



Assessing Housing Needs across the West of England

Summary Report
July 2024

Introduction

1. Opinion Research Services (ORS) has been working in partnership with the West of England Local Planning Authorities (LPAs) since 2014 to provide robust evidence about the need for housing across the area, taking account of changes to the National Planning Policy Framework (NPPF) and associated Planning Practice Guidance (PPG).
2. The most recent assessment of housing need for the area has been prepared following the decision to not progress the WECA Spatial Development Strategy.¹ Although the latest Local Housing Needs Assessment (LHNA) reports assess housing need separately for the four local authority areas, the LPAs continue to work together collaboratively and jointly managed the LHNA process. A consistent approach to the individual assessments was agreed, and emerging findings and draft reports for each area were collectively reviewed by the four LPAs.
3. The LHNA outputs comprise seven reports: two reports for each local authority area, except Bath & North East Somerset (B&NES) where the information was combined in a single report.

The first report for each area considers the detailed local data to establish whether the Local Housing Need (LHN) figure established using the Government's standard method calculation provides a realistic assessment of local need, taking account of current and future demographic trends and market signals.

The second report for each area provides a comprehensive and detailed LHNA based on the most appropriate LHN figure for the local authority area.

4. This summary report brings together key conclusions from these reports to provide a combined evidence base that builds on the West of England LHNA (September 2021) and the previous Strategic Housing Market Assessment (SHMA) reports for Bath Housing Market Area (HMA) and for the Wider Bristol HMA (April 2018).

Standard Method Local Housing Need

5. The most recent revision of the NPPF (December 2023) sets out the Government's objective of significantly boosting the supply of homes, and states (paragraph 61):

To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance ... 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.

¹ Note the WECA Spatial Development Strategy aimed to provide an upper-tier strategic plan for area covered by the West of England Combined Authority (WECA). North Somerset does not form part of the WECA area, so the local authority had already been progressing a separate Local Plan for that area

6. The standard method calculation set out in Planning Practice Guidance [ID 2a-004-20201216] relies on two key inputs for establishing the local housing need figure:

Step 1 of the calculation sets the baseline using national household growth projections (specifically the 2014-based household projections for England) over a 10-year period, using the current year as the starting point

Step 2 establishes an adjustment factor based on the affordability of the area using the most recent median workplace-based affordability ratio for the local authority area (relating to the previous calendar year) published by the Office for National Statistics

7. The housing need figure generated using the standard method may change as the identified inputs are variable and the reference dates and periods are also updated each year. The PPG recognises this, and states that “strategic policy-making authorities will need to calculate their local housing need figure at the start of the plan-making process” but that the number “should be kept under review and revised where appropriate” [ID 2a-008-20190220].
8. The relevant local housing need figure was calculated for the four West of England planning authorities when the initial review of demographic evidence was undertaken for each area, and the relevant inputs were revised and updated when the LHNA reports were prepared in 2023 (using the 10-year period 2023-2033 and the 2022 affordability ratio). The calculation for each local area is set out below based on the 2023 inputs used for the LHNA reports alongside the most up-to-date 2024 inputs (using the 10-year period 2024-2034 and the 2023 ratio).

Fig 1 Standard method calculation for the West of England local planning authority areas (Source: 2014-based Household Projections, CLG; Ratio of median house price to workplace-based earnings, ONS)

	Bristol		B&NES		South Glos		North Somerset	
	2023	2024	2023	2024	2023	2024	2023	2024
Step 1: Setting the baseline								
Average annual household growth	1,851	1,846	497	496	1,057	1,044	978	962
Step 2: Affordability adjustment								
Median workplace-based affordability	9.64	9.69	11.34	11.13	8.67	8.20	10.04	10.01
Adjustment factor	1.353	1.356	1.459	1.446	1.292	1.263	1.378	1.376
Uncapped annual Local Housing Need	2,503	2,503	725	717	1,366	1,317	1,347	1,324
Step 3: Capping the increase	No change	No change	No change	No change	No change	No change	No change	No change
Step 4: Cities & urban centres uplift	+876	+876	-	-	-	-	-	-
Minimum annual Local Housing Need	3,380	3,379	725	717	1,366	1,317	1,347	1,324

