

Briefing Note on Housing Targets - October 2020

Summary

The Government has recently consulted on a number of technical planning matters including a revised standard method to establish local housing targets. The proposed new approach, as it currently stands, is likely to result in a lower housing requirement for the borough in the short term compared to the current figure of 850 new homes a year, as set out in the adopted Local Plan. However, the proposed new standard method has been designed to increase housing targets overall, in line with the Government's agenda to increase housing delivery nationally. Therefore, if household projections increase in the borough in the future, as they are predicted to do, the new methodology will result in an increase in the borough's housing target in the longer term (after 2022/23).

The ongoing shifting position in relation to calculating housing figures has done little to improve certainty over the borough's future housing requirement and therefore the level of growth that the Local Plan Update should be planning for. Even if the proposed new methodology remains unchanged, the increased importance of affordability data in the calculation increases the scope for the outputs to change on an annual basis when new data is released. This means that the outputs would be even more volatile than is the case with the current formula, making it particularly difficult to ensure the Local Plan meets the borough's housing needs at the time that the draft Plan is submitted for examination. The need for increased flexibility in the Plan and the use of reserve sites will need to be fully considered.

What is the impact of the proposed new standard methodology?

The revised standard methodology seeks to increase housing delivery across the country, and if implemented, would result in a national total of around 337,000 new homes per annum. It was anticipated that the Government would introduce the new standard method imminently, in advance of more sweeping reforms to the system for determining housing numbers in the longer term, as set out in the Housing White Paper which is currently out for consultation. More recently, and in light of concerns expressed by numerous parties including Conservative MPs, the Government has stated that it is committed to addressing any imbalances arising from its proposed new standard method for housing need, with more work to be done.

The borough's current housing requirement, as set out in the adopted Local Plan, is 850 dwellings per annum (dpa). Once the adopted Local Plan is five years old (May 2021) the council's housing target will default to the number indicated by the Government's Standard Method at that time. The current Standard Method, as set out in national guidance, indicates a Local Housing Need of 884 dpa.

The proposed new standard method would result in a reduced requirement of 684 dpa, using current data. This decrease is a contrary outcome to all other authorities in Hampshire, each of which have seen their housing figure increase, sometimes considerably.

How would the proposed new standard method differ from the current one?

The proposed new standard method retains the two stage approach of the current methodology, but with a number of critical differences that are intended to uplift the resultant number. Stage 1 continues to establish a baseline requirement using the nationally-produced household projections, but requires Local Planning Authorities (LPAs) to use the most up-to-date set of projections. It also includes a new backstop to ensure that LPAs do not use a baseline number lower than 0.5% of the current housing stock.

In comparison to the current approach, the new standard method places a greater emphasis upon affordability, and requires the baseline housing number to be increased where housing is considered to be unaffordable or affordability has worsened. As before, the baseline number is uplifted to account for the current unaffordability of housing using median workplace earnings to house price ratio as a measure. However, the new methodology also includes an additional requirement to take into account how affordability has changed over the preceding 10 years. This is added to the calculation, increasing the importance of housing affordability in the calculation, and gearing up the overall figure.

Why does the new standard method result in a lower figure for the borough?

The new calculation uses 2018 based population projections rather than the 2014 projections which are used in the current standard methodology. These projections are comparatively lower for the borough and are an underestimation when considered in light of the levels of new housebuilding planned. This actually means that the borough's stage 1 (baseline) calculation is based upon the new backstop outlined above, namely to use 0.5% of the housing stock.

The reason for the low population projections primarily relates to migration. In the past, migration levels have been projected forward based upon what had happened over the previous five years. However, for the 2018 based projections, this changed to just two years of trend data. This short trend period means that events in this period have had a disproportionate impact and reflect negative net migration that occurred in the borough during 2016/17 and 2017/18. This negative net migration is likely to be a result of the comparatively low levels of housing completions in the mid-2010s. Whilst housing completions has since increased considerably, including in 2017/18, there is a time lag between the completion of homes and new in-migrants being shown in the official data.

