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# HOUSING REQUIREMENT COMPARISON, STANDARD METHODOLOGY AND NEW STANDARD METHODOLOGY

## Implication of Research for Worcestershire CPRE

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### 1. Background

The Government is proposing a radical shake up to the Planning System which could affect many rural communities and drastically reduce the opportunities for communities and individuals to influence planning decisions. These changes are contained in 'Planning for the Future' consultation<sup>1</sup>.

They would mean that the ability of communities to respond to planning applications would be reduced and areas of land designated in local plans for Growth would get almost automatic planning permission.

However, in a parallel technical consultation paper the Government is proposing change in its method of calculating the local housing requirement.<sup>2</sup>

The reason for this is to exceed the political target of 300,000 new dwellings per year, even though this is not based on the most up to date evidence which projects lower house hold growth.

CPRE Worcestershire is concerned that the Government is changing the methodology in a way which would increase housing in the county beyond what is genuinely needed, and in way which led to more housing being built on poorly located estates in the Worcestershire countryside, undermining urban regeneration across the wider West Midlands and failing to deliver either affordable housing or to address climate change.

There is also a concern that these local housing targets would be almost impossible to challenge and would allow developers to cherry-pick green field sites.

As well as undesirable social impacts this could hamper goals to reduce carbon emissions and fail to provide the affordable housing needed, especially given proposed changes to funding for affordable housing.

With this background in mind, Worcestershire CPRE commissioned me to undertake calculations of housing requirements for both the existing and new methodologies.

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<sup>1</sup> <https://www.gov.uk/government/consultations/planning-for-the-future>

<sup>2</sup> <https://www.gov.uk/government/consultations/changes-to-the-current-planning-system>

I first explain how the new methodology would work and then consider how it might impact on the housing requirements in Local Authorities in Worcestershire.

## 2. Changes to the Housing Requirement Calculation.

The National Planning Policy Statement (NPPF) currently requires local Authorities in their Local Plan's Strategic Policies to: 'as a minimum, provide for objectively assessed needs for housing and other uses, as well as any needs that cannot be met within neighbouring areas.'<sup>3</sup>

Governments traditionally based this housing need on projections made nationally by the Office for National Statistics (ONS) which are produced biannually based on wider population projections and they then divide housing need by local authority.

These projections have decreased consistently between 2014, 2016 and 2018 and are now much lower than the Government target to build 300,000 dwellings per annum (dpa) nationally at approximately 160,000 dpa.

However, because of changes in data which are used to gauge how people move between regions and authorities in the UK in the 2018 projection, more housing was directed at the Midlands away from the South East and, in particular, to more rural areas.

Under the Government's current Standard Methodology, set out in the National Planning Practice Guidance (NPPG),<sup>4</sup> an 'affordability adjustment' is added on those figures to calculate local housing requirements. However, even with this adjustment the Government's aspiration for 300,000 homes per annum is not reached. Up until now the Government has told Councils to continue to use the 2014 figures as a result.

The Government is now proposing to adopt the 2018 ONS figures but change the way a Local Authority's housing requirement is calculated to reach its target. This would happen in two ways.

Firstly, the proposed new Standard Methodology calculation would only rely on household projections when they are greater than 0.5% of the stock in a local authority. In the case of Worcestershire this would increase housing need in Worcester and Redditch.

Secondly, the Government propose to change the 'affordability adjustment', adding in a formula based on affordability changes over the last ten years. As a result, areas with the steepest house price rises since the recession in 2009 get the highest adjustment whether or not this is the best place for that housing.

As will be seen from a closer examination of the outputs, this significantly changes the balance between demographic need and the affordability adjustment, added to changes in the ONS2018 distribution of housing increases housing in rural authorities while reducing it in Worcester. This reflects wider trends across the West Midlands.

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<sup>3</sup> <https://www.gov.uk/guidance/national-planning-policy-framework> Para 11 (b).

<sup>4</sup> <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

### 3. Impact of Changes to the Standard Methodology on Worcestershire

Attached to this report is an excel file which calculates both the New and Old Standard Methodology for each local authority and for Worcestershire as a whole, as well as a word file (appendix to this file) which details the methodology used as well as limitations and caveats. The Excel file also includes a number of tables, which are included in this report.

I have calculated the results for the three national Household Projections from ONS for 2014, 2016 and 2018<sup>5</sup>. While the Government only requires the use of the 2014 ONS figures for the Standard Methodology (2014SM) and the 2018 ONS figures for the New Standard Methodology (2018NSM) and, this comparison is what is reproduced by various Consultancy firms, I have used all six iterations because using only the two main calculations masks underlying changes in both assumptions and evidence. The final results may appear similar when in fact they should be different.

As well as calculating the Standard Methodology outputs I have also compared those figures with demographic need, expressed as the average ONS annual requirement between 2020 and 2030.

