

(Extracted from DCLG web page on Housing Need Assessment, Jan 2019)

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

Guidance

# Housing need assessment

Guides councils in how to assess their housing needs.

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From:

[Ministry of Housing, Communities & Local Government](#)

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This guidance has been updated in line with the new National Planning Policy Framework published in July 2018.

See [previous guidance](#)

Where plans are being prepared under the transitional arrangements set out in Annex 1 to the revised [National Planning Policy Framework](#), the policies in the [previous version of the framework published in 2012](#) will continue to apply, as will any previous guidance which has been superseded since the new framework was published in July 2018.

We have published a consultation paper on [Changes to planning policy and guidance including the standard method for assessing local housing need](#) which sets out proposals to update planning practice guidance on housing need assessment to be consistent with increasing housing supply.

The consultation closes on 7 December 2018.

## Housing need

### What is housing need?

Housing need is an unconstrained assessment of the number of homes needed in an area. Assessing housing need is the first step in the process of deciding how many homes need to be planned for. It should be undertaken separately from assessing land availability,

establishing a housing requirement figure, and preparing policies to address this such as site allocations.

Paragraph: 001 Reference ID: 2a-001-20180913

Revision date: 13 09 2018

### **What is the standard method for assessing local housing need?**

The National Planning Policy Framework expects strategic policy-making authorities to follow the standard method in this guidance for assessing local housing need.

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.

The standard method set out below identifies a minimum annual housing need figure. It does not produce a housing requirement.

Paragraph: 002 Reference ID: 2a-002-20180913

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### **Is the use of the standard method for strategic policy making purposes mandatory?**

No, if it is felt that circumstances warrant an alternative approach councils can expect this to be scrutinised more closely at examination. There is an expectation that the standard method will be used and that any other method will be used only in exceptional circumstances.

Paragraph: 003 Reference ID: 2a-003-20180913

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### **How is a minimum annual local housing need figure calculated using the standard method?**

The standard method can be used to calculate a minimum annual local housing need figure as follows:

#### **Step 1 - Setting the baseline**

Set the baseline using national [household growth projections](#), for the area of the local authority. Taking the most recent projections, calculate the projected average annual household growth over a 10 year period (this should be 10 consecutive years, with the current year being the first year).

#### **Step 2 - An adjustment to take account of affordability**

Then adjust the average annual projected household growth figure (as calculated in step 1) based on the affordability of the area.

The most recent [median workplace-based affordability ratios](#), published by the Office for National Statistics at a local authority level, should be used.

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. No adjustment is applied where the ratio is 4 or below. Where an adjustment is to be made, the precise formula is as follows:

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

### **Step 3 - Capping the level of any increase**

A cap may then be applied which limits the increase in the minimum annual housing need figure an individual local authority can face. How this is calculated depends on the current status of relevant strategic policies for housing.

Where these policies were adopted within the last 5 years (at the point of making the calculation), the local housing need figure is capped at 40% above the average annual housing requirement figure set out in the existing policies.

This also applies where the relevant strategic policies have been reviewed by the authority within the 5 year period and found to not require updating.

Where the relevant strategic policies for housing were adopted more than 5 years ago (at the point of making the calculation), the local housing need figure is capped at 40% above whichever is the higher of:

- a. the projected household growth for the area over the 10 year period identified in step 1; or
- b. the average annual housing requirement figure set out in the most recently adopted strategic policies (if a figure exists).

## **Worked examples**

### **Step 1 - Setting the baseline**

An authority's household projections are:

- 110,500 households in 2018
- 120,000 households in 2028

This is a total of 9,500 new households over the 10 year period, equivalent to a average household growth of 950 per year.

### **Step 2 - An adjustment to take account of affordability**

The authority's workplace-based affordability ratio is 12.4

The adjustment is calculated as below:

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

$$\text{Adjustment factor} = \left( \frac{12.4 - 4}{4} \right) \times 0.25 = \left( \frac{8.4}{4} \right) \times 0.25 = 2.1 \times 0.25 = 0.525$$

The adjustment factor is therefore 0.525 and is used as below:

Minimum annual local housing need figure = (1 + adjustment factor) x projected household growth

$$\text{Minimum annual local housing need figure} = (1 + 0.525) \times 950 = 1.525 \times 950$$

The resulting figure is 1,449.

