

Mendip, Sedgemoor, South Somerset and Taunton Deane

Strategic Housing Market Assessment



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 - Demographic
 - Economic
 - Affordable Housing
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Context and Purpose

National Planning Policy Framework (NPPF)

- National Planning Policy Framework
 - Meeting in full the objectively-assessed need for market and affordable housing in the housing market area where this would be consistent with achieving sustainable development
 - Meeting need and demand for homes - being more responsive to “market signals”
 - Housing remains a strategic issue – requiring local authorities to work together to plan to meet housing needs, and align with economic strategies

Planning Practice Guidance

- Government finalised Guidance on *Assessment of Housing and Economic Development Needs* in March 2014; with selective updates since
- Indicates that starting point for assessing need is latest official Government household projections (currently 2014-based) with sensitivity analysis as appropriate
- Overlaying other factors:
 - Market signals – improve housing affordability
 - Affordable housing needs
 - Employment trends/ distribution
- Planning Advisory Service (PAS) Technical Advice Note (updated June 2015)
- Moving forward it is necessary to be aware of a standardised methodology

Scope of Assessment

- Report covers four of the five local authorities in the County (excludes West Somerset)
- Data is however provided for Somerset as a whole as well as individual LAs. Therefore equivalent data is essentially available for West Somerset although no conclusions are drawn
- Study covers period from 2014 to 2039 to align with most up-to-date ONS and CLG projection data and to provide a consistent analysis across the study area
- Study pre-dates Housing White Paper which talks about a standardised methodology for assessing housing need, and which also broadens the definition of affordable housing

Methodology and HMA Review

Review of Housing Market Areas (HMAs)

- A study of Housing Market Areas (HMAs) and Functional Economic Market Areas (FEMAs) was completed by Opinion Research Services (ORS) in September 2015
- This identifies each local authority as forming its own HMA, although a functional economic market area (FEMA) does group Sedgemoor with Taunton Deane (due to the M5 corridor)
- The identification of a single HMA for each local authority provides support for the undertaking of analysis for individual local authorities
- However, there are clear Duty-to-Cooperate issues with other parts of the County and therefore this report also considers needs at a County-wide level

