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Smarter SHMAs: a review of Objectively Assessed Need in England

Final Report

November 2015

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Final Report

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Acronyms & Abbreviations

BME	Black and Minority Ethnic
CLG	Communities and Local Government
CPRE	Campaign to Protect Rural England
DWP	Department for Work and Pensions
GIS	Geographical Information System
HNA	Housing Needs Assessment
HSSA	Housing Strategy Statistical Appendix
LEP	Local Enterprise Partnership
NPPF	National Planning Policy Framework
NPPG	National Planning Practice Guidance
OAN	Objectively Assessed Need
ONS	Office for National Statistics
p.a.	Per Annum
PPS	Planning Policy Statement
SHLAA	Strategic Housing Land Availability Assessment
SHMA	Strategic Housing Market Assessment
UA	Unitary Authority

Executive Summary

ES 1: The report provides:

- an overview of how ‘objectively assessed need’ has been established since the introduction of the National Planning Policy Framework (NPPF), and the weaknesses in this process including a critique of the official ‘predict and provide’ methodology;
- 5 case studies which show how local planning authorities have arrived at their housing requirement figures;
- interviews with industry experts to identify the range of views concerning the determination of OAN for rural areas; and
- guidance for determining OAN highlighting specific areas that CPRE volunteers should focus on when assessing how local planning authorities in their areas have determined housing requirements. This is in the form of a ‘checklist’.

ES 2: A review of National Planning Policy Guidance and its implications for determining Objectively Assessed Need identified that:

- The full OAN carries significant weight when examining plans, but it is only part of the evidence and needs balancing against other factors.
- Guidance on calculating OAN is limited (particularly in comparison to that which it has replaced) and lacks clarity.
- There is a lack of rigour in relation to definition. Housing need, in terms of affordability, is now taken to mean the same as overall housing demand, despite the complexities inherent in understanding what the level and type of need is and how it might be met.
- OAN is calculated based on projections of various datasets, including population, households, migration and labour force. Use and interpretation of these is '*not an exact science*'.
- Although the OAN is not meant to consider policy decisions it must (even if not knowingly), as previous rates of house-building for example and the consequences for population growth and the labour market, will have been influenced, to some degree, by previous policy decisions.
- The use of market signals as a means to increase the number of new homes needed in an area is simplistic and, in itself, starts making decisions as to future policy decisions which are meant to take place elsewhere.

- Local plans are now taking longer to prepare than they were pre-NPPF. Greater clarity and guidance is required around housing matters to help local authorities prepare sound plans.
- The current guidance is resulting in inconsistencies in approach from place to place and, indeed, in the same place. Greater clarity, and transparency, is required within the process.

ES 3: 5 SHMA case studies have demonstrated how Local Planning Authorities have arrived at their housing requirement figures and concluded that:

- All SHMAs made specific reference to government Practice Guidance in formulating their methodological approach. As the case studies included SHMAs dating from as early as 2008, some referred to PPS3 and 2007 Planning Practice Guidance whereas the majority were completed post-NPPF and associated current Guidance. Several SHMAs assessed the impact of applying different economic and housing change scenarios. Most relied on secondary data with local consultation tending to be limited to property and lettings agents.
- There was some variation in the use of terminology with housing need used as both a ‘catch all’ concept referring to affordable and market housing and to refer specifically to affordable housing need. Housing demand was also used variably, sometimes interchangeably with housing need, and at other times in the context of considering aspirations and preferences.
- Those SHMAs produced by local authorities, the 2008 Ribble Valley SHMA and the 2013 Cambridge Housing Sub-region SHMA, reflected a more intimate understanding of local areas including of rural areas. Other SHMAs demonstrated only limited recognition of the circumstances, housing market dynamics and housing needs prevailing in rural areas. Consideration of factors such as the limited ‘housing offer’ available, especially of affordable housing, and of the complex character of housing demand tended to be introduced only where SHMAs adopted a sub area approach. Sub areas were based around administrative areas such as wards or defined housing market sub areas.
- Headline provision targets were provided in all cases but were often difficult to identify when so many factors had to be taken into account, including unmet housing need; the need for affordable housing; the needs of newly forming household and of groups with specific needs, and the impact of applying different ‘scenarios’ of change. In all cases, outputs were provided by tenure and housing mix and several SHMAs provided detailed consideration of the needs of groups with specific needs.

- There was little recognition of the significance of supply as a constraint, such as historic housing completion rates; the availability and cost of land; physical or policy constraints.
- There was little consideration of the relevance of options other than new provision, such as making better use of empty homes and the conversion of non-residential buildings. Even where the potential of such supply was recognised, it was seldom quantified.
- The main and most obvious comment in relation to the Local Plan process was the length of time taken from preparation to Examination, and this created recurrent problems of evidence having dated by the time it was considered by Inspectors. As a result, there were several calls for updated evidence which delayed the process even further. There was at times an unfortunate coincidence between Examinations and the publication of outputs from the 2011 Census which brought further calls for updates of evidence.
- Inspectors adopted a rigorous approach to identifying ‘objectively assessed need’ insisting on detailed, comprehensive and contemporary evidence, and mostly placed the emphasis placed on assessing need rather than consideration of demand or the impact of supply side factors. An obvious exception is the Chichester Local Plan where the proximity of the National Park and the Solent were recognised constraints.
- Despite offering a range of economic and housing scenarios, the imperative at Examination was, despite any future uncertainties, to produce an ‘agreed figure’ of the future need for housing. That is not to say that such a figure was the outcome of a consensus, and there was typically disagreement between interested parties on the validity of higher or lower figures.
- It is not possible to establish from these case studies whether the Local Plan process is leading to a systematic increase in housing provision targets. This was the case for Ribble Valley, it is likely to be the case in South Worcestershire and in Cherwell, the upper OAN figure was agreed. However, a lower figure was agreed for Chichester and in East Cambridgeshire a lower figure has resulted through the redistribution of housing elsewhere in the Cambridge Housing Sub-region.
- The distribution of housing was centred on the largest settlements and in rural areas, a hierarchical approach was adopted with development focused on market towns and larger and more ‘sustainable’ villages. -

ES 4: A series of confidential telephone interviews was undertaken to gain the views of experts ‘within the industry’ and which were based on three questions:

1. Are there any difficulties determining Objectively Assessed Need for rural areas? Can you give examples?
2. How can these be overcome through the SHMA process?
3. How might National Planning Practice Planning Guidance be improved in relation to the Assessment of Housing Needs in rural areas?

ES 5: Discussion was wide-ranging and addressed the scope of SHMAs, housing need and housing demand; defining housing market areas; establishing housing provision targets in rural areas; small area analysis; planning guidance and understanding rurality as follows:

- In the current policy environment, a ‘predict and provide’ approach appears inevitable. PPG sets the context for this but local authorities set the brief for consultants. If they wish to deviate from this approach or add additional requirements for example, for sub-area analysis, they can do so, but this is likely to have cost implications.
- Several experts emphasised the advantages of maintaining methodological consistency to determining OAN across SHMAs and Local Plans through applying a standardised approach.
- Reflecting the briefs issued, SHMAs tend to adopt an exclusively top-down perspective from the district/unitary authority but seldom take the perspective of local communities. There may be little or no mention of rural areas in SHMA reports.
- SHMAs tend to focus on identifying topline housing provision targets which are often not disaggregated to sub-areas, including rural sub areas.
- It’s very difficult to make a distinction between more urban and more rural authorities in determining OAN and more sensible to complete the district/unitary level assessment then undertake a sub-area analysis to identify housing need in rural areas.
- More mixed rural: urban areas require more detailed profiling, for example, using Census and house price and rental data, and also to understand how they’ve developed.
- There is a need for definitional clarity and consistency of use. Housing need is not housing demand or vice versa. Need, demand, aspiration and preference need to be separately defined and

demand considered in relation to effective, latent and notional demand.

- Levels of need and demand often do not coincide in rural areas. There may be low levels of locally generated need but high levels of externally generated demand. Reconciling these dynamics is extremely difficult. Furthermore, demand is very mobile and it's very difficult to intervene in the open market to steer or control demand. The only lever available is supply-related, for example in relation to development land or affordable housing, including intermediate housing.
- Rural areas may be too small to constitute separate housing market areas or may become 'lost' within larger housing market areas.
- It's very difficult to identify 'self-containment' levels for local rural areas. Home move, commuting or migration data - the usual basis for determining housing market areas - may not be available.
- There is a dilemma over deciding which housing market areas rural areas belong to, not least as they may function differently for different groups, for example for long-term local residents, commuters and affluent retirees.
- With the exception of Greater Birmingham and Solihull and Leeds City Region, most Local Enterprise Partnerships have failed to develop a strategic vision for housing, including for rural areas.
- 'County regions' may have the potential to provide a more meaningful administrative and geographic basis for identifying rural housing market areas and for establishing housing need in rural areas.
- A return to localised assessment at district/unitary level and the abandonment of regional and sub-regional strategies have reduced the potential to act strategically and allocate provision beyond local authority boundaries. The Duty to Co-operate provides an alternative mechanism but this is dependent on agreement between authorities.
- There is a risk that, to meet short-term housing provision targets, local rural areas are seen as suitable locations to meet general housing need for the wider local authority area.
- Neighbourhood Plans provide a useful basis for establishing targets but there is a danger of reinforcing existing settlement patterns. Adopting a hierarchy of settlement approach may similarly 'fix' some rural areas within their historic trajectory of not developing.

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- In relation to affordable housing, there is a need to agree what is a reasonable distance for a household to travel in rural areas for their housing needs to be met.
- There is a need to develop methodologies capable of generating demographic and housing projections at small area level, for example, to answer the question: “what will this village or market town look like in 10-15 years’ time applying a range of change scenarios?”
- Neighbourhood Plans provide the opportunity for local needs to be identified but guidance is required to identify how such locally generated needs can be reconciled with local authority-wide outputs.
- Wider drivers of the housing market such as demographic, economic and employment change may be less significant for rural areas where the main drivers may be the need to maintain sustainability and secure a sustainable future, for example, by retaining post offices and pubs; schools and shops.
- Sustainable rural futures need to take account of development in the past as trend-based analysis may be misleading where, for example, local people have left an area because of affordability problems or lack of suitable supply.
- Market signals are more difficult to follow in rural areas where demand and prices may be more volatile and where ‘mix adjusting’ by stock type is essential. For example, there may be many ‘detached houses’ but these are in reality one or two bedroom country properties.
- Planning Practice Guidance has little to offer to assist understanding and assessment of housing need at the local level, including in rural areas. What may be required is a separate Annex incorporating specific guidance when considering small and rural areas, for example by using local housing needs surveys.
- Alternatively, it might be appropriate to undertake ‘sensitivity testing’ of findings in relation to rural areas to consider the extent to which local housing need has been taken into account.
- To what extent is there a vision for rural districts and local rural areas which is comparable to that for urban areas and especially cities, for example, city regions and combined urban authorities? Other than deeper rural areas such as Cornwall and Herefordshire, many rural areas are under pressure from urban-based need and demand.

ES 6 A wide range of conclusions has been presented concerning the assessment of housing needs in rural areas as follows:

In general

- Assessing housing need in rural areas, especially where populations are dispersed, requires a 'local' focus on areas such as market towns, villages or groups of villages and larger rural areas. These are the spatial levels at which, with the exception of Census data for Output Areas, secondary data is often weakest. Key data such as commuting, internal and international migration, and applications for and allocations of affordable housing are available either at wider spatial scales or to bespoke boundaries such as 'lettings areas'. This makes difficult the analysis of housing needs using secondary sources.
- The alternative and preferred approach, especially when considering the local need for affordable housing, is to undertake household surveys combined with consultation with providers, property and lettings agents and community and representative groups. Such processes can be time consuming and expensive, and the fundamental challenges are how to resource this and reconcile a secondary data-based local authority-wide SHMA approach with a finer grained local and more consultative analysis. The first step is to recognise and incorporate the outcome of recent and rigorous local assessment. There is no guidance as to how this might be achieved but, once headline figures have been identified for a SHMA area, it should be possible to incorporate local assessments of need. However, it has to be recognised that this will constitute another stage in the SHMA process which will have consequences for the cost of assessments.

In relation to Planning Practice Guidance

- Scope: Guidance is lacking in methodology, especially in relation to rural areas, it represents a list of ingredients with no 'recipe', other than in relation to the assessment of affordable housing. The PAS Advice Note helps to address some of the ambiguity in the Guidance but an agreed methodology to assess Objectively Assessed Need remains elusive.
- Terminology: definitional terminology lacks rigour, it is confusing and needs reviewing and clarifying. Need and demand are confused to the extent that the latest PAS Advice Note¹ suggests definitions of 'need as demand' and 'need as aspiration'. It's essential to define and distinguish between general housing requirements; affordable, specialised and local housing needs;

¹ Planning Advisory Service, July 2015, Objectively Assessed Need and Housing Targets. Technical Advice Note, second edition

housing demand, for example, effective, latent and notional demand, and consumer preferences and aspirations.

- Local housing need: guidance is lacking on how to recognise and incorporate in the SHMA process the outcome of recent and rigorous local assessment of housing need, including in rural areas.
- Supply-side factors: Guidance disadvantages rural areas by indicating that local authorities should not take account of supply side constraints such as land availability, viability, infrastructure or environmental impacts.
- To improve accessibility to key output data, there is a need to establish a standard ‘table of OAN outputs’ to be included in all SHMAs in a concluding section.

In relation to Strategic Housing Market Assessments

- Challenging ‘predict and provide’: it would be more accurate to use the term ‘project and provide’ as the basic methodology in attempting to predict future needs is to project past trends. This is inherently unreliable as past trends may have been influenced by ‘out of trend’ factors, such as the Global Financial Crisis of 2007-08 and the associated recession, and it is likely that unknown future ‘shocks’ will introduce unpredictability. A more dynamic approach is required involving shorter plan periods in the region of 10 years, and which incorporate different potential scenarios of change. A fixed report with fixed housing provision targets creates an illusion of certainty.
- Counterbalancing ‘predict and provide’: there is a need to develop counterbalances to top down ‘predict and provide’ approaches. These could be most effectively achieved by ensuring that all Assessments take account of housing needs derived from meaningful sub-areas, including rural areas, and needs derived from local assessment for example, from parish surveys and Neighbourhood Plans. This would have cost implications for commissioning SHMAs.
- The challenge in developing a sub-area approach is their definition when administrative boundaries such as wards do not coincide with other meaningful data boundaries such as affordable housing lettings areas which might provide waiting list and social housing lettings data.
- The scope of SHMAs: this is both too narrow and too broad. SHMAs often fail to deal properly with broader housing markets, for example at sub-regional and regional level. Joint SHMAs go some way towards this, but final decisions on OAN are taken by inspector’s considering individual districts. At the same time,

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SHMAs lack finer grained local analysis and, as a result, small areas don't have a 'voice' and local views and rural housing needs aren't adequately represented.

- Reliance on secondary data: rural areas have suffered most from the abandonment of survey-based approaches to determining housing need in general, and affordable housing need in particular. Primary research may be required to engage with rural communities to understand the different issues affecting the wide variety of people living in the countryside and the range of approaches available to address local housing need. For example, there are likely to be specific issues for groups ranging from equity rich older home owners to low paid agricultural workers.
- Supply-side factors: the main focus of SHMAs is usually on need/demand factors, and assessment of the future need for housing does not take account of such supply-side factors as:
 - physical or policy constraints,
 - the availability of land for development,
 - residential development viability;
 - the sustainability of accommodating different levels of housing provision or
 - the views of local communities.
- The future needs of older people: there is a need to take fully into account the implications of older people who do not downsize to smaller accommodation which matches their household requirements. The effect of this is the need to build 'replacement' family housing including in rural areas to maintain the existing balance of supply.

In relation to the Local Plan process and Inspector's reports:

- Timescale: the process followed in producing the SHMA and the housing provision target to be used in the plan are perhaps the main areas of contention. The Local Plan process takes a long time, particularly once it reaches submission stage and modifications to meet housing targets are one of the key, if not the key area of debate. The length of time taken increases the likelihood of needing to consider new demographic evidence and policy guidance which in turn can generate further delay. Ribble Valley is a case in point which undertook 2 SHMAs, one Housing Requirements Study and an Update to that Study in the 5 years between 2008 and 2013.
- Expectations of OAN: it is clear that local authorities are being required to plan for the full OAN (and more recent announcements

by Greg Clark² and Brandon Lewis³ re: the Local Plan process and housing figures emphasises that Local plans need to be published quickly and represent the OAN).

