argues that if local authorities feel that the harm of providing all the OAHN in the area would have an adverse impact on the area, they should consider the counter adverse impact of not providing the housing - i.e. the potential harm to the area should be balanced against the potential harm to those who may have to live in overcrowded or shared accommodation as a result.

15. The Cambridge Centre report highlights the issue of unmet need as being of importance to the Duty to Cooperate. If an area cannot meet its OAHN, then this could have significant impacts on surrounding areas; i.e. the places from which people leave to come to the area (for Epping Forest District this is mostly outer London boroughs), and the places which people go to on leaving the area (for Epping Forest District, mostly into more rural Essex). It also advises that planning Inspectors will '*.....probe closely into any arguments that an authority is capacity constrained*', and that '*.....it would not be reasonable simply to extract any "extra" flow from the projection without understanding where those that an authority is not proposing to accommodate will live*'.

Principles for Establishing the Objectively Assessed Housing Need

16. A second PAS/LGA document called 'Ten key principles for owning your housing number – finding your objectively assessed needs' (2013), sets out the key stages in understanding OAHN for a local authority area. These are (broadly):

- (a) using up to date demographic evidence to understand how the population has changed in the past, and what the components of change are (births, deaths, internal migration, international migration);
- (b) understanding what up to date population and household projections are saying will happen over the period of the plan (for EFDC this will be up to 2033);
- (c) deciding whether the evidence justifies the development of different scenarios, which must be based on evidence;
- (d) benchmarking the scenarios against economic growth ambitions;
- (e) testing the implications in terms of change in population and households;
- (f) understanding what the affordable need and market demand are showing; and
- (g) setting out the likely range of housing requirements and testing the appropriate mix of housing in terms of tenure, type and size required as a result.

17. The work which Edge Analytics has done on the Essex-wide population study, and the

additional work which they are doing specifically for Epping Forest District, will help to provide evidence for points (a), (b), (c), (d) and (e) above. This work uses the official population and household figures as a basis, but also considers change at ward level between 2001 and 2011. The sub-regional Strategic Housing Market Assessment which is currently being updated will help to provide evidence for points (f) and (g).

18. The PAS/LGA document makes it clear that the most recent Governmental projections for population and households should be the starting point in understanding OAHN. This Council has used these as a starting point, as the work prepared by Edge Analytics is based on the Office of National Statistics' (ONS) most recent population projections and the Department for Communities and Local Government's (DCLG) most recent household projections. The document advises that there is no single right answer to what a local authority's OAHN might be, and that the exact figure is a matter of judgement, but advises that the range of scenarios considered must be robust and based on credible evidence. It states that for example '*a 'zero-migration' scenario is not achievable because you cannot stop migration occurring, so using this as a scenario will have limited value if it is included as part of the requirement range*'. The Edge Analytics work includes a 'zero-migration' (or net-nil migration) scenario but this is for information purposes only, as past data shows that Epping Forest District does not experience zero-net migration.

