

# Bath and North East Somerset Core Strategy Examination

Hearing 10 and 11 December 2013

The housing requirement and all matters relating to the  
Strategic Housing Market Assessment (SHMA)

BANES Council's response to the pre-hearing questions

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## SHMA Documents and National Policy Guidance

### 2.1 Council to confirm if any of CD9/H4 9 (Draft SHMA, March 2013) remains relevant

- a) Much of the Draft SHMA remains relevant but Section 6 and parts of Section 8 are superseded by Addendums 1a -1c.
- b) Section 6 is superseded by Addendum 1a
- c) Within Section 8 of the Draft SHMA the following paragraphs and figures remain relevant. 8.1 -8.42 re core modelling assumptions as well as 8.57 re updated modelling assumptions. Also relevant is 8.53-5.56. The data outputs and commentary are superseded by Addendums 1a to go through and this evening. There is still a need to update the Fig.52 (size of housing required by tenure) and Fig.55 – distribution across the district in relation to projected jobs growth. These are secondary outputs to the headlines set out in Addendum 1c but are still needed to inform discussions around more detailed matters and the spatial strategy that will follow in 2014. Replacement Fig 52 is presented in Appendix 4 to this response.

### 3.2 For the purpose of this hearing what is the appropriate national policy and guidance to which the Council and I should have regard in making an assessment of housing need and identifying the housing requirement

#### National Policy:

The National Planning Policy Framework, specifically:

[Achieving Sustainable Development] - paragraph 14

[Delivering a wide choice of quality homes] – paragraph 47

[Local Plans] – paragraphs 150-157

[Using a proportionate evidence base] - paragraphs 158 and 159

#### National Guidance:

Strategic Housing Market Assessment Practice Guidance, Version 2 (CLG, 2007) and annexes A-G

## Population Projections

### **3.5 Is the Council's reliance now on the ONS' corrected mid-year population estimates for 2001-2011 an appropriate starting point? Does the need for the ONS to correct past mid-year estimates undermine the utility of the ONS 2008 and 2010 population projections for assessing housing need in BNES?**

- a) The Council's reliance on the adjusted mid-year population estimates for 2001-2011 is an appropriate response to the inadequacies of the other possible starting points in the current circumstances, as explained below.
- b) The appropriate 'starting point' is actually the latest official population projection (the interim 2011-based subnational projection) but there is a problem with using this as (1) it only runs to 2021 and (2) it is based on the rolled forward mid-year estimates, which have since been revised. One can look to the 2010-based projection for the most recent projection that covers the normal full 25 year period, but this too is affected by point (2) above. One could argue that the 2008-based projection, being the third most recent set is irrelevant now. The Inspector will recall that the Council was criticised for looking to the 2004-based projections when the 2006-based and 2008-based were available. That same argument now applies to the 2008-based projections given that the 2010-based and 2011-based are available. Nevertheless, because projecting future size of the population is not an exact science all these projections have some utility as a benchmark against which to place alternative approaches that seek to remedy the deficiencies identified above.
- c) 'Paper 1' to BNES/43 compares the ONS 2008-based and 2010-based population projections and highlights the volatile nature of the two most recent full (25 year) projections for BANES. The 2008-based projection is 22,600 and the 2010-based projection is 8,200. Both of these projections are based on the rolled forward rather than revised set of population estimates. Their utility and public confidence in them for plan-making (especially in a local authority where World Heritage, AONB and Green Belt matters are at stake) is undermined by (1) their extreme variability and (2) the fact that they were based only on a 'best guess' about population change in the years preceding their publication. The results of the 2011 census and the subsequent revision to the intercensal mid-year estimates recalibrate our understanding of past migration flows and enable us to legitimately critique the pre-census and 2011-based projections.
- b) The 2008-based and 2010-based projections retain a degree of utility in that they highlight the recent range of official population projections, covering the entire plan period and they enable the principal SHMA projection of 16,600 to be contextualised or benchmarked. The 2011-based projection also has some utility in respect of benchmarking (see 3.7). The means by which the principal SHMA assumption of 16,600 and the other SHMA scenarios have been arrived at is transparent to all parties interested in the establishment of future housing needs in this area. It is

difficult to understand why the official projections and the 2008-based and 2010-based set vary so widely.

**3.6 Is the Council's reliance on a 10 year average (2001-2011) of 552 per year for migration and other changes reasonable? (Table 1 and 2 SHMA Addendum 1a). How does this compare with the assumptions used by the ONS in producing the 2011 interim population projections to 2021?**

- a) The Council's SHMA covers a 20 year period. The figure of 552 reflects the long term average annual rate of change for migration and other changes experienced during the ten years 2001-2011. The Council considers that it is appropriate to use this long term average to make a long term projection. The 10-year rate of change for migration and other changes is based on Census data from 2001 and 2011 (together with information about registered births and deaths) and therefore does not rely on the ONS Mid-Year Estimates of Population (MYE), which can be subject to inaccuracies that are only corrected when new Census data becomes available (see 3.8b). The ONS MYE data still provides a useful basis for separating the net population change into gross flows, but taking Census data as the overall control minimises the potential for inaccuracies to be introduced. The ONS MYE data also provides a basis for considering changing trends during the 10-year intercensal period and within the period 2001-2011 there are six 5 year averages (e.g. 2002-2007) and the results for these periods are shown in the second part of Figure 1 of SHMA Addendum 1a.
- b) The 10-year average for net migration and other changes of 552 exceeds the average for four of these periods, and is broadly the same as the figure for the period 2003-08. The only 5 year period that shows a higher rate of change is 2006-11. Whilst this represents the most recent 5-year period, it would not be appropriate to use this shorter term trend as the basis for the projections as it is unlikely that it would continue and be sustained for the next 20 years. Paragraph (c) below, which reflects on the 'shape' of interim 2011-based projection and Barton Willmore's extrapolation of that projection using POPGROUP illustrates this point (see question 3.7). Furthermore, this data relies exclusively on the ONS MYE data which is inherently less reliable than the Census data that underwrites the 10-year period that has been used.
- c) Before moving onto part two of this question it is necessary to reiterate that when the ONS produced its 2011-based interim population projections, the original (rolled forward), rather than the revised mid-year estimates of population change were the only published source upon which to base the projection. Therefore the future assumptions in that projection must be based on the (higher than experienced) estimates of change within the rolled forward series of mid-year estimates. Therefore, the comparison between the projections should be seen in this context when reading the answer to the second part of this question.

- d) The component of change assumptions within the interim 2011-based population projection are shown in Fig 3 of Paper 1 to BNES/43. For net international migration the 10 year average is 470 per year and for net internal migration the 10 year average is 280. That is 750 per year overall. However, as illustrated in Fig.3, the interim 2011-based projection follows a particular pattern, with the highest rate of change at the start of the period, followed by a gradual reduction over the next 4 years that then stabilises at 400 net internal migration and 60 net internal migration from 2016-21. Assumptions about what happens next to 2031 are needed to complete the full picture and this will affect whether the 20 year average for 2011-31 is higher or lower than the 10 year average for 2011-21. Question 3.7 usefully follows.

**3.7 The mid trend population increase 2011-2031 in Addendum 1a is 16,600 (as shown in the summary table Figure 15). This is broadly similar to the Demographic led POPGROUP scenario for the same period in Open House's West of England's Sub Regional Housing Study (16,967, Table 7.3) submitted on behalf of Bovis Homes/Taylor Wimpey (Reps 0251 and 0255), albeit derived differently. Does this similarity lend support to the Council's selection of the mid trend population projection?**

- a) The Council understands that this is Barton Willmore's best attempt to extrapolate the interim 2011-based projection from 2021 to 2031. If their total for the 20 year period is about 17,000 and the ONS 2011-based interim projection for 2011-21 is 10,000, then it must follow that projected change from 2021-31 is 7,000 or 700 per annum. Given that natural change is stable at 300 per annum for 2011-21, the remainder of the change must be migration related (i.e.) 400 per annum. Thus overall, over the entire 20 years migration related change is 700pa over the first 10 years and 400pa over the second 10 years. That is 11,000 people overall or 550pa over 20 years, whereas the Council's principal projection is 552. The difference is di minimus.
- b) No other population projection has been advanced by participants during the consultation on the Proposed Changes and so there can be confidence that the SHMA's mid trend projection is of the right order of magnitude and a reasonable basis for plan-making from a population-led perspective.

**3.8 What difference would be made to the averages in Table 1 (SHMA Addendum 1A) by rolling forward to include 2011-12 (as per ONS mid-year estimate for 2011-12 published 26 June 2013)?**

- a) The table appended as appendix 1 updates the table to include the ONS Mid-Year Estimate for 2011-12. The headline differences are set out below:

	2001-11	2002-12
10 year average, migration & other change	552	667
10 year average, natural change	86	116
10 year average, total change	638	782

	<b>2007-12</b>
5 year average, migration and other change	790
5 year average, natural change	210
5 year average, total	1,000

- b) Nevertheless, it is worth noting that the revised ONS MYE included an adjustment which reduced the population by 4,500 persons over the period 2001-11 (an annual average reduction of 450) which was associated with “other (unattributable)” change. This was included to address “potential inaccuracy around components arising in the period between Censuses”.
- c) Such inaccuracies could also be present in the 2011-12 data, and incorporating an adjustment of - 450 in the 2011-12 data to address “other (unattributable)” change (that is not currently incorporated) reduces the 10-year average for net migration and other change over the period 2002-12 from 667 to 602, and the 5-year average for 2007-12 from 791 to 701. These adjusted figures are not much higher than the 552 average for the period 2001-11 and the 681 average for the period 2006-11. On balance, given the uncertainties associated with the ONS MYE data for BANES and the consistency between adjusted averages incorporating 2011-12 data and the averages previously presented based on the preceding 10-year period, using the additional data does not add substantively to our understanding of future population change. See also 3.9b.
- d) For clarification, some readers not familiar with the nuances of population projections may not understand why the high, mid and low trend population projections shown in Fig 6 of Addendum 1a are 19600, 16700 and 13700 (980,835,685 per annum) whereas Fig 1 suggests that 867,638 and 409 are the annual change figures that will inform the scenarios. These are not simply multiplied by 20 (i.e. yielding 17340, 12760 and 8160 as the 20 year totals in Fig.6). The totals in Fig 6 are projections, and whilst migration rates are fixed on past trends, the projections take account of future fertility and mortality rates and apply these to the population projected for each year; so it’s not simply a matter of multiplying out the past growth.