- The impact of increasing provision targets: establishing higher housing targets, at times dramatically, either means raising densities on existing sites (where appropriate) or identifying additional developable sites. Rather than brownfield or regeneration-led, attractive ‘market favoured’ sites are easier to develop, and are likely to be developed first, which results in increased pressure to build additional housing in the countryside, irrespective of infrastructure requirements. This defeats good planning; it is the antithesis of what planning should try to achieve, to intervene by giving greater weight to factors the market will not recognise or which are given lesser priority.
- The distribution of housing: this appears to follow traditional settlement hierarchy type approaches. There are pros and cons to this. For rural areas, the ‘sustainability trap’ needs to be given due consideration. Previous work by for example, Matthew Taylor, questioned whether this was the correct approach to take and if it starved villages and rural areas of the opportunity to grow and sustain village life.
- Local housing need: some of the plans restrict development in the smaller villages to that which meets local need. But in the context of the NPPF/NPPG, what does ‘need’ mean at this very local level?
- Neighbourhood planning: there appears to be a reliance on neighbourhood planning to deliver some smaller scale housing in the villages and rural areas. This is a useful approach and follows the thrust of Government policy and conforms to CPRE support for neighbourhood planning too. Indeed, some local plans in rural areas are taking a finer-grained approach to housing and identifying sites and opportunities, and drafting policies, for the type of housing needed in these areas.
- ‘Centralised localism’: the challenge here centres on the issue of and tension around ‘centralised localism’: how much power do local authorities and communities have? Through the SHMA/OAN process, is the Government simply taking a top-down approach to enforcing housing targets?

² Department for Communities and Local Government (DCLG), 21 July 2015, Local Plans, Letter from The Rt. Hon. Greg Clark MP (Secretary of State) to Simon Ridley, Chief Executive, The Planning Inspectorate

³ Department for Communities and Local Government (DCLG), 15 September 2015, Press release: Brandon Lewis launches expert panel to speed up development

- Cross-boundary working: examples of positive cross boundary working, such as in Cambridge and Peterborough, demonstrate how housing needs can be met at a more ‘strategic’ scale.

ES 7 A wide range of recommendations has been presented concerning the assessment of housing needs in rural areas as follows:

- Methodology: Planning Guidance is lacking in methodology and needs developing from the existing ‘checklist’ approach to provide guidance on preferred approaches and sources.
- The terminology of housing need: definitional terminology needs reviewing and clarifying. It’s essential to define and distinguish between general housing requirements; affordable, specialised and local housing need and housing demand (including effective, latent and notional), consumer preferences and aspirations.
- Determining Objectively Assessed Need: there is a need to accept more dynamic SHMA outputs which are capable of revision to reflect changed circumstances, needs and housing market dynamics. Such approaches are in need of further exploration and development.
- Developing a more strategic perspective: there is a need for SHMAs to develop a more strategic perspective to determining Objectively Assessed Need and which follows housing market areas and crosses local authority boundaries. There will still be issues where housing market areas meet but a broader approach would assist greatly in agreeing where housing could be built.
- Defining housing market sub-areas: guidance is required concerning how these might be developed and applied.
- Understanding housing need at the local level: a separate Annex is required incorporating specific guidance when considering small and rural areas, for example by using local housing needs surveys.
- Targeted surveys: whilst Guidance places strong emphasis on the use of secondary data sources, primary surveys have a place in identifying the housing needs of specific groups and for specific areas, for example, rural areas. Guidance is required concerning how these might be developed and applied.
- Local area projections: there is a need to develop methodologies capable of generating demographic and housing projections at small area level as a counterbalance to ‘top down’ assessment.
- Rural Impact Assessments: as an alternative to undertaking sub-area analysis, SHMAs could incorporate a ‘rural impact

assessment' to consider the implications of OAN recommendations for rural areas

- SHMAs meet SHELAAs: there is a need to link SHMAs with SHELAAs through some kind of impact assessment statement. As Brandon Lewis' letter of December 2014 emphasises, the SHMA should not automatically be seen as the final housing figure in the Local Plan and instead should be balanced against land availability and policy constraints. This could be teased out alongside the SHELAA.

ES 8: A checklist has been developed for CPRE volunteers when considering how local planning authorities have determined their housing requirements consisting of:

The scope of SHMAs

- Data: does the SHMA rely exclusively on secondary data, or has any primary data been generated, for example, to identify local housing needs?
- Housing projections: what is the basis for determining OAN, is it demographically-led or economic/employment-led or a combination of the two, or have other factors been taken into account?
- Demographic projections: which version of ONS Subnational Population Projections and CLG Subnational Household Projections has been used? Is it the most recently-available? Or have bespoke projections been provided or commissioned?
- Demographic variation: have the population and/or household projections been varied in any way, for example, in relation to migration or employment?
- Economic and employment change: how is economic and employment change taken into account? Is it used as an input measure influencing the future need for housing or as an output measure assessing the number of jobs required?
- Scenarios of change: is there just one set of household and housing projections or are there any alternative scenarios of future change? If so, what are they? Are the outputs clearly and consistently expressed?
- Local drivers of change: what are the main drivers of change in rural areas, for example, demographic, economic or employment-related? Do they differ from the local authority area as a whole, for example, are their issues around sustainability, the needs of older residents, greater levels of affordability? Are these taken into account in the SHMA?

- Market signals: what ‘market signals’ have been taken into account, for example, land prices, house prices and rents, affordability, housing completion rates and concealed households?

Small area analysis

- Sub-areas: does the SHMA recognise sub-areas and provide projections for them? How well do these conform to locally recognised areas, for example, villages or rural areas?
- Rural areas: does the SHMA recognise the different character of rural areas, for example, that they present a different ‘housing offer’ by type, tenure and cost?
- Consultation: is there any evidence of local consultation and ‘reality checking’ of findings based on secondary data?

Need, demand and supply

- Local needs: are local housing needs recognised and quantified, for example the affordability of housing and the needs of rural communities?
- Housing demand: has housing demand been taken into account, for example, through affordability ratios, house prices and rents?
- New supply: to what extent have sources of housing supply other than new-build been taken into account and quantified when considering the future need for housing, for example, bringing empty properties back into use and building conversions for residential use?
- Need, demand and supply: to what extent is current and future housing need and demand related to current and future housing supply? Are constraints on supply recognised? For example, does the SHMA refer to the relevant SHLAA?
- Justifying provision targets: is the housing provision target supported by demographic and economic/employment projections? Does it exceed those projections, in which case, what is the justification and what evidence has been provided?

1. Introduction

- 1.1 This report by Housing Vision with Tibbalds Planning and Urban Design reviews the methodologies used to determine Objectively Assessed Need (OAN) for housing and the problems caused by unclear and unhelpful guidance.
- 1.2 The report provides:
 - an overview of how ‘objectively assessed need’ has been established since the introduction of the National Planning Policy Framework (NPPF), and the weaknesses in this process including a critique of the official ‘predict and provide’ methodology;
 - 5 case studies which show how local planning authorities have arrived at their housing requirement figures;
 - interviews with industry experts to identify the range of views concerning the determination of OAN for rural areas; and
 - guidance for determining OAN highlighting specific areas that CPRE volunteers should focus on when assessing how local planning authorities in their areas have determined housing requirements. This is in the form of a ‘checklist’.

2. Setting the Context: a review of National Planning Policy Guidance and its implications for determining Objectively Assessed Need

This section introduces the role and purpose of the Strategic Housing Market Assessment (SHMA) as the context for calculating Objectively Assessed Need (OAN). It reviews the National Planning Practice Guidance (NPPG) established by the National Planning Policy Framework (NPPF) and considers the issues arising and implications for plan-making, particularly in rural areas.

Introduction

- 2.1 The NPPF⁴ (at para 47) requires local planning authorities to ensure that policies in local plans identify and meet housing needs, which should be informed through production of evidence including a Strategic Housing Market Assessment (SHMA). It then goes on to state that purpose of the SHMA is to:

'identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period' (para 159)
- 2.2 The SHMA is informed by calculation of the Objectively Assessed Need (OAN) for housing. It is intended that this should be unconstrained and represent an 'objective assessment based on facts and unbiased evidence'⁵. Significantly, the NPPF states that housing need includes all type of housing, including market and affordable housing as well as housing for those with specialised needs.
- 2.3 However, the SHMA is only one piece of the evidence that local planning authorities will prepare and consider as part of their plan-making process. The SHMA will consider housing need and alongside this the Strategic Housing and Economic Land Availability Assessment (SHELAA) seeks to identify what land is suitable for housing and is deliverable over the plan period. But, neither of these documents is intended to be a statement of policy: the establishment of housing targets and site allocations in the Local Plan will be made through policy in consideration of wider issues, including environmental and infrastructure constraints, viability and other policy objectives.
- 2.4 The result of this 'balancing act' is that, in some cases, the actual housing requirement set out in the Local Plan will be below the upper ranges presented in the SHMA through calculation of the OAN. Equally, not all sites identified in the SHELAA will be allocated in the

⁴ Department for Communities and Local Government (DCLG), March 2012, The National Planning Policy Framework

⁵ Department for Communities and Local Government (DCLG), Retrieved June 2015, Housing and Economic Development Needs Assessments, from PPG, para 004

Local Plan once all the evidence and constraints have been weighed up.

- 2.5 The SHMA does though carry significant weight in the plan-making process. The NPPF makes it clear that Local Plans should meet the OAN, unless there are any adverse impacts of doing so⁶. So, for plan-making, any reduction in the housing requirements identified through the SHMA needs to be fully justified and reasoned in relation to wider constraints and policy objectives.
- 2.6 Complicating the Assessment is consideration of the extent of the housing market area. This will not always follow local authority administrative boundaries and, more often than not, will straddle boundaries. This is because housing market areas are determined by migration and commuting patterns, and by labour market and economic areas. Where boundaries are crossed, the ‘duty to cooperate is triggered’. This duty requires authorities to work together to determine housing needs and the resulting spatial distribution of this need.
- 2.7 However, the duty to cooperate is not a duty to agree and there are no standards as to what comprises co-operative working. Many local authorities are falling foul of this and are tripping up at examination, with local plans needing to be withdrawn or amended because they haven’t fulfilled the duty. So for a local plan to be found sound, it stands to reason that neighbouring authorities need to collaborate on preparing their SHMAs. The importance of having a sound plan in place was recently emphasised by The Rt. Hon. Greg Clark MP in a letter to The Planning Inspectorate⁷. This encourages Inspectors to take a pragmatic view towards plan making and to work with councils towards achieving a sound Local Plan, including highlighting issues very early in the process to allow them the fullest opportunity to address these rather than having to withdraw plans. The DCLG has since launched a new expert panel charged with looking into how the local plan-making process can be streamlined⁸.

Determining ‘Objectively Assessed Need’

- 2.8 The adoption of the NPPF brought about a change of emphasis in policy towards meeting housing need. For example, the now cancelled Planning Policy Statement on Housing (PPS3)⁹ stated that local authorities should ‘take account of’ need, affordability and market

⁶ See para 9, NPPF

⁷ Department for Communities and Local Government (DCLG), 21 July 2015, Local Plans, Letter from The Rt. Hon. Greg Clark MP (Secretary of State) to Simon Ridley, Chief Executive, The Planning Inspectorate

⁸ see DCLG press release, 15 September 2015, Brandon Lewis launches expert panel to speed up development

⁹ Department for Communities and Local Government (DCLG), June 2010, Planning Policy Statement 3: Housing

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information¹⁰ whilst the NPPF is much more direct, explicitly stating that local plans should ‘make every effort’ to meet housing needs¹¹.

- 2.9 Planning Practice Guidance (PPG) provides a recommended approach to preparing SHMAs which is set out in ‘Housing and Economic Development Needs Assessments’¹².
- 2.10 However, current guidance is much more limited than that existing before the development of the NPPF. Effectively, it is a streamlined version of Strategic Housing Market Assessments: Practice Guidance, Version 2¹³ which provided a detailed step-by-step approach to preparing robust and credible SHMAs. This is no longer the case and the new PPG lacks the detailed methodological guidance provided by, for example, ONS and CLG in relation to demographic projections.
- 2.11 A major difference between current and previous guidance is the way that affordable housing is considered. PPG takes housing need and demand (or requirement) to be one and the same thing but they are not as is made clear in the report of the Local Housing Requirements Assessment Working Group¹⁴:

‘Understanding housing need (as distinct from housing ‘demand’) is an absolutely vital part of local housing requirements.’ (para 4.2)

- 2.12 This is a change from previous guidance and is a key challenge. In the context of the current Guidance, PAS¹⁵ define total housing need as:

‘The housing that households are willing and able to buy or rent, either from their own resources or with assistance from the state.’ (para 2.8)

and

‘Total need, or demand, equals the total housing that would be provided across both sectors, if land supply was not constrained by planning’ (para 2.9)

¹⁰ Department for Communities and Local Government (DCLG), Retrieved June 2015, Housing and Economic Development Needs Assessments, from PPG

¹¹ Department for Communities and Local Government (DCLG), 2007, Strategic Housing Market assessments Practice Guidance, Version 2

¹² See para 33, PPS3

¹³ See para 17, NPPF

¹⁴ Local Housing Requirements Assessment Working Group (LHRAWG), March 2013, How Many Homes? A companion guide. The LHRAWG is a group of leading housing and planning bodies that includes the Town and Country Planning Association, Shelter, Royal Town Planning Institute, Planning Officers Society, Home Builders Federation, National Housing Federation, Chartered Institute of Housing, the Local Government Association, Building and Social Housing Federation, British Property Federation, Royal Institute of Chartered Surveyors and the Northern Housing Consortium. The LHRAWG came together in response to a call from practitioners for practical support in assessing how many homes were needed in their areas in the context of the new housing and planning framework. They have jointly prepared a toolkit called “What Households Where?” This is available, free of charge, allowing anyone to find out how their area has grown to what it is today and what the official projections say about how it might develop in the future.

¹⁵ Peter Brett Associates for the Planning Advisory Service (PAS), June 2014, Objectively Assessed need and Housing Targets: Technical Advice Note (see also July 2015 update)

- 2.13 Housing need, which previously referred to affordability and special requirements, is now mixed in with the requirement for all housing types. But it is complex area and one that needs to be drawn out. Needs can vary between extremes, from those who don't have a home, to those who do have a home, but where the need is for something more spacious, or better located. There is a range of need between these¹⁶. As the Local Housing Requirements Assessment Working Group notes, an approach which understands the complexities of need and affordability:

'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 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.' (para 4.12)

- 2.14 The PPG states that when assessing future needs, local authorities should only consider those future scenarios that could be reasonably expected to occur. However, it is the intention that SHMAs should be an 'objective' assessment and should not apply constraints to this, such as land supply or viability for example. It is for other studies to address these and for the local authority to balance the findings against each other to determine an appropriate future housing figure for the local plan. Which must pose the question; how can a SHMA establish what might reasonably occur in the future if it does not consider the constraints?
- 2.15 Furthermore, the Assessment is expected to consider the labour force supply, projected job growth, resulting commuting patterns and the resilience of local businesses, and to adjust for these accordingly. But this implies consideration of possible future planning choices and therefore raises the question of just how 'objective' the assessment is.
- 2.16 Understanding 'demand' as different from 'need' is also quite complex. The current approach is required, according to the PPG, to consider market signals, but the intended impact of these on housing figures is rather simplistic: in essence, where house prices, affordability and overcrowding are increasing, or worsening, then Guidance simply suggests an uplift to the housing figures. But to what extent should the housing figures be uplifted and how should this be defined? There is nothing to help here, beyond the recommendations of Inspectors at examination, which may change over time.

