

Housing Needs Assessment at Neighbourhood Plan Level

A toolkit for neighbourhood
planners

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Introduction

Purpose of this toolkit

More and more neighbourhood planners are seeking to understand the specific housing requirements of their neighbourhood and to work out the ‘fair share’ of wider housing growth they should plan for, including the quantity and type of new housing across their areas. To do this, neighbourhood plan housing policies need to be underpinned by robust, objectively assessed data on local housing need.

This toolkit is aimed at neighbourhood planners. It explains how neighbourhood planners, including Parish and Town Councils and Neighbourhood Forums, can produce Housing Needs Assessments (HNAs) for their neighbourhood area, why they may need to do so, and the resources necessary to undertake this work.

This toolkit has been drafted by AECOM for Locality. At AECOM, we have extensive knowledge and experience of providing housing needs advice to neighbourhood planners as part of our work with Locality for the Department of Communities and Local Government (DCLG). Our approach is to apply the relevant components of the Government’s National Planning Practice Guidance (NPPG) advice for housing needs assessment¹ at a neighbourhood plan level, an approach which is endorsed by the NPPG itself².

A housing needs assessment is just one part of the neighbourhood plan’s evidence base. As such, it is not itself a policy document - only the neighbourhood plan itself sets housing policy. However, as a part of the evidence base, it is in your interest to ensure that any HNA you carry out or commission is clear, consistent, defensible, and has been carried out in line with national planning guidance. This will help ensure that your housing policies and/or targets informed by

¹Available online at <http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/>

² See NPPG Paragraph 006 Reference ID: 2a-006-20140306

the HNA are considered robust by the independent examiner at the neighbourhood plan examination, thus enabling the plan to proceed to referendum.

It is important to state upfront that the process of determining housing need, as demonstrated by this toolkit, is relatively complex; delivering a robust, defensible HNA requires detailed, technical work. As such a familiarity with the planning system, statistical analysis and/or economics are all positive advantages for those tasked with the assessment process. As the HNA has the potential to be one of the most scrutinised parts of your evidence base, if it is carried out by a non-specialist, it is recommended that it is reviewed by a housing needs specialist, potentially at your local planning authority, before completion.

Do you need a housing needs assessment?

Not every neighbourhood plan needs a housing needs assessment and it is not a compulsory requirement. In many cases, your neighbourhood will need an HNA if it has identified housing as an important issue for the neighbourhood plan to address. When determining whether your neighbourhood plan needs a housing needs assessment, there is a simple question to ask:

Do we want to know how many homes, and/or what type of homes, we need to plan for?

If the answer to any part of the above question is ‘yes’, and the answer is not already apparent (for example, there is no up-to-date Local Plan with a specific housing target for your neighbourhood plan area, or if there is a specific target but insufficient information on the type of housing needed), then a housing needs assessment can start to provide the answers you need by assessing the local demand for housing.

You should speak to your Local Planning Authority about the status of the Local Plan housing targets for your neighbourhood area when considering a HNA. Your Local Planning Authority should be proactive in providing this sort of information³.

³ http://planningguidance.communities.gov.uk/blog/guidance/neighbourhood-planning/the-role-of-the-local-planning-authority-in-neighbourhood-planning/#paragraph_022

The benefits of having a housing need assessment include:

- Ensuring that the housing delivered by the neighbourhood plan meets the needs of the existing community and future arrivals, including, for example, affordable housing and housing for older people
- An agreed benchmark for local housing quantity and type, providing objective answers to the politically contentious question of how many and what type of houses to build
- Increased certainty for the plan area community, the local authority and local developers on the degree to which your plan area will change and develop over the plan period
- An important starting point for the site allocations process, which tells you how much land will be required for new housing. In other words, the HNA can only show the **demand** for new housing, whereas Site Assessment shows the **supply** of available land. **It is important to keep the demand and supply analyses completely separate, i.e. through a two-stage process, so neither is constrained by the other.**⁴ The final housing target selected for the neighbourhood plan should then bring together both the demand and the supply side work.

The remainder of this toolkit will take you through the process of developing your own neighbourhood plan housing needs assessment. It will:

- Explain the process of producing a housing needs assessment at neighbourhood plan level;
- Set out the types of data that should be taken into account;
- Describe how assessment findings should be used;
- Explain how the approach can be modified to make it more appropriate for your neighbourhood, and the circumstances in which this may be necessary;
- Explain how your local authority can help you assess housing need for your area; and
- Provide examples of housing needs assessment carried out by AECOM at neighbourhood plan level.

⁴ For the purposes of a Housing Needs Assessment, this means formulating an estimate of housing need independent of whether there is land available to meet that need. Likewise, for the purposes of a Site Assessment exercise, you should determine the extent of suitable land independent of the estimate of housing need.

Carrying out a neighbourhood housing needs assessment

Overview of the project

The Government's planning practice guidance (PPG) states that establishing future need for housing is not an exact science. As such, no single approach provides a definitive answer. However, a process that gathers a wide range of relevant data, and then makes balanced, reasonable judgements on the basis of that data, is likely to be on the right lines.

For HNAs at a neighbourhood level, much of the existing data you need will cover your local authority or a housing market area⁵, both of which are much larger than any neighbourhood plan area. As such, one particularly important consideration is to consider and to determine the extent to which the neighbourhood diverges from the local authority or housing market average.

This reflects the fact that a single town, village or neighbourhood virtually never forms its own housing market and must therefore be assessed in the context of its wider market. For example, does it have more or less older people or larger dwellings than its local authority or housing market area average? Both of these considerations would help inform conclusions on quantity and type of housing needed.

Building on this point, housing needs assessment at neighbourhood level is best thought of as a review of existing data already freely available from a range of sources to determine a notional 'fair share' of housing development that the neighbourhood plan area can contribute within the wider context of its strategic housing market area⁶ and/or Local Plan housing target. As

⁵ England is divided into a number of individual housing market areas, in most cases larger than local authority districts. For example, the whole of London is usually considered a single housing market area. Each area is defined on the basis of its shared characteristics. Definitions and measurements of housing market areas differ, but the key criterion they share is that they are considered a single 'area of search' by homebuyers looking to buy or move house

⁶ Depending on the assessment method employed, England comprises around ninety strategic housing market areas, most of which are larger than individual local authorities and all of which are significantly larger than even the largest

such, it is perfectly possible, indeed desirable, to produce a fit-for-purpose HNA without spending significant time or money on primary evidence gathering. In other words, the PPG approach suggests that **you do not normally need to carry out a household survey of your own to inform your housing needs assessment**, as sufficient data from other sources is usually already available.