**3.9 Should the Council include the ONS data for 2011-12 in the SHMA? What is an appropriate cut-off date to any further updating of the housing assessment? If I were to consider that the Council’s approach to calculating the housing need/requirement is now reasonable, could subsequent ONS outputs during the remainder of the Examination be ignored?**

- a) The SHMA adopts a 10-year period for migration as a reasonable basis for projecting forward over the next 20 years. The SHMA also shows the impact of higher and lower historic trends to provide a suitable range, and these are based on 5-year periods. In respect of the period 2011-12, had the SHMA included this data in the 10-year period that was adopted then net migration would have increased from 552 to 667 as set out above (although this would be moderated to 602 if the data

was adjusted to take account of “other (unattributable)” change. Given that both of these figures are within the 423-791 range that the SHMA adopted as higher and lower scenarios, this additional data would not have affected the SHMA conclusions.

- b) Although the 2011-12 data provides more recent information than the period adopted by the SHMA, it would inherently rely on ONS MYE data for 2002 and 2012 as the key determinants of overall population change over the 10-year period. As previously noted, this is inherently less reliable than adopting Census data for this purpose. Furthermore, the absence of the adjustment for “other (unattributable)” change from the final year of data introduces particular uncertainties.
- c) The Council takes the view that basing the SHMAs population projections solely on the confirmed period of change (2001-11) is reasonable and that the MYE for 2011-12 (of 2,100) can be regarded as a reflection of the first year of the ONS interim 2011-based projections (of 1,800) for BANES Barton Willmore has extrapolated the 20011-based projection to 2031 and this generates 17,000 people over 20 years, only 400 more than identified by than the SHMAs mid trend projection. The difference is dimimus.
- d) 2011/12 was an ‘extreme’ year re ‘estimated’ population change in BANES and the data remains a ‘best-guess’ particularly re net international migration. The IPS (International Passenger Survey) is the source for this and has been heavily criticised in the [Seventh Report of the Public Administration Committee \(July, 2013\)](#) for amongst other things, not providing accurate estimates of international migration to and from local areas.
- e) In respect of further ONS and CLG releases - it is possible that a new (25 year) ONS population projection will be published in April 2014 (during the examination period). Inevitably this could be higher or lower than the Council’s figure of 16,600 or Open House’s figure of 16,967. If the 2014 based projection was to be utilised as the basis of a dwellings projection (via the application of a set of headship rates) and the outputs given greater weight than the SHMA outputs, the effect of doing so would inevitably be to challenge the SHMAs mid/principal projection for housing upwards or downwards, to a greater or lesser extent. Further changes to the submitted Plan would be needed, involving more or less land. This would require the formulation of more changes, a Council decision and consultation. In such circumstances it is also likely that the examination period would extend in to Autumn 2014, by which time new CLG household projections may well be available, and if these too were to be utilised and given greatest weight, the effect of doing so would potentially also require further amendments and the examination would flow into 2015. The currently planned provision would be just under 15 years from the year of adoption, and further changes may be need needed to deal with that aspect too. Therefore , unless a line is drawn under the evidence base as published, one might as well stop the examination now and wait until Autumn 2014 for CLGs household projections



- f) During this time development of the proposed Green Belt sites (which on the current evidence is needed in respect of affordable housing) is pushed back further, storing up potential under delivery and 5 year land supply issues for the future, which will become harder and harder to rectify (with a 20% buffer). This will extend the time that the Council is unable to demonstrate a 5 year land supply in the context of an adopted plan and inevitably less sustainable, non-green belt locations will be permitted, either by the Council or at appeal. This would reduce the exceptional circumstances justifying development(s) in the Green Belt, in the more sustainable parts of the District. By this we mean that quantum of housing that would need to allocated would be reduced if sites are permitted elsewhere.
- g) Therefore, the Council relies on its SHMA (and Addendums), as published, as providing a proportionate evidence base at this moment in time and does not wish to further delay an already protracted examination. Given that Government want LAs to have a Plan in place, the Council is confident that its Green Belt allocations are needed re affordable housing, and the unprecedented levels of development that are required in the SHLAA trajectory for the next 5 years, it is in the public interest to draw a line under the evidence base informing plan preparation now. This means having regard to the intercensal period as confirmed 'history' and seeing the mid-year estimate for 2011/12 as a reflection of the first year of the interim 2011-based projection.

## Household/dwelling projections

**3.10 The choice of future headship rates (to convert the population projections to household/dwelling projections) appears one of the most critical factors in dispute and variations in this rate have a significant effect on outcomes. Is the Council's choice of the hybrid headship rate reasonable? (See BNES 48, Tables 2abc and SHMA Addendum 1c, Figure 5)?**

- a) The 2011-based and 2008-based headship rates are not reasonable alternatives for the period 2011-21. The 2011-based projections and their headship rates replace in their entirety the 2008-based projections and their headship rates for this period. There is therefore no choice about which rates to use for this period. The guidance accompanying the Interim projections is clear about this (ref: BNES/48 paragraph 16). It is also clear that those looking to extend the 2011-based projections over a longer time period should reflect on the likely continuation of the 11-based headship rates (ref BNES/48 paras 16). The Council has done this and sets out the results of this hybrid approach in SHMA Addendum1c. The justification for this is set out in the answers to 3.12-3.13. The hybrid approach itself was an outcome of the SHMA Seminar. It is the Council response to that seminar but has not been endorsed by participants to it.

**3.11 BNES 48, paragraph 18 states: The Council had anticipated that the hybrid (Addendum 1c) outputs would lie between the 11-based and 08-based outputs of 1a. That would seem a logical expectation. However, the hybrid outputs are comparable to the 2011-based headship rate outputs. The Council seeks to explain the "technical" reason for this outcome in paragraph 19, but I still do not understand the logic of this outcome, given the significant difference in projected dwellings when using the 2011 headship rates (8,907 dwellings) and the 2008 headship rates (11,517) for the whole period. Further explanation for the unexpected outcome of the hybrid approach would be welcome.**

- a) The 2008-based headship rates publish data for each year over a 25-year period 2008-2033; but the 2011-based headship rates only publish data for each year over a 10-year period 2011-2021. Addendum 1a provides household projections for the period 2011-2031. Given that no headship rates are published in the 2011-based data for the period beyond 2021, the original analysis held the rate published for the year 2021 constant for the each following year up to 2031.
- b) Addendum 1c provides alternative household projections based on hybrid headship rates. The analysis uses the 2011-based data for the period 2011-2021 without any adjustments being made to the data for these years; but with new rates calculated for the period 2021-2031. Using the data for 2021 from the 2011-based data as a starting point, the rates for subsequent years are based on patterns of change from the 2008-based data – so if the 2008-based data suggested that a rate is likely to increase between 2021 and 2031, an equivalent increase is applied to the 2011-

based data for the same period. Conversely, if the 2008-based data suggested that a rate is likely to reduce between 2021 and 2031, an equivalent reduction is applied to the 2011-based data. In other words, the 2008-based data is used to create an “index of change” that is then applied to the rates that were published in the 2011-based data, starting in 2021.

- c) A separate index is calculated for the change across 17 different household types in each of 9 age cohorts; yielding a total of 161 indices. Some of these indices will show an increased probability of individuals in the age cohort representing the relevant household type (and therefore being counted as a household), whereas other indices will show a reduced probability. In fact, the calculated indices show an increased probability of headship over the period 2021-2031 for 60 groups, a reduced probability for 58 groups and a zero probability in both 2021 and 2031 for 35 groups – so of the 161 different groups (in terms of household type and age cohorts) there are almost as many groups getting smaller as there are getting larger (in terms of headship probability).
- d) The hybrid approach does not seek to adjust any differences in the starting point for the 2011-based headship rates or the projected change for the period 2011-2021; it simply adopts the rates for 2011 and the projected rate of change for 2011-2021, and then applies the indexed rate of change discussed above for the period 2021-2031. Where 2008-based rates are lower than the equivalent 2011-based rates at the start of the period, this could well continue to be the case at the end of the period.
- e) The following table shows the probabilities for a person aged 45-54 representing a couple household with no dependent children.

FAM C0 Aged 45-54	2008-based headship rate	2011-based headship rate	Hybrid headship rate
2011	13.10%	12.06%	12.06%
2021	13.06%	10.87%	10.87%
2031	12.90%	10.87%	10.70%
Index of change 2021-2031	0.9872	1.0000	0.9872

- f) The index of change is calculated using the 2008-based rates, representing the relationship between the rates in 2021 and 2031. In the above example, the probability for this group reduced from 13.06% to 12.90% and therefore the index can be calculated  $[12.90\% / 13.06\% =] 0.9872$ . The original 2011-based analysis held the probabilities for all groups constant for the period 2021-2031, whereas the hybrid approach applies the relevant index for each group. In this example, the hybrid approach actually yields fewer households of this type than was originally assumed when using the 2011-based headship rates and holding these constant for the period 2021-2031, thereby

contributing to a reduction in the projected number of households. Furthermore, the 2008-based rates yielded a probability of 12.90% for this group in 2031 compared to a probability of 10.70% in the hybrid rates; so despite adopting an indexed approach using the 2008-based data for the period 2021-2031, the final probability is actually 16.8% lower than it was in the 2008-based figures.