What is the impact of the new standard method over a longer time period?

Whilst the proposed standard method results in a lower figure over the short term, this is likely to change over the longer period. As an illustration of the extent to which the new standard method formula could increase housing requirements over the longer term, if all the inputs were the same (and both calculations were based upon the 2018 based household projections), the current standard method would result in a requirement for 336 dpa for the borough compared to the 684 dpa requirement

resulting from the new approach. Therefore, although the council's housing requirement has fallen, this is a result of the inputs rather than the formula itself.

National planning guidance requires that the most up-to-date standard method figure should be used at the time a Local Plan is submitted. It is therefore important to consider how the outputs of any revised standard method could change in the future, as this will have a significant impact upon the number of new homes that the council should be planning for.

In terms of affordability, the standard method number is updated annually when new affordability data is released. In the past, these changes have tended to have relatively little impact, but the proposed new methodology would increase the importance of affordability in the calculation. The current affordability ratio is 8.44 (leading to the figure of 684 dpa) but if this increased early next year to a ratio of 9.5 (as was the case in both 2017 and 2018) the housing requirement would increase to approximately 760 dpa. The 2020-based affordability data will be released in March 2021 and will therefore impact upon the requirement figure to be used when the Plan becomes out of date.

The sub-national household projections are usually released every two years. The 2018 based projections were released in June 2020, and it would usually be expected that the next projection would be released in summer 2022. However, this is likely to be delayed in light of the 2021 census. It is anticipated that these projections will be significantly higher than the 2018 figures, projecting forward a trend period of high housebuilding which will, in turn, attract high levels of in-migration. This is likely to result in a significant increase to the borough's housing number upon the publication of the 2020 projections, potentially well above the current 850dpa. Therefore any drop in the borough's housing requirement is likely to be short lived.

What other factors would influence the Plan's future housing number?

There are a number of other factors that would influence the number of homes that the council needs to plan for.

National planning guidance currently states that it may be necessary to increase an area's housing number to meet affordable needs, as affordable housing is principally delivered on market housing sites. Therefore, if the housing requirement falls below the number of homes necessary to meet affordable housing needs, it may have to be increased on these grounds. In addition, the number of market homes required to meet our affordable needs could also be greater if the Government proceeds with their current proposals to increase the site size threshold for affordable housing to 50 dwellings.

The council may also come under increasing pressure to accept other local authorities' homes under the duty to cooperate (or its successor). London's housing requirement would increase by around 37,000 dwellings under the new approach.

Other nearby local authorities such as Wokingham have seen their housing requirement double (over 1,600 dpa).

The Government's Housing White Paper also sets out a vision for a more aspirational form of the standard method, using the methodology as proposed as a baseline, but also then taking into account issues such as land constraints and opportunities to re-use brownfield land in order to inform the final housing numbers. This suggests that the proposed revisions to the standard method could just be a stop gap. Even if the standard method is revised in its proposed form, it is unclear how it would influence housing requirements in the longer term and the final number could be higher or lower based on those constraints. Any revised figure, taking account of constraints, would still be set nationally.

Conclusions

The current adopted Local Plan sets out a housing requirement of 850 dpa. Once the Plan is more than 5 years old (May 2021) it is considered out of date for housing target purposes. At this date the standard method will form the basis for calculating housing need in the borough. The current standard methodology leads to a housing requirement for the borough of 884 dpa.

If introduced in its currently proposed form, the new standard method gives Basingstoke and Deane a lower figure than the current standard method output. This is because it uses the most recent 2018 based household projections, which are very low for the borough.

Although the precise standard method figure is likely to change when new affordability data is released in early 2021, it is expected to be less than the current Local Plan requirement of 850 dpa. Current figures suggest that this will be in the range of 684 to 760dpa. This position is updated annually as new affordability data is published.

More fundamental changes are likely in 2022/23 when the 2020 population projections are published. The expected upturn in projections would lead to a significant increase in the housing requirement by 2022/3.

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