

**Report to:**

**North West Leicestershire  
District Council**

**Local Housing  
Needs Assessment**

Report 1 – Overall  
Housing Need

October 2019



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## 1. Introduction

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- 1.1 Justin Gardner Consulting (JGC) have been commissioned by North West Leicestershire (NWL) District Council to provide a new Local Housing Needs Assessment (LHNA) to provide support for the next North West Leicestershire Local Plan. The methodology used in this report responds to the revised National Planning Policy Framework (NPPF) of February 2019. This continues to set out the Government's objective to significantly boost housing supply. The analysis is also mindful of revised Planning Practice Guidance (PPG) on housing and economic needs assessment (July 2019).
- 1.2 This report is the first of three to be provided and deals with discussing the overall level of housing need in the District. Subsequent reports will consider the profile of the population and housing (including looking at a smaller area (i.e. below District level)) and also the needs of particular groups in the population – including consideration of affordable housing need and the needs of older and disabled persons.
- 1.3 A key part of the revised NPPF/PPG relevant to this report is the introduction of a Standard Method for the assessment of housing need. Housing need in the context of current and emerging guidance (and as used in this report) refers to *“the number of homes identified as being needed through the application of the standard method set out in national planning guidance, or a justified alternative approach.”* [NPPF – Annex 2]
- 1.4 Arguably, given the introduction of the Standard Method, it is not necessary to undertake a report of this nature. However, it is recognised that there are differences between the Standard Method Local Housing Need (LHN) and other data such as the 2017 Housing and Economic Development Needs Assessment (HEDNA) and recent official ONS projections (2016-based). This study has therefore been commissioned to help guide discussions on the issue of future housing needs, at least until new household projections are published in September 2020 and/or there is any change to the Government's published methodology.
- 1.5 The core analysis in this report looks at the period from 2018 to 2036; it is possible that the next Local Plan has a longer time horizon (potentially to 2039) – however, the key conclusions of this report would not change with a slightly extended time period. However, it will be necessary to monitor and assess the likely future need as new information, including new household projections, are published.



## 2. North West Leicestershire Local Plan

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- 2.1 The NWL Local Plan was adopted in November 2017; this sets out how new development will be managed in the period from 2011 to 2031. There are a number of policies in the Plan that are relevant to this report, and in some cases were developed on the basis of the previous Housing and Economic Development Needs (HEDNA) research (January 2017). The key policy in relation to overall housing need is Policy S1 (discussed below):

Policy S1 – Future housing and economic development needs (selected extracts)

Over the plan period to 2031 provision will be made to meet the housing and employment land needs of the district as identified in the Leicester and Leicestershire Housing and Economic Development Needs Assessment (January 2017).

This means that:

- provision will be made for the development of a minimum of 9,620 dwellings (481 dwellings per annum) which is the Objectively Assessed Need (OAN) and Housing Requirement for the district;

- 2.2 Policy S1 sets out a housing requirement for 9,620 dwellings over the 20-year period to 2031 (an annual requirement of 481 dwellings per annum). According to the Council's Annual Monitoring Report (AMR) of 2017/18, from 2011 to 2018, a total of 4,037 dwellings (net) were completed – which equates to an average annual rate of 577 dwellings per annum. On the basis of a housing requirement for 9,620 dwellings this leaves 5,583 to be built post-2018 (around 429 per annum).