- g) Although this may appear counter-intuitive, the 2008-based data projected that the proportion of people aged 45-54 representing a couple household with no dependent children would reduce over the period 2021-2031; so this reduction is also reflected in the hybrid headship rate.
- h) The following table shows another example, with the probabilities for a person aged 45-54 representing a couple household with one dependent child.

FAM C1 Aged 45-54	2008-based headship rate	2011-based headship rate	Hybrid headship rate
2011	5.48%	6.46%	6.46%
2021	6.25%	8.99%	8.99%
2031	6.69%	8.99%	9.63%
Index of change 2021-2031	1.0713	1.0000	1.0713

- i) Once again, the index of change represents the relationship between the rates in 2021 and 2031 using the 2008-based data. In this second example, the probability for this group increased from 6.25% to 6.69% and therefore the index can be calculated  $[6.69\% / 6.25\% =] 1.0713$ . As previously noted, the original 2011-based analysis held the probabilities for all groups constant for the period 2021-2031, whereas the hybrid approach applies the relevant index for each group; and in this example the hybrid approach yields more households of this type than was originally assumed when holding the 2011-based headship rates constant for the period 2021-2031 (9.63% cf. 8.99%). Furthermore, the 2008-based rates yielded a probability of 6.69% for this group in 2031 compared to a probability of 9.63% in the hybrid rates; so the indexed approach in this example yields a final probability that is 43.8% higher than it was in the 2008-based figures.
- j) Whilst these examples only show the impact on two household types in one age cohort, the data for all groups was provided in the spreadsheet that accompanied Addendum 1c.
- a) Although it would seem reasonable to expect the hybrid approach to yield a result that is between the two separate data sources, given that the method only uses the 2008-based data to produce indices of relative change, and given that broadly half of these indices yield increased probabilities and half yield reduced probabilities, it is perhaps not surprising that the hybrid approach provides outputs that are far closer to the original analysis using 2011-based rates.

**3.12 To what extent does any use of the 2011 headship rate reflect recessionary effects on household formation and, if so, to what extent should those effects be assumed to continue over any part of the plan period?**

- a) It seems very likely that the 2011-based headship rates, at least in part, reflect the fact that household formation, especially among the 25-44 age group, has been suppressed in the years due to the state of the economy and the housing market. Some evidence can be found for this in the 2011 census, which shows a higher population and a lower number of household than had been expected from previous projections. Nationally, the Census found 375,000 fewer households in 2011 than had been projected in the 2008-based projections.
- b) A recent Town and Country Planning Association paper (**CD11/E29**) argues that just under half that reduction is attributable to suppressed household formation due to that state of the economy and the housing market<sup>1</sup>. The corollary of this is that, under more favourable and sustained economic conditions, there will most likely be a return to higher rates of household formation. Thus it would be a pessimistic view to rely on the household growth rates shown in the 2011-based projection prevailing throughout the Plan period. The Council has not taken this view and confirms what it has done instead in para 3.13a
- c) It is useful to reflect on the actual impact of the recessionary effect. The Council observes that, given the depth and length of the recession the 2011-based household projections for England hold up remarkably well at 220,000 per annum compared to the 240,000 per annum of the 2008-based (crest of a boom) projections. This is just a 10% reduction; the 2011-based projections are still 222,000 despite the recessionary impacts. The current annualised projection for BANES to 2021 must still be read in the context of a projection for England of 220,000 as opposed to something significantly lower.

**3.13 Given the outcome described above, does the hybrid rate used by the Council sufficiently avoid perpetuating any recessionary effects over the plan period? If not, what headship rate should be used?**

- a) SHMA Addendum 1c flows from the position set out in para 3.12 (a-b) It uses HRRs drawn from the 2011-based projections for the period 2011-21, then until 2031 uses an index of HRR drawn from the 2008-based household projections. This effectively assumes that current trend in household formation will persist until 2021, after which there will be a return to the household growth rates experienced in the years before the financial downturn. In particular this would mean

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<sup>1</sup> Holmans, A, New estimates of housing demand and need in England, 2011 to 2031, Town and Country Planning Tomorrow Series Paper 16, September 2013. According to his paper the rest of the reduction is due to the effect of HRR changes associated with increased international migration.

a rebound in formation amongst 25-44 year olds (3.12 a). The Council thinks that this is a reasonable assumption. The 2011-based headship rates exist and must be taken into account to 2021. On the basis of current economic trends it is less likely that, after 2021, household growth rates will accelerate beyond the rates experienced before 2008 to enable formation and the number of households to 'catch up' by 2031.

- b) The Draft NPPG (which although not expected to be applicable to the preparation of this Plan) advises in the section on Local Plans that *"To be effective plans need to be kept up-to-date. Policies will age at different rates depending on local circumstances, and the local planning authority should review the relevance of the Local Plan at regular intervals to assess whether some or all of it may need updating. Most Local Plans are likely to require updating in whole or in part at least every five years"*. In the case of BANES the Council has accepted the need for at least an early partial review to deal with the implications of the new West of England SHMA. The extent of the review and policy response will depend on the geographical coverage of the SHMA, its outputs and the strategy for dealing with those outputs. Assuming adoption in 2014, there will be a review of the plan before 2019, one way or another. There will be new set of household projections towards the end of 2014, and probably in 2016 and 2018. The HRRs implicit within these projections will supersede the rates within the 2011- interim projections must inform the review of the Plan.

**3.14 Should aspects of housing need (eg homelessness, concealed households etc) be added at this stage to the baseline household projection or are they better considered in the context of the need for affordable housing? (This is a disputed matter highlighted in SOCG, paragraph 14).**

- a) The way the housing mix model works is to include all people who are present the district in 2011 in the population projections and then the household projections, which are then modelled in respect of affordability, yielding a tenure split. The net change by which housing supply needs to change is presented in the SHMA. So all aspects of housing need are considered together. To consider specific elements separately would require the removal of some people from the SHMA modelling and a consequent reduction in these outputs to which an new output, from a bolt-on exercise would have to be added
- b) In respect to of the current number of concealed households, the first point to note is that it should not be assumed that these will all be in need of affordable housing. The choice of a person(s) not to form at particular point in time, can be a choice re the allocation of disposable income i.e. the potential household could afford the PRS (with or without housing benefit) but chooses not to enter it. Further, those saving for a deposit to enter the owner occupied sector may make a decision to live with other in order to prioritise saving. Of course, some concealed households will indeed be in housing 'need' and are living with others out of necessity rather than choice.

- a) Estimating the level of concealed households: Paragraph 34 of SHMA Addendum 1a notes that applying the 2008-based headship rates from the CLG 2008-based household projections to the ONS mid-2011 population estimate translates to 74,600 households and applying the 2011-based rates translates to 73,300 households. The difference is 1,300 households, and it could be argued that these households are concealed and would have formed had longer-term population and household formation trends continued. If these are concealed due to deficiencies in past housing land supply then the figure is comparable to the Local Plan shortfall of 1,167. Insofar as the Council has already added this figure onto the SHMA outputs, this already provides a reasonable response to this issue and to also add an allowance for the 1,300 possible concealed households would in effect be double counting any need.

**3.15 Should the assessment of the housing requirement include any “bottom up assessment” for the different spatial areas or assessment by settlement in the rural areas? (See reps by Wedco Ltd 110 and Crest Nicholson SW 4711.)**

- a) This isn't a requirement of a 'strategic' housing market assessment, the focus of which is the housing market area. There are many methodological issues when seeking to apply a projection-led approach at a sub-district or settlement level, as acknowledged in the Wedco evidence, and this reflects the reason for snapping SHMAs to Local authority boundaries.
- b) The requirement for the Bath HMA equates to a district-wide requirement. The role of each settlement or part of the district in meeting the requirement is a matter of spatial strategy and derived and assessed with the aid of substantiality appraisal.
- c) Within this context, the planning of villages in respect of housing is covered by NPPF:54. The Council has responded by planning for a level development at RA.1 and RA.2 villages outside the Green Belt that is commensurate with their sustainability credentials. NPPF:54 gives particular emphasises to affordable housing at rural villages and the role of exceptions sites and local housing needs studies to support planning applications (rather than at the time of plan formulation).

