

Ten key principles for owning your housing number - finding your objectively assessed needs



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Introduction

PAS thinks that the ten key principles necessary for you to own your housing number are:

- Understanding and calculating 'objectively assessed need' by
 - Using up to date and proportionate evidence
 - Working across the housing market area and including affordable housing
- Translating the objectively assessed requirement into a figure to be provided in the plan
- Dealing with unmet requirement and cross boundary issues
- Using the SHLAA as a key piece of evidence
 - Ensuring a deliverable supply of sites
- Dealing with the issue of backlog or shortfall
- Determining whether there should be a 5% or 20% flexibility allowance
- Continuously monitoring to assess performance and identify changes.

1. Understanding and calculating 'objectively assessed need'

The NPPF requires local planning authorities to meet the full objectively assessed needs for housing. It uses the term 'need' throughout the document, however, as this term is usually associated with affordable housing we think it is more useful to think of it as demand, or more accurately the objectively assessed requirement.

The aim is to establish this requirement through a comprehensive understanding of what is required to address demographic change. In doing so you also need to understand the implications of achievable economic potential in the area and how your population will change over time. It is important that an appropriate methodology which considers all the relevant information is undertaken at the right stage. This will ensure that policy issues are not included in the setting of the requirement. Supply, or a criteria based approach, must also not be confused with the requirement.

The National Planning Practice Guidance (NPPG) was issued in BETA on 28 August 2013 and is subject to consultation until 14 October 2013. It defines need in this context as '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'. It provides considerable and valuable information in relation to the assessment of housing needs including recognising that it is an objective assessment based on 'facts and unbiased evidence'.

While the NPPG recommends the use of standard methodology, it recognises that there is no single approved methodology to calculate the objectively assessed need.

The aim is to establish this requirement through a comprehensive understanding of what is required to address demographic change. In doing so you also need to understand the implications of achievable economic potential in the area and how your population will change over time. It is important that an appropriate methodology which considers all the relevant information is undertaken at the right stage, this will ensure that policy issues are not included in the setting of the requirement, and supply must not be confused with the requirement. The NPPG is clear that 'plan makers should not apply constraints to the overall assessment of need, such as the limitations imposed by the supply of land for new development, historic under performance, infrastructure or environmental constraints'.

The fundamental principles to guide your approach are:

- Agree the plan period
- Establish the appropriate functional area for consideration
- Use up to date demographic evidence to understand how the population has changed in the past and what the components of change (births, deaths, migration) are that have contributed to this
- Understand what the most up to date projections (population and household) are saying will happen over the plan period, explore the differences between different projections, past information and the census data as well as household formation rates.
- Consider whether there is evidence to justify the development of different scenarios, and sensitivity test assumptions according to local circumstances i.e. using the long term trend or varying migration assumptions – these must be based on evidence.
- Benchmark the scenarios against the economic growth ambitions and working age population that will be required to deliver the number of jobs required
- Test the implications of the scenarios in terms of population and households, making clear what assumptions have been applied
- Understand what the affordable need and market demand information is showing
- Set out the likely range of housing requirement and test the appropriate mix of housing in terms of tenure, type and size that would be required as a result.

The most recent projections are the best starting point in understanding the requirement. This is supported by the NPPG inspectors who have examined recent core strategies and considered S78 appeals, as well as the Secretary of State. As part of this it is useful to understand what the demographic information is showing about past trends, because these are used to project the future population and household growth rates. There are various information sources that allow you to interrogate this information, but the most accessible is the **‘What Homes Where’** tool which demonstrates the different components of population growth, ie births, deaths and migration, and how these have changed over time (see <http://www.howmanyhomes.org/5.html>). Understanding whether these trends are robust allows for ‘blips’ to be considered and explained and possibly different assumptions made, such as longer term trends to be analysed. The variation of assumptions is an area where authorities are vulnerable to challenge; any decision to change assumptions must be transparent and based on evidence.

The NPPG makes clear that local authorities should not make local adjustments to migration assumptions unless they have the agreement of other Local Planning Authorities within their housing market area.