Using the PPG as a basis for assessment

The Government's planning practice guidance (the PPG) referenced above is primarily aimed at local planning authorities preparing Strategic Housing Market Assessments (SHMAs), which are used to determine housing need at a local authority or a strategic housing market level. However, as previously noted, the PPG explicitly states that you can also use the guidance to identify specific needs relevant at neighbourhood level, but that any assessment should be proportionate.⁷

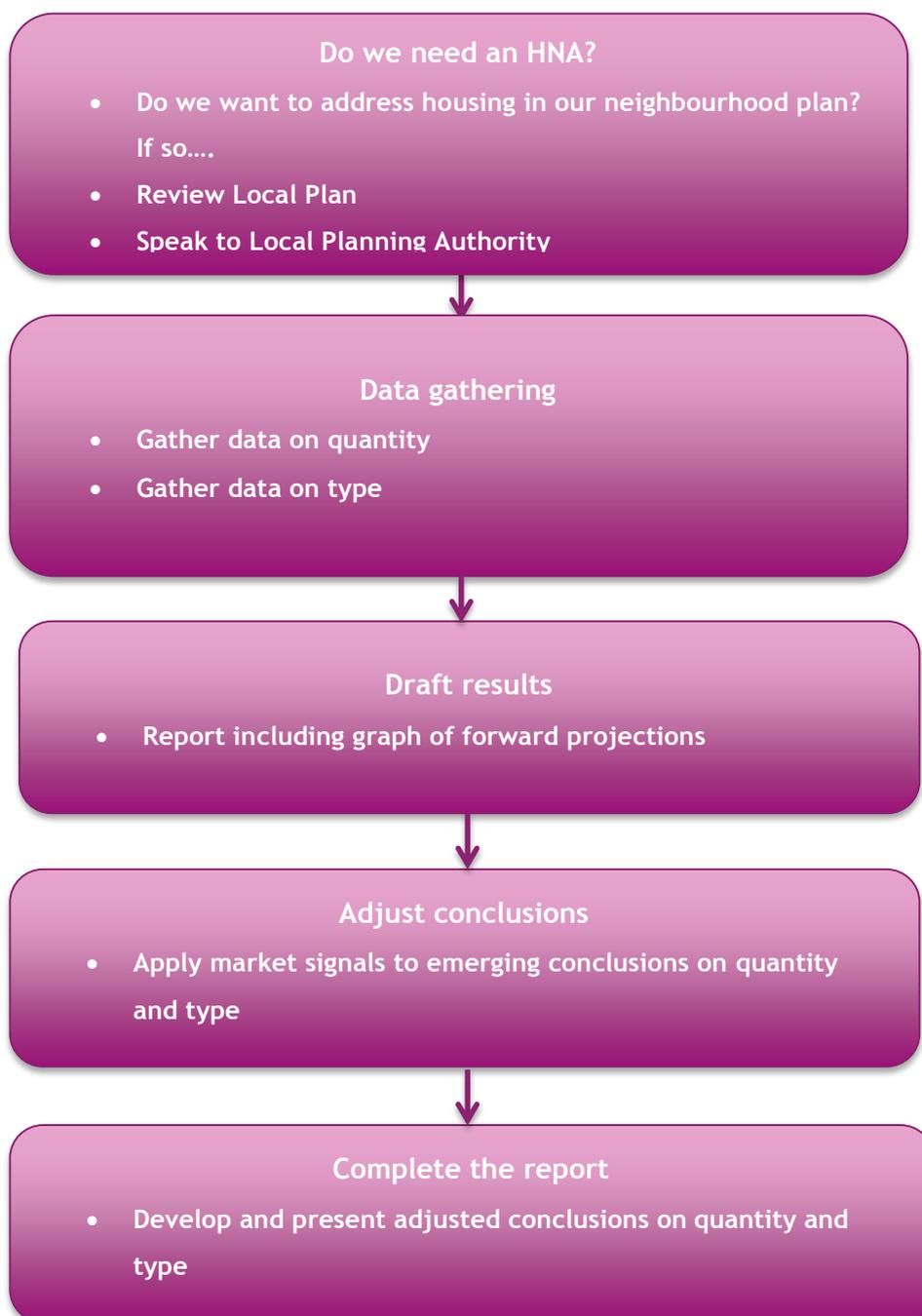
neighbourhood plan area. A map showing one assessment of area boundaries is available at <http://www.ncl.ac.uk/curds/assets/documents/6.pdf>

⁷ NPPG Paragraph: 006 Reference ID: 2a-006-20140306. Although the NPPG does not specifically define 'proportionate', see NPPG Paragraph 014 Reference ID: 2a-014-20140306 (also quoted above) for examples of work considered disproportionate.

Summary of process

Figure 1 below provides an overview in graphic form of the entire assessment process as explained in this document.

Figure 1: Process diagram of housing needs assessment at neighbourhood plan level



Key resources needed

Gathering, presenting and interpreting data about the local housing market will give you the evidence you need to underpin your neighbourhood plan's housing policies. As such, up-to-date, objective and relevant data is at the heart of any robust housing needs assessment. There are a number of key data sources you should take into account in any neighbourhood plan HNA. These include, but are not limited to, the sources set out in Table 1, not all of which may necessarily be available at the time of assessment.

However, some of these data sources could be considered optional on the basis of the PPG advice on proportionality; specifically, the guidance states that:

*'Plan makers should avoid expending significant resources on primary research (information that is collected through surveys, focus groups or interviews etc. and analysed to produce a new set of findings) as this will in many cases be a disproportionate way of establishing an evidence base. They should instead look to rely predominantly on secondary data (e.g. Census, national surveys) to inform their assessment which are identified within the guidance.'*⁸

This note of caution should be balanced against the fact that, in general terms, the wider the range of sources consulted, the more robust the resulting HNA. As the PPG states:

*'No single source of information on needs will be comprehensive in identifying the appropriate assessment area; careful consideration should be given to the appropriateness of each source of information and how they relate to one another.'*⁹

Table 1 below sets out the full range of data sources with the potential to inform your neighbourhood-level HNA.

8 NPPG Paragraph 014 Reference ID: 2a-014-20140306
9 NPPG Paragraph: 009 Reference ID: 2a-009-20140306

Table 1: Data sources that can inform a neighbourhood plan Housing Needs Assessment

Data source	Comments on using data	Recommended or optional?
Most recent local authority Strategic Housing Market Assessment (SHMA)	If the SHMA is post-NPPF (i.e. produced after 2012) and/or informs a Local Plan adopted post-NPPF, it can be considered robust. If the SHMA is older it may be out of date and as such given less weight relative to more up-to-date data sources. Many SHMAs include maps and tables showing information on tenure, type and population at a sub-market level within the local authority, helping you see how your area may differ from the local authority average.	Recommended as the starting point for neighbourhood plan level assessment ¹⁰
Adopted local authority Core Strategy/ Local Plan	If the Core Strategy/Local Plan was adopted post-NPPF, it can be considered robust. If it is older, the data underpinning its housing policies may be out of date. However, note that the Basic Conditions of neighbourhood planning ¹¹ (specifically, Basic Condition E) gives, for the purposes of neighbourhood planning, significant weight to any adopted Core Strategy/Local Plan, even if adopted pre-NPPF.	Recommended ¹²
Emerging local authority Core Strategy/ Local Plan	The weight any emerging Core Strategy/Local Plan carries in planning terms depends on how far it has progressed (the closer to adoption, the greater the weight) However, note that Basic Condition E gives, for the purposes of neighbourhood planning, significant weight to any adopted Core Strategy/Local Plan, even if adopted pre-NPPF.	Recommended

¹⁰ NPPG Paragraph: 006 Reference ID: 2a-006-20140306

¹¹ NPPG Paragraph: 065 Reference ID: 41-065-20140306. See further information on the Basic Conditions below.

