

# Appendix E

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'Delivering Priorities for Growth' Report to West Dorset  
Executive Committee, 15 July 2014



# **Executive Committee**

## **15 July 2014**

### **Delivering Priorities For Growth**

#### **For Decision**

##### **Member Champion(s):**

Cllr M Penfold, Enabling

**Director:** K Hindson, Director of Communities

#### **1. Purpose of Report**

- 1.1 To provide the Executive Committee with an overview of pan-Dorset work to drive economic growth and to agree the actions to deliver the agreed objectives of the Council's 'Priorities for Economic Growth' in 2014/15.

#### **2. Officer Recommendations**

- 2.1 That the Committee:
- (a) Agrees the interim delivery plan for Priorities for Economic Growth (Appendix 2) and subsequently receives quarterly reports on progress.
  - (b) Notes the progress and 'prioritised list' of the Dorset LEP's Strategic Economic Plan (Appendix 1) and the establishment of the new Dorset Growth Board.
  - (c) Notes the follow-up programme from the Peer Challenge.
  - (d) Notes the current delivery and provision of 'Business Support'.

#### **3. Reasons for Recommendation**

- 3.1 Members agreed to the high level objectives of the 'Priorities for Economic Growth' document for the Shared Services Partnership (SSP) last autumn in order to set out its plans to support economic growth and to inform the Strategic Economic Plan (SEP) being produced by the Dorset LEP for submission to Government.
- 3.2 Members also agreed to the production of a delivery plan, lead by the Economy, Leisure and Tourism Manager, to support Priorities for Economic Growth. It is anticipated that this plan will, over the coming weeks and months, be influenced longer term by;
- the outcome of the SEP bidding process.
  - the thoughts of the new Dorset Growth Board.

- assistance available to the Partnership following the Peer Challenge process from the Local Government Association (LGA).
- the Local Plan.

3.3 A delivery plan is therefore presented today as an interim measure so that there is agreement to the progression of key actions over 2014 / 15 in what is a corporate priority area for the Partnership.

3.4 Members are asked to note the latest position of the LEP, the SEP and related Dorset-wide activity and the actions being taken by the Partnership

## **4. Background Information**

4.1 The Shared Services Partnership agreed the 'Priorities for Economic Growth' last September and that this should be submitted to inform the development of the Dorset LEP's Strategic Economic Plan.

4.2 This report explains the latest position of the Dorset LEP and related activity and sets out in outline how the aims of the Council's Priority for Economic Growth document will be delivered by all Divisions of the Shared Services Partnership.

4.3 West Dorset District Council agreed four priorities to support economic growth within the Corporate Plan 2012-2016:

- A1 - Facilitating inward investment to create more better paid jobs
- A2 - Improving Infrastructure to enable businesses to grow
- A3 - Supporting businesses through recession and recovery
- A4 - Regenerating and supporting vibrant town centres

4.4 The actions proposed in this paper sit well alongside the stated aims of the Corporate Plan.

## **5. Report**

### **Dorset LEP – latest position**

5.1 In October 2011, the Government approved the prospectus for the creation of the Dorset Local Enterprise Partnership, which was set up to invest in different industry sectors across the county to boost business, create new and more highly-skilled jobs and to ensure the county's infrastructure is in a strong position to promote growth, was formally launched in May 2012. Dorset LEP has a number of work streams and formal and informal sub groups.

5.2 It is private sector-led and this is reflected in the board which has nine business representatives, one each from Higher and Further Education and 4 local authority representatives (the leaders of Dorset County, Bournemouth and Poole and Christchurch, who represents the District and Borough councils). Early in 2014, the board appointed a Partnership Director to lead its development and delivery programmes.

- 5.3 The 39 LEPs nationally are seen by Government as the bodies with the strategic overview and responsibility for delivery of economic growth in the county, and has been tasked with the preparation of a Strategic Economic Plan (SEP) in order to secure a share of Growth Deal funding for 2015/16. The Government has confirmed that the local growth fund nationally will be at least £2bn for 2015/16 and at least £2bn annually in the next parliament. Each of the tier one authorities in Dorset has taken on an accountable body role for elements of the LEP funding.
- 5.4 The LEP submitted its SEP, 'Transforming Dorset', comprising over 50 projects and seeking £596m for the plan period, at the end of March 2014. Informed by analysis at Bournemouth University, the Dorset LEP has also prioritised its 50 projects in 'Transforming Dorset' on a Benefit Cost Ratio basis. A list of the projects in priority order is attached at Appendix 1. Council officers submitted or supported a number of projects for consideration and these feature in the prioritised list as numbers 8 (Littlemoor Extension), 17 (Portland Port), 26 (Growth Towns), 31 (Weymouth Town Centre, including the Peninsula), 33 (Western Growth Hub – Weymouth and Dorchester), 43 (Destination Portland), 47 (Dorset Marine Sector Growth Programme) and 48 (Broadband).
- 5.5 The Government's stated intention is for funding to be agreed by the summer recess. The Government has also suggested that the allocation to LEPs will be made on an annual basis. This may prove to be a challenging process and time scale as nationally LEPs have submitted SEP proposals that are 4.5 times greater than the national budget.
- 5.6 It is certain that LEPs will not receive the full value of the funding that they have requested, and possible that the Government may not 'approve' some high priority projects identified locally, because they are not sufficiently progressed to deliver economic outcomes in the first year of delivery. Therefore at the time of writing it is unclear which projects will be funded in the SEP, or the likely size of the Growth Deal to be agreed for Dorset. Whatever the outcome of the Growth deal negotiations, the funding will not be available before the start of the 2015/6 financial year.
- 5.7 The SEP as submitted to Government can be seen at <http://www.dorsetlep.co.uk/assets/About-Us/Publications/Draft-Economic-Plan/DLEP-Strategic-Economic-Plan-v331Mar14.pdf>

### **European Structural Investment Funding Strategy (ESIF)**

- 5.8 In parallel with the development of the SEP, the Dorset LEP has also been preparing a 7 year Strategic Investment plan to inform how EU grant funds will be used locally to support the community and the economy. This brings together the two structural funds, the European Regional Development Fund (ERDF) and the European Social Fund (ESF). It will also include part of the European Agricultural Fund for Rural Development (EAFRD), and will be aligned with the European Maritime and Fisheries Fund.
- 5.9 After wide ranging consultation throughout the county in 2013, the final European Structural Investment Funding Strategy (ESIF) has been submitted to Government by the Dorset LEP as required, and is expected

to be agreed by early July. Dorset has provisionally been awarded a total of €47.1m over 7 years from 2015. A copy of the ESIF can be seen at <http://www.dorsetlep.co.uk/assets/About-Us/Publications/Dorset-European-Structural--Investment-Funds-Strategy--Final/Dorset-ESIF-Final-310114.pdf>

- 5.10 The majority of the funds (approx. 70%) will be delivered locally through nationally managed contracts overseen by a Local Area Partnership to be established by the LEP. These national contracts or “opt-ins” will be with DWP, SFA, UKTI Trade and the BIG Lottery.

### **New Dorset Growth Board**

- 5.11 Representation on the Dorset LEP board for District and Borough Councils is restricted to one place, currently held by the Leader of Christchurch Borough Council. Informally, regular meetings have been taking place between the Leader of Christchurch Borough Council, appropriate members and senior officers from the other District and Borough councils (Cllr Penfold and Nick Thornley for West Dorset), prior to each LEP board meeting.
- 5.12 In order to better co-ordinate the support for the ‘growth agenda’ in Dorset and to work more effectively with the Dorset LEP, Leaders of all Dorset Councils agreed in April to the establishment of a Leaders Growth Board. The Growth Board will provide an opportunity for all councils in Dorset to coordinate efforts to deliver economic growth and support the delivery of the Dorset LEP strategies.

### **Peer Challenge – next steps**

- 5.13 During October 2013, the SSP benefitted from a Peer Challenge, organised through the LGA, to specifically look at the councils’ response to the new framework for economic growth, recognising the significance of the Dorset Local Enterprise Partnership, the joint Local Plan and economic priorities in the agreed corporate plan.
- 5.14 The Peer Challenge made a number of recommendations following its review, including for the economy that the council:

*Produce a joint economic growth strategy and delivery plan that addresses:*

- *what sectors the expected 16,100 jobs created from 2011- 2031 will fall*
- *what employment land might be used for this purpose;*
- *how the objective of high-wage and high-skill jobs will be realised;*
- *a clear housing and employment growth implementation plan*
- *the use of the councils’ assets*
- *the Partnership’s engagement approach*

- 5.15 The SSP has been able to secure 12 days of support via the LGA to develop the recommendations from the Peer Challenge, up to 6 of which will be specifically focused on the economy recommendations. This advice will be used to help shape a longer term delivery plan for the Partnership.

- 5.16 One new initiative introduced in response to the Peer Challenge recommendations is the formation of an internal senior officer group, the Growth Delivery Group, to help to ensure that there is a joined up approach across the two Councils in delivering Priorities for Growth and in general support for economic growth. This group includes the Chief Executive, the Directors of Communities and Environment and the Service Managers for Housing, Spatial Policy, Development Services and Economy, Leisure and Tourism. The group monitors key planning applications, LEP activity and receives updates from our key local businesses, the BIDs and the Chambers of Trade.

### **Delivering Priorities for Economic Growth**

- 5.17 During late summer 2013, the headline content of Priorities for Economic Growth was developed. This document was subsequently endorsed through Management and Executive Committees (September 2013) as a whole council approach to delivering economic growth. It was subsequently formally submitted to the Dorset LEP board for consideration as the LEP prepared its Strategic Economic Plan (SEP) for submission to Government. Several of the key themes subsequently appeared in the 'Transforming Dorset' SEP submitted to Government in March 2014.
- 5.18 Following the initial approval of Priorities for Growth by Management and Executive Committees, it has been consulted on with local business groups and widely welcomed as a set of strategic priorities for the area.
- 5.19 A robust delivery plan is required in order to better organise all Partnership resources and activity. However, there are a number of related work streams that will inform the delivery plan currently being developed. These include the outcome of the government's decision on the SEP, advice from the LGA following the Peer Review, the Local Plan adoption and the establishment of a new Leaders Growth Board. While these work streams are completed, the Partnership needs to set down some clear actions so that Partners and Members continue to understand the Partnership's role in supporting economic growth through the 2014 / 15 year. A plan of actions is presented as Appendix 2. This should be viewed as interim, before a final version can be drawn up later in 2014/15. The staff and financial resources to deliver the actions are all in place within the SSP.
- 5.20 The actions are presented under the 4 main themes of Priorities for Economic Growth:
- More and better paid jobs
  - Vibrant market towns
  - Supporting business
  - Improving infrastructure
- 5.21 Progress of each of the actions will be monitored monthly by the internal Growth Delivery Group and a quarterly report on progress will be presented to Committee.

## **Provision of Business Support**

- 5.22 For many years, businesses had been able to access business support through franchised Business Link services. Business Link operated as a one-stop shop delivering and guiding businesses to a range of advisory and development services for all stages of the business life cycle.
- 5.23 Since the closure of the Business Link in 2011/2, the provision of business support has been more fragmented, with a less clear route to sources of support. Nationally, there is a Business Support help line for some support, and significant content on the .gov.uk website. The latter has incorporated the Business Link on-line content, content from HMRC and other web sources.
- 5.24 A number of advisory services continue to deliver in the south west, including Growth Accelerator, Manufacturing Advisory Service, and UKTI trade supporting exports; while WSX Enterprise (the former Business Link franchisee for Dorset) deliver various EU and other funded programmes including the Superfast business support programme, and the DUE (Delivering Urban Enterprise) start up programme in the Borough.
- 5.25 Most recently (May 2013) there has been the launch of the Dorset Growth Hub. Growth Hub is a £1.2m programme for 2014/5, funded through the Regional Growth Fund as part of a £45m National programme through Lancaster University. The Growth Hub will deliver a business growth programme with specialist advisors to assist businesses in key sectors that are looking to grow through investment, innovation and internationalisation.
- 5.26 Many local business look to the Councils for business advice. To assist businesses with this changed landscape of business support, the Economic Regeneration officers have revised and continue to review the Borough's economic regeneration pages on dorsetforyou - <https://www.dorsetforyou.com/economic-regeneration/weymouth-and-portland> and have launched a business information newsletter, informing businesses of local events or initiatives to assist growth in their businesses. This is now received by 450, including the chambers who subsequently distribute to their membership.
- 5.27 The Shared Services Partnership was praised for the 'account management' approach taken, to give close support to around 50 key local businesses, by the Peer Challenge team. This work continues and is provides a key point of reference for the new internal Growth Delivery Group.

## **6. Financial Implications**

- 6.1 No new financial implications.

## **Other Considerations:**

## **7. Legal/Statutory Power**

- 7.1 Local Government Act 2000 – Promotion of economic and social wellbeing

## **8. Human Resources (including Health & Safety)**

8.1 None associated with this report

## **9. Risk Management**

9.1 As the Dorset LEP seeks agreement of its Growth deal from Government, there is a risk that the final agreed Growth Deal, both finances and final prioritised projects, will not be relevant to the development of the Borough's economy.

9.2 A failure to secure economic growth has significant implications for the Council, businesses and the wider community. In considering these risks as a Council it must be borne in mind that there are many wider factors outside of the Council's control which also affect the health of the economy.

## **10. Consultation**

10.1 Economy Briefholder  
Director of Communities  
Director of Environment  
Key Service Managers

Between September 2013 and February 2014, officers consulted with businesses and business groups, such as the Chambers of Trade, on the content of Priorities for Economic Growth.

## **11. Equalities**

11.1 There are no specific equality implications within this report.

## **12. Crime and Disorder**

12.1 There are no specific crime and disorder implications within this report.

## **13. Environmental Considerations**

13.1 There are no specific environmental implications within this report

## **14. Economic Impact Assessment**

14.1 The development of the Dorset LEP SEP, and of Priorities for Growth are both focussed on achieving or enabling and supporting economic growth in the Borough

## **15. Corporate Plan (links to corporate aims & priorities)**

- 15.1 The development of a delivery plan for Priorities for Growth, and in the interim the delivery of the Economic Regeneration Workplan, will enable for council to deliver its corporate aim for the economy.

## **16. Appendices**

- 16.1 Appendix 1 – Dorset LEP prioritised project list  
Appendix 2 – Proposed Priorities for Growth Interim Delivery Plan

## **17. Background Documents (including relevant policy documents)**

- 17.1 Corporate Plan 2012-16  
17.2 Priorities for Growth

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## Appendix 1 – Dorset LEP “Transforming Dorset” Priority Project List As submitted to Government

	Project or Programme Name & Brief Summary	Profile (£m)							Further info on project	Project output information
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total		
1	Port of Poole	0.2	0.7	0.1	0.6	0.3		1.9	59-62, 136, 138-140, 147-156	11,500 jobs and £211m of new GVA per annum.
		100.0	100.0	100.0	100.0	100.0		500.0		
		1.5	6.2	0.9	5.4	2.7		16.7		
2	Bournemouth Airport Growth Hub Infrastructure	4.0	9.3	2.7		1.1		17.0	53-8, 136, 147-156 and appendix 2	13,100 jobs and £250m of new GVA. Per annum.200 new homes.
		6.3	6.3	6.3	6.3	6.3		31.4		
		3.4	7.8	2.2		0.9		14.4		
3	Orthopaedic Development and Innovation Accelerator Cluster								91-92	500 jobs and £10m of new GVA per annum.
			5.0	12.0	41.5	41.5		100.0		
		0.2	0.2	0.2				0.7		
4	Joint Universities Business Park				0.1	0.6		0.7	63-68	2,600 jobs and £49m of new GVA per annum.280 new business startups.
		30.0	30.0	30.0	30.0			120.0		
		10.0	10.0	10.0	10.4	1.4		41.8		
5	Silicon South								211-217	7,500 jobs and £131m of new GVA per annum.900 new business startups.
		4.3	28.2	18.2	8.2	2.2		61.0		
		4.2	28.2	18.2	8.2	2.2		60.9		
6	Jurassica								115-118	700 jobs and £23m of new GVA per annum.
		0.3						0.3		
7	MEMO Project								119-124	589 jobs and £19m of new GVA per annum.100 individuals trained.
		12.0	12.0					24.0		
		2.5	2.5					5.0		
8	Littlemoor Urban Extension								173-176	3,100 jobs and £53m of new GVA per annum.500 new homes.90 new business startups.
			10.0	10.0	10.0	10.0		40.0		
		3.0	3.0					6.0		
9	Unlocking Potential – West Parley								188-92	100 jobs and £2m of new GVA per annum.470 new homes.
		4.0						4.0		
10	Land off Verity/Kellaway								181-186	120 new homes.
		1.0						1.0		
11	Education in FE colleges	8.3	4.7	1.8	1.8	1.1		17.6	33-4, 200-210 and appendix 3	FE Capital Improvements to drive the skills agenda.
		3.6	2.0	0.8	0.8	0.5		7.5		
	<b>Project or Programme</b>	<b>Profile (£m)</b>							<b>Further</b>	<b>Project output</b>

