Peterborough Sub-Regional Strategic Housing Market Assessment

Final Report: Executive Summary

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Prepared by

GL Hearn Limited
20 Soho Square
London W1D 3QW

T +44 (0)20 7851 4900
F +44 (0)20 7851 4910
glhearn.com

1 INTRODUCTION

1.1 The Peterborough Sub-Regional Housing Market includes the local authorities of Peterborough, Rutland, South Holland and South Kesteven. There are also localised interactions with adjoining areas around the boundaries of the housing market, including links from South Holland to Boston, from Peterborough to Yaxley in Huntingdonshire, Whittlesey in Fenland, and towards Wisbech; and between Rutland and Corby.

1.2 The Strategic Housing Market Assessment (SHMA) Update considers the future need for housing in the four local authorities of Peterborough, Rutland, South Holland and South Kesteven over the period to 2036. It considers how many homes are needed; what types of homes – both market and affordable; as well as what housing is needed to meet the needs of specific groups within the population, including older people and those with disabilities.

1.3 The assessment is intended to inform the Councils' work on developing future planning policies and housing strategies, and inform discussions regarding the mix of housing on new development schemes. It does not however set policies regarding the future levels of housing provision nor automatically render existing plans and policies out-of-date.

2 OVERALL NEED FOR HOUSING

2.1 The National Planning Policy Framework (NPPF)[1] set out the Government's planning policies for England. It outlines that in planning for housing, councils must work with neighbouring authorities to prepare a Strategic Housing Market Assessment (SHMA) which identifies the full need for both market and affordable housing in their housing market area.

2.2 The Government has also issued Planning Practice Guidance on how assessments should be undertaken. This sets out that the starting point for assessing housing need should be household projections, but also identifies that the level of need identified in the projections may require adjustment to take account of factors affecting population trends and household formation rates; to support expected growth in jobs; to take account of market signals pointing towards a need to improve the affordability of market housing; or to increase the delivery of affordable housing to meet identified need. The draft SHMA update has considered these issues.

Trend-based Demographic Projections

2.3 To start with, the SHMA has considered the CLG 2008- and 2011-based Household Projections. The 2008-based Projections pre-date the release of information from the 2011 Census; whilst the 2011-based Interim Projections only partially take account of what the Census shows regarding

[1] CLG (2012) *National Planning Policy Framework*

population trends. The 2011-based Interim Projections are also influenced by the impact of declining affordability, the housing market downturn and economic recession on recent household formation rates. A number of recent studies have indicated that these projections may well under-estimate household formation rates moving forward. The SHMA therefore considers the latest evidence regarding population trends and adjusts household formation rates to ensure that household formation isn't unduly constrained. It concludes that projecting forward demographic trends then the HMA would require between 2,462 – 2,574 additional homes per annum. The main demographic projection prepared (based on a 'midpoint' headship rate) indicates a need for 2,462 additional homes per annum across the HMA.

Figure 1: Projected Housing Need based on Past Demographic Trends (Homes per Year)

Trend-based Household Projections	Peter-borough	Rutland	South Holland	South Kesteven	HMA
CLG 2008-based	882	180	599	467	**2,127**
CLG 2011-based	965	183	569	702	**2,419**
Main Demographic Projections	1,107	138	558	659	**2,462**
Household Formation Rates Sensitivity Analysis	1,107-1,202	138-145	558-577	659-679	**2,462-2,574**

2.4 These projections are based on past trends. To provide a robust basis for considering future housing need, the SHMA goes on to consider whether planning for past trends would be sustainable; taking account of expected growth in jobs, and wider evidence of the need for market and affordable housing.

Market Signals and Affordability

2.5 Responding to Government planning policy and guidance, the SHMA considers whether there is a case for adjusting the level of housing provision to take account of market signals.

2.6 The SHMA identifies that house prices grew substantially between 1998 and 2007, with the average house price growing by more than £100,000 in each authority over this decade. House prices over this period increased by £100,000 in Peterborough, by £105,000 in South Holland and £110,000 in South Kesteven; but by a substantial £143,000 in Rutland. However, house prices fell in 2009 and since this point have been much more stable (and taking account of inflation will have declined in value). Sales volumes also remain notably below pre-2007 levels, although have begun to recover to a greater degree in Rutland than in other parts of the HMA.

