

## COTSWOLD DISTRICT COUNCIL'S RESPONSE

### Matter 3: Housing Requirements

#### *Issue 3.1: Objectively Assessed Need for Housing*

#### **34(d)A. If an upward adjustment needs to be made to reflect market signals, would it be appropriate to make it to demographic OAN or job-led OAN?**

If a market signals adjustment is needed it should be made to the demographic OAN, not the jobs-led OAN.

There are a number of reasons for this:

- a. The PPG states that it is the household projection number that should be adjusted:

The housing need number suggested by ***household projections (the starting point)*** should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings.

PPG Paragraph: 019 Reference ID: 2a-019-20140306 – emphasis added

- b. Market signals are indications that the supply of housing has not kept pace with demand – or, put simply, that not enough houses have been built. The demographic OAN tells you what would happen if past trends continue into the future – and that includes past imbalances between the demand for and supply of housing. This means that if, in the future, housing is built in line with the demographic OAN, you would expect past imbalances to continue and market signals to continue to indicate that there is a problem. It follows that, **in order to address market signals and improve the balance between supply and demand, a change needs to be made relative to demographic OAN.**
- c. When there is an imbalance between supply and demand there are not enough homes to go round and the competition for the available homes increases. This means that prices and rents go up. The result is that some potential households lose out because they cannot afford the going rate. Those households have two choices:
- They can live in the area, but not as separate households. For example, young people can spend longer living with their parents or in shared accommodation than they might otherwise have done. The result is that household formation rates are lower than they would otherwise have been.
  - They can move elsewhere where they can afford to buy or rent. This means that either out-migration is larger than it would have been or in-migration is lower than it would have been – or both, with the result that net migration to the district is lower than it would have been.

There are clear indications that moving elsewhere is the more significant reaction in Cotswold:

- As discussed in Section 7 of the NMSS December 2016 Report (EB009), house prices and affordability ratios in Cotswold have not moved that differently from the rest of the South West but net migration to the area has been below the trend rate for the rest of Gloucestershire. (See Figure 7.19 on Page 63).
- Aggregate household formation rates have changed less in Cotswold relative to the 2008-based DCLG projections than in other parts of Gloucestershire. (see Figure 4.11)

It follows that building more houses in Cotswold is likely to have a much bigger impact on net migration than household formation rates i.e. the predominant effect will be that the population increases. This means that adding additional homes in response to market signals will increase the future population – which has implications for whether additional homes are needed to support job growth as that calculation is about ensuring that there is a sufficiently large population to fill the expected increase in job. It can be that a market signals adjustment increases the projected population to the extent that little or no further addition is needed to support jobs growth. As EB009 shows, a market signals adjustment to bring net migration into Cotswold into line with the Gloucestershire trend would increase the OAN from 6,600 homes to 7,900 homes, not far short of the 8,100 needed to support job growth. (See paragraphs 7.39 – 7.44 on pages 62-64.) **This underlines the importance of making the market signals adjustment first as it may reduce or eliminate the need for a 'homes for jobs' adjustment.**

A further indication of the interaction between market signals, migration and 'homes for jobs' is the way in which Cotswold District switched from being a net exporter of commuters in 2001 to a net importer in 2011. (See EB009 Figure 8.8 and paragraph 8.30 on Page 75.) A factor here may be that homes were not built in sufficient numbers between 2001 and 2011 to allow the increase in jobs to be supported without more people commuting into the area, although it would be over-simplifying to suggest that this is the entire explanation. However, **it does suggest that failing to provide sufficient homes to support job growth can give rise to market signals, just as providing additional homes in response to market signals can address the need for extra homes to support job growth: the two issues are interrelated.**

**34(f)A. Would making a different UPC adjustment make any difference to the jobs-led OAN figure of 8,100 dwellings?**

No. The UPC adjustment is about whether the ONS was right to ignore the possible errors in the historic estimates of migration flows in producing its population projections. However, the analysis of the jobs forecasts suggests that a bigger population is required than would be projected demographically with or without the UPC adjustments made in EB009. So the FOAN is determined by the number of people needed to support job growth rather demographic forecasts.

