

Bradford Housing Need Addendum

City of Bradford MBC

Final Report
February 2021

Main Contact: Dr Michael Bullock
Email: michael.bullock@arc4.co.uk
Telephone: 0800 612 9133
Website: www.arc4.co.uk

© 2021 arc⁴ Limited (Company No. 06205180)



Table of Contents

1.	Introduction.....	4
2.	Establishing housing need using the December 2020 PPG ‘standard method’ calculation	4
	Step 1: Setting the baseline.....	5
	Step 2: An adjustment to take account of affordability	5
	Step 3: Capping the level of any increase.....	6
	Step 4: Cities and urban centres uplift.....	7
	Potential adjustments to the standard method	7
3.	Concluding comments	12

List of Tables

Table 2.1	Household change under 2014-based household projections.....	5
Table 2.2	Affordability ratios and affordability uplift.....	5
Table 2.3	Components of the dwelling need calculation for Bradford.....	6
Table 2.4	Summary of alternative demographic scenarios	9
Table 2.5	Dwelling completions 2004/05 to 2019/20	12

Please note that in this report some of the tables include rounded figures. This can result in some column or row totals not adding up to 100 or to the anticipated row or column 'total' due to the use of rounded decimal figures. We include this description here as it covers all tables and associated textual commentary included. If tables or figures are to be used in-house then we recommend the addition of a similarly worded statement being included as a note to each table used.

This report takes into account the particular instructions and requirements of our client. It is not intended for and should not be relied upon by any third party and no responsibility is undertaken to any third party.

arc⁴ Limited accepts no responsibility or liability for, and makes no representation or warranty with respect to, the accuracy or completeness of any third party information (including data) that is contained in this document.

Registered Address: arc4, 41 Clarendon Road, Sale, Manchester, M33 2DY

Email: businessteam@arc4.co.uk Web: www.arc4.co.uk

arc4 Limited, Registered in England & Wales 6205180 VAT Registration No: 909 9814 77

Directors Helen Brzozowski and Michael Bullock

1. Introduction

- 1.1 The purpose of this report is to supplement the evidence in the council's 2019 Strategic Housing Market Assessment (SHMA). It considers the future number of dwellings needed across the district. The report should be read on conjunction with the 'Bradford Updating the Demographic Evidence' report prepared by Edge Analytics (October 2020) and the 'Bradford Economic Growth scenario' report prepared by Edge Economics (January 2021).
- 1.2 The report considers housing need in the context of the standard method prepared according to planning practice guidance (PPG) issued in December 2020. It also refers to the standard method calculation based on previous (February 2019) PPG.
- 1.3 The report considers underlying demographics of the District,—alternative demographic scenarios, future economic scenarios and whether housing targets need to be adjusted to support economic growth.
- 1.4 This work is being led by arc⁴, who prepared the 2019 SHMA, with the support of Edge Analytics and Edge Economics.
- 1.5 The report considers the period 2020 to 2030 for the standard method calculation and 2020 to 2038 for the Local Plan period.

2. Establishing housing need using the December 2020 PPG 'standard method' calculation

- 2.1 The 2019 National Planning Policy Framework (NPPF) (Paragraph 60) states *'to determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance - unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. In addition to the local housing figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for'*.
- 2.2 PPG comments that 'the standard method uses a formula to identify the minimum number of homes expected to be planned for, in a way which addresses projected household growth and historic under-supply. It identifies a minimum annual housing need figure. It does not produce a housing requirement figure.'(PPG Paragraph: 002 Reference ID: 2a-002-20190220)
- 2.3 In December 2020, Planning Practice Guidance updated the standard methodology for assessing overall housing need which involves: setting a baseline; adjusting for affordability; capping increases where necessary and applying uplifts in some urban areas; and considering if it is appropriate to plan for a higher housing need figure.

Step 1: Setting the baseline

- 2.4 Planning Practice Guidance states that a baseline should be set using 2014-based national household projections for the local authority area. The projections are used to calculate the average annual household growth over a 10-year consecutive period. (PPG Paragraph 004 Reference ID: 2a-004-20201216)
- 2.5 As 2020 is the first year of the plan period, the period 2020 to 2030 has been chosen to set the baseline for this SHMA. Over the period, the total number of households under the 2014-based household projections is set to increase by 15,820 or 1,582 each year (Table 1.1).