2.7 Reflecting the reduction in sales volumes over the period since 2007, levels of house-building have also fallen, with housing delivery across the HMA falling 12% below housing targets. Peterborough, which has the highest housing target, has also seen the strongest fall in overall sales volumes and the greatest proportional shortfall in housing delivery. In contrast, South Kesteven has delivered its housing targets.

Figure 2: Housing Delivery Performance vs. Targets, 2006-12

	Requirement	Delivery	% Delivery
Rutland	900	745	83%
South Holland	2,220	1,977	89%
South Kesteven	4,080	4,084	100%
Peterborough	8,250	5,830	71%
HMA	**15,450**	**12,636**	**82%**

2.8 The affordability of market housing, measured using the lower quartile house price to lower quartile income ratio, is below the national average in Peterborough (5.4) and South Holland (6.5) suggesting that these are more affordable areas to live in. It is slightly above regional and national averages in South Kesteven (at 7.2 in 2012); but is notably higher in Rutland at 9.4 suggesting that affordability pressures are more acute.

2.9 Drawing the evidence together, the draft SHMA concludes that it would be appropriate to consider an upwards adjustment to housing provision in Rutland, given that past population growth in the county has been modest relative to other parts of the HMA and wider geographies; the demographic projections show lower relative growth; house prices have grown more strongly (both pre-2008 and more recently) and are higher than in other parts of the HMA; and affordability pressures are more acute than other parts of the HMA and other surrounding areas.

Homes-Jobs Balance

2.10 The SHMA has also sought to consider if higher housing provision is needed (relative to the demographic-led projections) to support growth in employment. It has taken Experian economic forecasts and tested these with key stakeholders, against past performance and alternative economic forecasts. From these tests, two scenarios for employment growth are presented within the SHMA: Experian ‘baseline’ forecasts and an aspirational scenario which sees 20% stronger employment growth year-on-year than in the Experian baseline economic forecasts.

2.11 It has considered what level of housing provision might be needed to support these employment growth scenarios, taking account of potential improvements in employment rates resulting from declining unemployment, more women working and changes to the retirement age. To support the Experian ‘baseline’ employment forecasts around 1,900 additional homes per annum would be needed to 2036; with just over 2,100 additional homes per annum needed to support the more aspirational scenario for economic performance.

Figure 3: Housing Need to Support Jobs-Homes Balance (Homes per Year)

	Peter-borough	Rutland	South Holland	South Kesteven	HMA
Main Demographic Projection	1,107	138	558	659	**2,462**
Supporting Baseline Economic Growth	739	173	347	642	**1,901**
Supporting Aspirational Economic Growth	844	184	387	706	**2,121**

2.12 Overall the economic-driven projections do not suggest a need to increase housing supply across the HMA (relative to the trend-based demographic projections) in order to avoid constrained economic growth. However the evidence does indicate that higher housing provision in Rutland might be considered to support growth in the workforce. This reflects lower historic population growth (which is projected forward in trend-based projections) and the older age structure of the county's population.

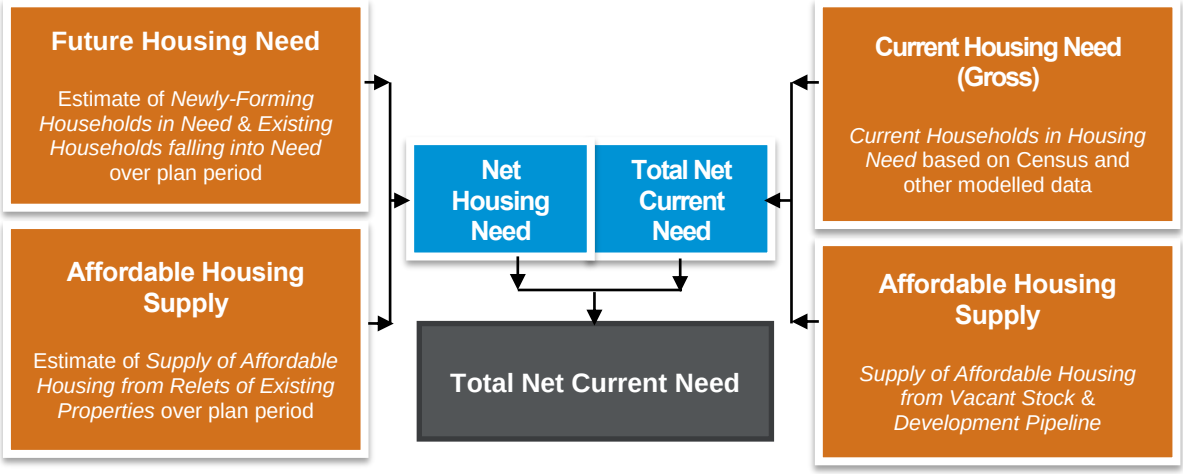
2.13 Government policy advises against using economic forecasts to reduce levels of planned future housing provision. Not least because of the difficulty in accurately forecasting future economic growth, but also predicting what changes we might see in local employment rates.

