



Strategic Planning & Research Unit

For and on behalf of
Peer Group PLC

**Regulation 19 detailed objection to the Housing Strategy
based upon the Objectively Assessed Need for Housing
On behalf of Peer Group PLC**

Prepared by
**Strategic Planning Research Unit
DLP Planning Limited**

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On behalf of Peer Group PLC

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1.0 INTRODUCTION

The Scope and Summary of the Review

- 1.1 This review has been commissioned to gain a better understanding of the current housing needs of Epping Forest District Council and in response to the Regulation 19 Local Plan consultation. This report considers the most up-to-date evidence prepared to inform the emerging Plan.
- 1.2 A review has been undertaken by the Strategic Planning & Research Unit (SPRU) of DLP Planning Ltd of the Objectively Assessed Need (OAN) and associated evidence for housing in Epping Forest District Council.
- 1.3 We do not consider there to be sufficient evidence to reduce housing need from the DCLG 2014-based starting point of 684 dwellings per annum for Epping Forest. Applying a 20% uplift to this starting point yields a dpa of 824 from 2011 to 2033. The uplift applied to the starting point is based upon various market signals explored in the Council's evidence base which show worsening levels of affordability.
- 1.4 Changes within the Local Plan are required to ensure the submitted Plan is sound and that it adequately expresses, explains and justifies the Council's chosen OAN, based on an up to date SHMA.
- 1.5 The most recent SHMA 2017 does not fully consider the most recent 10 year migration trend, it also unconvincingly reduces the market signal uplift set in the previous SHMA (2015 and 2016 update).
- 1.6 The Local Plan should consider the strategic planning matter of unmet housing need arising from London and ensure that appropriate action is taken. This should be done jointly across the HMA and may result in the need to increase the housing requirement for Epping Forest.
- 1.7 Further to the DCLG 2014-based starting point, no consideration has been given to the OAN set within Government's standardised approach to calculating OAN, this is 923 dwellings per annum.

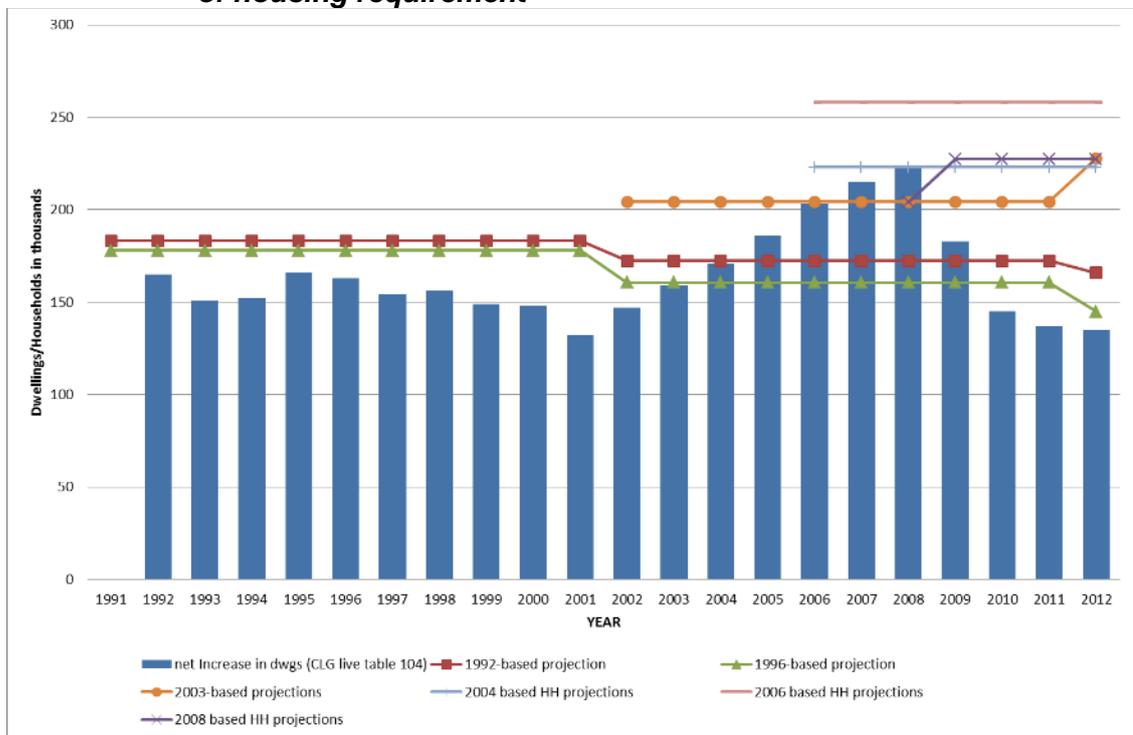
2.0 THE RESPONSE TO THE HOUSING CRISIS AND THE OBJECTIVELY ASSESSED NEED FOR HOUSING

The Background to the National Housing Crisis

2.1 The chart below illustrates the level of housing requirement as contained in the official DCLG Projections against the recorded level of completions (also from the DCLG).

2.2 This illustrates that the issue of undershooting the official projection has occurred since 1991.

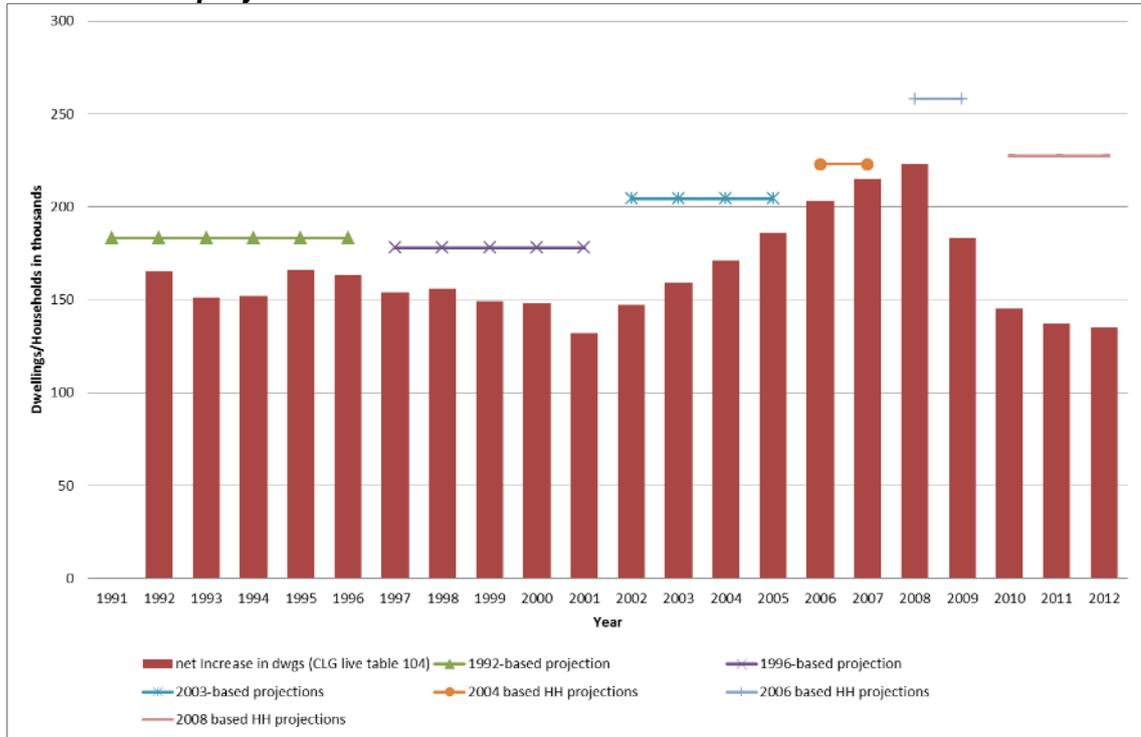
Chart 1: Net additions to the housing stock compared to the projected level of housing requirement



2.3 While there was an increase in the delivery of homes from 2001 onwards this was outpaced by the projected rise in demand.

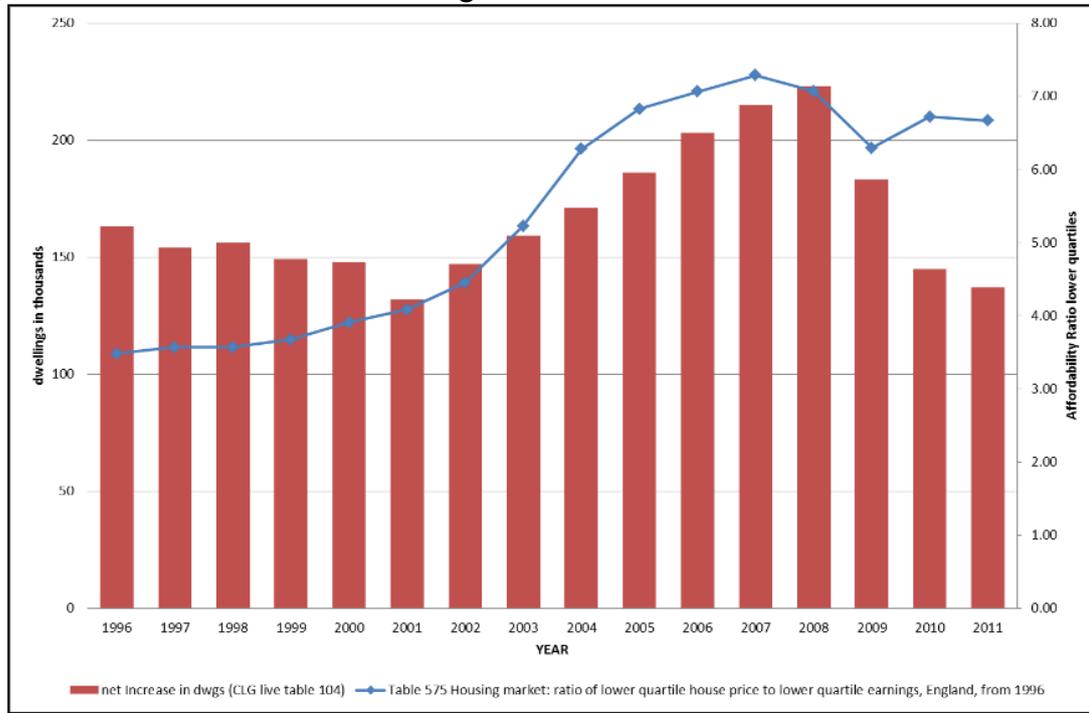
2.4 This is more clearly illustrated by the next chart which just plots the most up-to-date projection against the number of dwellings completed.

