# HOUSING REQUIREMENT COMPARISON,

**STANDARD METHODOLOGY AND NEW STANDARD METHODOLOGY**

# Implications of Research for Gloucestershire CPRE

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# 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 the ‘Planning for the Future’ consultation1.

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.2

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 household growth.

CPRE Gloucestershire 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 would lead to more housing being built on poorly located developments in the Gloucestershire countryside, undermining urban regeneration and failing to deliver either sufficient 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.

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

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

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

I first explain how the new methodology would work and then consider how it might impact on the housing requirements in local authorities in Gloucestershire.

# 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 (OAN) for housing and other uses, as well as any needs that cannot be met within neighbouring areas.’3

Governments have traditionally based the calculation of this housing requirement on projections made nationally by the Office for National Statistics (ONS) which are produced biannually based on wider population projections and which then divide national housing projections 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.

Even allowing for some additional housing to allow for existing unmet need, and taking account of housing which may get allocated in local plans but not be built, this gap is hard to bridge, especially when one considers the role windfall housing may play in the future, including as a result of expected changes to retail needs.

However, this reduction of need is not universal at a local level. Because of changes in the data sets which are used in the 2018 projection to gauge how people move between regions and authorities in the UK (particularly data from the NHS), more housing need is directed away from the South East in the 2018 projection which has a particular impact on rural areas, including some of Gloucestershire’s districts. This is apparent when we examine the figures.

Moreover, the trend in the new data is relatively short, reflecting when those changes in base data happened. It may be that over a longer time period they show different distributions.

To get from the ONS projections to a local requirement the Government introduced a Standard Methodology (SM) in the NPPF, details of which are set out in National Planning Practice Guidance (NPPG).4

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

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

This requires an ‘affordability adjustment’ to be added on the ONS figure to calculate local housing requirements. However, even with that adjustment, the Government's aspirational figure of 300,000 homes per annum is not reached.

Up until now the Government has mitigated this by telling Councils to continue to use the 2014 figures but they are becoming increasingly out of date.

The Government is, therefore, proposing to adopt the 2018 ONS figures but to adopt a New Standard Methodology (NSM) which would change the way a local authority’s housing requirement is calculated, the aim being to reach the national target. The NSM differs from the SM in two ways.

Firstly, the proposed NSM calculation would only rely on household projections when they are greater than 0.5% of the housing stock in a local authority.

In the case of Gloucestershire this only effects Cheltenham, where reductions that would have happened in both the 2016 and 2018 SM case are not reflected in the New Standard Methodology figures. In the 2018SM case this alone raises the housing requirement by 27%.

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 leads to significant changes in the balance between demographic need and the affordability, which added to the changes in the ONS2018 distribution of housing leads to increases in housing in rural authorities such as Cotswold and Forest of Dean, but more generally to a rise in the housing requirement across Gloucestershire.

# Impact of Changes to the Standard Methodology on Gloucestershire

[Attached to this report is an excel file](file:///C%3A%5CUsers%5CLesleyPainter%5COneDrive%20-%20CPRE%20Gloucestershire%5CWebsite%5CDocs%20on%20website%5CGerald%20Kells%20report%20-%20housing%20need%20SM%20and%20NSM2020%20calculations%20gloucestershire.xls) which calculates housing numbers using both the New and Old Standard Methodology for each local authority and for Gloucestershire as a whole, as well as a word file which details the methodology used as well as limitations and caveats. The Excel file also includes a number of tables, which are reproduced in this report.

I have calculated the results for the three national Household Projections from ONS for 2014, 2016 and 20185. 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 as can

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

be seen in the diagrams below. The final results may appear similar when in fact they should be different, as is the case in Cheltenham.

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: Annual Housing Requirement for Gloucestershire Local

Authorities (2020-2030, 2019 Affordability)

1400

1200

1000

800

600

400

200

0

Cheltenham

Cotswold

Forest of Dean

Gloucester

Stroud

Tewkesbury

SM2014 SM2016 SM2018 NSM2014 NSM2016 NSM2018

Fig 1 shows the impact on overall housing need by local authority of introducing the New Methodology. Comparing the first and last column for each authority shows the dramatic overall increase in housing requirements in all authorities apart from Cheltenham where the figure is similar and Gloucester where it actually decreases.

The impact is most extreme in Cotswold and Tewkesbury, although part of this results from the changes in ONS2018 distribution, (which is masked in the current Standard Methodology calculation by the 40% cap.)

Fig 2 shows the overall impact across Gloucestershire where the housing requirement would rise from 3245 to 4747 dpa or 46%.