	Name & Brief Summary	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total	info on project	information
12	The Dorset LEP Skills & Employability Programme								200-210	2,125 individuals trained.
		5.2	8.4	8.4	8.4	8.4		38.9		
13	All LSTF Bids	3.37	1.52					4.9	129-160 and appendix 2	Increased connectivity and productivity.
		2.34	1.05					3.4		
14	Dorset Green								193-196, 147-156, 158 and appendix 2	300 jobs and £4m of new GVA per annum.62 individuals trained.130 new business startups.
		0.6	3.4				2.0	6.0		
		0.2	1.1				0.8	2.1		
15	Holton Heath Trading Park	0.3				4.0		4.3	125-128, 147-156, 158 and appendix 2	1,000 jobs and £18m of new GVA per annum.140 individuals trained.55 new business startups.
		0.3	2.3			2.0		4.5		
		0.5	0.8			9.0		10.3		
16	North Dorset Business Park, Sturminster Newton, North Dorset								191-2	1,800 jobs and £27m of new GVA per annum.
		0.8						0.8		
17	Portland Port								162-168	8,200 jobs and £89m of new GVA per annum.
		5.6	11.1	8.0	7.2	2.2		34.1		
		5.6	11.1	8.0	7.2	2.2		34.1		
18	Cobham Gate, Cobham Road, Ferndown Industrial Estate								81-2	2,300 jobs and £40m of new GVA per annum.
		4.5						4.5		
19	Land south of A30, Shaftesbury, North Dorset								199-200	2,000 jobs and £30m of new GVA per annum.
		0.5	0.5	0.5	0.5			2.0		
20	Land off Shaftesbury Lane, Blandford Forum, North Dorset								191-2	1,300 jobs and £20m of new GVA per annum.
		0.5	0.5	0.5	0.5			2.0		
21	Living Labs for Wellness, Social and Healthcare	0.2	0.5	0.5	1.0	1.0		3.2	87-89	2,600 jobs and £45m of new GVA per annum.261 individuals trained.85 new business startups.
		1.0	2.0	10.0	15.0	25.0		53.0		
		0.5	1.5	1.5	2.0	2.0		7.5		
22	Lansdowne Business and Enterprise Quarter	3.5	0.5					4.0	83-86	4,500 jobs and £82m of new GVA per annum.250 new homes.95 individuals trained.1,590 new business startups.
		1.0	5.0	5.0	5.0	4.0		20.0		

	Project or Programme Name & Brief Summary	Profile (£m)							Further info on project	Project output information
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total		
23	The Brewery, Blandford St. Mary, North Dorset	1.0	1.0	1.0				3.0	191-2	900 jobs and £13m of new GVA per annum.
24	Land north of the former Livestock Market, Sturminster Newton, North Dorset	1.0						1.0	191-2	100 new homes.
25	Gillingham Southern Extension	2.1	2.1	2.1	0.4	0.5		0.9	169-172	3,100 jobs and £46m of new GVA per annum.140 new homes.
26	Growth Towns	1.4	1.4	1.4	1.4	1.4		7.1	99-104	100 jobs and £1m of new GVA per annum.
		0.3	0.3					0.5		
27	217-225 Barrack Road	0.5						0.5	181-186	34 new homes.
28	Bury Court, St Stevens Road and Durley Road, Bournemouth	2.5						2.5	181-186	150 new homes.
29	Jurassic Coast Studies Centre (JCSC)	1.0						1.0	111-114	100 jobs and £2m of new GVA per annum.5 individuals trained.69 new business startups.
		4.0						4.0		
		2.5						2.5		
30	Bournemouth Seafront Strategy	2.5	2.5	2.5	2.5	2.0		9.5	70-74	600 jobs and £18m of new GVA per annum.
		2.5	2.5	2.0	2.0			9.0		
31	Unlocking Potential - Weymouth Town Centre			10.0				10.0	188-92	1,400 jobs and £19m of new GVA per annum.400 new homes.
32	Hardy Complex (Comer Homes)	9.5						9.5	181-186	384 new homes.
33	Western Growth Hub – Weymouth Town		7.0	3.0				10.0	93-98	1,300 jobs and £23m of new GVA per annum.30 new business startups.
				125.0				125.0		
34	Unlocking Potential - Other	5.0	5.0	5.0				15.0	188-92	800 jobs and £13m of new GVA per annum.
35	Dorset Co-investment Fund	25.0	10.0	10.0	10.0	10.0		65.0	105-6	3,300 jobs and £56m of new GVA per annum.
36	Explora	1.5	1.5					3.0	227	100 jobs and £2m of new GVA per annum.

	Project or Programme Name & Brief Summary	Profile (£m)							Further info on project	Project output information
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total		
37	Integrated business incubation and social interaction hub								225	600 jobs and £12m of new GVA per annum.210 new business startups.
		5.0	5.0	5.0	5.0			20.0		
38	Dorset Growth Hub								219-224	200 jobs and £4m of new GVA per annum.180 new business startups.
		1.5	1.5	1.5	1.5	1.5		7.5		
		1.5	1.5	1.5	1.5	1.5		7.5		
39	Unlocking Potential - Poole Power Station					25.0		25.0	188-92	2,100 jobs and £40m of new GVA per annum.1,250 new homes.
40	Unlocking Potential –West Quay Road					9.0		9.0	188-92	1,200 jobs and £21m of new GVA per annum.96 new homes.
41	Station Road Area, Gillingham								197-9	50 new homes.
		1.5	1.5					3.0		
42	Strategic Cycle and Walking Programme			0.32	0.59	0.59		1.5	129-160 and appendix 2	Increased connectivity and productivity.
				2.68	4.91	4.91		12.5		
43	Destination Portland Related Infrastructure Projects								109-110	Additional Visitors
		55.0	55.5	55.5	35.5			201.5		
		10.4	9.5	9.5	7.5			36.9		
44	Castle Lane East Improvements			0.4				0.4	129-160 and appendix 2	Increased connectivity and productivity.
				3.1				3.1		
45	North Bournemouth Quality Bus Corridor		0.03	0.47				0.5	129-160 and appendix 2	Increased connectivity and productivity.
			0.27	4.53				4.8		
46	A338 Kings Park Slip Road				1.0			1.0	129-160 and appendix 2	Increased connectivity and productivity.
					2.2			2.2		
47	Dorset Maritime Sector Growth Programme	0.1	0.0	0.0	0.0			0.1	75-80	
		0.5	2.0	3.0	2.5			8.0		
		0.3	0.5	0.8	0.5	0.8		2.8		
48	Broadband	0.2	1.0	0.2	0.2	0.2		1.8	177-180	Increased productivity
			1.0	2.0	2.0	2.0		7.0		
		0.1	1.1	2.1	2.1	2.1		7.3		
49	Dorset Proposition								107-8	9 new business startups.
		0.1	0.1	0.1	0.0	0.0		0.3		
50	Connected Dorset - SE Dorset Conurbation-wide junction improvements		0.3	0.3	0.2	0.2		1.0	129-160 and appendix 2	Increased connectivity and productivity.
			2.7	2.7	1.8	1.8		9.0		

## **Appendix 2. Priorities for Economic Growth Interim Delivery Plan 2014 / 15.**

### **OBJECTIVE A. More and better paid jobs.**

1. To ensure that the adopted Local Plan supports appropriate economic growth and supports the bringing forward of sites for new development.

Actions:

The Local Plan, once adopted, should be monitored through the Annual Monitoring Report to check the delivery of economic growth. This will include:

- the take up of employment land allocation, together with the loss of employment land and premises to non employment uses
  - The review of the local plan, and the outcomes from the monitoring report should be considered in the context of the state of the economy, changing trends and through consultation with the local business community.
2. Bring forward sites, prioritising the site at Littlemoor on the Weymouth and Portland and West Dorset border, to support economic growth.

Actions:

- Work with landowners on land assembly.
- Measure demand from businesses / economic sectors so that the site provides for a known demand.
- Support the production of a development brief.
- Identify development partners and agree a funding strategy.
- Ensure that the site is extensively marketed.

NB. Funding has been set aside in the Economic Regeneration budget to support these actions. A further report will be brought forward to Committee once the initial preparatory work on this project has been carried out. This report will re-visit the list of actions above and set a timescale for their delivery.

3. Provide support for inward investing and expanding local companies.

Actions:

- Maintain an 'account management' approach to help local companies wishing to expand and feed information in to the Growth Delivery Group.
- Nominate an account manager to help any local business wishing to expand locally.
- Maintain close working relationships with the Dorset LEP Foreign Direct Investment group and the UK Trade and Investment (UKTI).

#### 4. Establish a Centre of Excellence based on the marine and engineering sectors.

##### Actions:

- Establish and support a marine and engineering forum to promote best practice and to exploit opportunities for supply chain development (funding of £2000 has been set aside in the Economic Regeneration budget to support this initiative. Officers have prioritised work with Osprey Quay / Homes and Communities Agency, Dorset County Council, Portland Port and the Dorset LEP to support this action).
- Maintain a close working relationship with Portland Port and assist with the delivery of their development plans.

#### 5. Work with the Dorset LEP and Dorset County Council to promote the area as a dynamic business location.

##### Actions:

- Participate in and support any appropriate Dorset LEP led promotional activity to promote Dorset as a business location.
- Maintain close links with UKTI Investment Services Team (IST) through continued work with the Dorset LEP Foreign Direct Investment (FDI) team, including encouraging UKTI IST sector specialists to visit the area and discover more about Dorset/WDDC/WPBC sectors, economy and opportunity.
- Pilot a local ambassadors programme for key sectors (starting with engineering) – business people able to champion Dorset/WDWP in their own business sector and assist businesses relocating into the area.

### **OBJECTIVE B: Vibrant town centres**

#### 1. Support the existing BIDs in Weymouth and Dorchester and work to support new BIDs where local businesses are keen to develop.

##### Actions:

- Maintain a close working relationship with the Chambers of Trade in each town and support the two existing BIDs, addressing issues raised through the Growth Delivery Group.
- Carry out levy collection for the Dorchester and Weymouth BIDs.
- Support the delivery of new BIDs where required.
- Establish a small grant scheme (£500) to support projects progressed by town centre businesses organisations.

## 2. Develop town centre master plans where required

### Actions:

- Develop the Weymouth Town Centre Master Plan including the development of key town centre sites, to include the Peninsula by April 2015.
- Ensure close liaison with the BID, the Chamber, the College, the harbour and individual businesses throughout.

## 3. Support the development of Dorchester Charles Street Phase II (retail).

### Actions:

- Revised planning application to be submitted to WDDC by end of July 2014
- Complete freehold acquisition of site and other agreements by March 2015
- Agree arrangements for short stay parking during construction by July 2015
- Maintain a close working relationship with the Chamber and the BID as this scheme develops.

## 4. Support the visitor economy to increase the level of spend into the local economy

### Actions:

- Continue to work closely with the Dorset LEP on support for the local visitor economy, including the formation of a new Destination Management Organisation (DMO) and working in partnership with Bournemouth and Poole Councils.
- Continue to develop the visit-dorset initiative and use this to support the work of the new DMO and local tourism businesses.
- Participate in Year 3 of the Visit England Regional Growth Fund-funded national promotional campaign.
- Support the town based tourism fora to ensure that the benefits of Dorset-wide working are drawn down to local towns.

## **OBJECTIVE C. Supporting Businesses**

### 1. Develop relationships with key local employers.

#### Actions:

- Maintain the approach to Account Management and take advice from the Peer Challenge advisor to develop this further.
- Develop a comprehensive retention package of support for major employers who may be planning to relocate out of the area.
- Specifically develop and maintain the relationship with the approx. 15 foreign owned companies in West Dorset and Weymouth and Portland, which are not subject to UKTI national account management.

2. Build and maintain a business-friendly approach from all Council services.

Actions:

- Through the Service Review process and related engagement and consultation, maintain and develop a strong working relationship with local businesses.
- Discuss any key issues of concern raised by local businesses at the internal Growth Delivery Group.

3. Explore, with partners, the establishment of a SSP approach to supporting business start ups.

Actions:

- Evaluate best practice from other local authorities in establishing loans funds based on use of LA assets
- Determine the acceptable desired outcomes and attitude to risk from the use of LA assets
- Determine application and decision making process – including if appropriate appointment of a loans fund managing partner/agent
- Produce and implement a marketing plan to promote the availability of help from the SSP.
- Bring a report to Committee to set out and agree the SSP approach.

4. Develop work placements, careers advice and access to apprenticeships.

Actions:

- Work with the Dorset LEP Employment and Skills Board and develop any initiatives arising from this.
- Support the Careers College initiative bringing year 9 students across the WDWP area to Weymouth College for careers advice.
- Support the re-introduction of the Young Enterprise scheme into local schools
- Bring a report to Committee which looks at opportunities to develop an apprenticeship scheme.
- Support programmes specifically aimed at NEETS in the WDWP area.

5. Promote the availability of business support by the SSP.

Actions:

- Produce a regular e-newsletter to keep local businesses informed.
- Maintain up-to-date and comprehensive business support information on Dorsetforyou.

6. Secure external funding and assistance to support local businesses.

Actions:

- Maintain funding support for the DorMen programme.
- Support the Local Action project (previously Chalk and Cheese) – subject to a future committee report.

#### **OBJECTIVE D. Improving infrastructure.**

1. Ensure delivery of the Superfast Dorset Broadband programme in the WDWP area.

Actions:

- Encourage take up of broadband by working with business parks and individual businesses.
  - Work with Government / BDUK to secure funding to bring coverage of the WDWP area towards 100%.
2. Work with Dorset County Council and the Dorset LEP and lobby Government to encourage improved road and rail links.

Actions:

- Work with partners to improve road links to improve access to the M5.
- Ensure the new franchise to be awarded on the Bristol – Weymouth line supports an improved service.

3. Continue to support Property Pilot

Actions:

- Provide £2000 per annum to support this work at Dorset County Council aimed at providing a response to inward investment enquiries.

# Appendix F

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## Market Signals



## West Dorset, Weymouth & Portland - Market Signals

### Private Rental Market Statistics

Lower quartile private rent statistics (average)					
Period	June 2011	June 2012	March 2013	March 2014	Change 2011-2014
West Dorset	550	550	550	575	4.5
Weymouth & Portland	495	484	465	495	0
Dorset	550	550	550	570	3.6
South West	485	495	500	525	8.2
England	450	450	450	465	3.3

Source: VOA Private Rental Market Statistics

### Adults living with Parents

Adults living with parents				
Rank (Nationally)	Rank (Regionally)	Area	Number of people living at home with parents aged 20+	% of working adults 20-34 that are living with parents
6	1	East Dorset	5,082	41%
29	2	Christchurch	2,764	34%
31	3	Purbeck	2,705	34%
52	4	Forest of Dean	4,819	33%
70	5	South Hams	4,096	30%
81	6	West Dorset	4,780	31%
190	-	Weymouth & Portland	3,497	27%

Source: *The Clipped Wing Generation, Shelter (2014)*

## Affordability Ratios

Ratio of lower house prices to lower quartile earnings														
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>1</sup>	2012 <sup>2</sup>	2013 <sup>3</sup>	Change 2001-2013
West Dorset	6.34	7.29	9.77	10.56	10.55	9.94	11.72	10.68	9.86	10.41	9.86	10.56	9.61	+51.6%
Weymouth & Portland	5.32	6.08	8.21	9.46	9.16	9.74	10.41	10.80	7.89	8.72	8.08	7.74	8.74	+64.3%
Dorset	6.31	7.16	8.99	10.34	10.08	10.38	10.94	11.23	9.3	10.33	9.71	9.86	9.44	+49.6%
England	4.08	4.45	5.23	6.28	6.82	7.15	7.25	6.97	6.28	6.69	6.57	6.58	6.45	+58.1%

Source: DCLG Live Table 576

<sup>1</sup> Figures have been revised due to revisions in Annual Survey of Hours and Earnings (ASHE) data

<sup>2</sup> Figures for 2012 are provisional and may change when the table is updated to reflect revisions in ASHE data.

<sup>3</sup> Figures for 2013 are provisional and may change when the table is updated to reflect revisions in ASHE data.

# Appendix G

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SW HARP Representation to Further Changes  
Consultation, 11 September 2014





**West Dorset, Weymouth & Portland Local Plan  
Further Proposed Changes Consultation Summer 2014**



**RESPONSE FORM**

ID: For official use only

**Contact Details:**

**Agents Details: (if applicable)**

\*Title:

\*First name:

\*Last name:

Representing:

\*Address:

Postcode:

Telephone:

\*Email:

\*Title:

\*First name:

\*Last name:

\*Representing:

\*Address:

Postcode:

Telephone:

\*Email:

\*Denotes mandatory field

**Local Plan ID number (if known):**

**Q1-Relates to Further Proposed Changes (FPC) 1, 2 and 3.**

An independent review looking at the relationship between houses and jobs has recommended an increase in the rate of housing development using a single target for the plan area. As a result, it is proposed that the housing requirement will increase to 775 units per annum (FPC1), across the whole plan area (FPC2), and that the plan refers to an estimated increase to the resident labour force of 2,300 (FPC3) between 2011 and 2031.

We support the Councils' decision to re-evaluate the housing requirement in light of updated planning guidance and national planning practice.

pba (2014)

We have a number of additional points to make in respect to this report:

- Household Representative Rates: pba identifies that neither the 2008-based or 2011-based CLG household formation rate figures form an appropriate basis for future planning. The 2011-based (recessionary) figures are thus used until 2021, with the 2008-based figures used for the remaining plan period. We would question whether this is the most likely scenario. Given the national rhetoric, and local expectations as to economic recovery, we would indicate that the recessionary based 2011 figures will become inaccurate sooner than 2021.
- It is not immediately clear from the pba report and the Council's chosen amendment (FPC3) the relationship between the selected 2,300 resident workforce increase, and the 1,682 additional jobs

over the plan period. Does this indicate that the Councils' are seeking a 'policy-on' scenario which will seek to deliver jobs above the 1,682 envisaged in the pba report? If so, there would thus be the requirement to amend the housing target appropriately.

