



Report to the Partnership for Urban South Hampshire Joint Committee

Date: 28 January 2014

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Subject: Strategic Housing Market Assessment (SHMA) – Final Report

SUMMARY

One of the actions in the PUSH Business Plan 2013 – 2014 was the preparation of a strategic housing market assessment (SHMA) for the PUSH area. This work is now complete and a final SHMA report, with appendices, is [attached](#).

The study provides an up-to-date and objective assessment of the housing market in south Hampshire in 2013, setting out the current context and projections of the need for affordable and market housing to 2036. It sets out the different factors affecting the individual authorities within PUSH and considers the need and demand for housing of different type, size and tenure. The report also looks at the impact of demographic change, the state of the economy and the changing benefits system. The consultants' final report provides essential background information for those authorities preparing local plans and provides evidence of our fulfilment of the 'duty to cooperate'.

The SHMA report forms the starting point for the review of the South Hampshire Strategy to 2036. The SHMA is an assessment of housing need, rather than a housing allocation strategy. The report will inform the housing allocations in the new PUSH Spatial Strategy, alongside evidence on land availability, urban capacity, accessibility to jobs and services, infrastructure capacity, environmental impact and many other factors and constraints. These points are emphasised in the foreword attached to the SHMA report.

The SHMA report takes into account the new draft Government guidance on *Assessment of Housing and Economic Development Needs*, issued in August 2013.

RECOMMENDATIONS

- A) That the PUSH Joint Committee NOTES the Final Report of the SHMA, and its publication on the Housing and Planning section of the PUSH website by 31 January 2014.
- B) That the PUSH Joint Committee AUTHORISES officers to prepare a specification, budget and timetable for the PUSH Spatial Strategy review during February and March 2014.
- C) That officers report back to the Joint Committee in March 2014, with a recommendation to appoint a consultant to undertake the initial phase of work. This work will take place over the period April 2014 to March 2015 and will lead to the preparation of a draft document for public consultation to include other interested parties in collaboration with PUSH Leaders, Chief Executives and Planning Officers Group (POG).

INTRODUCTION

1. The National Planning Policy Framework (NPPF) requires that local planning authorities should ensure that their Local Plan meets the full, 'objectively assessed needs' for market and affordable housing in their housing market area. It also emphasises the role of a strategic housing market assessment (SHMA) in assessing these needs. The PUSH Joint Committee resolved in March 2013 to press on with a new strategic housing market assessment for south Hampshire to support current and future plan making up to 2036. GL Hearn was appointed in early May to undertake the study.
2. The SHMA is an independent and objective study of the housing market. It provides an understanding of the current housing market of the area and an assessment of future needs for both market and affordable housing. The report presents a range of scenarios for housing need based on different assumptions. The consultant's report explains in detail the assumptions underpinning each of these scenarios.
3. The study is not a plan or strategy. It provides a range of projections of housing need, based on past trends and expectations of future change. It makes no specific assumptions about future planning, housing or economic policies across the PUSH area, each of which may have implications for the level of housing need, or of potential constraints on the location, pace or quantum of development. However, the study does provide an essential basis for the PUSH authorities to review the South Hampshire Strategy and a factual assessment of likely future needs against which current plans can be examined.

THE SHMA REPORT

4. The consultants produced a draft SHMA in mid-August following which officers provided detailed and extensive comments on various aspects of the report. A draft report was considered by PUSH Leaders in early September and a revised version issued in early October 2013. Further consultations with the respective PUSH local planning authorities was undertaken and final comments fed into the final iteration of the SHMA report due to be presented at this Committee meeting.

5. During the course of the study, Government issued draft guidance on *Assessment of Housing and Economic Development Needs* in August 2013 which was taken into account in the SHMA report. The new guidance introduces a number of additional tests to be considered when estimating housing need:
 - Is there evidence that household formation has been constrained?
 - Do market signals suggest a need to increase housing supply to improve affordability?
 - Will the projected numbers be capable of meeting affordable housing needs?
 - Will the housing numbers supported expected growth in jobs?
6. In the light of this new Government guidance, the consultants have recommended an estimate of housing need for the PUSH area (excluding the Isle of Wight) of 4,160 homes per year. This estimate is significantly higher than the SNPP¹-based projection of 3,780 per year. The main reason for this is that there is a degree of suppressed housing demand in the current market. This is in part linked to the recession, the weakness of the housing market and difficulties in obtaining mortgage finance over recent years. As the economy continues to recover it is anticipated that this suppressed demand will be progressively released. The requirement for some additional capacity to absorb this need is reflected in the recommended figure.
7. In parallel with the SHMA work, the LEP has commissioned Oxford Economics to model both jobs and housing growth, linked to its preferred economic growth strategy. An approach has been agreed with the LEP to ensure that the Oxford Economics work is undertaken in collaboration with GL Hearn, to produce a set of housing need projections which derive from the LEP's preferred economic growth strategy. This work will be complete in March 2014.

