Housing Needs & Housing Targets Update

BACKGROUND PAPER

December 2018
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1 Scope of this paper

1.1. The delivery of new housing will be a central issue for the Portsmouth Plan Review. Ensuring there is an appropriate balance between the need for new housing and other uses such as employment land and open space, the capacity of infrastructure, environmental constraints and the key test of deliverability will be necessary to provide a sound plan.

1.2. This background paper provides an update to the previous document Housing Needs and Housing Targets which was published in 2017 in support of the Local Plan Issues and Options consultation. The paper brings together the available evidence relating to housing need. It sets out the national, sub-regional and local context of assessing housing need (section 2), and then discusses the current progress in calculating housing need in the city (section 3). Finally, 4 sets out some conclusions based on the available evidence.

1.3. In this context, the need for housing refers to the scale and mix of housing and the range of tenures that are likely to be needed in the city over the plan period. It is worth confirming the need for housing refers to the scale and mix of housing that is likely to be needed in the city over the plan period. It is largely driven by demographic pressures and previous trends, with any necessary adjustments made for the range of factors (such as market signals) specified in the Planning Practice Guidance. It is the technical evidence which sets out the total need for new homes in the city.

1.4. The need for affordable housing is based on the number of existing and newly forming households who lack their own housing (or who live in unsuitable housing) and who cannot afford to meet their housing needs in the market. It is a proportion of the population as a whole, not a proportion of the increase in households. Because of this, it is possible for the needs for affordable housing to be greater than the overall need for housing.

1.5. This paper does not address in detail any other the other considerations which will be taken into account when determining the appropriate housing target in the new local plan such as the constraints listed in 1.1 above. It has been produced to set out the technical evidence which has been used to inform the local plan to date.

1.6. This background paper may require further updating as work on the plan review progresses to reflect any new evidence on housing need, changes to legislation or national planning policy and practice, or other information.
2 National, sub-regional & local policy context

Revised National Planning Policy Framework

2.1 The National Planning Policy Framework (NPPF) was revised in July 2018. Additional amendments were published in October 2018 for consultation. This paper has been prepared with the assumption the outcomes of that consultation will not result in a significantly different approach to planning and housing needs, and that the Government's proposals will be confirmed. Should that not be the case then this paper will require updating.

2.2 It remains the Government's aim to significantly increase the supply of new homes (paragraph 59). Regarding housing needs, the NPPF requires that:

- strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach (para. 60);
- In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for (para. 60); and
- the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (para. 61).

2.3 The NPPF also contains a number of related policies including maintaining a supply of housing, promoting good design, sustainable development and healthy communities and provides guidance on plan making.

National Planning Practice Guidance

2.4 Following revisions to the NPPF the Government published revised Planning Practice Guidance (PPG) in September 2018 which provides more details on how to undertake an assessment of housing need using a new Standard Methodology\(^1\). The standard methodology starts with the household projections published by the Office of National Statistics (ONS) and makes an addition based on market signals. The Government has now announced that the 2014-based household projections should be the starting point under this method.

2.4 The PPG also set out circumstances when actual housing need may be higher than the need assessed using the standard methodology, such as where growth strategies such as Housing Deals are in place or where strategic infrastructure improvements would support more homes.

2.5 Finally, the Localism Act 2011 requires local planning authorities to cooperate with neighbouring authorities on strategic matters including housing delivery (the "Duty to Cooperate"). This is expanded upon in the requirement for a Statement of Common Ground in the NPPF and PPG to address strategic cross-boundary issues including housing need.

Sub-regional policies

**Partnership for Urban South Hampshire (PUSH)**

2.6 PUSH is a partnership of local authorities in south Hampshire consisting of Portsmouth and Southampton city councils, Eastleigh, Fareham, Gosport and Havant borough councils and parts of New Forest, Test Valley, Winchester and East Hampshire district council areas. Hampshire County Council and the Isle of Wight Council are also within the partnership. The partnership seeks to work together, and with local partners and agencies, towards improving the performance of South Hampshire’s economy, employment and skills levels to enable affordable family homes and good quality jobs for all. It has produced a number of relevant strategies and documents which are identified below.

**South Hampshire Position Statement 2011-2034**

2.7 PUSH authorities have been working together to consider the planning of South Hampshire for many years. Technical work, including a Strategic Housing Market Assessment (SHMA), Transport Study and Sustainability Appraisal was prepared to provide evidence of need for development, capacity of infrastructure and environmental constraints across the PUSH area.

2.8 Leading on from that technical work, at its meeting of 7 June 2016 the PUSH Joint Committee noted the completion of a Position Statement setting out the outcomes of work to date\(^2\). It is important to note that the Position Statement was not a spatial strategy – rather it documented the level of agreement reached by partner authorities in considering how to meet the development needs of the PUSH area in a sustainable way.

