

Bath & North East Somerset Core Strategy Examination

January 2012

HOUSING TECHNICAL REQUIREMENT, PLANNED PROVISION & FLEXIBILITY

1.0 PURPOSE OF THIS PAPER

1.1 During the course of the hearings particularly on issue 1, the Inspector has focussed attention on:

- a) The 1,100 difference between the technical requirement (12,100) and the planned provision (11,000);
- b) The fact that the Core Strategy is not making express provision to meet the historic shortfall at 2006 against Local Plan requirements;
- c) The extent to which there is flexibility within the Core Strategy.

1.2 Related to these he has asked whether the Council is counting non-campus student accommodation – see BNES 31.

1.3 This paper responds to these specific issues. Integral to understanding this paper is an appreciation of the robustness of the Council's approach and assessment of the technical housing need. To assist, the Council's opening comments at the hearings on Issue 1 have been set down in writing in Annex A to this note.

2 TECHNICAL REQUIREMENT VERSUS PLANNED PROVISION

2.1 The Council has acknowledged that the Core Strategy plans for 11,000 dwellings as opposed to the technical housing need of 12,100 for planning constraint reasons already explained. In the light of (1) the revised approach to student accommodation; and (2) the actual capacity shown in the SHLAA, the Council is proposing a change to the Core Strategy to take the housing provision to 11,500.

- a. The housing land supply in SHLAA is 11,200 and not 11,000 – an extra 200 units over those assumed in the Plan.
- b. According to the CLG definitions (see BNES 31) the Council can count Student accommodation within its housing land supply, an extra 300 units (figure explained in BNES 31). Moreover, inclusion of the 120 units of self-contained

student accommodation built between 1996 and 2006 would reduce the Local Plan backlog to 730 units.

- 2.3 This amounts to around an extra 500 dwellings not so far taken into account in the planned housing provision and shows a beneficial uplift in housing land supply. The difference between the technical requirement and the planned provision is therefore 600 not the 1,100 previously assumed. This is about 5% difference between the technical requirement and the planned provision.
- 2.4 The 200 additional units are all in Bath as evidenced in SHLAA and the extra 300 student housing units are also all in Bath (as described in para 8 of BNES31). This makes the housing land supply in Bath 6,500 dwellings.
- 2.5 The Council has carefully considered whether it should provide a contingency in light of the difference between the technical requirement and the planned provision and has decided, for what the Council considers are very strong planning reasons, that it is not appropriate to make such provision: see September report and resolution (CD5/24). The Inspector is asked to note that, unless the Council has overstated the harm from any of the urban extension sites, or has understated the need, the Council has properly grappled with the planning balance which has to be struck (in light of the Inspector's concern on the possible need for a contingency and for flexibility). There is no basis to require them to go back over that exercise unless one of the key pillars for their consideration was unsound.

Backlog and Flexibility

- 2.6 The Core Strategy does not make express provision to deal with the historic backlog at 2006 nor does it provide a contingent greenfield allocation. The Council does not consider that it is required to account for the historic backlog but if the Inspector disagrees, the Council relies on the following matters. The Council further considers that the matters set out below give a significant degree of flexibility. If this flexibility proves insufficient the review will be able to address any further required housing need.

Flexibility

- 2.7 In response to the concerns about the flexibility in the housing and employment land supply, the Council cites: (1) a number of significant conservatisms in its strategy and the underlying evidence; and (2) the review provisions built into the plan. The conservatisms are ;

Calculation of technical housing need

2.8 See Annex A to this paper.

Generous Economic growth assumptions.

2.9 The economic growth assumptions underpinning the Core Strategy are generous. Contrary to the assumptions of the objectors, the growth assumed is 1.9% pa. This requires future growth to be as per OBR latest predictions and 2.8% in the period 2016 – 2026.

2.10 The Core Strategy is based on Oxford “Central Plus” which, given the time lag and the downward trend in economic forecasts, can now more accurately be portrayed as Oxford Central ‘double plus’ and is therefore even more optimistic than it was when the Plan was developed. Oxford central is 5,900 jobs. Bristol’s strategy is sound in planning for Oxford Central. It is inconceivable that B&NES will outperform Bristol. There is thus strong evidence that 8,700 is very optimistic and thereby unjustifiably inflates the technical housing requirement. Of course, it would only require the 1.9% to drop by a very small amount for the gap between technical requirement and planned provision to be eliminated. Enabling an increase in jobs to 8,000 requires only around 11,000 homes. The basic point is that B&NES has planned for a highly optimistic figure which by definition includes significant upward flexibility from the central estimate. There is no reason to provide further flexibility above a very optimistic assumption. By adopting Oxford Plus (now double plus) the Core Strategy has built in headroom (and inherent additional capacity to meet backlog).

