

Links between planning policy and strategic housing market assessments

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Chapter 2. Links between planning policy and strategic housing market assessments

2.1 Introduction to Planning Policy Statement 3: Housing (PPS3)

“Planning shapes the places where people live and work and the country we live in. It plays a key role in supporting the Government’s wider economic, social and environmental objectives and for sustainable communities.”

Published in November 2006 by the Communities and Local Government, PPS3 sets out the national planning policy framework for delivering the Government’s housing objectives. A principal aim of the Statement is to underpin the Government’s response to the Barker Review of Housing Supply and the necessary step-change in housing delivery, through a new, more responsive approach to land supply at the local level.

Local Planning Authorities and Regional Planning Bodies must take PPS3 into account when they prepare Local Development Documents and Regional Spatial Strategies. Local Planning Authorities need to assess and demonstrate the extent to which existing plans already fulfill the requirement set out in PPS3 to identify and maintain a rolling five-year supply of deliverable land for housing, particularly in connection with making planning decisions. They are required to consider PPS3 as a material consideration when making decisions on planning applications from 1st April 2007.

2.2 Strategic housing policy objectives

The Government’s key housing policy goal is to ensure that everyone has the opportunity of living in a decent home, which they can afford, in a community where they want to live. To achieve this, the Government is seeking to:

- Achieve a wide choice of high quality homes, both affordable and market housing, to address the requirements of the community.
- Widen opportunities for home ownership and ensure high quality housing for those who cannot afford market housing, in particular those who are vulnerable or in need.
- Improve affordability across the housing market, including by increasing the supply of housing.
- Create sustainable, inclusive, mixed communities in all areas, both urban and rural.

2.3 Planning for housing policy objectives

These housing policy objectives provide the context for planning for housing through development plans and planning decisions. The specific outcomes that the planning system should deliver are:

- High quality housing that is well-designed and built to a high standard.
- A mix of housing, both market and affordable, particularly in terms of tenure and price, to support a wide variety of households in all areas, both urban and rural.
- A sufficient quantity of housing taking into account need and demand and seeking to improve choice.

- Housing developments in suitable locations, which offer a good range of community facilities and with good access to jobs, key services and infrastructure.
- A flexible, responsive supply of land – managed in a way that makes efficient and effective use of land, including re-use of previously-developed land, where appropriate.

The government guidance explains how local authorities can develop a good understanding of how their housing markets operate. Reflecting the objectives and approach set out in PPS3 it helps local authorities and their stakeholders plan for housing in sub-regional housing market areas. It also enables authorities to obtain reliable figures for housing need and demand and to determine what this means for the provision of both market and affordable housing. It allows them to develop a good understanding of housing markets, their characteristics and the drivers of market change.

2.4 Specific requirements of SHMAs

Assessments should be prepared collaboratively with stakeholders. Where two or more Local Planning Authorities form a housing market area, Local Planning Authorities should work together either by preparing joint assessments or by ensuring consistency in methodology. Practice guidance will set out detailed methodologies for carrying out these assessments.

A Strategic Housing Market Assessment should:

- Estimate housing need and demand in terms of affordable and market housing.
- Determine how the distribution of need and demand varies across the plan area, for example, as between the urban and rural areas.
- Consider future demographic trends and identify the accommodation requirements of specific groups such as, homeless households, Black and Minority Ethnic groups, first time buyers, disabled people, older people, Gypsies and Travellers and occupational groups such as key workers, students and operational defence personnel.

2.5 Specific requirements of Local Development Frameworks

Profile of households requiring market housing: The likely profile of household types requiring market housing e.g. multi-person, including families and children (x%), single persons (y%), couples (z%).

% affordable and market

The likely overall proportions of households that require market or affordable housing, for example, x% market housing and y% affordable housing.

Affordable – size and type

Specify the size and type of affordable housing that is likely to be needed in particular locations and, where appropriate, on specific sites. This will include considering the findings of the Strategic Housing Market Assessment and any specific requirements, such as the provision of amenity and play space for family housing, and, where relevant, the need to integrate the affordable housing into the existing immediate neighbourhood and wider surrounding area.

Amount of affordable housing

Set a borough/district target for the amount of affordable housing to go in the individual LDFs, and set separate targets for social-rented and intermediate affordable housing where appropriate. A sufficient supply of intermediate affordable housing can help address the needs of key workers and those seeking to gain a first step on the housing ladder, reduce the call on social-rented housing, free up existing social-rented homes, provide wider choice for households and ensure that sites have a mix of tenures.

2.6 Other outputs and requirements specified in PPS3

Market areas

A key output from SHMA is to identify the market areas in our sub-region. These will strongly affect Local Planning Authorities' and Regional Planning Bodies' spatial plans, which will be set out in the Regional Spatial Strategy.