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2.9 The Position Statement identified the need for new housing and development for employment uses. It distributed development totals to each of the local authority areas in a way which aims to meet needs to 2026, and a very high proportion of needs to 2034 and significantly increases the rate of development across South Hampshire in response to the evidence on housing need.

2.10 Position Statement Policy H1 set out a distribution of housing across the sub-region during the period 2011-2034, including a requirement for minimum of 14,560 new homes in Portsmouth. The statement noted that Local Plans will consider further how the targets will deliver a mix of housing, including of different types and sizes, market and affordable housing. In addition, this target includes provision of housing to meet specific needs, including sheltered and extra care housing which meets the needs of a growing older population.

2.13 On 4 December 2018 the PUSH Joint Committee considered a report on the implications of the revised NPPF including the revised standard methodology for assessing local housing need\(^3\). The Committee agreed that work should commence on investigating various geographical options for work to address a potential PUSH Statement of Common Ground\(^4\).

**Local policies**

*The Portsmouth Plan*

2.14 The adopted Local Plan for Portsmouth\(^5\) sets out a planning framework to 2027. The document identified a supply of 11,484 dwellings from 2006 to 2027, with the delivery of a further 1,270 dwellings dependent upon the delivery of critical transport infrastructure\(^6\). Following adoption of the Plan, Portsmouth signed a City Deal with central Government which saw investment in infrastructure critical for the delivery of 770 homes at Tipner. Therefore the total capacity for Portsmouth identified in the Portsmouth Plan was 12,254 dwellings, or an average of 584 dwellings per annum over the whole plan period.

2.15 The Plan also sets out the need for affordable housing and requirements for affordable housing to be delivered as part of larger developments\(^7\) at up to 30% of the total number of dwellings. The document notes that on the basis of need alone, a target of 40% provision would be entirely justifiable.

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\(^6\) Table 2 and policy PCS 10.

\(^7\) Paras. 5.15 to 5.18 and policy PCS18.
However, the rate was reduced to a maximum of 30% on the grounds of viability.

2.16 From 2006 to 2018 a total of 6,082 dwellings were delivered against the adopted Plan target, of which 2,116 were affordable. That period includes some years of strong delivery, with more recent period of weaker delivery. Overall the average number of new dwellings delivered each year was 507, of which 176 were affordable. Continuing delivery at that rate over the period 2016-2036 would equal 10,140 new dwellings.

Providing affordable housing in Portsmouth

2.16 This document was agreed by the Council in 2012 to accompany the Portsmouth Plan and provides an introduction to the requirements for the delivery of affordable housing in Portsmouth in line with the requirements of the Portsmouth Plan.

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3 Calculating Local Housing Need

Introduction

3.1 Councils are required to identify their own housing requirements, in accordance with the National Planning Policy Framework and Planning Practice Guidance. The previous section set out the national, sub-regional and local evidence on housing needs. This section sets out the evolution of the evidence on overall housing needs.

The 2014 South Hampshire SHMA and 2016 Update

3.2 In January 2014, a Strategic Housing Market Assessment for south Hampshire was published by PUSH. It identified an increased housing requirement for both the Portsmouth and Southampton housing market areas compared with the previous housing market assessment. That work was updated further in Objectively-Assessed Housing Need Update dated April 2016. Both documents are available on the PUSH website9. The Update set out the following conclusions -

6.35 Trend-based demographic projections indicate a need for 709 dwellings per annum. The economic-based scenario (showing a need for 617 homes per annum) does not provide evidence suggesting any need to consider higher housing provision.
6.36 The affordable housing evidence suggests a need for 593-768 affordable dwellings per annum, which represents 84-108% of the demographic based need. Market signals point to the City being a more affordable place to live relative to other parts of the HMA.
6.37 However there is evidence that household formation has been constrained, and it would be appropriate to address needs of concealed households. To improve household formation, and reduce levels of concealed households, we identify an objectively assessed need for 740 dwellings per annum.

Source: PUSH Objectively Assessed Housing Need Update10

The Standard Method for Assessing Local Housing Need

3.3 Following the publication of the Housing White Paper in 2017, the Government introduced a Standard Method for assessing housing need, which the revised NPPF states local planning authorities should use as the starting point for assessing needs unless there are exceptional circumstances.

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10 Available on the PUSH website at http://www.push.gov.uk/2c_objectively_assessed_housing_need_update.pdf
3.4 This represents a new approach by the Government - replacing the previous locally produced assessment of housing needs with a "top-down" figure derived from nationally produced official projections.

3.5 The Standard Method draws upon nationally-produced inputs, the main one being household projections for each local authority (typically produced every two years), and an affordability ratio, being the relationship between house prices and incomes for each local authority (produced each year)\textsuperscript{11}. The general position is that as the inputs change, then using the standard method will provide an updated figure.