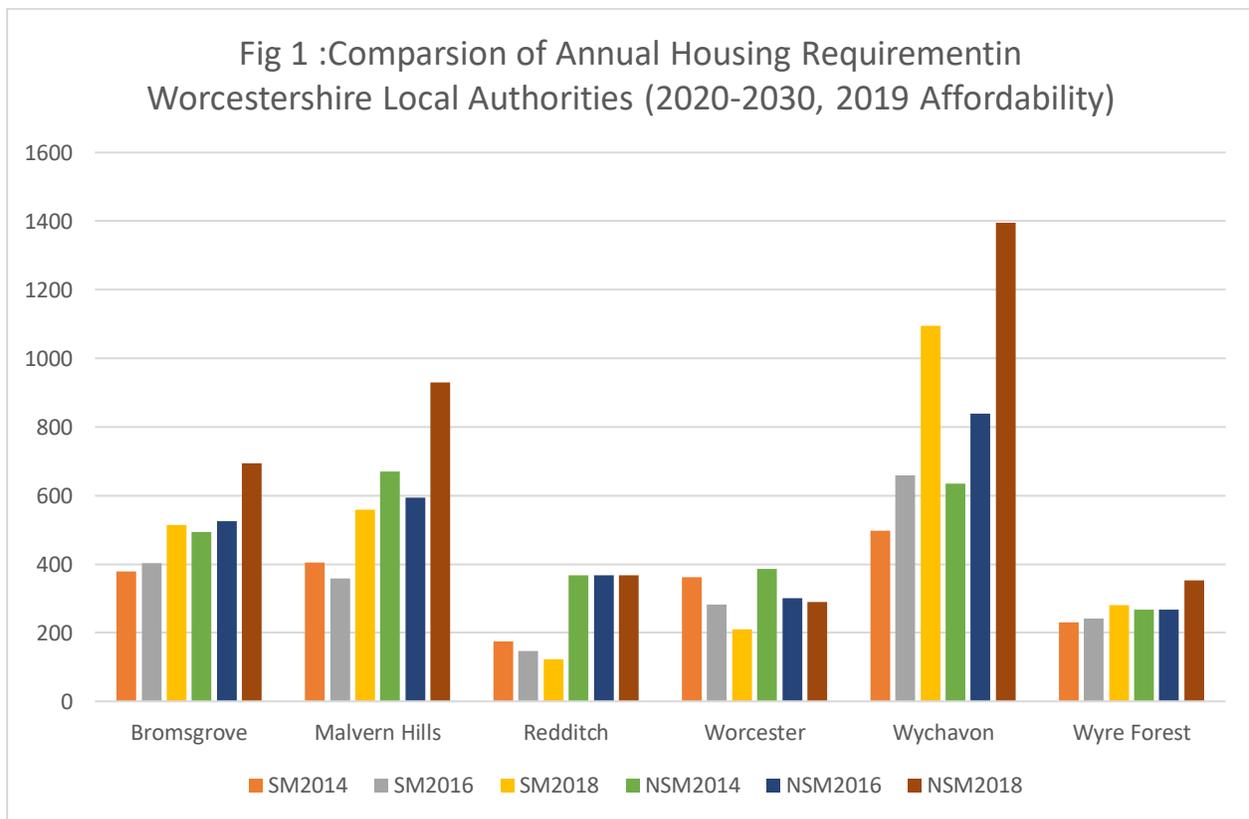


Fig 1 shows the impact on overall housing need by Local Authority. Comparing the first and last column for each authority. It can be seen that there is a dramatic overall

<sup>5</sup> The 2014 figures were produced by National Statistics but for ease of understanding I refer to all as ONS.

increase in housing requirements in Wychavon and substantial increases in other largely rural authorities but a decrease in Worcester itself.

Fig 2 shows the overall impact across Worcestershire where the housing requirement would nearly double, rising from 2047 to 4030 dpa.

