

APPENDIX 1: METHODOLOGY

The methodology section describes various concepts, methods, techniques, data and information used, and also explores the issues and problems in constructing a Strategic Housing Market Assessment. It emphasises that housing markets in modern society are complex, interrelated, dynamic and changeable, and that our understanding of them is still quite primitive and limited, but that progress is being made in improving it. It also includes a checklist of how and where the requirements of guidance have been met.

1) Methodology	1
1.1 Introduction.....	1
1.2 Overview.....	1
Figure 1 General stages and levels of understanding and interpretation	2
1.3 Household characteristics – lifestyle and lifestage	3
1.4 Government guidance	4
Figure 2 DETR Guidance – SHMA core outputs	5
Figure 3 DETR Guidance – SHMA process checklist	5
Figure 4 Current housing market – data sources	6
1.5 Data, information and evidence.....	6
1.6 Primary and secondary data, surveys.....	7
Combining and comparing different data and evidence sources	9
1.7 Housing markets – more detailed analytical concepts.....	9
Housing submarkets	9
The pattern of submarkets.....	11
1.8 Housing need	12
1.9 Affordable housing need – methodology	14
1.10 Other aspects of housing need.....	16
Figure 5 CLG Guidance recommendation – components of housing need	16
Figure 6 Factors applicable in defining unsuitable housing	17
1.11 Links with other strategies and policies	17
1.12 Links with Planning policies at regional and local level.....	18
Figure 7 Key policies affecting East Midlands ‘three cities’ sub region (Policy 13)	18
Figure 8 Leicester – local authority, urban area, and significant urban wards.....	19

1) Methodology

1.1 Introduction

- 1.1.a The methodological aspects of housing market assessments and needs estimates are crucial elements, but are often understated and under theorised. A simplistic, uncritically positivistic belief is sometimes asserted that getting better data - such as from a survey - will somehow lead to definite answers. Unfortunately, this is not so, as good practice guidance emphasises.
- 1.1.b Data and evidence are clearly important, but what is done with it, and the assumptions and judgments which must always be made (as they cannot be provided by any amount of data), can radically change the results and outcomes of any assessment.
- 1.1.c This section looks in more detail at methodological aspects, approaches used, guidance, assumptions and inter-relationships. Some readers may prefer to return to this when more familiar with the analysis and results in subsequent chapters.

1.2 Overview

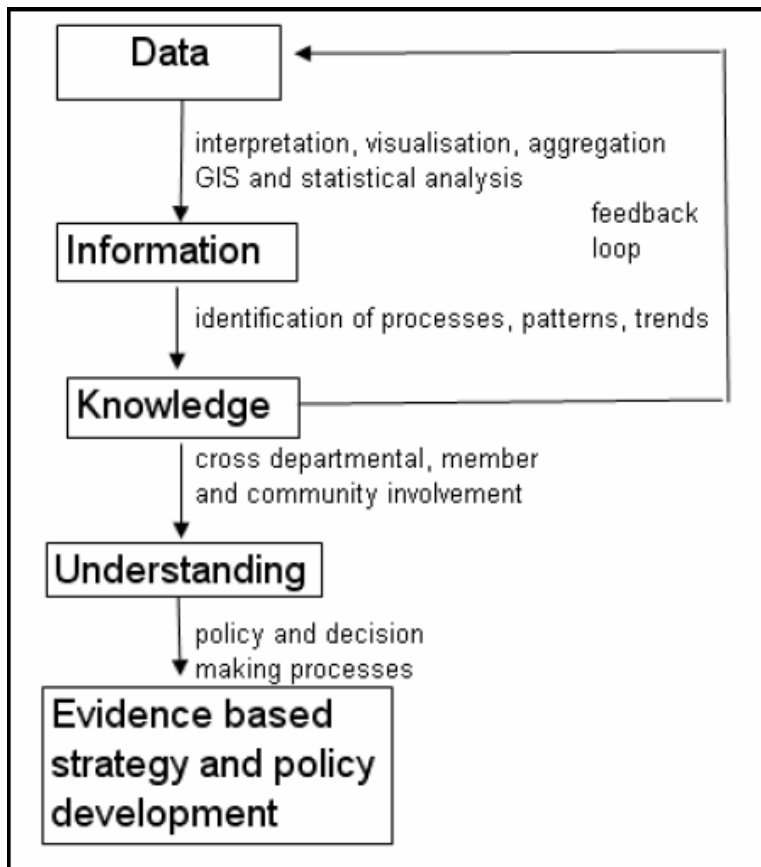
- 1.2.a Analysis of housing markets at a detailed, localised level as a basis for informing the development of Housing and Planning policy has only really been possible in the past few years, and is still in its infancy. There are many complex issues and difficulties, as in reality housing markets operate at a micro-level; - ultimately each house is different, as is each person and household, and housing markets are the interaction between them; they involve many interdependent variables and are thus potentially extremely complicated.
- 1.2.b One of the crucial factors for housing is location, so much so that a good quality house in the wrong area may be completely unwanted, while a poor house in a popular area may be very much in demand. The Barker Interim Review (December 2003) contains a succinct summary of the complexity of housing markets and the choices that affect them:-

“Consumers’ demand for housing reflects a complex basket of features or attributes associated with a particular house, including space, both internal and external, nearby amenities such as green land or good schools and other specific features and characteristics of the house.”

