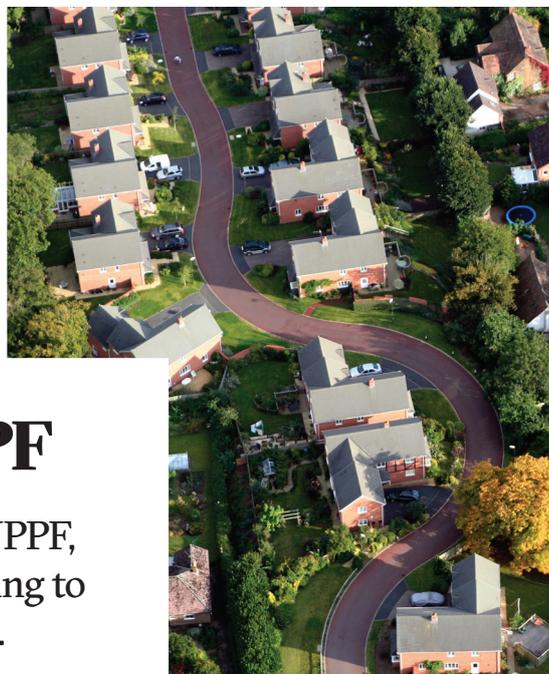


Insight focus

JULY 2019

Above Standard? Plans for housing under the new NPPF

One year on from the introduction of the revised NPPF, we take a look at how local authorities are responding to the standard method for calculating housing needs.



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When the first NPPF was introduced in 2012, its goal was to “make the planning system less complex and more accessible” and “vastly simplify policy about planning”. However, the following years saw the question of how many homes were needed - and where they should be built - dominate debate at local plan examinations (as well as appeal inquiries), often leading to lengthy delays.

In 2017 the Housing White Paper proposed a formulaic ‘standard methodology’ that was intended to be transparent, easy to use and consistent with the Government’s objective of delivering 300,000 homes annually. This was crystallised the following year in the revised NPPF and PPG which confirmed that authorities would now need to plan on the basis of this standard method.

The standard method dictates the minimum number of homes for which an authority needs to plan and at present, it sums to 273,000 homes per year nationally. It begins with the household projections and applies a fixed uplift based on the affordability ratio (the ratio of house prices to earnings in an area).

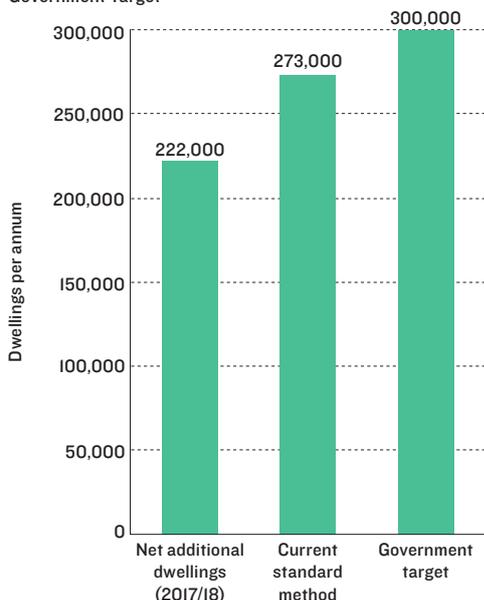
Being a minimum figure is key; the Government needs Councils to plan for more to achieve its 300,000 homes per year target (see Figure 1).

The guidance advises that areas planning for more housing than the number generated by the standard method will benefit from a presumption of soundness,

while authorities relying on a lower need figure will only be able to do so in exceptional circumstances which are to be closely scrutinised at examination (but not at appeal, where the standard method figure will apply in the absence of an up-to-date local plan housing requirement). The PPG cites circumstances where authorities might need to plan for more housing as including growth strategies (e.g. Housing Deals); infrastructure commitments; unmet need; affordable housing needs; or evidence from previous Strategic Housing Market Assessments (SHMAs).