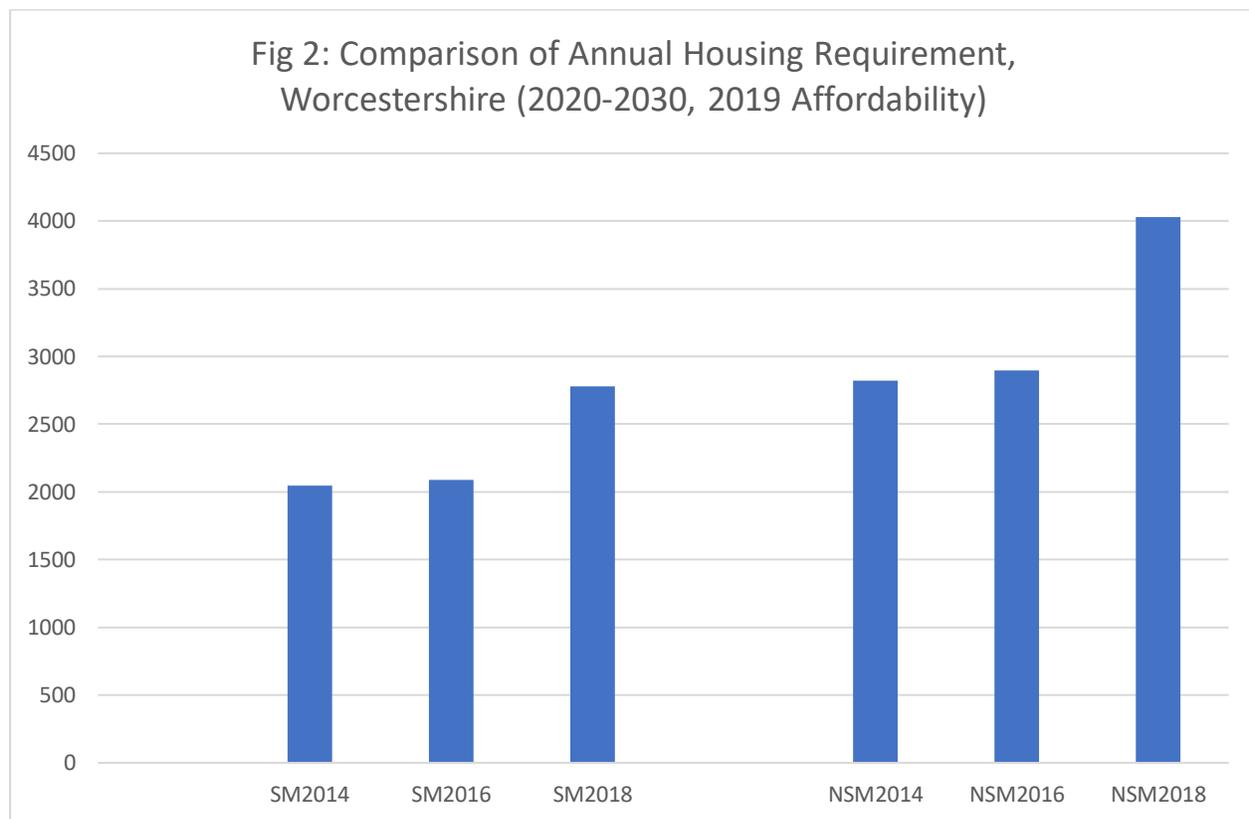


Fig 3 compares the situation in the South Worcestershire Development Plan Area.

Fig 3: Comparison of Annual Housing Requirement, South Worcestershire (2020-2030, 2019 Affordability)

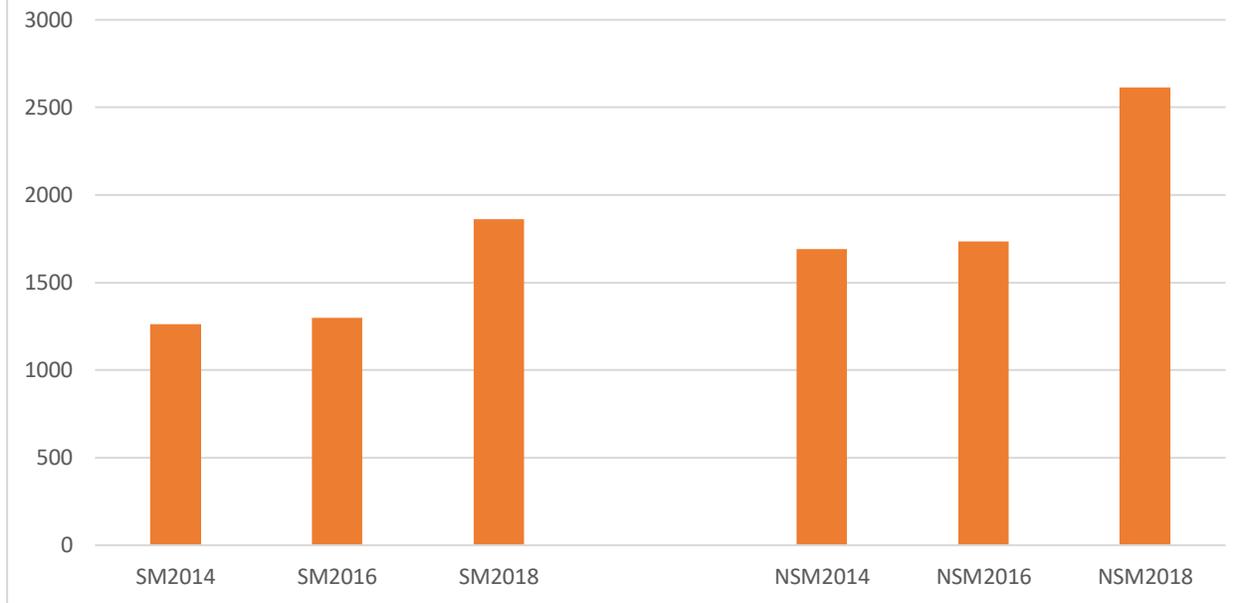


Fig 4,5 and 6 show the amount added on to the ONS demographic annual figure for each authority and for Worcestershire and the SWDP Area. What is clear is that whereas under the old methodology the addition was modest in the new methodology it accounts for a significant proportion of the housing requirement.

Fig 4: Annual Demographic Add on, Worcestershire Local Authorities (2020-2030, 2019 Affordability)