### **Step 3 - Capping the level of any increase**

The cap depends on the current status of relevant strategic policies for housing. Below are 3 examples. Example 1 relates to a plan that has been adopted or reviewed within the last 5 years. Examples 2a and 2b relate to plans that were adopted more than 5 years ago and have not been updated, and demonstrates situations where the cap does and does not limit the minimum annual local housing need figure.

#### **Cap example 1**

The local authority has adopted a local plan within the last 5 years, or has reviewed (and if necessary updated) the housing requirement figure in a plan adopted more than 5 years ago.

- The average annual housing requirement figure in the existing relevant policies is 850 a year
- The minimum annual local housing need figure is 1,449 (as per step 2)
- The cap is set at 40% above the housing requirement figure:

$$\text{Cap} = 850 + (40\% \times 850) = 850 + 340 = 1,190$$

The capped figure is lower than the minimum annual local housing need figure and therefore the minimum figure for this local authority is 1,190.

#### **Cap example 2a**

A local authority adopted a local plan more than 5 years ago and has not reviewed their housing requirement figure since then.

- The average annual housing requirement figure in the existing relevant policies is 850 a year
- Average annual household growth over 10 years is 950 (as per step 1)
- The minimum annual local housing need figure is 1,449 (as per step 2)
- The cap is set at 40% above the higher of the most recent average annual housing requirement figure or household growth:

$$\text{Cap} = 950 + (40\% \times 950) = 950 + 380 = 1,330$$

The capped figure is lower than minimum annual local housing need figure and therefore the minimum figure for this local authority is 1,330.

### **Cap example 2b**

A local authority adopted a local plan more than 5 years ago and has not reviewed their housing requirement figure since then.

- The average annual housing requirement figure in the existing relevant policies is 1,200 a year
- Average annual household growth over 10 years is 950 (as per step 1)
- The minimum annual local housing need figure is 1,449 (as per step 2)
- The cap is set at 40% above the higher of the most recent average annual housing requirement figure or household growth:

$$\text{Cap} = 1,200 + (40\% \times 1,200) = 1,200 + 480 = 1,680$$

The capped figure is greater than minimum annual local housing need figure and therefore the minimum figure for this local authority is 1,449.

Paragraph: 004 Reference ID: 2a-004-20180913

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### **Why are household projections used as the baseline for the standard method?**

Using household projections as the baseline ensures that the process begins with a clear and transparent assessment of anticipated household growth for every area. The Office for National Statistics' projections for numbers of households in each local authority are the most robust estimates of future household growth.

The household projections are trend-based, meaning that they provide the household levels and structures that would result if the assumptions based on previous demographic trends in the population and rates of household formation were to be realised in practice. They do not predict future growth.

Paragraph: 005 Reference ID: 2a-005-20180913

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### **Why is an affordability adjustment applied?**

An affordability adjustment is applied as household growth on its own is insufficient as an indicator of housing demand because:

- household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and
- people may want to live in an area in which they do not reside currently, for example to be near to work, but be unable to find appropriate accommodation that they can afford.

The affordability adjustment, at the level proposed, is applied in order to start to address the affordability of homes, and is intended to slow down the rate at which local affordability ratios are increasing.

Paragraph: 006 Reference ID: 2a-006-20180913

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### **Why is a cap applied?**

The standard method may identify a minimum local housing need figure that is significantly higher than the number of homes currently being planned for. The cap is applied to help ensure that the minimum local housing need figure calculated using the standard method is as deliverable as possible.

The cap reduces the minimum number generated by the standard method, but does not reduce housing need itself. Therefore strategic policies adopted with a cap applied may require an early review and updating to ensure that any housing need above the capped level is planned for as soon as is reasonably possible.

Paragraph: 007 Reference ID: 2a-007-20180913

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### **When should strategic policy-making authorities assess their housing need figure for policy-making purposes?**

Strategic plan-making authorities will need to calculate their local housing need figure at the start of the plan-making process. This number should be kept under review and revised where appropriate.

The housing need figure generated using the standard method may change when National Household projections and affordability ratios are updated by the Office of National Statistics and this should be taken into consideration by strategic policy-making authorities.

Paragraph: 008 Reference ID: 2a-008-20180913

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### **How often are the projections and affordability ratios updated?**

The government's official population and household projections are generally updated every 2 years to take account of the latest demographic trends, usually in April.

Affordability ratios are published every year (usually in March).

Paragraph: 009 Reference ID: 2a-009-20180913

Revision date: 13 09 2018

### **When might a higher figure than the standard method need to be considered?**

The government is committed to ensuring more homes are built and are supportive of 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 actual housing need may be higher than the figure identified by the standard method.

