

Briefing Paper 1: Rational needs assessment in the context of planning for higher housing delivery and growth

Realistic and desirable policy objectives

- An upward, sustained shift in overall housing supply numbers.
- A large increase in the targets for and delivery of social rented housing, while continuing to deliver market housing and intermediate affordable tenure options at scale.
- Targets should strongly reflect the greater requirement in areas with worse affordability conditions, higher employment growth and/or greater levels of housing need including homelessness, while recognising the role of existing supply.
- Planning Policy Guidance should strongly support the consistent use of s.106 planning obligations to require appropriate levels of social and intermediate affordable housing provision across all sites, with consistent public interest based viability assessments to determine appropriate developer contributions.
- Mechanisms to facilitate cooperation between neighbouring local authorities whose markets are strongly linked should be restored.
- Plans should be linked to systematic reviews and schedules of land available for development with realistic evidence on site suitability and potential phasing.

How these can be achieved

Timescales and phasing: local plans should look forward 15 years in terms of overall supply and land requirements, while assessments of social and affordable requirements should look forward 5-10 years with regular review in the light of emerging data.

Demography is important, but traditional household projections are seriously flawed, because of circularity/feedback to internal migration flows and household formation. Local authorities should work on the basis of central government's overall numerical targets but collaborating with sub-regional partners to achieve the most sustainable and feasible configuration of development. Local authorities also have responsibility to set targets for social and affordable housing provision within the overall numbers

Measuring need

The basic logic of needs assessment for additional social/affordable housing remains as set out c.20 years ago, comprising the following elements:

1. Gross annual new household formation (from age-headship relationship)
2. + a proportion such as 50% of net migration
3. + some allowance for older household moves
4. + a proportion such as 10% of estimated backlog need
5. All x % can't afford market rent or buy – net social (/affordable) relets = net additional social/affordable need.

Step 4 estimates of backlog need can refer to housing registers if sufficiently inclusive and updated, plus homeless numbers (particularly those in temporary accommodation and new estimates of core homelessness in

Index of Deprivation (ID25). MHCLG provides relevant consistent affordability measures through ID25 and should also make available estimates of other needs measures (overcrowding, concealed & sharing households, housing suitability problems and households with payment difficulties) to sub-regional level from pooled EHS data plus census.

Step 5 in the above requires relevant estimates of affordability: arguably popular common measures (house price/earnings ratios) are not suitable, with better options being measures produced as part of the Indices of Deprivation (ID25). This measures the proportion of younger (new) households (and older private renters) who cannot afford to buy or to rent in the market on the basis of their income and existing savings. Some adjustments to the ability to buy to reflect access to sizeable wealth transfers from relatives could be made, at a regional level, based on mortgage lending data or data from the Wealth and Assets Survey.

Various further adjustments to this basic assessment may be warranted:

- (a) a check on the ability to rehouse core homeless and keep Temporary Accommodation numbers down (while maximising homeless prevention);
- (b) additional new need for supported housing for older people or other adult need groups;
- (c) a check on the implied balance between working population vs job projections;
- (d) any demolition/replacement need for irredeemably energy inefficient housing or fire risk stock.

While additional grant for social renting should be a priority, particularly in areas with lower market values, there is also a role for cross-subsidy from land value, to support a range of affordable tenures, particularly in high value areas.

Areas for assessment and coordination of plans/targets:

There have been efforts to define Housing Market Areas (HMAs¹) consistently. These are somewhat dated and compromised by local government mergers. Given that LAs are the main bodies responsible for setting and implementing targets, some compromises with any 'pure' set of market areas are inevitable. Local authorities should be reminded of their duty to cooperate and to be aware of interactions with neighbouring LAs /market areas; and the increased role of Mayoral authorities should include facilitating such cooperation. London is inextricably linked to the adjacent South East and East of England regions, and Government will need to broker joint arrangements.

A key next stage in the planning implementation process is a rolling review of land availability at site level, formerly known as Strategic Land Availability Assessments (SHLAAs). Such assessments should take account of suitability, particularly in relation to accessibility by public and other sustainable transport.