Context for the Standard Method Local Housing Need

Step 1: Setting the baseline

9. Whilst the baseline for the standard method calculation is set using national household growth projections, this uses the 2014-based household projections for England which are informed by the 2014-based sub-national population projections. These were the most recent official projections at the time that the Government first introduced the standard method calculation, but since then the 2014-based projections have twice been superseded by more recent data: the 2018-based projections (which provide the current official projections) and the previous 2016-based projections.
10. Both the 2018-based and 2016-based figures identify a much lower rate of household growth for England overall, partly due to lower population growth and partly as a result of changes to household formation.

The lower rates of population growth result from improved estimates of fertility and mortality, that recognise reducing trends in births (resulting in fewer children) and slower improvements to life expectancy (resulting in fewer older persons);

There were also changes to the patterns of migration between local areas, given that these are based on relatively short-term trends;

The reduced rate of household formation was due to the Office for National Statistics (ONS) introducing a new method that was based only on trends from 2001 and 2011, which led to fewer young households than identified by the 2014-based projections.
11. At the time that the 2016-based projections were first released, their use as the Step 1 input for the standard method calculation led to a considerable reduction in the overall level of housing need identified nationally, which the Government considered inconsistent with its objective of significantly boosting the supply of homes. There were also substantial variations in the distribution of local need between planning authorities as a consequence of the changes to migration.
12. The Government therefore decided to continue to rely on the 2014-based projections for the standard method calculation. The reason for this decision is explained as follows by the PPG:

Why are 2014-based household projections used as the baseline for the standard method? [ID 2a-005-20190220]

The 2014-based household projections are used within the standard method to provide stability for planning authorities and communities, ensure that historic under-delivery and declining affordability are reflected, and to be consistent with the Government's objective of significantly boosting the supply of homes.
13. Although the Government retained the 2014-based figures for the standard method, their response to the technical consultation on updates to national planning policy and guidance (February 2019) stated that “the Government is clear that this does not mean that it doubts the methodological basis of the 2016-based household projections”.

14. The minimum Local Housing Need figure that the Government's standard method calculation identifies for each local area can be set in the context of the current and future demographic trends that are set out below.
15. The latest figures published by the ONS are the 2018-based household projections, informed by the 2018-based sub-national population projections. The Office for Statistics Regulation (OSR) has designated both publications as National Statistics, which means that they are fully compliant with the Code of Practice for Statistics and meet the highest standards of trustworthiness, quality and value.
16. It is important to recognise the official projections do not attempt to predict the impact of political circumstances such as the UK's withdrawal from the European Union, however the ONS estimates that there has been a sustained increase in long-term immigration largely driven by non-EU nationals since the UK's departure.² It is also important to recognise that the latest official projections were prepared and published before the Covid pandemic, and whilst the impact of the pandemic will be considered by future projections, the 2018-based figures do not take account of any recent changes to trends that might persist longer-term.
17. There is often debate around how many years of data should be used to inform the projected population change at local level. In general, sub-national projections previously produced by the ONS have used five years of data to inform trends, but just two years of data was used for internal migration in the 2018-based principal population projection. This was due to changes in the methodology used to estimate migration introduced in 2016 which meant that only two years of data was available (2016-17 and 2017-18) based on the new method.³
18. Although the principal population projection provides the headline figure presented in the main statistical bulletin and analysis, the ONS also publishes a range of variant projections that are each based on a range of alternative assumptions.
19. The 2018-based variant projections include:
 - High international migration variant;
 - Low international migration variant;
 - Alternative internal migration variant;
 - 10-year migration variant.
20. The high and low international migration variants assume either higher or lower levels of net international migration to England as a whole, but the proportional local authority distribution remains the same. The alternative internal migration variant uses five years of data for internal migration (two using the new method, three using the old method); and the 10-year migration variant uses 10 years of data for all migration trends (internal, cross-border and international).

