

**Pre-Hearing Statement for Hearing on 10th and 11th December 2013:
The Housing Requirement and all matters relating to the Strategic Housing
Market Assessment – in response to the Inspector’s Questions in ID/42**

These responses are made on behalf of Crest Nicholson, Stratland LLP, Barratt Homes and Edward Ware Homes.

SUMMARY

- It is widely accepted, and also evident in various documents produced by the Council that there has been an undersupply of housing and that there is a significant affordability issue in Bath & North East Somerset; in which case national guidance states that *"the assessment will need to reflect the consequences of past under delivery of housing. As household projections do not reflect unmet housing need, local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply."*
- The Strategic Housing Market Assessment should start from examining the consequences of the past under-delivery of housing.
- Re-calibration of the mid-year estimates results in an under-estimate of net migration trends if unattributable changes resulting from the re-calibration are combined with the migration figures. A clear rationale for the treatment of components of change in the projections is required to justify the implied assumptions about migration flows.
- High-trend migration (rolled forward to include data from the 2012 mid-year estimates) is the most robust approach to population projections in conditions of considerable uncertainty, if the aim is to avoid under-estimating future housing requirements.
- The need for a robust approach to migration is underlined by the absence of any quantification of unmet housing needs from Bristol, even though it is clear that the Bristol Core Strategy’s housing targets are based on capacity rather than the full, objectively assessed housing needs of the City.
- It is important to consider when household representation rates can return to longer-term trends that reflect underlying demographic and social trends rather than cyclical economic impacts.

- The Strategic Housing Market Assessment is deficient in failing to consider the backlog of unmet housing needs. This is greater than the Local Plan backlog which is simply underperformance against previous planning targets for new housing.
- It is necessary to add rather than subtract 2,800 jobs to compensate for the lost MoD jobs, if the aim is to maintain the district's share of employment in the West of England as stated in BNES/43, Section 3.9.
- We have reservations about relying on an employment-led model for Bath & North East Somerset when it is clear that much of the demand for housing in the District is not jobs led. We would prefer to see a disaggregated analysis of the components of change in the migration trend projections related explicitly to changes in labour supply, commuting and unemployment.
- Consistent views are necessary about economic prospects for job growth and the housing market, for development plan purposes.
- The Council's reasoning about the need for additional market housing to deliver the required quantum of affordable housing is full of contradictions. In reality, the apparent contradiction between market and affordable housing needs is simply a reflection of the Council's under-estimate of the demand for market housing.
- Accepting the Council's definition of the Bath & North East Somerset Housing Market Area **does not** eliminate the need to consider interactions between Bath & North East Somerset and neighbouring housing market areas. Consideration of these interactions is closely tied to the '*Duty to Co-operate*', which is a policy requirement of the NPPF paragraphs 178 - 181. It implies additional provision to meet the demands of Bristol, in particular, to avoid a shortfall against the needs of Bath & North East Somerset.
- The SHMA for Bath & North East Somerset (with its addenda) does not fulfil the requirements of the NPPF (paragraph 158), the CLG Practice Guidance of March 2007 or the draft NPPG.
- We believe that the ORS approach is likely to underestimate affordable housing needs as well as overall housing needs. We do not agree with the Council's conclusion that a base housing need of 7,560 is justified by the mid-trend migration projection with hybrid headship rates.

- The Council's reasoning about the need for additional market housing to deliver the required quantum of affordable housing is full of contradictions. If the additional housing is justified and capable of delivery, it must be part of the planning requirement and must form the basis for calculating the 5 year housing land supply with the addition of the backlog and a buffer as stated in ID/40, paragraphs 13 – 15.

- A high net migration scenario is one way to allow for the interaction between housing market areas, including the impacts of Bristol in particular, and may be the only way available at this time, particularly in the absence of any joint working to examine the housing needs of the wider city region. It is also necessary to add to projected household growth the baseline of unmet housing needs as referred to in ID/28 paragraph 4 and paragraphs 1.37 – 1.39.

- The housing requirement for the plan period should therefore be in the range of 18,000 to 20,000 for the 18-year plan period 2011 to 2029.

