



PAS Neighbourhood Planning Advice Note

Housing Needs Assessment for Neighbourhood Plans

Purpose of this advice note

This advice note is aimed at local authority planners. It explains how neighbourhood planning qualifying bodies can produce Housing Needs Assessments (HNAs) for neighbourhood plan areas, why they may need to do so, and how the local authority can help the qualifying bodies to undertake this work.

The note was produced for PAS by AECOM, who have extensive knowledge and experience of providing housing needs advice to neighbourhood planners as part of their work with Locality supporting communities in producing neighbourhood plans. The approach is to apply the relevant components of the National Planning Practice Guidance (NPPG) advice for housing needs assessment to a neighbourhood level, an approach which is endorsed by the NPPG itself.

It is in a local authority's interest to ensure that HNAs carried out for neighbourhood plans in its area follow a consistent methodology, as this will save the authority time and resources as it engages with multiple neighbourhood groups. The NPPG offers this opportunity for a consistent methodology to be applied¹ and this is an important reason why we recommend an approach based on it.

This note will:

- explain the process of producing a housing needs assessment at neighbourhood plan level;
- set out the types of data that should be taken into account;
- describe how assessment findings should be used;
- explain how the approach can be modified, and the circumstances in which this may be necessary;
- detail how local planning authorities can assist neighbourhood planners in assessing housing needs for their areas
- provide examples of housing needs assessment at neighbourhood plan level and the role of the local planning authority in helping them achieve this.

Background and context

Neighbourhood plans have been and continue to be produced across England. Many neighbourhood planning groups (known technically as qualifying bodies, or QBs) are seeking to address housing growth through their neighbourhood plan, including tenure and type of new housing.

As such, neighbourhood plan housing policy needs to be underpinned by robust, objectively assessed data providing a picture of housing need at the level of the neighbourhood plan area. In most cases, this draws from, but differs in some respects from, the local authority housing needs advice base. Normally, the output is an HNA, a document performing a similar role to a Strategic Housing Market Assessment (SHMA) at local authority/housing market level. Like a SHMA, the HNA sets out evidence to inform policy rather than itself comprising policy.

¹ Where the local authority SHMA is based on the NPPG approach as well, then consistency can also be achieved between neighbourhood plan-level and housing market-level assessment, as well as across multiple neighbourhood plan areas.

It is very important to note at the outset, however, that a single town or neighbourhood almost never constitutes a housing market on its own and must be assessed in its wider context. As such, a housing needs assessment at neighbourhood plan level differs from a SHMA in that it **does not constitute a housing market assessment**; rather, it is best thought of as a locally-specific study bringing together data from a range of sources, including the SHMA itself, to determine a notional 'fair share' of housing development that the neighbourhood plan area can contribute within the wider context of the strategic housing market area and/or Local Plan housing target.

In determining the housing needs evidence base at a neighbourhood plan level, a balance needs to be struck. Specifically, the requirement under Basic Condition E of Neighbourhood Planning for the neighbourhood plan to be in 'general conformity' with the strategic policies of the development plan² needs to be squared with demographic and other evidence at a neighbourhood level that might paint a different picture from the development plan, depending on the extent to which the neighbourhood area differs from the local authority average.

Basic Condition E effectively ensures that neighbourhood plans are not able to disregard the local authority's housing target. The National Planning Practice Guidance (NPPG) states that the level of housing development in a Local Plan is 'likely to be a strategic policy'.³

However, there are many neighbourhood plan areas where this consideration does not apply - for example:

- There may be no NPPF-compliant Local Plan in place⁴
- There may be an NPPF-compliant Local Plan in place that does not set a specific housing target for the neighbourhood plan area⁵
- The boundaries of the neighbourhood plan area may cover only part of (or cover locations other than) a settlement with a housing target specified in an NPPF-compliant Local Plan

It is therefore important for neighbourhood planners to take into account the local planning context when deciding on the scope of their housing needs work. In neighbourhood areas already benefitting from a specific housing target, the requirements of Basic Condition E would normally mean that only the type and tenure of the housing needed should be within the scope of neighbourhood plan housing policies.

For those neighbourhoods falling into one of the three bullet-point categories above, there is scope to determine a housing target as well as to explore the tenure and type mix of that housing. The housing target selected would need to be:

- based on robust local evidence from a range of sources; and
- capable of being considered in general conformity with the strategic policies of any adopted Local Plan.

² See NPPG at <http://planningguidance.planningportal.gov.uk/blog/guidance/neighbourhood-planning/the-basic-conditions-that-a-draft-neighbourhood-plan-or-order-must-meet-if-it-is-to-proceed-to-referendum/>

³ NPPG Paragraph: 006 Reference ID: 2a-006-20140306

⁴ In some cases, a SHMA showing Objectively Assessed Need may have been prepared as the first stage of an emerging Local Plan. However, note here Brandon Lewis's 18th December 2014 letter to the Planning Inspectorate noting that the outcome of a SHMA is untested and 'should not automatically be seen as a proxy for final housing requirement in local plans'.

⁵ This could be because the settlement is smaller than those for which targets have been set or because the settlement is one of a number of settlements (e.g. 'Key Villages' or 'Main Towns') with a single Local Plan housing target across all settlements.

