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North Somerset Council
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North Somerset Council
Core Strategy Examination

Position Statement: Issue 2a

Justification for Core Strategy target of 10,100 jobs with reference to evidence on the West of England growth scenarios and relationship of Core Strategy target to current backlog in job provision and effective overall job target of 14,000 jobs

1. This statement supplements North Somerset Council's earlier comments on the issue set out in document ED/03 (paragraph 43, section C, point 5 and the associated Appendix).

2. The commonly accepted approach to deriving future job targets is to start with economic forecasts (labour demand) for the local economy. These are tried and tested methods of deriving economic scenarios and feed into policy formulation. The forecasts should be supplemented with a degree of judgement that takes into consideration local circumstances, particularly when being applied to district geographies. In addition, consideration should be given to wider aspects and indicators of future local economic performance (e.g. local evidence, labour supply analysis, and analysis of historic job creation rates) to inform a robust policy approach.

3. Extensive economic forecasting has been produced for the South West (and for North Somerset) including Cambridge Econometric (CE) forecasts in 2005 (ED/18) as part of preparatory work for the draft Regional Spatial Strategy (dRSS). These were updated in 2008 using a variant model to produce district forecasts. More recently, Oxford Economics (OE) prepared economic scenarios for the south west (referred to in ED/15) that formed a basis for further work by Keith Woodhead for North Somerset Council (NSC) (SD/19 and ED/15). The latter had the general effect of reducing economic growth prospects largely driven by the recent and ongoing challenging economic circumstances and future prospects for the local economy.

4. Alongside quantitative forecasts, are more qualitative aspects and aspirations that form a key strand of policy formulation particularly in areas where market forces have not delivered strong economic performance, balanced growth and where improvement is desired, such as at Weston-super-Mare. Fundamental to these policy driven objectives are not to exacerbate and preferably redress the imbalance between jobs and homes and improve self-containment[1]. In doing so the Core Strategy seeks to reduce the dormitory function currently characteristic of settlements in North Somerset to enable more sustainable land use and travel patterns. The focus of this strategy is Weston-super-Mare as the largest urban area and, albeit to a lesser degree North Somerset generally. This fundamental

[1] Providing a balance between jobs and homes in an area and self-containment are not the same thing although they are interrelated - the former seeks to locate employment opportunities in close proximity to available housing and the latter refers to the share of such local jobs taken up by local residents. In theory improving the balance, all things being equal, improves self-containment.

objective is central to the underlying approach used to derive housing numbers up to 2026 (SD/19), where housing growth reflects in large part, the expected economic growth rate and corresponding employment change.

Sub-regional context

5. Development patterns in North Somerset have been characterised by significant housing growth fuelled by sub-regional demand (see ED/15, paragraph 3.4 and NSC Core Strategy paragraph 3.181), that has not been accompanied by sufficient balancing employment opportunities necessary to achieve sustainable development. This has been in the context of strong employment growth in the Bristol City Centre and North Fringe areas compared to weaker growth at Weston-super-Mare and contributing to an increase in commuting flows.

Jobs/ homes balance

6. Figure 1 illustrates this against the sub-regional context where it can be seen that the balance between jobs to homes (referred to as the jobs to homes ratio (JHR)) in North Somerset is relatively low compared to the other Unitary Authorities, in part influenced by the demographic structure but also signalling a generally weak employment offer compared to housing availability. In 2006 evidence indicates the following jobs to homes ratio for the other West of England authorities: Bristol: 2.02, Bath and North East Somerset: 1.4, and South Gloucestershire: 1.5.

7. For North Somerset in 2011, the jobs to homes ratio is thought to be around 0.98 jobs to each home. For Weston-super-Mare, the situation is worse (around 0.83 JHR) compounded by significant recent housing growth, lack of supporting employment opportunities and the impacts of commuting flows. For North Somerset, housing development since 2001 has been in the region of around 1.6 new homes to each job created up to 2011. For Weston-super-Mare the balance of growth is more problematic with around 1.9 new homes built for each new job provided.