QUESTIONS FOR PRE-HEARING STATEMENTS

1. The reasonableness of the Council's assessment of housing needs is to be judged according to the National Planning Policy Framework (NPPF). The materiality of the National Planning Practice Guidance (NPPG) and whether for submitted plans it supersedes previous guidance¹ is likely to be clarified before the Inspector reports, if not before the hearings on 10th and 11th December 2013. Uncertainty about the status of NPPG need not be a problem as it is guidance rather than policy and builds on practice, including recent decisions of the Inspectorate.

2. Questions may be raised about the NPPG's comments on the starting point to establish housing need: *'The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing. **The assessment will therefore need to reflect the consequences of past under delivery of housing. As household projections do not reflect unmet housing need, local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply.**'*

3. Questions have already been raised in previous discussions on the SHMA² about the relevance of past trends; whether future plans should reflect the constraints on household formation of the economic recession after 2007; the relevance of market signals such as prices and rents; the relevance of social and economic indicators such as affordability, homelessness, overcrowding and labour supply; the relevance of historic rates of house building; and the impacts of demand and supply in adjoining housing market areas. These considerations are not new and were included in CLG's 2007 Guidance on SHMAs.

¹ CLG's Strategic Housing Market Assessments Practice Guidance Version 2 of 2007 and its related annexes

² the seminar on 2nd August and the hearing day on 17th September 2013

POPULATION PROJECTIONS

4. The revised ONS mid-year estimates (MYEs) are an appropriate starting point for the population projections, but they raise a number of questions. They contradict previous population projections, including the amalgam of 2010-based demographic inputs with a 2011 population base that underlies the Interim 2011-based household projections. They also introduce problems of interpretation that are not currently resolved, including how to account for *'other unattributable change'*. ORS has combined this adjustment factor with the figures for migration, resulting in a significant deduction (averaging 454 p.a. for 2001 to 2011) from the estimates of net in-migration.

5. It is now possible to update the trend data for components of change, using the 2012 mid-year estimates. The components of change in the 2012 mid-year estimate, which has not been subjected to *'re-calibration'*, indicate a much smaller figure for *'other changes'* in 2011-12 due to *'changes to the size of armed forces and prison populations and other, small, adjustments'*: -31 compared with an annual average of -454 for 2001 to 2011; leaving 1,822 for migration and other changes, compared with an annual average of 522 for 2001 to 2011. **There is a concern, therefore, that re-calibration of the mid-year estimates results in an under-estimate of net migration trends if unattributable changes resulting from the re-calibration are combined with the migration figures.**

6. The approach taken by ORS is not altogether explicit and it is also unfortunate that they do not show details of the components of change in their population projections. ORS state in their SHMA Addendum 1a (paragraph 9) that *'Given that no further data is available about "Other Changes", these are incorporated by adjusting the primary flows on a proportionate basis.'* These adjustments seems to entail deducting about 1.7% from the inflows and adding about 1.7% to the outflows, although further explanation from ORS would be helpful.

7. **There are, of course, other ways of dealing with the components of change in the re-calibrated MYEs and some kind of rationale would be helpful.** As it is more difficult to record migration outflows than migration inflows there is, for example, a case for increasing outflows rather than reducing inflows to reconcile the figures.

8. This issue is also addressed in a report by Edge Analytics on *Demographic Analysis & Forecasts* for North Somerset Council³, which includes projection scenarios – using the PopGroup model – in which internal and international migration are based on the recorded figures (for 5 or 10 years) ignoring the '*other unattributable*' element of the MYE recalibration, as well as scenarios in which it is accounted for in the international migration flows. **The results of ignoring the '*other unattributable*' element are significantly higher projections of net inward migration and population growth.**

9. The use of past trends for forecasting purposes needs to take account of any special factors that may have influenced the past reference period and its relevance in planning for the future. A 10-year trend should be a reasonable basis for forecasting purposes as it contains years of economic expansion as well as years of economic recession. However, there are problems with the data resulting from the recalibration of mid-year estimates, which can lead to low estimates of past and future migration, which appear out of line with the raw, unadulterated data for 2011-12.