## Labour supply for planned growth

- 3.16 The Council is seeking to broadly facilitate what it regards as BNES's share of the LEP's aspiration for jobs growth in the West of England, amounting 11,500 over 20 years/10,350 over 18 years. The detailed explanation for how this figure is derived is BNES 43, section 3.9. This is an increase compared with the 8,700 jobs which was the basis of the Core Strategy as submitted. I previously addressed economic factors in ID/28 paragraphs 1.21 -1.29 and considered it important for the plan to be consistent with the aspirations of the LEP and to be sufficiently flexible to accommodate higher level of economic/job growth than was being assumed by the Council at that time.**
- 3.17 Does any more recent evidence (since the hearings in January 2012) indicate that the Council's jobs target is too low? What is the Council's view of Experian's February 2013 jobs forecast referred to in Open House's West of England's Sub Regional Housing Study (Table 7.2) submitted on behalf of Bovis Homes/Taylor Wimpey (Reps 0251 and 0255)?**
- a) The Experian forecast exceeds the very top end of potential employment growth scenarios produced by Oxford Economics for the West of England LEP. There is a very low (5%) probability of even the top end of the Oxford forecasts being achieved.
  - b) In October 2013 the West of England LEP published a new suite economic growth and jobs projections on its website. These have been commissioned from Oxford Economics and are being used to underpin and inform the development of the West of England LEP Strategic Economic Plan. The documentation consists of a report (**CD11/E24**) and an excel data sheet (**CD11/E25**). The LEP Board is due to make an announcement in respect of the The Strategic Economic Plan on December 9<sup>th</sup> (the day before the hearings start) and the Council will make reference to this announcement.
  - c) The Oxford Economics forecasts are being used determine whether the LEP should maintain the current wording of its Business Plan in respect of whether the aspiration to generate 95,000 jobs 2010-2030 remains credible. The Oxford report focuses (on the period 2013-36) but the picture for 2010-2030 can be easily extracted from the background data. There are five scenarios, which are summarised below. The figures speak for themselves and the Council has no further comment on the Experian forecast of 137,000 jobs.
  - d) The table is useful in that it places the current LEP aspiration of 95,000 jobs in context. The most likely outturn is 65,000 jobs and the LEP aspiration is 95,000 jobs. NPP:154 requires that Local Plans are aspirational but realistic. Against the background of the latest data underpinning the Strategic Growth Plan, the greater risk by far is that the Council's job target is too high rather than too low.



**West of England Employment Growth Forecasts 2010-2030**

<b>Scenario</b>	<b>Employment Growth</b>	<b>Proabability</b>
High	119,000	5%
Medium-High	94,000	17.5%
Baseline	65,000	50%
Medium-low	38,000	22.5%
Low	25,000	5%

- e) Finally, the Council would refer participants to the letter signed by the Chair of the West of England LEP Board (**CD11/E30**).
- 3.18 Assumptions about future economic activity rates appear to be the other critical factor in dispute and the choice of rates has a significant effect on the population required to support planned job growth.**
- 3.19 Is the SHMA's assumption about increasing economic activity rates reasonable – will past trends of increased rates continue (Addendum 1a, paragraph 23-28 Figures 10 and 11).**
- **To what extent should projecting forward recent trends be tempered by uncertainty about future behaviours?**
    - a) If anything the drivers underpinning the current trends in economic participation rates are only going to increase in their intensity during the plan period. Whilst there is uncertainty in respect of precisely where the participation rates might end up, there is confidence in respect of the drivers for change and the impact that these will have. No one is saying that the rates will stay as they are or increase only a little. BANES forecast forward over the plan on the basis of a continuance of the rate of change during 2001-2011 and this rate of change derives from the drivers in place between 2001 and 2011. Methodologically this is sound given the approach taken by ONS in the last official projections for 2006-2020. The outputs themselves have been superseded by the actual change that has occurred 2006-13 (and we refer here to the 50+ages group) which has exceeded the ONS projections.
    - b) The Council's outputs may not even be the upper limit of possible rates, given the drivers that have just come into being and are on the horizon. Aside from macro-economic necessity, working later in life will also be of financial necessity for individuals. As life expectancies (and healthy life expectancies increase), people will face lengthy periods of retirement with proportionality less pension provision unless the stay economically active for longer. Recent legislation ensures employer cannot dismiss older workers of ground of age and aim to encourage people to remain the labour market and of course the SPA is rising and this will have the biggest impact. These facts, taken with the end of final salary pension schemes and falling annuities shows that rates are only

likely to move in one direction. Whilst the forecasts may appear surprising to some, this is not in itself a reason to question their legitimacy for plan-making.

- c) The Council has already presented the view of the Institute of Fiscal Studies (para 22, Addendum 1a) that based on the first behavioural responses to the changes SPA for women “future increases in the state pension age will lead to a substantial increase in employment”. For example, the changes to SPA will not just affect people in their early to mid-60s, it will also affect the propensity of people to withdraw from the labour market in their mid to late 50s i.e. there will be a ripple effect. Further it would be a mistake to assume that the changes only affecting women to 2018 will have no impact on men’s behaviour even though their SPA does not change to this point. This because their behaviour is affected by their partners behaviour. Both will be affected by the changes in 2020 and 2026-28. On this matter it is apt to reflect on the oral evidence of Sir Bob Kerslake (Permanent Secretary, CLG) to the *House of Lords Committee on Public Service and Demographics, 2012*

*“It is absolutely clear that we will have to work longer. There is no question about that. To that extent, I think the Government have faced up to that issue. I am not yet sure the country has faced up to that issue. There are really only three things you can do about pensions. One is to pay more when you are in work, the second is to work longer and the third is to live with less when you retire, and probably all three are going to have to come into play here. Unless as a country we face up to that issue, then we are in danger of just deluding ourselves about the challenge. So are we ready? I think in one sense we understand the issues. Have we had an honest debate with the people in this country about those issues? I think not, truthfully”.*

- d) The Committee published its report ‘Ready for Aging’ (**CD11/E26**) in March 2013 and Government published its response (**CD11/E27**) in October 2013. On later working this states that:

*13. Supporting older people who want or need to work where they are able is critical to the economy and pension sustainability – and to the financial, health and wellbeing of individuals.*

*14. This is why on coming into power this Government took early action to remove a longstanding barrier to people being able to work for longer, by removing the ability of employers to have a default retirement age (DRA) unless there is an objective business justification. To continue the drive to extend working lives, the Government will publish an action plan later this year.*

- e) Economic participation rates are amenable to being monitored on a monthly basis via the Labour Force Survey and, if the Council’s, projections are not realised this will be clear and can inform Plan review.

- f) Some participants (e.g. Peter Brett for HFT and Pioneer for Wedco present alternative future rates but these are not evidenced to the extent that the Council has evidenced its projections. They are unjustified because it is unclear how they have been generated. The consultant author behind the evidence for the Wedco submission has since asked this Council to share the evidence base underpinning its work to use in a SHMA for another authority and has verbally endorsed the Council's approach as being superior to that which he used for Wedco. Barton Willmore has not presented, at all, the activity rate assumptions behind their employment-led projections. In this context the Council's assumption derive from the most robust evidence that is before the examination.
- g) Barton Willmore's approach to employment-led projections of housing need is an approach that the Council's sees applied across England by planning consultancies acting for major house builders. This approach is to push for a level of employment growth that does not stand up to scrutiny and simultaneously to dampen legitimate expectations of changes to economic participation rates. This is done to generate a need to accommodate very high levels of net migration into an area. One of the many problems with this approach is that, if accepted as basis for plan-making across England, LPAs would be all be boosting supply to accommodate the same potential migrants. The 'big picture' re population change gets lost within the localised nature of a Local Plan examination and it is set aside that the same migrant of working age (of which there will be very few new ones to 2031, despite projected net international migration) cannot simultaneously move to BANES, Berkshire, and Kent!
- h) At this point it is worth reflecting on the graph of projected UK population change by age 2010-35 and the associated commentary in answer 3.10 within BNES/43. When one considers the growth in the population of working population of working age, applies a current average participation rate, and compares this number to Oxford Economics Baseline UK outlook for 2013-2036 of 3.3 million jobs **(CD11/E24)** (this being the context for the WoE LEP baseline of 65,000), the ONS population growth and Oxford economic projections don't triangulate unless participation rates amongst older people pick up, considerably.
- i) If the rates inherent in Barton Willmore's modelling (which are not published but can be deduced) were applied across the country, one would soon find that labour force growth to 2031 (based on the 2010-based national population projections) would be very low in relation to economic-led forecasts of potential job growth. This means that either, a very big macro-economic brake will be applied, or that older people will have stay in the labour market for longer, or that Government's will have to pursue a policy that achieves a higher level of net international migration that is projected, or both.
- **To what extent is the incorporation of such trends now accepted practice in employment forecasting for planning purposes?**

j) The Council has considered whether the evidence base of the Plan, in respect of employment-led housing requirement, can be sound without taking this into account. There is common ground between the Council and other parties in respect of the need to consider the impacts of future age/gender specific participation rates. It is not clear how the Council could ensure that its assessment of and strategies for housing and employment are integrated (NPPF:158) without undertaking this exercise. One cannot simply rely on projections of the working age population alone (using current or future definitions). That approach is too blunt, one must go a stage further and look at age and gender specific participation rates.

- **Why is the growth in the student population seen as contributing to the future labour force (see Addendum 1a, paragraph 23-28, Figures 10 when the SHMA treats this population as transitory (see question under Student Housing below).**

k) The Council thinks that there is a misunderstanding here. It does not assume an increase in the number of students who remain in the city after studying<sup>2</sup>) and makes no allowance for this re labour force. The behaviour that the Council is taking into account relates to what students do when they are actually studying. Students work while they are studying, filling part time roles in sector such as retail and leisure, which are sizeable, especially in Bath. The assumption that the Council is making is that a growing student population will continue to take up positions in these sectors while they study in the city; although the participation rates assumed for the student population are notably lower than for the rest of the population and furthermore there has not been any assumption about increased participation from this group in future.

**3.20 Overall, will the planned housing requirement (12,700 to 2029), facilitate and avoid constraining reasonable expectations of economic growth over the plan period? (Paragraph 29, BNES 48 states that the Council consider that an appropriate employment-led housing requirement is 7,100. Table 6 indicates that if participation rates were unchanged the future dwelling requirement would be between about 11,100 and 14,100 depending on the choice of headship rates.)**

a) This question helpfully confirms that there is considerable flexibility in the housing provision of the Plan to deal with absolutely no change to economic participation rates or the application of the 2008 headship rates for the entire plan period. Both of these are unreasonable assumptions.