Projection		2020 Households	2030 households	2020-30 household change	Annual Change
DCLG based	2014-	212,133	227,953	15,820	1,582

Step 2: An adjustment to take account of affordability

- 2.6 The average annual projected household figure from Step 1 is the adjusted based on the affordability of the area using median workplace-based affordability ratios published by the ONS.

$$\text{Adjustment factor} = 1 + ((\text{Local Affordability Ratio} - 4)/4) * 0.25$$

- 2.7 The latest affordability ratio (2019) and associated affordability uplift is set out in Table 2.2.

Year	Median price to income affordability ratio	Adjustment factor*
2019	5.23	1.07688

* Adjustment factor is $1 + ((\text{Local Affordability Ratio} - 4)/4) * 0.25$

Source: ONS Ratio of house price to workplace-based earnings

- 2.8 The reason for the affordability adjustment is set out in PPG:
'An affordability adjustment is applied as household growth on its own is insufficient as an indicator of housing demand because:

- *household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and*
- *people may want to live in an area in which they do not reside currently, for example to be near to work, but be unable to find appropriate accommodation that they can afford.*

The affordability adjustment is applied in order to ensure that the standard method for assessing local housing need responds to price signals and is consistent with the policy objective of significantly boosting the supply of homes. The specific adjustment in this guidance is set at a level to ensure that minimum annual housing need starts to address the affordability of homes.’ (PPG Paragraph 006 Reference ID: 2a-006-20190220)

- 2.9 Table 2.3 sets out the components of the dwelling need calculation using 2020 as a base year and 2019 affordability ratios. The basic demographic need under the 2014-based DCLG household projections are presented along with the affordability adjustment to establish the total annual dwelling need using the standard methodology.

Time period	Baseline demographic need	Affordability Adjustment	Adjustment factor	Total dwelling need under standard methodology
2020-2030	1,582	2019 data	122	1,704

- 2.10 This establishes an annual need for 1,704 dwellings (Note using the period 2019-29 and 2018 affordability ratios resulted in a minimum need of 1,703 each year).

Step 3: Capping the level of any increase

- 2.11 PPG states that ‘the standard methodology may identify a minimum local housing need figure that is significantly higher than the number of homes currently being planned for. The cap is applied to help ensure that the minimum local housing need figure calculated using the standard methodology is as deliverable as possible’ (PPG Paragraph 007 Reference ID: 2a-007-20190220). The PPG continues ‘the cap reduces the minimum number generated by the standard method but does not reduce housing need itself. Therefore, strategic policies adopted with a cap applied may require an early review and updating to ensure that any housing need above the capped level is planned for as soon as is reasonably possible’ (PPG Paragraph 007 Reference ID: 2a-007-20190220).
- 2.12 How the cap is calculated ‘depends on the current status of relevant strategic policies for housing’ (PPG Paragraph 004 Reference ID: 2a-004-20201216).
- 2.13 The last officially endorsed annual dwelling target for Bradford was set out in Policy HO1 of the Adopted Core Strategy of 2017. This is at least 42,100 new

- dwellings over the period 2013 to 2030. Assuming this to be 17 years, the annual need is therefore 2,476.
- 2.14 The PPG states *'where policies were adopted within the last 5 years (at the point of making the calculation), the local housing need figure is capped at 40% above the average annual housing requirement figure set out in existing policies'*.
- 2.15 The 40% cap which would therefore apply to Bradford district would be based on the 2,476) and would be **3,467 dwellings each year** (2,476+ (40% x 2,476).
- 2.16 Under the parameters set out in the PPG no cap on delivery needs to be applied.

Step 4: Cities and urban centres uplift

- 2.17 A 35% uplift is then applied for those urban local authorities in the top 20 cities and urban areas list devised by ONS (PPG Paragraph 004 Reference ID: 2a-004-20190220). Bradford is one of the 20 cities and urban areas where a 35% uplift is applied and this has a dramatic impact on the overall housing need number. PPG states *'if an authority is based in one of the top 20 most populated cities or urban centres and they contain the largest proportion of population in that city or urban area, a 35% uplift is applied to that local authority area'* (PPG Paragraph 033 Reference ID: 2a-033-20201216). PPG also states *'This increase in the number of homes to be delivered in urban areas is expected to be met by the cities and urban areas themselves, rather than the surrounding areas, unless it would conflict with national policy and legal obligations'*(PPG Paragraph 035 Reference ID: 2a-035-20201216).

Housing need using the standard methodology

- 2.18 Based on the December 2020 PPG standard methodology and 2019 affordability ratios, the minimum local housing need for Bradford district, from 2020, is **1,704** dwellings each year and with the 35% uplift this increases to 2,300.