¹⁶ See Local Housing Requirements Assessment Working Group, March 2013, How Many Homes? A companion guide, para 4.3 and Box 1

- 2.17 The SHMA should be informed by a range of data and information sources including demographic projections (which are seen as fundamental to the assessment), household projections (which the PPG says ‘should provide the starting point estimate of overall housing need’) and, where appropriate, locally based sensitivity testing of these, reflecting, for example, migration, employment and demographic change. We consider that understanding of the limitations and possibilities of official demographic projections is so important that a detailed review has been provided at Appendix 1 which also includes consideration of economic projections.
- 2.18 Secondary data is widely available and use of it is encouraged. However, it is likely to miss the finer grain, local issues, variation and their impact on the findings of the SHMA. This is crucial for rural areas, with the PPG noting:
- ‘Local housing need surveys may be appropriate to assess the affordable housing requirements specific to the needs of people in rural areas, given the lack of granularity by secondary sources of information’.* (para 17, revision date 06/03/14)
- 2.19 This appreciation of the specific needs of rural areas is essential to good planning and plan-making. Over the last decade there has been much interest in, and a body of research undertaken into, the particular planning, socio-economic and environmental issues affecting rural areas and communities. At a very high level, these issues can be summarised as a lack of affordable housing and limited or restricted business growth¹⁷. This can give rise to social exclusion: if lower income households are excluded from rural communities, because of a lack of affordable housing and access to jobs and services, the social and economic vitality of these areas is weakened¹⁸.
- 2.20 So it is important that distinctions are made between urban and rural areas and the different needs of these places. The Planning Advisory Service (PAS)¹⁹ makes it clear that it is important to understand population and household trends through further interrogation to allow for any ‘blips’ to be considered and for alternative assumptions and their impact to be analysed. But it warns that any variations made should be clear and transparent: it warns against use of a ‘black box’ approach which risks being unexplainable and unreliable. In such instances, it notes that local authorities can be vulnerable to challenge. The Elphicke-House²⁰ report makes the same point, stating that for

¹⁷ See, for example, Taylor, M. for DCLG, July 2008, Living Working Countryside: The Taylor Review of Rural Economy and Affordable Housing, and The Rural Coalition, September 2009, Prospectus: The Future is Rural Too, The Rural Coalition (ACRE, CPRE, CLA, LGA, RTPI, TCPA), CRC and CABE

¹⁸ Cambridge Centre for Housing and Planning Research with Land Use Consultants for Defra, December 2006, The Extent and Impacts of Rural Housing Need

¹⁹ Peter Brett Associates for the Planning Advisory Service (PAS) and the Local Government Association, April 2013, Ten key principles for owning your housing number – finding your objectively assessed needs

²⁰ The Elphicke-House Report, January 2015, From statutory provider to Housing Delivery Enabler: Review into the local authority role in housing supply

housing to be ‘effectively planned and delivered, it is important that councils provide clarity and transparency around housing need, growth and opportunity’ (see para 4.11).

- 2.21 However, PAS go on to say:

‘Remember that uncertainty exists: there is no single right answer to exactly what your requirement is. The exact figure is a matter of judgement.’ (page 5)

Implications for Strategic Housing Market Assessment

- 2.22 So just how objective is Objectively Assessed Need? And how accurate? Drawing on research into the accuracy of assumptions, Simpson²¹ notes that a conservative estimate would suggest that over ten years, population projections might be inaccurate by around five percent. But what might appear to be relatively small inaccuracies in population projections, household formation rates, migration, labour force and other variables can, when all added together, make a big difference, and increase the margin of error. Simpson goes on to note:

‘Extrapolation to the future is intrinsically uncertain; we can find patterns for each variable in the past, but cannot be sure that the future will repeat those patterns’. (page 10)

- 2.23 Other factors, listed as ‘market signals’ are also to be considered in the SHMA. These include land prices, house prices, rents, affordability, the rate of development and overcrowding. If we take the rate of development as an example, the PPG states that where historic supply is below planned supply, then the future supply or rate of development should be increased. But it is likely that historic underperformance will be the result of a range of factors coming together including, but not limited to, economic conditions, viability, infrastructure delivery, policy constraints and drivers. Yet these are factors that the PPG says should be informed by other evidence-based studies.
- 2.24 Although the assessment of need is intended to be ‘policy off’, or ‘policy neutral’²², it cannot be, as consideration of past trends will have been the result of, at least in part, policy drivers and decisions. Future change, around the economy and job growth for example, and needing to take account of previous under-supply, also involves thinking about the direction of policy.
- 2.25 Guidance thus appears confused and is subject to interpretation. The PPG itself states that the assessment of housing need is not an exact

²¹ Simpson, L., for CPRE NW, October 2014, Understanding the estimation of housing need and housing targets

²² The terminology policy-off, policy-neutral or policy same is used by the Planning Advisory Service in their various Technical Advice Notes, the most recent of which was published in July 2015: Peter Brett Associates for the Planning Advisory Service (PAS), July 2015, Objectively Assessed Need and Housing Targets: Technical advice note, Second edition

science and the uncertainty created by the limited guidance is highlighted in a technical advice note prepared by PAS²³ which notes:

'many of the questions we address have no definitive answer, and answers may change abruptly if national guidance is updated, Planning Inspectors and courts of law issue new decisions, or new information comes forward'. (para 1.3)

Implications for plan-making

- 2.26 The impact of the uncertainty outlined above is reflected in research by Nathaniel Lichfield & Partners (NLP)²⁴. This shows that the plan-making process is taking longer than it was pre-NPPF, and that many local plans are subject to review and challenge. The primary reason for this being the approach taken to assessing and planning for future housing provision. Similar research undertaken by Savills²⁵ found that, outside of London and the National Parks, 222 of the 293 local authorities in England did not yet have a plan adopted since the NPPF came into force. One of the key concerns here being that many local plans are out of date and do not accord with guidance on housing.

- 2.27 So Local Plans are taking longer to prepare and the approach to housing is problematic. And where Local Plans are being tested, there also appears to be a lack of consistency being applied. The NLP research makes a pertinent point:

'Inspectors are also taking different approaches to the methodology for assessing housing need set in the NPPG. This is particularly prominent in respect of its guidance on market signals'. (page 2)

- 2.28 This must be linked back to the limited nature of the Guidance and the confusion it creates, or rather the latitude in its application. This results in inconsistency from place to place. Research by Elphicke-House²⁶ found considerable variation in the quality and accessibility in SHMAs from council to council. They also note:

'There were also significant differences in the way councils explained how their assessments of future housing need had been determined, how they proposed to support wider objectives, and how these objectives would be delivered' (see para 4.13).

- 2.29 Yet where local plans are subject to examination many are subject to modifications, requiring an uplift in housing figures in accordance with

²³ Peter Brett Associates for the Planning Advisory Service (PAS), June 2014, Objectively Assessed Need and Housing Targets: Technical advice note (also see July 2015 update)

²⁴ Nathaniel Lichfield & Partners (NLP), March 2015, Signal failure? A review of local plans and housing requirements

²⁵ Savills, Spring 2015, Spotlight, Beyond the Election: What next for planning?

²⁶ The Elphicke-House Report, January 2015, From statutory provider to Housing Delivery Enabler: Review into the local authority role in housing supply

the findings of the SHMA so that they can be found sound. The concern here is that the SHMA figure may inflate the housing figure that should be planned for. Indeed, the NLP research referred to above found that in year 3 of the NPPF, 71% of Local Plans that were adopted proposed more homes than were implied from DCLG/ONS household projections²⁷. This is not a recent concern but one that has been exacerbated since the publication of the NPPF and NPPG. Research undertaken for Shelter in 2011²⁸ found that most councils:

'did not consider it [the SHMA] to be the primary source of information for determining housing requirements. This was because the SHMA produced figures in excess of both RSS targets and historic building rates and were therefore considered unrealistic as a target. Instead many said that housing targets were based on deliverability'. (page 3)

- 2.30 Examples²⁹ of recent local plans subjected to modification include Cherwell where the Local Plan has now been found sound. Examination of the Plan had been put on hold for six months to address modifications deemed necessary by the Inspector. These modifications included increasing housing delivery to meet numbers outlined in an up-to-date SHMA and, as a result of this, to review the consequences of increased residential development. The previous submitted version of the local plan had relied on an older SHMA which it was deemed did not represent the full, objectively assessed, local need for new housing. The Inspector³⁰ took this view largely because:

'it essentially relied on an out of date evidence base. This had not been properly reconsidered in the light of current needs and circumstances, including not only the guidance in the NPPF, but also the 2011 Census results, amongst other things, such as more recent DCLG/ONS population and household projections providing the necessary inputs on migration and demographic change. Nor did it represent an unconstrained initial assessment of needs, including for affordable housing, to which relevant constraints and market factors could later be applied, as required by the NPPF.' (para 44)

- 2.31 As a result of changes the plan is now considered to meet 'the full, up to date, objectively assessed needs of the district, including for affordable housing'. As a result, it also allocates additional strategic sites to facilitate this higher rate of delivery.

²⁷ See page 7, Nathaniel Lichfield & Partners (NLP), March 2015, Signal failure? A review of local plans and housing requirements

²⁸ Monk, S, Clarke, A, & Lyall Grant, F, Cambridge Centre for Housing & Planning Research, for Shelter, October 2011, Providing the evidence base for local housing need and demand assessments: Research report and summary

²⁹ The examples referred to here – in Cherwell and Chichester – were selected as the two most recent Local Plans to have been found sound in England at the time of writing. Outside of the main settlement, both areas are also largely rural. More information on these can be found in the case studies section of this report.

³⁰ The Planning Inspectorate, Report on the Examination into the Cherwell Local Plan, June 2015, File ref.: PINS/C3105/429/4

- 2.32 The Chichester Local Plan has also recently been found sound, subject to modifications proposed by the Council. These include providing a clear, updated figure of objectively assessed need, and modifying housing supply, the distribution and quantum of sites to reflect the increased housing figure. The draft submitted plan had previously set a housing range rather than a definitive target. The Inspector³¹ reported that this would be problematic:

'It is clear that evidence on housing need has been updated during the drafting of the Plan and I note that the Council has sought to be open in its approach which has led to it suggesting a range rather than an exact figure. However the absence of a clear target or "goal" undermines the Plan's strategy for housing provision and makes it impossible for the Council to demonstrate that it has planned positively to attain that goal or to minimise any shortfall'. (para 39)

- 2.33 The weight attached to an up-to-date SHMA is clear. However, whilst the Guidance and its approach to preparing them are limited, the consequences of not having a SHMA prepared in line with the Guidance are significant, potentially causing delay and undermining the plan-led system through challenge at examination and appeal. But, in a letter to the Planning Inspectorate in December 2014³², Brandon Lewis MP wrote:

'...the outcome of a Strategic Housing Market Assessment is untested and should not automatically be seen as a proxy for a final housing requirement in Local Plans. It does not immediately or in itself invalidate housing numbers in existing Local Plans.

- 2.34 This all points to the need to provide updated and clearer guidance on the approach to assessing Objectively Assessed Need. Others have made the same point. The Communities and Local Government Select Committee report into the Operation of the NPPF³³ considered evidence from a wide range of organisations and concluded that changes are required³⁴. The submission made by the RTPI, for example, considered that more specific guidance would help mitigate issues arising during the plan-making process³⁵.

³¹ The Planning Inspectorate, Report on the Examination into the Chichester Local Plan, May 2015, File ref.: PINS/L3815/429/6

³² Department for Communities and Local Government (DCLG), 19 December 2014, Strategic Housing Market Assessments, Letter from Brandon Lewis MP (Secretary of State for Housing and Planning) to Simon Ridley, Chief Executive, The Planning Inspectorate

³³ House of Commons, Communities and Local Government Committee, December 2014, Operation of the National Planning Policy Framework: Report, together with formal minutes relating to the report. NB: Written evidence to the Committee was submitted shortly after the PPG was published and so was unable to fully consider the impacts of this. However, oral evidence was given at a later date.

³⁴ The Government's response to the DCLG Select Committee was published in February 2015. This rejected the majority of the recommendations in the report.

³⁵ Royal Town Planning Institute (RTPI), 2014, Written evidence submitted by the Royal Town Planning Institute to the Commons Select Committee relating to the Operation of the National Planning Policy Framework, document reference NPP 215

2.35 Production of a clearer approach and more detailed methodology might help reduce challenge to local authorities and exposure at examination and appeal. The Communities and Local Government Select Committee report highlights a case study in Blaby, Leicestershire, where guidance on the production of SHMAs in the PPG has been used by different bodies (the local authority and developers) to produce very different outcomes for the same area. This is important to note given the weight afforded to the outcomes of the SHMA by the NPPF. The report considers that the PPG is ‘too vague’ and recommends that:

‘The Government work with local government and the house building industry to revise its guidance on strategic housing market assessments and produce an agreed methodology. Inspector’s should then be required to test SHMAs against this methodology.’ (para 70)

Summary

- 2.36 The SHMA, and OAN, is a key piece of evidence in the Local Plan process. With a Government drive towards growth, housing figures represent one of the most fraught and debated areas in the Local Plan process. The guidance for preparing these documents, or rather the lack of, has not helped. Confusion and ambiguity has caused much delay, with Inspectors and others often challenging the approach taken by local authorities and the figures contained within their submitted Plans. Many authorities have been required to reflect higher housing figures in their Plans – the full objectively assessed need.
- 2.37 With the Government proposing to take tougher action on authorities to ensure they ‘are using their full powers to get Local Plans in place and make homes available for local people’³⁶ it is imperative that a clear set of guidance notes is put in place. And this also means putting in place the ability for SHMAs and OANs to better reflect more localised issues and, in particular, the complex nature of affordability (as distinct from overall housing need) and relationships with policy choices and decisions. A supposedly ‘policy-off’ approach is perhaps too simplistic and what we need instead are more dynamic models of assessment, which properly consider and balance housing requirements with economic, social and environmental factors.

Summary of main points/findings

- The full OAN carries significant weight when examining plans, but it is only part of the evidence and needs balancing against other factors.
- Guidance on calculating OAN is limited (particularly in comparison to that which it has replaced) and lacks clarity.
- Housing need, in terms of affordability, is now taken to mean the

³⁶ HM Treasury, July 2015, Fixing the Foundations: Creating a more prosperous nation

same as overall housing demand, despite the complexities inherent in understanding what the level and type of need is and how it might be met.

- OAN is calculated based on projections of various datasets, including population, households, migration and labour force. Use and interpretation of these is '*not an exact science*'.
- Although the OAN is not meant to consider policy decisions it must (even if not knowingly), as previous rates of house-building for example and the consequences for population growth and the labour market, will have been influenced, to some degree, by previous policy decisions.
- The use of market signals as a means to increase the number of new homes needed in an area is simplistic and, in itself, starts making decisions as to future policy decisions which are meant to take place elsewhere.
- Local plans are now taking longer to prepare than they were pre-NPPF. Greater clarity and guidance is required around housing matters to help local authorities prepare sound plans.
- The current guidance is resulting in inconsistencies in approach from place to place and, indeed, in the same place. Greater clarity, and transparency, is required within the process.

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The Rural Coalition, September 2009, Prospectus: The Future is Rural Too, The Rural Coalition (ACRE, CPRE, CLA, LGA, RTPI, and TCPA), CRC and CABE

3. Determining Housing Provision Targets: 5 case studies of SHMAs and Local Plans in practice

Introduction

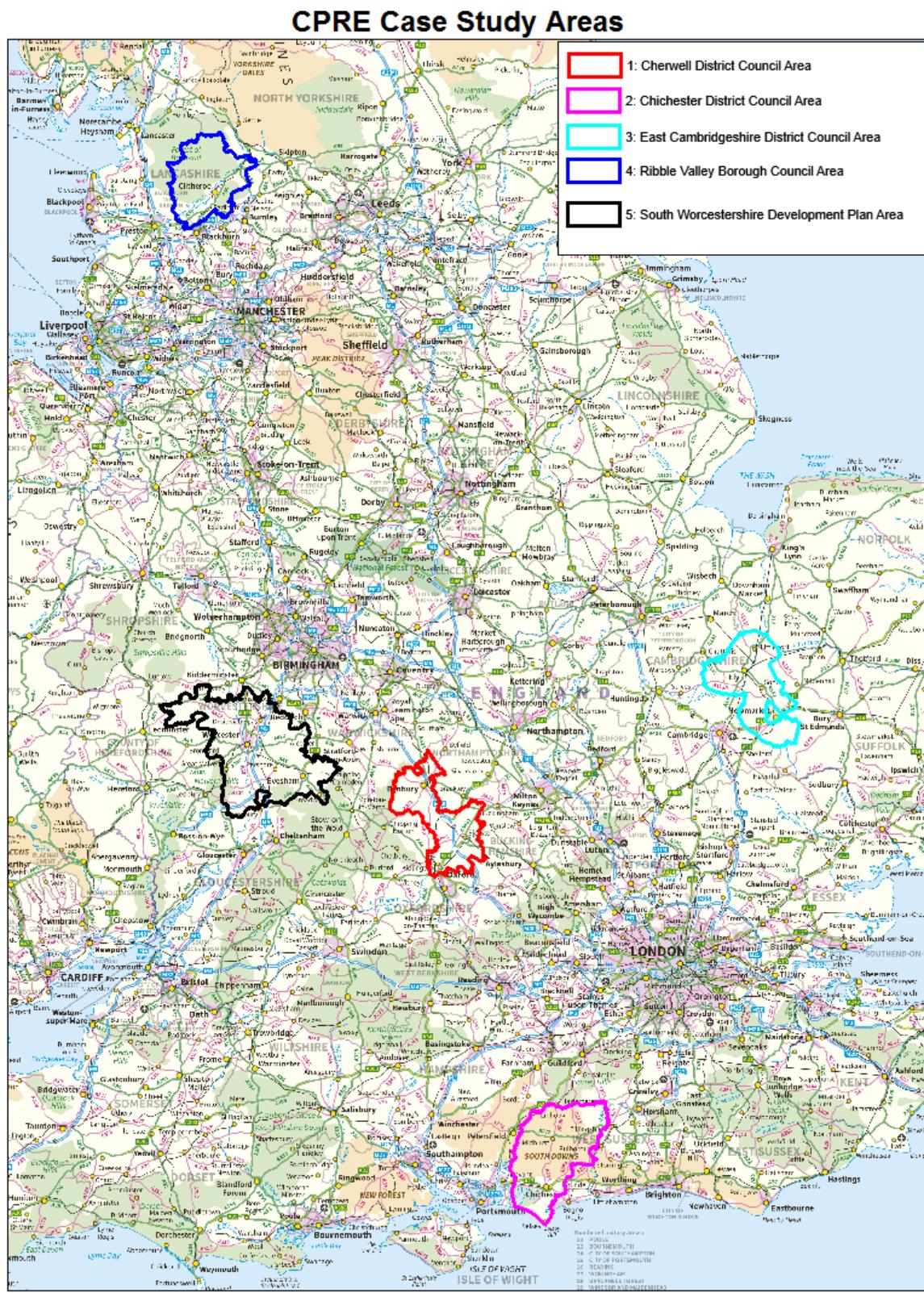
- 3.1 This chapter uses five SHMA case studies to demonstrate how Local Planning Authorities have reached their housing requirement figures. Case studies have been selected according to the following criteria:
- they include a range of areas by type and location across England;
 - they include locations reflecting different issues, for example, employment, headship rates, market signals and migration etc.;
 - they include SHMAs for both joint and single areas.
 - they focus on recent Adoptions and Inspectors' conclusions which share data availability and guidance status; and
 - they include SHMAs which have passed the Inspector's tests, including at second attempt, and some which have been referred for further work in relation to Objectively Assessed Need.
- 3.2 Ideally, they would consist of post-NPPF SHMAs whose findings have been accepted in Local Plan Examinations in Public but such is the slow pace of progress that this has not always been possible. The selected case studies consist of:
1. Cherwell District Council which is included in the Oxfordshire SHMA;
 2. Chichester District Council which is included in the Sussex Coast SHMA, (Adur, Arun, Brighton and Hove, Chichester, Lewes and Worthing Councils);
 3. East Cambridgeshire District Council which is included in the Cambridgeshire SHMA;
 4. Ribble Valley Borough Council; and
 5. South Worcestershire Development Plan Area (Malvern Hills, Worcester City and Wychavon DC) which is included within the Worcestershire SHMA.
- 3.3 The following table provides an overview of the case study areas against the selection criteria, and includes data summarising average annual completions; the average annual OAN figure; agreed annual housing provision target and the proportion of affordable housing; a subsequent map identifies the location of each case study area.

