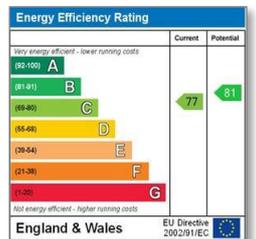




West of England Housing Target

The basis for the Housing Requirement
in the Joint Spatial Plan

September 2016





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1. Opinion Research Services (ORS) was commissioned by the local authorities in the West of England (Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire) to further develop the evidence in order to establish the overall housing target for the area over the 20-year period 2016-36 to inform the housing target for the Joint Spatial Plan (JSP).
2. The Wider Bristol SHMA was published in June 2015 and this identified an Objectively Assessed Need (OAN) of 85,000 dwellings for the Wider Bristol housing market area (HMA): the combined area of Bristol, North Somerset and South Gloucestershire. The OAN identified covered the 20-year period 2016-36 and was consulted upon as part of the evidence base for the JSP.
3. The consultation feedback received about the SHMA and the associated OAN for Wider Bristol HMA was all 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.
4. The local authorities and the LEP want to ensure that the JSP housing target will provide for the right number of new homes in the West of England and they are keen to minimise the extent of any disagreement at the forthcoming JSP Examination. Therefore, having considered the feedback received, the local authorities and the LEP have decided to further develop the evidence base. This seeks to respond to the concerns raised where appropriate and also ensures that the housing target takes account of all housing requirements, including those not captured by the identified OAN, as required by the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG). In summary:
 - » The Bath SHMA has been updated to establish the OAN for Bath HMA over the period 2016-36 based on assumptions that are fully consistent with the Wider Bristol SHMA, so the evidence is now fully aligned and provides spatial coverage across the West of England for the entire JSP period;
 - » The household projections in the Wider Bristol SHMA and the Bath SHMA have been reviewed in the context of other projections to ensure that they provide a reasonable demographic baseline;
 - » The LEP has commissioned Oxford Economics to update the economic forecasts to a 2015 base date to ensure that the alignment between jobs and workers is based on up-to-date information and provide a “policy off” basis on which to consider the balance between growth in Wider Bristol HMA and Bath HMA;
 - » The proposed responses to market signals in establishing OAN for Wider Bristol HMA and Bath HMA have been reviewed in the context of the feedback received and recent Inspectors’ decisions;
 - » The way in which housing backlog was considered and changes over the period 2012-16 were dealt with by the SHMAs has been reconsidered;
 - » The impact of assumptions about older persons living in care, existing housing likely to be vacated and the way in which housing for older people (including residential institutions in Use Class C2) is to be counted, have been factored into the housing target; and
 - » The justification for a further increase in the total housing figure included in the JSP in order to help deliver the affordable housing needed has been considered.

Summary of Objectively Assessed Need

5. The table below sets out the process for establishing objectively assessed need that was used for the Wider Bristol SHMA (June 2015) and Bath SHMA (June 2016). Both studies establish OAN for the 20-year period 2016-36; the household projections have a base date of 2012 and both studies are based on the same methodology and use the same underlying datasets with fully consistent assumptions to ensure that the results are directly comparable.

Figure 1: Full Objectively Assessed Need for Housing across the West of England 2016-36

Stage		Wider Bristol HMA	Bath HMA	TOTAL
HOUSEHOLDS				
Demographic starting point CLG household projections 2016-36		78,538	9,324	87,862
Adjustment for local demographic factors and migration trends 10-year migration trend		-2,734	-350	-3,084
Baseline household projections taking account of local circumstances		75,804	8,974	84,778
DWELLINGS				
Allowance for transactional vacancies and second homes Based on dwellings without a usually resident household		2,674	341	3,015
Housing need based on household projections taking account of local circumstances		78,478	9,315	87,793
Adjustment for suppressed household formation rates Concealed families and homeless households with allowance for vacancies and second homes		1,421 + 50 = 1,471	113 + 4 = 117	1,588
Baseline housing need based on demographic projections		79,949	9,432	89,381
Further adjustments needed...	In response to balancing jobs and workers Additional dwellings to ensure alignment between planned jobs growth and projected growth in workers	0	+3,263	+3,263
	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	7.5% x 78,478 = 5,886 5,886 - 1,471 = +4,415	15% x 9,315 = 1,397 1,397 - 117 = +1,280	+5,695
	In response to backlog of housing provision between projection and Plan base dates 2012-16	+4,019	-1,201	+2,818
Combined impact of the identified adjustments		+4,415	+2,242	+6,657
Full Objectively Assessed Need for Housing 2016-36		84,364	11,674	96,038

