



Ministry of Housing,
Communities &
Local Government

Assessing Local Housing Need

Proposed changes to the standard method

September 2020

Planning Advisory Service Workshop

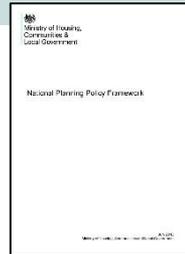


Recap: Policy Background

March 2016



July 2018



February 2019



August 2020



The Timeline

- It started with the Local Plans Expert Group (LPEG)
- The concept of a standard method was proposed in the Housing White Paper
- We saw the first proposed formula in *Planning for the Right Homes in the Right Places*
- The revised draft NPPF proposed the wider policy framework and details of implementation
- And finally the policy was introduced (with a 6 month transitional period for plans) in July 2018 in the revised NPPF
- Since its introduction short terms changes were made to the method to specify that 2014 projections should form the baseline of the method (to response to a drop in 2016 based projections and the impacts of that)
- As part of that consultation a commitment was made to complete a review by August 2020
- The current consultation launched alongside *Planning for the Future* fulfilled that commitment



Recap: The Policy

1

Calculating Housing Need

The Standard Method is the starting point in the process. After applying the formula (accounting for household projections, affordability adjustment and the cap), the figure should be seen as a minimum not a maximum or target.

2

Housing Requirement

Once housing need is established, consideration should be given to other factors to reach a realistic assessment of the number of homes that an area needs to plan for.

3

Need may be higher than LHN identifies where:

- Higher previous delivery than LHN suggests
- Higher previous assessments of need than LHN suggests
- Taking on unmet need from neighbouring authorities
- Growth Strategies are in place
- Strategic Infrastructure Improvements are planned

4

The final housing requirement calculated by the local authority will be assessed at local/ strategic/joint plan examination

But ... using LHN is not mandatory



Changes to the current planning system

This proposal focuses on the formula for the standard method.

Proposes an updated formula for assessing LHN to ensure the national housebuilding target of 300,000 new homes annually is met.

This formula includes changes to the baseline, the affordability adjustment and removes the existing cap.

The consultation does not propose to change policy on how the standard method is used.

Our Proposals



Planning for the Future

This proposal focuses on making local housing need a binding housing requirement.

Proposal is that any binding requirement would take account of constraints and opportunities to more effectively use land (including through brownfield and densification).

More on this later.



Step 1 – Setting the Baseline

To calculate the baseline the first step is to use which is higher of:

0.5% of existing stock

OR

average annual household
growth over a 10-year period

Step 2 – Adjusting for Affordability

There will be two adjustments: the current affordability ratio and the change in affordability over the last ten years (still using the workplace-based median house price to median earnings ratio)

$$\begin{aligned}
 & \text{Adjustment Factor} \\
 & = \left[\left(\left(\frac{\text{Local affordability ratio}_{t=0} - 4}{4} \right) \times 0.25 \right) \right. \\
 & \quad \left. + \left(\text{Local affordability ratio}_{t=0} - \text{Local affordability ratio}_{t=-10} \right) \times 0.25 \right] \\
 & \quad + 1
 \end{aligned}$$

Where $t = 0$ is current year and $t = -10$ is 10 years back.

Under the proposed approach, there will no longer be a cap



- The Changes to the current planning system consultation closes on 1 October
- A response to the consultation will follow in due course
- This will set out how any proposed changes will be implemented
- The wider reforms in Planning For the Future will consider how local housing need will becoming a binding housing requirement.