Note that there is potential for conflict between these two factors. In practical terms, a balance will need to be struck that is satisfactory both to the QB and the local authority. As such, there is a useful role for local authority planners in negotiating with QBs that have found a significant disparity between what the range of data sources is suggesting and what the adopted local plan is expecting.

Circumstances will differ- in some cases the two numbers produced may be close and in others, for a variety of possible reasons, far apart. Agreeing the most appropriate figure to use, whether a midpoint between the two or any other evidenced figure that can be agreed upon by both parties, is important because neighbourhood plan Inspector's reports so far indicate that Inspectors are more likely to consider a housing target robust if it has been previously agreed between the QB and the local authority.

Determining housing need at neighbourhood level

Using the National Planning Practice Guidance

The NPPG page 'Housing and economic development needs assessments'⁶ was developed to guide local authorities in developing or commissioning housing needs work to inform a Local Plan, i.e. a SHMA. However, the text explicitly states that it can be used to guide the assessment of housing need at a neighbourhood level as well, and as such it can be assumed that any housing needs work (and policy based on it) at neighbourhood level that seeks to follow the NPPG approach would be viewed more favourably at Neighbourhood Plan Examination and would be more robust in the face of development challenge. Paragraph 006⁷ comprises a question and answer format as follows:

'Can town/parish councils and designated neighbourhood forums (qualifying bodies) preparing neighbourhood plans use this guidance?

Town/parish councils and designated neighbourhood forums (qualifying bodies) preparing neighbourhood plans can use this guidance to identify specific local needs that may be relevant to a neighbourhood but any assessment at such a local level should be proportionate. Designated neighbourhood forums and parish/town councils can also refer to existing needs assessments prepared by the local planning authority as a starting point.'

Other than the cautionary note on proportionality, however, the text does not explicitly state which parts of the guidance are more relevant and which parts are less relevant to neighbourhood plans. For example, Paragraph 014 ('what methodological approach should be used?') appears relevant to housing needs assessment at any level, whereas Paragraph 018 ('how should employment trends be taken into account?') mentions the Duty to Co-operate, which is clearly a requirement at local authority rather than neighbourhood plan level.

Therefore, if it is accepted that following the NPPG approach would help ensure the robustness of housing needs work, planning knowledge and experience is required when determining which parts of the guidance should be followed and which parts are less relevant.

⁶ NPPG page at <http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/>

⁷ NPPG Reference ID: 2a-006-20140306

This is one example of where qualifying bodies, who are in many cases not professional town planners, could benefit from the advice of local authority planning officers. Officers can talk the qualifying body through the status of the local plan (including any potential conflicts between the policies of an adopted and an emerging Local Plan), the extent to which there is already a specific NPPF-compliant housing target for the neighbourhood plan area, and which parts of the NPPG are most relevant for their circumstances.

The difference between a SHMA and neighbourhood-level housing need assessment

Given that the NPPG advice appears aimed for the most part at those compiling a SHMA at local authority level, it may be useful to set out the commonalities and differences between housing needs assessment at both levels (see Table 1 below, which is drafted in line with the NPPG-recommended approach).

Table 1: Commonalities and differences between SHMA and neighbourhood-level housing needs assessment

NPPG-recommended SHMA approach	Neighbourhood plan level approach	Commonality or difference?
Take into account wide range of data sources at local authority and national level	Take into account wide range of data sources at local authority and neighbourhood level	Commonality
Take into account employment data alongside population and housing data	Take into account employment data alongside population and housing data	Commonality
Base assessment on housing demand factors rather than housing supply factors	Base assessment on housing demand factors rather than housing supply factors	Commonality
Cover tenure and type of housing as well as quantity of housing	Cover tenure and type of housing as well as quantity of housing, depending on context	Commonality
Build in qualitative as well as quantitative data	Build in qualitative as well as quantitative data	Commonality
Develop range of projections and then apply market signals to raise or lower number as appropriate	Develop range of projections and then apply market signals to raise or lower number as appropriate	Commonality
Ensure approach comprises an assessment of Objectively Assessed Need as per the NPPF definition	Ensure approach has regard to the Basic Conditions of Neighbourhood Planning	Difference
Operate at level of housing market area; as such, named a 'market assessment'. In some cases, the SHMA must itself define its boundaries.	Operate at neighbourhood plan area level, below level of housing market area; can't be named a 'market assessment' (hence use of the term 'needs assessment'), and study area boundaries already exist	Difference
Determine extent to which housing market area differs from national/regional average and draw conclusions based on those differences	Determine extent to which neighbourhood plan area differs from local authority/housing market area average and draw conclusions based on those differences	Difference
Rely primarily on data rather than adopted policy as information source	Rely on both data and adopted policy as information sources	Difference
Determine affordable housing need on the basis of quantitative data	Use assessment of affordable housing need at local authority level as starting point	Difference
Sets in train duty-to-co-operate process if need is shown to exceed available land within local authority boundaries	Has no connection with duty-to co-operate process, which does not apply at neighbourhood level even if need cannot be met within neighbourhood plan area	Difference

As Table 1 shows, the main differences between SHMA assessment and neighbourhood plan assessment is that neighbourhood plan assessment can employ the SHMA and other local authority documents, such as an adopted plan, as a starting point, whereas SHMAs tend to (indeed, should) lack a pre-existing starting point in terms of local policy. As such, much of the work in housing needs assessment at neighbourhood level involves gathering data on the extent to which the neighbourhood area differs from the local authority average, and how those differences could inform neighbourhood plan policies.