- In relation to the comments below in respect to the SHMA (2014), we would indicate that the Councils should apply a greater uplift to provide for the delivery of additional affordable homes over the plan period, in line with paragraph 029 of the PPG:

*"an increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes"* (section 2a).

#### SHMA (2014)

The SHMA indicates an annual affordable housing need of some 785 per annum. This is significant when compared with the annual requirement of 775 per annum.

We have a number of comments to make in respect to the SHMA (2014).

- The approach used to 'refine' the affordable housing need is questionable. In particular reference is made below in respect to the affordability and role of the private rented sector.
- It is unclear as to the distinction between the supply figures associated with current housing stock (paragraph 5.25), future supply through relets (paragraph 5.29), and refinement 3's relet figure (paragraph 5.42). It seems that a degree of double counting results from these calculations.
- It is unclear if the calculations take appropriate account of potential concealed households. Concealed households are accounted for in the 'current' housing need, however the approach to attributing existing households falling into need, by applying historical trends from 2011-2014, perpetuates the position that the recent economic recession has led to significant increases in concealed households which have not presented themselves. The further application of the 2001-07 trend based population projections extenuates this position, with the headship rates from recessionary trends applied until 2021. The PPG clearly indicates that consideration must be given as to concealed households in the calculation of housing need, and this must include consideration of the impacts of applying historical trend data.

Finally, it is noted that the Councils' assessment of affordable housing need does not seek to meet the current backlog within the next 5 years. This is contrary to the national approach.

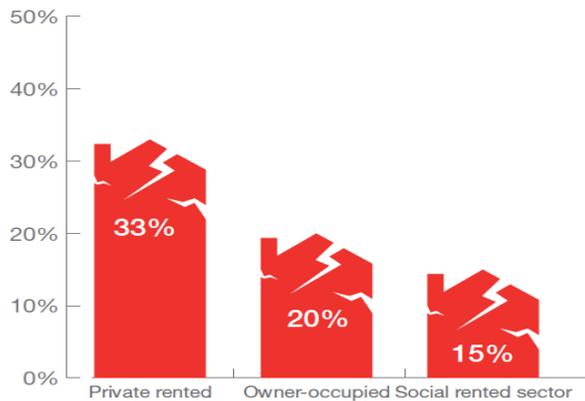
#### The Role of the Private Rented Sector

The Councils' are seeking to place a significant reliance on the private rented sector to meet their affordable housing need. We do not believe that this approach is appropriate.

Numerous recent reports have highlighted the problems with this approach, including Shelter (March 2014) entitled *Can't Complain: Why Poor Conditions Prevail in Private Rented Homes*, and Million Homes, Million Lives (April 2014), *Nation Rent*. These identify, amongst others, issues in respect to the tenure's principal purpose as a stop-gap, its inability to supply secure tenancies, the standards associated with the tenure, and the aspirations of households indicating private rented as the least desirable tenure choice.

The first report raises concerns about the condition of homes in the private rented sector, finding that they are worse than any other tenure, with a third failing to meet the government's Decent Homes Standard and 61% have experienced either damp, mould, leaking roofs or windows, electrical hazards, animal infestation or gas leaks in the last 12 months. This is shown below:

### The proportion of homes failing to meet the Decent Homes Standard



Shelter Report March 2014

The report also concludes that private renting is not the tenure of choice for most people, with only 6% of renters stating it as their preferred choice of housing. Part of the reason for this is the increasing use of the sector by families who have been shut out from owner occupation because of rising house prices and who are no longer eligible for social rented accommodation because of dwindling stock. The second report corroborates this, stating that whilst quality rented housing is important, permanent renting is not desirable by the majority of persons, with a strong desire to own remaining. Over three-quarters of private renters want to own their own home within 10 years. Private renting is less desired than home ownership or social housing, with a mere 3% of respondents aspiring to private renting as their long term tenure of choice.

The Shelter report then notes that imbalance in the supply and demand for properties at the lower end of the private rented sector has had a significant impact on potential renters, with competition for properties weakening the ability of consumers to bargain for better conditions. The imbalance is particularly distorted because a significant proportion of landlords are unwilling to let their properties to renters in receipt of housing benefit or local housing allowance. The Shelter research revealed that 49% of landlords have a policy of not letting to people on such an allowance, and a further 18% say they occasionally do, but prefer not to. This is problematic, given the position in the SHMA that considerable reliance will be placed upon the tenure to meet the housing needs of the future population over the plan period.

In terms of affordability of the sector, it is noted that in the refinement of the affordable housing need calculation within the SHMA (2014), indicating that “based on workings of local market a maximum threshold of 30% gross income” is felt suitable (paragraph 5.36). This is entirely inappropriate. It is noted that numerous measures of affordability are used nationally, with the range of generally accepted measures falling between 25-35% of net income. Whilst 30% falls within this range, the distinction between gross and net income is significant.

The significant affordability issues within the plan area, and the above noted concerns in relation to lower quartile entry levels, is emphasized by consideration of recent historical trends in the rented sector. As shown below, within both the local authorities, lower quartile monthly private rent has increased disproportionately higher than other measures of monthly rent over a two year period.

	March 2014	March 2013	March 2012	Change in 2 yr period
<b>West Dorset</b>				
Average	729	699	708	<b>+2.9%</b>
Lower Quartile	575	550	550	<b>+4.5%</b>
Medium	675	650	650	<b>+3.8%</b>
Upper Quartile	795	775	775	<b>+2.5%</b>
<b>Weymouth</b>				
Average	614	573	601	<b>+2.1%</b>
Lower Quartile	495	465	477	<b>+3.8%</b>
Medium	600	550	600	-
Upper Quartile	695	675	695	-

*VOA: Private Rental Market Statistics*

It is clear that private rented housing does not satisfy the NPPF definition of 'affordable housing'. It is also questionable, how much reliance can be placed upon it to meet affordable housing need through subsidisation through housing benefit or local housing allowance. This is emphasised by the table above, illustrating that availability of homes at the lowest level of affordability is pushing monthly rental as a proportion of lower quartile earnings significantly more than other benchmarks.

As noted above, the reports both focus on the issues associated with the private rented sector not providing secure tenancies, and playing a role as stop-gap accommodation. This is emphasised by the Councils decision to apply a relet rate significantly higher than the social rented sector (paragraph 5.42). Given this has been identified as a significant issue within the sector, it is disappointing that the Councils are seeking to rely on this characteristic of the sector to refine their housing need, rather than seeking to address such issues through both planning and wider policy mechanisms.

Overall, private rented housing presently plays a useful role within the housing market; however it is not a proper substitute for providing the required levels of affordable housing, and as such the Councils' 'refinement' of affordable housing need by assuming a greater role for the private rented sector is not appropriate.

## **Q2-Relates to Further Proposed Change (FPC) 4.**

Reducing the plan period by 3 years from 2031 to 2028 will help us meet this increased level of housing provision without the need to identify and consult on additional development sites at this stage, which could further delay the delivery of those sites already identified in the plan. Additional development sites would be identified and consulted on in a future review.

**Do you agree or disagree with this proposed change? Disagree** (Please delete as appropriate), **please explain your decision.**

It is entirely inappropriate to amend the plan period at this stage of the Local Plan. The NPPF is clear that Local Plans should take a 15-year time horizon (paragraph 157). Based upon adoption in 2015, the draft Local Plan will have just a 13 year horizon.

The Councils' justification that moving the plan period is necessary to prevent delay is not compatible with national planning policy. It is clear, as per paragraph 47 of the NPPF, that identification of housing land supply for the latter part of the plan period can be identified at a later stage either through a separate site allocations DPD or through Local Plan review.

It is not clear from the NPPF, what additional remit a Local Plan Review would have. It would seem questionable how review of an adopted Local Plan could amend its plan period. Evidently, later review of the Local Plan including extending the plan period, would require a new assessment of objectively, assessed housing need, whereas recently Local Plan reviews have usually centered on the analysis of indicators in an attempt to monitor the appropriateness and effectiveness of an adopted housing target.

The current evidence base allows for a plan period to 2031. The additional 2,325 units (3 x 775) required between 2028 and 2031, can be identified at a later part of the plan period.

We would draw attention to the Examination of Lichfield's Local Plan, where the Inspector requested the plan period be amended, at the modifications stage, to account for a 15 year plan period.

**Q3-Relates to Further Proposed Change (FPC) 5, 6 and 7.**

Revised housing land supply evidence has been prepared to help inform the Local Plan and ensure that the understanding of land supply is consistent and fully up-to-date across the plan area. As a result, some changes are proposed to the components of the supply to take account of the most recent information available.

**Please make your comments on the housing land supply changes (FPC 5, 6 or 7) below:**

We have no comments on the housing land supply amendments.

**Q4- Sustainability Appraisal.**

An addendum to assess these changes has been added to the Sustainability Appraisal which accompanies the Local Plan.

**Please make any comments on the Sustainability Appraisal addendum in the space below:**

We have no comments on the Sustainability Appraisal.

Thank you for your comments.

***Please sign and date:***

Signature:

F Tozer

Date:

11/09/2014

## Appendix H

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'Objectively Assessed Need and Housing Targets –  
Technical Note', Planning Advisory Service, June 2014





# Objectively Assessed Need and Housing Targets

## Technical advice note

June 2014



This note has been prepared for the Planning Advisory Service by Peter Brett Associates

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- APPENDIX D ALIGNING JOBS AND WORKERS

# 1 INTRODUCTION

- 1.1 The National Planning Policy Framework requires that local planning authorities identify the objectively assessed need for housing in their areas, and that Local Plans translate those needs into land provision targets. Like all parts of the plan, such housing targets should be informed by robust and proportionate evidence. This note offers practical advice to planning authorities and others in preparing that evidence and setting plan targets, in line with the Framework and the supporting Planning Practice Guidance (PG).
- 1.2 Our advice has no official status. It provides informal advice, which local authorities and others use at their own risk. It is based on existing good practice, our own experience and - most importantly – on the recommendations of planning Inspectors, both from formal reports and the many informal documents (letters, notes, preliminary observations etc.) associated with Local Plan examinations. We focus on total housing provision, leaving aside the mix and tenure of housing including affordable housing.
- 1.3 As pointed out in the PG, assessing housing needs is not an exact science. 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.

## 2 NATIONAL POLICY AND GUIDANCE

### The NPPF

- 2.1 Our starting point is national planning policy, as set out in the National Planning Policy Framework (NPPF)<sup>1</sup>. Briefly summarised, a key objective of the Framework is to '*boost significantly the supply of housing*'. To that end, local planning authorities should make objective assessments of housing need, working jointly with neighbouring authorities who share the same housing market area. Local Plans should provide land to meet those needs in full, insofar as their areas have the sustainable capacity to so, as defined by other policies in the Framework. Where this capacity does not exist, need should be 'exported' to neighbouring areas. These neighbouring areas should accept it, as far as is reasonable and consistent with *their* sustainable capacity.
- 2.2 These are the principles that housing needs assessments should help translate into practice.

### Planning Practice Guidance

- 2.3 The PG's section on *Housing and economic development needs assessments*<sup>2</sup> deals with housing in three sub-sections:
1. *The approach to assessing need*
  2. *Scope of assessments*
  3. *Methodology: assessing housing need.*
- 2.4 The first two sub-sections provide general guidance, covering both housing and economic development. The third is specific to housing. In paragraph 01 of the first sub-section the PG clarifies that the assessments it describes includes the Strategic Housing Market Assessment (SHMA) required by the NPPF. Thereafter it refers to the evidence base study as an 'assessment', with no further mention of the term 'SHMA'. Similarly in this note we use the term 'assessment' rather than 'SHMA', in order to avoid confusion with the 'old SHMA' that authorities were required to produce under the previous planning system. That 'old SHMA' was a different kind of study entirely, which focused on affordable need and tenure mix, as under the old planning system total need and plan targets were set by Regional Spatial Strategies.
- 2.5 The PG puts forward a '*standard methodology*' for assessing housing needs. It advises that other methodologies are possible, but the standard one is strongly recommended, and any authority that chooses to depart from it should explain why. In summary, the steps in the method are as follows.

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<sup>1</sup> Key paragraphs are 17, 47, 159, 179 and 182.

<sup>2</sup> Department for Communities and Local Government, *Planning Practice Guidance, Housing and economic needs assessments*, ID: 2a, Updated 06 03 2014  
<http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/>

i **Define the housing market area (HMA)**

Where the housing market area covers more than one authority, the SHMA should relate to this larger area, not the individual authority.

ii **Refer to the CLG household projections**

The CLG projections (which in turn are derived from the ONS population projections) provide the '*starting point*' estimate of housing need.

iii **Adjust for factors that are not captured by the CLG projections**

This stage may include the following:

- a) Update the projection to take account of the latest available information;
- b) If using the latest CLG projection, which is the 2011-based interim projection and only extends to 2021, '*assess likely trends after 2021 to align with development plan periods*';
- c) Adjust for other local circumstances, including exceptional or one-off events either past or expected, such as the building of an urban extension or a new university.
- d) If market signals show that planning in the past has undersupplied need, adjust the CLG projection upwards;
- e) If the demographic projection does not provide a sufficient labour supply to match the expected growth in jobs, adjust them upwards.

2.6 The PG notes that the CLG household projections are trend-based – that is, they carry forward past trends in population and household formation. Accordingly they cannot predict the impact of changes which are not captured in past trends, such as changing economic circumstances or government policy.

2.6.1. The PG's recommended method for needs assessment excludes any analysis of supply constraints that might restrict the delivery of new housing. Indeed in the previous section the guidance emphasises that constraints have no bearing on housing need – though they do of course bear on housing provision targets ('requirements'<sup>3</sup>) – bearing in mind how much affordable housing can be realistically paid for.<sup>4</sup>:

2.7 Chapters 3-8 below will consider each step of the PG's method in turn. But first, in the next section we discuss a prior question: the meaning of 'housing need'. This concept is fundamental to the NPPF and PG, but it is not defined in either document. This leaves room for confusion, because 'need' is a broad term, which means different things to different people. Without a shared understanding of what 'need' is, we may follow the standard assessment method mechanically. But where we come to a point that requires judgment (and there may be many such points) we may have no basis for that judgment.

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<sup>3</sup> The NPPF and PG use 'requirement' to mean 'target' (what policy requires). This is often misunderstood, because in other contexts 'requirement' often means 'need' or 'demand' (what households or the market require). The misunderstanding is dangerous, because the NPPF makes a sharp distinction between targets and needs, as we discuss later.

<sup>4</sup> Ref ID 2a-003-2014036

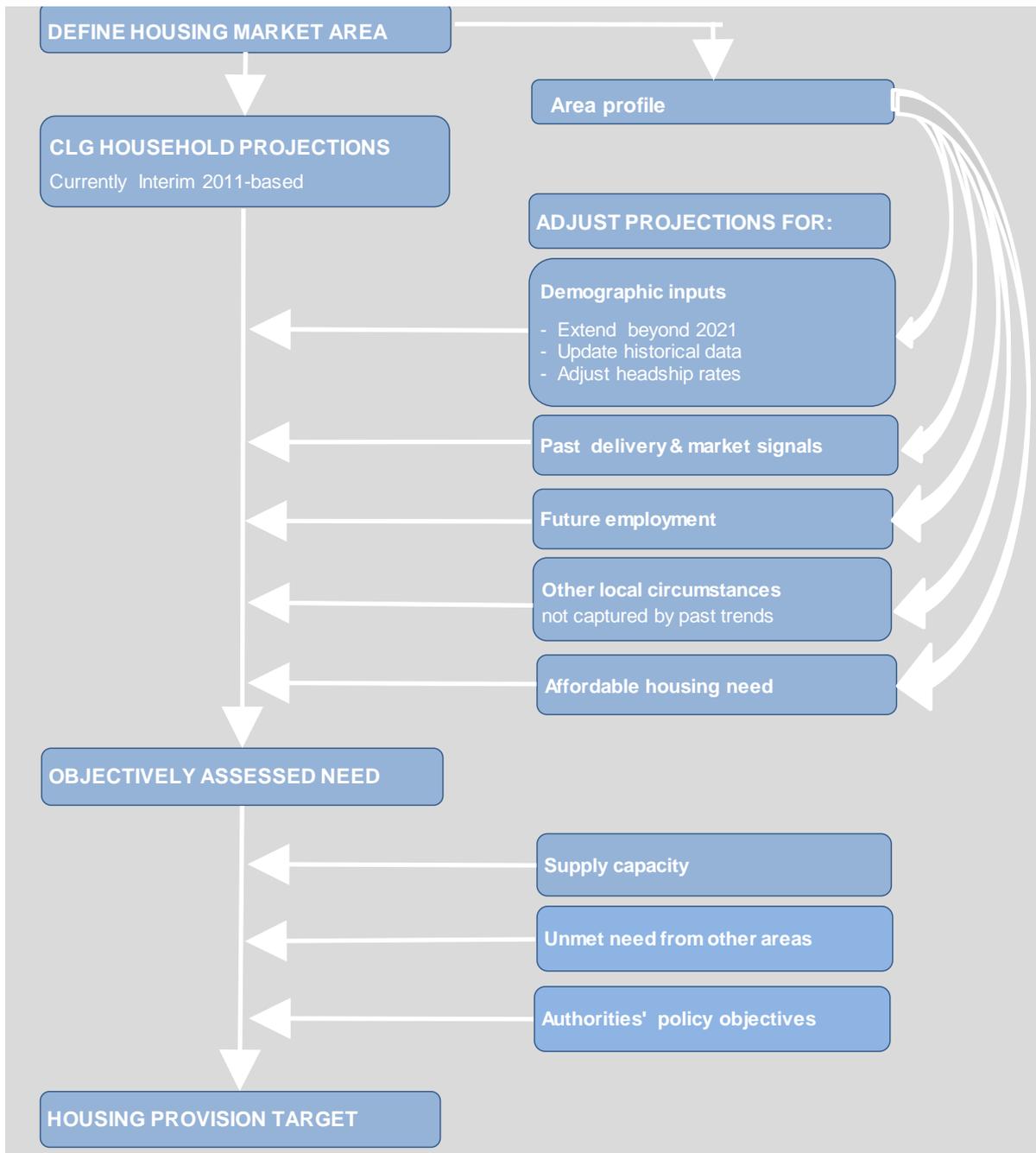
## What is housing need?