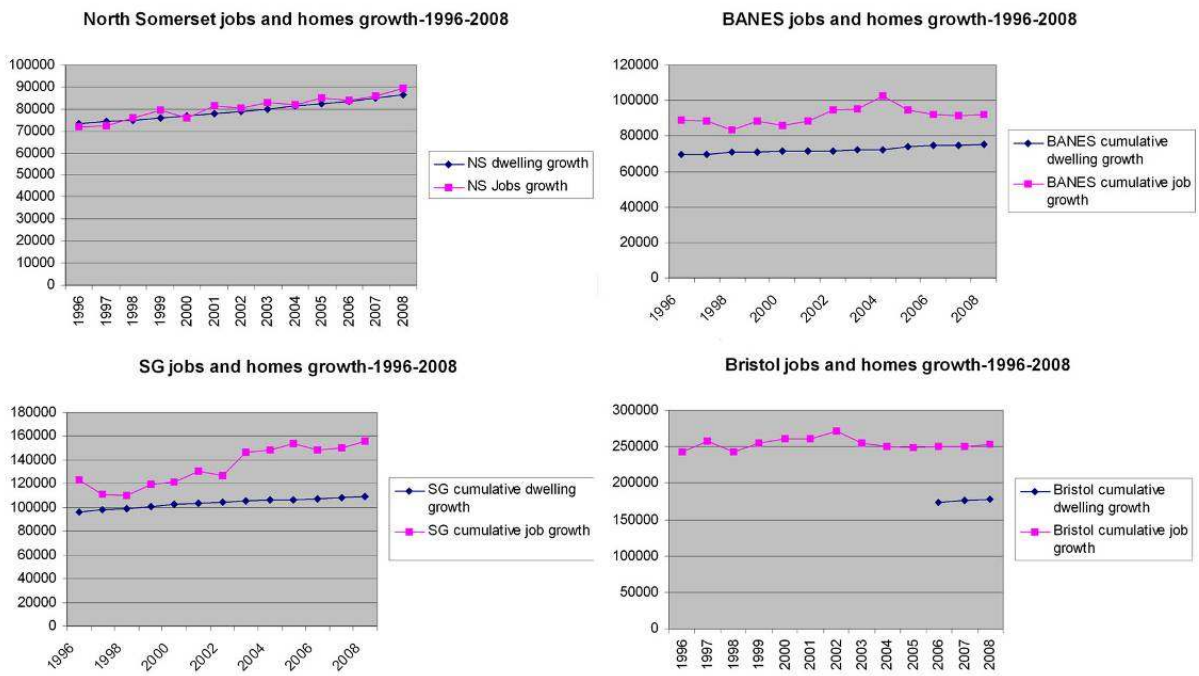


Figure 1: Historic employment change compared to residential across the sub-region

Self-containment

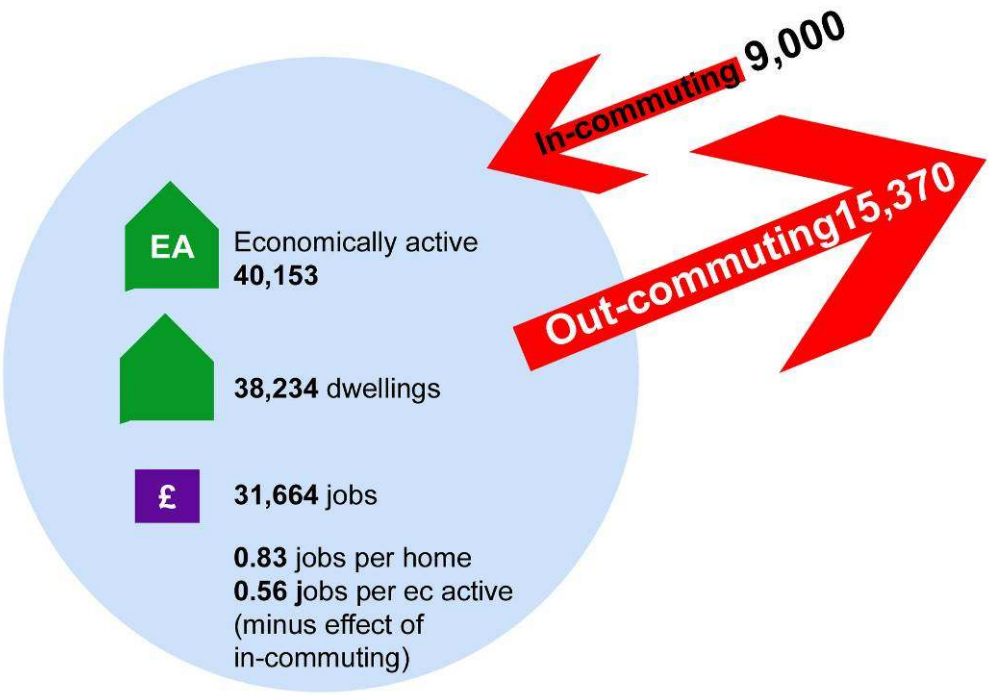
8. The self-containment level describes the proportion of the economically active residents that live and work in the same area. Census 2001 data indicates a North Somerset self-containment of 64%, and this is likely to have reduced up to 2011 given significant residential growth out of balance with employment creation and a trend to longer distance commuting. Similarly Weston-super-Mare also had a self-containment of 64% in 2001.