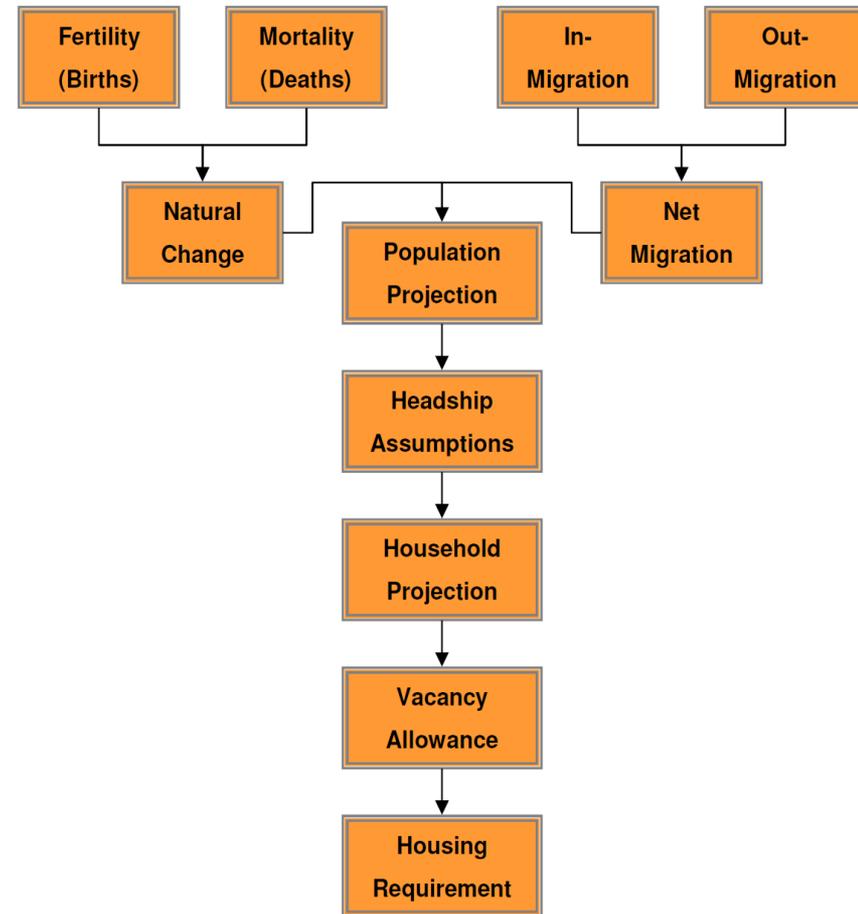
Considering Demographic Housing Need

Demographic Projections

- “Projections do not predict the future – they roll forward what’s happened in the past”
- Figures are particularly sensitive to:
 - Migration
 - Household formation rates
- Impacts of international migration and the recession on household formation
- Starting point should be latest official population and household projections

Demographic Projections

- CLG 2014-based Household Projections
- ONS 2014-Based Sub-National Population Projections
- Updated for Mid-Year Estimates to 2015
- Population projections are the key driver of household growth and housing need
- Projections developed for the 2014-39 period



Start Point

- The start point for analysis are the 2014-based CLG household projections, described in the PPG as *‘statistically robust and based on nationally consistent assumptions’*
- These suggest a need for around 2,076 dwellings per annum across the County (including a vacancy allowance from Council Tax data)

Annual housing need (2014-39) – CLG household projections (2014-based)	
	Per annum housing need
Mendip	411
Sedgemoor	568
South Somerset	547
Taunton Deane	474
Somerset	2,076

2014-based subnational population projections (SNPP)

- The CLG projections are largely driven by the 2014-based SNPP
- Generally the 2014-based SNPP look sound in terms of the overlay with past trends and projected levels of migration
- Therefore, the 2014-based SNPP reasonable demographic projection when taking account of past trends in population growth
- However:
 - It is notable that migration was slightly stronger in the longer-term (past 10-years)
 - But UPC suggests a potential over estimation of migration in the 2001-11 period
- Sensitivity projections have therefore been developed (four different demographic projections in total)

Sensitivity Analysis

- Develops a range of between 2,076 and 2,320 dwellings per annum
- Highest figures when linked to 10-year trends; all areas above the 2014-based figures

Annual housing need (2014-39) – range of sensitivity scenarios				
	2014-based CLG	2014-based CLG (+MYE)	10-year migration	10-year migration (+UPC)
Mendip	411	417	491	442
Sedgemoor	568	568	593	561
South Somerset	547	540	597	597
Taunton Deane	474	482	507	481
Somerset	2,076	2,085	2,320	2,185

Considering the Needs of the Economy

NPPF and PPG clear about the need to ensure consistency between housing and economic growth

- NPPF (para 158) *‘LPAs should ensure that their assessment of and strategies for housing, employment and other uses are integrated’*
- PPG (para 018) *‘Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the **location** of new housing or infrastructure development could help address these problems’* [emphasis added]
- The key is to test if there is a potential need to redistribute housing delivery to ensure homes are in similar locations to jobs

Economic Potential

- Data was provided by the County Council from the Heart of the South West LEP – this was a May 2015 Oxford Economics (OE) forecast containing data about both past trends and a future forecast
- Additional trend data was drawn from ONS jobs density statistics (which showed a different spatial distribution of past job growth)

Past and forecast job growth		
	Past growth Per annum	Forecast growth Per annum
Mendip	604	276
Sedgemoor	564	308
South Somerset	538	347
Taunton Deane	274	438
Somerset	2,203	1,369

The link between jobs and housing

- To consider the link between jobs and homes a number of assumptions have been made:
 - Commuting patterns – assumed to stay constant at 2011 levels (from Census)
 - Double jobbing – assumed to stay constant from APS data (at about 5%)
 - Changes to economic activity – based on estimates provided by Experian (the only major forecasting house to provide this information)
- Ideally, an integrated approach would be taken (as suggested in the PAS technical advice note). However, the reality is that economic forecasts are not really integrated in way PAS envisage (i.e. some key variables are simply inputs or outputs to the modelling)

Converting jobs into a housing need

- An initial analysis was carried out to look at potential growth in resident workforce associated with each of the demographic scenarios
- A second analysis considered what level of housing might potentially be needed for job growth to be met
- Across the County, the 'need' sits somewhere above or below the upper end of the demographic projections