- 2.8 Appendix A below discusses the meaning of 'housing need'. Here, we summarise the conclusions of that discussion. We propose a pragmatic definition of total housing need (the OAN) as follows:
- 'The housing that households are willing and able to buy or rent, either from their own resources or with assistance from the state'.
- 2.9 In this definition, 'need' is synonymous with 'demand', covering the affordable sector as well as market housing. Total need, or demand, equals the total housing that would be provided across both sectors, if land supply was not constrained by planning. This is why the assessed total need is often described as a policy-off estimate.
- 2.10 But in practice this unconstrained demand is difficult or impossible to measure, because planning generally does constrain housing development, and has done so for many decades. When we assess future demand by projecting forward past trends, we also project forward the effect of those past constraints. Therefore total housing need, as measured in practice, will generally underestimate the unconstrained total need. Rather than policy-off, it is a policy-neutral, or policy-same, estimate.
- 2.11 Our proposed definition of the OAN does not appear in Government policy or guidance. Hopefully it approximates the implicit thinking behind that policy and guidance. It is helpful in our view because it seems consistent with the NPPF and PG, and also, most importantly, with Inspectors' interpretation of those documents.
- 2.12 Affordable housing need is a different kind of number from total need (the OAN), so the two numbers are not directly comparable and cannot be added together. The main measure of total need is one based on demographic projections, plus various adjustments. Affordable housing need is calculated separately through a different method, and the resulting numbers typically exceed what can be realistically delivered in practice – because the amount of affordable housing delivered is constrained by financial resources, regardless of the planned land supply. Therefore, affordable need should not be treated as a component of the OAN but as an adjustment to the main OAN calculation, just like other factors that are not captured by the demographic projections. Chapter 7 below sets out a method for this.

### 3 METHOD OVERVIEW

3.1 Figure 3.1 pictures the process of housing needs assessment and target-setting. It covers the elements set out in the PG, while aiming to clarify the sequence and logical relationships between them. We have added some elements not discussed in the PG, including how to go from objectively assessed need to plan target.

**Figure 3.1 Housing needs assessment: overview**



3.2 Below, we discuss each element of the process in turn. Our advice is based on the NPPF and PG and should be read in conjunction with these documents.

## 4 THE HOUSING MARKET AREA

### Introduction

- 4.1 Both the NPPF and the PG advise that, where a housing market area extends beyond the local authority area, authorities should work together to assess needs across the HMA as a whole. (Where Local Plans are at different stages of production, authorities can build on the existing evidence of other authorities in the HMA, but they should co-ordinate future assessments so they happen at the same time).
- 4.2 The rationale behind HMAs is discussed in Appendix B below. Here, we focus on practical advice on drawing the boundaries of HMAs.

### Drawing the boundaries

#### Sources

- 4.3 As discussed in Appendix B, the purpose of an HMA is to bring together those places which households consider close substitutes for one another. Therefore to define HMAs we need to look for evidence of household preferences, as manifested through household behaviour and market signals.
- 4.4 The PG provides a long list of possible indicators, comprising house prices, migration and search patterns and contextual data including travel-to-work areas, retail and school catchments. With regard to migration, it explains that areas that form an HMA will be reasonably self-contained, so that a high proportion of house moves (typically 70%) occur within the area<sup>5</sup>. In practice, the main indicators used are migration and commuting.
- 4.5 One problem in drawing boundaries is that, if each local planning authority were to draw an HMA centred on its area, there would be almost as many HMAs as local authorities. This is because the largest migration flows in and out of any individual authority are usually those linking it with immediately adjacent authorities. But each of these adjacent authorities will most probably find that *their* largest migration flows link them to *their* immediate neighbours, and the chain continues indefinitely.
- 4.6 Thus, if each authority works independently to define an optimal HMA each authority may draw a different map, centred on its own area. To define HMAs we can start with a top-down analysis, which starts by looking at the country as a whole rather than a given local authority.
- 4.7 Such an analysis is provided by *Geography of Housing Market Areas*, a study commissioned by the former National Housing and Planning Advice Unit (NHPAU) and published by CLG in 2010<sup>6</sup>. The study, led by the Centre for Advanced Urban Studies (CURDS) at Newcastle University, created a consistent set of HMAs across

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<sup>5</sup> Reference ID: 2a-011-20140306

<sup>6</sup>C Jones, M Coombes and C Wong, *Geography of housing market areas*, Final report, November 2010, Department for Communities and Local Government

England, based on migration and commuting data from the 2001 Census. Although the analysis has not been updated following the 2011 Census, the CURDS study is the best available starting point for drawing HMAs.

- 4.8 The results of the CLG study are hosted on the CURDS website<sup>7</sup>. It defines a three-tiered system of HMAs – strategic, local and single-tier. In our view the most useful for housing need studies is the single-tier ‘silver standard’ geography, which is mapped at <http://www.ncl.ac.uk/curds/assets/documents/6.pdf> and listed at <http://www.ncl.ac.uk/curds/assets/documents/28.xls>. Alternative geographies and further explanations are at <http://www.ncl.ac.uk/curds/research/defining/NHPAU.htm>.
- 4.9 The NHPAU geography is **only a starting point** and should be sense-checked against local knowledge and **more recent data**, especially on migration and commuting. These data are available on the ONS website<sup>8</sup>. If they identify local authority areas which are outside the proposed HMA but are closely linked to it, or conversely areas which are in the proposed HMA but are only weakly linked to it, **boundaries should be adjusted accordingly**. In short, more recent data should always ‘trump’ this geography.
- 4.10 Alternatively, authorities could define HMAs based on pre-existing relationships or partnerships between authorities, including Local Enterprise Partnerships (LEPs) and joint planning units. Any such HMAs should be sense-checked against the NHPAU geography and recent migration and commuting data and boundaries should be adjusted accordingly, as described in para 4.9 above.
- 4.11 It is best if HMA boundaries do not cut across local authority areas. Dealing with areas smaller than local authorities causes major difficulties in analysing evidence and drafting policy. For such small areas data availability is poor and analysis is complex. There may also be ‘cliff edge’ effects at the HMA boundary, for example development allowed on one side of a road but not the other. These complications are not offset by the benefit of greater accuracy.

## HMAs and functional economic areas

- 4.12 The PG advises that the need for land to accommodate economic development should be assessed in relation to functional economic areas, just as the need for housing land should be assessed in relation to HMAs.
- 4.13 Just as an HMA is an area in which households search for housing, a functional economic area is an area in which businesses search for sites and premises. Much of the demand for land for business uses can be met by sites either side of an

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<sup>7</sup> <http://www.ncl.ac.uk/curds/research/defining/NHPAU.htm>

<sup>8</sup> Migration origin-destination matrices for 2010-2011 are at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-269805>

And for 2009-10 at

<http://www.ons.gov.uk/ons/rel/migration1/internalmigration-by-local-authorities-in-england-and-wales/2009-2010/internal-migration-by-localauthorities-in-england-and-wales.zip>.

Commuting for 2010 and 2011 is at

<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-300966#tab-all-tables>

administrative boundary, so long as these sites are in the same functional economic area.

- 4.14 As mentioned earlier, HMAs may be defined on the basis of migration self-containment, or 'closure' – which means that a high proportion of all house moves occur within the area. Similarly, as noted in the PG, functional economic areas may be defined as labour market areas, which are areas of commuting closure – meaning that a high proportion of all journeys to work occur within the area.
- 4.15 One would expect HMAs and functional economic areas to be geographically similar, because in broad terms both are largely determined by the reach of a daily return trip. Just as households' location decisions are largely driven by access to jobs and services, business location decisions are largely driven by access to the workers that fill those jobs and the customers who consume those services.
- 4.16 For this reason, and also for convenience, it is useful to combine the HMA and functional economic area into a single boundary. This makes both analysis and policy-making manageable: the alternative of working with two larger-than-local areas, one for housing and one for economic land uses, adds layers of complexity. It also makes it possible to plan for alignment of jobs and workers – something which is very difficult to do at the level of individual authorities, precisely because labour markets are larger than local. Chapter 6 below discusses how this should be done.

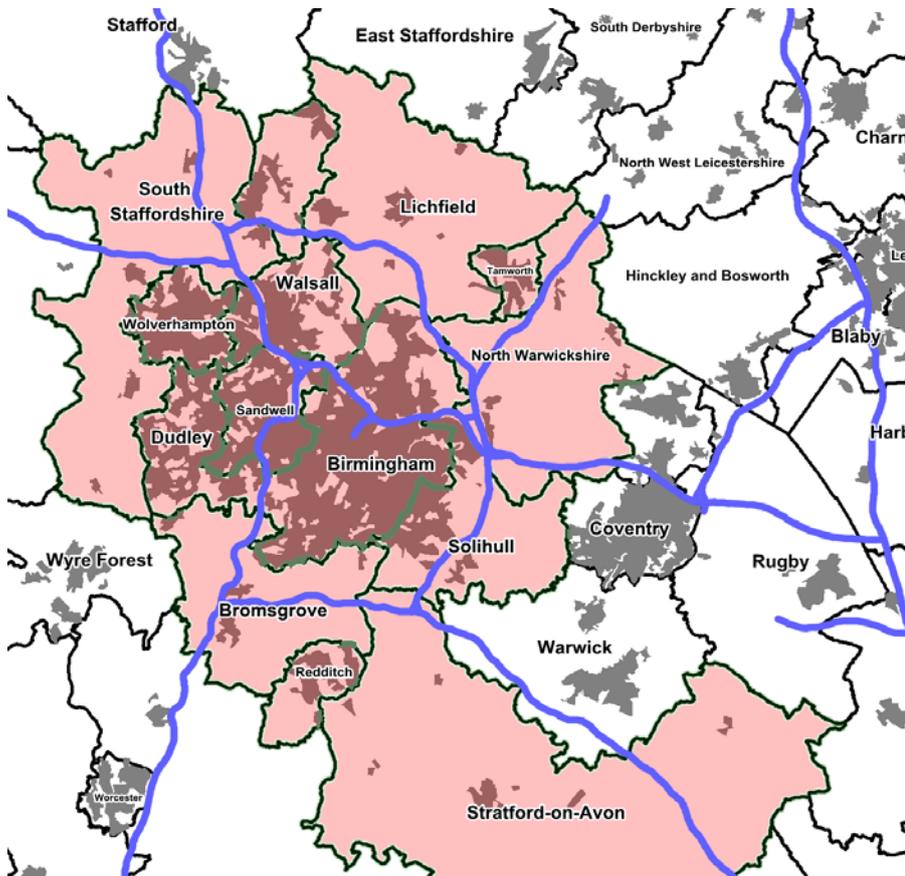
## Pragmatic decisions

It is difficult to draw HMA boundaries, because in reality there is a hierarchy of housing market areas, depending on the degree of self-containment that is sought. Recognising this, the NHPAU study defines a five-fold hierarchy of HMAs, from local to strategic areas. It also notes that there is no single correct way to define HMAs:

*'Ultimately the selection of the levels of closure is a purely empirical question, with the most useful... boundaries identified by assessing the results in different types of area across the country.'*

- 4.17 The PG does not specify which level of the hierarchy authorities should choose, nor have Inspectors taken a consistent view. Authorities should make a pragmatic choice, drawing areas that seem both reasonable and manageable.
- 4.18 Wherever the boundary is drawn, the resulting HMA will not be perfect, because no market area is perfectly self-contained. Some areas, probably just beyond the HMA boundary, will be closely linked to parts of the HMA.
- 4.19 To illustrate by example Figure 4.1 below shows the HMA centred on Birmingham, as identified by the NHPAU research mentioned earlier. Of the local authorities that border on the HMA, some have strong migration and commuting links with those districts within the HMA which they adjoin, albeit not with the HMA as a whole. Examples include Coventry, Warwick and Wyre Forest. Although they are not in the HMA, these adjoining districts are closely related to parts of it.

**Figure 4.1 The Birmingham HMA**



Source: CURDS, PBA

- 4.20 The housing needs assessment should identify such related districts. It should briefly review the balance of housing need and planned supply in these districts, by reference to adopted and emerging plans and evidence bases, to see if they might import unmet need from parts of the HMA, or alternatively export some of their own unmet need to parts of the HMA.
- 4.21 Another limitation of HMAs is that local authority areas may be closely linked to places which are physically remote. For example, much of England has long been the recipient of large net migration flows from London, as households move out for more space and cheaper housing. Those flows may be direct (much of Crawley's growth has been migration out of London) or they may operate indirectly through ripple effects (much of Horsham's growth has been migration out of Crawley). A continuation of past migration is built into the official demographic projections which are the starting point of housing assessments. But recent evidence for the London Plan suggests that London may not have the capacity to meet its projected needs. The GLA has been writing to authorities across Southern England, asking them to plan for possible overspill from London.
- 4.22 Similar issues arise in other major conurbations, including Brighton and Hove and Birmingham. Inspectors' advice has confirmed that Local Plans should seek to accommodate such 'long-distance overspill', where this is possible and reasonable.

## Area profile

- 4.23 The housing needs assessment is a mostly forward-looking analysis driven by demographic projections. But to understand the projections and take an informed view of the future we need to understand the present and the past. It is helpful, therefore, that the housing assessment includes a brief pen portrait of the area's residents and its economy. This contextual information shows broadly what kinds of people are generating demand and need for housing in different parts of the area and why they want to live there.
- 4.24 We would suggest the analysis address three main topics, as set out below. In relation to each topic, the report might first look at the HMA as a whole, then move on to contrast and compare individual authorities.
- i Socio-economic profile  
How many people live in the area and its main settlements? What is the mix of occupations and educational qualifications, and what are residents' average earnings, compared to national and regional benchmarks? This information is available from the ONS's Nomis website, <http://www.nomisweb.co.uk/>, which brings together data from many official sources into 'Local Authority Profiles'.
  - ii Population change  
How has the population changed in the past and how much of that change is due to migration as opposed to natural change? How has net migration varied over time and what was its age profile? What are the main origins and destinations of net migration flows?  
  
This information, including the origin-destination matrices that we have already referred to, is on the ONS website. It is helpful to focus on change since 2001, because published data for 2001 and 2011 are taken from Censuses, and hence more reliable than those for inter-censal years, which are based on estimates. 2012 is the date of the latest ONS Mid-Year Population Estimates (MYEs), which are close to the 2011 Census and therefore should be relatively robust.
  - iii The labour market  
How many jobs are located in the area (workplace jobs)? How has this number changed in the last 10 years or so, compared to national and regional benchmarks? What is the balance of workplace jobs and resident workers (net commuting)? What are the main origins and destinations for net commuting? Job numbers are on the Nomis website mentioned earlier<sup>9</sup>; BRES (<http://www.ons.gov.uk/ons/guide-method/method-quality/specific/labour-market/business-register-and-employment-survey--bres-/index.html>) provides more detail. Commuting data are available from ONS, as we also noted earlier (Footnote 8).
- 4.25 This historical analysis is not mentioned in the PG, so it must be considered optional. But it provides valuable contextual information in assessing future housing need. By

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<sup>9</sup> For total jobs as opposed to employee jobs and a long time-series, refer to the Nomis table headed 'job density'. The BRES website provides more detail but users need a licence.

looking at past change we can judge whether future projections and forecasts are broadly credible. If we understand what kinds of people live in an area, who moves in and out and why, we can understand where new housing should be located so it provides what people want. This is important intelligence that will help inform every part of the needs assessment.

