

‘How Many Homes?’

A companion guide

**Local Housing Requirements Assessment
Working Group**

March 2013

'How Many Homes?' A Companion Guide

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While care has been taken to ensure that the Guide is accurate and up to date, errors and omissions are possible, and no liability can be accepted.



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Foreword

This Guide has been produced to help de-mystify a process of vital importance to anyone who cares about their local economy, built environment and quality of life – working out how many homes need to be provided over the medium to long term.

Answering this question has always been one of the most important parts of the plan-making process. Government, and a whole range of others with an interest, are now emphasising its importance even more, as the slowdown in construction activity over recent years has increased the gap between what is built and the number of homes needed to keep up with population change and household formation.

The National Planning Policy Framework says that planning authorities must plan for, and deliver, the homes people need, and that they must base their local plans on an adequate, up-to-date and relevant analysis of the local market, including the needs of lower-income and vulnerable households.

This Guide, along with the demographic and household projection Toolkit which it accompanies, and provides a context to, has been written to help councillors, council professionals, local people, developers and others to understand and debate the housing needed in their areas.

However, delivering new homes and regeneration – the aspect of the housing challenge in which local planning plays the strongest part – is only part of a wider set of activities which contribute to ensuring that people have access to homes which meet their needs. An understanding of local population trends, the housing market and housing needs helps to shape and deliver strategies for the existing housing stock, for health and wellbeing, and for local economic vitality.

Getting to the right answer may well involve commissioning expert analysis. This Guide and the Toolkit between them help councils and other participants in the debate to understand what is happening in their area as a starting point, so that they can ask the right questions of experts if needed. Expert analysis is only useful if those commissioning it have framed the right questions.

Nicky Linihan

Chair, Local Housing Requirements Assessment Working Group

1

Introduction

- 1.1** This Companion Guide has been developed alongside the 'What Homes Where?' demographics and household composition toolkit ('the Toolkit')¹ by a group of professional bodies, trade associations and charities with an interest in planning for housing.² The Toolkit, and this Guide, provide the starting point and practical support for informing the debate on the number of houses needed in an area. Its intention is to help practitioners to develop a baseline of evidence which, together with an understanding of a local area, should enable those with an interest in planning for housing to take a view on the number and type of homes, both market and affordable, that should be planned for. At the very least it will help to identify areas where further, more focused work is needed. Both the Toolkit and Guide have been developed for practitioners who work in the fields of planning and housing (in both the public and private sectors), as well as housing providers, decision-makers, local communities and those who work in allied fields such as health provision, education and social services.
- 1.2** The Toolkit provides the information needed to understand the population and household profile for a local authority area in terms of:
- How that population has changed and what it looks like now.
 - What the overall level of population is likely to be in the future.
 - What that population is likely to look like in terms of its age profile.
 - What type of households are likely to exist in the future in relation to size and age.
 - How this compares to other neighbouring local authority areas and how people move between neighbouring areas.

This information provides the starting point for being able to consider what number and type of homes are likely to be needed in an area, what further information may be needed to determine this, and how that fits with the wider context. This Guide provides more detail about what these key elements are in planning for housing, including an overview of the process for assessing housing need.

- 1.3** While the views and objectives of the organisations involved in the development of this work may differ, common ground was found in terms of the need for a transparent, open and consistent approach to developing the evidence to support local debate. To this end this Guide reflects the general views and consensus of the group as a whole but not necessarily the views of any one organisation.

¹ The 'What Homes Where?' toolkit can be viewed at <http://www.howmanyhomes.org>

² British Property Federation, Building and Social Housing Foundation, Chartered Institute of Housing, Home Builders Federation, Local Government Association, National Housing Federation, Northern Housing Consortium, Planning Officers Society, Shelter, Royal Institute of Chartered Surveyors, Royal Town Planning Institute, and Town and Country Planning Association

2

National context

2.1 The Toolkit and this Guide have been developed within the context of national policy in relation to housing provision, as set out in the National Planning Policy Framework³ (the 'Framework') and *Laying the Foundations: A Housing Strategy for England* (the 'Strategy').⁴

National Planning Policy Framework

2.2 The Framework sets out the Government's planning policies for England and how they are expected to be applied. At its heart is the principle of achieving sustainable development, focusing on economic, social and environmental dimensions. This includes the need to ensure that sufficient land for housing is available of the right type and in the right place, and which comes forward at the right time, in order to accommodate the supply of market and affordable housing required to meet the needs of present and future generations.

2.3 Section 6 of the Framework focuses on 'Delivering a wide choice of high quality homes'. It states that to boost significantly the supply of housing, local planning authorities should:
'use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period'.⁵

2.4 The Framework develops this further in relation to delivering a wide choice of high-quality homes, widening opportunities for home ownership, and creating sustainable, inclusive and mixed communities.

2.5 The approach to developing an understanding of the demand for market and affordable housing within a housing market area is through the preparation of a Strategic Housing Market Assessment (SHMA). The key output of an SHMA is to provide evidence of what level, type and tenure of housing is likely to be needed in that housing market area. The Toolkit and this Guide provide a 'starting point' for understanding the likely size and composition of the future population for a local authority area. More refined work can then be carried out as part of the SHMA process to produce the core outputs and answer the questions that are currently identified in the SHMA Practice Guidance produced by the Department for Communities and Local Government in 2007 (these can be found at Figure 1.1 and Table 2.1 of that Guidance).^{6,7} The Toolkit and this Guide do not replace the SHMA Practice Guidance, but rather provide a resource to help get practitioners started. The Framework sets out that, in doing so, local planning authorities should ensure that Local Plans are based on a proportionate evidence base that is adequate, up to date and relevant.