Table 3.1: CPRE case studies

Location and type of case study area	Broad region	SHMA area and title	Type of SHMA	Production	Date of SHMA	Local Plan Progress	Average Annual completion rates	Average annual OAN figure	Average annual housing target	% affordable housing
1. Cherwell DC District	Midlands	Oxfordshire SHMA	Joint (county)	GL Hearn	April 2014	Inspectors' Report to be considered by Council on 20 th July 2015	540 p.a. 1996-2014	682-1,140 p.a. 2011-31	1,142 p.a. 2011-31	30%
2. Chichester DC District	South East	Sussex Coast SHMA Update	Joint (sub-regional)	GL Hearn	November 2012	Adopted April 2015	442 p.a. 2004-2011	560-575 p.a. 2013-29	486 p.a. 2014-29	30%
3. East Cambridgeshire DC District	East	Strategic Housing Market Assessment for the Cambridge Housing Sub-region	Joint (county)	Cambridgeshire County Council	May 2013	Adopted April 2015. New Local Plan to be prepared July 2015	569 p.a. 2001-11	826 p.a. 2011-31	575 p.a. 2011-31	30% in the north of the District, 40% in the south
4. Ribble Valley BC District	North	Ribble Valley SHMA	Single district	HDH Planning & Development	June 2013	Core Strategy Adopted December 2014	144 p.a. 2001-11	220-250 p.a. 2011-28	280 p.a.	30%
5. South Worcestershire (Malvern Hills DC, Worcester City & Wychavon DC) Sub-region	Midlands	Worcestershire SHMA	Joint (sub-regional)	GVA with Edge Analytics	February 2012	Stage 2 Examination in progress. Housing need issue resolved March 2015	1,750 p.a. 2001-11	1,650-2,180 p.a.	To be decided	12%-27%

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Map 3.1: the location of the case study areas



3.4 Each case study has been reviewed in turn, addressing the following themes, with conclusions provided at the end of the chapter:

1. the approach adopted to determine ‘Objectively Assessed Need’ including the terminology applied and the extent to which ‘demand’ as aspiration or preference has been considered and quantified;
2. specific rural issues raised within the SHMA reports, for example, rural sub-areas, ‘housing offer’ and specific needs;
3. outputs in terms of ‘Objectively Assessed Need’ including headline provision targets, recognition of supply-side constraints such as the availability of land, physical or policy constraints and the extent to which options other than new provision have been considered such as empty homes and the conversion of non-residential buildings;
4. the Local Plan process, including relevant Inspectors’ Reports; and
5. the outcome of the Local Plan process in terms of the agreed future need for housing and its distribution.

Case Study 1: Cherwell District Council

3.5 The following map identifies the Cherwell District Council area.

Map 3.2

Case Study 1: Cherwell District Council Area



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Approach

- 3.6 The approach to assessing housing need linked demographic projection with economic modelling. Demographic projection was based on 2011-based ‘interim’ Sub-national Population and Household Projections for the period to 2031. Economic modelling was based on a number of economic scenarios developed to examine the link between employment growth and housing need. These applied Cambridge Econometrics (CE) Local Economy Forecasting Model (LEFM) and consisted of ‘Baseline’, ‘Alternative Demography’ and ‘Committed Economic Growth’ Scenarios.
- 3.7 Aspirational demand was quantified in relation to prices, rentals and sales volumes.
- 3.8 Assessment of the need for affordable housing applied a Basic Needs Assessment Model in accordance with 2007 CLG Practice Guidance.
- 3.9 Particular attention was given to the housing needs and circumstances of younger person households which showed a high reliance on rented housing.

Rural Issues

- 3.10 The rural character of the area has been recognised in a number of respects:
 - sub-markets: were built up from wards and split between urban and more rural centres.
 - the housing offer: local differences in housing type and tenure were recognised and that different parts of the sub-regional housing market were likely to play different but complementary roles and functions. For example, there are greater proportions of larger, detached homes in owner occupation in rural areas and a very limited one bed stock.
 - New affordable housing: it was recognised that some rural development schemes would fall below affordable requirement thresholds or affordable housing delivery may be less viable. This could be offset by delivery on sites owned by registered providers and public sector bodies and by using Rural Exception Sites. Specific affordable housing requirements for rural areas were recommended on sites of over 3 homes.

Outputs

- 3.11 The conclusions of the SHMA addressed 3 questions:
 - How many homes might need to be developed in the future?

- What mix of homes is needed?
 - What housing might be needed to meet the needs of specific groups within the population?
- 3.12 The starting point for assessing future housing need was demographic trends and any past shortfall in delivery. Consideration was given to the need to adjust the level of housing provision in order to support Committed Economic Growth. The results were compared against the level of provision required to meet affordable housing need in full, and other evidence of market signals, and adjustments made accordingly.
- 3.13 Based on this process, the SHMA concluded that between 93,560 and 106,560 additional homes were needed across Oxfordshire between 2011 and 2031 at rate of 4,678 - 5,328 homes per annum.
- 3.14 Annual and total breakdowns of the need for market and affordable housing by bedsize were presented for each of the 3 Scenarios for the sub-region and for each district.
- 3.15 Cherwell needed 1,142 homes per annum to meet housing need in full and 1,233 to support Committed Economic Growth, 33% of which should be affordable housing.
- 3.16 Within Cherwell, an affordable housing requirement was recommended of 30% in Banbury and Bicester and 35% in Kidlington and Rural Areas, and on sites of over 3 homes in rural areas.
- 3.17 Conclusions were presented in relation to the need for housing for the following groups:
- adults with care and support needs;
 - BME communities;
 - households with children;
 - older people;
 - people with disabilities
 - students; and
 - young people.
- 3.18 Assessment of the future need for housing did not take account of supply-side factors and increasing housing supply by means other than new provision such as bringing empty homes back into use and the conversion of existing buildings were not considered.

Local Plan process

- 3.19 The Cherwell Local Plan 2011-2031 Part 1 was formally adopted by Cherwell District Council on 20th July 2015, following initial

consultation on the proposed submission version in August 2012 and various modifications to this in the intervening years.

- 3.20 The SHMA, and the duty to co-operate, comprised a major area of debate at examination. The Local Plan had been submitted in advance of a joint, county-wide SHMA (dated 2014), raising questions as to the soundness of the submitted Plan which was based on older evidence (a 2007 SHMA updated in 2012). This was challenged by the Inspector and other participants during pre-hearing meetings. It was considered that the submitted Local Plan did not represent the full, objectively assessed, local need for housing because:
1. It relied on out of date evidence.
 2. It had not properly been reconsidered in light of current needs and circumstances.
 3. It did not reflect more recent guidance in the NPPF.
 4. It did not reflect the 2011 Census results and more recent population and household projections published by DCLG/ONS.
 5. It did not represent an unconstrained initial assessment of needs, to which constraints and market factors could then be applied.

- 3.21 However, following amendments in advance of the examination, the Inspector was satisfied that the Council has '*responded positively by reconsidering their figures*'³⁷, particularly in respect of the up-to-date OAN contained in the countywide SHMA.

The outcome of the Local Plan process: housing need and distribution

- 3.22 The Inspector found the Local Plan sound subject to a series of main recommended changes. These included increasing the annual housing requirement from 670 units per year to 1,140 units per year '*to meet the full, up to date, objectively assessed needs of the district, including for affordable housing*'.³⁸ By way of comparison, the average completion rate over the period 1996 - 2014 was around 540 units per year.
- 3.23 This is of course a substantial change, representing an uplift of some 70% over and above the figures in the submitted plan. The implication for this being the need to release new and additional land for housing, including new strategic sites such as the Bicester Garden City and a formal review of the Green Belt around neighbouring Oxford to determine how the housing needs of the city can be accommodated.

³⁷ Inspector's report, para 13, page 6

³⁸ See Inspector's report, page 3 (full ref to follow)

- 3.24 The Local Plan envisages most new development taking place in and around the main towns and larger villages, which are considered the most '*sustainable located opportunities to meet local needs*'.³⁹ Limited development is anticipated in the more rural areas and directed to what are considered high and medium sustainability villages, reflecting an established settlement hierarchy. The Inspector considered that '*the balance of new housing between the two towns and the rural areas is appropriate... The same would not apply to a more dispersed pattern of new housing growth, incorporating smaller scale schemes at less significant settlements.*'⁴⁰ It is considered that this focus is particularly important as the pattern of recent housing growth has disproportionately taken place in the smaller settlements.
- 3.25 However, beyond the strategic sites in Local Plan Part 1, the Council is expected to make further housing land allocations in their emerging Local Plan Part 2 and also expects sites to come forward through the neighbourhood planning process.

³⁹ Inspectors report, para 21, page 7
⁴⁰ Inspectors report, para 66, page 15

A Review of Objectively Assessed Need in England: Final Report for the Campaign to Protect Rural England

Case Study 2: Chichester District Council

3.26 The following map identifies the Chichester District Council area.

Map 3.3

Case Study 2: Chichester District Council Area



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Approach

- 3.27 The SHMA Update defined a '*functional housing market stretching along the South Coast from Chichester to Lewes*'. (Paragraph 1.3)
- 3.28 The approach to assessing housing need was based on modelling a range of demographic scenarios based on for example, different levels of migration. Demographic projections applied 2010-based Sub-national Population Projections for the period to 2031, and were prepared in advance of the release of data from the 2011 Census. A second stage considered how employment levels would change under each projection scenario, and the demographic implications of different levels of employment growth.
- 3.29 The methodology used to assign population, employment and household/housing growth figures to smaller areas applied district-wide change to the demographic profile of the local population. The data for this analysis was informed by a commissioned ONS Census table providing relevant data for all wards within Coastal West Sussex.
- 3.30 Affordable housing need was assessed using a model which considered differences between current and newly-arising affordable housing need over the period 2011-16 compared with the estimated supply from relets and new supply. Particular attention was given to the housing needs of newly-forming households aged under 45.
- 3.31 The importance of market demand and the supply-demand relationship were recognised but not quantified.

Rural Issues

- 3.32 The rural character of the area was recognised in a number of respects:
 - sub areas: housing was allocated by local authority areas and by sub-areas based on demographic profiles;
 - housing sub-markets and the housing offer: local differences in property type and house prices were recognised, for example, larger homes are most prevalent in the North East and Rural South of Chichester District and in the South Downs National Park. House prices in rural areas were generally above those in urban areas and market towns, with some of the highest prices recorded in rural areas and small towns, including along the A283 through Pulborough and Petworth;
 - second and holiday homes: they constituted almost 8% of the housing stock in the Rural South of Chichester District and more than 2% in the National Park and North East of Chichester District.

- policy in relation to new affordable housing: the SHMA Update recommended that Councils review affordable housing viability taking into account potential policies regarding the Community Infrastructure Levy. It also proposed that rural exceptions policies should be reviewed to allow some market housing provision to achieve a deliverable development scheme, informed by detailed assessment of financial viability; and
- the allocation of new housing: additional homes were allocated on the basis of potential delivery in the South Downs National Park which is located in the two sub-areas of Chichester and Arun.

Outputs

3.33 The main conclusions of the SHMA were as follows:

- Based on past demographic trends, there was a projected need across the Housing Market Area for 63,400 to 69,900 homes over the period 2011-31, or 3,170-3,500 homes per annum.
- Given land availability and infrastructure constraints, this level of provision was unlikely to be achieved; Local Plan policies could support only 44,000 to 45,500 homes. Completions over the previous 8 years had averaged 2,077 with 2,622 at the peak of the market.
- Forecast economic growth could result in the requirement for 77,300 homes over the 20 year period (3,870 per annum).
- There was a shortfall of 10,669 affordable homes between 2011 and 2016 or 8,971 when housing in the development pipeline was taken into account.
- For Chichester District, a net housing need for 1,782 affordable homes was calculated of at an average of 356 per annum.
- An 80:20 split between intermediate housing and social/affordable rented homes could be varied to 25-30% intermediate housing for Chichester.
- In relation to the bedsize of affordable housing, the following mix was recommended: 10-15% 1 bed housing; 30-35% 2 bed housing; 35-40% 3-bed housing and 15-20% 4+bed housing.
- Assessment of the future need for housing took account of the availability of land but increasing housing supply by means other than new provision such as bringing empty homes back into use and the conversion of existing buildings were not considered.

3.34 Conclusions were presented in relation to the need for housing for the following groups:

- Older people; and
- Students.

Local Plan process

3.35 The Chichester Local Plan, Key Policies 2014-2029, was adopted on 14 July 2015. Although the district includes part of the South Downs National Park, this is excluded from the Local Plan.

3.36 At the Examination, the extent of the housing market area was debated, as was the extent to which the Local Plan clearly defines the OAN it is seeking to meet. In terms of the housing market, it was considered to be appropriate, reflecting strong commuting and migration flows between neighbouring districts. In terms of the housing figures, the draft plan initially sought to define a housing range rather than a definitive figure. The Inspector considered this approach would undermine the Plan's strategy or housing provision as '*the absence of a clear target or goal... makes it impossible for the Council to demonstrate that it has planned positively to attain that goal or to minimise any shortfall*'.⁴¹

3.37 The SHMA was considered to be prepared in accordance with Government Guidance and was based on up-to-date information. The SHMA presented four different scenarios and it was considered that the top of the range reflected the districts OAN. It is this figure (minus an allowance for some housing in the National Park area) that the Inspector considered that the district should be planning for.

The outcome of the Local Plan process: housing need and distribution

3.38 The Inspector recommended a series of modifications to the Plan prior to it being adopted. These included:

- Provide a clear, updated figure of objectively assessed need.
- Modify housing supply, distribution of housing development and quantum to be delivered by individual sites, to reflect the increased supply identified through the evidence audit.

3.39 The district is one with many constraints, not least the South Downs National Park. Other constraints include the presence of a Special Protection Area (SPA), transport infrastructure, other environmental and heritage sensitivities. Housing growth and development is focused

⁴¹ Inspectors report, para 39, page 10

along a strategic east-west corridor between Chichester and the larger outlying settlements, representing the most sustainable spatial option.