## 5 DEMOGRAPHIC PROJECTIONS

### The official projections

- 5.1 The PG advises that housing needs assessments should start from the CLG household projections, which in turn are based on the ONS population projections. Appendix C below describes the method behind both sets of projections<sup>10</sup>.
- 5.2 In summary, the projections by local authority area are released in two separate publications: the ONS sub-national population projections (SNPP) and the CLG household projections, which normally appear some months later and translate the ONS's population into households. These numbers of households, with a small adjustment for vacant and second homes, are used as a measure of housing demand or need.
- 5.3 The official projections are trend-driven: they roll forward rates of birth, death, migration and household formation from a past period (the 'base period') into the future. There are three main reasons why the resulting household numbers may not provide a true picture of future housing demand.
- The projections might be technically flawed. Often this is due to inaccurate historical data: the projections may not have caught up with the latest available data, or even these latest data may be open to doubt (an example is the Unattributable Population Change, discussed later). Sometimes there are other technical anomalies, which mean that the projections for individual places do not look credible.
  - The projections in effect assume that the external (non-demographic) factors that drive demographic change will be the same as they were in the past (base period). But in reality these factors might change in future. For example, the macroeconomic climate might improve; there might be more local job opportunities; or planning policy in neighbouring areas might become more restrictive - shifting demand across administrative boundaries to the subject area.
  - If used as a measure of demand, the projections in effect assume that in the base period the demand for housing land was fully met. But in practice it may be that past planning policy constrained housing development in the area, so the planned land supply fell short of demand. In that case, the projections will roll forward that constraint, so they will understate future demand.
- 5.4 As shown in the PG, to overcome these problems as far as possible the projections may be adjusted to produce alternative scenarios. We discuss these alternatives in this and the next chapter.

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<sup>10</sup> In this note we use 'demographic' to refer to both population and households, as demographers themselves do. The NPPF and PG use 'demographic' slightly differently, to refer to population only.

## Building alternative scenarios

- 5.5 Alternative demographic projections are produced by models similar to the official ONS / CLG ones, technically known as cohort progression models. PopGroup and Chelmer are well-known examples. As well as the basic mechanics of the official models, these alternative projections share most of their data inputs and assumptions. But they alter selected inputs and assumptions - to update historical information and take account of additional factors, as discussed earlier, and also to extend the time horizon of the official projections<sup>11</sup>.
- 5.6 At present the most recent population projection is the 2012-based SNPP published by ONS on 29<sup>th</sup> May 2014 ('ONS 2012'). This projection takes full account of the 2011 Census results. But it has not yet been translated into households by CLG.
- 5.7 Until CLG 2012 is published, probably later in 2014, there are two sets of official household projections. The first of these projections is CLG 2008, which by now is very out of date. The second is CLG 2011, which is badged 'interim', is derived from a now-superseded population projection that did not take full account of the Census, and only ran to 2021. Therefore, for the time being housing assessments have to rely on bespoke household projections – which should take account of the ONS 2012 population projection, subject to the problems discussed below. Below, we discuss what assumptions these projections might use.

## Migration

### *Unattributable population change*

- 5.8 Alongside natural change and migration, the ONS data on the components of population change in 2001-11 include an element called unattributable population change ('UPC'). Positive UPC occurs when the 2011 Census found more persons than could be traced back to previous population, natural change or migration. In other words, there are more people in an area than expected and the ONS cannot tell how the additional people got there (assuming they were actually not there in 2001). Conversely, where UPC is negative there are fewer persons in the area than previously expected, and the ONS cannot tell where the missing people went (assuming they were actually there in 2001).
- 5.9 At national level the aggregate UPC is positive at 103,700 persons<sup>12</sup>, though for some local authorities it is negative. In some areas, especially large urban areas, the UPC is an important component of population change. Thus, to pick one of countless possible examples, for Oxfordshire between 2001 and 2011 it amounted to 1,700 persons per year – more than total net migration, which was 1,400 persons per year.
- 5.10 It has been suggested that UPC is due to miscounting of the population in the 2001 or 2011 Census, or both. But a more likely explanation is that the UPC is migration,

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<sup>11</sup> Another difference is that, while the official projections use multi-area models – producing consistent numbers across the country as a whole – independent projection models are generally single-area.

<sup>12</sup> Office for National Statistics, *2012-based Subnational Population Projections for England, Report on Unattributable Population Change*, 20 January 2014

probably international migration, which was unrecorded or recorded to the wrong places. This view seems supported by a recent ONS report, which shows that in the middle of the last decade it greatly underestimated in-migration from the EU, due to bad survey design<sup>13</sup>.

- 5.11 However the ONS 2012 sub-national population projections ignore the UPC. In other words, they do not include it in the historical migration trend that is rolled forward ('projected') into the future. In effect, this assumes that the UPC did not happen – it does not measure real population change, but rather counting errors in either 2001 or 2011. For many places, especially large urban areas, this makes a large difference to the projected housing need, usually in a negative direction. In such places, whether a projection that ignores the UPC is credible is a matter of judgment. Planning authorities and others may wish to test alternative scenarios, which do take account of the UPC, and take a view accordingly. In due course Inspectors and judges may pronounce on how the UPC should be dealt with.

### *Alternative base periods*

- 5.12 To predict migration between local authorities within the UK, the ONS population projections carry forward the trends of the previous five years. This choice of base period can be critical to the projection, because for many areas migration has varied greatly over time. This is illustrated below with two examples, showing contrasting migration histories in the 10 years to 2011.
- 5.13 In both examples migration was lower in the second half of the decade than the first (numbers of housing completions, not shown on the graphs, unsurprisingly followed very similar time paths to migration). The results of a demographic projection for (say) 2011-31 will be highly sensitive to the reference period that the projection carries forward. If we use a five-year reference period, as the ONS does, the projection will almost certainly show much lower future migration than if we use a 10-year reference period. As more migration leads to greater population, which in turn leads to more households, the projected housing need will also be higher with a 10-year than a five-year reference period.
- 5.14 Which of these projections should be used in assessing housing need? It depends on the causes of historical change in migration – which are specific to each place and need to be investigated.
- 5.15 In District A, the sharp fall from 2007 onwards and the slight recovery in 2011 may be due to falling demand in the recession – though we cannot be sure until we have also investigated supply-side factors. This makes the last five years an untypical period. In assessing demand or need over the next 20 years we should be projecting forward a longer base period, which includes both parts of the economic cycle. If we simply project forward the recession, we will be underestimating future demand.

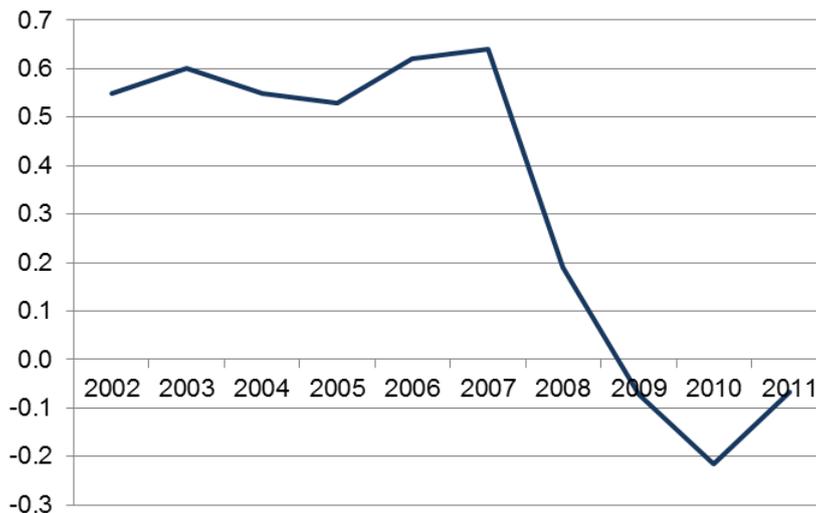
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<sup>13</sup> See Office for National Statistics, *Quality of Long-Term International Migration estimates from 2001 to 2011*, released 10 April 2014, <http://www.ons.gov.uk/ons/rel/migration1/long-term-international-migration/quality-of-long-term-international-migration-estimates-from-2001-to-2011/sty-quality-of-ltim.html>

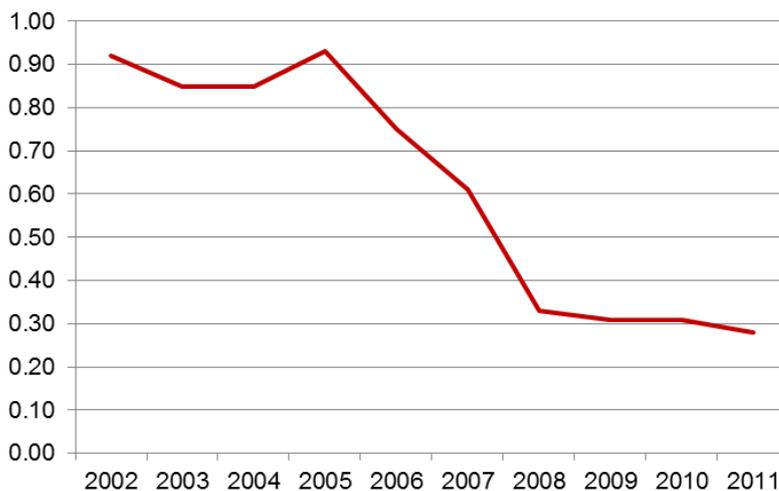
- 5.16 By contrast, in District B migration has been falling since 2006 – two years ahead of the economic downturn; it fell much more steeply in the boom than the recession, and showed no signs of recovery as the recession ended. Unless demand fell for some specific local reason, it seems that supply-side factors were at work.

**Figure 5.1 Net migration in two districts, thousands**

District A



District B



Source: PBA

- 5.17 Thus, closer investigation might show that in the second half of the decade planning in District B was blocking the supply of housing land. It could be that an old Local Plan became time-expired, the development sites it had allocated ran out, and there was delay before a Core Strategy brought new allocations. Alternatively, it could be that there was a moratorium on releasing new sites, perhaps because policy aimed to steer development to brownfield sites, which proved unviable.
- 5.18 In these circumstances, projecting forward a five-year reference period would underestimate District B's future housing need. A 10-year-based projection should be used, but even this might understate future need - though to a lesser extent -

because the 10 years included about five years in which land supply was blocked. In the terms of the PG, planning in district B has been undersupplying need in the reference period, and the projections should be adjusted upwards to compensate. This important aspect of the guidance is discussed further in a later section.

- 5.19 There may be other explanations for District B's history, which would have different implications. For example, the high level of house building in the early years of the decade, and the resulting high in-migration, might be due to a one-off uplift in planned land supply – such as an urban extension. In such cases, if the high level of delivery was due to an exceptional event the PG advises that that the five-year-based projection will overstate future need. Indeed, even the 10-year-based projection might need adjusting downwards, as it includes about five years of exceptionally high supply.
- 5.20 On the other hand, it may be that the urban extension was not an exceptional event. Perhaps District B is well placed to accommodate further extensions in the plan period, as the adjoining city continues to overspill its tight boundary. If so, the 10-year-based projection might be the correct measure of housing need.
- 5.21 So, in the urban extension scenario, the choice of projection is a matter of spatial policy and development capacity as much as demographic analysis. The difference between with-extension and without-extension projections is not about demand or need; it is about supply and policy. The needs assessment should probably conclude that the OAN lies within a range - where the minimum is a projection that tries to exclude the impact of the extension, while the maximum includes it. Between those limits, it would be for the policy-maker to set a target.

## Household size

- 5.22 As discussed in Appendix C, the 2011 Census showed fewer households across England than previously expected, which on average were larger than previously expected. The reason was that household reference rates (HRRs) were lower than previously expected.
- 5.23 HRRs, also known as headship rates or household formation rates, are the factor that translates population into households. They show the proportion of people in each demographic group (combination of age, sex and relationship status) that are a household reference person, or head of household. The higher the HRRs, the more people have their own households (as opposed to living in other people's households) and the smaller will be the average household size.
- 5.24 The evidence suggests that the higher-than expected household sizes are partly a demand-side effect of the last recession – so that due to falling incomes and the credit crunch fewer people could afford to form or maintain separate households. In the CLG 2011 projection, the resulting trends in HRRs are rolled forward into the future. In effect, CLG 2011 assumes that in the recession the long-term trend in household formation took a permanent turn for the worse. As noted in a recent report from Cambridge University:

*'The 2011-based projection also does not make any allowance for a potential return towards the previous trend. Indeed, it assumes a growing divergence from that trend... [It] envisages that a smaller and smaller proportion of 25-34 year olds set up households, not just that the proportion remains at the 2011 level.'*<sup>14</sup>

- 5.25 It is a matter of judgment whether, and how soon, household formation will return to its pre-recession long-term trend. The forthcoming CLG 2012 projections will take a view on this, which will become the new standard. Meanwhile, local authorities and others that create their own projections need to take a view about HRRs. Useful guidance has been provided by the Inspector examining the South Worcestershire Development Plan.
- 5.26 In line with the Cambridge research quoted above, the Inspector advised that up to 2021 to assess housing need the plan-makers should use the interim 2011-based assumptions. Thereafter they should assume that rates of change in HRRs ('headship rates') should return to the earlier trends, as projected in CLG 2008. This method is known as 'indexed' or 're-based'. It assumes that after 2021 headship rates return to the pre-recession rates of change used in the CLG 2008 projection. But they do not catch up with the levels in CLG 2008. In other words, the pre-recession trends are interrupted by the recession and resume after a long pause.
- 5.27 While we await CLG 2012, housing needs assessments should consider demographic scenarios based on the 'indexed' method.

### Supply-constrained and nil-migration scenarios

- 5.28 Supply-constrained ('dwelling-led') or 'zero-migration' demographic scenarios should not be used as the basis for needs assessments (though they are useful for assessing the impacts of given levels of housing provision).
- 5.29 Supply-constrained scenarios do not tell us anything about demand or need. As discussed earlier, in line with the NPPF and PG supply capacity has no bearing on the OAN. But supply capacity does bear on provision targets, and modelling supply-constrained scenarios is useful in showing the implications of possible targets ('If we provide for xx dwellings the workforce will grow by yy').
- 5.30 Zero-migration projections (whether 'zero net' or 'zero gross') can provide useful context, because they show the contribution of migration to total population and household change. But considered as a potential future they are unrealistic, because local authorities have no means of controlling migration. Considered as a measure of demand or need they are non-compliant with national policy, because the NPPF makes it very clear that objectively assessed need includes migration<sup>15</sup>.
- 5.31 It is important to understand that in the NPPF and PG migration in line with past trends is part of each area's objectively assessed need. An area that has been a recipient of net in-migration in the past is expected to accommodate such migration in the future, unless it lacks the deliverable sustainable capacity to do so.

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<sup>14</sup> Mc Donald and Williams, op cit

<sup>15</sup> Paragraph 159

## Past supply and market signals

### *Planning Practice Guidance*

- 5.32 In line with the PG, the official housing projections should be adjusted to reflect any past underprovision of housing land. Where planning has underprovided land against demand or need, past development – and hence past population and household growth – will also have fallen short of that demand or need. By the same token, since projections roll forward that past growth into the future, they will understate future demand or need – and therefore should be adjusted upwards.
- 5.33 This advice is a new element in national planning guidance. The relevant sections of the PG merit close reading<sup>16</sup>. Paragraphs 15 and 19 explain the rationale. Paragraph 19 goes on to suggest the market indicators (market signals) that should be used to gauge the balance of demand and supply. The list includes house prices and rents, land prices, affordability ratios, rates of development and overcrowding. Paragraph 20 discusses how these market indicators should be analysed, recommending comparison with longer-term trends, similar areas and national averages. The same paragraph considers how the projections should be adjusted but does not provide specific guidance, merely advising that adjustments should be *'reasonable'* and *'in line with principles of sustainable development'*.
- 5.34 The guidance on past supply and market signals is sometimes misinterpreted, because readers take 'under-supply' and 'under-delivery' to mean that house building was below policy targets. But in the present context these words mean something quite different - that house building was less than demand or need. In many places delivery is in line with targets, but the targets themselves are far below need or demand; in other words, planning constrains the amount of housing development. This constitutes under-supply within the meaning of the PG.
- 5.35 The impact of under-supply works not only through suppressed household formation, but also through suppressed migration. The latter effect is very common, as we can see from the close correlation between housing completions and net migration. If housing land, and hence housing, is in short supply, households will be prevented from moving into the area or will be priced out or forced out of the area.
- 5.36 Suppressed migration is harder to detect than suppressed household formation. While overcrowded and hidden households in an area can be counted, would-be in-migrants into the area and out-migrants forced out of it cannot, because by definition they live elsewhere. But we can identify suppressed migration indirectly, by looking at historical changes in net migration and relating them to housing completions and planning policy.