³ *National Planning Policy Framework*. Department for Communities and Local Government. Mar. 2012.
<https://www.gov.uk/government/policies/making-the-planning-system-work-more-efficiently-and-effectively/supporting-pages/national-planning-policy-framework>

⁴ *Laying the Foundations: A Housing Strategy for England*. Department for Communities and Local Government. Nov. 2011.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7532/2033676.pdf

⁵ Paragraph 47 of the Framework

⁶ *Strategic Housing Market Assessments Practice Guidance. Version 2*. Department for Communities and Local Government, Aug. 2007.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/11812/Strategic_Housing_Market_Assessments-Practice_Guidance.pdf

⁷ It should be noted that the Review of Government Planning Practice Guidance (The Taylor Review) has identified this guidance as being a priority for review. Therefore, the most up-to-date version should be referred to

Laying the Foundations: A Housing Strategy for England

2.6 The Housing Strategy has two main aims. The first is to help drive local economies and create jobs through unblocking the housing market. The second is to spread opportunity in our society through enabling people to secure a decent home of their own. The Strategy focuses on the areas where it is felt the current housing market isn't working. These are that:

*'buyers can't buy...; lenders are not lending enough...; builders are not building...; investors are not investing...; affordable housing can do more...; and tenants [in the private rented sector] are struggling.'*⁸

2.7 The Strategy is clear that, without urgent action to build new homes, children will grow up without the same opportunities to live near their families which older generations enjoyed, young people will struggle to get a place to call their own, and older people will not have the housing choice and support they need. It sees housing as crucial for social mobility, health and wellbeing, and states that social housing should provide support for those who need it, when they need it, and should help vulnerable people to live independently. Furthermore, housing is seen as being inextricably linked to the wider health of the economy, and getting house-building moving again is seen as crucial for economic growth. The thrust of the Strategy is to:

- Support the delivery of new homes and support aspiration.
- Support choice and quality for tenants (*in both the private and social rented sectors*).
- Tackle empty homes by bringing them into use.
- Provide better-quality homes and places.
- Provide better housing support (*in the social housing sector*).

'Duty to Co-operate'

2.8 One important area that local authorities need to be mindful of in relation to housing is the 'Duty to Co-operate'. This was introduced in Section 110 of the Localism Act 2011. The duty:

- Relates to sustainable development or use of land that would have a significant impact on at least two local planning areas or on a planning matter that falls within the remit of a county council.
- Requires that councils set out planning policies to address such issues.
- Requires councils and public bodies to 'engage constructively, actively and on an ongoing basis' to develop strategic policies.
- Requires councils to consider joint approaches to plan-making.

The 'Duty to Co-operate' is both a statutory test and a key issue when assessing the soundness of local plans. If it is inadequately carried out, the Planning Inspectorate will find the plan 'unsound' and it cannot be adopted, leaving the area without a locally determined framework to guide development. Paragraph 159 of the Framework sets out that local authorities should work with neighbouring authorities where housing market areas cross administrative boundaries. The Planning Advisory Service has produced *A Simple Guide to Strategic Planning and the 'Duty to Co-operate'*, which provides more detail in relation to the Duty to Co-operate.^{9,10}

Summary

2.9 The delivery of the range and type of housing needed does not fall solely to the planning system. Our future housing needs will be delivered through a combination of new housing and making the best use of our existing housing stock in both the public and private sectors and homes currently not in use. It is therefore vital that, in planning for housing, all practitioners recognise that it is the complete package, rather than individual elements, that needs to be considered in developing plans and strategies. Local authorities therefore need to take a corporate approach to planning for housing, as well as working with key partners including Registered Providers and the development industry.

⁸ Page vii of the Strategy Executive Summary

⁹ *A Simple Guide to Strategic Planning and the 'Duty to Co-operate'*. Planning Advisory Service. Updated Jun. 2012.
<http://www.pas.gov.uk/pas/core/page.do?pagelid=2133454>

¹⁰ The Taylor Review has identified the need for government guidance on the Duty to Co-operate

3

Demographics

Why do we need to know about demographics?

3.1 The Framework states that local planning authorities should prepare a Strategic Housing Market Assessment and that, among other things, the SHMA:

'Should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:

*- meets household and population projections, taking account of migration and demographic change.'*¹¹

3.2 Demographic information provides the starting point for understanding what has happened to the population in an area, what the profile of that population is at the moment, and what could happen to it in the future should past trends continue. The Toolkit provides this information, based on national population and household data and projections. This information is produced by the Office for National Statistics (ONS) in respect of population data, and by the Department for Communities and Local Government (DCLG) in respect of household information. One of the major benefits of basing the Toolkit on these projections is that it provides consistent information across all local authority areas in England, based on nationally recognised datasets. This means that the figures for one area can be compared with another on a 'like for like' basis. As the Toolkit is set at the local authority level, those local authorities and their communities may wish to undertake a more fine-grained analysis at the parish or neighbourhood level, if feasible, to further understand the more 'local' context.¹²

3.3 The Toolkit shows, in relation to both age profile and the number and mix of households:

- How the population has changed over the past 10-20 years.
- What it looks like now.
- What it might look like in the future.

3.4 The fundamental drivers of how the population of an area changes are relatively simple: the total population in the future is created by the existing population, plus those who come, less those who go. The 'comings' and 'goings' are:

- Births.
- Deaths.
- People arriving from or leaving for the rest of the UK.
- People arriving from or leaving for other countries.

Why is looking at the past relevant?

3.5 Understanding how a local authority area's population has changed to what it is today provides an opportunity to review whether policies helped to shape the population in a way that was anticipated and/or needed. The consequences, intended or otherwise, of those policies can be assessed and potential anomalies identified. Local knowledge can then be used to explain why these may have occurred. For example, was there a particular time when a number of people of working age moved out of the area? Did this coincide with the relocation of a major employer to another area? Was there a drop in the rate of house-building over a number of years which meant that there wasn't enough family housing to accommodate the population at the time? Taking that backwards look, and then looking at

¹¹ Paragraph 159 of the Framework

¹² Some of this more local information can be viewed at <http://www.neighbourhood.statistics.gov.uk>, but it does not incorporate future projections

what the profile of the population is now, helps to provide an understanding of opportunities and challenges that may be present now, and the Toolkit enables you to do this.

Why do we need to think about the mix of housing?