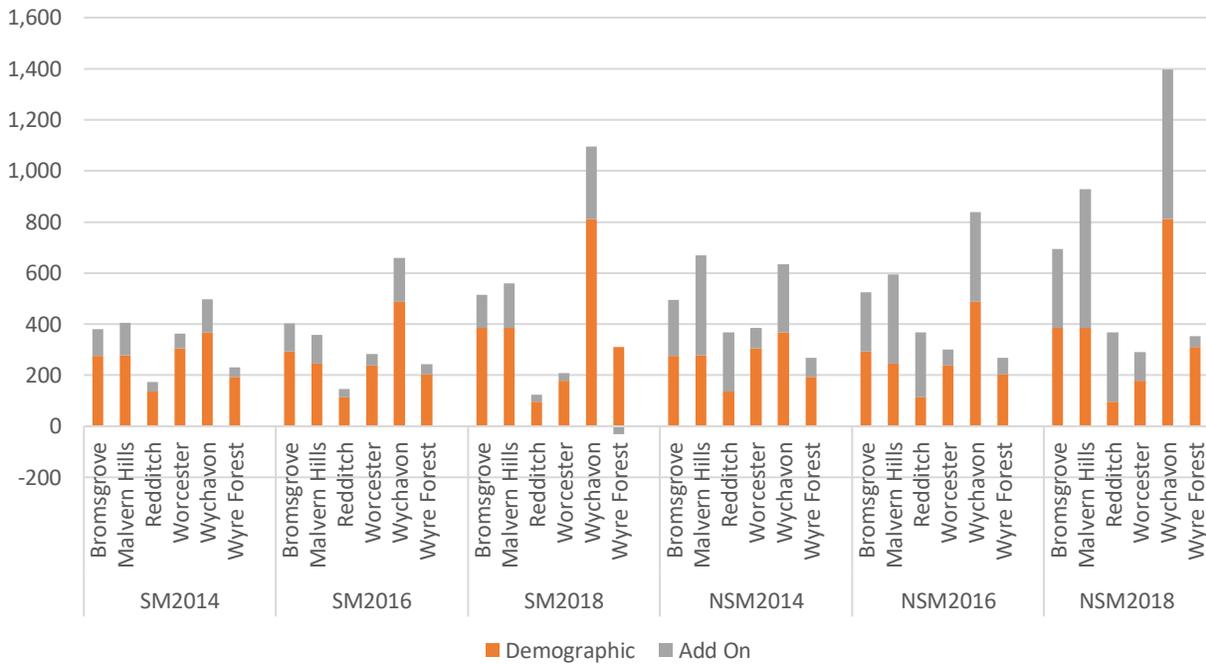


Fig 5: Demographic add on to Housing Annual Requeement, Worcestershire (2020-2030, 2019 Affordability)

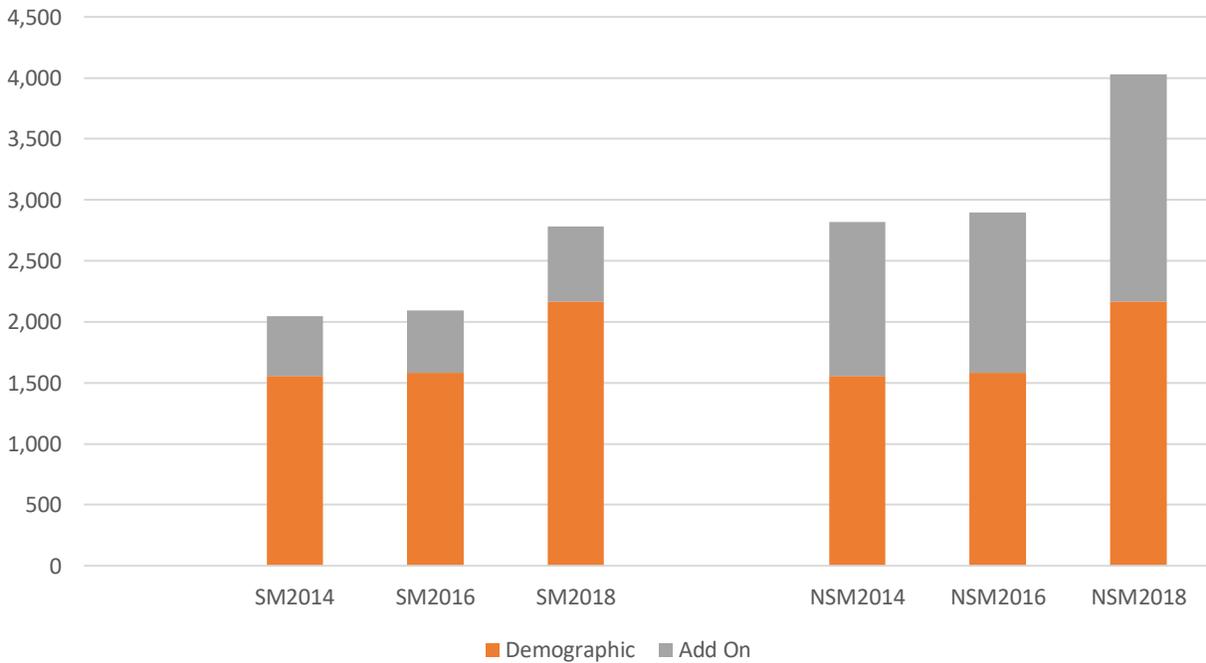
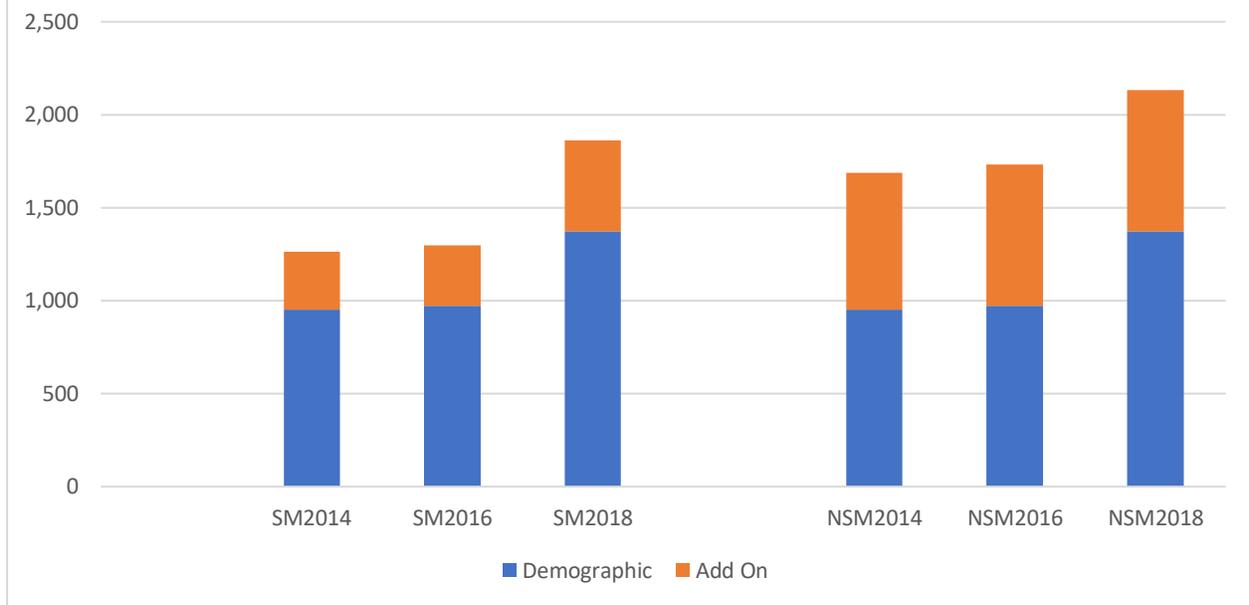