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<sup>2</sup> Currently 13% of about 5,000 leavers are working in Bath 6 months after graduation. This is low compared to other cities and large towns that have Universities and a reflection of Bath relatively small size as a host for two HE institutions and nature of its economy. There is no information re how many are still here after 12 months, two years etc.

## Other factors

### 3.21 How has the Council's SHMA/housing requirement taken full account of relevant market and economic signals (NPPF paragraph 158)?

- **What factors are relevant here?**

- a) The ratio of lower quartile household incomes to lower quartile houses prices and rents is important. Clearly some parts of the country are more expensive than others. It is therefore useful to understand if places are becoming more or less expensive relative to other areas over time. The ratio in BANES is high, a common feature of much of southern England. CLGs live table 576 on the ratio between lower quartile earnings and lower quartile house prices can be integrated to show that in 1997 BANES was ranked 77<sup>th</sup> highest out of 349 counties and authorities but that in 2012 is was ranked 101<sup>st</sup>, so it is falling down the rankings. Conversely Harrow, for example, has moved from 85<sup>th</sup> to 26<sup>th</sup>. Ultimately this is about affordability, and the Council taken account of this by boosting land supply to deliver more affordable homes.
- b) Past delivery rates are another important market signal, although the Council accepts that these are, in part, affected by the availability of land with planning permission and may therefore be less than the market could have delivered in BANES. In converting the 'need' to a 'requirement' regard must be had of the capacity of the construction sector to build homes and of the housing sector to sell them, particularly in respect of the implications for 5 year housing land requirements. NPPF:154 requires that Local Plans are aspirational but realistic. We provide further comments this matter in our answer to 3.34 (L) onwards.
- c) Overall property sales figure are important as new supply is but a minor component of overall supply. These remain depressed at 2,500 per annum since May 2009 compared to 3,500 per annum from 1995-2008. The period 2008-April 09 has been removed from the analysis on account of the very low number of transactions and the stable state reached since this then. This data reflects effective demand show that this is still below the pre-recession peak.

- **Does the objective assessment of need/housing requirement require further adjustment to reflect such signals?**

- a) Not beyond the adjustment that has already been made for affordable housing.

## Affordable housing

**3.22** The Council's identification of the affordable housing requirement is summarised in BNES 48, tables 7 and 8, drawing on Fig 6 in Addendum 1c. The Council's further explanation of the methodology (responding to my earlier questions) is in BNES 43, sections 3.13-3.17.

**3.23** Is the ORS methodology for assessing the affordable housing requirement consistent with the applicable national guidance (see 3.2 and 3.4 above).

- a) National Guidance for SHMAs (CLG, 2007) states that ***"A strategic housing market assessment should be considered robust and credible if, as a minimum, it provides all of the core outputs and meets the requirements of all of the process criteria in figures 1.1 and 1.2. In such circumstances, there is no need for the approach used to be considered at the independent examination. Any discussion at independent examination should focus upon the assessment's findings and its relationship with the proposed spatial policies for housing set out in the draft submission development plan document."*** (page 9). The ORS methodology provides all of the core outputs and meets the requirements of all of the process criteria that are set out in figures 1.1 and 1.2 of the Guidance; and therefore it is consistent with the applicable national guidance.
- b) Addendum 1b notes that the ORS methodology is different from the assessment of housing need reflected in past SHMAs, which typically consider the need for affordable housing in isolation of the overall housing requirement; but the National Guidance for SHMAs (CLG, 2007) recognises that ***"No one methodological approach or use of a particular dataset(s) will result in a definitive assessment of housing need and demand. The quality of the data used is the important consideration in determining whether an assessment is robust and credible rather than its nature."*** (page 11). Therefore, whilst the methodology may be different, the approach consistent with the applicable national guidance.
- c) Furthermore, the analysis adopts a method similar to an approach originally developed by Alan Holmans and Sarah Monk (Cambridge Centre for Housing and Planning Research) which forms the basis of numerous publications, including "Housing Need and Demand in Wales 2006 to 2026" (Welsh Assembly Government Social Research, 03/2010) **(CD11/E31)**. Their approach is well-established and uses propensity rates to directly link the future need for social rented housing with the demographic projections that underwrite the overall requirement for all types of housing.
- d) The ORS methodology is also well-established and has developed the propensity rate approach used by Holmans and Monk by overlaying an affordability analysis to determine the future need for all affordable housing, including the need for intermediate housing products. Therefore, the ORS approach directly links the future need for intermediate and social/affordable rented housing with the household projections that underwrite the overall requirement for all types of housing. ORS

has produced robust SHMA evidence that has successfully underwritten numerous Local Plans, including Exeter Core Strategy (adopted 21 February 2012), Milton Keynes Core Strategy (adopted 10 July 2013), Waltham Forest Core Strategy (adopted 1 March 2012) and The London Plan (which came into effect on 22 July 2011).

**3.24 Does the methodology adequately take account of the existing backlog of affordable housing needs?**

- a) The backlog of affordable housing needs can be separated into two key components: (i) established households living in unsuitable housing; and (ii) concealed households that need to form an independent household.
- b) By definition, established households living in unsuitable housing already occupy a dwelling; and therefore they will not increase the overall number of dwellings that need to be delivered – they simply need a more suitable home or a home at a price they can afford. In moving to a more suitable dwelling, they will vacate their existing home; which will provide a suitable home for another household. Many of these households will already live in social rented housing, and therefore resolving their needs will not increase the overall number of affordable homes needed; although it could influence the mix of affordable housing, and the ORS model takes account of this. Other established households living in unsuitable housing are likely to occupy private rented housing with housing benefit support, and the ORS model explicitly considers the role of housing benefit in the private rented sector. Established households living in unsuitable housing in the private rented sector that aren't eligible for housing benefit support are unlikely to be eligible for affordable housing; and whilst some owner occupiers may currently face repossession and subsequently need affordable housing, the ORS model considers this when calculating the proportions of households with equity. Given this context, established households living in unsuitable housing are all properly considered within the model.
- c) The needs of concealed households are counted within the household projection at the time of household formation, and to also count them whilst they are concealed would double count their needs. The response to 3.24 recognises that any additional needs from concealed households due to formation rates that have been historically suppressed have also been counted. Therefore, the needs of all concealed households that need to form an independent household are also all properly considered.

**3.25 The SHMA of March 2013 states (paragraph 8.51): For social housing the requirement identified is that which would be necessary to prevent the number of households in the private rented sector with housing benefit support from rising.**

**3.26 Is that still the starting point for the assessment of future affordable housing needs? Is this assumption the same as expressed in paragraph 32 of the SOCG?**

- a) The updated analysis presented in Addendum 1b was also based on the assumption about preventing the number of households in the private rented sector with housing benefit support from rising. So the starting point for assessing need is to be aware the role of the PRS's role in meeting housing need, and the development of the requirement is a policy choice that flows from this understanding. Nevertheless, it is important to recognise that there is a difference between assessing the 'need' for affordable housing (which must include the current number of households in receipt of housing benefit in the private rented sector) and the identification of the 'requirement' for more affordable housing, which need not necessarily include these households.

**If the above remains the Council's position:**

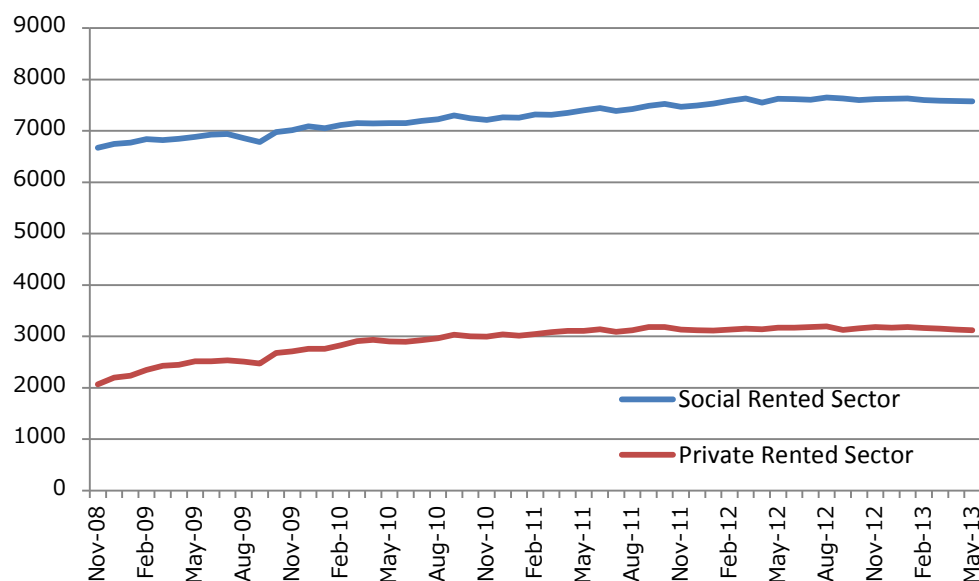
- **Is preventing the number of households in the private rented sector with housing benefit support from rising a policy choice which should have been tested against alternatives (eg reducing reliance on the private rented sector)**
- **If so, where have alternatives been considered and is it a justified approach?**

- a) The Council considers that this is really a resources matter for Government in respect of the balance between demand-side subsidies for housing (i.e. housing benefit) and supply-side subsidies (i.e. investing in new build)<sup>3</sup>. The current Affordable Home programme and its extension to 2017/18 sets the scene in this respect. Council's must develop their policy choice within the parameters set by Government. Within the headline outputs of the SHMA is the policy choice of utilising the PRS into the future and the Council has endorsed this approach. However, the Draft SHMA also identifies the housing benefit caseload (Fig 37) in the PRS and this is set out overleaf. It increased rapidly from 2,000 to 3,000 during the worst of the recession and stayed there since i.e. this is about the changing personal economic circumstances of people re incomes.