- 3.6** Understanding how the number and type of households in an area are likely to change provides a good basis for considering the area's overall future housing requirements. However, as set out in paragraph 3.1 above, the Framework refers to the 'mix of housing' and includes at paragraph 159 examples of different groups in the community that need to be considered. The next step is therefore the need to take a view on what the likely change in household composition means for the mix of houses that should be planned for.
- 3.7** People at different stages in their 'housing career' are likely to look for, and need, very different things, and may wish to live in very different areas. For example, older people with no dependents will have very different views of what type of housing they require compared with those of young people just starting out. The former may well be looking to 'down-size' (and not necessarily to a bungalow), but the quality, size and location of the housing that they are seeking could be very different from that of a starter home. Consequently local authorities will need to make assumptions about how and when people form households – for example:
- When young people leave home and either move into a shared house or set up home on their own or with a partner.
 - When couples start families.
 - What happens when people divorce – this does not always mean that a smaller house is needed (because of custody rights), even though the household size has decreased.
 - Under-occupation by older people – at what point do they move into smaller or more 'supported' accommodation?
- 3.8** Understanding what the current housing stock is and how it is currently occupied, when taken in combination with the number and type of households likely to exist in the future, provides the basis for considering what kinds of homes are likely to be needed for future households regardless of tenure. This is important, as what is already there forms a large part of an area's housing 'offer', and more of the same may not be what is actually needed.
- 3.9** For example, in many areas there are significant numbers of single people and couples living in homes with three, four or more bedrooms. That may be from choice, with people able and prepared to pay for accommodation which is larger than their basic needs. Alternatively, it may be, particularly for older people, because of a lack of modern accommodation which is more suited to their current needs in the area where they have social ties. That should be taken into account in assessing whether the current housing stock meets demographic needs and what combination of new housing would provide opportunities to free up existing housing to meet those needs. In doing so it is also important to consider what encourages people to make such a move and to remember that not all new family-sized housing will be occupied by families. A section of the Toolkit provides background information to help inform discussions on this issue.

Why do we need to think about the wider context that planning for housing links to?

3.10 The Framework states that:

'Local Plans are the key to delivering sustainable development that reflects the vision and aspirations of local communities';¹³

and

'Local planning authorities should seek opportunities to achieve each of the economic, social and environmental dimensions of sustainable development, and net gains across all three.'¹⁴

¹³ Paragraph 150 of the Framework

¹⁴ Paragraph 152 of the Framework

In developing policy, and understanding where and what type of housing is needed, there is therefore a need to consider whether the potential demographic profile 'fits' the vision and aspirations for an area. This vision may have been developed with a Local Economic Partnership (LEP), may be set out in a local authority's Council Plan or associated documents, or may be contained in an area's Sustainable Community Strategy. If the future profile of the population does not 'fit', it is important to consider what the profile of the population might need to look like in order to support that vision, and what policies might be helpful. For example, an area with a long-term vision for economic growth may not, based on a continuation of current trends, have a future population profile which has sufficient people of working age to support it. There will therefore be a need to consider how this is addressed. Should additional housing be provided over and above that shown in the baseline information? What role do adjoining local authorities have to play in that provision (see paragraph 3.14 below)? In addition to the above, the baseline future profile may well evoke a number of other questions in relation to health and social care provision, education, transport, water resources and other supporting services and infrastructure, which may need to be considered.

Is it appropriate to look at assumptions which are not based on past trends?

- 3.11** In developing the evidence base,¹⁵ based on the Framework requirements, and the SHMA outputs referred to in paragraph 2.5, there may be a desire to test assumptions which differ from those used in the national ONS and DCLG projections. Doing so can provide a better understanding of whether the shape of a community, based on past trends, would support longer-term objectives for an area, and what the implications would be if that future profile were different. Alternatively, having assessed the historical statistics with local knowledge, it may be clear that a particular peak or drop in population was a 'one-off', leading to a desire to test alternative scenarios.
- 3.12** The Toolkit provides the ability to explore the implications of alternative scenarios. However, any changes to assumptions used by the ONS or DCLG **need to be clearly evidenced and justified** so they can be fully explained to local stakeholders and, if used in identifying the level of housing in a local plan, at its formal examination.
- 3.13** To help understand what might constitute a reasonable alternative assumption, the Cambridge Centre for Housing and Planning Research has produced a report, *Choice of Assumptions in Forecasting Housing Requirements*, which looks at the range of demographic and household assumptions and provides expert advice on how far it might be reasonable to change the assumptions used in the ONS and DCLG projections.¹⁶ It covers:
- Birth rates.
 - Life expectancy.
 - Population flows to and from the rest of the United Kingdom.
 - International population flows.
 - Household formation patterns.

Why is it important to look beyond an individual local authority's boundary?

- 3.14** In considering the requirements of the 'Duty to Co-operate', understanding how neighbouring local authority areas have developed is also important. In particular, identifying the differences and using local knowledge to understand what has caused them can give a deeper insight into what has driven changes in the wider housing market. What happens to housing supply in one area can affect neighbouring areas – even areas which may seem to be quite a long way away. People base their decisions on where they are going to live on a whole range of factors, including, among other things, ease of access to their place of work, affordability, and the quality of local education. In addition market forces in different areas interact. In particular, a decision to plan for more or fewer homes in Area A than the official projections might suggest are needed is likely to have an impact on local authority Areas B and C, from which

¹⁵ Paragraphs 158-177 of the Framework provide more information in respect of the development of a proportionate evidence base for local plans
¹⁶ *Choice of Assumptions in Forecasting Housing Requirements*. Cambridge Centre for Housing and Planning Research, 2013. This advice can be viewed at <http://www.howmanyhomes.org>

people tend to move to Area A, and vice versa. The Toolkit takes account of migration based on national assumptions and provides information on flows between neighbouring authorities. It also enables 'side by side' comparisons with up to eight other local authorities to help understand the interrelationship between them.