### 3. Housing Need and the 2017 HEDNA

- 3.1 The Leicester & Leicestershire Housing and Economic Development Needs Assessment (HEDNA) was published in January 2017. The report followed the relevant Planning Practice Guidance of the time to set out the Objectively Assessed Housing Need (OAN) in NWL and the other local authorities across the County. The conclusions on OAN can be found in Section 12 of the HEDNA report.
- 3.2 The analysis in the HEDNA set out a demographic starting point linking to official population and household projections and an analysis of past migration trends. For NWL, this analysis concluded a need for 378 dwellings per annum (dpa) to be provided in the 2011-36 period; a slightly higher annual need (386 dpa) was shown if looking at a shorter period (2011-31).
- 3.3 The analysis also considered 'market signals' (particularly around the affordability of market housing) and the need to increase provision to ensure a sufficient increase in the resident labour supply such that there would be a sufficient workforce to meet the forecast level of job growth. The report concluded that a 10% uplift from the demographic baseline position would be justified given local affordability and affordable housing need plus a further increase to ensure a sufficient labour supply growth.
- 3.4 Overall the HEDNA concluded that the OAN for NWL was for 481 dpa in the 2011-31 period with a lower figure (of 448 dpa) being appropriate if looking over the 25-years to 2036. The derivation of these figures is shown in the table below and of note is that the analysis shows an uplift (after the market signals/affordability uplift) of between 32 and 56 dwellings per annum depending on the time period. For information, NWL was one of only two local authorities where an additional uplift (over and above that for affordability) was recommended.

<b>Figure 3.1: Objectively Assessed Housing Need – North West Leicestershire – dwellings per annum (2017 HEDNA)</b>				
	Demographic need	Affordability adjustment	Supporting economic growth	Objectively assessed need
2011-31	386	39	56	481
2011-36	378	38	32	448

Source: 2017 HEDNA (Tables 88 and 89)



## 4. National Planning Policy Framework (NPPF)

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- 4.1 The NPPF sets out the Government's planning policies for England and how they should be applied. It sets out how local plans should be produced. It was last updated in February 2019.
- 4.2 The Framework sets out that the purpose of the planning system is to contribute to the achievement of sustainable development (Para 7). A presumption in favour of sustainable development is set out in Para 11. For plan-making this means that:
- a) *plans should positively seek opportunities to meet the development needs of the area, and be sufficient to adapt to rapid change;*
  - b) *strategic policies should, as a minimum, provide for objectively assessed needs for housing and other uses, as well as any needs that cannot be met within neighbouring authorities, unless:*
    - i. *the application of policies in this Framework that protect areas or assets of particular importance provide a strong reason for restricting the overall scale, type of distribution of development in the plan area; or*
    - ii. *the adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in the Framework as a whole.*
- 4.3 Strategic policies within plans are expected to set out an overall strategy for the pattern, scale and quality of housing (Para 20) and to look ahead over a minimum of 15 years from adoption (Para 22). They are expected to be informed by effective and on-going cooperation on relevant cross-boundary issues which in many areas includes issues associated with housing and infrastructure provision.
- 4.4 Plans are examined against four "soundness tests" set out in Para 35 in the Framework. To be positively prepared, a Plan must provide a strategy which, as a minimum, seeks to meet the area's objectively assessed needs and is informed by agreements with other authorities on issues of unmet need. Footnote 19 states that in respect of housing, such needs should be assessed using a clear and justified method, as set out in Para 60.
- 4.5 Para 60 states 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 practice 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 be taken into account in establishing the amount of housing to be planned for."*
- 4.6 Para 65 states that *"strategic policy-making authorities should establish a housing requirement figure for their whole area, which shows the extent to which their identified housing need (and any needs that cannot be met within neighbouring areas) can be met over the plan period."*
- 4.7 The term "local housing need" is defined in the NPPF Glossary (Annex 2) as *"The number of homes identified as being needed through the application of the standard method set out in national planning guidance (or, in the context of preparing strategic policies only, this may be calculated using a justified alternative approach as provided for in paragraph 60 of this Framework)."*