6. Based on the above assessments, the SHMAs concluded that the Full Objective Assessed Need for Housing in the Wider Bristol HMA to be 85,000 dwellings and in the Bath HMA to be 11,700 dwellings, both over the 20-year JSP period 2016-36.
7. On this basis, the Full Objective Assessed Need for Housing across the whole of the West of England would be 96,700 dwellings over the 20-year JSP period 2016-36.
8. However, prior to establishing the West of England housing target, we will review the key assumptions on which the assessments of OAN in each HMA are based in the context of the consultation feedback received.

Reviewing the Household Projections

9. Consultation responses emphasised the need to confirm that the household projections were reasonable in the context of other projections for the area. The SHMA household projections used 10-year migration trends over the period 2001-11, which were based on Census data. This approach was supported by the Inspector examining the current BANES Core Strategy. The same approach has also been consistently supported by Inspectors elsewhere.
10. Across the West of England, the SHMA projections identify a growth of 84,800 households over the 20-year period 2016-36. This projection is broadly consistent with the CLG 2012-based and 2014-based projections for the same period, which identify a growth of 87,900 and 88,200 households respectively. These projections are based on the ONS 2012-based and 2014-based sub-national population projections, which use 5-year migration trends from the periods 2007-12 and 2009-14.
11. Both the SHMA projection and the recent CLG projections are notably lower than previous CLG 2008-based household projections, which identified a growth of 191,000 households over the 25-year period 2008-33. This is equivalent to an average of 7,640 households per year, which is 73% higher than the annual average from the 2014-based projections; but the 2008-based projection was based on the ONS 2008-based sub-national population projections which are no longer credible. The migration trends used to inform the 2008-based projection were based on ONS Mid-Year Estimates (MYE) which were inaccurate and have since been superseded (as the 2011 Census identified they were overstating population growth) and the trend period also included anomalous data for Bristol city, as discussed in the Wider Bristol SHMA report.
12. The CLG 2014-based household projections are based on the ONS 2014-based sub-national population projections, and projected population growth over the 20-year period 2016-36 is 8% higher in the 2014-based population projections than it was in the 2012-based projections. Despite this 8% difference in growth between the population projections, the CLG 2014-based household projections are less than 1% higher than the 2012-based projections for the same period. This is due to the 2014-based projections showing a lower rate of decline in average household size than the 2012-based data, which will have an impact on the SHMA household projections.
13. It is also important to recognise that all of the CLG household projections are based on short-term migration trends, and there is a now widespread acceptance that the planning for long-term housing provision demands an approach based on more stable, longer term migration trends. Considering 10-year migration trends, the SHMA baseline assumptions were based on annual net migration of 3,940 persons to Wider Bristol HMA and 550 persons to Bath HMA based on the period 2001-11. ONS MYE are now available for the period to mid-2015, and data for the most recent 10-year period 2005-15 shows a relatively stable average for Wider Bristol HMA at 4,030 migrant persons per year; however, the average for Bath HMA has more than doubled to 1,180 migrant persons per year.
14. The latest MYE data was reviewed by the Bath SHMA, which identified that administrative data sources suggested growth was being overestimated by over 900 persons each year from 2011-14. Adjusting for this likely overestimate would reduce the latest 10-year average to around 810 migrant persons per year – so higher than the 2001-11 trend, but far lower than implied by the raw data. We should therefore be cautious about these latest CLG projections, especially for the Bath HMA.
15. Taking account of the identified data quality issues, the latest 10-year average suggests that annual net migration to the West of England is around 4,840 persons compared to the baseline of 4,490 persons assumed by the SHMA projections. It would therefore seem reasonable to marginally increase the SHMA