Summary

3.15 The baseline population and household projections provided in the Toolkit form the starting point for assessing requirements. In identifying the level and type of housing to be delivered in a local plan, this baseline, and any alternative scenarios proposed, need to be assessed in relation to factors including, but not limited to:

- Environmental, infrastructure and services capacity.
- Economic objectives.
- The timing and phasing of development.
- The ability of the local market to accommodate development.
- The willingness of the development industry to build it.
- The availability of land – is there enough land identified through the Strategic Housing Land Availability Assessment (SHLAA),¹⁷ is it in the right place, and does it provide sufficient choice to deliver the new housing required?
- Viability considerations.¹⁸

The Planning Advisory Service has produced a local plan *Soundness Self-Assessment Checklist* which provides more information in relation to the wider plan-making context.¹⁹

3.16 The Toolkit provides the baseline information in relation to likely future population and household formation change within a local authority area. However, a fundamental purpose of SHMAs is to assess not only the wide variety of housing needed in an area but also the housing required for households who are unable to obtain suitable housing without financial assistance. The following sections provide an overview of that process

17 *Strategic Housing Land Availability Assessments: Practice Guidance*. Department for Communities and Local Government, Jul. 2007. <https://www.gov.uk/government/publications/strategic-housing-land-availability-assessment-practice-guidance>. This is another part of national guidance which has been identified by the Taylor Review as being a priority for review

18 Advice on viability testing for local plans can be obtained from *Viability Testing Local Plans: Advice for Planning Practitioners*. Local Housing Delivery Group, Jun. 2012. <http://www.nhbc.co.uk/NewsandComment/Documents/filedownload,47339,en.pdf>

19 *Soundness Self-Assessment Checklist*. Planning Advisory Service. Updated Jan. 2013. <http://www.pas.gov.uk/pas/core/page.do?pageld=109568>

4

Housing need

What is housing need?

- 4.1** This section is about building consideration of housing need into market assessment.
- 4.2** Understanding housing need (as distinct from housing 'demand') is an absolutely vital part of local housing requirements. At the most extreme level, there are people who literally have nowhere to live. There are currently a few thousand homeless people sleeping rough on a typical night across England. They are demonstrably at extreme risk of physical and mental harm, including mortality rates very much higher than the general population. They also face the most severe forms of social exclusion.
- 4.3** Still with an obvious high level of need, but larger in number, there are homeless households such as those making do staying with family or friends, or living in short-term hostel or bed and breakfast (B&B) accommodation, experiencing insecurity, physically poor conditions, and sometimes the risk of abuse or exploitation.²⁰ Furthermore, there are a growing number of families renting from a private landlord on very short-term contracts, with little prospect of purchasing or renting a permanent home, and facing rents that increase much faster than local incomes. At the other end of the spectrum, many households in more secure accommodation, perhaps even the majority, might say they 'need' housing which is more spacious, more affordable or easier to look after, or better located for work or school. It is difficult to argue that meeting that 'need' would not improve their physical or mental wellbeing, but it is clearly a different order of need from those who are homeless or sleeping rough. Between the two extremes, there is a range of housing need: examples are set out in Box 1.

Box 1 Housing need – what is it?

- 'Don't have it': Sleeping rough.
- 'Have it now, but not secure or safe': Instability or, for example, issues of domestic violence.
- 'Have it now, but don't have enough of it': Overcrowding.
- 'Have it, but poor quality': Dilapidated, cold, damp, etc.
- 'Have it, but doesn't meet my needs': For example, physical disability.
- 'Have a home, but nowhere legal to stay': Need a place to park my caravan (Gypsies and Travellers).
- 'Have it, but need physical or social support': For example, physical frailty, mental ill-health, learning disability.
- 'Have it, but too expensive': Housing costs an unacceptably high proportion of disposable income.
- 'Have it, but it's not where I need it': For example, lack of housing near workplace in rural areas.

Households within many of these groups have the potential to become classified as statutory homeless.²¹

²⁰ Crisis has commissioned independent analysis of this topic: *The Homelessness Monitor: Tracking the Impacts of Policy and Economic Change in England 2011-2013. Year 1: Establishing the Baseline*. Crisis, Oct. 2011. <http://www.crisis.org.uk/publications-search.php?fullitem=332>

²¹ Sections 190-196 of the Housing Act 1996 sets out the duties to persons found to be homeless or threatened with homelessness. Section 193 (as amended by Sections 148 and 149 of the Localism Act 2011) sets out the duties to persons with priority need who are not intentionally homeless

- 4.4** Many individuals and households may experience more than one kind of need simultaneously; for example, housing may both be overcrowded and unaffordable.
- 4.5** Some of these kinds of need arise from demographic change (see section 3). Most obviously, the number of older people, especially the very old, has been growing rapidly, and will increase over the coming decades. More housing will be needed which is physically suitable for use by people who are frail and experiencing disabilities, and of a design that makes it as easy as possible to provide care and support.²² Some local authority areas have experienced, and are likely to experience, a growth in the number of households with larger numbers of children or with members of an extended family living together.
- 4.6** All these kinds of need are shaped by economic and social circumstances in the locality, and by the way these change over time. The extent to which needs like specialist accommodation for older people, or homes suitable for larger families, can be met in the open market, or need to be met through social housing, depends on the distribution of income and wealth. Trends in the number of households in the local community who are workless, or working in low-wage employment, affect the number of people who are likely to experience difficulty in finding a home that meets their needs at a price they can afford. The same problem can affect those on a good income in areas where high costs put a suitable home out of reach.

Why assess housing need?

- 4.7** Councils and their partners, through their planning and other activities, seek to address these different kinds of need for the sake of the wellbeing and quality of life of residents, but also because unmet housing need is a risk to many other local priorities:
- Lack of housing at a price that people can afford within range of workplaces makes it difficult for employers to recruit and retain staff and impacts on economic vitality.
 - Homes which are physically hazardous, cold and damp can lead to avoidable pressures on primary health care, and can sometimes result in hospitalisation.
 - Lack of suitable and stable housing options can result in frequent calls on homelessness units, increased spending on costly temporary and B&B accommodation, and wider disadvantage to society, for example making it more difficult for children to do well in school. People who are vulnerable in a variety of ways are likely to make more demands on reactive local services, including health, social care and criminal justice, if they do not have suitable housing and support.
- 4.8** Councils have legal duties under equalities legislation to understand the impact of their policies and activities on minority ethnic communities and people with disabilities.²³
- 4.9** Developing a local strategy for the different kinds of housing need requires evidence on:
- The extent of different kinds of need now.
 - How that compares with the past.
 - What further change is likely to take place into the medium to long term.

That analysis is part of the essential evidence base for both local plans and housing strategies. The Framework makes it clear that the local plan must meet local need, and must be based on an objective assessment of that need – see Box 2.

