

**Bath & North East Somerset
Local Plan (Core Strategy /Placemaking Plan) 2011-
2029**

Partial Update

**Options Consultation
January 2021**

Topic Paper: Housing Supply

**Bath & North East
Somerset Council**

Improving People's Lives

1. Introduction

- 1.1 The Council is progressing a partial update to the adopted Core Strategy and Placemaking Plan (together comprising the Local Plan). The partial update is being undertaken in order to address a number of important issues in the short-term which include replenishing or updating housing supply. This is necessary in order address a shortfall in supply.
- 1.2 At the Placemaking Plan Examination in 2017 the Council confirmed there was a marginal shortfall at that time of around 350 dwellings in supply against the Core Strategy requirement of around 13,000 dwellings which arises towards the end of the plan period and that it would be addressed through the required five yearly review of the Plan. This was accepted by the Inspector and this review is being undertaken now resulting in a partial update of the Local Plan.
- 1.3 This Topic Paper explains the Council's approach in identifying the current shortfall in housing supply, outlines the scale of the shortfall that will be planned for in the partial update to the Local Plan and the implications of doing so.

2. Current Housing Requirement, Delivery and Supply Position

Housing Requirement

Core Strategy

- 2.1 The Council adopted the Core Strategy in 2014. It establishes a housing requirement of around 13,000 dwellings from 2011 to 2029. As at April 2020, there were nine years of the plan period remaining.
- 2.2 The Core Strategy housing requirement is based on a Strategic Housing Market Assessment (SHMA) – available at: https://www.bathnes.gov.uk/sites/default/files/sitedocuments/Planning-and-Building-Control/Planning-Policy/Evidence-Base/Housing/banes_shma_update_2013.pdf As set out in the adopted Core Strategy the overall level of housing need identified in the SHMA was adjusted in setting the housing requirement primarily in order to ensure that the identified need for affordable housing could be met. The overall need identified in the SHMA was around 9,000 dwellings, compared to the uplifted housing requirement of around 13,000. It should also be noted that the Core Strategy housing requirement specifically excludes accommodation to meet the needs of the student population, which the Core Strategy plans for separately.

