North Somerset Council: Determining a locally derived District Core Strategy housing requirement to 2026

Stage 2 Report

Keith Woodhead, October 2010

Preface

This report takes forward the Stage 1 report dated September 2010, together with subsequent modifications and suggestions made by North Somerset officers.

Keith Woodhead
14th September 2010

Executive Summary

The Coalition Government has announced that Regional Strategies are now revoked and that projected legislation will abolish them altogether. Regional Strategies (including RSS) have neither statutory force nor do they have the status of material considerations to any planning policy or decision. Local planning authorities may, if they wish, use elements of the evidence base from an abandoned Regional Strategy if appropriate. This can apply to the original evidence submitted by a local authority to the original RSS Examination in Public. However, the figures concerned will still need to be evidence based and clearly justified in line with the requirements of Planning Policy Statement 3 (PPS3) but omitting the requirement to conform with a RSS regional target.

Changes in Government policy and recent economic events have changed the basic parameters of planning policy:

- In line with the revocation of the RSS, and under the principle of "localism", the frame of reference for the setting of housing numbers has seen a shift towards greater focus on the ambitions – the "vision" – of the local community concerned, with greater attention to achieving greater local consensus regarding "tensions" between development and conservation.

- The economic forces driving many of the assumptions of previous plans have undergone changes arguably beyond precedent in the period since the 1930s.

The study notes that North Somerset Council has recently resolved that a number of key principles for guiding future developments should be applied. These state that:

(a) the Green Belt will be protected,
(b) there will be no development at South West Bristol, and
(c) the strategic focus for employment-led regeneration in the District will be Weston-super-Mare, but with the scale and form of development reassessed .

2.6 Council Members also resolved to support a number of other including:

(d) Regeneration of Weston town centre.
(e) New residential development at Weston to be led by place-making and community-building principles, not top-down housing numbers.
(f) Restriction of housing development elsewhere in the district, with new development reflecting community needs and aspirations.
(g) Infill development to be more sensitive in respect of density, design and environmental impact.
(h) A new locally-derived housing requirement for the district, "likely to be in the range 14,000-16,000 dwellings" to be investigated and tested. This was put forward as a preliminary suggested range, based on an understanding of potential environmental capacity.

This study has been commissioned to provide evidence based guidance as on future housing requirements for North Somerset in the light of changing economic and social trends.

The issues considered include:

Population growth and declining household size;

The effect of, and prospects for, economic growth;

The dynamics of the local housing market.

The study concludes that there is no single “right” answer to the question as to what is an appropriate level of housing growth in an individual community. Attempts have been made at the national and regional levels based on simple household growth projections and, latterly, supplementing these with economic modelling aimed at reducing, or at least stabilising house prices whose growth has been propelled over the last fifty years by an excess of demand over supply. The problem is that housing is simultaneously both a basic human necessity and, for many people, at the same time the ultimate consumer good. Alongside this sits a finite capacity for the public purse to accommodate needs that cannot be met by the market.

Unfortunately any shortfalls in provision not only have an impact on significant sections of the area in question, its local population and to some extent its economy, but they also increase the pressures felt by surrounding local authorities. Between local authorities this is a highly exportable problem, often leading to housing stress or excessive commuting to access jobs and services outside the immediate area. The solution unavoidably lies in achieving the best balance between the many constraints and requirements through open consultation and debate.

Four key policy principles are set out to help guide the process of identifying an appropriate level of housing development, together with four possible policy options in order to test the results. Two methods of linking future house building both with economic change and other requirements for sustainable development were applied. The first is based on establishing direct links between future housing and projected economic growth within North Somerset itself. The second approach, based on a broader assumptions connecting projected job growth in the wider West of England Partnership area with housing requirements within North, is then used to examine the conclusions reached from application of the direct method.

The analysis is based on four economic scenarios for the WoE Partnership area relating to potential rates of national economic performance:

- A central projection equivalent to UK output growth averaging around 2.1% pa over the medium term).
- A higher growth projection consistent with the trend UK trend growth estimate of 2.75% a year after the dip and period of recovery caused by the recession 2007-12 and broadly in line with Office for Budget Responsibility projections.
- A lower growth projection consisting of output growth of around 1% in the first 5 years and rising to 1.5% thereafter.
- A pre-recession trend projection showing 2.75% pa growth consistently since 2006.

These scenarios provide the economic reference point for the analysis of housing requirements, which also take into account factors such as population ageing and other social factors leading to increasing household formation and smaller households, non job related migration relating to the attractiveness of the area as a place to live and evidence for currently unmet housing need.

Comparisons are drawn with the results of the recent Oxford Economics Ltd economic growth scenarios produced for SWRDA and SW Councils. In spite of the use of identical national growth assumptions compared with those used by the Stage 2 there are important points of difference in the final projected job growth outcomes for both North Somerset and WoE. In particular, the results of the new Oxford Economics projections imply a surprisingly high share of overall WoE growth for the District. Further work on a modified set of Oxford Economics based projections for North Somerset however rectified this anomaly.

The assessment and testing concludes that the range of housing delivery for North Somerset 2006-26 should be 13,400 – 15,000 (670 dwellings p.a. – 750 p.a.). At an average rate of 30% of total dwellings, affordable housing would be in the range 4,000 – 4,500 (200 p.a. – 225 p.a.) Capacity for detailed delivery of the affordable housing component would be subject to local economic viability testing during the life of the Plan.

Bearing in mind the Council's policy requirement to rebalance development rates better to reflect the growth capacity of the local economy, it is further recommended that the Core Strategy should plan for growth at the lower end of the range, subject to a Plan, Monitor, Manage regime and, if required in the light of more favourable economic prospects, early review.

- The recommendation is therefore:

  13,400 dwellings (670 dw per annum) of which 4,000 dwellings (200 p.a.) are affordable

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Stage 2 Report

1.0 Introduction: the purpose of this study

1.1 The study was commissioned to look at potential ways of approaching a review of the North Somerset LDF Core Strategy housing totals to 2026. This requirement has been brought about by the need to respond to changing national government planning policy (the "localism agenda") including revocation of Regional Spatial Strategies and their associated housing targets, and the impact of much more adverse national economic conditions since those original targets were set.

1.2 Stage 1 of the study set out alternative methods of approach. The objective of Stage 2 is to arrive at indicative housing totals for eventual inclusion in a revised Core Strategy document for further public consultation. Please note that some key elements of the Stage 1 report are included in the present document in order to provide a complete picture of the evidence base and its interpretation.

2.0 Background: the changing planning requirements for housing growth

2.1 Following the May 2010 General Election, the Coalition Government announced that Regional Strategies are revoked and that subsequent legislation will abolish them altogether. The Conservative Party stated before the General Election when still in opposition that it wished to create a proposed national planning framework with reference to which local authorities will publish new "Local Plans". [1] This remains the broad intention of the Coalition Government.[2] Guidance issued by the Chief Planner, DCLG on 6 July 2010 states that:

- Local planning authorities should continue to develop LDF core strategies and other DPDs but they may decide to revise emerging policies in the light of the RS revocation,

- Adopted DPDs and saved policies will continue to provide the statutory planning framework. Local authorities may decide to review these now that Regional Strategies have been revoked. There is no need to review the whole LDF, only those issues or policies which local authorities wish to revisit.

- Some authorities may decide to retain their existing housing targets that were set out in the revoked Regional Strategies. Others may decide to review their housing targets. This

[1] The Conservative Party "Open Source Planning: Policy Green Paper No. 14" (Feb 2010), p5
[2] "The Coalition: our programme for government", May 2010, p 11

includes the possibility if the local authority wishes of returning to the level of provision submitted to the original Regional Spatial Strategy examination.

- The figures concerned will still need to be evidence based and clearly justified in line with the requirements of Planning Policy Statement 3 (PPS3) but omitting the requirement to conform with a RSS regional target. [3]

2.2 Given that work on the RSS was largely carried out around five or more years ago in very different economic circumstances a re-examination of the question of growth would by now be required in any case. However, a brief summary the sequence of events following the publication of the original draft RSS in 2006 is useful in understanding the current position.

2.2 The Draft RSS proposed a total of 26,000 dwellings to be completed over the period 2006-26 in the District. This included 9,000 dwellings to be built as a major part of an urban extension on the south west side of Bristol and a further 9,000 as an extension to Weston-super-Mare. The subsequent RSS Proposed Changes document of 2008 raised these North Somerset totals by only 750 units,[4] although the total construction requirement for the wider West of England Housing Market Area[5] increased sharply from 104,500 to 137,960. North Somerset Council submitted formal objections to the SW Bristol urban extension during consultation on the Proposed Changes on grounds which included concerns about deliverability due to the deteriorating national and international economic climate, and the need to promote delivery on brown field sites across the sub region before incursions were made into green field and Green Belt locations.[6]

2.3 Since the Draft RSS was published, two major factors influencing the housing requirements for North Somerset have therefore changed and will therefore need to be factored into revised housing totals in the Core Strategy:

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[3] http://www.communities.gov.uk/documents/planningandbuilding/pdf/1631904.pdf
Guidance from the Planning Inspectorate states that "With immediate effect Regional Strategies have been revoked and they and their policies do not now exist in law; they cannot be given any weight. They are no longer part of the development plan for the purposes of s38(6) of the Planning and Compulsory Purchase Act 2004. The development plan now consists only of adopted DPDs; saved policies; and any old style plans that have not lapsed." However, it goes on to say that the evidence used in the RSS "may also be a material consideration, depending on the fact of the case."
http://www.planning-inspectorate.gov.uk/pins/advice_for_insp/rs_revocation_20_07_10.pdf
For further details see:
http://www.communities.gov.uk/documents/planningandbuilding/pdf/1631904.pdf

[4] The Proposed Changes Increased overall provision by 750 dwellings in total (Table 4.1 in both the draft and Proposed Changes RSS documents), raising the "Rest of District" figure from 5,000 to 5,750 units.

[5] Comprising the four unitary authorities of the West of England Partnership, plus Mendip and the former West Wiltshire Districts.

[6] Grounds for objection included concerns about sufficient commitment to "up-front" infrastructure delivery and the need for priority to be given to early delivery on brown field sites before green field and Green Belt locations. The Council expressed concern that the scale of housing allocations set out in the RSS remained unsubstantiated and, in the current economic climate, undeliverable. More flexibility to locally determine the most sustainable locations for growth within the District was required. See http://gosw.limehouse.co.uk/portal/regional_strategies/drss?pointId=109242

- Under "localism" the frame of reference for the setting of housing numbers has seen a shift towards greater focus on the ambitions – the "vision" – of the local community concerned, with greater attention to achieving greater local consensus regarding "tensions" between development and conservation.[7]

- The economic forces driving many of the assumptions of previous plans have undergone changes arguably beyond precedent in the period since the 1930s.

2.4 However, this means that the visions and objectives underlying the Core Strategy will not essentially need to change – they have after all been the subject of wide public consultation in the Consultation Draft published in November 2009, and are founded on the priorities of the North Somerset Sustainable Community Strategy (SCS).[8]

2.5 At the meeting of the Council's Executive Committee on 20/07/10, Members welcomed the Government's proposals for housing to be determined on the basis of locally-derived housing need and resolved, as key principles for guiding future developments, that:[9]

(a) the Green Belt will be protected,
(b) there will be no development at South West Bristol, and
(c) the strategic focus for employment-led regeneration in the District will be Weston-super-Mare, but with the scale and form of development reassessed .

2.6 Members also resolved to support the other elements of the approach set out in the accompanying officers' report[10] to the Committee which included:

(d) Regeneration of Weston town centre.
(e) New residential development at Weston to be led by place-making and community-building principles, not top-down housing numbers.

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[7] Though still expressed through their local authority representatives:
"Communities should be given the greatest possible opportunity to have their say and the greatest possible degree of local control. If we get this right, the planning system can play a major role in decentralising power and strengthening society – bringing communities together, as they formulate a shared vision of sustainable development. And, if we enable communities to find their own ways of overcoming the tensions between development and conservation, local people can become proponents rather than opponents of appropriate economic growth." The Conservative Party "Open Source Planning: Policy Green Paper No. 14" (Feb 2010), p 1
"We believe that the planning priorities and policies – the vision for the development of a community, produced by local democratically-elected representatives following a process of collaborative democracy – should not be overridden by central government inspectors." Ibid p6

[8] The six shared priorities of the SCS are:
- tackling disadvantage and promoting equality of opportunity
- developing strong inclusive communities
- ensuring safer communities
- improving health and wellbeing
- developing a prosperous economy and enterprising community
- living within environmental limits

http://www.n-somerset.gov.uk/Your+Council/Policies+plans+and+strategies/Community+Strategy/

[9] North Somerset Council, Draft Minutes of the Executive Committee, 20/07/10 (Ref EXE27)
[10] North Somerset Council, Report to the Executive Committee 20/07/10 Paper 11(2): Core Strategy.

(f) Restriction of housing development elsewhere in the district, with new development reflecting community needs and aspirations.

(g) Infill development to be more sensitive in respect of density, design and environmental impact.

(h) A new locally-derived housing requirement for the district, "likely to be in the range 14,000-16,000 dwellings" to be investigated and tested. This was put forward as a preliminary suggested range, based on an understanding of potential environmental capacity.

2.7 Members further resolved that, following formal consideration of representations received and agreement of any necessary changes, the Core Strategy be taken forward.

2.8 The current study has been commissioned in the light of these issues to examine options for providing evidence based guidance as to what would be an appropriate future housing requirement for North Somerset (Stage 1 of the study). The task of Stage 2 is to produce an evidence based set of overall and affordable housing requirements for the District. This takes into account demographic and economic change, including the effects of the current worldwide economic crisis on the UK and the local economy as well as related factors such as projected increases in productivity of the area.

3.0 What needs to be addressed?

3.1 The Council is obviously faced with a problem of needing to plan in a partial policy vacuum, not helped by the lack even of a clear reference single point from the now abandoned RSS. Nevertheless, it is recommended that, as well as a thorough re-examination of the housing requirements for North Somerset in the context of the West of England area, both the Draft RSS and the Proposed Changes growth figures (or at least those in the EiP Panel Recommendations)[11] should be subjected to a rigorous critique in order to provide a watertight justification for any departures, capable of resisting challenge. The broad points that might be covered are as follows:

3.2 **Population growth and declining household size:** In recent years successive household projections from ONS and CLG have shown progressively higher projected levels of trend population and household growth for the SW in general and West of England area in particular.[12] The rise in projected household numbers reflects a continuation of the long term decline in household size due to ever increasing life expectancy, more households separating and higher inward migration both from other areas of the UK and internationally.

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[11] Tables 4.1 and 4.2 in both documents.