9. The situation is likely to have got relatively worse at Weston-super-Mare reflecting increased out-commuting, an increasing trend to longer commuting distances around stronger centres of employment, imbalanced homes growth and lack of employment opportunities available locally. Significant housing growth since 2001 has led to an increased economically active population not matched by supporting employment opportunities. In 2011 there is an estimated economically active population of 40,153 people compared to 31,664 jobs. When commuting flows are factored in the jobs available to the locally economic active population reduce to 0.56 jobs per person and a resultant self-containment level of **60%**. The balance between jobs and homes is below a sustainable threshold referred to in ED/11, paragraph 3.16.

10. The jobs/ homes balance in 2011 is illustrated in the following diagram:

Figure 2:

Weston-super-Mare: 2011 illustrative jobs homes relationship



11. Assuming that the economically active population percentage of the wider population remains constant, and the 2001 level of in-commuting as a percentage of the total town jobs remains the same, then the Core Strategy has the effect of increasing the Weston-super-Mare self-containment level to around **67%** thus accommodating growth in a more sustainable and balanced way whilst addressing existing imbalances. The North Somerset self-containment would increase to around 68%.

12. Within North Somerset and at Weston-super-Mare in particular, it is recognised that policy intervention is required to temper market forces that have historically led to significant unsustainable development and unsustainable impacts in North Somerset (this issue is addressed more fully in the Weston Employment-led Strategy - ED/11).

13. In summary, based on forecast economic growth in the 'modified Oxford central scenario', and on rebalancing jobs and homes at Weston-super-Mare, the Core Strategy identifies a requirement for around **14,000** jobs up to 2026. This comprises a forecast element of 10,100 jobs (assuming an average south west Gross Value Added (GVA) growth of 1.6% per annum) in addition to provide for an estimated backlog of just under 4,000 jobs.

Justification for 10,100 jobs

Economic growth scenarios

14. The common approach of both the dRSS and the NSC Core Strategy sought to identify housing growth requirements based on economic growth in order to align the growth in homes to increased economic activity and subsequent employment change throughout the various sectors of employment. This is driven by the strong desire to encourage sustainable growth and travel patterns and to focus growth where there are sufficient supporting service, facilities and infrastructure.

15. The Inspector's report into the Bristol City Council Core Strategy Examination emphasised the difficulty of forecasting economic growth (paragraph 20). This highlights a general problem with forecasts (as emphasised in ED/15, paragraph 6.1) in that they are inherently a 'best guess' of future economic performance. The issue of uncertainty is compounded (as referred to by Roger Tym[2]) by the current economic circumstances and uncertainty surrounding the full effects of recession and likely recovery making it even more so difficult to accurately forecast future performance. Notwithstanding this, they do provide a tried and tested means of assessing future prospects but need to be monitoring over time.

16 Cambridge Econometrics (CE) were commissioned in 2005 to test the economic growth aspirations set by the regional partners. Based on the 52 ONS (1998) Travel to Work Areas (TTWA) CE used their Local Economy Forecasting Model (LEFM) which used inputs from an econometric model of the UK economy, the main outputs being Gross Valued Added (GVA) and employment change across 41 activity sectors. A companion set of projections by Housing Market Areas (HMAs) was produced in 2006 for use at the RSS Examination.

