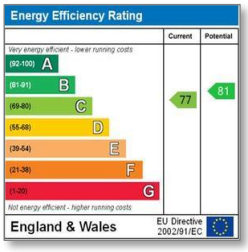

Bath HMA Strategic Housing Market Assessment Update

VOLUME ONE

Establishing Objectively Assessed Need

March 2018

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1. Introducing the Study

Background to the project and wider policy context

1.1 Opinion Research Services (ORS) was jointly commissioned by the West of England local authorities (Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire) to identify the functional Housing Market Areas (HMAs) covered by the four local authorities; in particular to establish the extent of the Wider Bristol HMA, and subsequently prepare a Strategic Housing Market Assessment (SHMA) for the Wider Bristol HMA.[1]

1.2 The Wider Bristol SHMA formed part of the evidence base for the West of England Joint Strategic Plan (JSP) which was first consulted on in early 2016. The consultation feedback received about the SHMA and the associated OAN for Wider Bristol HMA was considered by the local authorities and the LEP, and the issues raised were discussed with ORS. There was also a sequence of clarification meetings with objectors who provided their own alternative housing need assessments.

1.3 In response to the feedback received, the local authorities and the LEP decided to further develop the evidence base. ORS was commissioned to prepare an SHMA for Bath HMA (based on the administrative area covered by Bath and North East Somerset) using the same methodological approach and assumptions used for the Wider Bristol SHMA.

1.4 The Bath SHMA was published in June 2016 and identified an Objectively Assessed Need (OAN) of 11,700 dwellings for Bath HMA over the 20-year period 2016-36. On the basis of the two SHMAs and the consultation feedback received, ORS was also asked to set out independent recommendations for a West of England Housing Target which could be used as the basis for developing the JSP housing requirement.[2]

1.5 Both the Wider Bristol SHMA and Bath SHMA were informed by the 2012-based household projections published by the Department of Communities and Local Government (CLG) and considered projections based on the 24-year period 2012-36.[3] These household projections were superseded by CLG 2014-based figures (published in July 2016) and the West of England Housing Target recommendations took account of the likely impact of this new data. However, the report proposed waiting for the ONS mid-2016 population estimates to be published in June 2017 before undertaking more detailed SHMA updates in Summer 2017, as this would enable population and household projections to be produced for the JSP period 2016-36 and avoid the need for any further updates prior to the JSP being submitted for examination.

[1] Wider Bristol HMA Strategic Housing Market Assessment Volume I: Defining the Housing Market Area and establishing Objectively Assessed Need (ORS, July 2015) and Volume II: Establishing the need for all types of housing (ORS, November 2015)
[2] West of England Housing Target: The basis for the Housing Requirement in the Joint Spatial Plan (ORS, September 2016)
[3] Initial outputs from the CLG 2012-based household projections were published in February 2015 with full outputs published in December 2015

1.6 Whilst the local authorities and the LEP considered it appropriate to update the SHMA evidence prior to the JSP being submitted for examination, they were conscious of potential changes to the assessment of housing need and the possible introduction of a "standardised methodology" announced in February 2017. On this basis, it was decided to wait until the outcome of the Government's consultation "Planning for the right homes in the right places" (September 2017) was known before updating the SHMA evidence. However, in January 2018 it was confirmed that the Government's response would form part of a draft revised National Planning Policy Framework (NPPF) which would not be published until Easter, with the ambition to publish a final revised Framework in the summer. Therefore, in the context of the JSP timetable, it was decided to go ahead with updating the Wider Bristol SHMA and the Bath SHMA evidence in the context of the current NPPF and Planning Practice Guidance (PPG).

1.7 The SHMAs for the two housing market areas have also informed an update of the West of England Housing Target report.

Government Policy

1.8 The National Planning Policy Framework (NPPF) contains a presumption in favour of sustainable development, and states that Local Plans should meet the full, objectively assessed needs for market and affordable housing in the housing market area. Given that Regional Spatial Strategies are now revoked, the responsibility for establishing the level of future housing provision required rests with the local planning authority.

> *At the heart of the National Planning Policy Framework is a **presumption in favour of sustainable development**, which should be seen as a golden thread running through both plan-making and decision-taking.*
>
> *Local planning authorities should positively seek opportunities to meet the development needs of their area.*
>
> *Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole.*
>
> **National Planning Policy Framework (NPPF), paragraph 14**

> *To boost significantly the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area.*
>
> **National Planning Policy Framework (NPPF), paragraph 47**

1.9 Given this context, Strategic Housing Market Assessments (SHMAs) primarily inform the production of the Local Plan (which sets out the spatial policy for a local area). Their key objective is to provide the robust and strategic evidence base required to establish the full Objectively Assessed Need (OAN) for housing in the Housing Market Area (HMA) and provide information on the appropriate mix of housing and range of tenures needed.

Local planning authorities should have a clear understanding of housing needs in their area.

They should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:

- *meets household and population projections, taking account of migration and demographic change;*
- *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and*
- *caters for housing demand and the scale of housing supply necessary to meet this demand;*

National Planning Policy Framework (NPPF), paragraph 159

1.10 Modelling future housing need requires a consideration of the housing market from a high-level, strategic perspective; in this way an understanding of how key drivers and long-term trends impact on the structure of households and population over the full planning period can be delivered.

Overview of the SHMA

1.11 This report provides an update to the Bath HMA Strategic Housing Market Assessment. It does not update the analysis defining functional housing market area(s) across the West of England, as this was based on structural patterns and largely informed by Census data. However, it does update the Objectively Assessed Need (OAN) for housing (both market and affordable) in the Bath HMA (based on the administrative area covered by Bath and North East Somerset) over the 20-year period 2016-36. A separate report updates the Wider Bristol SHMA (based on the combined area of Bristol, North Somerset and South Gloucestershire).

1.12 Both the Bath SHMA Update and Wider Bristol SHMA Update adopt the same methodology as the previous SHMA. They adhere to the requirements of the National Planning Policy Framework (NPPF) published in 2012 and subsequent Planning Policy Guidance, and the methodology was mindful of good practice and outcomes from Examinations and Legal Judgments, as well as the Technical Advice Note about Objectively Assessed Need and Housing Targets that published by the Planning Advisory Service (PAS). Both updates have been informed by the CLG 2014-based household projections and the ONS mid-2016 population estimates, with projections based on the 20-year period 2016-36.

1.13 Using secondary data, the SHMA Updates:

- Provide evidence of the need and demand for housing based on demographic projections;
- Consider market signals about the balance between demand for and supply of dwellings;
- Establish the Objectively Assessed Need for housing over the period 2016-36; and
- Identify the appropriate balance between market and affordable housing.

1.14 Further information about the needs for different types of housing, including the appropriate mix of market and affordable housing and the needs for all types of housing will be considered in Volume II of the Bath SHMA update report.

1.15 It is important to recognise that the information from the SHMA should not be considered in isolation, but forms part of a wider evidence base to inform the development of housing and planning policies. The SHMA does not seek to determine rigid policy conclusions, but instead provides a key component of the evidence base required to develop and support a sound policy framework.

Duty to Co-operate

1.16 The Duty to Co-operate was introduced in the 2011 Localism Act and is a legal obligation.

1.17 The NPPF sets out an expectation that public bodies will co-operate with others on issues with any cross-boundary impact, in particular in relation to strategic priorities such as *"the homes and jobs needed in the area"*.

> *Public bodies have a duty to cooperate on planning issues that cross administrative boundaries, particularly those which relate to the **strategic priorities** set out in paragraph 156. The Government expects joint working on areas of common interest to be diligently undertaken for the mutual benefit of neighbouring authorities.*
>
> *Local planning authorities should work collaboratively with other bodies to ensure that strategic priorities across local boundaries are properly coordinated and clearly reflected in individual Local Plans. Joint working should enable local planning authorities to work together to meet development requirements which cannot wholly be met within their own areas – for instance, because of a lack of physical capacity or because to do so would cause significant harm to the principles and policies of this Framework. As part of this process, they should consider producing joint planning policies on strategic matters and informal strategies such as joint infrastructure and investment plans.*
>
> **National Planning Policy Framework (NPPF), paragraphs 178-179**

1.18 This co-operation will need to be demonstrated as sound when plans are submitted for examination. One key issue is how any unmet development and infrastructure requirements can be provided by co-operating with adjoining authorities (subject to tests of reasonableness and sustainability). The NPPF sets out that co-operation should be "*a continuous process of engagement" from "thinking through to implementation*".

> *Local planning authorities will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examination. This could be by way of plans or policies prepared as part of a joint committee, a memorandum of understanding or a jointly prepared strategy which is presented as evidence of an agreed position. Cooperation should be a continuous process of engagement from initial thinking through to implementation, resulting in a final position where plans are in place to provide the land and infrastructure necessary to support current and projected future levels of development.*
>
> **National Planning Policy Framework (NPPF), paragraph 181**

1.19 As previously noted, the SHMA was jointly commissioned by the four West of England local authorities to provide a consistent evidence base for housing across the Wider Bristol HMA. The SHMA methodology and findings from the original SHMA were also discussed with officers and members of neighbouring local authorities under the Duty to Co-operate as well as a Housing Market Reference Group, that were involved in the development of the original study brief and consulted at key points throughout the process.

1.20 The Housing Market Reference Group (HMRG) was set up to provide challenge and act as a critical friend considering issues, assumptions and methodology at key stages of the SHMA. The HMRG is chaired by West of England LEP and included representatives from a range of stakeholder organisations:

- LEP Construction and Development Sector Group
- West of England Housing Delivery Panel, including selected Registered Providers
- Home Builders Federation
- Large house builders
- Small to medium size house builders, through surveyor firms
- Independent commercial property consultants
- National Housing Federation
- Homes and Communities Agency

1.21 All feedback received was considered by the SHMA Project Board which comprised senior housing and planning officers from the four West of England local authorities, chaired by the West of England LEP.

2. Demographic Projections

The starting point for Objectively Assessed Need

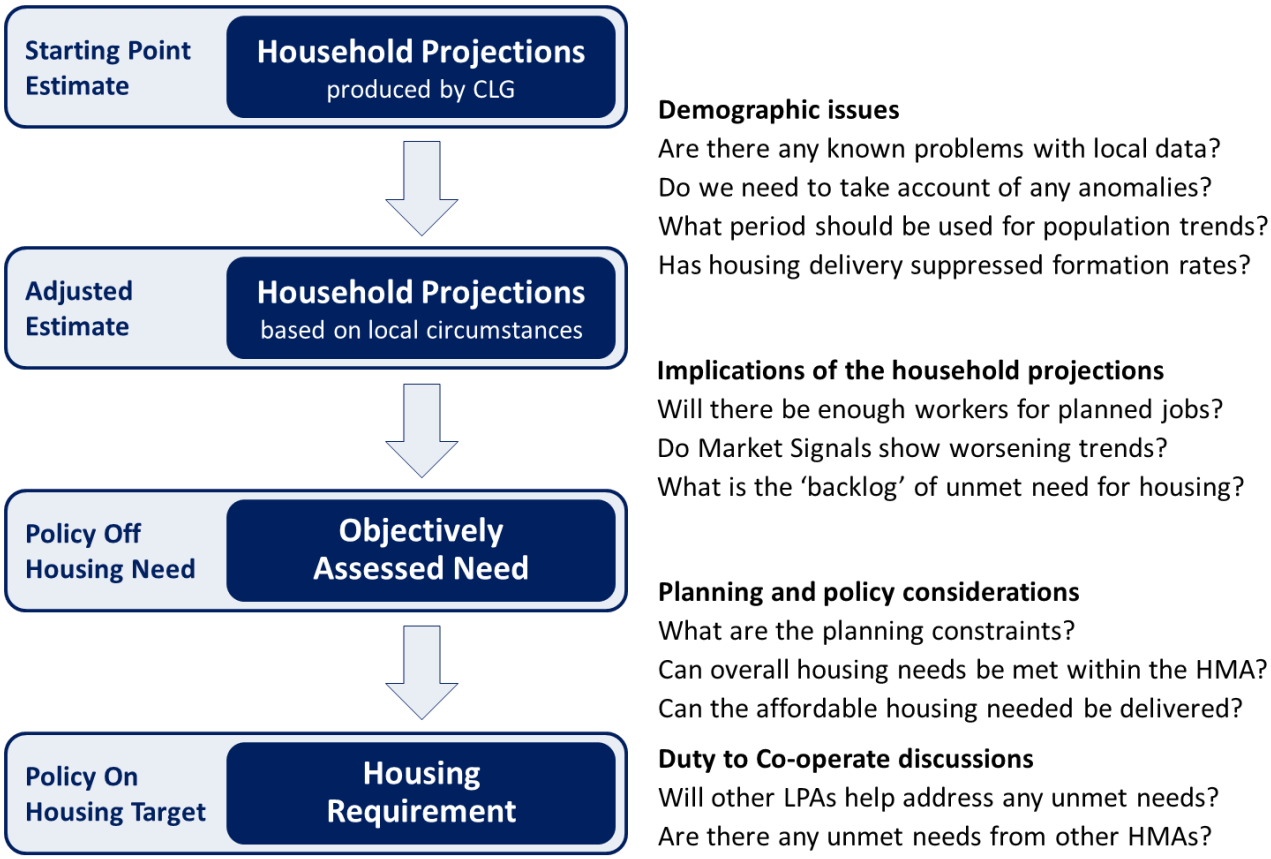
Process for Establishing Objectively Assessed Need

2.1 The Objective Assessment of Need identifies the quantity of housing needed (both market and affordable) in the Housing Market Area over future plan periods. This evidence assists with the production of the Local Plan (which sets out the spatial policy for a local area).

2.2 Figure 1 sets out the process for establishing the housing number for the Housing Market Area. It starts with a demographic process to derive housing need from a consideration of population and household projections. This chapter therefore considers the most appropriate demographic projection on which to base future housing need.

2.3 To establish the Objectively Assessed Need (OAN), external market and macro-economic constraints are applied to the demographic projections ('Market Signals') in order to ensure that an appropriate balance is achieved between the demand for and supply of dwellings. Nevertheless, it is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors should subsequently be considered by the local planning authorities as part of the plan-making process in order to establish the appropriate Housing Requirement and planned housing number.

Figure 1: Process for establishing the housing number for the HMA (Source: ORS based on NPPF and PPG)



Official Household Projections

2.4 PPG places emphasis on the role of **CLG Household Projections** as the appropriate starting point in determining objectively assessed need. PPG was updated in February 2015 following the publication of the 2012-based Household Projections, but has yet to be updated to reflect the publication of the 2014-based Household Projections.

> *Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need.*
>
> *The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics.*
>
> **Planning Practice Guidance (March 2014), ID 2a-015**
>
> *The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth.*
>
> **Planning Practice Guidance (March 2015), ID 2a-016**

2.5 Given this context, Figure 2 sets out the 2014-based and 2012-based **household** projections that CLG has produced for Bath and North East Somerset. The CLG 2014-based household projections show an increase of 9,284 households over the 20-year period 2016-36. These figures project forward over the normal 25-year period and supersede the 2012-based household projections (which projected a household growth of 464 per year over the same period). On this basis, we can establish that the PPG *"starting point estimate of overall housing need"* for the Plan period should be based on an overall growth of 9,284 households, equivalent to an average of 464 households per year.

2.6 Figure 2 also sets out figures from the Greater London Authority (GLA) 2016-based household projections. Whilst Greater London is unlikely to have a substantial impact on the Bath housing market area, the GLA data provides figures for all local authority areas in England using nationally consistent assumptions and gives a helpful context about the impact of different migration trends.[4] These projections range from 496 households per year (based on long-term migration trends) to 634 households per year (based on short-term migration trends). The latest CLG projections are just below the bottom end of this range.

Figure 2: Household Projections 2016-36 (Source: CLG; GLA. Note: All figures presented unrounded for transparency)

		Projection base date	Migration trends	Total Households		Change 2016-36	
				2016	2036	Total	Annual average
CLG Household Projections	**2014-based (PPG "starting point")**	**2014**	**2009-14**	**76,313**	**85,597**	**+9,284**	**+464**
	2012-based	2012	2007-12	75,418	84,742	+9,324	+466
GLA 2016-based Projections	Short-term trend	2016	2011-16	76,961	89,647	+12,686	+634
	Central trend	2016	2006-16	76,961	87,754	+10,793	+540
	Long-term trend	2016	2001-16	76,961	86,874	+9,913	+496

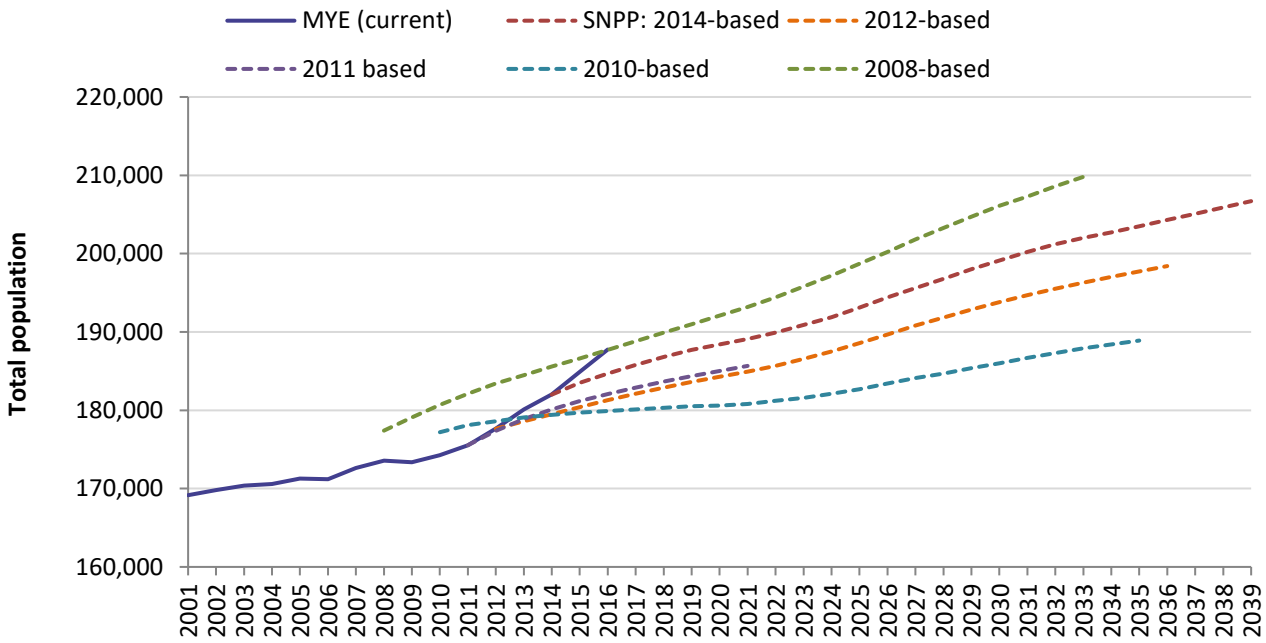
2.7 Each set of household projections will be influenced by a wide range of underlying data and trend-based assumptions, and differences can be caused by changes in the ONS population projections (on which the CLG household projections are based) and changes to household representative rates (considered later in this chapter).

[4] https://data.london.gov.uk/dataset/projections-documentation/resource/deb307d0-e58a-4c27-9707-e88cd9df4f20

Official Population Projections

2.8 Figure 3 shows the outputs from the latest (2014-based) ONS Sub National **Population** Projections together with the previous projections that have informed the various CLG household projections (though note that CLG did not produce household projections based on the 2010-based SNPP).

Figure 3: ONS Mid-Year Estimates and Sub-National Population Projections for Bath HMA (Source: ONS. Note: There were methodological changes to the migration assumptions between the 2008-based and subsequent SNPP. Household projections were not produced for the 2010-based SNPP).



2.9 It is evident that the different projections have varied widely in the estimating the area's future population. Estimates for 2033 have ranged from 187,900 persons in the 2010-based projection, up to 209,800 persons in the 2008-based projection. Only the two most recent projections provide figures for the Plan period, with the 2014-based projection suggesting an overall population of 204,300 persons by 2036 compared to 198,400 persons in the 2012-based projection. However, the 2014-based projection starts from a notably higher point in 2016 and the projected growth is similar: 19,600 persons in the 2014-based projection compared to 17,100 persons in the 2012-based projection.

2.10 Differences in the projected increase in population between the different projections are largely associated with the **assumed migration rates**, which are based on recent trends using 5-year averages – so short-term changes in migration patterns can significantly affect the projected population growth. There were also methodological changes to the migration assumptions between the 2008-based and 2010-based figures. However, it is clear that the 2008-based household projections were based on a faster population growth than is currently projected.

2.11 It is also evident that the ONS mid-year estimates for the period 2011-16 identify a considerably faster rate of growth than any of the projections. Over this 5-year period, the population is estimated to have increased by over 12,100 persons, an average of around 2,400 persons per year. This is around 2.5x the rate of growth projected by the 2014-based projection (960 persons per year on average) and double the average annual rate projected by the 2008-based projections (1,230 per year over the 25-year period 2008-2033). Whilst the population growth may vary from year-to-year, this rapid growth in the estimates clearly warrants further investigation.

Population and Household Projections based on Local Circumstances

2.12 Whilst PPG identifies CLG household projections as the starting point for establishing housing need, it also recognises the need to consider sensitivity testing this data and take account of local evidence.

> *Plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates … Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.*
>
> **Planning Practice Guidance (March 2014), ID 2a-017**

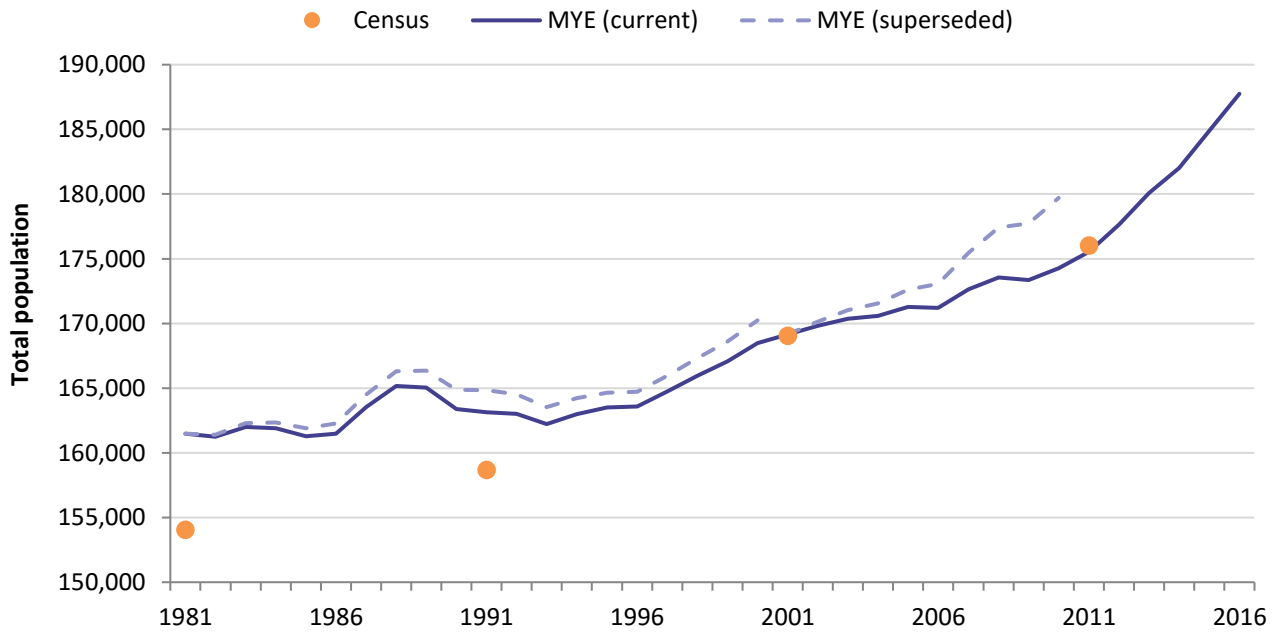
2.13 As the household and population projections are informed by recent population trends, it is helpful to review the underlying data in order to establish the extent to which any adjustments to reflect factors affecting local demography may be justified.

Population Trends

2.14 Figure 4 shows the current and historic mid-year **population** estimates and Census estimates for BANES over the period since 1981. The data shows that the local authority's population increased only marginally during the 1980s; but population estimates suggest that growth over the 20-year period 1991-2011 has been relatively consistent: an increase of around 6,000 persons from 1991-2001 and around 7,000 persons from 2001-2011.

2.15 The ONS mid-2001 population estimate identified 169,200 persons in June 2001, and subsequent Mid-Year Estimates (MYE) suggested substantial growth year-on-year (particularly between 2006 and 2008) – however this data was revised downwards following the 2011 Census which established a population of 176,000 persons, around 5,400 fewer people than previously estimated.

Figure 4: Bath HMA official population estimates for the period 1981-2016 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded. Note: the student population was not included in the 1981 and 1991 Census, but students were counted at their term-time address in the 2001 and 2011 Census)



Components of Population Change

2.16 Changes in the population can be broadly classified into two categories:

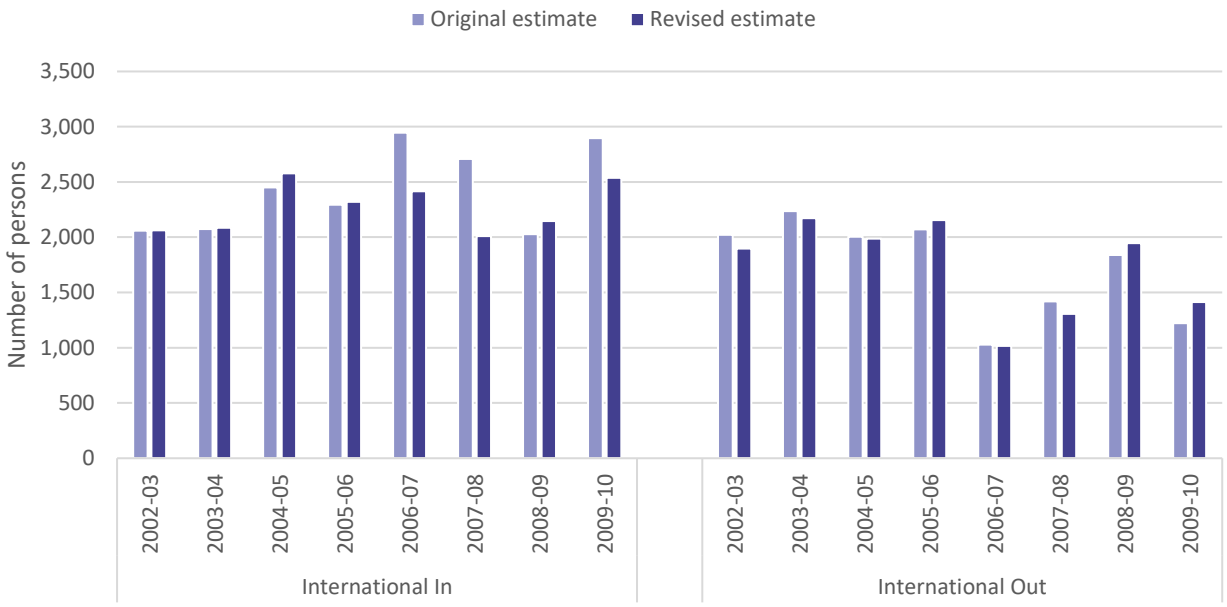
- » natural change in the population (in terms of births and deaths) and,
- » changes due to migration, both in terms of international migration and also moves within the UK.

2.17 There are accurate records of births and deaths in England, both in terms of the overall numbers and the distribution by area, so estimates of natural change in the population from year-to-year are generally very reliable. However, estimating migration is far more difficult and therefore the figures are subject to greater uncertainty.

2.18 The ONS has been working to improve the quality of migration estimates for local authority areas through their Migration Statistics Improvement Programme (MSIP). This has involved a number of different work streams, and the mid-year estimates for mid-2002 to mid-2010 were reissued in April 2013 to incorporate revisions following the 2011 Census; however, these new figures also took account of changes to the way in which international migration is estimated. The most significant changes affected the estimates of international inward migration from 2005-06 onwards; but there were also minor changes to the estimates for earlier years and to the estimates of international outward migration.

2.19 In BANES, the largest adjustments reduced the estimates of inward migration by 530 persons in 2006-07, 700 persons in 2007-08 and 360 persons in 2009-10 (Figure 5). Overall, inward international migration was reduced by 1,300 persons whilst outward international migration was increased by 50 persons; so the overall impact was a reduction of around 1,350 persons in the population estimate for mid-2010.

Figure 5: International migration estimates for BANES for the period 2002-03 to 2009-10 showing the impact of revisions following the 2011 Census



2.20 In addition to these changes to international migration, the revised mid-year estimates included an "accountancy" adjustment known as "**Unattributable Population Change**" (UPC) for the periods 2001-02 to 2010-11 to ensure that this data reconciles with population estimates for the two Census years. Whilst the MSIP revisions reduced the population estimates by around 1,350 persons in mid-2010, the UPC revisions reduced the population estimates by a further 4,500 persons between 2001 and 2011.

2.21 Figure 6 presents the underlying data from the components of annual population change over the period 1991 to 2016.

Figure 6: Bath HMA components of population change, revised in the light of the 2011 Census (Source: ONS Mid-Year Population Estimates, revised. Note: "Other Changes" includes adjustments for prisoners, armed forces and other unattributable changes. Figures for 2001-02 onward presented unrounded for transparency, but should only be treated as accurate to the nearest 100. Figures for earlier years rounded to the nearest 100)

Period	Births	Deaths	Natural Change	UK Migration		International Migration		Other Change	UPC	Migration and Other Changes	Total Change
				In	Out	In	Out				
1991-92	1,800	1,900	**0**	-	-	-	-	-	-	**-100**	-100
1992-93	1,900	1,900	**0**	-	-	-	-	-	-	**-800**	-800
1993-94	1,900	1,900	**-100**	-	-	-	-	-	-	**+800**	+800
1994-95	1,700	1,800	**-200**	-	-	-	-	-	-	**+700**	+500
1995-96	1,700	1,900	**-200**	-	-	-	-	-	-	**+200**	+100
1996-97	1,800	1,800	**0**	-	-	-	-	-	-	**+1,200**	+1,200
1997-98	1,700	1,700	**0**	-	-	-	-	-	-	**+1,200**	+1,200
1998-99	1,700	1,800	**-100**	-	-	-	-	-	-	**+1,200**	+1,100
1999-00	1,700	1,800	**-100**	-	-	-	-	-	-	**+1,500**	+1,400
2000-01	1,700	1,600	**0**	-	-	-	-	-	-	**+600**	+700
2001-02	1,654	1,667	**-13**	10,388	9,903	1,749	1,129	+10	-441	**+674**	+661
2002-03	1,660	1,704	**-44**	11,096	10,229	2,061	1,896	-9	-437	**+586**	+542
2003-04	1,622	1,716	**-94**	11,188	10,337	2,084	2,173	+10	-454	**+318**	+224
2004-05	1,638	1,718	**-80**	10,962	10,328	2,577	1,987	-13	-442	**+769**	+689
2005-06	1,758	1,598	**+160**	11,331	11,274	2,320	2,155	+4	-456	**-230**	-70
2006-07	1,790	1,628	**+162**	12,177	11,851	2,417	1,017	-19	-438	**+1,269**	+1,431
2007-08	1,786	1,575	**+211**	11,628	11,163	2,011	1,306	-11	-440	**+719**	+930
2008-09	1,765	1,611	**+154**	11,032	11,131	2,147	1,947	-25	-435	**-359**	-205
2009-10	1,724	1,645	**+79**	11,515	11,351	2537	1,414	-6	-453	**+828**	+907
2010-11	1,892	1,567	**+325**	11,395	11,163	2,722	1,526	+25	-507	**+946**	+1,271
2011-12	1,846	1,563	**+283**	12,255	11,720	2,177	859	-31	-	**+1,822**	+2,105
2012-13	1,848	1,622	**+226**	12,492	11,738	2,410	900	-36	-	**+2,228**	+2,454
2013-14	1,744	1,530	**+214**	13,066	12,452	2,451	1,348	-7	-	**+1,710**	+1,924
2014-15	1,715	1,680	**+35**	13,545	12,086	2,610	1,283	+32	-	**+2,818**	+2,853
2015-16	1,874	1,700	**+174**	13,907	12,540	2,578	1,254	+12	-	**+2,703**	+2,877

2.22 It is evident that natural change has had very little impact throughout the trend period; however, whilst it tended to account for a marginal loss in population in the 1990s and early 2000s, it has represented a small gain in population each year since 2005. Migration and other changes vary much more – ranging from a net loss of 800 persons recorded for 1992-93 up to a net gain of more than 2,700 persons recorded for 2014-15 and 2015-16 due to migration and other changes based on ONS estimates.

