

# Reviewing whether the housing need figure for Cotswold has changed significantly

## Introduction and Context

1. At the time that the Cotswold District Local Plan was adopted, the evidence showed an overall housing need figure of 8,665 dwellings for the 20-year plan period. The updated housing need figure has been calculated to be 9,094 dwellings, which is 429 dwellings higher than the need that informed the adopted plan.
2. Paragraph 33 of the Framework states that *“Relevant strategic policies will need updating at least once every five years if their applicable local housing need figure has changed significantly”*.
3. Given this context, Cotswold District Council has commissioned Opinion Research Services (ORS) to consider whether the latest evidence represents a **significant** change to the applicable local housing need figure for their area.

## Reviewing the Housing Need

4. Although the adopted housing requirement reflected a housing need figure of 8,400 dwellings at that time, it is important to recognise that this was never intended as a definitive assessment of the precise level of housing need. Instead, the figure simply provided an estimate of the scale of housing supply that was likely to be needed in Use Class C3 (dwelling houses) over the plan period.
5. The evidence-based for the figure was set out in the report *“An Updated Estimate of the Objectively Assessed Housing Needs of Cotswold District”* (NMSS, March 2016). This concluded that 6,800 homes were needed to meet the demographic Objectively Assessed Need (OAN) but that it was necessary to consider whether an increase was needed to ensure alignment with economic growth.
6. Although the report concluded that there was no need to increase the number of homes above the demographic OAN based on the most recent jobs forecasts for the Gloucestershire Housing Market Area, it was noted that the countywide forecasts had been relatively volatile given that a similar analysis undertaken 18 months earlier (in October 2014) had suggested that 1,300 homes would need to be added to the demographic OAN. A similar adjustment at the time of the update would have yielded a total of around 8,100 homes.

7. The study also undertook a ‘standalone analysis’ which considered the job forecasts for Cotswold District in isolation, which identified two ranges for the 20-year period 2011-2031:
  - » 7,600 to 9,300 homes (with a mid-point of 8,400 homes) based on unadjusted jobs forecasts produced by Oxford Economics and Cambridge Econometrics
  - » 7,700 to 8,800 homes (with a mid-point of 8,300 homes) based on an alternative scenario prepared by Nupremis, which adjusted for unlikely or implausible elements in both forecasts
8. The latter range was considered to be more realistic, but it was noted that there was little difference between the mid-points.
9. Given the concerns about the countywide economic forecasts, the assessment gave more weight to the ‘standalone analysis’ and proposed that the higher of the two midpoint figures (8,400 homes) represented the most appropriate housing need figure at that time. Clearly this was never a definitive assessment, but it provided a reasonable estimate of the scale of housing likely to be needed based on the range of 7,600 to 9,300 homes that had been identified.
10. Due to the inherent imprecision, all figures were rounded to the nearest hundred homes. However, the subsequent report *“The Objectively Assessed Housing Needs of Cotswold District”* (NMSS, December 2016) presented the underlying analysis at Figure TA 21, and that identified an unrounded figure of 8,448 dwellings. This housing need figure related only to housing supply in Use Class C3 (dwelling houses). It did not take account of the increase of residents living in communal establishments, given that the housing supply in Use Class C2 (residential institutions) was monitored separately. However, the analysis also projected an increase of 366 residents living in communal establishments over the Local Plan period.
11. The Housing Delivery Test measurement rule book now sets out a calculation for equivalising that increase, and Census data identifies an average of 1.807 adults per household as the relevant conversion ratio for Cotswold District. On that basis, the identified increase equates to a total of 203 extra households, which yields a need for 217 additional dwellings based on the 6.55% rate that was assumed for dwellings without a usually resident household. Including that additional need yields an overall housing need of 8,665 dwellings.
12. Despite its specific nature, this figure simply provides an estimate of the scale of housing supply that was likely to be needed over the plan period, and in the same way as the original assessment rounded all outputs to the nearest hundred homes, it is appropriate for this figure to be considered within a range of 7,800 to 9,500 dwellings (equivalent to an average of 390 to 475 dpa) with a midpoint of 8,700 dwellings (435 dpa). This was the applicable local housing need figure for Cotswold district at the time that the Local Plan was examined and subsequently adopted.