Chart 2: Net additions to the housing stock compared to the most current projection



- 2.5 The unresponsive nature of the planning system and the chosen policy emphasis by the Government during this period are both contributory factors to this increasing gap between supply and demand. The consequences of this under provision are well documented in terms of increased issues of affordability that have occurred over the last decade. This is illustrated in the chart on the next page which demonstrates that as the economy started emerging out of recession in the mid 1990's the inability of the planning system to respond quickly to the increased demand for housing resulted in an increase in issues of affordability.
- 2.6 In the period 1996 to 2011 the affordability ratio increased from just over three times earnings to over seven times earnings by 2007, and that despite the impact of the recent recession the ratio remains at over six times earnings.

Chart 3: Changes in affordability ratio for lower quartile compared to net increase in dwellings



- 2.7 On first glance, it would appear to be counter intuitive that affordability ratios would rise at the same time as the output from the house building industry increased. However, if one considers the potential backlog of unmet demand as modelled by the difference between the projected level of need and the actual level of completions since 1991, then it becomes very apparent that the increase in output was not only meeting the level of projected demand at that time but also displaced or delayed demand from these earlier years.
- 2.8 The worsening affordability issue and the subsequent recession have not however reduced the desire for home ownership as the 2010 opinion survey undertaken by YouGov for the Council of Mortgage Lenders found that more people than ever before wanted to be home-owners in the long term.
- 2.9 In the results of the survey some 85% of people cited home-ownership as the tenure they hoped to be living in a decade from now i.e. before 2021. This suggests that the home-ownership aspiration remains firmly rooted in the population. The same question about home-ownership aspirations has been asked periodically since 1975 and last time the survey was undertaken, in 2007, the proportion who expected to be home-owners

in ten years' time was 84%. The levels of aspiration therefore have not diminished since the recession.

2.10 The survey did find that over the short term, the desire for home-ownership has dipped with only 76% of those surveyed considering that home-ownership was their ideal tenure in two years' time. This was down from 78% from the previous survey (2007). This result was strongly influenced by the much lower short-term appetite (42%) for home-ownership among adults aged 18 to 24. This corresponds to the 2011 interim projections that finds household representation rates in these younger age groups were also depressed. What is pertinent is that while this younger age group are recognising the short-term difficulties in household formation they are actually the age group with the highest ten-year home-ownership aspirations (88%).

2.11 The table below shows the summary findings for all adults.

Table 1 Percentage of GB adults preferring to live in owner-occupied homes

Date of YouGov Survey	2007	2010
In two years' time	78%	76%
Ten years from now	84%	85%

2.12 This survey would tend to support the analysis of demand that emerged from the previous recession in that most people see home-ownership as their tenure of choice over the long term. The unintended consequence of planning for suppressed levels of housing formation based on the 2012 Household Projections is that it will make it more difficult for people, especially young people, to fulfil their housing aspirations in the future.

Advice from the National Housing and Planning Advice Unit (NHPAU)

2.13 The crisis in the provision of housing in this country has been recognised for a considerable period of time and previous Governments have attempted to address the crises including the setting up of the National Housing and Planning Advice Unit (NHPAU) to provide advice to Government on housing matters including the level of housing requirement at the regional level.

2.14 The NHPAU publication "Meeting the housing requirements of an aspiring and growing nation: taking the medium and long-term view" (June 2008). Considered the need to respond to market signals at that time and suggested that to prevent the worsening of

affordability in the East of England there was a justification to increase housing supply above the official projections for the East of England by between 11% (demographic approach) and 28% (stabilising affordability).

- 2.15 These percentage increases provide a range within which to consider the appropriate response to the current affordability ratios.
- 2.16 The need to respond positively to market signals has now incorporated into Policy (Framework paragraph 47 and NPPG Paragraph: 019 Reference ID: 2a-019-20140306).
- 2.17 As is highlighted later, this approach has been revisited by Local Plan Expert Group and they are putting forward similar rates of uplift above demographic projections to address issues of affordability.

The Government's Approach to the Housing Crisis

- 2.18 In a House of Commons Debate (24th October 2013) concerning the issue of planning and housing supply, the former Planning Minister, Nick Boles, emphasised the pressing need for more housing by stating that:

'I need not start by underlining the scale of the housing crisis faced by this country, the extent of the need for housing or the grief and hardship that the crisis is visiting on millions of our fellow citizens.'

- 2.19 Clarifying the word 'crisis', Nick Boles commented that in the previous year the percentage of first time buyers in England who were able to buy a home without their parents' help fell to the lowest level ever, under one third. He also commented that the first-time buyer age has crept up and up, and is now nudging 40 in many parts of the country. In response to questions Nick Boles reaffirmed:

'Housing need is intense. I accept that my hon. Friend the Member for Tewkesbury (Mr Robertson) does not share my view, but many hon. Members do, and there are a lot of statistics to prove it.'

- 2.20 In the Queens Speech (4th June 2014) the Government restated its pledge to boost housing supply (official GOV.UK press release). Her Majesty the Queen announced that her Government will increase housing supply and home ownership.
- 2.21 A spokesman for the Department of Communities and Local Government subsequently added that everyone needs the security and stability of a decent, affordable home, and more people who aspire to own their own home should have the opportunity to do so.

2.22 In his annual Mansion House speech (12th June 2014), the Chancellor of the Exchequer George Osborne addressed the concerns raised by the Bank of England, the OECD, the EU, the IMF and the Prime Minister in terms of tackling the long-term challenge of housing supply. The key points regarding planning for housing in the speech were as follows:

'At home, our economy is still too unbalanced, so I am the first to say we need to continue our efforts to boost business investment, exports and housing supply' (page 2).

'Robust financial markets are an important part of building a resilient economy...I want to address another market which can create a risk to Britain's economic stability and prosperity. Not a new risk, but an old and very familiar one to us in this country and that's our housing market' (page 5).

'As well as being the biggest investment of a lifetime "a home is also a place to live and build our lives – and we want all families to be able to afford security, comfort and peace of mind. That means homes have to be affordable – whether you're renting or buying. The only way that can be achieved over the long term is by building more, so supply better matches demand"' (pages 5 and 6).

'British people want(ing) our homes to go up in value, but also remain affordable; and we want more homes built, just not next to us' immediately prior to observing that 'you can see why no one has managed yet to solve the problems of Britain's housing market' (page 6).

As a consequence, 'we see the social injustice of millions of families denied good homes' (page 6)

'I am determined to back aspiration in every way I can, including the aspiration to own your own home' (page 6).

'Across the country, the ratio of house prices to incomes is high by historical standards. And while average loan to value ratios for new lending are still well below normal, loan to income ratios have risen to new highs' (page 7).

2.23 Mr Osborne identified that the Government has taken new steps to protect financial stability, strengthen the new role of the Bank of England and complete the range of tools at their disposal. This addresses the economic problem of how to stop rising house prices leading to an unsustainable rise in household indebtedness and threatening the wider economy, but commented such measures do not address the social problem of how one stops young families being priced out of the housing market altogether (page 9).

2.24 The long-term solution identified in the speech is that:

'we need to see a lot more homes being built in Britain. The growing demand for housing has to be met by growing supply.... I will not stand by and allow this generation, many of whom have been fortunate enough to own their own home, to say to the next

generation; we're pulling up the property ladder behind us. So, we will build the houses Britain needs so that more families can have the economic security that comes with home ownership' (pages 9 and 10).

