

Examination of Epping Forest District Local Plan (2011-2033)

Dandara Ltd Hearing Statement for Matter 3: The Quantitative Requirements for Development

- 1.1 This Hearing Statement has been prepared by Dandara Ltd (ID: 19LAD0129) in response to the MIQs raised by the Inspector for discussion in weeks one and two during 12th to 26th February 2019. This Statement should be read alongside Dandara Ltd's representations to the 2017 Submission Version Local Plan and supplemental representations to the 2018 Site Selection Evidence Base.

Issue 1, Question 2

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

- 1.2 To establish the OAN in EFDC, the Council, working alongside other HMA Authorities, published a *'West Essex and East Hertfordshire Strategic Housing Market Assessment'* in September 2015 (SHMA EB405). This original SHMA was then updated in August 2016 (EB406) and July 2017 (EB407).
- 1.3 The original 2015 SHMA applied 2012-based population and household projections to calculate the OAN for the HMA and EFDC. Following the publication of the 2014-based projections, the SHMA was updated in August 2016. This update established a new demographic starting point of 50,697 households which was adjusted downwards applying a 10-year migration trend to give a figure of 43,759 households or 45,507 dwellings. The OAN for the period 2011-33 was given as 54,608 or 2,482 dpa. The OAN for EFDC was given as 13,278 or 604 dpa.
- 1.4 The 2017 SHMA update, like the 2016 iteration, uses the 2014-based projection baseline of 50,697 households adjusted downwards applying a 10-year migration trend to give the same 43,759 household and 45,507 dwelling figure. The way the 2016 and 2017 SHMA updates interpret the 2014-based projections is therefore identical, applying a consistent methodological approach.
- 1.5 However, the 2017 SHMA recommends a reduced HMA OAN of 51,700 dwellings or 2,350 dpa, representing a reduction of 2,908 dwellings compared with the findings of the 2016 SHMA. For EFDC, an OAN of 12,573 dwellings being 572 dpa is reported which represents a reduction of 705 dwellings over the Plan period compared with the 2016 SHMA. This is despite both the 2016 and 2017 SHMAs using the same 2014-based projections as the demographic starting point.
- 1.6 Our Regulation 20 representations identify the following methodological concerns underpinning the various SHMA iterations:

Demographic Baseline

- 1.7 All iterations of the SHMA note that the Government's population and household projections, both 2012 and 2014 iterations, are based on migration trends derived from the preceding 5-year period. The SHMAs argue that it is defensible to apply a longer base period when establishing migration trends and therefore use adjusted 10-year migration trends.
- 1.8 This application of a 10-year rather than 5-year migration trend results in a significant reduction of **-6,938** households across the HMA (a 14% fall). This reduction is significantly

more pronounced for EFDC where the application of a 10-year migration trend leads to a reduction of **-3,806** households (a 26% fall).

- 1.9 Figure 1 of the 2017 SHMA demonstrates that over the 10-year period 2006-16, there was an average annual increase in net population of 2,510. Over the shorter 5-year period 2011-16, this increased to 2,970. Figure 3 of the 2017 SHMA update is then helpful when establishing population and migration trends within the HMA:
- There is continuity between the unadjusted 2014-based projections and the GLA 2016-based projections for the short and central terms at 2,800 to 2,900 annual net population change;
 - Conversely, the application of a 10-year migration trend falls below both the average net population change observed during the 2011-16 period and significantly below the three year period 2012-2015.
- 2.0 It is evident from the 2016 and 2017 SHMAs that the unadjusted 2012 and 2014 based projections mirror a clear, observable trend of year-on-year population growth across the HMA from 2005/06 onwards:
- Rates of population growth from 2005/06 to 2010/11 averaged 2,100 persons per annum which is an increase of circa 1,000 persons per annum compared with the 1991-2011 period average;
 - For the period 2011-14, there was an overall increase in population which averaged 3,200 persons per year which represents a further circa 1,000 persons per annum increase compared with the period 2005/06 to 2010/11;
 - ONS MYEs, including up to mid-2015, suggest that across the HMA over the period 2005-2015 an annual average population increase of 2,500 persons per annum was experienced.
- 2.1 There is also a spatially specific implication of applying a 10-year rather than 5-year migration trend which particularly impacts upon EFDC. Applying 10-year migration trends to the 2014-based demographic starting point results in a reduction in household growth from 14,374 to 10,568. This represents a reduction of **-3,806** being 28%. To put this into perspective, the reduction in household growth applied for the other three HMA authorities ranges from **-246 to -1,547**.
- 2.2 It is imperative that the SHMA considers why the application of 10-year migration trends for EFDC has such a significant impact upon household growth projections compared with other HMA Authorities. The net population change for EFDC during the period 2011-16 is shown as significantly higher than during the preceding five-year period and it is important that the SHMA interrogates the reasons for this, including previous UPC trends, if the application of a 10-year trend is to be justified.
- 2.3 There is insufficient justification to divert from the 5-year migration trends which underpin the 2014-based demographic baseline. These are consistent with the MYE five-year rolling average, even excluding the 2013/14 peak, align with the GLA short and central trend scenarios as a material consideration and recognise the impact of the 2008/09 recession. It is therefore considered that **the 2014-based demographic starting point of 50,697 (52,729) should not be adjusted** in line with PPG advice that *“the household projections produced by*