² <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/longterminternationalmigrationprovisional/yearendingdecember2022>

³ <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/methodologies/methodologyguideformid2015ukpopulationestimatesenglandandwalesjune2016#appendix-2-understanding-the-impact-of-changes-to-internal-migration-methods>

21. The household growth projected by the 2018-based official projections for the West of England provided a relevant context for considering the Local Housing Need figure identified by the Government's standard method calculation. This data therefore informed the demographic reviews that were undertaken for each of the individual local authorities to determine whether the standard method figure provided a realistic assessment of housing need for the local area.
22. The Office for Statistics Regulation "Review of population estimates and projections produced by the Office for National Statistics" was published in May 2021.⁴ In considering the number of years used for the base period for internal migration, the review noted (paragraphs 2.32-2.33):

To illustrate, a projection that has been produced using 5 years of past trend data will be less suitable for making planning decisions for the forthcoming 15 to 25 years than one that has 10 years or even 25 years of historical trend. The more years of past trend data that are included, the more stable the projection for future local planning needs ... The pros and cons of switching from a 5-year to 2-year base for the principal projections are likely to vary depending on the use to which they are put.

23. Although the review concluded that "more years of past trend data" would generally provide a "more stable projection for future local planning needs", it also acknowledged that "those involved in local planning decisions lack the confidence to use the variant projections as they are not seen as carrying the same weight as the principal projection" (paragraph 2.34).
24. It is important to recognise that each of the variant scenarios are official projections and it is therefore necessary to consider which scenario has the assumptions that are most likely to be appropriate for the purposes of assessing housing need. Consistent with the OSR observations, ORS would normally recommend a 10-year trend as this typically provides a more stable projection for plan-making, and the Strategic Housing Market Assessments that ORS produced for the West of England authorities before the Government's standard method was introduced was based on this approach.
25. Paragraph 61 of the current Framework states that any departure from the standard method needs to "justify an alternative approach which **also** reflects current and future demographic trends and market signals" (emphasis added). Given that an alternative approach must "**also**" reflect demographic trends and market signals, we can conclude that the standard method must reflect these factors too. Similarly, Planning Practice Guidance confirms that the standard method formula "addresses projected household growth and historic under-supply" [ID 2a-002-20190220].
26. On this basis, we can conclude that (consistent with the original version of the Framework) the two fundamental elements for assessing housing needs are still:

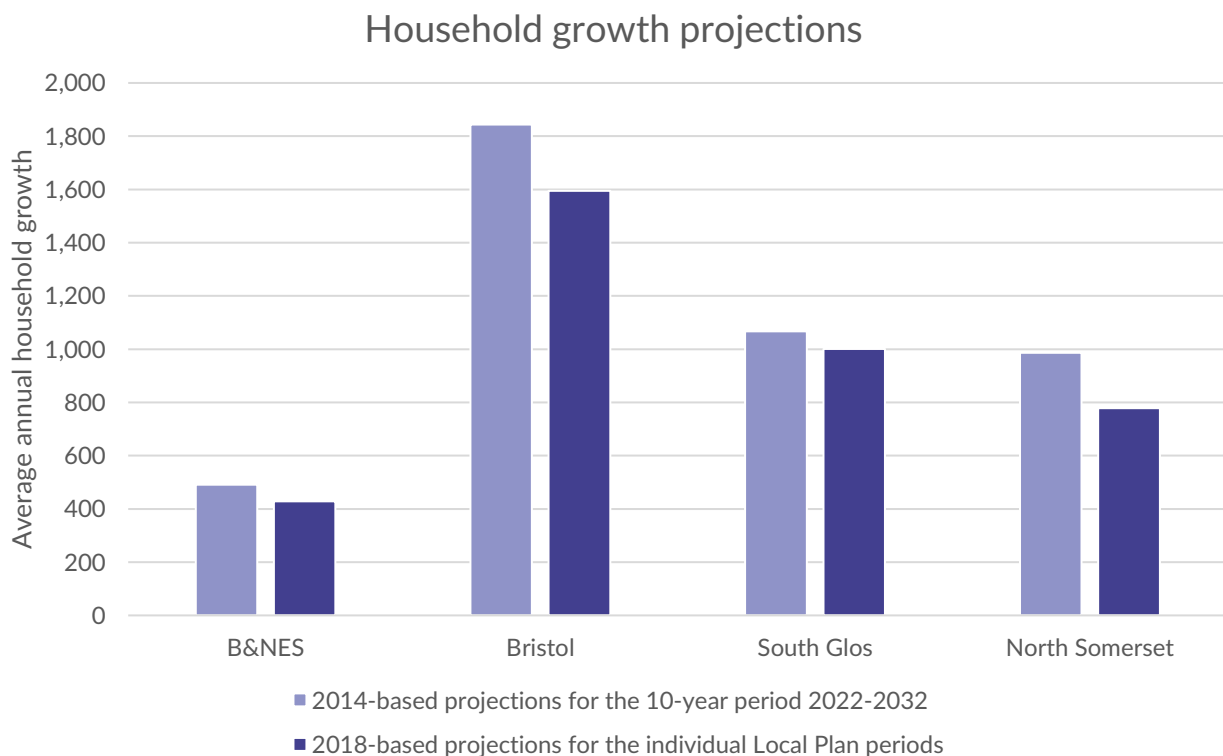
Projected household growth, which reflects current and future demographic trends;