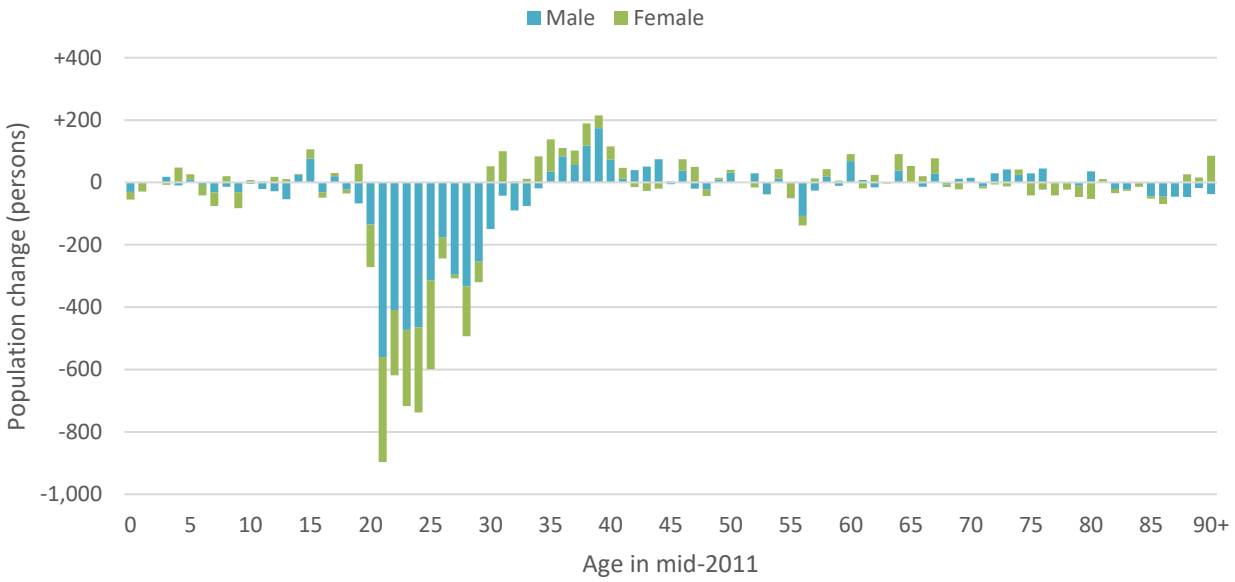
2.23 It is evident that the net population change for 2011-12 onwards is notably higher than previous years. It is important to recognise that "unattributable change" isn't factored in for any of these periods, as this would only be incorporated once data is published from the 2021 Census – but given the scale of adjustment required post the 2011 Census, it is important to recognise that the flow data that is recorded for the period may be overstating the actual level of population increase. Any systematic problems that led to the original estimates being too high for the period 2001-2011 is also likely to affect the estimates for these more recent years.

Unattributable Population Change

2.24 Whilst the MSIP adjustments reduced the original (now superseded) mid-year estimates by around 1,350 persons, the overall UPC adjustment totalled 4,503 persons over the 10-year period – a reduction of around 450 persons each year. This was needed to reconcile the mid-year estimate component of change data with the Census population estimates for 2001 and 2011.

2.25 Figure 7 provides more information about the UPC necessary to reconcile the mid-year estimates with Census data, showing the impact of the adjustment by gender and single year of age.

Figure 7: UPC adjustment by gender and single year of age (Source: ONS Mid-Year Estimates)

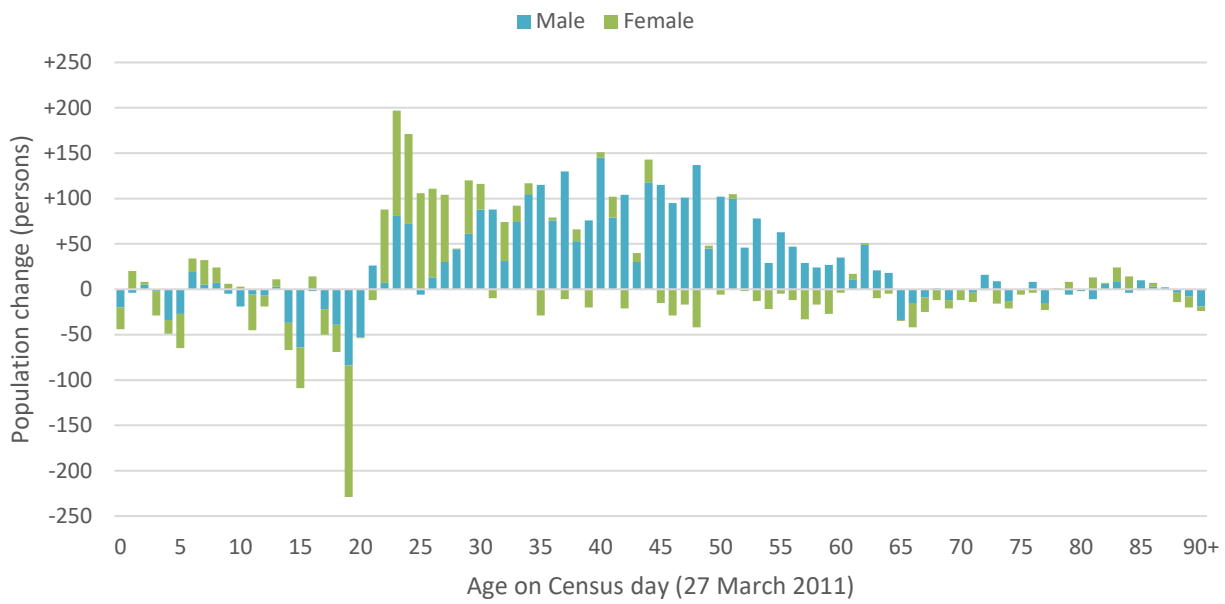


2.26 The overall reduction of 4,503 persons comprised 3,351 males and 1,152 females; with a reduction of 5,331 persons aged 20-34 offset against an increase of 1,018 persons aged 35-44, and limited change across other age groups (which reduced by 190 persons overall). On this basis, we can conclude that either the Census failed to enumerate residents aged 20-34 and, to a lesser extent, over-enumerated residents aged 35-44; or alternatively the mid-year estimates failed to capture migrants aged 20-34 leaving the area and, to a lesser extent, migrants aged 35-44 arriving – or there was a combination of both.

2.27 As part of the ongoing improvements to population estimates, the ONS has been undertaking a research project that seeks to estimate population based exclusively on administrative data sources, known as the Statistical Population Dataset (SPD). These estimates are not official statistics and the figures do not replace the mid-year estimates; but the research provides useful further information when reviewing local demography. One of the research outputs includes alternative estimates of the population on Census day, which enables direct comparison with Census estimates.

2.28 For BANES, the overall estimate from the research was 178,396 persons: 2,380 (1.35%) higher than the Census estimate of 176,016 persons. This would appear to support that the Census might have under-enumerated the population and that the UPC adjustment was (at least in part) unnecessary; but the structure of this population differs from that of the UPC. Figure 8 shows the difference between the Census estimate and the ONS research by gender and single year of age. This shows an additional 1,373 persons aged 20-34, but this represents only a quarter (25.8%) of the downward UPC adjustment that was applied to this age group – so even if this research data provided a better estimate of the population than the Census, a substantial downward adjustment would still need to be applied to the mid-year estimates.

Figure 8: Difference between Census estimate and ONS administrative data based research by gender and single year of age (Source: Census 2011, ONS Statistical Population Dataset v2.0)



2.29 As both the Census and SPD agree that the original mid-year estimates overstated population aged 20-34, it is clear that the downward UPC adjustment for this group was necessary and we can reasonably conclude that this was mainly due to MYE flows failing to capture migrants aged 20-34 leaving the area. As the methodologies used by the ONS for estimating migration in the mid-year estimates have not changed since 2011, any problems in the failure to identify migrants is likely to persist in the data for more recent years.

2.30 The ONS research data did identify 926 more males aged 35-44 than the Census (equivalent to 8.2% of the Census population) but the research identified the same number of females (a difference of only 1 person). Both the Census and SPD were higher than the mid-year estimate, but as the SPD was higher there may be some argument that the upward UPC adjustment of 1,018 persons that was applied across this group may not have been sufficient. It is evident that the research data identifies more males than the Census across a wider age group (a difference of 2,350 aged 30-59; 7.2% of the population) – but the ONS acknowledges that the methodology is currently prone to over-stating this part of the population. The estimates for England are currently 365,200 males higher than the national population estimates (3.5% of the equivalent Census population) across this age group.

2.31 The over-estimate is a consequence of counting people who have records within the administrative data systems but who are no longer "usually resident" in the UK. Some may have died, but given the age distribution it is more likely that the majority are will have migrated overseas. Therefore, areas with higher rates of international migration (such as Bath) are also likely to have higher rates of over-coverage in these age groups. The ONS has confirmed that the next steps of the research will seek to address this through the use of "activity" data;[5] but in the meantime, it would be wrong to misrepresent the additional males aged 30-59 as part of the usually resident population.

> *This year we have focused our methodology on developing inclusion and redistribution rules to improve the SPD where it was lower than the official estimates. In future years we will explore the potential use of "activity" data for removing records from the SPD if there is no*

[5] https://www.ons.gov.uk/census/censustransformationprogramme/administrativedatacensusproject/administrativedatacensusresearchoutputs/sizeofthepopulation/researchoutputsestimatingthesizeofthepopulationinenglandandwales2016release#coverage-of-statistical-population-dataset-spd-v20-for-england-and-wales-2011

evidence that they are still part of the "usually resident" population. This should result in a reduction in males of working age on the SPD, where the SPD is generally higher than the official estimates.

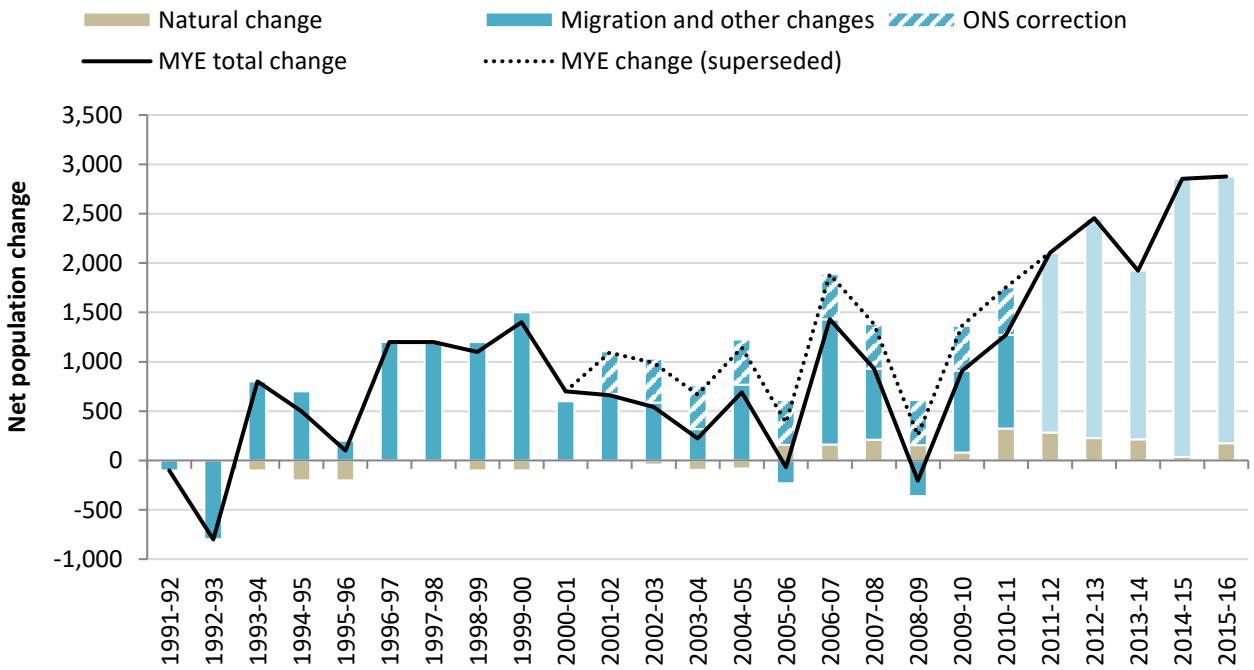
2.32 Having reviewed the ONS research outputs for 2011, there is some argument that part of the downward UPC adjustment for those aged 20-34 may have been due to Census under-enumeration and that a marginally larger upward UPC adjustment might have been justified for those aged 35-44; however, this would not mitigate the need for any UPC correction. Furthermore, such arguments would only carry weight if the SPD estimate was considered more reliable than the Census – and the ONS is clear that this isn't the case, with all of the published data being caveated *"It is important to note that these outputs are NOT official statistics on the population"*.

2.33 On this basis, the ONS mid-year estimates based on Census data (which incorporate the UPC adjustment) continue to provide the most reliable estimate of population for the period up to 2011.

Population Change since 2011

2.34 Figure 9 illustrates the annual components of change data for Bath and North East Somerset, together with the total change in population recorded by the estimates. The impact of removing the UPC adjustment is also illustrated on the chart.

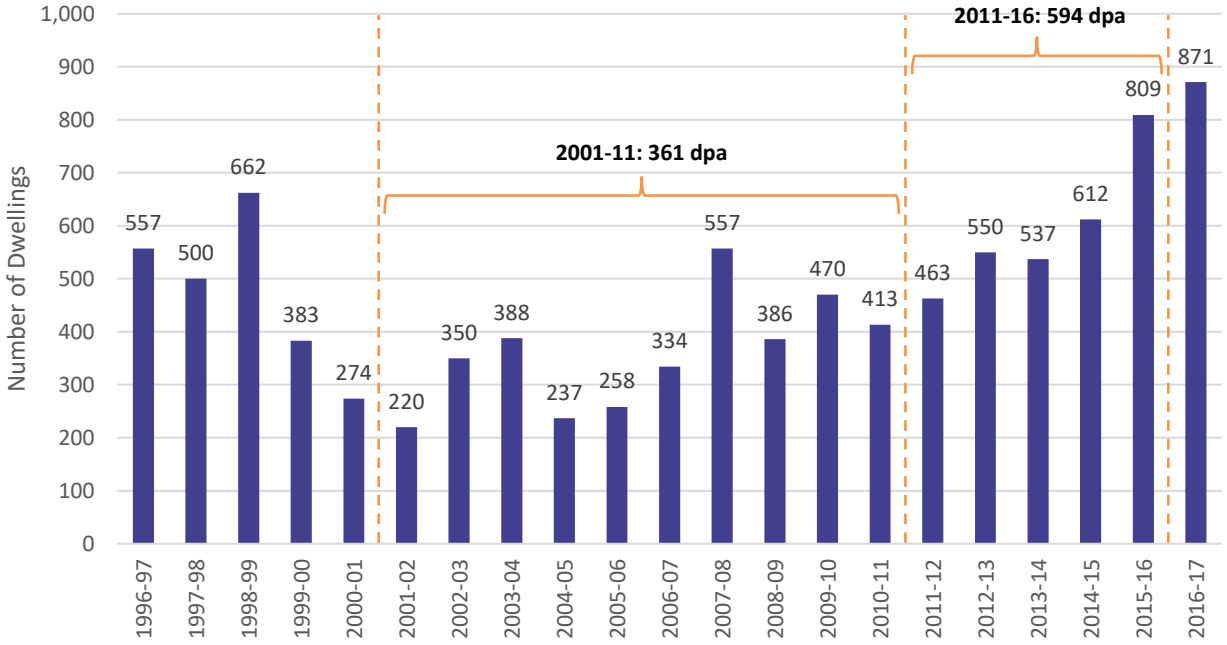
Figure 9: Bath HMA components of population change (Source: ONS Mid-Year Population Estimates, revised)



2.35 It is clear from the chart that migration and other changes account for almost all of the change in overall population, and it is also evident that the level of migration recorded has varied from year-to-year. However, estimates of net migration for the most recent five years (from 2011-12 to 2015-16) have all been notably higher than estimates for previous years (which have been confirmed by Census data). The estimates show an increase of 11,300 persons due to migration (and an overall increase of 12,200 persons) over the 5-year period, with the annual growth in all five years being higher than in any of the preceding 20 years. "Unattributable change" isn't factored in to these more recent estimates, and given the scale of adjustment needed following the 2011 Census it is appropriate to consider whether the recent flow data may continue to overstate the actual increase in population.

2.36 Nevertheless, this recent 5-year period has also coincided with a steady increase in housing delivery rates. Figure 10 identifies the net additions to the housing stock each year since 1996-97.

Figure 10: Net additions to stock (Source: Local Authority Annual Monitoring Report)



2.37 The increase in dwelling numbers in 2015-16 and 2016-17 is notably higher than it has been previous years (809 and 871 dwellings respectively), and a total of 2,971 dwellings were delivered over the 5-year period 2011-16, equivalent to an average of 594 dpa. This compares to an average delivery rate of 361 dpa over the decade 2001-11 – so the average rate has increased by 233 dpa. On this basis, it would be reasonable to expect some increase in the rate of population growth. Furthermore, it is also relevant to note that 1,561 student bedspaces were delivered between 2011 and 2016, which are additional to increases in the dwelling stock.

2.38 Based on the data, population growth between 2001 and 2011 averaged 638 persons annually in the context of the dwelling stock increasing by 361 dpa, whereas from 2011 to 2016 population growth has averaged 2,443 persons annually in the context of the dwelling stock increasing by 594 dpa. Allowing for the increase in student bedspaces, the annual increase in the household population averaged around 2,131 persons; 1,493 persons higher and more than three times the 638 person increase averaged from 2001-11. Whilst it is reasonable to expect some increase as a consequence of increased housebuilding, it seems unlikely that housing delivery increasing by 233 dpa (+65%) explains population growth increasing by 1,493 persons annually (+234%).

2.39 Considering household sizes, both 2001 and 2011 Census data identified an average of 2.31 persons per household.[6] Based on the household population increasing by 2,131 persons annually and the number of households increasing by 594 per year (assuming a one-to-one ratio between households and dwellings), average household sizes in 2016 would have increased markedly to over 2.36 persons per household.[7] Such an increase would be contrary to local and national trends of reducing household sizes, and it higher rates of housing delivery should have eased household formation.

[6] The 2001 Census identified a household population of 164,236 persons living in 71,115 households, an average of 2.309 persons per household; the 2011 Census identified a household population of 169,977 persons living in 73,515 households, an average of 2.312 persons per household

[7] Based on a household population of 169,977 + (2,131 x 5) = 180,632 persons; and the number of households being 73,515 + (594 x 5) = 76,485

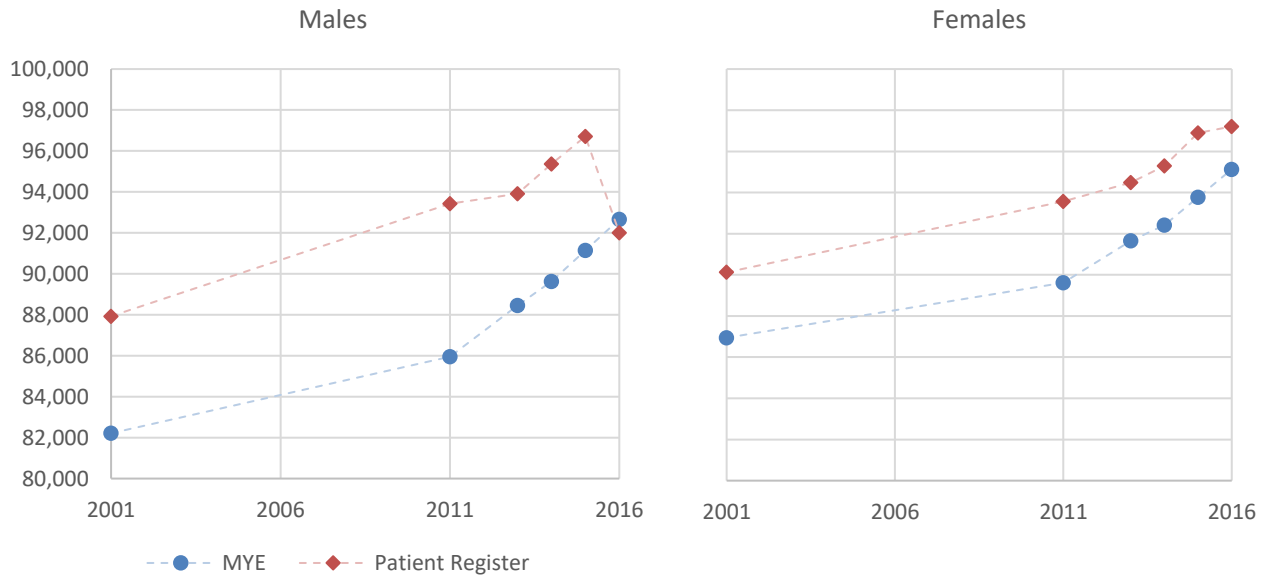
Quality Assurance of recent population estimates

2.40 Alongside the Mid-Year Estimates published since mid-2013, the ONS has published quality assurance packs which provide a range of comparative data from administrative sources. The ONS also published a range of administrative data as part of a tool for understanding the causes of discrepancy between the rolled-forward mid-year estimates for 2011 and the mid-year estimates based on the 2011 Census.[8] Whilst this administrative data does not provide a direct estimate of population, it gives a useful triangulation point.

2.41 The only administrative data included in the quality assurance packs that covers all age groups is the patient register. The patient register does not provide a measure of resident population, as it will also include short-term visitors who are not counted as usual residents. However, whilst the patient register does not provide a measure of resident population, an increase in usual residents will normally be reflected by growth in the number of patients on the patient register.

2.42 Figure 11 compares the mid-year population estimates with the patient register from 2001 to 2016. It is evident that the patient register has typically been higher than the mid-year estimate each year. However, there was a substantial reduction in the number of males recorded on the patient register between 2015 and 2016, which is likely to be as a consequence of "list cleaning". This does not imply that the number of patients necessarily reduced, but a substantial number of records were removed from the register. This adjustment highlights why the patient register should not be used as a measure of population; however, it can still provide a useful benchmark for comparison.

Figure 11: Mid-Year Population Estimates and Patient Register 2001, 2011 and 2013-2016 for Bath and North East Somerset (Source: ONS)



2.43 Considering the data from 2013-2015, the patient register increased by 2,800 males and 2,400 females equivalent to an overall increase of 2.77%. This would appear to support the population increase of 2.67% identified by the mid-year estimates for the same period. However, from 2011-2013 the patient register increased by only 1,400 persons overall (0.74%) whereas the mid-year estimates for that period identified a much higher growth of 4,500 persons (2.58%). As a consequence, the mid-year estimates have increased much faster than the patient register over the 4-year period 2011-2015 (5.3% cf. 3.5%). Nevertheless,

[8] http://www.ons.gov.uk/ons/guide-method/method-quality/specific/population-and-migration/population-statistics-research-unit--psru-/latest-publications-from-the-population-statistics-research-unit/further-understanding-causes-discrepancies.pdf

longer-term growth over the 14-year period 2001-2015 has been more comparable (9.3% cf. 8.7%) – although the increase in the mid-year estimate is still higher than the growth of the patient register.

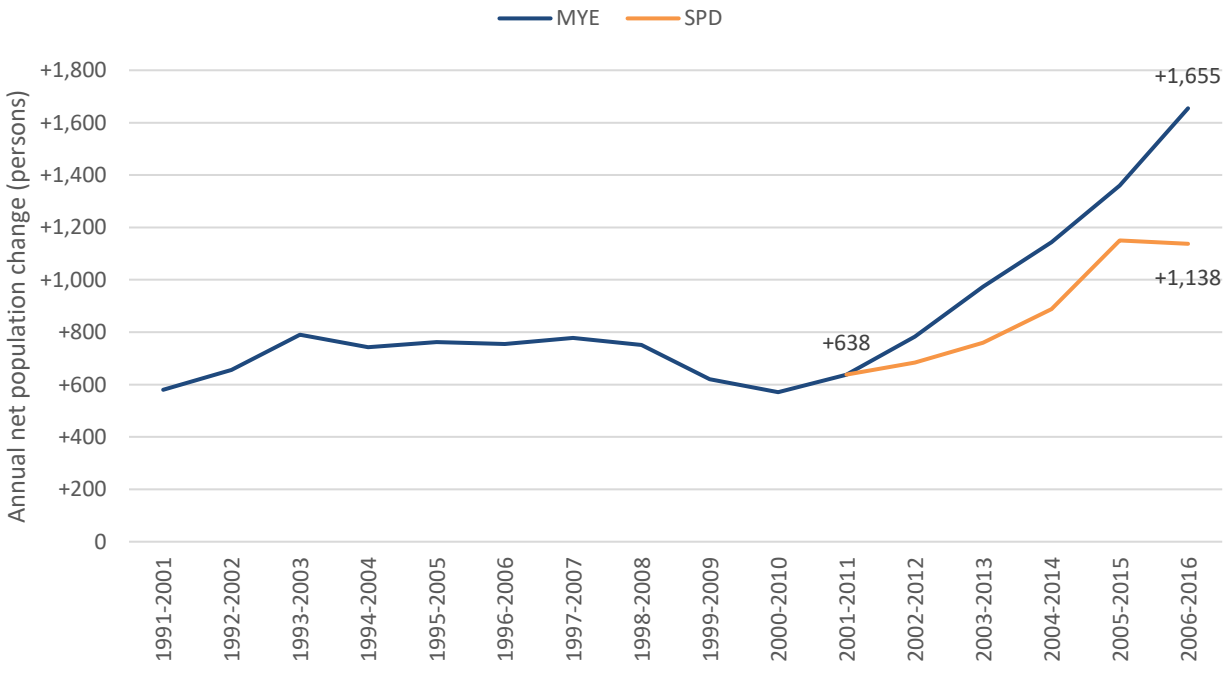
2.44 In terms of other administrative data sources published as part of the ONS quality assurance pack, school census data suggests that the number of pupils aged 5-14 increased by 1,020 persons whereas the mid-year estimates show an increase of 1,280 persons across these age groups: a difference of 24%. The number of people aged 65 or over in receipt of state pension increased by 3,240 persons, which is consistent with the 3,320 person increase for population aged 65+ in the mid-year estimate – although older people tend to move less frequently, so this age group will be less affected by any problems with migration estimates.

2.45 The ONS has also published further outputs from its research on population estimates based on administrative data (the Statistical Population Dataset, SPD) with estimates now available up to mid-2016. The most recent research outputs suggest that the BANES population increased from 178,400 on Census day in 2011 (27 March) to 185,900 in mid-2016; an increase of 7,500 over a 5.25 year period, equivalent to an average of 1,428 per year. This is notably lower than the annual average increase of 2,282 persons recorded by the mid-year estimates between 2011 and 2016; a difference of 854 persons annually, equivalent to over a third (37.4%) of the MYE growth.

2.46 Insofar as the ONS has recognised over-coverage problems with SPD estimates for some age and gender groups, is it more likely that the SPD will over- rather than underestimate population growth – so the rate of growth identified by the SPD would normally be higher than the rate identified by the official estimates. Given this context, the SPD growth being considerably lower than the MYE for BANES adds further to concerns about the reliability of the MYE.

2.47 Figure 12 illustrates the trends in average annual population change based on 10-year periods to 2006-16 based on the official estimates, and also based on growth in SPD estimates for the change since 2011. There has typically been an average growth of 600-800 persons since 1991; however, the MYE suggests that this has increased to a growth of more than 1,650 persons. Whilst the SPD also identifies an increase, this data suggests a more moderate change, with growth averaging around 1,150 persons annually.

Figure 12: Trends in average annual population change (Source: ONS Mid-Year Estimates, ONS Statistical Population Dataset)



Conclusions on Population Trends

2.48 Official population estimates based on Census data suggest that growth over the 20-year period 1991-2011 has been relatively consistent: an increase of around 6,000 persons from 1991-2001 and around 7,000 persons from 2001-2011. However, the official population estimates issued before the 2011 Census had overstated population growth and the ONS issued corrected figures. These included a reduction of 1,350 persons following improvements to international migration estimates up to mid-2010, and a further reduction of 4,500 persons described as "unattributable population change" over the decade 2001-11. These represent very significant adjustments in the context of overall population growth being around 7,000 persons over the decade.

2.49 The largest adjustment was UPC, and this comprised a reduction of over 5,300 persons aged 20-34 which was offset to some extent against an increase of around 1,000 persons aged 35-44 (with limited changes across other age groups). The need for a downward adjustment to the population aged 20-34 and an upward adjustment to the population aged 35-44 has since been supported by more recent ONS research. This research does suggest a larger population overall, but the ONS acknowledges that the methodology requires further improvement as the current approach tends to overstate some parts of the population. On this basis, the ONS mid-year estimates based on Census data (which incorporate the UPC adjustment) provide the most reliable estimate of population for the period up to 2011.

2.50 When considering population growth for the period since 2011, the ONS mid-year population estimates for the most recent five years (from 2011-12 to 2015-16) have all been notably higher than estimates for previous years (which have been confirmed by Census data). The estimates show an overall increase of 12,200 persons over the 5-year period 2011-16 (compared to an increase of around 7,000 persons over the 10-year period 2001-11) with annual growth in all five years being higher than in any of the preceding 20 years. The recent estimates have been considerably higher than would be expected based on the rate of housing delivery and have increased at a faster pace than both the patient register and school census (data sources identified by ONS for quality assuring the figures). The mid-year estimates also identify a notably higher rate of growth than the latest data from the ONS administrative data research, despite the research methodology being known to overstate some parts of the population.

2.51 It is important to recognise that there has been no change in the ONS methodology for establishing the MYE since the mid-2011 estimates were produced – and the 2011 Census identified that these needed a substantial downward adjustment. Any systematic error that existed at that time will continue to impact on more recent estimates. On balance, considering everything, it is evident that recent mid-year estimate data for Bath HMA must be treated very cautiously.

Student Population

2.52 The University of Bath and Bath Spa University have both expanded significantly over the last 20 years. This is consistent with many other universities nationally following increasing participations rates in higher education. The number of students enrolled at the University of Bath has increased from 7,187 in the 1995/96 academic year to 16,419 in 2015/16, whilst the number of students enrolled at Bath Spa University has increased from 2,696 to 7,625 over the same period. This represents an increase of 14,161 students enrolled at the city's universities over a 20-year period.

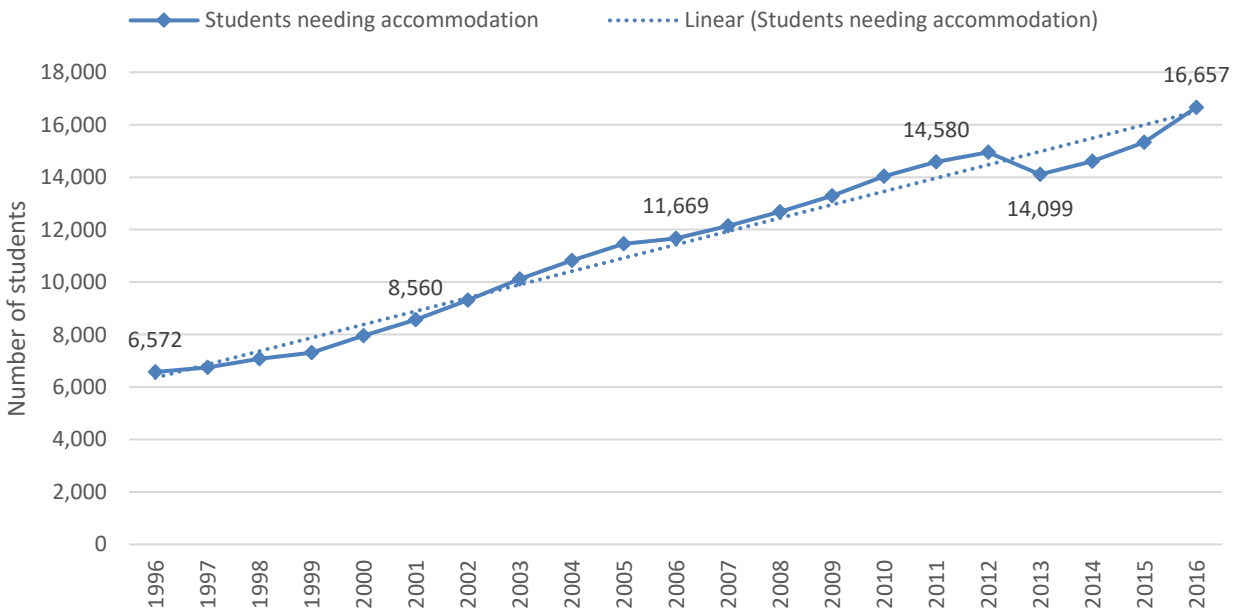
2.53 Whilst not all students enrolled at the Universities will be resident in Bath, and some may have lived in the area regardless (in particular where students continue to live at their parental address whilst studying), this substantial increase in student numbers will have contributed to overall population growth in the city.

2.54 As part of the previous Bath Core Strategy and subsequent Place Making Plan, the Council has engaged with both of the city's universities to help understand the impact of student growth and plan for their expected future growth. This provided the basis for *"Student Numbers and Accommodation Requirements in Bath"* which was prepared by the Council and formed part of the SHMA evidence base.[9] In preparing this evidence, the Council and Universities agreed an appropriate basis for counting the number of students who need accommodation in the city:

- For the University of Bath, this was based on the number of full-time undergraduate and postgraduate students excluding students currently on placement. Part-time students were not counted. Whilst it was recognised that some full-time students may already be usual residents in the city (and therefore wouldn't need accommodation provided) this would be offset against some students on placements off-campus but still living in Bath and some part-time students who would need accommodation provided. On balance, the University considered that each of these groups would be small and as any adjustments would inevitably be imprecise, there was little benefit to adopting a more complex approach.
- For Bath Spa University, the approach was based on different types of students and the estimated proportion of each group likely to need accommodation. These proportions were based on the University's analysis of current accommodation patterns, and around three-quarters of full-time undergraduate students, a third of part-time undergraduate students, a quarter of full-time taught postgraduate students and 3% of other post-graduates were counted to need accommodation.