Fig 6: Demographic Add on to Annual Housing Requirement, South Worcestershire (2020-2030, 2019 Affordability)



This is even clearer in Fig 7, 8 and Fig 9 where the increase is represented as percentages of the demographic need. The Housing requirement across Worcestershire is increased above demographic need by over 80%. And it can be seen that even where the overall housing requirement figure goes down, as in Worcester, (because demographic need is lower in the 2018 ONS figures), the percentage added to demographic need to create the requirement goes up. However, it is in Bromsgrove, Malvern Hills and Redditch that the difference is most pronounced, with an astonishing increase of 283% for Redditch.

It should also be noted that in Wychavon the redistributive effects of the ONS2018 projections is as important as the change of methodology.

Fig 7: % Demographic Add on, Worcestershire Local Authorities (2020=2030, 2019 Affordability)

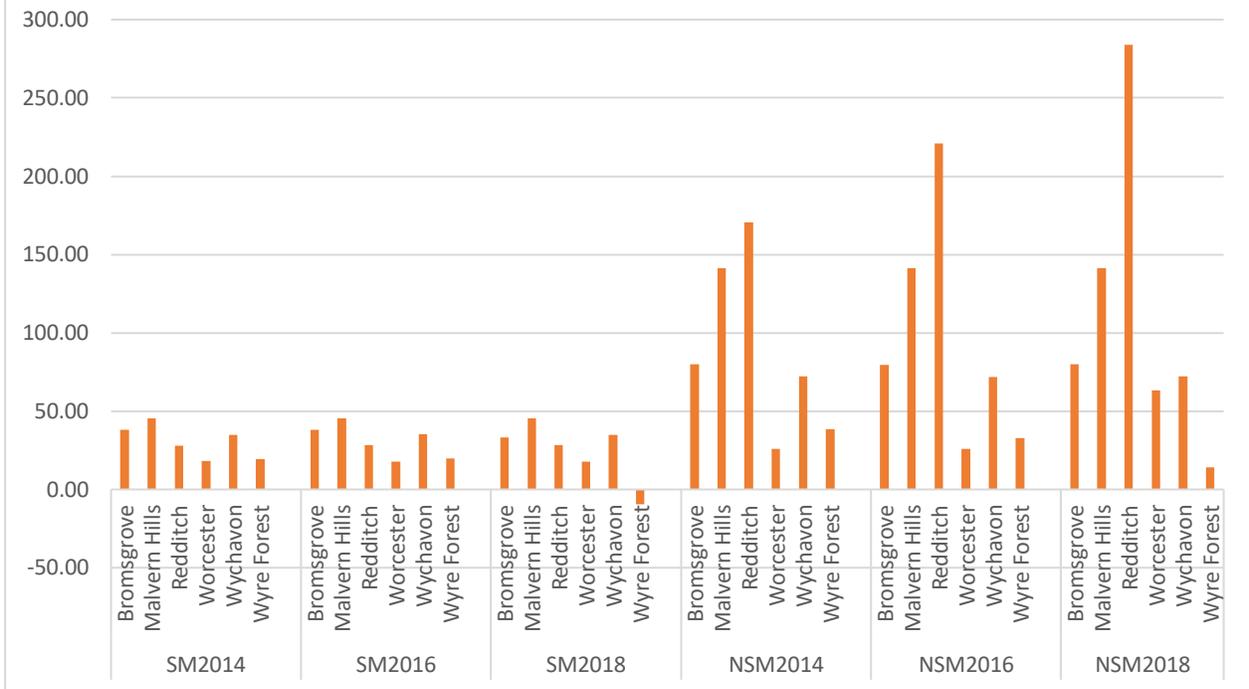


Fig 8: Demographic Add On %, All Worcestershire (2020-2030, 2019 Affordability)

