

CABINET

Agenda Item: 10

Ward: District-wide

Portfolio: Planning and Growth

Report Author(s): Andre Sestini

Meeting Date:
5 December 2016

SUBJECT: STRATEGIC HOUSING MARKET ASSESSMENT

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Report Sign off	Seen by:	Name	Date
	Chief Executive/ Deputy Chief Executive(s)	Tracy Aarons	21/11/16
	Legal	Lesley Dolan	21/11/16
	Finance	Duncan Moss	23/11/16
	Group Manager	Ian Bowen	22/11/16
	Portfolio Holder	Nigel Woolcombe-Adams	21/11/16
	Ward Member(s)	n/a	
Summary:	To inform members of the key findings of the Strategic Housing Market Assessment (SHMA) for Somerset and implications for planning policy.		
Recommendation:	<p>It is recommended that Cabinet:-</p> <ul style="list-style-type: none"> a) Note the findings of the Somerset Strategic Housing Market Assessment and its wider implications for housing and development plan policies. b) Note that the Council can demonstrate a five year supply of housing sites and that the Objectively Assessed Need in the SHMA does not replace this. c) Re-affirms its commitment to Local Plan Part II (site allocations) as the most suitable vehicle through which local housing needs can be addressed. d) In response to the need for the SHMA to be actively considered, requests officers test through the site allocations plan to ascertain whether an uplift to housing delivery can be sustainably accommodated. e) Notes a revised Local Development Scheme will be shortly be brought to Cabinet. 		
Direct and/or indirect impact on service delivery to	The SHMA provides an assessment of the future need for market and affordable housing for different groups in the population. It provides		

our customers and communities:	support the council's negotiation of affordable housing requirements and housing mix.
Contribution to Corporate Priorities:	The assessment provides updated evidence on housing need which links to priorities and policies towards securing housing delivery, affordable housing and accommodating an ageing population.
Legal Implications:	There are no direct legal implications from this report but the need for legal advice prior to submission of Local Plan Part II is highlighted.
Financial Implications:	None directly arising from the content of this report
Impact on Service Plans:	There is no direct impact on service plans. The report makes recommendations which seek to mitigate possible risks to delivery of plan objectives.
Value for Money:	None directly arising from the content of this report.
Equalities Implications:	None directly arising from the content of this report.
Risk Assessment and Adverse Impact on Corporate Actions:	The report highlights that updated evidence of housing need may be used by developers to challenge the Council's adopted housing requirement in planning applications. This has implications for site allocations and Local Plan Part II. A number of measures are considered to reduce risks to delivery of the Local Plan Part II and maintain a plan-led approach in Mendip.
Scrutiny Recommendation (if any)	None.

INTRODUCTION

1. This report provides an overview of the Somerset-wide Strategic Housing Market Assessment (SHMA). This study projects and models the level of future housing need across Somerset including Mendip and provides supporting justification to current planning and housing policies.
2. Central to the SHMA is the calculation of *Full Objectively Assessed Need* (also known as OAN or FOAN). The Government expects local authorities to undertake an SHMA for their area and that they should aim to meet OAN through their Local Plans. The publication of a revised OAN is therefore significant as an initial step in any review of Local Plan housing requirements.
3. This report outlines the implications of a revised OAN for Local Plan part II and the Council's housing supply position. In particular, Cabinet is invited to note that the SHMA does not alter the Council's five year land position or the status of the adopted Local Plan Part I. It recommends a response to accompany the publication of the SHMA to maintain a plan-led approach in the District.

