Bath HMA
Strategic Housing Market Assessment

Establishing Objectively Assessed Need

June 2016
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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. Subsequently, ORS prepared a Strategic Housing Market Assessment (SHMA) to establish the Objectively Assessed Need for housing across the Wider Bristol HMA.

1.2 The Wider Bristol SHMA formed part of the evidence base for the Joint Strategic Plan (JSP) which was consulted on in early 2016. Responses to the consultation suggested that an equivalent evidence base should be prepared for the Bath HMA. ORS was therefore commissioned to prepare a SHMA to establish the Objectively Assessed Need for housing across the Bath HMA based on the same methodological approach and assumptions used for the Wider Bristol SHMA.

1.3 The study adheres to the requirements of the National Planning Policy Framework published in 2012 and Planning Practice Guidance (March 2014). The methodology also had regard to emerging good practice and outcomes from Examinations, as well as the Technical Advice Note about Objectively Assessed Need and Housing Targets that was published by the Planning Advisory Service (PAS) in June 2014.

1.4 The purpose of the study is to support the local authorities in objectively assessing and evidencing the need for housing (both market and affordable) across the Bath HMA for the 20-year period 2016-36, and provide other evidence to inform local policies, plans and decision making.

Government Policy

1.5 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

1.6 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

1.7 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.

1.8 Planning Practice Guidance (PPG) on the assessment of housing and economic development needs was published in March 2014 and has been updated in March 2015. Previous SHMA Guidance (2007) and related documents were rescinded at that time, so the approach taken in preparation of this report is focussed on meeting the requirements of PPG. In addition, it reflects emerging good practice and the PAS OAN technical advice note.

Overview of the SHMA

1.9 The Wider Bristol SHMA identified and defined functional housing market areas for the West of England. Consistent with previous HMA analysis, that identified separate housing market areas for Bristol and Bath; and the Wider Bristol SHMA established the OAN for housing in the Wider Bristol HMA.

1.10 The objective of this SHMA was to establish the OAN for housing (both market and affordable) in the Bath HMA, ensuring that this was fully compliant with the requirements of the NPPF and PPG and mindful of good practice. The OAN for housing will help inform the Joint Spatial Plan (JSP) for the period 2016-36 which the West of England authorities are currently preparing.
The SHMA methodology was based on secondary data, and for the Bath HMA the SHMA sought to:

- 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;
- Identify the appropriate balance between market and affordable housing; and
- Address the needs for all types of housing, including the private rented sector, people wishing to build their own home, family housing, housing for older people and households with specific needs.

This report considers the key outputs from the SHMA – namely establishing the Housing Market Areas and establishing the Full Objectively Assessed Need for housing in the Bath HMA (including the overall balance between market and affordable housing) over the 20-year period 2016-36.

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**

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

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

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”.

1.11
1.12
1.13
1.14
1.15
1.16
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

As previously noted, the SHMA was jointly commissioned by the four West of England local authorities following consultation feedback on the Wider Bristol SHMA which suggested that there was a need to provide an evidence base for housing across the Bath HMA that was fully consistent with the assessment that was undertaken for the Wider Bristol HMA.
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)

Demographic issues
Are there any known problems with local data?
Do we need to take account of any anomalies?
What period should be used for population trends?
Has housing delivery suppressed formation rates?

Implications of the household projections
Will there be enough workers for planned jobs?
Do Market Signals show worsening trends?
What is the ‘backlog’ of unmet need for housing?

Planning and policy considerations
What are the planning constraints?
Can overall housing needs be met within the HMA?
Can the affordable housing needed be delivered?

Duty to Co-operate discussions
Will other LPAs help address any unmet needs?
Are there any unmet needs from other HMAs?
Official Household Projections

2.4 Planning Practice Guidance published in March 2014 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.

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 2014, paragraph 15

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 2015, paragraph 16

2.5 Given this context, Figure 2 sets out the 2012-based household projections together with previous household projections that CLG has produced for the area. The projections have varied over time, with the most recent set of projections showing the lowest projected rates of growth. Each set of household projections will be influenced by a wide range of underlying data and trend-based assumptions, and it is important to consider the range of projected growth and not simply defer to the most recent data.

Figure 2: CLG Household Projections for Bath and North East Somerset: annual average growth (Source: CLG Household Projections)

<table>
<thead>
<tr>
<th></th>
<th>2012-based</th>
<th>2011-based interim</th>
<th>2008-based</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>10 years</td>
<td>25 years</td>
<td>10 years</td>
</tr>
<tr>
<td>Bath and North East Somerset</td>
<td>420</td>
<td>450</td>
<td>440</td>
</tr>
</tbody>
</table>

2.6 The CLG 2012-based household projections show an increase of 450 households each year over the 25-year period 2012-37, and a lower higher rate (420 p.a.) in the initial 10-year period. These figures project forward over the normal 25-year period and supersede both the 2008-based household projections (which projected a household growth of 790 per year from 2008-33) and the interim 2011-based household projections (which projected growth of 440 per year from 2011-21). The differences are largely due to changes in the ONS population projections (Figure 3) on which the CLG household projections are based; although there have also been changes to household representative rates (considered later in this chapter).

2.7 Given that the 2012-based household projections show an increase from 75,418 to 84,743 households in Bath HMA over the 20-year period 2016-36, we can establish that the “starting point estimate of overall housing need” for the Plan period should be based on an overall growth of 9,325 households, equivalent to an average of around 466 households per year. However, it is also important to recognise the projected growth of 1,607 households over the period 2012-16 (between the base year for the projections and the base year for the Plan) which will also need to be considered when establishing OAN.
Official Population Projections

Figure 3 shows the outputs from the latest (2012-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). It is evident that the 2012-based projections follow a similar trajectory to the 2011-based projections, but are notably lower than the increase projected by the 2008-based projection and notably higher than the increase projected by the 2010-based projection.

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)

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 much faster population growth than is currently projected.

Population and Household Projections based on Local Circumstances

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 2014, paragraph 17
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 (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.”

This issue was also 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)\(^1\).

“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 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.”

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 therefore 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.

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, and the approach was supported by the Inspector examining the Core Strategy for Bath and North East Somerset. His report\(^2\) concluded (paragraphs 42-43):

“Given the uncertainties inherent in some of the data, particularly for flows of migrants internationally, a 10 year period is a reasonable approach ... The inter-censal period provides a readily understandable and robust check on the reasonableness of the average of about 550 per year for migration and other change used in the ORS model. Thus I consider that the ORS mid-trend population projection is a reasonable demographic projection.”

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\(^1\) “Making sense of the new English household projections”, Town and Country Planning (April 2015)

\(^2\) Report on the Examination into Bath and North East Somerset Council’s Core Strategy (June 2014)
Population Trends and Projections for Bath HMA

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

2.17 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 identified around 5,400 fewer people than previously estimated. The population in 2011 was estimated to be 176,000 and the Council believe that this figure is accurate.

Figure 4: Bath HMA official population estimates for the period 1981-2013 (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)

Figure 5: Bath HMA annual net change in population based on official population estimates for the period 1981-2013 (Source: UK Census of Population 1981, 1991, 2001 and 2011; ONS Mid-Year Estimates, including data since superseded)
Components of Population Change

2.18 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.

2.19 In addition to these changes, the ONS Mid-Year Estimates include adjustments for other changes, the largest of which is often **Unattributable Population Change** (UPC). This is an accountancy adjustment that enables the final population estimate to be constrained to external data sources which are normally more reliable, such as the Census.

2.20 Figure 6 presents the underlying data from the components of annual population change over the period 1991 to 2013.

**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)**
It is evident from Figure 7 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 2,200 persons recorded for 2012-13 due to migration and other changes based on ONS Mid-Year Population Estimates.

It is evident that the net population change for 2011-12, 2012-13 and 2013-14 are all 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.

Alongside the Mid-Year Estimates published in mid-2014, the ONS published a quality assurance pack which provided a range of comparative data from administrative sources. Whilst these administrative sources do not provide a direct estimate of population, they provide a useful triangulation point. Figure 8 shows the mid-2011 and mid-2014 population estimates together with the administrative data for the same years across the relevant age cohorts.

In summary, over the 3-year period:

- The mid-year estimates suggest a population increase of 6,460 persons, which is 77% higher than the 3,650 increase recorded on the NHS patient register;
- The mid-year estimates suggest an increase of 520 children aged 5-14, which is 63% higher than the 320 increase on the school census; and
- The mid-year estimates suggest an increase of 2,580 people aged 65+, which is consistent with the 2,500 increase in people receiving state pension (though again this is partly due to criteria changes).
It is evident that the patient register and the school census data sources that ONS identified for validating
the population estimates suggest that the population is increasing notably slower than suggested by the
MYE for the period mid-2011 to mid-2014. It therefore isn’t appropriate to adopt this data uncritically.

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 – so any systematic error that existed at that time will
continue to impact on more recent estimates, and therefore cannot be ignored. Whilst the ONS will not
have a robust basis for correcting this data until the results of the 2021 Census are available, it is apparent
that corrections made to the mid-2011 estimates should also be applied to the data for more recent years
unless the underlying issues can be addressed through changes to the methodology.

The administrative data clearly justifies the continued need for an adjustment, and as previously noted the
correction that the ONS applied to data for the period 2010-11 was a reduction of 480 persons. An
adjustment of this order would suggest that the population increased by around 1,600 persons in 2011-12,
2,000 persons in 2012-13 and 1,400 in 2013-14, and represent a reduction of around 23% to the increases
suggested by the official estimates across the three years. Nevertheless, based on the administrative data,
there would appear to be some argument that these corrected estimates may still be too high.

Given this context, it is evident that the ONS Mid-Year Estimate data for Bath HMA must be treated
cautiously.
2.29 Whilst it is relatively straightforward to measure natural population change, it is much more difficult to measure migration. Furthermore, the number of migrants can vary substantially from year to year; and relatively small changes in gross flows can have a significant impact on overall net migration. In establishing future population projections, it is important to recognise the importance of migration and other changes.

2.30 Whilst migration estimates can vary from year-to-year, these differences may be partly due to changes in the underlying trends but can also be associated with uncertainties in measuring the flows. It is recognised that the impact of international migration is particularly difficult to measure; and although current estimates have been improved, data can still be unreliable at a local level.

2.31 For this reason, when preparing population projections we consider migration trends averaged over longer periods of time. The appropriate period will vary depending on the purpose of the projection – but longer-term projections typically benefit from longer-term trends. The SHMA has therefore developed population projections using migration trends based on the 10-year intercensal period (2001-2011) which normally relies on Census data instead of mid-year estimates.