A method which uses a 'black box' approach is at risk of being unexplainable and unreliable. It is important to understand the sensitivity of assumptions to minor adjustments. This is particularly the case in relation to household size assumptions where small adjustments can have big consequences for the number of houses to be provided.

Having considered the demographic trends and projections, it is useful to consider any employment-led projections that the council want to test. This ensures regard is had to the growth of the working age population and allows cross reference and corroboration and ensures integration in line with the NPPF between the housing and employment strategies. There is a direct link between the creation of new jobs and the creation of new homes, but any method must ensure it includes an element of demand generated from the existing population.

Because there is no single right answer to exactly what your requirement is, it is important to accept that uncertainty exists. The exact figure is a matter of judgement. Therefore the most useful approach may be to consider a range of appropriate and justified scenarios and understand how they corroborate each other. This ensures that all relevant information is considered and that integration between the different sources is explored. However, when considering what scenarios to test it is important to ensure that they are credible and not purely hypothetical. In particular the scenarios have to be capable of being brought about by the Local Plan, a point emphasised in the NPPG. For example a 'zero migration' scenario is not achievable because you cannot stop migration occurring. Therefore using this as a scenario will have only very limited value if it is included within the requirement range.

The SHMA is a useful, and the most appropriate vehicle for exploring what the objectively assessed requirement is. However, it can be supported by a housing background paper or requirement report. In general an evidenced approach should set out and test a number of appropriate scenarios. This then provides a range of figures which represent the likely requirement in terms of scale and mix over the plan period. This should meet the requirements set out in the NPPF. It should also be based on the useful guidance contained within the NPPG.

It may be appropriate, although not strictly necessary, to commission an independent study. If you are going to be commissioning work to establish the objectively assessed requirement, it is important that you understand the issues enough to ensure you get what you want. The work should be specifically tailored to your needs and the issues that your HMA has. Any independent study should address the key aspects of the demographic projections, affordable housing issues and economic factors and make clear how these are translated into appropriate scenarios to be tested. Delegating all responsibility to a consultant is unlikely to be efficient because you have to explain it to members and translate it into a provision taking account of all the other evidence.

So, you should:

- set out the questions you want answers to
- work closely with them to understand the best methodology, the appropriate data sources and limitations, and relevant assumptions to be applied
- explore relevant scenarios appropriate to your area, not necessarily importing standard approaches
- ensure you understand exactly how the calculations work and what assumptions are included.

If you don't know of a local supplier to do this for you, you can access the PAS supplier framework and use one of the consultants on that.

Contact pas@local.gov.uk for more information.

2. Using up to date and proportionate evidence

In setting out the objectively assessed requirement, you must use the most recent up to date information. Useful sources of information include:

What Homes Where

This is a very useful interactive web based tool which allows you to understand and explore the characteristics of population and how and why it has changed over time, and in the future. It currently uses the 2008 based projections, but is being updated with the revised census information or more recent interim data. This is available at: <http://www.howmanyhomes.org/5.html>. The companion guide is at http://www.howmanyhomes.org/resources/LHRA_Guidance_7-3.pdf

Choice of Assumptions in Forecasting Housing Requirements

This assumptions report produced in March 2013 by Cambridge Centre for Housing and Planning Research provides detailed information on the legitimacy of using alternative assumptions. It is available at: http://www.howmanyhomes.org/resources/Choice_of_Assumptions.pdf

Mid-year estimates

The raw data behind the 'What Homes Where' tool is included within the mid-year estimates. These set out the different components of change (births, deaths and migration) which have made up the historic population growth. The Mid 2002 – 2010 estimates of the usually resident population as at 30 June of the reference year have been revised in light of the 2011 Census.

<http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Population+Estimates#tab-data-tables>

Projections

All projections are trend based rolling forward what has occurred over the past five years. They therefore simply identify what would happen in the future if the key factors such as, birth and death rate, number of migrants, household formation rate and number of people not living in households, continued at the same rates. It is important to note that projections therefore do not take account of any changes in policy that national or local government is trying to implement.