Types of data to take into account

There are a number of key data sources that should be taken into account in any robust housing needs assessment at neighbourhood plan level, many of which will be familiar to local authority

planning officers from the SHMA process. These include, but are not limited to, the sources set out in Table 2, not all of which may necessarily be available at the time of assessment.

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

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

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

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

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

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

Table 2: Data sources suitable for use in housing needs assessment at neighbourhood plan level

Data source	Comments on use	Recommended or optional?
Most recent local authority SHMA/housing needs study	If the SHMA is post-NPPF and/or informs a Local Plan adopted post-NPPF, it can be considered robust. If the SHMA is older it may be out of date and as such given less weight relative to more up-to-date data sources. Many SHMAs include maps and tables showing information on tenure, type and population at a sub-market level within the local authority, helping neighbourhood planners see how their area may differ from the local authority average.	Recommended as the starting point for neighbourhood plan level assessment ¹⁰
Adopted local authority Core Strategy	If the Core Strategy was adopted post-NPPF, it can be considered robust. If it is older it may be out of date and as such given less weight relative to more up-to-date data sources. However, note that Basic Condition E gives, for the purposes of neighbourhood planning, significant weight to any adopted Local Plan, even if adopted pre-NPPF.	Recommended ¹¹
Emerging local authority Core Strategy	The weight of any emerging Core Strategy depends on how far it has progressed (the closer to adoption, the greater the weight) and/or whether it is replacing a pre-NPPF Core Strategy (in which case it should carry more weight). However, note that Basic Condition E gives, for the purposes of neighbourhood planning, significant weight to any adopted Local Plan, even if adopted pre-NPPF.	Recommended
Adopted local authority Site Allocations	If the Site Allocations was adopted post-NPPF, it can be considered robust. If it is older it may be out of date and as such given less weight relative to more up-to-date data sources. Note NPPG advice to avoid supply-side constraints in the determination of need ¹² ; as such, the Site Allocations should be used as a reference/guideline only.	Recommended
Emerging local authority Site Allocations	The weight of any emerging Site Allocations depends on how far it has progressed (the closer to adoption, the more weight) and/or whether it is replacing a pre-NPPF Site Allocations (in which case it should carry more weight). Note NPPG advice to avoid supply-side constraints in the determination of need; as such, the Site Allocations should be used as a reference/guideline only.	Recommended

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

¹¹ Ibid, 'the neighbourhood plan should support the strategic development needs set out in Local Plans'

¹² NPPG Paragraph: 004 Reference ID: 2a-004-20140306

Data source	Comments on use	Recommended or optional?
DCLG Household Projections	Government advice is that DCLG Household Projections are robust and that planners should use the most recent projections available ¹³ as the starting point for housing needs assessment. However, there is a significant difference between the 2008-based and the 2012-based projections in many locations, and so there may be merit in some cases in rebasing the 2008-based projections to 2012 as an additional data source and taking a midpoint between the two figures ¹⁴ . The projections are only available at local authority level, so a pro-rata calculation on the basis of population share can be made for individual neighbourhood areas, with appropriate caveat ¹⁵ . Where the projections do not cover the entire plan period, they can be projected forward at the same average growth rate to cover the remainder of the period. Note also that projections are of households rather than dwellings. To translate future number of households to dwellings, divide them by the neighbourhood plan area's number of dwellings per household in the 2011 Census ¹⁶ . Finally, where mid-year population estimates have been published for years after 2012, the 2012-based Household Projections can be rebased ¹⁷ to them.	Recommended ¹⁸
Dwelling completion rate 2001-2011	This comprises the difference in dwellings within the plan area between the 2001 and 2011 Census. It is useful to project it forward to understand how continuation of past rates might differ from other projections.	Recommended ¹⁹
Local housing waiting list	The numbers of households on the local housing waiting list will give an idea of the extent to which the affordable housing percentage sought at Local Authority level is appropriate for the neighbourhood area. In many cases, the housing waiting list is available at a geography smaller than the local authority. As the waiting list is held by the local authority, QBs may need the help of planning officers in accessing the data and in understanding how the list, which is only a snapshot in time, can help inform future need over the plan period. Some SHMAs apply a discount factor to the housing waiting list to reflect the fact that many households have placed themselves on the list as a contingency rather than being in priority need. The discount factor to apply (if any) will differ by area and should be agreed between the local authority and the QB on the basis of local evidence.	Recommended ²⁰

¹³ At the time of writing, these are the 2012-based Household Projections, available at <https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections>

¹⁴ The 2008-based projections generally reflect a time of economic boom and the 2012-based projections a time of recession, meaning a mid-point has the potential to project housing demand over a plan period that may in many cases be long enough to include both a period of boom and a period of recession.

¹⁵ Reflecting the fact that Household Projections as applied at neighbourhood level are unconstrained figures comprising a relative proportion of the local authority projected increase and thus do not take into account political, economic, demographic or any other drivers that might influence housing distribution through the Local Plan.

¹⁶ In most places, this figure is usually a little less than 1- around 0.95.