[2] Roger Tym (2010) Busines land and Employment Land Update

17. Based on this and the previous dRSS, the Proposed Changes to the dRSS (published in July 2008) included an 'indicative level of job growth' of 'about' **10,000 jobs** at Weston-super-Mare TTWA, and the Bristol TTWA is assigned 'about' 92,000 jobs, a proportion of which would have been in North Somerset. The 10,000 jobs at Weston-super-Mare represents a slightly higher growth rate than the 3.2% scenario reflecting aspirations for job growth.

18. Due to recommendations by the advisory Panel to the dRSS EiP, Roger Tym were commissioned by the South West Regional Assembly (SWRA) in 2008 to provide district level employment forecasts only. This again used the CE LEFM model applied the RSS 2.8% and 3.2% SW regional growth scenarios but for a district geography. Based on the 3.2% per annum higher growth projection, for North Somerset **15,700** jobs in total were projected from 2006 to 2026, including 3,431 for Weston urban area. The CE model showed the majority of economic growth would take place at Bristol and South Gloucestershire reflecting the stronger economic role and future potential.

19. Oxford Economics (OE) were commissioned in 2010 to provide forecasts for the economic prospects for the south west. They presented three scenarios (set out in figure 3) and were able to factor in the effects of recession. The favoured scenario was the central trend translating to 1.6% GVA growth per annum for the south west and 1.8% for the West of England for the plan period 2006-26. The central assessment equates to **17,000** additional jobs in North Somerset from 2006 to 2026.

20. SD/19 and ED/15 set out to provide a locally derived housing requirement commissioned by NSC in 2010. This was based on the evidence used to inform the dRSS, but was informed by a more up-to-date forecast of economic performance for North Somerset. The North Somerset locally derived housing requirement was underpinned by the OE forecasts and the scenarios presented in the Stage 2 report are aligned to the OE scenarios. However there are some notable differences particularly in terms of the employment output.

21. As indicated in ED/15, the Oxford Economic projections were both overly optimistic (even given the recession being factored in), and also assumed a larger than expected share for North Somerset of the West of England employment growth and associated sectoral change figures. These concerns were supported by local evidence on recent economic growth and future prospects for the district (factoring in a local level of detail that higher level forecasts are unable to recognise). The forecasts were therefore recalculated to arrive at a modified set of projections (see ED/15).

22. The recommended scenario was therefore the 'modified Oxford Central Forecast' of 10,100 jobs from 2006-2026 and a stronger trend growth of 15,200. This is considered to meet policy objectives as well as present a reasonable likely economic performance in that it is avoids the over-optimistic OE figures for North Somerset while remaining consistent with OE's overall growth assumptions for West of England. Importantly, it does not constrain the economic performance in

light of policy aspirations to increase employment in North Somerset. The 10,100 figure represents a West of England job share of 13.7%.

23. By way of comparison, a recent report by Roger Tym for Bath and North East Somerset in 2010 indicated that 3.2% is unachievable and that "current estimates of the region's likely annual average output growth over the period 2006-2026 are around 1.6-1.9%." This is also considered an appropriate range to apply to North Somerset.

Forecast scenarios	Forecast (GVA % growth per annum)	Growth in number of jobs 2006-2026 North Somerset
CE lower growth (South West growth per annum) (2008)	2.8	12,900
CE higher growth (South West growth per annum) (2008)	3.2	15,700
Oxford Economic Central (2010)	1.6	17,000
Oxford Economic High (2010)	1.9	21,700
Oxford Economic Low (2010)	1.0	13,400
Keith Woodhead Central (2010)	1.6	10,100
Keith Woodhead Stronger (2010)	1.9	15,200
Keith Woodhead Weaker (2010)	1.0	5,900
North Somerset Core Strategy (2011)	1.6-1.9	14,000

Figure 3: Comparison of economic growth scenarios

24. Past employment change provide an indication of future demand for employment land however it does not take into account changing working practices and land use characteristics, and inherently assumes future demand will be subject to past constraints. Nonetheless it does provide a useful indicator of future potential.