- household projections to take account of this difference, and assume an additional 350 persons would be gained annually due to net migration. As the SHMA projections identify that the West of England population will be around 1.28 million persons by 2036, a further 350 persons each year over the 24-year projection period 2012-36 would increase this to nearly 1.29 million persons.
16. The population data from the Oxford Economics 2013-based economic forecast that was used to establish the LEP jobs target identified a population of 1.20 million persons would be needed to sustain the medium high scenario; so the SHMA projection is notably higher than this. The SHMA population is also higher than the 1.27 million persons identified by the medium high scenario from the 2015-based forecast; and consistent with the population increase of 1.29 million identified by the high scenario from this latest forecast. On this basis, the economic forecasts confirm that the SHMA population projection is reasonable and the forecasts do not provide any justification for a higher population growth.
17. In terms of the alternative assessments of housing need that were prepared as part of the feedback to the consultation:
- » Barton Willmore: this assessment projected that the West of England population would increase by 201,100 persons over the 20-year period 2016-36, reaching a total of 1.33 million persons by 2036; however, this was based on implausible mortality rates and the entire projection lacks credibility;
 - » NLP: the demographic projection for this assessment showed the West of England population increasing by 261,000 persons over the 20-year period 2016-36 (including an increase of 227,600 persons in Wider Bristol HMA), reaching a total of 1.38 million persons by 2036; however, this took no account of underlying data quality issues and the projections fail to reflect past trends;
 - » Business West: this assessment prepared by Professor Glen Bramley is based on a fundamentally different approach, which doesn't include a demographic-led projection.
18. Given the problems identified with the population projections prepared by both Barton Willmore and NLP, the associated household projections do not provide any basis for comparison. However, whilst the assessment prepared by Professor Glen Bramley is somewhat unorthodox in its approach when compared to the SHMA and the PPG advice, it gives an interesting alternative perspective – but as this analysis is fundamentally based on future economic growth, it has been considered further in the context of aligning jobs and workers.
19. In summary, we can therefore conclude that:
- » The SHMA projection is broadly comparable to the CLG 2012-based and 2014-based projections; and whilst all are lower than the 2008-based projection, the 2008-based figures are based on demonstrably inaccurate population data. Furthermore, all of the CLG projections use short-term migration trends which are unsuitable for planning long-term housing provision;
 - » Long-term migration trends remain broadly consistent with those assumed by the SHMA; although there have been some increases (particularly in Bath HMA) and this could add around 350 persons each year to the projected population;
 - » Alongside the changes to migration, there are also changes to average household sizes to consider;
 - » None of the alternative assessments of housing need provide a basis for comparison; however
 - » The SHMA projection is fundamentally consistent with the Oxford Economics economic forecasts in terms of the underlying population growth.

20. Having considered all of the evidence, we would conclude that the SHMA projections are reasonable but would propose that the housing target should factor in an uplift to take account of the marginal change to net migration in Wider Bristol HMA and the more notable change in Bath HMA:
- » **Wider Bristol:** increasing annual net migration by 90 persons would yield an extra 1,800 persons over a 20-year period; this would equate to around 800 households based on the average household size of 2.24 persons that is projected for Wider Bristol HMA in 2036; and
 - » **Bath:** increasing annual net migration by 260 persons would yield an extra 5,200 persons over a 20-year period; this would equate to around 2,300 households based on the average household size of 2.26 persons that is projected for Bath HMA in 2036.
21. In establishing the housing target, it is also appropriate to consider the likely impact of the changes to the projected average number of persons in each household on the SHMA projections:
- » **Wider Bristol:** whilst the 2012-based household projections identified that average household size would reduce from 2.31 persons in 2016 to 2.24 by 2036 (a fall of 0.07 persons), the 2014-based projections identify that the reduction will probably be less than 0.05 persons over the same period; preliminary analysis of the underlying data suggests that this is likely to reduce projected household growth by around 2,000 households for Wider Bristol HMA over the 20-year period 2016-36; and
 - » **Bath:** whilst the 2012-based household projections identified that average household size would reduce from 2.32 persons in 2016 to 2.26 by 2036 (a fall of 0.06 persons), the 2014-based projections identify that the reduction will probably be around 0.04 persons over the same period; preliminary analysis of the underlying data suggests that this is likely to reduce projected household growth by around 500 households for Bath HMA over the 20-year period 2016-36.
22. Considering the combined impact of these two factors, we would anticipate the household projection for Wider Bristol HMA to reduce by around 1,200 households and the household projection for Bath HMA to increase by around 1,800 households when the latest data is factored into the analysis.
23. These are not precise calculations and they do not capture all of the possible changes (for example, changes to births and deaths associated with these additional migrants); however, they provide a reasonable estimate of the likely scale of the adjustments that will need to be incorporated within the next full update of the SHMA evidence, which is planned for Summer 2017 in advance of the JSP Examination.