Affordable Housing Needs

2.14 The SHMA includes an assessment of the need for affordable housing. The approach follows the Basic Needs Assessment Model, in accordance with the Planning Practice Guidance. This model is summarised in Figure 4.

2.15 The model considers households who are currently living in unsuitable housing, the proportion of newly-forming households who cannot afford to buy or rent market housing without financial support, and existing households that will fall into housing need. Households with affordable housing need includes those households that are overcrowded or at risk of becoming homeless due to being unable to afford their rent. The need for affordable housing is compared against the current affordable housing supply, which is principally related to the re-letting of existing affordable housing. This is used to derive a net need for affordable housing.

Figure 4: Overview of Basic Needs Assessment Model



2.16 The SHMA provides estimates of the need for affordable housing based on a range of secondary data sources, including the 2011 Census, data on household incomes, modelling of population trends, lettings, re-lettings and the future supply of affordable housing.

2.17 The SHMA indicates that if all households who were unable to meet their needs in the market without financial support were to be allocated an affordable home, 1,350 new affordable homes would be needed each year. Following the approach in the Planning Practice Guidance, we have sought to compare the projected level of housing need against the demographic projections. The supply of new affordable housing on development schemes with planning consent is excluded from the figures as these would contribute to affordable housing numbers.

Figure 5: Comparing Affordable Need and the Demographic Projection

2011-36	Main Demographic Projection	Affordable Housing Need	Affordable Need as % Demographic Projection
	Need per Annum	**Need per Annum exc. Pipeline**	
Peterborough	1,107	650	59%
Rutland	138	57	41%
South Holland	558	300	54%
South Kesteven	659	343	52%
HMA	**2,462**	**1,350**	**55%**

2.18 In total the affordable housing need identified would equate to 55% of the level of housing identified in the main demographic projection. Therefore the affordable needs evidence could provide some justification for considering an upwards adjustment to the level of housing need derived from the demographic projections.

2.19 A key factor influencing affordable housing delivery is the availability of funding for development. Whilst the Government has announced new investment in affordable housing in 2013, this only

goes some way to compensating for previous cuts in funding announced in the 2010 Comprehensive Spending Review. Furthermore, whilst a significant quantitative shortfall of affordable housing is identified, there are in reality two key factors against which the assessment must be put into context. Firstly, some households may choose to spend more than 30% of their gross income on housing (which is the threshold used in the SHMA modelling). Secondly the SHMA indicates that the private rented sector makes a significant contribution to meeting affordable housing needs, with an estimated 1,240 private lettings per annum to households supported by the Local Housing Allowance (LHA).

2.20 There are policy choices regarding the degree to which the Councils might wish to see the private rented sector being used to make up for shortages of affordable housing; however the availability of funding is likely to influence potential affordable housing delivery.

2.21 There is no strong evidence of a quantitative need to increase overall housing need above the levels identified by the main demographic projections in order to ensure delivery of sufficient affordable housing over the plan period. However, higher provision could enable the Councils to potentially reduce the role of the PRS moving forward and improve the local tenure imbalance.

Conclusions on Future Housing Needs

2.22 We have drawn together our analysis to set out key conclusions regarding the overall housing need in each local authority. The SHMA indicates an overall need in the Peterborough Housing Market Area for between 2,505 – 2,690 homes per annum over the period to 2036. Current adopted plans are based on providing 2,552 homes per annum which falls within this range. We attach the greatest weight to figures on housing need at this HMA level.

2.23 In Peterborough, the SHMA identifies a need for between 1,100 and 1,200 additional homes per annum to 2036. This is based on demographic projections, with the range reflecting the sensitivity of projections to future household formation rates. The affordable housing need provides a basis for considering housing provision towards the higher end of this range. The Council's adopted Core Strategy currently makes provision for 1,350 additional homes per annum to meet Peterborough's needs (along with an additional 2,500 homes to meet the needs of the Cambridge HMA).