10. Consideration of the ONS data for 2011-12 does not modify substantially the rolling 5-year averages for migration figures as there was a high net flow in 2006-07, which is excluded when the five-year reference period is rolled forward to 2011-12, but it does raise the highest 5-year average change figure. For 2007-12, the 5-year average shows a smaller figure for other changes (-377 compared with -460 for 2006-11), a higher figure for 'migration and other changes' (791 rather than 681) and a higher overall change (1,002 rather than 867). The figures are shown in Appendix 1

11. The 2011-12 data should also be given weight as they have not been subject to 'recalibration' and show a rising trend in net international migration from 2009-10. **We conclude that the high-trend migration (rolled forward to include 2012 data) is the most robust approach in conditions of considerable uncertainty, if the aim is to avoid under-estimating future housing requirements. The need for a robust approach to migration is underlined by the absence of any quantification of unmet housing needs from Bristol, even though it is clear that the Bristol Core Strategy's housing targets are based on capacity rather than the full, objectively assessed housing needs of the City.**

³ Edge Analytics, September 2013, *Report on Demographic analysis & Forecasts for North Somerset Council*

HOUSEHOLD/DWELLING PROJECTIONS

12. There is wide agreement that CLG's 2011-based Interim Household Projections were influenced by constraints on household formation resulting from the economic recession after 2007. Projected rates of household formation start from a lower base and rise much less rapidly. These effects are particularly marked for those aged 25 to 34 and include people in this age group living longer with parents or in shared accommodation. However, as there are also lower rates of household in other age groups there appear to be other influences including lower rates of household formation among immigrants.
13. Implications of the 2001-based household projections have been examined in detail by Dr Alan Holmans⁴ and the Cambridge Centre for Housing & Planning Research⁵, who have also recognised that there is likely to be some return towards longer-term historic trends (consistent with the 2008-based projections) if the economy recovers and housing supply improves; i.e. a return to higher household formation rates.
14. This view was recently endorsed by the Inspector in the examination of the South Worcestershire Development Plan who observed, in paragraph 30 of his report⁶, that *'under the more favourable economic conditions expected in future years, there will almost certainly be a return to higher rates of household formation. Thus it would be unwise to rely on the household growth rates shown in the 2011-based projections persisting throughout the Plan period.'*
15. We believe that strategic land use planning should proceed on the assumption that there will be recovery in the economy and in the housing market in particular, to ensure that the land use planning system will not be a constraint on that recovery. The emphasis in the NPPF is to significantly boost the housing supply and for local planning authorities to positively seek opportunities to meet the development needs of their area.
16. However, the approach taken by ORS to 'hybrid' headship rates (following the SHMA Seminar on 2nd August 2013) does not appear to be the best way to project a return

⁴ Holmans A, September 2013, *New Estimates of Housing Demand and Need in England, 2011 to 2031*, Town & Country Planning Tomorrow Series Paper 16, TCPA

⁵ Cambridge Centre for Housing & Planning Research, May 2013, *The New Household Projections and their Implications for the Cheltenham Borough Council, Gloucester City Council and Tewkesbury Borough Council Areas*, University of Cambridge

⁶ PINs (Inspector Roger Clews), 28 October 2013, *Stage 1 Examination of the South Worcestershire Development Plan – Inspector's Interim Conclusions on the Stage 1 Matters*

to long-term trends in household formation. Deficiencies in their approach are the only possible explanation for the contradiction noted by the Inspector between the divergent results of the 2008-based and 2011-based projections (shown in SHMA Addendum 1a Figure 5) and the Council's observation (in BNES/48, paragraph 18), that hybrid rates produce household growth figures that are almost the same as those produced by the 2011-based projections.

17. It is for the Council and ORS to explain this contradiction by presenting more detail on their projected household representative rates. What is required is a more detailed explanation of their calculations and a clear rationale for their projection methods. **The issue to address is whether household representation rates are expected to return to longer-term trends and if so when.**

18. An alternative approach adopted by Edge Analytics in their report for North Somerset Council is to apply 2008-based headship rates, scaled to be consistent with the 2011 Census but following the original trend thereafter. Another approach, adopted by Nathaniel Lichfield & Partners for South Worcestershire,⁷ uses 2011-based household projections for 2011 to 2021 and household representation rates indexed to the 2008-based household projections after 2021.