²² An excellent introduction to older people's housing needs is *Housing our Ageing Population: Panel for Innovation*. Homes and Communities Agency, Jun. 2009 http://www.homesandcommunities.co.uk/sites/default/files/happi_final_report_-_031209.pdf

²³ *The Essential Guide to the Public Sector Equality Duty*. Equality and Human Rights Commission, Nov. 2012 (Revised Edition). http://www.equalityhumanrights.com/uploaded_files/EqualityAct/PSED/essential_guide_update_nov.pdf

Box 2

National Planning Policy Framework – assessing and meeting local housing need

'planning authorities should... ensure that their Local Plan meets the **full, objectively assessed needs** for market and **affordable** housing in the housing market area'

Paragraph 47

'planning authorities should... plan for a mix of housing based on current and future demographic trends, market trends **and the needs of different groups in the community** (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes)'

Paragraph 50

'In rural areas... local planning authorities should be responsive to local circumstances and **plan housing development to reflect local needs, particularly for affordable housing**'

Paragraph 54

'The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which... **addresses the need for all types of housing, including affordable housing and the needs of different groups in the community** (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes)'

Paragraph 159

The **emboldened** text is our emphasis.

4.10 Evidence about need is also likely to play a central role in strategy development and service planning for other council and local public service provision, most obviously for:

Housing

- What **new** housing is needed to prevent homelessness?
- How does **existing housing** need to be improved, altered or converted?
- What should be the mix of re-provision in **major regeneration schemes**?
- **On what terms (type of tenancy and rent charged) should existing or new rented homes be let?**

Health and social care

- How does poor housing **affect health and wellbeing**?
- What types of housing are needed **to improve health and wellbeing** and **support better care** for people with health problems or disabilities?

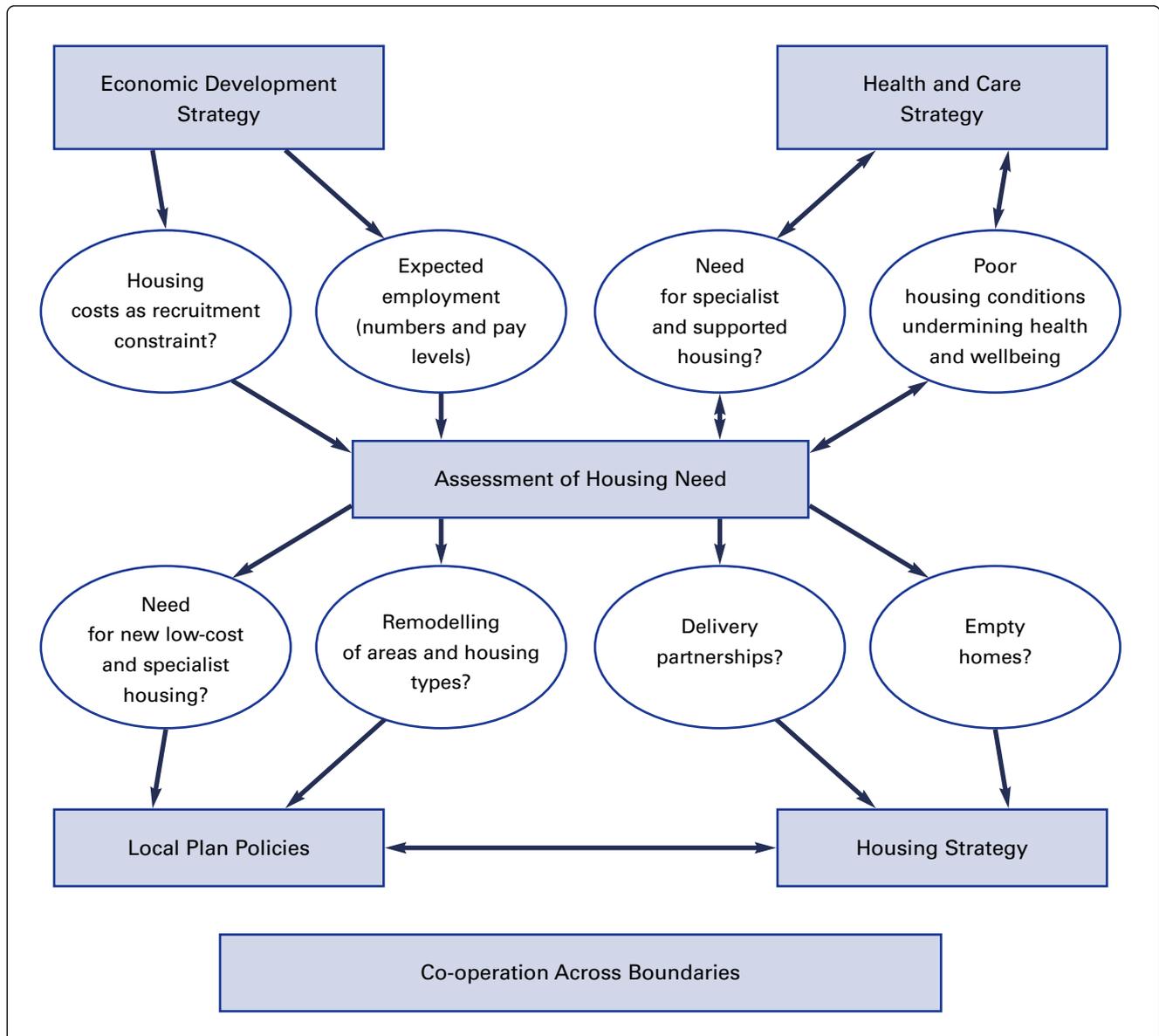
Local prosperity

- How far is lack of housing which people on low incomes can afford an obstacle to businesses being able to meet their **workforce needs**?

4.11 A good evidence base about local housing need can therefore help a council and its partners to develop a response which balances different kinds of intervention (of which policies in the local plan are just one). Figure 1 on the following page may help in working out how an assessment of housing need is influenced by, and in turn can influence, local strategic thinking.