2.24 In Rutland, the evidence suggests that past demographic growth has been constrained to a greater degree than in other parts of the HMA. Whilst the demographic projections suggest a need for 138 additional homes per annum; the economic forecasts, affordable housing need and market signals all provide a basis for considering higher levels of housing provision. The draft SHMA concludes that overall housing need falls between 165 and 180 additional homes per annum to 2036. The higher end relates to the economic-driven projections. The Rutland Core Strategy currently plans for 150 homes per annum.

2.25 In South Holland, the draft SHMA identifies a need for between 560 and 600 additional homes per annum. The lower end of this range is based on the demographic projections. The higher end recognises the potential for stronger household formation, and would also contribute to higher affordable housing delivery. The South Holland Local Plan is based on provision of 370 additional homes per annum.

2.26 In South Kesteven, the SHMA identifies a need for between 660 and 710 additional homes per annum. The lower end of this range is based on the demographic projections. The higher end of this range would support stronger affordable housing delivery. The Council's adopted Core Strategy is based on provision of 680 additional homes per annum.

2.27 The SHMA does not set housing targets. It provides an objective assessment of the future need for housing. Government guidance and advice is explicit that the SHMA itself must not apply constraints to the overall assessment of need, for example environmental constraints or issues related to congestion and/or local infrastructure. Such issues are particularly relevant when considering how much development can be sustainably accommodated and where new development should be located. These issues will be considered, as appropriate, in the development of new Local Plans, alongside any issues related to unmet need from other areas; and policies for economic growth in local plans. The SHMA defines objectively assessed need for housing within the HMA on a policy-off basis, and it is important to recognise that in translating this into housing targets issues regarding the distribution of homes within the HMA, unmet needs from other authorities and 'jobs-homes balance' will need to be considered alongside the evidence herein.

3 NEED FOR DIFFERENT TYPES OF HOMES

3.1 The NPPF requires Local Planning Authorities, through the SHMA, to identify the range of types and sizes of accommodation likely to be needed by the future population, including that required by those groups with specific housing needs.

3.2 A range of factors have been considered in assessing the types of homes which will be needed in the HMA over the period to 2036. This includes an assessment of the current housing profile, gaps in the current housing offer, housing affordability and trends in the structure of the population over the plan period.

Balance in the Existing Housing Offer

3.3 Across the HMA two-thirds of households lived in owner occupied accommodation in 2011. Whilst the number of owner occupiers had grown over the 2001-11 decade, there has also been a

substantial growth in the private rented sector, with 15,000 more households renting privately in 2011 than in 2001.

3.4 The HMA includes a range of housing products. 40% of homes across the HMA are detached; with 69% of the stock having 2 or 3 bedrooms. Overall the housing offer sees slightly more 3 and 4 bed homes relative to regional and national averages, with stronger levels in Rutland and South Kesteven. In Rutland 46% of homes are in Council Tax Bands D and above, compared to 16-17% in South Holland and Peterborough.

3.5 Peterborough has a narrower housing offer than other parts of the HMA, with a greater focus towards smaller and cheaper properties. There is a case for seeking to diversify the housing offer to provide more opportunities for those in higher paid jobs to live locally.

3.6 Rutland has a housing offer focused slightly more towards larger and more expensive properties. Affordability pressures in the County are slightly greater than in other parts of the HMA, and the draft SHMA identifies a case for seeking to diversify the housing mix to provide smaller and cheaper homes for younger households and to support downsizing among older households.

Need for Different Sizes of Homes

3.7 The SHMA models the need for different sizes of homes, taking account of the existing profile, evidence from market signals, issues related to management of the affordable housing stock and long-term demographic trends.

3.8 The SHMA identifies that housing provision should be monitored against the broad mix of market housing as set out in Figure 6 over the period to 2036. It expects that the focus of demand for new market housing will be on two and three-bed properties, reflecting continued demand from both newly-forming households and older households downsizing to release equity from their existing homes.

