



HATCH
REGENERIS

Hearing Statement
Epping Forest EiP: Matter 3 Quantitative
Requirements
On behalf of Bullwood Ltd (DAP
Architecture) (Respondent ID:
19LAD0068)

Final Report by Hatch Regeneris
January 2019

Epping Forest EiP: Matter 3 Quantitative Requirements

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1. Introduction

- 1.1 Hatch Regeneris has been instructed to submit a Hearing Statement in response to the Inspector's Matters, Issues and Questions into the Epping Forest District Council Local Plan Examination. This is on behalf of our client, Bulwood Ltd (DAP Architecture)¹, in respect of the site identified as Woolston Manor, Chigwell ('the site').
- 1.2 This statement responds to the specific questions raised by the Inspector under Matter 3 (Quantitative Requirements).

¹ Respondent ID 19LAD0068

2. Matter 3: Quantitative Requirements

Housing Market Area (HMA)

1. Is the HMA (Epping Forest, East Herts, Harlow and Uttlesford Councils) justified? Should the HMA include Broxbourne Borough? How has the influence of neighbouring London Boroughs been taken into account?

- 2.1 The 2015 SHMA presents a detailed explanation of how the HMA for West Essex and East Hertfordshire has been defined. It is primarily based on commuting/travel to work areas (TTWAs) and migration trends in addition to broad rental market areas (BRMAs).
- 2.2 Given London's influence on the housing market (and especially commuting trends), the HMA has been tested to both include and exclude Greater London.
- 2.3 The 2015 SHMA argues that the London Housing Market Areas overlaps with neighbouring HMAs. However, boroughs within Greater London have been excluded since housing need for the region is assessed by the Mayor of London as set out in the London Plan.
- 2.4 We are comfortable with the proposed HMA. However, it is our view that the SHMA should also consider the influence of neighbouring London Boroughs, and their ability to meet their housing target. There are strong similarities between Epping Forest and neighbouring London boroughs particularly in terms of affordability issues. Further information on this is provided below.
- 2.5 We have no issue with Broxbourne not being included within the HMA.

OAN and Housing Requirement

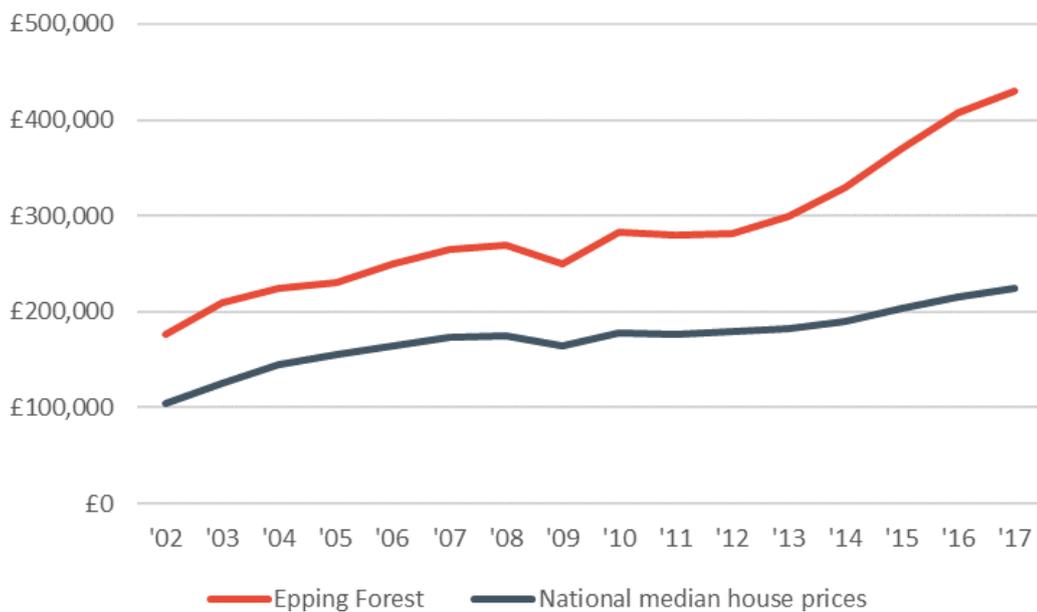
2. Does the SHMA July 2017 identify the full OAN for housing for the HMA and for Epping Forest specifically?

a. Was the standard methodology recommended by PPG followed? Are any departures, particularly in relation to how migration and market signals were taken into account, clearly explained and justified?

