SHMA Addendums 1a, 1b and 1c (July & September 2013) Covering Note

Introduction

1. The SHMA Addendums (1,1b and 1c) do not cause the Council to seek to increase or reduce the number of dwellings proposed in the Core Strategy. The Council's housing plans remain firmly within the range of objectively assessed housing needs that can currently be evidenced.

2. On August 2nd 2013 the Council held a SHMA seminar which focused on the outputs of Addendums 1a and 1b and how these were generated. Whilst Addendums 1a and 1b included some sensitivity testing, following the SHMA seminar the Council undertook further sensitivity testing. This additional work is set out in Addendum 1c.

3. BNES/44 previously set out a commentary in respect of Addendum 1a and 1b. The current document now updates that commentary and integrates the findings of Addendum 1c and supersedes BNES/44.

4. At various stage in this document the Council sets out its position in relation to the outputs of the Addendums in **blue bold text.**

Addendum 1a - Trend-based migration-led population projections

5. SHMA Addendum 1a sets out an amended set of trend based migration-led population projections based on the revised mid-year population estimates for 2001-2011. The revised mid-year estimates were not available at the time the Draft SHMA was published.

6. The outputs of Addendum 1a supersede Figures 42 and 43 of the Draft SHMA and consequent outputs.

7. The Council attaches limited weight to the population component[1] of interim 2011-based household projections (and earlier sets). This is because these household projections are based on population projections that were themselves based on the rolled-forward mid-year estimates rather than the revised mid-year estimates. Given that the rolled forward set of estimates has been revised, it therefore follows that the interim 2011-based household projection (and earlier sets) were based not based on reliable population projections.

8. It is important to focus on the revised intercensal mid-year estimates as this data can be used to generate a reliable range of projection based on historic trends. The establishment of an evidenced range of trend based migration-led projections is important in respect of the first bullet of NPPF 159.

9. Table 1 shows the difference in the population projections that are generated by using the adjusted rolled forward MYPEs[2] in the Draft SHMA and the Revised MYPEs in Addendum 1a.

[1] Though not the headship rates for the period 2011-2021

[2] Mid-Year Population Estimates

Table 1: Household Population Projections 2011-31: Draft and Addendum SHMA

Population Projections	Low-trend Migration	Mid-trend Migration	High-trend Migration
Baseline HH Population	169,500	169,500	169,500
Draft SHMA HH Population Growth	16,600	22,200	32,800
Addendum SHMA HH Population Growth	13,700	16,600	19,600

10. The use of the revised mid-year estimates results in a narrower and lower range of trend–based population projections. Some observations from the Council are that (1) the Draft SHMA high trend population projection or 32,800 is no longer credible in light of the Addendum high trend of 19,600 and (2) whilst a projection of 16,600 people in the Draft SHMA was labelled as 'low trend', on the latest evidence this level of growth can be characterised as a mid-trend scenario.

11. **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 (which converts to an 18 year plan period figure of about 15,000 people). Whereas in the Draft SHMA this was conceived as a low trend scenario, the analysis of the revised intercensal mid-year estimates suggests that it is really a mid-trend scenario.**

12. **These forward looking figures may not include the additional household population that would be housed by also dealing with the Local Plan shortfall of 1,167. This would potentially generate an additional and separate component of household population growth during the plan period. Much would depend on whether the future occupiers were already housed in the District (perhaps as concealed households) or whether they were migrants from elsewhere. The Council accepts the Local Plan shortfall should be added to any forward looking housing requirements.**

Addendums 1a and 1c Dwellings Projections

13. Companion dwellings projections to accompany the forward looking household population projections are presented in Tables 2a-c. The Draft SHMA outputs are set against the addendum outputs which themselves are based on the application of:

- the 2008-based headship rates for 2011-31 (Addendum 1a)
- the 2011-based headship rates to for 2011-21, held constant thereafter to 2031 (Addendum 1a)
- a hybrid approach that uses the 2011 rates for 2011-2021 and the 2008 rates for 2021-2031 (Addendum1c)

14. Tables 2a-c are dwellings projections, not household projections which means that adjustments in respect of vacancy rates and second homes have been made. The tables set out 20 year outputs (Table 2a), 18 year plan period outputs (Table 2b) and finally 18 year plan period outputs plus the Local Plan backlog (Table 2c).