Market signals, which address historic under-supply.

⁴ <https://osr.statisticsauthority.gov.uk/publication/review-of-population-estimates-and-projections-produced-by-the-office-for-national-statistics/>

27. The demographic reviews were undertaken at the start of the plan-making process for the individual local authority areas in 2022 after the decision had been taken to not progress the WECA Spatial Development Strategy.⁵ At that time, the standard method calculation used annual average household growth for the period 2022-2032 to establish the baseline at Step 1 and the 2021 affordability ratio was used to calculate the adjustment at Step 2.
28. The following chart compares the household growth identified by the 2014-based projections that inform the standard method calculation with the current 2018-based official projection 10-year migration variant.

Fig 2 Official household projections the West of England local planning authority areas (Source: 2014-based Household Projections, CLG; 2018-based Household Projections 10-year migration variant, ONS)



29. The data shows that the latest projections identify a lower level of annual growth across all four local areas than the projections that inform the standard method:

Bath & North East Somerset has a difference of 63 households per year, with the current figure being 13% lower than the previous figure

Bristol has a difference of 249 households per year, with the current figure 14% lower

South Gloucestershire has a difference of 66 households per year, which is 6% lower

North Somerset has a difference of 209 households per year, which is 21% lower than had previously been projected.

⁵ North Somerset does not form part of the WECA area, and the local authority was already progressing a separate Local Plan

Step 2: An adjustment for affordability

30. To establish the uncapped Local Housing Need, the standard method calculation applies an adjustment factor based on the affordability of the area. The reason for this adjustment is explained as follows by the PPG:

Why is an affordability adjustment applied? [ID 2a-006-20190220]

An affordability adjustment is applied as household growth on its own is insufficient as an indicator of future housing need 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 is applied in order to ensure that the standard method for assessing local housing need responds to price signals and is consistent with the policy objective of significantly boosting the supply of homes. The specific adjustment in this guidance is set at a level to ensure that minimum annual housing need starts to address the affordability of homes.

