



**BATH & NORTH EAST SOMERSET CORE STRATEGY HEARINGS:  
APPENDIX 2 OF STATEMENT BY PEGASUS PLANNING GROUP ON ISSUE 1**

**Response to Core Strategy Topic Paper 9, October 2011 (CD6/HS10) and B&NES  
Future Housing Growth Requirements to 2026: Stage 2 Report, September 2010  
(CD4/H1)**

**The Inspector's Questions:**

1. In his Preliminary Comments and Questions (ID/1), the Inspector posed some highly pertinent questions about the Council's explanation of its approach to housing requirements in Topic Paper 9, which (like other participants) he found difficult to follow as well as containing anomalies, errors and omissions. The Stage 2 Report does not provide a satisfactory response or justification for the Council's approach to the assessment of housing requirements, which remains arbitrary, selective, lacking in empirical or conceptual justification, and far from transparent.

**Government Guidance:**

2. Underlying its approach is a failure by the Council to apply correctly the approach to local assessment of housing requirements that has been set out in correspondence from the Government's Chief Planner and should still be based on PPS 3, paragraph 33. There is no justification for the assertion in paragraph 1.4 of Topic Paper 9 that overall demand and affordability now carry limited weight in planning policy because of the abolition of the NHPAU. The Local Growth White Paper of October 2010 identified one of the three main functions of the planning system as '*to provide sufficient housing to meet demand*'. A flexible and responsive supply of land for housing is also one of the fundamental aims of the ministerial statement on 'Planning for Growth' (23 March 2011). The approach of PPS 3 is carried forward in the draft NPPF (paragraphs 107 ff).

**The Council's Approach:**

3. The Council has not approached the task of assessing local housing requirements in a clear or objective way. Its approach is based on deriving a ratio between previous forecasts of employment and households for the West of England sub-region, and then applying this ratio to later forecasts of employment for Bath & North East Somerset. This ratio subsumes a number of variables, which are specific to the sub-region and likely to change over time, reflecting changes in (for example): the age structure of the population, natural change, domestic and international migration, household formation,



economic activity, employment structure, commuting patterns and student populations. The correct approach is to examine these variables and relationships explicitly in projections of population, labour force and households, which is what Pegasus Planning Group has done with a set of Chelmer projections designed to test alternative scenarios (described in Appendix 1).

4. Rather than reject the CLG's 2006 and 2008-based sub-national household projections, because they *'suggest household growth substantially above any evidence of proposals for delivering housing in the West of England sub-region'* the Council should have considered objectively the reasons for variations in projections and likely future changes. There is no justification for the Council's judgement (Box 1 and paragraph 2.9) that the relationship between 2004-based household projections and pre-recession employment projections is *'considered more important/useful.'* When looking forward 20 years, the relationships between housing and employment are likely to change for a number of reasons: an ageing population will reduce the labour force for a given population; changes in migration will also affect the labour force; and changes in household structure will determine the relationships between population and housing need.
5. The use of Chelmer population projections undertaken in 2006 for the Regional Strategy is also questionable. There is no explanation of why the Council did not undertake new population and household projections using the latest demographic and household data. (Pegasus Planning Group has undertaken a range of Chelmer projections, using the latest available data which are summarised in our Statement on Issue 1 and attached as Appendix 1.)

### **The Jobs:Homes Ratio**

6. After applying allowances for vacancies, second homes, sharing and demolitions, the resulting 'housing projection' for the West of England is used in the Council's evidence (Topic Paper 9) to derive a homes/jobs ratio of 1.39 (previously 1.33 in the Stage 2 Report).
7. The Council also uses a *'zero net migration'* projection in an attempt to assess *'locally generated need'*. As migration within the existing dwelling stock will continue even if no new housing is built, this is a false and misleading analysis. Gross inward and outward migration flows will have various effects on demographic structure and economic activity.



The Council has considered only one zero net migration scenario: based on scaling down inward migration to balance outward migration. In reality, zero net migration could result from an infinite range of gross inward and outward migration flows, provided they balance.

8. The Council's zero net migration projection produces wholly artificial statistics that have no relationship with housing need – local or otherwise. Its use is made worse by the Council's arbitrary deduction of 25% of projected population growth: ostensibly to remove children born to migrants (described as *'indirect natural change'*). This procedure is inexplicable and indefensible. The resulting figures are said to show that 5,500 homes or 36% of the projected total of 15,400 will be needed to avoid population shrinkage. This appears to be an attempt to show the effect on population of declining household size, for a given household size, but it is an artificial and irrelevant statistic.
9. Paragraph 2.16 offers an explanation of the impacts of demographic change on labour supply, but it is confused. Economic activity rates are primarily related to age; they include people who are employed, self-employed or seeking employment. Labour force participation rates are also affected by the availability of work and institutional factors such as pension age. Some people in the working age groups are not seeking work for a variety of reasons. Changes in age structure are particularly important in determining the size of the potential labour force. The effects of changes in economic activity are considered to some extent later in the Council's note, but only by applying arbitrary variations in labour force participation rates to the projected population of working age (not based on age-specific economic activity rates).
10. Paragraph 2.18 is even more confused and fails to address the Inspector's questions in paragraph A8 of ID/1. There is no such thing as a 'net migrant'. It is essential to consider the characteristics of both in-migrants and out-migrants. For example, in Bath & North East Somerset, there is a significant inflow of young people, including students who do not move primarily for employment reasons. It is not at all clear that the Council's approach takes proper account of economic migrants and those who move for other reasons.
11. The Council appears to believe that economic migrants account for 50% of their forecast, but their reasoning (in paragraph 2.17) is not at all clear. Paragraphs 2.20 and 2.21 make a number of other curious claims about the effects of applying the arbitrary ratio of



homes to projected job growth, without addressing the implications of non-economically-motivated migration, such as Bath's large and growing student population. The number of students at the two universities increased from 15,075 in 2011 to 23,400 in 2009/10 and is expected to grow further.

12. Further claims for the use of this ratio in Section 3 are equally fallacious, including the remarkable claim (paragraph 3.2) that between 1999 and 2004, '*population change was sufficient to satisfy the labour demands of a growing economy.*' If this is meant to imply that there was also sufficient housing, the statement ignores the fact that this was a period of rising house prices, increasing housing shortages and problems of labour supply.
13. There is no theoretical justification for using the West of England ratio between 2004-based projections of housing demand and job growth. It is difficult to follow the precise derivation of this ratio (Stage 2 Report, Appendix 2). It includes a housing requirement derived from the ONS revised 2004-based population projections, using household projections from a 2006 Chelmer projection, and an employment projection by Cambridge Econometrics (pre-recession trend) taken from Roger Tym & Partners' 2008 report for the South West Regional Assembly (RSS Employment Land Provision)<sup>1</sup>.
14. Use of the West of England ratio is explained on the basis that it reflects relationships within the wider labour market area. This does not justify its use at District level where there is considerable variation. Full information at local authority level has not been provided. However, it is possible to discover that the ratio between the 'pre-recession trend' forecast of housing requirements in B&NES (14,136)<sup>2</sup> and the Roger Tym forecast of employment (17,000) is 0.83, reflecting a low level of housing provision compared to job growth in B&NES. In North Somerset the comparable ratio is 2.23.
15. These differences reflect the low level of housing provision in relation to employment in B&NES, which has relied on increasing commuting from neighbouring local authority areas and the reverse situation in North Somerset which has provided a high ratio of homes to jobs. The relevance of the West of England ratio is also called into question by

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<sup>1</sup> [http://southwest-ra.gov.uk/nqcontent.cfm?a\\_id=4381&tt=swra](http://southwest-ra.gov.uk/nqcontent.cfm?a_id=4381&tt=swra)

<sup>2</sup> Final page of the Stage 2 Report Table A6



Bristol's inability to meet its projected housing demand – which is now confirmed by the adopted Core Strategy.

16. Under-provision in Bristol clearly has implications for housing demand in the neighbouring local authority areas. North Somerset is taking a different approach in its draft Core Strategy: arguing that the provision for jobs and homes in the District needs to be re-balanced in favour of a higher ratio of jobs to homes. Both approaches show that the West or England ratio between 2004-based projections is irrelevant to an objective assessment of future housing demand in B&NES.
17. We also have doubts whether calculation of the West of England ratio is based on the correct total of projected job growth in the West of England, which appears as 94,600 in the Roger Tym Report (Table 2.2) rather than 91,500 as shown in the Stage 2 Report, Appendix 2 Table A7. On this basis and using the 'corrected' 2004-based housing requirement projection of 127,038,<sup>3</sup> the ratio would be 1.343.

#### **The Use of Economic Forecasts:**

18. Section 4 considers economic forecasts, which the Stage 2 Report admits are '*an educated shot in the dark*' especially when attempted at a local level. These uncertainties reinforce the dangers of seeking to base forecasts of housing need solely on forecasts of job growth. There are clear contradictions between the economic aims of the Local Enterprise Partnership and those of the Core Strategies of Bath & North East Somerset Council and the other West of England councils. However, the main point is that housing needs are determined by a much wider range of social and demographic factors than the Council has considered – including the backlog of unmet housing needs from the past.
19. The relationship between economic forecasts and the assessment of housing need for planning purposes is explored in a thought-provoking paper by the South West Regional Development Agency's Economist, Nigel Jump: '*Economic Prediction and the Planning*

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<sup>3</sup> As shown in the equivalent North Somerset report: *North Somerset Council: Determining a locally derived District Core Strategy housing requirement to 2026*, Stage 2 Report ED/15 (Revised and amended October 2011), Appendix 2



*Process*.<sup>4</sup> This report explains succinctly why *'there is not a simple arithmetical relationship between a particular growth rate and the need to build new housing.'* We have asked for this report to be added to the Examination Library.

20. The SWRDA report warns that *'there is a danger that the South West's historical under provision of housing is exacerbated if planning figures are linked solely to a particular low "average" growth rate scenario.'* The reasons include:

1. It cannot be assumed that resources – including human resources – made redundant by a fall in output will be utilised when output recovers. Additional labour will be needed to fill the output gap, because some redundant workers will have left the labour force and others will lack the skills required by the new growth industries.
2. Recession will not have eliminated the gap between housing supply and demand, as migration for non-economic reasons will have continued and housing demand will continue to be generated by demographic and social forces.
3. A low long-term average rate of economic growth applied from 2006 to 2026 includes past periods when output was falling or static as well as future periods of recovery and growth. Housing demand will not necessarily follow a similar trajectory.

21. The report concludes that adjustments to housing targets should be no more than about 5% to reflect lower economic expectations. It also recommends taking a more balanced view of future economic prospects in the long term that reflects policy aspirations – including those of the West of England Local Enterprise Partnership, as well as those of the Government's White Paper on Local Growth<sup>5</sup> and the Ministerial Statement on Planning for Growth.<sup>6</sup>

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<sup>4</sup> South West Observatory and South West RDA, January 2011, *Economic Prediction and the Planning Process – A contribution to the current debate about regional planning for housing need after the recession*

<sup>5</sup> *Local Growth: Realising Every Area's Potential* (28<sup>th</sup> October 2010)

<sup>6</sup> Statement by the Minister of State for Decentralisation, The Rt. Hon. Greg Clark – on *Planning for Growth* on (23<sup>rd</sup> March 2011)



22. A related question is how much weight should be placed at district level on economic forecasts that are derived from national or regional forecasts. The NOMIS Labour Market Profile for B&NES (Annex 1) shows that the district has higher proportions of population in working age groups than the regional or national averages, but a lower proportion of the population that is economically active. The district has higher proportions of highly-qualified people, higher proportions of people in higher-status occupations, and a relatively low level of unemployment, than the national or regional averages,. Its industrial structure is characterised by a high proportion of employment in services: particularly public administration, education and defence.
23. Bath, in particular, is highly dependent on these sectors. 1,400 jobs with the Ministry of Defence's Equipment and Support agency will be relocated to Abbey Wood, Filton from 2012. The move is the last of several relocations of staff from Bath to Filton; many of whom continue to live in Bath and commute. There are currently seven direct rail services from Bath in the morning and the MoD offers financial compensation for travel costs resulting from the relocation. It is likely that a high proportion of relocated staff will continue to live in Bath and other parts of B&NES and the loss of local employment will not therefore have a corresponding impact on housing demand. This is another reason why reductions in employment will not translate directly into reductions in housing demand.

#### **The Housing Requirement:**

24. Section 6 of Topic Paper 9 draws a distinction between the Council's 'policy' requirement of 11,000 in the Core Strategy and what the Council believes it has justified as a 'technical' housing requirement of 12,100 on the basis of the ratio of 1.39 homes per forecast job (rather than 11,600 in the Stage 2 Report on the basis of 1.33 homes per forecast job) – after ignoring a backlog of 2,800 homes in 2006 identified by the SHMA.
25. The reasoning now becomes even more tenuous. As 5 years have passed since 2006, the Council believes it can ignore any households affected by a shortfall in delivery as they will have disappeared or, alternatively, they would have required an urban extension of 8,000 dwellings which would have faced *'overwhelming public resistance to development in the Green Belt.'* Serving the needs of Bristol would paradoxically be *'not in accordance with the new duty to co-operate'*. Higher rates of growth in housing and jobs would also be *'unprecedented'* and *'challenging'*.





26. Paragraph A2.4 of the Stage 2 Report indicates that it was originally the author's intention to include a baseline assessment of unmet housing needs from the West of England Strategic Housing Market Assessment, which would be added to the housing totals assesses on the basis of the homes:jobs ratio. There are references to Table A8 and Table 10, which do not appear in the appendix or report respectively. The clear implication is that a recommended allowance for unmet housing needs was deleted for reasons that are not related to the technical analysis.

**Commuting and the Labour Force:**

27. Comments on commuting in Topic Paper 9 are extremely superficial: ignoring factors such as relocation of the Ministry of Defence from Bath to Filton and the fact that parts of the district (like the proposed urban extension) are much nearer Bristol than Bath or other employment centres in the District. There is no evidence for the view that restricting housing supply will improve the relationship between homes and jobs in the District. The reverse seems to have been the result of this policy in the past, with increasing levels of in-commuting to B&NES from West Wilts and Mendip.

28. ONS data from the 2008 Annual Population Survey indicates that the District's degree of self containment in terms of people employed in the district living in the district had fallen from 71.8% in 2001 to 68.7%, with indications of an increase in commuting from Mendip and Wiltshire, rather than from the neighbouring West of England local authority areas.

29. Section 7 purports to test the homes to jobs ratio. The Council's superficial analysis of the labour force growth in the 2004-based population projection for the West of England suggests that growth in the population of working age (9,900) is less than the forecast increase in labour demand, as a result of an ageing population. Outputs of the Pegasus Chelmer population projections show an increase in labour force of only 5,050 between 2006 and 2026, based on a housing-led population projection for 11,000 homes.

30. If labour participation rates increase, it is obvious that the labour force will be larger, but the Council's approach says nothing at all about the actual changes that will occur on different assumptions, for example about immigration by out-commuters and economically inactive migrants. The Council's approach appears to be that of choosing assumptions to fit a pre-determined conclusion, based on the crude ratio between jobs and homes implied by 2004-based projections for the West of England





### **Updated Projections:**

31. Description of the 2008-based population and household projections (in Section 8) also lacks balance. It implies a dwelling requirement of 16,400 for B&NES. Applying this figure to the 'pre-recession jobs forecast' for the West of England implies a ratio of 1.75, which is rejected: *'because the West of England 2008 population and household projection is so heavily skewed by the dramatic increase in the figures for Bristol...'* What is not explained is why the Council considers that it is still relevant to apply the West of England ratio to 2004-based projections, without further updating. The report notes that that Council has not commissioned updated household representative rates. The Council's approach is selective and without theoretical or empirical justification.
32. Appendix 2 to this Statement describes the results of a suite of population and household projections undertaken by Pegasus Planning Group, using the Chelmer model. These results provide a more relevant testing of assumptions and alternative approaches to the assessment of housing requirements, using the latest available data on demographic changes, migration and household changes, and testing the cross-boundary implications of Bristol's inability to accommodate housing needs generated by economic and forces within the City boundary.

**RD/CIR.B.0242**

**11.12.08**