[12] "Household Projections to 2031: England" DCLG March 2009 http://www.communities.gov.uk/publications/corporate/statistics/2031households0309 The long term continuous decline in household size in England and Wales has been documented in Hole, WV and Poutney, MT (1971) Trends in population, housing and occupancy Rates 1861-1961 (HMSO: Building Research Station). Trends since 1971 are described by ONS in "Living in Britain, a summary of changes over time: Households" http://www.statistics.gov.uk/cci/nugget.asp?id=818 (General Household Survey 2002). Further data to 2008 is available from the General Lifestyle Survey 2008 at http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=5756&Pos=6&ColRank=2&Rank=272

Evidence suggests that, over the period to 2003-2026, about a quarter of projected increase in the number of one person households in England will be due to overall growth in the total adult population and about a fifth due to population ageing. Just over a further fifth will be due to the impact of separation or divorce and a quarter of the increase due to a continuation of past growth in the underlying preferences of people to form separate household. [13] In my view the 2006 based ONS population projections may have overestimated the long term trend in net gains from international migration reflecting booming economic conditions before the onset of the current economic crisis and this is likely to result in a slight overall reduction in future trend based projections. However, most of the factors leading to a continued decline in household size and the corresponding increase in their numbers already exist in the demographic structure of the area.

3.3 The results of these projections potentially have very severe implications for all of the West of England. The step from RPG10 levels of growth (74,000 dwellings over 20 years up to 2016) to the level set out in the draft RSS for 2006-26 (92,500 for WoE), are difficult enough to plan for. Although the draft RSS figures were based on pre 2001 Census data on household formation, the distribution for the West of England authorities was very close to the 2003 based CLG household projections.[14] Subsequent ONS/ CLG projections however have increased the levels significantly beyond this point (Tables 1a and 1b below). ONS however emphasise that their projections simply reflect recent trends[15] (which include the impact of current and previous, but not of course future, planning policies as well as a more benign economic environment than has more recently been the case).

3.4 The tendency for EiP Panels to give very considerable weight to the projections is understandable but in reality risks becoming an exercise in "predict and provide". However, there are dangers in appearing to select an arguably out of date projection because it provides a "better" answer. The problem is that in N Somerset, owing to the combination of relatively moderate rates of job growth and relatively lower house prices compared with elsewhere in the WoE, the potential demand for housing from the wider sub region is very strong. Pacing the rate of housing growth locally so as not greatly to outstrip the overall relative rate of growth across the WoE is probably the only practical way of dealing with this problem in the LDF. After all people can, and will, ultimately live where they wish subject to affordability.

3.5 **The effect of economic growth:** Development growth in many parts of the UK, even in the age of the so-called post industrial economy, is very much influenced by the local economy and the rate at which employment is created. The buoyancy of the local economy is not the major determining factor for housing growth pressures in North Somerset but, rather, wider

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[13] Dave King, PHRG, East Anglia Ruskin University, Presentation to SW Strategic Planning Authorities, Exeter Sept. 2006.

[14] Although the 2003 based projections implied considerably higher total household and housing numbers for the region as a whole compared with the draft RSS levels, the RSS was based on a strategy of dealing with the past trend towards more rapid dispersal of population to the more rural, and less accessible, parts of the region and trying to achieve a better geographical balance between population and the growth of employment and services.

[15] ONS (2009) 2008-based Subnational Population Projections for England : methodology guide http://www.statistics.gov.uk/downloads/theme_population/snpp-2008/2008_based_SNPP_Methodology_Guide.pdf

pressures from the more economically buoyant parts of the West of England. In addition, roughly speaking, every three in-migrating households to the area on average creates one service job which then adds to the service economy generated by the tourism and leisure industries locally.[16] The problem is of course that many of these jobs are poorly paid and, without sufficient affordable housing close at hand, service sector employees are often unable to access adequate housing locally. This is not a unique problem and characterises much of the South West. Nevertheless, local economic growth in the West of England apart from Bristol City has been high over the past few years averaging 3.6% p.a. and 3.9% p.a. between 2000 and 2007, and between 1996 and 2007 respectively, with North Somerset lying approximately mid way between South Gloucestershire at the higher end and Bath & NE Somerset.[17] The equivalent figures for the whole of the West of England were 2.8% and 3.4%, while regionally and nationally they were 2.6% and 2.9% (SW), and 2.4% and 2.7% (UK). (See Figs 1 to 3). The picture is complicated somewhat by an apparently dramatic fall in economic growth in the W of England (measured by Gross Value Added) after 2003 and by the apparently generally less buoyant growth of Bristol's economy since 2000. These figures need to be treated with some caution however owing to the difficulty of measuring local GVA.[18]

3.6 The original economic projections for the draft RSS still remain a material consideration as part of the background evidence base for the Core Strategy and provides a starting point for the current exercise. This was the outcome of extensive work on the impact of global competition, including:

a) the then emerging future prospects of local economies across the South West;
b) its impact on rising productivity levels in a large number of economic sectors;
c) the increasing shift towards part-time working and portfolio careers;
d) the changing demographic make-up of a labour force growing as a result of high rates of net inward migration to the South West (both from elsewhere in the UK and internationally);
e) the impact of planned rises in statutory retirement age, particularly of women, and the effect of poorly performing private pension funds on the number of older people wishing to stay at work;
f) the trend towards smaller households largely through the effects of demographic ageing and increased independence in old age, but also as a consequence of a longstanding trend towards more people choosing to live separately;
g) the continued impact of migration into the region of people wishing to move for lifestyle related reasons not primarily connected with work, and the additional housing demand that that generates.

[16] Eric McVittie Experian Business Strategies, formerly Plymouth Business School, personal communication
[17] Note: this is based on relative rates of employment growth as a proxy measure:

Mean per annum % growth employee jobs 2000-08

North Somerset	Bath&NES	Bristol	S Gloucestershire	South West
1.45	0.65	0.04	3.05	1.32

[18] Gross Value Added

3.7 Of these factors, the impact of recent changes to future economic prospects on a) and b) is likely to have the most noticeable effect at the level of an individual district such as North Somerset. The remaining factors are likely to continue in the medium term at least on a similar trajectory to those experienced over the past few decades.

3.8 The issue of future growth prospects for the South West and for its sub regions has recently been the subject of work by Oxford Economics, commissioned by SWRDA and SW Councils. The results were published in June 2010[19], based on three economic scenarios looking at the period from 2011 to 2020 and beyond:

- A central case scenario centred around the Oxford Economics baseline forecast (with UK output growth averaging around 2.3% over 2011-2020, declining slightly to 2.1% pa over the following five years 2021-26).
- An upper band scenario consistent with the trend UK trend growth estimate of 2.75% a year.[20]
- A lower band scenario which will consist of a lower level of output growth, perhaps around 1% in the first 5 years and rising to 1.5% thereafter.

3.9 SW growth rates relative to the UK total have typically been around 0.2 of a percentage point higher (1996-2007) but this was reduced to only 0.1 from 2000-07. However, the above scenarios compare with a range of 2.7% - 3.2% p.a. across the South West in the draft RSS and the Proposed Changes. This equated to just over the regional average (around 2.9% - 3.3%) for the West of England as a whole. To provide a past planning perspective on these new scenario assumptions, the new central case scenario is therefore considerably lower than the RSS target and, in fact, is significantly lower than the assumption of 2.4% p.a. used in RPG10.

3.10 **Development capacity: Proposed d**evelopment levels need to be consistent with the vision for local sustainable development set out in the Vision and Priority Objectives, and the settlement strategy of the draft Core Strategy[21] and the accompanying sustainability appraisal. Other key source documents include North Somerset Strategic Housing Land Availability Assessment[22] (SHLAA) and Residential Land Survey (RLS).[23] The SHLAA concluded in 2008 that enough sites and potential sources could be identified to provide around 25,454 dwellings up to 2026. This was heavily dependent on the findings from the delivery and master planning work taking place on the urban extensions then set out in the Proposed Changes to the RSS.

3.11 Removing the former proposal for a south west Bristol urban extension now rejected by the Council, this results in a total potential of 16,454 additional dwellings for the period 1st April 2008 to 31st March 2026. A total of 2,606 net additional dwellings were completed in north Somerset during the period April 2006, the base year for the consultation draft Core

[19] Oxford Economics "South West Growth Scenarios: Final Report" June 2010
[20] Oxford Economics 20th April 2010 http://www.oxfordeconomics.com/free/pdfs/ukmfeat1_0410.pdf
[21] See paras 2.5-2.6 above, also North Somerset Core Strategy Consultation Draft, Chapter 2
[22] December 2008
[23] April 2010

Strategy, up to the end of March 2008, giving a SHLAA based potential of 19,060.[24] An updated SHLAA exercise is currently in progress and is expected to be available during autumn 2010. This will be able to allow more effectively for the impact of the economic recession on prospects for development and also for the impact of changes of Government policy such as the relaxing of average density requirements for new housing in the revised PPS3.[25]

3.12 The April 2010 RLS showed that at that time capacity existed on allocated sites and sites with planning permission of 3,040 net additional dwellings, with an additional 100 units of the first phase of Locking Parklands development approved and a further 900 under consideration by the Council.[26] To this, in future years could be added an estimated annual average of 217 dwellings per annum on small sites (sites with a capacity of fewer than 10 dwellings) with other unidentified urban "windfall" sites providing a further 40 per annum.[27] Together with a total of 4,313 net completions recorded between 1st April 2006 and 31st March 2010, and assuming that the small sites annual estimate is achieved,[28] this leaves a total of around 12,200 dwellings for the period 2006-26 based on the more restricted assumptions of the RLS which excludes development additional to that set out in the North Somerset Replacement Local Plan [29](apart from the SW Bristol extension of course) in the consultation draft Core Strategy.[30]

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[24] N Somerset SHLAA 2008 pp9 and 29

[25] PPS3 Housing June 2010, pp16-17. It should be noted however that the national target of 60% of new development being on previously developed ("brownfield") land was retained (ibid. P15).

[26] North Somerset RLS April 2010, p 14.

[27] Ibid, p5. It should be noted that latest Government policy might well reduce this capacity for windfall development following the removal of residential area gardens from the definition of "brownfield" land in the reissued PPS3 Housing. On 9/6/10, the Minister for Decentralisation emphasised that this would allow councils to address the issue of "garden grabbing". See http://www.communities.gov.uk/statements/corporate/pps3statement

[28] The combined annual delivery of 257 dwellings (net) on windfall and other small sites has been calculated as 3,855 dw total for the period 2011-26, it being assumed that the bulk of these dwellings to be delivered in 2010 will already have planning permission and will therefore have been counted directly in the RLS.

[29] Covering the period 1996-2011.

[30] It was noted in the RLS p5 that current rates of small site and windfall completions coming forward in rural areas may be reduced in future years due to the impact of the still relatively recent North Somerset Replacement Local Plan Policy H/7 which seeks to limit the amount of unsustainable residential development coming forward outside of the four main towns. Against this, Government proposals in the forthcoming Localism Bill such as a "community right to build" could bring other sites forward in rural area by local housing trusts (The Conservative Party "Open Source Planning: Policy Green Paper No. 14" (Feb 2010), p12).

West of England: 2003, 2004, 2006 and 2008 Based ONS Projections[31]

Table 1a Population

	Population Change2006-26 (Share of West of England Partnership total)							
	ONS 2003		ONS 2004 Revised		ONS 2006		ONS 2008	
	2006 Projected	Change 2006-26	2006 Projected	Change 2006-26	2006 Projection Base estimate	Change 2006-26	2006 Revised Estimate	Change 2006-26
B&NES	173,400 (17.1%)	14100 (12.4%)	175,700 (17.0%)	20,900 (12.6%)	175,600 (16.9%)	30,800 (11.9%)	173,100 (16.6%)	27,100 (9.5%)
Bristol	393,700 (38.7%)	29,500 (25.9%)	404,200 (39.0%)	53,800 (32.4%)	410,500 (39.4%)	109,300 (42.2%)	413,600 (39.6%)	134,500 (47.1%)
N. Somerset	196,500 (19.3%)	33,200 (29.2%)	200,500 (19.3%)	45,600 (27.4%)	201,400 (19.3%)	65,000 (25.1%)	200,800 (19.2%)	67,600 (23.7%)
S. Glouc	252,900 (24.9%)	36,800 (32.4%)	255,800 (24.7%)	45,700 (27.5%)	254,400 (24.4%)	53,700 (20.8%)	257,500 (24.6%)	56,100 (19.7%)
WoE	**1,016,500**	**113,600**	**1,036,300**	**166,000**	**1,041,900**	**258,800**	**1,045,000**	**285,300**

TABLE 1b Households

	Households: Baseline (actual levels) 2006	Household Change 2006-26 (share of change)			
		CLG 2003	CLG 2004 Revised	CLG 2006	CLG 2008
B&NES	74,000 (16.7%)	13,000 (13.9%)	17,000 (14.2%)	19,000 (12.6%)	*(data not available: expected Oct/ Nov 2010)*
Bristol	175,000 (39.6%)	29,000 (31.2%)	42,000 (35.0%)	63,000 (41.7%)	
N. Somerset	87,000 (19.7%)	24,000 (25.8%)	29,000 (24.2%)	36,000 (23.8%)	
S. Glouc	106,000 (24.0%)	27,000 (29.0%)	32,000 (26.7%)	33,000 (21.9%)	
WoE	**442,000**	**93,000**	**120,000**	**151,000**	
Mendip	*45000*		*11000*		
W.Wilts	*52000*		*18000*		
WoE HMA	***539000***		***149000***		

[31] It should be noted that projected that population growth is often little higher than accompanying household growth. In B&NES for example, the ONS 2003 based projections of 14,100 extra people is accompanied by a growth of 13,000 households. The reason lies in the difference between the impact of household size change which applies across the entire local population, and the contribution made towards migration by increasing the housing stock at the margin through new build. The relationship is further complicated of course by the fact that declining household size also affects migrants. Also note the very significant increase in the level of growth between the 2003 based and (Revised) 2004 based ONS projections due largely to changes in net migration assumptions.