### *Reading the signals and adjusting the projections*

- 5.37 It is important to note that the PG focusses on relative, not absolute, under-supply. As discussed earlier, it is not unusual for planning to under-supply housing demand; in much of the country a planning constraint is the norm rather than the exception. But

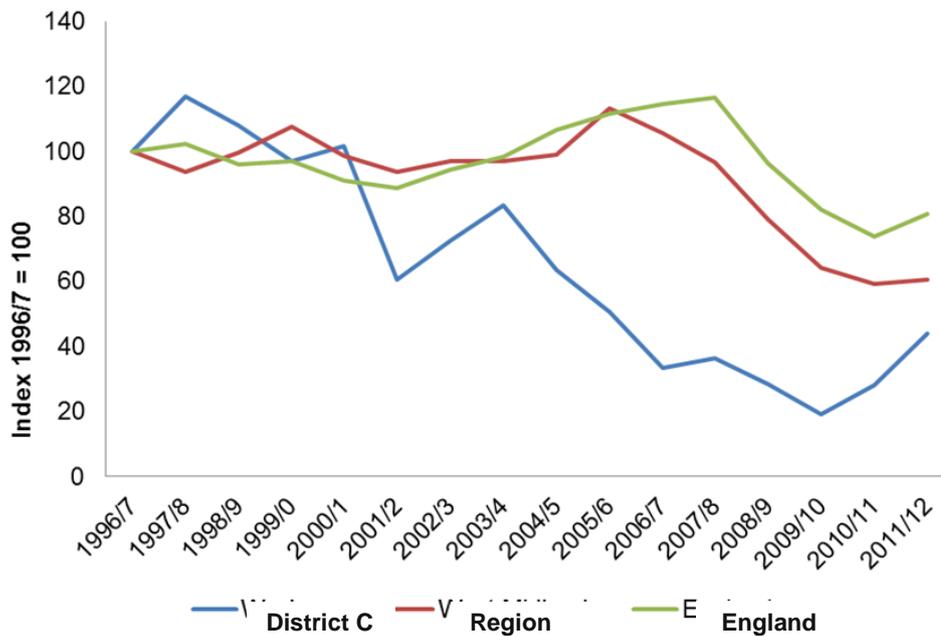
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<sup>16</sup> Reference ID: 2a-015-20140306 - 020-20140306

the guidance suggests that the demographic projections should be adjusted upwards only if in the base period the constraint was unusually tight compared to other times, to other places, or both.

- 5.38 An especially useful indicator of both is change in the average house price. Unlike other indicators recommended by the PG, house prices are well documented, with robust information and long historical time periods readily available for any geographical area. Proportional price change is generally a better indicator than absolute price, because a comparatively high price may indicate either comparatively high demand (an attractive area, better housing stock) or low supply (possibly due to planning). But if prices in an area are rising faster than elsewhere, this suggests that supply is tightening compared to other places – unless for some reason the area is becoming more desirable over time.
- 5.39 The above suggests that an area with above-average growth in house prices may be an area where planning constraints are exceptionally tight or tightening. But the converse is not true. In an area where house price trends are only average, it may still be the case that planning is increasingly undersupplying demand. Depending on how buyers and sellers respond to price changes ('elasticities'), a local constraint may only show as a reduction in the volume of development, with little or no impact on local prices.
- 5.40 Partly for this reason, the level of housing completions is a good indicator of the severity of planning constraints – not considered by itself, but against wider benchmarks and past planning policy. This is illustrated in the example below, where completions in District C are plotted against national and regional totals:
- Both in England and the region completions stayed broadly flat throughout the long boom, turned down sharply in the recession and then turned up slightly in 2011/12, the first year of the recovery.
  - By contrast, in District C completions were on a steep downward trend throughout the boom and started an equally steep recovery in 2010-11. That recovery came one year ahead of the country and region and was considerably more marked, so in the last two years of the series completions more than doubled.
- 5.41 In summary, housing development in District C fell through the boom and rose in some of the recession, against national and regional trends. While these wider trends were clearly driven by the demand for housing, for District C the counter-cyclical time path shows that other factors were at work. A look at the area's planning history shows that these were supply-side factors, and specifically planning constraints.

**Figure 5.2 Housing completions, District C, 1996/7 - 2011/12**



Source: District Council, CLG, PBA

- 5.42 From the late 1990s planning placed ever tighter restrictions on development in District C:
- National and regional policies steered development away from the district towards the main urban areas.
  - The old Structure Plan set restrictive housing targets which deliberately undersupplied demand.
  - These targets were over-delivered in the early years of the plan, resulting in a further tightening as the Council attempted to compensate in later years, so that development over the plan period would not exceed the target.
  - At the end of the period the planning constraint was abruptly loosened, as the Council found itself unable to demonstrate a five-year land supply, and therefore allowed substantial development on windfall sites. This explains the sharp upturn in the last two years of our series, against national and regional trends.
- 5.43 In short, for all but two of the last 15 years planning was tightly and increasingly under-providing housing demand or need in District C. A projection based on that past would underestimate housing demand, and in line with the PG should be adjusted upwards.
- 5.44 As noted earlier the PG does not say how this adjustment should be calculated. A 10-year period, in which planning policy went through different phases, often looks reasonable. But in the case of District C this is not a good solution, because as we have seen planning policy was highly restrictive for as many years as we have data for. To estimate a reasonable number we might have to look at a longer historical period and use judgment rather than formal modelling. Such a broad-brush adjustment should be acceptable to Inspectors as 'reasonable', given that the PG does not provide specific guidance.

## 6 BALANCING JOBS AND WORKERS

### Future jobs and demographic projections

- 6.1 The PG advises that housing needs assessments should have regard to future employment. See paragraph 18 of the Housing and economic development needs assessments: <http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/>.
- 6.2 From Inspector's advice, for example in Bath and North East Somerset (BANES)<sup>17</sup>, it is clear that future labour market requirements cannot be used to cap demographic projections. In other words, if demographic projections do not provide enough resident workers to fill the expected workplace jobs they should be adjusted upwards until they do. But if the demographic projections provide more workers than are required to fill the expected jobs, they should not be adjusted downwards. If both a job-led projection and a trend-led demographic projection have been prepared, the higher of the two resulting housing numbers is the objectively assessed need. The rationale for this, as explained by the BANES Inspector among others, is that much of the demand for housing is not driven by job opportunities, and people who do not work also need somewhere to live.

### Geography

- 6.3 The PG does not say what geography should be used when aligning jobs with housing. In our view it is important to consider the functional economic area (labour market area) as a whole, rather than individual authorities. Many people travel to work across administrative boundaries, so planning for each district in isolation cannot produce the most efficient and sustainable relationships between the location of houses and jobs.
- 6.4 When planners seek to align jobs and housing for individual authorities, they typically assume fixed commuting patterns – so if, for example, District E has 70 workplace jobs for each 100 workers (economically active residents), that ratio is carried forward into the future. This may be a reasonable starting point for analysis, but it does not allow for the labour market to change and adjust.
- 6.5 It may be that District E is a largely residential area with few attractive employment locations, which cannot easily attract enough jobs for its growing population. Conversely, in adjoining District F job numbers are increasing fast as established employment areas intensify from industrial to office uses, but there is no land for new development. The two districts should be working together, so that E's new housing balances F's new jobs. There is nothing unsustainable about this increased cross-

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<sup>17</sup> Bath and North East Somerset Core Strategy Examination, *Inspector's preliminary conclusions on strategic matters and way forward – June 2012*, <http://www.bathnes.gov.uk/services/planning-and-building-control/planning-policy/core-strategy-examination/examination-documen>

boundary commuting. On the contrary, journeys to work could become shorter in future, because F's main employment areas are located on the boundary with E; so that much of E's population lives closer to those areas than to E's main commercial centres.

## Realism

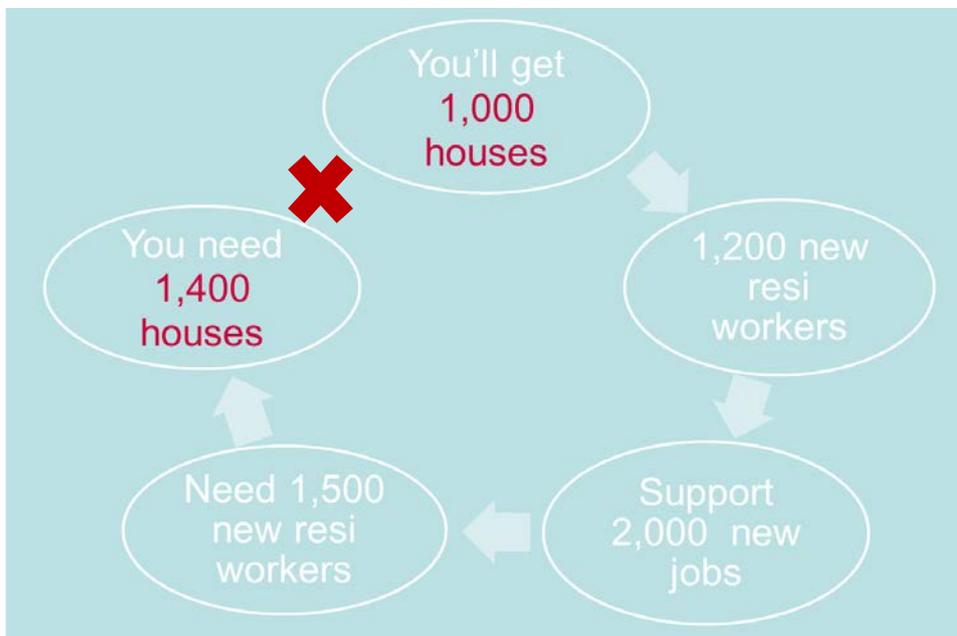
- 6.6 In planning for the economy and employment, some authorities use highly ambitious employment numbers, based on policy aspiration rather than economic forecasting or business-as-usual expectation. This may be the right approach to economic planning, but only if authorities face up to the implications for housing.
- 6.7 A common mistake in this context is to make unrealistic assumptions on the relationship between housing, population and jobs. A number of housing assessments have been criticised by Inspectors for their assumptions about economic activity rates. The issue relates especially in relation to older people, where some studies expect the increases in state pension age to produce much increased activity rates over the next 15-20 years. This reduces the population growth, and hence the household growth, that is required to support a given number of new jobs. But unrealistic figures put the emerging plan at risk. Not only could the housing assessment be unsound in itself, but also it could be inconsistent with proposals for employment land, which are also based on expected future employment.
- 6.8 Another risky approach is to plan for recalling commuters, so the ratio of workplace jobs to resident workers – and hence to population and number of dwellings – is assumed to rise over the plan period. Like increasing activity rates, this assumption means that more jobs can be accommodated for a given number of dwellings, or a given number of jobs needs fewer dwellings. But for the shift in commuting ratio to be believable there would have to be supporting evidence, to show what economic factors or policy action will bring it about. In general such evidence is not provided and the assumption of reduced commuting relies on pure aspiration.
- 6.9 In any case strategies of recalling commuters should not be adopted unilaterally. For any area that does succeed in recalling its commuters, increasing its ratio of jobs to workers, there will be areas where the ratio falls, so for any given number of jobs more dwellings are needed. Such shifts in commuting patterns can be positive, as described in the last section in relation to Districts E and F. Alternatively they can be counter-productive, causing labour shortages in the recipient areas from which commuters are withdrawn. In line with the Duty to Co-operate authorities should seek positive outcomes for their neighbours, not just themselves. This needs joint working across labour market areas, as discussed earlier.

## Employment forecasts

- 6.10 To predict future employment change, many authorities rely on econometric forecasts commissioned from specialist forecasters. Sometimes they use standard employment forecasts, which represent forecasters' preferred scenarios. Other times they use bespoke scenarios to reflect alternative macroeconomic expectations or policy aspiration, as discussed earlier.

- 6.11 In many cases this approach is deeply flawed. The problem and its solution are discussed in detail at Appendix 6 below. In short, population is both an input and an output to the process. The modelling uses the expected future population (usually taken from CLG projections) as an input, and it also produces future population as an output (Figure 6.1). The population assumed at the start is usually taken from the official projections, and already assumes a given amount of housing development. The population output at the end is used to calculate future housing need.
- 6.12 At best, the process is logically circular: the population that it outputs, and the resulting assessed housing need, simply repeat the assumptions that were input at the start. But generally the model is internally inconsistent, because the population that is output does not equal the population that is input. Either way, the results make no sense. In formal logic this approach is known as ‘self-defeating prophecy’.

**Figure 6.1 Self-defeating prophecy**



- 6.13 For an approach that makes sense, it is necessary to integrate demographic projections and economic forecasting. See appendix D for a model structure. The model is used to test alternative assumptions and (at a later stage) alternative policy options, iterating between jobs and housing.

## 7 AFFORDABLE HOUSING NEED

7.1 Paragraph 029 of the PG<sup>18</sup> advises on how housing needs assessment should take account of affordable housing need:

*'The total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.'*

7.2 This paragraph is difficult to follow. But it seems to confirm that the amount of affordable housing to be included in the OAN should reflect what can be delivered in practice, as a function of market delivery. Based on this, Inspectors' advice and existing good practice, we would suggest the following approach:

- i Assess total housing need or demand (the OAN) as shown in earlier chapters, ending with a preferred scenario and / or a range of uncertainty.
- ii Estimate how much of that total need could be delivered as new affordable housing, given the affordable housing contribution that can be viably generated from market housing developments.
- iii Assess affordable housing need, as shown in paras 022-029 of the PG.
- iv Compare this affordable need with the potential affordable supply at stage ii.
- v Consider if the resulting scenario would meet a reasonable proportion of the affordable need.
- vi If not, consider raising the total need figure so it includes more affordable housing.

7.3 At stage iv of this calculation, note that only part of the affordable housing need is a component of the OAN – that part which relates to net new households. As defined in the PG, affordable need also includes housing for existing households – including those that are currently in unsuitable housing and those who will 'fall into need' in the plan period (i.e. their housing will become unsuitable for them). For the most part the needs of these households are not for net new dwellings. Except for those who are currently homeless or 'concealed'. If they move into suitable housing they will free an equivalent number of existing dwellings, to be occupied by people for whom they are more suitable. If the affordable needs of existing households are included in the OAN, the resulting figure will too large.

7.4 At stage v, what is considered reasonable will depend on policy priorities. Stage vi requires a judgment on how much affordable housing can be realistically paid for. The planned quantity of affordable housing must be consistent with the developer contributions that can be viably delivered by the planned quantity of market housing. If that affordable housing number is too high, then the land intended for affordable provision will either remain vacant or be developed for market housing.

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<sup>18</sup> Reference ID: 2a-029-20140306

## 8 FROM HOUSING NEED TO PLAN TARGETS

- 8.1 The objectively assessed needs produced by the above assessment may be a single figure, or it may be a minimum-maximum range – which if possible should include a preferred figure. Either way, the evidence base should set out the main uncertainties behind the assessed need and how they may be resolved through monitoring and future plan reviews.
- 8.2 The NPPF and PG make it clear that an authority's housing provision target, or requirement, does not necessarily equal its objectively assessed need. Two factors come between the OAN and the target (Figure 3.1). The first is the area's deliverable and sustainable supply capacity, defined with reference to constraints recognised in the Framework. The second factor is cross-boundary unmet need, which the authority should accept if that is possible, sustainable and reasonable. We have discussed both these factors in earlier chapters.
- 8.3 Additionally, it seems obvious that in setting targets the authority should also have regard to the impact of housing development on its wider policy objectives and priorities. This is not explicitly mentioned in national policy and guidance, perhaps because it is self-evident. What *is* clear from the NPPF is that an authority's objectives or values cannot justify undersupplying the OAN. But there is no reason why the authority cannot provide for housing development over and above the assessed need. The OAN is a minimum target, subject to supply constraints. There is no suggestion that it is a maximum.
- 8.4 Housing development impacts on community well-being. Just as too much housing in certain places can harm the environment and put undue pressure on infrastructure, too little housing can cause harm – for example from excessively ageing communities, rural depopulation, loss of critical mass to support town centres or rail stations, vacant shops and wastefully under-used schools. As part of the planning evidence base, authorities should test proposed housing targets to see if they deliver a good future to their communities.
- 8.5 For this, the first step is to model a 'supply-led' scenario to estimate the population totals and age profile that would result from a proposed housing target. Depending on the area's geography, the scenario might consider main settlements individually, rather than the district as a whole. A simple test is to look at the total population and the population in the main working age groups (e.g. 16-64). A fall in either total broadly suggests reductions in the vitality of local economies and the demand for services and facilities such as retail, leisure and public transport. More sophisticated tests would input the projected population data into assessments of future requirements for retail, leisure, public transport, education and other infrastructure provision.
- 8.6 As a final point on housing targets, the now revoked Regional Strategies are no longer relevant to housing need or housing targets. From legal judgments and Inspector's advice over the last year or so, it is clear that:

- Previous Regional Strategy housing targets are not an acceptable measure of housing need, partly because they took account of supply constraints – which as noted earlier have no bearing on need.
- The evidence that underpinned Regional Strategies is generally out of date and should be used with great caution, if at all.
- In assessing future need, authorities should not add any ‘backlog’, where past housing development under delivered RSS targets. Thus a recent High Court judgment noted:

*‘... There was no methodological error in the way these competing estimates for the period 2011-2031 were drawn up by reason of the notional “shortfall” in housing delivery between 2006 and 2011 by comparison with the average annual figure for additional housing indicated in the South East Plan... There was no reason whatever for a person in 2011 seeking to draw up a current estimate of population growth and housing requirements looking into the future from that date to 2031 and using up-to-date evidence to do so, to add on to the estimated figures any shortfall against what had been estimated to be needed in the first phase of the previously modelled period included in the South East Plan..’<sup>19</sup>*

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<sup>19</sup> *Zurich Assurance Limited v Winchester City Council and South Downs National Park Authority*, [2014] EWHC 758 (Admin) 18th March 2014

## 9 KEY POINTS

### What is the OAN?

9.1 Our definition:

*'The housing that households are willing and able to buy or rent, either from their own resources or with assistance from the state'.*

9.2 In this definition, 'need' is synonymous with 'demand', covering the affordable sector and market housing. Total need, or demand, equals the total housing that would be provided across both sectors, if land supply was not constrained by planning.

9.3 This is why the assessed total OAN is often described as a policy-off estimate. But in practice the OAN, as measured through projections and forecasts, carries forward the impact of past planning constraints. Rather than policy-off, it is a policy-neutral, or policy-same, estimate.