25. According to the Oxford Economics data for the time period of 1991 to 2006, 16,100 jobs were created in North Somerset averaging 1,073 jobs per year[3]. This shows a stronger performance than is now forecast and planned for the current plan period, and is reflective of the last economic cycle which saw an average growth of 2.9% per year between 1997 and 2006, a stronger performance than in the previous economic cycle. However as reported by Oxford Economics and ED/03, the effects of the recent recession are likely to be more prolonged than in previous downturns due to the significant impacts on the fundamental structure and mechanisms of the economy and associated effects on economic potential in addition to the current Government programme of funding restructuring and its possible effects on economic performance.

26. Even given historic higher economic growth in the West of England, this has not necessarily led to increased economic performance and job growth in North Somerset. This is due largely to the housing and economic market area dynamics whereby North Somerset has had a tendency to meet the housing

[3] This compares to a high economic growth period that saw 24,100 jobs created or 1205 per year between 1986 and 2006 covering two economic cycles.

needs of the more buoyant West of England area. In short, high GVA growth in the West of England does not necessarily mean comparable growth in North Somerset.

Labour supply analysis for North Somerset

27. As well as economic forecasting, another method seeks to assess the labour supply from a given population increase making assumptions around the economically active resident population.

28. This analysis provides another indicator of future economic potential that forms a component part of the evidence base to support economic change. The Core Strategy approach is to take demand/supply assessments and to relate to local circumstances to provide a strategy relevant to North Somerset that recognises the nuances of the district.

29. The following assumes a population increase from 14,000 homes of 33,040 people (this assumes 2.36 persons per household although this is expected to reduce over the plan period due to demographic factors and with a proportionate reduction in the economically active population), and an economically active population of 16,120 persons. Notwithstanding that a proportion of these economically active residents will continue to out-commute, the labour supply from the new dwellings is likely to be lower than 16,120 broadly supporting the Core Strategy figure of 14,000.

30. A summary of the economic performance indicators:

Method	Resultant Job growth
Labour demand: Keith Woodhead modified Oxford central assessment (2010)	10,100
Historic employment change[4] (1986-2006)	24,100
Labour supply (2006-2026)	16,120[5]
North Somerset Core Strategy	**14,000**

Figure 4: Comparison of the employment change methods and Core Strategy position

<u>Relationship to West of England growth scenarios</u>

31. The West of England Local Enterprise Partnership (LEP) has set out aspirations for strong economic growth of a cumulative growth of 3.4% GVA per year and an output of 95,000 jobs for the West of England area, 3,000 more than the dRSS, although for a greater time horizon to 2030.

32. Whilst the LEP aspiration presents an optimistic direction for the future sub-regional economy, independent research on future economic prospects[6] has been more cautious and the impacts of recession have been a key factor in updating economic forecasts. This has generally had the effect of reducing

[4] Based on the 20 year period 1986-2006 pre the recession
[5] This assumes total self-containment and is therefore considered a maximum. However it needs to be treated with caution as it does not factor in commuting flows.
[6] Roger Tym (2010) Busines land and Employment Land Update and North Somerset Council: Determining a Locally Deriver District Core Strategy housing requirement to 2026, Stage 2 report

economic growth prospects. In addition most economic growth in the sub-region is expected to be focussed in Bristol and South Gloucestershire reflecting the stronger economic role of these locations.

33. The North Somerset forecast employment change (ED/15) equates to 13.7% of the West of England job share. If this is compared to the LEP job growth aspirations of 95,000 jobs up to 2030, this equates to just over 13,000 jobs, broadly compliant with the Core Strategy requirement.

34. At Weston-super-Mare, employment growth aspirations are still complimentary to the LEP aspirations, driven by the desire to rebalance the existing jobs to homes ratio in the town and to deliver employment-led development. This recognises the LEP's strategic vision of Weston-super-Mare as performing a strong economic role within North Somerset and the wider West of England. In addition the Core Strategy job target for Weston-super-Mare is broadly similar to the dRSS target of 10,000 jobs.