BACKGROUND

4. National guidance advises that SHMA studies are undertaken jointly with neighbouring authorities to provide a consistent basis for planning and cross-boundary discussions on housing need. The SHMA is a joint commission undertaken by Justin Gardner Consulting (JGC) and Chris Broughton Associates on behalf of Mendip, Taunton Deane, South Somerset and Sedgemoor Councils. It involves detailed analysis of secondary data, including the latest population and household forecasts and household formation rates. It should be noted that JGC has previously advised this council on housing needs evidence at the local plan examination and subsequent appeals.
5. The SHMA covers the period from 2014 – 2039 and follows the steps and approach which are set out in national planning guidance. It provides district-level estimates of need for market and affordable housing by mix and tenure. It also provides estimates for older persons' accommodation and demand for specialist products such as starter homes and self build. The household projections have also been tested against economic forecasts and include a review of the potential impact of Hinckley Point on housing markets. The SHMA follows on from a joint study to examine local housing market areas in Somerset. This concluded that while Mendip district has some overlap with other housing markets, it remains reasonable to consider the District as a self-contained Housing Market Area.
6. The SHMA provides an update to Mendip's survey-based Housing Needs study (mid 2011) and the housing projections incorporated in the Mendip Local Plan Part I. It presents a 'standardised' assessment of need as a basis for developing policy. It does not make specific recommendations to change policy. This will be a matter for further consideration for each local authority, discussions under the duty-to-cooperate and in revisions to the Somerset Housing Strategy Framework.
7. A summary of the key findings around need in the SHMA is set out in Appendix 1. In general terms, the messages from this study reinforce the evidence incorporated into Local Plan Part I. In particular that :-
 - There is a continued shortfall in affordable housing against annual need;
 - The tenure mix for affordable housing should focus on social housing;
 - Market provision should explicitly focus on smaller family housing; and
 - Affordable housing provision should be weighted towards 1 & 2 bedroom properties.
8. The SHMA models affordability for different types of housing in Mendip. It estimates that over a third of households would be in affordable housing need- where household income alone would not be sufficient to access open market housing. In practice, these households require housing benefit or use a higher proportion of income to access affordable and private rented housing. Around 39% of households could afford a lower quartile open market property but this does not increase significantly with the introduction of discounted starter homes.
9. The adopted Local Plan policy allows for fresh information on housing need to be taken into account. The SHMA can therefore be used as supporting evidence in current and future planning applications without revision to policy. Evidence in the SHMA will also help in determining a response to the government initiatives on starter homes and affordable housing.

FULL OBJECTIVELY ASSESSED NEED (FOAN)

10. FOAN is an assessment of housing need based on demographic projections and assumptions on household formation rates. The assessment is in an unconstrained figure and does not take into account issues such as such land availability, recent delivery of housing, planning/environmental constraints or input from public consultation. FOAN is best described as a 'theoretical' calculation of need which through testing – usually in a local plan process – becomes a fixed housing requirement. This makes the FOAN figure different from the requirement in the adopted Local Plan which has been tested against constraints and wider consultation. This is supported by National Planning Practice Guidance which indicates that a SHMA is only a first step in developing a Local Plan.
11. The latest population projections indicate a starting point need of 411 homes per year which is just below the current adopted Local Plan housing requirement. Based on the modelling work and scenario testing, the consultants recommend that OAN lies in a range between 419 to 498 dwellings per year (see Appendix 1).
12. In summary, the adopted Local Plan will meet the housing need of the most recent national projections and therefore fully accords with national planning policies. However, the SHMA also makes a case for considering higher levels of housing growth which would align with job forecasts or longer-term migration trends – although these projections go well beyond the end date of the current Local Plan. It is also noteworthy that long-term housing delivery (i.e. over 20 years) lies in the middle of the OAN range at about 455 dwellings per annum.
13. The distinction between the Local Plan housing requirement and the OAN indicated by the SHMA is important. Nevertheless, experience from recent speculative housing appeals in Mendip and from site allocation plans in other locations suggests that developers may attempt to use the SHMA findings to cast doubt on the Local Plan Part II and/or argue for the early release of housing sites through speculative applications. It is therefore recommended that the Council consider the need for a clear statement on the SHMA and how it will fit into future development planning. Options are considered in more detail below.

HOUSING SUPPLY AND LOCAL PLAN PART II

14. The Council can demonstrate a five year supply of housing land and identified sites beyond this period to the mid 2020's. The latest housing land supply (Autumn 2016) indicates the Council can demonstrate a level of housing delivery equivalent to 5.8 years - based on the adopted Local Plan requirement of 420 dwellings per annum. In addition, progress on delivery and allocations for the whole of the plan period equates to around 90% of the minimum plan target plan figure of 9.635 dwellings – see Table 1 below.