2.55 Based on the agreed approach, around three quarters of all students enrolled at the University of Bath (12,429 out of 16,419) had a need for accommodation in the city, together with just over half of those enrolled at Bath Spa University (4,228 out of 7,400) in the 2015/16 academic year. Overall, this represents 16,657 students needing accommodation in Bath, including 14,235 undergraduate students and 2,422 postgraduate students. Figure 13 identifies how the number of students needing accommodation in Bath has changed based on trends in the number of students enrolled at Bath's universities.

Figure 13: Trends in number of students needing accommodation in Bath



[9] http://www.bathnes.gov.uk/sites/default/files/sitedocuments/Planning-and-Building-Control/Planning-Policy/LP20162036/lp_201636_io_bp4_universities_growth_and_student_accommodation.pdf

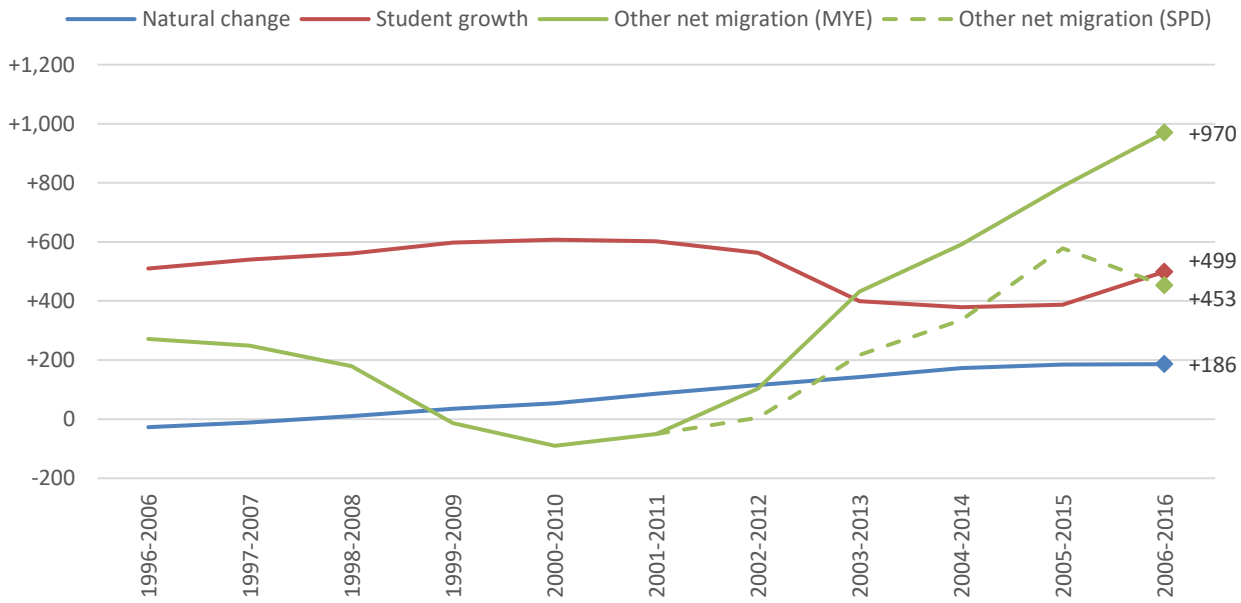
2.56 It is clear that there has been a sustained growth in the student population needing housing and this will have contributed to overall population growth in Bath during this period. The number of students needing accommodation in Bath has increased by around 10,000 persons over the 20-year period 1996-2016 (increasing from 6,572 to 16,657, equivalent to an average of 504 per year) and by around 5,000 persons over the 10-year period 2006-2016 (from 11,669 to 16,657, an average of 499 per year). Whilst the proportion of different types of students needing accommodation may have changed to some extent over the period, the analysis provides a reasonable estimate of the likely pressures from students on the housing market.

2.57 In university towns and cities, students will always influence the characteristics of inward and outward migrants – with large numbers of young people moving into the area when they begin their studies, and large numbers moving away from the area when they graduate. Of course, some students will already live in the area and others will choose to stay at the end of their studies – but in areas where the student population is relatively stable, broadly the same number of students will leave at the end of one academic year as will arrive at the start of the next. On this basis, the very large annual flows associated with the student population will typically only have a limited net impact on population growth, providing that the overall number of students is relatively stable. However, when universities expand (and the number of student places increase) the additional places created lead to a larger new intake than the number graduating at the end of their studies, which has a direct impact on net migration to the area.

2.58 Figure 12 previously identified the trends in overall population growth based on 10-year periods, and this showed that for the most recent 10-year period 2006-16 there was an average annual growth of between 1,655 persons (based on ONS mid-year estimates) and 1,138 persons (based on SPD growth since 2011). Figure 14 separates the impact of student growth from other net migration to the area, and for the most recent 10-year period (2006-16) the overall population change comprised:

- Natural change: an average gain of 186 persons per year;
- Student growth: an average of 499 persons per year; and
- Other net migration: an average of between 970 persons per year (based on ONS mid-year estimates) and 453 persons per year (based on SPD growth since 2011).

Figure 14: 10-year trends 1996-2006 to 2006-2016 (Source: ONS Mid-Year Population Estimates)



Considering Migration Assumptions

2.59 Whilst PPG identifies CLG household projections as the starting point for establishing housing need, it also recognises the need to consider sensitivity testing this data and take account of local evidence.

> *Plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates … Any local changes would need to be clearly explained and justified on the basis of established sources of robust evidence.*
>
> **Planning Practice Guidance (March 2014), ID 2a-017**

2.60 Given that the demographic projections are trend-based, one of the most critical factors is the period over which those trends are based. The PAS OAN technical advice note considers this issue in relation to the ONS population projections (first edition, paragraphs 5.12-5.13):

> *"To predict migration between local authorities within the UK, the ONS population projections carry forward the trends of the previous five years. This choice of base period can be critical to the projection, because for many areas migration has varied greatly over time. … The results of a demographic projection for (say) 2011-31 will be highly sensitive to the reference period that the projection carries forward."*

2.61 This issue has also been reinforced in PAS advice to Local Authorities,[10] where it has been emphasised that whilst the CLG household projections provide the starting point, these official projections can be very unstable given that they are based on migration trends covering only five years:

> *"For migration the base period is only five years:*
> - *Makes the official projections very unstable*
> - *And recent projections lock in the recession"*

2.62 The second version of the PAS OAN technical advice note (July 2015)[11] has also strengthened the recommendation on the relevant period for assessing migration (second edition, paragraph 6.24):

> *"In assessing housing need it is generally advisable to test alternative scenarios based on a longer reference period, probably starting with the 2001 Census (further back in history data may be unreliable). Other things being equal, a 10-to-15 year base period should provide more stable and more robust projections than the ONS's five years. But sometimes other things will not be equal, because the early years of this long period included untypical one-off events as described earlier. If so, a shorter base period despite its disadvantages could be preferable."*

2.63 The relevant period for assessing migration trends was considered by an article by Ludi Simpson (Professor of Population Studies at the University of Manchester) and Neil MacDonald (previously Chief Executive of the National Housing and Planning Advice Unit) published in Town and Country Planning (April 2015)[12].

> *"The argument for using a five-year period rather than a longer one is that the shorter the period, the more quickly changes in trends are picked up. The counter-argument is that a shorter period is more susceptible to cyclical trends, an argument that has particular force*

[10] "SHLAA, SHMA and OAN aka 'Pobody's Nerfect'", PAS presentation at Urban Design London (July 2015)
[11] http://www.pas.gov.uk/documents/332612/6549918/OANupdatedadvicenote/f1bfb748-11fc-4d93-834c-a32c0d2c984d
[12] "Making sense of the new English household projections", Town and Country Planning (April 2015)

when the five-year period in question – 2007-12 – neatly brackets the deepest and longest economic downturn for more than a generation. … A large number of local authority areas are affected by this issue. For 60% of authorities the net flow of migrants within the UK in 2007-12 was different by more than 50% from the period 2002-07. While this is comparing a boom period with a recession, it serves to indicate the impact of the choice of reference period for trend projections."

2.64 The issue has also been referenced by Inspectors examining numerous Local Plans, for example the following comments provided by the Cornwall Inspector in the letter setting out his preliminary findings (June 2015)[13]:

"3.6 Migration. The demographic model used in the SHMNA and the more recent ONS projection uses migration flows from the previous 5 years only. Given the significance of migration as a component of change for Cornwall and to even-out the likely effect of the recent recession on migration between 2008-2012, a longer period than 5 years would give a more realistic basis for projecting this component. A period of 10-12 years was suggested at the hearing and I consider that this would be reasonable, rather than the 17 year period used in ID.01.CC.3.3. I also consider that the ONS' Unattributable Population Change component should be assigned to international migration for the reasons given by Edge Analytics in ID.01.CC3.3. This approach was not disputed at the hearing."

2.65 On balance, we consider that:

- 5-year trend migration scenarios are less reliable: they have the potential to roll-forward short-term trends that are unduly high or low and are unlikely to provide a robust basis for long-term planning.
- 10-year trend migration scenarios are more likely to capture both highs and lows and are not as dependent on trends that may be unlikely to be repeated. **Therefore, we favour using 10-year migration trends as the basis for our analysis.**

2.66 This SHMA has, therefore, produced additional projections based on long-term migration trends as part of the analysis. Whilst no one scenario will provide a definitive assessment of the future population; considering demographic projections where migration is based on long-term trends provides a more appropriate basis on which to consider future housing need. We have adopted this approach systematically across all SHMAs that we have undertaken since the publication of the NPPF.

2.67 Given the inherent uncertainties associated with the estimates of migration flows within the ONS Mid-Year Estimates, the previous Bath SHMA considered changes recorded for the most recent inter-censal period (2001-11) as the data for inter-censal periods is far more robust than other 10-year periods, especially in areas where there are UPC issues identified. However, it is also important to recognise long-term trends in migration patterns could suggest that future migration may differ from those over the period 2001-11.

2.68 Figure 12 showed how 10-year trends have changed since 1991 in terms of overall growth, and this identified an average growth of 600-800 persons annually throughout almost all of the period. The growth from 2001-11 averaged 638 persons per year, which was towards the lower end of the range. More recently, the average has increased to between 1,150 and 1,650 persons annually; but the higher of these figures is influenced by the exceptional growth recorded by the mid-year population estimates since 2011 (as previously discussed), and therefore cannot be relied upon uncritically.

[13] https://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf

2.69 Figure 14 identified the key components of population change, which showed that the overall population has been significantly influenced by the sustained growth of the city's two universities. It is therefore appropriate to consider the student population separately when establishing future population projections, and to base projections for the general population on the underlying migration trends excluding student growth.

2.70 The most recent 10-year trends for net migration (covering the period 2006-16) ranged from an average of around 450 persons up to 970 persons per year. Both figures are informed by the Census-based mid-year estimates for the initial 5-year period 2006-11, which provide the most reliable estimate of population for this period. For the subsequent 5-year period 2011-16:

- The higher figure of 970 persons per year is based on the ONS mid-year estimates; but this data has been shown to identify an exceptionally high level of growth and, more importantly, the rate of growth is inconsistent with all other data sources for the area;
- The lower figure of 450 persons is based on growth identified by the ONS Statistical Population Dataset, and whilst this is not an official population estimate, the underlying methodology is currently more likely to overstate (rather than underestimate) the number of usual residents.

2.71 Population projections are particularly sensitive to any assumptions about migration, and therefore the associated inputs are particularly important.

2.72 Having reviewed all of the evidence, it would be difficult to justify the credibility of projections based on an assumed gain of 970 persons per year (excluding students). This would be well over double the rate of net migration recorded for earlier periods and, even if the data could be relied upon, it seems unlikely that this rate would be sustained for a 20-year projection. Assuming a gain of 450 persons per year would actually be at the upper end of the range of long-term trends in net migration recorded, once those that rely on official estimates since 2011 have been excluded. Nevertheless, there has recently been a real increase in housebuilding and it is reasonable to expect that net migration would be higher as a consequence.

2.73 There are inherent uncertainties about the rate of future migration, and there is no single correct answer. However, for the purposes of the general population projections, the SHMA has assumed a baseline growth of 710 persons for net migration. This does not include any net migration associated with the growth in student population.

2.74 In terms of the future student population, the University of Bath is planning to increase the number of places from 16,419 in 2015/16 to around 19,000 by 2020/21; an increase of just over 510 students annually compared to a sustained increase of 480 students per year from 1995/96 to 2015/16.[14] Bath Spa University plans to increase student numbers from 7,400 in 2015/16 to 10,742 by 2020/21; an increase of around 670 students annually, which is notably higher than the annual increase of 240 students over the last 20 years. Together, the figures suggest an extra 1,180 students each year on average over the next 5 years, which includes around 807 needing housing in Bath.

2.75 Whilst these figures are based on the universities' own plans, this forecast increase is notably higher than the relatively stable growth seen over the last 20 years – an average of 500 per year both over the whole period and also over the 10-year period 2006-16. Therefore, for projecting growth over the 20-year JSP period 2016-2036, we have assumed that the student population will continue to increase at the long-term average of around 500 per year, though recognise that growth may be at a faster pace in the first 5 years.

[14] http://www.bathnes.gov.uk/sites/default/files/sitedocuments/Planning-and-Building-Control/Planning-Policy/LP20162036/lp_201636_io_bp4_universities_growth_and_student_accommodation.pdf

Establishing Population Projections for Bath

2.76 Figure 15 compares the 2014-based sub national population projections (based on short-term migration trends) with the projections based on longer-term 10-year migration trends over the period 2016-36 both including and excluding the student population growth.

2.77 The 2014-based SNPP (based on short-term migration trends for the 5-year period 2009-14) is broadly in line with the growth identified by the SHMA projections for the general population based on longer-term 10-year migration trends; but notably lower than the SHMA projections once the student population has been incorporated. The SNPP shows an increase from 184,700 to 204,300 persons over the 20-year period 2016-36; an increase of 19,500 persons, which would include any change in the student population. The SHMA projections identify that the general population will increase from 168,600 to 185,700 persons and the student population will increase from 16,700 to 26,600 persons, which yields an overall increase of 27,100 persons over the 20-year period.

Figure 15: Population trends and projections 2001-2036, and projected population growth 2016-2036

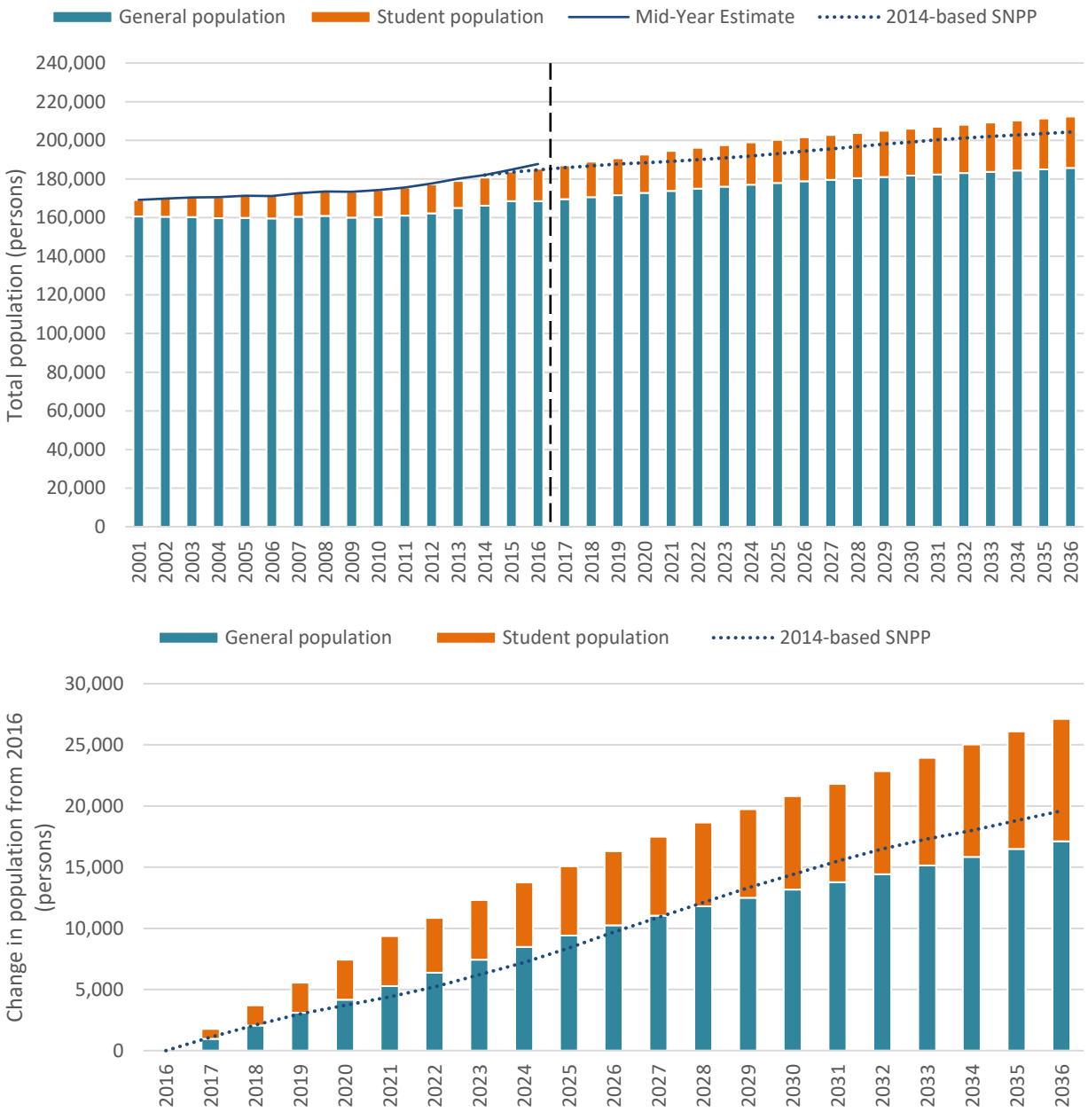


Figure 16: Bath HMA population projections 2016-36 by 5-year age cohort based on SNPP 2014 and 10-year migration trend scenario (Note: All figures presented unrounded for transparency)

Age	SNPP 2014			SHMA projection				
	2016	2036	Net change 2016-36	2016	2036	Net change 2016-36		
						TOTAL	General population	Student population
Aged 0-4	9,574	10,050	**+476**	9,578	9,667	**+89**	+89	-
Aged 5-9	10,016	10,720	**+704**	10,163	10,480	**+317**	+317	-
Aged 10-14	9,314	11,343	**+2,029**	9,416	11,219	**+1,803**	+1,803	-
Aged 15-19	13,189	14,854	**+1,665**	13,497	16,749	**+3,252**	+970	+2,282
Aged 20-24	19,293	21,311	**+2,018**	19,658	26,594	**+6,936**	+819	+6,116
Aged 25-29	11,900	12,283	**+384**	11,248	13,015	**+1,767**	+797	+970
Aged 30-34	9,840	10,129	**+289**	9,953	10,538	**+585**	+166	+419
Aged 35-39	9,706	10,348	**+642**	9,838	10,489	**+651**	+471	+180
Aged 40-44	10,738	11,116	**+378**	10,829	11,136	**+307**	+296	+11
Aged 45-49	12,248	11,395	**-853**	12,205	11,291	**-914**	-914	-
Aged 50-54	12,604	10,566	**-2,038**	12,651	10,605	**-2,046**	-2,046	-
Aged 55-59	10,952	10,089	**-863**	10,971	10,137	**-834**	-834	-
Aged 60-64	9,816	10,353	**+538**	9,832	10,398	**+566**	+566	-
Aged 65-69	10,298	11,353	**+1,055**	10,313	11,334	**+1,021**	+1,021	-
Aged 70-74	8,434	11,217	**+2,783**	8,450	11,253	**+2,803**	+2,803	-
Aged 75-79	6,473	9,260	**+2,787**	6,428	9,290	**+2,862**	+2,862	-
Aged 80-84	4,946	7,414	**+2,468**	4,922	7,450	**+2,528**	+2,528	-
Aged 85+	5,400	10,452	**+5,052**	5,269	10,681	**+5,412**	+5,412	-
Total	**184,740**	**204,255**	**+19,514**	**185,221**	**212,325**	**+27,104**	**+17,127**	**+9,977**

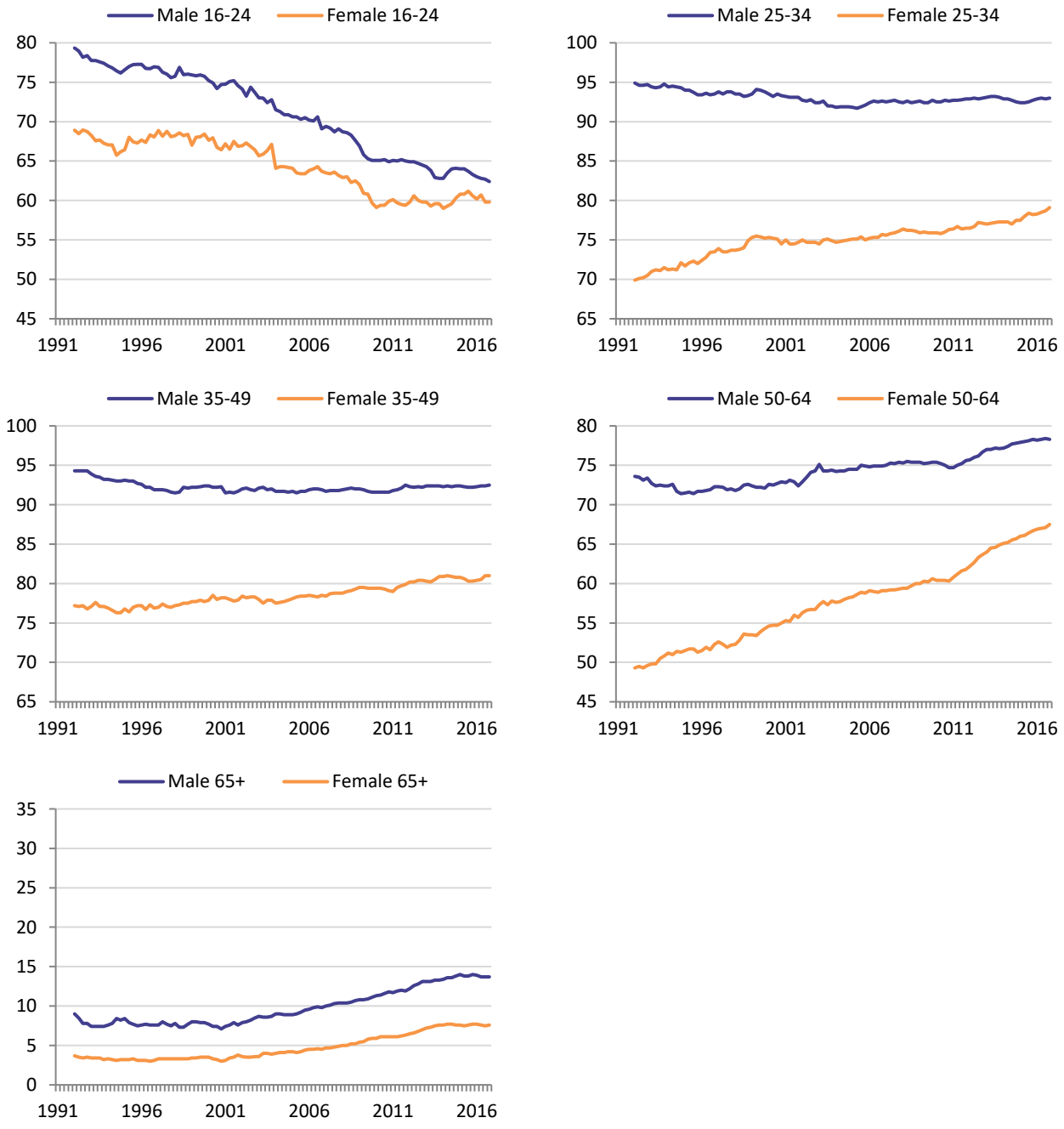
2.78 Figure 16 shows the projected change in population by 5-year age band for the 20-year JSP Plan period 2016-36. It is evident that the population in older age groups is projected to increase substantially during the Plan period, with over half of the growth in the population (14,600 persons) projected to be aged 65 or over, which represents the majority of the growth in the general population. This is particularly important when establishing the types of housing required and the need for housing specifically for older people. It is also relevant when considering the likely number of future workers, which is considered further in the next section.

Economic Activity

2.79 Forecasting future economic activity rates is a challenge: the analysis is inherently complex and dependent on a range of demographic, socio-economic and structural changes in the labour market. However, the performance of the labour market in future years (and especially the impact of changing employment patterns) is an important factor which affects demand for housing.

2.80 The Annual Population Survey (APS) is a continuous survey which replaced the Labour Force Survey (LFS). Together, the APS and LFS identify long-term trends in the employment circumstances of the population and provide the official measures of employment and unemployment. Figure 17 shows economic activity rates (EAR) by age and gender for the UK since 1991, based on APS and LFS data. It is evident that EAR rates are unlikely to remain constant in future as illustrated by past trends.

Figure 17: Economic Activity Rate long-term UK trends (Source: Labour Market Statistics based on Labour Force Survey)



2.81 There are a number of notable trends evident:

- » Economic activity rates for people aged under 25 have steadily declined, primarily as a consequence of the increased numbers remaining in full-time education;
- » Economic activity rates for women in all groups aged 25+ have tended to increase, in particular those aged 50-64 where the rate has increased by almost a third (from 49% to 65%); and
- » Economic activity rates for men and women aged 50+ have tended to increase, in particular over the period since 2001.

2.82 These changes in participation identified by the Labour Force Survey have been confirmed by Census data, which also shows that national trends are typically reflected at a local level.

2.83 The most recent economic activity rate projections produced by ONS were published in January 2006 and covered the period to 2020[15]; however these figures suggested substantially lower changes in activity rates than actually experienced over the last decade. However, the performance of the labour market is important for national government, particularly in terms of forecasting the long term sustainability of tax revenues. As part of their scrutiny of Government finances, the Office for Budget Responsibility (OBR) provide an independent and authoritative analysis of the UK's public finances for Government, which includes detailed analysis of past and future labour market trends[16].

Labour Market Participation Projections

2.84 The labour market participation projections produced by the OBR are based on historic profiles of different cohorts of the overall population – subsets that are grouped by year of birth and gender. Their analysis is not based on simplistic trends but is designed to capture dynamics that are specific to particular ages and those that cut across generations:

> *"We project each cohort into the future using age-specific labour market entry and exit rates as they age across time. These exit and entry rates are generally held constant, although we adjust entry rates for younger cohorts (discussed further below), and exit rates for people approaching the State Pension age (SPA), since the SPA rises over our projection period."*

2.85 Their analysis concludes:

- » **Older people;** economic activity rates of older people will increase in future years, mainly from a combination of factors including changes to State Pension age, less generous final salary pensions and increasing healthy longevity;
- » **Female participation;** in addition to changes to state pension age, economic activity rates for women will also increase due to cohort change: more women born in the 1980s will work compared to those born in the 1970s across all comparable ages, and the rates for women born in the 1970s will be higher than for those born in the 1960s and so on; and
- » **Young people**; economic activity rates of younger people will stop declining, although young people will continue to stay longer in education and the lower participation rates recently observed are not assumed to increase in future.

[15] Projections of the UK labour force, 2006 to 2020 by Vassilis Madouros; published in ONS Labour Market Trends, January 2006
[16] OBR Fiscal Sustainability Report, July 2014: http://cdn.budgetresponsibility.org.uk/41298-OBR-accessible.pdf

Older People

2.86 Recent increases in State Pension Age (SPA) are expected to prompt a labour market response as people retiring at an older age will exit the labour market later. Recent research from the Institute for Fiscal Studies (IFS) and University College London[17] concluded that:

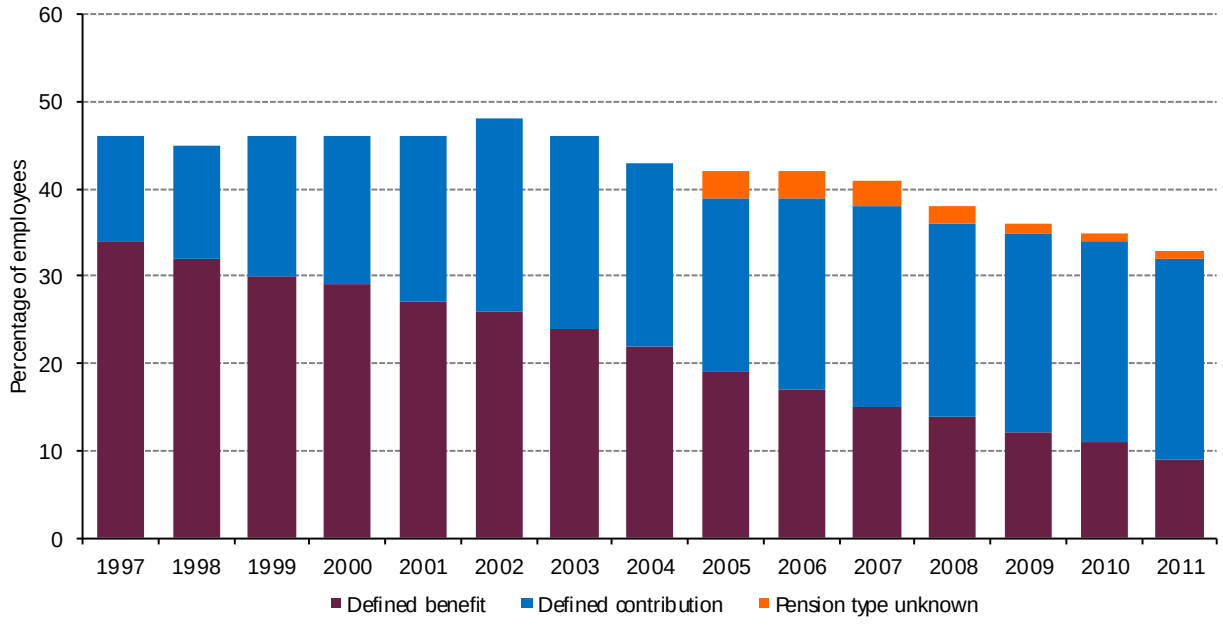
> *"Future increases in the state pension age will lead to a substantial increase in employment".*

2.87 However, the issue is complex: most people do not retire at the SPA precisely, and other factors influence retirement decisions:

- **Health**: longer, healthier lives mean people spend longer in employment;
- **Education**: higher levels of education are associated with working for longer and service sector expansion (including new technology and self-employment) give new options for some people to work for longer;
- **Family circumstances**: evidence suggests couples make joint retirement decisions, choosing to retire at similar points in time;
- **Financial considerations**: expectations of post-retirement incomes are changing as people (especially women) have to wait longer before receiving their State Pension and defined benefit pensions continue to decline; and
- **Compulsory retirement age**: the default retirement age (formerly 65) has been phased out – most people can now work for as long as they want to. Retirement age, therefore, is when an employee chooses to retire. Most businesses don't set a compulsory retirement age for their employees[18].

2.88 Nevertheless, financial drivers are particularly important in the decision of when to retire, and changes to the State Pension age coupled with reduced membership of private schemes (Figure 18) will inevitably lead to higher economic activity rates amongst the older population.

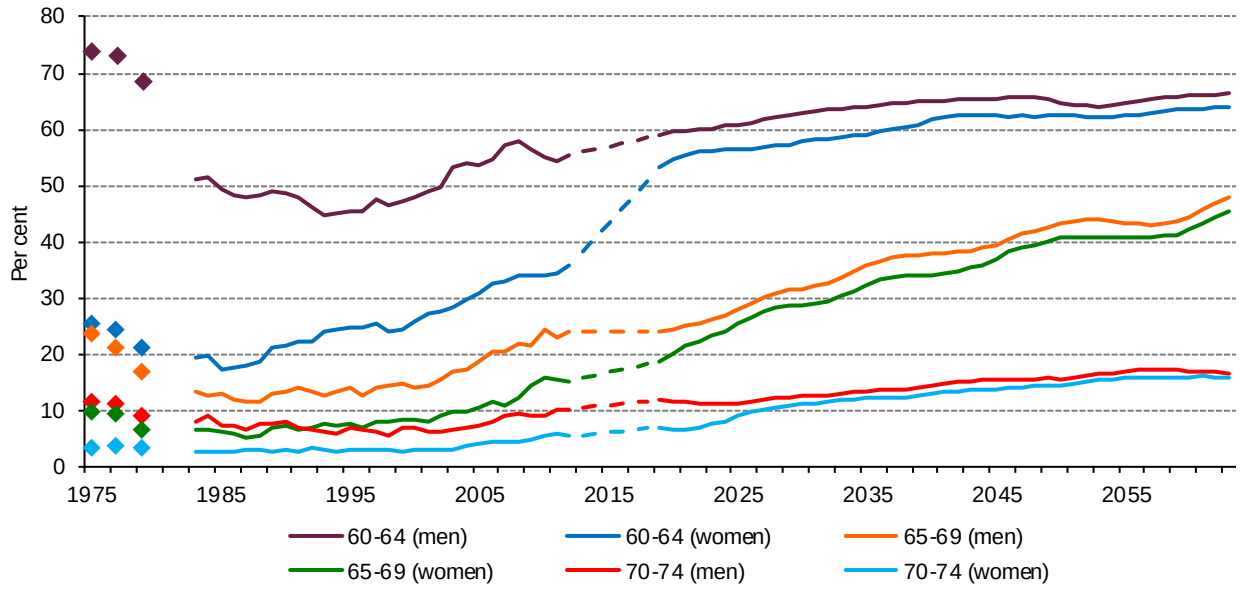
Figure 18: Membership of private sector defined benefit and defined contribution schemes (Source: NAO)



[17] http://www.ifs.org.uk/pr/spa_pr_0313.pdf
[18] https://www.gov.uk/retirement-age

2.89 Figure 19 shows the long-term trends in employment rates for men and women aged 60-74 together with the OBR short-term and longer-term projections.