- 2.6 The 2017 SHMA broadly follows the 2014 PPG methodology. However, there is one main area we would question, which is market signals.
- 2.7 In order to respond to market signals, the 2017 SHMA applies an adjustment to household formation rates for those <35 years. The assumption is that the household formation rate for <35s does not fall below the equivalent rate recorded in 2001. The resulting uplift is the equivalent of 14%. This compares to an uplift of 20% in both the 2015 and 2016 SHMAs.
- 2.8 It is our view that a higher market signals uplift should be considered for Epping Forest. The reasons for this are as follows:
 - Median house prices in Epping Forest were £430,000 in 2017, compared to £225,000 nationally. This is 91% higher than national levels;
 - In ten years between 2007-17, median house prices in Epping Forest increased by 62%, compared with 29% nationally;
 - From 2012 onwards, growth in house prices in Epping Forest and nationally started to diverge, suggesting that the supply/demand balance in Epping Forest is worsening (see diagram below)

- Ratio of median house prices and median gross earnings for Epping Forest is 14.49, which is considerably higher than the national average (of 7.78);
- The figure is also higher than the average median affordability ratio for London (of 12.36);
- Median affordability in Epping Forest (ie. 14.49) is higher than neighbouring London boroughs, Enfield (13.94) and Redbridge (ie. 14.36);
- Furthermore, the median affordability ratio in Epping Forest is higher than a number of Inner London Boroughs, such as the City of London (14.83), Lambeth (14.65) and Southwark (14.30);
- Change in median affordability from 2012 onwards indicates that affordability in Epping Forest has worsened (by 43.9%), a rate which is in line with that seen in London (of 44.9%) over the same period. This compares to just 15.1% for England.

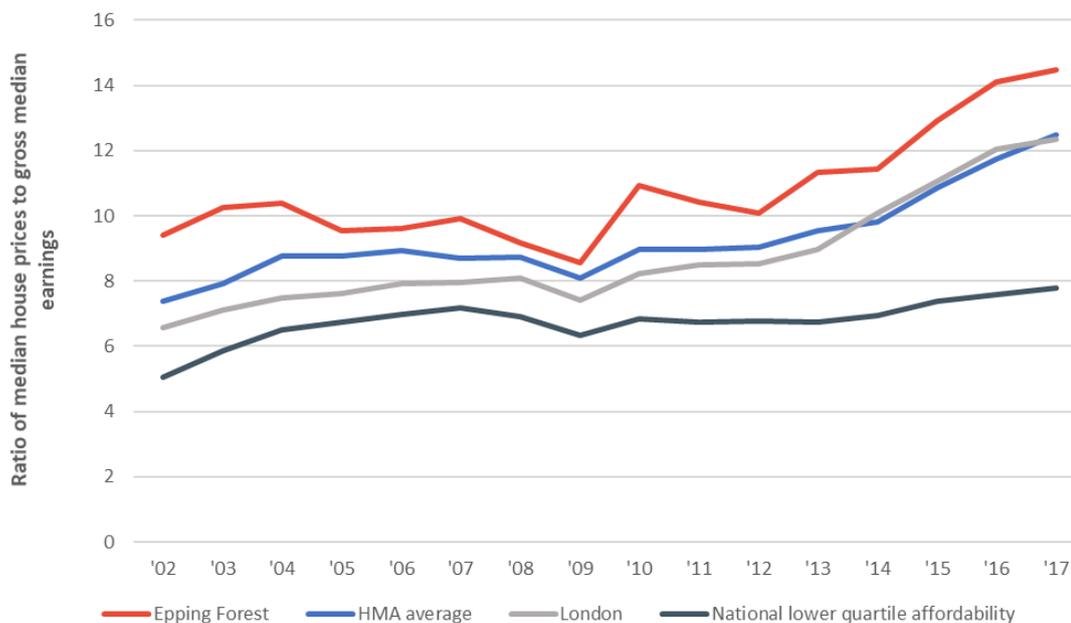
Figure 2.1 Median house prices, 2007-17



Source: Office for National Statistics, Land Registry (2018), 'Median house price by local authority district, England and Wales, year ending September 1997 to year ending September 2017'.