19. The Cambridge Centre for Housing & Planning Research⁸ recommends a '*partial return to trend*', which assumes that after 2015, household formation rates recover towards the 2008-based rates, reaching the mid-way point by 2025 and then continuing mid-way between the trends until 2031. The rationale for this approach is that there will be a partial recovery of household formation rates. We think that approach is too conservative, as there is a danger that it will lead to planning targets for housing land acting as a constraint on household formation.

20. We prefer the Edge Analytics approach of applying long-term rates of change to a 2011 Census base. It is important to consider the factors that underlie past trends in the short term and the long term, and the purposes for which the projections are to be used. Planning targets should facilitate the underlying long-term social and demographic forces for change in living arrangements rather than reflect short-term economic constraints on household formation resulting from financial markets and the national economy, or the impacts on affordability resulting from constraints on housing land supply imposed locally by the planning system.

⁷ See footnote 6 above

⁸ See footnote 5 above

21. National Planning Practice Guidance points to the need to consider national and local influences on household formation (see paragraph 2 above). In Bath & North East Somerset, there is no question that access to housing has been constrained by the high prices of housing, which have in turn been influenced by the low rate of house building over past decades. CD4/H14 and CD5/10 show that in only 4 of the last 14 years of the Local Plan were completions in excess of the anticipated annual provision in the Local Plan. Household projections and assessments of housing need should start from recognising those constraints on household formation in the past and should plan to ease them in the future: that is the clear message of Paragraph 47 of the National Planning Policy Framework and related guidance.
22. In Bath & North East Somerset, the ratio of lower quartile house prices to lower quartile earnings peaked at 10.04 in 2007 and was 8.82 in 2012, compared with the averages for England of 7.25 in 2007 and 6.59 in 2012.⁹ After recent trimming, the Homesearch Register (waiting list for social housing) on 1st October 2013 was 4,122 households. Currently 5 households a week are being housed from the register.¹⁰
23. The Council states (BNES/48, paragraph 11) that *'the Council's position remains that it should plan for and be judged against the dwellings implications of an increase in the household population of 16,600 people over 20 years'* although it also accepts (paragraph 12) that *'the Local Plan shortfall (1,167 dwellings) should be added to any forward looking housing requirements'*.
24. There is, however, no recognition of the need to take account of existing unmet housing need, as expressed through homelessness, concealed households, sharing, overcrowding and other signs of housing stress. These matters were discussed at the seminar on 2nd August 2013, when ORS and the Council appeared to suggest that existing unmet needs were somehow accounted for in the projection, but this was not explained and does not appear to be consistent with information so far provided on the projection method.
25. The NPPG is clear that *'household projections do not reflect unmet housing need'* and that *'relevant signals'* of *'undersupply relative to demand'* include overcrowding. *'Indicators on overcrowding, concealed and sharing households, homelessness and number in temporary accommodation demonstrate un-met need for housing.'*

⁹ CLG, Live tables on housing market and house prices, Table 576, updated February 2013

¹⁰ Bath & North East Somerset Council, October 2013, *Homesearch News Issue 21*

26. DCLG's March 2007 *Practice Guidance on Strategic Housing Market Assessments* makes a clear distinction between the stock of current housing need (gross backlog) and future flows of housing need. It identifies in Chapter 5 the data sources required to assess homeless households and those in temporary accommodation; overcrowding and concealed households; and others in housing need including those on the housing register and social housing transfer lists.

27. The Strategic Housing Market Assessment is deficient in failing to consider the backlog of unmet housing needs. This is clearly greater than the Local Plan backlog which is simply underperformance recorded against previous planning targets for new housing.

28. The SHMA also fails to include a 'bottom-up' assessment of local housing requirements in significant settlements or sub-areas of the plan area as a basis for the settlement policies of the Core Strategy. This failing means, in particular, that the need for housing development in Green Belt settlements is not weighed explicitly against the case for maintaining Green Belt boundaries.