Figure 19: Employment rates for 60-74 years olds (Source: ONS, OBR. Note: Prior to 1983, the Labour Force Survey does not contain an annual series for these indicators, so only available years are shown. The OBR medium-term forecast to 2018 is produced top-down, not bottom-up, so the dotted lines for that period are a simple linear interpolation)



2.90 In summary, for those:

- **Aged 60-64**: employment rates for women are projected to continue increasing rapidly over the short-term as the SPA is equalised. Rates for both men and women are then projected to increase more marginally over the longer-term, although the projected rates for men remain notably lower than those actually observed in the late 1970s;
- **Aged 65-69**: the gap between rates for men and women is projected to reduce over the short-term, with rates for both expected to increase progressively over the longer-term; and
- **Aged 70-74**: the rates for these older men and women are projected to converge, although only marginal increases in the rates are otherwise expected – fewer than 1-in-8 people in this age group are expected to be working until at least the 2030s.

Female Participation

2.91 Women's participation in the labour force has increased, particularly since the 1970s, for a complex range of societal and economic reasons:

- **Childbirth**: decisions regarding children are changing. More women choose childlessness, or childbirth is delayed until women are in their 30s or 40s. Post childbirth decisions on return to the workforce are also influenced by a variety of factors (e.g. childcare arrangements, tax implications for second incomes, family circumstances);
- **Lone parents:** employment rates for lone parents lag behind mothers with partners, but this gap has been closing;
- **Support services for women in work**: an increase in available options to support women in work (e.g. childcare services, flexible working arrangements);

» **Equal pay**: the gender wage differential has been narrowing (although still exists) giving women higher rewards for work; and

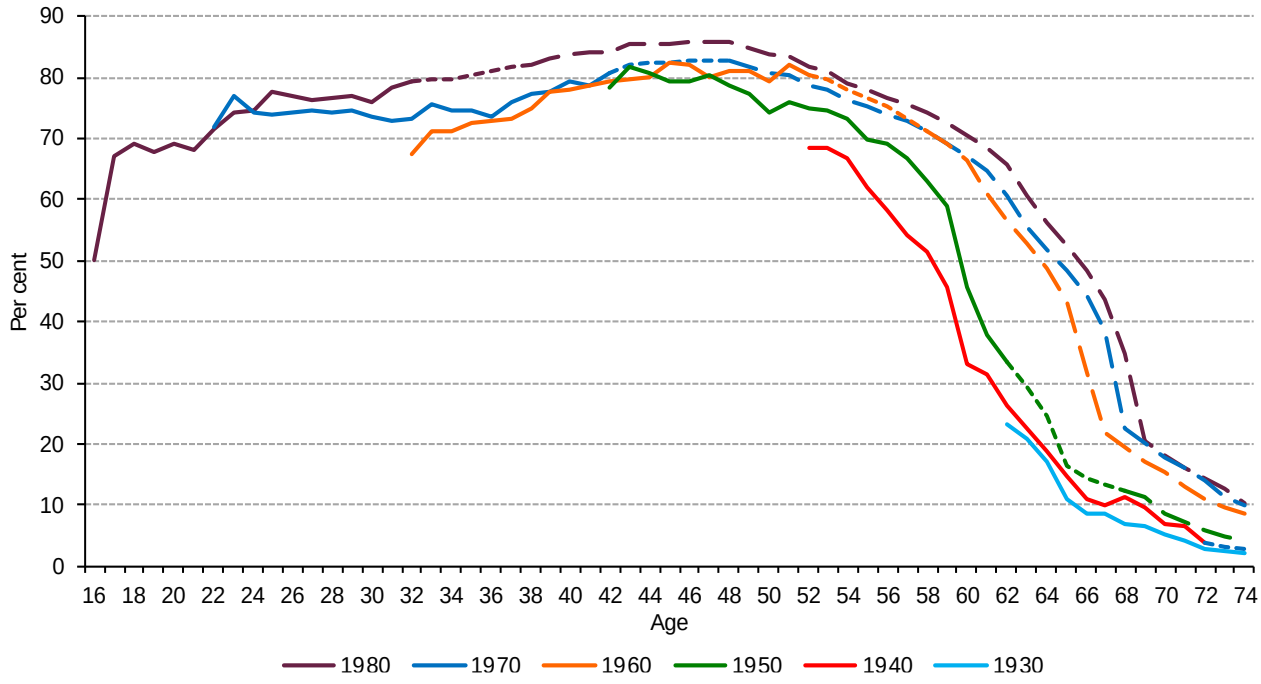
» **Education**: higher levels of education have opened new career opportunities outside historically traditional female sectors.

2.92 National policy still aspires to encourage more women into work. The Government is seeking to "*incentivise as many women as possible to remain in the labour market*"[19] and the Autumn Statement in 2014 included plans for more support for childcare (for example, Tax Free Childcare; Childcare Business Grant) and an ambition to match countries with even higher employment rates for women.

2.93 Historic data clearly shows that women born in the 1950s (who are now approaching retirement) have been less likely to be economically active than those born more recently, based on the comparison of data for individual ages. Participation rates for women have progressively increased over time: women born in the 1960s had higher rates than those born in the 1950s, women born in the 1970s had higher rates again, and women born in the 1980s have had the highest rates. The OBR projections take account of these historic differences between cohorts, but they do not assume that female cohorts yet to enter the labour market have even higher participation rates.

2.94 Figure 20 shows the trends in female economic participation rates by year of birth together with the OBR projections, which show how this cohort effect is likely to contribute towards higher economic activity rates in future.

Figure 20: Female participation rates by Cohort (Source: ONS, OBR)



[19] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/371955/Women_in_the_workplace_Nov_2014.pdf

Young People

2.95 The key issue for young people is at what age they enter the labour market. There has been a pronounced fall in economic participation rates for 16 and 17 year olds over time, but this fall in economic activity complements an increase in academic activity as young people stay longer in education[20]. There have been similar (though less pronounced) declining trends for 18-20 year olds.

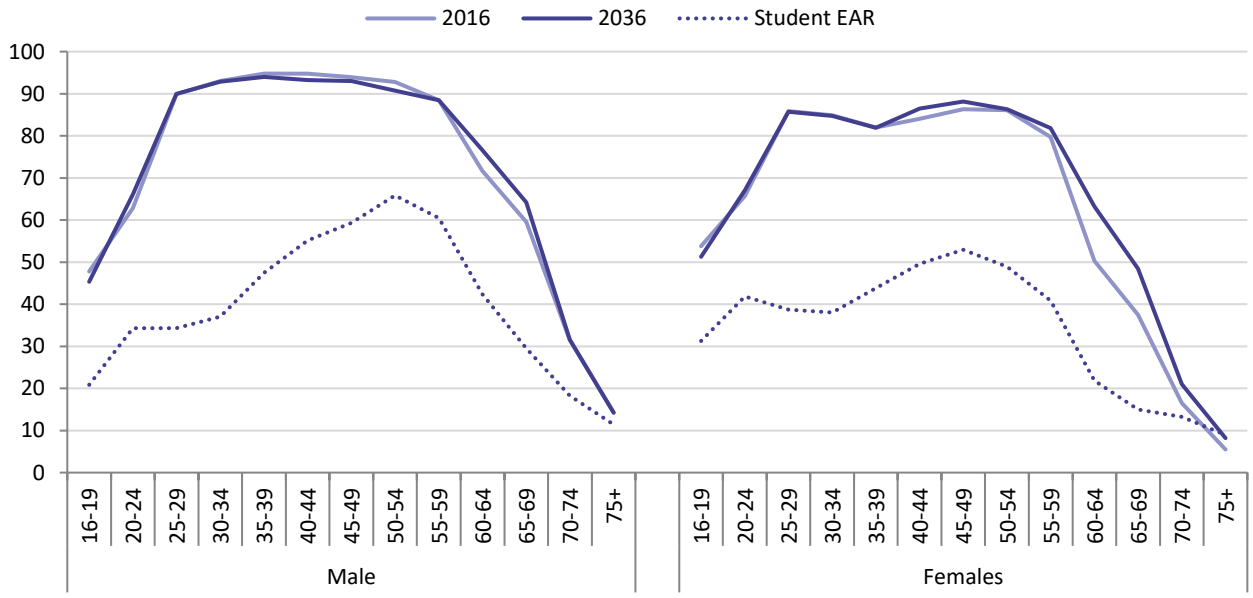
2.96 National policy is also changing. The school leaving age rose to 18 in 2015 and the Government has removed the cap on student numbers attending higher education[21].

2.97 The policy changes indicate it is unlikely that economic participation rates will increase for these younger age groups. However, it should be noted that OBR projections expect these lower participation rates to stabilise at the current level rather than continue to decline. Further, the projections assume that this increased academic activity will not reduce economic activity rates as individuals get older. For example, entry rates into the labour market for people in their twenties are assumed to be higher than previously observed to take account of those who have deferred economic activity due to academic study.

Projecting Future Economic Activity for Bath HMA

2.98 Figure 21 shows the estimated economic activity rates for 2016 and the projected rates for 2036 based on Census data for Bath HMA and the OBR labour market participation projections. The economic activity rates for the student population are also shown, which are based on Census data and assumed to remain constant over the projection period.

Figure 21: Economic activity rates in 2016 and 2036 by age and gender based on OBR Labour Market Participation Projections



2.99 Participation rates for men under 60 are not projected to change. There is increased in participation projected for men aged 60 and over, but these changes are only relatively marginal.

2.100 Participation rates for women are projected to change due to the cohort effects previously discussed. The rates for those aged under 35 are relatively stable (as there is no increased participation assumed for women born after the 1980s), but there are increased participation rates projected for all older age groups.

[20] http://www.hefce.ac.uk/pubs/year/2015/201503/
[21] http://www.bbc.co.uk/news/education-25236341

2.101 Figure 22 shows the estimated economically active population for the Bath HMA in 2016 and the projected economically active population in 2036 based on the population projections previously produced based on 10-year migration trends.

Figure 22: Bath HMA projected economically active population 2016-36 based on 10-year migration trend scenario by gender and 5-year age cohort (Note: All figures presented unrounded for transparency)

Age	Economically Active Population		Net change 2016-36		
	2016	2036	TOTAL	General population	Student population
Male					
Aged 16-19	2,269	2,584	**+315**	+77	+239
Aged 20-24	4,687	6,591	**+1,903**	+850	+1,053
Aged 25-29	4,558	5,890	**+1,332**	+1,165	+166
Aged 30-34	4,577	4,927	**+350**	+271	+80
Aged 35-39	4,523	5,015	**+492**	+450	+43
Aged 40-44	4,950	5,252	**+303**	+300	+3
Aged 45-49	5,641	5,172	**-469**	-469	-
Aged 50-54	5,719	4,730	**-989**	-989	-
Aged 55-59	4,737	4,334	**-403**	-403	-
Aged 60-64	3,419	3,802	**+384**	+384	-
Aged 65-69	2,966	3,470	**+504**	+504	-
Aged 70-74	1,266	1,675	**+409**	+409	-
Aged 75+	992	1,756	**+764**	+764	-
Female					
Aged 16-19	2,645	3,035	**+390**	+34	+356
Aged 20-24	5,273	6,456	**+1,182**	-93	+1,275
Aged 25-29	4,490	4,252	**-238**	-425	+188
Aged 30-34	3,928	3,884	**-44**	-122	+78
Aged 35-39	4,035	4,030	**-4**	-44	+39
Aged 40-44	4,702	4,748	**+46**	+44	+3
Aged 45-49	5,347	5,053	**-295**	-295	-
Aged 50-54	5,585	4,651	**-934**	-934	-
Aged 55-59	4,474	4,285	**-189**	-189	-
Aged 60-64	2,545	3,433	**+888**	+888	-
Aged 65-69	1,998	2,870	**+872**	+872	-
Aged 70-74	733	1,249	**+516**	+516	-
Aged 75+	530	1,237	**+707**	+707	-
Total	**96,587**	**104,382**	**+7,795**	**+4,273**	**+3,522**

2.102 The economically active population is projected to increase by around 7,800 people over the 20-year JSP Plan period 2016-36, equivalent to an average increase of 390 additional workers each year. This reflects the projected growth of working aged people, and comprises an increase of 4,300 additional workers in the general population and a further 3,500 students that are projected to be economically active (albeit that many will not work full-time).

2.103 The increase also includes a substantial number of additional older workers: an increase of over 5,000 people aged 60 or over, which reflects the larger older population and (more importantly) trends in increased participation from older age groups. Nevertheless, it is important to recognise that this simply reflects existing workers remaining economically active – it does not represent a large number of new employees entering the workforce in these age groups.

Establishing Household Projections for Bath HMA

Household Population and Communal Establishment Population

2.104 Prior to considering household projections, it is necessary to identify the household population and separate out the population assumed to be living in Communal Establishments (institutional population). The methodology used by the SHMA is consistent with the CLG approach:[22]:

> *"For the household projections, the assumption is made that the institutional population stays constant at 2011 levels by age, sex and marital status for the under 75s and that the share of the institutional population stays at 2011 levels by age, sex and relationship status for the over 75s. The rationale here is that ageing population will lead to greater level of population aged over 75 in residential care homes that would not be picked up if levels were held fixed but holding the ratio fixed will."* (pages 11-12)

2.105 The 2011 Census identified 6,039 persons living in Communal Establishments in the Bath HMA. This is broadly consistent with the 6,068 persons estimate for 2011 in the CLG 2014-based household projections; however the CLG estimate for 2016 does not take account of the additional 1,561 student bedspaces that have been provided since the Census whereas these are incorporated within the SHMA projection.

2.106 Figure 23 shows the breakdown between the household population and the population living in Communal Establishments.

Figure 23: Household population and communal establishment projections 2016-36 based on SHMA projections

Age	Household Population			Communal Establishment Population		
	2016	2036	Net change 2016-36	2016	2036	Net change 2016-36
Aged 0-14	28,952	31,161	**+2,209**	205	205	-
Aged 15-24	27,214	37,402	**+10,187**	5,941	5,941	-
Aged 25-34	20,768	23,120	**+2,352**	433	433	-
Aged 35-44	20,539	21,498	**+959**	128	127	-
Aged 45-54	24,708	21,746	**-2,962**	148	149	-
Aged 55-64	20,699	20,431	**-268**	104	104	-
Aged 65-74	18,642	22,466	**+3,824**	121	121	-
Aged 75-84	11,012	16,223	**+5,211**	338	517	**+178**
Aged 85+	4,529	9,344	**+4,815**	740	1,337	**+597**
Total Population	**177,063**	**203,392**	**+26,329**	**8,158**	**8,933**	**+775**
General population	163,625	179,977	**+16,352**	2,154	2,929	**+775**
Student population	13,438	23,415	**+9,977**	6,004	6,004	-

2.107 Whilst the additional student bedspaces provided before the plan period have been included within the baseline figures, the projections do not assume any further increase in students living in communal establishments. On this basis, providing additional student bedspaces would reduce the projected number of households (and the associated housing need), so it will be important for future provision to be counted against the housing requirement.

2.108 It will also be important to recognise the projected growth of population aged 75 or over living in communal establishments when establishing the overall housing requirement. Given that the population projections have already established the total population aged 75 or over, a consequence of the assumed

[22] Household Projections 2014-based: Methodological Report, Department for Communities and Local Government, July 2016

increase in institutional population for these age groups is fewer older people being counted in the household population. This affects the projected household growth for the area. Without the increase of 775 older persons living in communal housing there would be an extra 775 persons in the household population. It will therefore be necessary to plan for the increase in institutional population, as this will be additional to the projected household growth; although the council will need to consider the most appropriate types of housing in the context of future plans for delivering care and support for older people. As previously noted, the population in older age groups is projected to increase substantially during the Plan period, and Volume II of the SHMA will provide further analysis of the range of different types of housing required specifically for older people.

Household Representative Rates

2.109 Household Representative Rates (HRRs) are a demographic tool used to convert population into households and are based on those members of the population who can be classed as "household representatives" or "heads of household". The HRRs used are key to the establishment of the number of households and, further, the number of households is key to the number of homes needed in future.

2.110 The proportion of people in any age cohort who will be household representatives vary between people of different ages, and the rates also vary over time. HRRs are published as part of the household projections produced by CLG. The 2011 Census identified that the CLG 2008-based household projections had significantly overestimated the number of households. Nevertheless, this had been anticipated and the methodology report published to accompany the 2008-based projections acknowledged (page 10):

> *"Labour Force Survey (LFS) data suggests that there have been some steep falls in household representative rates for some age groups since the 2001 Census … this can only be truly assessed once the 2011 Census results are available."*

2.111 The CLG 2012 based household projections technical document confirmed the findings (page 24):

> *"At the present time the results from the Census 2011 show that the 2008-based projections were overestimating the rate of household formation and support the evidence from the Labour Force Survey that household representative rates for some (particularly younger) age groups have fallen markedly since the 2001 Census."*

2.112 Prior to the publication of CLG 2012-based household projections, Inspectors had been keen to avoid perpetuating any possible "recessionary impact" associated with the lower formation rates suggested by the interim data. Nevertheless, the interim 2011-based household projections were prepared before the necessary Census data was available and it has become evident that some of the historic household representative rates were estimated inaccurately. The 2012-based household projections published in February 2015 incorporated far more data from the 2011 Census which has now been incorporated into the 2014-based household projections, which provide data for the 25-year period 2014-39 based on long-term demographic trends. The household representative projections use a combination of two fitted trends through the available Census points (1971, 1981, 1991, 2001 and 2011).

2.113 Ludi Simpson (Professor of Population Studies at the University of Manchester and the originator and designer of the PopGroup demographic modelling software) considered the CLG household projections in an article published in Town and Country Planning (December 2014):

> *"Although it is sometimes claimed that the current household projections are based on the experience of changes between 2001 and 2011, this is true only of the allocation of*

households to household types in the second stage of the projections. The total numbers of households in England and in each local authority are projected on the basis of 40 years of trends in household formation, from 1971 to 2011."

2.114 It is possible to understand the impact of the new household representative rates through applying the 2012-based rates and the 2008-based and interim 2011-based rates to the same population. Using the household population data in the 2012-based projections for the 10-year period 2011-2021 (the only years where household representative rates are available from all three projections), the 2012-based rates show an annual average growth of 218,600 households across England. This compares to 241,600 households using the 2008-based rates and 204,600 households using the interim 2011-based rates. Therefore, the 2012-based rates yield household growth that is 7% higher than the interim 2011-based rates and only 10% lower than the 2008-based rates. At a local level, a third of local authorities have 2012-based rates that are closer to 2008-based rates than the interim 2011-based rates.

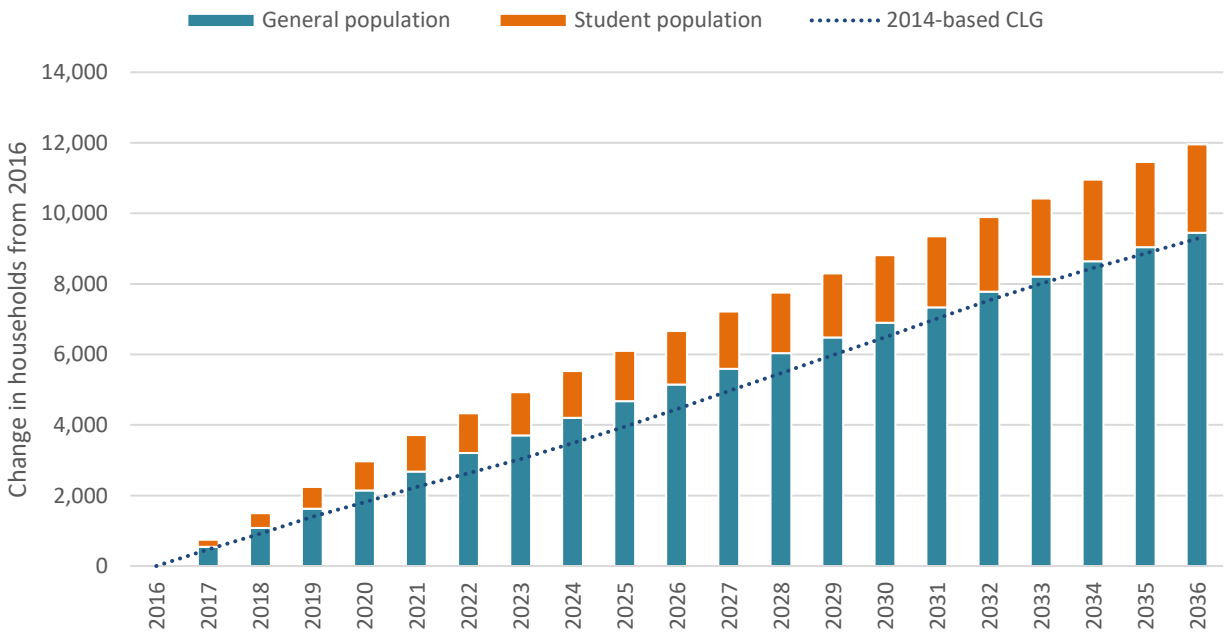
2.115 The 2014-based household projections supersede the 2012-based projections (which in turn superseded both the 2008-based projections and the interim 2011-based projections). The changes since 2008 were anticipated and these reflect real demographic trends, and therefore we should not adjust these further; although the extent to which housing supply may have affected the historic rate is one of the reasons that we also consider market signals when determining the OAN for housing.

Household Projections

2.116 Using the CLG 2014-based household representative rates, we can establish the projected number of additional households.

2.117 The projected increase in households across the Bath HMA is summarised in Figure 24. Based on the SHMA projections, the number of households increases from 76,024 to 87,979 over the 20-year period 2016-36: an overall growth of 11,955 households (comprised of 9,446 households in the general population and 2,509 student households) which is equivalent to an average of 598 per year. This compares to the overall growth of 9,284 households (464 per year) identified by the CLG 2014-based projections.

Figure 24: Bath HMA household projections



2.118 In order to establish a household projection based estimate of housing need, it is necessary to take account of vacancies and second homes. The overall number of vacant homes across Bath was estimated to be 1,620 dwellings in 2016, which represents around 2.1% of the stock.[23] In addition, the 2011 Census identified 945 persons aged 16 or over with a second home in Bath (706 work related and 239 holiday homes). This represents around 723 dwellings equivalent to 0.9% of the stock.

2.119 The SHMA has therefore included an overall allowance of 3.0% for vacancies and second homes; so the housing need based on household projections represents a total of 12,325 dwellings over the 20-year period 2016-36, equivalent to an average of 616 dwellings per annum.

Conclusions

2.120 PPG identifies that the *"starting point estimate of overall housing need"* is the CLG 2014-based household projections. For the 20-year Plan period 2016-36, these projections show an increase from 76,313 to 85,597 households across the Bath HMA – an overall growth of 9,284 households, equivalent to an average of around 464 households each year.

2.121 The SHMA projections separate the student population from the general population, and based on 10-year trends identifies a larger increase of 11,955 households over the 20-year Plan period 2016-36, equivalent to an average of 598 households per year across the Bath HMA. These projections take account of the anomalies in the population trend data for Bath and the particular uncertainties with the ONS mid-year estimates since 2011.

2.122 Based on all of the evidence, the projections assume a baseline annual migration of +710 persons for the general population and an average annual growth of +500 persons for the student population. The estimate of migration for the general population is high in the context of past trends, and as a consequence the SHMA projection could be considered high given that future net migration to the area has been based on this rate.

2.123 The SHMA projection is higher than the CLG 2014-based figures and it is also higher than the GLA projections based on both the GLA's preferred "Central" scenario (which uses 10-year migration trends) and on long-term migration trends (based on the longer 15-year period: 2001-16). These identify growth of 10,793 and 9,913 households respectively. The projection is marginally lower than the GLA projection based on short-term migration trends (which identifies a growth of 12,686 households); however, this relies uncritically on the mid-year estimate data for the period since 2011, which shows exceptional growth that is not supported by other data. This will also be a concern when the ONS publish their 2016-based household projections later this year, as it is likely that this figure could also be higher than the SHMA projection given the reliance on these mid-year estimates.

2.124 Nevertheless, as previously noted, longer-term projections typically benefit from longer-term trends – so the 10-year migration trend provides a robust and reliable basis for projecting the future population. Therefore, the projected household growth of 11,955 households over the 20-year Plan period 2016-36 (equivalent to an average of 598 households each year) provides the most appropriate demographic projection on which to base the Objectively Assessed Need (OAN) for housing. On this basis, the household projection-based estimate of housing need represents 12,325 dwellings over the 20-year period 2016-36, equivalent to an average of 616 dwellings per annum.

[23] CLG Live Tables 125 (Dwelling stock estimates) and 615 (Vacant dwellings)

3. Affordable Housing Need

Identifying households who cannot afford market housing

3.1 Demographic projections provide the basis for identifying the Objectively Assessed Need for all types of housing, including both market housing and affordable housing.

3.2 PPG notes that affordable housing need is based on households *"who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market"* (ID 2a-022) and identifies a number of different types of household which may be included:

> ***What types of households are considered in housing need?***
>
> *The types of households to be considered in housing need are:*
>
> » *Homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income)*
>
> » *Households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households)*
>
> » *Households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ*
>
> » *Households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation*
>
> » *Households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014) ID 2a-023**

3.3 PPG also suggests a number of data sources for assessing past trends and recording current estimates for establishing the need for affordable housing (ID 2a-024):

» Local authorities will hold data on the number of homeless households, those in temporary accommodation and extent of overcrowding.

» The Census also provides data on concealed households and overcrowding which can be compared with trends contained in the English Housing Survey.

» Housing registers and local authority and registered social landlord transfer lists will also provide relevant information.

3.4 The following section considers each of these sources in turn, alongside other relevant statistics and information that is available.

Past Trends and Current Estimates of the Need for Affordable Housing

Local Authority Data: Homeless Households and Temporary Accommodation

3.5 In Bath HMA, there was a downward trend in the number of households accepted as being homeless and in priority need over the last decade (Figure 25). There were 41 such households in the first quarter of 2006 which reduced to 17 households by the first quarter of 2016, a net reduction of 24 households.

3.6 There has also been a downward trend in households living in temporary accommodation. There were 50 such households in 2006 which reduced to 21 in 2016 (including 6 in bed and breakfast accommodation and a further 10 in hostels), a net reduction of 29 households. There were no households that had been accepted homeless but without temporary accommodation provided (Figure 26).

Figure 25: Households accepted as homeless and in priority need and households in temporary accommodation 2001-17 (Source: CLG P1E returns)

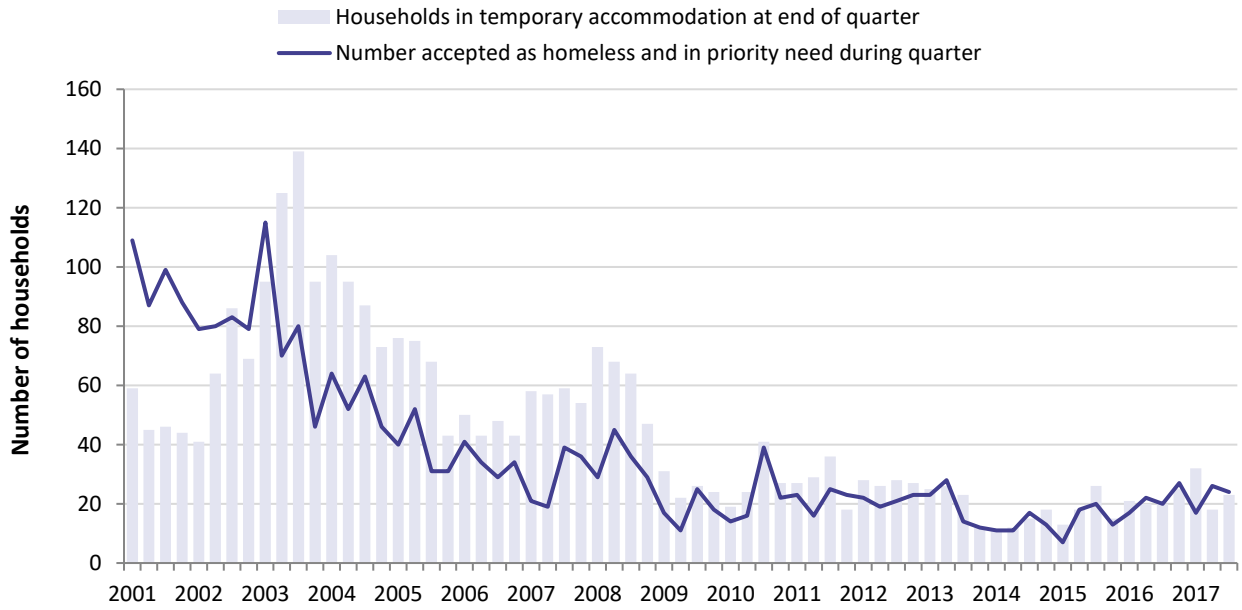


Figure 26: Households in temporary accommodation (Source: CLG P1E returns for March 2006 and March 2016)

		Bath HMA		England 2016
		2006	2016	
Households in temporary accommodation	Bed and breakfast	2	6	-
	Hostels	41	10	-
	Local Authority or RSL stock	7	5	-
	Private sector leased (by LA or RSL)	0	0	-
	Other (including private landlord)	0	0	-
	TOTAL	**50**	**21**	**-**
	Rate per 1,000 households	*0.7*	*0.3*	*3.1*
Households accepted as homeless but without temporary accommodation provided		12	0	-

3.7 It is evident that statutory homelessness has not become significantly worse in Bath HMA over the period since 2001, but this does not necessarily mean that fewer households risk becoming homeless. Housing advice services provided by the council limits the number of homeless presentations, through helping

people threatened with homelessness find housing before they become homeless. Housing allocation policies can also avoid the need for temporary housing if permanent housing is available sooner; however, many households facing homelessness are now offered private rented housing.

3.8 Changes to the Law in 2011 means private sector households can now be offered accommodation in the Private Rented Sector and this cannot be refused, provided it is a reasonable offer. Prior to this change, Local Authorities could offer private sector housing to homeless households (where they have accepted a housing duty under Part 7 of the Housing Act 1996) but the applicant was entitled to refuse it. The Localism Act 2011 means refusal is no longer possible providing the offer is suitable. While the change aims to reduce the pressures on the social housing stock, an indirect result is that there are further demands on the private rented sector as Councils seek to house homeless households.

Census Data: Concealed Households and Overcrowding

3.9 The Census provides detailed information about households and housing in the local area. This includes information about **concealed families** (i.e. couples or lone parents) and **sharing households**. These households lack the sole use of basic facilities (e.g. a bathroom or kitchen) and have to share these with their "host" household (in the case of concealed families) or with other households (for those sharing).

Concealed Families

3.10 The number of **concealed families** living with households in Bath HMA increased from 348 to 503 over the 10-year period 2001-11 (Figure 27), an increase of 155 families (45%).

Figure 27: Concealed families in Bath HMA by age of family representative (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Aged under 25	52	118	+66
Aged 25 to 34	113	134	+21
Aged 35 to 44	49	47	-2
Aged 45 to 54	25	44	+18
Sub-total aged under 55	**239**	**343**	**+104**
Aged 55 to 64	24	37	+13
Aged 65 to 74	46	71	+25
Aged 75 or over	39	52	+13
Sub-total aged 55 or over	**109**	**160**	**+51**
All Concealed Families	**348**	**503**	**+155**

3.11 Although many concealed families do not want separate housing (in particular where they have chosen to live together as extended families), others are forced to live together due to affordability difficulties or other constraints – and these concealed families will not be counted as part of the CLG household projections. Concealed families with older family representatives will often be living with another family in order to receive help or support due to poor health. Concealed families with younger family representatives are more likely to demonstrate un-met need for housing. When we consider the growth of 155 families over the period 2001-11, two-thirds (67%) have family representatives aged under 55, with substantial growth amongst those aged under 35 in particular (in line with national trends).

Sharing Households

3.12 The number of **sharing households** increased from 234 to 443 over the 10-year period 2001-11 (Figure 28), an increase of 209 households (89%).

Figure 28: Shared Dwellings and Sharing Households in Bath HMA (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Number of shared dwellings	97	110	+13
Number of household spaces in shared dwellings	300	483	+183
All Sharing Households	**234**	**443**	**+209**
Household spaces in shared dwellings with no usual residents	66	40	-26

3.13 Figure 29 shows that the number of **multi-adult households** living in the area increased from 4,043 to 5,245 households over the same period, an increase of 1,202 (30%). These people also have to share basic facilities, but are considered to be a single household as they also share a living room, sitting room or dining area. This includes **Houses in Multiple Occupation (HMOs) with shared facilities,** as well as **single people living together as a group** and **individuals with lodgers**.