- As per median house prices, house price to earnings ratios for Epping Forest and the national average started to diverge from 2012 onwards (as shown in Figure 2.2 below);
- Median affordability levels for Epping Forest are worse than those of each of the HMA's four local authority areas, and worse than the HMA's average (of 12.47);

Figure 2.2 Comparison of ratio of median house prices and gross median earnings



Source: Office for National Statistics, Land Registry (2018), 'Ratio of median house price to median gross annual (where available) workplace-based earnings by local authority district, England and Wales, year ending September 1997 to year ending September 2017'.

2.9 Inspectors' decisions at other EiPs have also confirmed that some locations in close proximity to London with affordability issues should be seeking a higher market signals uplift. These include the following:

- Aylesbury Vale²:** the council initially proposed an uplift of +10% to address affordability issues. However, in the interim findings the Local Plan Inspector recognised that there is a reasonable difference between lower quartile affordability in Aylesbury Vale (10.4) and the rest of the HMA (13.9). In the critique of the HMA, the Local Plan Inspector suggested that not enough regard had been given to Aylesbury's relationship with London. He goes on to say that he would have expected specific checks and adjustments to be made to the calculations to reflect the influence of London on Aylesbury Vale (which is not the case in other parts of the HMA). Similarly, the 2015 West Essex and East Hertfordshire SHMA (both prepared by ORS) excludes London from the HMA despite its influence on Epping Forest.

As a result, the Local Plan Inspector argues that the 10% market signals uplift in Aylesbury Vale is too low, and should at least be 15%, but closer to 20% to truly reflect the worsening of affordability relative to the rest of the HMA. Further on, the Local Plan Inspector introduces the LPEG approach³, and recommends that with an overall affordability ratio of 12.1, the HMA should consider a market signals uplift of 25%;

²

https://www.aylesburyvaldc.gov.uk/sites/default/files/page_downloads/ED166%20Interim%20findings%2029%20August%202018%20.pdf.

³ This approach was the first attempt by the Local Plans Expert Group which tried to standardise the method used in identifying housing need.

- **Ashford**⁴: the Ashford Local Plan submitted for examination included a market signals uplift of 5%. The Inspector acknowledged that the market signals indicators used presented a mixed picture with lower-than-average land values and flat rents but worsening lower quartile (LQ) affordability. In particular, the Inspector points out that the ratio of LQ house prices to LQ earnings in Ashford has increased from 8.7 in 2013 to 9.6 in 2017, and suggested that the market signals uplift is increased to 13%.

Whilst this uplift is in line with the figure proposed in the latest West Essex and East Hertfordshire SHMA (ie. 2017 SHMA), it is important to note that (1) affordability ratios in Ashford are significantly lower than those in Epping Forest, (2) the increase in market signals between the consultation submission for Ashford and the approved Local Plan was +160%, and (3) this reflects substantial forecast demographic growth (of +23%) between 2011-31 as set out within the governments population projections.

- **Mid Sussex**⁵: the proposed Local Plan submitted for review suggested an overall market signals uplift of 24 dwellings per annum. Based on our calculation of the proposed uplift over the 2014-based demographic starting position (ie 730 dpa), the initial market signals uplift is estimated to be the equivalent of +3.3% based on adjustments to household formation rates. However, the Local Plan Inspector indicated that levels of affordability (using lower quartile house prices to lower quartile earnings) went from 4.0 in 1997 to 12.6 by 2015 (an increase of +215%). As such, the Inspector found that a market signals uplift of 20% should be applied, in order to counter worsening affordability, whilst also accommodating much of the affordable housing need for groups experiencing suppressed growth (primarily household formation rates for <35s). This is comparable to the uplift applied to other Local Authorities with broadly similar circumstances. This was based on evidence presented by a range of parties at the EiP including affordability modelling.

London⁶: housing need identified in the current London Plan is based on evidence generated in the 2013 London SHMA and suggests an overall market signals uplift that is equivalent to 20.3%. Currently a new version of the London Plan is being consulted on (based on the 2017 London SHMA) which identifies a market signals uplift that is equivalent to 18.6%.

The Communities Secretary, James Brokenshire has written to the Mayor to argue that he is “not convinced your assessment of need reflects the full extent of housing need in London to tackle affordability problems.” Median house price to earnings ratios in London (12) are significantly above those for England (8), which is unacceptable.