Fig 1 Recent economic growth trends (a)

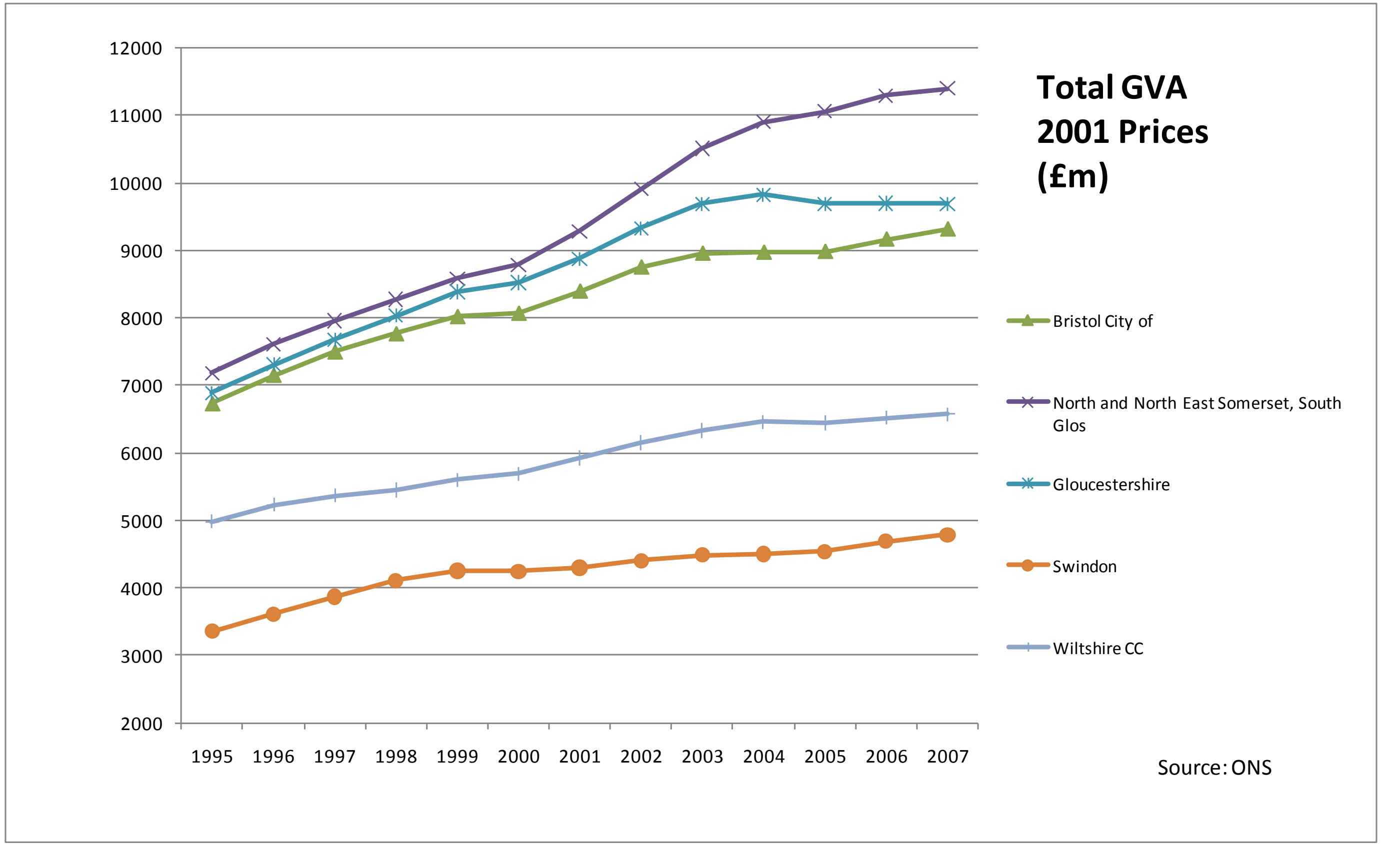


Fig 2 Recent economic growth trends (b)

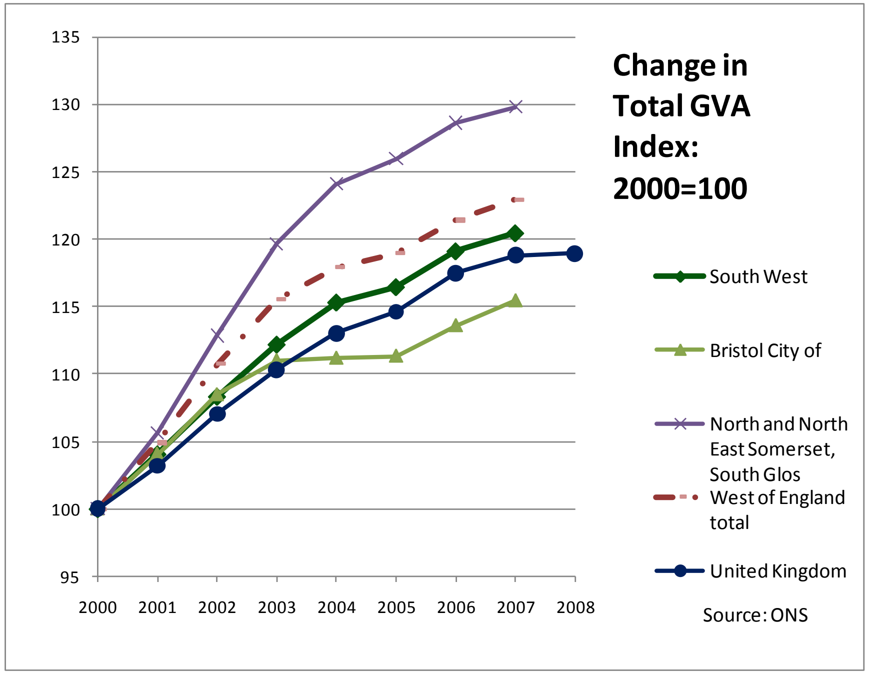
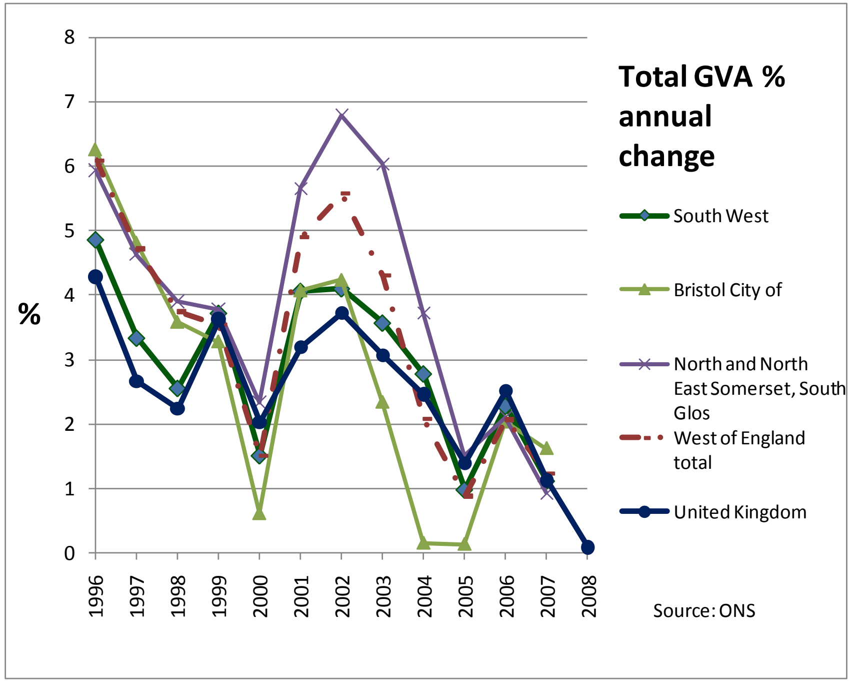


Fig 3 Recent economic growth trends (c)



4.0 Principles for setting an appropriate level for growth

4.1 Following from the issues set out above, it is clear that it is the capacity of the local housing stock that provides, however crudely, the key constraint on local population (but not necessarily *economic*) growth. This is owing to the large potential pool of migrants, not tied to any single location of work, who could potentially choose to move to the area attracted by its environment. This is one of the key challenges facing areas such as N Somerset and its surrounds, where historically the growth of the local economy has lagged behind population and housing demand .

4.2 The consequences of under-provision of housing are rapidly increasing house prices, insufficient affordable housing, increased inward commuting as local employees are forced out of the area to where housing is more available (and thereby increasing pressures on other areas), increasing skills shortages as potential employees move away, rising levels of homelessness and inadequately housed or overcrowded households, greater social inequality and exclusion leading to demographically and socially less well balanced or unsustainable communities. Continued under provision will prolong these trends and increase their severity. Dealing with this situation is central to the strategy.

4.3 Conversely, the problems of over-provision of housing (i.e. too rapid an increase) in housing supply include the danger of development coming forward too rapidly in less sustainable places (e.g. dispersed, more rural / dormitory settlement locations which all have local requirements) and, through competition effects, diverting development resources (e.g. infrastructure investment) from more sustainable but more difficult to develop places (e.g. inner urban brownfield land). This would result in what were largely intended to meet local growth needs being taken up by a higher proportion of inward migrants and commuters to other areas, and resulting in a perpetuation of the dispersed, car dependent settlement growth patterns. Over-provision in general would also place additional strain on existing infrastructure and could lead to investment in new capacity before it is required, representing a waste of scarce resources.

4.4 The need is to steer a middle path between limiting the provision of new housing strictly to a level required to just to house employees in new jobs projected in the local economy on the one hand, and simply just following some notion of market demand on the other. In the first approach, many potential employees would not be able to compete in the housing market with others not economically active locally, leading to chronic under-provision. Whereas in the latter case, any reduction in economic growth prospects in an area would simply see the “slack” created by fewer employees being taken up by large numbers of non economically active migrants.

4.5 The proposed solution is involves using trends in the historic trend relationship between active and non active occupiers of new additional housing and then raising or lowering the total in proportion to the requirements of the economically active element. A fall of x% in future employment prospects would therefore see a matching reduction in provision for non active migrants to the area. In this way, non active migrants in theory would be no worse off in terms of housing opportunities than previously (ie compared with the pre recession trend), but on the other hand they would not gain from a reduction in "competition" from the economically active due to lower post recession rates of local job growth.[32] The method of setting the level of growth needs to follow the requirements for sustainable development but, at the same time, is realistic about the way the housing market operates in the real world. The solution it is suggested that the following principles be applied in addition to the formal Core Strategy vision and objectives in order to resolve the difficulty of defining an appropriate housing growth figure in a situation in where there is no effective local economic/ employment based limiting condition on inward migration and housing demand:

a) Help ensure a healthy economy by closely linking housing growth to employment (employment led growth).

b) Provide sufficient housing to meet needs arising locally through the delivery of mixed and balanced communities. This should allow for a stretching, but achievable, target for affordable housing provision and an adequate allowance for dealing with any current backlog of unmet need identified in the Council's Strategic Housing Market Assessment (SHMA).

c) Accept that the operation of market forces permits movement and freedom of choice for those with the financial means to exercise it; non economically active migrants will choose to move into the District and the pressures that this creates need to be recognised.

d) Finally, identify and test identify alternative general total levels of housing and ascertain which options can be built within acceptable environmental limits following a critical assessment of environmental, infrastructure delivery and transport capacity, constraints and opportunities for mitigation. This requirement must be met from a subsequent exercise which takes on board the results of the SHLAA and SA/SEA.

4.6 **Potential options scenarios for testing are:**

A. Housing growth meets alternative projected local economic growth levels (high and central national economic growth projection based[33]).
B. As for A, Housing growth meets projected local economic growth levels (high and central growth national projection based), plus allowance for pre-existing housing backlog identified in the West of England SHMA.
C. Housing growth meets recent trend population (migration) growth requirements (ONS sub national projection based).
D. Housing growth meets all SHMA affordable housing requirements by 2026 as required for evaluation by PPS3.

4.7 A key element of the testing will be the degree to which delivery can be maintained in a sustainable way. This will need to take full account of the Council's position on the integrity of

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[32] Or conversely have fewer dwellings notionally available to them if local job growth were to accelerate.
[33] See national growth scenario assumptions in para.3.6 above. Within these national scenarios, the likely impact of high, average and low rates of local growth relative to the national position will also be examined.

the Greenbelt and will therefore represent a significant departure from earlier work, notably the draft RSS. In terms of probable outcomes at this stage, A and B are most likely to provide alternative options for future required development. They will be significantly lower than those originally proposed in the RSS reflecting poorer national economic prospects as well as priorities regarding the Greenbelt.

4.8 Option C will be close to historic rates of high growth for the area and broadly represents continuation of past policies but under pre recession levels of national economic growth. It will in this context of course represent an extreme high growth scenario but will provide a useful updated benchmark against past policies. The consequences of C (less allowance for vacant stock, second homes etc) can be seen in Table 1 (cells shaded blue). In connection with Option D, consideration of evidence provided by a relevant Strategic Housing Market Assessment (SHMA) is a requirement of current national policy guidance.[34] All indications suggest, however, that in order to fund sufficient affordable housing improbably high levels of housing delivery would need to be maintained. This assertion will of course need to be objectively tested (Section 9 below). In terms of the method used to estimate the requirements, it is highly recommended that key assumptions and outputs such as the relationship between demographic change and economic growth should be readily understandable, and therefore open to public scrutiny and discussion. The unavoidably complex technical elements of the process were then able to be confined strictly within the demographic and economic “black box” models.

4.10 The key point is that there is no single “right” answer to the question as to what is an appropriate level of housing growth in an individual community. Attempts have been made at the national and regional levels based on simple household growth projections and, latterly, supplementing these with economic modelling aimed at reducing, or at least stabilising house prices whose growth has been propelled over the last fifty years by an excess of demand over supply. The problem is that housing is both a basic human necessity and, for many people, at the same time the ultimate consumer good. The task of trying to meet both types of demand effectively in a unified market place is extremely difficult. Ideally, all people who cannot compete in the market place for one reason or another would have reasonable aspirations as well as their basic needs met through the social sector. The problem with this of course is that people’s needs and ability to pay the market rate for housing change over time, as do their aspirations. Alongside this sits a finite capacity for the public purse to accommodate needs that cannot be met by the market.