15. The 'hybrid' (Addendum 1c) set of dwelling projections is the outcome of further work undertaken by ORS on behalf of the Council following the SHMA Seminar (August 2nd 2013). For this exercise

the approach adopts that used by Nathaniel Lichfield and Partners for Berkeley Strategic in respect of the Hart Core Strategy[3]. This draws on the quality report accompanying the interim 2011-based household projections - which states that:

> *"There are also particular limitations in the use of the 2011-based interim household projections. The projections only span for a 10-year period so users that require a longer time span would need to judge whether recent household formation trends are likely to continue.*

16. The NLP approach applied 2011-based headship rates until 2021. Beyond then it applied the rate of annual change in household formation from the 2008-based household projections to reflect long term trends and in the absence of other long-term projections of household formation[4]. The Council considers that this is a reasonable way of dealing with the period post 2021 and for refining the objectively assessed need for housing. The Council is mindful that the quality report accompanying the 2011-based household projections also states re 'comparability' that:

> *"Each set of household projections is unique, comprising trends made using the best information available at that point in time, thus <u>each new set of projections replaces in its entirety the previous set.</u> The 2011-based projections span until 2021 in order to be consistent with the 2011-based sub-national population projections. <u>Users are discouraged to use the 2008-based projections to estimate changes beyond 2021</u> as these are not consistent with the data from the 2011 Census that have been incorporated in the 2011-based projections. Instead, <u>if users need to assess housing requirements beyond 2021 they should make an assessment of whether the household formation rates in that area are likely to continue.</u>*

17. This seems to state that (1) the 2008 based projections have been replaced by the 2011-based set to 2021 i.e. they do not sit alongside each other as alternatives and that (2) whilst the actual household growth outputs of the 2008-based projections should not be used after 2021, the household formation rates implicit within them could be applied to projected population structure from 2021, if the Council thought that these rates would return.

Table 2a: Dwellings Projections 2011-31: Draft SHMA compared to the Addendum SHMA

Dwellings Projections	**Low-trend Migration**	**Mid-trend Migration**	**High-trend Migration**
Draft SHMA – adjusted 2008 headship rates	8,300	10,600	15,300
Addendum 1a – actual 2008 headship rates	10,200	11,500	12,900
Addendum 1a – actual 2011 headship rates	7,300	8,600	9,800
Addendum 1c – hybrid headship rates	7,100	8,400	9,800

[3] http://www.hart.gov.uk/ps1-02a_-_berkeley_-_appendix_1_matter_1_version_2.pdf.

[4] NLP observed that this is a potentially conservative view this technique could be applied from 2016 too. Nevertheless they adopted 2021 was adopted as the cut-off point, given the 11-based projections replace and supersede the 08-based projections for 2011-2021.

Table 2b: Dwellings Projections 2011-29: Draft SHMA compared to the Addendum SHMA

Dwellings Projections	**Low-trend Migration**	**Mid-trend Migration**	**High-trend Migration**
Draft SHMA – adjusted 2008 headship rates	7,470	9,540	13,770
Addendum 1a– actual 2008 headship rates	9,180	10,350	11,610
Addendum 1a – actual 2011 headship rates	6,570	7,740	8,820
Addendum 1c – hybrid headship rates	6,390	7,560	8,820

Table 2c: Dwellings Projections 2011-29: Draft SHMA compared to the Addendum SHMA, plus Local Plan Backlog of 1,167

Dwellings Projections	**Low-trend Migration**	**Mid-trend Migration**	**High-trend Migration**
Draft SHMA – adjusted 2008 headship rates	8,637	10,707	14,937
Addendum 1a – actual 2008 headship rates	10,347	11,517	12,777
Addendum 1a – actual 2011 headship rates	7,737	8,907	9,987
Addendum 1c – hybrid headship rates	7,557	8,727	9,987

18. The Council had anticipated that the hybrid (Addendum 1c) outputs would lie between the 11-based and 08-based outputs of Addendum 1a. However, the application of the hybrid headship rates to the household population growth scenarios results in outputs that are comparable to those generated by application of the 11-based headships rates.