Paragraph 4.5, page 63

- 1.2.c Progress has been made possible by the development of large and detailed datasets with a spatial dimension, and the means of handling them using various IT applications, especially Geographical Information Systems (GIS). These methods enable housing market data to be mapped, visualised and analysed at any scale, down to the smallest building blocks of data available – such as Census Output Area level data (about 120 addresses), postcode (about 15 addresses), or even at full address level.
- 1.2.d Effective conceptualisation of housing markets which captures reality well is crucial to making sense of the data. Developing these concepts and charting the life stages and chains of interactions that drive housing choice also requires the experience and knowledge of those that understand it best – that is those who both live and work in housing in various capacities in the local area, and especially those who reflect on how it all operates. Data evidence and effective theory and concepts are equally important to making progress in improving understanding.
- 1.2.e There is also a plethora of data on households and their characteristics, which can result in confusion more than clarity. Data by itself is just data, and requires interpretation through a conceptual or theoretical perspective to turn it into useful information. In essence the process for housing policy is:-

Figure 1 General stages and levels of understanding and interpretation



- 1.2.f While it is still impossible to understand every individual household patterns do emerge and are useful. How data in complex systems is compiled and presented can make a great deal of difference to the patterns that do emerge, and concepts for understanding both household characteristics and ways of identifying conceptual spatial patterns in housing markets are useful.
- 1.2.g An important distinction can be made between *aggregations* of data and *collectivities*, which can help to improve understanding and hence policy.
- 1.2.h *Aggregations* can be thought of as imposed patterns arising from separated or rectified variables which do not recognise or capture the true complexity of housing systems, and households' interactions and trajectories within them. For example for household characteristics this is often to consider only univariate characteristics and so miss important links between these and other key drivers of behaviour and circumstances. For spatial interpretation similar errors in understanding can be made by aggregating data using geographies from different functions such as administrative areas.
- 1.2.i Using the wrong conceptual framework can often disguise and distort 'true' patterns, and understanding can often be improved when hitherto hidden patterns are revealed. *Collectivities*, therefore, are a more sophisticated conceptual approach because they attempt to represent something more 'real' in complex systems, such as concentrations of common characteristics, or prevalence of similar household types, together, or housing submarkets within urban areas. These ideas are expanded below.

1.3 Household characteristics – lifestyle and lifestage

- 1.3.a For household characteristics the summary concepts of 'lifestyle' and 'lifestage' have been found to be particularly useful for assessing housing demand, need and preferences.
- 1.3.b 'Lifestyle' attempts to capture the main elements of each household's position with respect to occupation, income, behaviour, concerns and preferences. It is typified by descriptive names such as 'dinkies' – double income no kids; 'empty nesters' – families whose children have all left the parental home, and similar. The concept has reached its most developed form in the commercial geo-demographic data products such as Mosaic or Acorn, which use a hierarchy of summary descriptors, shown in the maps.
- 1.3.c 'Lifestage' reflects where in housing career terms that household is most likely to be. For example 'emerging households' would be mainly young people who have recently left their parental home, while increasingly 'frustrated emerging households' occur who would like to

set up their own home, but cannot for various inter-related reasons. 'Mature families' are mainly settled in suitable accommodation for the period of child raising which may span twenty to thirty years. 'Older couples' will often overlap with empty nester lifestyles, and 'older singles' represent the remaining partner of a couple. All are likely to have different and changing housing demands and needs, although this does not occur instantly on changing from one lifestage to another, but often alters in phases.

- 1.3.d Together these concepts provide a useful framework for making links between households and accommodation types within the housing market. They are used and developed in the sections in various sections of the report. Nevertheless it is important to bear in mind that our current methods and understanding of how housing markets really operate is quite limited and simplistic. New methods such as 'Agent Based Modelling'¹ are being developed, but are still mainly in academic circles, and still in their infancy.