Aligning Jobs and Workers

24. The assumed jobs growth was an input to the SHMA and was based on Oxford Economics 2013-based forecasts of economic growth for the West of England, applying a small uplift to the medium-high scenario such that it was consistent with the LEP target for 95,000 extra jobs over the 20-year period 2010-30. On this basis, a growth of 84,400 jobs was assumed for the 20-year period 2016-36 (74,300 in the Wider Bristol HMA; 10,100 in the Bath HMA).
- » The **Wider Bristol SHMA** concluded that sufficient workers would be available to meet this level of growth, but a surplus of workers was identified for the period 2012-16 which offset a shortfall for the period 2016-36.
 - » The **Bath SHMA** identified the need for a substantial uplift to the OAN to avoid imposing any change to commuting rates – but noted that the circularity in assumptions between the two SHMAs meant that this was implicitly based on a policy-led jobs target.

25. The LEP has updated the economic forecast information available, and the Oxford Economics 2015-based medium-high scenario (with the same small uplift of 1.1%) identified a growth of 82,500 jobs across the West of England over the 20-year period 2016-36. The detailed assumptions on employment rates and the broad demographic structure of the population are also consistent between the SHMA and the updated Oxford Economics 2015-based medium-high scenario. Whilst the total growth is marginally lower than the level of jobs growth that was assumed for the SHMA, the figures are broadly consistent – but the balance between HMAs has changed: a growth of 73,700 jobs now forecast for Wider Bristol (a reduction of 1%) and 8,800 jobs for Bath (a reduction of 13%). Nevertheless, as this is “policy off” it forms a more appropriate basis for establishing OAN.
26. It is also important to recognise that jobs growth for the period 2012-16 is notably higher in the 2015-based data than was identified by the 2013-based forecast – but as these differences are based on estimates of actual change, the increase in jobs has already been matched with an equivalent increase in workers. On this basis, the surplus of workers for the period 2012-16 identified by the Wider Bristol SHMA has already been absorbed by the higher than forecast increase in jobs; so as a consequence, the shortfall in workers identified by the analysis for the period 2016-36 will now need to be addressed. Therefore, when the SHMA evidence is fully updated in Summer 2017, this will not assume there to be any surplus (or shortfall) of workers as at the 2016 base date and will focus on aligning jobs and workers during the JSP period.
27. Figure 2 considers the balance between future jobs and workers based on the 2015-based forecast and the likely number of future workers, taking account of the SHMA evidence and likely changes to migration that will be factored in to the projections.

Figure 2: Balancing future jobs and workers

	Wider Bristol HMA	Bath HMA	TOTAL
JOBS			
Forecast change in total employment 2016-36	73,700	8,800	82,500
LESS Jobs fulfilled by workers commuting to the HMA (based on commuting rates from the 2011 Census)	-9,900	-2,800	-12,700
LESS Impact of local workers with more than one job	-5,000	-700	-5,700
Extra local workers needed to balance with future jobs	58,800	5,300	64,100
WORKERS			
Projected change in economically active population 2016-36	65,200	4,600	69,800
PLUS Additional economically active population as a consequence of increased migration	+1,100	+2,200	+3,300
LESS Workers commuting to jobs outside the HMA (based on commuting rates from the 2011 Census)	-6,600	-1,900	-8,500
Projected increase in local workers	59,700	4,900	64,600
BALANCING JOBS AND WORKERS			
Extra local workers needed to balance with future jobs	58,800	5,300	64,100
LESS Projected increase in local workers	-59,700	-4,900	-64,600
Shortfall (or surplus) of local workers	-900	+400	-500
Uplift in housing need to balance jobs and workers	-	400	400

28. Once again, this is not intended to be a precise calculation; however, it provides a reasonable overview of the alignment between jobs and workers and the scale of any uplift to OAN that is likely to be needed.
- » **Wider Bristol:** there is now a closer alignment between jobs and workers in Wider Bristol HMA. Whilst the original SHMA identified 5,400 more workers than jobs, the above analysis suggests that the difference is now only 900; however, as there will already be enough workers for the likely increase in jobs in the Wider Bristol HMA, there is no need to further increase the OAN; and
 - » **Bath:** there is also a closer alignment between jobs and workers in Bath HMA. Whilst the original SHMA identified 3,200 fewer workers than jobs, the above analysis suggests that the difference is now only 400; therefore, given this likely shortfall of workers in Bath HMA, there is now a need to increase the OAN by around 400 dwellings.
29. A detailed analysis will be incorporated within the next full update of the SHMA evidence, which is planned for Summer 2017 in advance of the JSP Examination.