*Issue 3.2: Housing Requirements*

**36(a)A. Paragraph 2.0.10 of the Plan refers to 9.3% of dwellings in the district being second homes, vacant or buildings with short term occupation used by visitor. What is the justification for making an allowance of 6.55% in the OAN calculation?**

The figure of 9.3% comes from the 2011 census estimate for 'homes with no usual resident'. That is not the same as a home that is either vacant or used as second home and it is therefore preferable to use statistics taken from the Council Taxbase.

'Homes with no usual resident' can include properties that are occupied by people who do not fit the census definition of 'usual residents' such a non-UK born short-term residents. Also dwellings which are used a commercial holiday homes (and as such are not part of the normal residential dwelling stock) can also be classified as 'homes with no usual resident'. (See paragraph 5.2, Page 45 of EB009.)

In all of the other Gloucestershire plans (which have been approved by Inspectors) the estimates of empty and second homes have been based on council tax data.

**36(c)A. If the housing requirement ought to be increased to help deliver more affordable homes, should such an uplift from demographic OAN or jobs-led OAN?**

The increased referred to is found at paragraph 29 of the PPG that says:

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

When considering this it is important to note that the assessment of the OAN and the Affordable Need are quite separate and carried out under different methodologies and that the two numbers are not directly comparable due to the way they are calculated. The OAN is the total housing needed to accommodate the population over the plan-period and it is expressed as a single number. The OAN is derived from trend-based population projections published by the Office of National Statistics (ONS) and housing projections (derived from the ONS population projections) published by the Department of Communities and Local Government (DCLG). The Affordable Need is derived by following a step-by-step calculation set out in the PPG and is the rate of need arising for affordable housing and is expressed as units per year.

The difference between the OAN and Affordable Need is akin to the volume of water in a lake and the speed of water flowing in a river. They are both measures of water but are not comparable. Another way of looking at the difference is perhaps the differences between

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cash flow, balance sheet and profit. All are measures of business performance, but are not directly comparable.

For example, the Affordable Need includes households in need of affordable housing who currently live in market housing. The households do not give rise to the need of an extra house, they require a home of a more suitable tenure. When they move to an affordable home they vacate a market home for another household. This is not a need for additional housing to be met through building more houses (or providing additional land for new housing), rather it is a manifestation of a need to reorganise the housing stock.

It is clear that the assessment of the OAN is quite separate from that of affordable housing. The OAN is a figure that has been adjusted (where appropriate) for market signals and any additional homes which might be needed to support job growth and the Affordable Need is a figure required to inform a Council's decision as to whether or not planning for more houses than the OAN may help to meet the needs for affordable housing. The process is well summarised in the Inspector's reports into the soundness of the Stroud Local Plan and by the Local Plan Inspector at Torbay.

Four High Court Decisions are frequently quoted in this context:

- a) Satnam Millennium v Warrington BC [2015] EWHC 370 (Admin)
- b) Oadby and Wigston v Bloor Homes [2015] EWHC 1879 (Admin)
- c) Borough Council of King's Lynn and West Norfolk v Elm Park Holdings Ltd [2015] EWHC 2464 (Admin)
- d) Jelson Ltd v Hinckley and Bosworth Borough Council [2016] EWHC 2979 (Admin)

As touched on above, the OAN is a figure that has been adjusted for market signals (in line with paragraphs 19 and 20 of the PPG) one of which is 'affordability'. The reason for calculating the Affordable Need is separate (as set out in paragraph 29 of the PPG) to enable the LPA to consider whether or not to plan for more houses than the OAN to 'help deliver the required number of affordable homes'. The paragraph 29 adjustment is not an adjustment to the OAN, it is an adjustment made in the round (including consideration of other matters such as viability) of the housing target included in the Plan.

Having said all this it is necessary to avoid double counting and making multiple adjustments that may simply result in an overinflated and undeliverable housing target. Any consideration to set a housing target over and above the OAN as per paragraph 29 should be from the settled OAN as adjusted for market signals. Whether or not a market signals adjustment has been made for affordability to the OAN is inevitably going to inform (with wider factors) the paragraph 29 decision. This process has been carried out by the Council as recorded at paragraph (f) on page 125 of the Minutes of the Council meeting held on 17<sup>th</sup> May 2016 (copy attached).