In this Insight Focus we explore how this new policy environment is being implemented and speculate on what it means for the scale of future housing delivery.

Figure 1: Recent housebuilding, Standard Method and Government Target



Source: Lichfields, MHCLG

HEADLINE FIGURES

11 authorities with plans submitted under the new NPPF

53 further authorities which have set out how they plan to address housing need under the new NPPF

41% of emerging plans that are going above the standard method which cite economic reasons

11.4k shortfall in homes per year in the emerging London Plan compared to the standard method figure

5% estimated extra housing supply above the standard method outside London if current local plan trends are replicated

39% uplift needed to standard method outside London if housebuilding in the capital continues at recent levels

LICHFIELDS



There is ... significant disagreement and uncertainty over housing numbers, which then affects every stage of the plan making process.

Findings of the Local Plan Expert Group, reporting in 2016

Plan-making progress one year on from the new NPPF

Because plan making can be sclerotic, it takes a long time for a new national policy to become embedded in local plans. Lichfields has reviewed the plan-making progress of all local authorities in England (excluding London) to understand how authorities are starting to respond to the new NPPF and the standard method for calculating housing needs.

Our research has found eight authorities which have plans submitted under the new NPPF and a further 56 authorities with emerging plans (reg 18 or 19) proposing how they will address housing need under the new NPPF. Table 1 shows the breakdown by region.

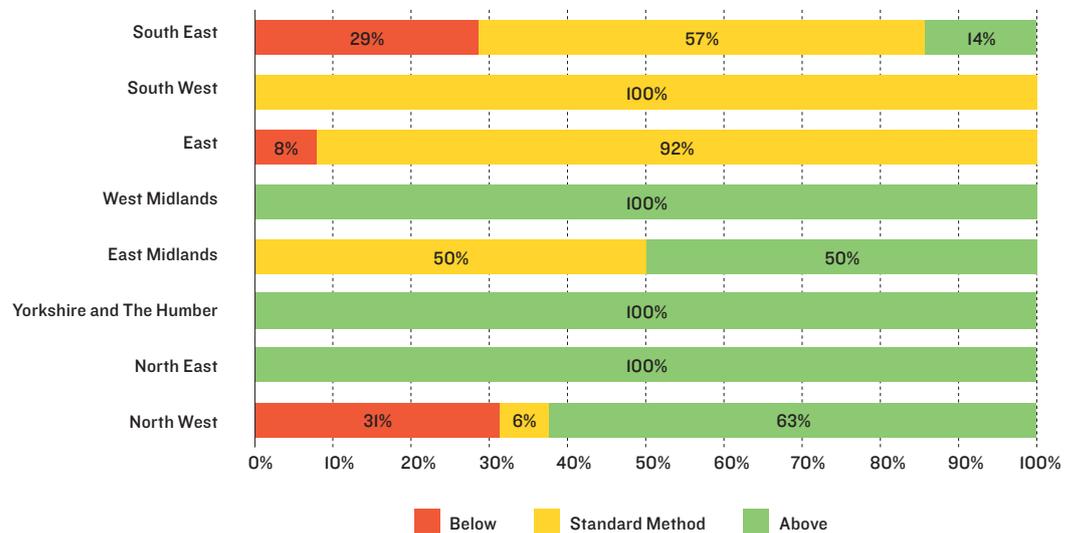
We have then looked at whether these authorities are planning to deliver more than, less than, or the same amount of housing as the standard method indicates for their areas. Of course, the position set out in any draft plan is subject to change prior to adoption, but this gives an early indication of intentions. We have found that 34% are doing more than the standard method, 16% are doing less, and 50% are matching it. Figure 2 shows the regional breakdown.