¹² Ibid, ‘the neighbourhood plan should support the strategic development needs set out in Local Plans’

Data source	Comments on using data	Recommended or optional?
DCLG Household Projections	Government advice is that the most recent household projections available ¹³ should be the starting point for your housing needs assessment. The projections are only available at local authority level, so you can make a pro-rata calculation on the basis of population share for your neighbourhood area, with appropriate caveat ¹⁴ . Note also that projections are of households rather than dwellings. To translate future number of households to dwellings, divide them by the neighbourhood plan area's number of dwellings per household in the 2011 Census ¹⁵ . Where mid-year population estimates have been published for years after 2012, you can rebase ¹⁶ the 2012-based Household Projections to them for added accuracy.	Recommended ¹⁷
Dwelling completion rate 2001-2011	This comprises the difference in dwellings within the plan area between the 2001 and 2011 Census. It is useful to project it forward at the same rate to understand how continuation of past rates might differ from other projections.	Recommended ¹⁸
Dwelling completion rate 2011-present	This comprises the number of dwellings completed within the plan area between the 2011 Census and present. It is useful to project it forward at the same rate to understand how continuation of present rates might differ from other projections, including of past dwelling completion rates.	Recommended ¹⁹

13 For each local authority in England, the Department for Communities and Local Government regularly projects forward the number of households expected to form in future, on the basis of past population growth rates. At the time of writing, the most recent set of projections are the 2012-based Household Projections, available at <https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections>

14 Reflecting the fact that Household Projections as applied at neighbourhood level are unconstrained figures comprising a relative proportion of the local authority projected increase and thus do not take into account political, economic, demographic or any other drivers that might influence housing distribution through the Local Plan.

15 In most places in England, there are fewer households than dwellings. In most locations, there are around 0.95 households per dwelling, but this figure may be lower in an area with a large number of second/holiday homes or a concentration of long-term vacant dwellings.

16 Rebasings, also commonly used in SHMAs, works as follows: if the 2012-based household projections forecast that by 2014, there would be x households in the local authority area, but in 2014 there were actually (x-y) households in the local authority area, then y can be subtracted from the 2012-based household projections figure for each year between 2014 and the end of the plan period to give a rebased total, with the rate at which growth is projected forward remaining unaltered. This also applies in cases where the 2014 total is higher than the 2012-based projection, in which case y is added to rather than subtracted from x.

17 NPPG Paragraph: 015 Reference ID: 2a-015-20140306

18 NPPG Paragraph: 019 Reference ID: 2a-019-20140306 (Rate of Development)

19 Ibid.

Data source	Comments on using data	Recommended or optional?
Local housing waiting list	<p>You will need to get an idea of the number of households locally that need affordable housing²⁰, and whether or not this is in line with your local authority’s policies on providing affordable housing. You can estimate this by finding out the number of households on the local authority housing waiting list. In some cases, the housing waiting list is available for a geographically smaller area than the local authority administrative area, which can be helpful. The waiting list is normally held by the local authority housing department or its housing management organisation. You may need the help of planning officers in accessing the data and in understanding how the list, which is only a snapshot in time, can help inform future need over the plan period. Some HNAs apply a discount factor to the housing waiting list to reflect the fact that many households have placed themselves on the list as a contingency rather than being in priority need (often, households are ‘banded’ by degree of urgency of need, and these households would fall into the least urgent band). The discount factor to apply (if any) will differ by area and should be agreed between the local authority and your neighbourhood group on the basis of local evidence and precedent from elsewhere.</p>	Recommended ²¹
Local Enterprise Partnership (LEP) Strategic Economic Plan (SEP)²²	<p>SEPs are strategies aimed at maximising inward investment that have not been tested through the planning process, and as such, you should use them with caution. Nevertheless, they have an important role to play in HNA, as they provide an indication of what kinds of jobs are expected in the neighbourhood’s LEP area and where those jobs will be created²³, both of which have an impact on future housing need.</p>	Recommended ²⁴

²⁰ See section on affordable housing after this table for more details on affordable housing and calculating affordable housing need.

²¹ NPPG Paragraph: 022 Reference ID: 2a-022-20140306

²² Local Economic Partnerships (LEPs) are bodies created by the Coalition Government 2010-2015 that bring together local business and local government with the aim of maximising economic growth. Each LEP publishes a Strategic Economic Plan (SEP) that sets out the LEP’s growth priorities.

²³ As many people commute to work, it will be necessary to understand where jobs might be created over the plan period over a wider area, for example in a large nearby employment centre to which neighbourhood area residents may commute

²⁴ NPPG Paragraph: 018 Reference ID: 2a-018-20140306

Data source	Comments on using data	Recommended or optional?
Most recent local authority Employment Land Review (ELR)	The ELR informs local authority employment and economic policy, and gives a potentially more accurate (albeit more locally-limited) indication than the SEP of future jobs growth and location, both of which have an impact on future housing need.	Recommended ²⁵

²⁵ Ibid.

Data source	Comments on using data	Recommended or optional?
<p>Data from Census²⁶</p>	<p>You can use the full range of demographic and housing information from Census 2011 to inform directly the type, tenure and mix of new housing required, by relating future housing need to the existing demographic and housing characteristics of the neighbourhood area. In many (but not all) cases, it is possible to gather and compare like-for-like data from the 2001 census against the 2011 census so that you can discern trends over time²⁷. The most important Census datasets for the purposes of a neighbourhood-level HNA include:</p> <ul style="list-style-type: none"> • households, • household size • population age structure • place of birth • rooms per household • persons per room • tenure • household composition • accommodation type • shared dwellings • concealed families • economic activity • rates of long-term health problem, and • distance travelled to work. <p>A particularly helpful way of presenting the data is a three-column format, showing clearly differences and similarities between the same data at neighbourhood plan area level, local authority level, and England level.</p>	<p>Recommended²⁸²⁹</p>

26 Available at www.neighbourhood.statistics.gov.uk and www.nomisweb.co.uk

28 NPPG Paragraph: 019 Reference ID: 2a-019-20140306 (overcrowding)

29 Paragraph: 021 Reference ID: 2a-021-20150326 (population age profile, types of household, dwelling size, tenure)

Data source	Comments on using data	Recommended or optional?
Local house prices	Websites aimed at homebuyers, such as Zoopla or Home.co.uk, can provide you with detailed information at a range of geographies on average house prices, and this data can inform your assessment of relative demand at neighbourhood level compared with the local authority or postcode area average.	Recommended ³⁰
Local rental prices	A number of websites aimed at homebuyers, such as Zoopla or Home.co.uk, can provide you with detailed information at a range of geographies on average house rental prices, and this data can inform your assessment of relative demand at neighbourhood level compared with the local authority or postcode area average.	Recommended ³¹
Local surveys	You may have carried out a wider neighbourhood survey that includes a section on housing before starting your HNA. Where this is the case, survey results can inform the HNA, but the PPG suggests it would be disproportionate to commission a new survey solely to inform housing needs assessment when so many other data sources are already available.	Optional- see PPG advice on proportionality
Estate agent interview	Interviews with estate agents can provide you with qualitative and anecdotal evidence that can usefully complement more qualitative data sources, enabling any trends uncovered previously to be verified or challenged. They also act as a further source of neighbourhood-level knowledge to complement the local authority level data. However, estate agents may take an optimistic view of demand and growth, so, like the SEP, this data should be used cautiously.	Optional- see PPG advice on proportionality

Using and presenting Census data

There is flexibility in terms of the format in which you present the above suggested data sources, as well as on the conclusions inferred from them. However, it seems logical to present data sources on quantity and type of housing one by one, then bringing the data together in a

29 Paragraph: 021 Reference ID: 2a-021-20150326 (population age profile, types of household, dwelling size, tenure)

30 NPPG Paragraph: 019 Reference ID: 2a-019-20140306

31 NPPG Paragraph: 019 Reference ID: 2a-019-20140306

final section. You can then make appropriate judgements and draw appropriate conclusions on the basis of that data.

Sample Table 1 below is an anonymised real-life example of how to illustrate the rate of change in the age structure of the population of a neighbourhood plan area³², demonstrating the advantages of presenting neighbourhood data alongside the same data at a local authority and national level to highlight the particular characteristics of the neighbourhood plan area as clearly as possible.

In the case of Sample Table 1, which is based on the trend between 2001 and 2011, the neighbourhood plan area has a population ageing more rapidly than the local authority and national average, which would tend to indicate a need for housing suitable for older people.

