

BATH & NORTH EAST SOMERSET CORE STRATEGY EXAMINATION

THE HOUSING REQUIREMENT AND ALL MATERS RELATING TO THE STRATEGIC HOUSING MARKET ASSESSMENT (SHMA)

Inspector's Matters, Issues and Questions in bold text.

The overarching question for this hearing is whether the Council assessment of housing needs and the resulting housing requirement accord with the requirements of the NPPF.

The Council's assessment of housing needs and the resultant housing requirement do not in accord with the requirements of the NPPF for the reasons set out below.

**National Planning Policy Guidance
Questions 3.2, 3.3 and 3.4**

The National Planning Policy Guidance (NPPG) is the most up-to-date guidance produced by Government on assessing housing needs. Therefore this guidance should be considered in determining whether or not BANES has carried out an objective assessment of need in its up dated Strategic Housing Market Assessment (SHMA) and the resultant calculation of its housing requirement.

**Population projections
Questions 3.5, 3.6, 3.7, 3.8 and 3.9**

Since the Council has up dated its SHMA, the ONS 2011/12 mid-year estimate (MYE) figures should be included as these figures represent the most up-to-date information available. The NPPF requires LPAs to use the most up-to-date information available. The inclusion of the MYE figures would increase the number of net migrants irrespective of whether or not other changes are included or excluded over both the long and short terms.

The Council's statistical analysis of assumed migration levels for low, mid and high trend scenarios based on arbitrary five and ten year averages, gives no consideration to the underlying causes of past trends such as constrained housing land supply, the impact of economic recession on household formation and migration patterns. There is no evidence of other data sources, for example house prices and affordability ratios, indicators of overcrowding and homelessness or housing completion statistics informing the process.

The Council should be planning on the basis of higher rather than lower trend based population projections.

Household / dwelling projections

Questions 3.10, 3.11, 3.12, 3.13, 3.14 and 3.15

The 2011 headship rates reflect recessionary effects on household formation. In the document *“Choice of Assumptions in Forecasting Housing Requirements Methodological Notes”* by Cambridge Centre for Housing & Planning Research (CCHPR) published in March 2013 the following advice is given on assumptions about household formation rates. *“It is hardly surprising that there have been quite large variations in household formation patterns over the last 10 years as compared to earlier projections given the extent of economic and housing market volatility. It therefore seems likely that the changes seen in recent years are a departure from the longer term trends on which Government projections are based and that a return to something closer to previous trends can be expected if and when economic conditions improve.”* The CCHPR Report continues *“given that the 2011 census was carried out at a time when the country had been in an economic downturn. For three years following a period of sharply deteriorating house price affordability, it is expected that the rate of household formation was depressed and hence the number of households was below the long term trend. It follows that to make a case for lower household numbers than suggested by the 2008-based household projections local authorities would need to not only show that the actual household numbers in their area in 2011 were lower than projected but also argue convincingly that the shortfall was not due to short term factors that would re-balance during the plan period”*.

The Town and Country Planning Association Tomorrow Paper 16 *“New Estimates of Housing Demand and Need in England 2011 to 2031”* by Alan Holmans also argues persuasively that just under half the reduction in household formation is attributable to suppressed household formation due to the state of the economy and the housing market.

However these effects should not be assumed to continue over the entire plan period. So a choice of a hybrid headship rate is reasonable with lower household formation expected in the early years of the plan and higher rate of household formation later in the plan period. The date at which to change rates is critical in order to avoid perpetuating any recessionary effects over the plan period. This transition date could be sooner than 2021 (see Footnote 4 of BNES/48).

The Council’s household projection using the hybrid headship rates is questionable as it is below the 2011-headship rate projection.

In Paragraph 12 of BNES/48 the Council accepts that shortfalls of housing need (resulting in homelessness, households living in temporary accommodation, overcrowding and concealed households) should be added to household projections. Any shortfall should be added in full.

There may also be unmet need from surrounding authorities such as Bristol, which if ignored irrespective of the definition of Housing Market Areas (HMA) will increase housing stress and worsen affordability.

The assumptions used by the Council in calculating population and household projections appear to suppress housing needs, for example, the “What Homes Where?” web based tool kit identifies household growth of 14,450 in BANES over the 18 year plan period. This web based toolkit launched by Lord Taylor in the House of Lords has been developed as a resource to provide independent and publicly available data on the household and population projections for every LPA in England. The aim of the resource is to assist LPAs in understanding the drivers of housing need. The use of this toolkit in determining objectively assessed housing need has been endorsed by Inspectors at examinations into the West Northamptonshire’s Joint Core Strategy and the Gravesham Local Plan Core Strategy and recommended in the Local Government Association Planning Advisory Service document “*Ten Key Principles For Owing Your Housing Number – Finding Your Objectively Assessed Needs*” document published in July 2013.

As previously stated under Population Projections, the Council should be planning on the basis of higher rather than lower household / dwelling projections.