3.6 There has been some uncertainty following the introduction of the standard method. Following the publication of the most recent household projections (the 2016 based household projections) in September 2018, the figure for the Portsmouth area and many others across the country dropped significantly. The Government was concerned that the impact of councils using these more recent projections would be that nationally, the aggregate of local plans would not aim for the government's target of 300,000 homes per year, and published further proposed revisions to the NPPF confirming that the previous 2014-based projections should be used\textsuperscript{12}.

3.7 The following table sets out how the figure has changed over time, first as revised inputs became available, then changes to the standard method took effect.

<table>
<thead>
<tr>
<th>Description</th>
<th>Date of release</th>
<th>September 2017</th>
<th>May 2018</th>
<th>September 2018</th>
<th>October 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual figure</td>
<td></td>
<td>835</td>
<td>863</td>
<td>595</td>
<td>863</td>
</tr>
<tr>
<td>Equivalent 2016-2036</td>
<td></td>
<td>16,700</td>
<td>17,260</td>
<td>11,900</td>
<td>17,260</td>
</tr>
</tbody>
</table>

3.8 It is worth noting that as familiarity with the standard method grows there is greater understanding of the potential for different interpretations. For the avoidance of any doubt, a full detailed breakdown of how the figure of 863 dwellings per annum was arrived at is set out as Appendix 1 to this document.

3.9 Providing there are no more significant changes announced to the standard methodology, the next revision will be the publication of the ratio for housing affordability which will is expected to be released by ONS in March 2019. This will impact upon the local housing need figure, though the impact is not anticipated to be as great as some of the previous adjustments set out in the table above.

\textsuperscript{11} Full details of the standard method are set out in Planning Practice Guidance, which is available from the MHCLG website here - \url{https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments}

\textsuperscript{12} Paper available on the MHCLG website at \url{https://www.gov.uk/government/consultations/changes-to-planning-policy-and-guidance-including-the-standard-method-for-assessing-local-housing-need}
4 Considering housing targets in the New Portsmouth Plan

4.1 So far, this paper has focused on the relevant guidance and available technical evidence for considering housing need and the need for various types of housing.

4.2 This paper does not set the target for housing delivery - that will be set through the Local Plan process.

4.3 In addition, the council already has evidence that the actual deliverable level of housing in Portsmouth is likely to be constrained by a number of factors, including the availability of land, impacts upon the environment, the capacity of infrastructure and the deliverability of development. However, part of the planning process is to test identified constraints and see if they can be overcome. Work to test and quantify any constraints is ongoing and will be considered through the Plan process.

4.4 The previous Housing Needs and Housing Targets paper set out a number of potential scenarios for deriving and considering housing targets for potential inclusion on the new Local Plan. The introduction of the standard method requires a different approach. As work on the new Plan proceeds, the focus will be on a) whether there is any justification for considering an adjustment to that estimate of need; b) whether the assessed Local Housing Need can be delivered and c) if not, the potential for any unmet need to be met elsewhere.

4.5 However, the starting point at present is that the assessed Local Housing Need for the city is 863 homes per annum 2016-2036.
### Appendix 1 - detailed calculation of Local Housing Need Using Standard Method

<table>
<thead>
<tr>
<th>Local Housing Need</th>
<th>Based on 2014 Household projections and 2017 affordability ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Calculating the baseline (household projections)</td>
</tr>
<tr>
<td>Households</td>
<td>99,059 2029</td>
</tr>
<tr>
<td></td>
<td>91,821 2019</td>
</tr>
<tr>
<td>Growth 2019-2029</td>
<td>7,238</td>
</tr>
<tr>
<td>Annual change (baseline)</td>
<td>724</td>
</tr>
<tr>
<td></td>
<td>Affordability Adjustment</td>
</tr>
<tr>
<td>Median affordability ratio 2017</td>
<td>7.08</td>
</tr>
<tr>
<td>Adjustment factor =</td>
<td>7.08 - 4 x 0.25 = 0.1925</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Adjustment is</td>
<td>0.1925 x 724 = 139</td>
</tr>
<tr>
<td></td>
<td>Therefore baseline</td>
</tr>
<tr>
<td></td>
<td>724</td>
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<tr>
<td></td>
<td>+</td>
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<tr>
<td></td>
<td>Plus adjustment</td>
</tr>
<tr>
<td></td>
<td>139</td>
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<tr>
<td></td>
<td>=</td>
</tr>
<tr>
<td></td>
<td>Locla Housing Need (dwellings per annum)</td>
</tr>
<tr>
<td></td>
<td>863</td>
</tr>
</tbody>
</table>


Affordability ratios taken from Table 5c of ONS House price to workplace-based earnings, available at [https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian](https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian)