

READING BOROUGH LOCAL PLAN PARTIAL UPDATE – HOUSING PROVISION BACKGROUND PAPER

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Contents

1. Introduction.....	2
2. The standard method	2
3. The exceptional circumstances case	4
4. Locally assessed housing need	7
5. Capacity for housing	8
6. Duty to co-operate.....	9
7. Summary of figures	9

1. Introduction

- 1.1 The purpose of this background paper is to draw together the background to how policy on number of homes in policy H1 of the Local Plan Partial Update Pre-Submission Draft has been arrived at. There are two separate pieces of evidence in particular that have fed into this figure – the Housing Needs Assessment and the Housing and Economic Land Availability Assessment – but this short paper provides the overarching narrative to the approach of H1.

2. The standard method

- 2.1 The National Planning Policy Framework (NPPF) in paragraph 61 states that “*strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance*”, which is an advisory starting point for determining the housing requirement.
- 2.2 Planning Practice Guidance (PPG) sets out the standard method, following four steps:
- Step 1 – setting the baseline
 - Step 2 – an adjustment to take account of affordability
 - Step 3 – capping the level of any increase
 - Step 4 – cities and urban centres uplift.

Step 1 – setting the baseline

- 2.3 The baseline uses 2014-based national household projections, using an average over 10 years starting from the current year.

Table 2.1: Step 1 of the standard method

Input	Households
Reading households 2024	69,904
Reading households 2034	74,946
Reading household growth 2024-2034	5,042
Annual average household growth 2024-2034	504.2

Step 2 – an adjustment to take account of affordability

- 2.4 An adjustment is to be made to the annual average household growth based on the most recent median workplace-based affordability ratios. The formula to calculate the adjustment is as follows:

$$\text{Adjustment factor} = ((\text{Local affordability ratio} - 4)/4) \times 0.25 + 1$$

Table 2.2: Step 2 of the standard method

Input	Figure
Median workplace-based affordability ratio for Reading 2023	8.63
Minus 4	4.63
Divided by 4	1.1575
Multiplied by 0.25	0.289375
Plus 1 (adjustment factor)	1.289375
Household growth with adjustment factor	650.1

Step 3 – capping the level of any increase

- 2.5 A cap is applied to limit the increase to which an individual authority is subject. In Reading's case, because its adopted strategic policy (H1) is over five years old and provides for a higher figure than the projected household growth in step 1, this is a 40% increase over the existing policy requirement. The existing policy requirement is 689 homes per year, and therefore no cap is applied and the figure remains as shown in step 2.

Step 4 – cities and urban centres uplift

- 2.6 The method finally applies a 35% uplift for those urban local authorities in the top 20 cities and urban centres list, as defined by the Office of National Statistics list of Major Towns and Cities. This defines Reading as one of the top 20 cities and urban centres and as such the uplift applies.
- 2.7 Application of the 35% uplift results in a final figure from the standard method of 877.6. This can be rounded to 878 homes per year.
- 2.8 A summary of the standard method is shown in table 2.3.

Table 2.3: Summary of the standard method

Step	Dwellings
Step 1 – setting the baseline	504.2
Step 2 – an adjustment to take account of affordability	650.1
Step 3 – capping the level of any increase	650.1
Step 4 – cities and urban centres uplift	877.6

Use of alternatives

- 2.9 As set out above, the standard method is an advisory starting point for establishing a housing requirement for an area. The NPPF allows for exceptional circumstances to justify an alternative approach, and this is dealt with in the following sections.

3. The exceptional circumstances case

- 3.1 As set out above, the NPPF identifies that the standard method represents an advisory starting point. Paragraph 61 gives further information as follows:

“There may be exceptional circumstances, including relating to the particular demographic characteristics of an area which justify an alternative approach to assessing housing need; in which case the alternative approach should also reflect current and future demographic trends and market signals.”

- 3.2 Exceptional circumstances have been identified in Reading for departing from the standard method. The case for exceptional circumstances applying in Reading that justify an alternative approach to assessing housing need is based on the following:
- Demographic issues stemming from the high level of Unattributable Population Change in Reading; and
 - The circumstances of Reading in relation to the other urban uplift authorities in terms of population, geographical area and extent of the urban area outside the authority.