Table 1: Number of authorities with submitted or draft plans being prepared under new NPPF, by region

Region	Number of authorities
North West*	16
North East	4
Yorkshire and The Humber	2
East Midlands	24
West Midlands	2
East	13
South West	9
South East	14
Total	64

Source: Lichfields analysis

Figure 2: Breakdown of authorities by region with emerging plans under new NPPF based on whether authorities are proposing more or less than the standard method



Source: Lichfields analysis

*Note: Of the 16 in the North West, 10 are covered by the emerging GMSF which in total proposes to match the standard method LHN for Greater Manchester as a whole, but distributes that number between authorities based on a range of factors

What is driving authorities to plan for more?

The Government knows that some authorities will need to do more than the standard method in order to achieve 300,000 homes per year by the mid 2020s. The standard method only generates 273,000 homes a year nationally – something identified as problematic by the report of the House of Commons Public Accounts Committee in its June report. However, with some authorities also doing less than the minimum (and with real concerns over the ability of London to deliver in practice even if on paper the new London Plan comes fairly close to matching the standard method), the pressure is on for those who can do more to do so, and in spades.

Yet there are few real carrots or sticks in place to encourage local authorities to do the extra, beyond a presumption of soundness for higher figures. In areas which are proposing to go above the standard method, it is important these commitments are sustained throughout the plan-making process, to avoid reverting to the minimum at the very last minute. So, what can we learn from those authorities who are proposing to do more?¹

Our research, based on what Councils have set out in draft plans, has found that 41% of authorities doing more than the minimum cite jobs/economic growth as at least one of the reasons for doing so. The links between housing need and employment growth had been set a regular feature of debate at examinations under the old NPPF, and are maintained by the new NPPF in para 81, so authorities will know the risks of failing to provide enough homes to support jobs – such as unsustainable commuting patterns and congestion.

Interestingly, 18% of those planning for more do cite housing delivery itself – for example historic rates of housing delivery supporting higher growth rates, or a future strategy such as delivering an urban extension or new settlement. Other reasons for going above include commitments made to wider bodies such as the Local Enterprise Partnership and Government, e.g. in Growth Deals, and meeting unmet need from neighbouring areas.

Case study: Middlesbrough

In October 2018 Middlesbrough Council issued its Publication Local Plan. In it, the Council recognised that the standard methodology (incorporating the 2014-based SNHP) would result in a minimum requirement of 267 dpa. However, the Council considered that this is:

1. insufficient to support the Government's objective of significantly boosting the supply of homes;
2. significantly below the Council's growth ambitions to achieve city-scale development to support the economic growth of Middlesbrough and the wider Tees Valley;
3. significantly below recent house building levels; and
4. based on demographic trends that the Council's evidence base suggests are incorrect.

As a result, the emerging Local Plan has followed the recommendations of the Council's 2018 SHMA, which took account of employment ambitions (6,325 additional jobs over the lifetime of the Local Plan). This identified that between 400 and 434 dpa are required to house the number of workers required to fill those jobs. The Council is targeting **425 dpa**.

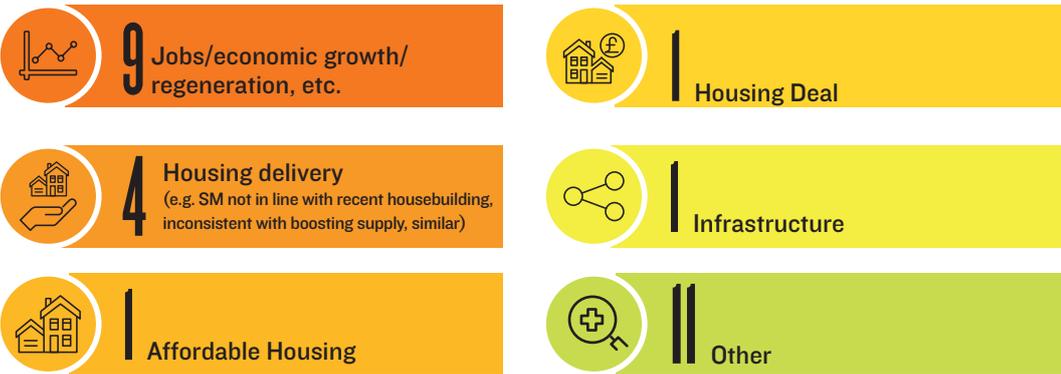
64

total number of authorities with plans submitted or emerging under new NPPF

22

authorities planning for more than the standard method, adding a combined 3,800 homes per year