## 5. Planning Practice Guidance (PPG)

- 5.1 Government has published Planning Practice Guidance (PPG) online which should be used to help interpret national planning policies. The relevant guidance for assessing overall housing need is set out in the first part of the guidance section on *Housing and economic needs assessment*.<sup>1</sup>, last updated in July 2019.
- 5.2 The PPG defines housing need as an unconstrained assessment of the number of homes needed in an area, which is intended to be established at the start of the plan-making process, before consideration is given to land availability and the extent to which the need can be met.<sup>2</sup>
- 5.3 The standard method (as referred to at paragraph 60 of the NPPF) is intended to be used to identify the minimum number of homes to be planned for, in a way which addresses the projected household growth and historic under-supply. The method involves working through the following process:
1. Projected Household Growth
  2. Adjustment Based on Affordability
  3. Local Housing Need (LHN)
  4. Capping the LHN where relevant
- 5.4 The first step is to establish a demographic baseline of household growth. This is to be taken directly from published household projections, with the Government directing use of the 2014-based Household Projections in the methodology at the current time but indicating that this will be updated when new projections are published in 2020. Projected annual average household growth over a 10-year period from the current year is calculated.
- 5.5 The second step of the proposed methodology seeks to adjust the demographic baseline on the basis of affordability characteristics of the area. This uses the published ONS ratio of median house prices to median (workplace based) earnings ratio for the most recent year for which data is available. The PPG is clear that the affordability adjustment is applied as household growth on its own is an insufficient indicator of future housing need as the past availability and delivery of housing could have constrained the ability of people to move to an area or to form households; and it is important that need responds to price signals and starts to address housing affordability, consistent with Government's policy objective of significantly boosting the supply of homes.<sup>3</sup>
- 5.6 Specifically, the PPG says that *'for each 1% increase in the ratio of house prices to earnings, where the ratio is above 4, the average household growth should be increased by a quarter of a per cent'*. The equation to work out the adjustment factor is as follows:

$$\text{Adjustment factor} = \left( \frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25$$

<sup>1</sup> <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments#housing-need>

<sup>2</sup> ID: 2a-001-20190220

<sup>3</sup> ID 2a-006-20190220

- 5.7 The final step in the standard method is to consider whether the affordability adjustment should be capped. There are two situations where a cap is applied. The first is where an authority has reviewed their plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance the need may be capped at 40% above the requirement figure set out in the plan. The second situation is where plans and evidence is more than five years old, and in such circumstances the cap is applied at 40% above either the projected household growth or the housing requirement in the most recent plan (where this exists), whichever is the higher.
- 5.8 Government's Planning Practice Guidance<sup>4</sup> is clear that the cap affects the minimum local housing need figure, but does not affect the actual scale of housing need; and therefore in circumstances where a cap is applied, there may be a need to test whether a higher level of housing provision can be accommodated, or to consider an early review of a local plan.
- 5.9 The standard method provides a minimum starting point in determining the number of homes needed. Paragraph 2a-010<sup>5</sup> in the PPG states that:

*The government is committed to ensuring more homes are built and supports ambitious authorities who want to plan for growth. The standard method for assessing local housing need provides the minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates.*

*This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends because of:*

- *growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*
- *strategic infrastructure improvements that are likely to drive an increase in the homes needed locally;*  
*or*
- *authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground.*

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<sup>4</sup> ID: 2a-007-20190220