Figure 29: Multi-adult Households in Bath HMA (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Owned	1,752	1,698	-54
Private rented	2,020	3,242	+1,222
Social rented	271	305	+34
All Households	**4,043**	**5,245**	**+1,202**

3.14 The growth in multi-adult households was focussed particularly in the private rented sector, with an increase in single persons choosing to live with friends together with others living in HMOs (including student households). This growth accounts for 1,222 households (an increase from 2,020 to 3,242 households over the period) and this represents over 100% of the total increase in multi-adult households living in the area, which offsets a decline in multi-adult households in owner occupation.

3.15 Nevertheless, shared facilities is a characteristic of HMOs and many people living in this type of housing will only be able to afford shared accommodation (either with or without housing benefit support). Extending the Local Housing Allowance (LHA) Shared Accommodation Rate (SAR) allowance to cover all single persons up to 35 years of age has meant that many more young people will only be able to afford shared housing, and this has further increased demand for housing such as HMOs.

3.16 There is therefore likely to be a continued (and possibly growing) role for HMOs, with more of the existing housing stock possibly being converted. Given this context, it would not be appropriate to consider households to need affordable housing only on the basis of them currently sharing facilities (although there may be other reasons why they would be considered as an affordable housing need).

Overcrowding

3.17 The Census also provides detailed information about occupancy which provides a measure of whether a household's accommodation is **overcrowded or under occupied**:

> *"There are two measures of occupancy rating, one based on the number of rooms in a household's accommodation, and one based on the number of bedrooms. The ages of the household members and their relationships to each other are used to derive the number of rooms/bedrooms they require, based on a standard formula. The number of rooms/bedrooms required is subtracted from the number of rooms/bedrooms in the household's accommodation to obtain the occupancy rating. An occupancy rating of -1 implies that a household has one fewer room/bedroom than required, whereas +1 implies that they have one more room/bedroom than the standard requirement."*

3.18 When considering the number of rooms required, the ONS use the following approach to calculate the room requirement:

- A one person household is assumed to require three rooms (two common rooms and a bedroom); and
- Where there are two or more residents it is assumed that they require a minimum of two common rooms plus one bedroom for:
  - each couple (as determined by the relationship question)
  - each lone parent
  - any other person aged 16 or over
  - each pair aged 10 to 15 of the same sex
  - each pair formed from any other person aged 10 to 15 with a child aged under 10 of the same sex
  - each pair of children aged under 10 remaining
  - each remaining person (either aged 10 to 15 or under 10).

3.19 For Bath HMA, overcrowding increased from 3,868 to 5,072 households (an increase of 1,204 over the 10-year period 2001-11 (Figure 30). This represents a percentage growth of 27%, which is higher than Warwick (19%) and it is also higher than the national increase for England (23%), however it is lower than both Colchester (32%) and York (40%). When considered by tenure, overcrowding has reduced by 63 households in the owner occupied sector, increased by 440 households in the social rented sector with the largest growth in the private rented sector where the number of overcrowded households has increased from 1,545 to 2,372, a growth of 827 households over the 10-year period. Nevertheless, the percentage of overcrowded households in the social rented sector has had the biggest increase from 12.3% to 15.9% (a percentage growth of 30%).

Figure 30: Proportion of overcrowded households 2011 and change 2001-11 by tenure (Note: Overcrowded households are considered to have an occupancy rating of -1 or less. Source: UK Census of Population 2001 and 2011)

	Occupancy rating (rooms)						Occupancy rating (bedrooms) 2011	
	2001		2011		Net change 2001-11			
	N	%	N	%	N	%	N	%
BATH HMA								
Owned	1,074	2.1%	1,011	2.0%	-63	-3%	595	1.2%
Private rented	1,545	15.7%	2,372	17.6%	+827	+12%	713	5.3%
Social rented	1,249	12.3%	1,689	15.9%	+440	+30%	807	7.6%
All Households	**3,868**	**5.4%**	**5,072**	**6.9%**	**+1,204**	**+27%**	**2,115**	**2.9%**
All Households								
ENGLAND	**-**	**7.1%**	**-**	**8.7%**	**-**	**+23%**	**-**	**4.6%**
Colchester	-	5.6%	-	7.3%	-	+32%	-	2.9%
Warwick	-	5.5%	-	6.5%	-	+19%	-	2.9%
York	-	5.1%	-	7.1%	-	+40%	-	3.5%

English Housing Survey Data

Overcrowding

3.20 The English Housing Survey (EHS) does not provide information about individual local authorities, but it does provide a useful context about these indicators in terms of national trends between Census years.

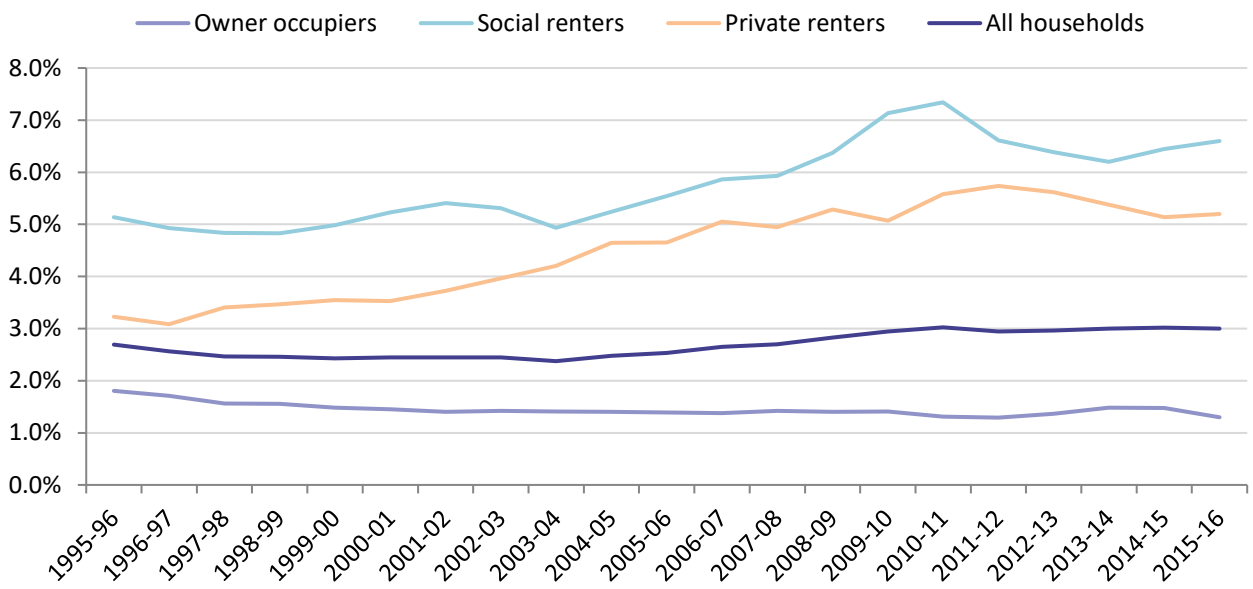
3.21 The measure of overcrowding used by the EHS provides a consistent measure over time **however the definition differs from both occupancy ratings provided by the Census**. The EHS approach[24] is based on a *"bedroom standard"* which assumes that adolescents aged 10-20 of the same sex will share a bedroom, and only those aged 21 or over are assumed to require a separate bedroom (whereas the approach used by the ONS for the Census assumes a separate room for those aged 16 or over):

> *"The 'bedroom standard' is used as an indicator of occupation density. A standard number of bedrooms is calculated for each household in accordance with its age/sex/marital status composition and the relationship of the members to one another. A separate bedroom is allowed for each married or cohabiting couple, any other person aged 21 or over, each pair of adolescents aged 10-20 of the same sex, and each pair of children under 10. Any unpaired person aged 10-20 is notionally paired, if possible, with a child under 10 of the same sex, or, if that is not possible, he or she is counted as requiring a separate bedroom, as is any unpaired child under 10.*
>
> *"Households are said to be overcrowded if they have fewer bedrooms available than the notional number needed. Households are said to be under-occupying if they have two or more bedrooms more than the notional needed."*

3.22 Nationally, overcrowding rates increased for households in both social and private rented housing, although the proportion of overcrowded households has declined overall in both sectors since 2011, with a slight recent increase. Overcrowding rates for owner occupiers have remained relatively stable since 1995.

[24] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/595785/2015-16_EHS_Headline_Report.pdf

Figure 31: Trend in overcrowding rates by tenure (Note: Based on three-year moving average, up to and including the labelled date. Source: Survey of English Housing 1995-96 to 2007-08; English Housing Survey 2008-09 onwards)



3.23 Whilst the EHS definition of overcrowding is more stringent than the Census, the measurement closer reflects the definition of statutory overcrowding that was set out by Part X of the Housing Act 1985 and is consistent with statutory Guidance[25] that was issued by CLG in 2012 to which authorities must have regard when exercising their functions under Part 6 of the 1996 Housing Act (as amended).

3.24 This Guidance, *"Allocation of accommodation: Guidance for local housing authorities in England"*, recommends that authorities should use the bedroom standard when assessing whether or not households are overcrowded for the purposes of assessing housing need:

> *4.8 The Secretary of State takes the view that the bedroom standard is an appropriate measure of overcrowding for allocation purposes, and recommends that all housing authorities should adopt this as a minimum. The bedroom standard allocates a separate bedroom to each:*
> *– married or cohabiting couple*
> *– adult aged 21 years or more*
> *– pair of adolescents aged 10-20 years of the same sex*
> *– pair of children aged under 10 years regardless of sex*

3.25 The bedroom standard therefore provides the most appropriate basis for assessing overcrowding. By considering the Census and EHS data for England, together with the Census data for Bath HMA, we can estimate overcrowding using the bedroom standard. Figure 32 sets out this calculation based on the Census occupancy rating for both rooms and bedrooms. Based on the bedroom standard, it is estimated that **327 owner occupied, 303 private rented and 572 social rented households were overcrowded** in Bath HMA in 2016. Student households have been excluded from this calculation given that their needs are assumed to be transient.

[25] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5918/2171391.pdf

Figure 32: Estimate of the number of overcrowded households in Bath HMA by tenure based on the bedroom standard (Source: EHS; UK Census of Population 2011)

	Owned		Private Rented		Social Rented	
ENGLAND						
EHS bedroom standard 2011 Percentage of households overcrowded [A]	1.3%		5.6%		7.3%	
Census occupancy rating Percentage of households overcrowded [B]	*Bedrooms* 2.3%	*Rooms* 3.3%	*Bedrooms* 8.8%	*Rooms* 20.2%	*Bedrooms* 8.9%	*Rooms* 16.9%
Proportion of these overcrowded households based on bedroom standard [C = A ÷ B]	57%	40%	64%	28%	83%	43%
BATH HMA						
Census occupancy rating Number of overcrowded households [D]	*Bedrooms* 595	*Rooms* 1,011	*Bedrooms* 713	*Rooms* 2,372	*Bedrooms* 807	*Rooms* 1,689
Full-time student households [E]	100	107	402	772	93	100
Overcrowded households (excluding students) [F = D - E]	495	904	311	1,600	714	1,589
Estimate of overcrowded households based on the bedroom standard [G = C × F]	**282**	**362**	**199**	**448**	**593**	**683**
Estimate of overcrowded households in 2011 based on the bedroom standard (average)	**322**		**324**		**638**	
EHS bedroom standard Change in overcrowding from 2011 to 2016	+1%		-6%		-10%	
Estimate of overcrowded households in 2016 based on the bedroom standard	**327**		**303**		**572**	

Housing Condition and Disrepair

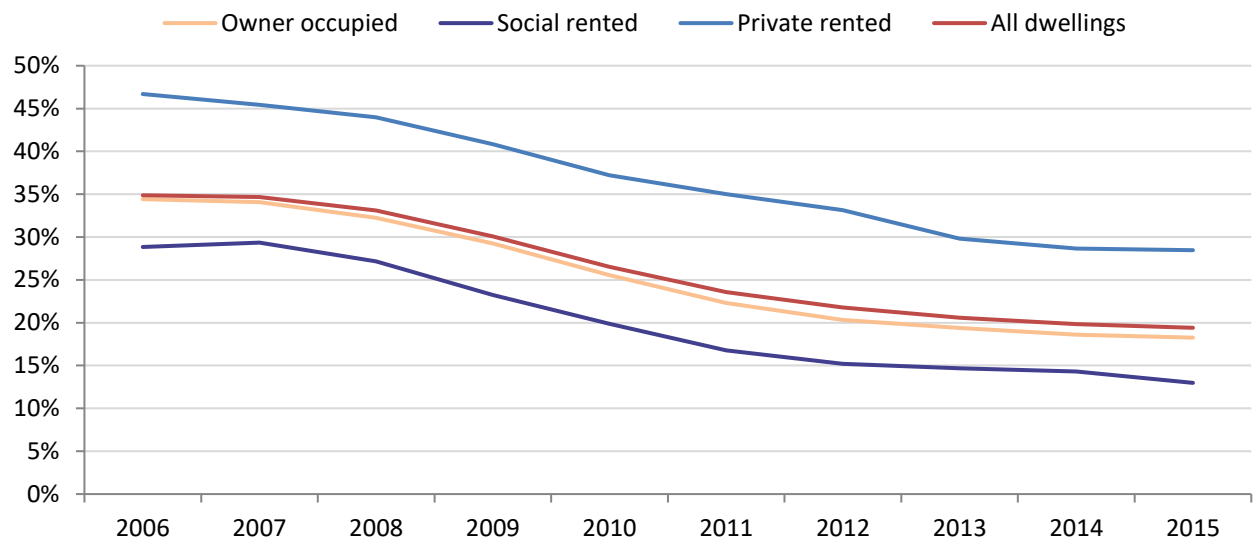
3.26 The Decent Homes Standard provides a broad measure of **housing condition**. It was intended to be a minimum standard that all housing should meet and that to do so should be easy and affordable. It was determined that in order to meet the standard a dwelling must achieve all of the following:

- Be above the legal minimum standard for housing (currently the Housing Health and Safety Rating System, HHSRS); and
- Be in a reasonable state of repair; and
- Have reasonably modern facilities (such as kitchens and bathrooms) and services; and
- Provide a reasonable degree of thermal comfort (effective insulation and efficient heating).

3.27 If a dwelling fails any one of these criteria, it is considered to be "non-decent". A detailed definition of the criteria and their sub-categories are described in the ODPM guidance: "A Decent Home – The definition and guidance for implementation" June 2006.

3.28 Figure 33 shows the national trends in non-decent homes by tenure. It is evident that conditions have improved year-on-year (in particular due to energy efficiency initiatives), however whilst social rented properties are more likely to comply with the standard, over a quarter of the private rented sector (28.5%) remains currently non-decent. This is a trend that tends to be evident at a local level in most areas where there are concentrations of private rented housing, and there remains a need to improve the quality of housing provided for households living in the private rented sector.

Figure 33: Trend in non-decent homes by tenure (Source: English House Condition Survey 2006 to 2007; English Housing Survey 2008 onwards)



Housing Register Data

3.29 The local authority **housing register** and **transfer lists** are managed through a HomeChoice local Choice Based Lettings schemes managed by the local authority. Households apply for a move via the scheme and 'bid' for homes along with applicants from various sources, including homeless households, housing register and transfer applicants.

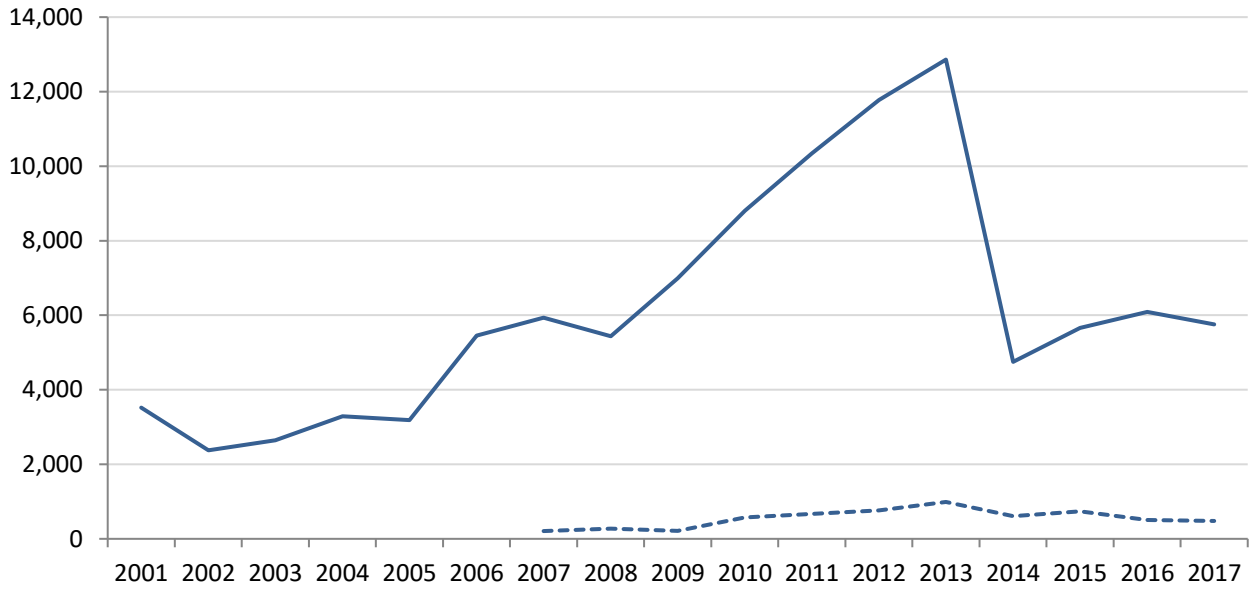
3.30 Figure 34 shows the trend in households on the housing register over the period since 2001. Whilst the overall number of households on the housing register increased relatively consistently year-on-year from 2001 to 2013, there was a substantial reduction between 2013 and 2014 (from almost 12,900 households to around 4,700 households) – but this represents around twice as many households as at the previous low point of around 2,400 households (in 2002); suggesting an underlying increase of around 200 additional households each year over the 12-year period 2002-2014.

3.31 However, it is also important to recognise that the criteria for joining the housing register has recently changed as a result of policy changes following the Localism Act. Only people with a local connection now qualify for the housing register, and people with adequate financial resources (including owner occupiers) are no longer included – so the trends discussed above have to be understood in this context. Despite these changes, the number of households on the register has increased since 2014 with around 6,000 households currently registered.

3.32 Figure 34 also show the number recorded in a reasonable preference category since 2007. Reasonable preference categories are defined in the Housing Act 1996, which requires "reasonable preference" for housing to be given to people who are:

- Legally homeless;
- Living in unsatisfactory housing (as defined by the Housing Act 2004);
- Need to move on medical/welfare grounds; or
- Need to move to a particular area to avoid hardship.

Figure 34: Number of households on the local authority housing register 2001-17 (Note: Solid line shows total number of households; dotted line shows number of households in a reasonable preference category. Source: LAHS and HSSA returns to CLG)



3.33 Figure 35 provides further detailed information for 2016 compared with the data for 2014 (the base date of the affordable housing assessment in the original SHMA).the last 2 years.

Figure 35: Number of households on the local authority housing register at 1st April (Source: LAHS returns to CLG)

	Bath HMA	
	2015	2016
Total households on the housing waiting list	4,747	6,093
Total households in a reasonable preference category	**608**	**504**
People currently living in temporary accommodation who have been accepted as being homeless (or threatened with homelessness)	15	63
Other people who are homeless within the meaning given in Part VII of the Housing Act (1996), regardless of whether there is a statutory duty to house them	33	16
People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions	23	37
People who need to move on medical or welfare grounds, including grounds relating to a disability	296	388
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)	10	0

3.34 The number of people recorded by the housing register as homeless or owed a duty under the Housing Act appears to be broadly consistent with the local authority data about homelessness.

3.35 Nevertheless, we previously estimated that there were around 1,202 overcrowded households in the Bath HMA, based on the bedroom standard (Figure 32) – but only 37 people were recorded by the housing registers in 2016 as currently *"occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions"*. Therefore, there are likely to be many households who have not registered for affordable housing despite being overcrowded. This will partly reflect their affordability (for

example, most owner occupiers would not qualify for rented affordable housing due to the equity in their current home) whilst others may only be temporarily overcrowded and will have sufficient space available once a concealed family is able to leave and establish an independent household.

3.36 When considering the types of household to be considered in housing need, the PPG also identified *"households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ"* and *"households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move"*. It is only through the housing register that we are able to establish current estimates of need for these types of household, and not all would necessarily be counted within a reasonable preference category. Nevertheless, there were 388 people registered *"who need to move on medical or welfare grounds, including grounds relating to a disability"* and none *"who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)"*.

Households Unable to Afford their Housing Costs

3.37 The PPG emphasises in a number of paragraphs that affordable housing need should only include those households that are unable to afford their housing costs:

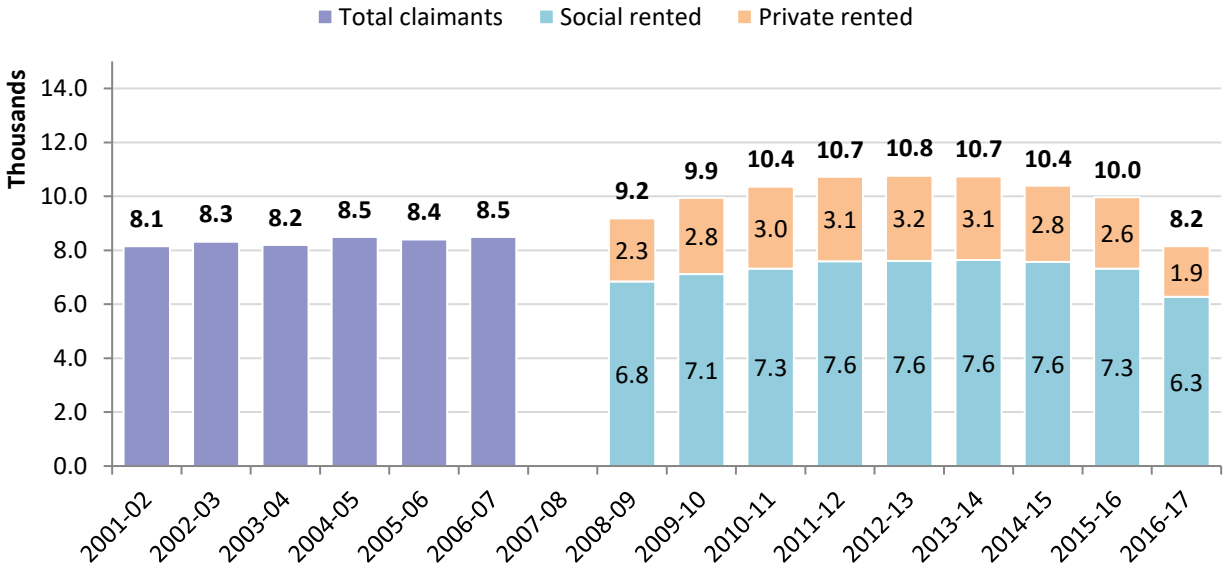
> *Plan makers … will need to estimate the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market (paragraph 022, emphasis added)*
>
> *Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of … those that cannot afford their own homes. Care should be taken to avoid double-counting … and to include only those households who cannot afford to access suitable housing in the market (paragraph 024, emphasis added)*
>
> *Projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area (paragraph 025, emphasis added)*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

3.38 Housing benefit data from the Department for Work and Pensions (DWP) provides reliable, consistent and detailed information about the number of families that are unable to afford their housing costs in each local authority area. Data was published annually from 2001-02 to 2006-07 which identified the total number of claimants in receipt of housing benefit, and more detailed information has been available since 2008-09 which includes more detailed information about claimants and the tenure of their home.

Housing Benefit Claimants in Bath HMA

3.39 Figure 36 shows the trend in the number of housing benefit claimants in Bath HMA.

Figure 36: Number of claimants in receipt of housing benefit in Bath HMA by tenure (Source: DWP)



3.40 Considering the information on tenure, it is evident that the number of claimants in social rented housing has increased from 6,800 to 7,600 over the period 2008-09 to 2014-15 – an increase of 800 families (12%), however this number has since declined to 6,300 in 2016-17. The number of claimants in private rented housing also increased to a peak of 3,200 families in 2012-13; but this number has also since declined, with 1,900 claimants in 2016-17 – a reduction of 1,300 families since the peak (40%).

3.41 This change in housing benefit claimants, in particular those living in private rented housing, coincides with the increases observed on the housing register over the period 2008-2013. Indeed, it is likely that many households applying for housing benefit would have also registered their interest in affordable housing. Nevertheless, many of them will have secured appropriate housing in the private rented sector which housing benefit enabled them to afford; so not all will necessarily need affordable housing, though many may prefer this type of housing if it were available.

3.42 The information published by DWP provides the detailed information needed for understanding the number of households unable to afford their housing costs. Of course, there will be other households occupying affordable housing who do not need housing benefit to pay discounted social or affordable rents but who would not be able to afford market rents. Similarly there will be others who are not claiming housing benefit support as they have stayed living with parents or other family or friends and not formed independent households. However, providing that appropriate adjustments are made to take account of these exceptions, **the DWP data provides the most reliable basis for establishing the number of households unable to afford their housing costs and estimating affordable housing need.**

Establishing Affordable Housing Need

3.43 In establishing the Objectively Assessed Need for affordable housing, it is necessary to draw together the full range of information that has already been considered in this report.

3.44 PPG sets out the framework for this calculation, considering both the current unmet housing need and the projected future housing need in the context of the existing affordable housing stock:

> ***How should affordable housing need be calculated?***
>
> *This calculation involves adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable housing stock.*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014) Paragraph 022**

Current Unmet Need for Affordable Housing

3.45 In terms of establishing the **current** unmet need for affordable housing, the PPG draws attention again to those types of households considered to be in housing need; whilst also emphasising the need to avoid double-counting and including only those households unable to afford their own housing.

> ***How should the current unmet gross need for affordable housing be calculated?***
>
> *Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of:*
>
> - *the number of homeless households;*
> - *the number of those in priority need who are currently housed in temporary accommodation;*
> - *the number of households in overcrowded housing;*
> - *the number of concealed households;*
> - *the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings);*
> - *the number of households from other tenures in need and those that cannot afford their own homes.*
>
> *Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market.*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014) Paragraph 024**

3.46 Earlier sections of this chapter set out the past trends and current estimates for relevant households based on the data sources identified by PPG (based on a reference point of March 2016). Although this evidence does not provide the basis upon which to establish whether or not households can afford to access suitable housing, we believe that it is reasonable to assume that certain households will be unable to afford housing, otherwise they would have found a more suitable home.

Establishing the Current Unmet Need for Affordable Housing

3.47 Households assumed to be unable to afford housing include:

- All households that are currently **homeless**;
- All those currently housed in **temporary accommodation**; and
- People in a **reasonable preference category** on the housing register, where their needs have not already been counted.

3.48 Given this context, our analysis counts the needs of all of these households when establishing the Objectively Assessed Need for affordable housing at a base date of 2016.

3.49 Very few of those households currently living in **overcrowded** housing (based on the bedroom standard) are registered in a reasonable preference category. Given this context, **our analysis counts the needs of all households living in overcrowded rented housing** when establishing the OAN for affordable housing (which could marginally overstate the affordable housing need) **but it does not count the needs of owner occupiers living in overcrowded housing** (which can be offset against any previous over-counting). Student households are also excluded, given that their needs are assumed to be transient and do not count towards the need for affordable housing in Bath.

3.50 The analysis does not count people occupying insanitary housing or otherwise living in unsatisfactory housing conditions as a need for additional affordable housing. These dwellings would be unsuitable for any household, and enabling one household to move out would simply allow another to move in – so this would not reduce the overall number of households in housing need. This housing need should be resolved by improving the existing housing stock, and the Council has a range of statutory enforcement powers to improve housing conditions.

3.51 When considering **concealed families**, it is important to recognise that many do not want separate housing. Concealed families with older family representatives will often be living with another family, perhaps for cultural reasons or in order to receive help or support due to poor health. However, those with younger family representatives are more likely to experience affordability difficulties or other constraints (although not all will want to live independently).

3.52 **Concealed families in a reasonable preference category on the housing register will be counted regardless of age, but our analysis also considers the additional growth of concealed families with family representatives aged under 55** (even those not registered on the housing register) and assumes that all such households are unlikely to be able to afford housing (otherwise they would have found a more suitable home).

3.53 The needs of these households are counted when establishing the OAN for affordable housing and **they also add to the OAN for overall housing, as concealed families are not counted by the CLG household projections.**

3.54 Figure 37 sets out the assessment of current affordable housing need for the Bath HMA.

Figure 37: Assessing current unmet gross need for affordable housing (Source: ORS Housing Model)

	Affordable Housing		Increase in Overall Housing Need
	Gross Need	Supply	
Homeless households in priority need (see Figure 26)			
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	16	-	16
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	0	-	-
Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	5	5	-
Households accepted as homeless but without temporary accommodation provided	0	-	0
Concealed households (see Figure 27)			
Growth in concealed families with family representatives aged under 55	104	-	104
Overcrowding based on the bedroom standard (see Figure 32)			
Households living in overcrowded private rented housing	303	-	-
Households living in overcrowded social rented housing	572	572	-
Other households living in unsuitable housing that cannot afford their own home (see Figure 35)			
People who need to move on medical or welfare grounds, including grounds relating to a disability	388	44	-
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)	0	0	-
TOTAL	**1,388**	**621**	**120**

3.55 Based on a detailed analysis of the past trends and current estimates of households considered to be in housing need, our analysis has concluded that there are **1,388 households currently in affordable housing need in Bath HMA who are unable to afford their own housing**. This assessment is based on the criteria set out in the PPG and avoids double-counting (as far as possible).

3.56 Of these households, 621 currently occupy affordable housing that does not meet the households' current needs, mainly due to overcrowding. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing. **There is, therefore, a net need from 767 households** (1,388 less 621 = 767) **who currently need affordable housing and do not currently occupy affordable housing in the Bath HMA** (although a higher number of new homes may be needed to resolve all of the identified overcrowding).

3.57 This number includes 120 households that would not be counted by the household projections. **There is, therefore, a need to increase the housing need based on demographic projections to accommodate these additional households.** As for the household projections, we have **also added an additional allowance for vacancies and second homes** (once again based on the proportion of dwellings with no usually resident household); **this increases the need for overall housing provision to 124 dwellings**.

3.58 Providing the net additional affordable housing needed will **release back into the market (mainly in the private rented sector) the dwellings occupied by a total of 647 households** (767 less 120) **that are currently in affordable housing need who are unable to afford their own housing**.

Projected Future Affordable Housing Need

3.59 In terms of establishing **future** projections of affordable housing need, the PPG draws attention to new household formation (in particular the proportion of newly forming households unable to buy or rent in the market area) as well as the number of existing households falling into need.

> ***How should the number of newly arising households likely to be in housing need be calculated?***
>
> *Projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need. This process should identify the minimum household income required to access lower quartile (entry level) market housing (plan makers should use current cost in this process, but may wish to factor in changes in house prices and wages). It should then assess what proportion of newly-forming households will be unable to access market housing.*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014) Paragraph 025**

3.60 The ORS Housing Mix Model considers the need for market and affordable housing on a longer-term basis that is consistent with household projections and Objectively Assessed Need. The Model provides robust and credible evidence about the required mix of housing over the full planning period, and recognises how key housing market trends and drivers will impact on the appropriate housing mix.

3.61 The Model uses a wide range of secondary data sources to build on existing household projections and profile how the housing stock will need to change in order to accommodate the projected future population. A range of assumptions can be varied to enable effective sensitivity testing to be undertaken. In particular, the Model has been designed to help understand the key issues and provide insight into how different assumptions will impact on the required mix of housing over future planning periods.

3.62 The Housing Mix Model considers the future number and type of households based on the household projections alongside the existing dwelling stock. Whilst the Model considers the current unmet need for affordable housing (including the needs of homeless households, those in temporary accommodation, overcrowded households, concealed households, and established households in unsuitable dwellings or that cannot afford their own homes), it also provides a robust framework for projecting the future need for affordable housing.

Households Unable to Afford their Housing Costs

3.63 PPG identifies that *"projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need"* (paragraph 25); **however, the Model recognises that the proportion of households unable to buy or rent in the market area will not be the same for all types of household, and that this will also differ between age cohorts.** Therefore, the appropriate proportion is determined separately for each household type and age group.

3.64 The affordability percentages in Figure 38 are calculated using data published by DWP about housing benefit claimants alongside detailed information from the 2011 Census. There are several **assumptions** underpinning the Model:

» Where households are claiming housing benefit, it is assumed that they cannot afford market housing; and the Model also assumes that households occupying affordable housing will continue to do so;

» Households occupying owner occupied housing and those renting privately who aren't eligible for housing benefit are assumed to be able to afford market housing; so the Model only allocates affordable housing to those established households that the Government deems eligible for housing support through the welfare system; and

» The Model separately considers the needs of concealed families and overcrowded households (both in market housing and affordable housing) which can contribute additional affordable housing need.

Figure 38: Assessing affordability by household type and age (Source: ORS Housing Model based on Census 2011 and DWP)

	Under 25	25-34	35-44	45-54	55-64	65+
Percentage unable to afford market housing						
Single person household	20%	13%	26%	31%	28%	27%
Couple family with no dependent children	8%	4%	8%	10%	6%	9%
Couple family with 1 or more dependent children	70%	27%	12%	7%	9%	36%
Lone parent family with 1 or more dependent children	84%	83%	55%	38%	39%	76%
Other household type	5%	9%	23%	22%	15%	10%

Components of Projected Household Growth

3.65 PPG identifies that the CLG household projections *"should provide the starting point estimate for overall housing need"* (ID 2a-015). **However, when considering the number of newly arising households likely to be in affordable housing need,** the PPG recommends a *"gross annual estimate"* (ID 2a-025) suggesting that *"the total need for affordable housing should be converted into annual flows"* (ID 2a-029).