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<sup>3</sup> A balanced view on this is presented by Shelter in its Report 'Bricks or Benefits': rebalancing housing investment (May 2012)



**BANES Housing Benefit caseload (Department of Work and Pensions)**

- a) The extant SHMA practice guidance poses the research question “How is the private rented sector used to accommodate need?” and the introduction to Chapter 5 ‘Housing Need’ of the guidance states that the purpose of the chapter is to “outline how to develop an evidence base that can inform decisions about a range of policy responses to housing need, including: setting targets for affordable housing, changing allocations policies and using the private rented sector”.
- b) Furthermore, the Localism Act 2011 now allows local authorities to discharge their duty to eligible homeless persons (in priority need and not intentionally homeless) by allocating housing in the private rented sector, and households eligible for housing benefit would receive financial support. It is therefore clear that the Government recognises the continuing role of the private rented sector in helping to meet housing need and at a national level, the Government’s affordable home programme (which is currently looking to deliver 55k affordable homes each year) simply isn’t big enough to deal with reducing the role of the private rented sector.
- c) The policy choice is a really fiscal choice for national Government, not a planning choice for local government. The Government has not expressly signalled that it intends to reduce income subsidies for housing to zero and shift all housing investment to bricks and mortar, thereby emptying the PRS sector of tenants in receipt of housing benefits. This is because it would not be a straightforward fiscal win or deliverable.

- d) A dwelling rented from a social landlord is not inherently better or more sustainable than a dwelling rented from a private landlord. Government is seeking to improve the PRS re quality and security of tenure<sup>4</sup> & locally the Council has introduced compulsory licensing for the PRS.
- e) The significant sustainability affects are not different as the household is housed and that housing is subsidised. It should be remembered that all new social rented tenants are on time limited tenancies, that the affordable rent model enables 80% of market rates to be applied (with a consequence for housing benefit) and that the PRS enables choice and flexibility for people in housing need.
- **Is it compatible with the Council's expressed intentions (eg in the Sustainable Community Strategy) and Core Strategy's objectives in relation to the provision of affordable housing?**
    - a) The Core Strategy's objective in respect of the provision affordable housing must be reworded so as not to refer to the housing register. It should have been re-worded in the Proposed Changes that were published for consultation in March 2013, or the further amendments of November 2013 to reflect the policy approach implicit within SHMA and adopted by the Council. Whilst the SHMA identifies households in the PRS in receipt of housing benefit as a component of the total need for affordable housing during the plan period, because these households are 'housed' and are having their needs met, it does not include them to the housing requirement figures.
  - **Is it a realistic expectation in terms of the future availability of housing benefit and the availability of lower value private rented accommodation being available to those in receipt of housing benefit?**
    - a) The PRS housing benefit sector caseload is 1.8m across the country and it is not realistic to assume an end to demand-side subsidies and the transfer of all households to affordable housing. The issue is the housing benefit bill as a % of GDP, not its absolute cost to the country. The absolute cost has risen significantly since 2001 but this has not been perceived as a problem until it became a greater % of GDP, as GDP fell due to the recession.
    - b) Figure 3 of Addendum 1b illustrates the impact of proactively seeking to reduce the number of households in the private rented sector with housing benefit support in terms of the required housing mix. A further boost to housing land supply would be needed, over and above the Councils Plan and this would have implication re 5 year land supply requirements, which are already extremely challenging (see answer to 3.34). Of course, this also assumes that other assumptions remain constant – and other changes (in particular in relation to household incomes and/or housing costs) could also affect the mix of housing required.

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<sup>4</sup> The Private Rented Sector, First Report of Session 2013-14 Communities and Local Government Committee (July 2013)

- c) As noted above, the private rented sector housing benefit caseload in BANES stood at 2,000 on the cusp of the recession and increased to 3,000 quickly thereafter. This reflected falling household incomes rather than increasing rents. In practice, it is likely that improved incomes (and not affordable housing provision) that will be the primary driver for reducing any future dependency on housing benefit in the private rented sector.
- d) The Council will monitor the housing benefit caseload within the private rented sector and determine whether a fall in the caseload reflects a withdrawal of available accommodation or improving economic conditions so that people no longer need their incomes to be subsidised to access the PRS.

**3.27 What is the Council's position in relation to the additional 90 units of affordable housing it now identifies as being required compared with the position when the Proposed Changes were published (BNES 48, paragraph 35). Should the overall housing requirement be increased to try and deliver these additional units?**

- a) Yes. The Council has adjusted to the affordable housing target from 3,100 to 3,290 and has identified sufficient land to deliver the revised figure over the plan period and to deliver a 5 year affordable housing requirement (including a 20%) buffer. The impact of the boosted supply of mixed tenure schemes to deliver more affordable housing will contribute unprecedented levels of delivery that are required for BANES set out for 2014-2019 in the SHLAA housing trajectory. Whether the market can actually deliver what is required is completely untested locally, but this is the land supply that the Council must identify re 5-year supply.

## Student housing

**3.28 I was unclear as to how the student population was being modelled and accommodation needs dealt with in the SHMA Update in March 2013 and I am now also unclear whether the position has changed by what is set out in Addendum 1A (paragraph 14).**

**3.29 Is the explanation in BNES 43 (section 3.6) still applicable, namely that students are not allowed to age because this population cohort is transitory? Is this assumption in the SHMA reasonable? Is there any evidence for the proportion of students who subsequently stay in the area after graduation?**

- a) The local graduate retention rate is mainly a result of the combination of 'working graduates' who find employment in the area and 'further study graduates' who remain for further study, so remain a part of the student body as postgraduates. 24% of graduates from Bath's two universities, who were working or studying, 6 months after graduating were doing so in BANES. Almost 90% of graduate retention comprises these two activities. 13.8% of working graduates from Bath's Universities were retained in the area as were

52.4% of those who continue to study<sup>5</sup>. This is based on a response rate of 80% of 5,200 leavers. Broadly speaking 13% of 5,200 leavers are working in Bath 6 months after graduating and this equates to about 700 people. These people generally live in HMOs or rent elsewhere in the PRS.

- b) The SHMA assumes that there will be no growth in the numbers of working graduates in Bath in addition to the numbers who are present in the city working at the start of the plan period. As the number of leavers grow there may be a small increase, and this depends what happens to the actual retention rate, which depends on the nature of job creation and the competitiveness of Bath.

**3.30 On the basis of the current intentions of both Universities, as summarised in the Council's Student Numbers and Accommodation Requirements Evidence Base (July 2013) is it reasonable to assume that future growth in the student population will not add to housing pressures (BNES 43, last paragraph under section 3.6)?**

- a) The available data in respect of forecast newly arising demand for bedspaces and planned, permitted or applied for additional supply suggests that it is. The Student Accommodation and Housing Requirement Evidence base is readily capable of being updated annually to monitor the situation and the Council intends to do this and maintain close relations with the student records of both universities. Indeed, the preparation of the current evidence base, was only possible with the assistance of the Universities.
- b) The Council has, since July 2013 applied an Article 4 direction to the change of dwellings to HMOs. This does not absolutely preclude a change use but it does serve to ensure a mix of tenures within the neighbourhoods where there is already a strong HMO market and prevent excessive concentrations of HMOs in a particular area.

**3.31 Council to confirm that in the Schedule of Proposed changes (CD9/PC1) the Reason for change SPC54 namely and intent to count off-campus cluster flats towards supply is incorrect and a left-over from previous thinking.**

- a) The Council confirms that this is indeed left-over from previous thinking and it will not count / has not counted on or off-campus student bedspaces (or rather cluster flats) towards its 'conventional' housing requirements.

## Calculating the overall housing requirement

**3.32 On the assumption that I find the Council's methodology reasonable in identifying a base housing need of 7,560 (mid trend migration with hybrid headship rates (Table 2b, BNES43) is the addition of the local plan shortfall of 1,169 (as per ID/28, paragraph 1.37) still justified?**

- a) Yes , for the reasons set out in ID/28 and in relation to the Councils comments on concealed households in the answer to question 3.14

**3.33 The Council has increased the housing requirement from its assessment of objective need/demand plus local plan backlog in order to deliver the additional affordable housing needed. On what basis does the Council consider that this additional market-led housing will be delivered, given that it is more than its assessment of need/demand?**

- a) The additional (Green Belt) market-led housing is scheduled to come forward in the first half of the plan period, including in the next 5 years. It will be the brownfield sites scheduled for later in the plan period e.g. unsecured land at BWR and later phases of Somerdale that may be at risk if market demand, in excess of the need does not materialise. Developers and their agents seem bullish about the prospects for deliver on Green Belt sites as is evidenced by current planning application/pre-app activity.
- b) The Council is concerned about the deliverability of what is required within the five years from 2014. The annual totals for 2014-2019 are unprecedented, although when one looks at the individual site assumptions that combine to generate these larges totals, they are reasonable. The issue is about market saturation across BANES (recognising that new build competes against the second hand stock that is for sale) and the ability of (1) house builders to sell houses and (2) the capacity of the construction sector in to build them. The use of the Sedgefield rather than the Liverpool approach contributes to the extremely high land supply requirements of the next 5 years, and the Council must identify sufficient land to enable delivery. Whether delivery occurs is largely out of its control (assuming an efficient planning application process). We reflect on this further in 3.34(i)

**3.34 Should the 5 year supply be calculated as the Council suggest (BNES 48, paragraph 39) on the basis of the identified housing need plus local plan backlog (ie 8,727) or on the overall planned provision of 12,700. My preliminary view is that it should be the latter for the reasons given in ID/40, paragraphs 13-15.**

- a) If the rationale behind pinning the 5 year requirement against 12,700 dwellings (now 12,956 identified in SHLAA housing trajectory of Nov 2013) is to ensure that both the market and affordable components of the aggregate target of 8727 are delivered, it is understandable, but technically misconstrued and we explain why this is the case below. However, the Council accepts that using the aggregated figure of 8,727 will also not achieve this as a lack of affordable delivery could be masked by a surplus of market delivery. This

masking issue is itself a weakness of the conventional approach. There is however a more refined approach that will address this matter and when one reads, with precision, the construction of NPPF:157, the Councils' revised approach accords with government policy, is superior to using the total supply figure of 12,956 and it is difficult to see why it would be objectionable. The refined approach involves using disaggregated the market (5,437) and affordable (3290) targets with the 8727 total need as the basis for managing the performance of the plan. The following set out the Councils interpretation of NPPF:47 and why this is reasonable.