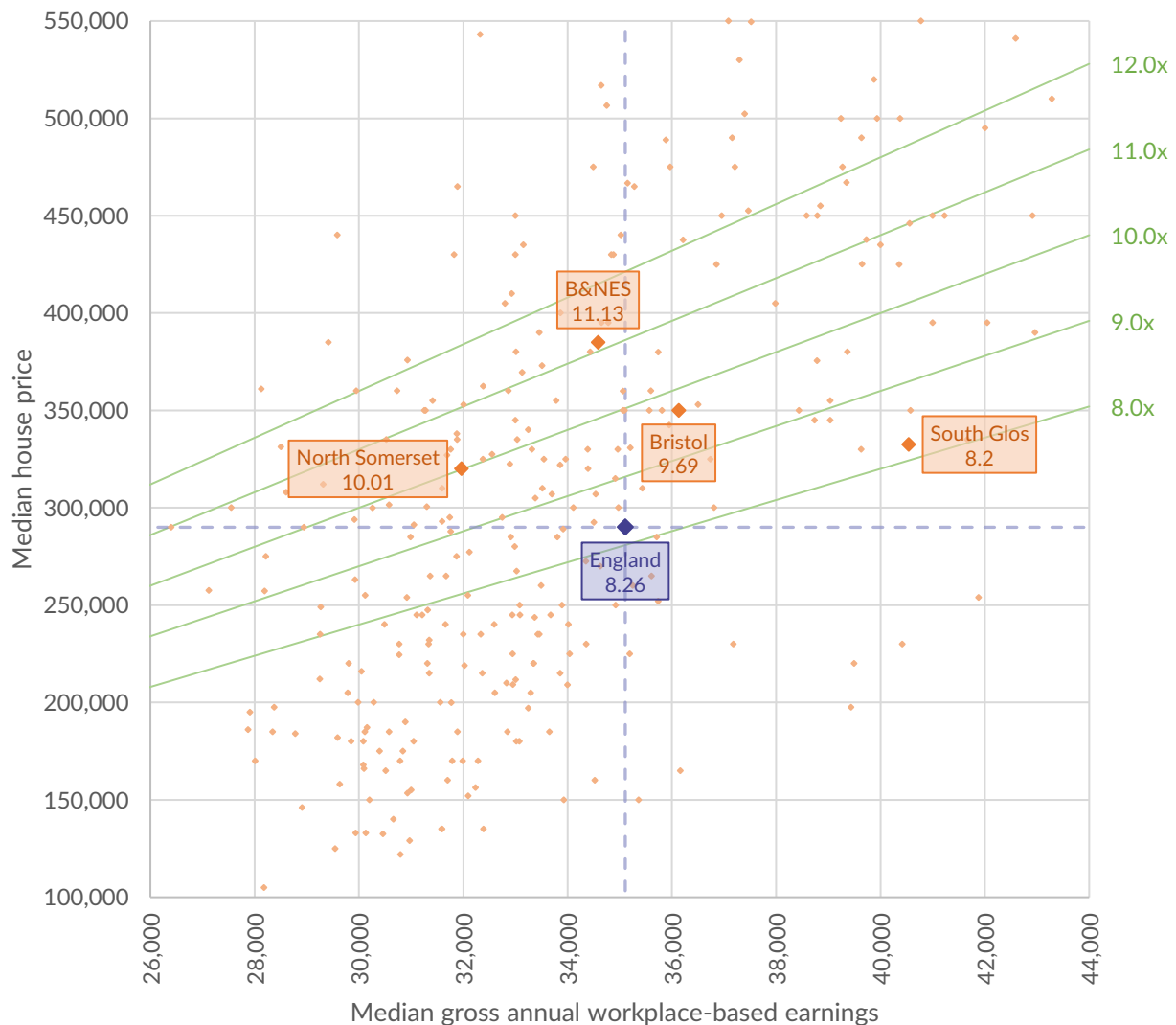
31. On this basis, it is apparent that the affordability adjustment seeks to address a wide range of different factors that could each influence the future housing need. However, the adjustment is calculated based on a single input at Step 2 of the standard method calculation, specifically the most recent median workplace-based affordability ratio for the local authority area.
32. The standardised approach used to establish the adjustment is predicated on the view that there should be a larger uplift to the household growth in areas with higher house prices relative to local earnings than in areas with lower house prices (or higher local earnings). This follows from the basic economic principle that higher house prices will tend to reflect greater demand and are therefore likely to be found in areas where “new households cannot form” and that “people may want to live” but are unable to “find appropriate accommodation that they can afford”.
33. The workplace-based affordability ratio gives the relationship between median house prices and median gross annual workplace-based earnings for full-time employees in the local area. The chart overleaf (Fig 3) shows this relationship for each local area, including the most recent affordability ratios for the West of England authorities:

Bath & North East Somerset has a ratio of 11.13 with the highest median house prices in the area (£385,000) and median earnings marginally below the average for England

Bristol has a ratio of 9.69 with the next highest median house price (£350,000) and median earnings marginally above the average for England

South Gloucestershire and North Somerset have comparable median house prices (£332,500 and £320,000 respectively) but the North Somerset ratio (10.01) is notably higher than South Gloucestershire (8.20) due to differences between median earnings.