In addition caution should be applied if the trends experienced in the past five years reflect a period of particular economic decline or likewise economic buoyancy. Projecting forward a recessionary trend may lead to concealed households not being catered for and an underestimate of the true level of household change. It is also important to understand how this may impact on any economic recovery and growth ambitions that the council have. Examine the trends and projections in relation to household representation rates, age structure and household type to see how they compare with the current position as identified in the Census.

Population projections

These are produced by ONS and are updated every two years. The latest 2011 based projections were published in September 2012 and are 'interim' (they only go to 2021). They use the Census based mid 2011 population data, although they do not fully take into account all the implications of the Census, and use previous assumptions relating to fertility, mortality and migration.

Because they only cover a 10 year period, they are of limited value for strategic planning purposes in relation to plan periods extending beyond 2021. The next full set covering 25 years is expected in September 2014.

Available at:

<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-274527>

Household projections

These are produced by CLG and use the data from the population projections within the model. The latest 2011 based projections were published on 9 April 2013 and are also 'interim', going to 2021 because they follow the population projections.

Available at:

<https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections>

Census 2011

The Census taken on 27th March 2011 represents the most up to date set of information about an authority. It allows comparison with previous information and particularly the 2001 Census data. A considerable amount of 2011 Census information is now available, including age, sex and household information as well as key and quick statistics. It is particularly useful to understand the age structure of your population as well as the types of household that exist. The next release from the summer onwards is likely to include detailed themed and local characteristics and specialist data such as flows and alternative population base.

There are various sources of this information including:

<http://www.ons.gov.uk/ons/guide-method/census/2011/census-data/index.html>

<http://www.nomisweb.co.uk/census/2011/qs601ew>

Census Interactive topics

<http://www.ons.gov.uk/ons/guide-method/census/2011/census-data/2011-census-interactive-content/index.html>

Neighbourhood statistics

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

Nomis – official labour market statistics

This is a web-based database of labour market statistics run by the University of Durham on behalf of the Office for National Statistics. It contains an extensive range of government statistical information on the UK labour market including Employment, Unemployment, Earnings, Labour Force Survey and Jobcentre Plus vacancies. A range of summary and detailed statistics is freely available, although detailed Annual Business Inquiry (ABI) and Business Register and Employment Survey (BRES) is only available with an account and paid notice. It also contains considerable information on the 2011 Census.

<http://www.nomisweb.co.uk/>

3. Working across the housing market area and including affordable housing

The NPPG provides some valuable guidance about what the SHMA should include, what areas should be covered and how housing market areas should be defined, as well as who authorities need to work with. It emphasises that needs should be assessed in relation to the relevant functional area and provides the sources of information to consider in the definition of the housing market area. This includes a market based appraisal of the area, an understanding of migration flows and contextual data such as travel to work area boundaries and catchments.

There is no up to date guidance available which sets out how a SHMA should be done although some may be forthcoming following the Taylor review of planning guidance.

In summary, our view is that a SHMA should:

- be up to date
- be prepared across the whole of the relevant housing market area
- involve all interested parties across the council and other stakeholders
- include an explicit assessment of affordable housing need
- provide an understanding of market demand and take account of market signals.

You should understand evidence for the whole area, namely the appropriate constituent local authorities as well as the different local housing market areas that exist. This should be set out at the outset on a robust basis. It should be a reflection of the functional areas that exist and not just use for convenience, the past structures that existed. While the information may not be as easily available for the housing market area, compared with that available on an individual authority basis, there are considerable risks of working alone to assess the affordable and market housing needs. Inspectors in a number of Core Strategy examinations including Rushcliffe (<http://corestrategy.rushcliffe.gov.uk/>) and Coventry (http://www.coventry.gov.uk/info/2000870/core_strategy_examination_in_public_2012/1707/coventry_core_strategy_examination_in_public_2012) have criticised authorities for not having or taking adequate account of accurate and up to date information available for the whole housing market area. See PAS '[Successful plan making document](#).'