Potential adjustments to the standard method

Overview

- 2.19 Having identified the minimum housing need under the standard model, further demographic analysis considers alternative demographic scenarios. A review of alternative demographic scenarios provides the evidence to confirm if the standard method provides an appropriate base for the assessment of need or whether any there are exceptional circumstances that would justify an alternative approach.
- 2.20 There is also provision in PPG to adjust the minimum housing need:

'The standard method for assessing local housing need provides the minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates.

This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends because of:

- growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*
- strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or*
- an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground.*

There may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.' (PPG Paragraph 010 Reference ID: 2a-010-20201216).

2.21 To inform this analysis:

- Edge Analytics have reviewed variant population scenarios, alternative migration scenarios, housing-led and employment-led scenarios and different rates of household formation.
- Edge Economics have considered future jobs growth and labour force requirements.
- The council has provided details of any relevant growth strategies and strategic infrastructure developments and any decisions to meet unmet need from neighbouring local authorities.

2.22 Table 2.4 sets out alternative dwelling need under a series of alternative demographic scenarios. Full details are available in the Edge Analytics 'Bradford – updating the demographic evidence February 2021 report. This table includes alternative Household Representative Rates (HRRs) under 2014-based and 2018-based population projections. HRRs are defined as the probability of anyone in the particular demographic group being classified as a household representative.

Scenario	Description	Annual dwelling need under alternative Household Representative Rates	
		2018-based	2014-based
Standard Method	PPG December 2020	1,704 (of which 1,582 is demographic and 122 is an affordability uplift) note this does not include the cities and urban centres uplift	
SNPP 2014-based	This scenario replicates the ONS 2014-based SNPP, using historical population evidence for 2001–2014.	1,352	1,570
SNPP 2018-based principal	Replicates the ONS 2018-based SNPP Principal Scenario, using historical population evidence for 2001–2018	1,056	1,261
SNPP 2018-based (Higher Variant)	Replicates the ONS 2018-based SNPP Higher Migration Scenario, using historical population evidence for 2001–2018. This variant assumes higher levels of net international migration.	1,350	1,554
SNPP 2018-based (Lower Variant)	Replicates the ONS 2018-based SNPP Lower Migration Scenario, using historical population evidence for 2001–2018. This variant assumes lower levels of net international migration.	761	969
PG Short Term	Uses an ONS 2019 base year and calibrates its migration assumptions from a 6-year history (2013/14–2018/19).	1,150	1,356
Employment-led 1,600	Models demographic impact of the annual jobs growth target of 1,600, consistent with the Council's Core Strategy. This is converted to a workplace-based equivalent averaging +1,561 each year over the 2020-2038 plan period	1,146	1,356
Employment-led REM	Models demographic impact of the annual workplace-based employment growth outlined in the August 2020 REM, averaging +1.279 each year over the 2020-2038 plan period	929	1,134

Source: Edge Analytics Bradford – updating the demographic evidence Tables 1, 4 and 6

Alternative demographic evidence

- 2.23 The standard method of 1,704 is based on a 1,582 annual household increase plus an affordability uplift of 122. All of the alternative scenarios under variant Household Representative Rates indicate a lower levels of household growth, ranging between 761 and 1,570. This analysis confirms that the standard method provides an appropriate base for the assessment of need. Despite the scenarios presenting different annual dwelling growth it is not considered that these represent exceptional circumstances that would justify an alternative approach. However, the scenarios provide useful context in regards to the

underlying demographic need for new homes in the District, which the baseline standard method exceeds in all scenarios even before applying the 35% cities and urban centres uplift (an additional 596 homes per year).

Regeneration Strategies and strategic infrastructure improvements

- 2.24 Bradford is a large metropolitan District with a number of key regeneration programmes and planned improvements to strategic infrastructure over the next 15 years. Overall the council considers that these are important to support existing development and growth. The council do not have a specific approved Housing Growth deal over and above the Leeds City Region's approved funding pots. Large scale strategic transport improvements such as NPR, which could drive transformational change in District's economy have yet to be confirmed and are anticipated to be delivered towards the end of the plan period. It is therefore considered that these would not drive an overall increase in local housing need, in particular within the short to medium term. Overall it is therefore considered that currently there are no specific strategies or strategic infrastructure investments which warrant a consideration of an uplift to the minimum housing need of 2,300.

Meeting unmet need from other local authorities

- 2.25 The District has not been asked to meet unmet need from other local authority and therefore no further uplift is necessary.