<sup>5</sup> ID: 2a-010-20190220

## 6. Evolution of the Standard Method

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- 6.1 Initially, the concept of a Standard Method was informed by a review of the plan-making progress which the Government commissioned from a number of experts – the Local Plans Expert Group (LPEG) – and which reported to Government in March 2016. LPEG identified that agreeing housing needs was one of the principle difficulties affecting the plan-making process and that the preparation of Strategic Housing Market Assessments (SHMAs) had “*become one of the most burdensome, complex and controversial aspects of plan making.*” It recommended a shorter, simplified standard methodology for assessing housing need, with the aim of saving time and resources, removing unnecessary debate; with the aim that this would speed up the process of plan preparation.
- 6.2 Government endorsed these sentiments in its 2017 Housing White Paper and initiated a process of reviewing national planning policies, which culminated in the publication in July 2018 of a revised National Planning Policy Framework (NPPF). This introduced the standard method for assessing housing needs.
- 6.3 The standard method was designed around the Government’s 2014-based Household Projections, with the aim of meeting 300,000 homes nationally. Since the preparation of these household projections, Government has transferred responsibility for preparing official household projections to the Office for National Statistics (ONS). ONS made a number of methodological changes to how household growth was projected in its 2016-based Household Projections, which were released in September 2018. The overall result when these were inputted to Government’s standard method formula was to reduce significantly the aggregate level of housing need across England.
- 6.4 Government consulted on changes to the standard method in Autumn 2018.<sup>6</sup> It set out its views on the way forward in February 2019, concluding that the 2014-based Household Projections (around which the method was designed) should continue to be used to provide the demographic baseline within the assessment. The Government’s response however set out that “*over the next 18 months we will review the formula and the way it is set using National Statistics data with a view to establishing a new approach that balances the need for clarity, simplicity and transparency for local communities with Government’s aspirations for the housing market.*” It set out that it looked forward to working with ONS to develop greater confidence in household projections ahead of the publication of the next projections.
- 6.5 The PPG on housing and economic development needs assessment is clear [paragraph 2a-015] that ‘*any method which relies on using the 2016-based household projections will not be considered to be following the standard method as set out in paragraph 60 of the National Planning Policy Framework*’.
- 6.6 What therefore needs to be understood is that there is a new method, prescribed by Government, as to how the scale of housing need should be calculated to inform plan making. This is not a target, but a baseline minimum position which should inform the plan-making process. It is then for the plan-making process to test whether there are reasons why it is appropriate to plan for higher levels of housing provision; or that there are significant strategic constraints to development which justify a lower level of provision.

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<sup>6</sup> MHCLG (Oct 2018) *Technical consultation on updates to national planning policy and guidance*





## 7. Calculating Housing Need using the Standard Method

- 7.1 Planning Practice Guidance (PPG) on Housing Need Assessment sets out a standard method to be used in calculating a housing need. The PPG then sets out a three-step process (discussed briefly earlier in this document).
- 7.2 The first step is to establish a demographic baseline of household growth; this is to be taken directly from published household projections and should be the annual average household growth over a 10-year period. In this report, the 10-year period is taken to be 2019 to 2029.
- 7.3 The second step of the proposed methodology seeks to adjust the demographic baseline on the basis of market signals. The adjustment increases the housing need where house prices are high relative to workplace incomes. This uses the published median affordability ratios from ONS based on workplace-based median house price to median earnings ratio for the most recent year for which data is available (2018 at the time of writing).
- 7.4 Specifically, the PPG says that *'for each 1% increase in the ratio of house prices to earnings, where the ratio is above 4, the average household growth should be increased by a quarter of a per cent'*. The equation to work out the adjustment factor is as follows:

$$\text{Adjustment factor} = \left( \frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25$$

- 7.5 As an example, if the workplace affordability ratio in an area was 8.00; i.e. median house prices were eight times the median earnings of those working in the area, then the adjustment would be 0.25 or 25%. This is calculated as follows:  $(8 - 4) / 4 \times 0.25$ .
- 7.6 The final step in the proposed standard method is to possibly cap the market signals uplift. There are two situations where a cap is applied. The first is where an authority has reviewed their plan (including developing an assessment of housing need), or adopted a plan within the last five years. In this instance the need may be capped at 40% above the requirement figure set out in the plan. The second situation is where plans and evidence is more than five years old. In such circumstances a cap may be applied at 40% of the higher of the projected household growth or the housing requirement in the most recent plan (where this exists).
- 7.7 In October 2018, MHCLG published a technical consultation on updates to national planning policy and guidance – the main part of this document was around the Standard Method for assessing housing need. Essentially, whilst Planning Practice Guidance had previously recommended using the latest evidence where possible, the consultation document suggested setting aside the latest (2016-based) household projections in preference for the previous (2014-based) set.
- 7.8 The reason for this is that (at least at a national level) the 2016-based SNHP show a much lower level of household growth (and hence housing need). The Government has decided *'it is not right to change its aspirations'* for housing supply to take account of the lower figures and has therefore proposed to continue using data from the older projections to inform housing need. In the NPPF (and related PPG) of February 2019, it was confirmed that the Standard Method should be linked to the older (2014-based) SNHP.