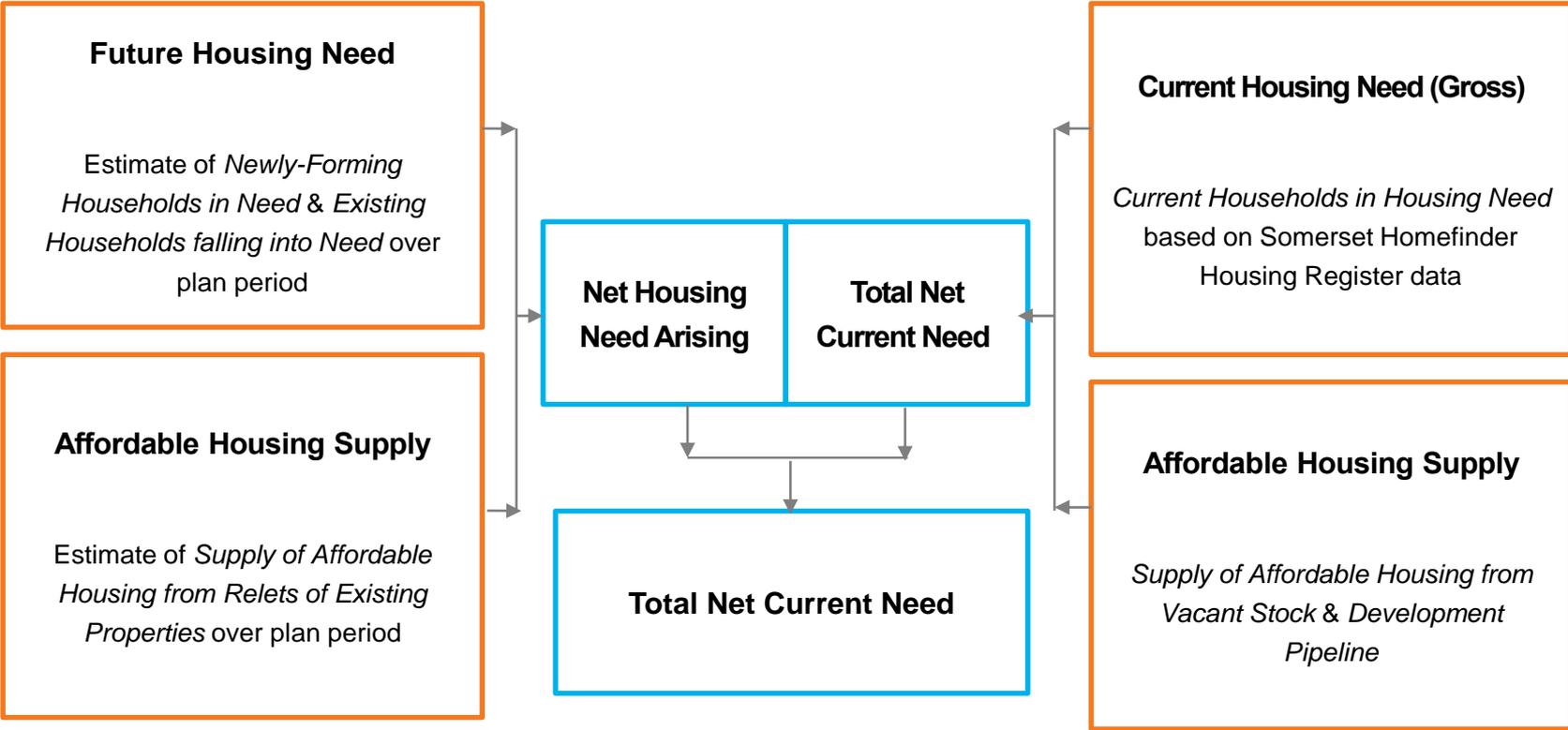
Annual housing need (2014-39) – economic-led projections		
	Job growth forecast	Past trends
Mendip	437	674
Sedgemoor	479	688
South Somerset	589	720
Taunton Deane	520	421
Somerset	2,088	2,731

Conclusions on jobs and housing

- Overall, the analysis suggests a good balance between jobs and homes in the County
- The analysis does not support the need for any consideration of a different spatial distribution of housing (when compared with demographic trends)
- The outputs were sense checked with other data (about population growth) from OE and also trend analysis on economic activity – this supports the conclusions above
- Finally, an analysis was carried out to look at the potential impact of Hinkley Point C – this again did not suggest that any changes to housing distribution would need to be considered

Considering Affordable Housing Need

Affordable Housing Needs Model



Affordable Housing Need: 2014-39

Estimated Annual Need for Affordable Housing – by location						
	Current need	Newly forming households	Existing households falling into need	Total Need	Relet Supply	Net Need
Mendip	17	351	191	559	319	240
Sedgemoor	15	408	232	655	354	301
South Somerset	20	466	379	865	659	206
Taunton Deane	17	363	393	774	613	161
Somerset	74	1,665	1,274	3,013	2,058	955

- Overall the analysis suggests a need for 955 affordable homes per annum and theoretically this is 41%-46% of all housing need identified in demographic modelling
- However...