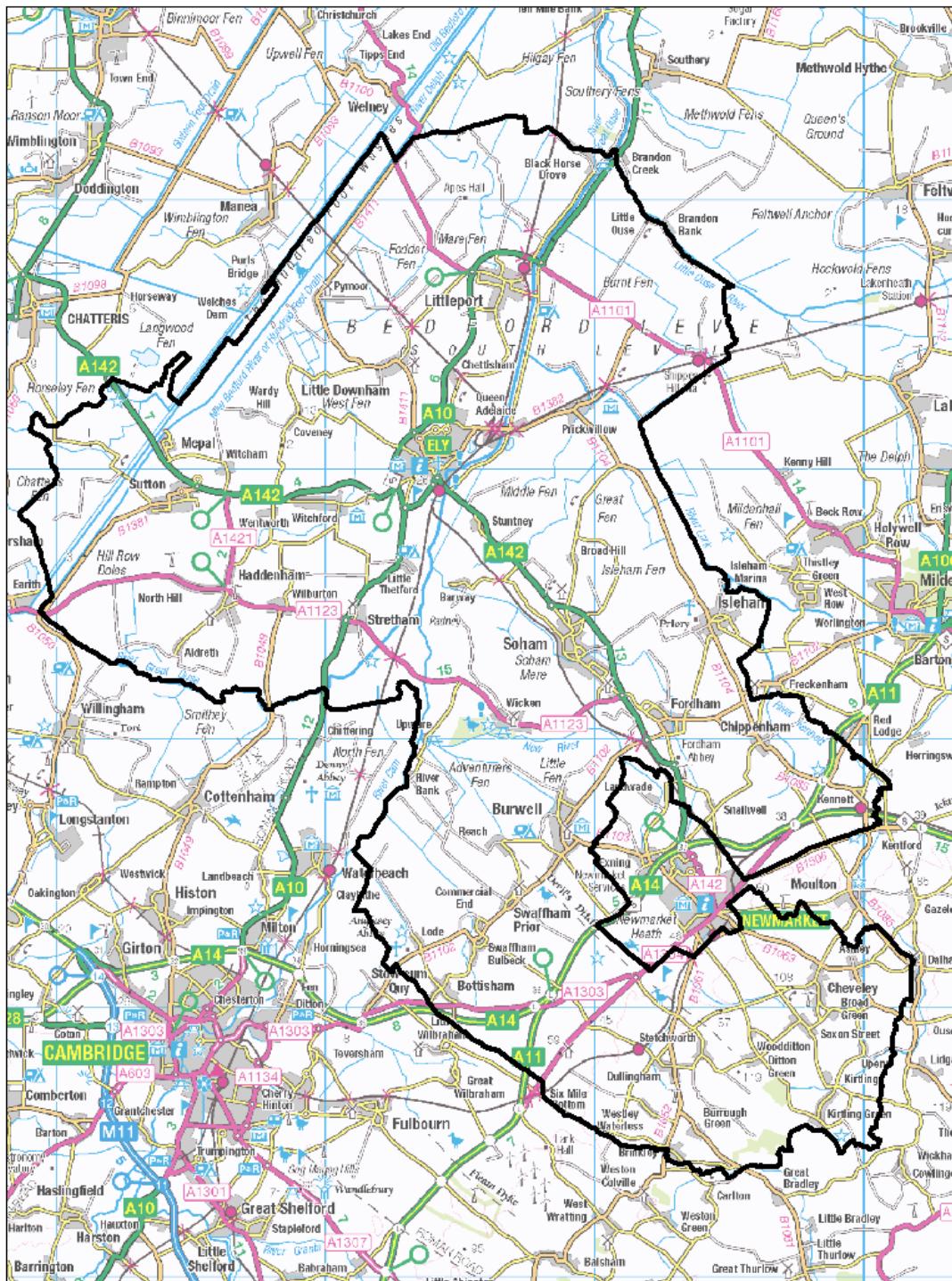
- 3.40 However, the transport evidence submitted to the Local Plan did not consider the highest housing figure established within the OAN and recommended by the Inspector. A commitment to reviewing the plan after five years has thus been built in to consider the impacts of delivery the housing figures established through the OAN.
- 3.41 Beyond this, the plan also provides for smaller scale housing developments in smaller, service villages around Chichester. The indicative development figure for each of these corresponds to assessment of each settlement in terms of current size, services, facilities and constraints, as well as consultation with the Parishes and stakeholders. It is considered that the neighbourhood planning process may also contribute to housing delivery by identifying additional small sites in the Parishes.

Case Study 3: East Cambridgeshire District Council

- 3.42 The following map identifies the East Cambridgeshire District Council area.

Map 3.4

Case Study 3: East Cambridgeshire District Council Area



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Approach

- 3.43 In order to avoid the limitations of trend-based, demographic-led forecasts and to ensure that market and economic signals were taken into account, employment-led population forecasts were used as the starting point for the Strategic Housing Market Assessment for the Cambridge Housing Sub-region. ONS population projections for Cambridge were considered to be implausibly low due to the migration methodology applied. Whilst this was not the case for other areas, the same population projection methodology was applied across the housing market area, including for East Cambridgeshire.
- 3.44 Trend-based occupancy ratios were used to forecast the future ‘demand for housing’; to recognise the national trend of an ageing population and to overcome the potential problem of suppressed household formation due to the recession.
- 3.45 Employment growth was determined using the East of England Forecasting Model (EEFM), with the population figures in 2031 adjusted to reflect indicative employment growth.
- 3.46 The demand for intermediate housing was quantified in relation to applicants.

Rural issues

- 3.47 The SHMA recognised that most of the Cambridge housing sub-region is rural and it is interesting to note the extent to which an internally produced SHMA reflects a policy awareness of the policy implications of its rural character. It was recognised that sparsely settled rural areas present problems of isolation and distance, restricting choice and opportunity. The rural character of the area was specifically recognised in a number of respects:
 - sub areas: 6 of the sub-region’s districts are mostly rural consisting of villages and market towns:
 - East Cambridgeshire;
 - Fenland;
 - Forest Heath;
 - Huntingdonshire;
 - South Cambridgeshire; and
 - St Edmundsbury.
 - housing sub-markets and the housing offer: the 6 rural districts had a high proportion of detached houses, a low proportion of flats and proportionately fewer households in the private rented sector. Local condition surveys suggested that because a relatively high proportion of stock in the 6 rural districts was built in the last 10

years or so, these newer properties reflected higher levels of decent standard housing.

- new housing: should reflect local requirements, particularly for affordable housing.
- new affordable housing: some market housing might facilitate the provision of additional affordable housing to meet local needs.
- the location of new housing: in the interest of sustainable development, rural housing should not be distant from local services and isolated homes should be avoided unless there are special circumstances.
- the design of new rural housing: should be outstanding or innovative; raise or reflect high design standards; enhance its immediate setting or be sensitive to the local area.

Outputs

- 3.48 In the context of projected population increase of 176,000 between 2011 and 2031 and economic forecasts of the creation of 81,000 additional jobs, the housing needs assessment identified for the Cambridge Housing Sub-region:
- '.....an objectively assessed need for 93,000 additional market and affordable dwellings across the housing market area between 2011 and 2031.'*⁴²
- 3.49 The projection for East Cambridgeshire was a need for 13,000 dwellings including current and newly arising need for 6,197 affordable dwellings. Taking account of supply through turnover, the figure for affordable dwellings fell to 3,517.
- 3.50 The future housing requirement was benchmarked against the How Many Homes toolkit, which provided comparable household projections for the same period; and the former strategic housing targets in the East of England Plan. In both cases the 93,000 figure was higher, with just under 90,000 additional houses in the former Regional Spatial Strategy and just under 88,000 from the How Many Homes toolkit. As both these earlier figures were established before the recession, it was concluded was that the level of growth established in the SHMA would be 'challenging'.

⁴² Paragraph 4.6: East Cambridgeshire DC JSPP – Summary of the Cambridge sub region Strategic Housing Market Assessment – May 2013

- 3.51 The SHMA indicated a gross need for 66,936 new affordable homes across the market area between 2011 and 2031 or a net need, taking account of supply, for 44,863 affordable homes.
- 3.52 Assessment of the future need for housing took account of supply-side factors including land and location. The need to make best use of existing homes was recognised and the potential of long term empty homes was quantified.

Local Plan process

- 3.53 The East Cambridgeshire Local Plan was adopted on 21st April 2015, having been first submitted in August 2013 and subject to modifications, and consultation on these, in October 2013 and April 2014. Hearings took place in February, June and November 2014.
- 3.54 Through the course of the examination process the Council's position with regard to the housing requirement changed, reflecting updated information in the Cambridge sub-region housing market area and joint working with the Cambridge and Peterborough authorities, resulting in acceptance that the likely housing need is higher than that originally included for in the Plan.
- 3.55 However, despite this acceptance, participants sought to challenge the SHMA and put forward alternative assessments indicating a higher figure, reflecting for example changing market conditions and affordability. However, the Inspector concluded that '*they present a mixed picture... these data do not provide a compelling case for adding an upwards adjustment*'⁴³ to the housing figure.

The outcome of the Local Plan process: housing need and distribution

- 3.56 Recommended modifications to the Plan prior to adoption included:
- Adopting an increased housing requirement figure.
 - Identification of new broad locations for housing development.
 - Inclusion of updated evidence in respect of the supply of housing, as well as employment and retail development.
 - Changes to settlement boundaries to include allocated sites that adjoin existing settlements.
- 3.57 Although the housing figure for the district has been increased (from between 450-500 units per year in the draft Plan to 575 per year in the adopted Plan), the new figure in the Local Plan does not represent the

⁴³ Inspectors report, para 17, page 6

full OAN for the district. Through close working with Cambridge and Peterborough, including signing of a Memorandum of Co-operation, there is a joint intent to achieve sustainable development by locating new homes in and close to those city's and other main centres of employment, avoiding dispersed development. The spatial strategy is already being delivered, with urban extensions coming forward in both Cambridge and Peterborough. In essence, the Memorandum of Co-operation means that East Cambridgeshire district Council does not need to provide for the full OAN within its boundaries and instead some of this can be redistributed elsewhere.

- 3.58 Within the district itself, growth is focused on the main market towns, with more limited growth proposed in the villages. Development in the countryside is restricted to a series of exceptions. This, and the extent of settlement boundaries and envelopes were subject to extensive consultation and local input.
- 3.59 The Inspector concluded that '*it is clear that the Council has responded positively in seeking opportunities to meet the development needs of their area, as is required by the Framework*'⁴⁴.

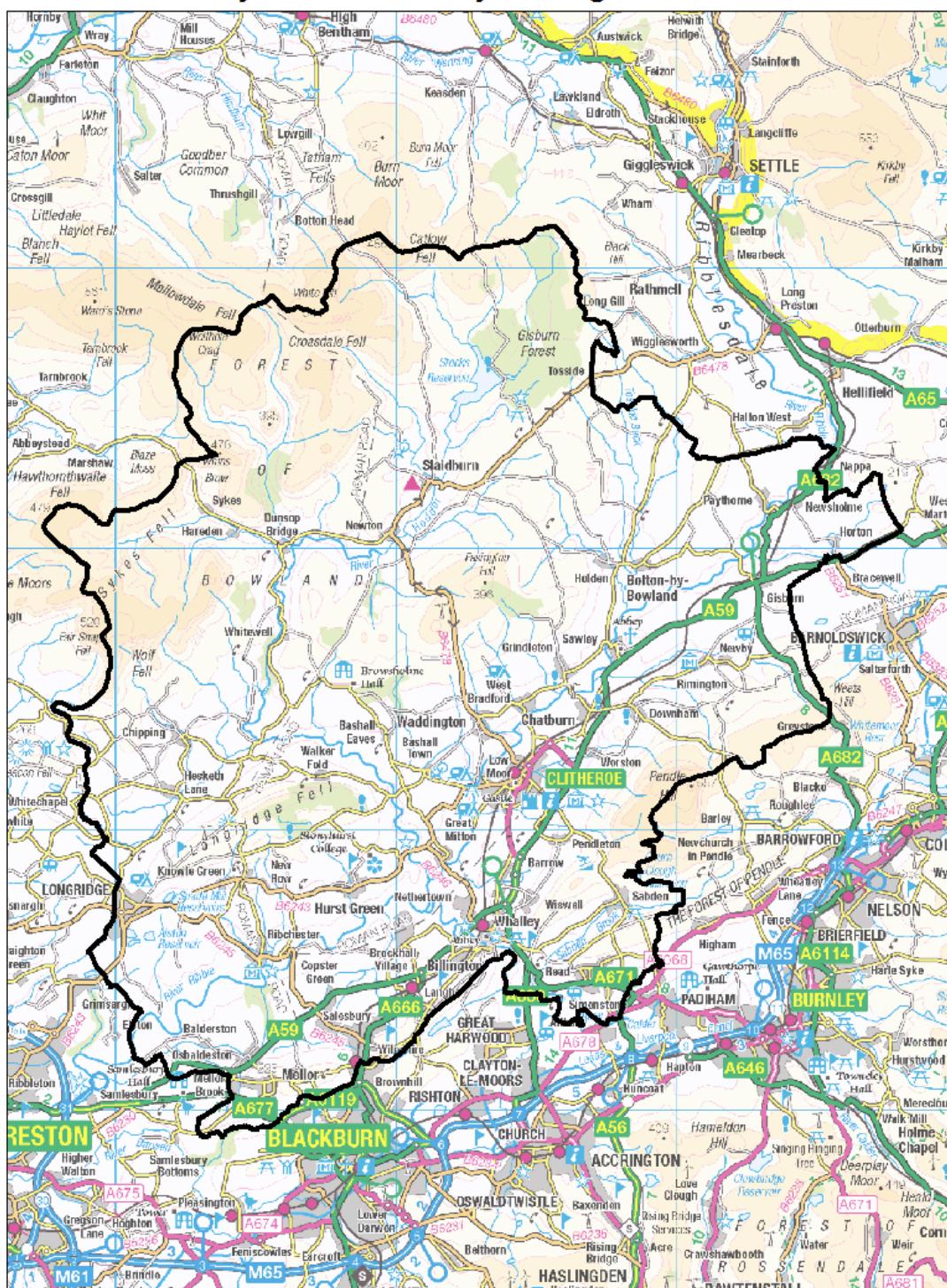
⁴⁴ Inspectors report, para 33, page 10

Case Study 4: Ribble Valley Borough Council

3.60 The following map identifies the Ribble Valley Borough Council area.

Map 3.5

Case Study 4: Ribble Valley Borough Council Area



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Approach

- 3.61 In terms of housing market area, the 2008 SHMA recognised '*a strong relationship between the southern part of Ribble Valley with the northern parts of Blackburn and Hyndburn with the remainder of the Borough showing linkages with Preston, South Ribble, Wyre, Lancaster, Craven, Pendle and Burnley, Greater Manchester, West Yorkshire and Merseyside*' (Paragraph 2.1)
- 3.62 The 2008 SHMA focused on affordable housing need and, in view of the '*predominantly rural nature of the Ribble Valley*', a parish-based approach to assessing housing need was adopted with Parish Housing Needs Surveys undertaken across 91% of the borough. These were used to calculate the level of need for affordable housing in line with 2007 DCLG guidance.
- 3.63 The 2011 Housing Requirements Study and 2013 Update applied Nathaniel Lichfield and Partners' bespoke '*HEaDROOM framework for identifying locally generated housing requirements based upon an analysis of the housing, economic and demographic factors within an area.*'⁴⁵
- 3.64 The demand for market housing by price was quantified in the 2008 SHMA; for private rented housing from the views of lettings agents and for affordable housing by size and type from the housing register. Housing demand was recognised but not quantified in the 2011 Housing Requirements Study and the demand for private rented housing was quantified in the 2013 SHMA.

Rural Issues

- 3.65 Once again, it is interesting to note the extent to which the internally produced 2008 SHMA and 2011 Housing Requirements Study reflected a policy awareness of the rural character of the study area and the constraints this placed on development. In addition to meeting CLG's 2007 requirements, the 2008 SHMA prioritised 'rural issues' and 'affordable housing requirements in urban and rural areas' whilst recognising that preserving the Green Belt should be a priority. The rural character of the area was recognised in the 2008 SHMA and 2011 Housing Requirements Study in a number of respects:
 - rural isolation: non car owning households in the more rural and isolated parts of Ribble Valley may struggle to access employment, education, training and key services;
 - older people: Ribble Valley has an ageing population that are equity rich and cash poor, many wish to remain within their communities

⁴⁵ Paragraph 1.3, Nathaniel Lichfield and Partners, July 2011, HEaDROOM REPORT, Ribble Valley Housing Requirement, Report for Ribble Valley Borough Council

and move to more suitable accommodation but there are no such properties available in the majority of rural parishes;

- incomes and employment: the agriculture and land based sector is one of the top 5 sources of employment in rural parts of Ribble Valley and incomes tend to be lower in rural areas to the north of the district;
- housing sub-markets and the housing offer: rural areas tend to have larger numbers of large properties and less choice in terms of the size and type of housing. House prices in the rural wards, especially in the Forest of Bowland, are much higher than in the urban centres. Prices are highest for detached properties, especially in rural communities;
- affordability: there is a growing affordability gap between average house price and average household income with affordability ratios of 7.3 for village settlements and 9.5 for hamlets and isolated dwellings. Such locations have only a limited supply of social rented housing;
- meeting the needs of people employed in rural areas: those working in rural industries, tourism and local services are most likely to be affected by the lack of affordable housing.
- temporary housing: in 2006, the incidence of households in temporary accommodation was 10 times higher in rural areas; and
- new affordable housing: many rural areas and villages require a greater proportion of affordable housing, although some of this demand can be met in adjacent urban areas and on edge-of-town sites. The council could consider setting variable thresholds for affordable housing, according to the needs of different locations with lower thresholds in rural communities.