Sample table 1: Rate of change in population age structure, 2001-2011

Age group	Neighbourhood plan area	Local authority	England
0-15	-13%	-4.6%	1.2%
16-24	-5.3%	18.6%	17.2%
25-44	-18.6%	3.6%	1.4%
45-64	14.2%	10.1%	15.2%
65-84	4.5%	-1%	9.1%
85 and over	29.6%	7.4%	23.7%

Sources: ONS, Census 2001 and Census 2011

³² The real-life datasets presented in this chapter have been anonymised.

Sample Table 2 below supports the data in Sample Table 1 by projecting forward the age groups over the Plan period on the basis of sub-national population projections. Here, the absolute numbers are of more interest than the proportions relative to larger geographies, which has already been established in Sample Table 1, so Sample Table 2 covers the neighbourhood plan area only and shows growth in all age bands over 45, and a corresponding decrease in age bands under 45. Note how this adds detail to the data: age groups 25-44, for example, would tend to demand family-sized housing, (indicating a need for properties with 3 or more bedrooms) alongside the smaller units more typically occupied by those over 65.

Sample Table 2: Projected age band change in neighbourhood plan area, 2011-2028

Age group	2001		2028	
	Population	Percentage of total population	Projected population	Percentage of total population
0-15	2,395	17.5%	1,910	14.1%
16-24	1,190	8.7%	1,086	8.0%
25-44	3,232	23.6%	2,276	16.8%
45-64	4,122	30.2%	5,167	38.0%
65-84	2,295	16.8%	2,472	18.2%
85 and over	434	3.2%	674	5.0%

Sources: Census 2011, DCLG Sub-National Population Projections

Using statistical geographies

Many neighbourhood plan areas correspond exactly with ward or parish boundaries. Where this is the case, you will find data gathering relatively straightforward, as all Census 2011 data is available at ward and parish level. However, parish data is not available for some Census 2001 data, complicating any attempt to determine a ten-year trend between 2001 and 2011, which

can in many cases be far more useful than using any single Census, which only comprises a snapshot in time.

In these cases, or in cases where your neighbourhood plan area does not correspond with administrative boundaries, you will need to choose a ‘best fit’ study area from the Office for National Statistics (ONS) statistical hierarchy, which normally³³ allows for direct comparison between 2001 and 2011 Census data.

If you are a non-specialist, navigating the different ONS area size boundaries Middle Super Output Areas (MSOAs), Lower Super Output Areas (LSOAs) and Output Areas (OAs) can be daunting. However, your local authority will be well-placed to advise you on how to identify the ‘best fit’ statistical boundaries to use for data gathering purposes for your area, and then how to gather data using these geographies using the Neighbourhood Statistics³⁴ and Nomis³⁵ websites.

A case study of using the ONS hierarchy is provided by AECOM’s work on Otley Neighbourhood Plan in Yorkshire. The Neighbourhood Plan boundary closely matched the Otley parish boundary (illustrated in Figure 2). However, because information at parish level is not available for the 2001 Census, in order to compare data between 2001 and 2011 (and thus determine relevant trends), the ONS MSOAs (in this case, named Leeds 003 and Leeds 004) had to be used as a proxy for the parish boundary (Figure 3). In this case, these two MSOAs corresponded exactly to the parish boundary, but unfortunately this is not always the case.

³³ There are a few locations where the ONS statistical hierarchy boundaries have changed between 2001 and 2011. Where this is the case, the local authority, which regularly uses the ONS statistical hierarchy for planning purposes, is well-placed to advise on the best option.

³⁴ <http://www.neighbourhood.statistics.gov.uk/dissemination/>

³⁵ <https://www.nomisweb.co.uk/>

Figure 2: Otley parish boundary (centre), a close proxy for Otley neighbourhood plan boundary