Fig 3 Median gross annual workplace-based full-time earnings, median house prices and median affordability ratios for England and by local area (Source: House price to workplace-based earnings ratio 2023, ONS)



34. House prices are clearly highest in Bath & North East Somerset (with a median of £385,000) and based on the latest house price to workplace-based earnings ratio, the adjustment factor used in the standard method yields an uplift of 45% at step 2 of the calculation.
35. The other three local areas collectively formed the Wider Bristol HMA identified by the previous SHMA analysis (based on the “best fit” to local authority boundaries) and it is apparent that median house prices in these areas are relatively similar: £350,000 in Bristol, £332,500 in South Gloucestershire and £320,000 in North Somerset, representing a range of only £30,000 (less than 10%). However, the adjustment factor used at step 2 of the standard method ranges from an uplift of 26% in South Gloucestershire up to 38% in North Somerset (equivalent to a difference of 43%) predominantly due to the differences between median workplace-based earnings.
36. The purpose of the affordability adjustment is to ensure that the “*standard method for assessing local housing need responds to price signals*”. However, within the Wider Bristol HMA it is apparent that the specific calculation is more sensitive to earnings than it is to house prices. On this basis, a more detailed review of local evidence was undertaken for each area.

Evidence-based Review of Local Housing Need

37. Although the standard method in national planning guidance provides the starting point for determining the number of homes needed, it has never been a mandatory figure. That was confirmed by the following paragraph of the PPG published in February 2019, shortly after the standard method was introduced:

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

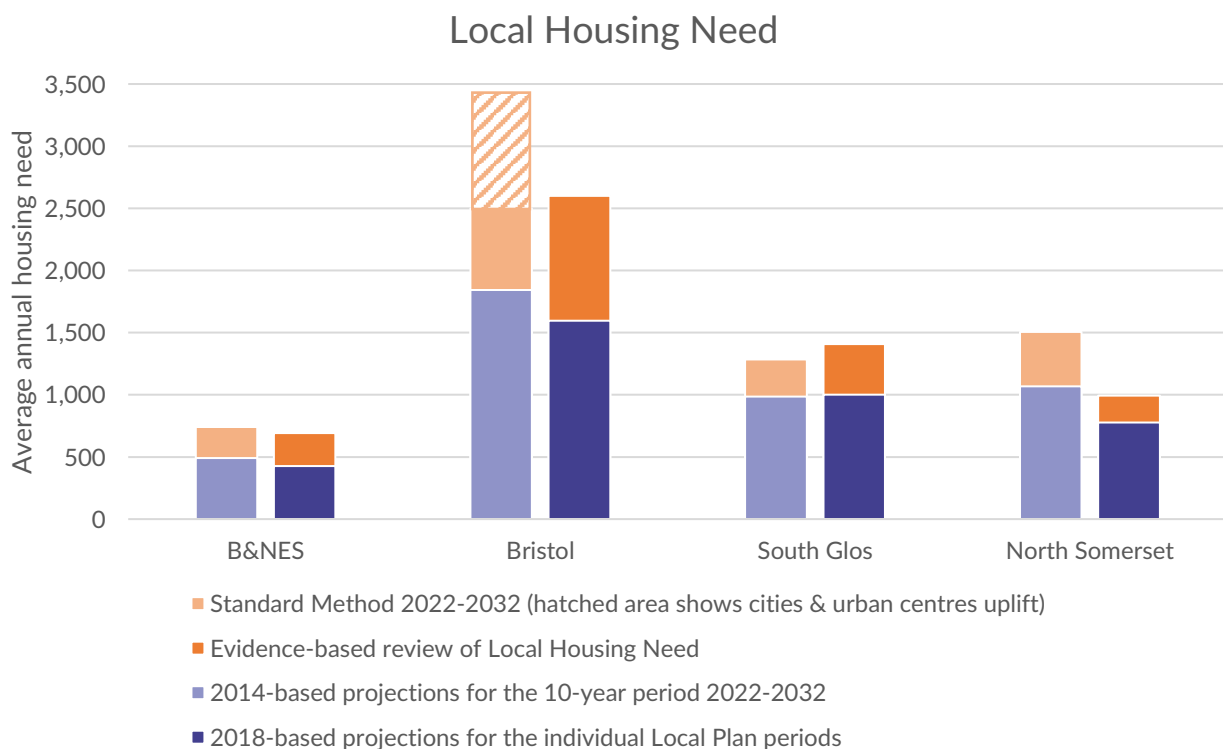
[ID 2a-003-20190220]