4.12 A comprehensive and balanced local strategic approach of this kind, informed by an assessment of housing need and other evidence, will be a much better basis for a sound and deliverable local plan than an approach which assesses need purely as an input to the planning process, by seeking to draw a straight line from levels of need projected in the analysis to numbers of new affordable and specialist

Figure 1
Assessment of housing need - key relationships in local strategic thinking



housing. The latter approach is likely to run into an irresolvable tension between the scale of new development apparently required to meet local need, and physical and viability constraints on what can actually be delivered. The cost of new social housing at the new higher Affordable Rents, and changes to allocations, mean that social housing may no longer be a suitable or available option for some households in need.

4.13 An assessment of local housing need is also valuable for:

- Local housing providers, both social and commercial, providing them with evidence to support business planning and investment.
- Community and campaigning groups, including those putting the case for homeless people and other vulnerable groups in society, and organisations involved in neighbourhood planning, again providing them with an evidence base for developing their case.

5

The affordable housing evidence base

5.1 The scope and scale of this Guide means that this section can offer an outline only of the main points to think about. Chapters 5 (on housing need arising from affordability), 6 (on housing requirements of specific groups) and 7 (on monitoring and updating) of the 2007 SHMA Guidance form a useful fuller guide.

Starting and managing the process

5.2 As discussed in section 4 above, a number of council departments and other bodies aside from those with a planning function have a big part to play in contributing to the analysis, which has potential to inform their own strategies and operations, as well as local plan development (see Box 3). It may therefore be helpful to think about how the process of assessing housing need is planned, managed and governed, to ensure these functions are aware of what is happening and why, have an opportunity to shape it, and can be involved in problem-solving.

Box 3

Potential participants in project initiation and governance

- Strategic housing function
- Health and social care
- Economic development
- Business community
- Social landlords (housing department/ALMO/housing associations)
- Private landlord representative groups
- Statutory/community organisations with an interest in specific groups, such as older people, mental health

5.3 Particularly where local authorities are relatively small in area (as is often the case in urban and suburban areas), and share a travel-to-work area²⁴ and housing market area with other local authorities, there may be a strong case for conducting the analysis together, or at the very least co-ordinating the analysis and comparing the results. For example, local authorities whose housing stock and land values are skewed towards the higher-cost end of a wider housing market area *could* reasonably take a view that the housing needs of some newly forming lower-income households could be met in other parts of the wider housing market area. But, in the light of the 'Duty to Co-Operate', such an assumption will only be sustainable if the analysis and assumptions about the affordability of existing housing and the availability of new supply have been shared across local authority boundaries. So there may be a case for involving representatives of neighbouring authorities in commissioning and project-managing the analysis. Within a local authority area, if land value, accessibility and other factors point towards focusing social housing development in particular communities, it is worth considering how to represent parish councils or community groups in steering the analysis, especially where there is neighbourhood planning activity.

²⁴ Information on travel-to-work areas can be found at <http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/other/travel-to-work-areas/index.html>

5.4 The adoption of the local plan which the assessment informs is not the end of the process (see paragraphs 5.17-18 below), so it is important that project management and governance structures are designed to continue to function, albeit less intensively for much of the time, for the whole plan period.

In-house or consultants?

5.5 There is evidently not a single right answer to this question. What can be said is:

- A lot of data is available from national and local sources. While assembling and interpreting the evidence is not simple, it is not conceptually or practically beyond the capabilities of local government officers, elected members, professionals and their partner organisations. However, there is no scientifically discoverable set of 'right answers': as with any view of the future there is inevitably a degree of uncertainty and areas in which judgement needs to be applied. Local knowledge and evidence is vital as a source of information and can underpin the assumptions formed. Outsiders or consultants from outside the area are not as well placed to make those 'judgement calls' as local decision-makers and professionals.
- Consultants may well add value to the analysis, not by having the task handed over to them wholesale, but by working closely with the client – supporting debate about methodologies and data from their experience elsewhere, bringing an element of external critical challenge, advising how to get at answers where the data appears limited, and, of course, where there are simply not enough pairs of hands to do tasks, doing them for the client.

Methodology

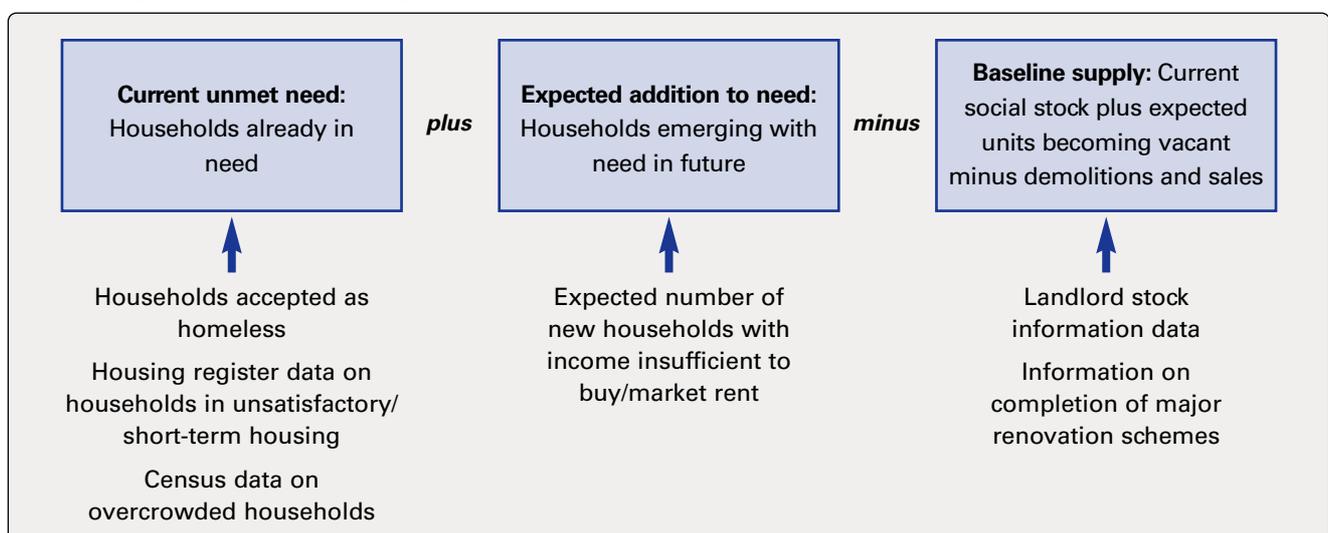
'Assessments should be proportionate'
Paragraph 167 of the Framework

5.6 This statement in the Framework is perhaps the most important point to bear in mind. The assessment is not an end in itself, and it does not need to be encyclopaedic. Since, especially in relation to future trends, it is not possible to be certain, and analysis will depend on what can only be educated assumptions, it is important to avoid attempting a level of detail and accuracy which could only be spurious. It is better to be broadly right than wrong in very fine detail. The analysis is intended to shape answers to two questions:

- What is the number of new affordable homes required in the locality over the plan period?
- What is the number of housing units required to meet the needs of specific groups in the community over the plan period?