7.9 The table below therefore sets out a calculation of the need under the proposed Standard Method. The analysis shows a need for 379 dwellings per annum. For information, an equivalent calculation has been carried out using the most recent (2016-based SNHP). For NWL, these figures actually show a higher level of need, although the latter calculation would be rejected by MHCLG for being too low (at a national level).

<b>Figure 7.1: MHCLG Standard Method Housing Need Calculations</b>		
	2014-based SNHP	2016-based SNHP
Households 2019	41,669	42,739
Households 2029	44,710	47,064
Change in households	3,041	4,325
Per annum change	304	433
Affordability ratio (2018)	7.92	7.92
Uplift to household growth	24.5%	24.5%
Total need (per annum)	<b>379</b>	538
Capped	NA	42,739

Source: Derived from ONS data

7.10 Although the 379 dwellings per annum is calculated using baseline data for a 10-year period (2019-29) it is the case that the PPG [2a-012] states that this figure '*can be applied to the whole plan period*'. If the Council were looking at a 2018-36 plan period, this would therefore represent a need for 6,822 dwellings. This figure would be considered by the NPPF/PPG as a minimum.

## 8. Setting a Housing Need Figure for NWL

- 8.1 Whilst the Standard Method provides a housing need figure for NWL (a figure which should be considered as a minimum) it is still necessary for the Council to consider the need in the context of overall Housing Market Area (HMA) needs. The PPG on Plan Making is clear that *'Strategic policy-making authorities will need a clear understanding of housing needs in their area'* and that this includes *'working with neighbouring authorities and key stakeholders to establish the housing market area, or geography which is the most appropriate to prepare policies for meeting housing need across local authority boundaries'* [61-039].
- 8.2 The housing market for NWL is the Leicester & Leicestershire HMA; this is a well-established HMA and has been accepted as the appropriate geography at a number of Examinations and Appeals. It is therefore worthwhile considering HMA wide housing need – this is shown in the table below which has annual estimates of need in each local authority and drawing on both the 2014- and 2016-based SNHP.
- 8.3 Consistent with the national position, the need across the HMA shown when using the 2016-based SNHP is somewhat lower than with the 2014-based figures (i.e. those that are to be used with the Standard Method). However, there are a number of areas where the need is higher (most notably NWL, but also in Blaby, Harborough and Hinckley & Bosworth). Regardless, given the prescribed method it is clear as a starting point for setting local housing figures that the numbers in the 2014-based SNHP column should be used.

	2014-based SNHP	2016-based SNHP
Leicester	1,712	1,029
Blaby	339	418
Charnwood	1,082	915
Harborough	542	560
Hinckley & Bosworth	457	545
Melton	201	117
North West Leicestershire	379	538
Oadby and Wigston	155	78
HMA total	4,867	4,201

Source: Derived from ONS data

- 8.4 The PPG on housing and economic needs assessment is clear that the Standard Method is a 'minimum starting point' and there is a general view throughout the PPG that the minimum can be exceeded. Paragraph 2a-015 states *'where a strategic policy-making authority can show that an alternative approach identifies a need higher than using the standard method, and that it adequately reflects current and future demographic trends and market signals, the approach can be considered sound as it will have exceeded the minimum starting point'*.