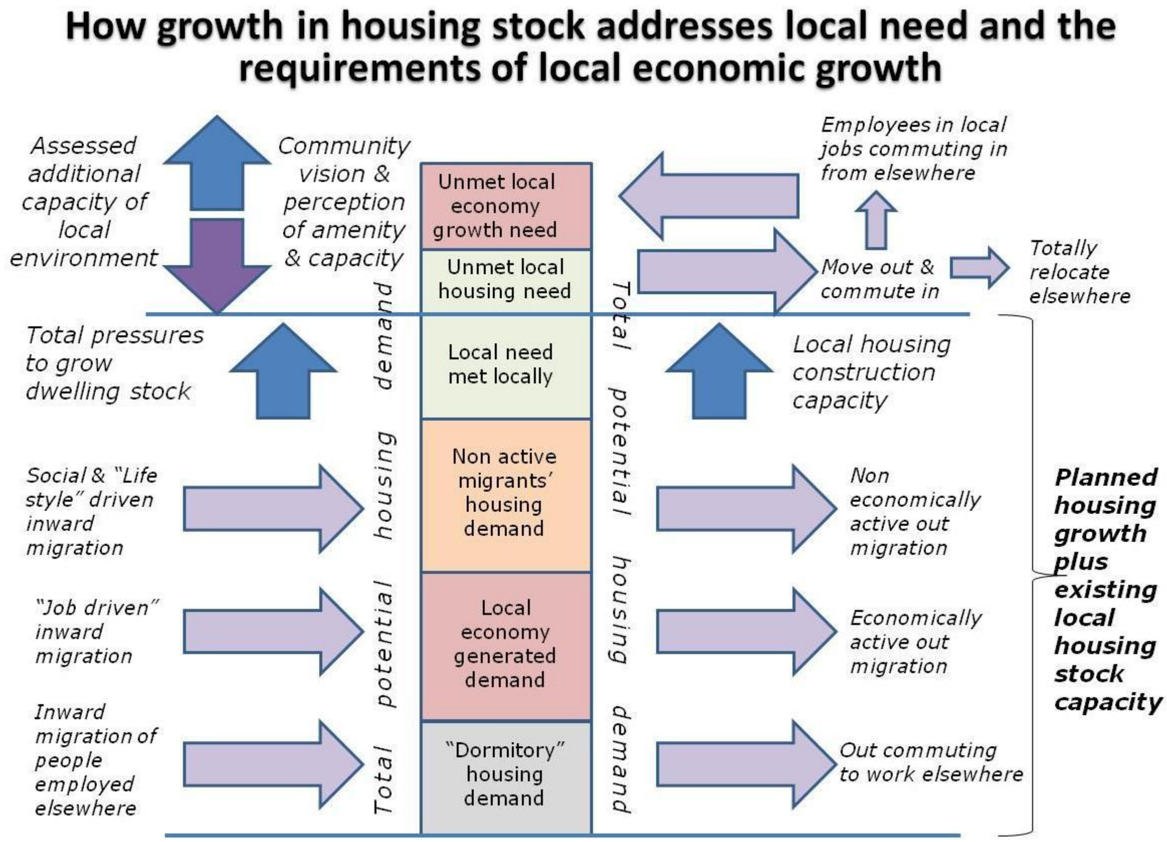
4.11 The solution unavoidably lies in achieving the best balance between the many constraints and requirements, including those set out above in paragraphs 2.5-6 and 4.4 through open consultation and debate. The reality is that, any shortfalls in provision not only have an impact on significant sections of the area, its local population and to some extent its economy, but they also increase the pressures felt by surrounding local authorities. Between local authorities this is a highly exportable problem, often leading to housing stress or excessive commuting to access jobs and services outside the immediate area.

4.12 The dynamic relationships between the various elements of the local housing market are shown in Fig 4. The final planned capacity of the District’s market and affordable housing stock is depicted as the area of the central coloured column between the two horizontal blue lines in the

[34] PPS3 Housing, see paras 11, 22, 33 and Annex C.

diagram. This capacity is arrived at in policy terms by the outcome of any potential tensions between community views expressed together with objective measures environmental capacity to protect the local environment (the vertical green arrow to the top left of the diagram) on the one hand, and the political and market pressures plus measures of housing need (the vertical upward pointing orange arrow) on the other. This has always been the case of course. In a "localist" approach, however, local opinion, vision and objectives receive greater weight than perhaps has previously been the case. As a result, factors such as the external pressures that help to determine the growth of local market and affordable housing capacity and degree of environmental protection, whilst still very potent, are less automatically dominant than before. The externally generated pressures can still make themselves felt on local opinion eventually, for example through market mechanisms such as increased house price inflation and homelessness, or through adverse environmental consequences. The role of the planning process is to anticipate these consequences using clear, objective evidence and ensure that this is considered fully in public consultation.

Fig 4



4.13 The remainder of this paper deals the setting of an overall planning total for housing in North Somerset up to 2026 via the principles in paragraph 4.4 set out a) to c) as listed and part of d) relating to the results of the Strategic Housing Land Availability Assessment. The remaining requirements of d) must be met from a subsequent exercise which meets requirements for

SA/SEA, and an Appropriate Assessment under the Habitat Regulations[35] including a full programme of public consultation.

5.0 Modelling the scenarios for testing

5.1 The requirement is to identify a housing provision level for each scenario in para. 4.6, and then test them to see how far each satisfies the conditions in para. 4.5. The results of this exercise as applied to North Somerset are set out later in this paper (Section 7) and the detailed calculations in Appendix 2. The stages of the process with the associated key principle a) to d) are:

5.1.1 (Principle a) Using economic growth scenarios and forecasts under a range of different conditions (including changing levels of productivity, technical change and national and international competition), identify the most likely range of the local economy's labour force requirements; basically - how many additional jobs are likely taking into account the impact of losses due to the current economic downturn and accompanying reductions in Government spending?

5.1.2 (Principle a) Identify the relationship between filling a given number of new local jobs and the working population needed locally to fill those jobs allowing for reasonable assumptions for the inevitable balance of commuting in and out of the area, realistic minimum unemployment levels[36] and changing economic activity rates/ labour force participation (the proportion of those of working age – taking account of legislation, and other factors likely to affect the numbers staying active in the workforce.

5.1.3 (Principles a, c) Project the changing housing future requirements of the labour force and non economically active due to ageing, relationship breakdown etc. There is no "right" answer to this as the active and inactive compete for housing and the balance will change over time in different economic conditions. Here this is taken as an average over the plan period taking into account forecast economic growth levels. Assumptions and available evidence about the incidence of vacant properties, second homes and losses from the housing stock (due for example to change of use or demolition) are also incorporated at this stage.

5.1.4 (Principles a, c) The approach is based on maintaining the broad balance between economically driven and non economically driven inward migration to the area which prevailed in the recent past. This is in an attempt to ensure that sufficient allowance is made for the needs of the local economy regarding the housing of people working locally, whilst recognising that an adequate allowance will need to be made for non locally economic migrants, many of whom will always tend to compete more effectively in the local housing market than many local employees. This is done by calculating an overall ratio between the key variables of jobs and houses at the end of the plan period but avoiding any distortions in the relationship that could result from attempting to crudely factor the possible impacts of the current recession into the calculation.[37] The basis for

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[35] Directive 2001/42/EC on assessment of the effects of certain plans and programmes on the environment. Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora (the 'Habitats Directive') implemented through The Conservation (Natural Habitats, &c.) (Amendment) Regulations 2007 S.I.1843

[36] Variously taken as the notional practically irreducible minimum level of unemployment (often estimated at around 3% of the workforce), this is so-called "frictional" unemployment and consists of people between jobs and the almost unemployable. To this can be added estimates of "structural" unemployment resulting from a mismatch of skills and job opportunities when the pattern of demand or production changes (eg through technology or competition). Alternative approaches have used the NAIRU (non accelerating inflation rate of unemployment) which attempts to measure the point at which any decrease in unemployment will lead to labour shortages and wage inflation. The current NAIRU is at 5% - 6% (Oxford Economics, "UK Long-term growth outlook" April 2010.

[37] This avoids basing the future relationship between jobs and houses on a situation where a drop in demand for housing from economically active migrants would be simply matched by an equivalent

this is historic trend economic projection (in this sense the demand side) and trend demographic projections (supply side) for the wider labour market area (here approximated to by the WoE Partnership area) and allowing within the projections for the factors set out in 4.6.1-3, As shown in Appendix 2 for the West of England area this ratio is estimated at 1.33 new houses for every new job.[38] In addition, an average balance of non active net migrants from the historic trend projections is inferred to round up the new homes / jobs ratio to 1.33.

5.1.5 (Principle c) The next step is to generate realistic economic growth and employment projections or forecasts for the area concerned. The details of the scenarios used in the Stage 2 project are described in Section 6 and comparative testing against alternative projections in Section 7. Using the latest forecast/ scenarios of job growth in the local authority area concerned (here North Somerset), multiply the total number of additional jobs in the area by the homes / jobs ratio to obtain the appropriate housing levels likely to be sufficient to allow the local economy to grow at a rate unconstrained by local labour shortages or, alternatively, without generating proportionately higher levels of commuting into the area than has historically been the case.[39] This is to provide a reasonable allowance for people to make commuting choices in a complex urban environment with a huge range of work and residential options available, based on current behaviour. The current study uses two variations on this method to arrive at the final housing numbers for North Somerset:

- ❖ The first involves a direct application of the new homes / jobs ratio to the employment projections for businesses within North Somerset itself.

- ❖ The second approach takes the whole WoE Partnership area as a proxy for the larger effective labour market in which North Somerset is located[40] and the total dwelling requirement for the WoE is calculated by applying the new homes / jobs ratio to the projected additional WoE jobs. The next step is based on the principle that the integrated nature of the WoE economy, with its very wide range of locations for people's choice of homes relative to where they work, generating intense patterns of cross commuting between the four local authorities. The North Somerset total additional housing requirement is then obtained by applying its percentage share of overall trend housing growth in the WoE (here using the latest available CLG sub national household projections (2006 based) and for comparison the later ONS sub national population projections (2008 based).[41]

In this exercise, the second approach is used to evaluate the results of the first, directly projected North Somerset jobs growth, method.

5.1.6 (Principle b) From the household projections calculate the additional housing need arising new household being formed from within the existing local population. Estimate the proportion of these people likely to require affordable (supported tenure) housing using incomes data etc or evidence provided through a SHMA[42] and apply to the future housing total in para 4.6.5. If the locally generated additional need over the plan period is large relative to the housing total in para 4.6.5 then this might require an addition to the overall total.

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increase in take up of housing by the non economically active. The aim is to avoid limiting the needs of the economy on the one hand without stoking up purely housing-led inward migration on the other.

[38] It should be noted that in reality, across the WoE area as a whole, there will be a large number of multiple earner households meaning that there will actually be rather more new jobs than economically active new households, i.e it will not be a simple one to one relationship. This does not invalidate the new homes / jobs ratio of 1.33 as these relationships are still contained within that value.

[39] In theory it might be possible to reduce inward commuting by providing additional houses but the complexities of the market place are too great for this to happen so easily without much more sophisticated forms of intervention, eg fiscal measures such as carbon or road pricing, which are currently politically or practically beyond the reach of local authorities.

[40] The West of England Partnership area, comprising the four unitary local authorities, is used as a the best fit to the ONS NUTS3 level data unit for regional accounts data and a good approximation to the main labour market area.

5.1.7 (Principle b) Identify the size of the existing backlog of unmet need either from the SHMA or, if this is not available or sufficiently up to date, using housing waiting list totals (allowing for elements of double counting etc) and homelessness trend data. Assess whether the overall housing total is sufficient in itself to accommodate the backlog, or whether some or all of it needs to be added to the overall housing total calculated as in para 5.1.5 to arrive at a final overall total.

6.0 Updating economic projections and testing the scenarios

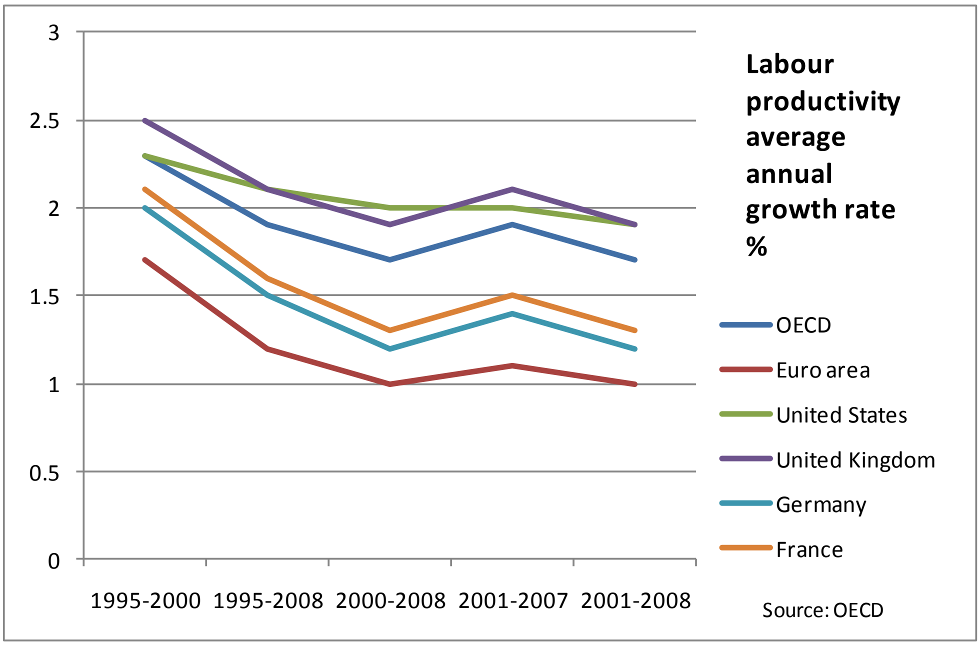
6.1 Economic forecasts and projections are inevitably an educated "shot in the dark".[43] A key element in applying the economic projections in this exercise is therefore to compare assumptions and outputs from alternative sources. The approach in this study however augments this with a wider look at prospects for the area covered by the four West of England Partnership authorities, as their level of economic interconnectedness and opportunities for cross commuting means that the housing requirement for North Somerset needs to take this into account. At the same time comparison is made with the results of the recent work on future economic scenarios for the South West carried out by Oxford Economics on behalf of SWRDA and SW Councils.[44]

6.2 The economic projections are based as far as possible on the latest edition of "Economic Outlook: UK long-term growth outlook". [45] The basic assumptions behind the central Oxford UK growth forecast are then used as the key reference point for developing the scenarios and applied to the original SW trend growth detailed Cambridge Econometrics model outputs originally produced to inform the Draft RSS (dRSS) for the South West.[46] These date from late 2006 (for SW housing market areas) and from early 2008 (local authorities) using the 2004 based ONS sub national population projections as the population component at regional level.[47] The basic relationships between key variables within the Cambridge Econometric Local Economy Forecasting Model, for example assumptions about key trends in productivity, have been retained. Although increases in productivity are still, along with population growth and capital investment, the most important factor behind economic growth in the South West, it has been in gradual long term decline in common with the rate of productivity improvement in other advanced economies (Fig 6). This is due to factors such as labour force ageing and diminishing returns on productivity investments in areas of mature technology. Broadly speaking, at lower rates of growth, most improvement tends to be absorbed by productivity change leaving little or no room for job growth.

Fig 6

[41] The CLG household projections based on the mid 2008 population projections are not expected to be published until October/ November 2010.
[42] Strategic Housing Market Assessment.
[43] Summed up by Henri Theil, "Models are to be used, not believed." Principles of Econometrics, 1971

[44] Oxford Economics "South West Growth Scenarios: Final Report" June 2010
[45] Oxford Economics 20th April 2010 (http://www.oxfordeconomics.com/free/pdfs/ukmfeat1_0410.pdf)
[46] South West Regional Assembly (2006) "The draft Regional Spatial Strategy for the South West"
[47] Produced in 2006, this was subsequently amended by ONS in 2008 owing to inconsistencies at local authority level and it is this latter projection that has been used within this Study.



6.3 Table 2 shows the relative importance of productivity growth to overall economic growth potential (ie the overall output capacity[48]) in the UK over recent decades. This shows that output productivity contributed by far the major share of growth counteracted only in additional employment creating potential by the reduction in average working hours, and increased levels of population and increased active participation in the workforce.