Labour supply for planned growth

29. The employment-led projections described in SHMA Addendum 1c followed the SHMA seminar on 2nd August. The figure for employment growth (11,500) is said in BNES/43 to be based on job growth of 15% of the West of England target of 95,000 (=14,250), rounded to 14,300 to reflect forecasts by Oxford Economics in June 2010, with the deduction of 2,800 jobs to represent MoD jobs relocated to Filton. **We share the Inspector's difficulty with this reasoning as it would be necessary to add rather than subtract 2,800 jobs to compensate for the lost MoD jobs, if the aim were to maintain the district's share of employment in the West of England as stated in BNES/43, Section 3.9. The subsequent justification in BNES/43 is specious.**

30. It is worth noting the Council's view in BNES/43 about the effects of economic recovery on employment: '*Now that the deep recessionary period of 2008-10 no longer forms part of the plan period, there is reason to plan for a stronger average annual rate of growth over the new plan period...*' This approach does not appear to be reflected in their approach to household formation (as described above). **We have no strong view about job growth figures as there are no robust methods to forecast employment growth for a district such as Bath & North East Somerset. However we do argue that consistent views are necessary**

about economic prospects for job growth and the housing market, for development plan purposes.

31. If the target of 11,500 jobs for 2006 to 2026 (converted to 10,350 for 2011-2029) is accepted, the remaining considerations are changes in economic activity and commuting. Employment-led population projections based on constant and trend-based economic activity rates are presented by ORS in Figures 1 and 2 of SHMA Addendum 1c.
32. Once again, ORS's presentation is not easy to follow as different age groups are used in the two tables and there are no sub-totals in Figure 2 to show what is happening in the general population and student population. Paragraph 7 states that '*Figure 2 confirms that the increase in workforce in both scenarios is 11,500...*' As these are employment-led projections, we infer that they are meant to start from the same increases in workforce (11,500) for both scenarios although there appears to be a minor error in the last two rows of the final column, which actually sum to 101,908 and 12,115, rather than 101,293 and 11,500.
33. The resulting population change figures for 2011 to 2031 are 24,905 with constant economic activity rates or 15,068 with 'trend-based' economic activity rates; the resulting figures for household growth are shown in Figure 3 for 2008-based and 2011-based headship rates and are converted into a dwelling requirement after adding an allowance of 3.7% for vacancies (dwellings with no usual residents).
34. The basis for projecting economic activity rates was explained in Addendum 1a, paragraphs 17 to 28 and at the seminar on 2nd August. Paragraph 25 explains that the projection is based on applying UK growth rates to local economic activity rates for B&NES. The changes are applied to the general population and are primarily to allow for changes in retirement age. They are kept constant for those aged under 25 and those aged over 75. For students the rates are unchanged.
35. Implications of the economic activity forecasts for the employment-led projections are shown in Figure 2 of SHMA Addendum 1c. In the general population, the 'trend-based rates' are higher for the older age groups; for ages 50-64 they are increased by 8% for men and 20% for women and for ages 65-74 they are increased by 75% for men and 100% for women. As economic activity rates for Bath & North East Somerset start above national averages, the application of national growth rates is open to question. Economic activity rates for these age groups in 2013 are shown below from the Annual Population Survey:

Table 1: Age-Specific Economic Activity Rates in 2013

	Male 50-64	Male 65+	Female 50-64	Female 65+
Bath & NE Somerset	80.4	15.0	68.2	11.3
United Kingdom	76.3	12.7	63.4	6.8

Source: Annual Population Survey 2013

36. 100% increase in the economic activity rate for women aged 65-74 seems particularly high. It is associated with an increase of 1,500 in the numbers economically active in this group. In total, projected increases in economic activity among those aged 50+ add 5,184 to the number economically active, which is partially offset by a reduction of 4,750 in younger age groups. These results are not easy to interpret and require further explanation. Reliance on an ageing workforce also fails to acknowledge the importance of part-time work for the older age groups, which means that older workers (who we believe have been over-estimated, anyway) are not a complete substitute for younger, full-time members of the work force who will be required to achieve the projected growth in employment.

37. In their report for North Somerset Council¹¹, Edge Analytics explain their approach which is to apply local economic activity rates from 2001 Census data to disaggregate a time series for 2007-11 of local economic activity data by broad age group from the Labour Force Survey. Their forecast increases in economic activity rates for the older age groups by 2020 are 40% for women aged 60-64; 20% for women aged 65-69; 5% for men aged 60-64; and 10% for men aged 65-69. These more modest increases are more reasonable than the increases forecast by ORS (paragraphs 35 and 36 above).