- 2.10 The evidence from elsewhere therefore suggests that locations in close proximity to London with severe and worsening affordability issues should be seeking a market signals uplift of between 18-25%.
- 2.11 MHCLGs standardised approach on assessing housing need (which is currently in draft) sets out the latest government approach for local authorities to arrive at their housing need figure. This guidance would suggest a market signals uplift of up to 66% would be applicable to Epping Forest. This is calculated based on the following formula:

⁴ ‘Report on the Examination of the Ashford Local Plan 2030’. [Available at: <https://www.ashford.gov.uk/media/7328/inspectors-report-ashford-local-plan.docx>].

⁵ ‘Report to Mid Sussex District Council’, [Available at: <https://www.midsussex.gov.uk/media/2216/mid-sussex-lp-report-mar-2018.pdf>].

⁶ Mayor of London ‘2013 London SHMA’ and ‘2017 London SHMA’.

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25$$

- 2.12 However, the proposed approach recommends that a market signals uplift cap of 40% (above the annual average housing requirement set out in existing policy) is applied where policies have been adopted in the last five years.
- 2.13 This could be expected to result in an annual housing needs figure of 725 dwellings per annum if applied to the current housing need figure (518 dpa) for Epping Forest.
- 2.14 It is important to note that previous Inspectors have made decisions on market signals uplifts where there was no guidance on the scale of uplift necessary to improve affordability. Whilst the transitional arrangements exist, the 2018 PPG (and standard method therein) is a **material consideration** which the Inspector can take into account.

b. Has consideration been given to the high level of housing need in the neighbouring London Boroughs emerging through the London Plan? If not, are the figures justified?

- 2.15 Enfield, Redbridge and Waltham Forest are the three London Boroughs closest to Epping Forest District. Research into their respective housing trajectories and 5-year supplies shows that cumulatively, the three boroughs have enough sites to deliver 19,660 dwellings. The (draft) New London Plan sets a higher housing target for each of the three boroughs, increasing the five year need figure to 28,245 homes. Based on the council's own estimated five-year supply, this suggests that there would be a shortfall of 8,585 dwellings.

Table 2.1 Five-year housing land supply and (draft) New London Plan targets

	5-year supply from respective SHLAAs	(draft) New London Plan		
		(draft) New London Plan annual target	5-year need	Surplus/ shortfall against five-year target
Enfield	4,808	1,876	9,380	-4,572
Redbridge	9,499	1,979	9,895	-396
Waltham Forest	5,353	1,794	8,970	-3,617
Total	19,660	5,649	28,245	-8,585

Source: Enfield Council (August 2018), 'Housing Trajectory Report 2018'; London Borough of Redbridge (March 2018), 'Redbridge Local Plan Authority Monitoring Report 2014-17'; London Borough of Waltham Forest (November 2018), 'Housing in Waltham Forest'; Mayor of London (March 2016), 'The London Plan'; Mayor of London (December 2017), 'Draft London Plan';

- 2.16 The (draft) New London Plan has not been taken into account when arriving at the housing target set out in EFDC's Plan. However, the higher targets may have implications for neighbouring areas such as Epping Forest.

3. What is the relevance of the OAN figure of 13,278 for Epping Forest DC referred to in paragraph 6.8 of the Sustainability Appraisal?

- 2.17 The figure of 13,278 referred to in the Sustainability Appraisal is based on the August 2016 SHMA⁷. This is based on the 2014-based household projections and uses the 2014-based SNPP which identify a higher population growth figure for Epping Forest (compared with the 2015 SHMA).

⁷ ORS (August 2016), 'Updating the Overall Housing Need, Based on 2014-based projections for West Essex & East Herts'.

- 2.18 The 2016 SHMA update figure is higher than the 2015 SHMA figure which informs the housing need figure within the draft Local Plan, primarily because of the increased level of international migration proposed by the 2014-based projections.
- 2.19 It is our view that the 2016 OAN figure should have informed the Sustainability Appraisal since this was the most up to date figure at time of publication.

4. Is it justified for the HMA as a whole, and for Epping Forest DC specifically, to plan for less than the OAN as established by the SHMA 2017, at 51,100 and 11,400 homes respectively.