Demographic case

- 3.3 The Council commissioned consultants Opinion Research Services (ORS) to assess housing needs in the area. The work relating to overall housing need is summarised in section 4, but as part of that work ORS identified exceptional circumstances in Reading relating to the demographic basis for the household forecasts. This is set out in detail in Appendix A of the Reading Housing Needs Assessment 2024.
- 3.4 ORS examined the 2014-based household projections on which the standard method is based, and established that, for the period 2001-2011 between the Census years, there was a particularly high rate of Unattributable Population Change (UPC) in Reading. UPC is defined by ONS as *“the remaining population change that can be seen between the census-based estimates and the rolled-forward mid-year population estimates, which cannot be explained by any of the components of change”*. Only four local authorities outside London saw a larger proportional revision to their population in the mid-year population estimates as a result of UPC than Reading.
- 3.5 The effect of this rate of UPC is essentially that the demographic basis for the standard method substantially underestimates the level of migration between 2008 and 2014, and therefore the 2014-based household projections are a particularly significant underestimate for Reading.
- 3.6 ORS’s conclusion is that Reading is in the unusual position of Steps 1-3 of the standard method resulting in a housing need that is too low. It is only the application of Step 4, the urban uplift, that changes this position and then results in a level of need which is higher than its locally-assessed need (see section 4). The conclusion that the demographic basis for the standard method can be demonstrated to be particularly flawed for Reading creates an exceptional circumstance.

Circumstances of Reading in relation to other urban uplift authorities

- 3.7 The demographic case for exceptional circumstances is considered to be a sufficiently strong argument on its own for using an alternative method to identify housing needs, but in Reading's case the application of the urban uplift to Reading Borough creates an additional exceptional circumstance. Specifically, it creates a situation where Reading is by far the smallest authority (outside London) by both geographical area and population that is subject to the urban uplift, and is in that situation due to by far the largest proportion of the urban area that qualifies it for the list lying outside the core authority.
- 3.8 Although Reading is not the smallest urban area in the list of 20, it is by far the smallest authority affected by the urban uplift other than London Boroughs. This is true for both population and for geographical area. Reading is 30% less populous than the second-least populous area, and 28% smaller than the second smallest in terms of area.
- 3.9 In addition, the urban population is proportionally much larger for Reading than the authority population than for any of the other urban areas listed. The Reading urban population is 48% larger than the authority population, which is significantly higher than the next highest.

Table 3.1: Population information on authorities at the core of the 19 largest cities and urban centres after London

Local planning authority	Authority population 2021	Authority population rank	Urban area population 2020 ¹	Urban pop as % of authority pop
Birmingham	1,144,919	1	1,159,888	101
Leeds	811,956	2	516,298	64
Sheffield	556,521	3	557,039	100
Manchester	551,938	4	566,896	103
Bradford	546,412	5	358,573	66
Liverpool	486,088	6	589,774	121
Bristol	472,465	7	580,199	123
Leicester	368,571	8	415,584	113
Coventry	345,325	9	388,793	113
Nottingham	323,632	10	320,536	99
Newcastle upon Tyne	300,125	11	290,688	97
Brighton and Hove	277,103	12	245,504	89
Kingston upon Hull	267,014	13	287,705	108
Plymouth	264,695	14	266,552	101
Wolverhampton	263,727	15	247,055	94
Derby	261,364	16	264,430	101
Stoke-on-Trent	258,366	17	278,365	108

¹ <https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=2010>

Local planning authority	Authority population 2021	Authority population rank	Urban area population 2020 ¹	Urban pop as % of authority pop
Southampton	248,922	18	270,333	109
Reading	174,224	19	257,653	148

- 3.10 In terms of geographical area, Reading's urban area is 44% larger than its authority area. Of the other urban uplift authorities outside London, only Leicester (7%) and Bristol (1%) have urban areas larger than their authority area. Whilst almost all of the urban areas spill beyond the core authority, this is usually offset by the extent of areas within the authority that are not within the urban area.
- 3.11 The above comment compares the size of the urban area to the authority area, but it is also possible to assess the proportion of the urban area that lies outside the core authority. On this measure again Reading has by far the greatest proportion of its urban area lying outside the core authority (43%) amongst the urban uplift authorities outside London. It is also worth noting that Reading is by far the most 'underbounded' urban area in this sense of all the 108 major English towns and cities outside London defined by ONS. Only two other urban areas lie more than 30% outside the core authority, and neither are subject to the urban uplift.

Table 3.2: Geographical area information for authorities at the core of the 19 largest cities and urban centres after London

Local planning authority	Authority area (ha)	Authority area rank	Urban area (ha)	Urban area as % of authority area	Urban area outside core authority (ha)	Urban area outside core authority (%)
Leeds	55,172	1	11,163	20	0	0
Sheffield	36,795	2	12,249	33	286	2
Bradford	36,642	3	7,000	19	524	7
Birmingham	26,779	4	22,913	86	2,784	12
Liverpool	13,354	5	12,331	48	2,105	17
Manchester	11,565	6	9,739	92	1,879	19
Newcastle upon Tyne	11,512	7	5,790	84	56	1
Bristol	11,106 ²	8	11,246	101	2,569	23
Coventry	9,865	9	7,358	75	517	7
Stoke-on-Trent	9,345	10	7,600	81	890	12
Brighton and Hove	8,538	11	3,153	37	0	0
Plymouth	8,437	12	5,973	71	169	3

² The City of Bristol boundary is unusual in including a large area of the Severn Estuary that makes up around half the authority area. This has been excluded in order to compare like with like.

Local planning authority	Authority area (ha)	Authority area rank	Urban area (ha)	Urban area as % of authority area	Urban area outside core authority (ha)	Urban area outside core authority (%)
Kingston upon Hull	8,150	13	7,363	90	1,010	14
Derby	7,803	14	5,870	75	155	3
Nottingham	7,461	15	6,250	84	377	6
Leicester	7,331	16	7,832	107	1,768	23
Wolverhampton	6,943	17	5,933	85	445	8
Southampton	5,639	18	5,354	95	776	14
Reading	4,040	19	5,814	144	2,519	43

- 3.12 The combination of these factors means that Reading is in a unique set of circumstances amongst the authorities subject to the urban uplift, in that:
- It has by far the smallest population of the 19 urban authorities outside London;
 - Its urban area population is proportionally much greater than its authority population than for any other of the 19 urban authorities outside London;
 - It has by far the smallest geographical area of the 19 urban authorities outside London;
 - Its urban area is proportionally much greater in terms of area than the authority than for any other of the 19 urban authorities outside London;
 - The proportion of the urban area that is outside the core authority is much greater than for any other of the 19 urban authorities outside London.
- 3.13 These represent exceptional circumstances because Reading is subject to an uplift that is not applied to other authorities of comparable population and area. The small size of the authority relative to its urban area significantly restricts the ability to meet uplifted need within its own boundaries, and due to the wording of the NPPF that requires a voluntary agreement with neighbours, makes delivering the need as generated by the standard method within the wider urban area also highly unlikely.

4. Locally assessed housing need

- 4.1 As set out in section 3, the Council commissioned consultants ORS to understand and investigate the nature and make-up of current and future housing needs across the area, providing robust evidence to support future plan-making. The Housing Needs Assessment was published in 2024.
- 4.2 The HNA considered the basis for the standard method calculation for Reading, and identified the exceptional circumstances case in terms of demographics outlines above. Having identified this case, the HNA undertook an alternative approach to identifying overall levels of housing need.

- 4.3 The result of this was that the HNA identified housing need of 735 homes per year between 2023 and 2041. The method of the HNA is explained in full within the document itself, in broad terms the stages are as follows:
- Basis on 2018 based household projections (including 10 year migration trend)
 - Adjustment for census and mid-year population estimates 2021
 - Inclusion of vacancy rate
 - Inclusion of an equivalent for residential care
 - Allowance for concealed families
 - Allowance for suppressed household formation and pent-up demand
 - Allowance for in-migration to meet employment forecasts
- 4.4 In this sense, the method meets current and future demographic trends as required by the NPPF, and is based on significantly more up-to-date information than the standard method.
- 4.5 The method also reflects market signals as required by the NPPF. It includes an analysis of the local housing market in section 3. The adjustments necessary to reflect these market signals are those related to concealed families and suppressed household formation and pent-up demand, as these are the additional groups that would be likely to access housing if the market would allow. The total annual adjustment for these groups is 133.
- 4.6 Finally, there is a significant adjustment made to reflect a level of in-migration to deliver the labour necessary to support the jobs growth identified in Cambridge Econometrics employment forecasts. The annual adjustment to provide for this jobs growth is 173.
- 4.7 This is considered to be a robust method for assessing housing need that reflects local circumstances and fulfils the requirements of the NPPF. It results in a figure that exceeds both the standard method approach (before application of the urban uplift) and existing identified housing need. The figure of 735 homes per year, and a total of 13,230 homes between 2023 and 2041, is therefore used as the level of housing need for the Local Plan.

5. Capacity for housing

- 5.1 The Housing and Economic Land Availability Assessment (HELAA, November 2024) forms the basis for identifying the amount of housing that can be delivered within Reading Borough between 2023 and 2041. The HELAA is available on the Council's website³.
- 5.2 The HELAA uses a method that was developed jointly between five of the six Berkshire unitary authorities⁴ and complies with PPG on housing and economic land availability assessments.

³ [Housing Economic Land Availability Assessment, Volume 1 2024](#)

⁴ West Berkshire District Council, Reading Borough Council, Wokingham Borough Council, Royal Borough of Windsor and Maidenhead and Slough Borough Council

- 5.3 The HELAA identified capacity to deliver 14,849 dwellings between 2023 and 2041. Over that 18-year period, that results in an annual figure of 825 dwellings.
- 5.4 Capacity therefore exists to exceed the identified need for 13,230 homes (from the HNA) by 1,619 homes in total, or approximately 90 per year. This would therefore meet established local needs from the HNA as well as making a sizeable contribution to the Government's objective of significantly boosting the supply of homes as referenced in paragraph 60 of the NPPF. The Local Plan Partial Update therefore **bases the housing provision figure in updated policy H1 on the capacity for additional dwellings over the plan period of 825 per year.**

6. Duty to co-operate

- 6.1 As set out in the preceding sections, the Local Plan Partial Update plans to deliver sufficient homes to exceed the local housing need of the area based on the results of the HNA. However, it was considered nonetheless to be necessary to understand the implications in terms of unmet need should the plan rely on the need established by the standard method.
- 6.2 Therefore, in August 2024, the Council wrote to the nine local planning authorities within 10 km of the Reading Borough boundary under the duty to co-operate to understand the scope to meet any unmet needs from Reading in the event that the Local Plan Partial Update was to be based on housing needs from the standard method. This identified that the unmet needs in such a scenario would be for 954 dwellings in total over the plan period.
- 6.3 This duty to co-operate request and the responses to it are summarised in the Duty to Co-operate Statement which is available separately on the Council's website, but in summary there was no scope identified to meet any unmet housing needs from Reading should they arise.
- 6.4 The Duty to Co-operate Statement also examines the issue of unmet need from other authorities, and does not identify any outstanding unmet housing need that Reading would be in a position to meet.

7. Summary of figures

- 7.1 Table 7.1 summarises each set of figures for clarity and ease of reference.

Table 7.1: Summary of different housing provision figures

Source	Dwellings per year	Total dwellings 2023-2041
Housing provision in adopted Local Plan policy H1 (2019)	689	N/A
Housing need from Berkshire Strategic Housing Market Assessment (2016) that underpinned adopted policy H1	699	N/A
Local housing need at 2024 using standard method from NPPF (2023)	878	15,804
Locally assessed housing need from Housing Needs Assessment (2024)	735	13,230

Source	Dwellings per year	Total dwellings 2023-2041
Assessed capacity based on HELAA 2024	825	14,849
Housing provision in Pre-Submission Draft Local Plan policy H1 (2024)	825	14,850 ⁵

⁵ Rounded based on annual figure multiplied by the 18 years of the plan period