38. The employment-led projections by ORS do not present explicit assumptions about commuting or unemployment, which are part of the balance between jobs and the economically active work force. Implicitly, this means no change in the net commuting balance or numbers unemployed, but there will be changes in the proportionate rates. It would be helpful to have explicit assumptions including, for example, whether the forecast job growth will be associated with more self-containment and less employment-led pressure on the housing markets of adjoining areas in Wiltshire and Somerset.

¹¹ See footnote 3

39. It is beyond the scope of this statement to test the implications of alternative assumptions by re-running the PopGroup model used by ORS. **We have reservations about relying on an employment-led model for Bath & North East Somerset when it is clear that much of the demand for housing in the District is not jobs led, but due to the attractions of the City and surrounding rural areas as places to live, associated with lifestyle choices that include, for example, retirement and long-distance commuting to London. We would prefer to see a disaggregated analysis of the components of change in the migration trend projections related explicitly to changes in labour supply, commuting and unemployment.**

OTHER FACTORS

40. We discussed earlier (paragraphs 3 and 24 ff) some shortcomings in the coverage of the SHMA in relation to *relevant market and economic signals* and social indicators of unmet housing need. A general reservation about the SHMA is that it treats issues such as defining the housing market area, choosing migration trends and projecting changes in household formation as statistical modelling exercises with the appearance of a 'black box' in which assumptions and calculations are not explicit or clearly related to real-world planning issues and choices/decisions about housing demand and supply.

41. We would expect assumptions in the SHMA about migration, economic activity and household formation to be more closely related to an analysis of the local housing market, including the baseline position of unmet needs, past trends in housing completions, house prices and affordability ratios, reasons for long-term and short-term trends, a sub-area analysis of housing demand and supply for the main urban and rural areas, consideration of the relationships with adjoining housing market areas, and a discussion about whether future plans should be based on a continuation of past trends. The SHMA does not always provide a clear rationale for modelling assumptions or relate them to planning policy issues and choices.

42. **The SHMA for Bath & North East Somerset (with its addenda) does not therefore fulfil the requirements of the NPPF (paragraph 158), the CLG Practice Guidance of March 2007 or the draft NPPG.**

AFFORDABLE HOUSING

43. The approach to affordable housing is also primarily a statistical modelling approach that does not consider fully the policy issues involved in projecting future needs on the basis of past trends. It is a complex model that is described in BNES/43 (the ORS Housing Mix Model Technical Paper) as well as in SHMA Addendum 1b. It is based on forecasting the future mix of households, their tenure profile and the affordability of owner occupation and intermediate housing. It requires extensive data on the income and wealth of various sizes and types of household and the profile of house prices in the existing stock to assess affordability.
44. There are some advantages in the behavioural approach used by ORS compared with surveys of expressed preferences which tend to inflate estimates of affordable housing need. However, there is a danger – as described for other parts of the SHMA approach – of extrapolating from past trends without considering critically the influences on those trends.
45. We commented in the approach in our representations on the Proposed Changes consultation in April 2013, in particular the over-reliance on the private rented sector and lack of information about the baseline of unmet housing need – which included 4,122 households on the waiting list for social housing at 1st October 2013 (see paragraphs 22ff above).
46. SHMA Addendum 1b (paragraphs 6ff) highlights data from the 2011 Census that shows large increases in households renting from private landlords and houses in multiple occupation (HMOs) compared with previous estimates. ORS concludes that the updated ratios should form the basis for revised assumptions in the household projections and that the increase in private renting reduced the need for intermediate affordable housing as *'market forces had already addressed this need.'*
47. ORS considers the possibility that *'there may also demand for additional intermediate home ownership from households who could otherwise afford market rent.'* We believe an alternative explanation is that the demand for intermediate affordable housing was suppressed by a shortage of supply and people were forced into private rented sector by the lack of alternative options.
48. ORS also states that that *'the model outputs assume that Housing Benefit support for households living in the private rented housing remains constant.'* In reality, there have been changes in housing benefit recently for 'under-occupation' in the social

housing sector, which could increase pressure on the private sector. Other changes, related to Universal Credit could also impact on housing choices. Some private landlords are already unwilling to let to tenants on housing benefit and some mortgage lenders prohibit lending to tenants on benefit. Fears of rent default are likely to be exacerbated by the change to Universal Credit.