The House of Commons Library Note (SN06921) 'Housing Demand and Need' (England) (23rd June 2014)

- 2.25 This note usefully brings together much of the research in this area and identifies the 'demand gap' as being the shortfall between the demand for housing each year and the number of housing completions. It states that there has been a long-term gap between the estimated annual demand for housing in the regions and the number of houses constructed each year in each region as well as nationally. Based on an estimated annual demand of 243,300 it estimates that the total shortfall between 2010/11 and 2012/13 across the whole of England was -396,610.
- 2.26 In respect of the rate of housebuilding and the market's ability to meet demand the note refers to the National Housing Federation (NHF) report (December 2013, Home Truths 2013/14: the housing market in England), which stated:
- 'House prices are now so far out of reach that many local people and families are struggling to raise a deposit for a mortgage. Demand for homes remains as high as ever, but this isn't being matched by an increase in supply, pushing prices up more. England is already extremely short of housing and needs around 240,000 new homes a year just to meet demand. Currently we're not even building half that amount and the numbers are falling. In 2012/13, around 107,000 new homes were completed, 11% fewer than in 2009.'*
- 2.27 The Note also refers to the original Barker Review: 'Review of Housing Supply: Delivering Stability: Securing our Future Housing Needs' which was published alongside the 2004 Budget. The report commented on the high long-term trend in real-terms house price increases (2.4 per cent annually over the previous 30 years). It said that 70,000 additional houses per year might be needed to reduce increases in house prices to 1.8 per cent per year, and 120,000 per year to reduce it to the EU average of 1.1 per cent. The Note states that the report made 36 recommendations on how the industry and Government could improve the functioning of the housing market, around 30 were subsequently implemented.
- 2.28 The follow up report, 'Barker Review: a decade on' (March 2014) is also referred to as it commented on current levels of affordability in the housing market, saying:

'The decade that has passed since Kate Barker conducted her Review of Housing Supply for the Government has seen a worsening in all indicators of housing affordability and the associated prospects for aspirational would-be homeowners. Despite the best efforts and intentions of successive ministers, the 10 years since the

Review has ultimately been a lost decade in terms of addressing the shortcomings of the housing market. There can be no doubt that the housing crisis facing the country in 2014 is far greater than that discussed by Barker in 2004.'

The Bank of England and the Housing Crisis

2.29 The Deputy Governor of Financial Stability for the Bank of England by Sir Jon Cunliffe stated (1st May 2014),

'the history of our housing market over the past 25 years as being one in which the supply of housing in the type and place that people want has not kept up with demand.'

2.30 His principal starting point was that the recommendations of the Kate Barker Review of Housing Supply (April 2004) have never been realised, and that the recent increase in housing starts are still lagging behind the recent growth in transactions.

2.31 The Inside Housing report (2nd May 2014) set out that:

'nearly a third of people in hostels and supported accommodation are ready to move on but are unable to due to a lack of affordable homes.'

2.32 The Governor of the Bank of England, Mark Carney, also made some further reference to the issue of housing in his Mansion House speech (12th June 2014) in which he stated that:

"the underlying dynamic of the housing market reflects a chronic shortage of housing supply, which the Bank of England can't tackle directly. Since we are not able to build a single house, I welcome the Chancellor's announcement tonight of measures to increase housing supply" (page 6).

European Commission: Building Growth: Country-Specific Recommendations 2014

2.33 The European Commission adopted a series of economic policy recommendations entitled 'Building Growth: Country-specific Recommendations 2014' (2nd June 2014) which includes specific recommendations to individual Member States to strengthen their economic recovery. The relevant European Commission press release states that these recommendations were based upon detailed analysis of each country's situation and provide guidance on how to boost growth, increase competitiveness and create jobs in 2014-2015. The Paper for the UK specifies that:

'the risks in the housing sector relate to a continuing structural under-supply of housing; the relatively slow response of supply to increases in demand results in high house prices and in household indebtedness' (page 3).

***International Monetary Fund (IMF) United Kingdom - 2014 Article IV
Consultation Concluding Statement of the Mission***

2.34 The International Monetary Fund (IMF) issued its 'United Kingdom - 2014 Article IV Consultation Concluding Statement of the Mission' (June 2014) in which it found that the UK economy has rebounded strongly and growth was becoming more balanced, with inflation having fallen rapidly and good macroeconomic performance expected to persist, but that productivity and the housing market present risks to this outlook. In particular it found that house price inflation is particularly high in London and is becoming more widespread (page 1) and suggests that the imbalances in the housing market should be addressed through supply-side remedies. It concludes that fundamentally, house prices are rising because demand outstrips supply (page 3) and that the UK has a secular problem with inadequate housing supply (page 3).

Organisation for Economic Co-operation and Economic Development (OECD)

2.35 In the OECD's 'Economic Policy Reforms 2011: Going for Growth Housing and the Economy: Policies for Renovation' it is estimated that the long-run price responsiveness of new housing supply tends to be relatively strong in North America and some Nordic countries, while it is weaker in continental European countries and the United Kingdom (Figure 4.1; Caldera Sánchez and Johansson, 2011).

2.36 It goes on to highlight that during recent decades very large price increases were observed in the United Kingdom and the Netherlands which are two countries where the responsiveness of new housing supply to housing prices is noticeably low. This contrasts to other countries where supply tends to be more flexible, such as the United States, who experienced more moderate price increases. These estimates also show that house prices are more volatile where housing supply is rigid, because variations in demand translate more fully into changes in prices (page 8).

2.37 The report highlights that public policies play a role in the responsiveness of the market via land-use and planning or rental regulations, with new housing supply responsiveness tending to be lower in countries where it takes longer to acquire a building permit (page 9).

2.38 The Organisation for Economic Co-operation and Economic Development (OECD) also called for action (The Guardian, 6th May 2014) to address the fact that in the UK house prices significantly exceed long term averages relative to rents and households' incomes.

The Government Formed Following the Brexit Vote

- 2.39 The new Government that has formed after the Brexit vote has continued to pursue the issue of increased housebuilding. In commenting upon the increase in the number of new homes built and started in June 2016, the Communities Secretary Sajid Javid said:

“We’ve got the country building again with more new homes started and built than this time last year.”

“This is real progress but there is much more to do. That’s why we are going further and increasing our investment in house building to ensure many more people can benefit.”

- 2.40 In terms of continued support for home ownership Housing Minister Gavin Barwell said in response to the latest English Housing Survey, (released 21 July 2016):

“We are determined to ensure that anyone who works hard and aspires to own their own home has the opportunity to do so.

Since 2010 over 300,000 households have been helped into home ownership through Government-backed schemes.

The ground-breaking Housing and Planning Act will allow us to go even further delivering our ambition to build an additional 1 million homes.”

- 2.41 This suggests that the Government is continuing with its earlier aspirations and policies regarding housebuilding and homeownership – it remains committed to delivering 1 million homes over the life of the current Parliament.

The Local Plan Expert Group

- 2.42 It is pertinent to note the recommendations to Government from the Local Plans Expert Group, (established by the Communities Secretary and the Minister of Housing and Planning), with a remit to consider how local plan making can be made more efficient and effective.

- 2.43 In paragraph 11.4 the LPEG recommend;

“that the NPPF makes clear that local plans should be required not only to demonstrate a five-year land supply but also focus on ensuring a more effective supply of developable land for the medium to long term (over the whole plan period), plus make provision for, and provide a mechanism for the release of, developable Reserve Sites equivalent to 20% of their housing requirement, as far as is consistent with the policies set out in the NPPF. Reserve Sites represent land that can be brought forward to respond to changes in circumstances.”

- 2.44 Therefore, the provision of additional allocations beyond the bare minimum to meet the present housing requirement would be in line with the guidance being offered to Government from the LPEG.

- 2.45 The LPEG also provide suggestions on how to amend the NPPG to provide greater clarity in the preparation of the OAN, the main points are summarised below:
- a. Changes proposed: Paragraph: 003 Reference ID: 2aS003S20140306:
 - i. The total number of homes needed in an area can be greater than the number that might be assumed based solely on estimates of population change.
 - ii. The FOAN does not include the need for specialist types of accommodation such as student accommodation, care homes and other uses falling within the C2 Use Class. The SHMA, should carry out separate assessments of the need for C2 accommodation, but the outcomes of this should not be integrated with the FOAN.
 - iii. Affordable housing need: this is the scale of affordable housing need based on the methodology outlined in this guidance. An adjustment to address affordable housing need forms part of the FOAN.
 - iv. Demographic Starting Point: this is the scale of housing that would be sufficient to meet the number of households estimated through the use of official projections and limited adjustments based on sensitivities using a ten year migration trend and adjustments to the household representative rates for those aged 25 to 44.
 - v. Market Signals: for the purposes of assessing FOAN, based on two housing market indicators drawing on official data on house prices, rents and incomes.
 - vi. Unmet Need: This is the amount of FOAN that the housing requirement of an individual area (either at HMA or local authority level) would not meet. Unmet needs from one local authority area should be met elsewhere within the HMA subject to the provisions of paragraph 14 of the National Planning Policy Framework. If an HMA is unable to meet its FOAN, then these unmet needs should be met in adjacent HMAs, subject to the provisions of paragraph 14 of the Framework.
- 2.46 In respect of evidence on migration, the report recommends that either the DCLG or most recent 10-year Migration projection taken from most recent MYE should be used (Paragraph: 017 Reference ID: 2aS017S20140306)
- 2.47 It is recommended that household formation rates are adjusted for 25 – 44 year cohorts adjust to midpoint between the 2008 DCLG projections and latest (proposed amendment to paragraph: 015 Reference ID: 2aS015S20140306).
- 2.48 In terms of responding to Job Growth and Economic activity, the proposed changes to paragraph: 018 Reference ID: 2aS018S20140306 suggest that plan makers may choose to use estimates of future employment growth to justify a plan adopting a housing requirement in excess of the FOAN for housing but this is a policy matter for plan makers in setting the housing requirement.