2.32 Figure 9 compares the 2012-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 2012-36. The SNPP projections suggest that the population will increase to 198,400 by 2036, whilst the 10-year trend projects 197,500 persons (24-year increases of 20,800 persons and 19,900 persons respectively).

Figure 9: Bath HMA population projection based on migration
Figure 10: Bath HMA population projections 2012-16 and 2016-36 by 5-year age cohort based on 10-year migration trend scenario (Note: All figures presented unrounded for transparency)

<table>
<thead>
<tr>
<th>Age</th>
<th>Projected Change prior to Plan period</th>
<th>Projected Change during Plan period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged 0-4</td>
<td>9,330</td>
<td>9,529</td>
</tr>
<tr>
<td>Aged 5-9</td>
<td>9,075</td>
<td>9,882</td>
</tr>
<tr>
<td>Aged 10-14</td>
<td>9,438</td>
<td>9,214</td>
</tr>
<tr>
<td>Aged 15-19</td>
<td>12,733</td>
<td>12,581</td>
</tr>
<tr>
<td>Aged 20-24</td>
<td>17,565</td>
<td>18,362</td>
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<td>Aged 25-29</td>
<td>10,131</td>
<td>10,413</td>
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<td>Aged 30-34</td>
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<td>Aged 35-39</td>
<td>9,885</td>
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<tr>
<td>Aged 85+</td>
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<td>5,515</td>
</tr>
<tr>
<td>Total</td>
<td>177,643</td>
<td>180,882</td>
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It is evident that the population in older age groups is projected to increase substantially during the Plan period, with most of the overall population growth (14,300 persons) projected to be aged 65 or over, including 64% projected to be 75 or over (10,600 persons). 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

2.34 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.

2.35 The Labour Force Survey (LFS) is a continuous survey of the employment circumstances of the nation’s population: it provides the official measures of employment and unemployment. Figure 11 shows economic activity rates (EAR) by age and gender for the UK since 1991, based on LFS data. It is evident that EAR rates are unlikely to remain constant in future as illustrated by past trends.

Figure 11: Economic Activity Rate long-term UK trends (Source: Labour Market Statistics based on Labour Force Survey)
2.36 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.

2.37 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.

2.38 The most recent economic activity rate projections produced by ONS were published in January 2006 and covered the period to 20203; 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 trends4.

Labour Market Participation Projections

2.39 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.”

2.40 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.

---

3 Projections of the UK labour force, 2006 to 2020 by Vassilis Madouros; published in ONS Labour Market Trends, January 2006
Older People

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\(^5\) concluded that:

“Future increases in the state pension age will lead to a substantial increase in employment”.

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\(^6\).

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 12) will inevitably lead to higher economic activity rates amongst the older population.

**Figure 12**: Membership of private sector defined benefit and defined contribution schemes (Source: NAO)

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\(^5\) [http://www.ifs.org.uk/pr/spa_pr_0313.pdf](http://www.ifs.org.uk/pr/spa_pr_0313.pdf)

\(^6\) [https://www.gov.uk/retirement-age](https://www.gov.uk/retirement-age)
Figure 13 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 13: 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)

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**

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.

2.47 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”⁷ 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.

2.48 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.

2.49 Figure 14 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 14: Female participation rates by Cohort (Source: ONS, OBR)

Young People

2.50 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. There have been similar (though less pronounced) declining trends for 18-20 year olds.

2.51 National policy is also changing. The school leaving age rises to 18 in 2015 and the Government has removed the cap on student numbers attending higher education.

2.52 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

2.53 Figure 15 shows the estimated economic activity rates for 2012 and the projected rates for 2036 based on Census data for Bath HMA, and the OBR labour market participation projections.

Figure 15: Economic activity rates in 2012 and 2036 by age and gender based on OBR Labour Market Participation Projections

2.54 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.

2.55 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.

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8 http://www.hefce.ac.uk/pubs/year/2015/201503/
9 http://www.bbc.co.uk/news/education-25236341
2.56 Figure 16 shows the estimated economically active population for the BathHMA in 2012 and the projected economically active population in 2036 based on the population projections previously produced based on 10-year migration trends.

Figure 16: Bath HMA projected economically active population 2012-16 and 2016-36 based on 10-year migration trend scenario by gender and 5-year age cohort (Note: All figures presented unrounded for transparency)

<table>
<thead>
<tr>
<th>Age</th>
<th>Projected Change prior to Plan period</th>
<th>Projected Change during Plan period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aged 16-19</td>
<td>2,392</td>
<td>2,321</td>
</tr>
<tr>
<td>Aged 20-24</td>
<td>5,528</td>
<td>5,768</td>
</tr>
<tr>
<td>Aged 25-29</td>
<td>4,881</td>
<td>5,072</td>
</tr>
<tr>
<td>Aged 30-34</td>
<td>4,604</td>
<td>4,678</td>
</tr>
<tr>
<td>Aged 35-39</td>
<td>4,638</td>
<td>4,563</td>
</tr>
<tr>
<td>Aged 40-44</td>
<td>5,685</td>
<td>4,871</td>
</tr>
<tr>
<td>Aged 45-49</td>
<td>5,899</td>
<td>5,683</td>
</tr>
<tr>
<td>Aged 50-54</td>
<td>5,131</td>
<td>5,629</td>
</tr>
<tr>
<td>Aged 55-59</td>
<td>4,354</td>
<td>4,536</td>
</tr>
<tr>
<td>Aged 60-64</td>
<td>2,960</td>
<td>2,925</td>
</tr>
<tr>
<td>Aged 65-69</td>
<td>1,334</td>
<td>1,324</td>
</tr>
<tr>
<td>Aged 70-74</td>
<td>375</td>
<td>484</td>
</tr>
<tr>
<td>Aged 75+</td>
<td>108</td>
<td>126</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aged 16-19</td>
<td>2,740</td>
<td>2,556</td>
</tr>
<tr>
<td>Aged 20-24</td>
<td>5,225</td>
<td>5,536</td>
</tr>
<tr>
<td>Aged 25-29</td>
<td>3,844</td>
<td>3,900</td>
</tr>
<tr>
<td>Aged 30-34</td>
<td>3,892</td>
<td>3,842</td>
</tr>
<tr>
<td>Aged 35-39</td>
<td>4,126</td>
<td>4,152</td>
</tr>
<tr>
<td>Aged 40-44</td>
<td>5,167</td>
<td>4,666</td>
</tr>
<tr>
<td>Aged 45-49</td>
<td>5,623</td>
<td>5,400</td>
</tr>
<tr>
<td>Aged 50-54</td>
<td>4,939</td>
<td>5,464</td>
</tr>
<tr>
<td>Aged 55-59</td>
<td>4,074</td>
<td>4,442</td>
</tr>
<tr>
<td>Aged 60-64</td>
<td>2,152</td>
<td>2,636</td>
</tr>
<tr>
<td>Aged 65-69</td>
<td>912</td>
<td>1,078</td>
</tr>
<tr>
<td>Aged 70-74</td>
<td>215</td>
<td>310</td>
</tr>
<tr>
<td>Aged 75+</td>
<td>103</td>
<td>106</td>
</tr>
<tr>
<td>Total</td>
<td>90,902</td>
<td>92,069</td>
</tr>
</tbody>
</table>

2.57 The economically active population is projected to increase by around 4,600 people over the 20-year Plan period 2016-36, equivalent to an average increase of 230 additional workers each year. In addition, a growth of 1,200 additional workers is projected for the period 2012-16; yielding an overall projected increase of around 5,800 economically active people across Bath HMA by 2036. This reflects the projected growth of working aged people, however it also includes a substantial increase of 5,600 people aged 55 or over (97% of the total) which reflects the trends in increased participation from older age groups.
Establishing Household Projections for Bath HMA

Household Population and Communal Establishment Population

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:

“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.” (page 12)

The 2011 Census identified 6,039 persons living in Communal Establishments in the Bath HMA. This is broadly consistent with the 6,014 persons estimate for 2011 in the CLG 2012-based household projections. Figure 17 shows the breakdown between the household population and the population living in Communal Establishments.

Figure 17: Household population and communal establishment projections 2012-16 and 2016-36 based on 10-year migration trend scenario by 10-year age cohort

<table>
<thead>
<tr>
<th>Age</th>
<th>Projected Change prior to Plan period</th>
<th>Projected Change during Plan period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Population</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aged 0-14</td>
<td>27,637</td>
<td>28,419</td>
</tr>
<tr>
<td>Aged 15-24</td>
<td>26,409</td>
<td>27,054</td>
</tr>
<tr>
<td>Aged 25-34</td>
<td>19,368</td>
<td>19,648</td>
</tr>
<tr>
<td>Aged 35-44</td>
<td>21,863</td>
<td>20,127</td>
</tr>
<tr>
<td>Aged 45-54</td>
<td>23,977</td>
<td>24,604</td>
</tr>
<tr>
<td>Aged 55-64</td>
<td>20,399</td>
<td>20,127</td>
</tr>
<tr>
<td>Aged 65-74</td>
<td>16,877</td>
<td>18,583</td>
</tr>
<tr>
<td>Aged 75-84</td>
<td>10,756</td>
<td>11,147</td>
</tr>
<tr>
<td>Aged 85+</td>
<td>4,331</td>
<td>4,747</td>
</tr>
<tr>
<td>Total</td>
<td>171,618</td>
<td>174,822</td>
</tr>
</tbody>
</table>

Communal Establishments

<table>
<thead>
<tr>
<th>Age</th>
<th>Projected Change prior to Plan period</th>
<th>Projected Change during Plan period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged 0-14</td>
<td>206</td>
<td>206</td>
</tr>
<tr>
<td>Aged 15-24</td>
<td>3,889</td>
<td>3,889</td>
</tr>
<tr>
<td>Aged 25-34</td>
<td>339</td>
<td>339</td>
</tr>
<tr>
<td>Aged 35-44</td>
<td>129</td>
<td>129</td>
</tr>
<tr>
<td>Aged 45-54</td>
<td>156</td>
<td>156</td>
</tr>
<tr>
<td>Aged 55-64</td>
<td>104</td>
<td>104</td>
</tr>
<tr>
<td>Aged 65-74</td>
<td>124</td>
<td>124</td>
</tr>
<tr>
<td>Aged 75-84</td>
<td>351</td>
<td>344</td>
</tr>
<tr>
<td>Aged 85+</td>
<td>728</td>
<td>769</td>
</tr>
<tr>
<td>Total</td>
<td>6,025</td>
<td>6,060</td>
</tr>
<tr>
<td>Total Population</td>
<td>177,643</td>
<td>180,882</td>
</tr>
</tbody>
</table>

Household Projections 2012-based: Methodological Report, Department for Communities and Local Government, February 2015
2.60 It will be important to recognise the projected growth of population aged 75 or over living in communal establishments when establishing the overall housing requirement.