- b) Our interpretation of the NPPF is that we have a market housing requirement and an affordable requirement and a market housing requirement. We have worded Policy DW.1 (consultation version November 2013) to reflect those requirements. We are being entirely transparent and setting ourselves the very hard to meet requirements for Affordable housing. In order to meet those requirements, we are releasing further land to deliver 5 years HLS for AH.
- c) If performance were to be assessed against the total supply figure of 12,956, from April 2014 the 5 year requirement (taking account of what will be built in the first three years of the plan) is 4,884 and adding a 20% buffer requires the identification of 5,860 units. See Table A2i and commentary in Appendix 2.
- d) Using the disaggregated approach, if performance were to be assessed against the affordable housing target of 3,290, from April 2014 the 5 year requirement (taking account of what will be built in the first three years of the plan) is 1,225 and adding a 20% buffer requires the identification of 1,470 units. The Council shows in the SHLAA housing trajectory that 1,474 affordable units can be generated as part of the 5,336 total dwellings that are scheduled to be delivered from 2014-2019, although not all of the sites involved will yield affordable housing. See Table A2ii and commentary in Appendix 2.
- e) The difference between 5,860 and 5,336 is 524. Given this situation the Council would ask the Inspector to consider what the purpose would be of identifying an additional 524 units because a 5 year supply of affordable housing (+20% buffer) is already achieved.
- f) It should be clear that there is no issue in respect of market housing but for completeness the 5 year requirement from 2014 this is shown in Table A2iii of Appendix 2.
- g) The following table shows that inherent within the total supply of 12,956 is a quantum of market housing that is significantly above what is actually required. Even before Green Belt sites are added there is an excess of 3,834 market homes of the target. Further, much of this market housing will come forward on sites that will not deliver any affordable housing e.g. small sites with permission and windfalls. For this reason it is not justified to assess the delivery performance of the plan against the total supply figure 12,956. The disaggregated approach is superior.

	SHMA 20 years	SHMA 18 years	LP Backlog	Total plan target	SHLAA Supply less Green Belt sites	Difference	SHLAA Supply less with Green Belt sites	New Difference
Total	8400	7560	1167	8727	11856	<del>+2859</del> +3129	12956	+4229
Market	5200	4680	757	5437	8921	<del>+3834</del> +3484	9646	+4209
Affordable	3200	2880	410	3290	2935	-355	3310	+20

#### Reasons for amendments in Version 2:

- In the penultimate column 'less' should read 'with'
- In the top data row 8,727 was subtracted from 11,586 rather than 11,856. A typo that led to the wrong answer of 2,859 being entered in the table.
- In the second row 3,834 was mistakenly entered in to the table rather than 3,484.
- The table now correctly reveals a difference of 1,100 in respect of the top row when comparing the final column with the third to last column. 1,100 is total number of dwellings proposed in the Green Belt.
- The table now correctly shows a difference of 725 in respect of the second row when comparing the final column with the third to last column. 725 is the market component of the 1,100 Green Belt dwellings.

- h) The Council does not dispute that it is a 20% authority re 5 year supply. Further it has formulated its strategy to deal with the implication of the more punitive Sedgefield approach to calculating the 5 year land supply requirement rather than the more manageable Liverpool approach. In combination 'Sedgefield' and 20% is challenging to say the least. The Council has reflected on S.78 appeal decisions, SoS decisions and the PAS guidance in adopting applying the Sedgefield approach. However, the recent report of the Inspector undertaking the examination of the South Gloucestershire Core Strategy (**CD11/E30**) (paras 93-98) throws up range of matters that need to be debated in public in BANES. There are mixed messages coming out of PINS at the moment.
- i) Extant government guidance makes no comment on the use of the Sedgefield or Liverpool approach but The NPPG requires that *"Local planning authorities should aim to deal with any under-supply within the first five years of the plan period where possible. Where this cannot be met in the first five years, local planning authorities will need to work with neighbouring authorities under the duty to cooperate"*. The NPPG is unlikely to apply to the preparation of this Plan, and even if it was it has already been established that the Duty to Cooperate does not apply, so, were it not possible to deal with any under supply in the next 5 years the Duty option is not triggered.
- j) The Inspector's current preferred option is to base the 5 year requirement against total Plan provision (now 12,956). Applying 'Sedgefield' results in a need to deliver 4,884 units over the next 5 years (977 per annum) and to identify a deliverable supply of 5,860 due to the 20% buffer. The step up that is required to achieve this given that the average for the last 3 years will be 507 is phenomenal. The Council accepts that

past delivery reflect, in part, the availability of land with planning permission, but still, the deliverability of a 92% increase for each year over the next 5 years demands careful scrutiny of the market context. Even if delivery were to increase year on year by 14% from 2014 we would still only see 977 units in year 5 and 3,280 units overall. The achievement of 977 as an annual average is questionable in this regard.

**14% year on year increase in completions from 2011/12-13/14 average of 507**

2011-14	2014/15	2015/16	2016/17	2017/2018	2018/2019	Total for next 5 years
507	578	659	750	856	977	3,820
Sedgefield Requirement (excluding buffer) (977x5)						4,884

- k) The history of the UK house building industry since 2001 and the shedding of construction capacity since 2008 will be familiar to all. Drawing on CLG LiveTable 244 it can be seen that even during the boom years of 2002 to 2007, total housing delivery in England from all sources only increased 5.6%, 5.3%, 6.9%, 3.5%, 1%, 10%, from a base of 129,510 in 2001. If delivery rates in England were to increase by 14% from 2013, there would be 220,000 completions in 2018/19 (against a 2012/13 baseline of 108,000). House builders have already dismissed as 'wild' an expectation that the industry could deliver 200,000 per annum by the end of the next Parliament and have stated that 6-10% is the possible annual range of annual uplift nationally. If output BANES were to perform at the top of that range, from a baseline of 507, we would see just over 800 completions in year 5 and 3,400 overall.
- l) Whilst the Council accepts the need to achieve significant boost to supply (both in terms of the overall stock in the long term and in relation to short term flows) and to apply a buffer for choice and to increase chances of the 5 year requirement being met, the Local Plan needs to be aspirational but realistic (NPPF: 154) and on this basis, and prompted in the South Gloucestershire report, the Council has reflected on the application of the Liverpool approach. It sets out the data in appendix 3 and offers the following view.
- m) Applying the Liverpool approach to the total supply figure of 12,956 leads to a 5-year requirement from 2014 of 3,800 (a 14% year on year increase in delivery), which should be seen in the context of the arguments above re significantly boosting supply. This is still stretching but more realistic than the achievement of 4,884 houses overall over the next 5 years. Further, due to the 20% buffer, 4,573 units would actually need to be identified against the 3,800 on specific and deliverable sites.
- n) However, the Council is conscious of its comments in 3.34 a) in respect of the potential masking of the affordable component within the total supply figure and therefore would suggest that a parallel 5-year requirement of equal weight be applied to this Plan re affordable housing. This would ensure that sufficient land supply is identified to deliver the requisite number of market and affordable units, which under 'Liverpool' is 941 from 2014 and this means identifying affordable 1,130 units once a 20% buffer is applied.



- o) Whilst the Plan has been designed to deal with 'Sedgefield /20%' market realities and the prospects for delivery in may suggest that 'Liverpool/20%' achieves a better balance between boosting supply, being aspirational and being realistic.

**3.35 Finally: This hearing is not concerned with whether the identified housing need/requirement can be delivered without unacceptable environmental impact and whether it should be reduced as a consequence (NPPF, paragraph 14). That assessment will flow from consideration at subsequent hearings of the environmental impact of the Council's proposed housing sites/locations and potential additional sites.**

- a) No response required.