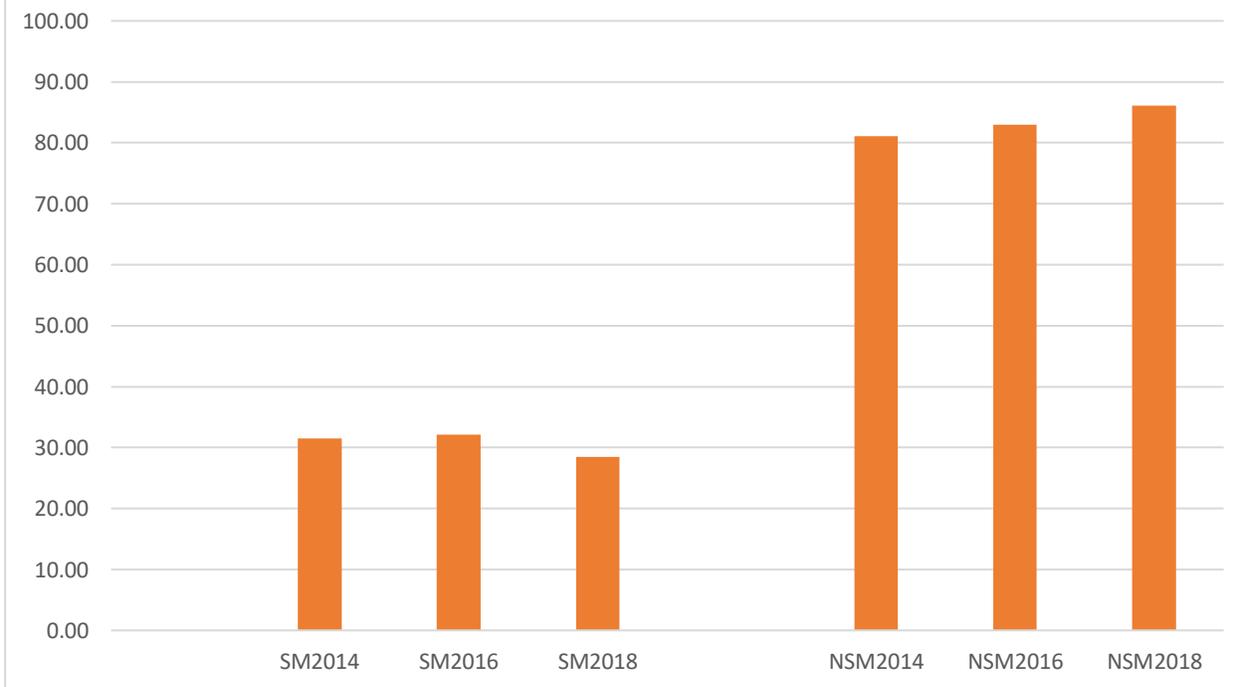
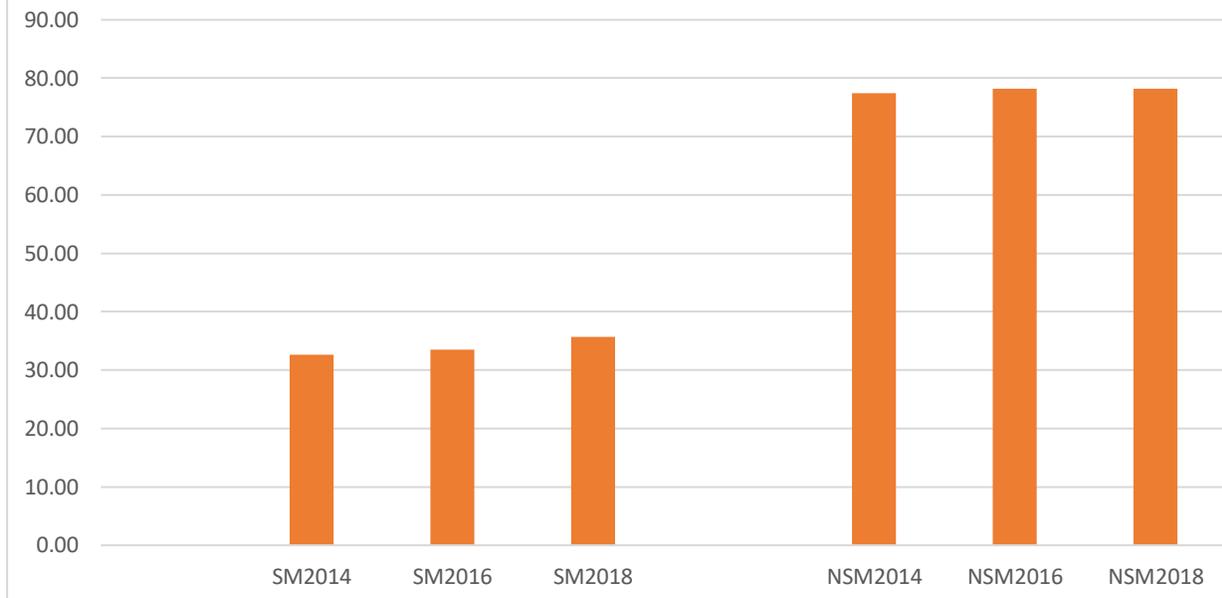


Fig 9: % Demographic Add on to Housing Requirement, South Worcestershire (2020-2030, 2019 Affordability)



Lastly, to get a snapshot of the impact of the changing affordability calculation, I undertook a theoretical exercise for one Worcestershire authority, Bromsgrove, which might see significant swings in affordability. I kept the 2019 affordability rate constant but compared it against a start date for all the intervening years from 2009-2018.