2.61 Given that the population projections have already established the total population aged 75 or over, a consequence of the assumed 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. It is therefore 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.

2.62 As previously noted, the population in older age groups is projected to increase substantially during the Plan period, and Volume II of the SHMA provides further analysis of the range of different types of housing required specifically for older people.

Household Representative Rates

2.63 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.

2.64 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.”

2.65 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.”

2.66 Prior to the publication of CLG 2012 based household projections, the PAS OAN technical advice note commended the approach set out by the South Worcestershire Local Plan Inspector which states (paragraph 5.25 onwards):

“Up to 2021 … plan-makers should use the interim 2011-based assumptions. Thereafter they should assume that rates of change in HRRs (‘headship rates’) should return to the earlier trends, as projected in CLG 2008.”

2.67 Further to this a senior inspector, Keith Holland, also suggested:

“It would be sensible to work on the basis that the household formation rate will gradually return to higher levels as the economy recovers. I therefore consider that a “blended” rate that assumes the 2011 rate until 2020 and the higher 2008 rate thereafter is appropriate.”
Whilst Inspectors have been keen to avoid perpetuating any possible “recessionary impact” associated with the lower formation rates suggested by the interim 2011-based data, the CLG household projections are based on much longer-term trends. Ludi Simpson (Professor of Population Studies at the University of Manchester and the originator and designer of the PopGroup demographic modelling software) recently considered the CLG households 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.”

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 incorporate far more data from the 2011 Census and provide data for the 25-year period 2012-37 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).

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.

The 2012-based projections supersede both the 2008-based household projections and the interim 2011-based household 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

2.72 Using the CLG 2012-based household representative rates, we can establish the projected number of additional households. The projected increase in households across the Bath HMA is summarised in Figure 18.

2.73 Figure 18 also provides an estimate of dwelling numbers, which takes account of vacancies and second homes based on the proportion of dwellings without a usually resident household identified by the 2011 Census. This identified a rate of 3.7% across the Bath HMA.

Figure 18: Projected households and dwellings over the 20-year period 2016-36 10-year migration trend scenario (Note: Dwelling numbers derived based on proportion of dwellings without a usually resident household in 2011 Census)

<table>
<thead>
<tr>
<th></th>
<th>Projected Change prior to Plan period</th>
<th>Projected Change during Plan period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households</td>
<td>73,811</td>
<td>75,278</td>
</tr>
<tr>
<td>Dwellings</td>
<td>76,611</td>
<td>78,134</td>
</tr>
</tbody>
</table>

Conclusions

2.74 PPG identifies that the “starting point estimate of overall housing need” is the CLG 2012-based household projections. For the 20-year Plan period 2016-36, these projections show an increase from 75,418 to 84,252 households across the Bath HMA – an overall growth of 9,325 households, equivalent to an average of around 466 households each year.

2.75 The data above shows that the principal population projection (based on 10-year migration trends) identifies a similar increase of 8,974 households (9,315 dwellings) over the 20-year Plan period 2016-36, equivalent to an average of 449 households per year across the Bath HMA. The long-term migration trends based on the intercensal period provide the most robust and reliable basis for projecting the future population, and therefore the projected household growth of 449 households each year (466 dwellings) provides the most appropriate demographic projection on which to base the Objectively Assessed Need (OAN) for housing for the 20-year Plan period 2016-36.

2.76 It will also be important to consider the housing delivery over the period 2012-16 in the context of the projected increase of 1,467 households (and the need for 1,522 dwellings) over this period when establishing the OAN for the Bath HMA.
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” (paragraph 22) and identifies a number of different types of household which may be included:

<table>
<thead>
<tr>
<th>What types of households are considered in housing need?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The types of households to be considered in housing need are:</td>
</tr>
<tr>
<td>» Homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income)</td>
</tr>
<tr>
<td>» Households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households)</td>
</tr>
<tr>
<td>» 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</td>
</tr>
<tr>
<td>» Households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation</td>
</tr>
<tr>
<td>» Households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move</td>
</tr>
</tbody>
</table>

Planning Practice Guidance: Assessment of housing and economic development needs (March 2014) Paragraph 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 (paragraph 24):

» 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 19). There were 109 such households in the first quarter of 2001 which reduced to 23 households by the first quarter of 2011, a net reduction of 86 households; this has recently reduced further, with 11 households accepted as being homeless and in priority need during the first quarter of 2014.

3.6 There has also been a downward trend in households living in temporary accommodation. There were 59 such households in 2001, including 27 in bed and breakfast accommodation and a further 27 in hostels; this had reduced to 27 in 2011, a net reduction of 32 households. This has reduced further recently with only 11 such households at the end of the first quarter of 2014. There were no households that had been accepted homeless but without temporary accommodation provided (Figure 20).

Figure 19: Households accepted as homeless and in priority need and households in temporary accommodation 2001-14 (Source: CLG P1E returns)

Figure 20: Households in temporary accommodation (Source: CLG P1E returns for March 2001, March 2011 and March 2014)
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.

Changes to the Law in 2010 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 2010 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

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

The number of concealed families living with households in Bath HMA increased from 348 to 503 over the 10-year period 2001-11 (Figure 21), an increase of 155 families (45%).

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

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 22), an increase of 209 households (89%).

![Figure 22: Shared Dwellings and Sharing Households in Bath HMA (Source: Census 2001 and 2011)](image)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2011</th>
<th>Net change 2001-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shared dwellings</td>
<td>97</td>
<td>110</td>
<td>+13</td>
</tr>
<tr>
<td>Number of household spaces in shared dwellings</td>
<td>300</td>
<td>483</td>
<td>+183</td>
</tr>
<tr>
<td>All Sharing Households</td>
<td>234</td>
<td>443</td>
<td>+209</td>
</tr>
<tr>
<td>Household spaces in shared dwellings with no usual residents</td>
<td>66</td>
<td>40</td>
<td>-26</td>
</tr>
</tbody>
</table>

3.13 Figure 23 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 23: Multi-adult Households in Bath HMA (Source: Census 2001 and 2011)](image)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2011</th>
<th>Net change 2001-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned</td>
<td>1,752</td>
<td>1,698</td>
<td>-54</td>
</tr>
<tr>
<td>Private rented</td>
<td>2,020</td>
<td>3,242</td>
<td>+1,222</td>
</tr>
<tr>
<td>Social rented</td>
<td>271</td>
<td>305</td>
<td>+34</td>
</tr>
<tr>
<td>All Households</td>
<td>4,043</td>
<td>5,245</td>
<td>+1,202</td>
</tr>
</tbody>
</table>

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 24). 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 24: 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)

<table>
<thead>
<tr>
<th>Occupancy rating (rooms)</th>
<th>2001</th>
<th>2011</th>
<th>Net change 2001-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>BATH HMA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owned</td>
<td>1,074</td>
<td>1,011</td>
<td>-63</td>
</tr>
<tr>
<td>Private rented</td>
<td>1,545</td>
<td>2,372</td>
<td>+827</td>
</tr>
<tr>
<td>Social rented</td>
<td>1,249</td>
<td>1,689</td>
<td>+440</td>
</tr>
<tr>
<td>All Households</td>
<td>3,868</td>
<td>5,072</td>
<td>+1,204</td>
</tr>
<tr>
<td>ENGLAND</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colchester</td>
<td>-</td>
<td>-</td>
<td>+23%</td>
</tr>
<tr>
<td>Warwick</td>
<td>-</td>
<td>-</td>
<td>+32%</td>
</tr>
<tr>
<td>York</td>
<td>-</td>
<td>-</td>
<td>+40%</td>
</tr>
</tbody>
</table>

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\(^\text{11}\) 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 in both sectors since 2011. Overcrowding rates for owner occupiers have remained relatively stable since 1995.

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[12] 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 26 sets out this calculation based on the Census occupancy rating for both rooms and bedrooms. Based on the bedroom standard, it is estimated that 363 owner occupied, 312 private rented and 538 social rented households were overcrowded in Bath HMA in 2014. Student households have been excluded from this calculation given that their needs are assumed to be transient.

**Figure 26:** Estimate of the number of overcrowded households in Bath HMA by tenure based on the bedroom standard (Source: EHS; UK Census of Population 2011)

<table>
<thead>
<tr>
<th></th>
<th>Owned</th>
<th>Private Rented</th>
<th>Social Rented</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENGLAND</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EHS bedroom standard 2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of households overcrowded [A]</td>
<td>1.3%</td>
<td>5.6%</td>
<td>7.3%</td>
</tr>
<tr>
<td><strong>Census occupancy rating</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of households overcrowded [B]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bedrooms</td>
<td>Rooms</td>
<td>Bedrooms</td>
<td>Rooms</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3%</td>
<td>3.3%</td>
<td>8.8%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Proportion of these overcrowded households based on bedroom standard [C = A ÷ B]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owned</td>
<td>Private Rented</td>
<td>Social Rented</td>
<td></td>
</tr>
<tr>
<td>57%</td>
<td>40%</td>
<td>64%</td>
<td>28%</td>
</tr>
<tr>
<td><strong>BATH HMA</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Census occupancy rating</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of overcrowded households [D]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bedrooms</td>
<td>Rooms</td>
<td>Bedrooms</td>
<td>Rooms</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>595</td>
<td>1,011</td>
<td>713</td>
<td>2,372</td>
</tr>
<tr>
<td>Full-time student households [E]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bedrooms</td>
<td>Rooms</td>
<td>Bedrooms</td>
<td>Rooms</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100</td>
<td>107</td>
<td>402</td>
<td>772</td>
</tr>
<tr>
<td>Overcrowded households (excluding students) [F = D - E]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bedrooms</td>
<td>Rooms</td>
<td>Bedrooms</td>
<td>Rooms</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>495</td>
<td>904</td>
<td>311</td>
<td>1,600</td>
</tr>
<tr>
<td>Estimate of overcrowded households based on the bedroom standard [G = C × F]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bedrooms</td>
<td>Rooms</td>
<td>Bedrooms</td>
<td>Rooms</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>282</td>
<td>362</td>
<td>199</td>
<td>448</td>
</tr>
<tr>
<td><strong>Estimate of overcrowded households in 2011 based on the bedroom standard (average)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bedrooms</td>
<td>Rooms</td>
<td>Bedrooms</td>
<td>Rooms</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>322</td>
<td>324</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EHS bedroom standard</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in overcrowding from 2011 to 2014</td>
<td>+13%</td>
<td>-4%</td>
<td>-16%</td>
</tr>
<tr>
<td><strong>Estimate of overcrowded households in 2014 based on the bedroom standard</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bedrooms</td>
<td>Rooms</td>
<td>Bedrooms</td>
<td>Rooms</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>363</td>
<td>312</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Housing Condition and Disrepair**

3.26 The EHS also provides useful information about housing disrepair. The EHS headline report for 2013-14 identifies that private rented sector dwellings had the highest rate of disrepair: 7% compared with 4% of owner occupied dwellings and 3% of social sector dwellings.