19. Figure 4 of Addendum 1c shows why this is the case. There is an offsetting effect occurring whereby the application of the 2008-based headship rates after 2021 (compared to holding the 11-based rates constant at 2021 levels) means that it is more likely that a younger person (aged 15-44) will be a household representative person but that it is less likely that an older person will be a household person (aged 59-85). This means that the overall dwellings projections change only a little, although downwards a fraction. The different age profile of households does have implications in terms of the tenure split (social rented vs intermediate) within the affordable housing sector and this is addressed in paragraph 33.

20. **Following on from paragraphs 11-12, the Council's position is that it should plan for and be judged against the dwellings implications of the mid trend migration led projection, that it should do so on the basis of applying the hybrid household headship rates, and that the Local Plan backlog be added. This results in an aggregate dwellings requirement of 8,727[5]. Previously, at the time the Modifications to the Core Strategy were agreed in March 2013, the comparable figure was 8,637. The effect of the Addendums is to nudge this figure up a little, although his is not a significant change.**

21. **Establishing the total need for housing is not an exact science. The SHMA Addendums establish a range or 'fan' for potential need. Planning for the central projection is sound as it can be regarded as the most probable outcome. Further, as is set out in paragraph 29 mid-tend migration (in light of other social trends in respect of an aging population and**

[5] This is essentially the same as the figure of 8,637 that from the basis of the Councils plan-making at the time of the draft SHMA

increasing participations rates in that population) more than sufficiently enables labour force supply to respond to forecast jobs growth.

22. The meeting of the mid trend household population, although a very significant concern (and the foundation of determining the objectively assessed need for housing), it is not the whole concern in respect of identifying the scale of housing that is required. There are other matters to take into account, namely

    - the relationship between population, housing and the labour force in respect of forecast jobs growth referred to above, and
    - the amount of housing that is actually required to enable the Council and development industry to deliver the affordable housing outputs of the Addendum SHMA.

Addendum 1a and 1c Labour Force Projections within the Addendums 1a and 1c

23. SHMA Addendum 1a provides labour force projections for each population/dwellings projection. These projections are shown in Figures 11 and 15 of Addendum 1a and the assumptions in respect of the future structure of the population and future specific economic participation rates are clearly set out in paragraphs 17-28 and figures 7-11 of Addendum 1a.

24. BANES calculates its share of the West of England LEPs aspiration for 95,000 jobs (2010-30) as being 11,500 over 20 years (or 10,350 over the 18 year plan period). BNES/43 sets out the reasoned logic for this position.

25. **Against this background the Addendum 1a shows that the mid-migration trend household population growth would provide a more than sufficient increase in the size of the workforce of 13,300 over 20 years (or 12,015 over the 18 year plan period). The figures are reproduced in Tables 3 and 4. As stated in paragraph 14, any additional population growth over 16,600 that might be generated by also dealing with the Local Plan backlog of 1,167 dwellings would also generate some economically active people – subject to whether the occupiers were in BANES already or were migrants.**

26. **From Table 4 the Council concludes that a level of net migration somewhere between low trend and mid trend will be needed. Precisely where this point lies and what the dwellings implications are under different headship rate assumptions is shown in paragraphs 28-29 and tables 5 and 6 and result from additional sensitivity testing undertaken in Addendum 1c.**

Table 3: Addendum 1a - 20 Year population, dwellings and labour force projections