49. It is beyond the scope of this statement to consider the potential impacts of benefit changes, but the ORS model appears to include a significant implicit judgment about housing policy through its increasing reliance on the private rented sector. Paragraph 5.24 of the original SHMA Update notes that *'to reduce the number of households claiming housing benefit in the private rented sector, more affordable housing would need to be provided.'*

50. For all these reasons, we believe that the ORS approach does not comply with Government guidance and is likely to underestimate affordable housing needs as well as overall housing needs.

STUDENT HOUSING

51. The approach to student numbers requires explanation from ORS and the Council. Our understanding is that the Council expects additional provision of student bed spaces to exceed the growth in University student numbers. The student population is not therefore expected to add to housing requirements. It is regarded as a constant in the population that adds to labour supply but not to housing demand.

52. We agree with the Inspector on the desirability of considering the numbers of students who stay in Bath after their courses. If only 5% of those completing courses stayed on in the City, they would add about 400 to the population each year (depending on the lengths of courses, the numbers of part-timers and the proportions of Bath residents).¹²

53. It is also perhaps surprising that the SHMA did not look at the impact of students living in HMOs on the areas of Bath where they are concentrated, such as Oldfield Park and Westmoreland, and consider the desirability of Article 4 Directions to control HMOs in specific areas.

54. Addendum 1a paragraph 27 states that 65% of the student population is assumed to live locally and the growth in their numbers will be an addition to the labour force.

¹² In BNES/43, the Council quotes a figure of 23,700 students which could increase by 2,431 to 4,419 by 2026

Students are likely to work only part time and it is not clear what adjustment has been made for part-time working when calculating their addition to the labour force. This is important for the employment-led projections in particular as an over-estimate of students' contribution to the labour force would lead to an under-estimate of housing requirements.

CALCULATING THE OVERALL HOUSING REQUIREMENT

55. **We do not agree with the Council's conclusion that a base housing need of 7,560 is justified by the mid-trend migration projection with hybrid headship rates, for reasons explained earlier in this statement.** However, if we did agree with that figure for household growth, it would still be necessary to make some additions for unmet housing need.
56. The Local Plan backlog figure of 1,169 does not account for the baseline of unmet housing need expressed through the housing waiting list or information on homelessness and overcrowding. It is simply a deficit against the local plan target, which was concerned mostly with meeting the demand for market housing. It could be argued that there is some overlap with measures of unmet housing need, but if so it would be only a partial overlap for the proportion of the local plan deficit intended for affordable housing. Government guidance also makes it clear that measures of baseline unmet housing are separate components of housing need that need to be added to projections of household growth (see paragraphs 24 to 26 above). Additions are also required for unoccupied housing.
57. **The Council's reasoning about the need for additional market housing to deliver the required quantum of affordable housing is full of contradictions.** If the additional housing is justified and capable of delivery, it must be part of the planning requirement and must form the basis for calculating the 5-year housing land supply (with the addition of the backlog and a buffer) as stated in ID/40, paragraphs 13-15.
58. **In reality, the apparent contradiction between market and affordable housing needs is simply a reflection of the Council's under-estimate of the demand for market housing.** More realistic assumptions about population and household growth would reconcile the requirements for market and affordable housing.

59. If the Council's assessment of market demand were to be correct, the figure of 12,700 would exceed market demand and could not therefore be delivered by the market. It is also most unlikely that it could be delivered if it has been discounted when identifying and updating the five-year supply of specific deliverable sites required for the purposes of the NPPF, paragraph 47 or related infrastructure programmes.

CONCLUDING REMARKS

60. In this statement, we have referred to the difficulties of following the documentation produced by ORS, which should now be consolidated into a Strategic Housing Market Assessment that includes a descriptive analysis of the local housing market area (and key settlements and rural sub-areas), a full explanation of the forecasting model, and a justification of its assumptions, data sources and methods. A specific requirement for the hearings is a breakdown of the components of change in the various projections, showing migration flows in particular.