1.4 Government guidance

- 1.4.a The approach used is based firmly on current government good practice guidance. A review of the previous 2000 DETR guidance was started in 2004, and the guidance then went through various draft versions, consultations, and developments to reach a published version in March 2007. It was then amended slightly and a second version² produced in August 2007.
- 1.4.b The guidance recommends that the key outputs of a Strategic Housing Market Assessment (SHMA) should be:-

¹ See for example <http://gisagents.blogspot.com/>

² Available at <http://www.communities.gov.uk/publications/planningandbuilding/strategichousingmarket>.

Figure 2 DETR Guidance – SHMA core outputs

Figure 1.1: Strategic Housing Market Assessment core outputs (further details are set out in Table 2.1, Chapter 2)	
1	Estimates of current dwellings in terms of size, type, condition, tenure
2	Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the housing market
3	Estimate of total future number of households, broken down by age and type where possible
4	Estimate of current number of households in housing need
5	Estimate of future households that will require affordable housing
6	Estimate of future households requiring market housing
7	Estimate of the size of affordable housing required
8	Estimate of household groups who have particular housing requirements eg families, older people, key workers, black and minority ethnic groups, disabled people, young people, etc.

A process checklist is given in the guidance:-

Figure 3 DETR Guidance – SHMA process checklist

Figure 1.2: Strategic Housing Market Assessment process checklist	
1	Approach to identifying housing market area(s) is consistent with other approaches to identifying housing market areas within the region
2	Housing market conditions are assessed within the context of the housing market area
3	Involves key stakeholders, including house builders
4	Contains a full technical explanation of the methods employed, with any limitations noted
5	Assumptions, judgements and findings are fully justified and presented in an open and transparent manner
6	Uses and reports upon effective quality control mechanisms
7	Explains how the assessment findings have been monitored and updated (where appropriate) since it was originally undertaken

Key sources of data are also set out

Figure 4 Current housing market – data sources

Table 3.1: Summary of demographic and economic data for each step		
Step	Principal data sources	Data items
1.1 Demography and household types	Census data, ONS mid year estimates, ONS social trends	Population by ethnicity, age and numbers of households by type (couple, lone parent, etc.), age of head, gender of head, ethnicity, economic status, tenure
1.2 National and regional economic policy	Local authority economic development teams, regional development agencies/ regional observatories	Interest rate trends, levels of housing benefit, Government funding for regeneration, economic growth rates
1.3 Industrial profile and labour force	Labour Force Survey, Annual Business Inquiry, Census	Employees in each industrial sector (SIC) and by occupational classification, commuting patterns
1.4 Incomes and earnings	Inland Revenue personal incomes, CACI Paycheck, Experian, CORE, New Earnings Survey, local surveys	Individuals and households by income band, distributions of income by age.

1.5 Data, information and evidence.

1.5.a As suggested by the guidance, many sources have been used to provide the evidence base for the study. The East Midlands Regional Assembly commissioned De Montfort University to provide background data for housing market assessments in 2005. This has been used as a source of headline data for this assessment, but in most cases univariate data at local authority or ward level is not sufficient to give an adequate understanding of housing market processes and trends.

1.5.b Data sources used in this project include:-

- Land Registry house price data at full address level for the year July 2006 to June 2007, and at full postcode level back to 2001
- CACI Paycheck incomes data, giving £5K income bands at Output Area level, provided through LSORA
- Data from RealDemand by Hometrack, an online housing market monitoring tool
- Households and population projections from the Department for Communities, provided through the County Council
- Census data at Output Area level
- Health Service and Primary Care Trust data
- Data extracted from local authority administrative systems, including Council Tax, council and transferred council (LSVT) housing stock, lettings and voids data, waiting list preferences, Planning, Environmental Health, Disabled Facilities Grants

- CORE lettings and sales data for housing associations going back several years
- Employment projections and analysis from Leicester City and the County Council Planning and Economic development departments
- Pupil Census data from the Leicester City and Leicestershire County Education departments

1.5.c Data has been cross-tabulated, compared or overlaid in GIS to build pictures and link different data sources. The approach fully recognises and applies recommendations in the latest guidance:-

- This guidance sets out an assessment framework which utilises secondary data where possible.
- Neither secondary data nor survey data are necessarily of themselves more or less robust

1.6 Primary and secondary data, surveys

1.6.a Primary data is generally considered to be that which is obtained directly from the subject, while secondary data is mediated by some other process of reporting or compilation. So interview surveys are primary, but the distinction is not always clear, however, as some of the reporting of other household members in a survey may be in effect second hand, while much administrative data provided directly by the customer directly could be considered primary, although coming via a source that would generally be considered secondary.

1.6.b As set out above, many and various sources and forms of evidence have been utilised in this project, but in the past 'housing needs surveys' have been argued by some as being a crucial, sometimes even essential, part of housing needs assessment, and it is worth discussing them in this section, notwithstanding the comment immediately above.