Figure 3: Number of authorities citing as reason (more than one can be cited)



Source: Lichfields analysis

¹Some authorities doing 'more' than their standard method figure are doing so because of a redistribution of unmet need from other authorities which cannot meet their standard method figure, e.g. due to constraints



... authorities can expect [an alternative approach] to be scrutinised more closely at examination... any other method will be used only in exceptional circumstances.

Planning
Practice Guidance

10

authorities planning for less than the standard method, losing a combined 2,400 homes per year

What about those doing less?

The PPG is clear that authorities seeking to argue their housing need is less than the minimum number of homes generated by the standard method will need to clear a high bar. Our research has found that most authorities proposing fewer homes than the standard method are doing so citing constraints on supply, rather than trying to argue the actual housing need number is less. At present, Wokingham appears to be the only authority which might try to argue that the standard method number itself is too high.² In some cases where authorities are planning for

less than the standard method due to constraints on supply, this unmet need is redistributed across neighbouring authorities (e.g. in Manchester and Oxfordshire), meaning the overall net impact on housing supply is zero. In theory, Statements of Common Ground are intended to avoid any housing need 'falling between the cracks', but as evident under the previous framework, addressing unmet need has not always been straightforward (for example where plan preparations are not aligned or where there is a lack of political will).

Case study: Worthing

Worthing Borough Council published its draft Local Plan for consultation in October 2018. It seeks to deliver 246 dpa: 72% less than the standard method. The Council considers that the full need cannot be met within the local authority boundaries, as it is restricted by the South Downs National Park and neighbouring urban areas (amongst other constraints). Although this Local Plan has not progressed to examination yet, it will be interesting to see how the Council demonstrates it has left no stone unturned in seeking to meet its need, particularly as much of Coastal West Sussex and Greater Brighton is similarly constrained.

Case study: Wokingham

In its previous draft Local Plan consultation, the Council stated "*The Government's method for working out how many homes an area should take shows our target to be about 750 to 850 homes per year. We think that is too high.*" Wokingham is currently undertaking a survey of local residents on the future housing requirements of the Borough, asking residents "*Do you support the government imposed housing numbers?*".

The PPG is clear that whilst the use of the standard method isn't mandatory, alternative approaches will be 'scrutinised closely' at examination and that any other method will only be used in 'exceptional circumstances' – i.e. it will need to pass a high bar. The Council has yet to produce any technical justification for its position; it will be interesting to see whether the Council is able to successfully argue 'exceptional circumstances' at examination.

² Central Bedfordshire has a 2012 NPPF emerging plan at examination so the standard method does not yet apply, but at a recent appeal (APP/P0240/W/18/3206495) it persuaded the Inspector that the standard method "instinctively does not feel right" and the Inspector chose (curiously, given the unambiguous wording of the new NPPF footnote 37) to rely upon an old SHMA for assessing five year land supply



© Google Earth

How many extra homes are currently being planned for?

To get to its 300,000 homes per annum ambition, the Government is reliant upon authorities 'doing more' than the standard method minimum. We know there are some planning to do so, but is the *amount* of additional housing sufficient to bridge the gap? Furthermore, is this boost enough to offset the number of homes 'lost' in authorities which will inevitably plan for less than their minimum standard method figure?