Reviewing the Evidence from Business West

30. As previously noted, Business West presented an alternative housing need assessment prepared by Professor Glen Bramley as part of their consultation feedback. Whilst the approach taken by this assessment is very different to the SHMA and the PPG advice, it provides an interesting alternative perspective which is helpful to consider further.
31. The analysis is fundamentally based on future economic growth, which forecasts an extra 83,200 jobs for the Wider Bristol HMA over the period 2016-36. This compares to the increase of 73,700 jobs used above, based on a small uplift to the medium high scenario from the Oxford Economics 2015-based forecast. Oxford Economics consider there to be a 10% probability that the medium high scenario can be achieved; their baseline forecast is 44,200 jobs and their high scenario forecast (which has a 5% probability) yields 102,100 extra jobs. On this basis, whilst a growth of 83,200 jobs falls within the Oxford Economics range, there would only be a probability of between 5% and 10% of this being achieved.
32. Accepting this context, the modelling analysis considers the likely impact of different housing targets; adopting a baseline scenario of 85,000 dwellings (based on the Wider Bristol OAN). The model suggests that this target would result in 74,200 housing completions (12.8% below the target) together with an increase of around 80,800 households, 179,300 persons and 63,200 workers. On this basis, a target of 85,000 dwellings would lead to a shortfall of around 20,000 workers (based on the ambitious jobs growth assumed) which would therefore impact on commuting patterns; but this doesn't appear to take account of likely future changes to economic activity rates.
33. The SHMA analysis shows that when the changes to economic activity rates that are currently forecast by the Office for Budget Responsibility are factored into the analysis, an increase of 65,200 workers (2,000 more than in the baseline scenario from the Bramley model) is likely to be achieved given overall population growth of 146,100 persons (33,200 fewer than in the baseline scenario). Therefore, future changes to economic activity mean that there will be far more workers available within the existing population. As a consequence, the population needs to grow less than suggested by the Bramley model.
34. Based on 74,200 dwelling completions and population growth of 179,300 persons, the analysis presented by Professor Bramley suggests that there would be a significant adverse impact on a number of relevant housing indicators. Nevertheless, this is based on circumstances which are fundamentally different to those identified by the SHMA; given that 10,800 fewer dwellings and 33,200 more people are assumed.

35. A number of alternative scenarios are presented, and it is notable that the model suggests that increasing the housing target to 142,400 dwellings (a further 57,400 dwellings, equivalent to an uplift of 67.5%) would actually yield only 94,300 housing completions (33.8% below the target); so whilst increasing the target might increase supply to some extent, there would also be a far larger amount of non-implementation. On this basis, it would seem appropriate to focus on maximising delivery rather than simply adopting an ever higher target. Another scenario sets out a possible mechanism for achieving this, which is based on a substantial increase in social housing that is not dependent on market-led development. This suggests a target of 124,800 could deliver 103,500 dwellings (17.0% below target) and has the best outcome in terms of housing indicators – yet this is predicated on even higher population growth (190,100 persons, 44,000 more than the SHMA).
36. Whilst the precise impact cannot be determined, if an extra 190,100 persons coupled with the delivery of 103,500 dwellings would have a reasonable outcome in terms of the housing indicators (recognising that this included a real increase in social housing delivery) then it would seem fair to suggest that an extra 146,100 persons coupled with the delivery of 79,600 dwellings (so both being reduced by 23.1%) would have a similar outcome in terms of the housing indicators (with a continued need for extra social housing). This was essentially what the SHMA concluded: the demographic projections identified 146,100 persons and the baseline housing need based on this demographic projection was 79,900 dwellings.
37. To summarise:
- » This assessment assumed a higher level of jobs growth than the SHMA (83,200 cf. 73,700) and whilst this falls within the Oxford Economics range, it has a very small probability of being achieved;
 - » Future changes to economic activity rates were not considered, so the model was based on much higher rates of overall population change yet still yielded a lower number of additional workers;
 - » The model suggests that increased housing targets would lead to far higher levels of non-implementation, though proposed that this could be countered to an extent with a substantial increase in social housing that was not dependent on market-led development; and
 - » The ratio of population growth to housing in the scenario with the best outcome for housing indicators is consistent with the ratio of population growth to housing identified by the SHMA.
38. On this basis, it seems likely that with a consistent jobs target and a consistent approach to changing economic activity rates, this model would probably provide similar results to those originally concluded by the SHMA.