- 2.49 Where plan makers choose to set a policy on housing requirement in excess of the FOAN, based on employment growth, this should be based on applying the changes in economic activity rates that are projected in estimates produced annually by the Office for Budget Responsibility, applied to the local baseline rates of economic activity. The existing commuting ratio should be applied, based on a comparison of economically active residents drawn from the Annual Population Survey and the number of jobs drawn from BRES.
- 2.50 In terms of the approach to measuring affordability LPEG refer to new tables to be published by the DCLG to provide the following measurements but in the meantime the advice is that the latest available information on these measures should be used. The recommended measures are as follows:
- a. House price affordability – the ratio of median quartile house prices to median earnings ('The House Price Ratio') and
 - b. Rental affordability – lower quartile rental costs as a percent of lower quartile earnings ('the Rental Affordability Ratio').
- 2.51 The report goes on to state that the new CLG Live Tables will apply an average over the most recent three years of data, to allow for any anomalies and volatility which may occur from one year to the next. In the event the CLG Live Tables are not available or up to date at the time of plan preparation, plan makers should use the latest available source data to generate their own indicators.
- 2.52 In considering the appropriate response to market signals the proposed alterations to paragraph: 019 Reference ID: 2aS019S20140306 suggest the following upward adjustments for market signals based on the data published by DCLG, using the following benchmarks
- a. Where the House Price Ratio (HPR) is less than 5.3 and Rental Affordability Ratio (RAR) is less than 25%, no uplift is required
 - b. Where HPR is at or above 5.3 and less than 7.0, AND/OR the RAR is at or above 25% and less than 30%, a 10% uplift should be applied
 - c. Where the HPR is at or above 7.0 and less than 8.7, AND/OR the RAR is at or above 30% and less than 35%, a 20% uplift should be applied and
 - d. Where the HPR is at or above 8.7 AND/OR the RAR is at or above 35%, a 25% uplift should be applied
- 2.53 In response to adjustments for Affordable Housing the report advises that where the total number of homes that would be necessary to meet affordable housing is greater than the figure arrived at based on the demographic starting point and application of

market signals, an upwards adjustment should be made of either 10% or to meet in full if lower, to arrive at a figure for FOAN.

- 2.54 This however remains recommendation to the Government and the current approach is summarised in appendix 5.

The Housing White Paper

- 2.55 The Housing White Paper was published in February 2017.

- 2.56 The Government explain on page 15 that the cause of our housing shortage is simple enough – not enough homes are being built but that fixing it is more complex. It recognises that the problem has built up over many decades, and solving it requires a radical re-think of the Government’s whole approach to home building.

- 2.57 The Paper then identifies that we need to plan for the right homes in the right places as this is critical to the success of the Government’s modern industrial strategy. The paper continues:

“But at the moment, some local authorities can duck potentially difficult decisions, because they are free to come up with their own methodology for calculating ‘objectively assessed need’. So, we are going to consult on a new standard methodology for calculating ‘objectively assessed need’, and encourage councils to plan on this basis.”

- 2.58 Paragraph 18 of the White Paper highlights that plan will be required to be updated every 5 years and that plans will be required to be updated if the housing target can no longer be justified against their OAN unless they have agreed a departure from the standard methodology.

- 2.59 The White Paper also states that the new methodology for the OAN will be in place by April 2018 and that this will form a baseline for the five-year land supply if there is no up to date local plan.

Planning for the right homes in the right places: Consultation Proposals

- 2.60 Government recently consulted on “Planning for Homes in the Right Places” which applies a standardised calculation for housing need.

- 2.61 In the foreword to this document, the Secretary of State, sets out that he intends to create a system that is clear and transparent, and infers that he intends to move away from complex processes currently used.

- 2.62 This consultation document provides the further detailed consultation which the White Paper 2017 referred to. The proposals are set out, starting on page 12 paragraph 16.

- **Step 1: setting the baseline** should be a demographic baseline using the most recent official projections..
- **Step 2: an adjustment to take account of market signals.** Government consider that household growth is insufficient on its own, as household formation can be constrained by housing supply and households may wish to move close to work, this may mean moving housing market areas. The important point that that the current consideration of market signals focuses on affordability of new homes and that where income is high, affordability may not be an issue. This could be a particular issue when moving across HMAs. Therefore, the workplace-based median house price to median earnings ratio should be used. The formula proposed to be used is set out in paragraph 21.
- **Step 3: capping the level of any increase.** Here Government recognises that the market adjustment may result in significant increases and therefore should be capped at a 40% increase of that in existing plans.

2.63 The OAN figure for Epping Forest when applying the standardised methodology is 923 dwellings per annum.

2.64 The consultation document as whole yet again reaffirms the Government's opinion on the DCLG 2014-based projections to be a reliable starting point for; household formation rates, population and migration assumptions. In particular paragraph 16; "...*The Office for National Statistics' [ONS] projections for numbers of households in each local authority are the most robust estimates of future growth.* Paragraph 17 "...*the most recent official projections should be used*". In preparing this proposed methodology, Government will have taken into consideration comments made to the LPEG consultation and those to the White Paper consultation. Indeed, it can be inferred from paragraph 12, bullet point 1, that Government has been gaining a better understanding of the methods and processes currently used in preparing a SHMA.

2.65 In particular paragraph 44 states that the proposed method should be used and that only where compelling circumstances exist the proposed method may not be used. However, these circumstances must be properly justified and subject to examination. I consider that this infers where such an approach is taken, that deviates from the standard, it can only be used at the examination of a Local Plan. This is supported by paragraph 47. That outside of the examination process the standard methodology, which does not deviate from the baseline demographic projects must be used.

2.66 Paragraphs 48, 49, 52 and 53 and table 1 deal with the implementation of the new methodology. It is clear that unless a Plan has been published and submitted for examination by 31 March 2018, the new standard method for calculating OAN should be used.

Summary

2.67 This OAN methodology consultation is now the third consultation document prepared or instigated by Government that has considered the plan making process. The first such document was the LPEG report which set out the changes they considered necessary to the plan making process and in particular; a standard approach to the calculation of OAN should be used, that official information should be used and that a meaningful and standard approach to market signals should be applied to all local authorities. This was then followed by the housing White Paper, it drew on the conclusion of the LPEG report and set out that a simplification to the plan making process was required, to deliver the key Government objective of addressing the housing crisis. In particular Government considered the calculation of OAN to be such an integral issue to achieving this objective that a separate consultation paper was published

2.68 From all three consultation documents it is clear that:

- Government considers the official projections DCLG based household growth, MYE and census to be robust. This has been repeatedly supported by various reports prepared by ONS in recent years; and
- The method to calculate the response to market signals has been inconsistent across the country and that a standard approach is necessary.

3.0 EPPING FOREST DEVELOPMENT PLAN

Emerging Local Plan

- 3.1 Epping Forest District Council are currently preparing a new Local Plan which will replace their extant statutory development plan. The current document out for consultation is the R.19 consultation document.
- 3.2 With regards to the assessment of housing need, the emerging Local Plan is reliant upon a SHMA which has now been twice superseded; by SHMA updates or reports in 2016 and most recently in 2017.
- 3.3 The PPG is clear that the most up to date evidence base should be used in the preparation of a Local Plan, therefore any further data releases made by ONS or DCLG, such as new mid-year estimates, the 2016-based Sub-National Population Projections (SNPP) and the 2016-based household projections such be taken into consideration.
- 3.4 The emerging Local Plan has a plan period of 2011 to 2033, to achieve the 15 year plan horizon as recommended by the Framework, the plan would need to be adopted no later than 2018. Given the timescales for preparing local plans and their examination, adoption in 2018 could be overly ambitious. The Council should consider, through a main modification, extending the plan period to ensure that there is a 15 year period upon adoption, to ensure that the Plan is sound and in conformity with the Framework.
- 3.5 The Spatial Vision of the plan (pages 19 to 23) sets the vision and spatial objectives of what the Council seeks to achieve through the new Local Plan. Housing is mentioned in general several times within the vision, however there is no mention of meeting the objectively assessed need for housing of Epping Forest, in full, within the district. Meeting the housing need is a key Government objective as set out in the Framework. This should be reflected within the Plan's vision.
- 3.6 The plan then goes on to set Local Plan objectives to ensure the vision can be achieved. Objective B – Housing, sets out that provision to meet OAN for both market and affordable homes will be met within the District, to the extent that is compatible with the Framework. This infers that the Full OAN for both market and affordable housing will not be met. Theme 1 – Promoting Thriving, Safe and Healthy Communities is of the most relevance to housing need. Objective 1a should be amended to ensure that housing need will be met in full.

- 3.7 The Full OAN according to the councils evidence base (West Essex and East Hertfordshire SHMA – Establishing the Full Objectively Assessed Need July 2017) is some 12,573 dwellings.
- 3.8 Policy SP 2 Spatial Development Strategy 2011 to 2033 sets out the overall housing requirement and a distribution of housing across the District. The housing requirement over the Plan period is a minimum of 11,400 new homes The Plan does not set out the reasons, in accordance with paragraph 14 of the Framework, why the OAN cannot be met in full.
- 3.9 Policy SP 2 also identifies that a large proportion of Epping Forest’s Housing Need is proposed to be met by three large urban extensions to Harlow town. While these sites are within the district there is little evidence that they will meet the needs of the district rather than meet the needs of Harlow.