¹⁷ Rebasing, also commonly used in SHMAs, works as follows: if the 2012-based household projections forecast that by 2014, there would be x households in the local authority area, but in 2014 there were actually (x-y) households in the local authority area, then y can be subtracted from the 2012-based household projections figure for each year between 2014 and the end of the plan period to give a rebased total, with the rate at which growth is projected forward remaining unaltered.

¹⁸ NPPG Paragraph: 015 Reference ID: 2a-015-20140306

¹⁹ NPPG Paragraph: 019 Reference ID: 2a-019-20140306 (Rate of Development)

Data source	Comments on use	Recommended or optional?
LEP Strategic Economic Plan (SEP)	SEPs are aspirational documents aimed at maximising inward investment that have not been tested through the planning process, and as such, must be used with caution. Nevertheless, they have an important role to play in HNA, as they provide an indication of what kinds of jobs are expected in the neighbourhood's LEP area and where those jobs will be created ²¹ , both of which have an impact on future housing need.	Recommended ²²
Most recent local authority Employment Land Review (ELR)	The ELR informs local authority employment and economic policy, and gives a potentially more accurate (albeit more locally-limited) indication than the SEP of future jobs growth and location, both of which have an impact on future housing need.	Recommended
Data from Census (e.g. households, household size, population age structure, place of birth, rooms per household, persons per room, tenure, household composition, accommodation type, shared dwellings, concealed families, economic activity, rates of long-term health problem, distance travelled to work)	The full range of demographic and housing information from Census 2011 can be used to inform directly the type, tenure and mix of new housing required, by relating future housing need to the existing demographic and housing characteristics of the neighbourhood area. In many (but not all) cases, it is possible to gather and compare like-for-like data from the 2001 census against the 2011 census so that trends can be discerned.	Recommended ²³²⁴
Local house prices	A number of websites aimed at homebuyers, such as Zoopla or Home.co.uk, can provide detailed information at a range of geographies on average house prices, and this data can inform an assessment of relative demand at neighbourhood level compared with the local authority or postcode area average.	Recommended ²⁵
Local rental prices	A number of websites aimed at homebuyers, such as Zoopla or Home.co.uk, can provide detailed information at a range of geographies on average house rental prices, and this data can inform an assessment of relative demand at neighbourhood level compared with the local authority or postcode area average.	Recommended ²⁶
Local surveys	In some cases, before it starts the housing needs assessment, the QB will have carried out a neighbourhood survey that includes questions on housing. Where this is the case, it is recommended that they are used, but it would be disproportionate to commission a new survey solely to inform housing needs assessment when so many other data sources are already available.	Optional- see NPPG advice on proportionality

²⁰ NPPG Paragraph: 022 Reference ID: 2a-022-20140306

²¹ As many people commute to work, it will be necessary to understand where jobs might be created over the plan period over a wider area, for example in a large nearby employment centre to which neighbourhood area residents may commute

²² NPPG Paragraph: 018 Reference ID: 2a-018-20140306

²³ NPPG Paragraph: 019 Reference ID: 2a-019-20140306 (overcrowding)

²⁴ Paragraph: 021 Reference ID: 2a-021-20150326 (population age profile, types of household, dwelling size, tenure)

²⁵ NPPG Paragraph: 019 Reference ID: 2a-019-20140306

²⁶ NPPG Paragraph: 019 Reference ID: 2a-019-20140306

Data source	Comments on use	Recommended or optional?
Estate agent interview	Interviews with estate agents can provide qualitative and anecdotal evidence that can usefully complement the more qualitative data sources, enabling the quantitative trends uncovered to be verified or challenged. They also act as a further source of neighbourhood-level knowledge to complement the local authority level data. However, estate agents may take an optimistic view of demand and growth, so, like the SEP, this data should be used cautiously.	Optional- see NPPG advice on proportionality
Local authority SHLAA	The SHLAA can be useful in terms of understanding the amount of land (and hence housing capacity) within the neighbourhood considered by the local authority to be suitable, available and achievable for housing development. However, like Site Allocations, it is a supply-side document and as such it should be used as a reference/guideline rather than a constraining factor, as it does not in itself show housing need. Note also that older SHLAAs rapidly become out of date as development comes forward on identified sites.	Optional- not referenced in NPPG

Neighbourhood planners can decide for themselves the format in which the above suggested data sources might be presented, as well as how conclusions are presented. There are some real-life examples provided in the final chapter of this report.

Statistical geographies

Many neighbourhood plan areas correspond exactly with ward or parish boundaries. Where this is the case, data gathering is simplified, as all Census 2011 data is available at ward and parish level. However, parish data is not available for some Census 2001 data, complicating any attempt to determine a ten-year trend. In these cases, and where the neighbourhood plan area does not correspond with administrative boundaries, a ‘best fit’ study area will need to be selected from the ONS hierarchy, which normally allows for direct comparison between 2001 and 2011 Census data.

Local authority planning officers will be familiar with the ONS hierarchy of Middle Super Output Areas (MSOAs), Lower Super Output Areas (LSOAs) and Output Areas (OAs), and as such are well-placed to advise QBs on how to identify ONS hierarchy boundaries, establish a statistical ‘best fit’ and then gather data using these geographies through the Neighbourhood Statistics²⁷ and Nomis²⁸ websites.