Figure 6: Guidance on Market Housing Mix

MARKET	1-bed	2-bed	3-bed	4+ bed
Peterborough	5-10%	20-25%	45-50%	20-25%
Rutland	0-5%	25-30%	45-50%	20-25%
South Holland	0-5%	30-35%	45-50%	15-20%
South Kesteven	0-5%	30-35%	45-50%	15-20%
HMA	**0-5%**	**25-30%**	**45-50%**	**20-25%**

3.9 The strategic conclusions regarding the mix of affordable homes, as set out in Figure 7, recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households and the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

Figure 7: Guidance on Affordable Housing Mix

AFFORDABLE	1-bed	2-bed	3-bed	4+ bed
Peterborough	35-40%	25-30%	25-30%	5-10%
Rutland	40-45%	30-35%	15-20%	5-10%
South Holland	20-25%	35-40%	30-35%	5-10%
South Kesteven	20-25%	40-45%	25-30%	5-10%
HMA	**30-35%**	**30-35%**	**25-30%**	**5-10%**

3.10 The mix identified above should inform strategic authority-wide policies and help to inform the 'portfolio' of sites which are considered and ultimately allocated through the Local Plan process. However, we would again recommend that strategic policy retains a reasonable degree of flexibility to ensure that, in applying a mix to individual development sites, appropriate regard is given to the nature of the development sites, the character of existing housing stock of the area, as well as the most up-to-date local evidence of need/demand.

3.11 With regard to the need for different types of affordable housing, the analysis points to a distribution of need between different income categories as follows:

Figure 8: Net Need within different Affordability Categories

	Estimated net need for Equity-based Intermediate Products	Net Need from Households which could afford more than existing Social Rents but not Equity Products	Net Need from Households who cannot afford over existing Social Rent Levels
Peterborough	19%	56%	25%
Rutland	21%	34%	45%
South Holland	15%	47%	38%
South Kesteven	20%	56%	24%
HMA	**19%**	**53%**	**28%**

3.12 Across the HMA, it would be appropriate for 15-20% of new affordable housing to be provided as intermediate equity based products, with 80-85% provided as social or affordable rented homes. Policies in individual local authorities should be informed by the results of the analysis presented in Figure 8 above together with plan-wide viability studies.

Needs of Particular Groups within the Population

3.13 The SHMA identifies that meeting the housing needs of older people will be of particular importance. It indicates that over the period to 2036 there is expected to be a 55% growth in those aged over 55 within the HMA (with 175% growth in those aged over 85, linked to improvements in life expectancy).

3.14 Linked principally to a growing older population, the numbers of people with disabilities is also expected to increase by 53%; with 119% growth in those with dementia (6,600 additional people)

and 98% growth in those with mobility problems (14,200 additional people) over the period to 2036. The strategy for meeting such needs cuts across housing policy and strategy.

3.15 The recommended mix of new housing reflects the needs which will arise from older households for smaller properties moving forward, as well as the scope to encourage downsizing. In addition, there is likely to be an increasing need to deliver specialist or extra-care housing units over the period to 2036. The SHMA identifies a need for 4,700 additional units of specialist housing (186 per annum) in the HMA. This equates to an annual need for 48 units in Peterborough, 24 in Rutland, 42 in South Holland and 72 in South Kesteven. This equates to around 8% of the total housing need identified. However, there will also be a need to address the existing housing stock, through supporting property adaptations, to enable older persons to remain independent within their own homes. The SHMA also highlights demand from older persons for bungalows, although delivery may be influenced by the relative economics of development compared to other housing layouts.

3.16 The SHMA also considers the need for housing from people with learning and physical disabilities, and mental health problems. The needs of these and other groups with specific housing needs are set out in the Draft SHMA Report.

3.17 The SHMA also identifies a requirement to consider the needs of a growing BME population, including through targeted measures to combat overcrowding within the growing ‘White Other’ and Asian communities in certain parts of the HMA in particular. There is a substantial White Other population in the HMA, which in particular includes Eastern European migrants. The analysis suggests that whilst there remains a substantial level of rental demand from these households; an increasing number have built up a credit history in the UK and are now looking to purchase a home.

3.18 Potential changes to armed forces personnel have also been considered; which could impact on Rutland, Grantham and Peterborough. The impacts of this are expected to be most significant in Rutland where an increase in numbers at Kendrew Barracks is anticipated as personnel are brought back from Germany, starting from around 2015. It is envisaged that some additional accommodation would need to be provided on the base at Kendrew Barracks for both families and single personnel, subject to approvals, which would be outside the mainstream housing numbers in the local plan. The timing of delivery of new accommodation could result in a short-term impact in increasing demand in the private rented sector at a local level. This will need to be monitored.

3.19 The need for self-build homes is considered, with the draft SHMA suggesting that this is currently a niche sector, but one with growth potential. It points to barriers to the development of the sector including access to finance, support and expertise and land supply. In policy terms there is some potential to support growth of the sector through providing serviced plots on larger development

sites which can be developed on a custom-build basis, as well as providing support and advice to potential self-builders.