Strategic Planning and Duty to Co-operate

- 3.10 Paragraph 2.5 of the Plan sets out that the Cooperation for Sustainable Development Member Board was established in 2014 to take a strategic approach to planning issues including housing. This board has facilitated the preparation of several evidence base documents, which have informed the preparation of the Plan.
- 3.11 Paragraph 2.8 onwards of the Plan and ‘The Vision for the London Stanstead Cambridge Corridor Core Area’ statement box, set out that the Council has taken the LSCC Vision into account in plan making. Through reading the plan it is not clear what status the LSCC Commission has or what role it, or their Final Report has had in the distribution of housing within the HMA, or within Epping District. Whilst we support the broad themes of this work; boosting economic growth and delivering necessary infrastructure, we question the soundness of the Council’s approach in taking this non-statutory document, into the Plan making process.
- 3.12 From the evidence base (West Essex and East Herts SHMA) the Councils which make up the Housing Market Area (HMA) which Epping Forest sits within are;
- Epping Forest
 - Harlow District

- East Hertfordshire
 - Uttlesford
- 3.13 Paragraph 2.41 to 2.44 of the Plan sets out that the most recent work considering the OAN across the HMA is the 2017 SHMA update, which uses the most up to date household projections. Paragraph 2.43 summaries the SHMA, setting out the OAN for the HMA is 51,700 dwellings and specifically for Epping Forest it is 12,573 dwellings. However paragraph 2.44 goes on to state that a requirement for only 11,400 dwellings will be set in the Plan, this is 1,173 less than the SHMA's OAN. The reason for this reduction is stated to be explained in the most recent memorandum of understanding between the HMA authorities.
- 3.14 We do not consider the Plan to be sound, as a clear and justified explanation as to why housing need cannot be met in full is missing from the Plan, furthermore it is not clear in the Plan where this unmet need will be met within the HMA. Paragraph 2.54 of the Plan attempts to set out this justification, however in summary it is a statement that the option chosen is the most sustainable.
- 3.15 Looking at the evidence available on the Council's website, we have used the MoU between the HMA authorities as a starting point to understand the position of the Council. However, rather confusingly the MoU link on the Council's evidence base page which is titled Housing, deals with Transport matters¹. The one titled Transport, takes one to the housing MoU²
- 3.16 The MoU, Figure 1 uses the 2015 SHMA, which has the OAN for Epping Forest at 11,400 dwellings, 100 less than the Plan's requirement and 1,273 less than the OAN in the most recent SHMA 2017 update report. It is unclear if there has been any agreement between the authorities when taking the latest SHMA into account. It should be noted that the overall OAN in the MoU is 46,100 compared to 51,700 in the most recent SHMA; a difference of 5,600. It does not appear from the MoU that there is any agreement between the authorities on how this level of un-met need will be met.

¹ <http://www.efdclocalplan.org/wp-content/uploads/2017/12/MoU-Dist-of-Obj-Asd-Housing-Need-W-Essex-E-Herts-Housing-Market-Area-March-2017-EB1202.pdf>

² <http://www.efdclocalplan.org/wp-content/uploads/2017/12/MoU-Highways-Transport-for-W-Essex-E-Herts-Housing-Market-Area-February-2017-EB1201.pdf>

3.17 Paragraph 1.8 sets out that in order to comply with the legal requirements of the duty, work was commissioned to look at different options to deliver the HMAs OAN. I do not consider the Council, or the Co-op Board have given adequate consideration to the Framework, nor is the interpretation of the legal requirements of the duty correct.

3.18 From this statement in the MoU, it appears the Councils have immediately jumped to considering the distribution of housing need across the HMA without first considering how needs can be met in full.

3.19 Paragraph 14 of the Framework is clear;

Local Planning authorities should positively seek opportunities to meet the development needs of their area;

Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless:

- *Any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole; or*
- *Specific policies in this Framework indicate development should be restricted.*

3.20 The Local Plan, nor the MoU set out how it has been necessary to invoke the two very stringent caveats to meeting housing need in full. The evidence base that justifies and explains why the OAN for Epping Forest cannot be met in full within Epping Forest is not set out in the Plan. The adverse impacts of meeting the OAN are not set out nor are the benefits. We accept that housing need can be 're-distributed' across a HMA, typical national examples of this are in areas which are bound by tightly drawn administrative areas and have insufficient land to deliver needs, or the exceptional circumstances for Green Belt release cannot be demonstrated. Epping Forest does have sufficient land to meet housing need in full and it can be inferred that because the Council have already set out the exceptional circumstances, on a strategic level, for Green Belt release, that Green Belt is not a barrier to meeting housing needs in full.

3.21 Figure 2 of the MoU sets out that 6 spatial options across the HMA were considered (A to F). Appendix 4 of the MoU summaries these 6 spatial options, it is clear that the proposed level of growth in Harlow differs in most of the options, however what is not clear is the level of growth in each of the constituent HMA authorities. Figure 13 of the MoU breaks this down. It is clear from these 6 strategies that an option which would

deliver the OAN for Epping Forest in full has been considered (options E and F).

- 3.22 The MoU does not set out the necessary evidence and reasons as to why Epping Forest does not meet its housing need in full.
- 3.23 The 6 spatial options which are set out in the MoU can be found in the Sustainability Appraisal of Strategic Spatial Options for the West Essex and East Hertfordshire HMA report³.
- 3.24 The SHMA used in this report is not the most up to date version, nor is it the version used by the Council in the Local Plan. Therefore the validity of this appraisal of spatial options in the Council's justification for setting a housing requirement which is lower than the OAN in the most recent SHMA, has to be questioned. The appraisal report has never considered how Epping Forest can meet its OAN (from the 2017 SHMA) in full. For clarity, in the introduction to the report on page 1, the OAN used is 11,400 dwellings.
- 3.25 The appraisal report does not deal with the national planning policy context; as set out in preceding paragraphs Local Authorities must first seek to meet housing need within the authority area. There is no rationale as to why this report is has been prepared.
- 3.26 Nowhere in the Plan has it been set out that the inability for EFDC to meet its housing need is a strategic planning issue.

³ <http://www.efdclocalplan.org/wp-content/uploads/2017/11/Sustainability-Appraisal-of-Strategic-OAHN-Spatial-Options-AECOM-2016-EB203.pdf>

Table 2 Housing Distribution across the HMA

Local Authority	Housing Requirement 2011 to 2033 (dwellings)		
	DCLG 2014-based household projections ⁴	Housing MoU March 2017	SHMA 2017
East Herts	17,785	18,000	18,396
Epping Forest	15,049	11,400	12,573
Harlow District	7,903	9,200	7,409
Uttlesford	11,427	12,500	13,332
HMA Total	52,728	51,100	51,700

- 3.27 Table 1 demonstrates that across the HMA there is currently no agreement on how to meet the OAN in full or indeed the “starting point” the DCLG projections.
- 3.28 Further to this, both Harlow and Uttlesford District Councils are yet to publish regulation 19 consultations with Uttlesford stating that they have paused preparation of their Local Plan and will publish a revised timetable in the near future. Harlow have stated that they intend to publish a regulation 19 consultation local plan in 2018 but are still to publish a new Local Development Scheme setting out their proposed timetable for submission.
- 3.29 This must be a concern to the other authorities (Epping Forest and East Herts) in the HMA given the Government’s proposals to introduce the Standard Methodology later this year. The approach put forward by Government would see significant increases in housing needs assessments across the HMA. In total housing needs for the HMA would increase from 2,305 to 3,240 dwellings per annum (dpa).
- 3.30 Given the re-distribution of need that has already taken place, there is no certainty that Harlow or Uttlesford could accommodate these increased levels of growth. This could mean that, even if Epping Forest DC and East Hertfordshire District Council’s local plans are considered to be sound on the basis of meeting the identified distribution in the MOU, the slow progress of plan preparation could lead to higher needs elsewhere in the HMA than currently identified.
- 3.31 Due to the uncertainty created by slow plan preparation we would suggest that policy SP2 include a review clause should any authority in the HMA be unable to meet its identified housing needs through its Local Plan.

⁴ No market signals uplift

4.0 REVIEW OF THE EVIDENCE BASE

4.1 The emerging Plan for Epping Forest is currently at the R.19 Consultation stage, this review will focus upon the most up to date evidence base, which has already superseded that used in the emerging plan. As set out in section 3 of this report the emerging plan sets a housing requirement of 11,400 dwellings between 2011 and 2033 dwellings per annum, which is lower than the OAN set out in the 2017 SHMA updated.

4.2 The documents reviewed for this report are:

- West Essex and East Hertfordshire Strategic Housing Market Assessment Report of Findings September 2015
- West Essex and East Herts – Updating the Overall Housing Need, based on 2014-based projections – August 2016
- West Essex and East Hertfordshire Strategic Housing Market Assessment – July 2017

West Essex and East Hertfordshire Strategic Housing Market Assessment Report of Findings September 2015

4.3 This is the report that defines the Housing Market Area (HMA). In terms of Commuting the report in paragraphs 2.16 to 2.40 sets out a complex analysis of commuting patterns by applying different levels of containment. The conclusion is that Epping Forreast and Harlow fall within the same commuting zone and that 100% of Epping Forest's movements fall within this zone (SHMA 2015 Figure 17 page 21).

4.4 This level of sophistication belies some simple facts that can be derived from the same data source notably the 2011 census. The table below highlights that actually within the proposed HMA there is very little commuting between the districts councils and Harlow.