Affordable housing

Experience suggests that the first step in dealing with the issue of affordable housing in neighbourhood planning is to define it clearly. The NPPF definition of affordable housing should be used throughout the neighbourhood planning process, namely ‘social, affordable rented and intermediate housing’. This definition ensures clarity and consistency with local authority and national planning documents²⁹. The NPPF definition can be contrasted with the non-technical definition of affordable housing as ‘market housing that is cheaper than average’. This non-technical definition will still be covered by any comprehensive assessment when it determines the relative need for different types of market housing.

²⁷ <http://www.neighbourhood.statistics.gov.uk/dissemination/>

²⁸ <https://www.nomisweb.co.uk/>

²⁹ For the same reasons, standard planning definitions of terms such as ‘dwelling’ and ‘household’ should also be used throughout the neighbourhood planning process. These are listed at <https://www.gov.uk/definitions-of-general-housing-terms>

Defining affordable housing clearly at the start of the process allows for clarity of evidence-gathering. For example, if a local housing survey asks respondents for their views on whether affordable housing is needed locally, the response could be very different depending on which definition is used, which may have an impact on affordable housing conclusions.

Many neighbourhood plans do not need to set a target for affordable housing provision. This is because a target would only need to be set where there is no adopted plan at local authority level or where the adopted plan has no policy on affordable housing provision.

In both of these cases, neighbourhood planners should follow the NPPG approach to determining affordable housing need³⁰, but as this is a relatively complex task needing technical information from the local authority and supporting information such as viability studies, it is recommended in these circumstances that local authority planning officers work closely with the QB to provide them with the information they need and to help ensure that the methodology for calculating affordable housing need is robust. This will also enable planning officers to ensure that the affordable housing target selected is in general conformity with any emerging evidence or plan at local authority level.

As the majority of neighbourhood plan areas benefit from an adopted local plan containing an affordable housing target, any neighbourhood-level affordable housing target at neighbourhood level could risk either some degree of conflict with the Local Plan (and thus potentially failing Basic Condition E) or restating existing policy at a higher level. Both of these outcomes are undesirable.

Note that after any neighbourhood plan is adopted, the local authority continues to determine applications within the neighbourhood plan area, applying its adopted affordable housing target (albeit with some scope for case-by-case flexibility).

It is important that affordable housing contributions are determined at local authority level even after a neighbourhood plan is 'made' because, in practical terms, affordable housing need should be measured and met at the level of an entire housing market area. The local authority is therefore best-placed to do this, delivering affordable housing in the most suitable locations across its whole area on the basis of the affordable need pertaining at the time of application determination.

As such, neighbourhood plans in local authorities with an adopted affordable housing target should include an affordable housing target only where there is evidence of affordable housing need in the neighbourhood significantly higher than the percentage applied at local authority level, i.e. where the existing policy is insufficient to deal with that need.

Despite these caveats, if neighbourhood planners choose nevertheless to develop an affordable housing target, it would need to be based on neighbourhood-specific viability work which might carry the risk of conflict with or repetition of existing local authority affordable housing viability work, and in any case raises questions of proportionality.

In neighbourhood plan areas with an adopted affordable housing target at local authority level, there could still be merit in including a policy stating that the QB will work with the local authority over the Plan period on a case-by-case basis to achieve an appropriate level of affordable housing provision locally, having appropriate regard to local need at the time of application determination.

³⁰ NPPG Paragraph: 022 Reference ID: 2a-022-20140306

Another way to enable affordable housing delivery at neighbourhood plan level that is relatively more straightforward than determining an affordable housing target is for the neighbourhood plan to support the provision of an affordable housing exception site, where this is justified by a high level of affordable need. This support can be an aspiration; in other words, a specific location for the exception site need not be specified. If a QB considers that an affordable housing exception site is appropriate for their circumstances, clearly the LPA will have an important role to play, potentially in helping the QB identify a suitable location, and certainly in terms of delivering the housing.

As this section demonstrates, affordable housing is one of the more complex elements of determining housing need at neighbourhood planning level, and as such, there is an important role for planning officers who specialise in affordable housing need in explaining these points to QBs who may have questions about affordable housing in either its NPPF sense or its non-technical sense.

Drawing conclusions on quantity of housing needed

The most common methodology, endorsed by the NPPG, for determining the quantity of housing needed at local authority level, is to assess the range or the average of the housing projections for the plan period from the various quantitative sources, and then adjust them upwards or downwards based on specific factors considered to apply within the area being assessed compared with surrounding areas or markets.

This approach translates well to the neighbourhood level, with the proviso that the end result will still need to be considered in general conformity with strategic plan policies. The factors to apply are described in the NPPG as 'market signals', and the guidance provides some examples of market signals³¹ as follows:

House Prices

Mix adjusted house prices (adjusted to allow for the different types of houses sold in each period) measure inflation in house prices. Longer term changes may indicate an imbalance between the demand for and the supply of housing.

Rents

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

Rate of Development

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

Overcrowding

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

So, for example, a neighbourhood with house prices significantly higher than the local authority or housing market area average might need its average housing projection figure increased to

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

reflect this. Likewise, if recent rates of development have been higher than the local authority average, its average housing projection figure could potentially be decreased.