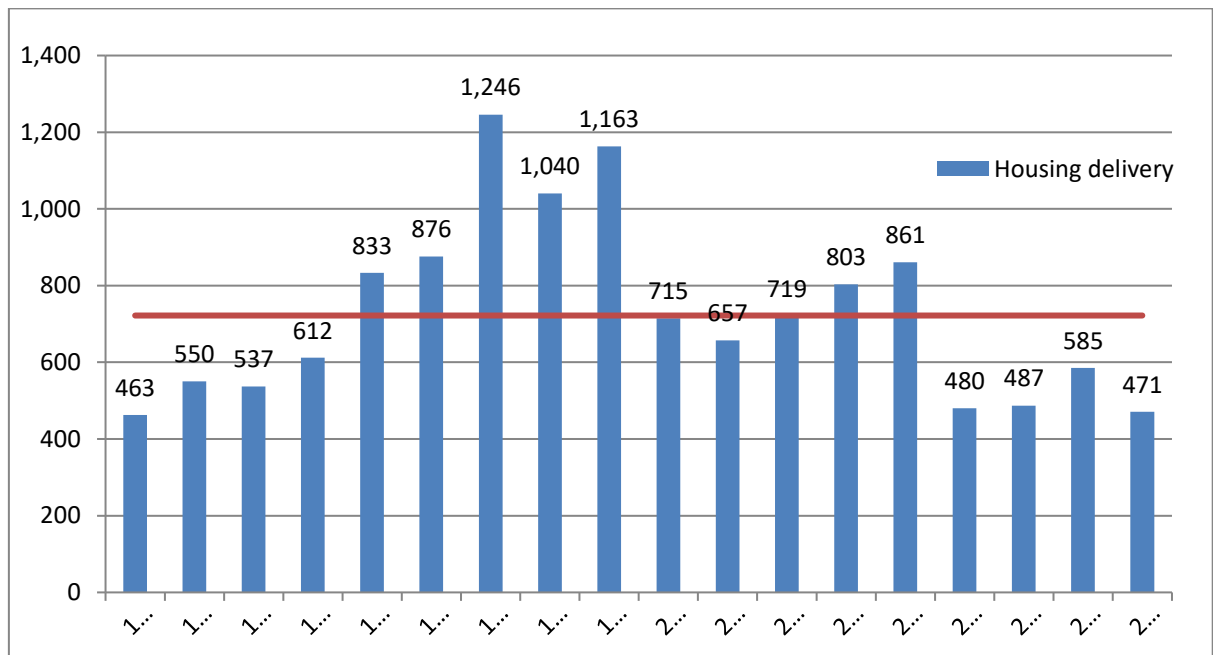
Standard Method

- 2.3 The NPPF outlines that in preparing strategic policies through plan-making a housing requirement should be established based on local housing need using the standard method. The National Planning Practice Guidance (NPPG) also makes it clear that the standard method is the starting point for identifying local need and that this is not, of itself, the housing requirement that should be planned for. The housing requirement should be established through plan-making. In areas where a joint authority with an elected Mayor has strategic planning powers (such as the West of England Combined Authority) the housing requirement for the combined area and the distribution across that area should be derived through the preparation of a Mayoral Spatial Development Strategy.
- 2.4 National policy also makes it clear that once an adopted strategic policy is more than five years old for the purposes of assessing future housing land supply and demonstrating a five year supply the housing need figure established through the standard method should be used.
- 2.5 On the 20th December 2020 MHCLG confirmed that the standard method figure should continue to be based on 2014 projections. An adjustment is made to the household projections figure to reflect housing affordability within an area. The standard method relates to projected changes in all parts of the population, including students. As such the local need figure calculated includes student housing (contrary to the Core Strategy requirement). Some revisions to the standard method were announced in December 2020. The primary revision is that for the largest cities and urban areas an uplift has been added. This applies to 20 local authorities, which excludes Bath & North East Somerset.
- 2.4 Using the standard method the annual figure of local need is 648 new homes. However, it should be noted that this figure will need to be re-calculated each year when the affordability ratios are published in March.

Housing Delivery

- 2.5 The adopted Core Strategy requirement of around 13,000 homes equates to 722 homes per year. As shown by the graph below housing delivery in the district has significantly exceeded this annual figure in the last five years. Overall, 7,320 homes have been completed between 2011 and 2020. Given that the accommodation needs of the student population are not included within the Core Strategy housing requirement the construction of Purpose Built Student Accommodation (PBSA) is not included in these completions figures. In order to meet the Core Strategy requirement around 5,680 dwellings (excluding

PBSA) need to be built during the remaining nine years of the plan period to 2029.



2.6 In addition to past housing completions the graph above shows predicted future delivery as set out in the Council's latest published housing trajectory (31st March 2020 base date), which is available at:

https://beta.bathnes.gov.uk/sites/default/files/2020-12/housing_land_supply_trajectory_2020.pdf

Please see the sections below on the five-year housing land supply and overall housing supply.

Housing Delivery Test

2.7 The Housing Delivery Test was introduced when the NPPF was revised in 2018. The test compares a council's past three years of housing delivery against its three-year requirement. The results of the test are published by the government annually and should be published in November but have been delayed for 2020. As the council has significantly exceeded its housing requirement for the past three years the council is confident the test will be passed this year. It should also be noted that the Housing Delivery Test includes an allowance for the dwellings equivalent of PBSA. Inclusion of PBSA within the Housing Delivery Test figures contributes to the Council's positive results. Last year's test result was 245%.

2.8 As set out above the Housing Delivery Test only relates to the previous three years delivery. Therefore, once delivery drops below the annual requirement across a three-year period the housing delivery test will be failed. As can be noted in the above graph the council have delivered well above the annual requirement for the past five years. However, the delivery trajectory graph shows that in the future delivery is predicted to begin to drop below the required annual figures. Therefore, despite the latest published housing delivery trajectory showing that sufficient sites have been identified to deliver the 13,000 homes required, the reduction in annual delivery will result in failure of the housing delivery test during the plan period.