Where additional growth above historic trends is likely to or is planned to occur over the plan period, an appropriate uplift may be considered. This will be an uplift to identify housing need specifically and should be undertaken prior to and separate from considering how much of this need can be accommodated in a housing requirement figure. Circumstances where this may be appropriate include, but are not limited to:

- where growth strategies are in place, particularly where those growth strategies identify that additional housing above historic trends is needed to support growth or funding is in place to promote and facilitate growth (e.g. Housing Deals);
- where strategic infrastructure improvements are planned that would support new homes;
- where an authority has agreed to take on unmet need, calculated using the standard method, from neighbouring authorities, as set out in a statement of common ground;

In addition authorities should also consider:

- previous delivery levels. Where previous delivery has exceeded the minimum need identified it should be considered whether the level of delivery is indicative of greater housing need ; and
- recent assessments of need, such as a Strategic Housing Market Assessments (SHMA). Where these assessments suggest higher levels of need than those proposed by a strategic policy-making authority, an assessment of lower need should be justified.

Paragraph: 010 Reference ID: 2a-010-20180913

Revision date: 13 09 2018

### **Once a housing need figure has been established what are the next steps?**

Once the strategic policy-making authority has established a housing need figure it will need to be considered the extent to which it can be met. Further advice is set out in plan making, land availability and maintaining effective cooperation guidance.

Paragraph: 011 Reference ID: 2a-011-20180913

Revision date: 13 09 2018

### **How can plan-making authorities apply the method to the plan period?**

The method provides authorities with an annual number, based on a 10 year base line, which can be applied to the whole plan period.

The National Planning Policy Framework requires strategic policies to look ahead over a minimum 15 year period from adoption, although authorities are required to keep their policies under review. Reviews will ensure that plans are based on the most up-to-date evidence available for the plan period, including the latest assessments of housing need.

Paragraph: 012 Reference ID: 2a-012-20180913

Revision date: 13 09 2018

### **Where plan-making authority boundaries do not align with local authority boundaries, should the standard method be used to assess local housing need?**

Where strategic policy-making authorities do not align with local authority boundaries, such as National Parks and the Broads Authority, available data does not allow local housing need to be calculated using the standard method set out above. Such authorities may continue to identify a housing need figure using a method determined locally, but in doing so will need to consider the best available information on anticipated changes in households as well as local affordability levels.

Paragraph: 013 Reference ID: 2a-013-20180913

Revision date: 13 09 2018

### **How should unmet need from neighbouring areas be taken into account?**

Any housing need from a neighbouring authority that is to be accommodated (agreed through a statement of common ground) should be added to the need already calculated for that authority to form a new minimum housing need figure.

Paragraph: 014 Reference ID: 2a-014-20180913

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### **If authorities use a different method how will this be tested at examination?**



Where a strategic policy-making authority can demonstrate an alternative approach identifies a need higher than that identified using the standard method for assessing local housing need, the approach should be considered sound as it will have exceeded the minimum starting point.

Any alternative approach which results in a lower housing need figure than that identified using the standard method should in principle be considered to be unsound, on the basis that the minimum need has not been identified. The strategic policy-making authority will need to demonstrate, through a robust evidence base, that the lower need figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances to deviate from the standard method. This will be tested at examination.

Paragraph: 015 Reference ID: 2a-015-20180913

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### **For how long can an estimate of local housing need be relied upon once a plan is submitted to the Planning Inspectorate?**

Local housing need calculated using the standard method may be relied upon for a period of 2 years from the time that a plan is submitted to the Planning Inspectorate for examination.

Paragraph: 016 Reference ID: 2a-016-20180913

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### **Can plan-making authorities take account of past under delivery of new homes in preparing plans?**

The affordability adjustment is applied to take account of past under-delivery. The standard method identifies the minimum uplift that will be required and therefore it is not a requirement to specifically address under-delivery separately.

Where an alternative approach is taken past under delivery should be taken into account.

Paragraph: 017 Reference ID: 2a-017-20180913

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### **How should local housing need be calculated where plans cover more than one area?**

Local housing need assessments may cover more than one area, in particular where strategic policies are being produced jointly, or where spatial development strategies are prepared by elected Mayors, or combined authorities with plan-making powers.

