Bradford Local Plan

Core Strategy Examination

Matter 4a: Housing Requirement

Further Statement on Market Signals

Date: 10th March 2015

Venue: Victoria Hall, Saltaire

1.1   During the course of the discussions on Policy HO1 and on what constituted an objective assessment of housing need, the Council were asked to confirm whether and how it had assessed market signals and also comment on the justification for any uplift in the basic needs assessment.

1.2   Details on how Local Authorities should undertake housing needs assessments are contained within the Government's National Planning Practice Guidance (NPPG) at section 2a. The Council considers that it has carried out an assessment of need which is broadly consistent with this guidance. It has commissioned independent research to model likely household growth, tested the effects of varying assumptions using scenarios, assessed the impacts and implications on housing need of the likely level of future economic and jobs growth and taken account of market signals. The Council notes that paragraph 005 of section 2a of the NPPG indicates that there is no one methodological approach or use of a particular dataset(s) that will provide a definitive assessment of development need and that the assessment which is carried out should be thorough but proportionate. The Council considers that its approach including the assessment of market signals has been thorough, appropriate and proportionate.

1.3   The Council has already explained in its Housing Background Paper (SD/016) and its further statement (PS/E004a) how it has focussed its assessment of housing need on the work carried out by GVA and Edge Analytics. This work involved the creation of a 'baseline' demographic scenario utilising the most up to date population and household projections. In the different iterations of the Housing Requirement Study the level of household change and therefore housing need in the 'baseline' Sub National Population Projection (SNPP) scenario has tended to lie at the bottom of the range produced by the differing scenarios. Within each of the Housing Requirement Study reports a scenario has also been generated which ties future population and household change to the size of the labour force implied by the jobs growth projections within the Yorkshire and Humber Regional Econometric Model (REM). In line with the recommendations made by consultants GVA, the Council has given considerable weight to the REM based scenario as it considers it essential that the level of housing growth which is planned for both reflects and supports the expected growth in the local economy and supports the ongoing process of regeneration. This in turn results in an uplift or increase in the objective assessment of need since the REM based scenario has in each report produced housing need quantums well above the level implied by the baseline demographic SNPP scenario.

1.4   Paragraph 019 of section 2a of the NPPG indicates that the housing need number suggested by household projections should be adjusted to reflect **appropriate** market signals (my emphasis). It suggests a list of signals which **may be relevant** (again my emphasis). The list is therefore not prescriptive. The Council suggests that market signal data should be assessed but should be used with considerable care. This is because such signals are contextual and there is a danger in assuming either that there is a direct cause and effect link between some of the listed indicators and housing supply or even worse assuming that supply is the only factor which has produced the observed market signal outcomes. As with many areas of research it should be obvious that the stronger the market signal that is evident and the more diverse the range of indicators showing a potential imbalance between housing supply and demand then the stronger the justification for making an adjustment and uplift in the housing need assessment.

1.5   In making its assessment of market signals the Council has had regard to the information contained within both the GVA / Edge Analytics Housing Requirement Study (EB/038 - February 2013) and the Strategic Housing Market Assessment Update (EB/052). These are considered further below:

    •   The Housing Requirement Study (see page 34) has analysed and reported on transaction levels and sales prices both nationally and within Bradford noting that both saw a marked reduction between 2001 and 2010. Levels of transactions were said to have mirrored the national picture which in turn was affected by the national recession and housing market crash; mean and lower quartile house prices are also mapped.

- The Housing Requirement Study also assesses the costs of purchasing a property (pages 36 to 38) reporting a complex picture whereby costs by reference to the percentage of mean household income required for mortgage payments fell between 2007 and 2011 but where costs determined by the percentage of mean household income required for a deposit has significantly worsened. In the Council's view this is a significant piece of analysis as it implies that one of the main drivers of changing affordability has not been supply but has instead been due to access to mortgage finance;

- Rates of development are assessed at page 27 of the Housing Requirement Study with completions falling significantly following the onset of recession. The data presented and that within the Council's Annual Monitoring reports however shows completions at levels below plan targets over most of the reporting years;

- Pages 40-42 of the Housing Requirement Study show a significant level of overcrowding within households within the urban parts of the district and this is an indicator which has worsened in recent years.

- Both the original SHMA of 2010 (EB/050) and the SHMA Update of 2013 (EB/052) include extensive analysis of the housing market, the drivers of change within Bradford district, of house prices and of affordability indicators. Pages 35-36 of the 2010 SHMA indicate a pattern of house price change which over an extended period closely mirrors that at the regional and national level. However it also significantly shows median house prices at a level below both those at national and regional level. Page 36 of the SHMA Update of 2013 reports that median house prices in the district at Q3 in 2012 were still well below the level of the peak in 2007.

- On affordability the 2013 SHMA Update reports that Bradford is ranked the 10th most affordable district out of 21 Yorkshire and Humber authorities and that there had been a slight deterioration in affordability as measures by lower quartile income to house price ratios as compared to the analysis within the 2010 SHMA.