At the moment – outside London – the 22 local authorities planning for more than their standard method figure are adding a combined 3,800 homes per annum to the national total (above what they would otherwise plan for based on the standard method alone).³ On the flip side, the 10 authorities currently planning for less than the standard method are resulting in a combined 'loss' of 2,350 homes per year. Of course, those planning for less will need to successfully argue why they are doing so – either they have 'exceptional circumstances' why they

have a reduced level of need, or they are constrained and cannot meet their need figure.⁴ It is possible Inspectors may require them to increase their figures at examination.

Still, the effect based on current figures is therefore a net increase of 1,450 homes nationally equating to just 4% uplift compared to the 10% required nationally.⁵ But this is not spread evenly across the country (see Figure 4). The three northern regions combined expected to see a net additional increase of 2,100 homes per year (13%) compared to the minimum (albeit these figures are lower than previous OAN estimates in many cases). By contrast, the South East and East are expected to see net reductions of 900 per annum (-6%) meaning the regions with the greatest problem of affordability are in aggregate not currently matching the minimum starting point. Obviously, it is early days, but there are warning signs here that plans are not currently setting out to deliver what will be needed to match Government aspirations.

+1,450

current number of net additional homes per year planned for in 2019 NPPF plans, taking into account those planning for more and less

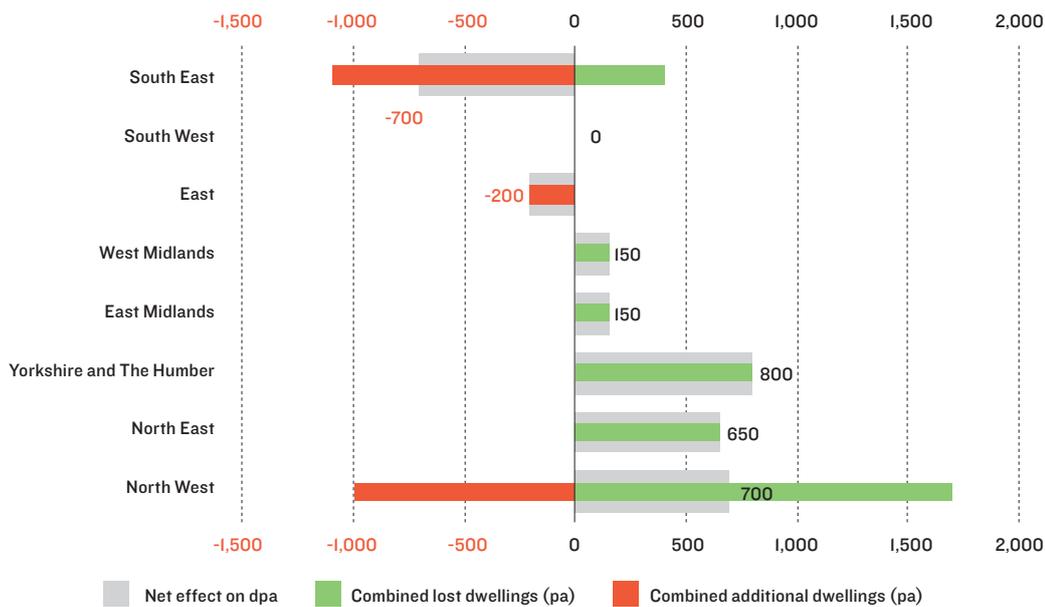
13%

the boost to homes above the standard method in the three northern regions

-6%

the proposed under-supply against the standard method in emerging plans across the South East and East regions

Figure 4: Dwellings per year 'gained' by authorities planning to do more than the minimum standard method figure, 'lost' by authorities doing less and net effect on dwellings per annum by region. Figures rounded



Source: Lichfields analysis

*Note: Figures for the North West include the 10 Greater Manchester authorities where the standard method has been redistributed across the city.

