

Standard methodology for assessing local housing needs

In 2020 the Government held a consultation on ‘Changes to the current planning system’ which included a proposal to change the standard method for assessing local housing need. A response to this part of the consultation was published in December.

The response advises that the Government no longer propose to proceed with the specific changes to the standard method as consulted upon. They are instead now proceeding with a reformed version, based on retaining the standard method in its current form, with an uplift in the local authority areas which contain the 20 most populated cities and urban areas in England.

The planning practice guidance has been updated to reflect the retained adjusted methodology. The guidance still defines housing need as ‘an unconstrained assessment of the number of homes needed in an area’ and qualifies this with the statement ‘assessing housing need is the first step in the process of deciding how many new homes need to be planned for’.

The standard method uses a formula to identify the minimum number of homes expected to be planned for, in a way which addresses projected household growth and historic under-supply. Whilst the use of the standard method is not mandatory, the guidance is clear that if a local authority attempts to depart from it they should have exceptional reasons for doing so and should expect this to be rigorously scrutinised through the local plan examination process.

The government’s standard method is used to calculate a minimum annual local housing need figure as follows:

Step 1 - Setting the baseline

The baseline for the calculation is prescribed in the guidance as the 2014-based household projections in England for the area of the local authority. Household projections are trend-based and indicate the number of additional households that would form within an area if recent demographic trends were to continue. They are based upon population projections and driven by assumptions on fertility and mortality rates, net migration and household formation patterns.

The Government have reiterated that the 2014 dataset must be used, rather than more recent versions, to provide stability and certainty. You must calculate the projected average annual household growth over a 10 year period (this should be 10 consecutive years, with the current year being used as the starting point from which to calculate growth over that period).

For North Somerset, the 2014 based household projections are as follows:

98,354 households in 2021

108,329 households in 2031

This is a total of 9,975 new households over the 10 year period, equivalent to an average household growth of 998 per year.

Step 2 - An adjustment to take account of affordability

You must then adjust the average annual projected household growth figure (as calculated in step 1) based on the affordability of the area, as the Government guidance is clear that they do not consider household growth forecasts alone as a sufficient indicator of need. They set out two clear reasons for this:

- household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and
- people may want to live in an area in which they do not reside currently, for example to be near to work, but be unable to find appropriate accommodation that they can afford.

The most recent [median workplace-based affordability ratios](#), published by the Office for National Statistics at a local authority level, should be used.

No adjustment is applied where the ratio is 4 or below. For each 1% the ratio is above 4, the average household growth baseline should be increased by a quarter of a percent. An authority with a ratio of 8 will have a 25% increase on its annual average household growth baseline.

Where an adjustment is to be made, the precise formula is as follows:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$$

For North Somerset the most recent median ratio of house prices to annual earnings is 9.47. This is based on the 2020 figures for average house price within the district (£266,000) and the average earnings from jobs within the district (£28,080).

Using these figures and the prescribed calculation the current adjustment figure for North Somerset is 1.34.

Step 3 - Capping the level of any increase

A cap is then applied which limits the increases an individual local authority can face. Where a housing requirement has adopted within the last 5 years (at the point of making the calculation), the local housing need figure is capped at 40% above the average annual housing requirement figure set out in the existing policies.

This cap does not apply in the case of North Somerset, as the figure arrived at using the standard method does not exceed the limit of 40% greater than the previously adopted target.

Step 4 - Cities and urban centres uplift

A 35% uplift is applied for those urban local authorities in the top 20 cities and urban centres list. This increase in the number of homes to be delivered in urban areas is expected to be met by the cities and urban centres themselves, rather than the surrounding areas, unless it would conflict with national policy and legal obligations. They are advised by the guidance that they should prioritise the use of brownfield sites and maximise densities.

This does not apply to North Somerset, although it should be noted that it does apply to neighbouring Bristol City Council.

Output of calculation

The standard method output for North Somerset is therefore 1,339 homes per year, which amounts to 20,085 homes for the 15 year plan period we are working towards.

This is subject to change, because the affordability ratio is updated by the Office for National Statistics each year. The guidance advises us to calculate the housing need figure at the start of the plan period and then keep it under review and revise it where appropriate. However, from the point when we submit our Local Plan to the Planning Inspectorate for examination it can then be relied upon without revision.

Previous completion rates

1,339 dwellings per year is a very challenging target. The adopted Core Strategy housing requirement equates to 1,049 dwellings per year. Recent performance has fallen short of this target every year since 2008/09.