3.27 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).

3.28 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.

3.29 Figure 27 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, almost a third of the private rented sector (33.1%) 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.
Housing Register Data

3.30 The local authority housing register and transfer lists are managed through a HomeChoice local Choice Based Lettings schemes managed by each of 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.

3.31 Figure 28 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). Nevertheless, the 4,700 households currently registered represent 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.

3.32 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.

3.33 Figure 28 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.
3.34 Figure 29 provides further detailed information for the last 2 years. The number of households in reasonable preference categories has also tended to increase from year-to-year, although the number reduced from almost 1,000 households in 2013 to just over 600 households in 2014 following the changes to policy previously outlined.

Figure 29: Number of households on the local authority housing register at 1st April (Source: LAHS returns to CLG)

<table>
<thead>
<tr>
<th></th>
<th>Bath HMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total households on the housing waiting list</td>
<td>12,860 4,747</td>
</tr>
<tr>
<td>Total households in a reasonable preference category</td>
<td>989 608</td>
</tr>
<tr>
<td>People currently living in temporary accommodation who have been accepted as being homeless (or threatened with homelessness)</td>
<td>31 15</td>
</tr>
<tr>
<td>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</td>
<td>63 33</td>
</tr>
<tr>
<td>People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions</td>
<td>165 23</td>
</tr>
<tr>
<td>People who need to move on medical or welfare grounds, including grounds relating to a disability</td>
<td>447 296</td>
</tr>
<tr>
<td>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)</td>
<td>303 10</td>
</tr>
</tbody>
</table>

3.35 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.

3.36 Nevertheless, we previously estimated that there were around 1,213 overcrowded households in the Bath HMA, based on the bedroom standard (Figure 26) – but only 23 people were recorded by the housing registers in 2014 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.

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 296 people registered “who need to move on medical or welfare grounds, including grounds relating to a disability” and a further 10 “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

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)

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

Figure 30 shows the trend in the number of housing benefit claimants in Bath HMA.

Figure 30: Number of claimants in receipt of housing benefit in Bath HMA by tenure (Source: DWP)

Table: Number of claimants in receipt of housing benefit in Bath HMA by tenure

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Total claimants</th>
<th>Social rented</th>
<th>Private rented</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>8.1</td>
<td>2.3</td>
<td>5.8</td>
</tr>
<tr>
<td>2002-03</td>
<td>8.3</td>
<td>2.8</td>
<td>5.5</td>
</tr>
<tr>
<td>2003-04</td>
<td>8.2</td>
<td>7.1</td>
<td>1.1</td>
</tr>
<tr>
<td>2004-05</td>
<td>8.5</td>
<td>7.3</td>
<td>1.2</td>
</tr>
<tr>
<td>2005-06</td>
<td>8.4</td>
<td>7.6</td>
<td>0.8</td>
</tr>
<tr>
<td>2006-07</td>
<td>8.5</td>
<td>7.6</td>
<td>0.9</td>
</tr>
<tr>
<td>2007-08</td>
<td>9.2</td>
<td>6.8</td>
<td>2.4</td>
</tr>
<tr>
<td>2008-09</td>
<td>9.9</td>
<td>7.1</td>
<td>2.8</td>
</tr>
<tr>
<td>2009-10</td>
<td>10.4</td>
<td>7.3</td>
<td>3.1</td>
</tr>
<tr>
<td>2010-11</td>
<td>10.7</td>
<td>7.6</td>
<td>3.1</td>
</tr>
<tr>
<td>2011-12</td>
<td>10.8</td>
<td>7.6</td>
<td>3.2</td>
</tr>
<tr>
<td>2012-13</td>
<td>10.7</td>
<td>7.6</td>
<td>3.1</td>
</tr>
<tr>
<td>2013-14</td>
<td>10.7</td>
<td>7.6</td>
<td>3.1</td>
</tr>
</tbody>
</table>

The number of housing benefit claimants in Bath HMA increased from 8,145 to 8,500 over the period 2001-02 to 2006-07, equivalent to an average annual growth of around 70 families. The number of claimants reached 10,767 in 2012-13, therefore a much faster growth of around 380 families each year on average over the period from 2006-07. The largest growth was experienced between 2008-09 and 2009-10 when the number of claimants increased by about 760 families.

Considering the information on tenure, it is evident that the number of claimants in social rented housing increased from 6,840 to 7,602 over the period 2008-09 to 2012-13 – an increase of around 760 families (11%); however over the same period the number of claimants in private rented housing increased from 2,347 to 3,165 families – an increase of around 800 families (35%).

This increase 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.

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

3.45 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.

3.46 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

3.47 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

3.48 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 2014). 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

3.49 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.

3.50 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 2014.

3.51 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.

3.52 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.

3.53 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).

3.54 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).

3.55 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.
Figure 31 sets out the assessment of current affordable housing need for the Bath HMA.

<table>
<thead>
<tr>
<th>Figure 31: Assessing current unmet gross need for affordable housing (Source: ORS Housing Model)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affordable Housing</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Homeless households in priority need</strong> (see Figure 20)</td>
</tr>
<tr>
<td>Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)</td>
</tr>
<tr>
<td>Currently in temporary accommodation in market housing (Private sector leased or Private landlord)</td>
</tr>
<tr>
<td>Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)</td>
</tr>
<tr>
<td>Households accepted as homeless but without temporary accommodation provided</td>
</tr>
<tr>
<td><strong>Concealed households</strong> (see Figure 21)</td>
</tr>
<tr>
<td>Growth in concealed families with family representatives aged under 55</td>
</tr>
<tr>
<td><strong>Overcrowding based on the bedroom standard</strong> (see Figure 26)</td>
</tr>
<tr>
<td>Households living in overcrowded private rented housing</td>
</tr>
<tr>
<td>Households living in overcrowded social rented housing</td>
</tr>
<tr>
<td><strong>Other households living in unsuitable housing that cannot afford their own home</strong> (see Figure 29)</td>
</tr>
<tr>
<td>People who need to move on medical or welfare grounds, including grounds relating to a disability</td>
</tr>
<tr>
<td>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)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>

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 **1,271 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).

Of these households, 575 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 696 households (1,271 less 575 = 696) 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).**

This number includes 113 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 by 117 dwellings.**

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 583 households (696 less 113) that are currently in affordable housing need who are unable to afford their own housing.**
Projected Future Affordable Housing Need

3.61 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

3.62 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.

3.63 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.

3.64 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

3.65 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.

3.66 The affordability percentages in Figure 32 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 32: Assessing affordability by household type and age (Source: ORS Housing Model based on Census 2011 and DWP)

<table>
<thead>
<tr>
<th>Percentage unable to afford market housing</th>
<th>Under 25</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single person household</td>
<td>20%</td>
<td>13%</td>
<td>27%</td>
<td>31%</td>
<td>28%</td>
<td>26%</td>
</tr>
<tr>
<td>Couple family with no dependent children</td>
<td>11%</td>
<td>5%</td>
<td>8%</td>
<td>10%</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Couple family with 1 or more dependent children</td>
<td>87%</td>
<td>30%</td>
<td>11%</td>
<td>7%</td>
<td>8%</td>
<td>32%</td>
</tr>
<tr>
<td>Lone parent family with 1 or more dependent children</td>
<td>99%</td>
<td>85%</td>
<td>55%</td>
<td>37%</td>
<td>42%</td>
<td>73%</td>
</tr>
<tr>
<td>Other household type</td>
<td>6%</td>
<td>12%</td>
<td>27%</td>
<td>23%</td>
<td>16%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Components of Projected Household Growth

3.67 PPG identifies that the CLG household projections “should provide the starting point estimate for overall housing need” (ID 2a-015) and that “the 2012-2037 Household Projections ... are the most up-to-date estimate of future household growth” (ID 2a-016). 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).

3.68 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.

3.69 Figure 33 shows the individual components of annual household growth.

Figure 33: Components of average annual household growth by 5-year projection period (Source: ORS Housing Model)

<table>
<thead>
<tr>
<th>New household formation</th>
<th>Annual average 2012-16</th>
<th>Annual average for 5-year periods during Plan</th>
<th>Annual average 2016-36</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,071</td>
<td>2,063, 2,048, 2,131, 2,192, 2,108</td>
<td></td>
</tr>
<tr>
<td>Household dissolution following death</td>
<td>1,224</td>
<td>1,176, 1,186, 1,246, 1,341, 1,237</td>
<td></td>
</tr>
<tr>
<td>Net household growth within Bath HMA</td>
<td>+848</td>
<td>+887, +861, +885, +851, +871</td>
<td></td>
</tr>
<tr>
<td>Household migration in</td>
<td>3,652</td>
<td>3,761, 3,798, 3,803, 3,885, 3,812</td>
<td></td>
</tr>
<tr>
<td>Household migration out</td>
<td>4,133</td>
<td>4,187, 4,192, 4,234, 4,324, 4,234</td>
<td></td>
</tr>
<tr>
<td>Net household migration</td>
<td>-481</td>
<td>-426, -394, -430, -439, -422</td>
<td></td>
</tr>
<tr>
<td>Total household growth</td>
<td>+367</td>
<td>+461, +467, +454, +413, +449</td>
<td></td>
</tr>
</tbody>
</table>
Over the initial 4-year period (2012-16) the model shows that:

- There are projected to be 2,071 new household formations each year; but this is offset against 1,224 household dissolutions following death – so there is an **average net household growth of 848 households** locally in Bath HMA;
- There are also projected to be 3,652 households migrating to Bath HMA offset against 4,133 households migrating away from the area – which yields an **reduction of 481 households attributable to net migration**;
- The total household growth is therefore **projected to be 367 (848 less 481 = 367) households each year** over the initial 4-year period of the projection.

During the course of the full 24-year projection period, net household growth within Bath HMA is projected to be higher towards the middle of the projection period than in the early or later years.

Over the 20-year Plan period 2016-36, total **household growth averages 449 households** each year with an average annual net growth of **871 households** within Bath HMA offset against a net loss of **422 households based on migration**.

**Change in Household Numbers by Age Cohort**

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 2,071 new households projected to form in Bath HMA each year over the period 2012-16 (Figure 33) alongside the detailed information about household affordability (Figure 32).