1.6 Overall the Council considers that for most of the market signals there is no strong justification for an uplift in housing need over and above the already uplifted assessment produced by aligning housing need with future economic growth. House prices, and other indicators such as rental levels and land prices all lie below national and regional averages. However the exception to this lies with the market signals relating to past rates of development and to overcrowding. The case for an uplift on these indicators is strong because one is measuring levels of increased supply which have in theory been insufficient to keep pace with household growth whereas the other is actually measuring stress within the housing market in the form of overcrowding. Moreover that housing market stress is occurring just where it might be expected to occur if supply where to be an issue i.e. where the main drivers of household growth (a young age structure and migration) are focussed - within the districts urban areas. The Council have for this reason included within its final assessment of housing need an allowance for unmet housing need which is determined in relation past under delivery but corroborated by reference to a comparison of net completions vs household growth.

1.7 In conclusion the Council have taken account of a wide range of factors in assessing housing need and this has included a range of market signals and data. This however could and should be made clearer within the supporting text to Policy HO1. The Council have therefore proposed, as set out in Appendix 1, a number of potential changes to the text supporting Policy HO1, particularly to paragraphs 5.3.11 to 5.3.13 (pages 154-155). This also updates the text to take account of the latest housing requirement study update by Edge Analytics and also makes clearer the different stages in reaching a conclusion on the levels of housing growth which should be planned for within the Core Strategy. Further changes to this section may be required as part of main modifications depending on the assessment and conclusions made by the Inspector.

Appendix 1 : Potential Changes to the Lower Case Text in support of Policy HO1

The following changes are put forward for consideration with text additions in bold, underline and deletions struck through:

5.3.11 **Determining the scale of provision for new housing to plan for within this Core Strategy has involved two key stages. Firstly** in line with the NPPF, the Council has sought to undertake an objective assessment of the future need for new housing using robust and up to date evidence. **It has then considered whether it is feasible and appropriate to plan for this level of housing growth bearing in mind such factors as deliverability, land supply, environmental impacts and the need for a green belt review.**

5.3.12 The level of new housing required is difficult to assess because it is dependent on a range of complex and interdependent variables all of which have to be projected forward over the period of the plan. The Council has therefore sought independent advice on the level at which the housing requirement should be set by the commissioning of a Housing Requirement Study. The results of the Housing Requirement Study have then been incorporated into the SHMA update. The study looks at:

- Official Government projections of expected population and household growth in the district;
- The sensitivity of population and household growth to variables such as levels of migration; ~~and~~
- The influence of projected economic and jobs growth on the number of new homes needed; **and**
- **Housing market indicators and drivers.**

5.3.13 The population and household projections formulated by the Government and the Office For National Statistics are trend based and therefore highly sensitive to the trend period on which they are based. They are updated on a regular cyclical basis approximately every two years. The initial Housing Requirements Study **was** issued in February 2013 and **was** based on the then current 2008 based household projections. **It was then** ~~has recently been~~ supplemented by an addendum report which re **ran** ~~runs~~ the modelling to incorporate the interim 2011 based household projections issued by the CLG in April 2013. **A further report was issued in September 2014. This update was commissioned as a result of work with neighbouring authorities within the Leeds City Region aimed at deriving a consistent approach to assessing housing need. The new work updated the core demographic and economic based scenarios of the earlier reports using recently released 2011 census data, updated jobs growth projections and the newly issued 2012 based population projections.**

5.3.13 Full details of the Housing Requirements Study **and the different iterations of the work** are available on the Council's website. **In line with Government guidance, in each case the work generated a baseline demographic scenario.** However one of ~~but~~ the key conclusions of the work **is** ~~are~~ that the district is expected to see rapid and sustained population growth over the period and that the housing requirement should be aligned to a level of household growth consistent with the expected expansion in the district's economy as indicated by the Regional Econometric Model. **The Council agrees with this principle**. **The result is an increase or uplift in the assessment of housing need to a level well above the basic demographic scenario.**

5.3.14 **In line with the NPPG the Council has also taken account of a range of market signals in its objective assessment of housing need. It has reflected on the information and analysis contained both within the Housing Requirement Study and the SHMA. The Government identifies a number potentially relevant market**

signals but in Bradford's case the most significant are considered to be past rates of development and overcrowding. Past rates of development have been significantly below both planned supply and below the average rate of household growth over the period. Levels of overcrowding within parts of the urban areas of Bradford and Keighley are high and have worsened in recent years. The Council considers that this indicates a level of unmet need which it has addressed via the addition of a further uplift to the housing need assessment. ~~The Council in The rate of household formation which will occur within this growing population is more difficult to predict because it is more sensitive to changes in the economy and the housing market. The Addendum Report therefore recommended that the housing requirement be set at the mid point of a range of 1807 to 2565 dwellings per annum.~~

5.3.15 **Having determined its objective assessment of need the Council has given careful consideration to whether that need can and should be met within Bradford District. Having regard to evidence such as the SHLAA the Council considers that the level of need can be accommodated and delivered. It has also used a range of evidence including the Bradford Growth Assessment and the Sustainability Appraisal to consider the implications of planning for this level of growth. In particular it has given careful consideration to the need for and implications of green belt changes. It considers that the district's housing needs can be met in full in a sustainable way and in accordance with the NPPF.**