No, if it is felt that circumstances warrant an alternative approach but authorities 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.

38. Although the figure was never mandatory, many local authorities had been reluctant to propose alternative approaches to assessing housing need given that the standard method figure was typically given considerable weight by Inspectors examining Local Plans.
39. Nevertheless, the West of England authorities considered it appropriate to undertake a review to test their individual Local Housing Need figures based on the standard method inputs for their respective areas. Based on the PPG “*expectation that the standard method will be used*”, the main purpose of these reviews was to confirm that the Local Housing Need figure provided a reasonable estimate of need in each area.
40. Whilst the reviews were undertaken on an individual area basis, a consistent approach was adopted that considered the relevant evidence for each local area in a systematic way. The analysis took account of the latest official population and household projections together with detailed data from the Census, and considered the projected future changes in the context of past trends.
41. To ensure that the official projections provided the basis for a positively prepared assessment of housing need, adjustments were made to the assumed rates of net migration to ensure that the overall rate of future population increase from migration reflected the actual rates of average annual growth. The analysis framework also allowed for increases to these rates over time in line with overall population growth, thereby enabling larger numbers of people to move to the area, for example to be near to work, who may not currently be able to do so.
42. The updated demographic projections provided for higher levels of migration, but these were still informed by past trends.
43. When considering household formation, the baseline household projection assumed no change in the rate of formation for each age group that was projected by the official 2018-based projections for 2021. The 2021 Census provided more up-to-date estimates, and these were factored into the analysis – but when considering household formation, the trend-based figures do not necessarily provide the most appropriate basis for establishing housing need given that new households cannot form if there is nowhere for them to live.

44. Therefore, in establishing future housing need, the rate of household formation was varied from the trend-based rates (which could have been constrained by housing supply in the local area) on the basis that by the end of the projection, the formation rates would be no lower than the highest level recorded for each age group over the 20-year period 2001-2021.
45. On this basis, the official projections were adjusted to take account of the specific factors that the standard method affordability adjustment addresses: household formation being constrained, and more people wanting to live in areas in which they do not currently reside. These specific adjustments provided an evidence-led approach to responding to market signals. The following chart compares the average annual Local Housing Need figure identified by the standard method with the analysis undertaken for each of the local evidence-based reviews (Fig 4).

Fig 4 Average annual Local Housing Need figures for the West of England local planning authority areas based on the standard method calculation and the analysis undertaken for the evidence-based review studies



46. The key outcomes of the demographic reviews can be summarised as follows:

Bath & North East Somerset showed a lower rate of household growth in the latest official projections than the 2014-based projection, but the evidence-based response to market signals yielded a comparable uplift to the standard method adjustment factor (albeit proportionately higher) such that the Local Housing Need figure identified by the local review was comparable with the standard method – although it is important to recognise that student need is incorporated within these figures.

Bristol also showed a lower rate of household growth in the latest official projections than the 2014-based projection, but the evidence-based response to market signals yielded a considerably higher uplift than the standard method adjustment factor at step 2

such that the Local Housing Need figure identified by the local review was comparable with the standard method prior to the “*Cities and urban centres uplift*” being applied, but notably lower than the final standard method figure which incorporates that uplift.