### Housing market areas (HMAs)

9.4 In defining HMAs, start with the geography set out by the University of Newcastle and others for the NHPAU in 2010. You could also start with pre-existing partnerships between local planning authorities, including LEPs. Either way, test against the latest data, to ensure that the proposed area does not exclude areas which are closely linked by migration and commuting.

9.5 HMAs defined for housing assessment purposes should be formed of whole local authorities.

9.6 If possible, HMAs and functional economic areas, as defined for Local Plan purposes, should be coterminous.

9.7 The Duty to Co-operate does not stop at the HMA boundary. The housing needs assessment should therefore also briefly review the demand-supply balance for housing land in areas which lie outside the HMA but are closely linked to it or parts of it.

9.8 The housing needs assessment should also consider migration from major conurbations beyond neighbouring areas. Such migration flows may rise above previous trends, generating cross-boundary unmet need.

9.9 The housing needs assessment should include a brief demographic and socio-economic profile of the HMA and its constituent authorities. This should help understand what kinds of people live in the area, who moves in and out and why. Hence it should help decide where housing should be located so it provides what people want.

### Demographic projections

9.10 Housing needs assessments should start from the CLG household projections, which in turn are based on the ONS population projections (SNNP).

- 9.11 These official projections roll forward demographic trends from the past ('the base period'). They do not necessarily provide a true picture of future demand, for three main reasons:
- Firstly, the projections might be technically flawed – for example because they are based on out-of-date information.
  - Secondly, they do not take account of future change in the external factors that drive demographic change, such as the economy or land supply in neighbouring areas.
  - Thirdly, they effectively assume that in the past planning met the demand for housing land in full; therefore, in places where planning constrained past demand, they will understate future demand.
- 9.12 To overcome these flaws as far as possible, the projections may be adjusted to produce alternative scenarios.
- 9.13 At present the latest official projections comprise:
- The ONS 2012-based population projection, published on 29 May 2014, which the CLG has not yet translated into households.
  - The CLG interim 2011-based household projection, based on an earlier population projection, which is superseded by more recent data and only runs to 2021.
- 9.14 Until the new CLG household projections come out, due in late 2014, most housing assessments will have to rely on bespoke scenarios, starting from the ONS 2012-based population projection. In testing this projection through bespoke scenarios, possible alternative assumptions include:
- Including the Unattributable Population Change (UPC) in past migration;
  - Projecting migration from a 10-year base period, rather than the five-year period 2007-12 used by ONS which may be untypical due to the recession.
- 9.15 To translate the projected population into housing, bespoke scenarios should consider the 'indexed HRRs' method developed by Cambridge University
- 9.16 In line with the PG, planning authorities should analyse market signals to see if planning in the past has constrained housing development. Where that was the case, demographic projections will carry forward that under-provision, and therefore should be adjusted upwards.
- 9.17 In identifying past under-provision, look at the following market indicators:
- changing house prices
  - housing delivery

Rising house prices or falling completions, against national or regional trends mean it is likely that planning constraints were exceptionally tight. The demographic projections should be adjusted upwards, but the PG provides no guidance on the size of that adjustment. One possible answer is to base an adjusted scenario on a past period where the planning constraint on average was not exceptionally tight.

- 9.18 Supply-constrained ('dwelling-led) scenarios should never be used as the basis for needs assessments. Councils should first objectively assess their housing needs and then consider whether the area has the sustainable capacity to meet them. If that capacity is lacking, due to constraints recognised in the NPPF, they should seek to export their unmet need to other areas. These areas should accept them if they can do so reasonably and sustainably.
- 9.19 Zero-migration scenarios should never be used as a measure of the OAN, because objectively assessed need includes migration<sup>20</sup>. In the NPPF and PG, migration in line with past trends is part of each area's OAN.

## Balancing jobs and workers

- 9.20 Authorities should work jointly to align housing and jobs across large-than-local functional economic areas (labour market areas).
- 9.21 To ensure that they provide enough housing to match expected job growth, many authorities use 'job-led' population and household projections, based on employment forecasts. In this it is important to avoid:
- Unrealistic assumptions about future employment growth, based on aspirational economic strategies – which inflate the assessed housing need and may also reduce the land supply available to meet that need, by over-allocating employment sites;
  - Unrealistic assumptions about future increases in economic activity rates;
  - Planning to recall out-commuters from other districts – unless there is evidence that this is a realistic strategy, and it has been agreed with the districts where the commuters work.
- 9.22 Another common problem with job-led housing assessments is that population growth is both an input (assumption) to the calculation and an output. It is necessary to integrate demographic projections and economic forecasting. See Appendix D.

## Affordable need

- 9.23 Affordable housing need, as described in the PG, is a different kind of 'need' from the total housing need, or OAN. It is calculated separately, through a different calculation, and may be used to adjust that projection-based number. Paragraph 7.2 above suggests a method for that adjustment.
- 9.24 In that method, only part of the affordable housing need should count towards the OAN – that part which relates to net new households. The affordable need of existing households is not a need for net new housing. If it is included in the OAN the resulting figure will be an overestimate.
- 9.25 In line with the PG, the amount of affordable housing to be included in the OAN should take account of how much can be realistically paid for. Therefore the planned quantity of affordable housing should be consistent with the developer contributions

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<sup>20</sup> Paragraph 159

that can be viably delivered by the planned quantity of market housing. If that affordable housing number is too high, then the land intended for affordable provision will either remain vacant or be developed for market housing.

### From housing need to plan target

- 9.26 Work on the OAN is likely to produce a range of figures – if possible, include a preferred figure.
- 9.27 The plan target, or ‘requirement’, will not necessarily equal the OAN. Three considerations come between the OAN and the target:
- the area’s deliverable and sustainable supply capacity;
  - cross-boundary unmet need and;
  - the authority’s wider policy objectives.
- 9.28 The third factor is not explicitly mentioned in the NPPF or PG and can only be used to raise the target above the OAN, never to reduce it. Use the evidence base to test proposed housing targets to see if they deliver a good future to their communities. For example, delivering ‘only’ the OAN could lead to excessively ageing communities, rural depopulation, loss of critical mass to support town centres or rail stations, vacant shops or wastefully under-used schools. If such adverse impacts look likely, authorities should consider raising the housing provision target above the OAN.
- 9.29 The now revoked Regional Strategies are no longer relevant to housing need or housing targets.

## APPENDIX A WHAT IS HOUSING NEED?

### Meanings of 'need'

In everyday language, 'need' is generally used as a normative (prescriptive) term – referring to what *ought to be* (e.g. 'we need to provide a school place for every child'; 'to measure something we first need to understand what it is'). Therefore it might be thought that 'housing need' is the housing that the development plan ought to provide for, having regard to all relevant considerations, including market demand, social policy, environmental impacts, infrastructure capacity and so forth. This broad definition does linger in some minds when housing policy is being discussed. But it is far from the meaning of the NPPF. As we have seen, in the Framework as clarified by the PG 'need' is nothing to do with supply-side constraints like the environment and infrastructure. We are advised that planning must first assess need, and then look at supply-side constraints to determine how much of that need can be met in particular places.

A narrower interpretation of 'need' as 'ought' is more relevant. In that interpretation, 'need' is synonymous with 'social need': things that people ought to have but cannot afford without help (e.g. 'people in need', 'areas of need'). As applied to housing, this means the affordable sector.

### The old planning system

This is precisely how government policy and guidance understood 'housing need' under the previous planning system. In that system, the term referred specifically to *affordable housing need*: the housing that people *ought to have*, but could not have without help from the State. The definition of that need was split between two documents, of which the first was Planning Policy Statement (PPS) 3:

#### *'Housing need*

*The quantity of housing required for households who are unable to access suitable housing without financial assistance.*<sup>21</sup>

The second part of the definition was the 2007 SHMA Practice Guidance, which defined 'suitable housing', i.e. what everyone *ought to have* (but not everyone can afford) by a series of standards. For example, a household was considered unable to afford suitable market rented housing, and hence in housing need, if rent was more than 25% of its gross income. Similarly ability to buy a home in the market sector was measured by ratios of house price to household income, set at 3.5 for single earners and 2.9 for two-income households. Other criteria included secure tenure, freedom from harassment and access to kitchens, bathroom and toilets<sup>22</sup>.

The Practice Guidance set out a detailed method for calculating affordable need, which produced a consistent measure across local authorities and housing market areas. The

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<sup>21</sup> *Planning Policy Statement 3 (PPS3): Housing*, third edition, June 2011, Communities and Local Government, London, Annex B : Definitions. The same text appeared in the two previous editions since 2006.

<sup>22</sup> *Strategic Housing Market Assessments Practice Guidance, Version 2, August 2007*, Communities and Local Government, London, p 41-42

numbers produced by that method are usually a very high proportion of total housing need as measured by demographic projections. They also exceed the amount of affordable housing that can be realistically delivered in practice. There are two main reasons for this, which are closely related:

- Firstly, while the Practice Guidance calculation measures an aspiration – what *should be* – the projected need carries forward reality – what *was*. And reality generally falls short of aspiration, not because planning constrains land supply, but because public finance restrictions constrain the production of affordable housing and hence the demand for land.
- Secondly, affordable need as defined by the Practice Guidance included a backlog of ‘current need’, representing households in unsuitable housing at the base date. The Practice Guidance assessment method assumed that these households should be provided with affordable housing within five years – closing the gap between aspiration and reality which had accumulated in past years. By contrast, demographic projections of course do not include a ‘backlog’, because they are nothing to do with aspiration.

PPS3 also provided a definition of housing demand, which was carefully distinguished from housing need, and related specifically to the *demand for market housing*:

*‘Housing demand*

*The quantity of housing that households are willing and able to buy or rent.’*

In summary, under the old planning system government policy and guidance used two quite different concepts: ‘need’, which referred to affordable housing, and ‘demand’, which referred to market housing. As well as relating to different sectors, these two words also represented quite different kinds of concept. Need, as we have seen, was about what *ought* to be. Demand was about what *is* or *will / would be* (in this case, the housing that *would be* delivered if planning provided enough land)<sup>23</sup>.

The system described above is now superseded by new policy and guidance. PPS3 was cancelled in March 2012 on publication of the NPPF, and the Practice Guidance was cancelled in March 2014 on publication of the PG.

## The new planning system

### *Affordable need*

The PPS3 concept of housing need, understood as *affordable* housing need, has been carried forward into the new planning system. It is discussed in paragraphs 022-029 of the PG<sup>24</sup>, which sometimes call it ‘affordable housing need’ and sometimes simply ‘housing need’.

The new Planning Practice Guidance, like the 2007 SHMA Practice Guidance, lists the factors against which need should be measured, and these factors have remained broadly

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<sup>23</sup> One difference between the two is that ‘ought’ concepts are meaningful only if supported by standards (norms, values), which tell us what ought to be. Under PPS3, these supporting standards were found in the Practice Guidance. ‘Is’ statements make sense without supporting standards, because they are to do with facts, not values.

<sup>24</sup> Reference ID: 2a-022-20140306-2a-029-20140306

the same. But there has been one important change: the new guidance no longer calibrates the criterion relating to housing costs.

As we have seen, under the 2007 guidance affordable need was defined with reference to fixed ratios of market rents and house prices to household income. By contrast, in the new guidance a household is considered to need affordable housing if market housing in the area is *'too expensive compared to disposable income'*. The implication is that each planning authority or planning partnership will make its own value judgment about how expensive is too expensive. Consequently there will no longer be a consistent basis for aggregating and comparing affordable need across local authority areas - unless common standards emerge over time, either from planning Inspectors' advice or by convention.

### *Total need*

The use of 'housing need' to mean 'affordable housing need' is confined to paragraphs 022-029 of the PG. Elsewhere in the PG and in the NPPF, 'housing need' denotes something quite different – total housing need, covering both the market and affordable sectors, which is also known as objectively assessed need ('OAN').

Neither the NPPF nor the PG provide a definition of that total housing need. In the PG, the first sentence of the paragraph looks like a definition, but it is a circular statement, as becomes obvious if we focus on the words in bold below (our emphasis):

*'Need for housing in the context of the guidance refers to the scale and mix of **housing** and the range of tenures **that is likely to be needed** in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet that demand.'*<sup>25</sup>

From this sentence we cannot tell how need relates to the distinct concepts of 'need' and 'demand', as previously defined in PPS3. It may be thought that the OAN is simply the sum of those two elements – affordable need as discussed above plus market demand as defined in PPS3. But cannot be correct, for at least three reasons:

- Firstly, affordable housing need is an aspirational concept. It is useful as a statement of the housing that ideally ought to be provided, but in practice is never fully met – not because planning constrains supply, but because lack of public money constrains demand.
- Secondly, affordable need is not necessarily a need for net new affordable housing: it can be met from the existing housing stock and from market housing both existing and new, for example by improving existing housing, taking measures against harassment and subsidising market rents through housing benefit.
- The third point is technical, though no less important for that. We do not have a method for assessing market demand in isolation. The prescribed method for objectively assessing need, which relies largely on demographic projections as we have seen, cannot differentiate between the market and affordable sectors.

In short, to add the demand for net new market housing to the need for affordable housing would be to add apples and pears. In most places the resulting total would include a large

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<sup>25</sup> Reference ID: 2a-003-20140306

element of double counting. Partly for that reason, but more importantly because there is not enough public money to meet all the affordable need, it would probably far exceed the amount of housing that could realistically be developed in practice. To over-allocate land in this way cannot be an efficient or sustainable.

As a more reasonable and practical alternative, we would suggest the following definition of total housing need (the OAN):

*'The housing that households are willing and able to buy or rent, either from their own resources or with assistance from the state'*

In our definition, 'need' is synonymous with 'demand' - a demand that, unlike the PPS3 definition, covers the affordable sector as well as market housing. Total need, or demand, equals the total housing that would be provided across both sectors, if land supply was not constrained by planning. This is why the assessed total need is often described as a policy-off estimate.

But in practice this unconstrained demand is difficult or impossible to measure, because planning generally does constrain housing development, and has done so for many decades. When we assess future demand by projecting forward past trends, we also project forward the effect of those past constraints. Therefore total housing need, as measured in practice, will generally underestimate the unconstrained total need. Rather than policy-off, it is a policy-neutral, or policy-same, estimate.

Our proposed definition of total housing need does not appear in Government policy or guidance. Hopefully it approximates the implicit thinking behind that policy and guidance. It is helpful in our view because it seems consistent with the NPPF and PG, and also, most important, with Inspectors' interpretation of those documents.

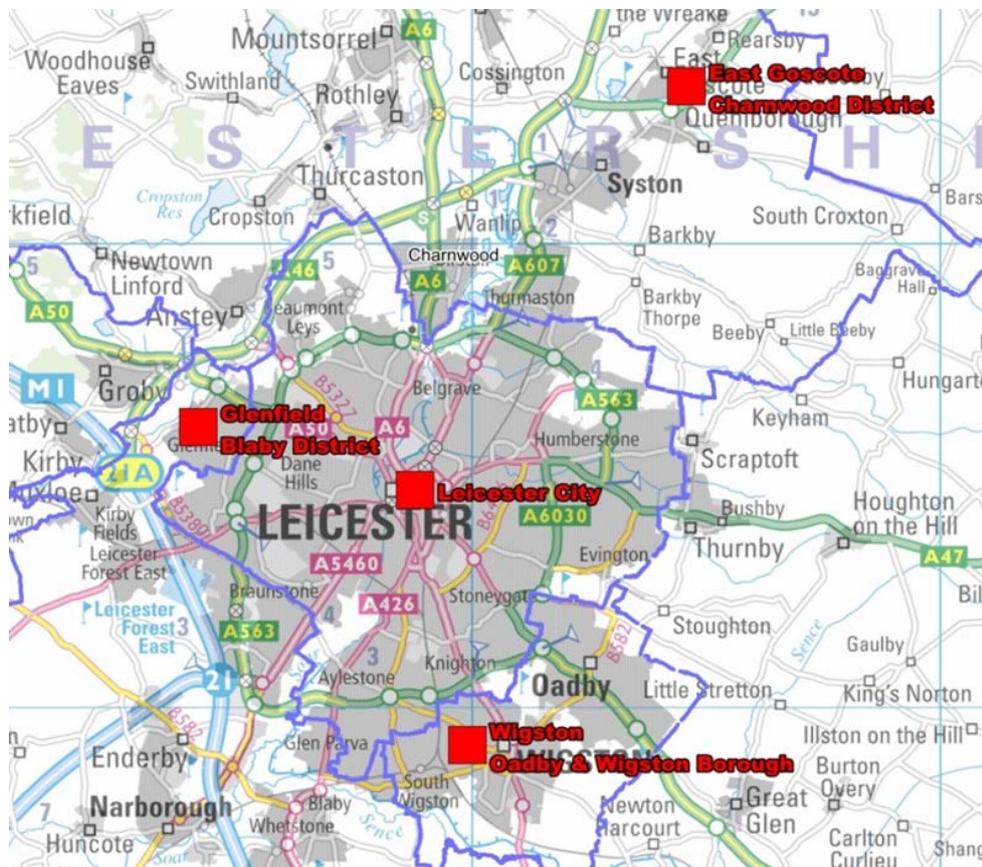
## APPENDIX B HOUSING MARKET AREAS

Both the NPPF and the PG advise that, where a housing market area extends beyond the local authority area, authorities should work together to assess needs across the HMA as a whole. (Where Local Plans are at different stages of production, authorities can build on the existing evidence of other authorities in the HMA, but they should co-ordinate future assessments so they happen at the same time).