the DCLG are statistically robust and based on nationally consistent assumptions” (para: 017, ref ID: 2a-017-20140306).

Household Formation Rates

- 2.4 Both the 2015 SHMA and subsequent updates apply positive adjustments to the demographic baseline to ensure that, “... *household formation rates for those aged under 35 would be no lower than the equivalent rates recorded in 2001*” (2017 SHMA, para. 3.27). We note that the application of a 10-year migration trend risks under-reporting a clear pattern of increased population and migration growth experienced since 2011/12. If this 10-year scenario informs the OAN demographic baseline, it is likely that household formation rates will continue to be suppressed as new homes are occupied by internal or international migrants should migration growth remain at 2012-15 levels for which we have seen no evidence to the contrary.

Affordable Housing

- 2.5 PPG advises that “*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*” (ref. ID: 2a-029-20140306).
- 2.6 Para. 4.12 of the 2017 SHMA ‘*Affordable Housing Update*’ (EB408), identifies “*an affordable housing need of 12,000 dwellings over the 17-year period 2016-33 (706 dpa), this is based on the level of housing benefit support provided to households living in the private rented sector remaining constant. Without this support, a total of 17,500 affordable homes would need to be provided ...*”. The SHMA recommends that an uplift in the housing target is only applied in direct response to concealed and homeless households rather than to assist with affordable housing delivery. Dandara Ltd does not consider this approach to be sound:

- As recognised in para. 4.12 of the 2017 SHMA, affordable housing need would increase by 46% without the availability of housing benefit support and the private rented sector. EFDC should consider whether an adjustment to the housing target should be made to increase affordable housing delivery and reduce reliance on the PRS sector, considered particularly important in an Authority where a lack of supply and affordability in the owner-occupied sector pushes market demand towards PRS which, due to finite supply, then pushes up rents and directly competes with those relying on the tenure for affordable housing;

- Affordable housing need is not equitable across the HMA. As an example, Harlow requires 3,098 affordable homes over the period 2011-33, representing 61% of identified housing need. The SHMA should be considering whether an uplift in the housing target, including for Authorities adjacent to Harlow such as EFDC, could assist in meeting full, or closer to full, affordable housing need. It is considered that EFDC plays an important role not only due to geographical proximity to Harlow but also given excellent public transport accessibility, especially from Roydon.

Market Signals

- 2.7 PPG advises that “*the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals ...*” (para: 019, ref ID: 2a-019-20140306).