However, Inspectors are also taking a pragmatic approach to the geographical scope of the SHMA where this is supported by evidence. For example in Bath and North East Somerset the Inspector has agreed to continue the examination because the Bath HMA covers 80% of population of district and is therefore a reasonable fit to regard the district as a single housing market area.

Demand is the same as what we have termed requirement. Within the requirement there is an element of affordable housing need. In terms of affordable housing need and demand are different because what might be demanded may not be the same as what it needed. There is a duty on the authority to meet need and there is now more flexibility to match up those in need with the housing stock available. In terms of open market housing demand and need are driven by what can be afforded and there is a choice about how this need is met.

Affordable housing should be a fundamental part of the SHMA. The NPPG provides considerable information about how this need should be calculated. The calculation of affordable need should be identified separately, using a wider range of data sources and surveys and historical information. It could include a comprehensive analysis of affordable housing need using a variety of sources and surveys as necessary. This will ensure that it represents a bottom up assessment of all affordable housing need. It should provide evidence of the level, type, and tenure of housing and undertake further detailed analysis as required. This could include detailed affordable housing needs assessments, analysis of affordability and consideration of specific sectors such as the private rented sector and sections of the population such as older people and those wishing to build their own home.

The SHMA should involve others by taking a corporate approach working across the council, with key partners, stakeholders, registered providers. Addressing local housing need will support the whole of the council's strategy on housing and provide a basis for informing strategies across the council and continuous monitoring.

4. Translating the objectively assessed requirement into a figure to be provided in the plan

Having come up with a corroborated and justified range which represents the objectively assessed requirement from the scenarios tested, you should develop realistic options about how this requirement could be met.

In the process of translating this requirement into the provision for the plan all other evidence needs to be considered. The evidence primarily includes the SHLAA and supply side information, taking account of deliverability, viability and constraints, including:

- what sites are deliverable - suitable, available now, achievable and viable
- what level of development has previously been achieved and what is the market capacity within the area
- what market signals such as land prices, house prices, rents, affordability, rate of development and overcrowding are demonstrating
- what are the views of developers, ie rates per site (or per sales outlet where the site is large and contains different areas to be built out)
- what infrastructure is required and how will this be funded
- what viability constraints exist
- what environmental designations exist

An assessment of the supply side evidence will demonstrate the deliverable level of supply. The decision about how to meet this requirement is more straightforward if the supply of sites equals or exceeds your requirement.

In developing options about how the requirement is to be met you should take into account the council's policies and objectives (but these must not be included in the setting of the requirement). Suffolk Coastal Core Strategy was explicitly criticised by the Inspector for including policy judgements within their calculation of the requirement (<http://www.suffolkcoastal.gov.uk/yourdistrict/planning/review/corestrategy/examination/>). The Hunston Judgement (CO/4686/2013) issued on 5 September 2013 makes clear that a constrained housing figure is not the objectively assessed need.

In developing options you'll have to decide whether some figures within the requirement range are more appropriate than others. These options should be justified taking into account the evidence as well as all the policies and objectives to be achieved over the plan period. Don't be tempted to gravitate towards the lowest figure in the range if it is at odds with the wider strategy within the local plan. Any options will need to be realistically driven by the plan and should be tested by the sustainability appraisal. This should fully set out the implications of each option and of the provision figure that is eventually chosen.

It is essential to ensure consistency across and integration between the council's planning and corporate policies and objectives, and the provision of housing to be made in the plan. Specific objectives that could be considered, and may influence the option chosen include:

- the level of contribution to affordable housing you are seeking to make, subject to viability assessment, see PAS viability testing advice for practitioners and also the viability events being run in various locations this summer)
- the ambition to achieve x jobs or x% economic growth
- improvements in out-commuting rates
- the role of settlements
- environmental protection and other policy issues such as green belt

Corroboration, consistency and integration will ensure a joined up strategy and be more likely to deliver a good and sound plan. For example consideration of the long term demographic and economic led projections may reveal that they are producing a similar level of housing requirement. If this will ensure you meet your objective of achieving x jobs over the plan period as well as addressing the high level of affordable need that exists, then there is a consistent set of evidence which integrates your strategy together and can be justified.