REVIEW OF THE SPATIAL STRATEGY

8. It is recommended that work commence as soon as possible on the review of the PUSH Spatial Strategy. The SHMA report emphasises that need estimates at district level cannot be interpreted as housing allocations. It is therefore important that PUSH progress with the next phase of the work as rapidly as possible to develop allocations, in line with the SHMA's estimates of need at Housing Market Area level.
9. The updated strategy will not be a statutory planning document, but will inform developers and Planning Inspectors of the agreed PUSH thinking on the preferred spatial strategy to deliver the economic priorities for South Hampshire. The updated spatial strategy will work to a 2036 planning horizon. The end product will be an updated, non-statutory strategy document, similar in scope to the updated South Hampshire Spatial Strategy (2012), demonstrating fulfilment of the duty to cooperate.
10. A consultant will be appointed to lead this work, in close co-operation with both PUSH staff and the PUSH Planning Officers Group, which comprises staff from all the component local planning authorities.

¹ Sub National Population Projection – produced by the Office of National Statistics

11. It will be important to ensure that the updated strategy, once it has been taken through appropriate due process, will add value as supporting evidence in the future examination of conforming local plans within the PUSH area and will have status as a material consideration in the determination of future planning applications. It should include full consideration of the findings of any required strategic environmental assessment, sustainability appraisal or appropriate assessment as part of the update work. It should also address all feedback from stakeholder and public consultations undertaken as part of the plan preparation process.
12. The successful consultant will be required to take account of the current PUSH Business Plan, as well as the LEP's emerging Strategic Economic Plan to 2020. Relevant evidence compiled by Solent Transport and individual local authorities should also be incorporated.
13. Within the constraints of the updated evidence base that is now available, the updated spatial strategy should provide an appropriate policy document to replace the current South Hampshire Strategy. The updated document should include:
 - a revised statement of key priorities of PUSH, which take account of the emerging Solent Strategic Economic Plan
 - an updated core policy setting out the development strategy for the enlarged PUSH area
 - policy material relating to the strategic development and regeneration programmes in the two cities and other major urban areas
 - a policy on the scale and location of housing development, incorporating a review of policy for the Strategic Development Areas
 - an updated policy on the scale, location and type of employment and commercial development, including the role of regional and town centres and the requirements of the maritime and logistics sectors
 - an updated affordable housing policy, taking account of recent developments in national policy and funding arrangements, as well as new and emerging policies within each local authority area
 - an infrastructure strategy for the enlarged PUSH area, incorporating a revised transport strategy which is fully consistent with the shared Solent transport strategy. This should also incorporate the adopted PUSH Green Infrastructure Strategy alongside evidence on other infrastructure requirements (including flood risk management).
 - An updated strategy for environmental sustainability, informed by new policies and programmes at national level and evidence prepared for individual local plans.
14. A phased approach to the preparation of the update is proposed. During the initial phase (April 2014 to March 2015), options for the draft strategy will be developed and evaluated and will be subject to technical appraisal. The intention is to take an options appraisal and initial draft Strategy to wider public

consultation to include other interested parties in 2015, once it has been approved by PUSH for this purpose.

15. During February and March 2014, more detailed work will be undertaken to prepare a specification, budget and timetable for the review. This will include work on an *Invitation to Quote* for a consultant to undertake the initial phase of the update work. Recommendations will be brought to the Joint Committee in March to approve the procurement of a suitable consultant, enabling technical work to commence in April 2014. The consultant will report to Gloria Ighodaro, PUSH Programme and Information Manager, and the Project Sponsor will be Paul Nichols, PUSH Planning Theme Lead.

NEXT STEPS

16. Subject to the views of Members, it is intended that the SHMA report is published as soon as possible after this Joint Committee meeting (by January 31st).
17. Following publication, some of the PUSH authorities will wish to make immediate use of the study to assist in the preparation or examination of their plans.
18. The PUSH SHMA is an assessment of housing need, rather than a housing allocation – as outlined in the foreword to the document. Although district level figures will be published within the SHMA, these do not represent or imply district level housing allocations. The review of the PUSH Spatial Strategy will take the SHMA as core evidence of the level of housing need across the two housing market areas of south Hampshire. This will inform the housing allocations in the new Spatial Strategy, alongside evidence on land availability, urban capacity, accessibility to jobs and services, infrastructure capacity, environmental impact and other factors and constraints.
19. The SHMA will form part of the evidence base for the review of local plans, as well for the review of the South Hampshire Strategy.
20. A more detailed specification, programme and budget for the Spatial Strategy review will be brought to the Joint Committee in March 2014.