What becomes apparent is a large variation year on year from 694 to 481 homes. Of course, this is not a true reflection of what would happen because affordability will also change from the 2019 rate over time, but there is no guarantee this will balance out earlier changes. It may even exacerbate the disparity. This is represented in Fig 10 and 11.

Fig 10: Impact of Changing Affordability Start Date on NSM (ONS2018) Annual Housing Requirement (2020-2030, Affordability end date 2019)

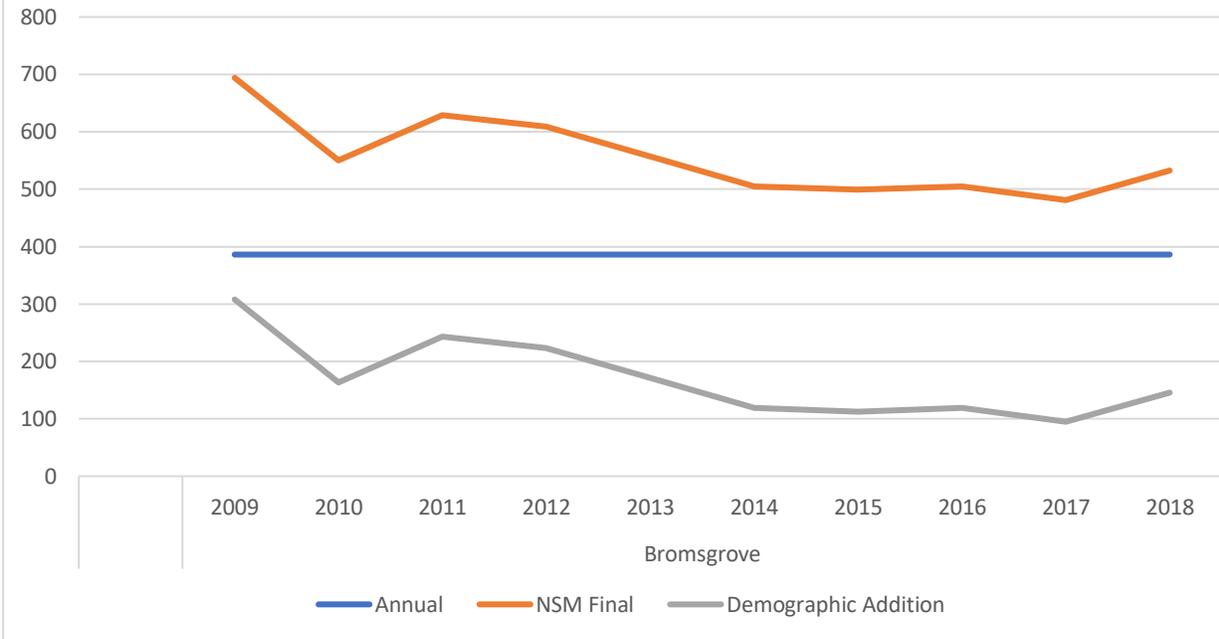
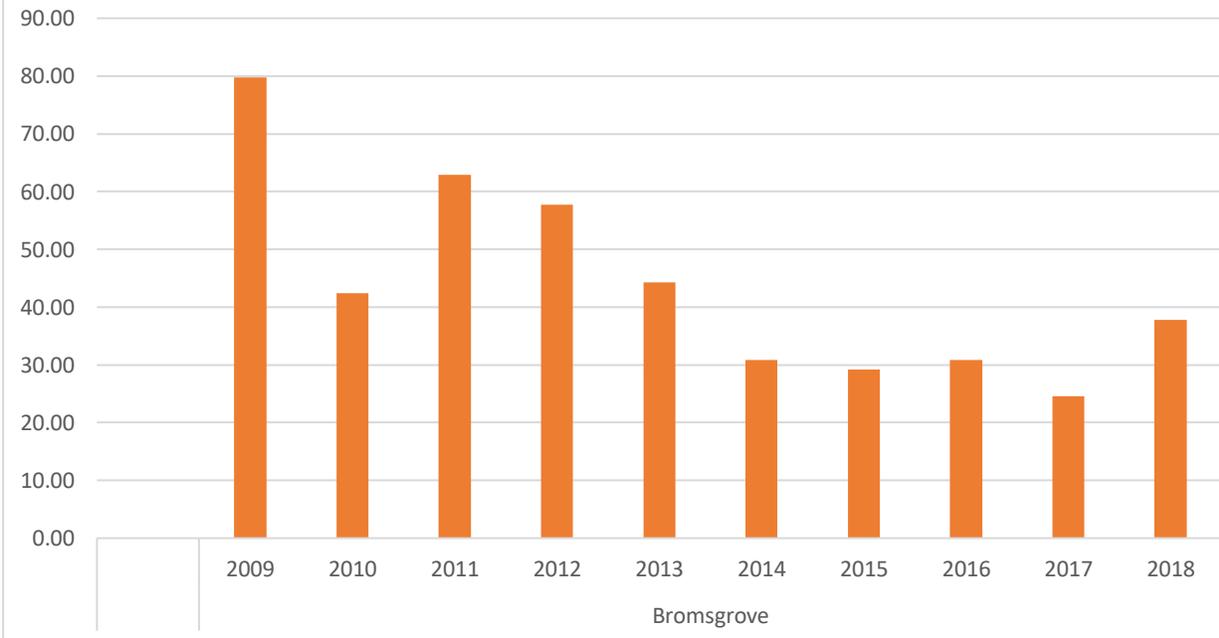


Fig 11: % Addition to Housing Requirement in NSM (2018 ONS) using different affordability start dates (2020-2030, 2019 Affordability end)



#### 4. Conclusions

The New Standard Methodology has significant impacts in Worcestershire but it is also important to understand the impacts of the redistributive nature of the latest 2018 ONS housing figures.