5.7 Figure 2 sets out a very basic approach to calculating the requirement for **new affordable homes**, with some suggestions about data sources to inform a judgement about what number to put in each box. It is

Figure 2
Estimating affordable housing need - basic calculation



'How Many Homes?'

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important, in undertaking this analysis, to recognise that 'current' unmet need takes into account the 'backlog' of need that already exists. In addition, some existing households will fall into need during the local plan period and therefore will contribute to the expected addition to that need; but they are not new households. This is particularly so in current circumstances, where there could be a significant number of households who find that they can no longer afford their rent or mortgage, or for other reasons need help.

- 5.8** Of course, there is a lot more to deriving an estimate or range of estimates from this basic model than finding information and plugging it into a spreadsheet. There are a number of important points to think about, to which there is unlikely to be a simple 'right answer'. There is a need to be clear, and to document what data is being used and the assumptions that have been made about it:

Interpreting raw data	<ul style="list-style-type: none">● For example, what types of need does the local housing register record?²⁵ While the total number is a general indicator of demand, and may be particularly telling about trends over time, using it for these purposes will require a closer look at the data.
How many people cannot afford housing on the open market?	<ul style="list-style-type: none">● Historic data – new social housing tenancies, numbers added to the register.● Data on local income, house prices and rents.● The 2007 SHMA Guidance suggests thresholds of 3.5 times gross income (single earner) or 2.9 times gross income (two earners) for owner occupation, and 25% of gross income for private renting; but it is for those undertaking the work to choose levels, based on local evidence and judgements.^{26,27}
Different types of affordable housing	<ul style="list-style-type: none">● Affordable housing becoming available for new occupiers will now arise in three main categories: at conventional social rent; at the new 'Affordable Rent' level; and for shared ownership and other intermediate options. It is important to estimate these proportions, and how they may change over time, and recognise in the analysis the extent to which they are suitable, or not, for all households in need, taking account of a council's tenancy and allocations policies, which may, for example, discourage relets at 'Affordable Rent' to some types of household.²⁸
Placing homeless households in the private sector	<ul style="list-style-type: none">● If it is a council's policy to make use of this power, then there will be a need to make judgements about what proportion of existing and newly arising need could be placed in the private rented sector, taking account of the availability of properties within the benefit thresholds, which were lowered in 2011, and, in higher-rent areas and for larger households, within the household benefit cap. Local policy may be significant here, for example planning and housing strategy actions to increase the amount of private sector leased accommodation or other ways to increase the supply of well managed and maintained private rented housing at the lower end of the rental range, or establishing or expanding lettings agency activity by the council or social landlord partners.
Are the answers different in different places?	<ul style="list-style-type: none">● Particularly in geographically more extensive local authorities, there is likely to be a need to differentiate the analyses, say between towns and rural areas, and between settlements with different socio-economic profiles.

25 This is particularly likely to be the case as councils make use of the greater flexibility that the Government has given them on allocations and acceptance onto the register

26 The 2007 Guidance was issued at a time when mortgages of over 90% of value were much more available. The level of income at which home ownership is accessible to most people has probably increased

27 The restrictions on housing benefit introduced since 2010, and the £25,000 cap on total benefits, need to be taken into account in assessing how many people may not be able to afford homes for rent

28 The Glossary in Annex 2 of the National Planning Policy Framework provides the definition of affordable housing for planning purposes

- 5.9** Estimating requirements for **new housing for specific groups** can be done in broadly the same way – i.e. current need plus expected future need minus baseline supply – but the necessary data will need to be drawn from a range of sources.
- 5.10** For each such group, it is important to be clear about the following points:
- Does the housing need to be designed in a particular way, or include specific facilities or features? For example, housing meeting the needs of frail older people will require high standards of accessibility, and space for support staff and equipment. Gypsies and Travellers require sites for their pitches, not conventional housing, and often need space for business activities.
 - Whether or not the housing is of a particular type, whether support or care is required, and if so of what kind.
 - Does the housing need to be located in particular places, especially in planning authority areas which are geographically extensive? For example, housing with support for people with health needs should ideally not be in a location remote from primary and hospital care; or in rural areas, for example, there may be a case for clustering it in the interests of efficient provision of peripatetic services.
- 5.11** The largest such group numerically will be **older people** with a need for housing which is designed or adapted for their needs, delivers personal care and support, or both. In most local authority areas, the older population is growing more rapidly than the population generally, so this aspect of need is likely to grow particularly fast over the lifetime of the plan. Decisions need to be informed by an analysis which distinguishes both between different kinds and levels of need, and the numbers of people who can, or cannot, afford to pay the whole cost of the housing (and support, if provided) themselves. At the margin, there may be local policy choices about, for example, levels of investment in making changes to non-specialist housing so that frail older people can live in it, as opposed to new purpose-built housing. In areas where there is a substantial amount of older specialist housing (for example sheltered housing with bedsits and shared facilities) councils and providers are having to consider whether to make significant changes to existing housing to bring it up to modern acceptable standards, or replace it with new housing. As set out in paragraphs 3.6-3.9, planning for the older population may also have a part to play in the wider approach to market and affordable provision.
- 5.12** As with other aspects of planning for housing, it is important for this analysis to be informed by statutory public health, primary care, acute care and adult care services, and by voluntary and community organisations that are knowledgeable about the older population and provide services to them. Finding out (for example through surveys) about the preferences of older people between non-specialist housing (often where they have lived for some time) as opposed to specialist housing will help to inform judgements about new supply. Planning for new specialist supply for older people may assist in increasing the proportion of the existing general-needs affordable stock available to accommodate households in need.
- 5.13 Other groups** requiring specialist and/or supported housing will include:
- People with physical or learning disabilities, or mental illness, especially those who have been in institutional care for some time.
 - People recovering from substance misuse.
 - Offenders.
 - Vulnerable young people.
 - Recently arrived refugees.
- 5.14** Provision in the local plan for such groups will need to take into account local policy choices about how far need can and should be met by providing support in non-specialist housing, in change of use of properties previously used for other purposes (which may need to be reflected in plan policies), or in new development (needing to be reflected in plan policies and maybe site allocations). As with older people, the analysis requires close liaison with health, adult services, children's services, probation and relevant providers and voluntary sector organisations.