4.5 As such additional housing provision in the form of urban extensions to Harlow will not be meeting the demand for dwellings generated by residents of the district who are seeking to locate closer to Harlow to reduce their commuting distance.

4.6 The table below illustrates that the clear focus of commuting outside of the individual districts are movements into London. The SHMA analysis that seeks to side-line the impact of London is very unhelpful in securing genuinely sustainable development and determining locations for development.

Table 3 Commuting between HMA authorities

place of work	usual residence			
	East Hertfordshire	Epping Forest	Harlow	Uttlesford
East Hertfordshire	21543	1044	2737	2972
Epping Forest	1297	12530	2788	785
Harlow	3467	2132	17485	1412
Uttlesford	3418	480	1002	13006
London	12844	25853	5755	5118
United Kingdom	57561	48031	34000	30998
Percentage (place of work)	East Hertfordshire	Epping Forest	Harlow	Uttlesford
East Hertfordshire	37%	2%	8%	10%
Epping Forest	2%	26%	8%	3%
Harlow	6%	4%	51%	5%
Uttlesford	6%	1%	3%	42%
London	22%	54%	17%	17%
United Kingdom	100%	100%	100%	100%

NOMIS 2017 census 2011

- 4.7 A similar fact emerges when one considers the census data on migration which is considered in the SHMA 2015 paragraphs 2.41 to 2.51 and figures 18 and 19. These would suggest that there are strong relationships between the authorities within the selected HMA. The raw census data reveals a that this is not the case as the table below suggest that there are very weak interactions in terms of migration flows between the authorities within the selected HMA.
- 4.8 In terms of the relationship between Harlow and Epping forest only 6% of moves out of Epping Forrest are to Harlow and there are only 3% from Harlow to Epping Forrest.
- 4.9 Again the evidence illustrates the much stronger relationship that there is between Epping Forrest and London.

Table 4 Migration between HMA authorities

address one year ago	usual residence			
	East Hertfordshire	Epping Forest	Harlow	Uttlesford
East	10030	5961	6306	6105
London	1665	3596	860	804
East Hertfordshire	6425	222	258	782
Epping Forest	381	4345	456	231
Harlow	379	284	4870	212
Uttlesford	403	100	111	3347
Abroad (outside UK)	983	691	607	551
United Kingdom	13086	10445	7593	7808
Total	14069	11136	8200	8359
Percentage	East Hertfordshire	Epping Forest	Harlow	Uttlesford
East	71%	54%	77%	73%
London	12%	32%	10%	10%
East Hertfordshire	46%	2%	3%	9%
Epping Forest	3%	39%	6%	3%
Harlow	3%	3%	59%	3%
Uttlesford	3%	1%	1%	40%
Abroad (outside UK)	7%	6%	7%	7%
United Kingdom	93%	94%	93%	93%
Total	100%	100%	100%	100%

Source: NOMIS 2017 census 2011

- 4.10 This evidence strongly suggests that there is only a very weak relationship between Harlow and Epping Forrest both in terms of migration and travel to work and as such the concentration of a substantial proportion of the housing requirement in three planned urban extensions to Harlow is unlikely to address the demographic and market pressures arising within Epping Forest.

West Essex and East Herts SHMA August 2016 Update

- 4.11 Whilst the 2016 update has also been superseded it is worth briefly setting out a summary. It is stated that this report was prepared to review the ONS 2014-based SNPP, CLG 2014-based household projections, and subsequently a review of migration trends following on from a PINS advisory visit to East Herts.

SNPP 2012 based and 2014 based

- 4.12 Figure 1 of the report sets out that for Epping the 2014-based SNPP increases the total person by 2033 from 153,177 to 155,027. A difference of +6.5%.

DCLG Household projections 2012 based and 2014 based

- 4.13 Figure 3 of the report sets out that for Epping the 2014-based projection increases the total households by 2033 from 66,465 to 66,457. A difference of 0% and a decrease of 8 households.
- 4.14 Figure 4 sets out that the average household size in Epping has increased from 2.280 to 2.308 (+1.3%).

PINS Advisory Service and the Review of Migration Trends. DCLG Household Projections 2012 Based and 2014 Based

- 4.15 In summary, following a PINS advisory service meeting with East Herts, the Inspector supported a 10-year trend period over a five-year period and importantly that the intercensal 2001 to 2011 period used in the 2015 SHMA should be sensitivity tested based on the then more recent 10 year period of 2004 to 2014. The implications of this, are that for the HMA migration trends used in the SHMA/OAN calculation have moved from 1,100 persons per year, to 2,100 persons per year. It is pertinent to note the consultant's reluctance to use this more recent trend based upon data quality issues, but regardless they do go with the PINS Advisory Inspector's advice and use a more recent 10 year period.
- 4.16 Figure 6 of the report sets the implications of change to the migration period, migration data and DCLG 2014-based household projection. For Epping the annual household change has increased from 409 to 480, or 428 to 503 dwellings from 2011 to 2033; 11,065 over the period. This does not yet take account of any other alternations to OAN as set out in the PPG.
- 4.17 Figure 7 considers the Full OAN for the HMA as a whole, and through making the further adjustments that need to be considered the OAN increases from 46,058 to 54,608 for the HMA. For Epping (table 8) the revised Full OAN is 13,278 from 2011 to 2033; 664 dwelling per annum.

West Essex and East Hertfordshire Strategic Housing Market Assessment July 2017

- 4.18 The most recent Strategic Housing Market Assessment (SHMA) for the HMA is the July 2017 SHMA, this takes into consideration two additional sources of information; the 2016 Mid-Year Estimate, published in June 2017 and the Greater London 2016-based household projections published in July 2017. The response to market signals is also changed from the 2015 SHMA and 2016 update.

Migration Trends

- 4.19 As set out in the 2016 SHMA update, following the PINS Advisory Inspector's concern, a more recent 10 year trend has now been favoured over the 2001 to 2011 census trend. Since the 2016 update a further Mid-Year Estimate has been released and therefore this should be considered in the 2017 SHMA.
- 4.20 Paragraph 2.13 of the SHMA, sets out that taking into consideration the latest MYE the ten year migration trend (10 years up to 2016) for the HMA is now an average of 2,510 persons each year. This is an increase of 400 persons on average per year from the 10 year trend set out in the 2016 update report.
- 4.21 It should also be noted that the SNPP and most recent 5 year migration trends still remain higher than the 10 year migration trends.
- 4.22 Paragraph 4.10 of the SHMA, sets out how the Full OAN for the HMA has been established. In the second bullet point, the migration period of 2005 to 2015, used in the 2016 SHMA update is still used, despite the availability of the 2016 MYE, which would allow for this trend to be updated and reflecting the PPG, make use of the most up to date information. The household projection for Epping from the 2017 update decreases down to 12,573, 572 per annum (figure 5) from 664 dwellings per annum.
- 4.23 Within figure 2 of the SHMA, this more recent trend is not considered alongside other migration trends.
- 4.24 Considering that in 2016 the PINS Advisory Inspector recommended the most recent 10 year trend should be used, there is no explanation as to why the now most recent 10 year migration trend has not been considered in the 2017 SHMA. Reference is made to the increased level of migration 2,510, which is now closer to the net migration average experienced in the DCLG 2014-based projection (2,848) (this issue is considered later) than previous alternative migration trends. At paragraph 3.13 the most recent 10 year migration trend is dismissed and altered by removing the peak of the 2012-15 trend, this manipulation results in the average remaining around 2,105 persons per year.
- 4.25 The PPG states that consideration should be given as to why peaks in migration may have occurred; such as development of new urban extensions or the impact of economic growth. However, this is not explored in the SHMA 2017 or 2016 update.

There is no justification for now not using the most recent 10 year period, when in the 2016 update it was used.

GLA Household Projections

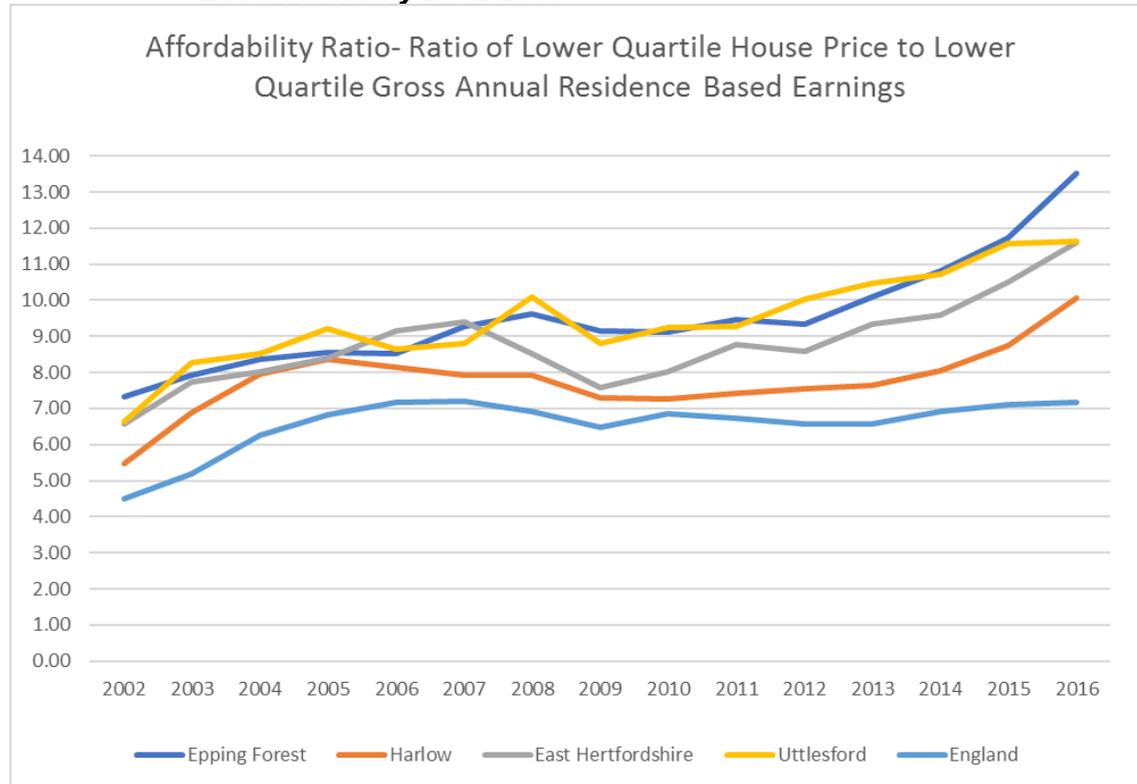
- 4.26 The GLA household projections are set out within the SHMA, but it is not at all clear how this has been considered in the Full OAN for the HMA. However it is important to note that the central variant assumes a migration trend of 2,809 persons per year and the short term trend 2,965 persons per year, both closer to the average net migration in the DCLG 2014-based household projections.