Conversely it is inappropriate and perverse for a strategy which seeks to increase jobs across the district to be accompanied by a low level of housing based on demographic projections with low migration trends. This is because the ambition for new jobs is only likely to be achieved by the in-migration of economically active people. Likewise a corporate strategy which seeks to address the high affordable housing need is unlikely to be delivered by a very low level of housing provision.

After considering the options about how to deliver what is required and meet your policy objectives, and having undertaken a sustainability appraisal, make a decision about the most appropriate way forward and set a provision figure within the plan.

If you decide on a figure which is different from your requirement you will have to address any unmet requirement by approaching other authorities within your housing market area. The NPPG provides further guidance on this in the questions relating to the duty to cooperate (<http://planningguidance.planningportal.gov.uk/blog/guidance/duty-to-cooperate/what-is-the-duty-to-cooperate-and-what-does-it-require/>).

Any decision to fall short of the objectively assessed requirement must be clearly justified. This will be rigorously scrutinised prior to, and during examination where you will be required to defend the approach set out in the Local Plan and particularly how it relates to the evidence base.

5. Dealing with unmet requirements and cross boundary issues

The NPPF at paragraph 82 states that a local plan should be positively prepared and meet the 'objectively assessed development requirements, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development'.

The duty to co-operate is both a legal test and soundness test which requires effective joint working on cross-boundary strategic priorities. The aim is to ensure that authorities work together at the appropriate functional area to deliver effective spatial plans.

PAS have also produced 10 golden rules for effective strategic planning as well as a number of case studies. See <http://www.pas.gov.uk/pas/core/page.do?pagelId=2133734>. It is likely that these will be added to, in due course, to set out the implications of dealing with unmet requirements, and identify the keys lessons learnt and any good practice that emerges.

There are considerable negative implications of not providing enough housing within a housing market area. These include, among others, house price rises and an increase in unaffordability. This also impacts on the economy in terms of lack of available housing supply constraining the ability of employers to attract the employees they require.

If there are legitimate reasons why you are unable to meet your provision, you will have to look towards your neighbours to see whether they can accommodate some of your unmet need. It is entirely inappropriate to ask your neighbours to accommodate housing on land with the same capacity constraints or environmental designations that you have dismissed. Further information and guidance on how to work with neighbouring authorities to meet the full objectively assessed needs is set out in the NPPG (again do we want a link here?).

Given that the requirement and need information has been collected on the basis of a robust definition of what the housing market area is, it follows that all the identified requirement that exists within the area should be met within that housing market area. Not doing so is likely to lead to displaced demand, and also present considerable risks in relation to the duty to cooperate and the soundness test.

The NPPG suggests that evidence such as unmet requirement can act as a trigger for other authorities to consider implications and review their housing policies. It also states that when authorities are reliant on other authorities who will not cooperate it is essential that they:

- demonstrate that they have done all they can
- satisfy themselves that the planning strategy cannot be delivered in another way
- thoroughly test all policy options
- hold discussions with the Inspectorate
- acknowledge they cannot fully deliver their strategy and possibly meet all objectively assessed need
- submit a detailed statement and evidence of the actions they have taken to engage cooperatively
- submit undertakings in writing about the actions that they will take to seek to secure an effective planning strategy in the future.

Inspectors will examine the actions taken to seek the cooperation of key partners and the outcome of their efforts; the implications for the planning strategy; and the willingness to commit through written agreements to work together to achieve effective solutions.

There is now a requirement for local planning authorities to give details of what action they have taken to comply with the duty in their authority monitoring reports at least once a year, and include details of the actions they have taken to respond constructively to requests for cooperation.

Consequently, the key issue is whether any other authority within the HMA can meet their own requirement as well as the remainder of yours. This process requires dialogue and effective cross boundary working. If the SHMA has been prepared covering the whole HMA and therefore across boundaries, relationships will have already been established. This means that you will be aware of the scale of need and its distribution over the whole area and to individual local authorities.