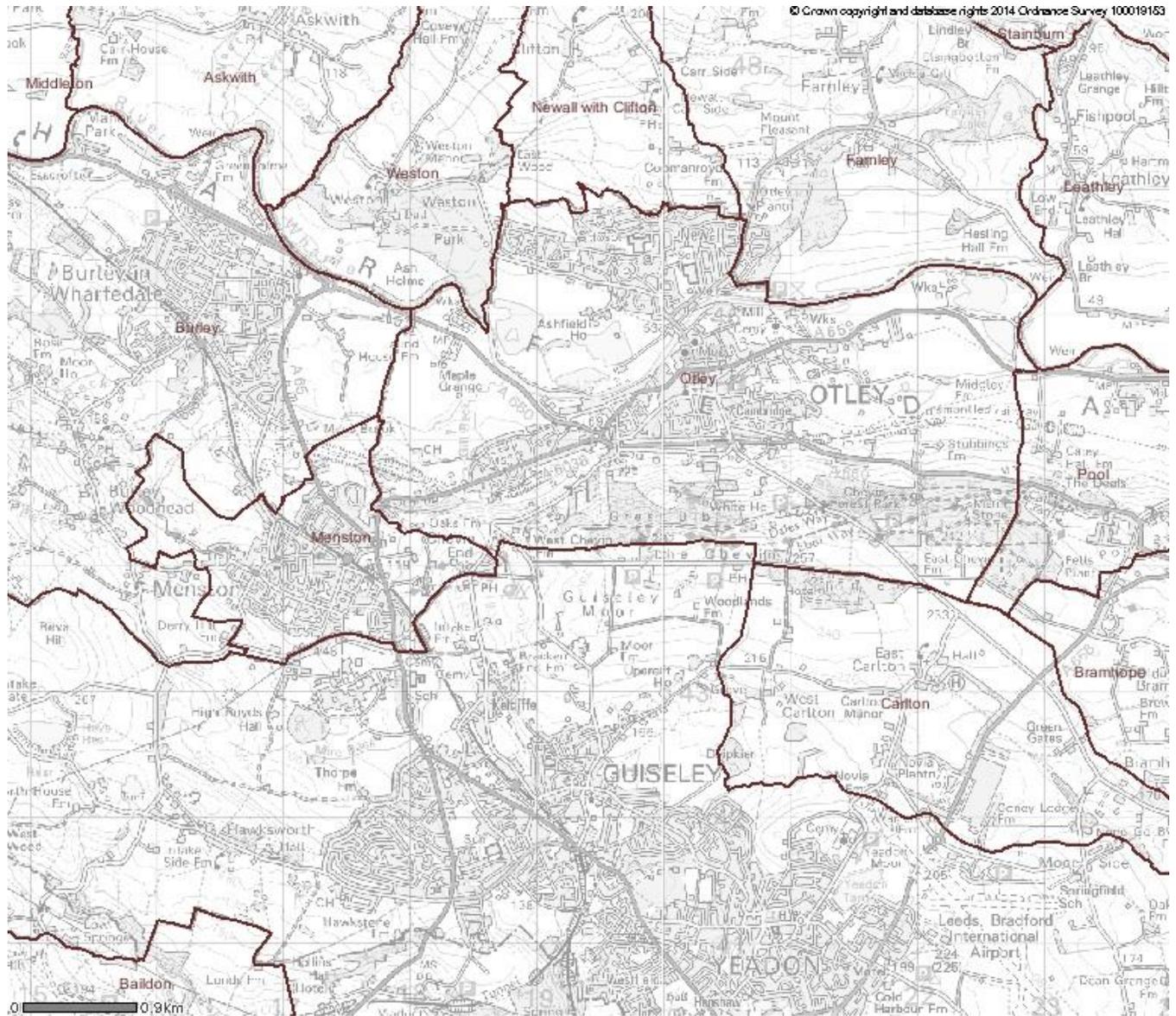
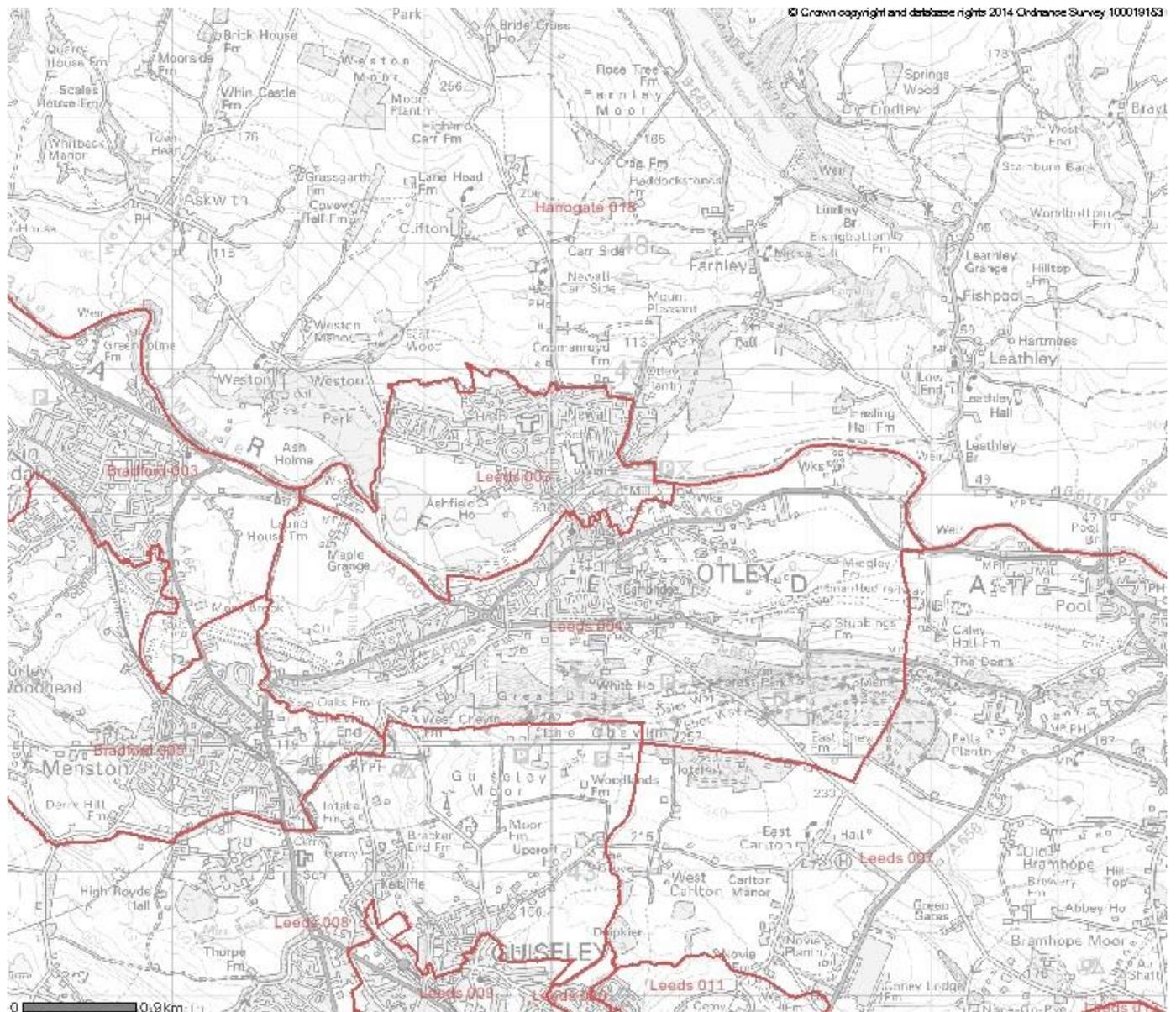


Figure 3: Leeds 003 and Leeds 004 (centre), two MSOAs coinciding with Otley parish boundary which enable 2001 Census data to be collected



Affordable housing

Experience suggests that the first step in dealing with the complex issue of affordable housing in neighbourhood planning is to define it clearly. The Government defines affordable housing

as housing provided to eligible households whose needs are not met by the market.³⁶ Eligibility is determined with regard to local incomes and local house prices and the three main categories of affordable housing are:

- Social rented,
- Affordable rented, and
- Intermediate housing (including shared ownership and equity loans)

You should use the above definition of affordable housing throughout your neighbourhood planning process. This definition will ensure clarity and consistency with local authority and national planning documents³⁷. This Government definition can be contrasted with (and should not be confused with) the non-technical definition of affordable housing as ‘market housing that is cheaper than average’. This non-technical definition will still also be covered by any comprehensive assessment when it determines the relative need for different types of market housing.

If you define affordable housing clearly at the start of the process, this allows for clarity of evidence-gathering. For example, if you were to ask neighbourhood residents for their views on whether affordable housing is needed locally, the response could be very different depending on which definition is used, which then may have a significant impact on your affordable housing conclusions.

In AECOM’s experience, neighbourhood plans virtually never need to set a target of their own for affordable housing provision (i.e. the percentage of new housing that should be affordable). This is for a number of reasons, as follows:

³⁶ <https://www.gov.uk/guidance/definitions-of-general-housing-terms>

³⁷ For the same reasons, standard planning definitions of terms such as ‘dwelling’ and ‘household’ should also be used throughout the neighbourhood planning process. These are listed at <https://www.gov.uk/definitions-of-general-housing-terms>

- Firstly, you only need to set a target where there is no up-to-date adopted plan at local authority level or where the adopted plan has no policy on affordable housing provision;
- Secondly, setting an affordable housing target is a complex task needing detailed technical assessment of local affordable need, how it might project into the future, and how it would impact on development viability; this could be very difficult to justify in light of the PPG advice on proportionality of assessment;³⁸
- Thirdly, setting any affordable housing target differing from that at local authority level risks conflicting with the Local Plan, and thus your plan potentially failing the Basic Conditions test for neighbourhood planning;
- Fourthly, if you set an affordable housing target that does not differ from the local authority target, this would be a simple restatement of existing policy, which is unnecessary; and
- Finally, where you feel affordable need locally is higher than provided for by the local authority target, a number of options to meet that need are already available, and are far easier to deploy than calculating your own affordable housing target. These include (in rural areas) affordable housing exception sites³⁹ or (in urban areas) joint working with the local authority to consider directing affordable housing provision from other parts of the local authority with a lower level of need to the neighbourhood plan area, recognising that the need for affordable housing is usually not evenly distributed across any local authority area.⁴⁰

To expand on the last of the bullet points above, a policy supporting an affordable housing exception site in a suitable location can be drafted even if you are not able to identify a suitable site at the time the plan is drafted; the policy can be an aspiration to be met at some point over the plan period.

38 As previously noted: NPPG Paragraph: 006 Reference ID: 2a-006-20140306

39 A rural exception site is a site that would not otherwise be considered suitable for housing development, but that can be allocated to meet affordable housing need. See NPPF paragraph 54.

40 For more information about meeting affordable housing need through off-site provision, see Section 106 affordable housing requirements: Review and appeal (DCLG, 2013) available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192641/Section_106_affordable_housing_requirements_-_Review_and_appeal.pdf

As this section demonstrates, affordable housing is one of the most complex elements of determining housing need at neighbourhood planning level, and as such, you may want to direct your questions about affordable housing to your local authority officers.