3.66 The demographic projections developed to inform the overall Objectively Assessed Need include annual figures for household growth, and these can therefore be considered on a year-by-year basis as suggested by the Guidance; but given that elements of the modelling are fundamentally based on 5-year age cohorts, it is appropriate to annualise the data using 5-year periods.

3.67 Figure 39 shows the individual components of annual household growth.

Figure 39: Components of average annual household growth by 5-year projection period (Source: ORS Housing Model)

	Annual average for 5-year periods during Plan				Annual average
	2016-21	2021-26	2026-31	2031-36	2016-36
New household formation	1,465	1,446	1,489	1,523	1,481
Household dissolution following death	1,199	1,212	1,274	1,372	1,264
Net household growth within Bath HMA	**+266**	**+234**	**+215**	**+151**	**+216**
Household migration in	4,115	4,131	4,129	4,237	4,153
Household migration out	3,845	3,871	3,906	3,964	3,897
Net household migration	**+270**	**+259**	**+222**	**+273**	**+256**
Total household growth	**+536**	**+493**	**+437**	**+423**	**+472**

3.68 Over the initial 5-year period (2016-21) the model shows that:

- There are projected to be 1,465 new household formations each year (excluding any new student households); but this is offset against 1,199 household dissolutions following death – so there is an **average net household growth of 266 households** locally in Bath HMA;
- There are also projected to be 4,115 households migrating to Bath HMA offset against 3,845 households migrating away from the area (excluding any student migration) – which yields a **gain of 270 households attributable to net migration;**
- The total household growth is therefore **projected to be 536** (266 plus 270 = 536) **households each year** over the initial 5-year period of the projection.

3.69 During the course of the full 20-year projection period, net household growth within Bath HMA is projected to be higher in the initial period and steadily declining during the projection.

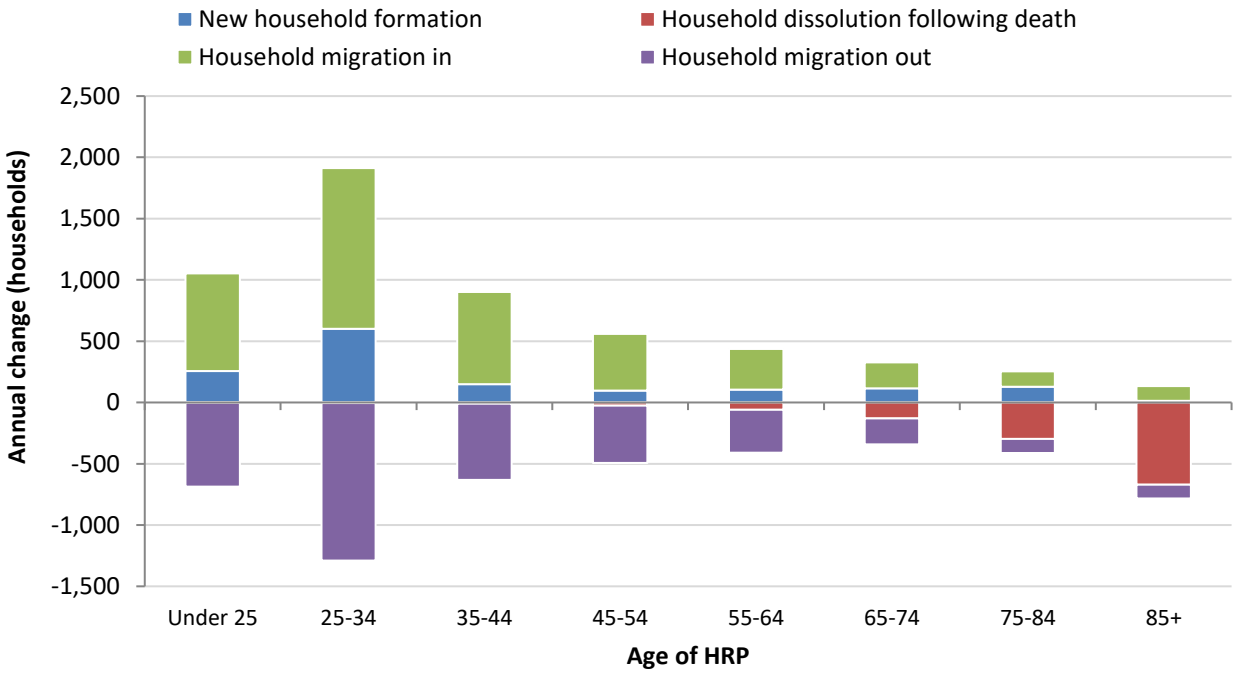
3.70 Over the 20-year Plan period 2016-36, total **household growth averages 472 households** each year with an average annual net growth of 216 households within Bath HMA combined with a net gain of 256 households based on migration, though this excludes any changes in the number of student households.

Change in Household Numbers by Age Cohort

3.71 To establish the **proportion of newly forming households unable to buy or rent** in the market area, it is necessary to consider the characteristics of the 1,465 new households projected to form in Bath HMA each year over the period 2016-21 (Figure 39) alongside the detailed information about household affordability (Figure 38).

3.72 Figure 40 shows the age structure of each of the **components of household change**. Note that this analysis is based on changes within each age cohort, so comparisons are based on households born in the same year and relate to their age at the end of the period. Therefore, all new households are properly counted, rather than only counting the increase in the number of households in each age group.

Figure 40: Annual change in household numbers in each age cohort by age of HRP (Source: ORS Housing Model)



3.73 **Together with information on household type, this provides a framework for the Model to establish the proportion of households who are unable to afford their housing costs.**

3.74 The Model identifies that 19% of all newly forming households are unable to afford their housing costs, which represents 282 households each year (Figure 41). The Model shows that a similar proportion of households migrating to the area are unable to afford (19%), which represents 775 households moving in to the area. Some of these households will be moving to social rented housing, but many others will be renting housing in the private rented sector with housing benefit support**. Together, there are 1,057 new households each year who are unable to afford their housing costs.**

Figure 41: Affordability of new households over the initial 5-year period 2016-21 (Source: ORS Housing Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	1,465	1,183	282	19%
Households migrating in to the area	4,115	3,340	775	19%
All new households	**5,580**	**4,523**	**1,057**	**19%**

3.75 Having established the need for affordable housing and the dwellings likely to be vacated, the PPG suggests that the total net need can be calculated by subtracting *"total available stock from total gross need"* (ID 2a-029), **but this over-simplifies what is a very complex system**.

3.76 It is essential to recognise that some households who are unable to buy or rent in the market area when they first form may become able to afford their housing costs at a later date – for example:

- Two newly formed single person households may both be unable to afford housing, but together they might create a couple household that can afford suitable housing;
- Similarly, not all households that are unable to afford housing are allocated affordable housing;
- Some will choose to move to another housing market area and will therefore no longer require affordable housing.

3.77 **In these cases, and others, the gross need will need adjusting.**

3.78 The Model recognises these complexities, and through considering the need for affordable housing as part of a whole market analysis, it maintains consistency with the household projections and avoids any double counting.

3.79 Considering those components of household change which reduce the number of households resident in the area, the Model identifies **1,199 households are likely to dissolve** following the death of all household members. Many of these households will own their homes outright; however, 20% are unable to afford market housing: most living in affordable housing.

3.80 When considering **households moving away** from the Bath HMA, the Model identifies that an average of 3,845 households will leave the area each year including 725 who are unable to afford their housing costs. Some will be leaving social rented housing, which will become available for another household needing affordable housing. Whilst others will not vacate a social rented property, their needs will have been counted in the estimate of current need for affordable housing or at the time they were a new household (either newly forming or migrating in to the area). **Given that they are now leaving the Bath HMA, they will no longer need affordable housing in the area and it is therefore important to discount their needs**.

3.81 Figure 42 summarises the total household growth. This includes the 1,057 new households on average each year who are unable to afford their housing costs, but offsets this against the 970 households who will either vacate existing affordable housing or who will no longer constitute a need for affordable housing in the Bath HMA (as they have moved to live elsewhere).

Figure 42: Components of average annual household growth 2016-21 (Source: ORS Housing Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	1,465	1,183	282	19%
Households migrating in to the area	4,115	3,340	775	19%
All new households	**5,580**	**4,523**	**1,057**	**19%**
Household dissolutions following death	1,199	954	245	20%
Households migrating out of the area	3,845	3,120	725	19%
All households no longer present	**5,044**	**4,074**	**970**	**19%**
Average annual household growth 2016-21	**536**	**449**	**87**	**16%**

3.82 **Overall, the Model projects that household growth will yield a net increase of 87 households on average each year (over the period 2016-21) who are unable to afford their housing, which represents 16% of the 536 total household growth for this period.**

Projecting Future Needs of Existing Households

3.83 PPG also identifies that in addition to the needs of new households, it is also important to estimate *"the number of existing households falling into need"* (ID 2a-025). Whilst established households that continue to live in the Bath HMA will not contribute to household growth, changes in household circumstances (such as separating from a partner or the birth of a child) can lead to households who were previously able to afford housing falling into need. The needs of these households are counted by the Model, and it is **estimated that an average of 248 established households fall into need each year** in the Bath HMA. This represents a rate of 3.2 per 1,000 household falling into need each year.

3.84 Finally, whilst the PPG recognises that established households' circumstances can deteriorate such that they fall into need, it is also important to recognise that **established households' circumstances can improve**. For example:

- When two people living as single person households join together to form a couple, pooling their resources may enable them to jointly afford their housing costs (even if neither could afford separately). Figure 38 showed that 20% of single person households aged under 25 could not afford housing, compared to 8% of couples of the same age; and for those aged 25 to 34, the proportions were 13% and 4% respectively.
- Households also tend to be more likely to afford housing as they get older, so young households forming in the early years of the projection may be able to afford later in the projection period. Figure 38 showed that 27% of couple families with dependent children aged 25 to 34 could not afford housing, compared to 12% of such households aged 35 to 44.

3.85 Given this context, it is clear that **we must also recognise these improved circumstances which can reduce the need for affordable housing over time**, as households that were previously counted no longer need financial support. The Model identifies that the circumstances of **211 households improve each year** such

that they become able to afford their housing costs despite previously being unable to afford. This represents a rate of 2.8 per 1,000 household climbing out of need each year.

3.86 Therefore, considering the overall changing needs of existing households, **there is an average net increase of 37 households** (248 less 211 = 37) **needing affordable housing each year**.

Projecting Future Affordable Housing Need (average annual estimate)

3.87 Figure 43 provides a comprehensive summary of all of the components of household change that contribute to the projected level of affordable housing need. More detail on each is provided earlier in this Chapter.

Figure 43: Components of average annual household growth 2016-21 (Source: ORS Housing Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	1,465	1,183	282	19%
Households migrating in to the area	4,115	3,340	775	19%
All new households	**5,580**	**4,523**	**1,057**	**19%**
Household dissolutions following death	1,199	954	245	20%
Households migrating out of the area	3,845	3,120	725	19%
All households no longer present	**5,044**	**4,074**	**970**	**19%**
Average annual household growth 2016-21	**536**	**449**	**87**	**16%**
Existing households falling into need	-	-248	248	100%
Existing households climbing out of need	-	211	-211	0%
Change in existing households	**-**	**-37**	**37**	**-**
Average annual future need for market and affordable housing 2016-21	**+536**	**+412**	**+124**	**23%**

3.88 Overall, there is a projected need from **1,057 new households who are unable to afford their housing costs** (282 newly forming households and 775 households migrating to the area) each year; however, **970 households will either vacate existing affordable housing or will no longer need affordable housing** in the Bath HMA (as they have moved to live elsewhere) **thereby reducing the new need to a net total of 87 households.**

3.89 Considering the needs of existing households, there are 248 households expected to fall into need each year (a rate of 3.2 per 1000 households) but this is offset against 211 households whose circumstances are projected to improve. There is, therefore, an **average net increase of 37 existing households that need affordable housing each year.**

3.90 Based on the needs of new households and existing households, there is a **projected increase of 124 households each year on average for the initial period 2016-21 who will need affordable housing** (87 plus 37 = 124).

3.91 Using the approach outlined above for the initial 5-year period of the projection, the Model also considers the need for affordable housing over the 20-year Plan period 2016-36. The Model identifies that **the number of households in need of affordable housing will increase by 2,397 households over the period 2016-36**, equivalent to an annual average of 120 households per year. This represents 25.4% of the household growth projected based on demographic trends (excluding student households).

Assessing the Overall Need for Affordable Housing

3.92 Figure 44 brings together the information on assessing the unmet need for affordable housing in 2016, and the future affordable housing need arising over the 20-year Plan period 2016-36.

Figure 44: Assessing total need for market and affordable housing (Source: ORS Housing Model)

	Housing Need (households)		Overall Housing Need
	Market housing	Affordable housing	
Unmet need for affordable housing in 2016 (see Figure 37)			
Total unmet need for affordable housing	-	1,388	1,388
Supply of housing vacated	647	621	1,268
Overall impact of current affordable housing need	**-647**	**+767**	**+120**
Projected future housing need 2016-36			
Newly forming households	23,882	5,733	29,615
Household dissolutions following death	20,073	5,215	25,288
Net household growth within Bath HMA	**3,809**	**518**	**4,327**
Impact of existing households falling into need	-5,542	+5,542	-
Impact of existing households climbing out of need	+4,555	-4,555	-
Impact of households migrating to/from the area	+4,227	+892	+5,119
Future need for market and affordable housing 2016-36	**7,049**	**2,397**	**9,446**
Total need for market and affordable housing			
Projected impact of affordable housing need in 2016	-647	767	120
Future need for market and affordable housing 2016-36	7,049	2,397	9,446
Total need for market and affordable housing	**6,402**	**3,164**	**9,566**
Average annual need for housing	320	158	478
Proportion of need for market and affordable housing	**66.9%**	**33.1%**	**100.0%**

3.93 Figure 37 estimated there to be **1,388 households in need of affordable housing in 2016**. However, as 621 of these already occupied an affordable home, our previous conclusion was therefore a net need from 767 households (1388 less 621 = 767) who need affordable housing and do not currently occupy affordable housing in the Bath HMA.

3.94 The 20-year projection period 2016-36 then adopts the approach that was previously outlined for the initial 5-year period of the projection. The Model identifies that **the number of households in need of affordable housing will increase by 2,397 households over the period 2016-36**, alongside an increase of 7,049 households able to afford market housing. This does not include any change in student households.

3.95 Overall, there will be a **need to provide additional affordable housing for 3,164 households** over the Plan period 2016-36. This is equivalent to an average of **158 households per year**.

3.96 Data from CLG Local Authority Housing Statistics and HCA Statistical Data Return identify a vacancy rate of 1.5% for affordable housing in Bath HMA, therefore adding an additional allowance for vacancies this **identifies a total affordable housing need of 3,212 dwellings** (3,164 plus 1.5% vacant = 3,212) in addition to the current stock, an average of 161 dwellings per year.

3.97 Any losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.

Future Policy on Housing Benefit in the Private Rented Sector

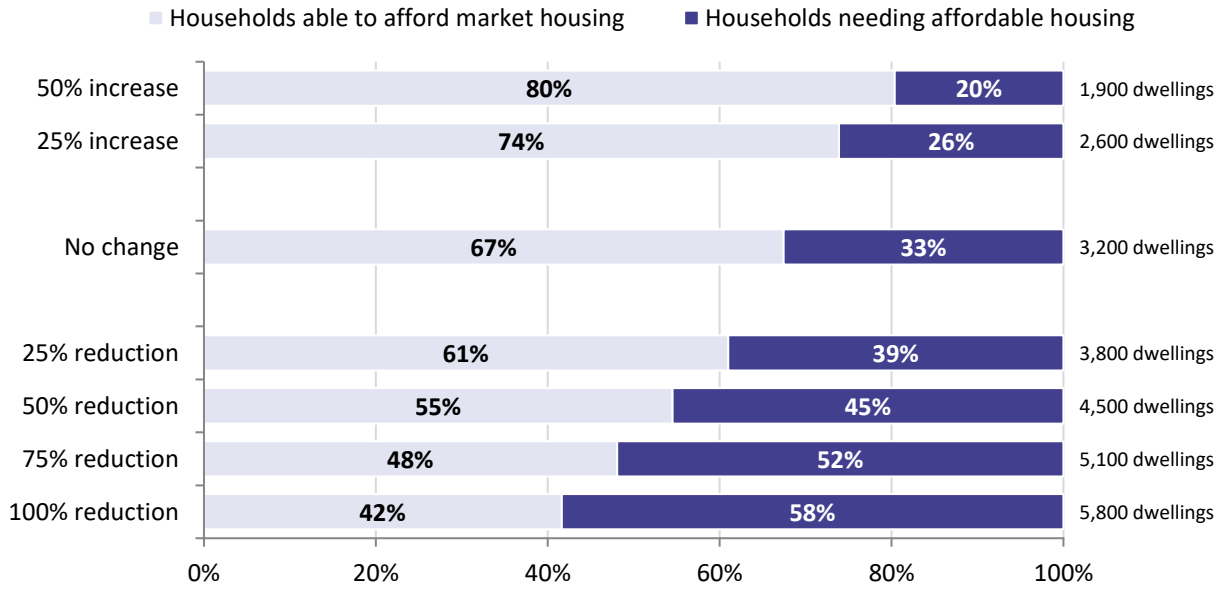
3.98 The Model also recognises **the importance of housing benefit and the role of the private rented sector**. The Model assumes that the level of housing benefit support provided to households living in the private rented sector will remain constant; however, this is a national policy decision which is not in the control of the Council.

3.99 It is important to note that private rented housing (with or without housing benefit) does not meet the definitions of affordable housing. However, many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. These households aren't counted towards the need for affordable housing (as housing benefit enables them to afford their housing costs), but if housing benefit support was no longer provided (or if there wasn't sufficient private rented housing available at a price they could afford) then this would increase the need for affordable housing.

3.100 The model adopts a neutral position in relation to this housing benefit support, insofar as it assumes that the number of claimants in receipt of housing benefit in the private rented sector will remain constant. **The model does not count any dwellings in the private rented sector as affordable housing supply;** however, it does assume that housing benefit will continue to help some households to afford their housing costs, and as a consequence these households will not need affordable housing.

3.101 To sensitivity test this position, Figure 45 shows the impact of reducing (or increasing) the number of households receiving housing benefit to enable them to live in the private rented sector.

Figure 45: Theoretical impact of reducing or increasing Housing Benefit support for households living in private rented housing: Balance between households able to afford market housing and households needing affordable housing 2016-36 and associated number of affordable dwellings



3.102 If no households were to receive housing benefit support in the private rented sector, over half (58%) of the growth in household numbers (excluding student households) would need affordable housing. This would need a total of 5,800 affordable homes to be provided over the 20-year Plan period 2016-36.

Conclusions

3.103 Based on the household projections previously established, we have established the balance between the need for market housing and the need for affordable housing. This analysis has identified a need to increase the overall housing need by 120 households to take account of concealed families and homeless households that would not be captured by the household projections. **These additional households increase the projected household growth from 9,446 to 9,566 households (9,862 dwellings) over the 20-year Plan period 2016-36**. This does not include any change in the number of student households.

3.104 **The housing mix analysis identified a need to provide 3,212 additional affordable homes over the 20-year Plan period (an average of 161 dwellings per year).** This would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but assumes that the number of households in receipt of housing benefit support to help them afford to live in the private rented sector remains constant.

3.105 Providing sufficient affordable housing for all of these households would increase the need to 5,758 affordable homes over the Plan period (288 each year); but it is important to recognise that, in this scenario, the private rented housing currently occupied by households in receipt of housing benefit would be released back to the market and this is likely to have significant consequences which would be difficult to predict.

4. Objectively Assessed Need

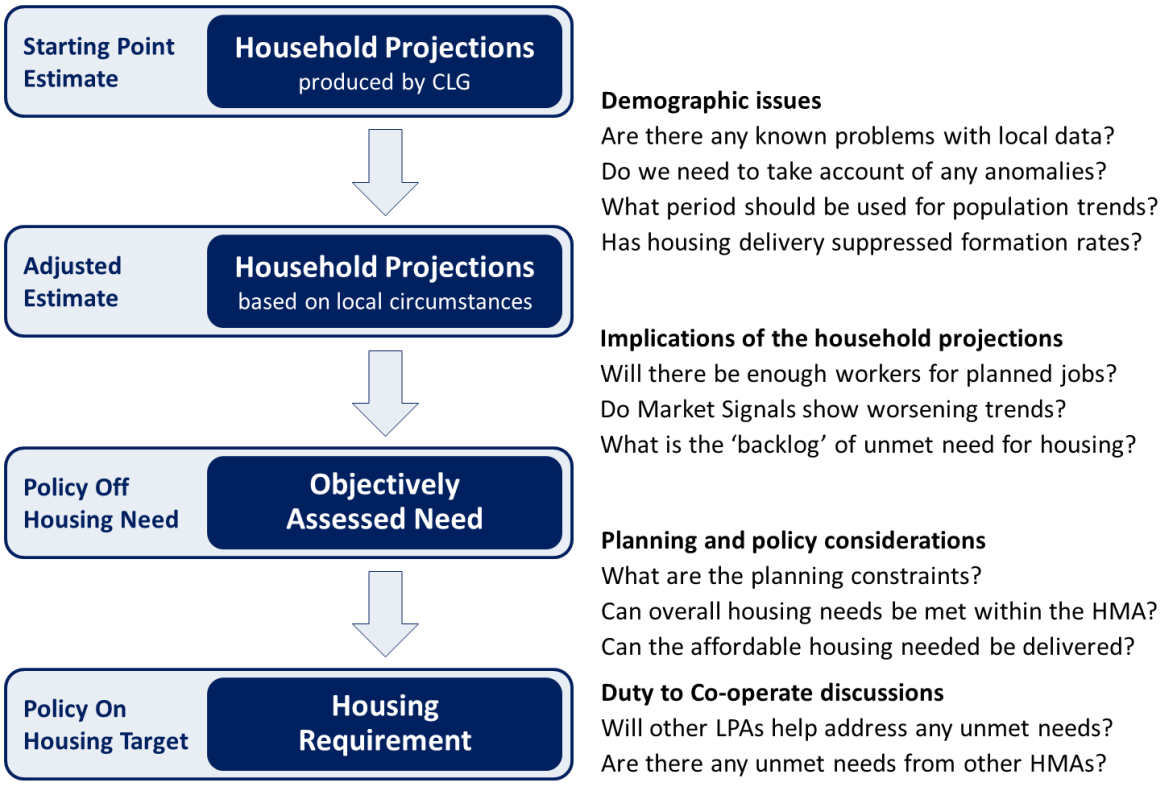
Analysing the evidence to establish overall housing need

4.1 A key objective of this study is to establish the Objectively Assessed Need (OAN) for housing. The OAN identifies the future quantity of housing that is likely to be needed (both market and affordable) in the Housing Market Area (HMA) over the future plan period. It is important to recognise that the OAN does not take account of any possible constraints to future housing supply. Such factors will be subsequently considered by the local planning authorities before establishing the final Housing Requirement.

> *The assessment of development needs is an objective assessment of need based on facts and unbiased evidence. Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans.*
>
> **Planning Practice Guidance (PPG), paragraph 4**

4.2 Figure 46 sets out the process for establishing the housing number for the HMA. It starts with a demographic process to derive housing need from a consideration of population and household projections. To this, external market and macro-economic constraints are applied ('Market Signals') in order to ensure that an appropriate balance is achieved between the demand for and supply of dwellings.

Figure 46: Process for establishing a Housing Number for the HMA (Source: ORS based on NPPF and PPG)



National Context for England

4.3 The NPPF requires Local Planning Authorities to *"ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area"* and *"identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which meets household and population projections, taking account of migration and demographic change"* (paragraphs 47 and 159).

4.4 PPG further identifies that *"household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need"* (ID 2a-015 to 016).

Household Growth

4.5 The 2014-based CLG household projections show that the number of households in England will increase from 22.7 million to 28.0 million over the 25-year period 2014 to 2039. This represents a growth of 5.3 million households over 25 years, equivalent to an annual average of 210,300 households each year, and this provides the starting point estimate of overall housing need for England.

4.6 It should be noted that the annual average of 210,300 households is already much higher than current housing delivery: provisional data for England published by CLG for the period April 2015 to March 2016 identifies that construction started on 139,700 dwellings and 139,700 dwellings were also completed during the year. Therefore, to build sufficient homes to meet annual household growth would require housebuilding to increase by over 50% – so providing for household growth in itself would require a significant step-change in the number of homes currently being built.

International Migration

4.7 The 2014-based CLG household projections are based on the ONS 2014-based sub-national population projections. These projections identify an average net gain of 182,400 people each year due to international migration, and a net loss of 6,200 people each year from England to other parts of the UK. Therefore, the 2014-based projections are based on net migration averaging 176,100 people each year.

4.8 However, these estimates for future international migration may be too low. Oxford University research (March 2015) showed net international migration to be 565,000 people over the 3-year period 2011-14, an average of 188,300 per annum; and net migration to England averaged 211,200 people annually between the Census in 2001 and 2011. Both figures suggest that the 2014-based SNPP may underestimate international migration, which would have knock-on implications for projected population growth.

4.9 As previously noted, longer-term projections typically benefit from longer-term trends and therefore ORS normally consider migration based on trends for the 10-year period 2001-11. On this basis, our trends are based on a period when net migration to England averaged 211,200 people each year: 35,100 people higher than assumed by the 2014-based SNPP, which represents an additional 15,400 households each year based on CLG average household sizes. Therefore, the approach taken for establishing migration based on longer-term trends would increase household growth for England from 210,300 households to 225,700 households each year on average.

Market Signals

4.10 The NPPF also sets out that *"Plans should take account of market signals, such as land prices and housing affordability"* (ID 2a-017) and PPG identifies that *"the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals"*.

4.11 The market signals identified include land prices, house prices, rents, affordability and the rate of development; but there is no formula that can be used to consolidate the implications of this data. Nevertheless, the likely consequence of housing affordability problems is an increase in overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation. PPG identifies that these indicators *"demonstrate un-met need for housing"* and that *"longer term increase in the number of such households may be a signal to consider increasing planned housing numbers"* (ID 2a-019).

4.12 The Census identified that the number of concealed families living in England increased from 161,000 families to 276,000 families over the decade 2001 to 2011, which represents a growth of 115,000 families over 10 years. Although many concealed families do not want separate housing (in particular where they have chosen to live together as extended families), others are forced to live together due to affordability difficulties or other constraints – and these concealed families will not be counted as part of the CLG household projections.

4.13 Concealed families with older family representatives will often be living with another family in order to receive help or support due to poor health. Concealed families with younger family representatives are more likely to demonstrate un-met need for housing. When we consider the growth of 115,000 families over the period 2001-11, over three quarters (87,100) have family representatives aged under 55, with substantial growth amongst those aged 25-34 in particular. This is a clear signal of the need to increase the planned housing numbers in order to address the increase in concealed families over the last decade and also factor in their impact on current and future average household sizes.

4.14 Addressing the increase in concealed families would increase projected household growth by 87,100 over the 25-year period, an average of 3,500 households each year over the period 2014-39 (or higher if the need is addressed over a shorter period). Therefore, adjusting for longer-term migration trends and taking account of the market signals uplift for concealed families yields an average household growth for England of 229,200 each year.

Converting to Dwellings

4.15 Finally, in converting from households to dwellings we need to allow for a vacancy and second home rate as not all dwellings will be occupied. At the time of the 2011 Census this figure was 4.3% of all household spaces in England: we have applied this to future household growth, and on this basis the growth of 229,200 households would require the provision of **239,500 dwellings each year across England**. This is the average number of dwellings needed every year over the 25-year period 2014-39 and represents a 1.0% increase in the dwelling stock each year.

4.16 This takes account of household growth based on CLG 2014-based projections (the starting point); adjusts for long-term migration trends which assume a higher rate of net migration to England; responds to market signals through providing for the growth of concealed families; and takes account of vacant and second homes.

4.17 Whilst the uplift for market signals represents less than 2% of the projected household growth, the household growth itself is much higher than current rates of housing delivery. **The identified housing need of 239,500 dwellings requires current housebuilding rates to increase by 71%** (based on dwelling starts in 2015-16).

4.18 Development industry campaigners (such as Homes for Britain[26]) are supporting a position which requires 245,000 homes to be built in England every year, a figure derived from the Barker Review (2004)[27]. It is evident that objectively assessed need based on household projections which take account of longer-term migration trends together with a market signals adjustment for concealed families is consistent with this target, so any further increase in housing numbers at a local level (such as adjustments which might be needed to deliver more affordable housing or provide extra workers) must be considered in this context.

Establishing Objectively Assessed Need for Bath HMA

4.19 The earlier part of this Chapter sets out the context for national change in households, and the underlying complexities and features around this. We now move on to the position for Bath HMA. Our approach for this section follows the format of the earlier section, albeit with specific reference to the Bath HMA. Essentially, therefore, this section is concerned with:

- CLG 2014-based household projections (the starting point);
- Migration adjustments, based on Census, for longer-term migration trends (which incorporate higher international migration rates and correct for errors in previous population estimates);
- Market signals, including an uplift for concealed families;
- Converting from household growth to a requirement for dwellings, taking account of vacancies and second homes.

4.20 In addition, we consider employment trends and the relationship between the jobs forecast and projected number of workers, and the need for affordable housing.

CLG Household Projections

4.21 The *"starting point"* estimate for OAN is the CLG household projections, and the latest published data is the 2014-based projections for period 2014-39. These projections suggest that household numbers across the study area will increase by 9,284 over the 20-year Plan period 2016-36, an average of 464 per year.

4.22 However, the notes accompanying the CLG Household Projections explicitly state that:

> *"The 2014-based household projections are linked to the Office for National Statistics 2014-based sub-national population projections.* ***They are not an assessment of housing need*** *or do not take account of future policies, they are an indication of the likely increase in households given the* ***continuation of recent demographic trends****."*

4.23 The ONS 2014-based sub-national population projections are based on migration trends from the 5-year period before the projection base date; so trends for the period 2009-2014. Short-term migration trends are generally not appropriate for long-term planning, as they risk rolling-forward rates that are unduly high or unduly low. Projections based on long-term migration trends are likely to provide a more reliable estimate of future households.

[26] http://www.homesforbritain.org.uk
[27] http://webarchive.nationalarchives.gov.uk/+/http:/www.hmtreasury.gov.uk/barker_review_of_housing_supply_recommendations.htm

Migration Adjustments

4.24 The SHMA has calculated household projections which separate the student population from the general population, based on population trends. On the basis of 10-year migration trends, household numbers across the study area are projected to increase by 11,955 households over the 20-year Plan period 2016-36 (comprised of 9,446 households in the general population and 2,509 student households), equivalent to an average of 598 households per year. These projections take account of the anomalies in the population trend data for Bath and the particular uncertainties with the ONS mid-year estimates since 2011. Providing for an annual increase of 598 households yields a housing need of 616 dwellings per annum.

4.25 This projection is higher than the CLG 2014-based household projection, however as it considers the student population separately and is based on long-term migration trends, it gives the most reliable and appropriate demographic projection for establishing future housing need.

Affordable Housing Need

4.26 The SHMA has undertaken a comprehensive analysis of the existing unmet need for affordable housing. This analysis identified that **overall housing need should be increased by 120 households** to take account of **concealed families** and **homeless households** that would not be captured by the household projections. When the unmet needs from existing households living in unsuitable housing were also included, the analysis established an overall need from 1,388 households in need of affordable housing in 2016.

4.27 Nevertheless, 621 of these households already occupy an affordable home (albeit unsuitable for their current needs) – so the home that will be vacated when their needs are resolved must be offset against the overall need to establish the unmet need. **There will be an unmet need from 767 households** (1,388 less 621 = 767) **who will need affordable housing at the start of the Plan period and do not already occupy affordable housing in the Bath HMA.**

4.28 Based on the household projections, the SHMA has established the balance between the future need for market housing and affordable housing. The 20-year projection period 2016-36 identifies that **the number of households in need of affordable housing will increase by 2,397 households over the period 2016-36**, alongside an increase of 7,049 households able to afford market housing. This does not include any chage in the number of student households.

4.29 Overall, there will be a **need to provide additional affordable housing for 3,164 households, which represents a total affordable housing need of 3,164 dwellings over the Plan period 2016-36.** This would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but assumes that the number of households in receipt of housing benefit support to help them afford to live in the private rented sector remains constant. Furthermore, any losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.

Employment Trends

4.30 While demographic trends are key to the assessment of OAN, it is also important to consider current Employment Trends and how the projected growth of the economically active population fits with the future changes in job numbers.

> *Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area.*
>
> *Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.*
>
> **Planning Practice Guidance (March 2014), ID 2a-018**

4.31 Oxford Economics produced an *"Economic Forecast for the West of England"* in August 2013 on behalf of the West of England LEP. This included a range of jobs forecasts for the area covering the period to 2036, based on the Oxford Economics Local Authority District Forecasting Model. The model provides data at regional and sub-regional level, including county, unitary and district authorities. It covers a wide range of variables, and is designed to be flexible so that alternative scenarios can be run.