Partnership working

The SHMA provides a useful opportunity to extend collaborative working and for planners to effect early engagement with the local communities, stakeholders and infrastructure providers who get involved. However we need to set up and involve planners in our stakeholder group quickly and effectively to make the most of this opportunity.

Market and Land Assessments

It is vital to the evidence-based policy approach that the Strategic Housing Market and Strategic Housing Land Availability Assessments are linked.

Demography

Current and future demographic trends and profiles form a strong basis for our SHMA

Specific groups

We need to consider (and identify) the accommodation requirements of specific groups, in particular, families with children, older and disabled people. The SHMA needs to identify the diverse range of requirements across the area, including the need to accommodate Gypsies and Travellers.

Rural

PPS3 stresses the importance of rural housing issues.

Specific sites

In planning at site level, Local Planning Authorities should ensure that the proposed mix of housing on large strategic sites reflects the proportions of households that require market or affordable housing and achieves a mix of households as well as a mix of tenure and price. Strategic sites need to supply a range of households, tenures and prices. For smaller sites, the mix of housing should contribute to the creation of mixed communities having regard to the proportions of households that require market or affordable housing and the existing mix of housing in the locality. Local Planning Authorities should plan for the full range of market housing. In particular, they should take account of the need to deliver low-cost market housing as part of the housing mix.

Link to empty homes

Guidance stresses the importance of using existing empty homes and of using brownfield sites to develop on.

Infrastructure

Identifying suitable locations for housing development - The availability and capacity of, and accessibility to, existing major strategic infrastructure, including public and other transport services, and/or feasibility of delivering the required level of new infrastructure to support the proposed distribution of development.

2.7 Circumstances when affordable housing is required

Thresholds

LDFs must set out the range of circumstances in which affordable housing will be required. The national indicative minimum site size threshold is 15 dwellings. However, Local Planning Authorities can set lower minimum thresholds, where viable and practicable, including in rural areas. This could include setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area. Local Planning Authorities will need to undertake an informed assessment of the economic viability of any thresholds and proportions of affordable housing proposed, including their likely impact upon overall levels of housing delivery and creating mixed communities. In particular, as the new definition of affordable housing excludes low cost market housing, in deciding proportions of affordable housing to be sought in different circumstances, Local Planning Authorities should take account of the need to deliver low cost market housing as part of the overall housing mix.

Off-site or commuted sums

LDFs must set out the approach to seeking developer contributions to facilitate the provision of affordable housing. In seeking developer contributions, the presumption is that affordable housing will be provided on the application site so that it contributes towards creating a mix of housing. However, where it can be robustly justified, off-site provision or a financial contribution in lieu of on-site provision (of broadly equivalent value) may be accepted as long as the agreed approach contributes to the creation of mixed communities in the local authority area.

Viability

LDFs must reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured. Local Planning Authorities should aim to ensure that provision of affordable housing meets the needs of both current and future occupiers, taking into account information from the Strategic Housing Market Assessment.

2.8 Level of housing required

To assess an appropriate level of housing locally, sub-regionally and regionally, SHMAs need to provide evidence of current and future levels of need and demand for housing and affordability levels based upon:

- Local and sub-regional evidence of need and demand, set out in Strategic Housing Market Assessments and other relevant market information such as long-term house prices.
- Advice from the National Housing and Planning Advice Unit (NHPAU) on the impact of the proposals for affordability in the region.
- The Government's latest published household projections and the needs of the regional economy, having regard to economic growth forecasts.
- Local and sub-regional evidence of the availability of suitable land for housing using Strategic Housing Land Availability Assessments and drawing on other relevant information such as the National Land Use Database and the Register of Surplus Public Sector Land.

2.9 Updating the SHMA

PPS3 sets out the following requirements related to the long-term future of the SHMA:

Identify a further supply of specific, developable sites for years 6-10 and, where possible, for years 11-15. Where it is not possible to identify specific sites for years 11-15, broad locations for future growth should be indicated.

Consider "whether it is necessary to update the housing market and land availability evidence bases and initiate a review of relevant Local Development Documents in order to be able to continue to maintain an up-to-date five year supply of deliverable sites."

® At the time of publishing our first SHMA, strategic housing land availability assessments (SLAAs) were still at various stages of development across the housing sub-region. Chapter 23, *Links to strategic land availability assessments* sets out links to the district's SLAAs and equivalents and their overall outcomes, however further work is needed to connect the SLAAs and SHMA over the longer-term.

2.10 Definition of affordable housing

'Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- *Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.*
- *Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision'.*

Housing need is defined as *"the quantity of housing required for households who are unable to access suitable housing without financial assistance"* and housing demand as *"the quantity of housing that households are willing and able to buy or rent"*.

Housing market areas are "geographical areas defined by household demand and preferences for housing. They reflect the key functional linkages between places where people live and work".