Second homes

In some neighbourhood plan areas, second homes are an important local issue. Residents may be concerned that provision of second or holiday homes that are occupied for only part of the year are making housing unaffordable or otherwise less accessible for local people. In other areas, although the issue may not be second or holiday homes, neighbourhood residents may wish for new properties to be marketed to the local community first before being offered to the open market. Either way, residents may feel that there could be an impact on the housing need figure.

This was an issue raised by the Inspector at the recent Cornwall Local Plan inquiry, and his statement of how to plan for the impact of second/holiday homes is helpful⁴¹: *‘the acquisition of future new dwellings as holiday/second homes would remove those dwellings from the stock available for [local] needs...[and] it is reasonable to assume that the proportion of holiday homes will not decline over the plan period’*.

On this basis, the Inspector calculated, based on past trends, that a seven per cent uplift in the overall housing target across Cornwall was justified in this instance to make up for those new houses ‘lost’ from the overall provision through use as second or holiday homes. Although the proportional size of the uplift will differ by location, this is nevertheless useful as a practical example of the general approach you can take- namely, to meet local needs at the same time as allowing for a proportion of second home development. Your local authority should be able to help you calculate a reasonable proportion to apply for your own circumstances.

⁴¹ From the Inspector’s Preliminary Findings (May 2015) available online at <http://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf>

Homes for local people

Equally, any proposals for new properties to be offered to local residents before being sold on the open market (through planning policy or condition) would also not be supported by national policy. Although in theory your neighbourhood plan could encourage (rather than require) local developers to market their homes in this way, it is highly unlikely that a developer would voluntarily seek to impose restrictions on the sale of their houses, and even encouragement (as an alternative to compulsion) goes against the spirit of national policy.

However, at local authority level, statutory guidance⁴² reiterates that Councils have discretion to determine who qualifies for an allocation of social (i.e. affordable rather than market) housing, including those with a local connection and working/community contribution. Many Councils have used these powers to prioritise low income households with a family member in work and those deemed to be making a 'community contribution'.

In conclusion, it appears that there is little flexibility in planning policy on the issue of second homes or restricting market homes for local use only. Restrictive policies of this type are best avoided completely, and instead, your neighbourhood plan should seek to meet the housing needs of both local people and future incomers, with an uplift to allow for additional dwellings for local people or new incomers if required by local circumstances.

Drawing conclusions on quantity of housing needed

The most effective way you can determine the quantity of housing needed is to assess the range or the average of the housing projections for the plan period from the various quantitative sources you have gathered, and then adjust them upwards or downwards based on specific factors (described in the PPG as 'market signals'⁴³) you consider apply within the area being

⁴² Allocation of accommodation: guidance for local housing authorities in England (DCLG, 2012) available at <https://www.gov.uk/government/publications/allocation-of-accommodation-guidance-for-local-housing-authorities-in-england>

⁴³ NPPG Paragraph: 019 Reference ID: 2a-019-20140306

assessed compared with surrounding areas or markets. This is fundamentally the same approach as would be used at local authority level, but on a smaller scale.

The PPG provides some examples of market signals as follows:

House Prices

Mix-adjusted house prices⁴⁴ demonstrate inflation in house prices. Significant deviation from the local authority average may indicate an imbalance between the demand for and the supply of housing- for example, house prices significantly above the local average may be interpreted as a signal to increase the supply of housing.

Rents

Rents provide an indication of the cost of leasehold housing in a market area. Mixed adjusted rent information (adjusted to allow for the different types of properties rented in each period) shows changes in housing costs over time.

Rate of Development

Supply indicators may include the flow of new permissions expressed as a number of units per year relative to the planned number and the flow of actual completions per year relative to the planned number.

⁴⁴ A mix-adjusted house price is an average house price adjusted to allow for the different types of houses sold locally in each period

Overcrowding

Indicators on overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation demonstrate un-met need for housing.

So, for example, if your neighbourhood has overcrowding significantly higher than the local authority or housing market area average, you may need to apply an uplift to the average housing projection figure to reflect the extra homes that are likely needed to address this issue. Likewise, if recent rates of development have been higher than the local authority average, your average housing projection figure could potentially be reduced.

When you apply market signals in this way, you need to ensure the process is clear, transparent and comprehensible to a layperson. At this stage of the assessment, you have to make subjective judgements to some extent, as often it is not possible for many of the market signals to be translated into a quantitative housing uplift or decrease. The PPG recognises this by stating simply that any adjustment made should be ‘reasonable’,⁴⁵ but without elaborating further.

What is important is that any judgements you make should be clearly set out, alongside the reasons for those judgements, based on sound evidence. It may also be helpful to make the judgements as a small group or committee so they are informed by a range of viewpoints.

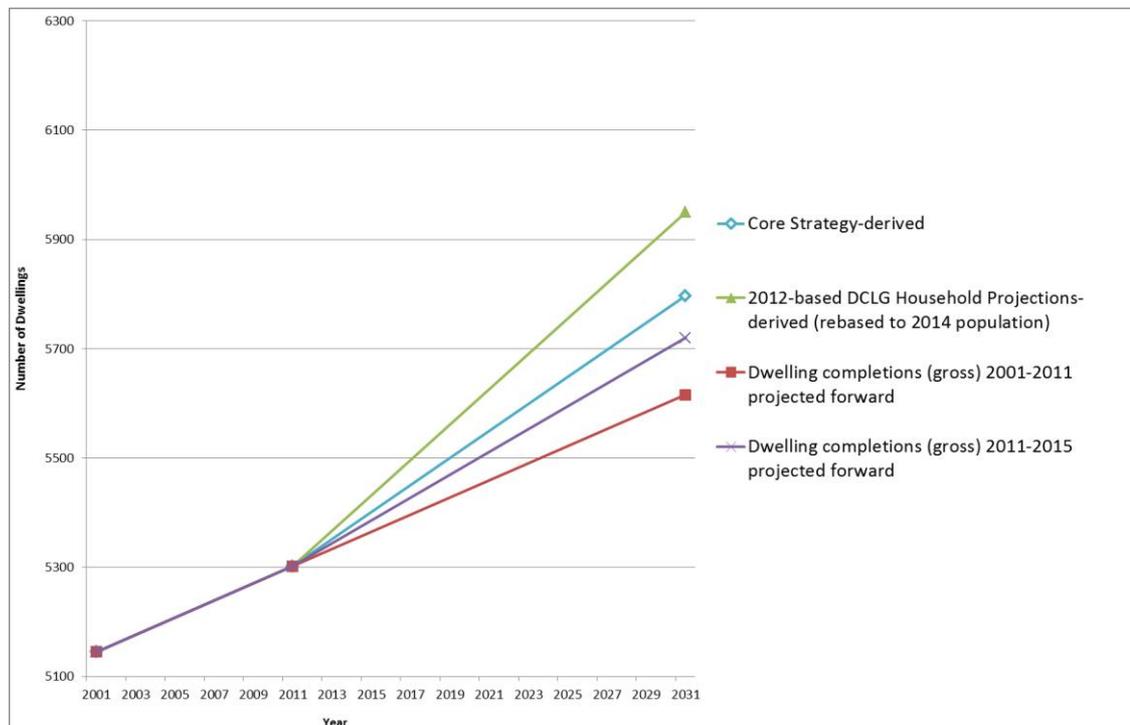
Presenting the range of dwelling number projections

Given the importance of taking a range of data sources into account, it is helpful to present the various projections together in a single chart, an approach also used by many SHMAs. Sample Figure 1 below is an anonymised real-life example of how to compare four different projections of dwelling numbers for a single neighbourhood plan area.