Table 2 Historical contributions to UK potential output growth (% per annum)

	1986 Q2 – 1997 H1	1997 H1 – 2006 H2	Change
Trend output per hour worked	2.0	2.3	+0.3
Trend in average hours worked	-0.2	-0.4	-0.2
Trend employment rate	0.4	0.4	0
Population growth	0.2	0.6	+0.4
Total Potential Output	**2.5**	**2.9**	**+0.4**

Source: Oxford Economics, 2010

6.4 The three main economic projection scenarios used for the West of England Partnership area and their key assumptions at UK level are set out in Tables 3a and 3b. An additional projection scenario to those used in the Oxford Economics exercise, the Pre Recession Trend scenario, was also produced to illustrate both the key assumptions underlying the dRSS figures. Here the UK shows steady growth at 2.75% pa for every year after 2006, the equivalent of approximately 2.9% pa for the SW and 3.1% for the combined four West of England unitary authorities.

[48] Note that capacity is not necessarily fully utilised, for example during a recession capacity is likely to fall but, initially, at a slower rate than actual output owing to many firms' tendency to retain labour, plant, machinery etc as far as possible in readiness for a subsequent improvement in demand.

Table 3a: Economic Growth Scenarios for the UK – key assumptions

(GVA growth % per annum)

Projection Scenario	1997-2006	2007 & 2009	2010	2011-20	2021-26	2007-26 annual average
Central	**2.7**	**-2.3**	**1.0**	**2.3**	**2.1**	**1.5**
High Growth	**2.7**	**-2.3**	**1.0**	**2.7**	**2.7**	**1.9**
Low Growth	**2.7**	**-2.3**	**1.0**	**1.5**	**1.3**	**0.9**
Pre recession trend	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**

Table 3b: Economic Growth Scenarios for the South West Region & West of England Partnership area – key assumptions (GVA growth % per annum)

Projection Scenario	1997-2006		2007-09		2010		2011-20		2021-26		Annual average 2006-26	
	SW	**WoE**	**SW**	**WoE**	**SW**	**WoE**	**SW**	**WoE**	**SW**	**WoE**	**SW**	**WoE**
Central	2.9	3.4	-4.5	-2.1	1.1	1.4	2.4	2.7	2.2	2.5	1.6	1.8
High Growth	2.9	3.4	-4.5	-2.1	1.1	1.4	2.9	3.1	2.9	3.1	1.9	2.1
Low Growth	2.9	3.4	-4.5	-2.1	1.1	1.4	1.6	1.9	1.4	1.7	1.0	1.2
Pre recession trend	2.9	3.4	2.9	3.1	2.9	3.1	2.9	3.1	2.9	3.1	2.9	3.1

6.6 The results of the projections in terms of jobs created are set out in the right hand column of Tables 4a and 4b. The results of the varying Stage 2 study assumptions on job growth can be seen in Figures 6 and 7a. These show that the decline in economic output during 2008-09 will have a lasting impact on both the region's overall growth curve and that of the West of England. Fig 7b demonstrates the detailed impact of negative annual GVA growth on employment levels across the West of England Partnership Area during the recession. In general terms, even the "high" growth rate scenario, which after 2011 is the closest projection in GVA growth rate term to the pre recession trend, lags around five years behind it in terms of job growth levels. This indicates a drop in total expected growth 2006-26 of approximately a quarter compared with the pre recession assumptions.

TABLE 4a SW and West of England Partnership area: Projected Employment (thousands)

Projected figures in *italics*

	1981	1991	2001	2006	2011	2016	2021	2026	Total Change 2006-26
South West (Central Projection)	2001.9	2346.3	2489.5	2613.3	***2611.0***	***2685.1***	***2760.0***	***2831.7***	***218.4***
South West (Higher Growth)	2001.9	2346.3	2489.5	2613.3	***2613.7***	***2701.9***	***2793.0***	***2887.2***	***273.9***
South West (Lower Growth)	2001.9	2346.3	2489.5	2613.3	***2606.1***	***2655.4***	***2704.3***	***2749.0***	***135.7***
South West (pre recession trend)	2001.9	2346.3	2489.5	2613.3	***2701.5***	***2792.6***	***2886.8***	***2984.2***	***370.9***
West of England (Central Projection)	470.1	554.1	586.6	627.2	***626.6***	***644.9***	***663.3***	***681.0***	***53.8***
West of England (Higher Growth)	470.1	554.1	586.6	627.2	***627.3***	***649.0***	***671.5***	***694.7***	***67.5***
West of England (Lower Growth)	470.1	554.1	586.6	627.2	***625.4***	***637.6***	***649.6***	***660.6***	***33.4***
West of England (pre recession trend)	470.1	554.1	586.6	627.2	***648.9***	***671.4***	***694.6***	***718.7***	***91.5***

TABLE 4b Recession adjusted 2008 dRSS based projections: North Somerset Projected Employment (thousands)

Projected figures in *italics*

	1981	1991	2001	2006	2011	2016	Jobs ('000) 2021	2026	Employment change 2006-26	
Central Projection	56.9	68.3	80.5	84.7	***84.9***	***87.4***	***89.8***	***92.1***	***7.4***	***8.7%***
Higher Trend Growth				84.7	***84.9***	***87.9***	***90.8***	***93.8***	***9.1***	***10.8%***
Lower Trend Growth				84.7	***84.9***	***86.6***	***88.2***	***89.5***	***4.8***	***5.7%***
Pre-Recession Trend				84.7	***88.7***	***92.0***	***94.7***	***97.6***	***12.9***	***15.2%***

Fig 6 SW Economy Total Jobs 2006-2026

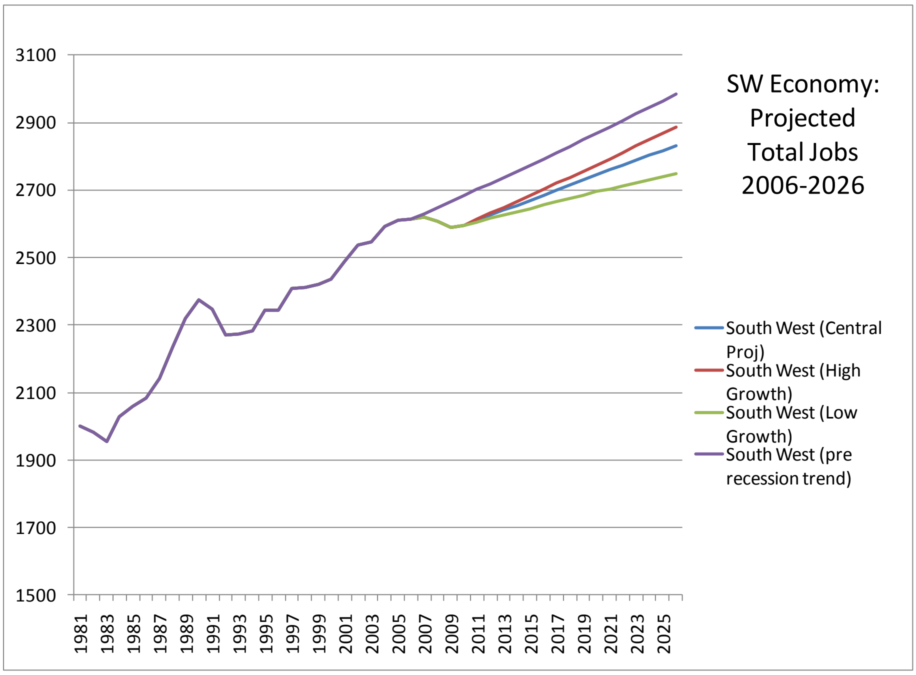


Fig 7a West of England Partnership Area Economy Total Jobs 2006-2026

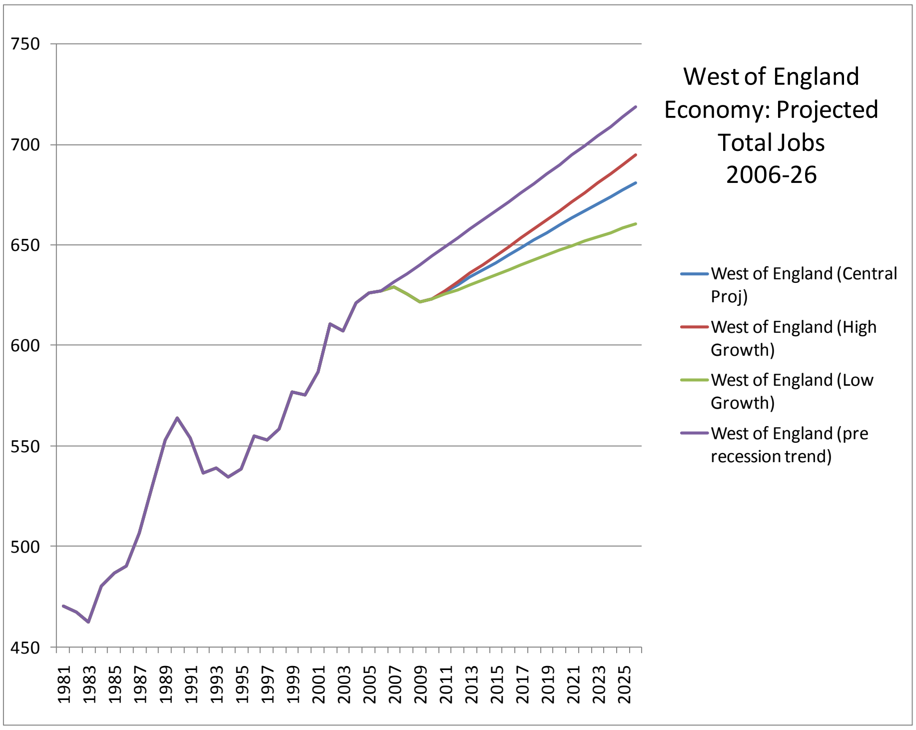


Fig 7b West of England Partnership area recession impacts 2007-2010/16

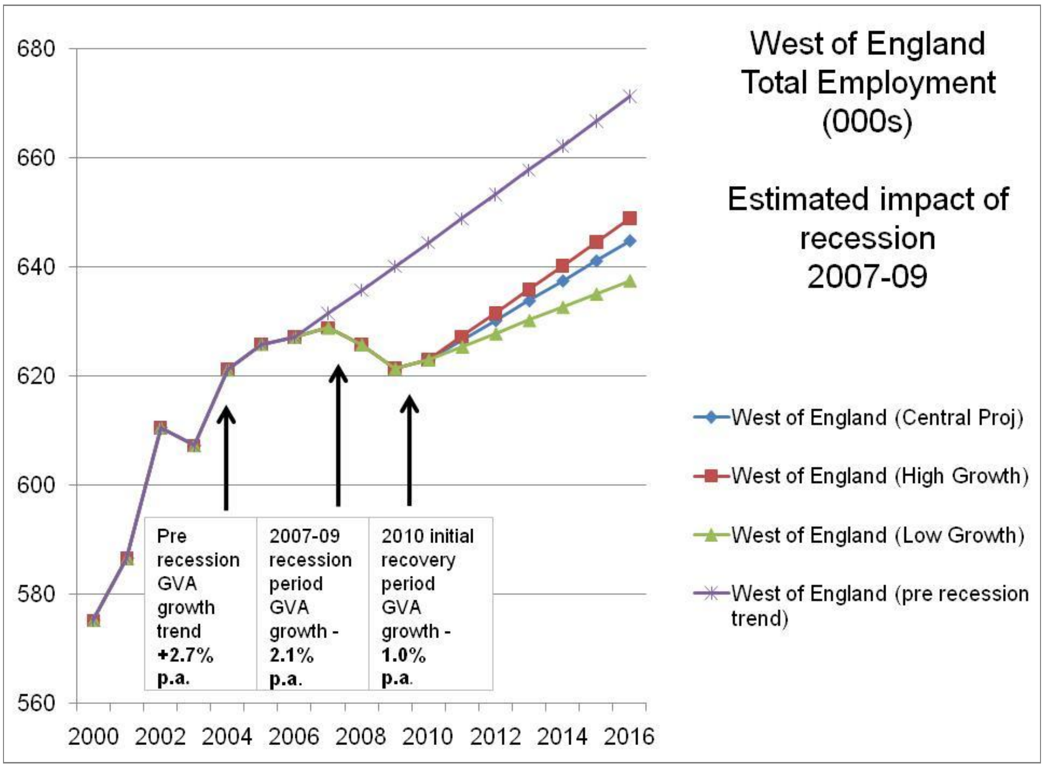
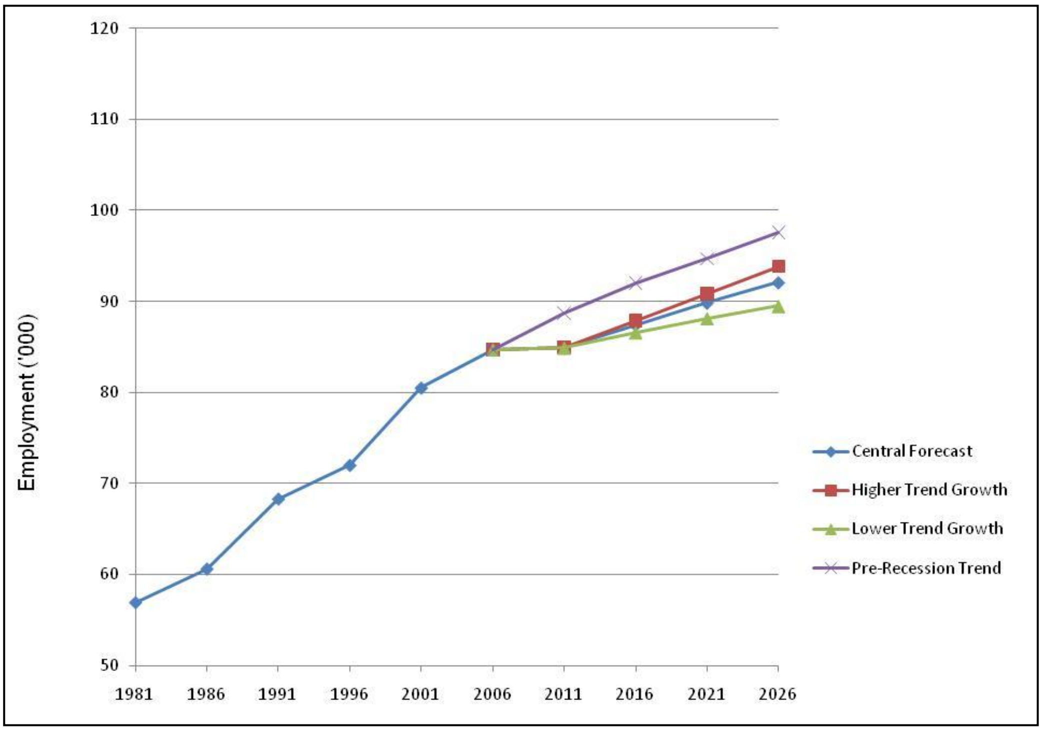


Fig 8 Recession adjusted 2008 dRSS based projections: North Somerset



7.0 Assessing assumptions and outputs against other recent economic forecasts

7.1 The Office for Budget Responsibility's Budget Forecast for the UK was published with the Chancellor's Budget Statement on 22nd June. GDP is now forecast to rise by 1.2% and 2.3% respectively in 2010 and 2011. From 2012 growth recovers peaking at 2.9% in 2013 before settling back to 2.7% in 2014 and 2015, a level closer to but not quite at the point where the economy's "output gap" is removed.[49] These figures are close to the assumptions used in the Stage 2 High Growth Scenario set out in para 3.8.