Lessons from past experience

- We do not encourage a time-consuming, bottom-up, survey based approach to assessing housing needs.
- Targets for social and affordable housing should be firm for the short-medium term, but indicative and subject to update/review for the longer term, in the light of monitoring of the key indicators.

While MHCLG may not wish to prescribe social rent/affordable housing (SR/AH) targets for every local authority, they may wish to publish some indicative ranges and also reserve the ability to intervene in cases where local authorities seek inappropriately excessive or minimal social/affordable housing quotas.

¹ Jones, Coombes et al 2011

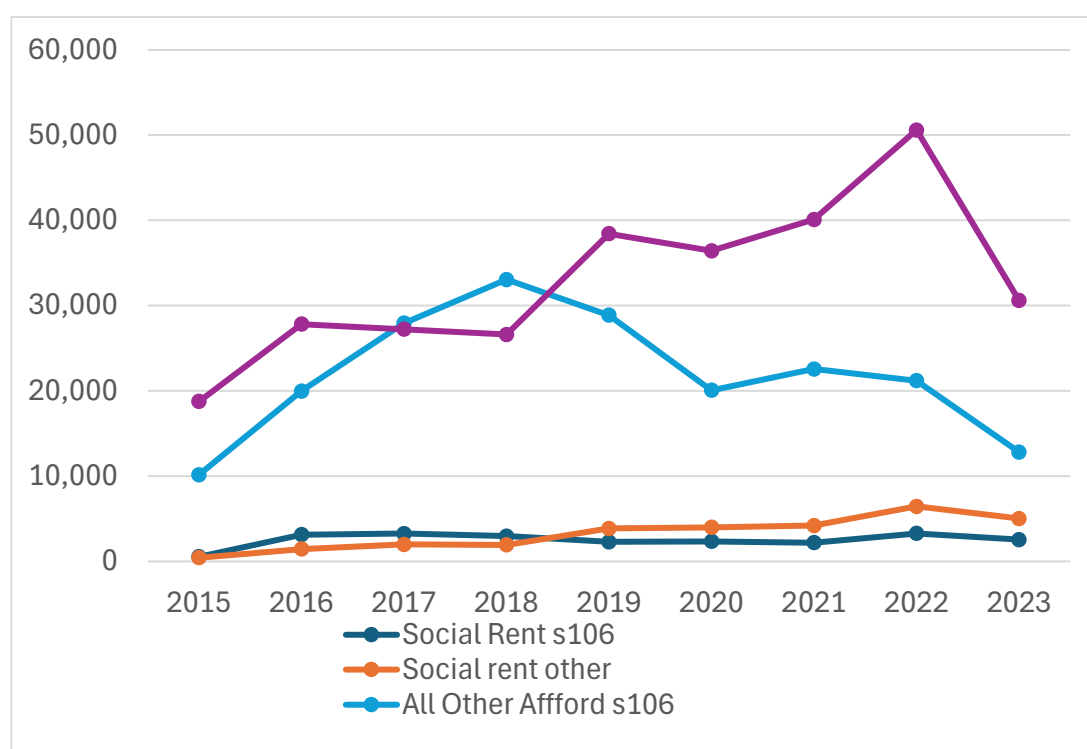
Needs-based estimates of affordable housing requirements have underpinned both local housing strategies and planning policy targets to underpin 'Section 106' planning obligations.

Section 106 schemes

Section 106 has been an important part of the housing development process in England since the late 1990s. For significant periods (2003-2010, 2010-12, 2017-18; see Figure 1) Section 106 agreements accounted for a majority of developments. Section 106 planning obligations worked quite well when consistently supported by government, particularly in higher priced regions, but **the policy needs clarity on when public subsidy is or is not available, and on the 'public interest' basis for viability assessments, including benchmark values for greenfield land.**

Equivalent norms should be applied to large scale developments led by public bodies such as LAs, Homes England (HE) or Development Corporations (DC) and to cases where the land is in existing public ownership.

Figure 1: Social Rent and all other affordable housing starts supported by s.106 or by other arrangements, England 2015-23.



Key Reference

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