

Bath & NE Somerset

Commentary on Aspects of the Regional Spatial Strategy for SW England – Secretary of State's Proposed Changes

October 2008

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1 Introduction

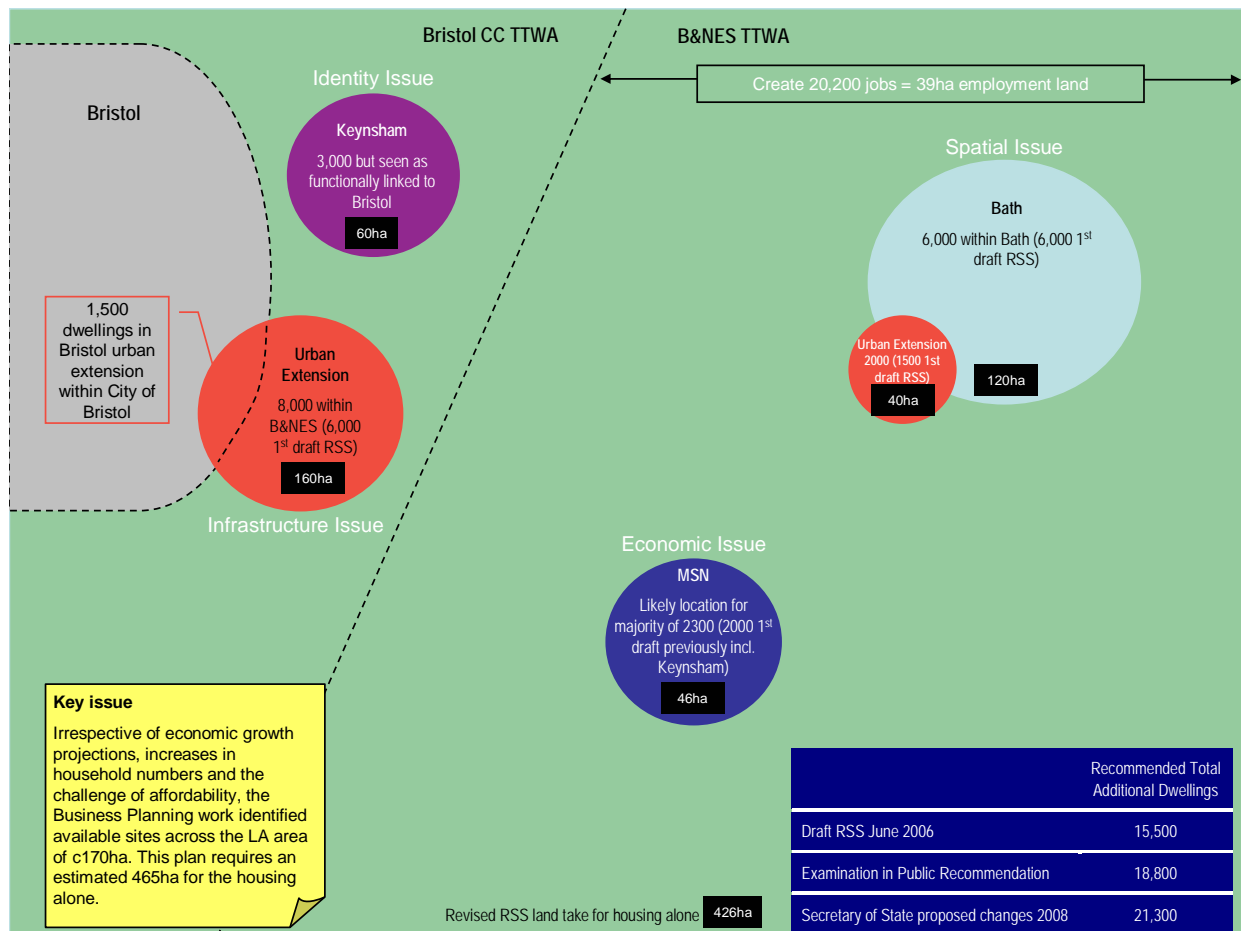
- 1.1 Ernst & Young has been engaged by Bath & NE Somerset Council to consider aspects of the Secretary of State's Proposed Changes to the Regional Spatial Strategy (RSS) and its impact on the Local Authority Area. This work follows on from a large amount of work which has been previously completed by Ernst & Young on the Bath & NE Somerset economy and its land use.
- 1.2 In 2006 Ernst & Young prepared business plans for both Bath and North East Somerset. The North East Somerset business plan was prepared against the backdrop of the publication of the draft RSS and the expectation that the Regional Assembly would allocate an additional 15,500 dwellings by 2026.
- 1.3 Our work in respect of the RSS will now examine the revised requirement which sets out a need for 21,300 dwellings in the area. Our specific engagement can be summarised as:
 - Commentary on the projections set out in the RSS and their applicability to Bath & NE Somerset
 - How the RSS is likely to impact on the core aspects of the business plans which cover Bath and NE Somerset
 - Whether the annual 'drum beat' of housing completions and subsequent sales is likely to be achievable in the local economy.