³ Some authorities planning for more than the standard method figure are doing so to meet unmet need from neighbouring areas and/or a redistribution of need within housing market areas, e.g. Greater Manchester

⁴ Authorities not meeting needs and which have agreed a redistribution of needs to neighbouring authorities are likely to have met the requirements of the NPPF in this regard, e.g. in Manchester/Oxfordshire. However, those seeking to demonstrate that their housing need figure is lower than the standard method will be scrutinised closely at examination and will need to pass a high bar

⁵ To reach 300,000, from the 273,000 yielded nationally by the standard method



I remind you that if [the review of the London Plan] is not forthcoming, I have the powers to direct the review to ensure London delivers the plan and homes that communities need

Secretary of State for Housing, Communities and Local Government to Mayor of London, 27th July 2018

London – driving national trends

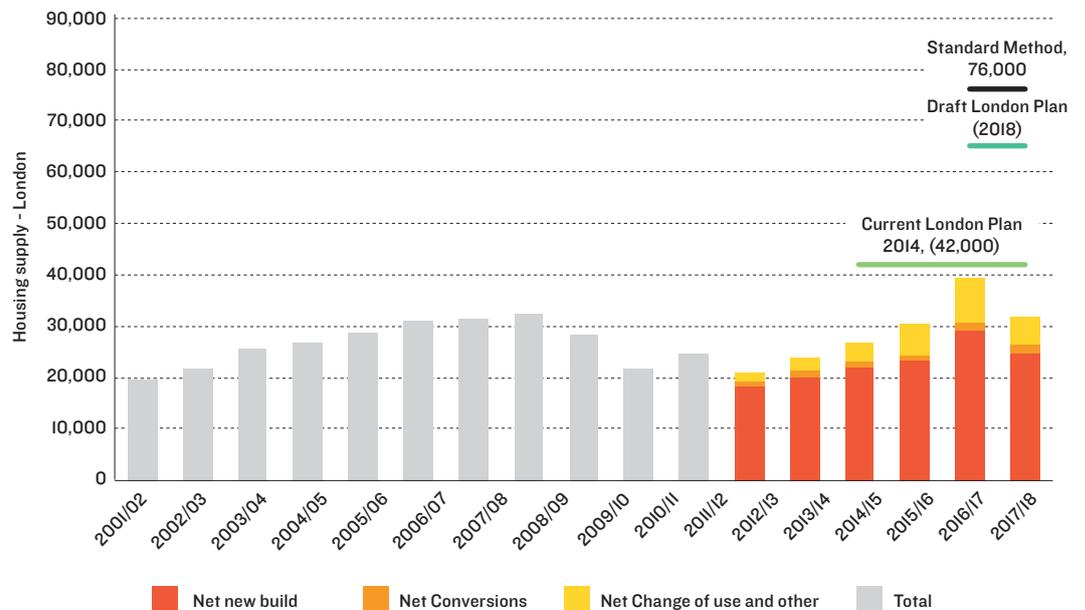
The standard method concentrates over a quarter (28%) of the country's national housing need into London – 76,000 homes per year based on current figures. It is therefore crucial that London can meet this minimum figure, otherwise this would place unprecedented pressure on the rest of the country to make up the capital's shortfall and the extra homes needed overall to reach 300,000 per year.

The examination in public of the draft London Plan (DLP) began in January 2019. The DLP has an overall target of 65,000 homes per year which is a boost on current levels of supply (and indeed any delivery rate seen in recent

history, as shown in Figure 5), but is still over 11,400 homes short of the standard method every year. Indeed, the Secretary of State specifically stated in his letter to the Mayor in July 2018 that he was “not convinced [the DLP's] assessment of need reflects the full extent of housing need in London to tackle affordability problems”.

As the plan was submitted before January 2019 it is being examined under the old NPPF, but the Secretary of State wrote to the Mayor in July 2018 advising he would expect an immediate review of the London Plan once it is published to ensure that the homes and communities that are needed are delivered.

Figure 5: London's historic housing delivery, current target, draft London Plan target and standard method



Source: Lichfields analysis

Where could this take us?