2.11 In this context, the Council considers that:

- i. 11,000+ homes (22% growth in stock for B&NES) is a very substantial rise in annual delivery; and
- ii. The 8,700 jobs (after a major recession and most particularly the job losses in B&NES) based on 1.9% pa growth which equates to a large increase in provision for those economic sectors in which Bath excels over the life of the plan pulling jobs and commuters back into Bath from Bristol¹ constitute a highly challenging and ambitious plan in a highly constrained location in difficult economic circumstances. The Council is plainly planning for major growth. BNES25 outlines how the Council’s growth proposals are aligned with the rest of the LEP.

¹ This is not about the individuals but about the position at the end of the plan period.

Headroom on particular sites

- 2.12 As presented at the hearings, there is headroom, particularly in the larger sites, for a greater level of growth than currently identified in the SHLAA eg MoD sites (even with a mix of uses) and Somerdale. The PlaceMaking Plan will establish a more precise capacity/land use mix for such sites. As also discussed at the hearings, the Council considers that the review of the Housing Development Boundaries in the rural areas and the Somer Valley has scope to yield additional housing.
- 2.13 Further, to inform the SHLAA and the Core Strategy in general, B&NES commissioned two urban design led capacity studies for the Central Area, (CD4/UDL15) covering the City Centre and (CD4/UDL16) covering BWR East/Green Park Station. These are referenced in Topic Paper 9 (CD6/S10). Both studies determined an approximate amount of floorspace that could come forward in a manner that would broadly satisfy the special design considerations of this general area. Against these totals a very simple sensitivity 'test' was applied which reduced the recommended totals by 15-20%. The sensitised figures were translated into the SHLAA. The use of the sensitised figures does not invalidate the initial capacities of each study. B&NES merely chose to base its policy formulation on a conservative estimate of capacity. There is therefore headroom, identified within the evidence, base for a greater level of mix use development to take place within the Central Area.
- 2.14 The recommended capacity figure in the City Centre Urban Design-led Capacity study (CD4/UDL15) was 211,670m². After applying the 20% sensitivity test this falls to 172,750m². The difference is nearly 40,000m².
- 2.15 A separate Capacity Study for the BWR East area (CD4/UDL16) set out three scenarios in relation to the future of Sainsbury's and Homebase.
- a) In Scenario 1 both uses are retained on site (Sainsbury's in situ and Homebase redeveloped) and this leaves 121,000 m² (97,000 m² sensitised) for office and residential uses). This is after parking has been factored in. The difference is 24,000 m².
 - b) In Scenario 2 Homebase moves off the site and Sainsbury's is redeveloped on another part of Green Park Station. This leaves 136,000m² (106,000m² sensitised) for office and residential uses. Again this is after parking has been factored in. The difference is 30,000m².
 - c) In Scenario 3 Homebase again moves its site and Sainsbury's is redeveloped in its place BWR East with. The resulting capacity figures from this scenario are essentially the same as in scenario 2.

- 2.16 In short, therefore there is a significant amount of headroom available against the conservative figures applied to during the production stage of the Core Strategy.
- 2.17 The Placemaking Plan DPD will reveal the extent to which this should headroom can be utilised. This process reveals the complexity of identifying city centre urban capacity for mixed use development in the centre of a World Heritage Site. No other LPA has to deal with this issue. The resources attached to the production of Placemaking Plan will enable more refined solutions for each site to be determined. The outcome of this plan will reveal the absolute level of capacity within the Central Area and the extent of the headroom currently identified as providing flexibility for the strategy.
- 2.18 Finally, an analysis table 4.2 of the Smart Growth Study (CD4/E10) which is based on the more conservative capacity estimates for Bath shows an excess in potential B1a supply over that which is required under the Strategy's jobs growth targets. This provides flexibility in respect of stronger growth – or if this doesn't materialise –this capacity to be utilised for other uses, including residential

Windfalls

- 2.19 The Council's reasoning for not planning for the full technical requirement (11/09/2011 Council decision CD5/24) is the unacceptable implications for the environment (WHS, Green Belt, AONB) and/or for the implications on the spatial strategy. Consequently the Council considers that if it is accepted that genuine local circumstances prevents additional specific sites being identified, then para 59 of PPS3 is triggered on windfall sites. Historic delivery of windfalls in B&NES is very strong for reasons of the desirability of the district as a place to live and high land prices. The bottom end of delivery of windfalls would be 100 pa (1,000 over the 10 years) and the median is 1,400 over the same period.
- 2.20 In light of this and taking account of the future implementation of existing permissions to avoid double counting, a robust windfall allowance for 2012-2022 would be around 500 dgs. (This is in addition to the windfalls in the last 4 years of the Plan period which facilitates the provision of 15 years land supply.) The Council is not seeking to put this into its supply figures but it is a significant point in the context of B&NES if the Council is correct that the harm caused by any of the urban extensions, especially to Bath, is too significant to make those sites capable of being allocated.