- 3.66 The 2013 SHMA developed understanding of housing need in rural locations by adopting a housing market sub-area approach including a 'Rural Area'.

Outputs

- 3.67 Based on meeting newly arising need and reducing the existing backlog to zero over 5 years, the 2008 SHMA identified an annual need for 264 affordable or social rented dwellings across the borough.
- 3.68 Parish housing registers demonstrated families' need for 3-4 bedroom property types, and their most preferred tenure was for property for sale at a discount for local people or new build HomeBuy.

- 3.69 The Parish Housing Need Surveys highlighted elderly households' need for one to two bedroom sheltered accommodation or bungalows in particular, located close to local services and family.
- 3.70 Predating the 2011 Census, a 2011 'Housing Requirement' Study recommended a requirement for between 190 and 220 dwellings per annum between 2008 and 2028 which, following the release of 2011-based Subnational Household projections was increased to 220-250 dwellings per annum in a 2013 report. A 2013 SHMA provided an update to the findings of the 2008 SHMA and included the housing provision target of 220-250 dwellings per annum.
- 3.71 Of new housing, 71.6% should be market accommodation, 16.8% Affordable Rent, 5.9% social rent and 5.2% shared ownership.
- 3.72 Though not quantified, the potential to make better use of the existing stock was recognised in the 2008 SHMA and the 2011 Housing Requirements study, and of bringing empty homes back into use in the 2013 Housing Requirements Update.

Local Plan process

- 3.73 The Core Strategy was adopted by the Council on 16 December 2014. It covers the plan period up to 2028. The Core Strategy was originally submitted for examination in September 2012, with hearings taking place in January 2014 following a request from the Inspector to update the evidence base. Consultation on a series of modifications then took place through May and September 2014.
- 3.74 The Inspector notes in his report that '*Ribble Valley's starting point for positively preparing the Core Strategy is to ensure that it meets objectively assessed housing needs*'⁴⁶.
- 3.75 The submission plan sought to deliver 200 units per year, based on information in a 2008-dated SHMA. This was considered to be out of date and an update was requested by the Inspector in line with guidance established in the NPPF. The Inspector draws attention to a particular issue with regard to the guidance (or lack of), noting:

*'The Update's [to the SHMA] assessments draw on relevant demographic and household projections. They are as objective as one can realistically expect. There is no one way to objectively assess housing need. The issue here, then, is which of the projections best represents the borough's housing need'*⁴⁷
- 3.76 The Update suggests an OAN equivalent to 280 units per year. The Council suggested that the Local Plan should reduce this to a figure of 250 per year to reflect local job creation, but the Inspector

⁴⁶ Inspectors report, para 19, page 7
⁴⁷ Inspector's report, para 56, page 12

recommended that the Local Plan should reflect the full OAN of 280 units as '*the only figure produced by the Council with any clear and tangible evidential basis*'⁴⁸, and judged against the Sustainability Appraisal, '*the additional adverse impacts of planning for 280 dwellings per annum are not sufficient to justify the 250 proposed by the Council*'⁴⁹. In comparison, the average completion rate for the period 2003 – 2014 was around 140 units per year. It is worth noting that the inspector justified the higher figure partly by reference to the need to support employment growth (see paragraph 59) and that in Paragraph 61, the Inspector makes it clear that this view of OAN is not 'policy-off' but is acceptable because the figure is higher not lower.

The outcome of the Local Plan process: housing need and distribution

- 3.77 Recommended modifications to the Plan prior to adoption included:
- Increasing the overall level of housing over the plan period.
 - Refining the settlement hierarchy and spatial direction of growth.
 - Setting out the level of housing anticipated in relation to the modified settlement hierarchy.
- 3.78 The adopted Local Plan now reflects the higher housing figure of 280 units per year, reflecting an increase of some 40% over and above that in the original submission version, and 12% over and above the figure of 250 that the Council suggested following production of the updated SHMA.
- 3.79 These are distributed across the borough in accordance with a settlement hierarchy. However, the Inspector questioned the proposed distribution of housing in the submission plan. Beyond the main settlements the plan allocated a significant portion of new housing to 'other settlements'. The result would be 'guessing game' as to what development should take place where. The Council has since established a settlement hierarchy, which directs development to a major strategic site and the principal settlements, with a series, or tier, of villages below this. The larger villages are allocated a proportion of housing based upon their existing population, with development in the smallest villages is restricted to that which meets local needs or which has regeneration benefits. The Inspector took the view that this approach is justified and that:

*'it strikes a harmonious chord with the Government's aim of promoting sustainable development in rural areas by locating housing where it will enhance or maintain the vitality of rural communities'*⁵⁰

⁴⁸ Inspectors report, para 60, page 13

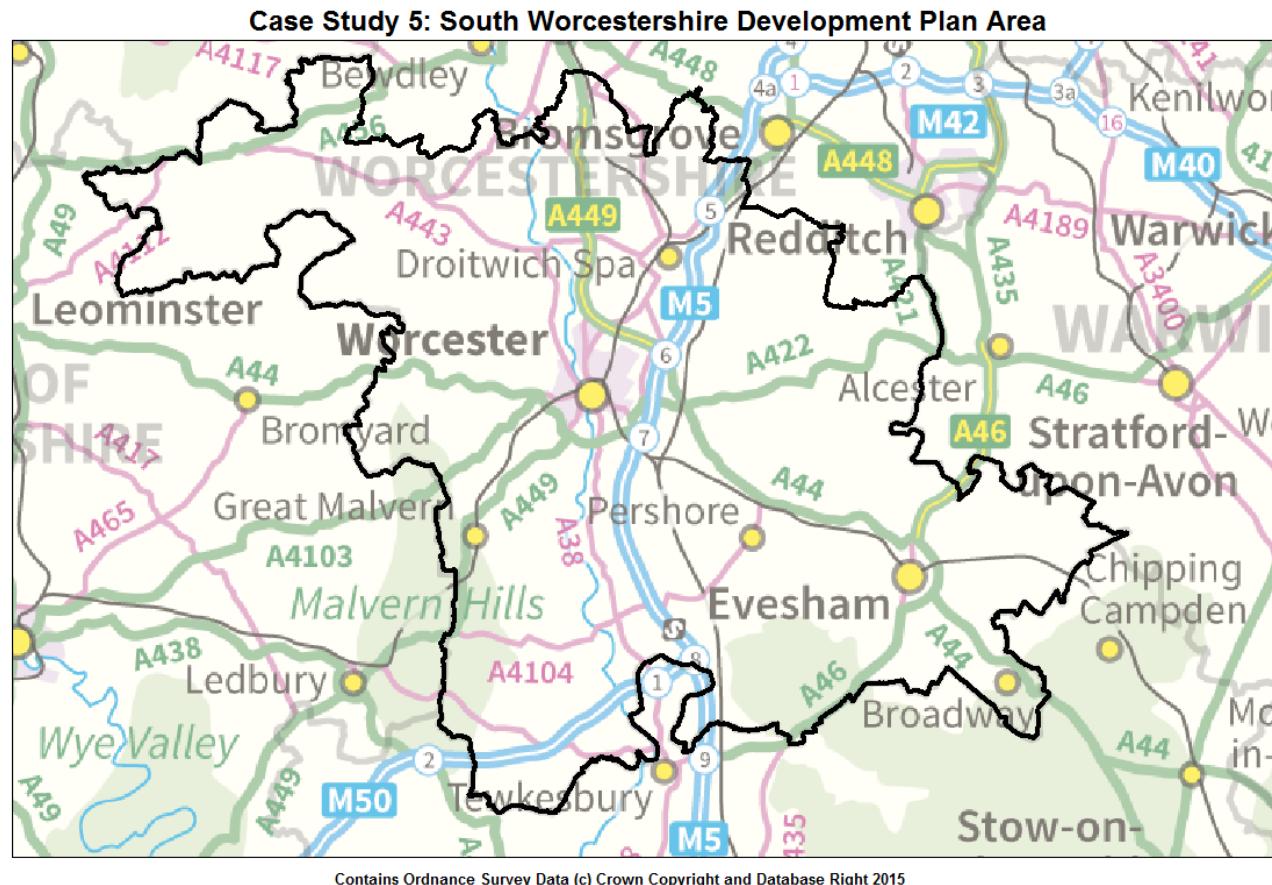
⁴⁹ Inspectors report, para 63, page 13

⁵⁰ Inspectors report, para 81, page 16

Case Study 5: South Worcestershire Development Plan Area

3.82 The following map identifies the South Worcestershire Development Plan area.

Map 3.6



Approach

- 3.80 The assessment of housing need was based on analysis of demographic and economic factors applying a bespoke 'PHASE' approach (Population, Housing and Strategic Evidence). A scenario development approach generated estimates of the range of future household numbers and associated housing requirements. The analysis focused on 'demand factors' and future supply capacity was not considered
- 3.81 The PHASE approach considered the key drivers influencing the housing market, i.e. Demographic Projections to ward level; Economic Projections applying an aspirational uplift in employment opportunities and Housing Capacity and Market taking account of the historic development response in meeting demand to identify potential capacity constraints.
- 3.82 5 Core Scenarios of projected population/household change were developed including a benchmark Scenario based on ONS 2008-based Sub-National Population Projections and Natural Change; Migration-led; Employment-led and Dwelling-led Scenarios. Two 'Sensitivity Scenarios' reflected modifications in relation to the role of international migration and the economic activity rates of older working age groups.
- 3.83 Assessing the need for affordable housing was based on the 'stepped model' originally recommended in DCLG 2007 SHMA Guidance.
- 3.84 The demand for market housing was assessed using interviews with property and lettings agents, and for private rented and social housing from rent levels and waiting lists.

Rural issues

- 3.85 There was little discussion of the rural character of the area although it was recognised in 4 interrelated respects:
 - the boundaries to the city of Worcester: the Plan recognised the tight boundary around Worcester and the implications of extending into surrounding districts, new development to meet housing need.
 - migration: Malvern, Wychavon and Wyre Forest have all attracted net in-migration of late working age and older people reflecting the high quality of place of many more rural settlements and the aspirational nature of their markets.
 - property price trends; house price rises have been highest in the more rural parts of Worcestershire, such as Malvern Hills; and
 - affordability: there are acute affordability problems particularly in more rural areas where high property prices are due to increased

in-migration and reductions in supply. Rural areas to the south and west have higher price: income affordability ratios than urban areas with ratios of 8.5 and above in large parts of Malvern Hills and Wychavon.

Outputs

- 3.86 Of the 5 Core Scenarios and 2 Sensitivity Scenarios, the SHMA recommended demographic Core Scenario 3 to represent the minimum level of demand and the moderated employment constrained projection, Sensitivity Scenario 2 to represent an upper housing target.
- 3.87 These 'Preferred Scenarios' identified household growth of between 37,500 and 47,300 between 2006 and 2030 equating to an annual dwelling requirement of between 1,650 and 2,180 per annum.
- 3.88 The Preferred Scenarios suggested a requirement of between 31,400 and 41,500 market dwellings between 2011 and 2030 and, in order to clear the backlog of affordable housing need and meet future need, a requirement for 1,355 affordable dwellings per annum over the next 5 years consisting of 1,086 social rented units and 269 intermediate housing units.
- 3.89 Worcester and Wychavon had the highest levels of need for new affordable homes, 358 and 268 per annum respectively. Malvern Hills' level of need was lower at 131 dwellings per annum though this was still high when considered against historic levels of provision.
- 3.90 Levels of empty homes were recognised and the potential to make better use of existing homes for older people.
- 3.91 Conclusions were presented in relation to the need for housing for the following groups:
 - black and minority ethnic groups and migrant workers;
 - gypsies and travellers;
 - groups with specific needs;
 - older persons; and
 - students.

Local Plan process

- 3.92 The South Worcestershire development plan was submitted for examination in May 2013. The examination has effectively take place in two stages. During the first the Inspector recommended that the Plan be amended to increase the housing figures in the plan and consider the implication for bringing forward additional sites to accommodate this. Following consultation on proposed modifications the Inspector recommenced the examination process. The most recent hearings took

place between February and May 2015. This is referred to as Stage 2 of the examination. The Inspectors report is not yet available.

3.93 Based upon Stage 1 of the examination, the Inspector concluded that:

'The analysis in the February 2012 SHMA does not provide a reliable basis for identifying the level of housing need in South Worcestershire over the Plan period'⁵¹.

3.94 Critically, the Inspector went on to note that:

'None of the other analyses of housing need presented to the examination provides a sufficiently firm basis on which to derive an overall housing requirement for the Plan period'⁵².

3.95 During Stage 1 the Inspector was critical of the:

- Adjustments made in the SHMA to household representative rates for the year 2011.
- Unreliability of economic forecasts upon which the SHMA relied.
- Lack of convincing evidence to support the increases in older people's economic participation rates assumed in the SHMA. In addition, the Inspector considered that the Assessment should build in a future recovery in household formation rates ⁵³.

3.96 These were addressed in an updated assessment prepared by AMION, with different economic scenarios considered and an average across these used to inform the SHMA. The resulting figures from this were considered by the Inspector to represent the full, objectively assessed need for housing in the plan period and should be used as the basis for making provision for housing in the Plan.

The outcome of the Local Plan process: housing need and distribution

3.97 The outcome of the Local Plan examination is, at the time of writing, unknown. The requested changes to the evidence base have resulted in the housing figure to be delivered over the plan period increasing by some 22%.

3.98 It is proposed that housing is distributed across the South Worcestershire area, in Worcester, Wychavon and the Malvern hills. The focus is on Worcester as the main urban area and where urban extensions are planned. The Plan allocates more limited development

⁵¹ Inspectors further interim conclusions on the outstanding stage 1 matters, para 3.

⁵² ibid.

⁵³ Inspectors further interim conclusions on the outstanding stage 1 matters, para 30.

to the Malvern Hills in recognition of natural and environmental constraints.

Conclusions from the case studies

The approach adopted to determine ‘Objectively Assessed Need’

- 3.99 All SHMAs made specific reference to government Practice Guidance in formulating their methodological approach. As the case studies included SHMAs dating from as early as 2008, some referred to PPS3 and 2007 Planning Practice Guidance whereas the majority were completed post-NPPF and associated current Guidance. Several SHMAs assessed the impact of applying different economic and housing change scenarios. Most relied on secondary data with local consultation tending to be limited to property and lettings agents.
- 3.100 There was some variation in the use of terminology with housing need used as both a ‘catch all’ concept referring to affordable and market housing and to refer specifically to affordable housing need. Housing demand was also used variably, sometimes interchangeably with housing need, and at other times in the context of considering aspirations and preferences.

Consideration of rural issues

- 3.101 Those SHMAs produced by local authorities, the 2008 Ribble Valley SHMA and the 2013 Cambridge Housing Sub-region SHMA, reflected a more intimate understanding of local areas including of rural areas. Other SHMAs demonstrated only limited recognition of the circumstances, housing market dynamics and housing needs prevailing in rural areas. Consideration of factors such as the limited ‘housing offer’ available, especially of affordable housing, and of the complex character of housing demand tended to be introduced only where SHMAs adopted a sub area approach. Sub areas were based around administrative areas such as wards or defined housing market sub areas.

Outputs in terms of ‘Objectively Assessed Need’

- 3.102 Headline provision targets were provided in all cases but were often difficult to identify when so many factors had to be taken into account, including unmet historic housing need; the need for affordable housing; the needs of newly forming household and of groups with specific needs, and the impact of applying different ‘scenarios’ of change. In all cases, outputs were provided by tenure and housing mix and several SHMAs provided detailed consideration of the needs of groups with specific needs.

