

BATH AND NORTH EAST SOMERSET

CORE STRATEGY EXAMINATION

CONSULTEE ID – 4588

REPRESENTATIONS

10-12 December 2013

MATTER

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

NOVEMBER 2013



1. Introduction

- 1.1 This Statement has been prepared in response to the Inspector's questions for the Examination session set out in ID/42. As with the previous session relating to the scope of the SHMA, many of his questions are directed specifically to the Council to explain and justify aspects of the modelling exercise, and its inherent assumptions, undertaken by their demographic consultants, ORS. As such, it is difficult for other participants to respond in a detailed and meaningful way unless they have been in a position to undertake their own modelling exercise to test alternative scenarios and assumptions.
- 1.2 The response to a number of the Inspector's questions requires further scenario-testing by the Council's consultants using the model that they have constructed for the purpose. The responses to those questions will only be known once the Council's Statement is received, and will no doubt be the subject of further scrutiny at the Examination session.
- 1.3 The Inspector, at para. 1.3 of ID/42, has charged the Council with responding to 'all' of the questions that he has raised. Other participants are invited to submit a Statement on relevant matters only if they wish to do so, but not to repeat matters made in their representations.
- 1.4 It is evident from his questions that one of the key issues with which the Inspector is grappling is whether the population and household/dwelling projections on which the Council is now seeking to rely through the SHMA Addendums (CD9/H4/1-3) provide an appropriate basis for establishing the future housing requirement for the District. In order to assist the Inspector with arriving at an appropriate and balanced conclusion on this matter, and to provide a context within which the further responses of the Council to the detailed questions that he has asked pertaining to their modelling exercise should be considered, this Statement focuses in the first instance on relevant national and local circumstances that are likely to have impacted on the trends that are now reflected in the statistics that are used in the Council's computation. This is followed by a more direct response to some of the issues that the Inspector has raised which are considered in the light of this background context.

2. Contextual Considerations

- 2.1 In considering whether the trend-based, migration-led population projections now relied upon by the Council in CD9/H4/1 are an appropriate basis for establishing a future housing requirement, it is imperative to have regard to factors that may have influenced the historic trends on which the projections are based, and whether it is appropriate to plan for a continuation of those trends.
- 2.2 There are two key factors that are likely to have influenced the historic trends, and to have contributed to the disparity between the estimated and projected population of the district as set out in CD9/H4/1, para. 5). These two key factors can be broadly summarised as 'planning' and 'economic/market' circumstances. Each of these considerations is addressed below.

Planning Circumstances

- 2.3 The planning circumstances during the preceding decade to 2011, at both national and local levels, have been such as to constrain the supply of deliverable housing land. This has undoubtedly contributed to what was being widely acknowledged towards the end of the decade as one of the lowest levels of post-war housing delivery.
- 2.4 At national level, at the beginning of the decade, the strong policy emphasis was on affording priority to housing delivery utilising previously-developed land, to the extent of requiring a sequential approach to the allocation of housing land in development plans, and a phased release of sites in terms of only allowing greenfield releases once brownfield alternatives had been exhausted.
- 2.5 In tandem with the above policy priority, and driven in part by the same agenda to deliver urban regeneration, and in part by the ambition to reduce travel demands, the policy emphasis was to focus development on the main urban areas, and to downscale development associated with smaller settlements which did not offer a range of social and community facilities, including employment and shopping, and/or were within easy commuting distance of larger settlements.
- 2.6 The outworking of this national planning policy emphasis was reflected at the local level in the planning policy framework affecting BNES. In the strategic planning policy framework provided by the Joint Replacement Structure Plan for the former County of Avon (CD3/1) the focus for development was on the two principal urban areas of Bath and Bristol, and to a lesser extent Weston-super-Mare. In tandem, growth at

settlements beyond the Green Belt that had historically accommodated a large quantum of the district's housing requirements owing to the combination of Green Belt, landscape and heritage constraints on development at Bath, in particular Norton Radstock, was to be downscaled in an attempt to reduce commuting and travel demands. However, this was also accompanied by a firm policy intention not to adjust Green Belt boundaries to allow for further growth at Bath.