Housing Supply

Five-Year Housing Land Supply

- 2.9 In addition to the Housing Delivery Test the NPPF (para 73) also requires the Council to identify and update annually a supply of specific deliverable sites sufficient to provide a minimum of five years' worth of housing against their housing requirement set out in adopted strategic policies, or against their local housing need where the strategic policies are more than five years old i.e. a five-year housing land supply. The supply of specific deliverable sites should in addition include a buffer of 5% to ensure choice and competition in the market for land.
- 2.10 A five-year housing land supply to meet the Core Strategy requirement is calculated against the remainder of the requirement to be delivered. As shown by the graph above housing delivery from 2011 to 2020 has exceeded the annualised Core Strategy requirement of 722 – delivery is effectively ahead of schedule and the council is carrying a surplus against the annualised requirement. At 2020 this surplus was 822 dwellings, which is equivalent to more than one year's requirement against the Core Strategy. Taking account of this surplus means that against the Core Strategy requirement the council has significantly more than a five-year housing land supply and could maintain this well into the future i.e. until 2024 based on the current delivery trajectory.
- 2.11 However, as the Core Strategy (which established the strategic policy setting the housing requirement) is now more than five years and as set out above the NPPF requires that the five year housing land supply requirement is calculated against 'local housing need'. The standard method housing figure for B&NES is 648 per annum for the next ten years.
- 2.12 In its delivery trajectory the Council has identified a supply of deliverable housing land for 3,755 homes between 1 April 2020 and 31st March 2025. This compares to a five-year housing land supply requirement using the standard

methodology figure (including 5% buffer) of 3,402. This amounts to a housing land supply of 5.52 years. It is worth noting that as the Core Strategy does not include the provision of student accommodation in its housing requirement/ supply the dwellings equivalent of PBSA delivery is excluded from this land supply figure. However, if it is included (as allowed for under the standard method and using the Housing Delivery Test Measurement Rule Book supply the ratio of 2.5 bed spaces to one dwelling) the housing land supply would increase to 5.72 years.

- 2.13 Unlike calculating the five-year land supply against the Core Strategy housing requirement using the standard method as the basis does not allow the council to take account of any surplus in supply. Therefore, despite the standard method housing requirement being lower than that of the adopted Core Strategy the council in the near future, is unlikely to be able to demonstrate a five year housing land supply as future delivery slows despite having already delivered more than the required homes.
- 2.14 Given that in the future both the Housing Delivery Test will be failed and a five-year housing land supply is diminishing corrective action is required. As such it is proposed to identify and allocate additional sites to replenish housing supply.

Overall Supply

- 2.15 As set out above the Council's latest published housing delivery trajectory shows that there is sufficient supply to meet the Core Strategy requirement of around 13,000 homes. The trajectory shows an estimated supply of around 5,800 dwellings from committed sites between 2020 and 2029. However, in reviewing this supply some sites have been identified where housing delivery during the plan period cannot be relied upon to the extent envisaged in the current trajectory. Adjusting the anticipated supply from these sites and taking a realistic view on delivery of the remaining sites, plus an allowance for small windfall sites, the latest estimated current supply is around 5,300 dwellings up to 2029. This results in a shortfall of almost 400 against the Core Strategy requirement. This is of a similar magnitude to the shortfall identified at the time of the Placemaking Plan Examination. The adjusted supply and shortfall arises towards the end of the plan period and does not affect the current five-year land supply position.
- 2.16 This shortfall in overall supply, allied to the future Housing Delivery Test and five-year land supply issues outlined above, requires further allocations to be made through the Local Plan partial update.