3.0 CONCLUSION

- 3.1 In conclusion, the above assessments demonstrate that there is additional housing land supply and headroom so far not accounted to respond to the difference

between the technical requirement and the planned provision and the housing backlog.

- 3.2 The Council proposes that the clearly available additional housing supply should be included in the Core Strategy planned housing provision in Policy DW1. This is the increase from 11,000 -11,500. The extent of the remaining difference (600) should be seen in the context of the very optimistic jobs growth creation targets that the Council has set itself – the majority of which will take place post 2016 i.e. there is no shortfall for the immediate future only in relation to the back end of the plan period if optimistic growth expectations are realised. At the same time, there is significant flexibility in provision as described above.
- 3.3 Furthermore, in BNES24, the Council has clarified that it is committed to undertaking a timely review of the Core Strategy in conjunction with other West of England Authorities to ensure that the Core Strategies are performing in their delivery and enable a review of the spatial strategy across the West of England to correct any emerging deficiencies. If there is a significant deficiency or a desire to extend the plan period, this is highly likely to entail a sub-regional Green Belt review.
- 3.4 Therefore the Council concludes that it is planning for high economic growth, that the additional housing supply (500 dwellings) mitigates the difference between technical requirement and planned provision, there is significant flexibility to respond to concerns about the backlog. In short the Council has made provision for the majority of housing needed in highly restrained environment and an early review will enable a co-ordinated consideration of changing needs.

PROPOSED CHANGES ARISING:

POLICY DW1, CLAUSE 2:

2: Making provision for a net increase of 8,700 jobs and ~~11,000~~ 11,500 homes between 2006 and 2026, of which around ~~3,400~~ 3,000 affordable homes will be delivered through the planning system.

AMEND PREAMBLE

Para 1.26: The Core Strategy makes provision for around ~~11,000~~ 11,500 new homes and around 8,700 new jobs. This level.....

Para 1.33: The scale of new homes entails a significant uplift in past rates of delivery from around 380 to around ~~550~~ 575 per annum although as set out in the SHLAA, the overall trajectory of provision.....

TABLE 9 : AMEND TARGETS:

Target for Strategic Objective 5 (policy DW1): Deliver ~~11,000~~ 11,500 homes between 2006 & 2026

Target for Strategic Objective 5 (Policy B1): Bath Deliver ~~6,000~~ 6,500 homes between 2006 & 2026

AMEND THE KEY DIAGRAM(DIAGRAM 4)

- Amend housing total from 6,000 homes to 6,500 homes

ISSUE 1: CALCULATION OF TECHNICAL HOUSING NEED

This annex sets out the inadequacies of the ONS/CLG projections as an overall basis for determining an appropriate housing requirement in B&NES. It then sets out the utility of the ratio based methodology of the Stage 2 report, and verifies its conclusions in the context of other evidence that can be applied to this matter. There are conservatisms in a ratio of 1.39 and this is applied to an increasingly optimistic level of achievable net jobs growth. The resultant technical requirement of 12,100 homes is therefore very much at the very top end of what would be needed to achieve and integrated economic and housing strategy.

ONS Projections

- 1 Objectors have contended that the ONS population projections are the starting point and that there is no value in examining what makes up the headline figure. On the contrary, the Council considers that the headline is only as good the elements which make it up and, on the facts here, disguises some self-evident points which make the ONS projections unreliable as a basis for future planning of housing growth:
 - a) The ONS projections are based on projecting forward uncritically past 5 year trends and therefore assuming no change in policies/economic circumstances;
 - b) Students: the ONS approach assumes that students form private households (i) in non-purpose built accommodation; (ii) at the same household size; as the average; and (iii) at the same net increase rate as historically – all of which are wrong assumptions. Merely assuming students form households on average twice the size of the average household will reduce the household projection very substantially. Accommodating these students in purpose built accommodation (c.3,000 – 3,500 rooms) will remove that aspect of housing demand from the figures (or alternatively that aspect of housing supply should be counted on the supply side);
 - c) Net Migration – ONS projections shows net migration to be nil net (but with very substantial gross flows showing mobility);
 - d) International Migration – the ONS projections shows continuation of about 800 p.a. based on past data. That data will include students (see above) which have been/projected to be 40% of overall UK international immigration. The projections assume that net international migration remains at current levels and that migrant households are of the same size as the UK average. The projections thus: (1) ignore government policy going forward (reduce from 100,000s to 10,000s in this Parliament to 2015) and (2) do not take into account the information on migrant household formation; and (3) do not take into account the slowing growth in the universities.