In such cases the housing need for the defined area should at least be the sum of the local housing need for each local planning authority within the area. It will be for the relevant

strategic policy-making authority to distribute the total housing requirement which is then arrived at across the plan area.

Where a spatial development strategy has been published, local planning authorities should use the local housing need figure in the spatial development strategy and should not seek to re-visit their local housing need figure when preparing new strategic or non-strategic policies.

Paragraph: 018 Reference ID: 2a-018-20180913

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### **How is housing need calculated for the purposes of decision making?**

There is separate guidance on how the standard method for assessing local housing need applies to calculating 5 Year Land Supply and the Housing Delivery Test.

Paragraph: 019 Reference ID: 2a-019-20180913

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## **Identifying the need for different types of housing**

### **How does the housing need of particular groups relate to overall housing need calculated using the standard method?**

The need for housing for particular groups of people may well exceed, or be proportionally high in relation to, the overall housing need figure calculated using the standard method. This is on the basis that the needs of particular groups will often be calculated having consideration to the whole population of an area as a baseline as opposed to the projected new households which form the baseline for the standard method.

When producing policies to address the need of specific groups strategic policy-making authorities will need to consider how the needs of individual groups can be addressed within the constraint of the overall need established.

The standard method for assessing housing need does not breakdown the overall figure into different types of housing. Therefore the need for particular sizes, types and tenures of homes as well as the housing needs of particular groups should be considered separately. Further detailed advice is included below.

The household projections that form the baseline of the standard method are inclusive of all households including Gypsies and Travellers as defined with [Planning Policy for Traveller Sites](#).

### **Housing for older people**

The need to provide housing for older people is critical as people are living longer lives and the proportion of older people in the population is increasing The National Planning Policy Framework glossary provides a definition of older people for planning purposes, which

recognises their diverse range of needs. This ranges from active people who are approaching retirement to the very frail elderly. The health and lifestyles of older people will differ greatly, as will their housing needs. Strategic policy-making authorities will need to determine in relation to their plan period the needs of people who will be approaching or reaching retirement as well as older people now.

The age profile of the population can be drawn from Census data. Projection of population and households by age group can also be used. Strategic policy-making authorities will need to consider the size, location and quality of dwellings needed in the future for older people in order to allow them to live independently and safely in their own home for as long as possible, or to move to more suitable accommodation if they so wish. Supporting independent living can help to reduce the costs to health and social services, and providing more options for older people to move could also free up houses that are under occupied.

The future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered, enhanced sheltered, extra care, registered care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector. Evidence from Joint Strategic Needs Assessments prepared by Health and Wellbeing Boards also provide useful evidence for plan-making authorities. The assessment can also set out the level of need for residential institutions (Use Class C2). Many older people may not want or need specialist accommodation or care and may wish to stay or move to general housing that is already suitable, such as bungalows, or homes which can be adapted to meet a change in their needs. Local authorities will therefore need to identify the role that general housing may play as part of their assessment.

### **Housing for people with disabilities**

The provision of appropriate housing for people with disabilities, including specialist and supported housing, is crucial in ensuring that they live safe and independent lives. People with disabilities are defined in the National Planning Policy Framework glossary. However, authorities may wish to consider groups outside of the scope of this definition in order to meet the specific needs of their community.

There is no one source of information about disabled people who require adaptations in the home, either now or in the future. The Census provides information on the number of people with a long-term limiting illness and strategic policy-making authorities can access information from the Department for Work and Pensions on the numbers of Personal Independence Payment (replacing Disability Living Allowance) / Attendance Allowance benefit claimants. Whilst these data sources can provide a good indication of the number of disabled people, not all of the people included within these counts will require adaptations in the home. Applications for Disabled Facilities Grant will provide an indication of levels of expressed need, although this could underestimate total need. If necessary, plan-making authorities can engage with partners to better understand their housing requirements.

### **The private rented sector**

Tenure data from the Office for National Statistics can be used to understand the future need for private rented sector housing. However, this will be based on past trends. Market signals reflecting the demand for private rented sector housing could be indicated from the level of changes in rents. Evidence can also be sourced from the English Housing Survey, Office for

National Statistics Private Rental Index, the Valuation Office Agency, HomeLet Rental Index and other commercial sources.

### **Self-build and custom housebuilding**

Most local planning authorities (including all district councils and National Park Authorities) are now required to keep a register of individuals and associations of individuals who are seeking to acquire serviced plots of land in their area in order to build their own home. The [Self-build and Custom Housebuilding \(Register\) Regulations 2016](#) set out these requirements. For further details, see [guidance on self-build and custom housebuilding registers](#).