Relationship to backlog

35. The forecasts summarised in figure 3 do not address the existing backlog of employment in relation to housing and generally assume the continuance of past trends in economic activity. Therefore in addition to the modified central forecast and in the context of policy aspirations to achieve an uplift in the economic role of North Somerset (in particular Weston-super-Mare) and address existing imbalances it is proposed (see Core Strategy policy CS20) that the backlog at Weston-super-Mare is addressed. This has the effect of adding just under a further 4,000 onto the modified Oxford Forecast giving a total requirement of around **14,000** jobs, still below the original Cambridge Econometric forecast of 15,700 and the stronger trend Oxford scenario of 15,200.

36 The tables below provide an illustration of the town's jobs to homes relationship and the effect of the additional 4,000 jobs. The first table illustrates the Core \Strategy position where self-containment improves from 58 to 67% over the plan period. The second table emphasises the need for the employment-led strategy as without meeting the backlog of 4,000 jobs self-containment falls from 58 to 57%.

	Table 1: Weston-super-Mare	**2001**	**2006**	**2011**	**2026**
A	Dwellings	31746	36189	38234	45147
B	Economically active	33339	38006	40153	47413
C	WSM economically active employed in WSM	20174	20892	22655	30038
D	Jobs	28196	29200	31664	40050
E	Commuter inflow (proportional scaling used after 01)	8022	8308	9009	10013
F	Commuter outflow (Row B – C)	11398	15099	15370	14863
G	Net outflow	-3376	-6791	-6361	-4850
H	Jobs per home	0.89	0.81	0.83	0.89
I	Jobs per economically active	0.85	0.77	0.79	0.84
J	Jobs/ ec. active (- jobs accounted for by in-commuting)	0.61	0.55	0.56	0.63
K	Self containment (%) (Row E/D)	64	58	60	67

	Table 2: Weston-super-Mare (without additional	**2001**	**2006**	**2011**	**2026**

	4,000)				
A	Dwellings	31746	36189	38234	45147
B	**Economically active**	33339	38006	40153	47413
C	WSM economically active employed in WSM	20174	20892	22655	25793
D	Jobs	28196	29200	31664	36050
E	Commuter inflow (proportional scaling used after 01)	8022	8308	9009	10257
F	**Commuter outflow** (Row B – C)	**11398**	**15099**	**15370**	**19107**
G	Net outflow	-3376	-6791	-6361	-8851
H	Jobs per home	0.89	0.81	0.83	0.80
I	Jobs per economically active	0.85	0.77	0.79	0.76
J	Jobs/ ec. active (- jobs accounted for by in-commuting)	0.61	0.55	0.56	0.54
K	**Self containment (%)**(Row E/D)	**64**	**58**	**60**	**57**

Figure 5: Comparison of jobs compared to homes

37. The 10,100 jobs and 14,000 homes (ED/15) is based on a standard rate of 0.72 jobs per home for the West of England as a whole, and inherently assumes the continuance of past trends including North Somerset position and characteristics within the wider sub-region e.g. continued out commuting and dormitory role. The additional 4,000 jobs at Weston-super-Mare is a policy driven addition to reverse existing unsustainable trends and provide opportunities to improve self-containment particularly at Weston-super-Mare.

38. The Core Strategy specifically addresses local objectives in North Somerset in terms of rebalancing the economy and jobs to homes to allow for more sustainable travel patterns and land use distribution. It also serves to counteract historic demographic/ market characteristics that have historically led to unsustainable patterns, not least the characteristic of increased housing demand from the more economically buoyant parts of the West of England.

39. It is considered that there exists a latent demand for employment opportunities at Weston-super-Mare due to the current imbalance between jobs and homes, and therefore the realisation of the additional 4,000 jobs is not linked to the provision of new homes in the same way as the 10,100 jobs are linked to 14,000 homes (as per the methodology pursued in ED/15). The provision of the 4,000 jobs addresses the existing deficit at Weston addressing various sustainability concerns and the concerns of other partners including the Highways Agency.

40. The employment aspirations for the town are set in the context of concerted efforts to stimulate economic activity as part of an employment-led strategy for the town (see the Weston Employment-led Strategy-ED/11). The significance of the employment-led strategy is paramount to the future sustainability of the town. Conversely, not including the additional 4,000 jobs (second table above) to address the backlog leads to an overall reduction in the self-containment level to around 57% with a significant increase in out-commuting.