If the approach of applying market signals is used, care must be taken to ensure the process is clear, transparent and comprehensible to a layperson. At this stage of the assessment, subjective judgements have to be made to some extent, as it is not possible for many of the market signals to be translated into a quantitative housing uplift or decrease. The NPPG recognises this by stating simply that any adjustment made should be 'reasonable'³².

What is important is that any judgements made should be clearly set out and justified.

Drawing conclusions on characteristics of housing needed

Gathering a wide range of data from the Census and other sources on local demographic composition and characteristics of local households will enable the characteristics of the housing needed to be determined, including relative proportions of dwellings by size (i.e. number of bedrooms), by tenure, by type (i.e. detached, terraced, or apartments) and by specialised need (e.g. housing for older people, for families or for those who mainly work from home).

Sub-national population projections (SNPPs)³³, which form the basis for household projections, can be disaggregated by age band and thus, in theory, future population age bands can be 'mapped' to housing type required. This is particularly useful in determining provision of housing for older people, as noted by the NPPG³⁴.

However, in practice, this is complicated because demand for housing is driven by a range of factors other than simple demographic change, for example policy, recent completions, employment growth and other factors on both the demand and supply sides. As such, applying a percentage based only on demographic projections, which are themselves subject to future adjustment, could risk policy becoming inaccurate, inflexible or both.

A more realistic approach could be to set broad policy parameters to guide new housing development, within which applications could be assessed on a case-by-case basis, drawing on monitoring data measuring the characteristics of housing developed up to that point in the plan period.

If this approach is used, the broad, flexible policy parameters recommended can be based on broad conclusions in the HNA on the characteristics of the housing needed, which, for the reasons described above, may reflect qualitative as well as quantitative factors.

How assessment findings should be used

Local authority planning officers could have an important role to play in helping QBs understand the fact that housing needs assessment is just one part of the evidence base informing housing policy. This reflects the NPPG guidance that:

'plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints. However, these

³² NPPG Paragraph: 020 Reference ID: 2a-020-20140306. The NPPG states that any upward adjustment should be reasonable, although in some circumstances presumably a downward adjustment may be necessary instead.

³³ Available at <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Sub-national+Population+Projections>

³⁴ NPPG Paragraph: 021 Reference ID: 2a-021-20150326 ('Housing for older people' bullet point)

*considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans.*³⁵

In other words, on completion of the housing needs assessment, which is effectively limited to the demand-side evidence on housing, neighbourhood planners should compare its conclusions with supply-side work, either at local authority or neighbourhood level, such as SHLAAs, infrastructure studies, Green Belt studies and any other information on environmental constraints such as flood risk, heritage designations, AONBs and so on. With their experience in developing policy by bringing together evidence on the demand and the supply side, local authority planning officers could be well-placed to advice on balancing the various considerations.

This would have the additional benefit of ensuring the QB and its local authority can together agree a suitable housing target to take forward to the neighbourhood plan examination- and, as noted previously, such agreement is likely to be viewed favourably by the Inspector at neighbourhood plan examination.

The contrast between demand-side and supply-side evidence can often be significant. For example, many smaller settlements in the Green Belt outside major conurbations may have a high level of housing demand but almost no capacity to meet it. As such, there is a role for planning officers in reassuring QBs that a housing needs assessment indicating a high level of demand does not necessarily result in significant new housing development if the supply-side constraints indicate that there is insufficient land to do so. Conversely, if a neighbourhood has a relatively low level of housing need and sufficient land to accommodate that need, the QB could benefit from LPA supply-side advice on determining which sites may be more or less suitable for development.

Just like SHMAs, HNAs comprise a snapshot in time, and will need monitoring and updating in line with new demographic data and policy at local authority and national level. Local authority planning officers can help QBs in this regard by adding QB contacts to consultation or planning policy mailing lists, and suggesting they register for alerts from DCLG when planning policy or guidance changes. This will enable neighbourhood planners to ensure future iterations of their plans are based on fully up-to-date evidence.

Tailoring the approach to local circumstances

The NPPG states clearly that establishing future need for housing is not an exact science, and no single approach will provide a definitive answer. As such, there is scope for variation in approach to housing needs assessment at both local authority and neighbourhood plan level. However, the NPPG strikes a note of caution in this regard when it states:

'the use of this standard methodology set out in this guidance is strongly recommended because it will ensure that the assessment findings are transparently prepared. Local planning authorities may consider departing from the methodology, but they should explain why their particular local circumstances have led them to adopt a different approach where this is the case.'

Nevertheless, there is scope for variation even within the NPPG approach. For example, some neighbourhood planners may require the housing needs assessment to conclude by recommending a specific housing target. Others may wish for the assessment to provide a range of projections to inform a policy discussion over the specific housing target. Likewise, depending on their circumstances, some QBs might prefer for the assessment to focus more on tenure and type of housing rather than quantity, and other QBs the opposite.

³⁵ NPPG Paragraph: 004 Reference ID: 2a-004-20140306

In some locations, affordable housing could be the key policy concern, in others starter homes for young people and in others housing for older people. Census and other data is almost always available to support assessment, though the knowledge of planning officers could come in useful here as some of it is quite specialised and QBs may not be aware of its existence. A good example is the Housing Learning and Improving Network's publication 'Strategic Housing for Older People: Planning, designing and delivering housing that older people want'³⁶ which is a useful source on determining housing need for older people.