Having said that, the new methodology is not only problematic in how it distributes development but in how much of that is genuinely needed.

It is also likely to be volatile, even on a yearly basis.

Of course, Worcestershire cannot be seen only on its own. It abuts the West Midlands conurbation. The impact elsewhere of the New Methodology suggest that the issues identified in this report will not be ameliorated elsewhere. Moreover, the current Duty to Cooperate between councils is removed so these requirements would appear to be binding within the local authority itself.

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## APPENDIX: HOUSING REQUIREMENT COMPARISON, STANDARD METHODOLOGY AND NEW STANDARD METHODOLOGY

### Note on Tables for Worcestershire CPRE

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The attached Excel file includes six tables showing calculations of the Standard Methodology (SM) Housing Requirement for Local Authorities in Worcestershire using the 2014, 2016, 2018 ONS figures and proposed new standard methodology (NSM).

The Government requires Local Authorities to use the 2014 ONS figures for the current SM and the 2018 figures for the NSM so these are the two key comparisons. However, it can be misleading to simply represent those two figures side by side since both the underlying demographic need and the distribution of that need is significantly different between the 2014 and 2018 ONS figures.

In particular the demographic housing need in England decreased between the ONS 2014, 2016 and 2018 figures, (partly as a result of population reductions but partly because of changed assumptions about household size and other demographic factors.)

However also, between the 2016 and 2018 figures there was also a significant geographical shift from the South East to the Midlands and also towards rural authorities, as can be seen in the table I provide for Worcestershire. This partly resulting from changes in Internal Migration calculations by the NHS and the short trend time scale used for those calculations.

The first three tables all employ the current SM, the second table the consultation NSM.

The tables first calculate the base figure for each Local Authority from the ten years ONS housing growth, which is then adjusted in the new standard methodology if it is lower than 0.05% of stock.

Both methods then incorporate an affordability adjustment as required for each calculation. These are all based on the relevant Government/ONS tables.<sup>6</sup>

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<sup>6</sup> Housing Projections 2018/2016 and Variant: (Page 406) found at:  
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/householdprojectionsforengland>

Housing Projections 2014: (Page 406) found at:  
<https://www.gov.uk/government/statistical-data-sets/2014-based-household-projections-detailed-data-for-modelling-and-analytical-purposes>

House price to workplace-based earnings ratio 2019 (Table 5c) found at:  
<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>

Dwelling stock (including vacants) (Table 125) found at:

The current Standard Methodology then caps the figures at 40% above the current housing requirement.

There is no standardized table for this. Tables provided by Turleys and Lichfields give different figures for the three authorities covered by the South Worcestershire Development Plan (Malvern Hills, Worcester and Wychavon).<sup>7</sup>

To try and resolve this I contacted the SWDP technical team, who were applying the cap across all three authorities based on the current SWDP requirement of 1183 dwelling per annum (dpa) (1656 with the 40% cap added.) This leads to no cap being applied.

I note that the NPPG<sup>8</sup> refers to a cap being applied by 'local authority' area, so their approach might be contentious at Inquiry and could impact specifically on the Malvern Hills requirement, however, it would be difficult to disentangle the SWP since the figures for Worcester include a wider area so I have adopted their approach for comparison.

(This also means the SM figures for those authorities are higher than previous figures I gave in tables for WM CPRE)

The only authority where a cap would apply with this understanding is Wyre Forest under the 2018SM modelling. This issue does not arise in the NSM figures.

For each Authority after the final housing requirement figure I have calculated the addition above demographic need and what percentage of demographic need that is. At the bottom I have calculated the totals for Worcestershire as a whole for each scenario. I have also calculated the totals for the South Worcestershire Development Plan Area (Malvern Hills, Worcester and Wychavon. I have calculated each of the three authorities then added them together as it is not possible to do the NSM calculation for the SWDP area as there is no SWDP affordability figure.

All calculations are based on a 2020-2030 timeframe and 2019 affordability figures.

The attached diagrams show graphically the overall requirement, demographic addition (annual housing requirement above the ONS projection) and percentage demographic addition.

I have also undertaken a specific test, using Bromsgrove as an example, for the NSM2018 case where I kept the affordability end year at 2019 but compared it with intervening

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<https://www.gov.uk/government/collections/dwelling-stock-including-vacants>

<sup>7</sup>Local Plan Housing Figures given in:

<https://lichfields.uk/grow-renew-protect-planning-for-the-future/how-many-homes-the-new-standard-method/#section8>

[https://www.lpdf.co.uk/wx-](https://www.lpdf.co.uk/wx-uploads/files/newsletters/Implications%20of%20Proposed%20Changes%20to%20the%20Standard%20Method.pdf)

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<sup>8</sup> <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>, Paragraph: 004 Reference ID: 2a-004-20190220

years from 2009 - 2018. This is a hypothetical example as the affordability end year would also change. However, it demonstrates how volatile housing requirements could become under the New methodology. There is also no guarantee that the volatility shown in the graph would be reduced by future affordability variations.