19. The PAS/LGA document also advises that a SHMA should be prepared, and must:

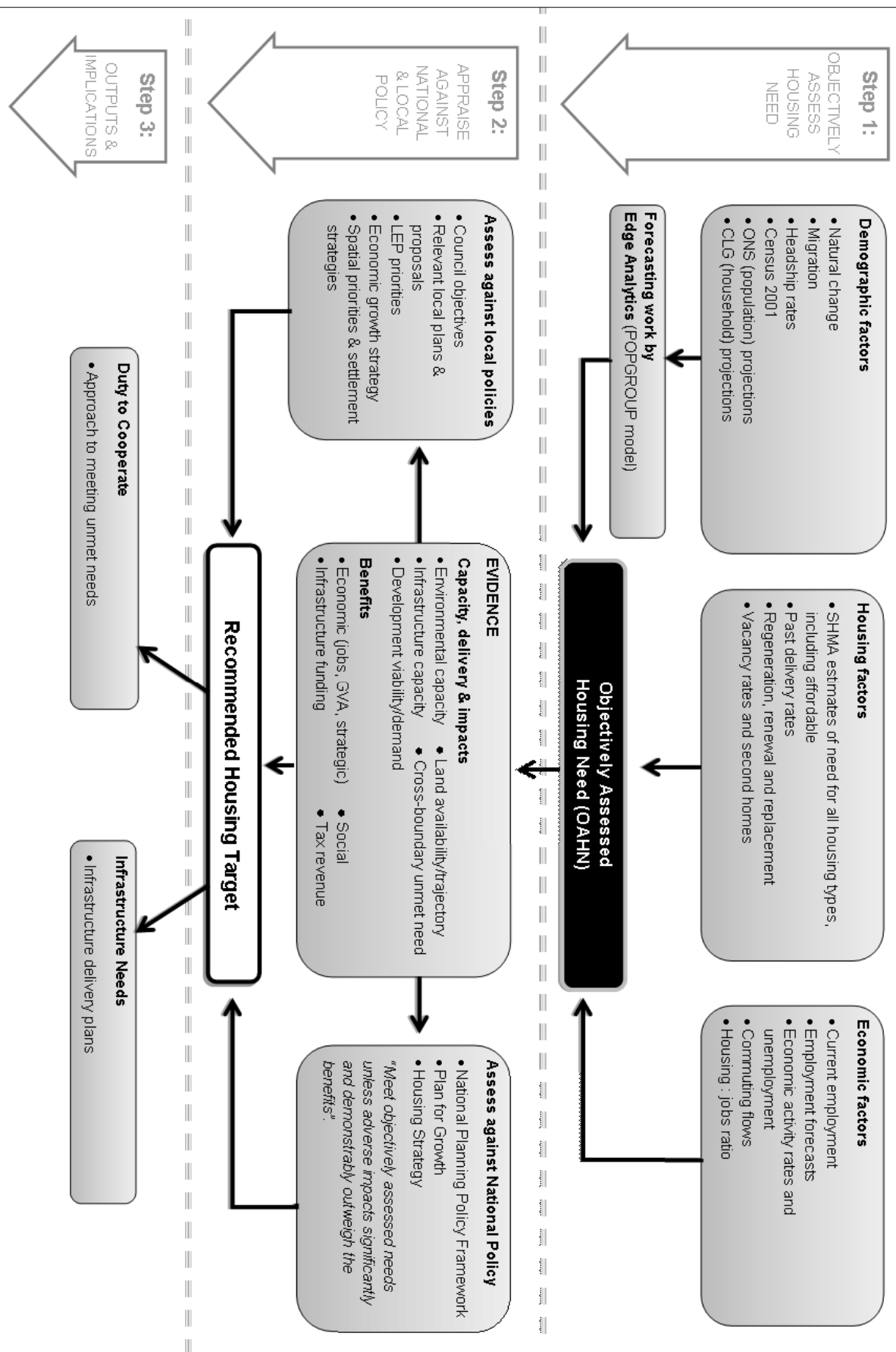
- (a) be up to date;
- (b) be prepared across the whole of the relevant housing market area;
- (c) involve all interested parties across the Council;
- (d) include an explicit assessment of affordable housing need; and
- (e) provide an assessment of market demand.

20. The London Commuter Belt East SHMA, which this Council is part of, will fulfil these functions. Part of the reason that a cross-border SHMA is necessary is that, logically, if housing need cannot be met within a district's own area, it should be met within the local housing market area. Having a cross-border SHMA with the Council's neighbours therefore helps to open debate about addressing unmet need within the housing market area. A further update of the SHMA is likely to be needed prior to submission of the final new Local Plan; this would be undertaken within the context of the forthcoming new government guidance on SHMA.

21. These studies and reports all provide useful pointers as to factors to take into account, and pitfalls to avoid, when determining OAHN. The conclusion is that while an element of judgement is involved in interpreting evidence, there must be a firm foundation of objective evidence, based on national datasets, from which to proceed, coupled with a clear view with respect to the projections and aspirations regarding future economic activity in the District.

22. Nathaniel Lichfield & Partners published a helpful diagram showing the key information and the process often used to determine Objectively Assessed Housing Need in their study 'Objectively Speaking' of 2013. This is shown below (adapted slightly for ease of use):

Figure 1: adapted from 'Objectively Speaking', NLP, 2013



How other local authorities have approached Objectively Assessed Housing Need

23. Forward Planning officers have investigated what other local authorities in Essex are doing to determine their Objectively Assessed Housing Need. Of the 13 other authorities in Essex:

- 1 (Maldon) has published an OAHN figure, which is based on the official (ONS) population projection, and its SHMA is still being prepared;
- 1 (Brentwood) has determined an OAHN figure, but the study explaining what it is based on has not been published yet;
- 6 are currently working on their OAHN, and are progressing towards a new Local Plan/Core Strategy, but have not yet published a methodology or a figure;
- 4 have existing adopted documents which do not assess OAHN, but they are all planning an early review which will include discussion of OAHN; and
- 1 (Braintree) has a very recently adopted Core Strategy (2011, just pre-NPPF) and is preparing a Site Allocations document in accordance with that, without an assessment of OAHN. Presumably this will lead to an early review taking into account OAHN.

The detailed results are shown in a table at Appendix 1.

24. It can therefore be seen that identifying OAHN, and the housing figure which is informed by it, is an issue affecting all authorities in Essex (and elsewhere) and will be a constituent of all up to date plans.