⁴⁵ NPPG Paragraph: 020 Reference ID: 2a-020-20140306. The NPPG states that any upward adjustment should be reasonable, although in some circumstances presumably a downward adjustment may be necessary instead.

Sample Figure 1 shows the characteristic ‘fan’ resulting from projecting a range of data into the future, and how that allows neighbourhood planners to calculate an average or midpoint between all data sources (in this case, this equated to 5771 dwellings, an increase of 469 dwellings over the plan period). This figure of 469 dwellings can be taken forward as an interim target to test against relevant market signals in line with NPPG advice or, in cases where using the average might risk the neighbourhood plan failing Basic Condition E, you would need to define an interim figure relatively closer to the Core Strategy-derived figure.

Sample Figure 1: Comparison of dwelling number projections in neighbourhood plan HNA



Sources: Core Strategy, SHLAA, DCLG 2012-Based Household Projections (rebased to 2014), Census 2001, Census 2011, completion data from local authority

The extent to which any interim target should align with the Core Strategy-derived figure is a matter of judgement, as it depends on how prescriptively the Core Strategy specifies an exact

housing target for the neighbourhood plan area⁴⁶ and/or the weight to be accorded to any emerging replacement for the Core Strategy that may indicate a different housing target.

Following the presentation and comparison of the quantitative projections, and the possible derivation of an interim housing target or range, the next step, in line with the PPG approach described above, is to assess the interim target or range against market signals which may raise or lower them as appropriate.

Sample Table 3 shows one possible way of presenting an assessment of the impact of market signals, taking them one by one and applying up, down and sideways arrows to indicate respectively a signal with the potential to drive the dwelling figure higher, drive it lower or have no effect on the figure.

In this case, a range of one to three arrows was used to indicate the perceived strength of the signal. Note that this assessment process is necessarily a matter of judgement, and this is acknowledged by the NPPG; market signals cannot be (and need not be) translated precisely into a quantitative number of dwellings. However, recognising that judgements are unavoidable, to ensure the assessment process is as transparent as possible, the sources and rationale for the judgements made are set out in the table.

Following the table-based assessment process, you should set out the final housing need figure selected on the basis of the table, the extent to which it differs from the interim target, and a summary of the drivers as presented in the table that caused the figure to be raised, lowered or remain unchanged.

⁴⁶ As noted previously, where an adopted Core Strategy/Local Plan has already specified an exact housing target for the neighbourhood plan area, there is no need to undertake the comparison of dwelling number projections as illustrated in Sample Figure 1. In these cases, any neighbourhood level housing needs assessment should focus on type rather than quantity of housing, or may not be required at all.

Sample Table 3: Assessment of market factors specific to neighbourhood plan area with potential impact on housing target

Market signal	Source(s)	Possible impact on future housing need	Rationale for judgement
Dwelling completions	SHMA, Census, Estate agent	↑	New dwellings 2001-2011 low compared with 2011-2028 projection and with surrounding area more generally, so possibility of some level of pent-up local need as a result- this is also echoed by SHMA and estate agent
House price change relative to surroundings	SHMA	↔	Across neighbourhood plan area as a whole, the SHMA shows that house prices increased 2006-2010 in some places but decreased in others- uniform, rapid rises in house prices as seen in other parts of local authority did not occur
Long-term vacancy rates	SHMA, Vacant Dwellings By Local Authority District	↑	Local vacancy rates are low, suggesting demand for housing
Overcrowding, including concealed families	Census	↓ ↓ ↓	Neighbourhood plan area's households became significantly less crowded in recent years, despite rises across local authority as a whole. This is linked with an ageing population. The rate of concealed families is low.
Rental market relative to wider area	Home.co.uk, Census	↑ ↑	Both private and social rental levels are lower than the local authority average, but evidence of strong demand for rented property in neighbourhood plan area, possibly as a result of low supply, which indirectly suggests evidence of demand for owner-occupied property too.

Drawing conclusions on characteristics of housing needed

If you have gathered a wide range of data from the Census and other sources on local demographic composition and the characteristics of local households, you can extrapolate this into judgements of the characteristics of housing needed, including:

- Relative proportions of dwellings by size (i.e. number of bedrooms)
- Tenure of housing
- Type (i.e. detached, terraced, or apartments)
- Specialised need (e.g. housing for older people, for families or for those who mainly work from home).

Sub-national population projections (SNPPs),⁴⁷ which form the basis for household projections, can be disaggregated by age band and thus, in theory, you can ‘map’ future population age bands to relevant housing types required. This is particularly useful in determining the provision of housing for older people, as supported by the PPG⁴⁸.

An approach allowing for greater flexibility and hence accuracy could be for you to set broad policy parameters to guide new housing development (based on HNA conclusions), within which applications could be assessed on a case-by-case basis. For example, rather than seeking 30% of all new dwellings to be two-bedroom units (an approach which risks being overtaken by events during the plan period), a policy could instead support ‘a significant proportion of two-bedroom units, having regard to the supply of such units at the time of application’.

In this way, policy application can be informed by your monitoring data measuring the characteristics and number of dwellings developed up to that point in the plan period.

⁴⁷ Available at <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Sub-national+Population+Projections>

⁴⁸ NPPG Paragraph: 021 Reference ID: 2a-021-20150326 (‘Housing for older people’ bullet point)

Presenting conclusions on characteristics of housing required

Just as for conclusions on housing quantity, it may also help to present conclusions on housing characteristics in a table. Sample Table 4 overleaf is an (anonymised) real-life example of how to present conclusions on housing type. Again, you may find it helpful to base your analysis on a range of factors (or trends) emerging from the data gathered, and for each factor presenting the sources for the judgement made, the possible impact on housing need and the conclusion (effectively, a policy recommendation). The aim is for a transparent, logical progression (moving from left to right across the table) from evidence base to policy.

Sample Table 4: Summary of factors specific to neighbourhood plan area with a potential impact on type of new dwelling

Market indicator	Source(s)	Possible impact on housing needed	Conclusion
Increase in older person households	SHMA, Census, household survey, estate agent	Evidence from Census (increasing numbers of older people but relatively low level of long-term sick/disabled) suggests housing for independent living for older people likely to be in demand. Anecdotal evidence of high demand for housing suitable for older people from estate agent	Provide range of dwelling sizes, including smaller dwellings (1-2 bedrooms) suitable for older people
Need for family-sized households	SHMA, Census	Families likely to need and/or afford medium-sized and larger households. Conflicting evidence between SHMA and Census on rate of family housing growth, but both indicate increased level of growth, so prudent to plan for a proportion of family households	Provide range of dwelling sizes, including medium-sized and larger (3-4 bedroom) dwellings for families, which would also be suitable for the higher than average number of people who work from home evidenced by Census data.
Potential for specialist care housing for the elderly	Census, household survey, estate agent	Evidence suggests that specialist facilities for the elderly may be in demand due to the rapidly ageing population. Equally, as a small town with a range of services and facilities, neighbourhood plan area is well-placed as a location for this kind of housing. Anecdotal evidence from estate agent of high demand for retirement housing.	Support the provision of a range of specialist housing for the elderly, ideally in close proximity to services and facilities

How assessment findings should be used

Housing needs assessment is just one part of your evidence base informing housing policy. This reflects the earlier point about a two-stage assessment first of demand, then of supply. On this point, the PPG states that:

*'Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans.'*⁴⁹

In other words, once your housing needs assessment is complete, you should have a picture of the demand-side housing evidence. However, in the housing market (indeed, in any market), demand is only half the story- the supply-side also needs to be assessed.