7.2 The Oxford Economics growth scenarios study was published on 21st June.[50] Whilst the main report is concerned with growth across very broad sub regions of the South West, output data at local authority level was also made available. The results of this for the SW region, the West of England Partnership area and North Somerset are shown in Table 5 and, for the latter, in Fig 8. In the Oxford document the "Central Forecast" equates to the Stage 2 Study "Central Projection", "Stronger Trend Growth" to Stage 2's "High Growth" and "Weaker Trend" to Stage 2's "Low Growth". The medium term UK GVA growth assumptions underlying these scenarios remain those set out in para 3.8. Table 6 provides a comparison between the Oxford figures and the Stage 2 report scenarios.

Table 5 Oxford Economics Scenarios for the South West: June 2010

	Total employment (jobs, 000s)							
	2006	2011	2016	2021	2026	2030	Change 2006-26	% Change 2006-26
South West								
Central Forecast	2625.5	2644.0	2798.0	2867.3	2922.4	2966.9	296.9	11.31%
Stronger Trend Growth	2625.5	2693.5	2898.9	2991.9	3067.0	3129.4	441.5	16.81%
Weaker Trend Growth	2625.5	2640.6	2774.5	2816.1	2830.8	2842.7	205.3	7.82%
West of England Partnership								
Central Forecast	574.5	578.5	617.5	634.6	648.3	659.1	73.7	12.83%
Stronger Trend Growth	574.5	590.1	641.3	664.3	683.2	698.6	108.6	18.90%
Weaker Trend Growth	574.5	578.1	612.5	623.5	628.1	631.7	53.6	9.32%
North Somerset								
Central Forecast	84.0	88.0	94.6	98.1	101.0	103.4	17.0	20.23%
Stronger Trend Growth	84.0	89.7	97.9	102.1	105.7	108.6	21.7	25.77%
Weaker Trend Growth	84.0	87.9	93.6	96.0	97.4	98.5	13.4	15.93%

[49] The output gap is expressed as the economy's actual output less trend output as a percentage of trend output (disregarding oil). (Source: OBR op cit p81). An output gap of -2% for example would indicate that output was approximately 2% below the economy's broad potential and that the economy is probably in recession. The larger the negative figure, the greater the danger of deflation. Conversely, a significant positive number indicates an increased danger of inflation as aggregate demand exceeds aggregate supply.

[50] Op cit – see http://economy.swo.org.uk/publications/simulations-projections-and-forecasts/sw-growth-scenarios/

7.3 It is immediately apparent that the Oxford figures diverge markedly from the Stage 2 study figures and also, if compared with the original RSS projections set out in Table 1. The main issues are:

- ❖ The Oxford Stronger Trend projection (2.75% pa GVA growth) produces a 2006-26 jobs growth total for West of England that is midway between the dRSS 2.8% pa and 3.2% pa scenarios (Table 1). This is in spite of Oxford's Stronger Trend growth assumption of 2.75% after the cumulative impact of job losses during the recession is taken into account. This seems optimistically high, as does the SW total growth figure of 441,500 compared with 464,000 produced by the dRSS 3.2% GVA scenario, again with continuous growth and no recession allowed for.

- ❖ The Oxford Central Forecast for North Somerset appears even more optimistic at 19,400 jobs growth compared with an already relatively high figure of 73,700 for the West of England. This implies a sharply increased share of new jobs for North Somerset compared with the rest of the Partnership area. In addition, even Oxford Economics' weaker trend scenario suggests a 14,500 increase over 20 years. On the other hand, the growth trajectories that these produce (Fig 8) are not totally out of place in the longer context of change in North Somerset's job supply back to 1991 and before. During the period 1986-2006, the District's employment base grew by 24,100 jobs, almost 40%. This compared with 137,000 jobs for the WEP area as a whole (27.9%).

7.4 There may be several reasons why growth rates at the level of a single local authority may vary considerably compared with its neighbours – in this case North Somerset compared with the WEP area. This may be due to either a greater proportion of local jobs being in the higher growing industrial sectors, to the firms in individual sectors being relatively more dynamic than the same sectors in other areas, or to a combination of both of these. Further investigation of the Oxford projections showed that they appeared to suggest surprisingly high levels of relative growth within the North Somerset sectors. As this contrasted to some degree with anecdotal evidence regarding recent local economic growth and future prospects, the projections were re-calculated using West of England average levels of growth per existing job for each of the sectors represented in North Somerset. The revised projections are given in Table 6 and a comparison between the three main sets of projections is set out in Table 7 and in Figures 8a and 8b.

Table 6 Modified Oxford Economics Scenarios: North Somerset

Total employment (jobs, 000s)

	1991	1996	2001	2006	2011	2016	2021	2026	2030	Change 2006-26	%
Central Forecast	67.9	71.8	81.2	84.0	***83.7***	***89.1***	***91.2***	***92.8***	***94.1***	***10.1***	***12.0***
Stronger Trend Growth	67.9	71.8	81.2	84.0	***85.3***	***92.2***	***95.1***	***97.4***	***99.2***	***15.2***	***18.1***
Weaker Trend Growth	67.9	71.8	81.2	84.0	***83.6***	***88.2***	***89.4***	***89.7***	***90.0***	***5.9***	***7.1***

Table 7 Comparison between dRSS based projections, Oxford Economics projections & Stage 2 Study modified projections (equivalent scenarios)

Total employment ('000 jobs)

Oxford Economics Scenario	**Recession adjusted dRSS projections**		**Oxford Economics Scenarios (June 2010)**		**Modified Oxford Economics Scenarios**	
	Change 2006-26	% Change 2006-26	Change 2006-26	% Change 2006-26	Change 2006-26	% Change 2006-26
	(000's)		(000's)		(000's)	
South West						
Central Forecast	218.4	8.36%	296.9	11.31%	296.9	11.31%
Stronger Trend Growth	273.9	10.48%	441.5	16.81%	441.5	16.81%
Weaker Trend Growth	135.7	5.21%	205.3	7.82%	205.3	7.82%
Pre-Recession Trend	370.9	13.73%	~	~	~	~
West of England Partnership						
Central Forecast	53.8	8.59%	73.7	12.83%	73.7	12.83%
Stronger Trend Growth	67.5	10.76%	108.6	18.90%	108.6	18.90%
Weaker Trend Growth	33.4	5.34%	53.6	9.32%	53.6	9.32%
Pre-Recession Trend	91.5	14.10%	~	~	~	~
North Somerset						
Central Forecast	7.4	8.7%	17.0	20.23%	10.1	12.0%
Stronger Trend Growth	9.1	10.8%	21.7	25.77%	15.2	18.1%
Weaker Trend Growth	4.8	5.7%	13.4	15.93%	5.9	7.1%
Pre-Recession Trend	12.9	15.2%	~	~	~	~

7.5 The tables show that the modified Oxford scenarios bring the projected growth for the District to 10,100 (12.0% total growth) net additional jobs for the 2006-26 period compared with 7,400 (8.7% growth) under the Recession Adjusted dRSS based projections. The Stronger Trend (or Higher Growth) scenarios show figures of 15,200 (18.1%) and 9,100 (10.8%) respectively. The key concern is which of these projections provides the best starting point for setting housing growth figures for the Core Strategy, as all are based ultimately on data produced by nationally reputable forecasting consultants – Oxford Economics and Cambridge Econometrics in the guise of the pre-recession adjusted dRSS projections. Given the thrust of the Core Strategy Consultation Draft, and the long-standing concern of the Council to deliver an employment-led strategy to deliver improved self-containment and stimulate investment and regeneration particularly in Weston-super-Mare (Consultation Draft Core Strategy Priority Objective 4, and Policy CS20), it is strongly recommended that care is taken not to limit the potential achievement of these objectives through the setting of too constraining an economic and job growth target.

7.6 **Bearing this in mind, the prudent choice would be to base employment growth on the Central Forecast from the Modified Oxford projections** set out in Tables 6 and 7. This fits reasonably well alongside past rates of job growth in the District but still taking into account the likely impact of the recent severe recession. It also avoids the very optimistic unmodified Oxford figures for the 2006-26 period while not being as restrictive as the recession adjusted dRSS figures. In conclusion, there appears to a reasonably robust case for expecting between 7,400 (adjusted dRSS) and 10,100 (modified Oxford) additional jobs in North Somerset over the 20 years with a reasonable upper bound of 15,200. The recommendation therefore is to plan for 10,000 net growth whilst applying a Plan, Monitor, Manage approach using the annual monitoring report process in case economic growth recovery is more vigorous than projected.

Fig 8a

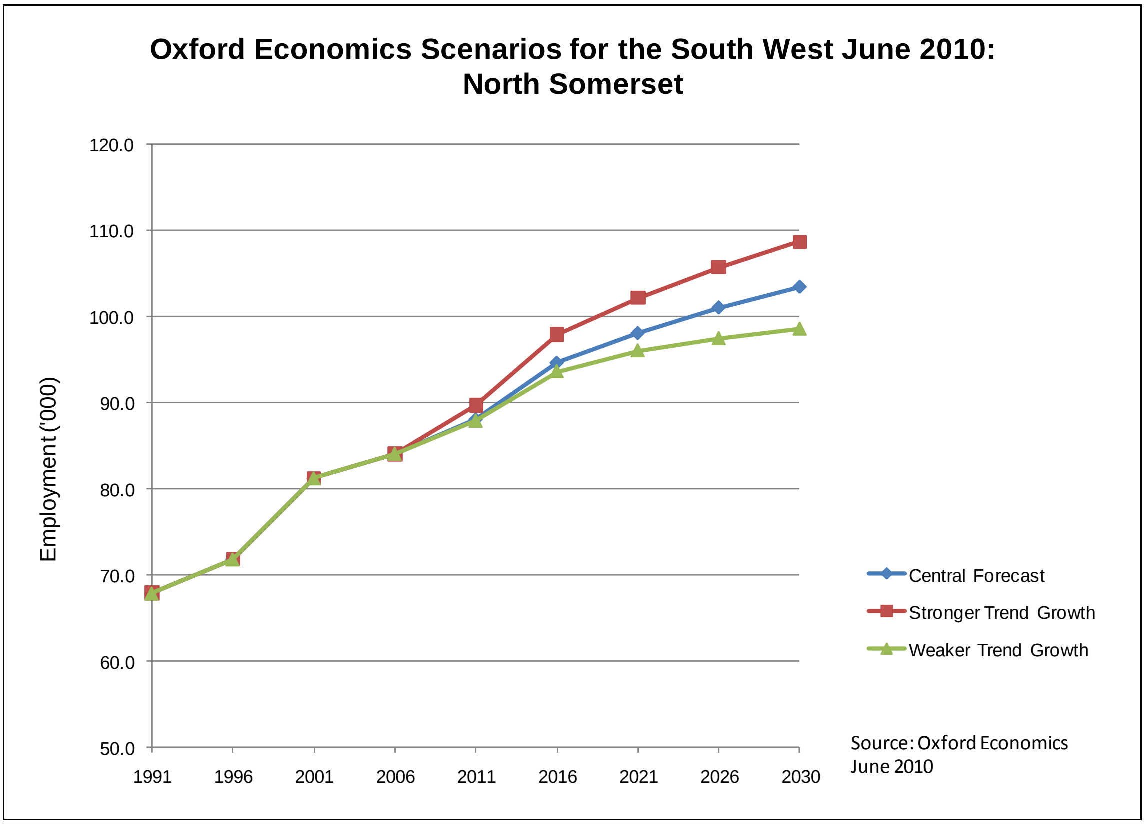
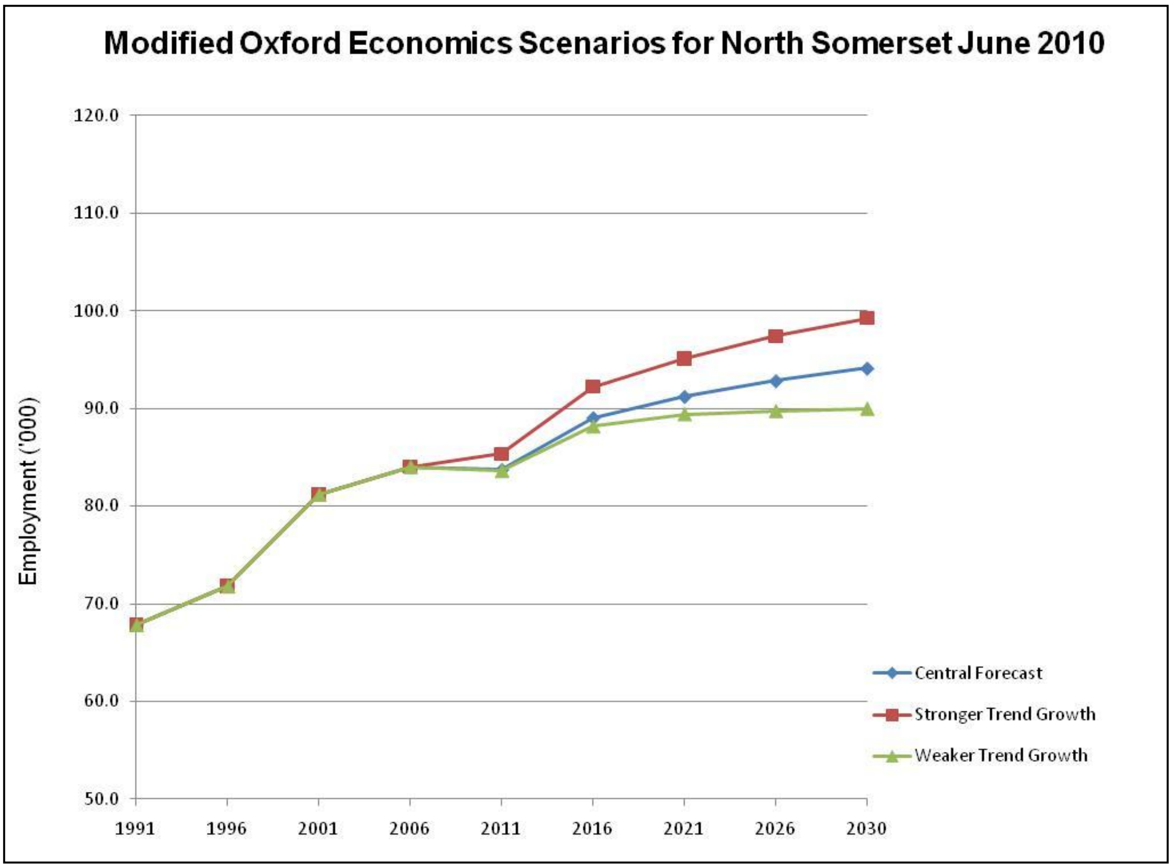


Fig 8b



8.0 Producing a revised housing requirement 2006-2026

Direct estimate method

8.1 Applying the method set out in para 5.1.1 to the employment growth projections produced from the Modified Oxford Central projection, the resulting housing requirement figures are set out in Table 8. Taking the Central Projection (identified in bold type in the table) as the most robust[51] overall estimate of total houses required to accommodate North Somerset projected economic growth the following totals are derived:

❖	North Somerset job based requirement	=	13,400 dwellings (670 dw per annum)

8.2 The calculations for this are set out in Appendix 2. This result is slightly below the indicative range of 14,000 to 16,000 dwellings suggested the the July 2010 NRC resolution (above, para 2.6). This issue is examined later. The estimated total locally generated demand for housing 2006-26 lies well within these totals at 230 net additional dwelling per annum, i.e. 4,600 over the 20 year plan period[52] (see para 5.1.6 above).