2 Background

- 2.1 The business planning work completed in 2006 for Bath and NE Somerset set out an economic vision for the area and established a need for change. It set out the fact that the area had under-performed economically over the preceding 20 years and that this was now manifesting itself in a decline in tourism numbers, a shortfall in higher paid employment opportunities, an increasingly unaffordable housing market and an ageing population.
- 2.2 The requirement to take action was embraced by the Council and the growth plans set out in the draft RSS which was emerging during the same time period that the Business Plan was being drafted were broadly accepted.
- 2.3 Although the increased dwelling requirements of the draft RSS were broadly accepted there were a number of reservations about both the basis of the growth projections and some of the spatial aspects of the delivery.
- 2.4 The reservations the Council had in terms of the projections were:
 - The suitability of a long term GVA growth average of 2.8-3.2% per annum.
 - The links between GVA growth and employment projections.
 - The links between future employment and residential requirements.
 - The impact on affordability considerations and how changes in demographic and social structures would alter the dwelling requirements in the area.
- 2.5 The key reservations the Council had in terms of the spatial aspects can be simplified as:
 - The importance of retaining the individual character of Keynsham and maintaining its independence from Bristol (and Saltford).
 - The challenges relating to infrastructure across the Authority and in particular the impact of that element of the South East Bristol urban extension which will lie within the Bath & North East Somerset Council boundary.
 - Whether the economy in the south of the Local Authority (Midsomer Norton, Radstock and associated towns) is able to sustainably support further residential development.
 - How the City of Bath is able to physically accommodate the anticipated housing growth (and associated development) without impacting on its World Heritage Status.

3 Current state

- 3.1 Following the Secretary of State's Proposed Changes to the first draft of the RSS, the current situation may be summarised by the diagram set out below.
- 3.2 This diagram seeks to set out the spatial characteristics of the housing requirements and the associated land use.



4 Issues regarding projections

General

- 4.1 With any set of economic projections, it is important to establish a base assumption and then make projections against the base assumptions for a set of key measures. In the case of the revised RSS (the Secretary of State's Proposed Changes) it appears that the base assumption has been the GVA growth figures from which all the other outcomes are determined.
- 4.2 The revised RSS apparently focuses on the upper long term GVA growth figure from the original draft RSS, this is a long term growth rate of 3.2%.
- 4.3 The revised RSS does not provide any further clarity on how the GVA growth projections are then used in generating the additional projections. In particular the linkages between GVA growth, employment, population increases and the other issues that impact on numbers of households.
- 4.4 The lack of clarity in projections causes a number of questions to remain unresolved. The nature of the projections and the resultant increase in dwelling numbers is a key issue in Bath. This is because a projected growth of 15,500 dwellings whilst accepted by the Council was already likely to be difficult to achieve.
- 4.5 In our view, whilst each of the projections which have been calculated may be reasonable in themselves, each is at the optimistic end of a possible scale. The combination of all these projections together, however, results in a comprehensive outcome which appears unlikely.
- 4.6 It was our view in 2006 that the long term GVA forecasts were optimistic. The slowdown in the UK economy, whilst a potentially short term event in the context of a 20 year plan, now seriously calls into question the validity of a number of the key projections.

Economic Growth

- 4.7 The RSS uses a projected long term GVA growth rate of 3.2%. It is assumed that this is real growth rate rather than inclusive of inflation, and on this basis the figure of 3.2% is considered by Ernst & Young to be an aggressive assumption.
- 4.8 The period 1998-2006 covered a period of unprecedented growth in the UK economy. Our calculation of average real GVA growth over the last ten years is 3.097% (this is not a published figure but derived by deflating SW GVA growth by the apparent UK GVA deflator). In our view, however, the likelihood of matching the previous ten years unprecedented growth over a period of twenty years is highly unlikely.
- 4.9 When 20 year average GVA growth rates for the UK are considered the long term GVA growth rate 1949-2008Q2 was 2.46%. The single largest 20 year average GVA growth

figure for the UK was 1953-1972 when the average growth rate was 2.915%¹. If the long term average compound growth rate of 2.46% is used in comparison to the RSS rate of 3.2% over a period of 20 years there would be a 15.5% difference in final output.