	Low-trend Migration	Mid-trend Migration	High-trend Migration
Additional People	13,700	16,600	19,600
Additional Economically Active People	10,700	13,300	15,900
Additional Dwellings 2008-based headship rates	10,200	11,500	12,900
Additional Dwellings 2011-based headship rates	7,300	8,600	9,800

Table 4: Addendum 1a -18 Year population, dwellings and labour force projections

	Low-trend Migration	**Mid-trend Migration**	**High-trend Migration**
Additional People	12,330	14,940	17,640
Additional Economically Active People	9,630	12,015	14,310
Additional Dwellings 2008 based headship rates	9,180	10,350	11,610
Additional Dwellings 2011 based headship rates	6,570	7,740	8,820

27. The Draft SHMA did not include labour force projections for each of the migration-led population and dwellings projections, whereas Addendum 1a does do this. Conversely, the Draft SHMA included some employment-led housing requirements (based on 9k and 11K additional jobs), whereas Addendum 1a does not do this – precisely because of the additional analysis of the migration-led projections from a labour force perspective.

28. At the request of some participants at the 2nd August SHMA seminar the Council now provides (in Addendum 1c), dedicated and specific population, household and dwellings forecasts for the achievement of 11,500 additional economically active people (assuming change and no-change to participation rates). The results are set out in Table 5 below and in Table 6 the Council converts this figure to an 18 year plan period requirement.

Table 5: Addendum 1c -20 year dwellings requirements to enable 11,500 more economic active people

	Participation rates - unchanged	Participation rates – changed as set out in Addendum 1a
Additional People Required	24,905	15,068
Dwellings 2008-based headship rates	15,700	10,900
Dwellings 2011-based headship rates	12,300	7,800
Dwellings Hybrid headship rates	12,400	7,900

Table 6: Addendum 1c - 18 year dwellings requirements to enable 10,350 more economic active people

	Participation rates - unchanged	**Participation rates – changed as per 1a**
Additional People Required	22,410	13,560
Dwellings 2008-based headship rates	14,130	9,810
Dwellings 2011-based headship rates	11,070	7,020
Dwellings Hybrid headship rates	11,160	7,110

29. **In respect of an employment–led housing requirement the Council relies on the hybrid output generated by the changed participation rate scenario in Table 6 of 7,100. It considers the assumptions in respect of the scope for change are well founded as set out in Addendum 1a. This is the number of homes that it considers are needed from an economic development-led perspective and it compares to the 8,727 that are needed to accommodate mid migration trend scenario and the Local Plan backlog.**

Addendum 1b and 1c - Affordable Housing

30. The need to enable the delivery of affordable housing is a key driver of the Council's reasoning for identifying a role for the Green Belt in future housing land supply.

31. The quantitative need for affordable housing in the Addendums 1a and 1c remain (broadly speaking) within the ranges previously evidenced in the Draft SHMA of 3,000, 3,400, 4,100 units although there is now a slightly lower figure of 2,800 and a slightly higher figure of 4,500. Addendum 1c only presents (in Figure 6) an affordable housing output for the mid trend migration scenario. This is comparable to the output generated applying the 2011-based headship rates to 2021 and then holding them constant to 2031. One would expect the low and high trend outputs to be similar although this has yet to be confirmed.

32. Figure 6 presents 20 year figures. Table 7 converts these to 18 year plan period figures and Table 8 adds on what might reasonably be considered to have been the affordable component of the Local Plan shortfall – this being about 400 i.e. 35% of 1,167.

Table 6: SHMA Additional Affordable Housing Need: 20 years

	Low-trend Migration	Mid-trend Migration	High-trend Migration
Draft SHMA – adjusted 2008 headship rates	3,000	3,400	4,100
Addendum 1b – 2008-based headship rates	3,900	4,200	4,500
Addendum 1b - 2011-based	2,800	3,200	3,500
Addendum 1c - hybrid headship rates	-	3,200	-