Proper discussions at an early stage are essential and valuable in understanding the supply side constraints and policy objectives that exist. This allows a distribution strategy to be put in place which reflects all the evidence that exists. In this way the SHMA can be complemented by a further housing and policy distribution topic paper for the HMA which provides a detailed consideration of how any unmet need is addressed.

We have produced 10 golden rules for effective strategic planning as well as a number of case studies. See http://www.pas.gov.uk/strategicplanning/-/journal_content/56/332612/3603727/ARTICLE. We aim to add to these, in due course, to set out the implications of dealing with unmet requirements, and identify the keys lessons learnt and any good practice that emerges.

6. Using the SHLAA as a separate key piece of evidence

The housing supply is not the same as the objectively assessed requirement. It is a different set of evidence. Inspectors have made this clear in advice on core strategies, particularly in relation to Rother, East Hampshire, Ryedale, BANES, and Dacorum.

The SHLAA is an essential piece of evidence which provides consistent and comparable up to date information on the availability, suitability and deliverability of sites. It allows authorities to understand what sites are theoretically available for allocation, what sites have permission and to provide detailed information on past development which can be used to inform windfall calculations. Essentially it allows information to be compiled to inform decisions about how you are going to deliver your requirement. As with the SHMA, there is expected to be some guidance on carrying out a SHLAA coming out of the Taylor Review

As a key part of the SHLAA and plan-making it is essential to understand how your supply will be delivered over time and to inform the development of a trajectory to ensure that a deliverable supply meets the objectively assessed requirement. It can specifically be used to inform the five year land supply calculations. Appeal decisions such as the Dawlish decision (APP/P1133/A/12/2188938) are demonstrating that inclusion of sites within the SHLAA or as an allocation is not an automatic assumption that they are deliverable. It is therefore essential that all sites are critically assessed to determine realistic potential.

An essential part of the process of a robust SHLAA is the involvement of developers in the process. This ensures developers are the key source of information to help with assessing supply and the trajectory. Registered providers can also provide useful information in relation to the delivery of affordable housing. Developer workshops can be used to understand:

- market areas
- land and house prices
- likely build rates
- the market for different types of houses

Developing an on-going relationship and conversation with the development industry provides valuable information and agreement which can be used within the plan and referred to in evidence for the examination, and then implementation.

7. Ensuring a deliverable supply of sites

The NPPF states that local planning authorities should be able to demonstrate a five-year housing land supply (a supply of deliverable land for housing). Without this there is a presumption in favour of giving planning permission to applications for new housing unless the development can be shown to cause demonstrable harm to other factors that outweigh the need to provide new housing. Paragraph 49 of the NPPF is clear that relevant policies for the supply of housing should not be considered up-to-date if the local planning authority cannot demonstrate that five year supply of deliverable sites (APP/Q3305/A/12/2188030 <http://www.pcs.planningportal.gov.uk/pcsportal/fscdav/READONLY?OBJ=COO.2036.300.12.5319014&NAME=/DECISION.pdf>).

This approach has been upheld at numerous appeals where policies such as settlement boundaries and employment allocations have been outweighed by the need to meet immediate housing need and secure an adequate supply of housing land. The Secretary of State in a recent recovered appeal on 14 May 2013 gave considerable weight to paragraph 14 of the NPPF stating that it was 'inescapably influential in the context of the Framework as a whole'. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/199127/Called-in_decision_-_Melton_Road_Barrow_upon_Soar_Leicestershire_-_residential_development_ref_2173673_13_May_2013_.pdf) (APP/X2410/A/12/2173673)

There are an increasing number of decisions in which the Secretary of State is supporting Inspectors making clear that housing need is a key priority which is being given considerable weight. The Secretary of State's decision in Tarporley Cheshire (APP/P1133/A/12/2188938) in August was closely followed by the Dawlish decision at Shutterton Combe in Teignbridge Borough Council (APP/P1133/A/12/2188938) on 10th September 2013. On 11 September the Secretary of State upheld an Inspectors decision in Basingstoke and Deane allowing permission for an outline application for 450 homes at Popley (APP/H1705/A/12/2188125 & APP/H1705/A/12/2188137). These decisions all confirmed that where an authority 'cannot demonstrate a 5 year housing land supply, its housing supply policies should be considered out of date in accordance with paragraph 49 of the Framework'. In these circumstances paragraph 14 of the Framework indicates that planning permission should be granted unless in the balance between benefits and harm the latter 'significantly and demonstrably' outweigh the former'.