3. Housing Supply Shortfall

- 3.1 The NPPG sets out the factors which local planning authorities should consider in assessing whether policies in a Local Plan need to be reviewed. In accordance with this guidance and as referenced above the council considers that the delivery trajectory shows that overall supply is likely to be insufficient to meet the plan requirement and that in future years the Housing Delivery Test and requirement to identify a five-year land supply will be at risk. Therefore, corrective action is required to replenish housing supply through the partial update of the Local Plan in order to address all of these issues.
- 3.2 As this is a partial update of the plan and not the preparation of a new local plan and in light of guidance in the NPPG referenced later in this paragraph it is not appropriate to change the plan period, housing requirement or spatial strategy. Therefore, the supply shortfall to be addressed is against the Core Strategy housing requirement. It should be noted that the NPPG makes it clear that, in assessing whether a plan needs to be reviewed, local housing need will be considered to have changed significantly where a plan has been adopted prior to the standard method being implemented, on the basis of a number that is significantly below the number generated using the standard method. This is not the case in B&NES where the Core Strategy requirement is in fact greater than the number generated by the standard method (i.e. 722 dwellings per annum as opposed to 648).
- 3.3 The partial update of the Local Plan seeks to replenish housing supply in delivering the Core Strategy requirement (up to 2029). In order to plan for longer term housing provision a new Local Plan will be prepared. This will be brought forward within the context of and to deliver the WECA Mayoral Spatial Development Strategy (SDS). In accordance with the NPPG (see paragraph 2.3. above) the SDS will establish the housing requirement for the combined authority area based on the standard method and set out its distribution across the constituent authorities. The new Local Plan for B&NES will then set out the strategy and identify and allocate sites to deliver this housing. As set out in the council's approved Local Development Scheme both the SDS and new Local Plan will be progressed in a timely manner, with the SDS anticipated to be approved and published in spring 2023 and the new Local Plan for B&NES adopted in 2024.
- 3.4 Whilst the council considers that the partial update must be based on meeting the Core Strategy requirement for the reasons set out above, the alternative approach of planning for meeting the supply shortfall based on standard method figure of local need is set out in the Options document. Furthermore, the likely significant sustainability effects of this alternative approach have been considered through the sustainability appraisal of the Options document -

available at: <https://beta.bathnes.gov.uk/policy-and-documents-library/local-plan-partial-update-options-consultation-supporting-documents>

Scale of the Supply Shortfall

3.5 As set out in paragraph 2.15 above the estimated supply shortfall to deliver the Core Strategy requirement is around 400 dwellings. However, for the reasons set out above relating to the Housing Delivery Test the delivery surplus during the first half of the plan period cannot be taken into account. Therefore, reflecting the requirements of the Housing Delivery Test the simplest approach to identifying the supply shortfall is to base it on delivering 722 per annum up to 2029. This results in a supply shortfall of around 1,200 as set out in the table below.

| | Annual requirement | X 9 (2020-2029) | Reviewed supply | Estimated shortfall |
|---------------------------|--------------------|-----------------|-----------------|---------------------|
| Core Strategy requirement | 722 | 6,498 | 5,300 | 1,198 |

3.6 Therefore, through the Local Plan partial update sites need to be identified in order to deliver an additional 1,200 dwellings. In so doing it should be noted that this will result in a total provision of around 13,800 dwellings during the plan period to 2029. Whilst the Core Strategy requirement of 13,000 dwellings is not a cap, this resultant planned provision significantly exceeds the requirement and provides flexibility of supply of more than 5%, but not to the point where it establishes a materially different Housing Requirement.

3.7 It is also worth noting that the planned provision through the partial update set out above will also be substantially greater than that which would result from using the current standard method figure as the basis for the supply shortfall – see below.

- Annualised requirement is 648 dwellings p/a
- 9 years x 648 = 5,832 dwellings
- Current supply = 5,461 dwellings (this includes 161 dwellings equivalent from purpose built student accommodation as this forms part of the standard methodology figure)
- Supply shortfall is 5,832 – 5,461 dwellings = 371 dwellings
- Difference between Core Strategy requirement shortfall and standard method-based shortfall = 1,198 – 371 = 827 dwellings