Figure 34 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 34: Annual change in household numbers in each age cohort by age of HRP (Source: ORS Housing Model)**
3.75 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.

3.76 The Model identifies that 19% of all newly forming households are unable to afford their housing costs, which represents 392 households each year (Figure 35). The Model shows that a similar proportion of households migrating to the area are unable to afford (20%), which represents 727 households moving into 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 1,119 new households each year who are unable to afford their housing costs.

Figure 35: Affordability of new households over the initial 4-year period 2012-16 (Source: ORS Housing Model)

<table>
<thead>
<tr>
<th>All households (annual average)</th>
<th>Households able to afford housing costs</th>
<th>Households unable to afford housing costs</th>
<th>% unable to afford housing costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newly forming households</td>
<td>2,071</td>
<td>1,679</td>
<td>392</td>
</tr>
<tr>
<td>Households migrating into the area</td>
<td>3,652</td>
<td>2,924</td>
<td>727</td>
</tr>
<tr>
<td>All new households</td>
<td>5,723</td>
<td>4,604</td>
<td>1,119</td>
</tr>
</tbody>
</table>

3.77 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.

3.78 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.

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

3.80 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.

3.81 Considering those components of household change which reduce the number of households resident in the area, the Model identifies 1,224 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.

3.82 When considering households moving away from the Bath HMA, the Model identifies that an average of 4,133 households will leave the area each year including 820 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 into 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.
Figure 36 summarises the total household growth. This includes the 1,119 new households on average each year who are unable to afford their housing costs, but offsets this against the 1,068 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 36: Components of average annual household growth 2012-16 (Source: ORS Housing Model)

<table>
<thead>
<tr>
<th>Component</th>
<th>All households (annual average)</th>
<th>Households able to afford housing costs</th>
<th>Households unable to afford housing costs</th>
<th>% unable to afford housing costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newly forming households</td>
<td>2,071</td>
<td>1,679</td>
<td>392</td>
<td>19%</td>
</tr>
<tr>
<td>Households migrating in to the area</td>
<td>3,652</td>
<td>2,924</td>
<td>727</td>
<td>20%</td>
</tr>
<tr>
<td>All new households</td>
<td>5,723</td>
<td>4,604</td>
<td>1,119</td>
<td>20%</td>
</tr>
<tr>
<td>Household dissolutions following death</td>
<td>1,224</td>
<td>975</td>
<td>248</td>
<td>20%</td>
</tr>
<tr>
<td>Households migrating out of the area</td>
<td>4,133</td>
<td>3,313</td>
<td>820</td>
<td>20%</td>
</tr>
<tr>
<td>All households no longer present</td>
<td>5,356</td>
<td>4,288</td>
<td>1,068</td>
<td>20%</td>
</tr>
<tr>
<td>Average annual household growth</td>
<td>51</td>
<td>51</td>
<td>51</td>
<td>14%</td>
</tr>
</tbody>
</table>

Overall, the Model projects that household growth will yield a net increase of 51 households on average each year (over the period 2012-16) who are unable to afford their housing, which represents 14% of the 367 total household growth for this period.

Projecting Future Needs of Existing Households

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 245 established households fall into need each year in the Bath HMA. This represents a rate of 3.3 per 1,000 household falling into need each year.

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 32 showed that 20% of single person households aged under 25 could not afford housing, compared to 11% of couples of the same age; and for those aged 25 to 34, the proportions were 13% and 5% 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 32 showed that 30% of couple families with dependent children aged 25 to 34 could not afford housing, compared to 11% of such households aged 35 to 44.

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 229 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 3.1 per 1,000 household climbing out of need each year.

Therefore, considering the overall changing needs of existing households, there is an average net increase of 16 households (245 less 229 = 16) needing affordable housing each year.

Projecting Future Affordable Housing Need (average annual estimate)

Figure 37 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.

<table>
<thead>
<tr>
<th></th>
<th>All households (annual average)</th>
<th>Households able to afford housing costs</th>
<th>Households unable to afford housing costs</th>
<th>% unable to afford housing costs</th>
</tr>
</thead>
<tbody>
<tr>
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<td>4,604</td>
<td>1,119</td>
<td>20%</td>
</tr>
<tr>
<td>Household dissolutions following death</td>
<td>1,224</td>
<td>975</td>
<td>248</td>
<td>20%</td>
</tr>
<tr>
<td>Households migrating out of the area</td>
<td>4,133</td>
<td>3,313</td>
<td>820</td>
<td>20%</td>
</tr>
<tr>
<td>All households no longer present</td>
<td>5,356</td>
<td>4,288</td>
<td>1,068</td>
<td>20%</td>
</tr>
<tr>
<td>Average annual household growth 2012-16</td>
<td>+367</td>
<td>+316</td>
<td>+51</td>
<td>14%</td>
</tr>
<tr>
<td>Existing households falling into need</td>
<td>-</td>
<td>-245</td>
<td>+245</td>
<td>100%</td>
</tr>
<tr>
<td>Existing households climbing out of need</td>
<td>-</td>
<td>+229</td>
<td>-229</td>
<td>0%</td>
</tr>
<tr>
<td>Change in existing households</td>
<td>-</td>
<td>-16</td>
<td>+16</td>
<td>-</td>
</tr>
<tr>
<td>Average annual future need for market and affordable housing 2012-16</td>
<td>+367</td>
<td>+300</td>
<td>+67</td>
<td>18%</td>
</tr>
</tbody>
</table>

Overall, there is a projected need from 1,119 new households who are unable to afford their housing costs (392 newly forming households and 727 households migrating to the area) each year; however, 1,068 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 51 households.

Considering the needs of existing households, there are 245 households expected to fall into need each year (a rate of 3.3 per 1000 households) but this is offset against 229 households whose circumstances are projected to improve. There is, therefore, an average net increase of 16 existing households that need affordable housing each year.

Based on the needs of new households and existing households, there is a projected increase of 67 households each year on average for the initial period 2012-16 who will need affordable housing (51 plus 16 = 67).

Using the approach outlined above for the initial 4-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 20,329 households over the period 2016-36, equivalent to an annual average of 1,016 households per year. This represents 26.8% of the total household growth projected based on demographic trends.
Assessing the Overall Need for Affordable Housing

Figure 38 brings together the information on assessing the unmet need for affordable housing in 2014, the net increase in need for affordable housing projected for the period 2014-16 (offset against the affordable housing completions currently forecast), and the future affordable housing need arising over the 20-year Plan period 2016-36.

Figure 38: Assessing total need for market and affordable housing (Source: ORS Housing Model)

<table>
<thead>
<tr>
<th>Housing Need (households)</th>
<th>Overall Housing Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market housing</td>
<td>Affordable housing</td>
</tr>
<tr>
<td>Unmet need for affordable housing in 2014 (see Figure 31)</td>
<td></td>
</tr>
<tr>
<td>Total unmet need for affordable housing</td>
<td>-</td>
</tr>
<tr>
<td>Supply of housing vacated</td>
<td>583</td>
</tr>
<tr>
<td>Overall impact of current affordable housing need</td>
<td>-583</td>
</tr>
<tr>
<td>Net increase in need for affordable housing 2014-16 (see Figure 37)</td>
<td>-</td>
</tr>
<tr>
<td>Forecast affordable housing completions 2014-16</td>
<td>-</td>
</tr>
<tr>
<td>Projected impact of affordable housing need in 2016</td>
<td>-</td>
</tr>
<tr>
<td>Projected future housing need 2016-36</td>
<td></td>
</tr>
<tr>
<td>Newly forming households</td>
<td>36,269</td>
</tr>
<tr>
<td>Household dissolutions following death</td>
<td>20,925</td>
</tr>
<tr>
<td>Net household growth within Bath HMA</td>
<td>15,344</td>
</tr>
<tr>
<td>Impact of existing households falling into need</td>
<td>-6,514</td>
</tr>
<tr>
<td>Impact of existing households climbing out of need</td>
<td>5,356</td>
</tr>
<tr>
<td>Impact of households migrating to/from the area</td>
<td>-7,769</td>
</tr>
<tr>
<td>Future need for market and affordable housing 2016-36</td>
<td>6,417</td>
</tr>
<tr>
<td>Total need for market and affordable housing</td>
<td>-583</td>
</tr>
<tr>
<td>Future need for market and affordable housing 2016-36</td>
<td>6,417</td>
</tr>
<tr>
<td>Total need for market and affordable housing</td>
<td>5,834</td>
</tr>
<tr>
<td>Average annual need for housing</td>
<td>292</td>
</tr>
<tr>
<td>Proportion of need for market and affordable housing</td>
<td>65.9%</td>
</tr>
</tbody>
</table>

Figure 31 estimated there to be 1,271 households in need of affordable housing in 2014. However, as 575 of these already occupied an affordable home, our previous conclusion was therefore a net need from 696 households (1,271 less 575 = 696) who need affordable housing and do not currently occupy affordable housing in the Bath HMA.

The projected net increase in affordable housing need for the period 2014-16 (up to the base date of the Plan) identified a need from 134 additional households needing affordable housing over the 2-year period. Affordable housing completions for the period 2014-16 are currently forecast to total 366 additional dwellings, therefore the unmet need for affordable housing is forecast to reduce by 232 households to yield a total of 464 households (696 less 232 = 464) who will need affordable housing at the start of the Plan period and will not already occupy affordable housing.

The 20-year projection period 2016-36 then adopts the approach that was previously outlined for the initial 4-year period of the projection. The Model identifies that the number of households in need of affordable...
housing will increase by 2,558 households over the period 2016-36, alongside an increase of 8,801 households able to afford market housing.

3.98 Overall, there will be a need to provide additional affordable housing for 3,022 households over the Plan period 2016-36. This is equivalent to an average of 151 households per year.

3.99 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 3,066 dwellings (3,022 plus 1.5% vacant = 3,066) in addition to the current stock, an average of 153 dwellings per year.

3.100 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

3.101 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.

3.102 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.

3.103 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.

3.104 To sensitivity test this position, Figure 39 shows the impact of reducing (or increasing) the number of households receiving housing benefit to enable them to live in the private rented sector.
3.105 If no households were to receive housing benefit support in the private rented sector, over half (54%) of the growth in household numbers would need affordable housing. This would need a total of 6,100 affordable homes to be provided over the 20-year Plan period 2016-36.

Conclusions

3.106 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 113 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 8,974 to 9,087 households (9,432 dwellings) over the 20-year Plan period 2016-36.

3.107 The housing mix analysis identified a need to provide 3,066 additional affordable homes over the 20-year Plan period (an average of 153 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 level of housing benefit support provided to households living in the private rented sector remains constant.