- 2.20 The current OAN for the HMA (51,100 homes) and for Epping Forest (11,400 homes) for 2011-2033 is based on a Memorandum of Understanding (MoU) between all West Essex and East Hertfordshire local authorities.
- 2.21 The figure for Epping Forest is the same as the 2015 SHMA, but lower than both the 2016 SHMA update and the 2017 SHMA as summarised below.

	HMA		EFDC	
	Total	Annual	Total	Annual
SHMA 2015	46,058	2,094	11,400	518
SHMA 2016 update	54,608	2,482	13,278	604
SHMA 2017	51,700	2,350	12,573	572
2017 - DCLG Standardised approach	71,280	3,240	20,306	923
MHCLG Standardised approach	n/a	n/a	15,954	725
MoU	51,100	2,323	11,400	518
Epping Forest District Council	51,100	2,323	11,400	518

- 2.22 As illustrated above, whilst the difference in total housing need between the agreed MoU and the 2017 SHMA across the HMA is only 600 dwellings, the difference for Epping Forest is 1,173.
- 2.23 The Memorandum of Understanding acknowledges this, but states that it “*still makes good progress towards these higher figures. The proposed option takes account of the infrastructure constraints and specifically the capacity on the highway network.*”
- 2.24 The Inspector at the East Hertfordshire EiP⁸ found the OAN for the HMA (51,878) and for East Herts (18,458) to be sound. It is worth noting however that the figure found sound at the East Herts EiP is above the 2017 SHMA figures for East Hertfordshire.
- 2.25 In the case of Epping Forest, the proposed figure of 518 dpa as set out in the Local Plan is below the OAN set out in the 2017 SHMA update, a figure of 572 dpa by some 53 dwellings per annum.
- 2.26 Another issue is that the 2017 SHMA only includes an uplift equivalent to 14% to address market signals issues. We would argue that the OAN cited in the 2017 SHMA for Epping Forest District Council should be higher to incorporate a market signals uplift of at least 20% (similar to previous SHMAs) and up to 25%.
- 2.27 In summary, we do not think it is justified that Epping Forest is planning for a housing need figure which is below the most recent SHMA. Our view is that Epping Forest is proposing a housing need figure which does not reflect their most up-to-date need for the local

⁸ <https://www.eastherts.gov.uk/article/36321/Inspectors-Final-Report>

authority. In our view the housing need figure should be between 13,278 (604 dpa) and 13,831 (629 dpa). This is based on the following:

- The OAN set out in the latest (2017) SHMA (11,065 which is the demographic starting point); and
- Adjusted to reflect a 20-25% market signals uplift (since we do not feel a 14% increase would address the severity of the issues which exist). This equates to 2,213-2,766 dwellings.

a. Has the alternative of delivering the OAN been tested through Sustainability Appraisal? If not, is the SA process deficient?

2.28 It does not appear that the Sustainability Appraisal has tested the 2017 SHMA figures. In fact, when discussing housing consideration at the HMA level (starting at 6.3), no reference to the 2017 SHMA is made.

2.29 The Sustainability Appraisal was prepared in December 2017 after the 2017 SHMA update was prepared (July 2017). Therefore, the 2017 SHMA figure should have been taken into account.

2.30 Based on this, it is our view that the SA process is deficient since it has not tested the potential to accommodate a robust and up to date OAN.

b. Will the Plan in fact provide more housing than the OAN of 12,573 as found by the SHMA 2017 (13,152 indicated in Appendix 5)? If so, is it justified to set the requirement below this?

2.31 The latest SHMA for West Essex and East Hertfordshire sets out an overall OAN of 51,710 for the sub-region and a requirement for 12,573 dwellings for Epping Forest.

2.32 According to the Housing Implementation Strategy (from December 2017), the Local Plan will provide a total of 13,152 homes between 2011-33. This is a housing supply figure which is made up of:

- Historic completions (1,330) +
- Commitments, including 10% non-delivery (1,621) +
- Windfall allowance (385) +
- Local Plan allocations (9,816)

2.33 This figure assumes that all allocations in the Local Plan (9,816) will come forward and will be delivered within the plan period. This is despite the fact that past delivery has been below the council's housing target.

2.34 It is our view that supply should be at least 10% above the housing requirement (13,830 homes). This is required to provide for flexibility, allowing for slippage or non-implementation of some sites.



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