Examples of housing needs assessment at neighbourhood level

The variety of possible approaches

Given that housing needs assessment is not an exact science, there are a number of different ways to present and assess the data gathered when assessing housing need at neighbourhood level. Local authorities can play a useful role in advising neighbourhood planners which approach might be best for them, based on factors that might include:

- Need for consistency with the SHMA or other local authority level data sources (for example, where possible, it can be useful to align the Neighbourhood Plan period with the Local Plan period³⁷); and/or
- Specific characteristics of the neighbourhood plan area, for example geography, economics or demographics; and/or
- The need for a clear, non-technical document easily understood by neighbourhood planners and residents without a town planning background.

One workable solution is to present the sources one by one in the housing needs assessment and then bring them together in a conclusions chapter (for example, the quantitative data sources on housing numbers can be presented and compared in a single graph). The conclusion can also discuss and resolve any inconsistencies between data sources and set out clearly the judgements that must be made as the raw data is transformed into recommendations on quantity and/or type of housing to be provided.

Examples from previous work

AECOM has provided housing needs advice to a range of neighbourhood groups, differing in their local circumstances. The following charts and tables have been useful in presenting data that can be used to inform a group's housing policies.

Using and presenting Census data

Census data is particularly useful in showing demographic characteristics and trends. Data from Census 2011 is useful in presenting a demographic snapshot, but comparing like-for-like data between Censuses 2001 and 2011 is potentially more valuable as it can illustrate recent trends

³⁶ Available online at

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

³⁷ Where QBs choose to align their neighbourhood plan period with the Local Plan period, if the Local Plan period chosen for alignment started in the past, then the number of dwellings completed in the neighbourhood plan area after the start of the plan period can be subtracted from the housing target selected.

(with the caveat that for the smaller geographies, trend-based data has the potential to be distorted by small sample size).

Table 3 below illustrates the rate of change in the age structure of the population of a neighbourhood plan area³⁸. It is useful when presenting Census data for the neighbourhood plan area to measure it against the data at a local authority and national level, thus ensuring the particular characteristics of the neighbourhood plan area are clearly apparent. In the case of Table 3, which is based on the trend between 2001 and 2011, the neighbourhood plan area has a population ageing more rapidly than the local authority and national average, which would tend to indicate a need for housing suitable for older people.

Table 3: Rate of change in the age structure of the population of a neighbourhood plan area, 2001-2011

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

Source: ONS, Census 2001 and Census 2011

Table 4 below supports the data in Table 3 by projecting forward the age groups over the Plan period on the basis of sub-national population projections. Here, the absolute numbers are of more interest than the proportions relative to larger geographies, which has already been established in Table 3, so Table 4 covers the neighbourhood plan area only and shows growth in all age bands over 45, with a decrease in age bands under 45. Note that this adds detail to the data- age groups 45-65, for example, would tend to demand family-sized housing, indicating a need for 4-5 bedroom properties as well as the smaller units more typically occupied by those over 65.

³⁸ The real-life datasets presented in this chapter have been anonymised.

Table 4: Projected age band change in neighbourhood plan area, 2011-2028

Age band	2011		2028	
	Population	Percentage of total population	Projected population	Percentage of total population
0-15	2,395	17.5%	1,910	14.1%
16-24	1,190	8.7%	1,086	8.0%
25-44	3,232	23.6%	2,276	16.8%
45-64	4,122	30.2%	5,167	38.0%
65-84	2,295	16.8%	2,472	18.2%
85 and over	434	3.2%	674	5.0%

Source: Census 2011, DCLG Sub-National Population Projections

Presenting the range of dwelling number projections

Given the importance of taking a range of data sources into account, it follows that there is value in presenting the various projections together in a single chart, an approach also used by many SHMAs. Figure 1 below compares five projections of dwelling numbers in a single neighbourhood plan area. Note that two of the projections are based to a significant extent on the supply side (namely, the Site Allocations Derived and Dwelling Completions 2001-2011). To reflect the fact that housing need assessment should not be constrained by supply-side considerations, these two projections have been italicised and the text accompanying the figure states that the italicised projections should be used as a reference/guideline only. Although the Core Strategy Derived projection itself represents a balance between demand and supply, it has not been italicised to reflect its importance for the purposes of neighbourhood plan housing need assessment with regard to Basic Condition E.

