

# BERKSHIRE STRATEGIC HOUSING MARKET ASSESSMENT (SEP 2015)

AN IMPORTANT STAGE WILL BE REACHED SHORTLY WITH THE PUBLICATION OF THE THAMES VALLEY/BERKSHIRE STRATEGIC HOUSING MARKET ASSESSMENT, PRODUCED ON BEHALF OF THE LOCAL PLANNING AUTHORITIES IN THE COUNTY OF BERKSHIRE (AND TAKING INTO ACCOUNT THE HOUSING NEEDS IN SOUTH BUCKINGHAMSHIRE DISTRICT).

This Briefing Note provides a guide to the emerging contents of the Assessment and identifies some of the issues that will need to be considered as this is taken forward in the preparation of the new Local Plans in the area.

## The Berkshire Strategic Housing Market Assessment – where we are

The Berkshire Strategic Housing Market Area Assessment (SHMA) is due to be published imminently following stakeholder meetings in May and October 2015. The SHMA was commissioned by the local authorities of Berkshire and the Thames Valley Local Enterprise Partnership (LEP), and seeks to determine objectively assessed housing need (OAN) for the local authorities of Bracknell Forest, Reading, Windsor & Maidenhead, Slough, West Berkshire, Wokingham and South Buckinghamshire.

Although the assessment has yet to be published in full, the stakeholder meeting on the 20th October revealed the housing figures which are expected to form the basis of preparation of Local Plan reviews across the area. These are subdivided into each of the districts and into two Housing Market Areas, Eastern – formed of Slough, Windsor & Maidenhead and South Buckinghamshire, and Western, comprising of Bracknell Forest, Reading, West Berkshire and Wokingham.

The purpose of a SHMA is to identify the functional housing market area and establish the full objectively assessed need for housing (OAN) in accordance with the requirements of NPPF and associated Planning Practice Guidance (PPG).

The tables to the right show the annual estimate of OAN from the Berkshire SHMA and compare this to the annual requirement derived from the South East Plan, which was the last occasion on which assessments were made across the area (and which formed the basis of the housing provisions in most of the adopted Local Plans and Core Strategies):

### Eastern Housing Market Area

	SHMA estimate	Former SE Plan	Change from SEP figure
Slough	927	315	+194%
Windsor & Mdnhd	712	346	+106%
South Bucks	376	94	+300%
<b>Housing Market Area</b>	<b>2,015</b>	<b>755</b>	<b>+169%</b>

### Western Housing Market Area

	SHMA estimate	Former SE Plan	Change from SEP figure
Bracknell Forest	635	639	-0.6
Reading	699	611	+14%
West Berkshire	665	525	+27%
Wokingham	856	623	+37%
<b>Housing Market Area</b>	<b>2,855</b>	<b>2,398</b>	<b>+19%</b>

### Total

	SHMA estimate	Former SE Plan	Change from SEP figure
<b>SHMA Area</b>	<b>4,870</b>	<b>3,153</b>	<b>+54%</b>

## What is OAN?

The National Planning Policy Framework (NPPF, 27th March 2012) and the accompanying Planning Practice Guidance (PPG, 06th March 2014) set out the requirements within which local planning authorities should be setting their overall housing targets as part of a full Objective Assessment of overall Need (OAN).

The assessment of need is an objective assessment based on facts and unbiased evidence and constraints should not be applied (PPG ID2a 004 20140306). The process for defining OAN is set out within the PPG, as summarised below:

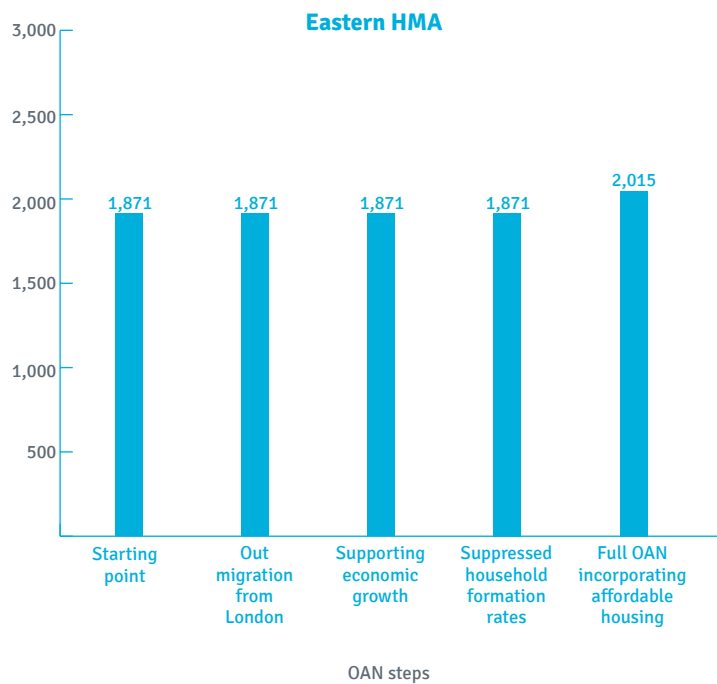
- I. Establish the starting point estimate of overall housing need looking at the most recent DCLG household projections. The 2012-based household projections released on 27th February 2015 provide the most up to date estimate of future household growth.
- II. Adjust for demographic evidence if past trends in relation to underlying migration trends and household formation rates which feed into official government projections, may have been affected by past events, such as the recent recession.
- III. Adjust for likely change in job numbers if the starting point estimate will not support job growth in line with past trends and/or economic forecasts.
- IV. Adjust for market signals if there is a worsening trend in any of the indicators (land prices, house prices, rents, affordability, rate of development and overcrowding) with regards to the balance between the demand for and supply of dwellings.
- V. Establish level of affordable housing need by subtracting total available stock from total gross need. Total affordable need should then be considered in the context of its likely delivery given the probable percentage of affordable housing to be delivered by market housing led developments.

## Components of OAN - PPG ID 2a Paragraphs 014-029



## Berkshire SHMA (Publication TBC)

The chart below summarises the various steps undertaken in the SHMA to establish the objectively assessed housing needs of the housing market area, said to total 2,855 dwellings per annum (dpa) (Western HMA), and 2,015 dpa (Eastern HMA) between 2013 and 2036 (23 years).



## Barton Willmore Concerns

### Demographic adjustments

The SHMA adjusts the starting point estimate of OAN in the western HMA, but not in the eastern HMA. The adjustment is for projected out-migration from London. The uplift leads to a requirement for 2,417 dpa in the western HMA. OAN in the eastern HMA remains at 1,871 dpa.

BW comment and questions:

- Are the technical migration assumptions relating to the 10 and 12-year net-migration periods identified in the SHMA reasonable?
- What is the approach and what are the implications of the SHMA's sensitivity testing based on the ONS' 'un-attributable population change' (UPC) element of population change? UPC relates to population inaccuracies between the 2001 and 2011 Censuses which may or may not be due to migration. How does the SHMA's interpretation of UPC affect OAN?
- Does the SHMA take sufficient account of past and future levels of household suppression inherent within the latest 2012-based CLG household projections?
- Given all of the above factors does the demographic need suggested by the SHMA represent a realistic, robust and credible figure?

### Adjust for likely change in job numbers

The SHMA incorporates baseline employment forecasts from Cambridge Econometrics, which are published in the Thames Valley Berkshire Local Enterprise Partnership Strategic Economic Plan (LEP SEP). These forecasts are dated September 2013 and forecast between 2011 and 2025.

Comment and questions:

- The SHMA considers one source of employment forecasting (Cambridge Econometrics). What do alternative sources of employment forecasting show? In order to test the robustness of the CE forecast it will be appropriate to establish the correlation with other forecasting houses;
- The date of the forecast used by the SHMA is September 2013; they are now two years old. It is highly likely that up-to-date forecasts from Cambridge Econometrics and other sources such as Experian and Oxford economics will show higher job growth forecasts. The LEP SEP forecasts should be compared with the latest forecasts;
- The LEP SEP forecasts do not include South Buckinghamshire. Are the forecasts used in the SHMA for South Buckinghamshire robust?

## Adjust for market signals

The SHMA is said to acknowledge market signals issues across both HMAs. Affordability is said by the SHMA to be of particular concern in the eastern HMA, however the SHMA is said to identify increases in private rents, house prices, past delivery and overcrowding.

House prices are identified as increasing by over 200% in both HMAs between 1998 and 2007, with prices increasing by an additional 5% since the pre-recession peak. South Buckinghamshire, Windsor & Maidenhead and Wokingham are said to have an affordability ratio that is worsening faster than the south east average. Rents are said to be higher than the south east average. The SHMA states there has been a 31% increase in overcrowded households since 2001.