Market Signals

- 4.27 Paragraph 3.21 onwards, sets out that the market signals assessed in the 2015 SHMA supported an uplift of 20%, the report then goes on to explain why this has decreased.
- 4.28 The PPG is cited, in that any adjustment must be set at a level that is reasonable and that a 20% uplift is no longer considered reasonable. Paragraph 3.28 states...*on balance...probably isn't reasonable to apply an uplift to the household projection-based estimates of housing need that was any more than the 6,200 dwellings proposed* [the original figure].
- 4.29 There are no signs that affordability pressure has abated in the HMA, indeed the Council's evidence base at paragraph 3.24 (SHMA 2017) makes this same point and that there may be an argument to retain the 20% increase.
- 4.30 The two indicators of affordability below highlight that in recent years affordability has worsened with the HMA and that Epping Forrest is the least affordable by both measures.
- 4.31 It is also pertinent to note that the approach in the DCLG 2017 consultation applied a 35% uplift to the most recent DCLG projection of 684dpa to get to the 923 dpa in the consultation document.
- 4.32 The justification for not retaining the 20% uplift is not based on an analysis of market signals at all and only considers that such an increase would result in the dwelling requirement exceeding if the GLA household projections were to be used. The inference therefore is that the Governments consultation figure was unreasonable. This is a serious challenge to an approach that has been developed by the Government in

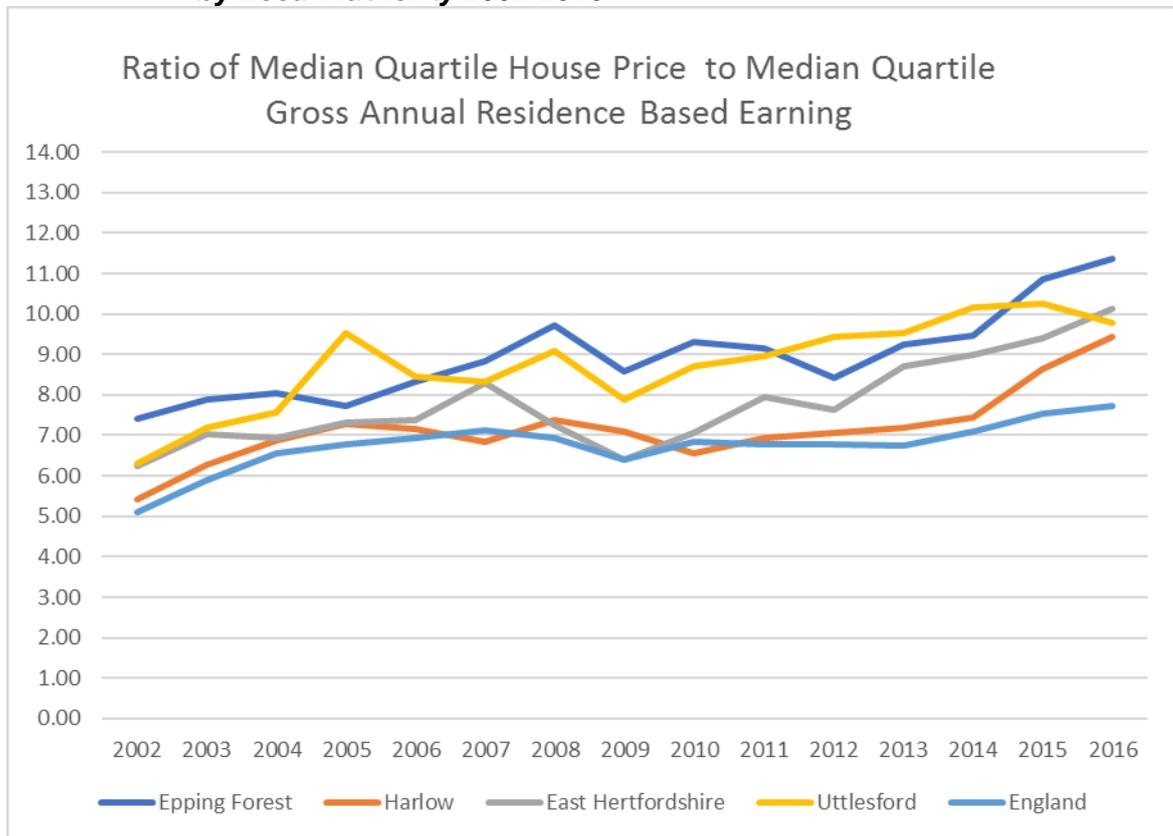
consultation with a number of leading practitioners and takes into account submission made by SPRU and others on this matter.

Chart 4: Ratio of Lower Quartile House Price to Lower Quartile Earnings by Local Authority 2002-2016



Source: ONS Ratio of House Price to Residence-based earnings (lower quartile and median, 2002 – 2016)

Chart 5: Ratio of Median Quartile House Price to Median Quartile Earnings by Local Authority 2002-2016



Source: ONS Ratio of House Price to Residence-based earnings (median quartile and median, 2002 – 2016)

4.33 Whilst the evidence is right to point out the PPG’s consideration that market signal uplifts should be reasonable, the interpretation of that guidance is incorrect. The first section of Paragraph: 019 Reference ID: 2a-019-20140306 and all of Paragraph 020 Ref ID2a-020-20140306 are set out below.

How Should Market Signals be Taken into Account?

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.

How Should Plan Makers Respond to Market Signals?

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. Volatility in some indicators requires care to be taken: in these cases rolling average comparisons may be helpful to identify persistent changes and trends.

In areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (eg the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.

Market signals are affected by a number of economic factors, and plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period.

The list of indicators above is not exhaustive. Other indicators, including those at lower spatial levels, are available and may be useful in coming to a full assessment of prevailing market conditions. In broad terms, the assessment should take account both of indicators relating to price (such as house prices, rents, affordability ratios) and quantity (such as overcrowding and rates of development).

- 4.34 It is clear from the guidance that the market signal adjustment should be made to the household projections and that this should reflect appropriate market signals. The 2015 SHMA does this.
- 4.35 PPG then goes on to set out how plan makers should respond to these market signals and that *plan makers should set this adjustment at a level that is reasonable*. There is no mention here that in the consideration of what is reasonable, one needs to consider how the household projection was arrived at or, as the case is within this HMA, what alternative trends demonstrated. The guidance goes on to state... *The more significant the affordability constraints...the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be*. The consideration of what is reasonable, should be based on the assessment of market indicators.
- 4.36 Given that the market indicators have not improved across the HMA and as already stated, a point which the evidence base also recognises, there is no justification to now move away from the 20% uplift.

Summary

- 4.37 The net result from the considerations and changes made through the 2017 SHMA for Epping is that the Full OAN from 2011 to 2033 is now 572 dwellings per annum. Table 2 compares the various SHMAs.

Table 5 Epping and HMA OAN comparison 2011 to 2033

	SHMA 2015	SHMA 2016 update	SHMA 2017
Epping Forest	514	664 (503)	572 (503)
HMA	2,094	2,482	2,350

Note: The 2016 and 2017 SHMA figures in brackets are dwellings before market signal uplifts are applied. Figures are dwellings per annum

4.38 It is clear that the adjustment to market signals has made an impact on the OAN for Epping.

4.39 The latest 10 year migration trend with no adjustments because of 'spikes' should now be used to inform an up to date SHMA. This should also be considered alongside the most recent 5 year migration trend.

DCLG Starting point most recent data

4.40 The 2017 SHMA update sets the 2014-based household projection for Epping Forest to be 15,046 dwellings over the 22 year plan period; or 684 dwellings per annum. This is without applying a 20% uplift for market signals. The various adjustments made do the demographic starting point through the SHMA result in an annual need of 572 dwellings.