Reviewing the Response to Market Signals

39. The Wider Bristol SHMA and Bath SHMA considered the relative market signal indicators for the respective housing market area, similar demographic and economic areas, and nationally. Both SHMAs recognised that there is no single formula that can be used to consolidate this information; but whilst there is no definitive guidance on what level of uplift is appropriate, there are useful precedents that have been established by Inspectors' decisions elsewhere which can be considered.
40. Given the context at the time, the Wider Bristol SHMA concluded:

On balance we would recommend that the overall uplift was at least 5% but no more than 10% of the housing need identified based on the household projections ... We believe that the mid-point of this range, an uplift of 5,886 dwellings, provides an appropriate response to market signals.

41. Some consultation responses suggested that this proposed response to market signals was inadequate, and that an uplift of a different order of magnitude should be considered – but those proposing the largest increases (of 50% or more) were focussed primarily on the housing target rather than the OAN, with the uplift largely intended to mitigate the impact of non-delivery.
42. Further precedents have also emerged since the original Wider Bristol SHMA was prepared. The Inspector examining the Gloucester-Cheltenham-Tewkesbury Joint Core Strategy recently proposed that an uplift of 10% should be applied across the whole area; with 5% attributed to jobs and counted within the OAN, and a further 5% included as part of the housing requirement to help deliver affordable housing. Cambridge city has also proposed a 30% uplift; but this was alongside a 10% uplift for South Cambridgeshire district, which therefore yields a combined uplift of around 18% across the two areas.
43. The housing market indicators for the Wider Bristol HMA identify considerably less housing pressure than Cambridge, where the 2013 lowest quartile house price affordability ratio was 10.3x (9.5x for the Cambridge and South Cambridgeshire combined area) compared to a ratio of 7.3x for Wider Bristol HMA and 6.5x for England. Given that PPG notes that *“The more significant the affordability constraints ... the larger the additional supply response should be”* it would be fair to conclude that if a response of 18% was reasonable for Cambridge and South Cambridgeshire, then such a high response could not be justified for Wider Bristol HMA. Nevertheless, the ratio for Gloucestershire was 7.2x which is evidently comparable with the Wider Bristol figure.
44. Given this context, we continue to recommend that the overall uplift for Wider Bristol HMA should be *“at least 5% but no more than 10%”*; and given that we have demonstrated that there is already alignment between jobs and workers across the West of England, any adjustment would respond exclusively to affordability and other housing market indicators. Nevertheless, in the context of the consultation responses received and the wider context set out above, we would suggest that the upper-end of the proposed range should be adopted for establishing the OAN in order to minimise any disagreement at the JSP Examination. Furthermore, this would avoid the OAN for Wider Bristol HMA reducing as a consequence of likely changes to the population and household projections.
45. An uplift of 10% above the housing need identified based on household projections should enable more households to form independently, but it may also lead to higher levels of migration with more people moving to the area – and this could have consequences for the balance between jobs and workers. The analysis has already identified that it is likely there will be a larger increase in workers than jobs (based on trend-based projections and the aspirational, medium high jobs growth scenario); and whilst a further increase in workers could support even higher jobs growth, there would be an inevitable increase in net out-commuting, reduced economic activity or increased unemployment if those jobs were not created.
46. The Bath SHMA was completed more recently, and that study concluded:
- The response to Market Signals across the Bath HMA as a whole should be more than 10% ... we would propose an overall uplift of 15%*
47. Given that the 2013 lowest quartile house price affordability ratio for Bath HMA was 9.1x it is reasonable to suggest that the market signals response should be larger than for Wider Bristol HMA; and the proposed response of 15% remains appropriate in the context of the existing precedents.

Housing Backlog

48. As there will be a full update of the SHMA evidence in Summer 2017, there won't be any need to consider the period 2012-16. Household projections will be prepared using an estimate of the existing population resident in Wider Bristol HMA and Bath HMA as at mid-2016; and, as previously noted, the alignment between jobs and workers will also focus on the JSP period and not assume there is any surplus or shortfall of workers in 2016.
49. However, consistent with the Planning Advisory Service Good Plan Making Guide¹, the SHMA will continue to count any *“unmet need for housing that still exists at the start of the new plan period”* but will not include any *“under-provision from a previous plan period”*.