In order to obtain a robust assessment of demand for this type of housing in their area, local planning authorities should assess and review the data held on registers. They should also supplement the data from the registers with secondary data sources such as: building plot search websites, ‘Need-a-Plot’ information available from the Self Build Portal, and enquiries for building plots from local estate agents.

### **Student housing**

Strategic policy-making authorities need to plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus. Encouraging more dedicated student accommodation may provide low cost housing that takes pressure off the private rented sector and increases the overall housing stock. Strategic policy-making authorities are encouraged to consider options which would support both the needs of the student population as well as local residents before imposing caps or restrictions on students living outside of university-provided accommodation. They will also need to engage with universities and other higher educational establishments to ensure they understand their student accommodation requirements.

Paragraph: 020 Reference ID: 2a-020-20180913

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## **Affordable housing**

### **What types of households are considered to be in affordable housing need?**

All households whose needs are not met by the market can be considered in affordable housing need. The definition of affordable housing is set out in Annex 2 of the National Planning Policy Framework.

Paragraph: 021 Reference ID: 2a-021-20180913

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### **How can affordable housing need be calculated?**

Strategic policy-making authorities will need to estimate the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market. This should involve working with colleagues in their relevant authority (e.g. housing, health and social care departments).

Paragraph: 022 Reference ID: 2a-022-20180913

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### **How can the current unmet gross need for affordable housing be calculated?**

Strategic policy-making authorities can establish the unmet (gross) need for affordable housing by assessing past trends and current estimates of:

- the number of homeless households;
- the number of those in priority need who are currently housed in temporary accommodation;
- the number of households in over-crowded housing;
- the number of concealed households;
- the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings); and
- the number of households from other tenures in need and those that cannot afford their own homes, either to rent, or to own, where that is their aspiration.

Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market.

Suggested data sources: Local authorities will hold data on the number of homeless households, those in temporary accommodation and extent of overcrowding. The Census also provides data on concealed households and overcrowding which can be compared with trends contained in the English Housing Survey. Housing registers and local authority and registered social landlord transfer lists will also provide relevant information.

Paragraph: 023 Reference ID: 2a-023-20180913

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### **How can the number of newly arising households likely to be in affordable housing need be calculated (gross annual estimate)?**

Projections of affordable housing need will have to reflect new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need. This process will need to identify the minimum household income required to access lower quartile (entry level) market housing (strategic policy-making authorities can use current cost in this process, but may wish to factor in anticipated changes in house prices and wages). It can then assess what proportion of newly-forming households will be unable to access market housing.

Suggested data sources: Ministry of Housing, Communities and Local Government household projections, English Housing Survey, local authority and registered social landlords databases, and mortgage lenders.

Total newly arising affordable housing need (gross per year) =  
(the number of newly forming households x the proportion unable to afford market housing)  
+ existing households falling into need

Paragraph: 024 Reference ID: 2a-024-20180913

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### **How can the current total affordable housing supply available be calculated?**

There will be a current supply of housing stock that can be used to accommodate households in affordable housing need as well as future supply. Assessing the total affordable housing supply requires identifying:

- the number of affordable dwellings that are going to be vacated by current occupiers that are fit for use by other households in need;
- suitable surplus stock (vacant properties); and
- the committed supply of new net affordable homes at the point of the assessment (number and size).

Sources of data: Ministry of Housing, Communities and Local Government affordable housing supply statistics to show recent trends, and local authority and Registered Social Landlord records including housing register, transfer lists, demolition and conversion programmes, development programme of affordable housing providers.

Total affordable housing stock available =  
Dwellings currently occupied by households in need + surplus stock + committed additional housing stock – units to be taken out of management

Paragraph: 025 Reference ID: 2a-025-20180913

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### **What is the relationship between the current housing stock and current and future needs?**

Strategic policy-making authorities will need to look at the current stock of houses of different sizes and assess whether these match current and future needs.

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### **How is the total annual need for affordable housing calculated?**

The total need for affordable housing will need to be converted into annual flows by calculating the total net need (subtract total available stock from total gross need) and converting total net need into an annual flow based on the plan period.

The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, taking into account the probable percentage of affordable housing to be delivered by eligible market housing led developments. An increase in the total housing figures included in the plan may need to be considered where it could help deliver the required number of affordable homes.

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