It is early days for the latest NPPF and the standard method (which itself will be reviewed next year). However, based on what is happening in emerging plans, we can project where we might end up if these approaches were replicated nationally. Of course, this is illustrative and wholly speculative – the number of authorities with draft plans is very small, and those still to publish their plans might plan to do more than those which have come forward so far – but it can help show the direction of travel.

If regional variations to the standard method based on currently emerging plans were replicated (and it is a big if), this would equate to 207,500 homes being planned for each year, outside London. This compares to 196,500 homes each year if those same authorities planned for just the standard method. In other words, the combination of some areas doing more with some areas doing less can

be expected to yield an increase nationally outside London of 5.4%. A boost on the standard method minimum, but nowhere close to the 14%⁶ needed to meet Government’s target.

However, including London in the analysis compounds the problem. The Mayor’s current blueprint shows an 11,000 dpa shortfall against the standard method (65,000 vs 77,000), increasing the uplift from the standard method that would need to be made up elsewhere (from 14% to 20%). Further, there has been significant scepticism that the 65,000 DLP target is itself achievable, and several indicators point to lower housing output in London over coming years. If London realistically continued at its long-term average rate of completions (27,500), this would equate to a national housing figure of just 234,500 unless the rest of the country exceeded the standard method by 39%.

5%

estimated extra housing supply above the standard method outside London if current trends are replicated

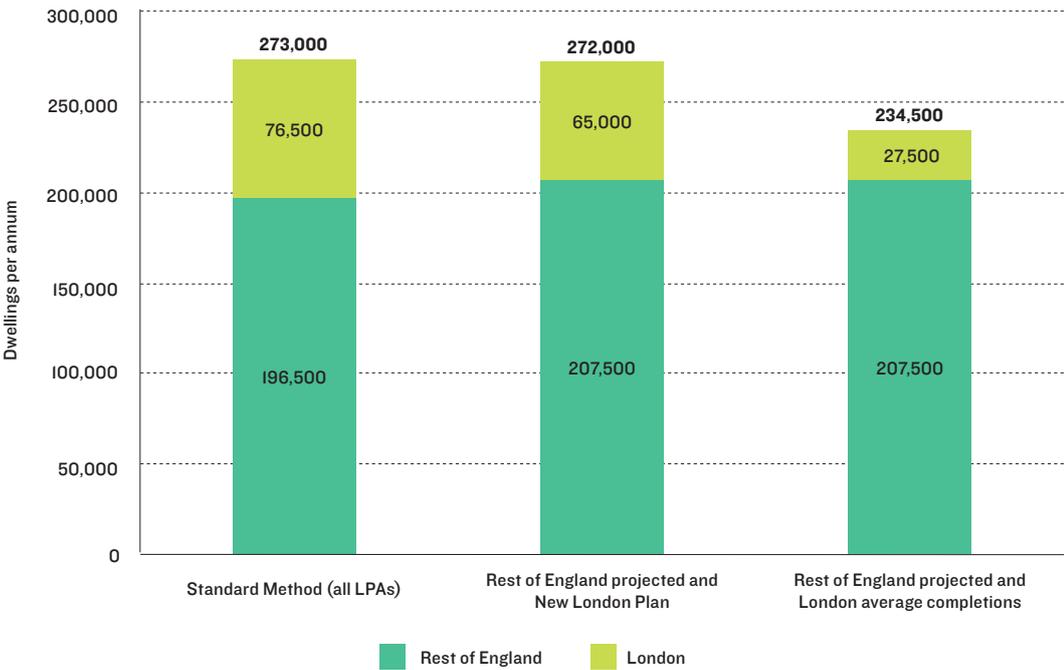
20%

extra housing supply above the standard method needed outside London to reach 300,000 homes per annum based on current draft London Plan target

39%

extra supply above the standard method needed outside London to reach 300,000 based on London’s average rate of housing delivery

Figure 6: Potential scenarios of national housebuilding levels



Source: Lichfields analysis

⁶ Assuming London meets its minimum of 76,000 the rest of the country would need to deliver 224,000 homes to achieve a target of 300,000 homes nationally, a 14% uplift on the standard method figure of 196,500

It's early days for the new NPPF, and the success (or otherwise) of the standard method will become clearer in time as more authorities embark on their strategies, as Statements of Common Ground emerge, and plans progress to examination.