South Gloucestershire showed a comparable rate of household growth in both the latest official projections and the 2014-based projection, but the evidence-based response to market signals yielded a larger uplift than the standard method adjustment factor such that the Local Housing Need figure identified by the local review was comparable with the standard method.

North Somerset showed a notably lower rate of household growth in the latest official projections than the 2014-based projection, and the evidence-based response to market signals yielded a far smaller uplift than the standard method adjustment factor such that the Local Housing Need figure identified by the local review was notably lower than the standard method figure.

47. Based on this analysis, it was clear that the locally derived Local Housing Need figure was within 10% of the standard method in Bath & North East Somerset and South Gloucestershire, and the locally derived figure for Bristol was within 10% of the standard method before the “*Cities and urban centres uplift*” was applied. Across the combined area for these three areas, the difference between the locally derived figure and the standard method was less than 4% (excluding the cities “*Cities and urban centres uplift*”) and it was therefore concluded that there was no clear reason to justify departing from the standard method approach.
48. The Bristol LHNA was prepared based on the standard method figure identified by step 1 to 3 of the calculation (before the application of the “*Cities and urban centres uplift*”) as this provided a realistic assessment of the City’s own local housing need. The additional housing need arising from the “*Cities and urban centres uplift*” at step 4 of the standard method calculation was considered separately, with the final chapter of the LHNA report setting out the impact of the additional dwellings that the Government has determined should be delivered in the twenty largest cities and urban centres (including the City of Bristol) where possible as a contribution to meeting the national housing need.
49. The analysis for North Somerset identified a locally derived Local Housing Need figure that was considerably lower than the standard method. The latest official projections showed a far lower rate of household growth than the 2014-based figures, and the local evidence did not support the scale of uplift identified by the adjustment factor at step 2 of the calculation. North Somerset had the second highest affordability ratio, but this was not driven by high house prices (as the area had the lowest median prices) but was a consequence of relatively low workplace-based earnings. When considering the underlying indicators, it was evident that projected rates of migration were already higher than past trends and expected to increase, and there had only been limited reductions to household formation rates over the period 2001-2021. On this basis, it was concluded that particular demographic characteristics of this area did justify an alternative approach to assessing housing need in North Somerset.

Conclusions

50. The most recent Local Housing Needs Assessment (LHNA) reports for the West of England have assessed housing need separately for the four local authority areas. However, the LPAs have continued to collaborate and have jointly work together to manage the LHNA process. A consistent approach to the individual assessments was agreed, and the most appropriate Local Housing Need figure for each areas was determined based on the detailed analysis that was undertaken.
51. The evidence confirmed that the Government's standard method calculation provided a realistic assessment of local need for Bath & North East Somerset and South Gloucestershire, and the standard method figure for Bristol provided a realistic local assessment before the "*Cities and urban centres uplift*" was applied. On this basis, there was no clear reason to justify departing from the standard method approach in any of these areas; although the Bristol LHNA considered the housing need arising from the "*Cities and urban centres uplift*" through a separate analysis that set out the impact of these additional dwellings.
52. In contrast, the evidence for North Somerset identified that the Government's standard method calculation did not provide a realistic assessment of local need in that area. The latest official projections showed a far lower rate of household growth than the 2014-based figures used at step 1 of the calculation, and the local evidence did not support the scale of uplift identified by the adjustment factor at step 2. On this basis, it was clear that the demographic characteristics of North Somerset justified an alternative approach to assessing housing need.
53. Having established the most appropriate Local Housing Need figure for each of the four areas, the individual LHNA reports identified the size, type and tenure of housing needed for different groups in the community, based on a consistent methodology that meets the requirements of the NPPF and associated Guidance.
54. The latest LHNA reports present a consistent and up-to-date evidence base for the whole of the West of England that builds on the previous West of England LHNA (September 2021) and the SHMA reports for Bath HMA and the Wider Bristol HMA (April 2018) and provides robust evidence about the need for housing across the area.