- 8.5 Paragraph 10 of the PPG [2a-010] identifies situations where it may be appropriate to plan for a higher housing need figure than the Standard Method. Two examples given include agreeing to take on unmet need from neighbouring authorities and where previous assessments of need show a higher level of need than the Standard Method.
- 8.6 This report does not consider the issue of unmet need and it is understood that at present all local authorities in the HMA are planning to meet their own needs. However, it does seem possible in the future that there may be some unmet need (from Leicester City) that might need to be met by other authorities in the County – this potentially points to NWL planning for a higher figure than the 379 dwellings per annum although any figure would need to be agreed through the Duty-to-Cooperate.
- 8.7 On the second point, this report does not seek to rerun the complex analysis in the HEDNA that considered the link between housing and economic growth, as well as demographic projections and market signals in drawing conclusions about housing need.
- 8.8 The Standard Method already takes account of demographic need and market signals – leading to a minimum need for 379 dpa. Therefore, in looking at the HEDNA the only additional housing that could reasonably be included would be to meet economic growth. Including additional housing for economic growth does not form part of the Standard Method but is potentially an issue in NWL where job growth has historically been strong and is likely to be positive in the future (for example due to projects such as the East Midlands Gateway rail freight hub).
- 8.9 On the basis of the HEDNA analysis, it seems reasonable that the Council could continue to plan for a higher housing need than is shown by the Standard Method – in particular to support economic growth. As shown earlier in this section the uplift for economic growth was between 32 and 56 dpa depending on the time period used. It is therefore concluded that a reasonable requirement might be in the range of 411 and 435 dwellings per annum (7,398-7,830 dwelling in total if looking at the 2018-36 period). The derivation of this is shown below.

<b>Figure 8.2: Local Housing Need – North West Leicestershire – dwellings per annum (including allowance for economic growth)</b>				
	Demographic start point	Affordability adjustment	Supporting economic growth	Local housing need
Lower estimate	304	75	32	411
Higher estimate	304	75	56	435

Source: Economic growth data from 2017 HEDNA (Tables 88 and 89)

- 8.10 Although it is beyond the scope of this report, it is possible that the Council will need to consider unmet need from Leicester in the future and it may therefore be prudent to also include a buffer in addition to the figures shown above.

## 9. Future Changes to the Standard Method

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- 9.1 The Government has indicated that it will review the standard method before release of the next household projections, which are expected in mid-2020.
- 9.2 Government's ambitions in reforming the standard method can be traced through its 2017 Housing White Paper. Government outlined its commitment to a plan-led system and concern that too few areas had an up-to-date local plan. At Para 1.12 and 1.13 it clearly set out that the introduction of a standard method for assessing housing need aimed to speed up plan-making, to make the assessment of need more transparent, to ensure it reflected current and future housing pressures and in effect to remove the debate on these issues. It set out:

*"The current approach to identifying housing requirements is particularly complex and lacks transparency. The National Planning Policy Framework (NPPF) sets out clear criteria but is silent on how this should be done. The lack of a standard methodology for doing this makes the process opaque for local people and may mean that the number of homes needed is not fully recognised. It has also led to lengthy debate during local plan examinations about the validity of the particular methodology used, causing unnecessary delay and wasting taxpayers' money. The Government believes that a more standardised approach would provide a more transparent and more consistent basis for plan production, one which is more realistic about the current and future housing pressures in each place and is consistent with our modern Industrial Strategy. This would include the importance of taking account of the needs of different groups, for example older people.*

*The Government will, therefore, consult on options for introducing a standardised approach to assessing housing requirements. We will publish this consultation at the earliest opportunity this year, with the outcome reflected in changes to the National Planning Policy Framework."*