3.108 Providing sufficient affordable housing for all of these households would increase the need to 6,139 affordable homes over the Plan period (307 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 40 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 40: Process for establishing a Housing Number for the HMA (Source: ORS based on NPPF and PPG)

<table>
<thead>
<tr>
<th>Starting Point Estimate</th>
<th>Household Projections produced by CLG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Estimate</td>
<td>Household Projections based on local circumstances</td>
</tr>
<tr>
<td>Policy Off Housing Need</td>
<td>Objectively Assessed Need</td>
</tr>
<tr>
<td>Policy On Housing Target</td>
<td>Housing Requirement</td>
</tr>
</tbody>
</table>

Demographic issues
- Are there any known problems with local data?
- Do we need to take account of any anomalies?
- What period should be used for population trends?
- Has housing delivery suppressed formation rates?

Implications of the household projections
- Will there be enough workers for planned jobs?
- Do Market Signals show worsening trends?
- What is the ‘backlog’ of unmet need for housing?

Planning and policy considerations
- What are the planning constraints?
- Can overall housing needs be met within the HMA?
- Can the affordable housing needed be delivered?

Duty to Co-operate discussions
- Will other LPAs help address any unmet needs?
- Are there any unmet needs from other HMAs?
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 … The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth” (paragraphs 15-16).

Household Growth

4.5 The 2012-based CLG household projections show that the number of households in England will increase from 22.3 million to 27.5 million over the period 2012 to 2037. This represents a growth of 5.2 million households over 25 years, equivalent to an annual average of 210,000 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 210,000 households is already much higher than current housing delivery: CLG data for April 2013 to March 2014 identifies that construction started on 133,900 dwellings and 112,400 dwellings were completed during the year. Therefore, to build sufficient homes to meet annual household growth would require housebuilding to increase by 57% – 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 2012-based CLG household projections are based on the ONS 2012-based sub-national population projections. These projections identify an average net gain of 151,600 persons each year due to international migration, and a net loss of 6,400 persons each year from England to other parts of the UK. Therefore, the 2012-based projections are based on net migration averaging 145,100 persons 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 persons over the 3-year period 2011-14, an average of 188,300 per annum; and net migration to England averaged 211,200 persons annually between the Census in 2001 and 2011. Both figures suggest that the 2012-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 routinely 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 persons each year: 66,100 persons higher than assumed by the 2012-based SNPP, which represents an additional 29,000 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 210,000 households to 239,000 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” (paragraph 17) 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” (paragraph 19).

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 2012-37 (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 242,500 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 242,500 households would require the provision of 253,400 dwellings each year across England. This is the average number of dwellings needed every year over the 25-year period 2012-37 and represents a 1.1% increase in the dwelling stock each year.

4.16 This takes account of household growth based on CLG 2012-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.
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 253,400 dwellings requires current housebuilding rates to increase by 89%** (based on dwelling starts in 2013-14).

Development industry campaigners (such as Homes for Britain\(^\text{13}\)) are supporting a position which requires 245,000 homes to be built in England every year, a figure derived from the Barker Review (2004)\(^\text{14}\). 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 exceeds 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**

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 2012-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.

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**

The **“starting point”** estimate for OAN is the CLG household projections, and the latest published data is the 2012-based projections for period 2012-37. These projections suggest that household numbers across the study area will increase by 9,324 over the 20-year Plan period 2016-36, an average of 466 per year.

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

> "The 2012-based household projections are linked to the Office for National Statistics 2012-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."

The ONS 2012-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 2007-2012. 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.

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\(^\text{13}\) http://www.homesforbritain.org.uk

Migration Adjustments

4.24 ORS have calculated household projections also include a scenario using 10-year migration trends, based on reliable information from the intercensal period 2001-2011. On the basis of 10-year migration trends, household numbers across the study area are projected to increase by 8,947 households over the 20-year Plan period 2016-36, an average of 447 per year. Providing for an annual increase of 447 households yields a housing need of 466 dwellings each year.

4.25 Whilst this projection is lower than the CLG 2012-based household projection (466 households p.a.), as this scenario 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 113 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 1,271 households in need of affordable housing in 2014 with a further 134 households identified needing affordable housing over the 2-year period 2014-16. Affordable housing completions for the period 2014-16 are currently forecast to total 366 additional dwellings, therefore the overall need for affordable housing is likely to total 1,039 households at the start of the Plan period in 2016.

4.27 Nevertheless, 575 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 464 households (1,039 less 575 = 464) 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 2,558 households over the period 2016-36, alongside an increase of 6,417 households able to afford market housing.

4.29 Overall, there will be a need to provide additional affordable housing for 3,022 households, which represents a total affordable housing need of 3,066 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 level of housing benefit support provided to households living 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 Forecasts were produced based on five scenarios (Figure 41):

- A baseline scenario;
- Upside scenarios of high and medium-high growth; and
- Downside scenarios of low and medium-low growth.

Figure 41: West of England Employment Forecasts to 2036 (Source: Oxford Economics, August 2013. Note: Figures cover the whole of the West of England)
The baseline scenario forecast that total employment would increase from 603,400 to 668,700 jobs over the 20-year period 2010-30, 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.

Considering the employment forecasts for the 20-year Plan period 2016-36, the medium-high growth scenario shows that total employment is likely to increase by 83,500 jobs; and applying an uplift of 1.1% suggests that the growth equivalent to the LEP target covering this 20-year period would be 84,400 jobs. This represents an annual compound growth rate of 0.6%, with an average of 4,220 extra jobs each year. As the existing Bath Core Strategy was planning to provide 12% of these jobs, the Wider Bristol SHMA was based on the 88% balance. Given this assumption in the Wider Bristol SHMA, it is now necessary for the Bath SHMA to consider the remaining 12% to ensure that all jobs growth is covered – though it is evident that the rationale for this has become circular, driven by existing Core Strategy policies. Therefore, whilst the Bath SHMA has necessarily been based on the jobs growth not covered by the Wider Bristol SHMA, the most appropriate balance between the two HMAs will need to be considered again when establishing the housing requirement in the JSP.

On this basis, the Bath SHMA has assumed a growth of 10,100 jobs in Bath HMA over the 20-year Plan period 2016-36, an average of 3,720 jobs each year. It is also necessary to consider the jobs-growth projected for the period 2012-16 (between the base year for the SHMA projections and the base year for the Plan). This represents an additional 2,600 jobs for the Bath HMA – yielding an overall increase of 12,700 jobs over the period 2012-36.

As previously noted, the demographic analysis identified that the economically active population in the Bath HMA would increase by around 1,200 people over the initial 4-year period 2012-16, with a further increase of 4,600 people projected over the 20-year Plan period 2016-36; yielding an overall projected increase of around 5,800 economically active people across Bath HMA by 2036. In addition, the number of claimants recorded by DWP reduced by around 1,700 over the period March 2012 to March 2015. Taken together, these figures suggest that the number of available workers will increase by around 7,500 over the 24-year period 2012-36, equivalent to an average growth of around 300 workers each year.

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

- **Out-commuting**: Based on 2011 Census commuting flows, 71.6% of working residents in the Bath HMA are also employed in the local area. This implies that 28.4% commute to jobs outside the area. Therefore, of the additional 7,500 workers, we would expect 5,400 (71.6%) would work locally and 2,100 (28.4%) would commute outside of the area. We have therefore assumed that this number of additional workers will out-commute from Bath HMA to work elsewhere.

- **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, a jobs growth of 12,700 over the period 2012-36 is likely to draw in 4,100 (32.3%) additional in-commuters; leaving 8,600 extra jobs that need to be filled by workers living in the area.
4.39 When these factors are properly considered, we can conclude that the demographic projections (without any uplift for market signals) would provide 5,400 extra workers locally whereas 8,600 extra workers would be needed. **There is therefore a shortfall of 3,200 workers based on the increase in jobs that is currently forecast.**

4.40 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”

4.41 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. Based on the characteristics of existing migrants to the area, an extra 3,200 workers would need a further 3,300 dwellings to be provided over the 20-year period 2016-36; equivalent to an uplift of around 35%. However, a different balance in jobs between Wider Bristol HMA and Bath HMA could have a significant impact on this figure.

**Updated Economic Forecasts**

4.42 For consistency with the Wider Bristol SHMA, the above analysis has been based on the LEP ambition to deliver 95,000 extra jobs across the West of England over the 20-year period 2010-30. Whilst this target was originally informed by Oxford Economic forecasts from a 2013 base date, the LEP has since updated the Oxford Economic forecast from a 2015 base date.

4.43 Whilst the mid-high scenario from the original 2013-based forecast suggested a growth of 83,500 jobs for the West of England over the JSP Plan period, the mid-high scenario from the updated 2015-based forecast suggests a marginally lower growth of 81,600 jobs over the same period. Therefore, the original jobs target for the Plan period would appear to remain appropriate.

4.44 There are, however, some substantial differences between the two forecasts for the initial period 2012-16. Whilst the mid-high scenario in the 2013-based forecast suggested an extra 21,400 jobs, the same scenario in the 2015-based data shows an extra 47,500 jobs; with data for the period 2012-15 based on estimates of actual growth rather than forecasts. Nevertheless, alongside this higher growth in actual jobs, there have also been changes to the workers available.

4.45 The change in unemployment during this period reflects the assumptions taken by the Wider Bristol SHMA and Bath SHMA; however, whilst these studies were based on commuting patterns remaining as they were in 2011, the employment market is dynamic and these patterns have responded to the jobs growth. Similarly, the changes to economic activity assumed by the SHMA have proven to be conservative in the context of actual trends recorded. Therefore, whilst far more jobs are likely to be created over the period 2012-16 than was originally forecast, this balances against far more workers being available than had originally been assumed.

4.46 As these changes pre-date the JSP Plan period, it is appropriate to accept them as the baseline; but the alignment of jobs and workers will need to be revisited again when establishing the JSP housing requirement.
Conclusions on Jobs and Workers

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

4.48 The medium-high growth scenario (from August 2013) uplifted by 1.1% to reflect the LEP target, identified 10,100 jobs in Bath HMA over the 20-year Plan period 2016-36 – an annual compound growth rate of 0.5%; an average of 510 extra jobs each year. A further 2,600 jobs are forecast for the Bath HMA over the period 2012-16 – yielding an overall increase of 12,700 jobs over the period 2012-36.

4.49 Taking account of existing commuting patterns and unemployment trends, the demographic projections (without any uplift for market signals) would provide 5,400 extra workers locally whereas 8,600 extra workers would be needed. **There is therefore a shortfall of 3,200 workers based on the increase in jobs that is currently forecast.** Based on the characteristics of existing migrants to the area, an extra 3,200 workers would need a further 3,300 dwellings to be provided over the 20-year period 2016-36; equivalent to an uplift of around 35%. However, a different balance in jobs between Wider Bristol HMA and Bath HMA could have a significant impact on this figure.