1.6.c Current guidance says:- *Traditionally, local surveys have been used* although these can be costly to administer and difficult to interpret*
(*for current needs assessment)

Page 43

1.6.d Surveys are limited in the coverage they can achieve, as even with a very large and expensive sample of many thousands the reliability falls when the sample is broken down by sub area, household type, ethnic group, income, or any other relevant differentiation, or combination of them. This can mean that the characteristics of households in need from an initial sample of, say, three thousand could be less than a hundred households.

1.6.e Secondary data sources such as the Census typically have much better coverage, and some administrative sources like CORE, Land Registry, or housing registers in theory cover all cases that have been through that process.

1.6.f Guidance says :-

The advantages of using secondary data are that they:

- *encourage consistency of approach between different authorities and housing market areas;*
- *reflect actual behaviour and events rather than aspirations;*
- *are often cheaper to obtain than primary data;*
- *allow the monitoring of trends, usually on an annual basis;*
- *can provide a picture of market conditions based upon small areas, which identifies locational differences within housing market areas; and*
- *are less affected by methodological problems of bias than surveys.*

However, there are occasions where primary data could be used. Examples include:

- *for key indicators that are not available from secondary sources (e.g. interviews with letting agents are required to obtain information about private rent levels);*
- *where local administrative systems are not fit for purpose and authorities need to undertake an assessment sooner than they can improve or amend those systems; and*
- *to assess the requirements of specific household groups of local interest or importance relating to particular affordable housing products.*

Page 16

1.6.g Nevertheless primary household surveys do also have the advantage that the data is linked at the level of the individual household, and so can be used to filter for a combination or variety of relevant characteristics – although this filtering can result in very few cases.

1.6.h Surveys are therefore certainly not dismissed as an important source of evidence. Most of the participant local authorities have carried out housing needs surveys in the past, and these were used in conjunction with other sources to supplement analysis and interpretation where available and relatively recent.

1.6.i Individual level linking can also be done from the Census to an extent through combined or commissioned tables, (although small numbers are then often distorted through 'disclosure control'). Anonymised administrative data has the advantage both of more comprehensive coverage and individual level linking.

1.6.j The approach here is that all types of sources can and should be used to build a picture and interpret housing markets, to give the best and

most comprehensive understanding. With the growing abundance and availability of secondary data surveys are now probably best used on specific targeted samples rather than in expensive and wasteful 'random sample' approaches, and to investigate specific aspects of housing needs and choices – for example why people choose or avoid certain options and areas, etc.

Combining and comparing different data and evidence sources

1.6.k A key technique for ensuring the robustness of the assessment and addressing data limitations is triangulation. Essentially, triangulation means that if more than one source can shed light on an issue it is better to consider them all rather than use just one. Sometimes, however, sources disagree, and a judgment must be made on which figures to use.

1.7 Housing markets – more detailed analytical concepts

Housing submarkets

1.7.a It is important to emphasise that, as with all housing market analysis of this kind, constructs such as housing markets or submarkets are simply conceptual devices to help understanding, and do not in reality actually affect household choices and behaviour, but merely try to reflect it and so capture general patterns. There is now a growing body of academic literature on housing sub-markets. Jones (2001) comments that "Sub-markets have a similar starting point to that for HMAs, but by definition are constituents of the latter." Thus housing sub markets may be considered as more like to Estate Agents 'descriptive areas', or as collections of similar 'neighbourhoods'.

1.7.b A definition from the USA as early as the 1970s says that a housing market area is an area in which 'properties compete with each other', reflecting 'spatial arbitrage'. The underlying economic principle in this approach to housing market areas is that buyers consider transactions at any point within the area to be appropriate substitutes for each other. This tends to lead to market prices for similar houses within the area being similar. If houses are reasonable substitutes for one another, one would also expect increases in prices at any point within a market area to lead to increases in prices of other houses within the area. Within a market area buyers are in direct competition with one another, and sellers are in direct competition with one another.