- 9.3 The Housing White Paper made plain Government's intentions in introducing a standard methodology – including in **making the process of determining housing need simpler, quicker and more transparent**. These intentions, as set out in the Housing White Paper, can then be traced through its consultation document on *Planning for the Right Homes in the Right Places*. In Paragraph 11 therein the Government described the 2012 NPPF approach to assessing housing need as "too complex" and "leaving substantial room for interpretation." In Paragraph 12 it described it as "a costly and time-consuming process which lacks transparency." The introduction of the standard methodology has sought to address these issues, the consultation outlining Government's ambitions that the new methodology should be simple, based on publicly available data, and realistic, reflecting the actual need for homes in each area, taking account of the affordability of homes. These sentiments can then be traced through in the Government's response to the consultation (p6 and p11).
- 9.4 Moving forwards to 2019, the *Government's response to the technical consultation on updates to national planning policy and guidance*, published in February 2019, indicated that Government looked forward to the further work programme of the ONS to develop even greater confidence in the projections and is committed as the key customer to supporting the ONS ahead of the publication of the next projections.

- 9.5 In the future, it is likely that there will be further changes to the Standard Method and/or the data feeding into this. Whilst it is unknown at this stage what amendments might be made the discussion below provides an indication of the areas which could potentially be changed or developed.
- 9.6 One possible change is that the Government works with ONS to 'improve' the quality of the household projections and align these more to Government's aspirations in terms of household growth and housing need. This would arguably be the simplest change although it is not clear if the projections could be robustly amended such that a higher level of household growth is shown.
- 9.7 Additionally, the Government could remove the 'cap' which is applied within the current methodology. Whilst it may do this, it seems unlikely that this alone would overcome issues associated with the household projections and would only affect authorities where the cap applies. As NWL's local housing need is not affected by the cap, this would not have a specific impact at the local level.
- 9.8 Government could alternatively adjust the calculation of how an affordability uplift is applied, for instance through changes to the existing formula which is applied to the household growth. The current methodology applies an uplift to the household growth based on the degree to which a local authority's affordability is above 4, with a 0.25% increase for every 1% which the ratio is above 4. This could be adjusted such that an alternative (potentially higher) uplift is applied based on the affordability characteristics.
- 9.9 Alternatively, a more fundamental review might be progressed such as, for instance, a revised approach which uses affordability data applied to the housing stock as a baseline (as opposed to household growth). Whilst this would address issues with the household projections, the Government's comments in its response to the Technical Consultation (as described above) suggest that it intends instead to work with ONS to improve the household projections. This suggests that it does not currently intend to progress this alternative.
- 9.10 At the present time it is unknown as to how the Standard Method and data feeding into it might change, and what impact this might have on assessed levels of need in NWL. The Council will need to continue to monitor this situation and react to any changes if necessary.

## 10. Summary

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- 10.1 The NPPF sets out that the standard method set out in the Planning Practice Guidance should be used to determine Local Housing Need. If the method is applied to the current data, it indicates a need for 379 dwellings per annum. This figure should be considered as the minimum level of need.
- 10.2 For North West Leicestershire, there is a case for considering a higher figure than the minimum need. In particular it is noted that the HEDNA of 2017 concluded that need would be higher than just looking at demographic trends and affordability (i.e. similar to the Standard Method) due to forecast job growth in the District. If the same uplifts are applied as in the HEDNA, it can be concluded that the local housing need is for 411-435 dwellings per annum.
- 10.3 Although outside the scope of this report, it is possible that the Council might need to provide additional housing for a shortfall in capacity in Leicester City and it may therefore be prudent to also include a buffer in addition to the figures shown above. Such a buffer could also help if there are changes made to the Standard Method or the data feeding into calculations of local housing need – Government has indicated that the method will be reviewed alongside publication of the next set of (2018-based) household projections in mid-2020.
- 10.4 Overall, following the Standard Method set out in the NPPF/PPG shows a minimum figure of 379 dwellings per annum, although higher figures can be considered to meet economic growth and possible shortfalls from other parts of the Housing Market Area. It is concluded that a local housing need in the range of 411-435 dwellings per annum is reasonable at the current time.
- 10.5 According to the relevant PPG [2a-015], this '*alternative approach*' (to additionally include an allowance for economic growth) would automatically be '*considered sound as it will have exceeded the minimum starting point*'.