[51] I.e. most likely given the Core Strategy objectives.
[52] This is derived from the dRSS Chelmer population and household projections 2006 by applying the household formation data (the household representative rates) to the projected private household population under an assumption of zero net migration for the District throughout the period 2006-26. Under this assumption, the population ages, births and deaths are calculated, and the age/gender

Table 8 Stage 2 Scenarios: Total housing requirements 2006-26 Direct Estimate Method

Scenario	Adjusted dRSS/Modified Oxford projections Employment Change 2006-26	Employment based housing requirement 2006-26 (New homes / jobs ratio =1.33)
West of England Partnership	**dRSS Based**	**dRSS Based**
Central Projection	**53,800**	**71,600**
High Growth	67,500	89,800
Low Growth	33,400	44,400
Pre-Recession Trend	91,500	121,700
North Somerset	**Modified Oxford**	**Modified Oxford** (Direct Estimate Method)
Central Projection	**10,100**	**13,400**
High Growth	15,200	20,200
Low Growth	5,900	7,850

Whole labour market share housing requirement method

8.3 This is used here as a check to corroborate the results of the Direct Estimate method above. As set out in para. 5.1.5, this method applies the relationship between employment and housing growth across the entire WoE Partnership area (as a proxy for the labour market area) using the new homes / jobs ratioNorth Somerset's share of this total for the WoE is then calculated by applying its percentage share of WoE total household growth using policy neutral trend projections of population and household. In this case we have used both the CLG 2004-based Revised Household Projections (North Somerset relative share of total WoE household growth 2006-26 = 24.2%), and the CLG 2006-based Household Projections (North Somerset's relative share of total WoE household growth 2006-26 = 23.8%). (See Household Change section of Table 1 above for details of the CLG projections). Both projection bases are used owing to concerns that the 2006 set use high estimates of projected UK international net migration gains compared with those that are now likely post 2007. The 2008-based CLG sub national household projections are not expected until later this year.

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profiles of the inward and outward migrant streams is allowed to vary but the number of people coming into the District is assumed to cancel out the number of out-migrants each year. In reality, the local population is continually replenished by new migrants (i.e some members of last year's in-migrant households may be part of next year's local need). The average annual increase in demand for housing from newly formed households in the zero net migration projection for the first 5 year projection period (ie 2006-11) is then taken as typical of new "local demand" throughout the 20 year plan period. The relatively low figure of 4,600 projected additional houses generated from new local demand reflects North Somerset's mature age structure, where total annual deaths commonly exceed births. For example, over the period 1996 and 2006 there was an excess of 2,700 deaths in N Somerset compared with local births. In other words, 2,700 net inward migrants were required simply to maintain a static population. In the same ten year period, Bristol City Council area experienced an excess of 11,200 births over deaths, i.e. a substantial "natural increase" in the population. Source: ONS "Population and vital statistics by area of usual residence in the United Kingdom, 2007", Table 3.

8.4 The results are set out in the lower part of Table 8. For the Central Projection Scenario this shows that using the CLG Revised 2004 Projections household growth share we get:

(Figures are rounded to the nearest 100)

- North Somerset trend household share of WoE job based housing requirement = 17,300 dwellings

Using the CLG 2006 household growth projection share applied to the Central Scenario we get:

- North Somerset trend household share of WoE job based housing requirement = 17,000 dwellings

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- These figures are considerably higher than those derived from the Direct Method they cannot be said to confirm the 13,400 dwellings (670 dw per annum) arrived at in para. 8.1. However, given the past history of dormitory development in the District leading to high levels of daily commuting to other areas, particularly within the West of England, together with the determination of the Council in the draft Core Strategy specifically to address this issue, it is concluded here that the figure needs to be brought down towards the 13,400 level in order to promote more balanced development.

Table 9 Stage 2 Scenarios: Total housing requirements 2006-26 Whole Labour Market Share Housing Requirement Method

Scenario	Adjusted dRSS/Modified Oxford projections Employment Change 2006-26	Employment based housing requirement 2006-26 (New homes / jobs ratio =1.33)	
West of England Partnership	**dRSS Based**		
Central Projection	**53,800**		**71,600**
High Growth	67,500		89,800
Low Growth	33,400		44,400
Pre-Recession Trend	91,500		121,700
North Somerset	**Modified Oxford**	(Whole Labour Market Method)	
		CLG (R) 2004 Based *	CLG 2006 Based**
Central Projection	**10,100**	**17,300**	**17,000**
High Growth	15,200	21,700	21,400
Low Growth	5,900	10,800	10,600

* CLG (R) 2004 Based = 14.2% of WoE Partnership projected household growth 2006-26

** CLG 2006 Based = 12.6% of WoE Partnership projected household growth 2006-26

Affordable housing requirements

8.5 PPS3 requires that Local Development Documents should set out the likely overall proportions of households requiring market or affordable housing, and that this should be based on the

Strategic Housing Market Assessment (SHMA) and other evidence.[53] The impact on house prices of housing supply levels and access to credit is well documented,[54] as is the extent to which increasing numbers of potential house buyers have been priced out of the market over the past decade or so. The West of England SHMA, for example, found that the number of households able to buy or rent in the market where the main "reference person" was aged under 35 fell from 51% in 2002 to only 41% in 2007.[55] In addition, factors such as increased numbers of employees on short-term contracts and increased levels of unemployment and short-time working since the beginning of the current recession have highlighted the fact that many people who might normally expect to become, and remain, house buyers have become more at risk. The result is an increased number of households needing to be housed in the affordable sector (either in full social rented accommodation or in shared equity, or "intermediate", schemes).

8.6 The West of England SHMA[56] sets out evidence that combined net additional social rent plus intermediate housing requirement, over and above properties available for relet exceeds 900 dwellings a year,[57] a figure well in excess of estimated total build requirement (all tenures) of 670 units set out in para. 8.1. The concern must be, if this huge need figure really is the case, there is little chance of making sufficient inroads into the problem. The SHMA itself suggests some policy options but beyond emphasising that the evidence demonstrates high and rising levels of unmet affordable need (not news in itself of course) which is not currently being addressed effectively. The danger is that, even if the evidence is accepted, then inability to address the problem in a practical way tempts policy makers to deliver affordable housing at relatively low, arbitrary and perhaps unchallenging levels.[58]

8.7 The draft RSS attempted to address this issue in 2006 by requiring[59] 30% of dwelling completions to be affordable. The point made was made however that this was a purely practical approach to the problem following consultation debates between local authority and private and voluntary sector developers and providers based on what was, at a stretch, seen to be deliverable under broad market conditions prevailing in the years immediately up to 2007 [60] and was at times able to be exceeded. It was recognised that there is a very real danger that were requirements for developer contributions to affordable housing, and other infrastructure, development become

[53] PPS3 Housing (June 2010 edition) Para 22
[54] NHPAU "Housing requirements and the impact of recent economic and demographic change" May 2009
[55] Bramley, op cit p16
[56] Bramley, G, "West of England Strategic Housing Market Assessment June 2009: Summary", Figure 8.
[57] Ibid, p 36
[58] Recent guidance provided by the Planning Inspectorate, "Applying lessons learnt in England to the production of Local Development Plans", July 2010 para. 1.8-1.9, points out the importance of viability testing of affordable housing targets as evidence of deliverability and that the often very high total need figures provided by SHMAs on their own are not sufficient.
[59] Draft RSS for the South West, Policy H1. This was raised to 35% in the 2008 Proposed Changes document but this was not accepted by North Somerset in their consultation response as deliverable in their area. The draft RSS figure of 30%, which was at the time based on detailed debate with housing providers across the South West, is taken as a starting point here for estimating affordable housing potential. This, however, will need to be subject to local economic viability testing in the light of changing prospects for the market in housing and land both now and as we move towards the end of the plan period in 2026.
[60] Although these conditions no longer applied during the housing market slump of 2008/9 it is likely that as the market recovers and shortages come to bear again if supply is unable to match demand, that development gain will stay at a high level. The key issue is the likely limited extent to which S106 arrangements and the newly introduced Community Infrastructure Levy (CIL) will be able to make up for the planned large reductions in public expenditure announced in the June Budget. Other measures included in the Decentralisation and Localism Bill, such encouragement for community land trusts, might improve delivery.

too onerous, then this can lead to significant reductions in both market and affordable housing delivery.[61] In the case of revised housing numbers for North Somerset, a total of 13,400 net additions to the dwelling stock 2006-26 would result in approximately 4,000 of these being affordable units at 30% of total construction (200 completions p.a.) i.e. taking the average over both large and small sites (under ten dwellings potential capacity). These figures will need to be subject to viability testing (para 5.1.7) to determine whether practical delivery will be possible.

8.8 In addition, the SHMA estimated that there was a backlog of unmet housing need in North Somerset of 3,619 dw in 2007. If taken simply at face value, the current backlog would appear to require most of the twenty years of the Plan period to clear taking into account only the provision of 4,000 new build affordable dwellings. If the SHMA recommendation that an attempt to clear the backlog in 10 years is attempted[62] purely from new additions to the affordable stock, then this would raise the annual affordable housing delivery requirement to 362 units annually. This is more than the entire annual average total affordable delivery during that period and in reality the shortfall would have to be met from the 467 or so relets from existing stock expected each year.[63] However, taking relets and new build together, 667 affordable units would be available annually giving a period of just under five and a half years to clear the backlog. This is well within the SHMA ten year target to clear the backlog and in practical terms would easily meet this objective.

8.9 The target driven approach using a level of affordable housing delivery which evidence suggests is deliverable but only with significant effort. An average delivery level across the unitary authority area of around 200 units a year may be the best that can be actually delivered, at least until practical evidence on subsequent actual performance is available. It is therefore recommended that, whilst perhaps acknowledging the force of evidence set out in the SHMA for far higher levels of affordable housing completions, formidable practical barriers to delivery indicate that a target driven approach, that simply aims to maximise delivery, provides the best basis for LDF core strategy policy.

9.0 Testing the recommended housing total against further policy option scenarios

9.1 Four potential policy options scenarios were identified in para 4.6 for testing the performance of the employment growth linked projections set out in section 8. The results of these test scenarios are summarised in Table 11.

Scenario A: Housing growth meets alternative projected local economic growth levels

9.2 This scenario is essentially set out in the Central and Higher Growth Projection of Table 8 but with estimates of high, low and average local performance added (Table 10). Past employment

[61] Draft RSS for the South West,2006 para 6.1.8
[62] Bramley op cit p31
[63] Ibid. p30. The total comprises an estimated 456 units annually as relets in social rented housing and 11 from people vacating intermediate (shared ownership) tenure housing.

growth performance relative to the UK [64] and 95% confidence intervals were calculated to provide upper and lower boundaries to the projected performance of North Somerset for each of the UK scenarios.

9.3 The figure of 10,100 additional jobs 2006-26 set out in Table 8 is the best estimate for North Somerset of the impact of the Central projection being true for the average performance of the UK economy over the same period (set out in Table 3a). There are no estimates available from Oxford Economics of the probability that either end of the range represented by the Higher or the Lower Growth scenarios might be approached or exceeded. For one thing, we are now in a set of economic circumstances which are significantly different from the decades before the recession struck in 2007/08 and therefore no reliable basis for estimation arguably exists. However, using fluctuations in the past relationship between growth of the North Somerset economy in terms of total jobs and that of the UK as a whole, an attempt at estimating the 95% probability range for local job growth has been made for each of the three UK scenarios. This estimates the likely range of outcomes if the related UK scenario was true. By definition, the Central Scenario (10,100 jobs and the associated housing requirement of 13,400 dwellings) is the most likely outcome in the District and the range based on the 95% statistical confidence interval would be from 10,100 dwellings to 16,700. Only one in twenty actual outcomes would therefore lie outside of this range, or one in forty exceed the highest point, or one in forty chance that it would be less than the lowest. One in ten outcomes would lie outside of the range 13,400 plus or minus (indicated here as " + / - ") 2,040 dwellings (i.e a range of 11,360 – 15,440), or a one in 5 chance[65] of the North Somerset actual lying outside the range 13,400 =/- 1,550 (i.e. 12,250 – 14,950).[66]

9.4 These figures are only to provide a rough impression of possible forecasting error of course. For one thing the estimates are dependent on the UK forecast being right (a risky premise in itself). Table 10 presents the estimated 95% confidence bands (i.e. a one in twenty chance of the local outcome falling outside of the range) for North Somerset for each of the three UK scenarios assuming they were to be "right". An indication of the rough likelihood of the boundary of the appropriate range being reached or exceeded is shown in Table 10.

[64] These are based on taking the 95% confidence intervals (at t *df*12 = 2.179) of the simple regression residuals from predicting $y_{i,n}=a+bx_{i,n}$ where y is total employment in North Somerset and x is total UK employment for the period 1996 to 2008 (2009 was not used owing to the atypical impact of the recession).

[65] The 90% confidence interval. 90% relates to the expected proportion of outcomes that would fall within the range. In terms of the probability that the upper end of this range being exceeded the probability is halved to one in twenty.

[66] The 80% interval. The probability of the upper point of the range being exceeded is one in ten.