- e) These points on students and international migration are far more significant for B&NES than elsewhere given the proportion of growth in B&NES which comes from these sources – see CD4/019.
3. The Bristol Core Strategy is sound meeting 42% of its CLG projection and does not identify any unmet need. In comparison, B&NES is planning to meet 69%.
 4. The ONS projections yield the following headline figures:
 - b. Net International Migration (NIM) for B&NES is disproportionate to the rest of the UK. One would not expect this for Bath. Household growth due to NIM is 66% of the household growth due to natural change figure for UK and 166% for B&NES. NIM requires 1.3 homes for every home generated by natural change. This is an astonishing figure at the heart of the ONS data.
 - c. The ONS projections for the WE population growth are 286,000 (table 21 p.24 Annex 1 Pegasus Statement) and CLG household growth of 155,415. That growth generates (according to Chelmer) 142,000 jobs (note the low ratio of about 1.1). Based on the WE LEP job forecast (95,000 to 2030 or 72,000 to 2026), the ONS household projections yield nearly twice as many workers as there are jobs. The economy cannot deliver that. This demonstrates that CLG projections cannot be regarded as reflecting any potential scenario in the ‘real world’. This point was not challenged at the hearing session.
 5. It would be possible to make other assumptions about international migration and student numbers to rectify the flaws in the ONS figures but such an approach would introduce a mass of further subjective assumptions at each stage each of which could be questionable and the result would be only housing demand led without integration with the jobs forecasts.

The Ratio

6. The Council’s approach is economic (ie. jobs led) and seeks to ensure that housing growth is balanced with anticipated jobs growth (NPPF para 27) albeit of course that the housing growth will have to cater for a myriad other requirements. Just providing for additional jobs is not sufficient because the Core Strategy must cater for the whole population profile. The ratio is a relationship/association between housing and employment growth between 1998 and 2003 – a stable and successful period. Table A5 of appendix A to Topic Paper 9 (CD6/S10) is based on extrapolating actual observed household growth in the five years to 2004. Table A8 then does the same but for jobs. The ratio between the two is 1.39. Consequently that ratio reflects observed events in the real world reflecting all the pressures from all sources in that real world (economically active or otherwise, including falling household size).
6. The household component of the ratio is derived from ONS and CLG data (appendix A, CD4H1) which take into account the changing age and household composition profile (including marital status and the impact of aging “baby boomers”) of the population

looking forward. It is therefore not correct to claim that the ratio reflects only a past period. It in fact reflects household factors in 2026 (see para 5.1.4 of Stage 2 Report).

- a. The ratio is based on data for the West of England which is the functional economic/housing market area in which B&NES sits. It is not therefore correct to claim it is for a different unrelated area.
- b. By virtue of the data from which it is derived, this ratio also into takes into account the 2004 five year trend net internal and international migration (a period when net international migration was high) and projects that forward on CLG projections. This inflates the ratio.
- c. The reason why the ratio itself does not need to be reviewed over the plan period is explained the Monitoring and Review paper BNES 24.
- d. The ratio approach is reasoned, consistent, and transparent. It is far preferable to relying on “projections” based on past trends which is the opposite of forward planning. The real question is whether the output of the ratio approach is consistent with other information and whether it can be verified.