- 2.7 The outworking of these policies was a reliance on one of Bath's only previously-developed sites within the city limits, Bath Western Riverside, to deliver a major share of the district's housing requirements during the past decade. As will be well-known to the Inspector, this site predictably failed to deliver the housing required in the period to 2011, and indeed delivered very little housing at all in the plan period during which it was intended to accommodate the majority share. Since the policy emphasis was also to limit the further growth of Norton Radstock, there was little compensatory provision associated with that secondary urban area. The consequence was a persistent under-delivery of housing during the plan period.

Economic / Market Circumstances

- 2.8 By 2008, notwithstanding a period of rapid economic growth and prosperity, there was already widespread concern relating to a disproportionately low level of housing delivery by the industry, which can largely be attributed to an overregulated supply of housing land through the planning system. From 2008 the problems of under-supply were compounded by the collapse of the economy into one of the deepest and most enduring recessions in history.
- 2.9 The housebuilding industry was one of the first to experience the impact of recession, which has had widespread repercussions on its overall structure. It was compounded by the fact that the main causal factor of the recession was the injudicious lending by, and consequential near collapse of, the Banking sector. The consequences of the correction of the ills of this sector was to severely reduce lending, and in consequence, a significant reduction in the availability of mortgage finance.
- 2.10 The consequences of these economic circumstances was to further suppress housing delivery as the industry was decimated by a combination of market collapse and severe squeeze on funding by lending institutions.
- 2.11 In the light of the above circumstances, it is unsurprising that the population of the district, and the rate of household formation, has been less than projected. The suppression of housing delivery has acted as a brake on population growth. Assuming an average occupancy of 2.3

persons per dwelling, the failure to deliver the Local Plan backlog alone will account for nearly 44% of the disparity between the estimated and actual 2011 population levels.

2.12 The reduction in household formation rates between 2008 and 2011 are likely to be in part a reflection of economic circumstances. This has undoubtedly impacted upon migration rates since 2008 as job insecurity and the drying up of mortgage finance have led to the deferral of moves. This is particularly so amongst potential new entrants to the housing market, such as first-time buyers moving from their parental home.

2.13 The advice set out in paragraph 158 of the NPPF is of particular relevance in relation to the contextual considerations:

*Each local planning authority should ensure that the Local Plan is based on adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area. Local planning authorities should ensure that their assessment of and strategies for housing, employment and other uses are integrated, and that they **take full account of relevant market and economic signals** (emboldening added).*

2.14 There would appear to be a distinct lack of regard for this evidential requirement in the Council's approach to the assessment of housing requirements. There is no evidence that either market or economic signals have featured in its assessment of housing requirements.

2.15 Whilst attention is given to the level of affordable housing need, which is a reflection of the state of the private housing market, little regard seems to have been had for the implications of house prices in terms of trends in headship rates in the district. The constraints on housing delivery that are cited above, combined with the attractiveness of the district as a place to live, are reflected in average house prices that considerably exceed the national average. Moreover, the district in general, and the city of Bath in particular, has not experienced the level of house price deflation that has been witnessed in other parts of the country. Indeed, if there has been deflation, it has been short-lived, and current levels are in many cases now exceeding their pre-recession peaks.

2.16 The consequences of the high average house prices are two-fold. First, to force a large proportion of those who would otherwise choose to live in the district, not least because they work there, to look beyond the district in order to meet their housing needs. This includes the towns of Chippenham and Trowbridge in Wiltshire where average house prices are lower and yet there is good rail access to Bath and Bristol, and towns such as Frome in Mendip district.

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- 2.17 The second consequence of high average house prices is to force those who might otherwise seek to purchase a home and set up a new household, to defer doing so in favour of living in the district, and in particular the city of Bath. This affects young professionals in particular, who are thus forced to share accommodation in the rented sector. This will impact upon the statistics relating to household formation and headship rates since sharers who are unable, or unwilling, to afford to set up their own households both reduce the rates of household formation and increase the overall average headship rates through the higher occupancy levels of shared accommodation. The high proportion of student occupation of housing in certain parts of Bath, in particular Oldfield Park, Twerton and Lower Weston, with occupancy levels averaging 4 per dwelling, will also affect and distort headship rates in the district.
- 2.18 In order to ascertain the extent to which these factors are skewing the trend line analysis in the district, having regard to its particular attractions as a place to live, market signals in house prices and rent levels, and occupancy levels of those in rented accommodation, would be of assistance. They are market signals to which regard should be had in setting the overall housing requirement for the district, and which affect the response to the Inspector's questions.
- 2.19 As outlined above, many of the Inspector's questions are in the Council's domain to provide a response, not least since they require further outputs from the model. However, some general comments having regard to the circumstances set out above, are provided in relation to some of the key topic areas that he has identified.
- 2.20 The Council correctly acknowledges in BNES/48 that:

Establishing the total need for housing is not an exact science. The SHMA Addendums establish a range or 'fan' for potential housing need. Planning for the central projection is sound as it can be regarded as the most probable outcome.

However, planning for that outcome is not sound if it is based on trends that are not representative and/or are not likely to continue into the future, or in particular, a trend that it is not desirable to perpetuate through the future plan period. The latter in particular would be an inappropriate response to the housing requirement. The emphasis in the NPPF on using a 'proportionate' evidence base that takes 'full' account of relevant market and economic signals (para. 158) endorses the need to treat trend based projections with caution.

3. Response to Specific Issues

Relevant National Guidance

- 3.1 If the Secretary of State specifies that the emerging guidance will apply only to pre-submission Plans, then it is likely to be of limited weight in the context of the current Examination, other than to indicate a direction of travel of Government policy. It may provide a benchmark against which to consider the adequacy of the Council's assessment of the housing requirement, but in the event of any discrepancy between the provisions of the emerging guidance and those of the extant guidance, the latter should prevail.

Population Projections

- 3.2 The Council's reliance on the ONS corrected mid-year population estimates 2001-2011 is not necessarily an appropriate starting point. They reflect a baseline population that is likely to have been artificially suppressed by a combination of (local and national) planning and economic circumstances, and which it is undesirable to perpetuate into the future. To do so would be inconsistent with the NPPF objective to plan to 'boost significantly' the supply of housing (para. 47).
- 3.3 The economic and market circumstances have already moved on since 2011 in that the economy has been restored to growth, and there is evidence that this, combined with interest rates at a record low, the easing of mortgage finance (with approvals in September 2013 being at their highest rate since 2008), and the Government's 'Help to Buy' scheme is fuelling house price inflation. The future trend in population growth may therefore be more akin to the situation reflected in the 2008 projections than those deriving from 2011 which are moderated by one of the worst recessions in history
- 3.4 Migration is a key element of population growth. It is noted that the average for the 10-year period to 2011 was suppressed by two years of net outmigration (CD9/H4/1: Figure 1), and that the highest level of outmigration was at the onset of the recession in 2008-09. In seven of the 10 years in-migration has exceeded the average, in one instance by more than twice the average rate. Moreover, in the most recent year for which statistics are available, in-migration was again almost twice the average figure.
- 3.5 The migration trend profile is also likely to have been affected by the persistent undersupply of housing in the district during the trend period, causing those who would otherwise move into the district to seek

residence elsewhere because of the lack of availability, and inflated prices, of housing. Had housing been delivered in accordance with the requirements of the development plan over the trend period, the level of in-migration is likely to have been considerably higher.

- 3.6 It is therefore considered that in-migration going forward is likely to be higher than the mid-trend, and that even the high-trend scenario is a conservative estimate. The contribution to population growth resulting from migration therefore needs to be adjusted upwards to reflect at least the high trend, and possibly higher. It is unacceptable to project a future level of in-migration based on a past trend that has been suppressed by the persistent under-delivery of housing that has pervaded the trend period.
- 3.7 Since the evidence base is in a constant state of flux there has to be a sensible and practical cut-off point, which is logically the date of the examination session relating to the housing requirement. This should not be prejudicial to establishing an appropriate housing requirement providing a proportionate evidence base is used in its derivation as outlined above, which has full regard to relevant market and economic signals and how they should affect the extrapolation of past trends which are a reflection of the particular circumstances that influenced them over the period of time of which they are a reflection.