Relating Affordable Need and OAN

- Many of the households in the needs modelling already have accommodation (existing households), and hence their need does not generate the need for additional accommodation
- Newly forming households are already part of the demographic based need (and not additional to it)
- Some households are able to find solutions in the market sector supported by Housing Benefit (and their needs are therefore met by the market as per Annex 2 of the PPG)

Affordable Need and the PPG

- The PPG says:

‘An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes’

- This consideration needs to reflect an understanding of the link between overall need and affordable housing. In Somerset the data does not suggest that affordable need per se is putting pressure on the overall need for housing
- However, the SHMA recognises that a part of the needs modelling (concealed/homeless households) are not included in the demographic projections and could be considered as an additional need

Housing Market Signals

Market Signals

- Tell us about supply-demand balance – but also relative attractiveness of places to live
- Importance of considering what these say about balance over period both before and since the recession – and impacts on trends in household formation



Market Signals

- Market Signals Considered in the report:
 - Land Prices
 - House Price and Sales Trends
 - Rental costs
 - Affordability (price:income ratio)
 - Rates of Development
 - Overcrowding (and concealed households)
- The purpose of this is to consider whether a proportionate upward adjustment should be made to housing numbers

Overall Conclusions on Market Signals

- Overall, the market signals point towards some affordability pressures; however, these are not dissimilar to that seen in other areas
- There is no strong evidence that housing provision should be increased
- However, the analysis did identify a growth in the number of concealed households, these needs are not picked up elsewhere in the modelling
- It is therefore suggested that a response to market signals (and affordable housing need) is to increase the need by an equivalent value to the increase in the number of concealed households observed between 2001 and 2011.

Overall Conclusions on Market Signals

- If the growth in concealed households is added to the upper end of the demographic projections, then a need for 2,355 dwellings per annum is shown – this is some 13% above the ‘start point’ position set out in the PPG

Potential uplift to demographic start point of using 10-year migration trends and an adjustment for concealed households				
	Start point (dwellings per annum)	Upper end OAN (dwellings per annum)	Uplift	% uplift
Mendip	411	498	88	21%
Sedgemoor	568	601	33	6%
South Somerset	547	607	60	11%
Taunton Deane	474	512	38	8%
Somerset	2,076	2,355	279	13%

Housing Mix

Housing Mix

- Recommended mix takes account of changing demographics
 - Growing older population, potential for downsizing
- Focus of need for market housing for 2 & 3 bedrooms
- Closer link between household and property size for affordable homes
 - 10%-15% of additional affordable homes (excluding Starter Homes) should be intermediate tenures
- Recommended mix to inform district-wide policies & site negotiations

Suggested mix of housing in the market and affordable sectors – Somerset				
	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	30-35%	40-45%	15-20%
Social/Affordable Rented	35-40%	35-40%	20%	5%
Intermediate/Starter Homes	15-20%	50-55%	25-30%	0-5%

Other Issues

Other issues considered in the SHMA

- Older person's housing need
- Self- and custom-build housing
- Space standards
- Impact of Hinkley Point C

Conclusions

Conclusions

- The main overall conclusion is around the objective assessment of housing need (OAN). On the basis of the analysis carried out, this is concluded (annually over the 2014-39 period) to be:

Mendip – 411-498

Sedgemoor – 568-601

South Somerset – 547-607

Taunton Deane – 474-512

Somerset – 2,076-2,355

- Whilst any figure within this range would be reasonable and justified, it is considered that figures at the top end of the range best reflect a reasonable view about the need for housing. This is partly because they are based on longer-term migration trends (and therefore arguably do not include any recessionary impact) but also because the higher level of need does align slightly better with the economic forecasts and trends, and would therefore ensure that there is not workforce shortage in the future

Questions