4.32 The baseline scenario forecast that total employment would increase from 603,400 to 668,700 jobs over the 20-year period 2010-30 across the whole of the West of England, a growth of 65,300 jobs (3,300 per year) equivalent to an annual compound growth rate of 0.5%. Of course, this forecast was prepared at a time when the UK was emerging from recession; therefore the West of England LEP considered it appropriate to establish a more ambitious target: to deliver 95,000 new jobs by 2030. This target was marginally higher than increase in jobs identified by the medium-high growth scenario, which suggested that total employment would increase to 697,300 jobs by 2030: an increase of 94,000 jobs over 20 years. The LEP target represented an uplift of 1.1% on this scenario.

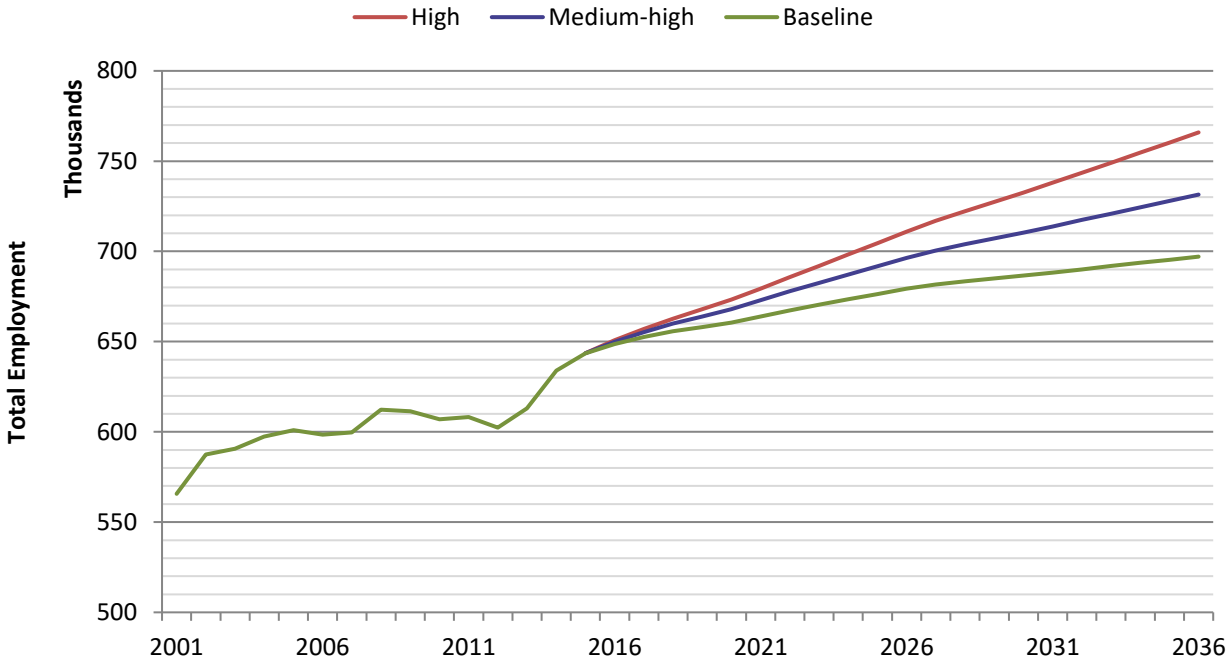
4.33 More recently, in September 2015, Oxford Economics updated their forecasts for the West of England LEP. Updated forecasts were produced based on three scenarios which covered the 20-year Plan period 2016-36 (Figure 47):

- A baseline scenario, which forecast a growth of 48,400 jobs;
- A medium-high growth scenario, which forecast a growth of 81,600 jobs; and
- A high growth scenario, which forecast a growth of 115,100 jobs.

4.34 For the purposes of the JSP, the West of England LEP maintained the same assumptions for their jobs growth, which was based on a small 1.1% uplift to the medium-high growth scenario. This represented a growth of 82,500 jobs across the West of England over the 20-year period 2016-36. Based on the forecasts, this represents a growth of 73,700 jobs for Wider Bristol HMA and 8,800 jobs for Bath HMA.

4.35 The original Bath SHMA was prepared in advance of the Oxford Economics 2015-based forecasts being prepared, and assumed a jobs growth of 10,100 jobs – but this was derived based on figures from the Bath Core Strategy, and therefore represented a "policy on" target. The basis for aligning jobs and workers for the SHMA Update is the "policy off" growth of 8,800 jobs based on the Oxford Economics forecast.

Figure 47: West of England Employment Forecasts to 2036 (Source: Oxford Economics, August 2015. Note: Figures cover the whole of the West of England, including Bath and North East Somerset)



4.36 The original SHMA concluded that the baseline demographic projections would lead to a shortfall of workers, based on the "policy on" target of 10,100 extra jobs. However, whilst the alignment process took account of commuting patterns (based on Census data for 2011) and recorded changes to unemployment, it did not assume any change to future unemployment or consider other factors such as "double jobbing" (where one worker has more than one job).s

4.37 At the time of the Census in 2011, the Oxford Economics data estimates that there were 95,600 jobs in total across the Bath HMA; however, Census data identifies that only 90,500 of these were main jobs. On this basis, it is reasonable to conclude that around 5,100 jobs were second (or third) jobs, in addition to workers' main job. Therefore, main jobs represent around 94.7% of the overall jobs number; and a growth of 8,800 jobs overall is likely to represent an additional 8,400 additional main jobs – and this is the growth for which it is necessary to align the increase in workers. The remaining 400 additional jobs are likely to be second jobs.

4.38 There are a number of further factors which should be considered when relating jobs to workers, particularly the issue of commuting:

- **In-commuting:** at the time of the 2011 Census, 32.3% of jobs in the Bath HMA were filled by people travelling in from other authorities. Therefore, an additional 8,400 main jobs is likely to draw in 2,700 (32.3%) additional in-commuters; leaving **5,700** main jobs that need to be filled by workers living in the area.
- **Out-commuting**: based on 2011 Census commuting flows, 71.6% of working residents in the Bath HMA also work in the local area. This implies that 28.6% commute to jobs outside the area. Therefore, of the additional 7,800 workers (Figure 22), we would expect **5,600** (71.6%) would work locally and 2,200 (28.4%) would commute outside of the area.

4.39 Therefore, on the basis of commuting rates in 2011, there is likely to be broad alignment in the number of workers than needed to satisfy an overall jobs growth of 8,800 extra jobs. However, if we take account of

changes to commuting between the Census and the base date of the JSP (i.e. over the period 2011-16) it is evident that net out-commuting increased – and on the basis of maintaining commuting at 2016 rates, there would be a small shortfall of workers based on the baseline demographic projection.

4.40 The Oxford Economics 2015-based forecast estimates that Bath HMA saw an increase of 6,200 jobs between 2011 and 2015, and forecasts that overall increase would be 6,900 extra jobs from 2011-16. Over the same period, the number of resident workers increased by 8,400 persons (including 1,100 who were previously unemployed returning to work). Given that the number of resident workers increased by more than the increase in jobs, allowing for a proportion of double jobbing it is likely that net out-commuting was around 1,900 persons higher in 2016 than it was in 2011.

4.41 At the time of the Census, the total number of workers commuting in to main jobs in the Bath HMA was 29,300, which offset against 24,000 resident workers who commuted to main jobs outside the area. On this basis, net commuting was an inward flow of 5,300 workers in 2011. An reduction of 1,900 between 2011 and 2016 represents a notable change – with net in-commuting having reduced to around 3,400 workers. Whilst we don't know the extent to which this is a consequence of more workers commuting into the area or fewer resident workers commuting to jobs elsewhere, we can sensitivity test the consequences.

4.42 If all of the change between 2011 and 2016 was a consequence of reduced in-commuting, the proportion of jobs filled by people travelling from other authorities would reduce from 32.3% to 30.3% and the forecast jobs growth would draw in 2,500 extra workers from outside the area (200 fewer than estimated based on 2011 rates). This would yield an overall shortfall of around 300 workers. If all of the change between 2011 and 2016 was a consequence of increased out-commuting, the proportion of workers working within the area would reduce from 71.6% to 67.7% and of the additional workers we would expect 5,300 to work locally (300 fewer than estimated based on 2011 rates). This would yield an shortfall of 400 workers.

4.43 On this basis, given the changes to commuting patterns, it is likely that **there would be a shortfall of between 300 and 400 workers based on the 8,800 jobs growth forecast.** As previously noted, PPG identifies that plan makers need to consider the most appropriate response when *"the supply of working age population that is economically active … is less than the projected job growth"*. The PAS technical advice notes that (second edition, para 8.2):

> *"Planning Inspectors have interpreted this to mean that demographic projections should be tested against expected future jobs, to see if housing supply in line with the projections would be enough to support those future jobs. If that is not the case, the demographically projected need should be adjusted upwards accordingly; such adjustments overlap with the adjustments for past supply and market signals"*

4.44 Given this context, there is need to increase housing delivery to ensure that there will be enough workers for the likely increase in jobs in the area. An additional 400 workers would need around 300 more homes to be provided over the 20-year period 2016-36, increasing the housing need from 11,580 dwellings to 11,845 dwellings (equivalent to an uplift of around 2%).

4.45 Finally, the SHMA recognises that the student population forms an important part of the economically active population in Bath and is particularly important when considering the projected increase in workers. Without this population, there would be a much larger shortfall of workers; and if the forecast growth in jobs relied only on the general population, there would be need to provide an additional 2,800 dwellings. However, this is hypothetical, given that many full-time students are also economically active and it is reasonable to conclude that the increased student population would also contribute extra .

Conclusions on Jobs and Workers

4.46 While demographic projections form the starting point for OAN calculations it is necessary to ensure a balance between future jobs and workers.

4.47 The medium-high growth scenario (from August 2015) uplifted by 1.1% to reflect the LEP target, identifies 8,800 jobs in Bath over the 20-year Plan period 2016-36. Taking account of commuting patterns in 2011, the demographic projections (without any uplift for market signals) would provide 5,600 extra workers locally whereas 5,700 extra workers would be needed. However, changes to commuting have led to more net out-commuting over the period 2011-16, which is likely to lead to a shortfall of between 300 and 400 workers. **On this basis, there would be a need to increase housing need by around 300 dwellings to ensure alignment between the projected increase in workers and the forecast increase in jobs in the area.**

Market Signals

4.48 While demographic trends are key to the assessment of OAN, it is also important to consider current Market Signals and how these may affect housing needs. PPG identifies a range of housing market signals that should be considered when determining the future housing number. Key to this is how market signals should be taken into account:

> *The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings (ID 2a-019)*
>
> *A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections. (ID 2a-020)*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

4.49 The Market Signals include:

- Land and house prices;
- Rents and affordability;
- Rate of development; and
- Overcrowding.

4.50 Furthermore, there are other issues that should be considered, for example the macro-economic climate (PAS OAN technical advice note, para 5.22). Further, there are wider market trends and drivers to consider. A full range of market signals are considered and their implications are considered especially where these may indicate undersupply relative to demand and the need to deviate from household projections.

4.51 PPG and the PAS OAN technical advice note emphasise the importance of considering indicators in the context of longer-term trends and looking at rates of change as well as absolute levels – for example, house prices in the housing market may be higher or lower than the national average, however the more important consideration is whether or not they are becoming more (or less) expensive at a rate that differs from the national rates or rates in similar areas.

> *Appropriate comparisons of indicators should be made. This includes comparison with longer term trends (both in absolute levels and rates of change) in the housing market area; similar demographic and economic areas; and nationally. (ID 2a-020)*
>
> **Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)**

4.52 To identify areas with similar demographic and economic characteristics to Bath, we have analysed data from the ONS area classifications together with data from the CLG Index of Multiple Deprivation. The outcome of this analysis was that Bath shares similar demographic and economic characteristics with **Colchester**, **Warwick** and **York**. Therefore, in considering market signals, we have considered these district council areas as appropriate comparators and compared them against Bath.

House Prices

4.53 House prices in the UK have been relatively volatile in the past 10 years. Prices increased by 8.7% in the 12 months to June 2016[28]; prices rose fastest in the East of England (14.3%), London (12.6%), and the South East (12.3%).

4.54 The average UK house price was £214,000 in June 2016 compared to the peak of the previous high of £190,000 in the three months August to October 2007, which was overtaken in 2014. Average house price trends 2006 - 2016 as demonstrated by the House Price Index (HPI) show the price divergence between London and the rest of the UK.

Figure 48: Annual house price rates of change, UK all dwellings 2004-2016 (Source: Regulated Mortgage Survey. Note: Not seasonally adjusted)

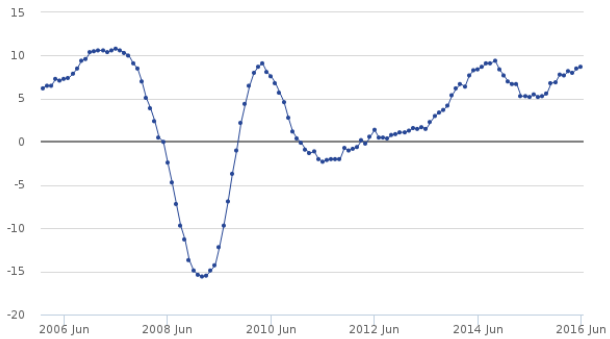
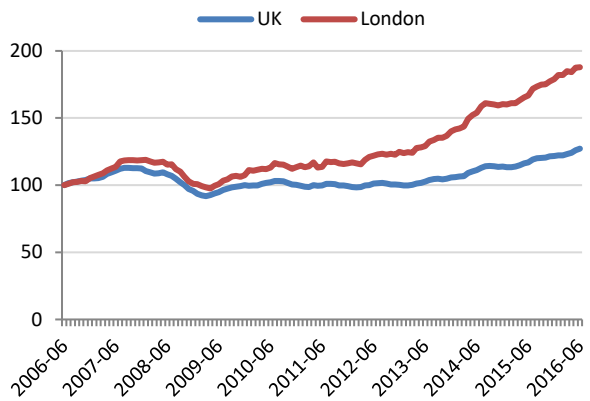


Figure 49: UK and London House Price Index 2008-2016 (Source: ONS)



4.55 The Bank of England has overall responsibility for UK monetary policy: it has become concerned about the risks posed by house prices, high levels of borrowing and any housing 'bubble' to national economic recovery. In his speech at the Mansion House in June 2014, the Governor of the Bank said:

> *"The underlying dynamic of the housing market reflects a chronic shortage of housing supply, which the Bank of England can't tackle directly.*
>
> *To be clear, the Bank does not target asset price inflation in general or house prices in particular.*

[28] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/june2016

It is indebtedness that concerns us.

This is partly because over-extended borrowers could threaten the resilience of the core of the financial system since credit to households represents the lion's share of UK banks' domestic lending.

It is also because rapid growth in or high levels of mortgage debt can affect the stability of the economy as a whole."

4.56 These concerns remain. The Financial Policy Committee (FPC) Financial Stability Report July 2016[29] states:

*"**The FPC is alert to risks arising from household indebtedness**. Survey evidence on the housing market has been difficult to interpret in recent months because of the impact of the pre-announced increase in stamp duty, which boosted activity in March and has dampened activity in April and May. Nevertheless, in advance of the referendum, there was evidence that uncertainty about the outcome was contributing to a slowdown in housing activity. For example, the May RICS survey of chartered surveyors reported a sharp decline in new buyer enquiries … to their lowest level since 2008. In the period since the referendum, the average share price of the largest home construction firms has declined by 25%, compared with a 2% rise in the FTSE All-Share index"*

4.57 The FPC also states concern about the effects of rapid growth in the buy-to-let sector:

"The stock of buy-to-let lending grew by 12.3% in the year to 2016 Q1. Activity fell off sharply in April, such that buy-to-let mortgage lending for house purchase was 85% lower than in March."

4.58 The risk centres on the possibility of buy-to-let investments "*amplifying cycles in the housing market as a whole*" which "*could put upward pressure on household indebtedness in an upswing and have an impact on consumption and broader economic activity in a downturn*."

4.59 The RICS UK Residential Market Survey[30] is updated monthly. While there are many uncertainties following the June 2016 referendum, the July 2016 Survey gives an early indication of the direction of prices in the short to medium term, and reports an increase in optimism among respondents:

"the net balance of those expecting prices to increase over the year ahead rising from zero to +23%. Even so, this still represents a significant softening compared to six months ago, when +66% more surveyors anticipated rising prices. For the second month running, the regional breakdown shows London and East Anglia are the only areas in which prices are expected to fall over the year ahead."

4.60 Overall respondents to the Survey expect prices to rise over the medium term, with higher rises in London compared to the UK:

"London exhibits amongst the strongest projections over the medium term (three-month average), with respondents pencilling in around 4% growth, per annum, over the next five years. On the same basis, prices are expected to rise by close to 3% nationally."

4.61 The Survey suggests that, currently, an "*acute shortage of property for sale*" could be underpinning prices.

[29] http://www.bankofengland.co.uk/publications/Pages/fsr/2016/jul.aspx

[30] http://www.rics.org/uk/knowledge/market-analysis/rics-residential-market-survey/

Local House Prices

4.62 House price trends (2001-2017) are shown in Figure 50 and Figure 51 shows lower quartile house prices adjusted for the impact of inflation. Therefore, the prices reflect real changes which have occurred since 2001 when removing the impact of background inflation.

4.63 It is clear that real house prices in the Bath HMA rose sharply in the period 2001-2007 (from £110,300 to £212,700 at 2016 values, a real increase of more than 90%), but they fell sharply from 2007-2009 and remained below their 2007 peak until 2016. However, based on the latest figures, lower quartile prices are now higher than the previous peak and have continued to rise each quarter.

Figure 50: House Price Trends: Lower Quartile Prices (Source: ONS)

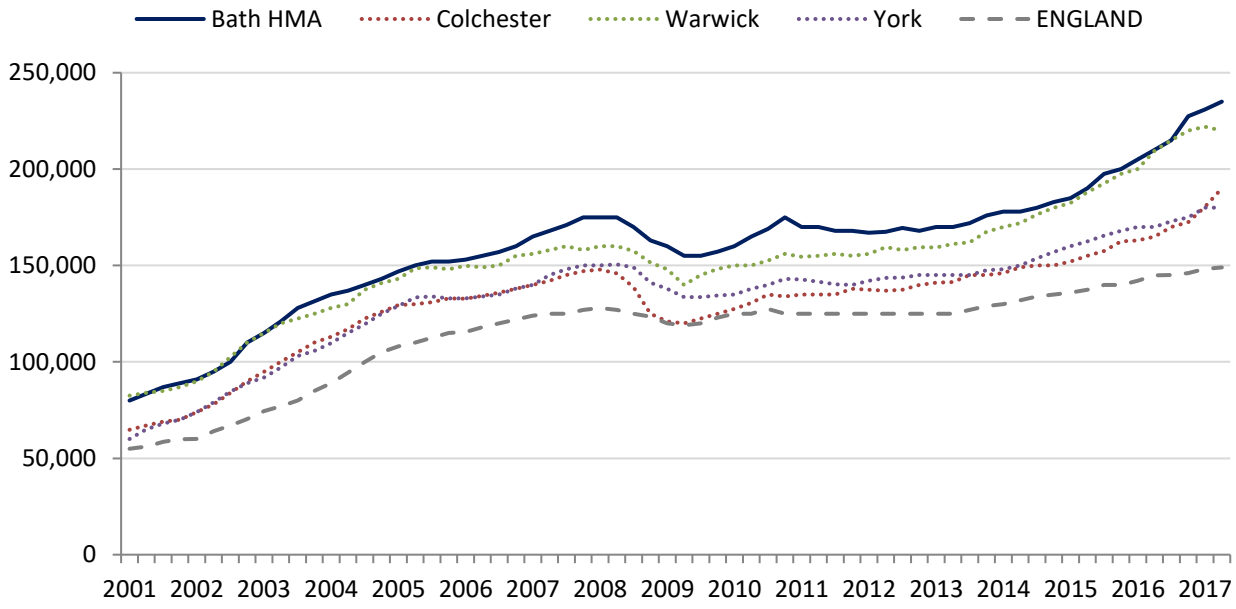
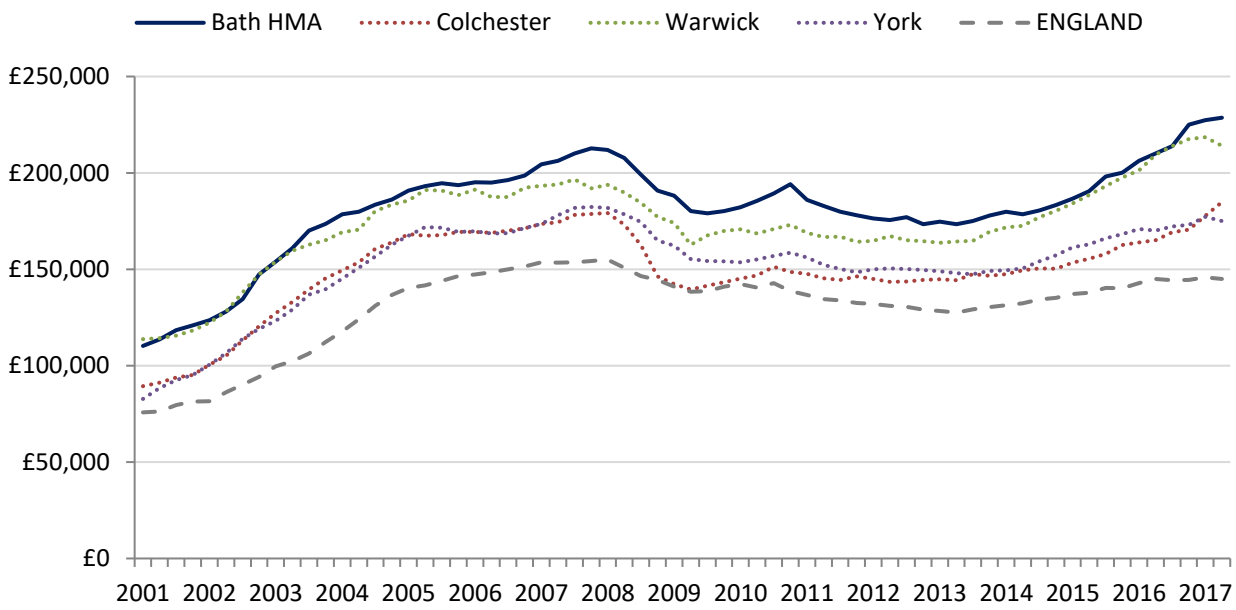
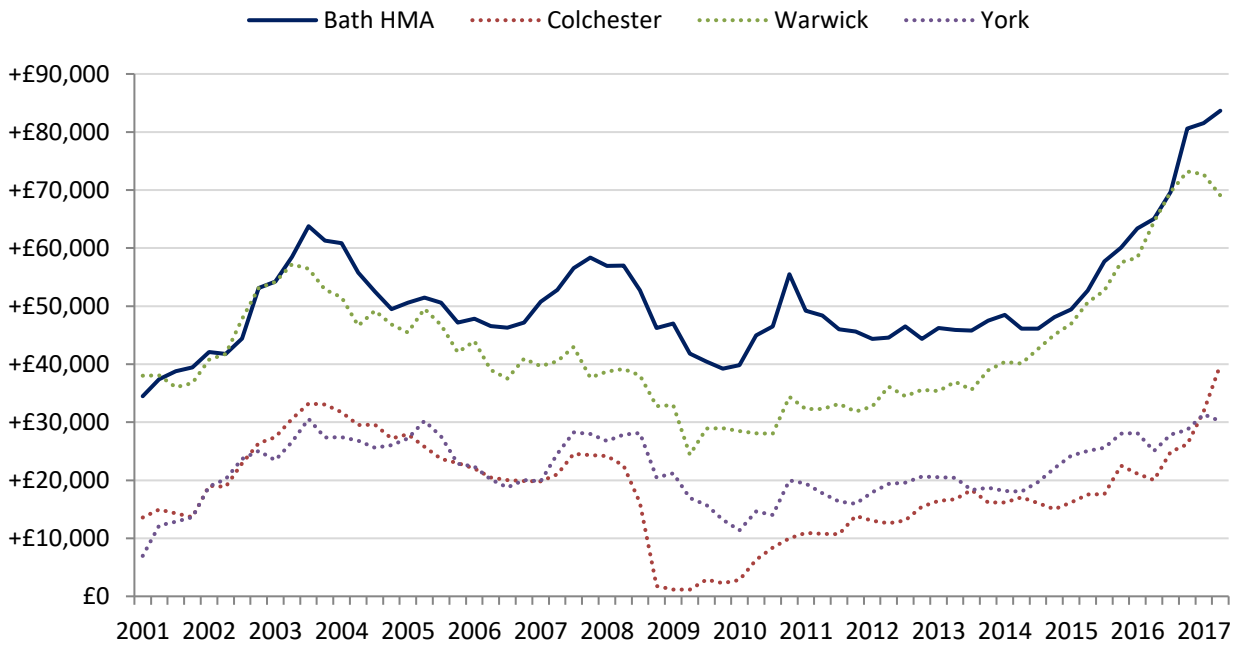


Figure 51: Real House Price Trends: Lower Quartile Prices adjusted to 2016 values using CPI (Table D7BT Release Date 12th Sept 2017) (Source: ONS; Bank of England)



4.64 Figure 52 shows how real house prices in the HMA have varied when compared with the English average. This shows that real house prices in the HMA are currently above long-term trends.

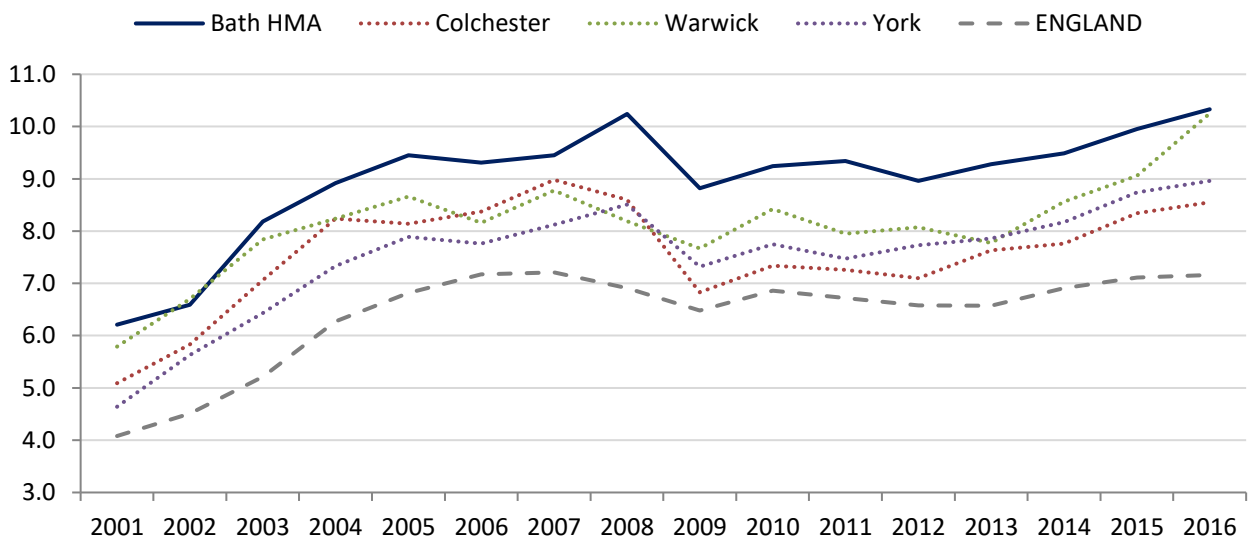
Figure 52: Real House Price Trends relative to England: Lower Quartile Prices adjusted to 2016 values using CPI (Table D7BT Release Date 12th Sept 2017) (Source: ONS; Bank of England)



Affordability

4.65 Figure 53 below shows the ratio of lower quartile house price to lower quartile workplace-based earnings in the HMA between 2001 and 2016. This long term trend for the HMA shows that affordability worsened in the period 2001-08 (when there was an increase in real house prices). The multiplier reduced in 2009, and it has only recently that the affordability ratio has returned to its 2008 peak. . Of course, it is also important to remember that affordability can be influenced by supply issues (e.g. lower housing delivery levels) and demand side issues (e.g. lower availability of mortgage finance for first time buyers).

Figure 53: Ratio of Lower Quartile House Price to Lower Quartile Workplace-Based Earnings (Source:ONS)



Private Rent

4.66 The English Housing Survey (EHS) 2015-16[31] identified that 20% (4.5 million) of households were renting from a private landlord, much higher than the rate of 12% a decade earlier in 2005-06. The EHS also shows that households aged 25-34 were more likely to be renting privately (46%) than buying a home, up from 24% in 2005-06. Owner occupation in this age group dropped from 56% to 38% over the same 10 year period.

4.67 The growth of the Sector has been acknowledged as both a growing and long term option for meeting the nation's housing need. The Government published *"Improving the Private Rented Sector and Tackling Bad Practice: A guide for local authorities"* in March 2015[32], and the Forward by the Minister stated:

> *"The private rented sector is an important and growing part of our housing market, housing 4.4 million households in England. The quality of housing in the sector has improved dramatically over the last decade. It is now the second largest tenure and this growth is forecast to continue growing. I am proud of this growth as it shows increasing choice, improving standards whilst helping to keep rents affordable. The Government supports a bigger and better private rented sector and wants to see this growth continue."*

4.68 Policy by both Government and Local Authorities is focused on improving Management and Maintenance in the sector (via licensing or self-regulation schemes) and expanding supply[33] (including the Build to Rent investment scheme[34]).

4.69 Importantly, the Government sees the PRS having an important and long term role in meeting the housing need of the nation; and although the NPPF and PPG do not mention the current or future role of housing benefit, the policy to support low-income households in the private rented sector with housing benefit is long-standing and housing benefit is explicitly factored into the long-term forecasts for public spending.

4.70 Given this context, it is important for local authorities to recognise the role of the private rented sector at a local level. Assuming the release back into the market of many dwellings in the private rented sector currently occupied by tenants in receipt of housing benefit would have significant consequences; therefore it remains appropriate to recognise that the private rented sector will continue to make an important contribution towards providing housing options for households unable to afford their housing costs in future. Nevertheless, it is essential for local authorities to understand the full extent of the need for affordable housing in their areas and consider their policy responses accordingly.

Overcrowding

4.71 Overcrowding was considered in detail when establishing the need for affordable housing, and based on the bedroom standard we estimated that 1,202 households were overcrowded in the Bath HMA (Figure 32), including 327 owner occupiers, 303 households renting privately and 572 households in the social rented sector.

4.72 PPG also identifies a series of other factors to monitor alongside overcrowding, including concealed and sharing households, homelessness and the numbers in temporary housing:

[31] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/595785/2015-16_EHS_Headline_Report.pdf
[32] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/412921/Improving_private_rented_sector.pdf
[33] https://www.gov.uk/government/publications/private-rented-homes-review-of-the-barriers-to-institutional-investment
[34] https://www.gov.uk/government/publications/build-to-rent-round-2-initial-due-diligence

> *Indicators on overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation demonstrate un-met need for housing. Longer term increase in the number of such households may be a signal to consider increasing planned housing numbers.*
>
> **Planning Practice Guidance (March 2014), ID 2a-019**

4.73 These were also considered when establishing the need for affordable housing, and the overall housing number was increased to take account of the needs of homeless households and concealed families with younger family representatives who would not have been counted as part of the household projections. This adjustment has already been incorporated as a response to the identified un-met need for housing, and can be considered as part of the response to market signals.

Summary of Market Signals

4.74 In terms of headline outputs, the market signals when compared to relevant comparator areas show:

Figure 54: Summary of Market Signals

		Bath HMA	Colchester	Warwick	York	England
INDICATORS RELATING TO PRICE						
House prices						
Lower quartile house price	2016- 17 value	£231,000	£181,000	£222,000	£180,000	£148,100
	Relative to England	+56%	+22%	+50%	+22%	-
	2011-12 value	£167,000	£137,400	£156,000	£142,000	£125,000
	5-year change	+38%	+31%	+42%	+27%	+19%
Rents						
Average monthly rent	2016- 17 value	£1,190	£762	£798	£866	£852
	Relative to England	+40%	-11%	-6%	+2%	-
	2011- 12 value	£914	£664	£608	£781	£705
	5-year change	+30%	+15%	+31%	+11%	+21%
Affordability						
Lower quartile house price to workplace-based earnings	2016 ratio	10.3	8.6	10.3	9.0	7.2
	Relative to England	+44%	+19%	+43%	+25%	-
	2011 ratio	9.3	7.3	8.0	7.5	6.7
	5-year change	+11%	+18%	+29%	+20%	+7%
INDICATORS RELATING TO QUANTITY						
Overcrowding						
Overcrowded households	2011 proportion	6.9%	7.3%	6.5%	7.1%	8.7%
	Relative to England	-21%	-16%	-25%	-19%	-
	2001 proportion	5.4%	5.6%	5.5%	5.1%	7.1%
	10-year change	+27%	+32%	+19%	+40%	+23%
Rate of development						
Increase in stock	2001-11 change	+3.9%	+14.1%	+9.8%	+9.2%	+8.3%
	Relative to England	-53%	+69%	+17%	+10%	-

4.75 As acknowledged earlier in this section, there is no single formula that can be used to consolidate the implications of this information; and furthermore the housing market signals will have been predominantly influenced by relatively recent housing market trends. Nevertheless, on the basis of this data we can conclude:

- **House Prices:** lower quartile prices are higher than the national average, with a lower quartile price of £231,000, compared to England's £148,100 (based on 2016-17 values). The current price in the HMA is also higher than all three comparator areas. Over the last 5-years, prices have increased across England, Bath HMA and all of the comparator areas, with the greatest percentage change in Warwick (+42%);
- **Rents:** for average private sector rents in 2016-17, the study area is notably higher than the national average and rents in all of the comparator areas. Average rents have also increased at a faster pace in Bath HMA than nationally (+30% cf. +21%) and whilst the increase in Warwick (+31%) is also well above average, increases in Colchester and York have been more moderate;
- **Affordability** (in terms of the ratio between lower quartile house prices and lower quartile workplace-based earnings) is currently 'worse' in the study area than across England as a whole (10.3x cf. 7.2x), and the rate is also amongst the 'worst' of the comparator areas (which range from x8.6 to x10.3). Whilst affordability ratios have increased since 2011 at a rate above the national average (11% cf. 7%), this is slower than increases in each of the comparator areas (which range from 18% to 29%);
- **Overcrowding** (in terms of Census occupancy rates) shows that 6.9% of households in Bath are overcrowded based on an objective measure, which is lower than England (8.7%). Nevertheless, the proportion of overcrowded households has increased over the last 10 years at a rate that is marginally above the national average (+27% cf. +23%);
- **Rate of development** (in terms of increase in dwelling stock over the last 10 years) shows that development has increased the stock size by +3.9%, which is notably lower than England (8.3%). This rate for Bath HMA is also lower than comparator areas. Of course, these figures will inevitably be influenced by local constraints as well as individual policies.