Table 1 : Progress against Local Plan Housing Requirements In Local Plan Part 1 - as at 30.09.16

	CP2 Minimum Requirement	Completions 2006-16	Commitments and s106 sites	Adopted Allocations Local Plan Part I	Total
Frome	2300	1027	989	30 (a)	2046
Glastonbury	1000	578	288	0	866
Street	1300	699	141	400 (b)	1240
Shepton Mallet	1300	669	67	550 (b)	1286
Wells	1450	458	874	0	1332
Rural Area	1780	1132	971	0	2103
District wide	505				
Total	9635	4563	3330	980	8873

Notes - Adopted allocations include (a) part of Saxonvale in Frome. (b) Strategic sites in Street and Shepton Mallet; Commitments includes sites agreed in principle subject to s106 agreement and is up to date as at 30th Sept 2016.

15. A ministerial letter to the Planning Inspectorate (19th December 2014) makes it clear that SHMAs are just the first stage in developing a Local Plan and they are not a proxy figure for a final housing requirement. It is therefore entirely reasonable to confirm that the SHMA findings do not invalidate the adopted plan requirement or the calculation of five year housing supply on which it is based.
16. However, the government does expect that Councils will have regard to SHMA findings. The ministerial letter states *“the publication of a locally agreed assessment provides important new evidence and where appropriate will prompt councils to consider revising their housing requirements in their Local Plans. We would expect councils to actively consider this new evidence over time and, where over a reasonable period they do not, Inspectors could justifiably question the approach to housing land supply”.*
17. Mendip’s position differs from the other authorities in the SHMA study area as Sedgemoor and South Somerset already have local plan reviews in progress, while the Taunton Deane housing need is lower than potential delivery from allocated sites.
18. In Mendip’s case, the Local Plan Inspector did not require an early review of the Part I Plan although he did expect that Local Plan Part II would explore opportunities to deliver housing growth above the minimum requirement. It would therefore be consistent with the Inspector’s recommendations to consider the SHMA findings when progressing the Part II plan. There is also legal precedent which supports the position that a Part II Plan can be examined as sound in the context of an updated OAN.
19. The alternative to progressing Part II would be a roll-forward of the Local Plan Part I. This would add delay, require planning from a new start date (2014) and further work to test the OAN against constraints. As an indicative guide, the higher end of the OAN range 450-490 dwellings per year would be equate to a 5 - 11% uplift from the adopted housing requirement if applied over the remainder of the Plan period (2014-2029). However, very careful consideration would be needed to consider the long term implications of meeting OAN at a level which is well above historic delivery rates in the district.
20. There are other sound reasons why it would not be sound to start a Part I review now. Further government announcements on affordable housing, housing delivery and plan-making are

expected imminently. There could also include changes to way which OAN and five year supply are calculated. All these potential changes and reforms underline the importance of continuity to maintain the confidence of local communities in a plan-led approach.

21. The Council has published a detailed issues and options consultation on a site allocations plan (Local Plan Part II) with a view to publication of site options by Spring 2017. Given that a significant proportion of the minimum housing target can be identified in commitments or allocations, additional sites should be tested which would result in provision above the adopted requirement. At this point, it is recommended Cabinet agree this approach is explored in principle with the implications being considered through the Local Plan Member Advisory Group. This would be an appropriate and plan-led response to the SHMA rather than a wholesale or immediate 'first' review of adopted housing requirement.
22. In confirming support to progress the Part II Plan it is recommended that a revised timetable for a 'first' review of the Part I Plan is agreed by way of a revised Local Development Scheme. This demonstrates that the Council is 'actively considering' a mechanism through which the local plan requirement can be rolled-forward and tested through consultation. A 'first' review of the Part I Plan would normally be expected within five years of adoption (i.e. - 2019/2020). It is expected to bring this forward for Cabinet approval in January.