- 3.103 There was little recognition of the significance of supply as a constraint, such as historic housing completion rates; the availability and cost of land; physical or policy constraints
- 3.104 There was little consideration of the relevance of options other than new provision, such as making better use of empty homes and the conversion of non-residential buildings. Even where the potential of such supply was recognised, it was seldom quantified.

The Local Plan process

- 3.105 The main and most obvious comment in relation to the Local Plan process was the length of time taken from preparation to Examination, and this created recurrent problems of evidence having dated by the time it was considered by Inspectors. As a result, there were several calls for updated evidence which delayed the process even further. There was at times an unfortunate coincidence between Examinations and the publication of outputs from the 2011 Census which brought further calls for updates of evidence.
- 3.106 Inspectors adopted a rigorous approach to identifying ‘objectively assessed need’ insisting on detailed, comprehensive and contemporary evidence, and mostly placed the emphasis placed on assessing need rather than consideration of demand or the impact of supply side factors. An obvious exception is the Chichester Local Plan where the proximity of the National Park and the Solent were recognised constraints. However, there were differences among Inspectors in the amount of attention paid to issues of methodology and data, and in the interpretation and weighing of evidence.
- 3.107 Despite offering a range of economic and housing scenarios, the imperative at Examination was, despite any future uncertainties, to produce an ‘agreed figure’ of the future need for housing. That is not to say that such a figure was the outcome of a consensus, and there was typically disagreement between interested parties on the validity of higher or lower figures.

The outcome of the Local Plan process

- 3.108 It is not possible to establish from these case studies whether the Local Plan process is leading to a systematic increase in housing provision targets. This was the case for Ribble Valley, it is likely to be the case in South Worcestershire and in Cherwell, the upper OAN figure was agreed. However, a lower figure was agreed for Chichester and in East Cambridgeshire a lower figure has resulted through the redistribution of housing elsewhere in the Cambridge Housing Sub-region.
- 3.109 The distribution of housing was centred on the largest settlements and in rural areas, a hierarchical approach was adopted with development focused on market towns and larger and more ‘sustainable’ villages. -

Sources consulted (presented in date order for SHMAs then the Local Plan process)

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Case Study 2: Chichester District Council

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The Planning Inspectorate, 18 May 2015, Report on the examination into the Chichester Local Plan, Report to Chichester District Council by Sue Turner, File Ref.: PINS/L3815/429/6

Case Study 3: East Cambridgeshire District Council

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Case Study 4: Ribble Valley Borough Council

Ribble Valley Borough Council, December 2008, Strategic Housing Market Assessment Report

Nathaniel Lichfield and Partners, July 2011, HEaDROOM REPORT, Ribble Valley Housing Requirement, Report for Ribble Valley Borough Council

Nathaniel Lichfield and Partners, May 2013, Implications of the 2011-based CLG Household Projections Ribble Valley Housing Requirement Update, Report to Ribble Valley Borough Council

HDH Planning and Development Ltd, June 2013, Ribble Valley Strategic Housing Market Assessment, Report to Ribble Valley Borough Council

Examination of the Ribble Valley Core Strategy, Letter to the Council, 15 October 2012, Simon Berkeley, Inspector

Examination of the Ribble Valley Core Strategy, Letter to the Council, 23 November 2012, Simon Berkeley, Inspector

Examination of the Ribble Valley Core Strategy, Letter to the Council, 31 January 2014, Simon Berkeley, Inspector

The Planning Inspectorate, 25 November 2014, Report on the examination into the Ribble Valley Core Strategy, Report to Ribble Valley Borough Council by Simon Berkeley BA MA MRTPI, File Ref.: PINS/T2350/429/1

Case Study 5: South Worcestershire Development Plan Area

GVA with Edge Analytics, February 2012, Worcestershire Strategic Housing Market Assessment – Main Report

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AMION Consulting, January 2014, South Worcestershire Councils, South Worcestershire Development Plan, Objective Assessment of Housing Need

Examination of the South Worcestershire Development Plan, Inspectors further interim Conclusions on the Outstanding Matters considered at the reconvened Stage 1 Hearings, Roger Clews BA MSc DipED DipTP MRTPI,
31 March 2014

4. Expert Interviews

Introduction

- 4.1 A series of confidential telephone interviews was undertaken to gain the views of experts ‘within the industry’ and which were based on three questions:
- Are there any difficulties determining Objectively Assessed Need for rural areas? Can you give examples?
 - How can these be overcome through the SHMA process?
 - How might National Planning Practice Planning Guidance be improved in relation to the Assessment of Housing Needs in rural areas?
- 4.2 A wide range of organisations was approached and the following participated:
- Edge Analytics
 - The Home Builders Federation
 - The London School of Economics
 - Planning Officers’ Society
 - RTPI
 - Turley Associates Ltd
 - The University of Sheffield
- 4.3 Discussion was wide-ranging and has been presented thematically in bullet form as follows.

The scope of SHMAs

- In the current policy environment, a ‘predict and provide’ approach appears inevitable. PPG sets the context for this but local authorities set the brief for consultants. If they wish to deviate from this approach or add additional requirements for example, for sub-area analysis, they can do so, but this is likely to have cost implications.

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- Several experts emphasised the advantages of maintaining methodological consistency to determining OAN across SHMAs and Local Plans through applying a standardised approach.
- Reflecting the briefs issued, SHMAs tend to adopt an exclusively top-down perspective from the district/unitary authority but seldom take the perspective of local communities. There may be little or no mention of rural areas in SHMA reports.
- SHMAs tend to focus on identifying topline housing provision targets which are often not disaggregated to sub-areas, including rural sub areas.
- It's very difficult to make a distinction between more urban and more rural authorities in determining OAN and more sensible to complete the district/unitary level assessment then undertake a sub-area analysis to identify housing need in rural areas.
- More mixed rural: urban areas require more detailed profiling, for example, using Census and house price and rental data, and also to understand how they've developed.

Housing need and housing demand

- There is a need for definitional clarity and consistency of use. Housing need is not housing demand or vice versa. Need, demand, aspiration and preference need to be separately defined and demand considered in relation to effective, latent and notional demand.
- Levels of need and demand often do not coincide in rural areas. There may be low levels of locally generated need but high levels of externally generated demand. Reconciling these dynamics is extremely difficult. Furthermore, demand is very mobile and it's very difficult to intervene in the open market to steer or control demand. The only lever available is supply-related, for example in relation to development land or affordable housing, including intermediate housing.

Defining housing market areas

- Rural areas may be too small to constitute separate housing market areas or may become 'lost' within larger housing market areas.
- It's very difficult to identify 'self-containment' levels for local rural areas. Home move, commuting or migration data - the usual basis for determining housing market areas - may not be available.

- There is a dilemma over deciding which housing market areas rural areas belong to, not least as they may function differently for different groups, for example for long-term local residents, commuters and affluent retirees.
- With the exception of the urban-focused Greater Birmingham and Solihull and Leeds City Region Local Enterprise Partnerships, most have failed to develop a strategic vision for housing, including for rural areas.
- ‘County regions’ may have the potential to provide a more meaningful administrative and geographic basis for identifying rural housing market areas and for establishing housing need in rural areas.

Establishing housing provision targets in rural areas

- A return to localised assessment at district/unitary level and the abandonment of regional and sub-regional strategies have reduced the potential to act strategically and allocate provision beyond local authority boundaries. The Duty to Co-operate provides an alternative mechanism but this is dependent on agreement between authorities.
- There is a risk that, to meet short-term housing provision targets, local rural areas are seen as suitable locations to meet general housing need for the wider local authority area.
- Neighbourhood Plans provide a useful basis for establishing targets but there is a danger of reinforcing existing settlement patterns. Adopting a hierarchy of settlement approach may similarly ‘fix’ some rural areas within their historic trajectory of not developing.
- In relation to affordable housing, there is a need to agree what is a reasonable distance for a household to travel in rural areas for their housing needs to be met.

Small area analysis: problems and potential

- There is a need to develop methodologies capable of generating demographic and housing projections at small area level, for example, to answer the question: “what will this village or market town look like in 10-15 years’ time applying a range of change scenarios?”
- Neighbourhood Plans provide the opportunity for local needs to be identified but guidance is required to identify how such locally generated needs can be reconciled with local authority-wide outputs.

- Wider drivers of the housing market such as demographic, economic and employment change may be less significant for rural areas where the main drivers may be the need to maintain sustainability and secure a sustainable future, for example, by retaining post offices and pubs; schools and shops.
- Sustainable rural futures need to take account of development in the past as trend-based analysis may be misleading where, for example, local people have left an area because of affordability problems or lack of suitable supply.
- Market signals are more difficult to follow in rural areas where demand and prices may be more volatile and where 'mix adjusting' by stock type is essential. For example, there may be many 'detached houses' but these are in reality one or two bedroom country properties.

Planning Guidance

- Planning Practice Guidance has little to offer to assist understanding and assessment of housing need at the local level, including in rural areas. What may be required is a separate Annex incorporating specific guidance when considering small and rural areas, for example by using local housing needs surveys.
- Alternatively, it might be appropriate to undertake 'sensitivity testing' of findings in relation to rural areas to consider the extent to which local housing need has been taken into account.

Understanding rurality

- To what extent is there a vision for rural districts and local rural areas which is comparable to that for urban areas and especially cities, for example, city regions and combined urban authorities? Other than deeper rural areas such as Cornwall and Herefordshire, many rural areas are under pressure from urban-based need and demand.

5. Conclusions and Recommendations for Assessing Rural Housing Need

Conclusions

- 5.1 Assessing housing need in rural areas, especially where populations are dispersed, requires a 'local' focus on areas such as market towns, villages or groups of villages and larger rural areas. These are the spatial levels at which, with the exception of Census data for Output Areas, secondary data is often weakest. Key data such as commuting, internal and international migration, and applications for and allocations of affordable housing are available either at wider spatial scales or to bespoke boundaries such as 'lettings areas'. This makes difficult the analysis of housing needs using secondary sources.
- 5.2 The alternative and preferred approach, especially when considering the local need for affordable housing, is to undertake household surveys combined with consultation with providers, property and lettings agents and community and representative groups. Such processes can be time consuming and expensive, and the fundamental challenges are how to resource this and reconcile a secondary data-based local authority-wide SHMA approach with a finer grained local and more consultative analysis. The first step is to recognise and incorporate the outcome of recent and rigorous local assessment. There is no guidance as to how this might be achieved but, once headline figures have been identified for a SHMA area, it should be possible to incorporate local assessments of need. However, it has to be recognised that this will constitute another stage in the SHMA process which will have consequences for the cost of assessments.

In relation to Planning Practice Guidance

- Scope: Guidance is lacking in methodology, especially in relation to rural areas, it represents a list of ingredients with no 'recipe', other than in relation to the assessment of affordable housing. The PAS Advice Note helps to address some of the ambiguity in the Guidance but an agreed methodology to assess Objectively Assessed Need remains elusive.
- Terminology: definitional terminology lacks rigour, it is confusing and needs reviewing and clarifying. Need and demand are confused to the extent that the latest PAS Advice Note⁵⁴ suggests definitions of 'need as demand' and 'need as aspiration'. It's essential to define and distinguish between general housing requirements; affordable, specialised and local housing needs; housing demand, for example, effective, latent and notional demand, and consumer preferences and aspirations.

⁵⁴ Planning Advisory Service, July 2015, Objectively Assessed Need and Housing Targets. Technical Advice Note, second edition

- Local housing need: guidance is lacking on how to recognise and incorporate in the SHMA process the outcome of recent and rigorous local assessment of housing need, including in rural areas.
- Supply-side factors: Guidance disadvantages rural areas by indicating that local authorities should not take account of supply side constraints such as land availability, viability, infrastructure or environmental impacts.
- To improve accessibility to key output data, there is a need to establish a standard ‘table of OAN outputs’ to be included in all SHMAs in a concluding section.

In relation to Strategic Housing Market Assessments

- Challenging ‘predict and provide’: it would be more accurate to use the term ‘project and provide’ as the basic methodology in attempting to predict future needs is to project past trends. This is inherently unreliable as past trends may have been influenced by ‘out of trend’ factors, such as the Global Financial Crisis of 2007-08 and the associated recession, and it is likely that unknown future ‘shocks’ will introduce unpredictability. A more dynamic approach is required involving shorter plan periods in the region of 10 years, and which incorporate different potential scenarios of change. A fixed report with fixed housing provision targets creates an illusion of certainty.
- Counterbalancing ‘predict and provide’: there is a need to develop counterbalances to top down ‘predict and provide’ approaches. These could be most effectively achieved by ensuring that all Assessments take account of housing needs derived from meaningful sub-areas, including rural areas, and needs derived from local assessment for example, from parish surveys and Neighbourhood Plans. This would have cost implications for commissioning SHMAs.
- The challenge in developing a sub-area approach is their definition when administrative boundaries such as wards do not coincide with other meaningful data boundaries such as affordable housing lettings areas which might provide waiting list and social housing lettings data.
- The scope of SHMAs: this is both too narrow and too broad. SHMAs often fail to deal properly with broader housing markets, for example at sub-regional and regional level. Joint SHMAs go some way towards this, but final decisions on OAN are taken by inspector’s considering individual districts. At the same time, SHMAs lack finer grained local analysis and, as a result, small

areas don't have a 'voice' and local views and rural housing needs aren't adequately represented.

- Reliance on secondary data: rural areas have suffered most from the abandonment of survey-based approaches to determining housing need in general, and affordable housing need in particular. Primary research may be required to engage with rural communities to understand the different issues affecting the wide variety of people living in the countryside and the range of approaches available to address local housing need. For example, there are likely to be specific issues for groups ranging from equity rich older home owners to low paid agricultural workers.
- Supply-side factors: the main focus of SHMAs is usually on need/demand factors, and assessment of the future need for housing does not take account of such supply-side factors as:
 - physical or policy constraints,
 - the availability of land for development,
 - residential development viability;
 - the sustainability of accommodating different levels of housing provision or
 - the views of local communities.
- The future needs of older people: there is a need to take fully into account the implications of older people who do not downsize to smaller accommodation which matches their household requirements. The effect of this is the need to build 'replacement' family housing including in rural areas to maintain the existing balance of supply.

In relation to the Local Plan process and Inspector's reports:

- Timescale: the process followed in producing the SHMA and the housing provision target to be used in the plan are perhaps the main areas of contention. The Local Plan process takes a long time, particularly once it reaches submission stage and modifications to meet housing targets are one of the key, if not the key area of debate. The length of time taken increases the likelihood of needing to consider new demographic evidence and policy guidance which in turn can generate further delay. Ribble Valley is a case in point which undertook 2 SHMAs, one Housing Requirements Study and an Update to that Study in the 5 years between 2008 and 2013.
- Expectations of OAN: it is clear that local authorities are being required to plan for the full OAN (and more recent announcements

by Greg Clark⁵⁵ and Brandon Lewis⁵⁶ re: the Local Plan process and housing figures emphasises that Local Plans need to be published quickly and represent the OAN).

- The impact of increasing provision targets: establishing higher housing targets, at times dramatically, either means raising densities on existing sites (where appropriate) or identifying additional developable sites. Rather than brownfield or regeneration-led, attractive ‘market favoured’ sites are easier to develop, and are likely to be developed first, which results in increased pressure to build additional housing in the countryside, irrespective of infrastructure requirements. This defeats good planning; it is the antithesis of what planning should try to achieve, to intervene by giving greater weight to factors the market will not recognise or which are given lesser priority.
- The distribution of housing: this appears to follow traditional settlement hierarchy type approaches. There are pros and cons to this. For rural areas, the ‘sustainability trap’ needs to be given due consideration. Previous work by for example, Matthew Taylor, questioned whether this was the correct approach to take and if it starved villages and rural areas of the opportunity to grow and sustain village life.
- Local housing need: some of the plans restrict development in the smaller villages to that which meets local need. But in the context of the NPPF/NPPG, what does ‘need’ mean at this very local level?
- Neighbourhood planning: there appears to be a reliance on neighbourhood planning to deliver some smaller scale housing in the villages and rural areas. This is a useful approach and follows the thrust of Government policy and conforms to CPRE support for neighbourhood planning too. Indeed, some local plans in rural areas are taking a finer-grained approach to housing and identifying sites and opportunities, and drafting policies, for the type of housing needed in these areas.
- ‘Centralised localism’: the challenge here centres on the issue of and tension around ‘centralised localism’: how much power do local authorities and communities have? Through the SHMA/OAN process, is the Government simply masking a top-down approach to enforcing housing targets?

⁵⁵ Department for Communities and Local Government (DCLG), 21 July 2015, Local Plans, Letter from The Rt. Hon. Greg Clark MP (Secretary of State) to Simon Ridley, Chief Executive, The Planning Inspectorate

⁵⁶ Department for Communities and Local Government (DCLG), 15 September 2015, Press release: Brandon Lewis launches expert panel to speed up development

- Cross-boundary working: examples of positive cross boundary working, such as in Cambridge and Peterborough, demonstrate how housing needs can be met at a more ‘strategic’ scale.