In the case of housing, supply-side work at local authority or neighbourhood level may include documents such as infrastructure studies, Green Belt studies and any other information on environmental constraints such as flood risk, heritage designations, AONBs and so on.

With their experience in developing policy by bringing together evidence on the demand and the supply side, local authority planning officers should be well-placed to advise you on how to balance the various considerations applying within your area.

This would have the additional benefit of ensuring you can agree a suitable housing target with your local authority to take forward to the neighbourhood plan examination.

The difference between demand-side and supply-side evidence can often be significant. For example, small, desirable settlements in the Green Belt outside major conurbations may have

49 NPPG Paragraph: 004 Reference ID: 2a-004-20140306

a high level of housing demand but almost no capacity to meet it. As such, it is important to bear in mind that even if your housing needs assessment indicates a high level of demand, physical constraints may prevent significant new housing development if supply-side analysis indicates that there is insufficient land. Nevertheless, there will be an expectation that every effort has been made to identify and then meet local need.

Conversely, if a neighbourhood has a relatively low level of housing need and sufficient land to accommodate that need, your group could benefit from advice from the Local Planning Authority (or consultants) in determining the most appropriate planning strategy to apply, which may or may not include a Site Assessment as a separate, follow-on exercise from a Housing Needs Assessment.

Just like SHMAs at housing market level, HNAs comprise a snapshot in time, and will need monitoring and updating in line with new demographic data and policy at local authority and national level. Registering for your local authority consultation or planning policy mailing lists, and/or for alerts from DCLG when planning policy or guidance changes, could be helpful. This will ensure future iterations of your plan are based on fully up-to-date evidence.

Tailoring the approach to local circumstances

Because establishing future need for housing is not an exact science, there is scope for variation in approach to your housing needs assessment, even if following the PPG guidance carefully.

For example, you may or may not require the housing needs assessment to conclude by recommending a specific housing target; although experience suggests that the majority of groups prefer a specific target, some groups may wish for the assessment to be just the starting point for a wider policy discussion. Likewise, depending on your circumstances, you might prefer for the assessment to focus more on tenure and type of housing rather than quantity, or vice versa.

In some locations, affordable housing could be your key policy concern; in others, starter homes for young people, and in others housing for older people. Census and other data is always available to help inform the correct response to any of these issues. For example, a useful publication for areas needing accommodation for older people is the Housing Learning and Improving Network's 'Strategic Housing for Older People: Planning, designing and delivering housing that older people want'.⁵⁰ The document includes a ready reckoner indicating the number of specialist care units likely to be required per 1,000 residents over the age of 65.

Student housing can be an issue if your plan area is close to a college or university. Neighbourhood plans needing to address this issue often benefit from dialogue with the education institution on future expansion plans over the plan period, and the extent to which students normally live on or are expected to live on campus, or in the local private rented sector. If the latter, then planning for Houses in Multiple Occupation (HMOs) may be important, and your Local Planning Authority may already have policies on the issue. Buckingham Neighbourhood Plan⁵¹ is a good example of how to take account of student housing within calculations of overall housing need.

⁵⁰ Available online at

http://www.housinglin.org.uk/_library/Resources/Housing/SHOP/SHOPResourcePack.pdf?bcsi_scan_AB11CAA0E2721250=0&bcsi_scan_filename=SHOPResourcePack.pdf&bcsi_scan_E956BCBE8ADBC89F=0&bcsi_scan_filename=SHOPResourcePack.pdf

⁵¹ See, for example, the Buckingham Neighbourhood Plan Evidence Base document available online at http://www.aylesburyvaledc.gov.uk/sites/default/files/page_downloads/Appendix-1-Evidence-Base-Submission-March-2015.pdf

Further important considerations

Having outlined the basic process of assessing housing need at a neighbourhood plan level, this final chapter outlines some further important considerations for you to bear in mind both during and following the assessment process to ensure it is as robust and defensible as possible.

Alignment with the Basic Conditions of neighbourhood planning

In determining housing need at a neighbourhood plan level, you may need to strike a balance to ensure that the housing target the neighbourhood plan selects passes the Basic Conditions of neighbourhood planning, specifically Basic Condition E, which states that the neighbourhood plan needs to be in ‘general conformity’ with the ‘strategic policies of the development plan’⁵² for the area.

Note that housing needs evidence at a neighbourhood level sometimes has the potential to paint a different picture from the development plan, depending on the extent to which your neighbourhood area differs from the local authority average and the level of detail in the (local authority’s) development plan.

However, even allowing for such differences, Basic Condition E requires that your neighbourhood plan must have regard to the local authority’s housing target, because the PPG states that the level of housing development in a Local Plan is ‘likely to be a strategic policy’⁵³.

Nevertheless, there are many circumstances where Basic Condition E could be hard to meet—for example:

- There may be no up-to-date Local Plan for your area

⁵² The development plan effectively constitutes the adopted local authority plan, and in Greater London, the London Plan as well.

⁵³ The NPPF was adopted in 2012, and local plans adopted before the NPPF are considered for the purposes of planning to be ‘out of date’, and more easily able to be superseded by more recent information, including for the purposes of neighbourhood planning. See also NPPG Paragraph: 006 Reference ID: 2a-006-20140306

- There may be a Core Strategy/Local Plan in place, but it does not set a specific housing target for your neighbourhood plan area⁵⁴
- The boundaries of your neighbourhood plan area may cover only part of, and/or cover locations other than, a settlement with a housing target specified in a Local Plan.

It is therefore important that you take into account the local planning context when deciding on the scope of your HNA. If there is no up-to-date local plan for your area, relevant information from the most recent Local Plan should be considered, but will need to be addressed in the context of more recent evidence.

If your neighbourhood plan area already benefits from a specific housing target in a Local Plan, the requirements of Basic Condition E would normally mean that only the type and tenure of the housing needed would be within the scope of your HNA; even here, your group may feel there is already sufficient detail on this topic in the Local Plan. If both of these conditions are fulfilled, there may be no need for you to prepare an HNA at neighbourhood plan level at all.

By contrast, if your neighbourhood area falls into one of the three bullet-point categories above, you will need to determine a housing target, as well as explore the characteristics of that housing. The housing target eventually selected needs at the same time to be:

- Based on robust local evidence from a range of sources
- Capable of being considered in general conformity with the strategic policies of any adopted Local Plan, even if that Local Plan does not set a specific target for the Neighbourhood Plan area. Your Local Planning Authority should be able to advise you if they consider this to be the case.

⁵⁴ This could be because the settlement is smaller than those for which targets have been set or because the settlement is one of a number of settlements (e.g. 'Key Villages' or 'Main Towns') with a single Local Plan housing target across all settlements.

Note that there is some potential for conflict between these two factors. In practical terms, you will need to strike a balance that is satisfactory both to your own group and the local authority. As such, the local authority should be able to advise if you uncover a significant disparity between what the range of data sources is suggesting and what the adopted local plan is expecting.

Circumstances will differ- in some cases the two numbers produced may be close and in others, for a variety of possible reasons, far apart. Agreeing the most appropriate figure to use with your local planning authority, whether a midpoint between the two or any other evidenced figure that can be agreed upon by both parties, is likely to help your plan at examination.

Presenting the results

The completed Housing Needs Assessment is best presented to relevant parties as a printable document in Microsoft Word or PDF format. Keeping an audit trail of the various data presented in the final document is also recommended, for example Excel tables of extracts from the Census, PDF copies of local authority documents and so on. It is also usually helpful to present or discuss draft or interim results with other parties who can give feedback and suggest amendments to the HNA. Equally, the HNA should be retained and referred to even after the neighbourhood plan is adopted, and updated as part of ongoing plan revision.

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