Household / Dwelling Projections

- 3.8 It is agreed with the Inspector that the choice of future headship rates is one of the most critical factors in dispute and variations in which have a significant effect on outcomes. The caution that must be applied in using a single set of projections is evident from the quality report accompanying the 2011-based projections, as cited in BNES/48 (at para. 16), which acknowledges the uniqueness of each set of projections comprising trends using the best information available 'at that point in time'. It also acknowledges the need to make an assessment of whether household formation rates in an area are likely to continue if considering housing requirements over the longer term.
- 3.9 For reasons outlined in Section 2 above, it is considered that the headship rates in BNES have been escalated over the trend period for a combination of reasons, including a rationing of the supply of deliverable housing land, higher than average house prices, economic circumstances, high levels of student occupancy of the existing housing stock, and combined with the attractions of living in the district. This is likely to have caused a higher degree of sharing and a lower rate of household formation than would otherwise be the case, as is likely to be reflected in evidence of market and economic signals.

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- 3.10 The market and economic signals indicate that the economic factors that may have influenced the lower rate of household formation are easing. Moreover, the distorting influence caused by students occupying the general housing stock may not increase at the same rate as previously following the imposition of a city-wide Article 4 Direction in Bath precluding further conversions of the general housing stock to HMOs without the requirement for planning permission. However, average house prices are back at their peak, and deliverable housing land remains constrained.
- 3.11 It therefore seems that that there is not just a question of predicting future trends in relation to this issue, but one of policy approach and aspiration. The objective set out in the paragraph 50 of the NPPF is clear, and is to deliver a 'wide choice' of high quality homes and to 'widen opportunities' for home ownership. This objective will not be advanced by perpetuating a headship rate that translates into a housing requirement and supply such as to continue to deny effective choice and fails to widen opportunities for home ownership.
- 3.12 In order to deliver such choice and wider opportunities the NPPF advice is to "*plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community...*" (para. 50). The Council's hybrid approach seems to be grounded in current demographic trends, and pays scant regard to future ones. Moreover, there is little evidence of regard for market trends.
- 3.13 Therefore, in response to the Inspector's question regarding the use of the 2011 headship rate, it is considered that it reflects both recessionary trends, and is also influenced by other factors that have maintained headship rates at an artificially high level, and suppressed household formation rates at a level below what freedom of choice and opportunity would dictate. Perpetuation of this trend will not achieve the aspirations of the NPPF to 'boost significantly' the supply of housing.
- 3.14 Aspects of housing need should be added to the baseline household projection. Not all of the need will qualify as 'affordable need', for example, professionals sharing who could qualify for mortgage finance. A key issue that doesn't seem to have factored into the Council's assessment is the level of housing required to provide such groups with the choice and opportunity to access housing within the district.
- 3.15 For all of these reasons, the 2008 headship rates for the whole period are to be preferred relative to the hybrid rate. The latter risks perpetuating not only recessionary effects, but other BNES-specific effects that have artificially elevated headship rates in the trend analysis to 2011. A failure to balance trend-based projections with market and economic signals will

result in a housing requirement that does not ensure that the Core Strategy plans for 'full, objectively assessed needs' (NPPF, para. 47).

Labour Supply for Planned Growth

- 3.16 There is a risk that the planned housing requirement could constrain economic growth over the plan period. Whilst the economy has been slow to emerge from recession into a sustained recovery, recent evidence is that this is now underway. The Bank of England has recently (13 November 2013) revised its forecast for growth in an upward direction, and reported employment growth at a faster rate than anticipated, with the Governor hailing that the recovery has finally taken hold.
- 3.17 Although the Council, in BNES/43, takes a pessimistic view in relation to the replacement of the MoD jobs that have relocated to Filton Abbey Wood, the possibility of attracting a large employer should not be ruled out. Few would have predicted the relocation of the Met Office from the south-east to Exeter in 2003, which has resulted in over 1,500 additional jobs in the city. That was a move prompted by a combination of the environmental qualities with their benefits for attracting and retaining staff, the good accessibility by road, rail and air, and the links with the University. There would appear to be many parallels with the situation in BNES in this respect.
- 3.18 Businesses are increasingly footloose in the Internet age. The ability to attract and retain a skilled workforce can be a key determining factor in considering where to locate. Part of this includes accessibility to decent housing at an affordable price. The deterrent to business investment caused by the lack of housing availability has been demonstrated over the years in Swindon. Housing availability and affordability is key to attracting prestigious employers. BNES has all of the other ingredients contributing to the potential to do so.
- 3.19 The economic prospects in BNES must also be considered having regard to the wider business context in which it is set. In particular, after many years in gestation, the Bristol and Bath Science Park, with its Innovation Centre and very close links with Bristol and Bath Universities, is coming forward at Emersons Green on the east side of Bristol. This will contribute to the favourable prospects of the district as a business location.
- 3.20 Considered in conjunction with all of the other factors outlined in these submissions, it is considered that the planned housing requirement could act as a constraint on reasonable expectations of economic growth over the plan period.