- 4.10 At the point of generating this report, it appeared that 2008 would result in zero real GVA growth with the UK entering recession. If the RSS growth rates of 3.2% are used but with 2008 and 2009 using an assumed 0% growth rate, over a 20 year period the final difference in output between the RSS and the Proposed Changes would be 7% in final output.
- 4.11 Our conclusion is that the GVA growth rate used in the RSS can be regarded as aggressive and this is likely to have a material impact on the housing outputs generated. In our opinion, and especially given the current UK economic performance, it would be more reasonable to use the long term average GVA growth rate of 2.46%.

Employment Growth

- 4.12 Cambridge Econometrics produced employment growth projections for South West England based on the GVA growth figures. These figures have been derived from the Cambridge Econometrics economic model but, nevertheless, will involve the type of assumptions and judgements common to all economic models.
- 4.13 In fact linking GVA growth to employment is not a straightforward exercise. Differences in the sectors generating growth and the productivity of the workforce will have a major impact on how growth in GVA links to employment growth. The following table shows the difficulty in attributing job growth to real increases in regional GVA.

¹ Office of National Statistics (ONS) data. Gross Value Added (table ESA95) Percentage change of same quarter previous year at basic prices (2003=100) using Q4 figures

Year	South West Real GVA Growth % ²	South West annual change in employment ³	Jobs created per 1% change in GVA ⁴
1998	3.86	41,000	10,610
1999	3.29	21,000	6,386
2000	3.27	27,000	8,267
2001	3.16	25,000	7,901
2002	2.31	21,000	9,097
2003	3.5	41,000	11,851
2004	3.88	15,000	3,870
2005	1.68	-3,000	-1,782
2006	2.97	28,000	9,441

- 4.14 The RSS expects 3.2% GVA growth to result in a total increase of employment of 485,400 jobs between the years 2006-2026. This amounts to a rise in employment of 24,270 jobs in the South West per annum (or 7,584 jobs per 1% change in GVA). Over the last ten years the average job growth figure per 1% GVA growth derived from the table above has been 7,293.
- 4.15 The employment changes in the RSS against the GVA growth projections are slightly above the average level although the employment growth per 1% rise in GVA over the last ten years is also likely to have been inflated by the growth in public sector employment which is unlikely to be repeated over the next twenty years. Change in public sector employment is likely to have a weak relationship with GVA growth.

² Ernst & Young calculation using comparison of ONS UK GVA time series growth at current and basic prices and recalculating Regional GVA growth at basic prices by using the resultant UK deflator

³ Labour Market Survey Regional Employment Analysis 2008 for SW Region

⁴ Ernst & Young derived from data in note (2) and note (3)

Household Growth

- 4.16 The RSS links employment growth to residential growth in an attempt to ensure that the importance of creating employment close to residential developments is recognised. The theoretical result of this is that the length of travel to work journeys are minimised and that economic growth is achieved in the most sustainable manner within the RSS. Residential growth determined by economic growth appears then to be converted into an estimated required number of dwellings based on an assumed job to homes ratio and average occupancy assumptions.
- 4.17 However, it is not absolutely clear how the employment growth projections have been converted into a rise in dwellings. It is also clear from the RSS that this is not the only determinant for the numbers of households. The RSS also reflects the need for greater levels of affordable housing and also how the shifts demographically and in society are leading to smaller household sizes.
- 4.18 Demographic and social changes in the South West have resulted in average occupants per dwelling falling from 2.66 in 1981 to 2.32 in 2006 (a fall of 13% over 25 years).
- 4.19 In examining the assumptions relating to the numbers of households required in Bath & NE Somerset, it is useful to compare the latest population estimates for the area and compare these to the dwelling estimates within the RSS.
- 4.20 ONS 2006 Sub National Population projections for England estimate that the population of Bath & NE Somerset will reach 206,400 by 2026. On this basis the population growth (of 30,800) will occupy the new dwellings of 21,300 with a resultant density of occupation in new stock of 1.45.
- 4.21 If population for the whole of Bath & NE Somerset is considered, according to census figures, the area had a population of 169,040 and 73,049 dwellings in 2001. This resulted in a population per dwelling of 2.31. If the 21,300 new dwellings are added to the 2001 stock and the completions between 2001 – 2006 of 1,393 (total 95,742) and this is compared to the estimated population in 2026 of 206,400, the density in 2026 falls to 2.15 or a further fall in density across the Local Authority area of c7% within 20 years.
- 4.22 It is unclear whether it is prudent to assume that in the next twenty years there will be a further decline in average occupants per dwelling across the whole of the area to 2.15. but what is clear is that the RSS takes a position at the upper end of a potential scale.