It is important to count the right sites and make the right assumptions. Recent appeals support the NPPF and emphasise that sites should be available now, and be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development should be viable. The Engine Common appeal (APP/P0119/A/12/2186546) in April 2013 has clarified that this 'does not mean that sites without planning permission should be excluded from a calculation of supply figures'. <http://www.pcs.planningportal.gov.uk/pcsportal/fscdav/READONLY?OBJ=COO.2036.300.12.5284539&NAME=/Decision%20Letter.pdf>

However, it is increasingly obvious from recent appeals that sites need to be considered on their merits and that footnote 11 of paragraph 47 requires considerable rigour in the assessment of deliverability. A five year land supply is a movable target and even a newly adopted plan may be open to challenge. This was the case in the Oakham decision (APP/A2470/A/10/2143475) where there was found to be no five year land supply just 2 months after the plan was adopted. In addition to the increasing number of successful appeals there have also been a number of successful costs awards. These have been made against authorities who are placing unreasonable reliance on out of date evidence to justify their five year land supply. Local authorities need to be very clear of the basis on which housing applications are being refused, their objectively assessed requirement and five year land supply figures as well as whether the proposal is for sustainable development.

Assessing deliverability is not an exact science. However, it is important that assumptions relating to development rates ie number built per site / sales outlet per annum are in line with current realistic completion rates and that the development industry agree with them. In addition it is important to allow long enough lead in times between sites getting permission and delivering houses.

In relation to windfalls any assumptions and calculations of a windfall rate should:

- be based on past data
- be cleaned of any sources appearing elsewhere in the supply
- contain no double counting of sites with permission in the first few years
- reflect the current policy context

Given the new policy that allows for the conversion of offices to residential it is suggested that completion rates include this as a separate category so that accurate monitoring can be undertaken to demonstrate the extent to which this is contributing to the supply of housing within your area.

Further information is available on the PAS website at ‘why does my council need a five year land supply’ (<http://www.pas.gov.uk/pas/core/page.do?pagelId=2784777>)

8. Dealing with the issue of backlog or shortfall

Backlog or shortfall is defined as underprovision that has accrued against previous development plan target.

The dates of the plan period are fundamental to the calculation of whether there has been a shortfall against the requirement that was in place over that period. One way of avoiding this issue and a common sense approach is to ensure the plan is based on up to date information, such as the projections and SHMA. In this way the objectively assessed requirement should take account of all need that exists and set a new requirement which effectively removes the issue to be addressed within the figures. Regular monitoring and updating to reflect the up to date position ensures that any unmet need is reflected.

However, this is dependent on using a robust methodology to set your objectively assessed requirement. There is much discussion over whether up to date projections adequately address the issue of shortfall and two schools of thought exist:

The first view is that household projections take into account unmet need, and therefore there is no need to try and 'make up' any past shortfall in housing provision, as the shortfall is reflected in future household projections.

The second is that because there has been a lack of suitable accommodation, households have not formed which means that the trends on which the projections are based do not reflect the real need. This creates a 'pent-up demand' for housing, which should be measured or estimated, and added on to household projections."

The NPPG appears now to conclude that household projections do not reflect unmet housing need, and so local planning authorities should assess evidence of whether household formation rates have been constrained by supply. This should be set within the context of a common sense approach. That is, to ensure the plan is based on up to date information such as the most recent projections and a SHMA which fully considers unmet need. Regular monitoring and updating to reflect the up to date position should ensure that any unmet need is reflected and provided for.

If there is a backlog of housing that has accrued against the requirement, there are two ways this can be addressed. These are known as the 'Liverpool' and 'Sedgefield' methods:

- The 'Liverpool approach' is to seek to meet this backlog over the whole plan period. It is also known as the residual approach.
- The 'Sedgefield approach' is to front load the provision of this backlog within the first five years.