## Appendix 1

Updated averages of Table 1 (SHMA Addendum 1A), rolling forward to include 2011-12 (as per ONS mid-year estimate for 2011-12 published 26 June 2013)

Year	Births	Deaths	Natural Change	UK Migration		International Migration		Other Changes	Migration and Other Changes	Total Change
				In	Out	In	Out			
2001-02	1,654	1,667	-13	10,388	9,903	1,734	1,074	-471	+674	+661
2002-03	1,660	1,704	-44	11,096	10,229	2,034	1,884	-431	+586	+542
2003-04	1,622	1,716	-94	11,188	10,337	2,073	2,169	-437	+318	+224
2004-05	1,638	1,718	-80	10,962	10,328	2,568	1,982	-451	+769	+689
2005-06	1,758	1,598	+160	11,331	11,274	2,314	2,152	-449	-230	-70
2006-07	1,790	1,628	+162	12,177	11,851	2,400	1,010	-447	+1,269	+1,431
2007-08	1,786	1,575	+211	11,628	11,163	2,011	1,306	-451	+719	+930
2008-09	1,765	1,611	+154	11,032	11,131	2,147	1,947	-460	-359	-205
2009-10	1,724	1,645	+79	11,515	11,351	2,537	1,414	-459	+828	+907
2010-11	1,892	1,567	+325	11,395	11,163	2,722	1,526	-482	+946	+1,271
2011-12	1,846	1,563	+283	12,255	11,720	2,177	859	-31	+1,822	+2,105
<b>10-year Average 2001-11</b>	<b>1,729</b>	<b>1,643</b>	<b>+86</b>	<b>11,271</b>	<b>10,873</b>	<b>2,254</b>	<b>1,646</b>	<b>-454</b>	<b>+552</b>	<b>+638</b>
<b>10-year Average 2002-12</b>	<b>1,748</b>	<b>1,633</b>	<b>+116</b>	<b>11,458</b>	<b>11,055</b>	<b>2,298</b>	<b>1,625</b>	<b>-410</b>	<b>+667</b>	<b>+782</b>
<b>5-Year Averages</b>										
2001-06	1,666	1,681	-14	10,993	10,414	2,145	1,852	-448	+423	+409
2002-07	1,694	1,673	+21	11,351	10,804	2,278	1,839	-443	+542	+563
2003-08	1,719	1,647	+72	11,457	10,991	2,273	1,724	-447	+569	+641
2004-09	1,747	1,626	+121	11,426	11,149	2,288	1,679	-452	+434	+555
2005-10	1,765	1,611	+153	11,537	11,354	2,282	1,566	-453	+445	+599
2006-11	1,791	1,605	+186	11,549	11,332	2,363	1,441	-460	+681	+867
2007-12	1,803	1,592	+210	11,565	11,306	2,319	1,410	-377	+791	+1,002
<b>Lowest Net Migration</b>	<b>1,666</b>	<b>1,681</b>	<b>-14</b>	<b>10,993</b>	<b>10,414</b>	<b>2,145</b>	<b>1,852</b>	<b>-448</b>	<b>+423</b>	<b>+409</b>
<b>Highest Net Migration</b>	<b>1,803</b>	<b>1,592</b>	<b>+210</b>	<b>11,565</b>	<b>11,306</b>	<b>2,319</b>	<b>1,410</b>	<b>-377</b>	<b>+791</b>	<b>+1,002</b>

## Appendix 2: 5 year requirement figures (Sedgefield Approach)

### The Total Supply

- 1) The total planned supply is 12,956. Table A2i shows that if this is used as a basis for calculating 5-year land supply, BANES needs to deliver 6,407 affordable dwellings by 2018, with the first 5 years front loaded to account for the Local Plan shortfall during the period 1996-2011. By the end of 2013, 1523 affordable dwellings will have been built whereas 2,664 should have been and so 57% of the target has been achieved. Another way of looking at this data is that, effectively, whilst the Local Plan shortfall of 1167 has been cleared only 356 units have been built that contribute to the SHMA requirement, whereas 1965 should have been. Therefore BANES is still significantly behind schedule and a 20% buffer is applicable re 5 year supply. The result is a need to identify 5,860 units in specific deliverable sites (and windfall) for the period 2014-2019. Currently 5,336 are identified a shortfall of 524.

**Table A2i 5 year supply requirement and position against total supply**

	2011	2012	2013	2014	2015	2016	2017	2018	2011-18
LP Backlog Req	233	233	233	234	234				1,167
SHMA Req	655	655	655	655	655	655	655	655	5,240
<b>Total Req</b>	<b>888</b>	<b>888</b>	<b>888</b>	<b>888</b>	<b>888</b>	<b>655</b>	<b>655</b>	<b>655</b>	<b>6,407</b>
Delivery	463	550	510						
Delivery Total	<b>1,523</b>								
5 year Requirement +20% buffer				6,407-1,523 =4,884 x1.2 =5,860					<b>5,860</b>
Forecast Delivery				570	1018	1533	1249	996	5,336

### The Affordable Component

- 2) The affordable component of the aggregate need of 8,727 is 3,290. Table A2ii shows that BANES needs to deliver 1,690 affordable dwellings by 2018, with the first 5 years frontloaded to account for the Local Plan shortfall during the period 1996-2011. By the end of 2013, 465 affordable dwellings will have been built whereas 726 should have been and so 58% of the target has been achieved. Another way of looking at this data is that, effectively, whilst the 410 Local Plan shortfall has been cleared only 55 units have been built that contribute to the SHMA requirement, whereas 480 should have been. Therefore BANES is still significantly behind schedule and a 20% buffer is applicable re 5 year supply. The result is a need to identify 1,470 units in specific deliverable sites (and windfall) for the period 2014-2019.

**Table A2ii - 5 year supply requirement and position against market housing requirement**

	2011	2012	2013	2014	2015	2016	2017	2018	2011-18
LP Backlog Req	82	82	82	82	82				410
SHMA Req	160	160	160	160	160	160	160	160	1,280
<b>Total Req</b>	<b>242</b>	<b>242</b>	<b>242</b>	<b>242</b>	<b>242</b>	<b>242</b>	<b>242</b>	<b>242</b>	<b>1,690</b>
Delivery	244	137	84						
Delivery Total	465								
5 year Requirement +20% buffer				1,690-465=1,225 x1.2 =1,470					1,470
Forecast Delivery				157	295	457	306	259	1,474

The Market Component

- 1) The market component of the aggregate need of 8,727 is 5,437. Table A2i below shows that BANES needs to deliver 2,835 market dwellings by 2018, with the first 5 years front loaded to account for the Local Plan shortfall during the period 1996-2011. By the end of 2013 1,058 will have been built whereas 1,233 should have been. Therefore 87% of the target to 2013 has been achieved. Another way of looking at this data is that, effectively, whilst the Local Plan shortfall of 755 has been cleared only 303 units have been built that contribute to newly arising need, whereas 780 should have been. Therefore BANES is still significantly behind schedule and a 20% buffer is applicable re 5 year supply. The result is a need to identify 2,132 units on specific deliverable sites (and windfall) and the Council can identify 3,893.

**Table A2iii - 5 year supply requirement and position for market housing**

	2011	2012	2013	2014	2015	2016	2017	2018	2011-18
LP Shortfall Req	151	151	151	151	151				755
Newly Arising Req	260	260	260	260	260	260	260	260	2,080
<b>Total Req</b>	<b>411</b>	<b>411</b>	<b>411</b>	<b>411</b>	<b>411</b>	<b>260</b>	<b>260</b>	<b>260</b>	<b>2,835</b>
Delivery	219	413	426						
Delivery Total	1058								
5 year Requirement +20% buffer				2,835-1058 = 1,777 x 1.2 = 2132					2,132
Forecast Delivery (November 2013 SHLAA)				413	724	1076	943	737	3,893

## Appendix 2: 5 year requirement figures (Liverpool Approach)

### 5 year requirement against the Total Supply of 12,956

	<b>Total Supply</b>
Supply 2011/12 – 2028/29	12,956
Built 2011/12 - 13/14	1,523
Residual over 15 years	11,433
Annualised over 15 years	762
5 year Requirement	3,811
120%	4,573

### 5 year requirements against the Market and Affordable components of overall need

	<b>Market</b>	<b>Affordable</b>
Target 2011/12 – 2028/29	5,437	3,290
Built 2011/12 - 13/14	1,058	465
Residual over 15 years	4,379	2,825
Annualised over 15 years	292	188
5 year Requirement	1,459	941
120%	1,750	1,130

## Appendix 3: Housing Mix 2011-2031

Fig 52 of Draft SHMA updated to reflect outputs of Addendum 1c. Housing Mix to 2011-2031 based on mid-trend migration and hybrid headship rates (figures rounded to nearest 100, calculations based on unrounded data)

	Market Housing	Intermediate Affordable Housing	Social/Affordable Rent Housing	Total
1 bedroom	500	200	1,000	1,600
2 bedrooms	1,100	400	800	2,300
3 bedrooms	2,600	200	600	3,300
4 bedrooms	900	-	-	900
5 bedrooms	200	-	-	200
<b>OVERALL</b>	<b>5,200</b>	<b>800</b>	<b>2,400</b>	<b>8,400</b>

## New Core Documents re ID/42

CD11/E24	Economic Outlook for the West of England LEP, Report (Oxford Economics, August 2013)
CD11/E25	Economic Outlook for the West of England LEP, Data (Oxford Economics, August 2013)
CD11/E26	Ready for Ageing, (House of Lords Select Committee on Public Service and Demographic Change, Report of Session 2012-13) (14 <sup>th</sup> March 2013)
CD11/E27	Governments Response to Ready for Ageing (29 <sup>th</sup> October 2013)
CD11/E28	Report of the Examination into the South Gloucestershire Core Strategy (Nov, 2013)
CD11/E29	Holmans, A, New estimates of housing demand and need in England, 2011 to 2031, Town and Country Planning Tomorrow Series Paper 16, September 2013.
CD11/E30	Letter from Colin Skellet (Chair of West of England LEP) to the Inspector (September 2013)
CD11/E31	"Housing Need and Demand in Wales 2006 to 2026" (Welsh Assembly Government Social Research, 03/2010)