Recommendations

- Methodology: Planning Guidance is lacking in methodology and needs developing from the existing ‘checklist’ approach to provide guidance on preferred approaches and sources.
- The terminology of housing need: definitional terminology needs reviewing and clarifying. It’s essential to define and distinguish between general housing requirements; affordable, specialised and local housing need and housing demand (including effective, latent and notional), consumer preferences and aspirations.
- Determining Objectively Assessed Need: there is a need to accept more dynamic SHMA outputs which are capable of revision to reflect changed circumstances, needs and housing market dynamics. Such approaches are in need of further exploration and development.
- Developing a more strategic perspective: there is a need for SHMAs to develop a more strategic perspective to determining Objectively Assessed Need and which follows housing market areas and crosses local authority boundaries. There will still be issues where housing market areas meet but a broader approach would assist greatly in agreeing where housing could be built.
- Defining housing market sub-areas: guidance is required concerning how these might be developed and applied.
- Understanding housing need at the local level: a separate Annex is required incorporating specific guidance when considering small and rural areas, for example by using local housing needs surveys.
- Targeted surveys: whilst Guidance places strong emphasis on the use of secondary data sources, primary surveys have a place in identifying the housing needs of specific groups and for specific areas, for example, rural areas. Guidance is required concerning how these might be developed and applied.
- Local area projections: there is a need to develop methodologies capable of generating demographic and housing projections at small area level as a counterbalance to ‘top down’ assessment.
- Rural Impact Assessments: as an alternative to undertaking sub-area analysis, SHMAs could incorporate a ‘rural impact

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assessment' to consider the implications of OAN recommendations for rural areas

- SHMAs meet SHELAAs: there is a need to link SHMAs with SHELAAs through some kind of impact assessment statement. As Brandon Lewis' letter of December 2014 emphasises, the SHMA should not automatically be seen as the final housing figure in the Local Plan and instead should be balanced against land availability and policy constraints. This could be teased out alongside the SHELAA.

APPENDIX 1: USING OFFICIAL DATA TO UNDERSTAND THE POPULATION, HOUSEHOLD AND ECONOMIC PROJECTIONS INFORMAING OAN: CONSTRAINTS AND POSSIBILITIES

'Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics....'⁵⁷

Population projections

ONS' Sub-national Projections provide a consistent and comparable view of future population change across local authorities in England:

- The projections use the well-established 'cohort-component' method, which takes account of ageing, births, deaths and migration. The projections show the future population change that would result from the continuation of past trends and patterns into the future.
- The projections do not explicitly model the effects of policies that might affect future change, except for those that have already influenced past trends.
- The Sub-national Projections for England are "top-down", being informed by, and controlled to the results of, national population projections for the UK countries.
- New projections are issued on a two-yearly cycle.
- Projections for all areas use the same methodology and the same datasets; details of the data and the method are publicly available.

The projections are subject to Quality Control procedures and are overseen by the UK Statistics Authority. Nevertheless, ONS state: '*As a result of inherent uncertainty of demographic behaviour, any set of projections will inevitably be proved wrong, to a greater or lesser extent.... Projections are uncertain and become increasingly so, the further they are carried forward in time, particularly for smaller geographical areas.*'⁵⁸

Natural processes of ageing, births and deaths, are persistent and key determinants of the long-term course of population and household change. However, these factors are rarely matters of dispute in the consideration of

⁵⁷ NPPG ID 2a-015-20140306 Last updated 06 03 2014

⁵⁸ Questions and Answers: 2012-based Subnational Population Projections, ONS May 2014

OAN. In contrast, migration is a matter of considerable debate. Important features of the migration element of the ONS projections are:

- Migration is divided into ‘internal’ (within England), ‘cross-boundary’ (between the UK countries) and international.
- International and cross-boundary flows to and from England are calculated by the national projections. The sub-national projections, allocate flows to and from each local authority, within the totals set by the national projections. International flows are much greater than cross-border flows in most areas, except in some areas adjoining Wales and Scotland.
- The national projections of international migration assume constant in and outflows over the long-term. In practice, there are wide fluctuations in annual flows; net immigration since 2012 has exceeded the 2012-based assumptions. Equally, as the projections are “policy-off”, they do not take account of the Government’s recently restated intention to reduce net migration into the UK below 100,000 per annum.
- The local distribution of international and cross border flows is informed by historical data from the 5-6 year period leading up to the base date of the projections.
- Projected migration between local authorities in England is based on average flows, by age and gender, in the 5 years before the base date of a projection. The average outflow from one authority to another is divided by its population to produce a rate per thousand residents for each age/gender group. It is assumed that these rates remain constant in the future.
- The geographical pattern of flows remains fixed for the term of the projection, but numbers of migrants from one area to another will change in line with projected changes in the size and age makeup of the source population.
- Flows into an area are summed from the projected flows from all the areas that supply migrants to that area.
- The sum of out flows from local authorities to other parts of England must balance the sum of inflows from England.

Internal migration in the projections follows a fixed geographical pattern, with future migration levels driven by changes in the populations of the areas of origin. However, the focus of attention on migration for setting the OAN for a local authority necessarily focuses on flows to that authority. If local variations from the projections are made in an area, this must affect other areas. The Sub-national Projections provide a consistent, if limited view of future migration across the country. There is a danger that individual adjustments to migration levels, made at different times for different areas using different

evidence, will produce an incoherent picture of future migration, which fails to deliver the best pattern of development to meet future needs.

The PPG recognises this, but places emphasis on the need for action only when the local assumption is below the projection: '*Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate.*'⁵⁹

The historical period used to calculate the migration rates used in the projections is quite short, only 5-6 years. There are noticeable short-term variations in migration flows; a new projection can differ markedly from its predecessor, particularly at local authority level. Given this, there must be doubts about whether any one projection can provide a sound basis for setting OAN, the latest available data may not always be the most reliable indicator of long term trends. The reality is that there will be a degree of uncertainty.

Patterns and volumes of migration will be influenced by housebuilding, which in turn will be subject to influences including local plan policies, market conditions and the business strategies of developers and landowners. Undue reliance on trend-based projections to inform local policies can build in a degree of circularity, where policies influence trends which then influence future policies.

At local level, the standard assumption in demographic forecasts and projections is that migration rates for age groups stay constant into the future. However, these rates may be open to influence through local housing policies. For example, a policy to increase the provision of a particular type of housing, or to create of new jobs may alter the characteristics of migrant flows to and from that area. Such changes could have profound influences on the scale and nature of local population and household change.

The quality of evidence

The preceding paragraphs have drawn attention to some sources of uncertainty in the official projections. This uncertainty is heightened by problems with the reliability of the source evidence used to measure the population and change components, particularly migration:

- There is no national register of population in the UK. Demographic evidence depends on the Census and on the data on births, deaths and migration which are used to provide annual updates to the Census (annual Mid-Year Estimates of the Population). Information on Births and Deaths is considered reliable, but information on migration is significantly less reliable. The same sources are used to inform the annual estimates and the projections.

⁵⁹ Paragraph: 018 Reference ID: 2a-018-20140306

- The Census provides a fairly reliable 10-yearly stock-take of the population. However, the Census survey never achieves full coverage of the population. The 2001 and 2011 Census include adjustments to compensate for non-response; the adjustments are based on a small sample survey carried out shortly after the main Census. The 2001 Census was criticised for under-estimating the population in a number of areas. The 2011 Census has been judged to be much more successful. The estimation process groups smaller local authorities together, introducing an additional potential source of uncertainty over the precise population in an area.
- Migration flows are estimated from a variety of administrative and survey sources. These have proved unreliable, at least during the period 2001-2011. ONS has instituted various changes to seek to address the problems, but arguments about the reliability of the data have featured in the examinations of a number of SHMAs including the case studies in Oxfordshire and Cambridgeshire.
- International migration has become an increasingly important driver of population change in recent years. However, national data on flows to and from the UK is based on a small sub-sample of the International Passenger Survey carried out at major points of entry and exit from the UK. Data on the distribution of flows to and from local authorities must be regarded as less reliable, being based on a number of administrative systems. There is no local source of data on people leaving the UK.
- Migration within England and the UK is estimated from NHS records. It is known that younger adults, especially young men, are slow to re-register with a doctor. This is unfortunate as this is the most mobile group in the population and the age group that is widely thought to be facing problems in the housing market. Adjustments have been introduced to try and better cover the growing number of students, but there are thought to be problems in areas with large student populations. With the growing number of students and more higher educational establishments, this problem will affect a wider range of areas.
- Some rural areas have large populations of armed forces, both British and American. This can cause problems for the accuracy of local population statistics and must be taken in to account when assessing housing need.
- The 2011 Census found that the population of the country was greater than expected from the Mid-Year Estimates rolled forward from the 2001 Census. However, in 40% of district, unitary, metropolitan and London Boroughs the rolled forward estimates were greater than the 2011-based Census estimate, while in 60% they were lower. The unexplained differences might stem in part from problems with the

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Census (see above), and/or from errors in measuring population change from 2001-2011; migration is likely to be the main source of error when measuring change. ONS call this “Unattributable Population Change (UPC)”, although Difference might be a better term than change; it might stem in part from problems with the Censuses, particularly 2001 (see above), as well as errors in estimates of population change between 2001 and 2011; migration is likely to be the main source of error when estimating change. ONS’ 2012 sub-national projections do not build in any adjustment for UPC (Questions and Answers: 2012-based Subnational Population Projections, ONS May 2014); this has been a matter of debate at recent Examinations. There is a danger that deficiencies in migration data may be influencing decisions about the spatial distribution of new housing.

The current arrangements place heavy emphasis on establishing the OAN at a local authority level. However, to do so, it is necessary to start from nationally calculated projections and evidence which are likely to be less than wholly reliable at local level, for a variety of reasons. This is despite the expertise professionalism of the ONS, and the procedures for assessing quality and reviewing accuracy. What is less known, and less likely to be subject to monitoring and scrutiny in future years, is the degree to which the current arrangements determining OAN, including the conclusions of Inspectors, provide a better basis for informing local development policies. The current approach is disjointed both in terms of spatial coverage and timescale

Household Projections

Official household projections are produced by applying projected household representative rates - the tendency to form households based on the age, sex and marital status of the population - to the population projections published by the Office for National Statistics. The household projections also rely on projections of relationship (previously marital) status, as this is considered, together with age and gender, to have an important bearing on household formation.

The household projections are based on very long-term trends, using evidence from Censuses back to 1971, and information from the annual Labour Force Survey. This long trend period contrasts with the 5-6 year period used to set migration assumptions in the population projections. A further contrast is that household representative rates are projected to change in the future, while future migration rates are assumed to remain constant; the changes are calculated from past rates of change.

The 2011 Census indicates that household formation between 2001 and 2011 did not follow the trajectory that would have been expected if the 1971-2001 trends had continued. The growth in household numbers was slower than previous projections had suggested. There has been a rush to attribute to this to the recession, and other factors including the supply of new housing. NPPG specifically states that:

*'The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing.'*⁶⁰

A more considered academic assessment has been provided by Professor Ludi Simpson:

'The societal changes that created smaller households in Britain since the 1960s have now affected 50 years of those reaching adulthood. However, the experience of the past two decades, and not just the economic crisis of the late 2000s, does suggest that we are not in a position to expect further increases in household formation rates of the same kind.' (Whither Household Projections?)⁶¹

Unfortunately, the latest 2012-based household projections are not based on a full re-evaluation of trends in the light of the 2011 Census. Technical data issues have been cited as the reason for this, but it is unfortunate that the debate continues in the absence of a definitive recalculation of household trends. Given the importance of this evidence, there is a clear need to for further research into household formation.

A further problem is that marital status projections, which form a key input into calculation of household representative rates are no longer produced. These projections were for the country but not for local areas.

It is common practice for SHMAs to calculate a range of local scenarios of housing and population growth. However, the methods available for doing so suffer from common weaknesses. There is a lack of evidence on how different volumes of development actually affect local housing markets (see paragraph 2.16), in particular, the question of the extent to which, in practice, a raising of a plan's housing numbers will help to meet local needs or simply generate additional migration into the area. Furthermore the computer models used to forecast population and households are not sophisticated enough realistically to handle the interaction between migrant demand for housing and local needs.

The Economy and Labour Force

Paragraph 158 of the NPPF states that: '*Local planning authorities should ensure that their assessment of and strategies for housing, employment and other uses are integrated...*' The PPG states that: '*Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.... Where the supply of working age population that is economically active (labour force*

⁶⁰ Paragraph: 015 Reference ID: 2a-015-20140306

⁶¹ Town and Country Planning, December 2014

supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.'

It is clearly sensible to relate population, housing and employment growth if possible. However, analysis of these issues is greatly hindered by the limitations of local official datasets about the economy and labour force. The main source, the Annual Population Survey/Labour Force Survey, is a sample, and based on quite small numbers in many local authorities. Can it provide a sufficiently reliable base for calculating trends and producing local projections and forecasts?

The official population projections indicate that there will be very little growth in the population aged 15-64 outside of London, the South East and East Anglia over the period 2012-2032. Outside these areas, boosting local housing numbers to attract working age migrants may have implications for the economies of other localities. Consideration of local employment prospects should be informed by an understanding of the economy and labour markets across a much wider area.

Major changes to the state pension age will come into effect in the next twenty years, and the implications of this for labour supply have been the subject of debate at examinations: for example in South Worcestershire. There are no longer any official projections of the size of the labour force, and consequently the quality of this debate is impaired.

Economic forecasting is notoriously difficult, and there are no local official projections or forecasts. There are reputable commercial providers, but information from these sources can only be obtained by payment. It is known that the forecasts provided by different forecasting organisations can vary widely, as evident from the South Worcestershire Development Plan⁶². The methodology and performance of the forecasts cannot be subject to the same public scrutiny as the official population and household statistics. The current approaches in SHMAs amount to little more than a crude balancing of jobs and workers. In addition to the need to improve methods and data on local economies, there is a need for understanding of the wider relationships between local economies and the housing market.

⁶² For the South Worcestershire Development Plan, please see: <http://www.swdevelopmentplan.org/>

APPENDIX 2: CHECKLIST FOR CPRE VOLUNTEERS WHEN CONSIDERING HOW LOCAL PLANNING AUTHORITIES HAVE DETERMINED THEIR HOUSING REQUIREMENTS

The scope of SHMAs

- Data: does the SHMA rely exclusively on secondary data, or has any primary data been generated, for example, to identify local housing needs?
- Housing projections: what is the basis for determining OAN, is it demographically-led or economic/employment-led or a combination of the two, or have other factors been taken into account?
- Demographic projections: which version of ONS Subnational Population Projections and CLG Subnational Household Projections has been used? Is it the most recently-available? Or have bespoke projections been provided or commissioned?
- Demographic variation: have the population and/or household projections been varied in any way, for example, in relation to migration or employment?
- Economic and employment change: how is economic and employment change taken into account? Is it used as an input measure influencing the future need for housing or as an output measure assessing the number of jobs required?
- Scenarios of change: is there just one set of household and housing projections or are there any alternative scenarios of future change? If so, what are they? Are the outputs clearly and consistently expressed?
- Local drivers of change: what are the main drivers of change in rural areas, for example, demographic, economic or employment-related? Do they differ from the local authority area as a whole, for example, are their issues around sustainability, the needs of older residents, greater levels of affordability? Are these taken into account in the SHMA?
- Market signals: what ‘market signals’ have been taken into account, for example, land prices, house prices and rents, affordability, housing completion rates and concealed households? What justification has been given for these and how have they been applied?

Small area analysis

- Sub-areas: does the SHMA recognise sub-areas and provide projections for them? How well do these conform to locally recognised areas, for example, villages or rural areas?
- Rural areas: does the SHMA recognise the different character of rural areas, for example, that they present a different ‘housing offer’ by type, tenure and cost?
- Consultation: is there any evidence of local consultation and ‘reality checking’ of findings based on secondary data?

Need, demand and supply

- Local needs: are local housing needs recognised and quantified, for example the affordability of housing and the needs of rural communities?
- Housing demand: has housing demand been taken into account, for example, through affordability ratios, house prices and rents?
- New supply: to what extent have sources of housing supply other than new-build been taken into account and quantified when considering the future need for housing, for example, bringing empty properties back into use and building conversions for residential use?
- Need, demand and supply: to what extent is current and future housing need and demand related to current and future housing supply? Are constraints on supply recognised? For example, does the SHMA refer to the relevant SHLAA?
- Justifying provision targets: is the housing provision target supported by demographic and economic/employment projections? Does it exceed those projections, in which case, what is the justification and what evidence has been provided?