There is no guidance or advice which sets out the preferred approach. However, the 'Sedgefield approach' is more closely aligned with the requirements of the NPPF and the need to boost significantly the supply of housing and remedy the unsatisfactory consequences of persistent under delivery. Inspector's decisions in relation to S78 appeals confirm their preference for this approach.

APP/H1840/A/12/2171339 <http://www.pcs.planningportal.gov.uk/pcsportal/fscdav/READONLY?OBJ=COO.2036.300.12.4568366&NAME=/Decision%20Letter.pdf>

APP/Z3825/A/12/2183078 <http://www.pcs.planningportal.gov.uk/pcsportal/fscdav/READONLY?OBJ=COO.2036.300.12.5318891&NAME=/DECISION.pdf>

APP/PO119/A/12/2186546 <http://www.pcs.planningportal.gov.uk/pcsportal/fscdav/READONLY?OBJ=COO.2036.300.12.5284539&NAME=/Decision%20Letter.pdf>

The Secretary of State has supported this approach in the Dawlish Decision (APP/P1133/A/12/2188938) as have the Courts in the Shottery judgement issued on 18 July 2013 (CO/12539/2012).

9. Determining whether there should be a 5% or 20% flexibility allowance

The NPPF requires authorities to provide an additional buffer of at least 5% to ensure choice and competition in the market for land and seek to provide a genuine margin of adequate supply. This buffer is not an additional amount on top of the total provision, rather it is moved forward from later in the plan period. This principle goes to the heart of flexibility in relation to the objectively assessed need (Para 14 of the NPPF) and ensures that there is less reliance on every single housing unit within the trajectory to be delivered.

A decision needs to be made as to whether the 5% buffer needs to be increased to 20%. This is required when there has been a persistent record of under delivery. Calculations should be based on an analysis of completions against previous requirement using data representative of the whole economic cycle, which may be from the last 10 years. However, there is not a consistent approach from Inspectors about the timescale and information required to demonstrate persistent under delivery. Accurate monitoring of completion rates is essential to provide this information and should be provided in the AMR.

10. Continuously monitoring to assess performance and identify changes

It is essential to use up to date information to set the requirement and assess supply and delivery. A range of different sources of information are available and should be regularly considered to assess what implications they might have. Regular monitoring of information allows for the review of assumptions and assessment of achievement against key objectives.

The NPPG is currently suggesting that a comprehensive assessment should not be needed more than every five years. However, it is not clear how this links in with the need for an up to date plan required by the NPPF and the need for a robust and credible evidence base. It is therefore suggested that the evidence is constantly monitored and changes made as necessary.

The key questions to be answered include:

- are the sites you expected to come forward delivering as many as predicted?
- are you achieving the expected number of jobs?
- are the assumptions you used still accurate?
- has unemployment reduced?
- what is the average household size?
- Are household formation rates changing?
- What is happening to your housing waiting list applications?
- What are the market signals such as land prices, house prices, rents,

Information that is updated annually includes:

- mid-year estimates – births, deaths and migration
- BRES (Business Register and Employment Survey) - employment figures
- annual population survey – unemployment and economic activity rates

It is useful to understand your existing housing stock and how this relates to the type and mix of housing that is required in the future. Monitoring sites that come forward through planning permissions and completions is essential in order to ensure a continuous supply of available and deliverable sites. Completions information should respond to the current policy context. For example it should identify conversions from offices to residential, to ensure adequate information is provided on which to assess the performance of policy objectives. It is also necessary to identify the delivery of affordable units separately so that this can be easily monitored. Population and household projections are updated every 2 years, alternately, therefore allowing an assessment of change to be made annually.

These sources allow you to consider how migration levels, employment growth, unemployment and economic activity rates compare with any assumptions that were made in the objectively assessed requirement.

In addition they allow you to identify performance in delivering a supply of houses to meet the requirement. Consideration of information across a range of topics allows for the identification of any areas which are not achieving what was expected. This highlights areas for action and points to changes that may be required to the plan, or to the associated council strategies.



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