- 1.7.c The concept of housing submarkets is thus based on underlying economic principles:-
- Substitutability: dwellings in the same submarket are considered as substitutes.
 - Law of one price: any single market has a single price, therefore price differences (e.g. of dwelling attributes) indicate separate or "sub" markets.
 - Information flows: one definition of a market is that borrowers & sellers have a reasonably coherent information set. Marked breaks in search behaviour or in responses to market signals or external shocks are indicative of separate markets.
- 1.7.d Housing submarkets can therefore be expected to show a degree of difference in price, which in turn reflects key housing variables such as type of property, size, quality and tenure.
- 1.7.e The degree of substitutability between houses of similar types and sizes is greater than for houses of different types and sizes. Thus, within any given location four-bedroom detached houses may be reasonable substitutes for other four-bedroom detached houses but not such good substitutes for two-bedroom terraced houses. With the type and size of house considered, one can imagine that similar houses in separate non-contiguous locations might also be reasonable substitutes for each other. They might thus be part of the same market but in different locations.
- 1.7.f Additional factors such as schools, transport, services, prevalence of crime and reputation will also have an effect, sometimes outweighing other factors. Physical factors or **urban morphology** such as major roads, railway lines, parks and commercial areas also often form divisions between sub market areas.
- 1.7.g Using these factors, analysts can set out to identify submarkets by finding 'structural breaks' in house sales data, while correcting for other variables such as type, size and quality, so that what is left is the variation due to location.
- 1.7.h However, the many overlapping variables of type, size, quality and location create so much noise in the single indicator of price that using this alone to determine submarkets becomes almost impossible. Another option, therefore, is to use the *change in price* as an indicator, and to look for "*constant quality house price inflation*". This in turn means controlling for the variables that are not necessarily tied to location, such as size, type and quality.
- 1.7.i This is a complex exercise beyond the scope of this project, although work is ongoing to progress the idea and government guidance is being drafted. To begin to identify housing submarkets that could be useful for strategy and policy development a combination of factors and techniques is therefore relevant, including:-

data analysis and clustering in GIS, especially of house price data knowledge and perceptions of people who know the areas relevant physical and geographical features - **urban morphology**

- 1.7.j All of these were considered in various ways when deriving the pattern of submarkets. Steering group members, attendees at consultation events, and interviewees such as Estate Agents were involved in the process, which was carried out using a mixture of GIS and paper maps.
- 1.7.k This resulted in a GIS boundary file of submarkets which was then used as a basis for further spatial analysis. If the economists' conceptualisations and hypotheses are correct this then ought to be a more recognisable and meaningful way to analyse and display housing market patterns, which more accurately capture the perspective of households and what influences their choices and trade-offs.

The pattern of submarkets

- 1.7.l The resulting pattern of submarkets covers the whole Leicester and Leicestershire housing market area. The names of these areas are listed below, and maps of them are shown at numerous points in the report.
- 1.7.m Some of the submarkets identified cross local authority boundaries, but probably not as many as ought to because administrative boundaries often still form a limit to conceptualising them.
- 1.7.n The process of defining housing submarkets in all parts of the HMA also underwent several changes during the course of the project.
- 1.7.o This may not be fully accurate or even the best representation of submarkets, and it should be recognised that they may not stay the same, even over relatively short periods. Submarkets should not be seen as fixed for Planning purposes, but need to be monitored and reviewed as for other aspects of the housing market. Indeed one possible policy lever, or marketing device, is to try to shift housing from one submarket to another.
- 1.7.p It is important always to emphasise that submarkets, like the larger housing market areas, are merely conceptual devices to help understanding. They are not 'real', and arguments about the detail of whether a particular patch or street is in one or another are essentially academic.

1.8 Housing need

1.8.a Housing need, when considered more closely, is another complex concept which is inevitably based on various implicit assumptions and interpretations. Traditional allocation methods have centred on points-based systems and housing registers. There is a growing recognition that these needs-based approaches are, in fact, subjective rather than objective. Each local authority and RSL has different definitions of need - there is no one accepted single agreed measure of need - indeed local variation and discretion is a necessary and accepted part of housing policy.

1.8.b Need is therefore defined by housing professionals in subtly different ways. The relative number of points given for a particular factor, such as medical priority, varies considerably between adjoining local authorities even though they may cover the same housing market. Choice based lettings systems have now started to change this to some extent, although conventional categories and policies still remain in various guises, and perhaps must do so in a situation where demand exceeds supply and so some rationing mechanism is required.

1.8.c The complex nature of defining 'needs' has, to some extent, been clarified in the social policy arena. Spicker (1989), drawing on earlier work by Bradshaw, distinguishes between four kinds of need:-

Normative Needs: These are based on expert judgments and in relation to social housing allocations include overcrowding and standards of unfitness of property

Comparative Needs: These are based on judgments by professionals as to the relative needs of different households. The housing register queue is an example of this type of approach.

Expressed Needs: This can be defined as 'what people say they want'. It can be argued that the opportunities for households to express preferences for a particular area when they apply for entry onto the housing register is an example of this type of need.

Felt Needs: This can be equated with latent need. A household, for example, may feel that they would like to express a desire for a property in a specific locality (such as within the catchment area of a certain school), but that housing register preference areas do not have regard to these boundaries. It is therefore a felt rather than an expressed need.

1.8.d Within a wider housing market area such as Leicester these different types of need interact and interplay in various ways.

