

**LICENSING AND PLANNING POLICY COMMITTEE
6 SEPTEMBER 2016**

**EPSOM & EWELL LOCAL PLAN STRATEGIC HOUSING MARKET
ASSESSMENT**

<u>Report of the:</u>	Head of Place Development
<u>Contact:</u>	Karol Jakubczyk
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
<u>Annexes/Appendices</u> (attached):	Executive Summary of the Strategic Housing Market Assessment for Kingston upon Thames and North East Surrey Authorities (June 2016)
<u>Other available papers</u> (not attached):	National Planning Policy Framework Licensing & Planning Policy Committee Item Epsom & Ewell Local Plan – Objectively Assessed Housing Needs 23 October 2014

REPORT SUMMARY

National planning policy places a requirement upon us to meet our objectively assessed housing needs. This requires us to prepare a new Strategic Housing Market Assessment (SHMA) that identifies the full objectively assessed housing needs found within our Housing Market Area, which will subsequently inform the review of our Local Plan housing policies and site allocations.

Following the decision of the Licensing & Planning Policy Committee on 23 October 2014 a joint SHMA for Kingston upon Thames and North East Surrey has been prepared and produced. This identifies an objectively assessed housing need for the Borough (and the three other partners) for the period between 2015 until 2035. This does not equate to a housing target for the Borough. This key piece of evidence is now ready for publication.

RECOMMENDATION

1. That the Committee considers the Strategic Housing Market Assessment for Kingston upon Thames and North East Surrey and agrees to its publication; and
2. Agree that the objectively assessed housing needs figure identified by the SHMA be used to inform the preparation of a new Borough-wide housing target.

Notes

1 Implications for the Council's Key Priorities, Service Plans and Community Strategy

- 1.1 The delivery and implementation of the Epsom & Ewell Local Plan contributes towards all of the Council's Key Priorities. The partial review of the Core Strategy is a critical part of the Local Plan review process as it will set out how sustainable growth will be delivered during the plan period.
- 1.2 Identifying an objectively assessed housing need for the Borough will have an impact on our Service Plan, particularly how we plan for future community infrastructure and service improvements.

2 Background

- 2.1 The National Planning Policy Framework (NPPF) states that local planning authorities should use their evidence base to ensure that their local plan meets the full, objectively assessed needs for market and affordable housing found within their Housing Market Area (HMA).
- 2.2 Planning Practice Guidance 2014 states that "local planning authorities should assess their development needs working with the other local authorities in the relevant HMA or functional economic market area in line with the duty to co-operate".
- 2.3 Our current Core Strategy (Policy CS7) sets a borough-wide housing target of at least 2,715 new homes (for period 2007 – 2022) or an annual average of at least 181 new homes per annum. This target pre-dates the South East Plan target by two years. It was calculated using a methodology and data that is no longer considered accurate or reliable.
- 2.4 The subsequent North East Surrey Strategic Housing Market Assessment (SHMA) 2007/08, was used to inform our affordable housing target set out under Core Strategy Policy CS9 and the housing targets for the then emerging South East Plan. This type of evidence is now referred to as an "old-style SHMA"; that is a SHMA that focussed upon unmet, typically affordable, need, rather than a "new-SHMA" , which considers housing need in terms of demand (conceivably for all forms of residential accommodation).

LICENSING AND PLANNING POLICY COMMITTEE
6 SEPTEMBER 2016

- 2.5 On 23 October 2014 the Licensing & Planning Policy Committee considered a report setting out the above position and the actions that the Borough Council needed to take in order for its plan-making process to be in accordance with national planning policy. That report recommended that the Borough Council take part in the preparation and production of a new joint SHMA covering a market area comprised of the Royal Borough of Kingston, Elmbridge, Epsom & Ewell and Mole Valley. It also noted that the objectively assessed housing needs identified by such a SHMA would be used to inform the preparation of our Borough-wide housing target.
- 2.6 Following the Committee's decision, the Borough Council and its partners commissioned Cobweb Consulting to prepare and produce a SHMA for the four authorities. This technical exercise is now complete. An executive summary of the SHMA is enclosed under Annexe 1.