Verification of the 12,100 technical need and the ratio

7. Firstly, Topic Paper 9 sections 7 and 8 (CD6/S10) demonstrate that the 12,100 is robust to different methodologies.
8. Secondly, it is appropriate to look at the elements to housing demand from another angle combining (1) growth in household demand if zero net migration; and (2) household demand to meet jobs growth.
 - a) Taking the second element first, there are currently 0.84 homes² per job in B&NES (and broadly in UK). B&NES does not generate significant net in or out commuting. 8700 jobs times 0.84 is 7,400 homes. That is the additional job related housing demand.
 - b) on top of that one needs to cater for changes in age profile and household size of the existing population. That figure can be derived from ONS and CLG data and generates a need for approximately 5,000 homes.
9. Therefore jobs growth plus changes in existing household generates a need for 12,400 - very similar to the output of the ratio approach.
10. Thirdly, the CLG datasets allow one to see how many people are in different age groups. 6,000 of the household projection growth are over 65 (which can be assumed are not providing job seeking). Therefore there are 10,000 homes to provide the

² This ratio covers all jobs and all houses; not just new jobs and new houses which is what the 1.39 reflects.

required labour. The ratio of economically active people to non-retired households is 1.6. Therefore 10,000 homes would provide 16,000 jobs. The Core Strategy is planning for 8,700 jobs which equates (on the 1.6) to 5,500 homes. This gives a combined requirement of 11,500 – less than the technical requirement generated by use of the ratio.

11. Fourthly, if one assumes B&NES's household growth from net international migration is 66% of the household growth from natural change (rather than the assumed 166%) one would need 6,000³ homes to meet natural change and 4,000 to meet net international migration (10,000). This would be the output if one had simply adjusted the CLG projections to more accurately reflect reality but would not meet B&NES jobs growth ambitions and is therefore not para 27 NPPF integrated.
12. Fifthly, applying table 21 of Pegasus' Statement Appendix 1 implied ratio between homes and labour is 1.07. The households required to meet the requirements of the 72,000 jobs (LEP to 2026) would be 77,000 at West of England level which would mean cutting all household projections by more than 50% would require if you apply UK assumed NIM (66% of growth in Third, there is the impact of aging population and falling household sizes on the real operation of the housing market will place upward pressure on the current jobs/home ratio over the plan period. ratio current households/jobs "ratio" for B&NES is 0.84.
13. Sixth, ratios elsewhere show the figure used here is appropriate:
 - a. the ratio in Bristol purely coincidentally is 1.39 and as the Inspector has stressed there is no identified housing shortfall in the Bristol Core Strategy;
 - b. the ratios in tables 21 and 22 of Pegasus/Chelmer are well below 1.39 – the ratio for the WE is 1.12 and 1.07 respectively; for B&NES is 1.24 and 1.06 respectively⁴;
 - c. the RSS has never planned at WoE level for more than 1:1; it has planned for higher ratios elsewhere given their disproportionate "retirement" characteristics.
14. Consequently, the only way the housing growth in the Core Strategy can be shown to be too low is if: (1) international migration remains at the past very high levels in the hundreds of thousands nationally and dramatically disproportionately in B&NES; or (2) the economic growth forecasts are significantly understated.

³ Zero population change plus direct population growth.

⁴ Table 21 and 22 reflect the real operation of the market. Table 23 assumes that the first homes are taken by natural change and it is only after all that is catered for that additional labour is accommodated. See North Somerset as the most extreme example of this – 14,000 dwellings but minus 2400 labour.

RSS panel's report

15. The Draft RSS planned for 460,000 homes and 365,000 - 465,000 jobs (2.8% to 3.2% GVA) based on a ratio approach. This represents a homes /jobs ratio of 1.26 for the lower level of economic growth and a 0.99 for the higher level. The evidence base to the Draft RSS actually suggested that 500,000 homes would be needed. This represents a homes /jobs ratio of 1.37 for the lower level of economic growth and 1.07 for the higher level.
16. At paragraph 2.9 the Panel considered that "a growth rate of 2.8% over the longer 20 year period can be regarded as sufficiently aligned with the RES". Paragraph 2.20 confirms the view of the Panel that the 3.2% growth rate "should be taken as the basis for housing provision in the draft RSS".
17. At 2.11 the Panel note the significant mismatch between proposed homes, labour and jobs. Ultimately the Panel recommended at total of at least 560,000 dwellings. This was the dwellings requirement implied by the DCLG 2003 Household Projections.
18. Overall the Panel recommended 560,000 dwellings and 365,000 homes. The homes jobs ratio across the entire South West was 1.53. Evidently, this was considered to be an aligned and integrated strategy.
19. The overall all relationship between homes and jobs was 1.53 which hides the well-established migration gradient that runs from the north of the region to Devon and Cornwall. The Panel observed the migration pressures on the rural south west of the region in paragraph 2.17 and in 2.18 concluded that there was a need to make a greater allowance for non-economic migration. Against this background it is reasonable to conclude that any sub-regional ratio for the west of England would be less than the South West average. The ratio identified of 1.39 in the stage 2 Report can therefore be considered as being reasonable in the context of the conclusions of the EiP Panel.