Housing for Older People

50. The SHMAs both identified that the OAN did not include the projected increase of institutional population, which represented a growth of 4,484 persons in Wider Bristol HMA and 786 persons in Bath HMA; a total of 5,270 persons across the West of England over the 20-year JSP period 2016-36. This increase in institutional population is a consequence of the CLG approach to establishing the household population², 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”*.
51. Whilst these additional 5,270 persons aged 75 or over living in communal establishments are not counted as part of the OAN; an allowance is made for the dwellings that would be vacated by many of these people. Not all would vacate dwellings, as some will have a partner or other family remaining in the home; but further analysis of the data (assuming no growth in the institutional population) shows that overall housing need would be 3,706 dwellings higher in Wider Bristol HMA and 650 dwellings higher in Bath HMA if the additional bedspaces were not provided – so it is important to take account of these needs.
52. When considering housing supply, PPG 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 (March 2014), ID 3-037

53. On this basis, given that housing provided for older people in Use Class C2 should be counted against the housing requirement, it is important that this need is also factored in when the housing target is established. Furthermore, as older people are living longer, healthier lives, 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, it does not necessarily follow that all of the increase in institutional population should be provided as additional bedspaces in residential institutions in Use Class C2; specialist older person housing such as Extra Care may be more appropriate for the needs of some of these older people.

¹ <http://www.pas.gov.uk/documents/332612/6363137/Pages+from+FINAL+PAS+Good+Plan+Making+-6.pdf>

² Household Projections 2012-based: Methodological Report, Department for Communities and Local Government, February 2015

54. Therefore, for the purposes of establishing the housing target, it is necessary to take account of those dwellings that were assumed to be vacated by people moving into care. This would allow the supply of bedspaces in residential institutions in Use Class C2 to be counted against the housing requirement; providing that this was calculated on the basis of the number of dwellings likely to be vacated in the housing market.
55. Based on the SHMA analysis, an increase of 5,270 persons in the institutional population living in care would have released 4,355 dwellings across the West of England over the 20-year JSP period 2016-36. Recent market analysis by Knight Frank³ suggests care home occupancy rates at around 88%, which would imply that 5,989 additional bedspaces would be needed to accommodate an increase of 5,270 persons. On this basis, providing 5,989 care home bedspaces would release 4,355 dwellings in the housing market – a ratio of 1.37 bedspaces per dwelling.
56. Given this context, the housing target should take account of the need of these older people and 4,355 dwellings should be included in addition to the OAN; although the SHMA update may change this figures marginally. Bedspaces in care homes would then be able to be counted towards the housing requirement, on the basis of 1 dwelling being counted for every 1.37 bedspaces provided.

Affordable Housing Need

57. The SHMAs have both identified a substantial need for affordable housing: a total of 32,200 dwellings for the West of England over the 20-year Plan period 2016-36. PPG identifies that Councils should also consider *“an increase in the total housing figure included in the local plan”* where this could *“help deliver the required number of affordable homes”*.
58. However, this should be considered in the context of what Mr Justice Dove said in his Judgement for the Borough Council of Kings Lynn and West Norfolk v Elm Park Holdings Ltd (paragraphs 35-36):
- “The Framework makes clear these needs should be addressed in determining the FOAN, but neither the Framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice.”*
59. With regard to the PPG, Mr Justice Dove explicitly notes that this should be the *“consideration of an increase to help deliver the required number of affordable homes, rather than an instruction that the requirement be met in total”*. Given the scale of affordable housing need identified, the Councils must consider the justification for *“an increase in the total housing figure included in the local plan”*; however, as the Inspector examining the Cornwall Local Plan noted in his preliminary findings:
- “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.”*
60. As affordable housing delivery will typically form a proportion of open-market schemes, it is reasonable to assume that higher overall housing delivery will also yield a higher amount of affordable housing. On this basis, the Inspector examining the Gloucester-Cheltenham-Tewkesbury Joint Core Strategy proposed an uplift of 5% should be applied to help deliver more affordable housing – concluding that the benefits would outweigh the harms. Nevertheless, whilst the OAN for that area had included a 5% uplift to help align jobs and workers, there was no further uplift in response to affordability pressures and other market signals.