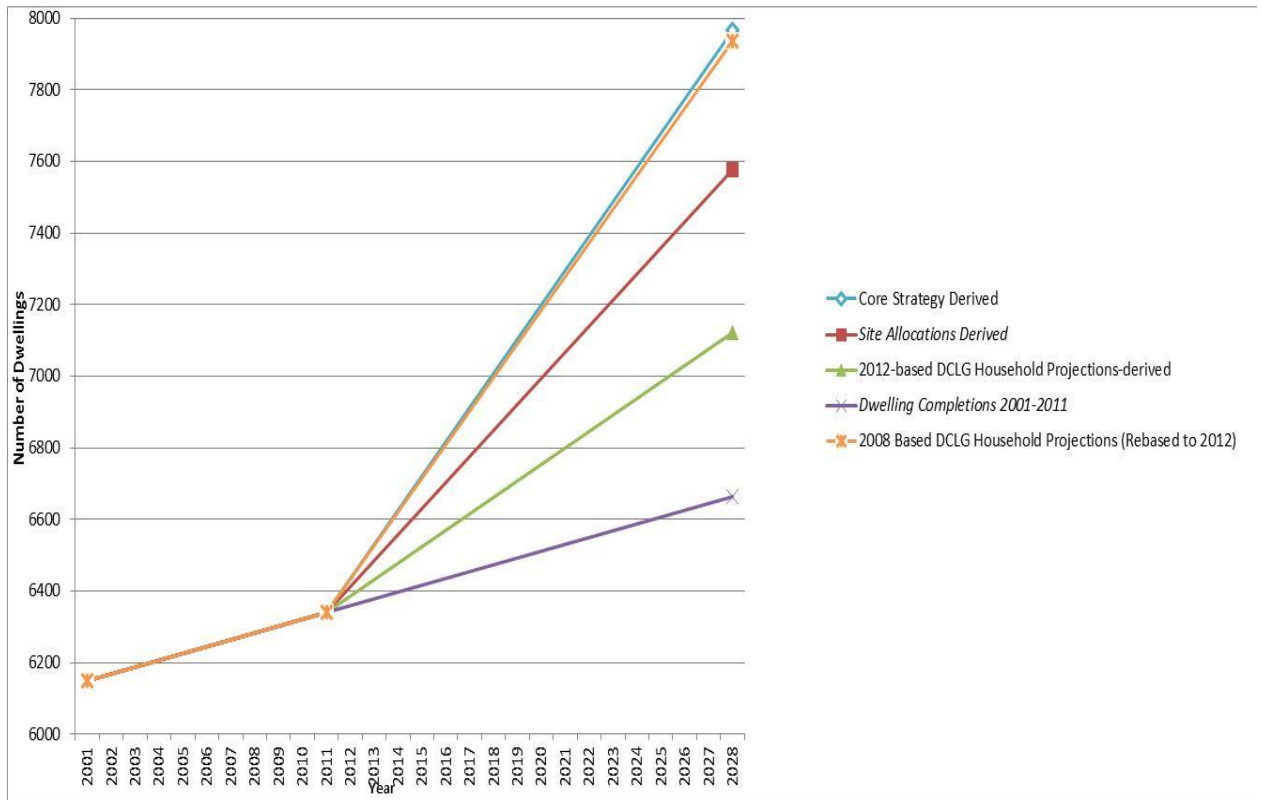
In this case, the value of using the dwelling completion rate 2001-2011 as a guide lies in the fact that Figure 1 indicates that housing need was not met by the 2001-2011 delivery rate, thus underlining to the group that a step change in delivery is likely required in order for housing need to be met.

Figure 1 also reveals the extent to which in this particular case the adopted local authority core strategy was based on the 2008-based household projections (rebased to 2012), as the two figures are very similar. It also shows the extent to which the 2008-based³⁹ and the 2012-based household projections differ in this particular location⁴⁰, underlining the value of taking as wide a range of data sources into account as possible.

³⁹ Whether rebased or not

⁴⁰ The extent to which the two sets of projections differ varies by local authority.

Figure 1: Comparison of dwelling number projections (supply-side projections italicised)



Sources: Core Strategy, Site Allocations DPD, DCLG 2008-Based Household Projections (rebased), DCLG 2012-Based Household Projections, Census 2001, Census 2011

On the basis of the dwelling number projections presented, the assessment could then present an interim housing target to test against market signals (although this is not an obligation- for political or other reasons, the group may prefer to be presented with a range of projections, rather than a single figure, to inform their policy discussions). If an interim housing target is selected, it could be the average of the demand-side projections in Figure 1, or, in cases where such an average might risk the neighbourhood plan failing Basic Condition E, a figure relatively closer to any Core Strategy-derived figure. The extent to which any interim target should align with the Core Strategy-derived figure is a matter of judgement, as it depends on how prescriptively the Core Strategy specifies an exact housing target for the neighbourhood plan area⁴¹ and/or the weight to be accorded to any emerging replacement for the Core Strategy that may indicate a different housing target.

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

⁴¹ As noted previously, where an adopted Core Strategy/Local Plan has already specified an exact housing target for the neighbourhood plan area, there is no need to undertake the comparison of dwelling number projections as illustrated in Figure 1. In these cases, any neighbourhood level housing needs assessment should focus on type rather than quantity of housing.

Table 5 shows one possible way of presenting an assessment of the impact of market signals, taking them one by one and applying up, down and sideways arrows to indicate respectively a signal with the potential to drive the dwelling figure higher, drive it lower or have no effect on the figure.

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

Table 5: Assessment of market factors specific to neighbourhood plan area with potential impact on neighbourhood plan housing target

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

In a similar way, conclusions on housing type can also be presented in a table. Table 6 below is an extract from a table covering conclusions on housing type. Again, groups have found it helpful for the analysis to be based on a range of factors (or trends) emerging from the data gathered, and for each factor presenting the sources for the judgement made, the possible impact on housing need and the conclusion (effectively non-binding policy recommendations). The aim is for a transparent, logical progression (moving from left to right) from evidence base to policy.

Table 6: Summary of factors specific to neighbourhood plan area with a potential impact on type of new dwelling

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