Other Factors

3.21 As cited in evidence above, the Council's SHMA / housing requirement seems to have taken little account of relevant market and economic signals. Relevant factors would include the following indices:

- House prices
- Rental levels
- Occupancy levels

3.22 The objective assessment of need / housing requirement require further adjustment to reflect such signals. In the context of the underlying objectives for housing set out in the NPPF, which include delivering a 'wide choice' of quality homes and 'widening opportunities' for home ownership, trend-based projections are an inadequate basis on which to plan for the future requirement. That is particularly so if, as would seem to be the case in BNES, continuation of past trends would perpetuate a situation of limitation of choice and constrained opportunities for home ownership. This requires a positive, and indeed 'policy' decision to depart from previous trends. The NPPF objective to 'boost significantly' the supply of housing implies a departure from past trends, and the appropriateness of so doing.

3.23 The apparent absence of policy input and market considerations in setting the housing requirement is a significant weakness in the requirement that the Council has identified, which should have been set having regard to the outputs of the SHMA balanced in the equation with these broader evidential requirements. The housing requirement is therefore not considered to derive from using a proportionate evidence base or to have been computed having regard to relevant policy aspirations.

Student Housing

3.24 Since BNES is an attractive place in which to live and work it is likely that a significant proportion of students seek to stay in the area after graduation. The ongoing development of opportunities for graduate employment in the area, such as the Bristol and Bath Science Park, is likely to increase the likelihood of students remaining in the area, if not permanently at least for a longer period of time in view of the potential for research contracts etc that are likely to arise from collaboration between the Universities and the knowledge-based industries. Moreover, having regard to one of the key specialisms of the University of Bath as a centre for sporting excellence, it is likely that a high proportion of elite sports athletes will stay in the area to continue to use the specialist facilities which are only found in selective locations.

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- 3.25 It is incorrect to assume that future growth in the student population will not add to housing pressures. There is no certainty that bespoke student accommodation will be delivered in tandem with the increase in student numbers, either by the Universities or other providers. Moreover, there is no certainty, or indeed control, over students choosing to live in the general housing stock rather than bespoke accommodation. Many students prefer shared houses in locations away from the campuses and closer to the city centre, rather than the institutional environment of halls of residence and/or cluster flats. Moreover, the cost of shared student houses is generally less than bespoke accommodation. It is therefore likely that a significant proportion of the additional student population will choose to live in the general housing stock, adding more pressure and to the requirement for general needs housing.
- 3.26 It is also significant that, the higher the overall number of students in Bath, the greater the overall number of students who are likely to stay in the area after graduation. This will place further pressure on the housing stock.

Calculating the Overall Housing Requirement

- 3.27 Any shortfalls from previous plan periods should be included in the overall requirement. It is unmet need which remains to be accommodated, and at the earliest opportunity. For this reason, and following the Sedgefield approach, the backlog should be included in the five year requirement in order to ensure that it is alleviated at the earliest opportunity. To dissipate it over the Plan period would extend the period that the need remains unsatisfied. Since it is need arising from a previous Plan period it is a requirement that should be delivered at the earliest opportunity. The five year supply should therefore be calculated on the basis of the 'overall' planned provision, and delivery of the backlog frontloaded by including it in the five year supply.
- 3.28 For the reasons outlined above, the housing requirement identified by the Council is not considered to reflect the objectively assessed needs since it is not based on a proportionate evidence base. Since the Council has failed to consider evidence of market and economic indicators, its evidence in relation to delivery may be deficient.
- 3.29 However, the representatives of the development industry would not be committing resources and expenditure to the Examination process and arguing for a higher requirement if they did not consider it to be deliverable. On the basis that the Industry is widely represented at the Examination, and is of view that the objectively assessed need is greater than the requirement identified by the Council, the Inspector should be reassured that the overall planned provision is a minimum figure that can be delivered.