The underlying logic, hinted at in the PG, is that much of the need or demand is footloose across administrative boundaries. In effect a housing market area is an area of search – the area in which the typical household looks for a home. In deciding where they want to live, households are generally indifferent to local authority boundaries; their choices are driven by access to jobs, schools, friends and family and so forth. Hence, demand is not necessarily tied to specific local authority areas; it can be met by housing sites either sites of an administrative boundary, so long as these sites are in the same area of search.

To take an example, of the households who wish to live in the Leicester area (see map below) some may be keen to live in a specific neighbourhood in the City Council's area. Some might even insist on a specific street. But many no doubt would be equally happy to be in Glenfield (part of Blaby District), or Wigston (part of Oadby and Wigston borough).

**Figure A1 The Leicester area**



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These different micro-locations arguable form part of a single housing market area – a set of places which many households regard as substitutes for one another. Depending perhaps on where their jobs are, some households may even be content in places such as East Goscote, beyond the boundary of the urban area in Charnwood district. If many households feel that way, Charnwood district should also be included in the housing market area.

As this example illustrates, for small geographies – which includes all or most individual local authorities - need or demand is difficult to measure, and the smaller the area the greater the difficulty. For an area that is too small the very concept of demand or need will make little sense, because there will be too few people or households whose preferences are tied to that area specifically.

So, an HMA should bring together a set of places which households consider close substitutes for one another. In line with national policy, total housing provision across the HMA should meet demand or need. But within the HMA planning can guide development in line with supply capacity and policy constraints, to guide it to sustainable and efficient locations. Thus planning may prevent some households from living in the exact place that they would otherwise choose. But the damage will generally be small, because they will be able to live somewhere close and similar.

## APPENDIX C OFFICIAL DEMOGRAPHIC PROJECTIONS

### Versions

Official demographic projections for local authority areas are released in two separate publications. The first publication is the ONS sub-national population projections (SNPP). The second is the CLG household projections, which appears some months later and translates the SNPP into households. Numbers of households, with a small adjustment to account for vacant homes and second homes, are used as a measure of housing demand or need.

Both series are normally released every other year, based on the ONS mid-year estimates (MYEs) for two years earlier, and run for 25 years from the base date. But this regular pattern is sometimes broken, including because important new data have become available.

Thus, at present, the latest full set of regular projections is still the ONS and CLG 2008-based projections published in 2010 (we refer to these as 'ONS 2008' and 'CLG 2008'). In 2012 the ONS published a 2010-based release of SNPP ('ONS 2010'), following a major review of historical migration data – which found serious inaccuracies in the earlier estimates that underpinned previous projections. The underlying reason – which remains a problem for all projections – is that migration is very difficult to measure: unlike births and deaths, which are formally registered, migration is estimated from partial or indirect sources such as sample surveys and GP registrations. ONS 2010 was never turned into household projections by CLG.

Further to the 2011 Census, whose results have been released gradually from 2012 onwards, in 2013 both ONS and CLG published updated projections. These projections ('ONS 2011' and 'CLG 2011') are badged 'interim' because they take only partial account of the Census results (some important results came too late), and they only run for 10 years, until 2021. The 2011 Census revealed major inaccuracies in some of the historical data behind earlier projections, which are corrected in these interim projections, but only partially.

On 29 May 2014 the ONS published the 2012-based subnational population projections (ONS 2012'), which take full account of the Census. The CLG projections that translate those population numbers into households are expected later in 2014. In the meantime, the only way to get up-to-date household projections is to model bespoke scenarios.

In summary, the historical data (recorded facts) that underpin population projections are imperfect. Once every 10 years, the Census provides robust and comprehensive data on population and households. Between Censuses, only data on births and deaths are fully reliable; data on migration and household formation are estimates, which have not always proved accurate. Since projections are only past trends rolled forward, if past trends are incorrectly recorded the projections will be flawed. The official demographers are working constantly to repair these flaws in the light of the latest information. But such repairs take time, given that they must cover the whole country.

Consequently, at any given time the official projections will generally not incorporate the latest historical data. For individual local authorities and HMAs, adjusted scenarios can serve as early repairs, as we discuss later.

## Method

Demographic projections are derived by rolling forward into the future ('projecting') past trends in the components of demographic change for different demographic groups.

In the SNPP:

- The components of change are natural change (equal to births less deaths) and migration – both domestic (within the UK) and overseas.
- A demographic group is a combination of age and sex - for example women aged 27.
- The projections rolls forward *rates, or propensities*, which are the proportion of a given group that gives birth, dies or migrates between given pairs of areas in a given year.
- Migration is far more difficult to project than natural change. The reason is that for most areas historical migration has varied widely from year to year; hence projected migration is highly sensitive to the period being rolled forward.
- The base period for domestic migration is the five years prior to the base date.
- For births, deaths and overseas migration projections are based on longer-term trends, moderated through expert judgment.

In the CLG household projections:

- A demographic group is a combination of age, sex and 'relationship status' – for example women aged 25-29 who are part of a mixed-sex couple.
- The factors that translate population into households<sup>26</sup> are called *household representative rates (HRRs)*. An HRR is the proportion of each group that are household representative persons, formerly known as heads of household<sup>27</sup>.
  - HRRs are sometimes called headship rates or household formation rates.
  - For any given population, the HRR in effect is the inverse of the average household size; the higher the HRR, the smaller will be the average household and the more households there will be.
- *The projections roll forward past trends in HRRs, using much longer base periods:*
  - In CLG 2008 the base period was 40 years, using data from the four Censuses 1971-2001, plus the Labour Force Survey from 2001 onwards.
  - In CLG 2011 the 2011 Census was added, extending the base period to 50 years, but without complete HRRs (which were not yet available). As we show later, this had a large impact on the projections, considerably reducing expected household growth.

Rates of birth, death, migration and household reference vary greatly between age groups. Hence, regardless of geographical area, an important driver of the projections is the changing age profile of the population. For example, in an area where the population is ageing - so that proportionally there are more older people – all other things being equal

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<sup>26</sup> Not all the population is translated into households. The projections split the population into two groups, household residents and residents in communal establishments. The calculations described below only apply to household residents.

<sup>27</sup> The term 'head of household' is no longer in official use. It has been replaced with 'household representative person' in order to avoid sexist language.

average household sizes will fall. The reason is that older people typically live in smaller households – either as empty-nester couples or widows / widowers. The outcome is that, any given number of people will group into more households and will need more dwellings. Demographic projections can foretell this outcome many years in advance, because from the number of (say) 45-year-olds in the area today they can infer the number of 60-year-olds in 15 years' time.

In this example, the growth in household numbers is driven by changes internal to the demographic system ('endogenous' in the economics jargon). In other words, the projection foretells the impact of demographic variables (in this case, today's age profile) on other demographic variables (the number of households in 20 years' time). This is what projection models are designed for. Their main strength is that they can trace the impacts of changing age profiles through the complicated relationships that drive population and household change.

## Missing factors

### *The economy*

Conversely, what demographic models are not designed for, and cannot do, is foretell the impact of non-demographic (external, exogenous) changes on demography.

To take a topical example, the 2011 Census found that actual HRRs were substantially lower than shown in the latest official projections, CLG 2008. Consequently, across the country and in most local authority areas there were fewer households than previously expected, and their average size was larger than previously expected.

The graphs below show an example<sup>28</sup>. For England, 'average household size in 2011 was almost exactly the same as in 2001, the first time for at least 100 years it had not fallen between censuses'<sup>29</sup>. The lower-than-expected HRRs are concentrated in the young adult age groups. Research from Cambridge University suggests that they are a demand-side effect largely due to the last recession, in which fewer of these young adults could afford their own homes and more were forced to remain with their parents or share with their peers<sup>30</sup>.

Even if the economists had foreseen the recession demographic projections could not have modelled its effect, because projection models know nothing about recessions. The inputs to a demographic projection's inputs are historical demographic data (past population and households); the mechanics of the projection model past relationships between these data. To generate future population and households, the projection rolls forward these past data and relationships. It does not use economic inputs and does not model relationships between the economy and demographic change. If we expect the economy to deteriorate and want it

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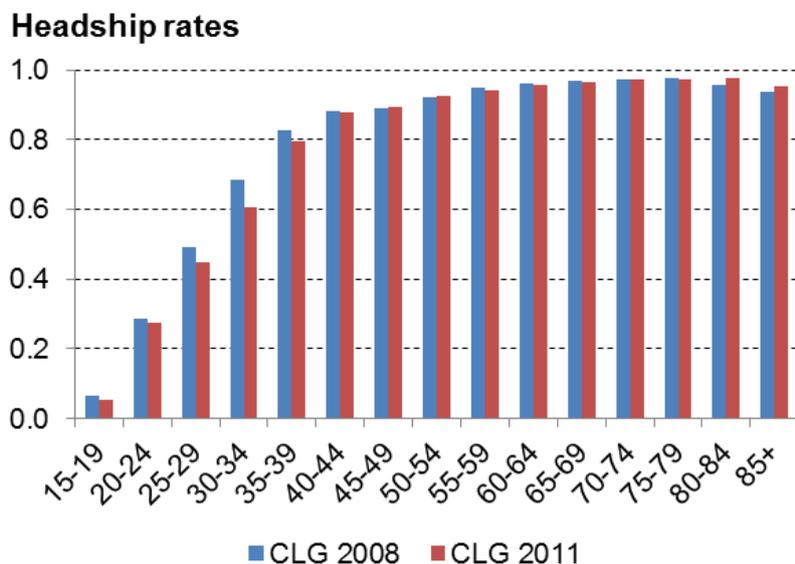
<sup>28</sup> Though the differences in HRRs are fractional, they make a large difference to the growth in household numbers, because they are spread over the entire population.

<sup>29</sup> N Mc Donald, P Williams, University of Cambridge, *Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England*, RTPI, January 2014

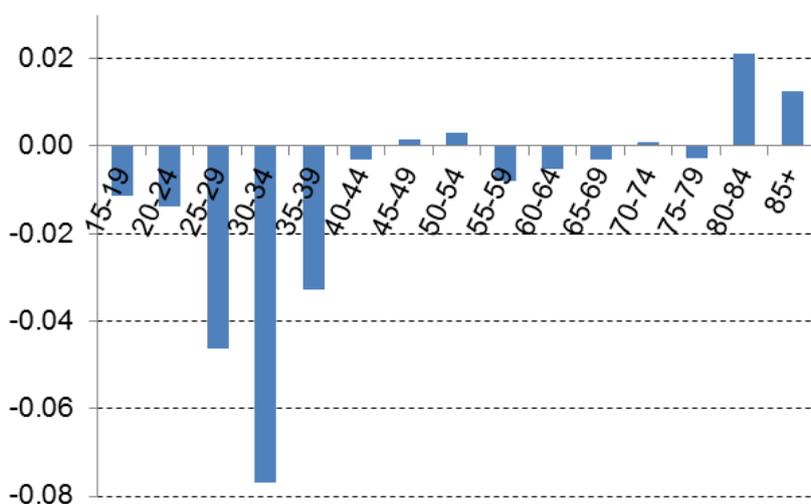
<sup>30</sup> See A Holmans, *New estimates of housing demand or need in England, 2011-13*, London, TCPA, 2013. The study finds that the other reason for larger-than-expected households was a higher inflow of overseas migrants, who on average lived in larger households.

incorporated this in the projections, all we can do is make judgments about the likely impact on migration and HRRs and adjust the model manually.

**Figure A2 Male HRRs by age, 2011, District D**  
 CLG 2008 projection and 2011 Census compared



**Difference: Census less CLG 2008**



Source: ONS, PBA

Without such manual adjustments, demographic projections in effect assume that the economic trends that drove demographic change into the past will continue in future. The projection model alone cannot tell us what will happen if economic trends change. For this we must supplement the projections with informal methods. Inevitably these methods are only broad approximations that rely on judgment, not just demographic modelling. In relation to the recession effect we have described, as discussed in the main report the preferred method is to project forward a blend of old and new HRRs.

Another economic factor that drives demographic change is the labour market, because people want to live in places where there are job opportunities. Yet again this is a factor that cannot be formally modelled into demographic projections. In effect, the model assumes that

the trends that drove local labour demand in the past will continue into the future. If that assumption is wrong, the projections should be adjusted accordingly. Again the demographic model alone cannot provide these adjustments.

### *Planning policy and cross-boundary 'unmet need'*

Just as they do not know about the economy, projection models do not know about other external (non-demographic) factors that impact on demographic change. Among the most important of these factors is planning policy, both in the area under consideration and in neighbouring areas.

In any given local authority district (or HMA), population and household numbers depend partly on land supply in neighbouring areas. If supply is restricted in those areas, demand will transfer to the subject district. Accordingly, if planning in neighbouring areas does not provide housing land in line with their projections, then demand for housing in the district or HMA will exceed the projection. The NPPG and NPPF call this exported demand 'unmet need'. As noted earlier, Local Plans are required to accommodate cross-boundary need where possible and reasonable. It is not part of an area's objectively assessed need, but an additional element that should be taken into account when setting the provision target.

It is important to bear in mind that not all future inward migration is cross-boundary 'unmet need'. As par 159 of the NPPF makes clear, projected migration in line with past trends is part of objectively assessed need. In some areas, especially round cities and large towns, such in-migration is a major component of the OAN. Cross-boundary 'unmet need' is not that continuing trend; it is additional in-migration over and above trend. As mentioned earlier, for overspill areas around London it may be an important factor, because the capital may not have the capacity to meet its projected need. Other conurbations look to be in the same position.

### *Constrained supply*

In relation to planning policy in any given area, as discussed earlier demographic projections are policy-sensitive projections: they broadly assume that future policy will be the same as past policy. If past policy constrained housing development, so that supply fell short of demand, then the projection will also understate future demand. As discussed in the main report, the PG advises that projections should be adjusted upwards to

## **Conclusion**

In summary, there are three main reasons why the official demographic projections might not provide a good measure of future housing demand:

- The projections might be technically flawed. Often this is due to inaccurate historical data: the projections may not have caught up with the latest available data, or even these latest data may be open to doubt (an example is the Unattributable Population Change, discussed in the main report). Sometimes there are other technical anomalies, which mean that the projections for individual places do not look credible.
- The projections in effect assume that the external (non-demographic) factors that drive demographic change in the future will be the same as they were in the past (base period). But in reality these factors might change in future. For example, the

macroeconomic climate might improve; there might be more local job opportunities; or planning policy in neighbouring areas might become more restrictive - shifting demand across administrative boundaries to the subject area.

- Interpreted as a measure of housing demand, the projections in effect assume that in the base period the demand for housing land was fully met. But in practice it may be that past planning policy constrained housing development in the area, so the planned land supply fell short of demand. In that case, the projections will roll forward that constraint, so they will understate future demand.

As shown in the PG, to overcome these problems as far as possible the projections may be adjusted to produce alternative scenarios. We discuss these alternatives in the main report.

## APPENDIX D ALIGNING JOBS AND WORKERS

To predict future employment change, many authorities rely on economic forecasts commissioned from specialist forecasters. Sometimes they use standard employment forecasts, which represent the forecasters' preferred scenarios. Other times they use bespoke scenarios to reflect alternative macroeconomic expectations or policy aspiration, as discussed earlier.

In many cases this approach is deeply flawed. Typically the analysis proceeds as follows:

- i The economic forecasters usually take future resident population from the official ONS projections. A hidden assumption behind those projections is that enough housing will be provided to accommodate that projected population.
- ii The forecasters translate the population into a resident workforce. They then input both resident population and resident workforce into the model that forecasts workplace jobs.
- iii (In the model, the size of the population impacts of jobs by creating demand for services (the more people live in an area, the more jobs there will be in local services such as retail, schools and medical care). In some models the size of the local workforce also impacts on jobs, as employers' location is driven by the availability of workers.)
- iv The forecasters pass the workplace jobs forecast to the planners.
- v The planners translate the jobs back into numbers of resident workers, then total population and finally resident households and hence 'housing need'.
- vi The future population output at stage iv may occasionally equal the future population input at stage i. If this happens, it will be by chance. But normally the two numbers are different, because the economic forecasters and the planners use different estimates of the factors that link population to jobs – which are economic activity rates, unemployment and commuting. There is no reason why the two sets of assumptions should be consistent, because the forecasters and the planners do not discuss them (the planners do not know that the forecasters use them).
- vii The planners (and the Inspector) cannot see the inconsistency, because they have not seen or have not noticed the population assumptions behind the jobs forecast.

In short, population is both an input and an output to the process. The modelling uses the expected future population as an input, and it produces future population as an output.

At best, the process is logically circular: the population that it outputs, and the resulting housing need, simply repeat the assumptions that were input at the start. But generally the model is also inconsistent, because the population that is output does not equal the population that is input. Either way, the results make no sense. In formal logic this approach is known as 'self-defeating prophecy'.

For an approach that makes sense, it is necessary to integrate demographic projections and economic forecasting. For this we have developed an integrated method, working with

economic forecasters and based on the model structure illustrated below. The model is used to test alternative assumptions and (at a later stage) alternative policy options, iterating between jobs and housing.

**Figure A3 An integrated model**