- 2.8 The 2015 SHMA concluded that *“on the basis of the Market Signals, we can conclude that conditions across the HMA suggest that the level of Objectively Assessed Need for the HMA should be higher than suggested by household projections in isolation”* (para. 5.71). In response, both the 2015 SHMA and 2016 update applied a 20% uplift in response to market signals. This was particularly important for EFDC where the ratio of lower quartile house prices to lower quartile earnings has increased dramatically over the past five years from 12.02 in 2013 to 16.08 in 2017. It is important to note that market signal pressures in EFDC are significantly more pronounced than other HMA Authorities such as Harlow whose 2017 lower quartile house price to earning ratio of 10.81 is not only significantly below the equivalent EFDC value of 16.08 but represents a ratio not seen in EFDC since 2011.
- 2.9 Despite the 2016 and 2017 SHMA updates both being informed by the same 2014-based projections, para. 4.3 of the 2017 iteration advises that *“the FOAN includes an uplift of 6,200 dwellings in addition to the household projection-based estimate of housing need of 45,500 dwellings. This represents an uplift of 14% on the housing need number suggested by household projections ...”*.
- 2.10 Para. 3.24 of the 2017 SHMA update concedes that *“evidently, the housing market signals demonstrate continued affordability pressures in the HMA and there may be argument to maintain the 20% uplift previously proposed by the original SHMA ...”*. However, the update argues that the 9,100 dwelling increase that would result from a 20% adjustment would be ‘difficult to justify’ in the context of the implications for net migration and average household sizes (n.b. a conclusion not reached in the 2016 update). It is concluded that an increase of 6,200, representing a 14% uplift, is applied giving an overall housing need of 51,700 dwellings.
- 2.11 There is clear evidence that the HMA, but particularly EFDC, experiences significant market pressures. As an absolute minimum, the SHMA should consider market signals at a Local Authority level to assess whether chronic affordability pressures within EFDC justifies a retained 20% uplift as recommended by the 2015 and 2016 SHMAs. This is particularly important given that the OAN demographic starting point is not informed by the GLA 2016-based household projections, which the 2017 SHMA update uses to justify the 14% uplift to ensure consistent migration levels across both projections, but an adjusted 10-year migration trend for the 2014-based projections which results in 3,806 dwellings less than the unadjusted demographic starting point. It is therefore considered that a 20% upward adjustment for market signals should be reapplied.

Summary

- 2.12 It is not considered that the SHMA identifies the full OAN for the HMA or EFDC due to the following PPG conflicts:
- The application of 10-year migration trends to the 2014-based projections is not justified set against a clear trend of consistent population increases from 2010/11 including three years out of the past five which were close to, or exceeded, 3,000 people;
 - There is a close, consistent alignment between the 2014-based projections; 2016-based GLA short and central term scenarios; and average population increases over the 2011-16 period which suggest that adjusting the 5-year migration rates that underpin the 2014-based projections is unjustified;

- Any adjustment to improve household formation rates should be considered alongside the application of 10-year migration trends to understand the potential for underestimated housing demand from internal or international migration directly competing with concealed households;
- The SHMA does not consider the appreciable differences in affordable housing need between different Authorities within the HMA. Careful consideration should be given to the implications of the Regulation 19 Local Plan delivering housing which is considerably below OAN upon both affordable housing delivery in EFDC itself but also the potential for the District assisting neighbouring Harlow to meet its own chronic affordable housing need given geographical proximity and excellent public transport links;
- There is no justification for a reduction in market signal uplift between the 2015 and 2016 SHMAs and the 2017 iteration. It remains unclear why a 2017 update was even commissioned given the 2016 SHMA assessed the 2014-based projections which remain unchanged.

- 2.13 Dandara Ltd consider that the 2017 SHMA update has consciously sought to reduce the OAN for the HMA to align with the predetermined Co-Op Member Board (CMB) figure of 51,100. This includes applying adjusted migration rates; reducing market signals uplift and, perhaps most importantly, not including detailed assessment at a Local Authority level of the implications of such changes, particularly within EFDC where affordability, including with Harlow, and market signals are key. We consider that as a minimum, for EFDC, the unadjusted 2014-based projections plus a 20% uplift for market would give an OAN of circa 18,277 or 831 dpa.
- 2.14 An obvious example of the methodological deficiencies of the 2017 SHMA update is the significant deviation between the SHMA OAN and the Government's standard housing calculation methodology, 518 dpa in the Regulation 19 Local Plan versus 923 dpa, despite applying the same 2014-based demographic 'starting point' and both sources recognising significant market signal and affordability pressures.

Issue 1, Questions 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 (EB204)?

