

Draft Planning Practice Guidance - Local Housing Need Assessment

Briefing Note

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The Ministry of Housing, Communities and Local Government (MHCLG) published the new draft Framework on 5th March 2018, and this is subject to 9 weeks of consultation, ending on 10th May 2018. As part of this, MHCLG have published a draft update to the PPG, including the approach to assessing housing need.

Importantly, and in clarifying which data to use, the PPG states:

“The standard approach relies on publicly available and robust data.”

Nevertheless, many local authorities may seek to raise “exceptional circumstances”, which the PPG states may apply in some circumstances and justify a divergence from the **standard approach**.

Step 1 – Setting the baseline

National Household projections for a 10 year period

(Note -this has not been specified as the next ten years)

Step 2 – An Adjustment to Take Account of Market Signals

Median affordability ratios, published by the Office for National Statistics (ONS) at a local authority level, should be used for adjusting household projections. The affordability ratios compare the median house prices to median workplace earnings. Plan-making authorities should use the most recent year for which data is available.

Each 1% increase in the ratio of house prices to earnings above 4% results in a quarter of one per cent increase in need above projected household growth. The precise formula is as follows:

Affordability Factor = ((Median house price /median work place earnings)- 4)/4 x 0.25

The local housing need figure is therefore as follows:

Local housing need = (1+adjustment factor) x projected household growth

Step 3 – Capping the Level of Any Increase

The uplift is limited to help ensure the method is deliverable the appropriate cap will depend on the current status of the plan in each authority as follows:

- plan (including a review of local housing need) or adopted their plan in the last five years, a cap may be applied to their new annual local housing need figure at 40% above the average annual requirement figure currently set out in their plan; or

or

- for those authorities that have not reviewed their plan (including a review of local housing need) or adopted their plan in the last five years, a cap may be applied to their new annual local housing need figure at 40% above whichever is higher of the projected household growth for their area over the 10 years (using Office for National Statistics’ household projections), or the annual housing requirement figure set out in their most recent plan if one exists.

The Standard Objectively Assessed Need (SOAN) cannot be adjusted to reflect policy or other constraints. The SOAN can be applied to the whole of the plan period but LPA’s are required to be updated every five years.

Justification for a Higher Dwelling Requirement

Circumstances where an uplift will be appropriate include but are not limited to; where growth strategies are in place, strategic level infrastructure improvements are planned, funding is in place to promote and facilitate growth (i.e. Housing Deals, Housing Infrastructure Fund). In these circumstances, the local housing need figure can be reflected as a range, with the lower end of that range being as a minimum the figure calculated using the standard method.

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Where an alternative approach identifies a need above the local housing need assessment method, the approach will be considered sound, unless there are compelling reasons to indicate otherwise.

Justification for a Lower Dwelling Requirement

There need to be exceptional circumstances to justify an alternative approach. As any deviation which results in a lower housing need figure than the standard approach will be subject to the tests of soundness and will be tested thoroughly by the Planning Inspectorate at examination. ***(In our view this will mean that until there is a local plan adopted in the last 5 years then the SOAN will be used in appeal cases).***

The plan-making authority will need to make sure that the evidence base is robust and based on realistic assumptions, and that they have clearly set out how they have demonstrated joint working with other plan-making authorities. In such circumstances, the Planning Inspector will take the number from the standard method as a reference point in considering the alternative method. *(It is our hope that this requirement to work with other authorities means that assumptions for lower migration from these areas at least stand a chance of being compensated up increased population in these areas which were to be the source of these now reduced migration).*

Can Plan-Making Authorities use a Different Method?

To depart from the standard approach LPA's should have compelling circumstances, which are properly justified and be subject to examination. (Again, this suggests that those without plans or plans over 5 years old will have to use the SOAN).

Plan-making authorities do not align with local authority boundaries, such as National Parks and the Broads Authority, where available data does not allow local housing needs to be calculated using the standard may continue to identify a housing need figure locally, but in doing so have regard to the best available information on anticipated changes in households as well as local affordability levels.

Implementation of the Approach

- The housing requirement should be calculated at the start of the Local Plan process;
- The figure should be updated and be up-to-date at the time of submission;
- The SOAN can be relied upon for 2 years from the date of the submission of the plan;
- There is no need to include past under delivery with the SOAN (there is if a different approach is adopted);
- If planning for a wider area the total should be the sum of the SOAN for the component authorities (it then doesn't have to be reworked from the subsequent lower order plans);
- If the SOAN is higher than a non SOAN in an adopted Local Plan a review of that plan may be needed earlier than 5 years in order to ensure all identified need is planned for as early as possible;
- Where neighbouring authorities have adopted plans that do not meet all of their local housing need, an earlier review may also be necessary to assess whether that unmet need can be planned for.

DLP Planning Ltd and SPRU have extensive experience in the delivery of housing through the local plan and planning process, and are happy to advise on the potential implications of changes to the guidance in respect of Objectively Assessed Housing Need.