4.76 As previously noted, PPG suggests that *"household projections should be adjusted to reflect appropriate market signals"* where there is a *"worsening trend in any of these indicators"* (ID 2a-019 to 020). On the basis of these Market Signals, we can conclude that conditions across the Bath HMA suggest that the level of Objectively Assessed Need for the HMA should be higher than suggested by household projections in isolation.

Conclusions on Market Signals

4.77 There is no definitive guidance on what level of uplift is appropriate. Nevertheless, the Inspector examining the Eastleigh Local Plan judged 10% to be reasonable given the market signals identified for that HMA:

> *"It is very difficult to judge the appropriate scale of such an uplift … Exploration of an uplift of, say, 10% would be compatible with the "modest" pressure of market signals recognised in the SHMA itself."*

4.78 In contrast, the Inspector examining the Camden Local Plan judged 20% to be reasonable given the market signals identified for that part of London:

> *"The housing target in Policy H1 has been informed by the Camden SHMA (2015) which identifies OAN for an additional 16,800 dwellings in the borough over the Plan period. The Camden SHMA's general OAN methodology appears to be robust and in line with guidance in the PPG … The methodology incorporates an uplift of 20% to take account of market signals, which is proportionate in the context of high house prices in the borough."*

4.79 In determining the appropriate uplift, it is important to recognise the particular emphasis that PPG places on affordability when considering the response to market signals:

> *The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.*
>
> *Market signals are affected by a number of economic factors, and plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period.*
>
> **Planning Practice Guidance (March 2014), ID 2a-020**

4.80 The indicators for Bath are worse than those for Eastleigh, though are nowhere near the extremes of the housing market in Central London. On this basis, we can conclude that an uplift of more than 10% is clearly justified. Whilst the indicators in Bath are considerably better than those in Camden, on balance we would **recommend an overall uplift of 20% of the housing need identified based on the household projections for the general population.** This would be one of the largest uplifts proposed by any SHMA, but is justified given the indicators for the area.

4.81 The household projections previously identified an increase of 9,446 households (9,739 dwellings) for the general population over the 20-year Plan period 2016-36; so the proposed market signals uplift would be 1,948 dwellings over the Plan period. **We believe that an uplift of 1,948 dwellings provides an appropriate response to market signals.** This is consistent with the views of the Inspectors elsewhere in the context of relative indicators for the areas.

4.82 The analysis of affordable housing has already identified that the overall housing need should be increased by 120 households (124 dwellings) to take account of **concealed families** and **homeless households** that would not be captured by the household projections. This adjustment has already been incorporated as a response to the identified un-met need for affordable housing; however it is also appropriate for it to be considered as part of the response to market signals. **An additional increase of 1,824 dwellings is therefore needed to deliver the overall uplift of 1,948 dwellings identified in response to market signals.**

4.83 On balance, we would not recommend any uplift to the household projections for the student population, as this is based on calculations which address a very specific need. The increase of 9,977 students leads to a total growth of 2,509 households (2,586 dwellings) without any uplift for market signals, which yields an average household size of 3.98 persons. Any increase to the student housing need would depend on either a higher rate of student growth or a reduction in average household size:

- The rate of student population growth specifically reflects long-term trends, so a higher rate would not be justified; and
- As the projected household size already aligns with the Council's approach to monitoring housing supply (where 4 student bedspaces equates to 1 dwelling) there is no justification for seeking to reduce this average, as this would lead to inconsistencies in the housing monitoring framework.

4.84 On this basis, there is no justification for any further increase to the identified student housing need.

Impact of the Uplift on Affordability

4.85 Work undertaken for the National Housing and Planning Advisory Unit (NHPAU) based on the Reading Affordability Model identified the following key elasticities when modelling house prices:[35]

> *The key elasticities in the model are presented below:*
>
> ***Income Elasticity**: The elasticity of house prices with respect to real incomes is approximately 2.0. In other words, a 1% rise in real incomes would increase house prices by 2%, holding all other influences constant. This elasticity is determined by the income elasticity of demand and the price elasticity of demand. Since the income elasticity of demand is 1 the 1% increase in income increases the demand by 1%. Since the supply is fixed in the short-term, the adjustment comes from changes in price: the price will increase in order to reduce the demand to its initial level and restore market equilibrium. The required price increase depends on the price elasticity of demand, which is -0.5. Hence, to offset the 1% increase of demand the price will eventually increase by 2%.*
>
> ***Interest Rate Elasticity**: If interest rates rise by one per cent, house prices will fall. This fall will differ across the regions, e.g. in London the fall in prices in the second year will be approximately 6%, in the Midlands 3% and in the North 1%.*
>
> ***Housing Stock Elasticity**: The long-run elasticity of house prices with respect to the housing stock is estimated as -2. That is if housing stock increases by 1%, house prices will fall by about 2%.*
>
> ***Elasticity of house price with respect to Household formation**: If the number of households increases by 1%, then house prices will increase by about 2%.*

4.86 The SHMA projects an increase of 11,955 households in Bath, which represents an increase of 15.7% over the 20-year period 2016-2036. On the basis of every 1% increase in households increasing house prices by 2%, the model would suggest that this level of household growth would lead to house prices increasing by 31% above inflation – but that assumes that no additional dwellings were provided.

4.87 The proposed OAN for Bath is 14,300 dwellings, which represents an increase of 18.1% over the 20-year period 2016-36. On the basis of every 1% increase in dwellings reducing house prices by 2%, the model would suggest that this level of housing delivery would lead to house prices reducing by 36% after taking account of inflation – but that assumes that there was no increase in households.

4.88 Taking the 15.7% increase in households and the 18.1% increase in dwellings together (and assuming no change in incomes or interest rates or any other factors that might influence house prices), the model suggests that there would be an overall reduction of around 5% in real house prices after inflation. On this basis, the house price affordability ratio would also reduce by around 5% (given that it is assumed that there is no change in income).

4.89 The Office for Budget Responsibility (OBR) has recently published results of further modelling which considers this relationship.[36] This report sets out the income elasticity and the housing supply elasticity in the context of other studies:

[35] http://webarchive.nationalarchives.gov.uk/20121029114150/http://www.communities.gov.uk/documents/507390/pdf/1345079.pdf
[36] http://budgetresponsibility.org.uk/docs/dlm_uploads/WP06-final-v2.pdf

Table 3.1: UK house price elasticities from the literature

Study	Income elasticity	Supply elasticity	Last data point used
[per household]			
This model	2.7	-1.1	2013 q4
Meen (2013)	2.8	-1.7	2009 q4
[per capita]			
Muellbauer/ Murphy (1997)	2.6	-2.2	1994
Cameron/ Muellbauer/ Murphy (2006)	1.6	-1.6	2003
[unscaled]			
This model, re-estimated without number of households	2.3	-1.2	2013 q4
OECD (2011)	2.9	-2.1	2010 q1
Meen (2009)	2.1	-1.5	2007 q2

Note: See section 7 for full references

The elasticity of house prices to income is consistent with the literature, but the elasticity of prices to supply is low. This may be due to mis-measurement of supply in the model. As explained in paragraph 2.11, we use the owner-occupied housing stock for the variable hshh. However, there has been rapid expansion of the supply of buy-to-let rental property in recent years, which may be an increasingly close substitute for owner-occupation.

4.90 The housing supply elasticity in other studies has ranged from -1.5 to -2.2, which is consistent with the 2.0% identified by the NHPAU work (which was based on a version of the model produced by Professor Meen). However, the latest OBR model suggests a weaker relationship between house prices and housing supply – though recognises that this may be associated with the supply of buy-to-let properties which their model does not include.

4.91 However, it is important to recognise that these elasticities relate to regional or national models and would not apply to an individual local authority area in isolation. Therefore, any conclusions would depend on all local authorities adopting a similar approach across a region-wide basis. Furthermore, the relationship between housing supply and house prices is uncertain, and this was recognised in the original Barker report and subsequent studies – so any conclusions must be considered in that context.

4.92 In summary, the OAN proposed for Bath should lead to a reduction in house prices and an improvement in affordability of around 5% might be expected – but the extent of improvement that is actually realised would be inherently uncertain and will inevitably depend on a wide range of factors. Nevertheless, based on reasonable assumptions, the proposed OAN and the resulting increase to planned housing supply could be expected to improve affordability.

Housing Backlog

4.93 The Planning Advisory Service Good Plan Making Guide[37] identifies that the SHMA should *"re-set the clock"* and provide a new baseline assessment of all housing need. However, the SHMA must take account of 'backlog': any unmet need for housing that exists at the start of the plan period.

> *"Having an up-to-date, robust Strategic Housing Market Assessment should re-set the clock, and therefore carrying forward under-provision from a previous plan period would be 'double counting'. Make sure however that the Strategic Housing Market Assessment takes account of 'backlog' which is unmet need for housing that still exists at the start of the new*

[37] http://www.pas.gov.uk/documents/332612/6363137/Pages+from+FINAL+PAS+Good+Plan+Making+-6.pdf

plan period (for example, the needs of the homeless and other households living in unacceptable accommodation). The Strategic Housing Market Assessment should show all those in need. It is therefore vitally important to have a properly done Strategic Housing Market Assessment that has the right scope." (page 49)

4.94 This SHMA has fully considered the unmet needs of homeless and other households living in unacceptable accommodation (such as concealed families and sharing households) that existed in 2016. Furthermore, given that the SHMA also identifies all new housing need from the baseline date of 2016, all needs arising over the 20-year period 2016-36 have been identified and there will be no additional unmet need for housing to be counted for Plans with this base date.

Conclusions

4.95 The *"starting point"* estimate for OAN is the CLG household projections, and the latest published data is the 2014-based projections for period 2014-39. These projections suggest that household numbers across the study area will increase by 9,284 over the 20-year Plan period 2016-36, an average of 464 per year. However, on the basis of 10-year trends for both migration and growth in the student population, **household numbers are projected to increase by 11,955 households over the 20-year period 2016-36, an average of 598 households per year.** This comprises an increase of 9,446 households in the general population and 2,509 student households.

4.96 We have identified that the baseline household projections should be increased by 120 households to take account of **concealed families** and **homeless households** that would otherwise not be captured due to suppressed household formation rates. On this basis, the demographic projections identify a total increase of 12,075 households over the 20-year Plan period. This adjustment responds to identified un-met need for affordable housing and also addresses suppressed household formation rates. **Providing for an increase of 12,075 households yields a baseline housing need of 12,449 dwellings over the 20-year Plan period 2016-36, equivalent to an average of 622 dwellings per year.**

4.97 While demographic projections form the starting point for Objectively Assessed Need calculations, it is necessary to consider whether a higher rate of housing delivery may be needed to help address housing market problems. Further adjustments may be needed in response to balancing jobs and workers, market signals or any backlog of housing provision. However, it is important to recognise that these adjustments are not necessarily cumulative: it is necessary to consider them collectively.

4.98 **The evidence from planned jobs and workers identifies a need to increase housing delivery by 284 dwellings** to provide enough workers for the likely increase in jobs in the area.

4.99 **An uplift of 20% is proposed to the housing need based on the household projections for the general population as an appropriate response to the market signal indicators, which represents 1,948 dwellings.** The overall housing need has already been increased by 124 dwellings to take account of concealed families and homeless households not captured by the household projections, and this should be considered as part of the response to market signals; but an additional increase of 1,824 dwellings is needed to deliver the overall uplift of 1,948 dwellings that has been identified.

4.100 On this basis, the baseline housing need of 12,449 dwellings is increased by 1,824 dwellings. This increase provides the uplift of 284 dwellings needed to align jobs and workers and also addresses the overall uplift of 1,948 dwellings needed in response to market signals. **This yields an overall total of 14,273 dwellings over the 20-year Plan period 2016-36, equivalent to an average of 714 dwellings per year.** This comprises a need for 11,687 dwellings for the general population, which represents an uplift of 20% on the baseline household projections, and a need for 2,586 dwellings to accommodate growth in the student population.

4.101 Nevertheless, it is important to recognise the interaction between the two populations – as increasing the number of students will contribute additional workers in the local area, and without these extra workers the general population would need a larger increase to align jobs and workers. If there was no increase to the student population, 2,790 extra dwellings would be needed to align jobs and workers within the general population in isolation. This uplift is 966 dwellings more than the 1,824 extra dwellings proposed in response to market signals, so without any growth in the student population the general OAN would increase by an equivalent amount: from 11,687 dwellings to 12,653 dwellings. However, this is a hypothetical scenario, as it is reasonable to assume that the student population will continue to increase given the well-established trends in the growth of both universities.

4.102 Figure 55 summarises each of the stages for establishing the Full Objectively Assessed Need for Housing.

Figure 55: Full Objectively Assessed Need for Housing across Bath HMA 2016-36

Stage		Overall Population	General Population	Student Population
HOUSEHOLDS				
Demographic starting point CLG household projections 2016-36		**9,284**	**-**	**-**
Adjustment for long-term trends in migration 10-year trend 2006-16 (excluding growth in student population)		+2,671	-	-
Baseline household projections taking account of local circumstances		**11,955**	**9,446**	**2,509**
DWELLINGS				
Allowance for transactional vacancies and second homes Based on dwellings without a usually resident household		370	293	77
Housing need based on household projections taking account of local circumstances		**12,325**	**9,739**	**2,586**
Adjustment for suppressed household formation rates Concealed families and homeless households		120 + 4 = 124	120 + 4 = 124	-
Baseline housing need based on demographic projections		**12,449**	**9,863**	**2,586**
Further adjustments needed…	**In response to balancing jobs and workers** Forecast jobs growth yields shortfall of workers based on current commuting rates; uplift needed to the baseline housing need	+284	+284	-
	In response to market signals Dwellings needed (in addition to the adjustment for concealed families and homeless households) to deliver the overall percentage uplift proposed	**20%** x 9,739 = 1,948 1,948 - 124 = 1,824	**20%** x 9,739 = 1,948 1,948 - 124 = 1,824	-
Combined impact of the identified adjustments		**+1,824**	**+1,824**	**-**
Full Objectively Assessed Need for Housing 2016-36		**14,273**	**11,687**	**2,586**

4.103 Of course, it is important to remember that *"establishing future need for housing is not an exact science"* (PPG ID 2a-014). Whilst the OAN must be underwritten by robust evidence that is based on detailed analysis and informed by reasonable assumptions, the final conclusions should reflect the overall scale of the housing needed in the housing market area without seeking to be spuriously precise.

4.104 **The SHMA therefore identifies the Full Objective Assessed Need for Housing in the Bath HMA to be 14,300 dwellings over the 20-year Plan period 2016-36, equivalent to an average of 715 dwellings per year. This includes the Objectively Assessed Need for Affordable Housing of 3,300 dwellings over the same period, equivalent to an average of 165 dwellings per year. Of the overall housing need identified, 11,700 dwellings are needed for the general population and a further 2,600 dwellings are needed to accommodate future student growth based on long-term trends.**

4.105 This is the average number of dwellings needed every year over the 20-year period 2016-36 and represents a 0.9% increase in the dwelling stock each year across the HMA. Whilst this is marginally lower than the 1.0% growth required across England to deliver 239,500 dwellings annually, it represents almost double the 0.4% annual increase in dwelling stock achieved over the 10-year period 2001-11 and provides for a continued step-change in housing supply.

5. Housing Requirements

Considering the policy response to identified housing need

5.1 The SHMA has established the Full Objectively Assessed Need for Housing in the Bath HMA to be 14,300 dwellings over the 20-year Plan period 2016-36, however this figure will need to be tested through the statutory Plan-making process. Until it is tested at examination, the OAN must not be portrayed as a new housing requirement for planning purposes: the existing adopted Core Strategy will continue to fulfil this role.

5.2 This is confirmed by Planning Practice Guidance for housing and economic land availability assessment, which states that *"housing requirement figures in up-to-date adopted Local Plans should be used as the starting point for calculating the five year supply"* (ID 3-030). This point was further emphasised in a letter from the Housing Minister to the Planning Inspectorate in December 2014:

> *"Many councils have now completed Strategic Housing Market Assessments either for their own area or jointly with their neighbours. The publication of a locally agreed assessment provides important new evidence and where appropriate will prompt councils to consider revising their housing requirements in their Local Plans. We would expect councils to actively consider this new evidence over time and, where over a reasonable period they do not, Inspectors could justifiably question the approach to housing land supply.*
>
> *"However, the outcome of a Strategic Housing Market Assessment is untested and should not automatically be seen as a proxy for a final housing requirement in Local Plans. It does not immediately or in itself invalidate housing numbers in existing Local Plans.*
>
> *"Councils will need to consider Strategic Housing Market Assessment evidence carefully and take adequate time to consider whether there are environmental and policy constraints, such as Green Belt, which will impact on their overall final housing requirement. They also need to consider whether there are opportunities to co-operate with neighbouring planning authorities to meet needs across housing market areas. Only after these considerations are complete will the council's approach be tested at examination by an Inspector. Clearly each council will need to work through this process to take account of particular local circumstances in responding to Strategic Housing Market Assessments."*

5.3 The West of England authorities are currently preparing a **Joint Spatial Plan** (JSP) for the period 2016-36. The JSP will in turn provide the context for the review of individual authorities' local plans. In establishing the OAN, the SHMA has taken full account of all unmet need for housing that is likely to exist at the start of the new Plan period; therefore any under-delivery against current housing targets need not be counted again. However, whilst the OAN identified by the SHMA will be a key part of the evidence base, the JSP will be the mechanism through which the SHMA evidence will be assessed against environmental and policy constraints, such as Green Belt, to identify a sustainable and deliverable plan requirement.

5.4 The JSP will also consider the spatial distribution of the OAN across the functional housing market areas for Wider Bristol and Bath that were identified in Chapter 2 of the original Wider Bristol SHMA report.

Affordable Housing Need

5.5 The SHMA has identified a substantial need for affordable housing: a total of 3,300 dwellings across the Bath HMA over the 20-year Plan period 2016-36, equivalent to an average of 165 dwellings per year. Given the level of affordable housing need identified, it will be important to maximise the amount of affordable housing that can be delivered through market housing led developments. Key to this is the economic viability of such developments, as this will inevitably determine (and limit) the amount of affordable housing that individual schemes are able to deliver.

5.6 As part of its strategic planning and housing enabling functions, the Council will need to consider the most appropriate affordable housing target in order to provide as much affordable housing as possible without compromising overall housing delivery. This target should provide certainty to market housing developers about the level of affordable housing that will be required on schemes, and the Council should ensure that this target is achieved wherever possible in order to increase the effective rate of affordable housing delivery.

5.7 PPG identifies that Councils should also consider *"an increase in the total housing figure"* where this could *"help deliver the required number of affordable homes"*; although this would not be an adjustment to the OAN, but a policy response to be considered in the local plan:

> *The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.*
>
> **Planning Practice Guidance (March 2014), ID 2a-029**

5.8 It will therefore be important for the Council to consider the need for any further uplift once the affordable housing target has been established. However, as confirmed by the Inspector examining the Cornwall Local Plan in his preliminary findings[38] (paragraphs 3.20-21):

> *"National guidance requires **consideration** of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites. The realism of achieving the intended benefit of additional affordable housing from any such uplift is relevant at this stage, otherwise any increase may not achieve its purpose.*
>
> *Any uplift on the demographic starting point … would deliver some additional affordable housing and can be taken into account in judging whether any further uplift is justified."*

5.9 Given that the identified OAN already incorporates an uplift of 15% on the baseline household projections, this will contribute to increasing the supply of affordable homes through market housing led developments. The Council will need to consider whether there is sufficient justification for any further increase in the total housing figures included in the local plan (beyond the identified OAN) as part of their policy response to meeting the identified need for affordable housing; although it will be important to consider the implications of providing a higher level of market housing than identified by the OAN, in particular the consequences on the balance between jobs and workers.

[38] https://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf

5.10 The contribution towards affordable housing delivery that can be achieved through market housing led developments shouldn't be considered in isolation. The Government has launched a series of new initiatives in the past 5 years to attempt to boost the supply of homes, including affordable homes. The key Homes and Communities Agency (HCA) investment programmes include:

- **Affordable Homes Programme:** the flagship HCA investment programme(s) for new affordable homes – the 2015-18 programme intends to support the building of 43,821 new affordable homes across 2,697 schemes in England
- **Affordable Homes Guarantees Programme:** guaranteeing up to £10bn of housing providers' debt in order to bring schemes forward
- **Care and Support Specialised Housing Fund:** funding used to accelerate the development of the specialised housing market such as Older People and those with disabilities
- **Community Right to Build:** (Outside London) including some provision for affordable homes
- **Empty Homes programme**
- **Estate Regeneration Programme:** often creating mixed tenure communities
- **Get Britain Building:** aiming to unlock locally-backed stalled sites holding planning permission and including affordable homes

5.11 However, there are currently a number of constraints that are affecting the delivery of new affordable housing; although there is also a range of other initiatives that may help increase affordable housing delivery in future.

Constraints affecting the delivery of new affordable housing	Other initiatives potentially increasing the delivery of new affordable housing
Welfare reform Most stakeholders (including private landlords, house builders, local authorities and RPs) are concerned at the impact of benefit reform and the risk to their revenue. Credit rating agency have also signalled concerns. **Registered Providers** Many RPs have become more risk averse in their approach to developing new homes. The move to Affordable Rent as opposed to Social Rent housing and the resultant reduction in grant rates has made delivery and viability issues more pronounced. Grant level reductions in the AHP 2015-18 have, arguably, increased risk perceptions further. **Stock rationalisation by Registered Providers** The new regulatory framework for RPs continues the emphasis on economic regulation. This could, potentially, reduce current supply of affordable housing. Already, sector trends indicate many associations are identifying under-performing stock with a view to rationalisation. **Extension of Right to Buy (RTB) to Registered Providers** The Government pledge to introduce an RTB for RP tenants mean many associations will need to assess the risk to their Business Plans and this might reduce appetite for new development.	**Councils building more new homes** Many Councils are now trying to bring new rental schemes forward following reform of the HRA system. **New 'for profit' providers** Over 30 'for profit' providers to deliver AHP homes have so far registered with the HCA, mainly in order to deliver non-grant affordable housing. There is arguably potential for increased supply of affordable homes for rent by 'for profit' providers. **Custom Build** Custom build homes are self-build homes facilitated in some way by a developer. Applications to the HCA Custom Build Serviced Plot (CBSP) Loan Fund (£150m over 6 years; £22.5m pa) can be made by Developers, For Profit Registered Providers, Community Land Trusts and Community Groups. Community Land Trusts may deliver Affordable Housing using the CBSP Fund, and they aim to deliver 3,000 new homes by 2020 (or c.600 p.a. in England 2015-2020)[39]. **Co-operative Housing** Given current delivery constraints, co-operative housing has been identified as a further alternative supply for households unable to access ownership or affordable housing. The Confederation of Co-operative Housing, working with RPs, is currently trying to bring schemes forward. The HCA has held back funding for Co-operative Housing in the previous AHP.

[39] http://www.communitylandtrusts.org.uk/what-is-a-clt/about-clts

5.12 The Government also sees the growth in the private rented sector as positive. Whilst private rented housing (with or without housing benefit) does not meet the definitions of affordable housing, it offers a flexible form of tenure and meets a wide range of housing needs. The sector also has an important role to play given that many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. If there isn't sufficient private rented housing available at a price these households can afford, the need for affordable housing would be even higher.

5.13 A Government task force was established in 2013 to encourage and support build-to-let investment[40]. The HCA also has several investment programmes to help bring schemes forward. These include a £1 billion Build to Rent Fund, which will provide equity finance for purpose-built private rented housing, alongside a £10 billion debt guarantee scheme to support the provision of these new homes. New supply of private rented housing therefore seems likely from various sources, despite current volumes being relatively low:

- **Registered Providers** are potential key players in the delivery of new PRS supply and recently several have begun to enter the market in significant scale[41], particularly in response to the Build to Rent Fund, although other institutional funding is also being sought. Overall, although interest is high, it remains unclear as to the scale of development which may deliver.
- **Local Authorities** can also enable new PRS supply to come forward investing local authority land, providing financial support (such as loan guarantees), and joint ventures with housing associations, developers or private investors under the Localism Act. Whilst LA initiatives may contribute to new build PRS, these will take time to deliver significant numbers of units.
- **Local Enterprise Partnerships** are another potential source of new build PRS homes[42]. The Growing Places Fund provides £500 million to enable the development of local funds to promote economic growth and address infrastructure constraints in order to enable the delivery of jobs and houses. Any funding for housing, however, has to compete with other priorities e.g. skills and infrastructure. However, LEPs could potentially enable new PRS housing delivery and some attempts have been made in this regard to increase supply.
- **Insurance companies** and **pension funds** have been expanding into property lending in recent years; especially schemes in London. Nearly a quarter of new UK commercial property finance came from non-bank lenders in 2013.

5.14 National Government policy is also focussed on improving the quality of both management and stock in the private rented sector, and local councils also have a range of enforcement powers. This is particularly important given the number of low income households that rent from a private landlord.

5.15 Whilst the SHMA has identified an affordable housing need of 3,300 dwellings over the 20-year Plan period, this is based on the level of housing benefit support provided to households living in the private rented sector remaining constant. Without this support, a total of 5,800 affordable homes would need to be provided over the same period.

5.16 Given the substantial need for affordable housing identified across the Bath HMA, the Council will need to consider the most appropriate affordable housing target as part of the strategic planning and housing enabling functions. However, it will also be important for the Council to consider all of the options available to help deliver more affordable homes in the area.

[40] https://www.gov.uk/government/publications/2010-to-2015-government-policy-rented-housing-sector/2010-to-2015-government-policy-rented-housing-sector#appendix-9-private-rented-sector
[41] http://www.insidehousing.co.uk/business/development/transactions/lq-to-launch-prs-subsidiary/7009701.article
[42] https://www.gov.uk/government/publications/growing-places-fund-prospectus

Older People

5.17 Planning Practice Guidance states the following in relation to housing for older people:

> ***How should local planning authorities deal with housing for older people?***
>
> *Older people have a wide range of different housing needs, ranging from suitable and appropriately located market housing through to residential institutions (Use Class C2). Local planning authorities should count housing provided for older people, including residential institutions in Use Class C2, against their housing requirement. The approach taken, which may include site allocations, should be clearly set out in the Local Plan.*
>
> **Planning Practice Guidance for Housing and Economic Land Availability Assessment 2014, ID 3-037**

5.18 On this basis, the Council will need to consider the most appropriate way to count the supply of bedspaces in residential institutions (Use Class C2) as part of the overall housing monitoring, and decide whether this should form part of the overall housing supply.

5.19 **It is important to recognise that the identified OAN of 14,300 dwellings does not include the projected increase of institutional population, which represents a growth of 775 persons over the 20-year Plan period.** This increase in institutional population is a consequence of the CLG approach to establishing the household population[43], which assumes *"that the share of the institutional population stays at 2011 levels by age, sex and relationship status for the over 75s"* on the basis that *"ageing population will lead to greater level of population aged over 75 in residential care homes"*. If these older people did not move and continued to occupy their existing housing, there would be an additional 618 households by 2036.

5.20 **On this basis, if bedspaces in residential institutions in Use Class C2 are counted within the housing supply then the increase in institutional population aged 75 or over would need to be counted as a component of the housing requirement (in addition to the assessed OAN).** If these bedspaces are <u>not</u> counted within the housing supply, then there is no need to include the increase in institutional population as part of the housing requirement.

5.21 Nevertheless, older people are living longer, healthier lives, and the specialist housing offered today may not be appropriate in future years and the Government's reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. Therefore, despite the ageing population, current policy means that the number of care homes and nursing homes may actually decline, as people are supported to continue living in their own homes for longer.

5.22 Although the institutional population is projected to increase by 775 persons over the Plan period (based on the CLG assumption that there will be a *"greater level of population aged over 75 in residential care homes"*), it does not necessarily follow that all of this need should be provided as additional bedspaces in residential institutions in Use Class C2 – but any reduction in the growth of institutional population aged 75 or over would need to be offset against higher growth for these age groups in the household population; which would yield more households than assumed when establishing the OAN.

5.23 **On this basis, if fewer older people are expected to live in communal establishments than is currently projected, the needs of any additional older people in the household population would need to be counted, which would add 637 dwellings to the assessed OAN.**

[43] Household Projections 2012-based: Methodological Report, Department for Communities and Local Government, February 2015

Students

5.24 PPG was updated in March 2015 to include specific reference to identifying the needs of students:

> *Local planning authorities should plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus. Student housing provided by private landlords is often a lower-cost form of housing. Encouraging more dedicated student accommodation may provide low cost housing that takes pressure off the private rented sector and increases the overall housing stock. Plan makers are encouraged to consider options which would support both the needs of the student population as well as local residents before imposing caps or restrictions on students living outside of university-provided accommodation. Plan makers should engage with universities and other higher educational establishments to better understand their student accommodation requirements.*
>
> **Planning Practice Guidance 2015, ID 2a-021**

5.25 Given that growth in Bath's student population has represented a significant proportion of the overall population growth over the last 20 years, the SHMA projections have considered the future growth of the student population separately from the general population. This projection takes account of the two universities' planned growth over the period to 2020/21 and assumes that continued growth will be sustained based on long-term trends over the full 20-year JSP Plan period 2016-36.

5.26 On this basis, the SHMA has identified a need to provide 2,600 dwellings (or an equivalent amount of dedicated student accommodation) as a direct consequence of the projected growth in student numbers. This need is included within, and is not additional to, the overall OAN of 14,300 dwellings identified by the SHMA. However, if the universities were to sustain significantly higher (or significantly lower) levels of growth than experienced over the last 20-years when they come to plan beyond 2020/21, it will be important for the OAN conclusions to be reviewed.

5.27 The household projections did not assume any growth of students living in communal establishments after the base date of 2016, so any net increase in bedspaces provided in halls of residence (or other university accommodation) across the area would reduce the demand from student households. On this basis, the Council will need to continue to count the supply of student bedspaces and consider the most appropriate way to do this as part of their overall housing monitoring.

Gypsies and Travellers

5.28 Planning Policy for Traveller Sites (PPTS) came into force in March 2012. This document sets out the Government's policy for Gypsies and Travellers and represents the only policy for a particular household group which is not directly covered by the NPPF. However, at paragraph 1 PPTS notes that:

> *This document sets out the Government's planning policy for traveller sites. It should be read in conjunction with the National Planning Policy Framework.*
>
> **Planning Policy for Traveller Sites, paragraph 1**

5.29 An April 2015 High Court Judgement, '*Wenman v SSCLG and Waverley Borough Council*', has clarified the relationship between Gypsy and Traveller and Travelling Showpeople Needs Assessments and OAN. At paragraphs 42 and 43, the Judgement notes:

> *"42. However, under the PPTS, there is specific provision for local planning authorities to assess the need for gypsy pitches, and to provide sites to meet that need, which includes the requirement to "identify, and update annually, a supply of specific deliverable sites sufficient to provide five years' worth of sites against their local set targets" (paragraph 9(a)). These provisions have a direct parallel in paragraph 47 NPPF which requires local planning authorities to use their evidence base to ensure that the policies in their Local Plan meet the full objectively assessed needs for housing in their area, and requires, inter alia, that they "identify and update annually a supply of specific deliverable sites sufficient to provide five years' worth of housing".*
>
> *"43. The rationale behind the specific requirement for a five year supply figure under paragraph 9 PPTS must have been to ensure that attention was given to meeting the special needs of travellers. Housing provision for this sub-group was not just to be subsumed within the general housing supply figures for the area. Therefore it seems to me most unlikely that the housing needs and supply figures for travellers assessed under the PPTS are to be included in the housing needs and supply figures under paragraph 47 NPPF, as this would amount to double counting."*

5.30 The position proposed by the judgement is correct in that Gypsy and Traveller and Travelling Showpeople households will form part of the household projections, concealed households and market signals which underwrite the OAN calculation. The needs of these households are counted as part of the overall OAN; therefore any needs identified as part of a Gypsy and Traveller and Travelling Showpeople Needs Assessment are a component of, and not additional to, the OAN figure identified by the SHMA.

5.31 This also means that any land supply for pitches and plots should be counted towards the general 5-year land supply as the needs they are addressing are included within the housing OAN.

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