

Report to Local Plan Members Working Group

Subject:	Strategic Housing Market Assessment
Meeting Date:	11 September 2015
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Presented by:	James Faircliffe
Paper for:	Discussion/Note

Context, including links to strategic objectives and/or strategic plans:

Background to the strategic housing market assessment

In accordance with national planning policy and guidance, the Council has worked jointly with partner authorities in our Housing Market Area (HMA) to produce a Strategic Housing Market Assessment (SHMA). The SHMA must assess the full scale and mix of housing needed in Rutland in the SHMA period (2011 to 2036), taking account of affordability, demographic change and migration. It is not the role of the SHMA to look at need at a very local level. The Local Plan Members Working Group considered the Peterborough Sub-regional SHMA (the "Main SHMA") on 10 April 2014 and 19 June 2014. This covered our HMA of Rutland, Peterborough City Council and South Kesteven and South Holland District Councils in Lincolnshire and can be viewed at <http://www.southkesteven.gov.uk/index.aspx?articleid=8490> and also in hard copy in the Members' Room.

The Main SHMA was derived largely from the CLG's 2011-based 'Interim' sub-national household projections. Taking account of demographic, market and economic factors, the report found a need for between 165 - 180 additional homes per year in Rutland over the period 2011-36. The findings of the Main SHMA remain relevant, but it was thought that the overall need would be more robust if it were a single figure rather than a range and if the research reflected the CLG's 2012-based sub-national household projections. The latter were published in February 2015, 7 months after the Main Report. A light touch update (the "SHMA Update"), which addressed these specific points in the light of the current market and new affordable housing figures, was commissioned from G L Hearn (the consultants which produced the Main SHMA). Their findings across the scope of the SHMA Update are included below and are currently unpublished. Where the Main SHMA will remain the source for some of the more detailed information, this is also made clear below.

The same underlying numbers from the Main SHMA and SHMA Update are used for Paper F on this Agenda, the Local Plan Review Issues and Options consultation. There are some cosmetic differences where figures in Paper F have had to be presented in Local Plan format for the period 2015-36 (adjusted for housing already delivered in 2011-15), but these are still based on the 2011-36 figures in this Paper D.

Brief summaries of the key points of the Main SHMA and SHMA Update regarding Rutland are given below.

Overall housing numbers in the SHMA Update

The Office for National Statistics' 2012-based population projections were used as the basis of the population projections for 2011 to 2036 in the SHMA Update, with the former adjusted by the SHMA demographer to take account of the ONS's population figures for Rutland up to 2014.

The SHMA Update's population projections were then converted to household projections for Rutland for 2011 to 2036, using the 'headship rates' from the CLG's 2012-based household projections to calculate the average number of people in a household. 'Headship rates' take into account the mix of ages and sexes and how these change over time. The household projections are then converted into the number of new homes that would be needed for those households, taking into account average vacancy rates.

If this need were based purely on demographics, the SHMA Update states that this would be for 140 dwellings per year for the period 2011-36. This is virtually identical to the equivalent figure (138 dwellings) in the Main SHMA from 2014.

However, according to the Government's Planning Practice Guidance, allowance should be made for likely employment growth, with additional housing also provided if the number of households has been significantly constrained in the past due to housing supply/price pressures.

Projected economic growth

The Main SHMA used a forecast by Experian that employment would grow by 1,500 jobs in Rutland in the period 2011-31. The SHMA Update uses the same forecast, but extrapolates it to 1,954 jobs over the period 2011-36. It is not recommended that a higher employment growth factor than the latter be included. Under Government guidance and case law, SHMAs should be 'policy off' evidence base documents which may consider a number of likely scenarios of need, but should not seek to drive it using policy assumptions or aspirations. It is the role of the local plan to make policy. If an over-optimistic employment scenario were used, there could be an over-supply of housing if the former did not materialise. If employment growth were especially strong in the future, this could still be reflected in a future SHMA and a later review of the local plan.

The SHMA Update found that a further 23 dwellings per year in Rutland were needed in 2011 – 2036 to allow for additional in-migration to support economic growth.

Market signals

The SHMA Update shows that sales volumes increased by 53% in Rutland between 2012 and 2014. There has also been an increase in market values in Rutland since the Main SHMA, which is significantly higher than the national increase. Market signals are stronger now than when the Main SHMA was carried out.

Change in House Prices by Authority, 2012-2014

	Q3 2012	Q3 2013	Q3 2014	Change Since 2012	
Peterborough	£138,000	£ 140,000	£ 150,500	£ 12,500	9.1%
Rutland	£205,000	£ 225,000	£ 235,000	£ 30,000	14.6%
South Holland	£142,000	£ 137,000	£ 152,000	£ 10,000	7.0%
South Kesteven	£156,500	£ 164,000	£ 174,500	£ 18,000	11.5%
England & Wales	£186,000	£ 190,000	£ 200,000	£ 14,000	7.5%

Source: SHMA Update, from Land Registry Price Paid Data

Modelling by the consultants in the SHMA Update suggests that recent household formation trends have been suppressed due to the former recession and affordability issues and that a further 8 dwellings per year for 2011-2036 would be required to address this.

Bringing together the figures for overall need

The finding of the SHMA Update is summarised in the table below.

Homes per Annum, 2011-36	Rutland
Demographic-led Need	140
Adjustments to Support Economic Growth	23
Adjustments to Improve Affordability	8
Total Need (rounded)	170

This is within the range of 165 – 180 homes per year found by the Main SHMA in 2014.

Need for particular types of housing

The SHMA Update found a need for an additional 35 affordable homes per year in the period 2014-36. The equivalent figure in the Main SHMA was 47 additional affordable homes per year in the period 2013-36.

The Main SHMA suggests a split for new affordable housing provision in Rutland of 21% for intermediate affordable homes for sale and 79% for rented housing that is affordable. Allowance for viability can be made when plan-making.

The Main SHMA's suggested mix of housing for new developments in Rutland is below and is based largely on demographics, but the Main SHMA emphasises that the mix for individual proposals would need to reflect site specific factors.

	1 bed	2 bed	3 bed	4+ bed
Market housing	0 – 5%	25 – 30%	45 – 50%	20 – 25%
Affordable housing	40 – 45%	30 – 35%	15 – 20%	5 – 10%

The Main SHMA suggests the provision of 18 market and 6 affordable specialist dwellings for older people per year in Rutland. This might include sheltered or extra care housing. Bungalows are acknowledged in the Main SHMA as a need, but one which may sometimes be hard to meet in practice due to the amount of land they require.

Financial implications:

The SHMA Update has been delivered within the Planning Policy and Housing budget. There will inevitably be financial issues concerning the delivery of the local plan and growth in Rutland, but these would be the subject of separate reports in due course.

Recommendations:

That the Local Plan Members Working Group note the content of this report and direct any observations or comments to the Planning Policy and Housing Manager.

Timeline (including specific references to forward plan dates):

Task	Target Date	Responsibility
Finalisation and publication of document	September 2015	James Faircliffe