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- 5.15** Gypsies and Travellers have very particular accommodation requirements. DCLG has produced guidance on how to assess the need for sites.²⁹
- 5.16** Especially where local authorities share a relatively small geographic area, there may be scope for provision located in one authority's area to serve the needs of people originating from other areas. There may be a case for working jointly on the analysis of the needs of particular groups, especially those which are numerically smaller, with neighbouring authorities.

Monitoring and updating

- 5.17** Over a typical 15-year local plan period, patterns of demand and need are almost certain to change significantly, and delivery may not turn out in line with plan policies and assumptions. Such changes are likely to require action by councils, through planning and/or other functions, to ensure that housing need continues to be met to the maximum extent feasible.
- 5.18** The 2007 SHMA Guidance suggests a common sense approach in which the validity of the data and assumptions about need are revisited at regular intervals during the plan period (for example every five years), while the most important numbers (for example households awaiting permanent accommodation, or new affordable units built) are tracked as closely as possible to real time.

Using the evidence in plan development

- 5.19** Box 4 shows key issues on which the evidence in the assessment may be able to inform plan policies.

Box 4 **Key issues for evidence in plan development**

- Allocation of sites for different types of affordable housing.
- Exception sites policies in rural areas.
- Percentage of affordable housing required on market developments.
- Promoting new developments for older people and other specific groups, or provision via change of use, conversion or alteration of existing buildings.
- Specific policies for specialist market housing.
- Design of general-purpose housing so it can also meet the needs of specific groups, for example disabled accessibility.

- 5.20** Plan policies will need to take into account of, and be consistent with, local provision to meet housing and support needs in the existing housing stock (see paragraphs 5.11-16 above).
- 5.21** Particularly so long as demand and activity in property development remains subdued, because of market conditions and because public spending constraints limit funding for social housing, there is likely to be real tension between the requirements for affordable and specialist housing suggested by the evidence in the assessment on one hand and what is deliverable on the other. Careful consideration will need to be given to what can be delivered, taking into account viability,³⁰ the availability of public funding for housing and infrastructure, and practical constraints (like landscape and heritage designations, areas liable to flooding, etc). Of course, it may be possible for needs to be met in the territory of other local authorities in the same housing market area, but a local plan cannot just assert this: those authorities will need to be signed up to delivery plans as solid as those which would need to

²⁹ *Planning Policy for Traveller Sites*. Department for Communities and Local Government. Mar. 2012. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6078/2113371.pdf

³⁰ Advice on viability testing for local plans can be obtained from *Viability Testing Local Plans: Advice for Planning Practitioners*. Local Housing Delivery Group, Jun. 2012. <http://www.nhbc.co.uk/NewsandComment/Documents/filedownload,47339,en.pdf>

be in place for the local plan area doing the 'asking' in order to be able to clearly demonstrate the deliverability of the strategy (see paragraph 5.3 above).

- 5.22** Plans will not be sound, however, if they appear to accept constraints as limiting new supply, without the council and its partners suggesting how else the very real and important needs identified can be met. It will be important, therefore, to be able to show:
- Where not all needs can be met through new development, how the council has prioritised different types of need in the light of the evidence and analysis in its assessment.
 - How need is being met other than through new construction – through conversion or alteration, adaptations to existing general-purpose housing, bringing empty properties back into use, or mechanisms (for example Stable Rental Contracts³¹ and local lettings agencies) to meet more need through the private rented sector. Hence the vital importance of the planning function working alongside housing, health and wellbeing and other important local functions.
- 5.23** There may be ways of using some kinds of new build to increase the ability of the existing housing stock to meet needs. For example, local plan policies and site allocations which actively favour the provision of specialist affordable housing for older people may support the release of more general-needs affordable housing for younger households in need. If some such re-lets are at the new Affordable Rent levels, that in turn may increase the financial capacity of social landlords to fund new affordable development. Such creative thinking, across different council functions and involving providers and other partners, will be vital if there is to be any prospect of meeting the needs identified in the assessment. This kind of approach could also be applied to market housing, through providing evidence for and influencing the type of provision by developers.

³¹ Information on Stable Rental Contracts can be found in *A Better Deal – Towards More Stable Renting*. Shelter, 2012.
http://england.shelter.org.uk/_data/assets/pdf_file/0009/587178/A_better_deal_report.pdf

6

Conclusions

- 6.1** If you have not already done so, please do now explore what the 'What Homes Where?' Toolkit offers. It provides the starting point to better understand the housing likely to be needed in individual local authority areas in the future, and is the important 'first step' towards informing local debate on what level and type of housing should be accommodated, and its location. This 'first step', provided in the Toolkit, shows:
- How that population has changed and what it looks like now.
 - What the overall level of population is likely to be in the future.
 - What that population is likely to look like in terms of its age profile.
 - What type of households are likely to exist in the future in relation to size and age.
 - How this compares to other neighbouring local authority areas and how people move between neighbouring areas.
- 6.2** We hope that this Guide has provided the context to help understand why the information produced within the Toolkit is important, an understanding of the process for developing the evidence base underpinning estimates of future 'housing need' in an area, and what other evidence may be needed in developing local plans and other strategies. Feedback on the value of the Guide and Toolkit in use will be very welcome via the email address comments@howmanyhomes.org to assist with further refinement and future policy and data developments.