Conclusion

- 4.23 Overall there remains a lack of clarity concerning the linkages between GVA growth and the resultant assumptions within the RSS
- 4.24 The twenty year average GVA growth rate of 3.2% is aggressive. It is this measure that then determines the remaining calculations.

- 4.25 The employment growth associated with the assumed GVA growth rate is above the average achieved over the last ten years despite this period being inflated on a one time basis by public sector employment growth.
- 4.26 The household numbers in the RSS appear to be predicated on a further decline in occupants per household.
- 4.27 It is our view that, taken together, the combination of aggressive GVA growth figures, upper end employment forecasts and further projected declines in occupants per household are likely to significantly over-estimate the number of households required.
- 4.28 A location such as Bath, which has severe land constraints, is extremely challenged by any increase in planned household numbers. Whilst Bath & NE Somerset has demonstrated its desire to embrace growth, there is a need for estimates of growth to be as accurate as possible to avoid careful planning and avoid over allocation of land which is required for a variety of other uses.

5 Issues in relation to the business plan

General

- 5.1 Bath & NE Somerset Council has developed a long term vision and business plan which sets out the future direction of the Local Authority area over the period also examined by the RSS.
- 5.2 As a result, the Local Authority is able to determine how best it can plan and accommodate the growth set out in the RSS and its other objectives.

Underlying Issue

- 5.3 In planning for growth, Bath & NE Somerset has carefully examined land availability across the Local Authority Area.
- 5.4 The work completed by Ernst & Young on the business plans for Bath and for NE Somerset undertook a land modelling exercise which identified land which was likely to come forward for development over the next 20 years. Whilst this work only identified major sites and also made no assumptions concerning the availability of some potential large sites such as land owned by the MOD, the exercise only identified sites across the whole of Bath & NE Somerset amounting to c170ha (it is not assumed that this is a comprehensive audit but it does provide a reasonable indication of the potential development land available).
- 5.5 Using the RSS recommended average density level of 50 dwellings per hectare plus the additional employment land of 39ha which is assumed to be required in order to create 20,200 new jobs within Bath & NE Somerset, the total land required to deliver the RSS is estimated at approximately 426ha. This somewhat underestimates the real land required because of the additional services and infrastructure which will be required associated with new housing.
- 5.6 Of the 426ha minimum apparent requirement for the delivery of the RSS, 200ha is projected to be within urban extensions and therefore is land that would not have been previously identified by the Ernst & Young study. This leaves an apparent shortfall of approximately 50-60ha in order to deliver the RSS requirements, but in reality, because of the requirement for additional services, this is greater.
- 5.7 It may be possible to identify suitable further sites during the plan period but this apparent lack of land does illustrate the importance of agreeing and planning for a realistic level of growth and the special pressures in place within Bath & NE Somerset with its World Heritage Site status, topography and closely drawn greenbelt and AONB designations.

City of Bath

- 5.8 The underlying land shortfall issue is particularly focused on Bath. There is a recognition within the Bath Business Plan that Bath needs to prepare for an increase in office employment. This will increase employment opportunities, reduce the reliance on lower

paid tourism, retail and public sector employment, and create greater employment prospects within Bath. This in turn, it is hoped, will reduce the level of out-commuting from the City.

- 5.9 Roger Tym & Partners, in considering the land required to fulfil the 2.8% GVA growth scenarios in the original draft RSS, estimated that 105,000 sq. metres of office development would be required in Bath to accommodate employment growth over the period 2006-2026. It should be noted that this suggested GVA growth rate has since been accelerated and more office accommodation will therefore be required.
- 5.10 From a sustainable employment perspective both the Bath Business Plan and the RSS suggest that the office developments should be close to the core of the City of Bath and its transport interchanges. Land identified within the centre of Bath should therefore be broadly allocated for non-residential uses.

5.11 The table below broadly sets out the current Housing Land Supply Position

	Source of Supply	Units
A	Completions 2006-2008	500
B	Bath Western Riverside - Crest outline planning application	2200 ¹
C	Estimated housing potential of the remainder of BWR	670 ²
D	Local Plan allocations with planning permission (PP) or under construction	160
E	Local Plan allocations without PP	250 ³
F	Large sites with PP	110
G	Small sites with PP	210
H	New permissions granted so far this year	80
I	Sub-Total	4180
J	Dwellings that could come forward in the suburbs on future large sites that have been identified through draft SHLAA work. Note: this does not include MoD land, which appears in row O	450
K	Dwellings that could come forward in the suburbs on future small sites. Note: no allowance has been though there will inevitable be a trickle of small site completions to supplement the supply already identified in rows G and H.	0 ⁴
L	Sub-Total	4630
M	Potential urban renewal opportunities in or very close to the city centre	200-400 ⁵
N	Sub-Total	4830-5030
O	Estimated potential of MOD land	1200 ⁶
P	TOTAL	6030-6230

¹ A detailed application has been submitted for 357 of these dwellings.

² An allowance has been made for 280 dwellings at BWR East i.e. the Homebase and Green Park station area. Urban design testing is needed to determine the scope that this leaves for other uses, particularly new office space and the retention of some of the existing uses within a reorganised area.

³ Not including MoD Foxhill, which appears in row O.

⁴ It is reasonable to assume that dwellings on small sites will be delivered at a rate of about 30 per annum during the next 18 years. This is about 550 dwellings. 300 dwellings are accounted for under rows G and H. Thus it is estimated that a further 250 could come forward during the remainder of the RSS period. However, when planning for the future, these dwellings most likely be regarded as a bonus and not used to offset supply that needs to be specifically identified in order to reach the RSS target of 6,000. Nevertheless, they will still contribute towards meeting the target once delivered.

⁵ The number of units accommodated will depend on the strategy for the central area and the precise mix of uses chosen i.e. commercial vs residential focus.

⁶ The MoD occupies 33ha of land in Bath. A very basic assessment would be that if entirely realised for housing this land could yield 1650 dwellings. This is a bit crude, even at the strategic level. The Council estimates that potential will be less given the sensitive location of the land (bordering AONB) in order to consider the benefits of other uses forming part of any predevelopment programme.

- 5.12 Rows A-I of the housing land supply table illustrate that the Council is reasonably confident (so long as BWR comes forward entirely during the RSS period) that about 4200 dwellings can be delivered in Bath. Further, the Council is reasonably confident that the supply in row J is also deliverable. This increases the total to 4630.
- 5.13 It is also clear that without a significant contribution from MoD land (row O) and urban renewal opportunities (row M) there will be a severe shortfall against the RSS housing targets of about 1400.
- 5.14 It is considered that MoD land cannot be relied upon to deliver 1200 units during the remainder of the RSS period. The MoD takes a conservative and long term approach to the release of land and past experience demonstrates that the delivery of high profile sites in Bath tend to be subject to a high level of scrutiny and a complex development control process. Ultimately this would affect the potential start date of construction. Further, it is unclear how much of the MoD land identified may come forward. The MoD may decide to release some (or none) of its three sites and consolidate its activities in Bath on the other(s). The negative consequences for the potential for jobs growth in the Bath TTWA of a wholesale shift are obvious.
- 5.15 In the context of a potential shortfall in housing supply and the uncertainty surrounding MoD land attention may turn to the potential role of city centre urban renewal opportunities identified under row M. The Council has endorsed the recommendation of the Ernst & Young business plan that urban renewal opportunities are redeveloped to accommodate strategically significant levels of office development with residential uses forming a secondary element and this is reflected in the estimated allowance for 200-400 dwellings in row M of the table above. Given the need to maintain a 5-year housing supply of deliverable sites there is a danger that urban renewal opportunities could be targeted for more residential development than the business plan considers appropriate. Further, in the context of any significant relocation of MoD jobs to Abbey Wood it will be vital that replacement workspace is provided in the most sustainable central locations to enable the growth of private sector enterprise.
- 5.16 If the final RSS maintains a target of 6000 dwelling for Bath it is vital that Government support the Council's economic development objectives for the urban renewal opportunities as outlined in the business plan and emerging Core Strategy. If it does not, the formulation of a sustainable and holistic approach to the future of Bath and its consequent realisation will be severely jeopardised.

- 5.17 The MoD situation illustrates that there is a large difference between what land might be available and what proportion of that land might be deliverable during the RSS period. The target of 6,000 is considered to reflect 'theoretical capacity only' and is a very optimistic view of what is deliverable to 2026. It may be more sensible to expect the delivery of 6,000 dwellings to take longer (potentially about a further 5 years). Hence, it would also be prudent to expect the existing urban area of Bath to deliver a maximum of 5,000 dwellings during the RSS period. This is more achievable and should enable social and physical infrastructure to be delivered 'in-step' with an increase in population. Further, if the MoD does leave Bath this needs to be reflected in the jobs growth target for B&NES.
- 5.18 Maintaining a target of 6,000 dwellings could in a few years time result in a situation whereby Bath is demonstrably falling behind in terms of housing delivery. This could lead to predatory planning applications that might seek in a piecemeal fashion to extend the scope of urban extension activity around the city. This would be undesirable and lead to the worst possible outcome in terms of planning and sustainability, and therefore should be planned for proactively rather than reactively. Further, the need to address any shortfall in delivery during the RSS period should consider the merits of alternative options.

Bath Urban Extension

- 5.19 It is currently envisaged that 2000 dwellings will be accommodated within an urban extension which is therefore likely to require approximately 40ha of land to be made available purely for housing with further land required for associated development.
- 5.20 This commentary sets out a need to determine the size of this urban extension at an early date and plan appropriately.
- 5.21 There is little scope for an urban extension delivering significantly higher levels of housing than that allocated within the plan period. The delivery of housing on an urban extension will require significant work in terms of site identification, surveys, land assembly including compulsory purchase where required, the statutory planning process of land within the green belt and potentially AONB including appeals and inquiries, infrastructure provision including potential realignment of roads or major services, developer procurement and finally delivery.
- 5.22 It is difficult to envisage the commencement of housing development on an urban extension within a period much shorter than 10 years. This is based on the following broad timing assumptions of (and starting in 2009):
- Site identification through the Core Strategy process – 1 year (early 2010)
 - Approved Core Strategy including objections and examination – (2011)
 - Detailed Master Planning – 18 months (mid-2012)
 - Final land assembly, potential CPO and final appeals – 1 year (mid- 2013)

- Surveys and infrastructure planning (partly in parallel with land assembly) – 1 year (early 2014)
- Infrastructure funding and procurement – 1 year (early 2015)
- Infrastructure delivery, developer procurement and detailed planning consent – 1.5 - 2.5 years depending on the nature of the work required and whether a detailed planning consent is delayed by opposition and the appeals process (during 2017)
- Commencement of construction and final delivery of first phase - 1.5 years (mid 2019)

5.23 Certainly any contribution that urban extensions will provide will be towards the end of the plan period and there is clearly a limit to the number of completions that can be built within a specific area in a short period of time. From our work with the residential development sector, we have assumed that the absolute maximum limit on market led residential development within a very specific geographic area is 500-550 residential units per annum (an average figure may be assumed to be 300).

5.24 It is currently assumed that a total of 2000 homes in the urban extension may be achievable by 2026 but the timescales involved in delivering the additional area will limit any additional impact that they may offer in achieving the total residential requirements of the RSS.

Bristol Urban Extension

5.25 The comments regarding the Bath Urban Extension are similarly attributable to Bristol and are more important since the levels of completions which will be required in the urban extension in the final years of the plan period are likely to be unsustainable. Ernst & Young consider that it will be impossible to use private sector developers to deliver 9,500 homes which are largely available for private sale within an urban extension to Bristol by 2026. This is because of the time period that will be required to open up an urban extension and also the ability of house builders to construct and sell more than 500 units per plot per annum without creating market distortion.

5.26 It would seem prudent to assume that the maximum number of dwelling completions that are likely to be achieved within a SE Bristol urban extension are limited to 500 per annum from 2019 (development commencement date is also affected by the need to provide strategic transportation infrastructure). This would allow the completion of 3500 dwellings in the extension by 2026 and based on the current ratio required within the Bath & NE Somerset boundary (84%) it is assumed that c2900 dwellings would be created within Bath & NE Somerset.

5.27 The Bristol urban extension has important implications for the North East Somerset Business Plan. The increase in housing within South East Bristol will place further pressure on infrastructure and in particular the A37 route into Bristol.

5.28 The A37 link into Bristol is important for the towns to the south of Bath & NE Somerset as a commuter route. Worsening difficulties in travelling to the south of the area will also

act as a further disincentive for employers to locate in the area, thus potentially creating a vicious spiral of a lack of investment and further pressure on the population in the towns to the South of the Authority to commute.

- 5.29 It is considered important in the delivery of the NE Somerset business plan that any urban extensions in South East Bristol make necessary improvements to the A37 corridor and ensure that the Bristol ring road is upgraded and linked into the motorway network (M5 and M4).

Keynsham

- 5.30 The business plan for NE Somerset recognised the strengths of Keynsham, the opportunities for growth and the relative availability of sites. The availability of sites in the town has since been increased by the availability of the land at Somerdale following the announced closure of Cadbury.
- 5.31 The business plan recognised the contribution that a greater residential population could provide to the retail economy within Keynsham and the opportunity for Keynsham to act as a safety valve for businesses under pressure for space in Bath.
- 5.32 The primary issues associated with growth within Keynsham relate to the need to protect the integrity of the town from the extensions from Bristol and the impact of substantial development in the A4 corridor on the transportation network. There is also a need to improve internal links within Keynsham since, because of piecemeal development, the extremities of residential development are already poorly linked into the town centre.
- 5.33 In the context of the business planning work further residential development in Keynsham may be broadly appropriate. However, this is subject to being able to maintain the town's integrity, satisfactorily addressing strategic transportation impacts and delivering the internal infrastructure improvements which will be required. The Ernst & Young financial model identified c40ha of land available at Keynsham against a theoretical land requirement for 3,000 homes of 60ha. It should be noted that some of land identified by Ernst & Young was identified as suitable space for commercial space and only 24ha of land was assumed to be suitable for residential development.
- 5.34 The Ernst & Young business plan originally identified the possibility of delivering 500 additional residential units in Keynsham. Overall, however, with the land potentially available at Somerdale providing additional commercial opportunities and the opportunity to provide some higher density residential development within the town centre, 1,500 new dwellings may be physically possible on 24ha of land identified within the business plan.
- 5.35 If additional housing is to be provided as suggested by the RSS Proposed Changes options for further extensions to the town will need to be considered in the context of the limitations identified in paragraphs 5.35 and 5.36 above. Ernst & Young has concerns regarding whether this could be delivered in a way that would help Keynsham to become a more sustainable town and community.

Midsomer Norton, Radstock and associated towns

- 5.36 Within Bath & NE Somerset, land is most widely available in the south of the Local Authority area. The Ernst & Young business plan identified 94ha in this area.
- 5.37 It would be relatively straightforward to exceed the RSS targets in Midsomer Norton, Radstock and the associated towns but the continued challenges facing existing employment in the area and the difficulties of attracting further additional employment in the short to medium term would mean that further residential development in the medium term led directly to increasing commuting to Bristol and Bath.
- 5.38 Opportunities to attract additional employment development in the longer term has a number of challenges but certainly requires further assessment. This longer term employment potential could support or be supported by some additional housing.
- 5.39 It is our conclusion that any growth in the south of the Local Authority area is entirely dependent on what level of commuting is deemed to be acceptable.

Conclusion

- 5.40 Given the challenges identified and the continuing erosion of time within the plan period, it is difficult to envisage how Bath & NE Somerset would achieve its desire to meet the original 15,500 additional dwellings within the area – although this remains the intention of the Council.
- 5.41 Ernst & Young considers a figure of c13,700 to be challenging but realistic within the plan period. This is broken down as:

Area of development	Likely completions 2006-2026
Bath urban area	5,000 (max)
Bath urban extension	2,000
Bristol urban extension	2,900
Keynsham	1,500
Midsomer Norton, Radstock etc	2,300
Total	13,700

Source: Ernst & Young estimate

6 Issues in relation to housing completions

6.20 Clearly, where additional dwellings are needed, every effort must be made to achieve the levels of completions required. Allied to this however, it is important to have a clear view of the level of completions which are achievable. The following table illustrates the annual completion levels for the Housing Market Areas and the annual targets within the RSS:

HMA	2002/3 completions	2003/4 completions	Annual RSS target
West of England	4589	6192	6898
Polycentric Devon & Cornwall	1335	829	1750
W. Cornwall	1607	1224	2440
Plymouth	836	1107	3035
Torbay	564	441	750
Exeter	1674	1786	2770
Taunton	1095	1155	1725
Weymouth / Dorchester	800	859	905
Bournemouth / Poole	2136	2863	2205
S. Somerset / W. Dorset	543	793	985
Salisbury	260	391	620
Swindon	1300*		2695
Glos. / Cheltenham	1725	2981	2820

* 5 year average completion figure

Source: DTZ SW Housing Market Analysis

- 6.21 It can be seen that no Housing Market Area exceeded its new RSS annual long term annual housing completion target in both 2002/3 and 2003/4 despite these years representing high water mark years for the construction industry.
- 6.22 In Bath & NE Somerset completions of 1,393 in the 5 years between 2001-2006 (278 completions per annum) compare to a long term average completion requirement of 1,065 per annum set by the RSS.
- 6.23 The RSS requirement of 21,300 homes over 20 years should be seen against a current dwelling total for the whole Local Authority in 2006 of 74,442 units. This increase would therefore represent a 29% increase on the total historic dwelling base of the Local Authority Area in a period of 20 years (in reality now 17 years).
- 6.24 The statistics illustrated above do not justify an argument not to build homes if those homes are desperately required, but they do demonstrate the scale of the requirement.

Certainly the level of construction required is unprecedented in the South West, would be difficult to achieve given the very serious structural weaknesses in the UK house building industry that has become apparent in 2008, and could result in a skills shortfall in construction skills.

- 6.25 It is clear that if it is deemed necessary to construct housing on this scale there will need to be a coordinated effort in terms of land provision, planning policy, private sector engagement, private sector investment capacity and long term skills development to achieve the required outcomes. This is considered to be a genuine challenge.

Conclusion

- 6.26 The revised RSS projections for housing provision would require a transformational effort in delivery in every Housing Market Area across the South West. Effective implementation of such a policy if genuinely required would represent a major challenge not only for the public sector but also for the housing construction sector and the workforce.
- 6.27 It is appropriate that the capacity to deliver is considered in the determination in the timescales over which housing provision is required. The requirement for urban extensions, the pressure on private sector house builders, and the effective backloading of delivery resulting from urban extension approvals, suggest that a longer planning horizon is allowed.

7 Conclusion

- 7.20 Overall there remains a lack of clarity concerning the linkages between GVA growth and the resultant assumptions within the RSS
- 7.21 The twenty year average GVA growth rate of 3.2% appears aggressive. It is this measure that then determines the remaining calculations.
- 7.22 The employment growth associated with the assumed GVA growth rate is above the average achieved over the last ten years despite this period being inflated on a one time basis by public sector employment growth.
- 7.23 The household numbers in the RSS appear to be predicated on a further decline in occupants per household.
- 7.24 It is our view that, taken together, the combination of aggressive GVA growth figures, upper end employment forecasts and further projected declines in occupants per household are likely to significantly over-estimate the number of households required.
- 7.25 A location such as Bath, which has severe land constraints, is extremely challenged by any increase in planned household numbers. Whilst Bath & NE Somerset has demonstrated its desire to embrace growth, there is a need for estimates of growth to be as accurate as possible to avoid careful planning and avoid over allocation of land which is required for a variety of other uses.
- 7.26 Given the challenges identified and the continuing erosion of time within the plan period, it is difficult to envisage how Bath & NE Somerset would achieve its desire to meet the original 15,500 additional dwellings within the area – although this remains the intention of the Council.
- 7.27 Ernst & Young considers a figure of c13,700 to be challenging but realistic within the plan period. This is broken down as:

Area of development	Likely completions 2006-2026
Bath urban area	5,000 (max)
Bath urban extension	2,000
Bristol urban extension	2,900
Keynsham	1,500
Midsomer Norton, Radstock etc	2,300
Total	13,700

Source: Ernst & Young estimate

- 7.28 The revised RSS projections for housing provision would require a transformational effort in delivery in every Housing Market Area across the South West. Effective implementation of such a policy if genuinely required would represent a major challenge not only for the public sector but also for the housing construction sector and the workforce.
- 7.29 It is appropriate that the capacity to deliver is considered in the determination in the timescales over which housing provision is required. The requirement for urban extensions, the pressure on private sector house builders, and the effective backloading of delivery resulting from urban extension approvals, suggest that a longer planning horizon is allowed to deliver the revised RSS projections.