

Housing needs and housing targets update



Background Paper

July 2021

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1 Scope of this paper

- 1.1.1 The delivery of new housing will be a central issue for the Portsmouth Local Plan. 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.
- 1.1.2 This background paper provides an update to the previous document Housing Needs and Housing Targets which was published in 2019 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.
- 1.1.3 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.

2 National, sub-regional & local policy context

2.1 Revised National Planning Policy Framework

- 2.1.1 The National Planning Policy Framework (NPPF) was last revised in July 2021.
- 2.1.2 It remains the Government's aim to significantly increase the supply of new homes (paragraph 60 - 62). Regarding housing needs, the NPPF requires that:
- To determine the minimum number of homes needed, 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 which also reflects current and future demographic trends and market signals. 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.
 - Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes).

2.2 National Planning Practice Guidance

- 2.2.1 Following revisions to the NPPF the Government published Planning Practice Guidance (PPG) (housing section last updated Feb 19) which provides more details on how to undertake an assessment of housing need using a new Standard Methodology. 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 National Planning Policy Framework expects strategic policy-making authorities to follow the standard method in this guidance for assessing local housing need.
- 2.2.2 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.
- 2.2.3 The standard method set out below identifies a minimum annual housing need figure. It does not produce a housing requirement figure.
- 2.2.4 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.
- 2.2.5 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.

2.3 Sub-regional work

Partnership for South Hampshire (PfSH)

- 2.3.1 PUSH is a partnership of local authorities in South Hampshire consisting of Portsmouth and Southampton city councils, East Hampshire, Eastleigh, Fareham, Gosport, Havant, New Forest District, New Forest National Park Authority, Test Valley, and Winchester Councils. 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.
- 2.3.2 PfSH developed a full review of the PUSH strategy in 2016, which included a Spatial Position Statement (covering the period until 2034) and a Strategic Housing Market Assessment (SHMA) (covering the period up until 2036). In addition, the SHMA was published in 2014 with an updated Objectively Assessed Housing Need (OAHN) published in April 2016, in line with advice in the PPG.

- 2.3.3 Planning policy at a national level has moved on since the production of the Spatial Position Statement and there is a need to review and update it. Standardised assessments of housing need (objectively assessed need) indicate a need to significantly increase housing provision, a need to extend the period covered by the Position Statement beyond 2034 and in particular, to address cross-boundary environmental issues such as the impact of development on water and air quality and on protected sites of international nature conservation importance. In planning for major development, it is also important to maintain and enhance a coherent pattern of town and countryside, to protect towns and villages with a distinct identity and appropriate countryside gaps
- 2.3.4 PfSH published an updated Statement of Common Ground in September 2020. The Statement had Regard to the advice in the NPPF in defining the strategic matters to be addressed:
- Housing need
 - Employment land
 - Infrastructure investment
 - Biodiversity net gain, environmental enhancement and avoidance and mitigation of environmental impacts; This strategic matter will consider climate change and health and wellbeing and include the need for sub-regional green infrastructure and strategic habitat mitigation and consideration of potential green belt designation.
- 2.3.5 The revised PfSH position Statement agreed a number of positions on future workstreams to be undertaken with input from the PfSH Planning Officers Group (PfSH POG). These included Strategic Development Opportunity Areas Assessment (including Sustainability Appraisal and Habitats Regulations Assessment) due at the end of 2021, an Economic, Employment and Commercial Needs (including logistics) study (due summer 2021) and Green Infrastructure needs and consideration of mechanisms for a possible Green Belt designation (due end of 2023).

2.4 Existing Development Plan

The Portsmouth Plan

- 2.4.1 The adopted Local Plan for Portsmouth 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. 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.
- 2.4.2 The Plan also sets out the need for affordable housing and requirements for affordable housing to be delivered as part of larger developments 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. However, the rate was reduced to a maximum of 30% on the grounds of viability.
- 2.4.3 From 2006 to 2020 a total of 6,433 dwellings were delivered against the adopted Plan target. 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 460. Continuing delivery at that rate over the period 2020-2038 would equal 8,280 new dwellings.

3 Calculating Local Housing Need

3.1.1 This section sets out the evolution of the evidence on overall housing needs.

3.2 The Standard Method for Assessing Local Housing Need

3.2.1 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.

3.2.2 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.

3.2.3 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)¹. The general position is that as the inputs change, then using the Standard Method will provide an updated figure.

3.2.4 There has been some uncertainty following the introduction of the Standard Method. Following the publication of 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 used². The government also consulted upon a change to the standard methodology in summer 2020 which would have seen a shift to increased delivery in areas of the country with lower affordability. The proposed approach would have resulted in a slight fall to the target for Portsmouth as one of the more affordable areas to live nationally, however the government decided to revert to the previous position but with an increase in the target of the 20 largest cities in the country (December 2020 revised methodology³). The position for Portsmouth remained unchanged.

3.2.5 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 1 Portsmouth Housing Need Standard Methodology

Date of release	Change	Annual figure	Equivalent 2020-2038
Sep-17	Initial publication	835	15,030
May-18	Revised affordability	863	15,534
Sep-18	Revised household projections	595	10,710
Oct-18	Revised NPPF	863	15,534

¹ Full details of the standard method are set out in Planning Practice Guidance, which is available from the MHCLG website here - <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

² Paper available on the MHCLG website at <https://www.gov.uk/government/consultations/changes-to-planning-policy-and-guidance-including-the-standard-method-for-assessing-local-housing-need>

³ MHCLG (Dec 2020) Indicative Local Housing Need - revised methodology. Available from: <https://www.gov.uk/government/consultations/changes-to-the-current-planning-system>

Date of release	Change	Annual figure	Equivalent 2020-2038
May-19	Revised affordability	867	15,606
Dec-20	Revised methodology	855	15,390
Apr-21	Revised affordability	872	15,696

- 3.2.6 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 872 dwellings per annum was arrived at is set out as Appendix 1 to this document.
- 3.2.7 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 be expected to be released by ONS in fall 2021. 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 Table 1 above.

4 Considering housing targets in the New Portsmouth Plan

- 4.1.1 This paper has focused on the relevant guidance and available technical evidence for considering housing need and the need for various types of housing. It does not set the target for housing delivery - that will be set through the Local Plan process.
- 4.1.2 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.
- 4.1.3 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.
- 4.1.4 However, the starting point at present is that the assessed Local Housing Need for the city is 872 homes per annum 2020-2038.

Appendix 1 - detailed calculation of Local Housing Need Using Standard Method

Local Housing Need									
Based on 2014 Household Projections (table 406) and 2020 affordability ratio									
Calculating the baseline (household projections)									
Households	2021	93,229							
	2031	100,573							
Growth 2021 -31		7,344							
Annual Change (baseline)		734							
Affordability Adjustment									
Median affordability ratio (2020)		7.01							
Adjustment factor =	7.01	-	4	*	0.25	+	1	=	1.188125
		4							
Baseline is therefore:		734							
Multiplied by:		1.188125							
Local Housing Need (per annum)		872							

2014 Household Projections source: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-household-projections>

2020 Affordability Ratio source: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepriceto workplacebasedearningslowerquartileandmedian>