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Report commissioned by the Hignett Family Settlement

Bath and North East Somerset housing requirement



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1 Introduction

- 1.1 The Hignett Family Settlement is making representations to the Bath and North East Somerset Council (the Council) on the Council's Pre-Submission Consultation Draft Core Strategy for the area (B&NES).
- 1.2 A fundamental part of the Core Strategy is the level of housing for which provision is made through the plan to address the needs of the community in the future. The spatial strategy and the proposals and policies in the Core Strategy, together with other parts of the LDF which the Council is to produce all relate to this level of housing provision.
- 1.3 The Hignett Family Settlement believes that the level of housing provision made in the Core Strategy is inadequate for Bath and for B&NES, having regard to the nature and function of these places and their role in the West of England and the South West Region, and having regard to the economic performance of these places and to demographic trends and to needs. This report is a technical examination of the appropriate level of housing provision in B&NES for the period addressed by the Core Strategy (2006 – 2026).
- 1.4 The Council in its justification of the housing provision in the plan draws heavily on two sources:
 - Tyms report on economic potential in B&NES¹
 - Keith Woodhead's report on the housing requirement in B&NES², which in turn makes considerable use of the Tyms report.
- 1.5 The Council does not follow the proper route of taking on board what the evidence on the housing requirement says and seek through its plan to address this need. The actual amount of housing planned for has clearly been determined by what the Council believes is the available housing supply on land within the main urban areas. For instance, in identifying the available housing supply within the urban area of Bath, the Council has proscribed the use of any land beyond the existing settlement boundary of Bath. The Core Strategy is driven by a policy decision to which the evidence has been made to fit, rather than the policy being formulated to deliver what the evidence appears to require.
- 1.6 This report supports the representations made by The Hignett Family Settlement by providing independent background work on the housing requirement for B&NES and Bath according to the evidence and using an established and robust methodology. The method used in assessing the requirement uses a sophisticated sectorally-based approach to the identification of the number of jobs for which there is potential, and identifies the housing requirement associated with this number of jobs. A comparison is made with the level of households that are forecast to be required according to demographic trends – essentially population structure, migration and household size.
- 1.7 The report notes that the considerable under-provision of housing relative to needs and to the growth in the number of jobs that has resulted from the way planning policy has been applied in Bath has exacerbated the pattern of commuting into Bath for work. It will almost certainly have also inhibited economic development.

¹ Roger Tym and Partners (June 2010). Business Growth And Employment Land Update

² Keith Woodhead (September 2010). B&NES Future Housing Growth Requirements to 2026: Stage 2 Report

The report looks at how the provision made to meet housing requirement associated with the expected growth in jobs could assist in countering the high levels of commuting. This would assist the Council in meeting its declared aim of promoting more sustainable development and achieving a low carbon economy.

- 1.8 The level of affordable housing need identified by the Council's own Strategic Housing Market Assessment (SHMA) is compared in the report with the overall economic-led housing requirement.
- 1.9 This report sets out what is essentially a 'local needs' housing requirement. That is, it provides an economic-led assessment of the housing requirement for the District if the District is treated in isolation. However B&NES does not exist in isolation, but as part of a pattern of development and activity which is recognised as a 'functional area', ie as part of the West of England sub-region. The role of B&NES as part of the West of England, and the implications of this are addressed in chapter 6 of this report.

2 Demographic projections

Population and household projections

- 2.1 A key determinant of housing requirements and how these are likely to change in the future is the demographic profile of the population, on which projections are based.
- 2.2 Office for National Statistics (ONS) reviews population and household projections every two years. The table below summarises the 2006 and 2008 based sub-national population and household projections for B&NES.

| | 2006 ONS mid year estimates | 2026 (based on 2006 ONS projections) | 2026 (based on 2008 ONS projections) |
|--|-----------------------------------|--|--|
| Population | 173,100 | 206,400 | 200,200 |
| Households | 74,000 | 93,000 | 88,000 |
| Private households population (BA estimate) | 168,200 | 200,500 | 194,500 |

Table 2.1: B&NES population and household projections (ONS)

- 2.3 Using 2008 data, ONS project that the population of BANES will grow to **200,200 people in 2026** – a rise of 27,100 people from the start of the plan period of 2006. At the time of the last census, 2.84% of the population of BANES was made up of people living in communal establishments. Assuming that this proportion stays more or less constant, the 2026 private households population would be 194,500. The ONS 2008 based household projections calculate that the number of households will rise from 74,000 in 2006 to 88,000 in 2026. This is a housing requirement of **14,000 additional dwellings** over the 20 year plan period to 2026.
- 2.4 This compares with the 2006 based household projections for **19,000 additional homes**.
- 2.5 The table above illuminates considerable variation in the 2006 and 2008 based population projections, illustrating the potential variation in population forecasting. The lower projections associated with 2008 data is due to lower rates of migration experienced since 2006. Nevertheless, projections are a useful benchmark in setting out what could happen if past trends were to continue and what level of housing would be required to support past rates of population growth.
- 2.6 In order to understand how realistic the projections are for B&NES, it is worth exploring the assumptions behind the projections.
- 2.7 Population projections are based on two main components of change – natural change (ie births minus deaths) and net-migration. The table below sets out the population projections for B&NES, according to these two components. This shows that in the future, the population increase in B&NES is expected to arise largely from net in-migration (ie more people moving into the District than moving out). However, births will also exceed deaths and so positive natural change will also makes a relatively significant contribution to the growth of the population.

| Year | Natural change | Net migration | population |
|---------------------|----------------|---------------|---------------|
| 2008 | | | 177,400 |
| 2009 | 200 | 1,500 | 179,100 |
| 2010 | 200 | 1,400 | 180,700 |
| 2011 | 300 | 1,200 | 182,100 |
| 2012 | 300 | 1,000 | 183,400 |
| 2013 | 300 | 900 | 184,500 |
| 2014 | 300 | 800 | 185,600 |
| 2015 | 300 | 700 | 186,600 |
| 2016 | 400 | 700 | 187,700 |
| 2017 | 400 | 700 | 188,800 |
| 2018 | 400 | 700 | 189,900 |
| 2019 | 500 | 700 | 191,000 |
| 2020 | 500 | 600 | 192,100 |
| 2021 | 500 | 700 | 193,200 |
| 2022 | 500 | 800 | 194,400 |
| 2023 | 500 | 900 | 195,800 |
| 2024 | 500 | 900 | 197,200 |
| 2025 | 500 | 1,000 | 198,700 |
| 2026 | 500 | 1,100 | 200,200 |
| Change 09-26 | 7,100 | 16,300 | 22,800 |

Table 2.2: B&NES population projections, 2008 based (ONS)

* Note that numbers may not add up due to rounding to nearest 100.

- 2.8 Given the assumptions made about migration on future population change in B&NES, this requires some further exploration. Migration rates fluctuate quite significantly from year to year, ranging from +200 to +2,200 over the period 2001 – 2009 and therefore it is difficult to discern a pattern. Over this 9 year period, on average, there has been a net increase of 900 people per annum. This 9 year period includes some low years and several years of the last recession when migration rates normally decrease. Despite the fall in migration in 2008, it is noted that average migration mid 2007 – 2009 was still +1000 persons per annum.

| Year | Net migration rate per annum |
|---------------------|------------------------------|
| Mid 2001 – mid 2002 | 1,000 |
| Mid 2002 – mid 2003 | 900 |
| Mid 2003 – mid 2004 | 600 |
| Mid 2004 – mid 2005 | 1,100 |
| Mid 2005 – mid 2006 | 300 |
| Mid 2006 – mid 2007 | 2,200 |
| Mid 2007 – mid 2008 | 1,800 |
| Mid 2008 – mid 2009 | 200 |

Table 2.3: Net-migration in B&NES (ONS mid year population estimates 2002 – 2009)

- 2.9 The average over the 9 year period experienced in B&NES compares closely with the slightly more cautious ONS 2008 based population projections of +900 people per annum. The 2006 based projections show that if higher rates of migration are experienced over the plan period, the housing demand could be greater than 14,000 homes. Based on longer term demographic trends continuing (ie lower rates of migration), it is considered that the requirement will be a minimum of 14,000 homes.

Decreasing household size

2.10 In any event, and whatever the preferred strategy for B&NES, household size is decreasing (ie the number of people living in a property is declining). This is largely due to the fact that more people are living alone or in smaller households. The table below shows the projected national situation with respect to changing household types.

| <i>thousands</i> | | | | | Change 2006 to 2031 | | As percentage of total |
|---|---------------|---------------|---------------|---------------|------------------------|------------|------------------------------|
| | 2006 | 2016 | 2026 | 2031 | Per year (000) | Percent | |
| Married couple households | 9,395 | 9,115 | 9,129 | 9,179 | -9 | -2% | -3% |
| Cohabiting couple households | 2,188 | 3,031 | 3,574 | 3,804 | 65 | 74% | 26% |
| Lone parent households | 1,663 | 1,852 | 1,976 | 2,021 | 14 | 22% | 6% |
| Other multi-person households | 1,446 | 1,648 | 1,816 | 1,914 | 19 | 32% | 7% |
| One person households | 6,822 | 8,460 | 10,178 | 10,899 | 163 | 60% | 65% |
| All households | 21,515 | 24,107 | 26,674 | 27,818 | 252 | 29% | 100% |
| Private household population | 49,855 | 53,769 | 57,617 | 59,287 | 377 | 19% | |
| Average household size (persons/household) | 2.32 | 2.23 | 2.16 | 2.13 | | | |

Table 2.4: Household projections by household type, England (CLG, March 2009, Housing Statistical Release – Household Projections to 2031)

2.11 Average household size in B&NES was 2.27 persons per household in 2006. This was slightly lower than the national average. In 2026, the average household size in England is estimated to be 2.16. Therefore, even if the private household population of B&NES stayed at 2006 levels (ie 168,200), 3,900 additional homes will be required by 2026 to support the existing population's shift towards smaller households.

3 Economic potential

Introduction

- 3.1 Economic changes are a key driver affecting housing demand and household formation rates. This section looks at the economic potential for B&NES.
- 3.2 The approach that has been followed in this report is the construction of economic scenarios based on reasonable assumptions about the prospects for employment (in terms of numbers of jobs) in each sector in B&NES in the future. This takes account of analysis of recent trends, particularly employment data, at a national, regional and district level, both in terms of total employment, and the performance of individual sectors. Looking ahead, the short term outlook is influenced by the latest GDP data and the possible outcomes of the Comprehensive Spending Review. For the longer term, two scenarios are developed which take different views of the external and internal prospects for the UK economy, and how these might impact on employment in B&NES.
- 3.3 This section continues by analysing recent sectoral trends in employment at national, regional, and district levels. This is followed by the presentation of the two future economic scenarios for B&NES. Chapter 4 calculates the housing requirements associated with these economic scenarios.

Sectoral trends in employment 1998 – 2009 (based on ABI data)

- 3.4 At the **national level**, the broad trends for the period 1998-2008 are detailed in Appendix 1 and summarised below. Employment data is now available for 2009, but on a different statistical basis and using a new industrial classification. The trend commentary includes reference to 2009 data where this is useful but the sectoral figures are in some cases not strictly comparable to what has gone before.

Agriculture, Forestry, Fisheries

- 3.5 Employment in this sector declined from 1998-2003, then increased from 2003 to 2008, almost back to the same level as 1998. Between 2008 and 2009 there was then a decline. These fluctuations may reflect changes in statistical coverage. It is unlikely that employment in any of these activities was actually increasing; the actual trend 1998-2008 was -2.9%.

Mining, Manufacturing, Utilities

- 3.6 There was a steady decline each year so the actual trend is probably reliable, with a loss of almost a third of all employees (32.3%) over the 1998-2008 period. However, there was a noticeable slowing down in the rate of decline towards the end of the period, with the annual rate of loss dropping from around 169,000 jobs a year up to 2004, to around 90,000 jobs a year from 2004-2008. Between 2008 and 2009 manufacturing employment (as measured on the new basis), continued to decline.

Construction

- 3.7 Employment statistics are notoriously unreliable in this sector, and this is reflected in the employment figures which fluctuate from year to year. However, there has been an increasing trend which is reasonable given the buoyancy of the housing and property sectors up to 2008. The actual trend to 2008 was +14.5%. Between 2008 and 2009 construction employment did decline, reflecting more difficult conditions in the housebuilding and construction sector.

Distribution

- 3.8 Employment growth continued until 2004 since when there has been something of a decline. It may be that the great UK retailing investment boom is almost reaching its conclusion. The actual trend to 2008 was +1.9%. Between 2008 and 2009, employment in the distribution sector continued the slow decline which has characterised the sector since 2004.

Hotels and restaurants

- 3.9 The hospitality sector has seen consistent employment growth over the decade to 2008, fuelled in part by increased tourism spend (domestic and overseas), and lifestyle changes towards more frequent day trips, holidays and short breaks, and much more eating out, particularly in the larger urban areas. The result was trend growth to 2008 of +15.3%. The more difficult conditions in this sector post 2008 are reflected in the decline in employment in 2009.

Transport, storage, and communication

- 3.10 This is a very mixed sector, with traditional activities like road and rail transport and the post office mixed in with telecommunications and mobile phones. Overall the sector has seen fairly consistent employment growth over the 1998-2008 period; actual trend growth to 2008 was +9.6%. On the new statistical basis used from 2008 onwards, transportation and storage activities are separated from information and communication. There was a small decline in employment in both these sectors in 2009.

Financial services

- 3.11 This was a great driver of employment growth in the 1980's and early 1990's, but this resulted in an unsustainably large sector within which corporate mismanagement led to the financial collapse of 2008/9. Between 1998 and 2008 there was very little employment growth in this sector; trend growth to 2008 was +3.0%. Despite some high-profile bankruptcies, most of the institutions in trouble in this sector were rescued by Government in 2009 to stave off systemic collapse. As a result, employment has declined post 2008, but not by as much as might have been the case.

Business services

- 3.12 Employment growth in this sector has been consistent and very significant over the period 1998 to 2008, driven by a number of factors including outsourcing by large companies, the property boom, real international competitiveness, and Government and private sector demand for external consultancy and advice. Trend employment growth to 2008 was +37.9%. From 2008 onwards, this large

sector has been statistically disaggregated into its component parts. 2009 data shows that employment in real estate activities and professional, scientific, and technical activities has remained static, whilst employment in administrative and support activities has declined.

Public administration and defence

- 3.13 Employment data for this sector is inadequate as defence personnel may be excluded. However, the broad trend is clear enough, with employment more or less static up to 2002, then increasing significantly as the brakes were taken off Government spending. Trend growth to 2008 was +5.5%. The Comprehensive Spending Review announced significant cuts in public administration budgets. These cuts are only now (in 2011) beginning to take effect, and the 2009 employment data for this sector still show employment growing slightly, at the national level.

Education

- 3.14 A significant proportion of growing Government tax receipts over the 1998-2008 period was directed to additional investment in education, both in terms of capital investment in schools and in terms of additional teachers. As a result, employment in this sector grew by a third over this period (33.5%). Following the Comprehensive Spending Review, it is now clear that educational spending will be protected to some extent; however, 2009 data shows that there was a slight decline nationally in education sector employment.

Health

- 3.15 Spending on health is driven by very dynamic demand factors – an ageing population, increased sophistication and cost of medical treatments, and higher consumer expectations of quality of service. Employment grew by almost a third (30.3%) between 1998 and 2008, although the rate of growth was beginning to slow down towards the end of this period. Even before the comprehensive spending review, the Government had made a commitment that NHS spending would be protected. 2009 data shows that employment in the health sector was still growing quite strongly nationally.

Other services

- 3.16 This sector includes the creative industries and personal services of all kinds. Employment growth at the national level has been very significant over the past decade, with trend growth to 2008 totalling 23.7%. On the new statistical basis used from 2008 onwards, the creative industries have been separated from other services. 2009 data shows that employment in both these sectors had begun to decline.
- 3.17 At the **regional level**, trends on the whole follow the national level, but with more dynamic outcomes in terms of employment growth. Total employment in the South West region grew by 14.9% during the decade from 1998 to 2008 compared to 9.5% nationally. Between 2008 and 2009, employment declined nationally by about 800,000 (2.9%). At the regional level, total employment was essentially static between 2008 and 2009.

- 3.18 In manufacturing, the slowdown in the rate of decline was more pronounced, with almost no net job loss regionally between 2004 and 2007. However, the decline in manufacturing employment has continued into 2009. In the construction sector, employment continued to grow regionally in 2009 whilst declining nationally. There was also some growth in distribution sector employment regionally in 2009, and the same was true of the transport and communications sector. There was also continued strong growth regionally in hotels and catering employment in 2009.
- 3.19 In financial services, there was employment growth up to 2002 followed by decline, with no net growth overall during this period. This static employment performance has continued into 2009. Business services growth was even more impressive regionally than nationally up to 2008, but in 2009, employment in all these activities (real estate, professional, scientific, and technical services, and administrative and support services) declined at the regional level, at a rate higher than the national situation. Public services and defence employment also grew more rapidly at the regional level than nationally up to 2008. In 2009, employment regionally began to decline slightly, again a worse performance than nationally.
- 3.20 The regional growth in employment in the education sector was very significant, at over 40%, compared to 33% nationally up to 2008. In 2009, employment in the education sector declined regionally, as it did nationally, although the amount of the decline is as yet quite small. The growth in health sector employment regionally (30%) was similar to the national performance up to 2008. In 2009, employment has continued growing regionally, as it has nationally. Other services employment grew rather more rapidly at the regional level than nationally up to 2008; in 2009 employment in the creative sector in the region increased slightly, whilst employment in other services declined.
- 3.21 At the **Bath and North East Somerset** level, there are some variations from both regional and national trends. In manufacturing, employment has declined in most years since 1998 but there have been exceptions, and the overall trend suggests that the rate of decline is slowing. In 2009, manufacturing employment actually increased. Construction sector employment has fluctuated from year to year, but has tended to increase. Again, there was some growth in 2009. Growth in distribution sector employment continued to 2004 but then declined; since 2006 it has been essentially static. Growth in hotels and catering employment has also fluctuated about a rising trend, and growth continued into 2009, probably reflecting the importance of Bath as a tourism destination.
- 3.22 The financial services sector saw significant employment growth from 1998 to 2006, but since then employment has declined somewhat. Business services employment has also fluctuated about a rising trend, but declined quite sharply in 2009.
- 3.23 In public administration and defence, the employment figures are distorted by very large numbers of temporary placements (presumably MoD-related) between 2000 and 2005, peaking at a total of 17,000 in 2004. Since 2005 employment in this sector has fluctuated at around 5,000. In the education sector, employment growth was subdued until 2004 but since then has been very significant and this growth has continued into 2009. Health sector employment has also fluctuated about a rising trend, with growth continuing into 2009. A similar pattern was evident for employment in other services.

| Year | Total number of employee jobs | Change from previous year |
|------|-------------------------------|---------------------------|
| 1998 | 70,500 | |
| 1999 | 74,900 | 4,400 |
| 2000 | 73,700 | -1,200 |
| 2001 | 74,900 | 1,200 |
| 2002 | 81,400 | 6,500 |
| 2003 | 81,900 | 500 |
| 2004 | 89,900 | 8,000 |
| 2005 | 82,500 | -7,400 |
| 2006 | 80,100 | -2,400 |
| 2007 | 79,100 | -1,000 |
| 2008 | 78,400 | -700 |
| 2009 | 79,400 | 1,000 |

Table 3.1: Number of employee jobs in B&NES, Annual Employment Survey and ABI data, Nomis. 2009 figures adjusted to be comparable to previous data

- 3.24 Over the period 1998 – 2008, whereas the South West region outperformed the national employment growth performance by about 50% (15% growth as against 10%), employment growth in B&NES was lower than the regional average (11.3%). However, this growth did continue into 2009 in B&NES whereas at the regional level, there was no employment growth in that year.

B&NES Economic scenarios

- (i) B&NES employment estimates for 2010 and 2011

- 3.25 The employment data up to 2008 reflect the end of a sustained period of GDP growth and employment growth, which started in 1992. This growth came to a sudden halt in 2009 when GDP declined nationally by 5% in the most severe recession seen since the war, and employment declined by 2.9%. The recession followed on from, and was caused by, the financial crisis of 2008. GDP growth nationally resumed in 2010 but the impact of the recession on employment growth is likely to be significant. Changes in employment are also likely to lag behind changes in GDP. Because the full impact of the recession on employment has yet to manifest itself, it is important to make some provisional estimates for total employment in B&NES in 2010 and 2011, otherwise the trend assumptions going forward will start from a false level.

- 3.26 From the Labour Force Survey, which measures employment on the basis of a different sample which includes the self-employed, we have the following estimates for the UK as a whole and the South West Region:

| | May-July 2008 | May-July 2009 | May-July 2010 |
|-------------------|---------------|---------------|---------------|
| UK | 29.50m | 28.86m | 29.16m |
| South West region | 2.56m | 2.50m | 2.54m |

Table 3.2 Employment estimates, Labour Force Survey

- 3.27 Measured on this basis (which is not the same as the workplace survey), it appears that nationally employment fell by about 650,000 (2.2%) between 2008 and 2009. Workplace data (employees only) now available for 2009 shows that the number of employees nationally fell by 2.9% between 2008 and 2009. The same

data also show that at the regional level the number of employees was static. The Labour Force survey suggests that employment growth started to pick up again in 2010, but not by very much. Workplace data for 2010 are not yet available.

3.28 Over the decade to 2008, workplace employment growth (employees) in B&NES has been lower than the regional average; in 2009 however, the opposite was true, with workplace employment growth in B&NES but none at the regional level. With GDP growth resuming in 2010 it is possible that there could be some employment growth in 2010. This is less certain for 2011 given that GDP growth has apparently faltered during the last quarter of 2010 and it is too soon to say when it will resume in 2011. For B&NES, we have therefore assumed that there will be slight employment growth in 2010 (1.0%), and a slight decline in 2011. We have used these assumptions in both our scenarios (see table 4.3 below). The two scenarios take the 2011 estimates as their starting point.

3.29 The assumptions made for net job growth in each sector in B&NES over 2009-2011 are set out in Table 4.3 below:

| | 2009 actual (number, rounded)* | % change 2010 | % change 2011 |
|--|--------------------------------------|------------------|------------------|
| Agriculture, Forestry and Fishing | 800 | 1.0% | 1.0% |
| Mining, Manufacturing, Utilities | 7,300 | 0.0% | 0.0% |
| Construction | 3,200 | 2.5% | 0.0% |
| Distribution | 12,200 | 0.5% | 0.0% |
| Hotels and restaurants | 7,300 | 2.5% | 0.0% |
| Transport and communication | 2,400 | 2.5% | 0.0% |
| Financial services | 1,900 | -1.0% | -1.0% |
| Business services | 11,100 | 1.5% | 0.0% |
| Public administration | 5,300 | 0.0% | -5.0% |
| Education | 12,100 | 0.0% | 0.0% |
| Health and social services | 12,500 | 0.50% | 0.5% |
| Other services | 3,400 | 5.0% | 0.0% |
| All sectors | 79,400 | 1.0% | -0.3% |

Table 3.3 – B&NES sectoral employment workplace data for 2009, adjusted to be compatible with 1998-2008 data as far as possible. For 2010 and 2011, assumed percent change on the year before

(ii) B&NES scenarios for employment growth 2012-2026

3.30 The prospects for UK employment growth are particularly uncertain at this point. We know that the official view is that the recovery will be private sector led, while public expenditure will decline significantly over the period to 2015. How much the decline will be overall, and exactly where the spending cuts will fall, is still as yet unclear. Also unclear is the effect Government expenditure cuts will have on employment in central and local government, defence, education, and health services.

3.31 In the private sector, one of the key uncertainties is the extent to which the UK's long run decline as a manufacturing nation can be halted or even reversed. This is current Government policy, but we have yet to see the actual policies and measures that would lead to this outcome. It is assumed that any such measures would be focussed on high-technology sectors, such as green technologies, and advanced engineering.

- 3.32 Construction sector employment growth is dependent on the resumption of investment in the housing and property sectors; there has been some growth in the construction sector activity in 2010 but this could be at risk in 2011. Longer term, construction sector employment growth will follow investment trends and is presumed to resume after 2011. Employment growth in the hospitality sector, which is particularly sensitive to reductions in discretionary spending, is also assumed to resume after 2011. Tourism is an important sector in the District's economy and tourism spend supports businesses in other sectors, particularly distribution.
- 3.33 Increased business services activity has been a major driver of employment growth nationally and regionally. Some of the factors that have driven this growth are likely to continue, but overall the growth rate is unlikely to reach pre-2008 levels during the next decade. There are two main reasons for this assumption – some of the drivers of business sector growth, in particular the process of outsourcing by manufacturing companies, may now be slowing down, and secondly, the growth in the number and size of businesses requiring services is also likely to slow down. To set against this, there are emerging business service activities in the IT sector and software. Overall, we are assuming that there will be substantial employment growth in business services, under both scenarios, although not at the same rate as in the period up to 2008.
- 3.34 In B&NES, employment in public administration and defence is set to decline dramatically, with the relocation of MoD personnel from several Bath locations to Filton Abbey wood, Bristol. Although the full details are not yet known, we have assumed that 1,500 MoD jobs will go (from Bath) between 2011 and 2016. This is the same in both scenarios. After 2016, there is a resumption of growth in public sector employment but only in line with overall economic growth.
- 3.35 As for future employment growth in the education sector, although Government spending on education is likely to be protected to some extent there have already been cuts in capital programmes, and cuts in personnel are quite possible. Again, we have taken a different view in each of the scenarios.
- 3.36 In the health sector, the NHS is supposed to be immune from cuts in Government expenditure, but hardly any commentator thinks this is a likely outcome. Because of demand pressures, employment growth is likely to continue, but at a reduced rate.
- 3.37 One difficulty of estimating forward over a long time period is the likely emergence of completely new activities. These are likely to include internet-based services of all kinds, and innovative technologies based on reducing dependence on non-renewable resources, as well as services designed to promote the transition to a low-carbon economy. To accommodate these, we have assumed a significant growth in 'other services', in both Scenarios.
- 3.38 At the present point in time, for this report, two scenarios have been constructed. The **first scenario** assumes a relatively benign external environment for the UK economy, with strong growth in China and elsewhere making it easier for the UK to follow a path of export-led growth. Under this scenario, the scope for a more balanced recovery led by the private sector would be greater, and the Government would find it easier to wind down the deficit in public finances. This scenario is

compatible with the UK economy resuming its long-run GDP growth pattern of 2.5-3.0% per year.

- 3.39 There would be employment growth in construction, the hospitality sector, telecommunications, and business services. Even manufacturing employment might see some gains, if the Government's aim to rebalance the economy in favour of manufacturing is in fact achieved. In the public sector, the assumption is that, after the job losses due to MoD redeployment, there will be some job gains after 2016, in line with overall economic growth. In education, it is assumed that there will be a period of no growth, followed by a resumption of growth after 2016. In health services, the assumption is that employment will continue to grow, albeit at a much slower rate than in the immediate past.
- 3.40 The **second scenario** is much bleaker. It assumes a more challenging external environment for the UK economy, with shocks coming from increases in oil and commodity prices. This would make it harder to achieve a balance in UK economic management between deficit reduction and economic growth. Under these conditions, the recovery in private sector investment and employment would be slower and more faltering, while in the public sector the cuts and other changes such as the radical reform of health services) could have a greater direct impact on employment, while cuts in the Government's capital investment programme would impact more on private sector employment.
- 3.41 Drawing on the analysis of recent trends and future prospects for growth, and using the assumptions described in paragraphs 3.30 – 3.40, the detailed sectoral changes for B&NES under each scenario are illustrated in Tables 3.4 and 3.5 below. Note that these estimates do not include those who are self employed. This is addressed in table 3.6 and 3.7.

| Scenario 1 - private sector-led growth and rebalancing the economy | | | |
|---|---------------|---------------|---------------|
| | 2006 | 2026 | Change |
| Agriculture, Forestry and Fishing | 800 | 900 | 100 |
| Mining, Manufacturing, Utilities | 7,900 | 7,800 | -200 |
| Construction | 2,800 | 4,200 | 1,400 |
| Distribution | 12,600 | 12,700 | 100 |
| Hotels and restaurants | 7,000 | 8,700 | 1,700 |
| Transport and communication | 2,600 | 2,900 | 300 |
| Financial services | 2,500 | 1,900 | -600 |
| Business services | 12,100 | 13,900 | 1,800 |
| Public administration | 4,800 | 3,900 | -800 |
| Education | 10,600 | 12,700 | 2,100 |
| Health and social services | 13,000 | 15,700 | 2,600 |
| Other services | 3,500 | 5,500 | 2,000 |
| Total employees in employment | 80,100 | 90,700 | 10,500 |

Table 3.4: Scenario 1 - employment change in B&NES. Note that numbers are rounded.

| Scenario 2 - faltering recovery and more severe cuts in public sector employment | | | |
|---|---------------|---------------|---------------|
| | 2006 | 2026 | Change |
| Agriculture, Forestry and Fishing | 800 | 900 | 100 |
| Mining, Manufacturing, Utilities | 7,900 | 7,200 | -800 |
| Construction | 2,800 | 3,700 | 900 |
| Distribution | 12,600 | 12,500 | -100 |
| Hotels and restaurants | 7,000 | 8,500 | 1,500 |
| Transport and communication | 2,600 | 2,700 | 100 |
| Financial services | 2,500 | 1,900 | -600 |
| Business services | 12,100 | 13,000 | 900 |
| Public administration | 4,800 | 3,900 | -900 |
| Education | 10,600 | 12,300 | 1,700 |
| Health and social services | 13,000 | 14,600 | 1,600 |
| Other services | 3,500 | 5,500 | 2,000 |
| Total employees in employment | 80,100 | 86,500 | 6,400 |

Table 3.5: Scenario 2 - employment change in B&NES. Note that numbers are rounded

| Scenario 1 - private sector-led growth and rebalancing the economy | | | |
|---|-------------------------|---------------|----------------|
| | Employees in employment | Self employed | Total employed |
| 2006 | 80,100 | 14,400 | 94,500 |
| 2010 | 80,200 | 14,400 | 94,600 |
| 2016 | 82,000 | 14,700 | 96,700 |
| 2021 | 86,200 | 15,500 | 101,600 |
| 2026 | 90,700 | 16,300 | 106,900 |

Table 3.6 Scenario 1 – total numbers employed in B&NES. Note that numbers are rounded. Red denotes actual recorded data (ONS Annual Population Survey). Black denotes employment projections associated with the future economic scenario.

| Scenario 2 - faltering recovery and more severe cuts in public sector employment | | | |
|---|-------------------------|---------------|----------------|
| | Employees in employment | Self employed | Total employed |
| 2006 | 80,100 | 14,400 | 94,500 |
| 2010 | 80,200 | 14,400 | 94,600 |
| 2016 | 80,500 | 14,400 | 94,900 |
| 2021 | 83,200 | 14,900 | 98,200 |
| 2026 | 86,500 | 15,500 | 102,100 |

Table 3.7 Scenario 2 – total numbers employed in B&NES. Note that numbers are rounded. Red denotes actual recorded data (ONS Annual Population Survey). Black denotes employment projections associated with the future economic scenario.

3.42 The net growth in total employment between 2006 and 2026 would be **12,400 jobs under scenario 1 and 7,500 jobs under scenario 2**. This is an average of 620 and 375 jobs per annum over the plan period respectively.

Comparing economic scenarios

- 3.43 The RTP study³ commissioned by B&NES Council considered that the South West RSS job projections for B&NES were too high at 21,000 jobs over the period 2006 - 2026. This was based on 3.2% GVA growth. RTP propose two lower 'output growth' scenarios ranging between 1.6% and 1.9%. These scenarios are based on the Barclay's Wealth forecasts from the IFS Green Budget and the Consensus forecasts respectively. The Consensus forecasts are taken from the Treasury's February 2010 survey of independent forecasters and represent the average or consensus view of the UK's economic prospects to 2014. The RTP growth scenarios of 1.6 – 1.9% give rise to 8,700 and 11,200 jobs respectively between 2006 – 2026 (averaging 435 and 560 jobs per annum).
- 3.44 The RTP method is simply based on applying lower rates of growth to the Cambridge Econometrics projections. They acknowledge that this is an approximate measure and simply gives an indication of the implications for B&NES of lower growth in the South West economy. Therefore it is not a forecast but an indication of possible futures.
- 3.45 The projections produced in this report are based on a more sophisticated approach, drawing on past trends (national, regional and district level) and the very immediate national situation with respect to growth output, and changing local circumstances (such as the relocation of MOD staff from Bath to Bristol), to produce employment estimates that are built up around future sectoral performance.
- 3.46 The Council has opted for the lower RTP growth scenario (8,700 jobs) with little explanation or justification in the draft Core Strategy (December 2010). This is considered to be unduly low for a city with a much greater economic potential than this. **Over the 12 year period 1998 – 2009, it is noted that average net job growth in B&NES was 740 per annum.** This includes 3 years of recession from 2007 – 2009. This is also set against a situation of constrained employment land provision by the Council's own recognition in its Local Economic Assessment⁴. Taking forward the low growth scenario of 8,700 jobs, the Council will be providing for job growth of only 435 jobs per annum, which is 40% less than has been achieved in the past and 30% less than could be achieved in the future, according to scenario 1 of this report.

³ Roger Tym and Partners (June 2010). Business Growth And Employment Land Update

⁴ B&NES LEA (May 2010), para 4.20: *Bath is seen as attractive for businesses (particularly 'lifestyle' employers) in terms of quality of life and quality of workforce. However, there is a distinct lack of suitable property for indigenous business growth and larger scale inward investment. There has been little change in the commercial and industrial property stock in Bath in the recent past, with little growth in rental levels. Georgian buildings in Bath are less suitable for modern businesses, and – whilst potential employment land has been identified in the city centre (which fits with business needs and accords with planning policy) – many of the sites are constrained and difficult to develop, particularly in the depressed post-recession real estate economy. ... para 4.22: There has been very little change in the total number of commercial and industrial properties in recent years, and a decline in total commercial and industrial floorspace (overall decline from 2005 to 2008 was 66,000 sq m, or 5%).*

| | Net gain of jobs 2006 - 2026 | Net gain of jobs per annum 2006 – 2026 |
|--|------------------------------|--|
| RSS Cambridge Econometrics | 21,000 | 1050 |
| RTP higher growth scenario | 11,200 | 560 |
| RTP lower growth scenario | 8,700 | 435 |
| Baker Associates scenario 1 | 12,400 | 620 |
| Baker Associates scenario 2 | 7,500 | 375 |
| B&NES net gain of jobs 1998 – 2009 = 740 jobs per annum | | |

Table 3.8 summary of employment projections for B&NES, compared with past economic performance

- 3.47 It is also noted that the RTP consensus based scenario (11,200 jobs) would be more robust in that it uses the *national consensus view* of independent forecasters and therefore shows that the wider informed view of the future is of greater economic potential than B&NES intend to plan for.
- 3.48 Even the report on housing requirements for B&NES ⁵ (para 7.4) says that there appears to a reasonably robust case for expecting between 8,700 and 11,300 additional jobs in B&NES over the 20 years. However, the economic growth scenario that is provided for in the B&NES Core Strategy, (8,700 jobs) is a low growth scenario.
- 3.49 There are other statements from the Council that contradict the use of this very low economic growth scenario in the Core Strategy. B&NES has produced an Economic Strategy (2010) which takes a very positive approach to economic development and job growth. The foreword from the Leader of the Council states that *‘the recent recession has served to remind us that it is in everyone’s interest to support the development and growth of the business community across Bath And North East Somerset. A successful and competitive business community can offer greater opportunities and better wages to individuals. This has a positive impact on health and wellbeing, and makes a significant contribution towards reducing the cost of public service provision... The strategy and action plan aims to create the conditions for jobs growth across the district, leading to a more diverse, productive, and resilient economy which provides better opportunities for all’*.
- 3.50 The Council has also committed itself to a determined effort to achieve growth in its role of one of the four West of England authorities. It did this in the recent (September 2010) Local Enterprise Partnership bid. The opening line of the successful bid to the Secretaries of State for BIS and CLG states that: *‘The West of England is a functional economic area’*. The LEP bid is very positive about the potential for economic growth of the area it deals with and in the commitment to pursue the opportunities that exist. It states, *‘We already have a strong public-private partnership in the West of England with a track record of achievement. We believe that with the right help from the Government, our partnership can further strengthen the conditions for sustainable growth in the key, and other, sectors to boost the West of England economy and deliver a large contribution to national economic recovery.’*
- 3.51 The Core Strategy will act to stifle the economic potential of the area and could prevent the Council’s own economic strategy from being delivered. If there was a genuine attempt to ‘support the development and growth of the business

⁵ Keith Woodhead (September 2010). B&NES Future Housing Growth Requirements to 2026: Stage 2 Report

community across B&NES' (as taken from the B&NES economic strategy), it would not be appropriate to simply take a very low view of the economic potential of the area and only plan for that. This will actively constrain what might otherwise be achievable.

- 3.52 Having taken account of the recession and with the aim of producing realistic figures, rather than unachievable aspirational estimates, even our realistic projection of 12,400 jobs (scenario 1) is considerably lower than the pre-recession figures produced by Cambridge Econometrics for the RSS (21,000) and are also in range of the RTP higher projection (11,200).
- 3.53 Scenario 1 also assumes much lower growth rates in employment than have been achieved in the decade prior to 2008. This is because of the shock to the economy from the near-collapse of the world financial system in that year, and of the impact of the necessary measures to re-structure the banks, reduce consumer indebtedness, and restore confidence in the Government's financial situation. This was a major event which is likely to go on having repercussions for a decade or more.
- 3.54 Scenario 1 assumes that the right external conditions will exist for a steady, if slow recovery from this series of shocks, and that other shocks will not intervene to derail the recovery. Scenario 2 allows for the possibility of aftershocks which will make things more difficult, both for the private sector in its lead role, and for Government policy.
- 3.55 **In our view, it is sensible to plan on the basis of Scenario 1 or something similar as a positive, informed and realistic basis on which to go forward. Planning for poor economic growth would be counter-productive to the achievement of many social and economic sustainable development objectives and inconsistent with the Council's own economic strategy.**

4 Economic led housing requirement

Introduction

4.1 This section of the report sets out the amount of housing that would be required in B&NES and Bath if an economic led approach is taken to the provision of housing. This means that in order to support economic growth, a comparable level of homes will need to be provided to support population growth, or more specifically the growth in the number of economically active residents. For instance, economic growth of 620 jobs per annum (economic growth scenario 1) would require 620 economically active people to support these jobs and these new people would require accommodation. The following sections set out the housing requirements associated with scenarios 1 and 2 for B&NES, and also addresses the housing provision that should be made at Bath.

(i) District housing requirement

4.2 In 2006, 52.5% of the population in B&NES was economically active. If it is assumed that the economic activity rate could be maintained due to people working later in life, and by maintaining unemployment at 2006 levels, 1 job will be required per 1.90 people. 620 jobs per annum, (a total of 12,400 jobs by 2026), would give rise to a total population of 196,700 (and private households population of 191,100). At 2.16 persons per household (based on projected national average household size in 2026), this would give rise to 14,500 new households. Housing requirements associated with economic growth scenarios 1 and 2 are set out in the tables 4.1 and 4.2 below.

| | |
|---|---------|
| a. Economically active 2006 (ONS Annual Population survey) | 90,900 |
| b. population 2006 (ONS mid year estimates) | 173,100 |
| c. households 2006 (ONS mid year estimates) | 74,000 |

Table 4.1 – B&NES baseline data

| | Scenario 1: (12,400 jobs) | Scenario 2: (7,200 jobs) |
|--|--------------------------------------|-------------------------------------|
| d. Net gain of jobs 2006 – 2026 | 12,400 | 7,600 |
| e. Economically active 2026 (e = a + d) | 103,300 | 98,500 |
| f. Total population 2026 (f = e x 1.90) see para 4.2 | 196,700 | 187,600 |
| g. Private households population 2026 (g = f - 2.84%) see para 3.3 | 191,100 | 182,200 |
| h. Total number of households 2026 (h = g ÷ 2.16 persons per household) | 88,500 | 84,400 |
| i. Number of additional homes 2026 (i = h – c) | 14,500 | 10,400 |

Table 4.2 B&NES economic led housing requirement. Note numbers are rounded to nearest 100.

Making comparisons with the population and household projections

4.3 Looking back at the ONS projections, economic growth scenario 1 gives rise to a housing requirement of 14,500 homes which is very similar to the lower ONS 2008 based household projection of 14,000 homes, although considerably

lower than the ONS 2006 based household projections (19,000 homes). Scenario 2 which is a very bleak option is very much lower than the 2006 and 2008 based ONS projections.

- 4.4 As has been discussed in chapter 3, there is a much stronger argument for going with a positive view of the economic potential of B&NES (such as scenario 1), rather than a negative, constrained view of the future, not least the fact that this is more consistent with the Council's own economic strategy.

Commuting patterns associated with B&NES

- 4.5 23,800 people living in B&NES commute out of the District for work. This compares with 24,000 people commuting into B&NES for work. This gives rise to an evenly balanced commuting situation of +200 people. It is also noted that there are about 94,500 jobs (includes self employed) compared with 90,900 economically active people in B&NES (2006), confirming the fairly evenly balanced situation between jobs and economically active.
- 4.6 Self containment measures the extent to which residents live and work in an area. In B&NES, 70% of working age residents in employment live and work in the District. This is considered to be self-contained and hence it is concluded that **at a District level, the balance between homes and jobs is already well matched, and therefore, all additional jobs created in B&NES should be matched with the requisite housing requirements to maintain this desirable balance.**

(ii) Housing provision at Bath

- 4.7 Bath is by far the largest settlement in B&NES, making up about 50% of the District's population. It is also the main focus for employment and shopping in the District.
- 4.8 Bath is the prime economic driver for the District and the emerging Core Strategy identifies Bath as the major focus for development.
- 4.9 The B&NES Core Strategy intends to provide for 5,700 new jobs at Bath over the plan period to 2026. This is an average of 285 jobs per annum, compared with 625 jobs per annum achieved in the city 1998 – 2009. Therefore, the Core Strategy is making provision for less than half what has been achieved in the past. Having regard to past performance the economic growth identified as Scenario 1 is taken forward as the basis for determining the housing requirement for Bath.
- 4.10 In 2006, Bath accounted for about 70% of the District's jobs. A straightforward approach to planning for the future pattern of activity would be to direct 70% of new jobs associated with 'scenario 1' to Bath in accordance with past economic trends. This would have the effect of keeping the future proportion the same as the present proportion; that is, directing 70% of new jobs (8,700) to Bath would maintain the distribution as about 70% of the District's future jobs in Bath⁶. It is noted that the draft Core Strategy directs 66% of future job growth to Bath so it is taking a similar view that concentration of jobs at Bath is a desirable situation that should be maintained.

⁶ In 2006, there were 62,650 jobs at Bath out of a District total of 94,500 jobs. This equals 66.2% of B&NES jobs at Bath. Directing 70% of the scenario 1 job projections to Bath is equal to 8,700 jobs. $62,655 + 8700 = 71,350$ (ie the jobs total for Bath in 2026). This is 66.7% of the District's total future jobs (106,900) in 2026.

- 4.11 In Bath, 71% of working age residents in employment, live and work in the city which demonstrates high levels of self containment. This compares with places like Weston super Mare (64%) and Bristol (85%).
- 4.12 Whilst out-commuting from Bath is relatively low (11,200 persons), in-commuting is high (24,200 persons). Employment data also shows there were 62,700 jobs in Bath (including self employed) in 2006, compared with about 44,500 economically active persons⁷, indicating a jobs:homes imbalance. This is a surplus of 20,200 jobs relative to the number of economically active in Bath in 2006. In 2001, there was a surplus of 14,000 jobs relative to economically active, showing that the jobs - economically active imbalance has widened considerably, explained by the fact that job growth has not been matched with housing growth in the city. It can be deduced that in-commuting will also be getting much worse than was even reported in the 2001 census.
- 4.13 This worsening situation is backed up by further evidence. Over the period 1998 – 2009 (12 years), there was a net gain of 7,500 jobs in Bath (excluding self employed). This includes 3 years of the last recession, and is an average of 625 jobs per annum (ABI data). This compares with the provision of 200 dwellings per annum at Bath over recent years⁸ and 385 dwellings for the District as a whole over the period 1996/7 – 2009/10. Data from 2001 shows that there has been a consistent under-provision of 400-500 dwellings per annum⁹. In line with the Council's emerging Core Strategy, (which is concerned with carbon consumption and addressing net in-commuting), any attempts to rectify past problems created by an under-supply of housing will need to provide considerably more homes than jobs at Bath in the future to make up for the widening gap between jobs and homes.
- 4.14 Bath does have a particular character and some special circumstances. One of these is the scale and proportion of students amongst the population, with two Universities and student numbers that have grown very significantly year on year. The presence of the Universities, whilst exceedingly valuable in economic terms and for the continued realisation of the strong economic potential of the city, does add to the pressures on the housing stock. This would be all the more so if student numbers grew relative to the rest of the population. This is another reason why any continuing trend of under-provision is likely to have significant consequences on the ability of households, including with economically active people, to access suitable housing households, and why in-commuting levels will continue to be high unless tackled.
- 4.15 As a significant and prosperous city surrounded by a large rural hinterland, it is to be expected that Bath would be a net importer of labour. However, the net-commuting situation of +12,900 persons at 2001 is significant and likely to be

⁷ Data on economically active persons at a *ward level* is only available from the census, and hence is available for 2001. In 2001, 49% of the district's economically active population were in Bath. At a District level, the ONS Annual Population Survey provides data on the number of economically active since 2004. In 2006, it is estimated that the number of economically active in Bath city wards comprises 49% of the District total of 90,900.

⁸ B&NES SHLAA Findings Report (December 2010) reference taken from table 2.1

⁹ 2001 – 2006, net gain of jobs in Bath was 4,320 (ABI data) averaging 720 per annum over this 6 year period. This would generate a housing requirement of 650 homes (based on 0.9 economically active persons per household). If on average 200 homes a year have been completed at Bath, this is a shortfall of 400 – 500 homes per annum in the city since 2001.

getting worse as job growth exceeds housing provision. The draft Core Strategy (para 1.27) acknowledges that there is an in-commuting problem in Bath and states that the spatial strategy directs more homes than jobs to the City. This is 6000 homes (300 dwellings per annum) relative to 5,700 jobs (285 jobs per annum). Whilst this may set out to not make the future net in-commuting situation any worse, it does not attempt to tackle the baseline (2006) situation in terms of the imbalance between jobs and homes, which from a sustainable development view, a strategic plan such as a core strategy should attempt to do.

- 4.16 **If Bath taking 70% of the new jobs created in B&NES is matched by 70% of the B&NES housing requirement at Bath, this would mean 8,700 jobs and 10,150 homes at Bath.** Even if the Council is minded to match each additional job with the requisite future housing requirements, according to scenario 1, at least 7,800 homes would be required at Bath. However, Bath is experiencing a high and growing mismatch between jobs and homes that needs to be addressed in the Core Strategy. Therefore, the actual housing requirement needs to be higher than that associated with new job creation in order to redress problems created by a constrained supply of housing relative to the performance of the local economy of Bath in the past. Directing 70% of homes to Bath would have the effect of slightly increasing the number of homes at Bath relative to the rest of the district (ie in 2001, 52 % of the District's households were located in Bath, and directing 70% of new homes to Bath would increase households at Bath to 55% of the District's total).
- 4.17 It is also noted that 10,150 homes from a B&NES total of 14,500 homes is a difference of 4,350 homes that would need to be directed to other parts of the District. Though slightly lower than what the Council is promoting in the Core Strategy of 5,000 dwellings, the provision of about 10,000 dwellings at Bath would also enable the Council to continue to pursue its strategy for the other parts of B&NES.

5 Affordable housing

- 5.1 Affordable housing is largely enabled through the development of open market housing. Therefore, the amount of housing that is sought provides an indicator of the amount of affordable housing that can be achieved.
- 5.2 House prices in B&NES are a third higher than the national average and significantly higher than in the rest of the West of England sub-region; prices in Bath are on average £43,000 higher than in the rest of B&NES. Housing affordability is relatively poor and getting worse. Those hardest hit are those in the lower quartile house prices and earnings with house prices almost 10 times higher than full-time employee earnings ((B&NES Local Economic Assessment, May 2010).
- 5.2 The West of England Strategic Housing Market Assessment (SHMA) concludes there is a need for 847 affordable dwellings per annum in B&NES. This is considerably more than the total housing provision in the B&NES draft Core Strategy which is proposing 550 homes per annum in the District.
- 5.3 The emerging B&NES Core Strategy seeks 35% of housing developments to comprise affordable housing (as does the B&NES Local Plan) recognising that the viability of sites will vary over time, according to different economic conditions. The draft Core Strategy also says that where possible, it will seek 45% affordable housing, where the site benefits from above average market values for the district; and or whether grant or other public investment may be available to help achieve additional affordable housing.
- 5.4 Completions data from the B&NES AMR 2009-10 shows that the number of affordable housing completions across the District was 23% of all housing completions over the last 4 years. By way of illustration, if 23% of all housing completions were affordable, housing provision associated with the realistic economic growth scenario 1 would yield about 165 affordable dwellings per annum. This compares with Council's emerging Core Strategy which is expected to yield about 125 affordable homes a year. This is a difference of 810 affordable dwellings over the plan period.

| | BA economic growth scenario 1: 12,400 jobs | B&NES Core Strategy: 8,700 jobs |
|--|--|---------------------------------|
| Total housing requirement | 14,500 | 11,000 |
| Total number of dwellings per annum | 725 | 550 |
| Total affordable dwellings per annum | 165 | 125 |
| Total number of affordable dwellings provided over the plan period | 3,340 | 2,530 |

Table 5.1 Affordable housing provision relative to the overall housing requirement in B&NES. Note numbers are rounded.

- 5.5 This means that not only is the Council's Core Strategy potentially exacerbating issues such as in-commuting to Bath, and constraining the economy, but it will also limit the amount of much needed affordable housing that is built. **Following a more realistic economic growth scenario, such as set in this report (12,400 jobs) could yield 810 more affordable homes than will be achieved by the Core Strategy.**

6 West of England

Introduction

- 6.1 This report has examined the housing requirement for B&NES and Bath by a method that looks at demographic trends and projections and at the housing implications of realising the District's economic potential. The housing provision to be made in B&NES to 2026 and to be achieved by a planned approach is greater than the figure identified in this way however, because of the geographic location of B&NES and the role it plays in the West of England sub-region.
- 6.2 This functional relationship has been acknowledged by all four of the West of England authorities (which includes B&NES) in their very recent (September 2010) Local Enterprise Partnership bid. The opening line of the successful bid to the Secretaries of State for BIS and CLG states that: 'The West of England is a functional economic area, defined by:
- travel to work patterns (local residents account for about 90% of the jobs in our area)
 - transport infrastructure, traffic flows and transport services focused on our major settlements and the movement between them
 - clusters of industries (e.g. aerospace and the largest concentration of creative industries outside London)
 - retail catchments of our major centres'.
- 6.3 This is telling, not only in its clear and positive recognition of the existence and value of the West of England as a functional economic area where there should be collaborative work for a future greater than the authorities can achieve acting alone, but for the clear view that the area which is the aggregation of the four administrative areas is an appropriate area to work with rather than an accidental or opportunist area. This is made clear by the statistic cited in the bid that 'local residents account for about 90% of the jobs in our area'.
- 6.4 There are significant cross boundary implications of this relationship, but most relevant to this report is the interrelationship of the main centres of population and the implications of the historic administrative boundaries having little regard to the economic activity, housing markets and travel patterns. Bristol City Council's position as presented in its Core Strategy is that the level of housing that can be provided within the area administered by the Council is less than the housing requirement arising from the administrative area. The Council does not quantify this gap, though the evidence considered by the Inspector undertaking the Independent Examination of the Core Strategy is that this 'shortfall' may be between 30,000 and 50,000 new homes. The Inspector has yet to report his findings.
- 6.5 Whatever figure the Inspector concludes upon however, the combined implication of this shortfall and the agreement of the Councils to work collaboratively for the good of the West of England is that **there is a housing requirement to be addressed in the three other Districts (including B&NES) that are part of the West of England over and above what appears to be required for those Districts by a 'local only' approach.**

- 6.6 **This requirement has to be added to the housing requirement of 14,500 dwellings for B&NES identified in this report, as part of the total requirement for which provision needs to be made in B&NES.** Since this element arises from the way the urban area of Bristol is performing and from the location of the administrative boundary, the proper place to locate this development, having regard to the most sustainable patterns of development, is on the immediate edge of the urban area of Bristol. The situation of B&NES in the West of England means that there will be an additional housing requirement to accommodate Bristol's growth in the north western part of the District (immediately abutting Bristol) and so this additional element does not affect what has to be provided at Bath itself.

7 Conclusion

Introduction

- 7.1 This report has examined the housing requirement for B&NES and Bath in order to inform the preparation of the Council's Core Strategy addressing the period 2006-2026. It has done so using information that is readily available, including data that the Council and its advisors have used, and by a robust and proven methodology. The methodology followed in this report has looked particularly at demographic trends and economic potential to produce an economic-led housing requirement, and this has been compared with the Council's own examination of the need for affordable housing.

Housing requirement for B&NES 2006 - 2026

- 7.2 **ONS household projections show that if the most recent (2008 based) demographic trends were allowed to continue, at least 14,000 additional homes would be required in B&NES for the period from 2006 to 2026.** This figure reflects lower rates of net in-migration, than previous projections and therefore, the requirement for more than 14,000 homes could arise if migration rates are higher and are closer to the 2006 based ONS projections.
- 7.3 An investigation of the economic potential of the B&NES economy shows that under the two scenarios examined there is potential for either 7,500 or 12,400 jobs over the period 2006 – 2026. **The proposal from this report is that a figure of 12,400 jobs be used as the basis for examining the housing requirement for B&NES.**
- 7.4 There is good reason to use this figure, which is in the same order as the highest end of the range of jobs that could be created according to the work used by and done for the Council by Roger Tym and Partners. Realising economic potential depends on the effort put in by various agencies and individuals to bring about positive results. The Council has committed itself to a determined effort to achieve growth in its role as one of the four West of England authorities, as expressed in the West of England LEP bid in September 2010.
- 7.5 The 'consensus' economic growth figure from the Council's consultants (the Roger Tym and Partners work) would give rise to 11,200 jobs over the period 2006 – 2026. In contrast, the level of economic growth that has been selected by B&NES (8,700 jobs) is at the lowest end of the range identified by the various pieces of work by the Council's consultants, and the reasons for the choice of this figure are not stated. The Council will therefore be providing for a job creation rate in the future that is 40% lower than has been achieved over the past 12 years in B&NES and 30% lower than scenario 1 of this report. It cannot go unnoticed however that the level of economic growth selected is one that gives rise to precisely the level of housing that the Council's SHLAA indicates can be provided without any use of any land which is Green Belt to which the Council has a pre-determined policy objection.
- 7.6 **The reasonable assumptions associated with economic growth scenario 1 produced in this report gives rise to a requirement for 14,500 homes in B&NES over the period 2006 – 2026.** This corroborates the figure from the latest (2008 based) ONS household projections and is the figure for which the Core Strategy should make provision.

- 7.7 The West of England SHMA identifies the affordable housing requirement as 847 homes each year. A housing requirement of 14,500 homes as suggested from this study could yield about 3,430 affordable homes, or about 125 affordable homes each year. The Core Strategy planned provision of 6000 homes is expected to yield about 125 affordable homes each year, to a total of 2,530 to 2026. This means that not only is the constrained approach to the economy and housing in the Council's Core Strategy potentially exacerbating issues such as in-commuting to Bath, and holding back the local economy, but it will also limit the amount of much needed affordable housing that is built. **Following a more realistic economic growth scenario, such as set in this report (12,400 jobs) could yield 810 more affordable homes than will be achieved by the Core Strategy.**
- 7.8 It is noted in this report that the figure for the housing requirement from the work set out is a figure derived for B&NES from the demographic projections and economic development within the District. There is a further housing requirement to which the District should contribute and this is the housing requirement arising within the West of England functional area of which B&NES is part, as the Council is clear in statements in its name. There is a housing requirement arising from the demographic projections and economic development for the city of Bristol which in part will have to be met on the edge of Bristol as the most sustainable and practical way of providing this development. It happens from the history of administrative boundaries that some of the land on which this development should take place is within B&NES. **The 14,500 dwelling requirement which is the finding of this report, and has to be provided within B&NES and hence planned through the Core Strategy does not include any provision for Bristol's growth. The situation of B&NES in the West of England means that there will be an additional housing requirement to accommodate Bristol's growth in the north western part of the District (immediately abutting Bristol) but this additional element does not affect what has to be provided at Bath itself.**

Housing requirement for Bath 2006 - 2026

- 7.9 The housing requirement identified for the whole of the B&NES area (excluding Bristol's growth) is 14,500 homes. The majority of the jobs giving rise to the housing requirement are and will be in Bath, and there are good reasons to do with the promotion of more sustainable development for the great majority of new housing provision (and other development) to be directed to Bath to help redress many years of under-provision and tackle the unsustainable commuting patterns than have arisen. This is what the Core Strategy seeks in principle. With a higher provision to be made in B&NES than is currently recognized by the Core Strategy, the number of dwellings directed to other settlements to meet their community's needs and to match employment growth should not increase, and the additional element of the B&NES derived housing requirement should be met at Bath. **This figure is 10,150 dwellings to be directed to Bath.**
- 7.10 The proportion of the overall housing provision for B&NES (not including the WoE/Bristol element) directed to Bath would then be about 70%, which is the proportion of the additional jobs in B&NES that would arise in Bath, so there is good reason to choose this distribution. This is a sensible proportion to aim for. It is high enough to represent a very positive move to increase the proportion of people living and working close by and to be able to make relatively short trips by soft transport modes to access services and facilities, whilst not stifling appropriate

community expectations in other settlements.

Deliverability

- 7.11 The rate at which housing has been delivered in Bath in the past has been low, certainly compared to the growth in the number of jobs or the level of affordable housing need for instance. This does not suggest that the rates now demonstrably required could not be delivered, however as the past rates have been artificially constrained by the number of sites made available by the Council's planning policies. The housing market is very strong and hence Bath is a very attractive place for housebuilders to invest and where the costs associated with housebuilding, such as contributions to affordable housing and infrastructure needs, can be met. Meeting the requirement at Bath will, according to the Council's current figures on supply, require development beyond the current urban limits, in the form of an urban extension

The implications of not meeting the housing requirement

- 7.12 There are clear and unfortunate consequences if the housing requirement for B&NES as a whole and for Bath in particular are not met. Relatively little progress would be made on addressing the affordable housing need for instance, with a consequent growing social and economic division within what will become an increasingly exclusive community.
- 7.13 In terms of the economy, the work set out in this report shows that with the housing provision included in the current version of the Core Strategy, B&NES is now planning for a number of houses that will not provide the number of economically active people that would be required as the economic potential of the area is realised. The consequence of this must be some combination of constraint, preventing access to rewarding jobs for some people, and increased commuting with consequences for the environment and for climate change, contrary to the objectives for spatial planning clearly set out in national policy and claimed by the Council to be its policy.
- 7.14 Finally, in relation to the Council's proposed approach there are significant cross boundary implications which have not been considered in the Core Strategy. The West of England economy functions as a single entity according to the four West of England authorities now part of a Local Enterprise partnership, but the B&NES Core Strategy fails entirely to see the District's role in relation to Bristol or the wider sub region. Continuing to constrain supply in B&NES will increase pressure on other areas, particularly Bristol. Bristol is significantly constrained with not enough land available to meet its own needs or demand.

Appendix 1

B&NES Employment Trends 1998-2009, taken from Annual Business Inquiry data

| Industry | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Agriculture, Forestry and Fishing | 542 | 477 | 455 | 469 | 426 | 407 | 423 | 418 | 820 | 826 | 796 | 796 |
| Mining, Manufacturing, Utilities | 9,832 | 9,752 | 9,520 | 8,834 | 9,232 | 8,598 | 7,931 | 8,298 | 7,942 | 7,945 | 6,925 | 7,271 |
| Construction | 2,223 | 2,321 | 2,285 | 3,381 | 3,097 | 2,889 | 3,370 | 3,322 | 2,810 | 3,048 | 2,915 | 3,207 |
| Distribution | 12,926 | 13,058 | 14,333 | 13,981 | 13,432 | 14,745 | 15,493 | 14,214 | 12,630 | 12,791 | 12,539 | 12,163 |
| Hotels and restaurants | 6,235 | 5,837 | 6,663 | 5,972 | 6,474 | 6,219 | 5,751 | 5,864 | 6,968 | 6,838 | 6,642 | 7,306 |
| Transport and communication | 2,678 | 2,814 | 2,490 | 2,665 | 2,482 | 2,346 | 2,336 | 2,563 | 2,602 | 2,447 | 2,152 | 2,421 |
| Financial services | 1,526 | 1,586 | 1,495 | 1,638 | 2,033 | 2,133 | 2,068 | 2,374 | 2,458 | 1,818 | 2,142 | 1,928 |
| Business services | 10,275 | 11,067 | 9,395 | 10,818 | 11,931 | 12,101 | 11,826 | 13,431 | 12,105 | 11,993 | 13,409 | 11,062 |
| Public administration | 2,714 | 5,191 | 6,036 | 5,003 | 9,157 | 9,748 | 17,178 | 6,282 | 4,755 | 5,272 | 5,305 | 5,252 |
| Education | 8,118 | 8,662 | 8,656 | 7,915 | 8,685 | 8,658 | 8,456 | 10,333 | 10,566 | 10,772 | 10,297 | 12,099 |
| Health and social services | 10,495 | 10,204 | 9,245 | 11,169 | 11,320 | 10,612 | 11,489 | 12,287 | 13,013 | 11,985 | 11,876 | 12,470 |
| Other services | 2,936 | 3,948 | 3,091 | 3,014 | 3,089 | 3,453 | 3,540 | 3,149 | 3,451 | 3,327 | 3,441 | 3,441 |
| Total employees in employment | 70,500 | 74,916 | 73,664 | 74,858 | 81,361 | 81,907 | 89,859 | 82,535 | 80,121 | 79,063 | 78,439 | 79,416 |