## Standard Method Calculation

13. The standard method was introduced when the Framework was revised in July 2018, based on a calculation set out in national planning guidance. Transitional arrangements at the time meant that the newly introduced standard method did not apply to Local Plans that had already been submitted for examination. Given this context, it is important to recognise that Planning Practice Guidance [ID 61-062-20190315] now states that (emphasis added):

*Local housing need **will be considered to have changed significantly** where a plan has been adopted prior to the standard method being implemented, on the basis of a number that is **significantly below** the number generated using the standard method*

14. Whilst the standard method did not apply at the time of the previous examination, it is possible to establish the need that would have been calculated using the approach at that time. Based on the relevant data for March 2016 (the date of the NMSS report) the standard method figure for Cotswold was 455 dpa.
15. One of the aims of the standard method was to simplify the Local Housing Need calculation, and the net increase in bedrooms in both student and other communal accommodation is now counted using ratios based on Census data as set out in the Housing Delivery Test measurement rule book. Therefore, it is important that any comparison also takes account of this need.
16. Although the standard method figure (455 dpa) was higher than the housing need figure that informed the adopted Local Plan (430 dpa, taking account of the need for Use Class C2 and Use Class C3) it was within the range that had been identified (390 to 475 dpa). Given that context, we can conclude that even though the Local Plan was adopted prior to the standard method being implemented, it was not on the basis of a number that was significantly below the number generated using the standard method at that time – so there can be no presumption that the local housing need figure will have inevitably changed significantly.
17. It is also important to recognise that the standard method itself does not provide a definitive assessment of housing need, and that it too simply provides an estimate of the scale of housing likely to be needed. The calculation uses two data sources to identify Local Housing Need – national household growth projections and the most recent median workplace-based affordability ratios – but neither of these is an exact measure and both are subject to uncertainty.

## Household Projections

18. The first input to the standard method calculation is growth identified by the official household projections for the local area. This is based on past trends with a range of assumptions, and both factors introduce a degree of uncertainty.
19. The Office for National Statistics (ONS) has improved and updated the population data that had informed trends in the 2014-based projections used within the standard method. Revised figures suggest that growth originally estimated for Cotswold for the period 2008-2011 was around 30% too high, with original estimates for 2011-2014 being around 15% too low. However, 2021 Census data suggests that estimates for the period since 2011 are likely to have overestimated population growth in the district by around 5% and the figures are due to be revised again later this year.
20. Whilst we do not yet know how the figures will change, we can already conclude that the trends were never definitive. We also know that the projected household growth will incorporate any previous uncertainties – so there will inevitably be some variability within the projections due to errors in the estimates of past trends. It is not possible to attribute a specific level of statistical confidence to the official projections, but it is clear that variations are inevitably to be expected within the projected household growth as a consequence of these uncertainties.
21. The latest official projections provide variant scenarios that show the impact of assumptions, with high and low international migration variants resulting in household growth in Cotswold District being 10% higher or lower than the principal scenario, and domestic migration variants based on 2-year and 10-year trends being around 45% higher and 25% lower than the 5-year trend scenario. There is clearly uncertainty surrounding the assumptions taken, which again demonstrates that projections cannot be considered precise.

## Affordability Ratios

22. The second input to the standard method calculation is an affordability ratio, based upon median workplace earnings and house prices. These figures are estimates, and the affordability ratio used within the standard method is calculated using provisional estimates for both. Revised estimates for Cotswold district have differed from the provisional figures by up to 3% for earnings and 2% for house prices over recent years, so the affordability ratio is subject to a combined uncertainty of up to 5% due to the reliance on provisional outputs.
23. Furthermore, the estimate for earnings is based on survey data from the Annual Survey of Hours and Earnings (ASHE) which itself is subject to survey error. Whilst the survey suggests that annual earnings in the Cotswold

have increased by an average of 3% per year over the period since 2011, the year-on-year changes have ranged from 6% points below to 10% points above this average. These fluctuations are largely due to the uncertainties associated with the survey estimate.

24. The most recent estimate of workplace earnings was for 2022, and that was subject to a confidence interval of between 5% and 10% (which means that actual earnings in the area may be up to 10% higher or 10% lower than the survey estimate). Estimates for previous years have been even less precise with confidence intervals between 10% and 20% in some years, and the district having no estimates of annual earnings published for three years (from 2015 to 2017) as the ONS considered the data to be “*unreliable for practical purposes*”.
25. On this basis, we can conclude that the affordability ratio is also subject to a degree of uncertainty – currently up to 10% associated with the confidence intervals for the survey data, and a further 5% due to the provisional nature of the estimates that are used.

## Establishing Housing Requirement

26. The inherent uncertainty associated with assessing housing need is recognised by the plan-making system. Whilst the housing need figure provides an important basis for establishing the housing requirement, the requirement is routinely expressed as a minimum target. Plans also make provision to deliver a higher number of homes than the minimum requirement, and whilst this aims to provide flexibility it also recognises that the assessed need is imprecise.
27. In contrast, the housing requirement is a specific target that forms the basis for monitoring, and it is relied upon to determine the binary test of whether or not a five-year housing land supply can be demonstrated. Nevertheless, although the adopted housing requirement will be informed by the local housing need figure, it will have subsequently been subject to extensive scrutiny and testing through the planning process to ensure that it provides a robust and appropriate basis for the plan.
28. The Framework does not require the strategic policies that set out the housing requirement to be updated whenever the applicable local housing need figure has changed. It is only when such change is considered to be significant that the policies need updating. This recognises that the local housing need figure is not a definitive measure, and that it would not be proportionate for any change (regardless of its scale) to result in policies being updated. Instead, it is necessary to consider whether the identified change is meaningful.
29. This was properly recognised by the Inspector that examined the adopted Local Plan, for the housing need figure was updated at the time of that examination – from 8,400 dwellings down to 8,100 dwellings. Despite this reduction, the December 2016 report concluded:

*The updated estimate of the Full OAN is 300 homes lower than the figure of 8,400 estimated in the March 2016 NMSS Report. That is a difference of 3.6% and as such is well within the error margins of this kind of analysis and typical of the changes that inevitably occur during the gestation period of a local plan. There is therefore no necessity to adjust the proposed housing requirement in the draft Local Plan*

30. This reduction of 300 dwellings could have resulted in a housing allocation being removed from the Plan, which would arguably have been a significant change. However, the Inspector rightly took the view that the housing need figure had not changed significantly and therefore the housing requirement remained the same.
31. In determining whether or not a change to the applicable local housing need figure is likely to be significant, it is important to consider the way in which the figure is derived and the nature of the underlying data. More specifically, it is necessary to recognise the uncertainties that exist in order to determine whether the scale of housing that is likely to be needed over the plan period has significantly changed from when the need was originally assessed, or if changes are more likely to reflect the variability that is inherent within the underlying data sources.
32. Where there has been a change in the scale of housing likely to be needed, then evidently the applicable local housing need figure will have changed significantly. However, when the changes fall within the anticipated variability of the data, any change to the local housing need figure is unlikely to be significant. Therefore, to determine whether or not any change is significant, it is necessary to consider if any change is beyond the likely range of uncertainties that would be inherent within the figures.

## Conclusions

33. At the time that the Cotswold District Local Plan was adopted, the housing requirement was based on a housing need figure of 8,400 dwellings at that time. However, it is important to recognise that this was never intended as a definitive assessment of the precise level of housing need. Instead, the figure simply provided an estimate of the scale of housing supply that was likely to be needed in Use Class C3 (dwelling houses) over the plan period.
34. Due to the inherent imprecision, the figure was rounded to the nearest hundred homes – but it was based on an unrounded figure of 8,448 dwellings. That did not take account of the increase of residents living in communal establishments, which represented an additional need of 217 dwellings on an equalised basis – so the applicable local housing need figure was 8,665 dwellings at the time that the Local Plan was adopted.

The updated housing need figure has been calculated to be 9,094 dwellings. Although there is an absolute difference of 429 dwellings between the two specific figures, neither the original assessment nor the standard method calculation should be considered to represent a precise or definitive figure. Instead, both figures provide a reasonable estimate of the scale of housing that is likely to be needed over the plan period.

35. The original figure was based on a range of 7,800 to 9,500 dwellings (equivalent to an average of 390 dpa to 475 dpa) with a midpoint of 8,700 dwellings (435 dpa). The updated housing need figure (9,094 dwellings, equivalent to an average of 455 dpa) falls within that original range.
36. The difference of around 400 dwellings is equivalent to a change of 4.95% and represents an average of only 20 dpa. Based on the various different uncertainties set out above, it is reasonable to conclude that this limited change will fall well within the margins of error associated with the two estimates. Whilst there may have been some change to the overall level of housing need identified for the district, this is no more than would be expected as a result of the variability that is inherent within the underlying data sources. Given the limited difference between these two figures, it seems extremely unlikely that the overall scale of housing needed in the plan period has significantly changed from when the need was originally assessed.
37. Neither the Framework nor national planning guidance defines what level of change should be considered significant in the context of a change in the applicable local housing need figure. However, the Framework identifies that a buffer of 20% should be applied “where there has been **significant** under delivery of housing” which applies where “delivery was **below 85%** of the housing requirement” (paragraph 73 and footnote 39, emphasis added).
38. In other words, any shortfall must be 15% or more for it to be considered significant in that context.
39. It would seem equally reasonable to assume that a change in the applicable local housing need figure should also be 15% or more for that to be considered significant, in the context of the above analysis.
40. We have already concluded that although the Local Plan was adopted prior to the standard method being implemented, the standard method figure at that time was within the range identified by the evidence that had informed the Plan – so there is no presumption that the local housing need figure will have inevitably changed significantly.
41. The updated housing need figure represents a change of less than 5% and that is far lower than the threshold of 15% that the Framework considers to be significant in the context of assessing housing under delivery. **Therefore, we can reasonably conclude that the applicable local housing need figure for Cotswold district has not changed significantly.**

42. Of course, it might be argued that 400 dwellings would represent a significant housing allocation if that was to be delivered on a single site. However, in the same way as the Inspector that examined the adopted Plan concluded that it wasn't appropriate for an allocation of around 300 dwellings to be removed when the housing need figure reduced, the same approach applies equally in the context of the latest figures.
43. As the scale of housing need identified has not significantly changed, it would seem disproportionate for the strategic policies that set out the housing requirement to be updated at this time.