3 Strategic Housing Market Assessment for Kingston upon Thames and North East Surrey Authorities

- 3.1 The SHMA is a technical evidence base document that examines the possible changes in demographics, specifically population growth, across the identified housing market area. The SHMA seeks to take into account the many complex factors that may influence population growth and associated housing demand. These include migration and commuting patterns, changes in the age of population, geographic issues and affordability. The SHMA also takes account of the wider regional context (within which our housing market area sits) – inclusive of both Surrey and Greater London.
- 3.2 The SHMA uses the 2012 based household projections produced by the Department for Communities and Local Government, and the 2012-based population projections produced by the Office for National Statistics as the starting point for its population, household and objective assessment of need calculations. Although the Office for National Statistics has very recently published 2014 based population projections, these do not unduly influence the SHMA's assessment of demand. Equally, it is too early to predict whether a possible exit from the European Union will have any impact on the outcomes of this assessment. On that basis it is appropriate that the Borough Council and its partners continue to use the SHMA to inform decision making on their respective Local Plans.

LICENSING AND PLANNING POLICY COMMITTEE
6 SEPTEMBER 2016

3.3 The Final version of the SHMA is considered to have been prepared in accordance with national planning practice guidance. It serves as robust and defensible evidence that can inform our plan-making process and help to ensure that our future policies relating to housing growth are found sound.

3.4 The key conclusions are:

- The area covered by the four authorities does form a coherent and self-contained housing market area. This is because of strong migration linkages between the four authorities, and is further supported by evidence on house price patterns and commuting links. This is important as it helps to demonstrate that the assessment is sound and defensible.
- There are over 190,000 dwellings contained within the housing market area (as of 2014). Vacancy rates are low and owner-occupancy is the predominant tenure; although private renting has been on the increase since 2000. The social rented sector is smaller than the national average.
- Dwelling prices are exceptionally high across the whole housing market area. The lower quartile threshold prices for dwelling purchase and private sector rent levels are also very high. As a result, affordability has been and remains a key problem across the housing market area.
- After slow growth up to 1996, the rate of population growth is accelerating. Kingston and Epsom & Ewell have the highest growth rates. The factors generating growth differ between local authorities. In Kingston, for example, natural increase and international migration are important. In the Surrey authorities, natural change and net internal migration (dominated by outward movement from south and west London) are more important, although it is noteworthy that Mole Valley has little natural growth.
- The economy of the area and its surroundings help to create demand for housing. The three Surrey authorities are among the 20 least deprived areas in England, and Kingston is the second least deprived London Borough. Residents in the housing market area are more likely to be economically active than the Surrey or London averages, and occupations are dominated by higher-end activities.
- In terms of objectively assessed need, the starting point for the SHMA is the most up to date official projections. The Communities and Local Government 2012 based household projections indicate household growth of 54,000 across the whole housing market area over the period 2012-2037, an increase of 30%, or on average 2,160 households per annum.

LICENSING AND PLANNING POLICY COMMITTEE
6 SEPTEMBER 2016

- There are considerable differences between authorities in the projected factors driving future growth, many of which are similar to the factors driving past growth. In Epsom & Ewell, the projections assume contributions to growth from natural change, internal migration and to a much lesser extent from net international in-migration.
- In addition to demographic trends, Planning Practice Guidance recommends the consideration of projections of employment growth when considering the objective need for housing. Within the housing market there is no strong evidence to suggest the need for any increase in objectively assessed need for housing as a result of projected employment change.
- The SHMA identifies an objectively assessed need for an additional 40,000 new homes across the whole housing market area during the period between 2015 until 2035. This total figure is subsequently broken down by district and borough, taking into account of their individual factors effecting demand¹. The projected objectively assessed need for Epsom & Ewell is identified as an additional 8,352 new homes during the period between 2015 until 2035. This could break down to a figure of 418 new homes per annum. It is important to emphasise that this figure does not equate to a new housing target for the Borough. However, it is the starting point from which we must work from, taking into account the factors that will influence deliverability and developability of future housing growth.
- National planning policy states that market signals should be taken into account when producing an objectively assessed need. These include land prices; house prices; rents; affordability; rates of development and overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation. Across all authorities, the evidence strongly suggests that there is a need for affordable housing provision and this is taken into account in the assessment of that requirement.
- The SHMA identifies that the net annual need for new additional affordable housing is 1,564 homes across the whole housing market area. It is important to note that this is different from the objectively assessed need, which relates to all tenures. This is an additional need, which the SHMA suggests could be provided by both new build housing and/ or by transfers between tenures. Across the housing market area over 80% of future annual demand is for housing at social rented sector levels, with about 5% of demand for affordable rents, and 15% for intermediate tenures.

¹ Please note that the SHMA does not take account of supply, deliverability or developability in identifying an objectively assessed housing figure. Those constraints upon demand are applied at later stages in the process.