Affordable housing need

- 2.26 A detailed analysis of affordable housing need in accordance with PPG is presented at Technical Appendix C of the 2019 SHMA. This establishes an overall gross affordable need of 3,108 and after taking into account affordable lettings and newbuild the net shortfall is 441 each year. The recommended tenure split is 65% social/affordable rented and 35% intermediate tenure (that is affordable home ownership). This justifies the need for a robust affordable housing policy but the scale of need (around 25% of all dwelling need) would not warrant any uplift to the minimum housing need figure of 1,704.

Housing to support economic growth

- 2.27 Edge Analytics have reviewed two economic growth scenarios using the Regional Economic Model (REM) and the 1,600 annual jobs growth target. Detailed demographic modelling confirms that no further adjustment in housing delivery is necessary to support the level of jobs growth under these scenarios. In addition, the evidence presented by Edge Analytics suggests there is currently a far higher degree of economic uncertainty about the UK economy, with both the Covid-19 pandemic and transition of the UK in its relationship with the EU are key drivers of this uncertainty. In addition, the REM model provides an optimistic outlook compared to other models and any estimates of economic growth need to be treated with caution. Overall based on the available evidence

it is considered that future economic growth strategies are likely to be broadly supported by baseline local housing need growth of 1,704 homes each year. However, it is recommended the council monitors and regularly reviews employment land take-up and economic growth projections to ensure housing and economic growth ambitions are aligned.

Older and specialist housing need

- 2.28 The 2019 SHMA evidenced a need for around 6,100 additional units of older persons accommodation including 3,900 C3 planning use class units such as extra care and sheltered/retirement housing. This translates to an annual need for around 217 older persons C3 accommodation. It is anticipated that this need will be delivered as part of the 1,704 housing need and no further adjustment to this number is necessary. There is also likely to be an ongoing need for a small number of specialist housing units for people with additional needs which is expected to be accommodated within the 1,704 figure.

Previous delivery levels

- 2.29 Table 2.5 summarises annual dwelling completions over the period 2004/5 to 2019/20 and compares this with the affordable housing policy HO1 which seeks to deliver a minimum of 42,100 dwellings over the period. This indicates that the actual level of delivery has been generally below the minimum housing need figure.

Cities and urban centres uplift

- 2.30 The standard method applies a 35% uplift for those urban local authorities in the top 20 cities and urban areas based on ONS data. This would increase the housing need to 2,300 each year. However, all of the scenario analysis points to the 1,704 minimum need to be appropriate in terms of meeting minimum demographic need and is relatively ambitious in regards to recent housing delivery. There is no evidence from the council of an additional deliverable housing land supply within the Regional City of Bradford or significant additional Government funding agreed to drive the need to uplift this number further and therefore a cities and urban areas uplift to 2,300 is considered highly ambitious and would far exceed recent delivery and demographic need.

Year	Total	Affordable	Market
2004/05	1,186	181	1,005
2005/06	1,046	116	930
2006/07	2,337	233	2,104
2007/08	1,397	253	1,144
2008/09	2,199	259	1,940
2009/10	1,758	322	1,436
2010/11	1,455	204	1,251
2011/12	733	198	535
2012/13	721	196	525
2013/14	874	279	595
2014/15	1,134	258	876
2015/16	1,388	92	1,296
2016/17	1,488	194	1,294
2017/18	1,642	274	1,368
2018/19	1,689	267	1,422
2019/20	1,010	309	701
Grand Total (16 years to 2019/20)	21,047	3,326	17,721
Grand Total (past 5 years to 2019/20)	6,207	827	5,380
Annual average (past 5 years to 2019/20)	1,552	207	1,345

Note Table HO1 in the Local Plan: Core Strategy Development Plan Document Adopted July 2017 sets out a total housing requirement of 56,140 over the period 2004 and 2030.

3. Concluding comments

- 3.1 The 2020 standard method calculation establishes a baseline minimum annual need for 1,704 dwellings based on demographics and an adjustment to take account of affordability. This is comparable to the 1,703 dwellings from the February 2019 PPG standard method outcome. A comprehensive analysis of alternative demographic scenarios confirms that this standard method baseline provides an appropriate base for the assessment of need.
- 3.2 No further upward adjustments to the 1,704 figure are considered necessary as this provides sufficient housing to broadly meet local demographic, affordable and specialist need and sufficiently supports future jobs growth. The 1,704 figure compares with an average delivery of 1,552 over the five years to 2019/20.

- 3.3 Furthermore, evidence currently does not support an additional 35% cities and urban centres uplift as set out in the 2020 standard method calculation. The resulting 2,300 annual need would be very ambitious and result in a 50% uplift on the rate of average delivery over the past five years to 2019/20.