Housing needs surveys and assessments have typically tended to emphasise 'normative needs', but Planning Policy Statement 3 (PPS3): Housing 3, published in December 2006, changes the definition of housing need through a wider perspective. A specific definition is provided:-

Housing need - *The quantity of housing required for households who are unable to access suitable housing without financial assistance.*

Annex B, page 27

1.8.e This has been interpreted as meaning that all households who are unable to afford market housing are in housing need, regardless of their current circumstances, which will include many of those already in social and affordable housing. Also included in new PPS3 is that Planning should take account of:-

- 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) 21 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.

1.8.f This all constitutes a much wider assessment of need, and moves still further away from a traditional, survey based snapshot which attempts to somehow count people in need. It also emphasises that needs will be created by a flow of future emerging households, and that social housing itself may be a source of need and demand as lifestages and circumstances change.

³ <http://www.communities.gov.uk/index.asp?id=1504592>

1.9 Affordable housing need – methodology

1.9.a PPS3 states that:-

In the context of creating mixed communities, Regional Spatial Strategies should set out the regional approach to addressing affordable housing needs, including the affordable housing target for the region and each housing market area.

Para 28, page 10

1.9.b The Cambridge study *An Approach to Affordable Housing to Inform the East Midland Regional Plan* reviewed five alternative methodologies for estimating housing needs that might be suitable as the basis for an approach to affordable housing in the East Midlands Regional Spatial Strategy. The five methodologies were:

1. Holmans method – net stock approach as set out in the previous RPG 8
2. CURS method – March 2003 and March 2004
3. Bramley method – 2004 and Bramley and Karley 2005
4. South Leicestershire Study (2003-5)
5. ODPM Local Housing Assessments draft guidance

1.9.c The Cambridge study uses the Holman’s method, because:-

“The alternative approaches are either too demanding in terms of data and time, or not sufficiently robust to meet the requirements of the project.”

Page 4.

1.9.d However, it also notes that:-

“An issue presented in the brief was whether the Regional Plan should, or could, recommend that the same approach be used by the 11 HMAs when undertaking their own housing assessments. There is no reason why they should not follow the Holmans method, but this could well produce different sets of targets. They would not necessarily ‘add up’ to the regional target. In the regional figures, requirements for affordable housing in one area may be cancelled out by surpluses in another, whereas when figures are calculated for each HMA independently, the need for affordable housing in the most costly markets will be more apparent.”

1.9.e However, the Enquiry in Public into the Regional Spatial Strategy commented:-

4.58. We consider that the Holman’s “net stock” method is appropriate at the strategic level and in order to provide a figure in the very limited timescale available without local survey information. However, there is also a number of important caveats to the method, not least in our view that it does not model changes in the pattern of social tenure in the future, particularly the role of

intermediate tenure¹³³, and cannot properly estimate intermediate market requirements at sub-regional level. For this reason the study stresses that the figures provided should only be regarded as interim, that is pending more detailed local studies being undertaken in housing market area assessments.

4.59. These important caveats lead us to doubt the value of including a policy which does no more than to provide interim figures and which will be replaced in a relatively short period of time by the more sophisticated and more useful data coming from the housing market area assessment work. We heard that several of these have been completed and all show a need for higher levels of affordable housing than the Cambridge Study.

4.63. There is another factor which leads us to the view that a “numbers approach” is preferable. It relates to the potential misuse of the policy as an interim measure to seek to negotiate provision on individual sites up to the stated percentages. That is not the purpose of the policy, nor should it be interpreted as a guideline for local planning authorities to translate into policies in development plan documents. It is clearly the intention that the results of the housing market area assessment work will inform the local development framework process and will supersede Policy 15. In view of the timescales we consider that Policy 15 as drafted is of little practical value.

4.64. For these reasons, we favour the inclusion of absolute numbers over percentages with it being stressed that these are for monitoring purposes, as in the approved RSS. If it was not for the guidance in paragraph 28 of PPS3 we would recommend the deletion of Policy 15. As it is, we recommend [R4.8] that the percentages be replaced by numbers which should be recalculated in the light of our recommendations on the Policy 14 figures.

Page 44 on

1.9.f The Cambridge report comments further that:-

“The partial gross flows approach used in the Bramley approach is potentially one of the most robust methods that could be used at regional, HMA and local levels. However, it too is heavily dependent on incomes and prices data, so it would not be appropriate (or possible within the time frame) to use in the present study.”

1.9.g This study was able to access and utilise more detailed data necessary for a version of the Bramley method, which is set out in its original form in the appendix. This also enables affordability to be estimated more locally, and needs models have been produced at different levels of detail, but this in turn raises questions of what spatial level is most appropriate.