4.50 Of course, such an uplift to housing need responding to a likely shortfall of workers will also help respond to Market Signals; so it is important that the overall uplift is considered in this context.

Market Signals

4.51 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 (Paragraph 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. (Paragraph 020)

Planning Practice Guidance: Assessment of housing and economic development needs (March 2014)

4.52 The Market Signals include:

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

4.53 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.
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. (Paragraph 020)

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

House prices in England and Wales have been relatively volatile in the past 15 years. House prices have increased by 6.4% in the 12 months to April 2014; the fastest rises were in London (17.0%), the East of England (6.6%) and the South East (6.1%). The average UK house price in 2014 was £172,000 compared to the high of £181,500 in 2007. Average house price trends 2008-2014 (Source: ONS) show the price divergence between London and the rest of the UK.

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. Since we are not able to build a...
single house, I welcome the Chancellor’s announcement tonight of measures to increase housing supply.

To be clear, the Bank does not target asset price inflation in general or house prices in particular.

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.”

4.58 The International Monetary Fund (IMF) has also highlighted concerns about these risks and especially the high borrowings of households relative to income, especially in London:

“The increase in the number of high loan-to-income (LTI) mortgages is more pronounced in London and among first-time buyers. As a result, an increasing number of households are vulnerable to negative income and interest rate shocks.”

4.59 However, the surge in prices appears to be cooling; the Council of Mortgage Lenders (CML) latest Credit Conditions Survey (Summer 2014) suggests:

“This source of stimulus may now be drying up, amid signs that lenders may be approaching the limits of their risk appetite with respect to maximum loan-to-value (LTV) and income multiples.”

4.60 The Government has strengthened the existing powers of the Bank of England to recommend to regulators a limit on the proportion of high loan to income mortgages. From May 2015, lenders are prevented from extending more than 15% of their mortgages to customers needing to borrow 4.5 times their income.

4.61 The future for the housing market is difficult to predict, although long-term trends indicate continued demand issues from household growth, albeit with issues around affordability. The current Government policy towards national economy recovery, and the role played in this by the Bank of England, indicates that action may be taken to contain any housing price ‘bubble’. Interest rates seem likely to rise in the medium term, and this could expose risk of those borrowing with high loan-to-value at low interest rates.

Local House Prices

4.62 House price trends (2001-2013) are shown in Figure 44 and Figure 45 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 £104,800 to £210,000 at 2012 values, a real increase of more than 100%), but they have progressively reduced since that time with real prices at around £171,500 in mid-2013 (at 2012 values) which is 18% below their peak.
Figure 44: House Price Trends: Lower Quartile Prices (Source: CLG Live Tables)

Figure 45: Real House Price Trends: Lower Quartile Prices adjusted to 2012 values using CPI (Source: CLG Live Tables; Bank of England)
Figure 46 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 broadly in line with long-term average trends.

**Figure 46: Real House Price Trends relative to England: Lower Quartile Prices adjusted to 2012 values using CPI (Source: CLG Live Tables; Bank of England)**

**Affordability**

Figure 47 below shows the ratio of lower quartile house price to lower quartile earnings in the HMA between 2001 and 2013. This long term trend for the HMA shows that affordability worsened in the period 2001-07 (when there was an increase in real house prices), the multiplier declined over the period 2007-09 and although it increased in 2010, it has remained relatively stable since. 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 47: Ratio of Lower Quartile House Price to Lower Quartile Earnings (Source: DCLG)**
Private Rent

The English Housing Survey 2013-14\textsuperscript{15} identified that 19\% (4.4 million) of households were renting from a private landlord, up from 18\% in 2012-13 and 11\% in 2003. Households aged 25-34 were more likely to be renting privately (48\%) than buying a home, up from 45\% in 2012-13 and 21\% in 2003-04. Owner occupation in this age group dropped from 59\% to 36\% over the same 10 year period.

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\textsuperscript{16}, 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.”

Policy by both Government and Local Authorities is focussed on improving Management and Maintenance in the sector (via licensing or self-regulation schemes) and expanding supply\textsuperscript{17} (including the Build to Rent investment scheme\textsuperscript{18}).

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.

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

Overcrowding was considered in detail when establishing the need for affordable housing, and based on the bedroom standard we estimated that 1,213 households were overcrowded in the Bath HMA (Figure 26), including 363 owner occupiers, 312 households renting privately and 538 households in the social rented sector.

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

\begin{itemize}
  \item \textsuperscript{17} https://www.gov.uk/government/publications/private-rented-homes-review-of-the-barriers-to-institutional-investment
  \item \textsuperscript{18} https://www.gov.uk/government/publications/build-to-rent-round-2-initial-due-diligence
\end{itemize}
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 48: Summary of Market Signals

<table>
<thead>
<tr>
<th>INDICATORS RELATING TO PRICE</th>
<th>Bath HMA</th>
<th>Colchester</th>
<th>Warwick</th>
<th>York</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>House prices</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower quartile house price</td>
<td>£171,100</td>
<td>£140,900</td>
<td>£161,100</td>
<td>£145,600</td>
<td>£126,300</td>
</tr>
<tr>
<td>Relative to England</td>
<td>+36%</td>
<td>+12%</td>
<td>+28%</td>
<td>+15%</td>
<td>-</td>
</tr>
<tr>
<td>2007-08 value</td>
<td>£171,700</td>
<td>£144,300</td>
<td>£159,700</td>
<td>£150,900</td>
<td>£127,500</td>
</tr>
<tr>
<td>5-year change</td>
<td>-0%</td>
<td>-2%</td>
<td>+1%</td>
<td>-3%</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Rents</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average monthly rent</td>
<td>£964</td>
<td>£673</td>
<td>£652</td>
<td>£738</td>
<td>£720</td>
</tr>
<tr>
<td>Relative to England</td>
<td>+34%</td>
<td>-7%</td>
<td>-9%</td>
<td>+2%</td>
<td>-</td>
</tr>
<tr>
<td>2008 value</td>
<td>£544</td>
<td>£525</td>
<td>£498</td>
<td>£453</td>
<td>£500</td>
</tr>
<tr>
<td>5-year change</td>
<td>+77%</td>
<td>+28%</td>
<td>+31%</td>
<td>+63%</td>
<td>+43%</td>
</tr>
<tr>
<td><strong>Affordability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower quartile house price</td>
<td>9.1</td>
<td>7.1</td>
<td>7.8</td>
<td>7.9</td>
<td>6.5</td>
</tr>
<tr>
<td>Relative to England</td>
<td>+41%</td>
<td>+10%</td>
<td>+21%</td>
<td>+22%</td>
<td>-</td>
</tr>
<tr>
<td>2008 ratio</td>
<td>9.7</td>
<td>8.3</td>
<td>8.3</td>
<td>8.6</td>
<td>7.0</td>
</tr>
<tr>
<td>5-year change</td>
<td>-6%</td>
<td>-15%</td>
<td>-6%</td>
<td>-8%</td>
<td>-7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INDICATORS RELATING TO QUANTITY</th>
<th>Bath HMA</th>
<th>Colchester</th>
<th>Warwick</th>
<th>York</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overcrowding</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overcrowded households</td>
<td>6.9%</td>
<td>7.3%</td>
<td>6.5%</td>
<td>7.1%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Relative to England</td>
<td>-21%</td>
<td>-16%</td>
<td>-25%</td>
<td>-19%</td>
<td>-</td>
</tr>
<tr>
<td>2001 proportion</td>
<td>5.4%</td>
<td>5.6%</td>
<td>5.5%</td>
<td>5.1%</td>
<td>7.1%</td>
</tr>
<tr>
<td>10-year change</td>
<td>+27%</td>
<td>+32%</td>
<td>+19%</td>
<td>+40%</td>
<td>+23%</td>
</tr>
<tr>
<td><strong>Rate of development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in stock</td>
<td>+3.9%</td>
<td>+14.1%</td>
<td>+9.8%</td>
<td>+9.2%</td>
<td>+8.3%</td>
</tr>
<tr>
<td>Relative to England</td>
<td>-53%</td>
<td>+69%</td>
<td>+17%</td>
<td>+10%</td>
<td>-</td>
</tr>
</tbody>
</table>

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 £171,100, compared to England’s £126,250 (based on 2012-13 values). The current price in the HMA is higher than all three comparator areas. Over the last 5-years, prices have reduced marginally across England and in Bath HMA, with prices also remaining relatively stable in all of the comparator areas;

» **Rents**: for average private sector rents in 2013-14, 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 (+77% cf. +43%) and whilst the increase in York (+63%) 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 earnings) is currently ‘worse’ in the study area than across England as a whole (9.1x cf. 6.5x), and the rate is also ‘worse’ than all of the comparator areas (which range from x7.1 to x7.9). Nevertheless, national affordability ratios have improved since 2008 at a similar rate to Bath, Warwick and York, although all are below the improvement in Colchester;

» **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 On the basis of the Market Signals (in particular indicators relating to price), we can conclude that the indicators for Bath suggest that the level of **Objectively Assessed Need for the HMA should be higher than suggested by household projections** in isolation.

4.77 The analysis of overcrowding for the assessment has already identified that the overall housing need should be increased by 104 households to take account of **concealed families** and a further 9 **homeless households** that would not be captured by the household projections. This specific and identifiable adjustment should be incorporated as a response to market signals to take account of the identified un-met need for housing, representing an uplift of 1.3% on the household projections.

4.78 Given the Market Signals context, it is probably appropriate to increase this uplift – but as previously noted, there is no definitive guidance on what level of uplift is appropriate. In the Eastleigh Local Plan, the Inspector judged 10% to be reasonable:

> “It is very difficult to judge the appropriate scale of such an uplift. I consider a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only a part of a much larger HMA. Exploration of an uplift of, say, 10% would be compatible with the “modest” pressure of market signals recognised in the SHMA itself.”

4.79 On this basis, it is helpful to compare the Market Signals for Bath with those for Eastleigh and its wider HMA (which we have based on Southampton with Eastleigh and the New Forest). In summary:

» **House prices** at the lowest quartile are higher in Bath (£171,100) than in both Eastleigh and its wider HMA (£169,000 and £156,000 respectively);
» **Market rents** in Bath (£964 pcm) are also higher than in Eastleigh and its wider HMA (£798 pcm and £782 pcm respectively);

» **Affordability** is worse in at the lowest quartile (9.1x) than in Eastleigh and its wider HMA (8.4x and 8.1x respectively);

» **Overcrowding** in Bath is higher than in Eastleigh (7% cf. 5%), but lower than its wider HMA (9%); and

» **Rates of development** over the last decade were lower in Bath (4%) than in Eastleigh and its wider HMA (both at 9%).