Fig 2: Annual Housing Requirement for all Gloucestershire (2020-

2030, 2019 Affordability)

5,000

4,500

4,000

3,500

3,000

2,500

2,000

1,500

1,000

500

0

SM2014

SM2016

SM2018

NSM2014

NSM2016

NSM2018

Fig 3 and 4 show the amount added on to the ONS’s annual demographic figure for

Fig 3: Demographic Addition to Annual Housing

Requirement for Gloucestershire Local Authorities (2020-2030, 2019 Affordability)

1400

1200

1000

800

600

400

200

0

-200

SM2014

SM2016

SM2018

NSM2014

NSM2016

NSM2018

Demographic Add On

Cheltenham Cotswold Forest of Dean Gloucester

Stroud Tewkesbury

Cheltenham Cotswold Forest of Dean Gloucester

Stroud Tewkesbury

Cheltenham Cotswold Forest of Dean Gloucester

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Stroud Tewkesbury

Cheltenham Cotswold Forest of Dean Gloucester

Stroud Tewkesbury

each authority and for Gloucestershire as a whole. What is clear is that, whereas

under the old methodology the addition was modest, in the new methodology the adjustment accounts for a significant proportion of the housing requirement. (It should be noted that in Cotswold it is actually negative in the SM2018 calculation. This is entirely due to the cap.)

Fig 4: Demographic Addition to Housing

Requirement for all Gloucestershire (2020-2030, 2019 Affordability)

5,000

4,500

4,000

3,500

3,000

2,500

2,000

1,500

1,000

500

0

SM2014

SM2016

SM2018

NSM 2014

NSM2016

NSM2018

Demographic Add On

The impact is even clearer in Fig 5 and 6 where the increase is represented as percentages of the ONS demographic need. The Housing requirement across Gloucestershire is increased above demographic need by over 80%, as opposed to 30% in the current methodology for 2014 and 2016, and only 16% in ONS2018 where the cap is applied to some local authorities in the county. And it can also be seen that even where the overall housing requirement figure goes down or stays the same, as in Cheltenham and Gloucester, the percentage added to demographic need to create the requirement goes up under the NSM, in Cheltenham’s case to a figure of 140%.

160

140

Fig 5: % Demographic Addition to Housing

 Requirement for Gloucestershire Local Authorities

 (2020-2030, 2019 Affordability)

120

100

80

60

40

20

0

-20

NSM2018

NSM2016

NSM2014

SM2018

SM2016

SM2014

Cheltenham

Cotswold Forest of Dean Gloucester

Stroud Tewkesbury

Cheltenham

Cotswold Forest of Dean Gloucester

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Tewkesbury

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Cheltenham

Cotswold Forest of Dean Gloucester

Stroud

Tewkesbury

Cheltenham

Cotswold Forest of Dean Gloucester

Stroud Tewkesbury

Fig 6: % Demographic Addition to Housing

Requirement for all Gloucestershire (2020-2030, 2019 Affordability)

90

80

70

60

50

40

30

20

10

0

SM2014

SM2016

SM2018

NSM 2014

NSM2016

NSM2018

Lastly, to get a snapshot of the impact of how the affordability calculation might change over time, I undertook a theoretical exercise for one Gloucestershire authority, Cotswold, which has seen 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, the highest (2012) being 1258 dpa and the lowest (2017) 863 dpa, a fall of 31% based on the higher figure. In the one year from 2009 to 2010 the fall was 28%. This is represented in Fig 7 and 8.

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 future change will balance out earlier change. It may actually exacerbate the disparity, as the volatility between 2009 and 2018 shows. Moreover, if one is considering the period it takes for a local authority to deliver a local plan, (30 months is the Government’s proposed requirement6) it is clear that between the earliest options and Public Examination the numbers may well change dramatically.

Fig 7: New Standard Methodology Annual Housing Requirement

for Cotswold (2020-2030) with adjusted affordability base date and 2019 end date, ONS 2018

1,400

1,200

1,000

800

600

400

200

0

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

Cotswold

Annual Demographic Need

0.5% of stock

NSM 2018 Final

Demographic Addition

6 Planning for the Future, Page 16

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# Conclusions

Fig 8: % Addition to Demographic Need, New

Standard Methodology Housing Requirement for Cotswold (2020-2030) with adjusted affordability base date and 2019 end date, ONS 2018

120

100

80

60

40

20

0

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

2019

The New Standard Methodology has significant impacts in Gloucestershire which are exacerbated by the redistributive nature of the latest 2018 ONS housing figures, which do not increase housing need above 2016 ONS nationally but distribute that housing differently.

The new methodology, however, is not only problematic in how it distributes housing development but in how much of that development is genuinely needed. As can be seen a large amount is added to the ONS demographic base line.

While there may be a case for some adjustment of housing numbers to account for unmet need, it is hard to justify the level being suggested.

Nor does the dramatic increase in the reliance on ‘affordability’ calculations lead to a distribution which would necessarily meet housing need where it is highest nor protect the countryside, promote brownfield development and reduce carbon emissions.

Lastly, the output from the new methodology is likely to be volatile both nationally and at a local authority level, even on a yearly basis, as the Cotswold example shows.