61. We have refrained from commenting further on the definition of the Housing Market Area, but some further clarification may be appropriate as we have seen correspondence from another objector that suggests that the SHMA only addresses part of the District. We think that is incorrect and that the SHMA is taking the district as the Housing Market Area. Perhaps further clarification is still required as Chapter 2 of the SHMA Update appears to have caused some confusion, notwithstanding (or perhaps because of) the hearing session on 17th September 2013.

62. Accepting the Council's definition of the Bath & North East Somerset Housing Market Area does not, however, eliminate the need to consider interactions between Bath & North East Somerset and neighbouring housing market areas. Consideration of these interactions is closely tied to the 'Duty to Co-operate' which is a policy requirement of the NPPF, paragraphs 178 – 181.

63. We accept that there is no quantified assessment in the Bristol Core Strategy or elsewhere of Bristol's unmet housing needs. However, it is clear from the Inspector's report on the Bristol Core Strategy that the housing target is based on physical and policy constraints and does not reflect the City's full objectively assessed need for market and affordable housing. It is also obvious that new housing developments in parts of Bath & North East Somerset that fall within the influence of the Bristol housing market area (including areas around Whitchurch and Keynsham) will, to a

large extent, serve the demands of the Bristol housing market – especially for new family homes with gardens which are not readily available in the City.

- 64. If housing sites in B&NES are serving the Bristol housing market, they cannot also fully serve the B&NES housing market, and it is therefore necessary to consider additional provision to meet these demands, to avoid a shortfall in relation to the needs of B&NES.** Some of the needs of the neighbouring housing market area will be expressed in the B&NES housing market area regardless of planning policy and whether or not the Councils have sought to quantify and agree Bristol's unmet needs. (Bristol's residents do not need the approval of either council to buy a house in B&NES.)
- 65. In the absence of any quantification of the impacts of Bristol on the B&NES housing market area – and on the assumption that they can be considered as separate housing market areas – it is necessary to take a very robust view of housing requirements in B&NES. A high net migration scenario is one way to allow for this interaction between housing market areas, and may be the only way available at this time, in advance of joint working to examine the housing needs of the wider city region.**
66. The SHMA Addendum 1a shows a range of forecast housing requirements up to 15,700 (2011-2031), for a jobs-led figure with constant economic activity rates and 2008-based household headship rates. There are many uncertainties in these projections, attached not just to economic activity rates and household formation but also to migration that is unrelated to local employment: for retirement, second homes, long-distance commuting – or just moving out of Bristol to a new family home. To the household projections should also be added figures for unmet housing needs at the start of the plan period that are not assumed to be met by the household projections.
67. To allow for the impacts of the Bristol housing market and the many other uncertainties, a robust figure for housing in provision in Bath & North East Somerset should be set for planning purposes: to facilitate household formation, to minimise problems of affordability and to reduce other manifestations of housing stress. In our view, the balance of evidence is that it should be in the range of 18,000 to 20,000 for the 18-year plan period 2011 to 2029.

Appendix 1

Components of population change for 2007-12, incorporating 2012 Mid-Year Population Estimates

B&NES Components of Population Change 2007-12												
Year	Births	Deaths	Natural Change	UK in-migration	UK out-migration	Net UK Migration	International in-migration	International out-migration	Net International Migration	Other changes	Migration and Other Changes	Total Change
2007-08	1786	1575	211	11628	11163	465	2011	1306	705	-451	719	930
2008-09	1765	1611	154	11032	11131	-99	2147	1947	200	-460	-359	-205
2009-10	1724	1645	79	11515	11351	164	2537	1414	1123	-459	828	907
2010-11	1892	1567	325	11395	11163	232	2722	1526	1196	-482	946	1271
2011-12	1846	1563	283	12255	11720	535	2177	859	1318	-31	1822	2105
5-year average	1803	1592	210	11565	11306	259	2319	1410	908	-377	791	1002

Sources: ORS SHMA Addendum 1a and ONS Mid-2012 Population Estimates: Components of Population Change