Lessons Learned at Examinations in Public

25. The real test for any new derived housing figure, and the Objectively Assessed Housing Need figure on which it is based, is the Examination of a Local Plan. During the Examination, an independent Inspector from the Planning Inspectorate (PINS) will consider whether or not the local plan being examined has properly assessed housing need, and subject to other environmental, capacity and duty-to-cooperate factors, and whether it contains provision for the appropriate amount of housing.

26. Nathaniel Lichfield & Partners (NLP, a planning consultancy) has published a survey of local plans submitted for examination during the first year of the NPPF, i.e. 27 March 2012 to April 2013. The study excluded any local plans for areas within London, as the London Plan (the RSS for London) is still in place. A total of 55 local plans were submitted (some of which are still at Examination). NLP checked whether each local plan had proposed a housing figure higher or lower than the figure in the former RSS, and whether the figure was higher or lower than the Government's 2008 household projections, as a proxy measure of OAHN. (Since this report was published, new household projections have been published).

27. Of the 55 local plans submitted to Examination, only 18 were found 'sound', i.e. acceptable to the Inspector, and could be adopted for the relevant local authority to use. 8 of these contained a housing figure equal to or higher than the old RSS target. 10 originally contained a lower figure, but of these, 8 had to raise their figure in order to be found sound. So only 2 of the local plans found sound had housing figures lower than their previous RSS figures - Bournemouth and Taunton Deane. However, for both of these authorities, household projections were lower than the former RSS targets. Both authorities were proposing housing targets higher than their household projection figures so they were able to argue that they were meeting their need. These data show that the majority of local plans have had to at least equal their former RSS housing figure to be found sound. Overall, 44% of local plans found sound in the first year of the NPPF had their housing figures increased at Examination.

28. NLP also found that a significant number of local plans submitted within the first year of the NPPF have had their Examinations suspended, to allow for further housing evidence to be gathered and to make changes to the original housing figure proposed. This has been to focus on what is closer to an Objectively Assessed Housing Need than the RSS figures.

29. In other cases Inspectors have found local plans sound on the basis that they will be subject to an early review of housing figures; this was the case for 5 local authorities, and NLP noted that *'.....there is every expectation that refreshed plans will be prepared in the context of new evidence showing significantly greater levels of need for housing'*.

30. The study included case studies on a few specific local plans, one of which was Hertsmere Borough Council's, an authority with some of the same challenges as Epping Forest District, namely a large proportion of land designated as Green Belt, a location just outside Greater London and pressure for housing development. Hertsmere originally proposed a lower housing figure than the RSS (which at that point was still in force). The Inspector was concerned that the figure proposed would not meet either the RSS target or the 2008 household projection figure, and no alternative evidence on housing need was put forward by the local authority. The Inspector increased the target to the RSS figure, and agreed to find the local plan sound only if Hertsmere agreed to do an early review. The implication is that if the RSS had not been in place at that time, Hertsmere's local plan would not have been found sound due to the *'.....absence of evidence on objectively assessed need, and failure to either review the Green Belt or address unmet needs through the Duty to Cooperate.....'*

31. NLP concluded that there is a need for *'high quality, objective evidence on the need for housing and the factors (such as social and economic needs, infrastructure plans, environmental capacity, and deliverability)'*. NLP also found that where arguments against specific levels of development had been made on the grounds of environmental and infrastructure capacity, these were not accepted without good evidence of 'adverse impacts', as per paragraph 14 of the NPPF.

Implications/Conclusions for Epping Forest District

32. Epping Forest District Council must determine the Objectively Assessed Housing Need of its own area, using robust demographic, housing and economic evidence (first tier of Figure 1). Demographic evidence will largely come from the Edge Analytics work shortly to be completed. Housing evidence will come from the recently refreshed Strategic Housing Market Assessment (SHMA), and other local information. Economic evidence will come from the Council's existing evidence base, and new economic work which is currently being prepared in light of recent data being released, and the Council's approach to its economic development priorities.

33. Although there is no official calculation to reach an OAHN figure, the first stage will be to consider the range of population forecasts in the forthcoming Edge Analytics study, and the housing numbers that these equate to. Councillors will need to consider which of these forecasts is most suitable for the district on the basis of past trends, and is robust enough to stand up at Examination in Public. The forecast will then need to be considered against the SHMA, in order to consider housing need in general against affordability. For example, a lower forecast may suggest a certain number of homes are needed, but this will need to be considered against the need for affordable housing – and if a lower number of homes are built then this may not give the amount of affordable housing that Councillors may wish to see provided. The SHMA sets out the level of affordable housing that might be needed for different housing targets – if fewer homes are built then proportionately more affordable housing will be needed on appropriate developments, as there will be a lower number of large scale developments providing it. Conversely, a higher housing target should result in a lower percentage of affordable housing on individual schemes, because enough will be provided overall.