Table 6 Comparison between Housing Needs and Requirements

	Local Plan Submission	DCLG 2014- based	SHMA 2017	OAN consultation ⁵
Epping Forest	518 dpa	684 dpa 824 dpa (with 20% uplift)	572 dpa	923 dpa
Difference between Local Plan		+166 +306	+54	+405

4.41 It is clear that the Local Plan housing requirement is significantly lower than the DCLG starting point and also the OAN figure that can be taken from the recent consultation.

4.42 The table below compares the SHMA results for the whole of the HMA with both the DCLG starting point, the DCLG OAN consultation and the DCLG 2014 household projections plus a 20% uplift for market signals.

⁵ Planning for the right homes in the right places:
<https://www.gov.uk/Government/consultations/planning-for-the-right-homes-in-the-right-places-consultation-proposals>

4.43 The table below illustrates that across the HMA, the ORS approach is underestimating the demographic based housing need by almost 100 dwellings a year. The importance of this is that authorities outside the HMA will be planning on the basis that the HMA will be accommodating these households. The change in the migration assumptions will have a negative impact on the objective of meeting the nation’s housing needs as set in in paragraph 17 of the Framework as these household’s needs will not be met.

Table 7 Comparison of approaches for household projections

Local Authority	SHMA 2017 household projections	DLCLG 2014 households	Vacancy Rate (SHMA 2015)	DCLG Based Dwelling Requirement	Shortfall between SHMA and DCLG household projections
East Hertfordshire	872	784	3.0%	808	-88
Epping Forest	503	653	4.5%	682	150
Harlow	296	348	3.2%	359	52
Uttlesford	533	519	4.7%	543	-14
Total for HMA	2205	2304		2392	99

4.44 The difference between the approach to OAN in terms of the application of a response to market indicators is significant. For the HMA, the difference between the DCLG consultation OAN and the SHMA is 889 dpa. Even compared to a more modest response of a 20% uplift to market indicators there is a shortfall of 520 dpa.

Table 8 Comparison of calculation of OAN

Local Authority	DCLG OAN Consultation	SHMA 2017 OAN	DCLG Based Dwelling Requirement (2014 HH projections plus vacancy)	Ratio of median house price to median gross annual earnings (DCLGH Table 5c)	DCLG based Household projections plus 20% uplift to respond to market indicators	Shortfall SHMA to DCLG plus market indicators
East Hertfordshire	1111	836	808	10.13	969	133
Epping Forest	923	572	682	11.35	819	247
Harlow	466	337	359	9.44	431	94
Uttlesford	740	606	543	9.79	652	46
Total for HMA	3240	2351	2392		2871	520

4.45 Given the nature of uncertainty surrounding household projections and the fact that the SHMA OAN figures clearly are by far the lowest when compared to other approaches

then there is a considerable risk that planning for such a low level of housing growth will not be sufficient to meet future demand and that the plan and others based on this approach will simply perpetuate the restricted land supply conditions which contributed to the existing housing crisis.

- 4.46 The approach does not plan positively nor is it based on appropriate evidence and as such the OAN and subsequent housing requirement in the submitted plan is unsound.

Affordable Housing

- 4.47 Paragraph 3.62 of the document, sets out that the level of affordable housing need in Epping Forest, over the Plan period is 3,100 dwellings (when factoring in the already consented 228 in Epping), part of the 13,600 dwellings needed across the HMA.
- 4.48 As set out in the subsequent section of the report, where summaries to recent inspector reports and the PPG is cited, it is necessary for a Local Plan Authority to consider whether a further increase to housing need should be made to ensure that more affordable homes are delivered within the Plan period.
- 4.49 As advocated in the PPG (paragraph 029 Reference ID: 2a-029-20140306) an increase in the total housing figures included in the Local Plan should therefore be considered as it could help deliver the required number of affordable homes.
- 4.50 Based upon the Council's assessment of OAN, the 3,100 dwellings of affordable housing need plus the already consented 228 dwellings since 2011, 3,328 is 26.4% of the overall need 12,584 dwellings.
- 4.51 Policy H2 of the Plan is not sound, it is not compliant with national policy; as the level of affordable housing needed within Epping Forest is not clearly set out within the Plan. Furthermore, the policy is not effective because the level of need is not set out. The Plan should be modified to include this information, so that it can be effectively monitored.

5.0 CONSIDERATION OF LINKS TO LONDON

- 5.1 Paragraph 2.71 of the SHMA 2015 states that the area of West Essex and East Hertfordshire is strongly linked to London through commuting and migration patterns. In order to determine the Housing Market Area, the impact of London has been excluded. It is important to note this because although excluded from the analysis the actual impact of London cannot be left out of the overall assessment of future housing need in our opinion. The SHMA once excluding London takes no further account of likely migration flows and their impact on the HMA. We do not consider that this is the correct, or a realistic, approach.
- 5.2 It should be noted that neither the 2016 update nor the 2017 SHMA re-examine the London issue.
- 5.3 The SHMA 2015 concludes (paragraph 2.73) that using all of the evidence available it is reasonable to conclude that the most appropriate functional housing market area should be based on Harlow, with most of East Hertfordshire, Epping Forest and Uttlesford. Based on a detailed analysis of the evidence, it therefore recommends to the constituent authorities that East Hertfordshire, Epping Forest, Harlow and Uttlesford districts represent the most appropriate “best fit” for a West Essex and East Hertfordshire HMA.
- 5.4 In paragraph 2.75, the SHMA 2015 advises that regardless of these final “best fit” groupings, where these functional areas cross administrative boundaries, it will be important for the local planning authorities to maintain dialogue with neighbouring areas under the Duty to Cooperate. It also states that seven districts – the four recommended ‘best fit’ authorities and three neighbouring districts, will also need to maintain dialogue with each other, as well as with the Mayor of London through the Greater London Authority.
- 5.5 However, the SHMA 2015 undertakes an assessment of OAN without modelling the needs of the wider area, and in particular ignores the implications of known under provision in London.
- 5.6 Hertfordshire authorities like Welwyn Hatfield Borough Council have made specific provisions to accommodate unmet need for London (in their case an additional 56 dwellings a year SHMA Figure 3.9: London Sensitivity Scenario and SNHP 2012 Scenario 2013 – 2032). This is in the context of the statement in paragraph 11 of their

SHMA which states that given the complexities of defining appropriate HMAs within this wider area it will be important for Welwyn Hatfield to engage with other authorities in the wider housing market area through the Duty to Co-operate process to ensure that housing needs are met in full at a strategic level. In particular, it also highlights the need to the engage with the Greater London Authority given the evident links between London and the south of the borough.

5.7 The table below illustrates selected flows between the HMA and London.

Table 9 Migration flows between neighbouring authorities and London

Usual residence	Address one year ago							Net flows
	East of England	London	South East	East Herts	Epping Forest	Harlow	Uttlesford	
East Hertfordshire	10,030	1,665	476	6,425	381	379	403	
Epping Forest	5,961	3,596	321	222	4,345	284	100	159
Harlow	6,306	860	120	258	456	4,870	111	121
Uttlesford	6,105	804	298	782	231	212	3,347	-379
East of England	470,106	54,714	22,801	10,234	6,941	6,648	5,640	-204
London	35,519	853,477	62,955	1,040	2,185	510	516	625
South East	27,401	90,792	763,151	766	586	317	391	-290

5.8 The relationship between London and the HMA authorities should be fully explored and further uplift to the OAN for the HMA SHMA or constituent authorities should be made. It is not evidenced by the Council that any consideration has been given to this strategic planning matter through the preparation of the plan.

6.0 SUMMARY AND CONCLUSIONS

- 6.1 The starting point for calculating OAN is the most recent Government projections. In-line with the proposed plan period, these suggest that between 2011 and 2033 there will be an increase of **684 dwellings per annum** for Epping.
- 6.2 This makes no allowance for unmet need or demand, changes to migration, unmet need from neighbouring authorities (including London) or a response to the economic growth requirements of the authority or wider area.
- 6.3 The Local Plan sets a requirement of 518 dwellings per annum. However the 2017 SHMA sets the OAN at 572 dwellings per annum (a decrease from the previous SHMA) without reasonable and robust justification and contrary to national guidance, as to why the requirement should be lower than housing need.
- 6.4 Levels of net migration have continued to increase and the most recent 10 year trend should be fully considered as set out in the PINS advisory note to the HMA, the most recent 5 year period should also be considered.
- 6.5 The original application of a 20% market signals uplift seem reasonable based upon the evidence put forward in the 2015 SHMA and that no improvements to the market conditions have been made in the intervening years. Therefore we question why this has been reduced.
- 6.6 Without carrying further modelling of our own and relying on the evidence prepared for the Council, the OAN should be increased to at least **824 dwellings per annum**. This revised OAN takes into consideration the DCLG 2014-based starting point and applying a 20% uplift to address worsening market signals. The proposed housing requirement of the Plan is significantly below this. There is no justification for proposing an OAN in the evidence base so significantly below the 2014-starting point. It is not at all clear how this will meet the Governments objective of addressing the housing crisis.
- 6.7 When considering the most recent consultation on OAN, this sets a need figure for **923 dwellings per annum**, which represents a 35% uplift in response to market factors. The proposed housing requirement of the Plan is significantly below this. We therefore strongly question the robustness of the Council's assessment and the methods used to arrive at the OAN.

- 6.8 The evidence regarding the relationship between the authorities that make up the HMA do not suggest that the urban extensions proposed for Harlow are likely to address the demographic and market demand arising in Epping Forest to any substantial degree.

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