- 2.15 The 13,278 OAN figure referred to within para. 6.8 of the SA is derived from Figure 8 of the 2016 SHMA update (EB406). It is considered relevant for two specific reasons:
- (i) The OAN figure of 13,278 within the 2016 SHMA update was informed by the 2014-based population and household projections. It remains unclear why the 2017 SHMA update, which contained a reduced OAN figure of 12,573, was commissioned given that it was based on the same demographic starting point as the 2016 iteration (n.b. see Figure 5 of 2017 SHMA). Dandara Ltd contends that an update to the SHMA was specifically commissioned solely to align with the predetermined CMB 'preferred spatial option' OAN of 51,100, weakly justified based on a reduced market signals percentage uplift;
 - (ii) The iteration of the SA entitled '*Strategic Spatial Options for the HMA*' (EB203) acknowledges the conclusions of the 2016 SHMA update regarding OAN on pg. 2. The SA then considers a spatial option, being 'option F', which can deliver OAN as per the 2016 SHMA update. Fundamentally, whilst Section 4.3 of the SA identifies the CMB figure of circa

51,000 as being the ‘preferred spatial option’, there is nothing within any iteration of the SA that suggests ‘option F’ cannot be delivered without conflicts arising with para. 14 of the NPPF. Indeed, the four reasons given for choosing the 51,000 figure all relate to infrastructure and capacity challenges associated with Harlow that presumably prevent a higher target being achieved. The SA process did not identify ‘option F’, which could see the HMA meeting OAN, as conflicting with para. 14 of the NPPF. It was simply that the CMB had already decided to proceed with a lower growth option which was then apportioned between each member Local Authority. This is evident within the 2017 SA which does not interrogate the HMA 51,000 figure but instead considers options for how EFDC will spatially distribute their share across the District.

Issue 1, Question 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?

- 2.16 It is not justified for the HMA or EFDC to plan for less than the OAN established by the 2017 SHMA. As we have explained for Issue 1, Question 3, a growth option capable of achieving OAN was tested, at HMA level, as ‘option F’ through the SA. The SA did not conclude that any conflicts arising with one or more of the ten ‘sustainability themes’ assessed would result in a conflict with para. 14 of the NPPF and the achievement of sustainable development.
- 2.17 Instead, the CMB decided that a housing target of circa 51,000 was the ‘preferred spatial option’ based on the conclusions set out at 6.18 of the 2017 SA. The justification for choosing the circa 51,000 figure appears to be simply that it is ‘close enough’ to the OAN and that there are infrastructure capacity challenges should Harlow accommodate more growth. There is however no consideration of whether a higher housing target could be achieved if growth was located away from Harlow but in Authorities, such as EFDC, which are both geographically proximate and have excellent transport links.
- 2.18 The decision to progress with the circa 51,000 figure as the ‘preferred spatial option’ is compounded by the 2017 SA treating this figure as ‘fixed’ and then simply assessing spatial options within EFDC to deliver the District’s proportion. There is no consideration within the SA, despite an explicit acknowledgement that the housing target contained within the Regulation 19 Local Plan is 1,173 homes short of OAN, whether there is an opportunity to deliver housing numbers in excess of those identified by the CMB. Instead, the SA simply assumes the overall HMA figure of 51,000 is ‘fixed’ as is the EFDC proportion.
- 2.19 Para. 7.6 of the 2017 SA explicitly states that *“it was not considered necessary to revisit alternatives for the level and distribution of growth for the HMA set out in the signed MoU (March 2017)”*. To put it simply, the 11,400 housing target for EFDC as contained within the Regulation 19 Local Plan is solely informed by strategic spatial options considered at a HMA scale. A clear opportunity has been missed for the 2017 SA to take the housing delivery conclusions of the CMB and, applying a finer grain spatial approach to potential development sites, consider whether a housing target above 11,400 could be delivered within EFDC without conflicting with para. 14 of the NPPF.
- 2.20 Instead, the 2017 SA accepts that the 11,400 housing figure is ‘fixed’ by the CMP at HMA level and makes no attempt, despite EFDC being 1,173 homes short of meeting OAN, to consider whether options may exist at a finer spatial scale for additional housing growth. It is

not possible reading the SA to understand whether a higher growth option could be delivered without conflicts arising with para. 14 of the NPPF as the SA simply concedes to the direction of the CGB's 'preferred spatial strategy' to deliver circa 51,000 new homes across the HMA in direct conflict with advice in the PPG for the SA to represent an independent auditor of an iterative Local Plan preparation process.