The standard method is the minimum starting point. It has to be, because in aggregate it falls short of the national 300,000 dwelling per annum ambition. Government is reliant on some authorities taking more than their share (through Growth Deals and initiatives such as CaMKOx) not only to offset the areas that are constrained but to go beyond it.

Our initial stock take of local authorities that have published a draft plan prepared under the 2019 NPPF shows that 50% have gone with the standard methodology (give or take minor adjustments for the year the SM was calculated); 34% have gone above; and 16% are going below. The net effect of these emerging plans is an increase of 1,450 dpa (5.4%) above the standard method figure – less than the 10% needed overall, and this is before accounting for the likely shortfall in London. Further, the areas planning for less homes than the standard method have the worst affordability problems.

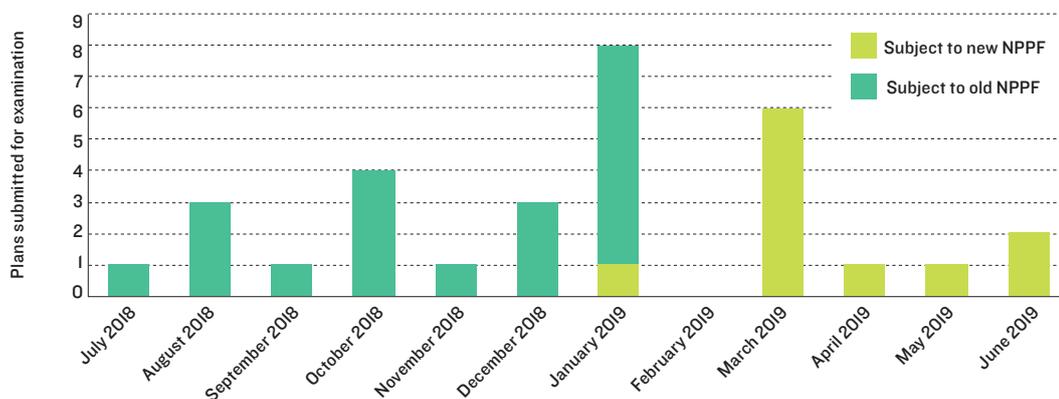
Those exceeding the standard method tend to be in the midlands and north, and cite jobs (or economic reasons generally) and housing delivery

as reasons for doing more than the minimum. The extent to which plans have an obligation to exceed the standard method if those factors are present is not clear.

Wokingham appears to be the only authority proposing a lower requirement to base this on a stated belief that the standard method number itself is too high (and is seeking residents' views on whether the Council should plan for it), with most others citing constraints. The extent to which unmet need will be picked up elsewhere remains the perennial question – performance under the old NPPF was mixed, at best. Statements of Common Ground may help, but are unproven. The slow pace of plan making is also a concern (See Figure 7), as are the examples set by some authorities (e.g. Reigate and Banstead and Woking) who have reviewed their plans and elected not to update them, 'baking in' old targets that do not meet housing need.

At this very early stage, the signals indicate that emerging plans are not doing what will be necessary to achieve the 300,000 per annum ambition. There are clear benefits in having a single, simple method for local housing need as a starting point, and many local authorities have grasped the nettle and engaged with it. But success – as it is currently defined – relies on many more areas doing much much more, and quickly.

Figure 7: Number of local plans submitted each month over last 12 months



Source: The Planning Inspectorate

*Note: All figures are rounded and may not sum due to rounding.

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