3.30 It is worthy of note that the RS housing requirement for BNES, which was set having regard to 'deliverability', was 21,300 dwellings over a 20-year period, and therefore a considerably higher quantum than now proposed.

4. Conclusion

- 4.1 Both the Council (BNES/48) and the Inspector (ID/42) acknowledge that setting the housing requirement is an inexact science, and that there is unlikely to be one appropriate approach. The key issue, as identified by the Inspector, is whether the Councils' approach is reasonable, and the overarching question is whether their assessment of housing needs, and the resulting housing requirement, accord with the requirements of the NPPF (ID/42, para. 3.1).
- 4.2 It is clear from the Statement of Common Ground just what an inexact science the modelling exercise can be, and how computation of the requirement can be influenced by the assumptions that are input to it. The outputs of the further modelling and computations in response to the questions asked by the Inspector will no doubt be the subject of further scrutiny and debate at the Examination session.
- 4.3 However, in the final analysis, the housing requirement that is set will be a matter of judgement for the Inspector having regard to a proportionate evidence base and policy aspirations and directions for housing. The products of the statistical trend analyses will be a contributory factor to the overall evidence base that should be used in making this judgement.
- 4.4 In this instance, the Council's approach to establishing the housing requirement is not considered to be reasonable since it is informed by little other than the evidence base comprising the SHMA, with an uplift in order to achieve policy aspirations relating to affordable housing. It does not adequately incorporate a proportionate evidence base, and in particular the requirement to take 'full account' of relevant market and economic signals. Moreover, it does not appear to factor in the NPPF objectives for housing, and in particular to widen 'choice' and 'opportunities' for home ownership, which are integral to the underlying objective to 'boost significantly' the supply of housing.
- 4.5 Had a proportionate evidence base informed the setting of the requirement, then the wider considerations of house prices, rental levels and occupancy levels, which indicate a need to deliver a supply of market housing beyond trend population and household growth in order to achieve policy objectives, could, and indeed should, have resulted in a higher requirement.
- 4.6 The Council's track record of persistent under delivery of housing also augers in favour of setting a higher requirement which will ameliorate the adverse consequences of further failures to bring forward sufficient land to accommodate requirements. There can be little confidence that the

Council will identify sufficient land in a timely manner to deliver the requirement that is set. Therefore, setting a higher target will at least diminish the adverse consequences of delivery failures.

- 4.7 It is also relevant that the Council's housing requirement fails to have regard to unmet needs from adjacent authorities. Bearing in mind that the Bristol Core Strategy will be due for review shortly after the anticipated adoption of BNES' CS, and it is likely on this occasion that Bristol will need to look to adjoining authorities to accommodate some of its needs, a higher requirement could cushion the need for early review of the BNES CS.
- 4.8 The south-west in general, and BNES in particular, is an attractive place in which to live, for the economically active, those who are studying, and those who are retired. With the flexibility provided by the Internet, including the increasing workplace flexibility which it permits, the migration pressures on the district are likely to increase from both national and international migrants. Indeed, the University of Bath is increasingly targeted by international students.
- 4.9 The pressures on housing will therefore continue to increase during the Plan period, and the Council must set a target that responds positively and effectively to them. This implies a trend-busting requirement, as was identified to be necessary and appropriate in the RS. The failure to do so will result in a housing market that continues to limit choice and opportunity, which would be completely at odds with the underlying policy objectives.
- 4.10 Having regard to all of the foregoing considerations, and applying the necessary judgement suffused with the aspirations of policy that should be brought to bear on this matter, an overall requirement for a minimum of 15,000-16,000 dwellings during the plan period would seem to be reasonable, and to accord with the requirements of the NPPF, in this instance.