Table 7: SHMA Additional Affordable Housing Need: 18 plan period

	Low-trend Migration	Mid-trend Migration	High-trend Migration
Draft SHMA – adjusted 2008 headship rates	2,700	3,060	3,690
Addendum 1b – 2008 headship rates	3,510	3,780	4,050
Addendum 1b – 2011 headship rates	2,520	2,880	3,150
Addendum 1c - hybrid headship rates	-	2,880	-

Table 8: SHMA Additional Affordable Housing Need: 18 plan period + Local Plan affordable housing shortfall

	Low-trend Migration	Mid-trend Migration	High-trend Migration
Draft SHMA – adjusted 2008 headship rates	3,110	3,470	4,100
Addendum 1b – 2008 headship rates	3,920	4,190	4,460
Addendum 1b – 2011 headship rates	2,930	3,280	3,560
Addendum 1c - hybrid headship rates	-	3,280	-

33. Figure 6 of Addendum 1c shows the social rented vs intermediate tenure split within the affordable housing sector for the mid trend migration scenario. This shows that whilst the hybrid headship rates produce the same affordable housing requirement as the 11-based headship rates the split between intermediate and social rented (SR) housing is different. The need for SR increases from 2,100 to 2,400 and the need for intermediate housing reduce from 1,100 to 800. This means that the SR component increases from 65% to 75% of affordable housing need.

34. The Proposed Changes to the Core Strategy were formulated to accommodate the implications of the 'Draft SHMA – adjusted 2008 headship rates' output of 3,110 affordable units and the SHLAA currently forecasts 3,190 units. However, the implication of Addendum 1c is that a further 90 units are needed.

35. **To find an additional 90 units (para 34) a further 300 units overall will be needed if all of these are to be delivered wholly via the planning system on large sites on a mixed tenure mixed and not by any additional 100% affordable housing sites or stock tenure transfers whereby housing associations buy market housing and convert to social/affordable rent.**

36. Focusing, for now on the affordable 3,110 units that formed the basis of the Modifications to the Core Strategy, the Council observed in Table 4 of Annex 1 to the March 4th Council report, that, from committed sites, other identified sites and windfall land supply in the SHLAA trajectory (i.e. not including the proposed Green Belt allocations in the north of the District or other greenfield allocations south of the Green Belt) that it was able to deliver sufficient housing overall (10,582) and sufficient market housing (8,311) but was some 569 units of affordable housing short. It therefore allocated land for more mixed market and affordable developments to make up the difference. This increased overall provision to 12,700, market provision to 9500+ units and affordable provision to 3,110. This sequencing is shown in figure 9.

Table 9 – Meeting the need for market and affordable housing

	SHMA 20 years	SHMA over 18 year Plan Period	Local Plan Backlog	SHMA over 18 yrs plus LP Backlog	Pre March 2013 SHLAA Supply	Difference	Additional Needed for+569 Affordable Houses at 30%*	Total*
Total Housing	8,300	7,470	1,167	8,637	10,852	+2,215	1,897	12,749
Market	5,300	4,770	757	5,527	8,311	+2,784	1,328	9,639
Affordable	3,000	2,700	410	3,110	2,541	-569	569	3,110

Although Annex 1 presented a range of figures subject to whether 30% or 40% affordable housing was secured, for simplicity here only 30% is only shown as most new allocations fall within the 30% viability zone

37. **A key implication of Table 9 and the implications of boosting supply to accommodate more affordable housing is that it shows that the total amount of the housing that will actually be provided gives the Plan the flexibility to respond to/enable high trend migration and to do so in a way that meets not only the Addendum 1c hybrid requirement in Table 2c of 9,987 but also the Addendum 1a 2008-based requirement Table 2c of 12,777.**

38. **Further, as may already be apparent, in respect of the employment-led housing requirement of Table 6, there is significant flexibility in the Plan to deal with slower than expected increases in economic participation or higher than expected migration.**

39. **The Council considers that in respect of the actual housing requirement it is judged for the purposes of 5 year land supply the figure of 8,727 is used (para 20) as this is its adopted**

overall aggregate headline dwellings requirement, even though the Plan will actually deliver more than this.