34. Economic factors also have to be taken into account. Given that in general the district's

population is rather older than average and that there is a lot of out-commuting, the labour force is proportionately smaller than most. This means that if Members wanted to increase employment levels in the District (see second tier of Figure 1, 'Assess against local policies'), the Council would need to plan for slightly higher development levels, both to increase development of employment land, and to increase population and thus increase the labour force. A proportion of new jobs could of course be taken on by existing residents, but past trends show that a large number of people who live here commute to London, for many reasons such as greater job opportunities in their profession. This is unlikely to change unless the Council decides to develop the local economy significantly, with large scale economic development incorporating different industries and activities.

35. Comparison of these three factors; population/household forecasting, the SHMA and economic evidence, will lead to the identification of an OAHN figure for Epping Forest District. This must then be considered against other evidence on environmental, social and economic issues, capacity, and national and local policy, leading to the identification of a housing target (second tier of Figure 1). This will include information from the Council's existing evidence base, such as the Strategic Land Availability Assessment (SLAA, which considers capacity), the Settlement Edge Landscape Sensitivity Study, and the ongoing Sustainability Appraisal and Habitats Regulations Assessment work. The infrastructure requirements necessary to deliver the housing figure selected can then be finalised and incorporated into the Infrastructure Delivery Plan, and discussions under the Duty to Cooperate over any housing need which cannot be met can take place with adjacent local authorities (this could go in both directions as adjacent local authorities may have excess unmet need, or may be able to accommodate some of Epping Forest District's need).

Next Steps

36. There will be a Member workshop to discuss Objectively Assessed Housing Need for Epping Forest District in October. This will include presentation of the further work which the Council commissioned Edge Analytics to do on population forecasting specifically for this District.

37. The Strategic Housing Market Assessment (SHMA) for the London Commuter Belt East (which includes Epping Forest District) has just been updated. This will be presented to the Local Plan Cabinet Committee on Monday 14 October 2013. The SHMA is another key piece of evidence about housing need and affordability which Members will need to consider when identifying a new housing target.

38. The new Gypsy and Traveller Accommodation Assessment (Essex-wide) will also be presented to Local Plan Cabinet Committee on Monday 14 October 2013.

39. The further work from Edge Analytics will form part of the wider Local Plan evidence base and will be formally presented to Cabinet on 21 October 2013. The Member workshop and SHMA results will feed into another report to be presented to the Cabinet that evening, the purpose of which will be to seek agreement on an Objectively Assessed Housing Need figure for the District

Resource Implications:

Work on identifying Objectively Assessed Housing Needs will form part of working towards the new Local Plan, and features within the existing Local Plan budget.

Legal and Governance Implications:

The National Planning Policy Framework requires each local authority '*objectively to identify and then meet the housing, business and other development needs of [their] area*'. Not to do so risks having the new Local Plan 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:

Internal consultation has taken place with senior officers, the Interim Assistant Director, the Chief Executive and the Portfolio Holder.

Background Papers:

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

Planning policy for traveller sites, Department for Communities and Local Government, 2012 - <https://www.gov.uk/government/publications/planning-policy-for-traveller-sites>

Choice of Assumptions in Forecasting Housing Requirements: Methodological Notes, Cambridge Centre for Housing & Planning Research, 2013 - http://www.howmanyhomes.org/resources/Choice_of_Assumptions.pdf

Ten key principles for owning your housing number – finding your objectively assessed needs, Local Government Association/Planning Advisory Service, 2013 - <http://www.pas.gov.uk/pas/aio/3766545>

Successful plan-making: advice for practitioners, Local Government Association/Planning Advisory Service, 2013 - <http://www.pas.gov.uk/pas/aio/3770551>

Objectively Speaking, 12 months of applying the NPPF to housing targets in Local Plans: A review of examinations, Nathaniel Lichfield & Partners, 2013 - <http://nlppanning.com/objectively-speaking>

Impact Assessments:

Risk Management

The National Planning Policy Framework requires each local authority '*objectively to identify and then meet the housing, business and other development needs of [their] area*'. Not to do so risks having the new Local Plan found 'unsound', i.e. not being accepted 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) and in Planning and Economic Development Directorate's Risk Register.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?

No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?

N/A

What equality implications were identified through the Equality Impact Assessment process?

The preparation a sound Local Plan should actually impact positively on equality issues. This is because the Local Plan will seek to meet the needs of the area over the next 20 year period, including the provision of affordable housing, and the regeneration of deprived areas. The Local Plan thus has the potential to improve the quality of life of people living, working and doing business in the district. Planning for the correct type of housing in the correct mix, as per forecasts of our future population and the calculation of our objectively assessed housing need, will help to ensure that people can afford to live in the district, and have the right kind of housing available to them.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?

The potential positive impacts listed above are not limited to any one particular group; the Local Plan has the potential to improve the quality of life of all people living, working and doing business in the District.