RECOMMENDATIONS

It is recommended that Cabinet:-

- a) Note the findings of the Somerset Strategic Housing Market Assessment and its wider implications for housing and development plan policies.
- b) Note that the Council can demonstrate a five year supply of housing sites and that the Objectively Assessed Need in the SHMA does not replace this.
- c) Re-affirms its commitment to Local Plan Part II (site allocations) as the most suitable vehicle through which local housing needs can be addressed.
- d) In response to the need for the SHMA to be actively considered requests officers test through the site allocations plan to ascertain whether an uplift to housing delivery can be sustainably accommodated.
- e) Notes a revised Local Development Scheme will be shortly be brought to Cabinet.

OPTIONS CONSIDERED

23. It would be possible for the Council to consider delaying Local Plan Part II or suspending work on Local Plan Part II to bring forward an earlier review of Local Plan Part I. This would have adverse implications in meeting council objectives and reduce certainty for the local communities.

REASONS FOR RECOMMENDATIONS

24. The recommendations as stated seek to maintain certainty in the status of the development plan and delivery of actions to meet the Council's objectives.

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List of background Papers:

Report for Mendip, South Somerset and Taunton Deane - Strategic Housing Market Assessment – Final Report October 2016 – Justin Gardner Associates and Chris Broughton Associates
(A copy will be available in the members Room)

Housing Market Areas and Functional Economic Market Areas in Somerset
Report of Findings – September 2015 – Opinion Research Services (ORS)

National Planning Practice Guidance (NPPG) - Housing and Economic Land Availability Assessment – para 45

Strategic Housing Market Assessments - Ministerial Letter to PINS dated 19 December 2014

Mendip District – Five Year Housing Land Supply -Annual Position Statement – Autumn 2016

Appendix 1

Somerset – Strategic Housing Market Assessment - Summary of Main Findings for Mendip District

Calculation of Objectively Assessed Need (OAN)

The SHMA takes starting point for calculating OAN is the most recent household projections (2014 based) which indicate a level of housing need in Mendip of 411 dwellings p.a. from 2014 to 2039. This is a level slightly below the adopted Local Plan requirement of 420 dwellings.

The study then tests a series of alternative projections and the assumptions which feed into the national starting point projection. It concludes that national projections could underestimate migration into Somerset and that using a longer term trend would be recommended as a more robust approach. This results in an ‘upper end’ OAN figure of around 490 dwellings p.a. Other tests fall between this long term forecast and the starting point. Testing the projections against the outputs in economic forecasts and past trends indicate that there is a good balance of homes and jobs across Somerset and in individual local authorities

The study therefore advises that **OAN can be considered as reasonable and justified within a range of 411 – 491 dwellings p.a.** However it recommends that the OAN at the **higher end of the range is** more robust as this aligns with other sensitivity tests and the economic forecasts.

The study also examines whether there is a case to adjust OAN in the light of relative trends in key indicators linked to local housing market (market signals). These include house prices, land values, affordability, and overcrowded households. In broad terms, these signals follow regional and national trends and are not considered to justify and uplift to OAN. However there is evidence of a need to adjust for ‘concealed households’ and it is considered reasonable to factor this into the projection. This would raise the OAN range for Mendip from to 419-498 dwellings per annum.

It should be noted that the recommendations on OAN in the SHMA reflect professional judgements made by the consultant both in terms of assumptions and the interpretation of national planning guidance. These are explained in the report together with supporting legal cases.

Affordability and Affordable Housing Need

The SHMA examines incomes, rents and house prices to assess affordability for a range of tenure types. It estimates that around 60% of households can afford market housing (see Table 1)

		Income	
Market Purchase	38.8%	£36,000	63.2%
Starter Home	0.4%	£35,676	
Private Rent	23.9%	£21,600	36.8%
Affordable Rent	6.1%	£18,816	
Social Rent	7.3%	£15,997	
Below Social Rent	23.4%		

The analysis highlights:

- A quarter of households in Mendip (with incomes below £15,800 p.a) cannot afford social rented housing and would need housing benefit support.
- ‘the gap’ in incomes between those households able to afford private rent and a ‘starter homes
- Those households are able to afford starter homes can afford other market tenures (e.g. intermediate products and private rent).