To address market signals pressure the SHMA suggests a 10% uplift in the eastern HMA (219 additional dwellings per annum) and an 8% uplift in the western HMA (144 additional dwellings per annum).

Comment and questions:

- Is the approach of the SHMA in seeking to respond to worsening market signals pressure appropriate?
- Will the SHMA's approach address the acute affordability constraints identified by the SHMA?
- Does the SHMA include the full analysis of the six market signals identified by the PPG?

### Adjust for affordable housing need

The SHMA identifies significant affordable housing need in the eastern and western HMAs. This is said by the SHMA to equate to an affordable housing need of 1,273 affordable dwellings per annum (Eastern HMA) and 1,263 affordable dwellings per annum (Western HMA).

In this context the SHMA states there is 'some basis for considering higher housing provision overall in order to support delivery of affordable housing'. However this conclusion has not been qualified numerically by the authors of the SHMA in the recent (October 2015) stakeholder presentation.

Comment and questions:

- Does the full overall housing need (OAN) concluded on by the SHMA provide a reasonable response to the level of affordable housing need identified?
- Does the calculation of affordable housing need comply with the requirements of the NPPF/PPG? i.e. does the definition of affordable housing comply with that of the PPG?

## Summary

The October 2015 stakeholder event has provided some useful insight into the process undertaken to arrive at OAN conclusions for the Berkshire HMA by the council's consultants, however full analysis will not be possible until the SHMA is published in full.

However what is clear is that there are two primary areas of concern; the treatment of household formation, and the appropriateness of the SHMA to accommodate economic growth.

It remains to be seen as each of the local planning authorities begins its Local Plan or Core Strategy Review to what extent each is able to accommodate the full OAN – whether this is the figure identified by the imminent SHMA or a different (perhaps higher) figure which results from consideration of the questions and issues outlined above.

In accordance with the NPPF (paragraph 47), the identified OAN is not the end of the story in terms of setting housing provisions. Each local planning authority should seek to meet the OAN but other policy considerations – or practicalities such as the availability of land – may constrain their ability to meet the need in full within the district boundaries. For those districts that cannot accommodate their own housing need, there will need to be a consideration of how those unmet needs can be accommodated in neighbouring districts. The Berkshire local planning authorities have already indicated that they would look to work together across the Housing Market Areas and if necessary across the whole of the area to address the full OAN.

Barton Willmore can foresee significant challenges for the districts in the Eastern HMA unless they are prepared to enter into Green Belt reviews. This suggests a likelihood of elements of unmet need being moved westwards into Bracknell Forest, West Berkshire and Wokingham. It is uncertain at this stage whether Reading could meet its needs within the Borough boundaries.

Barton Willmore will keep interested clients informed of events as this picture unfolds – and looks forward to working with clients and the councils in seeking to meet the full objectively assessed needs of Berkshire and the Thames Valley.

## OFFICE ADDRESSES

101 Victoria Street  
**Bristol**  
BS1 6PU  
T/ 0117 929 9677

St Andrews House  
St Andrews Road  
**Cambridge**  
CB4 1WB  
T/ 0122 334 5555

Greyfriars House  
Greyfriars Road  
**Cardiff**  
CF10 3AL  
T/ 0292 066 0910

The Observatory  
Southfleet Road  
Ebbsfleet  
Dartford  
**Kent**  
DA10 0DF  
T/ 0132 237 4660

68/70 George Street  
**Edinburgh**  
EH2 2LR  
T/ 0131 220 7777

3rd Floor  
14 King Street  
**Leeds**  
LS1 2HL  
T/ 0113 204 4777

7 Soho Square  
**London**  
W1D 3QB  
T/ 0207 446 6888

Tower 12  
18/22 Bridge Street  
Spinningfields  
**Manchester**  
M3 3BZ  
T/ 0161 817 4900

Rotterdam House  
The Forum  
The Pearl  
New Bridge Street West  
**Newcastle**  
NE1 8AQ  
T/ 0191 605 3500

The Blade  
Abbey Square  
**Reading**  
RG1 3BE  
T/ 0118 943 0000

Regent House  
Prince's Gate  
4 Homer Road  
**Solihull**  
B91 3QQ  
T/ 0121 711 5151

Suite 43  
OVIC  
4 Ocean Way  
**Southampton**  
SO14 3JZ  
T/ 023 8038 1968

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