LICENSING AND PLANNING POLICY COMMITTEE
6 SEPTEMBER 2016

- As required by planning practice guidance the SHMA also identifies the projected housing requirements for specific groups. These include older people, households with disabilities, students, families, armed forces households and self-builders.
- The SHMA concludes by stating that the housing market area is characterised by a high level of economic prosperity, matched by high dwelling and land values and an attractive environment. Whilst the level of demand is above previous target it is not inconsistent with past trends in provision or with past trends in demographic growth.

- 3.5 The SHMA is a technical evidence base document. It arrives at factually based conclusions. It does not make any executive decisions on those conclusions. The outputs from the SHMA will help to inform the partial review of the Core Strategy housing policies. That process will take account of the issues, constraints and pressures that impact upon the deliverability and developability of new additional housing in Epsom & Ewell.
- 3.6 The preparation of the SHMA included an engagement phase with key stakeholders (principally neighbouring authorities, including the Greater London Authority). That engagement stage focused upon the SHMA methodology, specifically in relation to the definition of the housing market area. As a piece of evidence there is no need for the Borough Council to consult on the content and conclusion of the SHMA. The partial review of the Core Strategy will include a number of opportunities for public consultation and engagement.
- 3.7 The Royal Borough of Kingston and Elmbridge Borough Council have already published the SHMA (on 5 August 2016). It is consistent that we should also publish the SHMA. Publication will secure a key early milestone in the progress of our partial review of the Core Strategy; as evidenced in the draft Local Plan Programme.

4 Financial and Manpower Implications

- 4.1 There is an on-going requirement to ensure effective cross boundary engagement on strategic planning issues. The resources needed to ensure that this happens are being currently being secured the Head of Place Development.
- 4.2 The preparation of a joint SHMA has provided the Council with an economically advantageous procurement solution, which has secured a saving on the preparation of this essential piece of evidence.

5 Equalities and Other Legal Implications

- 5.1 The SHMA has taken into account the specific housing needs of different communities.

6 Sustainability Policy and Community Safety Implications

- 6.1 The partial review of the Core Strategy will contribute towards delivering the Council's objectives for maintaining and enhancing the Borough as a sustainable place to live, work and visit by providing guidance to new development proposals.
- 6.2 The final housing target, which will form part of the partially reviewed local plan, will be subject to a full Sustainability Appraisal report. This will be subject to public consultation at an appropriate time in the process.

7 Partnerships

- 7.1 The Duty to Cooperate requires that Local Planning Authorities engage with partners on strategic issues, and is particularly relevant in respect of identifying objectively assessed housing needs. Discharging the Duty will be a challenge, especially in circumstances where neighbouring authorities have no incentive to work with us. The joint SHMA for Kingston upon Thames and North East Surrey Authorities minimises some of the risk associated with this matter.
- 7.2 Planning for future housing growth will place us in a stronger position to resist unsustainable levels of development. Working in partnership with the South West London and North East Surrey authorities on a Joint SHMA provides an accurate assessment of demand. This will allow us to mitigate the impacts of future housing and put us in a better position to ensure that housing is redistributed to those boroughs and districts that can sustainably accommodate it.

8 Risk Assessment

- 8.1 Failure to identify an objectively assessed housing need for the Borough's housing market area will open up the risk of higher levels of growth coming forward on sites that have not been considered appropriate by the Council.
- 8.2 Whilst this area of risk has not previously manifested itself, the higher levels of housing growth being projected within Greater London and the wider South East of England places additional pressure upon the Borough. This has been demonstrated by recent third party reports that identify the need for South East authorities to deliver a meaningful proportion of London's future housing growth.
- 8.3 Another area of risk is that failure to identify an objectively assessed housing need figure will result in the government's projections for future housing growth being applied as our default housing target. We anticipate that such a target would be higher than one derived from the objectively assessed figure contained within our SHMA.
- 8.4 By proactively planning for future growth we place ourselves in a stronger position to resist unsustainable levels of housing development. Working in partnership we will help ensure that our SHMA is an accurate assessment of demand. Consequently we will be in a better position to ensure that housing is redistributed to those boroughs and districts that can accommodate it.

9 Conclusion and Recommendations

- 9.1 The Members of the Committee are asked to consider the Strategic Housing Market Assessment for Kingston upon Thames and North East Surrey and agree to its publication.
- 9.2 The Committee are also asked to acknowledge that the objectively assessed housing needs figure identified by the SHMA will be used to inform the preparation of a new Borough-wide housing target.

WARD(S) AFFECTED: All