Table 10 Stage 2 Economic Scenarios: Ranges of total housing requirements 2006-26 allowing for varying local job growth performance relative to UK total

North Somerset	Modified Oxford Employment Projection 2006-26 (95% Confidence interval +/- 2,490 jobs)	Average Housing requirement	Upper range housing requirement[67] (North Somerset performs above historic average relative to UK)	Lower range housing requirement[68] (North Somerset performs below historic average relative to UK)
Central UK Projection	**10,100**	**13,400**	16,700	10,100
Higher UK Growth	15,200	20,200	23,500	16,900
Lower UK Growth	5,900	7,850	11,150	4550

Key: Outcome probabilities

'More likely' 'Less likely' 'Least likely'

9.5 Crucially, how do the results of this analysis compare with North Somerset Council's earlier indicative range of between 14,000 and 16,000 additional houses in the District for the period 2006-26 (above, para 2.6)? Using Table 10 as a guide, it may be assumed that the "safest bet" is the combination of 10,100 jobs and 13,400 houses. To build significantly fewer dwellings than 13,400 would risk restricting expansion of the local economy and increase local housing stress. To build significantly more than this would risk increasing the "dormitory" function of the District, decoupling more development from the growth of employment locally.

In the light of the findings of this test, and to avoid adverse constraints on the growth of the economy and not further exacerbating housing stress, it is recommended that the lower end of any range would more safely be 13,400 dwellings, with the upper end of the range being the upper boundary of the 80% confidence interval of 14,950, i.e. a one in ten chance only that this level would be exceeded.

Scenario B: Housing growth meets projected local economic growth levels plus allowance for pre-existing housing backlog identified in the West of England SHMA

9.6 The West of England SHMA indicates that there was a backlog of unmet housing need in the District of 3,619 dwellings in 2007.[69] Simply adding this total to the 13,400 proposed dwellings to provide balanced growth that would accommodate projected economic and job growth would result in a total housing requirement of over 17,000. Firm recent advice from the Planning

[67] Local economy outperforms UK average employment growth.
[68] Local economy underperforms compared with UK average employment growth.
[69] Bramley, G op. cit p28.

Inspectorate however has pointed out the importance of viability testing of affordable housing targets as evidence of deliverability and that the often very high total need figures provided by SHMAs on their own are not sufficient.[70] It was shown earlier in this report (above para 8.8) that an estimated 667 affordable units annually could be made available by combining a total 2006-26 new build of 4,000 dw (200 p.a.) with available relets from existing affordable stock of 467 p.a. This would mean that notionally it would take about five and a half years to clear the backlog and provide accommodation for a total of well over 13,000 social and intermediate tenancies over the Plan period. It is concluded therefore that it has been demonstrated that the requirements of scenario B in meeting the backlog of need in the District can be met reasonably satisfactorily.

Scenario C: Housing growth meets recent trend population growth requirements

9.7 The CLG 2004 based (revised) and the 2006 based sub national household projections indicated that household numbers would increase by 29,000 and 36,000 respectively during 2006-26. To these totals would need to be added a few hundred dwellings to allow for vacancies in the new stock, the inevitability of some of the new dwellings being used as second homes and to allow for the loss of existing dwellings through demolition or changes of use. This is considered here to be very significant over-provision in terms of the job led Core Strategy objective. It is likely to be beyond the reasonable capacity of the District to accommodate in terms of infrastructure provision and without substantial environmental impacts. The Council's policy of no intrusion into the Green Belt would also be rendered very difficult to sustain. The high rate of projected growth in the CLG/ONS projections has its basis in the assumption of high levels of in-migration (particularly from other parts of the South West and the UK, but also from overseas) that have been seen in the past, continuing unabated in the future. This is still likely to be the case when the replacement set of 2008 based projections is released late in 2010.

9.8 The conclusion therefore is that the household growth basis of this test is not acceptable and that the Stage 2 study's 13,400 dwelling recommendation, linked more closely to local employment growth, is a more sustainable and deliverable proposal.

Scenario D: Housing growth meets all SHMA affordable housing requirements by 2026

9.9 Part of this requirement, particularly with regard to dealing with any pre-existing backlog of unmet housing need in the District, has been dealt with earlier in this report (paras 8.5 et seq, 9.6). PPS3 requires that Local Development Documents should set out the likely overall proportions of households requiring market or affordable housing, and that this should be based on the Strategic Housing Market Assessment (SHMA) and other evidence.

9.10 The West of England SHMA[71] sets out evidence that combined net additional social rent plus intermediate housing requirement, over and above properties available for relet exceeds 900 dwellings a year.[72] This figure is well in excess of the estimated entire build requirement (all

[70] PINS op.cit para 1.8-9
[71] Bramley, G, op cit Figure 8.
[72] Ibid, p 36

tenures) of 670 units recommended for North Somerset in para. 8.1.[73] Para 8.9 concluded that, although the force of evidence set out in the SHMA for far higher levels of affordable housing delivery should be acknowledged, the obvious and formidable practical barriers to delivery indicate that a target driven approach, that simply aims to maximise delivery, provides the best basis for LDF core strategy policy. The case for a target of net new build total of 13,400 dw 2006/26 for North Somerset has been set out in this report. The target recommended here for affordable housing is 30% of the total new housing provision remains, although this must be subject to the results of local economic viability testing.

Table 11 Summary of Policy Option Scenarios 2006-26

North Somerset	Modified Oxford Employment Projection 2006-26 (95% Confidence interval +/- 2,490 jobs)	Average Housing requirement 2006-26			
		Scenario A: Housing growth meets alternative projected local economic growth levels Average Housing requirement	Scenario B: as for Scen. A plus SHMA*unmet housing backlog	Scenario C: Housing growth meets recent trend population growth requirements	Scenario D: Housing growth meets all SHMA** affordable housing requirements by 2026
Central UK Projection	10,100	13,400	17,019	29,000 – 36,000	28,010
Higher UK Growth	15,200	20,200	23,819	29,000 – 36,000	28,010
Lower UK Growth	5,900	7,850	11,469	29,000 – 36,000	28,010

Source:* WoE SHMA, Fig 8 ** Ibid, Fig 21

10. Conclusion: North Somerset's future housing requirement

10.1 Following the conclusions of para 8.1 on the job growth based requirement derived from the Central Economic Scenario (the "best estimate" case), the figure of 13,400 dwellings to be built in 2006-26 is shown to be robust. However, it was found in para 9.5 that, bearing in mind the many future risks involved, that a 14,950 (effectively 15,000) upper limit of a range starting at 13,400 dwellings would be appropriate.

10.2 The firm recommendation therefore is to set the 2006-26 housing total for North Somerset at a point within the range 13,400 – 15,000 (670 dwellings p.a. – 750 p.a.). At an average rate of 30%, affordable housing would be in the range 4,000 – 4,500 (200 p.a. – 225 p.a.). Bearing in mind the Council's policy requirement to rebalance development rates better to reflect the growth capacity of the local economy (above, para 2.5), it is further recommended that the Core Strategy should plan for growth at the lower end of the range, subject to regular monitoring and, if required in the light of more favourable economic prospects, early review.

[73] The average annual rate of net new build completions in the District 1996/7 to 2008/9 was 1,034 dw (N Somerset Council, Annual Monitoring Report 2009, p28). Completing 900 affordable houses annually would represent 87% of those past levels of delivery, again not a deliverable proposition.

To summarise:

- North Somerset's total housing requirement 2006/26 lies within the range 13,400 – 15,000 dw (670 p.a. – 750 p.a.)
- Within this total, affordable housing should be in the range 4,000 – 4,500 dw (200 p.a. – 225 p.a.), subject to local economic viability testing
- However the lower end of the range of **13,400 dwellings (670 dw per annum)** is recommended as the most appropriate starting point for delivery, but subject to a Plan, Monitor, Manage regime to determine the need for further adjustment in the light of later economic performance

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10.2 The onset of severe economic recession has had significant implications for future housing requirements across the West of England. The approach set out above will, however, ensure that sufficient housing can be planned to support a recovering economy and to ensure a balanced approach to meet the needs of all sections of the community.

10.3 The application of the above housing totals o local planning work will still require a cautious approach. It is argued that the Modified Oxford central scenario figures should be the starting point, in order not to risk creating more housing stress and hindering economic recovery. However, if subsequent monitoring under a Plan, Monitor, Manage regime over a period of a few years later suggests that UK economic recovery is closer to either the high growth (on current evidence unlikely), or the low growth, scenario then consideration of a reduced total would be appropriate at a subsequent plan review. Similarly, monitoring showing evidence of consistently better or worse performance of the local economy relative to the UK over the next five or so years should trigger reconsideration of the development levels proposed.

Keith Woodhead
October 2010

APPENDIX 1: Former Regional Spatial Strategy Dwellings and Jobs Allocations

	RSS Dwellings		Draft RSS Jobs scenarios	
	Draft RSS June 2006	Proposed Modifications July 2008	2.8% pa GVA growth	3.2% pa GVA RES[74] Scenario
B&NES	15,500 (16.8%)	21,300 (18.2%)	17,000 (17.9%)	20,900 (17.8%)
Bristol	28,000 (30.3%)	36,500 (31.1%)	35,600 (37.6)%	42,500 (36.3%)
N. Somerset	26,000 (28.1%)	26,750 (22.8%)	12,900 (13.6%)	15,700 (13.4%)
S. Glouc	23,000 (24.9%)	32,800 (28.0%)	29,100 (30.7%)	37,700 (32.2%)
WoE	**92,500**	**117,350**	**94,600**	**116,800**
Mendip	*10500*	*12300*	*9500*	*11700*
W.Wilts	*7200*	*8300*	*6800*	*8500*
WoE HMA	***110200***	***137950***	***110900***	***137000***

[74] RES = SWRDA "Regional Economic Strategy for South West England: 2006-2016" Table 3. These figures are also the basis for local authority totals set out in the Secretary of State's RSS Proposed Changes document, 2008.

APPENDIX 2

Calculating the housing requirement: the long term trend homes/ jobs ratio

A2.1 Step 1 involves estimating the WoE private household population. Table A1 shows the ONS Revised 2004 based total populations of the WoE Local Authorities. Table A2 gives the non private household population of WoE area (Chelmer projections derived). The ONS Revised 2004 based private household population (Table A4) is obtained by subtracting Table A2 from A3.

A2.2 Table A4 shows projected average household size derived from the application of dRSS ONS based household formation rate data[75] to the Revised 2004 based (pre recession trend) population data for the West of England. Table A5 sets out the projected ratios between total dwelling stock and total household resident locally allowing for the effects of vacant properties, shared dwellings, second homes and losses from the housing stock.[76] By multiplying Table A4 by A5 we get Table A6, the estimated total additional housing requirement under the Revised 2004 based ONS Projections. The WoE area ratio of total additional homes to total additional jobs is calculated by dividing the total 2004 based increase WoE population/households (bottom right hand cell of Table A6) by pre recession trend economic growth/ jobs projections (bottom right hand cell of Table A7); i.e. 122,052 WoE total dwellings divided by 91,500 additional. This gives a final ratio of 1.334 homes per job, slightly higher than the earlier figure of 1.25 based on pre 2003 household data used in the dRSS.[77]

A2.3 This shows relationship between the pre recession trend requirement for housing based solely on the 2004 ONS sub national population projections, and the trend set used by the 2008 Cambridge Econometrics (CE) GVA and job projections. Using these two projections as a base preserves the key relationships in the CE projections regarding the relative growth prospects and future productivity change for individual industrial sectors, migration, population growth, labour force change and household growth. These assumptions are then reflected implicitly in the relationship between additional dwellings "normally" (i.e. within a reasonable range of future growth circumstances) required to support (i.e. not to constrain) a given increase in jobs created but allowing for non job related migration and household growth. This reflects the average proportion of non economically active migrants and the requirements of newly forming households from the local population etc, whilst automatically providing a link to revised rates of projected economic growth.

A2.4 The homes/ jobs ratio is then applied to the 2006-26 total growth in WoE jobs for each of the non pre recession scenarios in Table 6 of the main report above. This provides the basic additional housing figures required shown in Tables 7 and 8. Baseline unmet housing need totals provided in the West of England Strategic Housing Market Assessment are then added (Table A8 below) to the housing totals for the scenarios from Table 8 to arrive at final housing totals for each economic scenario. These final results are set out in Table 10.

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[75] More accurately referred to as "household representative rates"
[76] Ie through demolition and changes of use
[77] SWRA, "Strategic Assumptions about the Future and Projections of Population and Economic Change", Summer Debates 2005, Paper 6

Table A1 ONS Revised 2004 based projections: Total Population

	2006	2011	2016	2021	'000 2026
North Somerset	200.5	211.9	223.5	235.2	246.1
West of England total	**1036.4**	**1078.9**	**1121.1**	**1162.8**	**1202.4**

Table A2 Projected non-Domestic population 2006

	2001	2006	2011	2016	2021	2026
North Somerset	3756	4119	4466	4701	5069	5611
West of England total	**21848**	**22524**	**23255**	**23792**	**24598**	**25769**

Source: Chelmer 2006 dRSS Projections (2003 ONS Popn projections compatible)

Table A3 Estimated private household population, ONS Revised 2004 based (Table A1-A2)

	2006	2011	2016	2021	2026
North Somerset	196744	207781	219034	230499	241031
West of England total	**1014552**	**1056376**	**1097845**	**1139008**	**1177802**

Table A4 Chelmer 2006 dRSS projections output average household size

	2001	2006	2011	2016	2021	2026
North Somerset	2.31	2.25	2.21	2.16	2.11	2.08
West of England total	**2.34**	**2.3**	**2.25**	**2.19**	**2.13**	**2.09**

Table A5 Chelmer 2006 projections dwellings/household ratio

	2001	2006	2011	2016	2021	2026
North Somerset	1.03325	1.03326	1.03327	1.03326	1.03326	1.03327
West of England total	**1.025991**	**1.025972**	**1.02595**	**1.025919**	**1.025904**	**1.025892**

Ie: for every household there are x number of dwellings required
Source: Chelmer 2007 dRSS Projections

A2.5 The homes/ jobs ratio is then applied to the 2006-26 total growth in WoE jobs for each of the non pre recession scenarios in main report above Table 5. This provides the basic additional housing figures required shown in main report Tables 7 and 8.

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http://www.swcouncils.gov.uk/media/SWRA/RSS%20Documents/Summer%20Debates/Strategic_Assumptions.pdf

Table A6 Estimated pre recession trend total additional housing requirement

AREA NAME	2006	2011	2016	2021	2026	Change 2006-2026
North Somerset	88003	95419	102407	110262	118033	30030
West of England total	**444980**	**470945**	**500164**	**533979**	**567032**	**122052**

Table A7 Projected jobs pre recession trend

Employment Scenarios	2006	2026	Increase 2006-27 (thousands)
West of England (Central Projection)	627.2	681.0	53.8
West of England (High Growth)	627.2	694.7	67.5
West of England (Low Growth)	627.2	660.6	33.4
West of England (pre recession trend)	**627.2**	**718.7**	**91.5**

Pre Recession trend Additional Homes jobs ratio

1.334203

[Please note: these tables are used purely for calculating data relationships based on historic trends. They are not intended to represent currently projected future figures for the District and West of England Partnership area. For more up to date projections see main body of the report]