Labour supply for planned growth Questions 3.16, 3.17, 3.18, 3.19 and 3.20

In Paragraph 23 of Addendum 1a the Council accepts that it is difficult to extrapolate future economic activity rates. The Council’s assumptions on the future economic activity rates of older people and the female population are unfounded.

The Inspector’s Interim Conclusions on the South Worcestershire Development Plan published on 28th October 2013 is critical of the Worcestershire SHMA. The Inspector found three fundamental shortcomings in assumptions contained within Sensitivity Testing 2 meaning the assessment of housing needs is unreliable and not a sound basis for the planning of housing provision. These fundamental shortcomings are :-

- the re-calibration of household representative rates ;
- out of date and unduly pessimistic job growth figures by Cambridge Econometrics dating from 2009 ;
- the lack of convincing evidence to support increases in older people’s economic participation rates.

The Inspector concludes “*I consider that the Plan is not justified in relying on the February 2012 SHMA in particular Sensitivity Scenario 2 as a basis for its housing requirement*” (Paragraph 25) and “*I must ask the Councils to undertake some further analysis in order to derive an objective assessment of housing need over the Plan period*” (Paragraph 44).

With specific regard to older people’s economic rates the Inspector stated that “*there is a lack of convincing evidence to support the assumed increases in older people’s economic participation rates* (Paragraph 21). *There may be evidence of a steady rise, nationally, in economic participation by women aged 50-64, but there appears to be no parallel trend among men and,*

moreover, future increases in the state pension age will not affect men in this age-group. Among the 65-plus age group, it may well be that the number in employment has nearly doubled between 1993 and 2011, but the Office for National Statistics [ONS] report cited in para 1.7 of Annex Q1(c)3 to the Councils' Matter 1 hearing statement makes it clear that two-thirds of them were working part-time in 2011. It is unclear how this tendency would affect older people's ability to substitute for younger in-migrants in the future workforce (Paragraph 22). I asked the Councils to carry out further sensitivity tests on SS2 to assess the effect of reducing the assumed increases in the economic participation rates of older persons. These tests also resulted in significant rises in the projected household figures, compared with SS2 (Paragraph 23). Thus I find both a lack of clear evidence to support the assumptions made in SS2, and a high degree of sensitivity in the model to changes in those assumptions when calculating the housing requirement for the Plan period'(Paragraph 23). These same criticisms are applicable to the BANES evidence.

Similarly whilst economic forecasting is notoriously difficult, the Council must demonstrate the use of up-to-date and realistic employment forecasts to inform the analysis. This is likely to mean examining and comparing forecasts from more than one source to ensure as far as possible that any data relied on is representative of the likely economic situation over the plan period. It is likely that historic evidence pre-dating the Hearings in January 2012 is more pessimistic in outlook than more up to date evidence such as the Experian's February 2013 jobs forecast.

Affordable Housing

Questions 3.22, 3.23, 3.24, 3.25, 3.26 and 3.27

The Council has not compared alternative models such as the DCLG Housing Needs Model against the ORS Housing Mix Model. Moreover by only testing affordable housing output for the mid trend migration scenario (Paragraph 31 BANES/48), the Council has not looked at sufficient range of alternative affordable housing need scenarios.

The previous West of England SHMA identified an annual affordable housing shortfall of 847 dwellings per annum in BANES between 2009-2021.

The Housing Mix Model outputs for affordable housing are flawed if housing benefit support for households living in private rented housing does not continue.

The use of 35% of 1,167 dwellings as the affordable component of shortfall is inappropriate (Paragraph 32 BANES/48). This is not a full quantitative assessment of the backlog of unmet need for affordable housing.

Student housing

3.28, 3.29, 3.30 and 3.31

It remains unclear if the student population is included or excluded from the Council's housing requirement calculations. Paragraph 14 of Addendum 1a

states that revised population projections have been calculated including students within the general population whilst Paragraph 5 of the Statement of Common Ground states that household / population projections exclude students.

As a consequence it remains unclear whether or not identified future growth in the student population will or will not add to the demand for housing in BANES. It may be unrealistic to assume all growth in student numbers will be accommodated in purpose built Halls of Residence with no impact on the number of households or dwellings required.

Calculating the overall housing requirement Questions 3.32, 3.33, 3.34 and 3.35

The calculation of the five year land supply should be calculated on the overall planned provision of housing as set out in the plan.

Conclusion

The stated aims of the NPPF are to boost significantly the supply of housing (Paragraph 47) and to widen the choice of high quality homes (Paragraph 9) by positively seeking to meet development needs (Paragraph 14). Through the objective identification and assessment of needs for market and affordable housing (Paragraphs 14, 17 and 47) LPAs should be pro-actively driven to deliver these needed homes (Paragraph 17).

In conclusion, the Council's assessment of housing needs and the resultant housing requirement do not satisfy these stated aims of the NPPF. Therefore any plan based on such evidence would be unsound.

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