1.9.h In essence this will depend on the specific purpose of such affordability estimates. For general larger scale planning and resource allocation, larger geographical areas are appropriate, always provided that these do not become seen as rigid targets. For specific site and scheme planning, assessments at a more local scale will be necessary, taking

account of the particular characteristics and balance of local and linked submarkets.

1.9.i There are, however, variations to the Bramley method to take account of emerging data, developments in conceptualisation of housing market trends and processes, and where there are options on assumptions. These are discussed as it is developed and expounded in that section.

1.10 Other aspects of housing need

1.10.a While affordability has been emphasised in the latest PPS3, it is not the only contributor to or component of housing need. Many other factors will contribute to need within an area, not all of which are caused directly by housing market factors. For example, for the most acute form of 'housing need', homelessness, a fifth is caused by relationship crises. Even so homelessness is generally recognised as a proxy indicator of some housing need, even if by no means the whole picture.

1.10.b The CLG guidance recommends using a number of components and a range of indicators to assess overall need.

Figure 5 CLG Guidance recommendation – components of housing need

Stage 1	Current housing need (gross backlog)
Stage 2	Future housing need (gross annual arising need)
Stage 3	Affordable housing supply
Stage 4	Demand within the affordable housing sector
Stage 5	Bringing the evidence together

This involves assessing:

- whether current households who are in unsuitable housing can afford suitable market housing; and
- applying affordability tests to the incomes of newly forming households to establish the numbers who are likely to be in need of affordable housing.

The second of these is covered comprehensively in the section on affordability modelling and assessment. The first covers many other causes of housing need that manifest themselves within a housing market area.

Factors to consider are set out in the guidance in summarised tables.

Figure 6 Factors applicable in defining unsuitable housing

Table 5.1: unsuitable housing	
Main category	Sub-divisions
Homeless households or with insecure tenure	Under notice, real threat of notice or lease coming to an end
	Too expensive and in receipt of housing benefit or in arrears due to expense
Mismatch of housing need and dwellings	Overcrowded according to the 'bedroom standard'
	Too difficult to maintain (e.g. too large, requiring repairs beyond the means of the household) even with equity release
	Couples, people with children and single adults over 25 sharing a kitchen, bathroom or WC with another household
	Household containing people with mobility impairment or other special needs living in unsuitable dwelling (e.g. accessed via steps), which cannot be made suitable in-situ
Dwelling amenities and condition	Lacks a bathroom, kitchen or inside WC, and household does not have the resources to make fit (e.g. through equity release or grants)
	Subject to major disrepair or unfitness, and household does not have the resources to make fit (e.g. through equity release or grants)
Social needs	Harassment or threats of harassment from neighbours or others living in the vicinity which cannot be resolved except through a move

1.10.c Many of these factors are difficult to obtain reliable data on, and also often require a degree of judgment on whether they constitute need, and if so how much.

1.11 Links with other strategies and policies

1.11.a There are numerous other strategies and policies at both local authority, county and regional level which may affect how the findings of the SHMA are interpreted and implemented. A spreadsheet compiling these, which also covers other parts of the region, is available from the web link :-
http://www.blinehousing.info/LeicSHMA/report_sections/LeicSHMA_Document_library.xls .
 However, with well over 200 relevant local and regional documents and studies not all can be covered in the report. The most directly relevant of them were considered in the discussions on policy linkages, and are set out in *the Policy implications and options – discussion paper*.

1.12 Links with Planning policies at regional and local level

1.12.b The key policies in the regional plan affecting the 'three cities' sub region of the East Midlands are:-

Figure 7 Key policies affecting East Midlands 'three cities' sub region (Policy 13)

Policy 13 - Development in the Three Cities Sub-area

Development should support the continued growth and regeneration of Derby, Leicester and Nottingham, and maintain and strengthen the economic, commercial and cultural roles of all three cities in accordance with the policies and proposals in Part 2 of the Regional Plan. This will be achieved by ensuring that provision is made for:

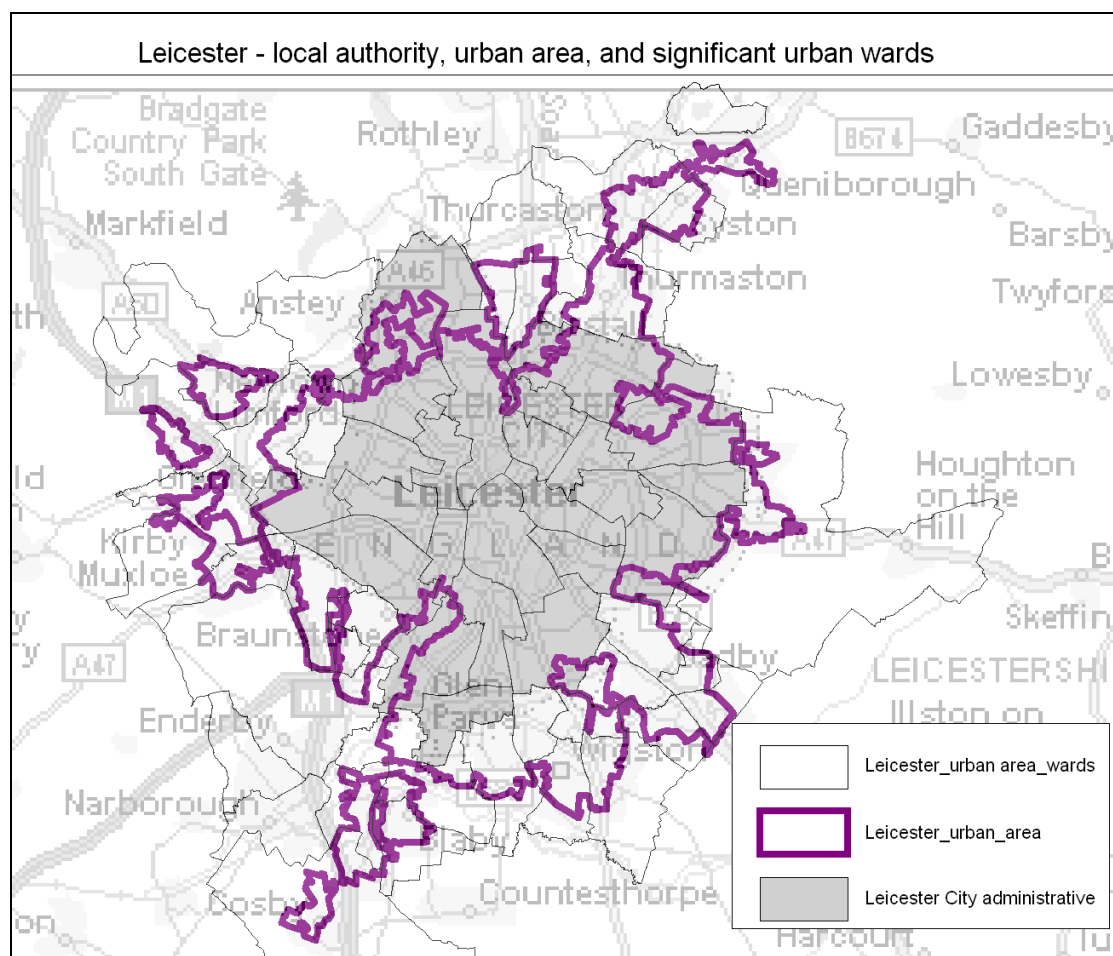
- a mix of housing types;
- employment land to meet the needs of indigenous manufacturing and distribution uses and to encourage new investment;
- regeneration of deprived inner urban areas and outer estates;
- enhancement of transport links and public transport accessibility both within and between the cities;
- retailing, office, residential, entertainment and service uses within central areas, to provide for a mix of uses to support the vitality and viability of the city centres; and
- the protection, development and enhancement of green infrastructure to address past environmental degradation and contribute to the development of sustainable communities.

Outside Derby, Leicester and Nottingham, employment and housing development should be located within and adjoining settlements. Such development should be in scale with the size of those settlements, in locations that respect environmental constraints, in particular the River Mease Special Area of Conservation and the Derwent Valley Mills World Heritage Site, and the surrounding countryside, and where there are good public transport linkages.

Development associated with East Midlands Airport should be focussed where possible in surrounding urban areas, in particular the Principal Urban Areas of Derby, Leicester and Nottingham and the Sub-Regional Centre of Loughborough.

1.12.c The ONS Urban Areas of Leicester are shown in the map below. These do not completely coincide with the Principal Urban Area adopted for Planning purposes, but represent the effective housing market area of the 'core city'

Figure 8 Leicester – local authority, urban area, and significant urban wards



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1.12.d Key policy statements for housing in the regional Plan include:-

- To ensure balanced communities through the supply of housing of the right types, mix, sizes and affordability.
- Housing Market Areas should provide for their own housing needs, unless there is strong justification to the contrary.
- Housing Market Assessments are underway for the Sub-area. Local Planning Authorities should use these in conjunction with Housing Strategies to support policies to develop more balanced communities, in terms of dwelling size, type and affordability.
- This is particularly important in some post war housing estates, which are often dominated by one house and tenure type. Concentrations of household types, such as shared student households, can also give rise to environmental and social issues in some localities, and diversification of household type in these locations should also be considered.