³ <http://content.knightfrank.com/research/548/documents/en/2015-3267.pdf>

61. For the West of England, we have proposed that the OAN for Wider Bristol HMA includes an uplift of 10% and that the OAN for Bath HMA includes an uplift of 15%; both responding to affordability and market signals, given sufficient workers had already been identified across the West of England based on the trend-based demographic projections and the aspirational, medium high jobs growth scenario. These uplifts will already contribute to increasing the supply of affordable homes through market-led housing developments.
62. Whilst these uplifts should also enable more households to form independently, they could lead to more people moving to the area – affecting the balance between jobs and workers. As previously noted, any increase in workers could support even higher jobs growth; but without these jobs, there would be an inevitable increase in net out-commuting, reduced economic activity or increased unemployment. For these reasons, we would not recommend any further increase to the overall housing number – but any specific initiatives to help deliver extra affordable housing should be prioritised as far as possible within the planned housing provision.

Establishing the Housing Target

63. The housing target for the West of England has been established based on the combined OAN for Wider Bristol HMA and Bath HMA, together with the necessary adjustments to take account of older people assumed to be moving into care. This incorporates the likely changes to the OAN set out in previous sections of this paper, and a detailed analysis of these figures will be provided by the next full update of the SHMA evidence (planned for Summer 2017 in advance of the JSP Examination).
64. This housing target assumes that the combined OAN for Wider Bristol HMA and Bath HMA will be met in full within the West of England, and that there will be no unmet needs from other housing market areas that need to be accommodated. Figure 3 sets out the key elements of the calculation.

Figure 3: Establishing the Housing Target for the West of England JSP 2016-36

Stage		Wider Bristol HMA	Bath HMA	TOTAL
Housing need based on SHMA household projections		78,500	9,300	87,800
Estimated impact of...	Changes to migration	+800	+2,300	+3,100
	Changes to average household size	-2,000	-500	-2,500
Housing need based on updated household projections		77,300	11,100	88,400
Further adjustments needed...	In response to balancing jobs and workers Additional dwellings to ensure alignment between planned jobs growth and projected growth in workers	0	400	400
	In response to market signals Dwellings needed (including the specific adjustment for concealed families and homeless households)	10% x 77,300 = 7,700	15% x 11,100 = 1,700	9,400
Combined impact of the identified adjustments		7,700	1,700	9,400
Updated OAN for the JSP period 2016-36		85,000	12,800	97,800
Allowance for dwellings assumed to be vacated by older people moving into care		3,700	700	4,400
Further uplift to help deliver the identified affordable housing need		The uplift applied in response to market signals will already incorporate this		
Housing Target for the JSP period 2016-36		88,700	13,500	102,200

65. Based on the elements set out above, the housing target for the West of England is likely to be around 102,200 dwellings; but it is important to recognise that there is the potential for a small margin of error either way, given that some of the numbers are based on likely estimates and the final numbers will not be known until the next full update of the SHMA.
66. On this basis, it would be sensible for the JSP to be developed in the context of a possible small increase or a small reduction in the housing target identified above. It is likely that any changes would account for a small percentage of the overall figure at this stage, and therefore we would propose a range of between 100,000 and 105,000 dwellings. **We would therefore recommend that the JSP should plan for a housing target of up to 105,000 dwellings, which will be finalised when the SHMA is updated in Summer 2017.**
67. Providing up to 105,000 dwellings is likely to yield sufficient workers for up to 10,000 more jobs than forecast by the Oxford Economics 2015-based medium high scenario; although this will depend on the balance between more households forming independently and changes to net migration. On this basis, the housing target could support even higher jobs growth than is currently planned for; so there is sufficient contingency for economic activity rates changing at a slower pace than currently envisaged by the OBR, the extent of double jobbing and any changes in the balance between full- and part-time working. However, there is a risk that the housing target could lead to an increase in net out-commuting or increased unemployment if sufficient new jobs were not created; so unless there was a change to the underlying evidence, we would caution against a housing target that was any higher than the 105,000 dwellings currently proposed.
68. Finally, it is important to recognise that this housing target represents the number of dwellings that need to be delivered across the West of England over the 20-year JSP period 2016-36. Therefore, based on feedback to the consultation, the JSP should consider the best way for flexibility to be included within the Housing Target to ensure that the JSP is able to successfully deliver the identified housing target.