The study uses the current definitions of affordable housing in planning guidance and provides an annual need estimate. It estimates the **net need for affordable housing of 240 homes each year from 2014-2037** and 955 homes per year across Somerset. This figure does not take into account any additions to the stock of affordable housing. It supports the need to continue to seek affordable housing contributions through planning policy.

Analysis indicates that 10-15% of affordable housing should be in intermediate tenures with 85 to 90% being social or affordable rented housing.

Housing Mix

The need for different sizes of market and affordable homes are derived from demographic trends over the projection period 2014-2039. It indicates the main need is for smaller properties. It recommends that market housing should focus on smaller family housing for younger households. For affordable housing, the need is predominantly for 1 and 2 bedroom properties (see Table 2). The mix is similar to adopted policy except for the greater need for smaller affordable units. However, the study also acknowledges that there are other considerations in housing mix policy such as the lack of flexibility in providing 1-bedroom units and the role of larger properties in releasing smaller units.

	Market Housing	Affordable Housing
1-bedroom	5-10%	40-45%
2-bedroom	30-35%	30-35%
3-bedroom	40-45%	20%
4+bedroom	15-20%	5%

Older persons Housing Needs

The SHMA evidence will help inform an updated strategy towards accommodation for older people. The SHMA assesses the potential need for specialist accommodation and likely change in older persons (65+) with specific illnesses or disabilities. In Mendip, there is projected to be a large rise in the number of people with dementia (118%) and Mobility problems (94%). The proportion of the population with long term health and disability problems will also rise by 47%.

The SHMA projects a need for sheltered and extra-care housing of around 395 units in Somerset and 80 units per annum in Mendip. This represents around 17-19% of overall housing provision. The analysis also highlights a potential need of around 40 residential care bedspaces per annum.

Starter Homes

The study provides an indicative estimate of the need for starter homes which will be available to non-owners (aged 23-39). The analysis suggests that an income around £35,600 would be needed to afford a starter home in Mendip. Overall around 270 households a year might be eligible and have sufficient income for a starter home in Somerset (with 45 a year in Mendip) from 2014-29. While there would be a market to provide 20% of starter homes on larger sites, these households will also be able to afford to stay in private rent and will have a choice of properties in the second hand market. The impact of starter homes will need to be reviewed once more details are known as to how this initiative will operate in practice. The SHMA suggests starter homes will not significantly improve access to housing in the District.

Impact of Hinkley Point C (HPC) on the Housing Market

The consultants have reviewed the workforce and accommodation strategy for HPC to test any implications for housing need in Somerset. They suggest that many of the assumptions about workers accommodation choices are difficult to predict and capacity estimates are weak. However the SHMA indicates housing impacts will focus on West Somerset and Sedgemoor and there is limited evidence to suggest workers will look further afield into South Somerset and Mendip.

Demand for self-build and Custom-build / Space Standards

In light of the planning duty to promote this sector, the SHMA contains a brief review of the available evidence and issues raised through discussions with letting and land agents. While formal evidence of demand (through registers) is limited, the study notes self and custom build is quite widespread in Somerset but under-reported and monitored. It suggests the self-build registers are picking up 'aspirational' self builders who are not able to secure sites.

New duties on planning authorities came into force on 31st October 2016 which will require councils to plan for self build plots equivalent to demand on the register. Around 30 plots would need to be allocated or agreed through policy as available for self-builders in the next three years.

The study brief also asked the consultants to consider the implications adopting the national space standards for housing. A limited analysis of new-build homes indicates that not only do most fail to meet the national standards but sales information is quite poor in describing whether bedrooms are for 1 or 2 person occupancy. However, the need for standards in market housing is questioned given that the County is characterised by low density development, a tendency for buyers to 'under-occupy' new homes and the impact on standards on viability and deliverability.