

Appendix 3

Local Housing Need and the Housing Delivery Test Calculation

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Local Housing Need

The National Planning Policy Framework (NPPF) expects plan-making authorities to follow the standard approach for assessing local housing need, unless there are exceptional circumstances that justify an alternative. The methodology has been published as part of the housing need assessment section of the national planning practice guidance (PPG).

Step 1 - Setting the Baseline

National household projections for the area provide the starting point. The most recent official projections need to be used to calculate the average annual household growth over a 10 year period.

The 2016 based household projections published Sept 2018 show a projected increase in households in the District from 65,562 in 2018 to 70,021 in 2028, an increase of 4,459 or **446 households per annum**.

Step 2 - An adjustment to take account of market signals

This adjustment to take account of market signals uses median affordability ratios, published by the ONS. The affordability ratios compare the median house prices to median workplace earnings.

Authorities should use the most recent year for which data is available.

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 percent. The formula is:

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

$$\text{Local housing need} = (1 + \text{adjustment factor}) \times \text{projected household growth}$$

For West Berkshire the most recent figure for the local affordability ratio is 10.65 (figure for 2017 published April 2018)

$$\text{Adjustment factor for West Berkshire} = ((10.65 - 4) / 4) \times 0.25 = 0.416$$

$$\text{Local housing need} = (1 + 0.416) \times 446 = \mathbf{631 \text{ dwellings per annum}}$$

Step 3 - Capping the level of any increase

There is no need for a cap on the West Berkshire figure as the local need figure is less than 40% above the average annual housing requirement set out in the most recently adopted strategic policy (Core Strategy policy CS1)

Housing Delivery Test Calculation

Annex 1 of the revised NPPF introduces the requirement for a Housing Delivery Test (HDT). The HDT is the annual measurement of the housing delivery performance in a plan-making authority, and the method for calculating the HDT is set out within the “Housing Delivery Test Measurement Rulebook” that was published alongside the revised NPPF in July 2018. The test was due to be implemented in November 2018, however the Government is still to publish the results.

To determine the number of homes required, the HDT Measurement Rule Book sets out that where the latest adopted housing requirement is less than five years old, or has been reviewed and does not need updating, the figure used will be the lower of either the latest adopted housing requirement or the minimum annual local housing need figure. In cases where the housing requirement is more than 5 years old, unless the strategic policies have been reviewed and found not to require updating, the HDT Measurement Rule Book states that the minimum annual local housing need figure must be used.

Paragraph 21 of the HDT Rule Book clarifies that under transitional arrangements, in identifying the correct housing requirement figure for the calculation for the financial years 2015/16, 2016/17 and 2017/18, the minimum annual local housing need figure is replaced by household projections in all aspects of the HDT measurement. The calculation following the methodology in paragraph 22 of the HDT Measurement Rule Book is set out in Table A3.1 below.

Table A3.1: Calculation of the HDT requirement figure

Financial year of 3 year rolling HDT period	Version of household projections	Annual average taken of years	Annual average requirement
2015/16	2012-based	2015 – 2025	545
2016/17	2012-based	2016 – 2026	541
2017/18	2014-based	2017 – 2027	394
Total requirement			1,480
Annual average requirement			493

Application of the HDT rule book would result in a requirement of 1,480 net units over the previous 3 years, an average of 493 dwellings per year. This figure compares to a figure for completions of 1,636, an average of 545 dwellings per year. There is no under delivery against the HDT measurement as Table A3.2 below illustrates (it should be noted that this calculation does not include figures for communal accommodation which will be included in the Government’s calculation).

From when the HDT test applies (this was due to be November 2018), a 20% buffer will be required where the HDT indicates that delivery is below 85% of the housing requirement. A 20% buffer would therefore only apply if delivery over the three year period (2015/16 to 2017/18) was below 1,258 net units (85% of 1,480) or an average of 419 dwellings per year. As actual delivery averaged 545 dwellings per year, a 20% buffer will not be required.

Table A3.2: Housing delivery 2014/15 to 2017/18

Year	Completions	Core Strategy requirement	HDT
2015/16	625	525	545
2016/17	485	525	541
2017/18	526	525	394
<i>Total</i>	<i>1,636</i>	<i>1,575</i>	<i>1,480</i>
<i>Annual average figure</i>	<i>545</i>	<i>525</i>	<i>493</i>
Percentage delivery		104%	111%