4.80 The indicators therefore appear to show more housing pressure in Bath than in Eastleigh (and its wider HMA), so it would seem reasonable to conclude that the response to Market Signals across the Bath HMA as a whole should be more than 10%.

4.81 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*

4.82 Considering the affordability ratios for Eastleigh and it’s wider HMA (8.4x and 8.1x respectively at the lowest quartile), the indicator is around 25-30% higher than equivalent ratio for England (6.5x) whereas the ratio for Bath HMA (9.1x) is around 40% above the national rate. Affordability pressure in Bath is therefore around 1.5x the “modest” pressure identified in Eastleigh and it would probably be appropriate for the response to Market Signals to also be around 1.5x the Eastleigh rate. This implies that the 10% uplift applied for “modest” pressure should be increased to 15% to respond to the pressure in Bath.

4.83 On this basis, we would propose to increase the Market Signals response from 1.3% (which took account of concealed families and homeless households) to an overall uplift of **15% of the housing need identified based on the household projections as a response to Market Signals across the housing market areas as a whole**.

4.84 The analysis of affordable housing has already identified that the overall housing need should be increased by 113 households (117 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 1,280 dwellings is therefore needed to deliver the overall uplift of 1,397 dwellings identified in response to market signals.**
Housing Backlog

4.85 The Planning Advisory Service Good Plan Making Guide\(^{19}\) 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 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)

4.86 This SHMA has fully considered the unmet needs of homeless and other households living in unacceptable accommodation that will exist at the start of the new Plan period. However, it is also important to recognise that the SHMA identifies all housing need from a baseline date of 2012, whereas the base date for the JSP will be 2016. It is therefore necessary to identify the extent of any under-provision during the period 2012-16 based on the housing need identified by the SHMA, as this will also represent an unmet need for housing at the start of the new Plan period.

4.87 Housing completions recorded to date, together with numbers currently forecast for the remainder of this period, suggest that housing delivery is likely to total 12,902 dwellings during this period (Figure 49). The Council will need to review this figure once the dwelling completions for 2015-16 is known.

Figure 49: Housing completions recorded and forecast dwelling trajectory for the period 2012-16 (Source: LA Annual Monitoring Data and Forecast Dwelling Trajectories)

<table>
<thead>
<tr>
<th></th>
<th>Market Housing</th>
<th>Affordable Housing</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recorded completions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012-13</td>
<td>413</td>
<td>137</td>
<td>550</td>
</tr>
<tr>
<td>2013-14</td>
<td>425</td>
<td>120</td>
<td>545</td>
</tr>
<tr>
<td>2014-15</td>
<td>447</td>
<td>185</td>
<td>632</td>
</tr>
<tr>
<td>Forecast dwelling trajectory</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015-16</td>
<td>635</td>
<td>181</td>
<td>816</td>
</tr>
<tr>
<td>TOTAL 2012-16</td>
<td>1,920</td>
<td>623</td>
<td>2,543</td>
</tr>
</tbody>
</table>

4.88 The SHMA identified a need for 1,522 dwellings over the 4-year period 2012-16, between the base date for the household projections and the base date for the Plan (Figure 18). Therefore, based on the household projections, there is likely to be a surplus of 1,021 dwellings (2,543 less 1,522 = 1,021) likely to be provided during the 4-year period 2012-16. This additional housing will contribute to the uplift needed to provide extra workers, and could therefore offset against some of this need.

Conclusions

4.89 The “starting point” estimate for OAN is the CLG household projections, and the latest published data is the 2012-based projections for period 2012-37. These projections suggest that household numbers across the study area will increase by 9,324 over the 20-year Plan period 2016-36, an average of 466 per year. However, on the basis of 10-year migration trends, household numbers across the study area are projected to increase by 8,947 households over the 20-year Plan period 2016-36, an average of 447 households per year.

4.90 We have identified that the baseline household projections should be increased by 113 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 9,060 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 9,060 households yields a baseline housing need of 9,432 dwellings over the 20-year Plan period 2016-36, equivalent to an average of 472 dwellings per year.

4.91 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.

4.92 The evidence from planned jobs and workers identifies a need to increase housing delivery by 3,263 dwellings to provide enough workers for the likely increase in jobs in the area.

4.93 An uplift of 1,397 dwellings is proposed as an appropriate response to the market signal indicators. The overall housing need has already been increased by 117 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 1,280 dwellings is needed to deliver the overall uplift of 1,397 dwellings that has been identified.

4.94 A ‘surplus’ of 1,021 dwellings is likely to have been provided in the period 2012-16 when housing delivery is compared to housing need based on household projections. This housing could help provide some of the additional workers needed to balance jobs and workers, so can be offset against that uplift when considered together as a combined response.

4.95 On this basis, the baseline housing need of 9,432 dwellings is increased by 2,242 dwellings. This increase provides the uplift of 3,263 dwellings needed to align jobs and workers (after taking account of the ‘extra’ 1,021 dwellings already provided) and also addresses the overall uplift of 1,397 dwellings needed in response to market signals. This yields an overall total of 11,674 dwellings over the 20-year Plan period 2016-36, equivalent to an average of 584 dwellings per year. This represents an uplift of 25% on the baseline household projections.
Figure 50 summarises each of the stages for establishing the Full Objectively Assessed Need for Housing.

**Figure 50: Full Objectively Assessed Need for Housing across Bath HMA 2016-36**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Households</th>
<th>Dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic starting point</td>
<td>9,324</td>
<td>9,678</td>
</tr>
<tr>
<td>CLG household projections 2016-36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustment for long-term migration trends</td>
<td>-350</td>
<td>-363</td>
</tr>
<tr>
<td>10-year migration trend 2001-11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baseline household projections taking account of local circumstances</td>
<td>8,974</td>
<td>9,315</td>
</tr>
<tr>
<td>Adjustment for suppressed household formation rates</td>
<td>+113</td>
<td>+117</td>
</tr>
<tr>
<td>Concealed families and homeless households</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baseline housing need based on demographic projections</td>
<td>9,087</td>
<td>9,432</td>
</tr>
<tr>
<td>Further adjustments needed...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In response to balancing jobs and workers</td>
<td>-</td>
<td>+3,263</td>
</tr>
<tr>
<td>Forecast jobs growth yields shortfall of workers based on current commuting rates; uplift needed to the baseline housing need</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In response to market signals</td>
<td>-</td>
<td>+1,280</td>
</tr>
<tr>
<td>1,280 dwellings needed (in addition to the 117 dwellings for concealed families and homeless households) to deliver the overall uplift of 1,397 dwellings proposed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In response to backlog of housing provision</td>
<td>-</td>
<td>-1,021</td>
</tr>
<tr>
<td>between projection and Plan base dates 2012-16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined impact of the identified adjustments</td>
<td>-</td>
<td>+2,242</td>
</tr>
<tr>
<td>Full Objectively Assessed Need for Housing 2016-36</td>
<td>-</td>
<td>11,674</td>
</tr>
</tbody>
</table>

Of course, it is important to remember that “establishing future need for housing is not an exact science” (PPG paragraph 14). 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.

The SHMA therefore identifies the Full Objective Assessed Need for Housing in the Bath HMA to be 11,700 dwellings over the 20-year Plan period 2016-36, equivalent to an average of 585 dwellings per year. This includes the Objectively Assessed Need for Affordable Housing of 3,100 dwellings over the same period, equivalent to an average of 155 dwellings per year.

This is the average number of dwellings needed every year over the 20-year period 2016-36 and represents a 0.7% increase in the dwelling stock each year across the HMA. Whilst this is lower than the 1.1% growth required across England to deliver 253,600 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 step-change in housing delivery.
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 11,700 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 Wider Bristol SHMA report.
Affordable Housing Need

5.5 The SHMA has identified a substantial need for affordable housing: a total of 3,100 dwellings across the Bath HMA over the 20-year Plan period 2016-36, equivalent to an average of 155 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 findings20 (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 25% 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.

20 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.

<table>
<thead>
<tr>
<th>Constraints affecting the delivery of new affordable housing</th>
<th>Other initiatives potentially increasing the delivery of new affordable housing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Welfare reform</strong></td>
<td><strong>Councils building more new homes</strong></td>
</tr>
<tr>
<td>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.</td>
<td>Many Councils are now trying to bring new rental schemes forward following reform of the HRA system.</td>
</tr>
<tr>
<td><strong>Registered Providers</strong></td>
<td><strong>New ‘for profit’ providers</strong></td>
</tr>
<tr>
<td>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.</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Stock rationalisation by Registered Providers</strong></td>
<td><strong>Custom Build</strong></td>
</tr>
<tr>
<td>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.</td>
<td>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)(^{21}).</td>
</tr>
<tr>
<td><strong>Extension of Right to Buy (RTB) to Registered Providers</strong></td>
<td><strong>Co-operative Housing</strong></td>
</tr>
<tr>
<td>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.</td>
<td>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.</td>
</tr>
</tbody>
</table>

\(^{21}\) [http://www.communitylandtrusts.org.uk/what-is-a-clt/about-clts](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\(^2\). 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\(^3\), 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\(^4\). 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 3,100 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 6,100 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.


\(^3\) [http://www.insidehousing.co.uk/business/development/transactions/lq-to-launch-prs-subsidiary/7009701.article](http://www.insidehousing.co.uk/business/development/transactions/lq-to-launch-prs-subsidiary/7009701.article)

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, paragraph 37

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 11,700 dwellings does not include the projected increase of institutional population, which represents a growth of 786 persons over the 20-year Plan period. This increase in institutional population is a consequence of the CLG approach to establishing the household population, 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”.

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 not 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 786 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 in addition to the assessed OAN.

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 2014, paragraph 21

5.25 Given that trend-based data that informed the population and household projections included students at all stages of the analysis, the needs of students are included within, and not additional to, the OAN figure identified by the SHMA. As the trend-based data was informed by migration during the period 2001-11, this encompasses the growth experienced by universities and other higher educational establishments during this period; therefore the OAN implicitly assumes that future growth will continue at this rate over the 20-year Plan period 2016-36. However, if the universities and other higher educational establishments in the area are planning significantly higher (or significantly lower) levels of growth than experienced over the decade 2001-11, then this could impact on the OAN conclusions.

5.26 The household projections did not assume any growth of students living in communal establishments, 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 consider the most appropriate way to count the supply of student bedspaces as part of their overall housing monitoring, and decide whether this should form part of the overall housing supply.

Gypsies and Travellers

5.27 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

5.28 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.”

5.29 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.

5.30 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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