



North Somerset Core Strategy: Examination of Remitted Policies

Agenda 3: Housing Requirement

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1.0 **Is the assessment made by the Core Strategy consistent with national policy?**

1.1 There is no commonly agreed approach for local planning authorities to follow in setting local housing requirements, beyond the principles established in national policy. Paragraph 47 contains the requirement for Local Authorities to *“boost significantly the supply of housing”* by using the evidence base to *“ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing”*.

1.2 In identifying the objectively assessed level of need, Paragraph 158 of the NPPF requires local planning authorities to apply *“adequate, up-to-date and relevant evidence”* and *“ensure that their assessment and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals”*.

1.3 The draft NPPG requires the assessment of development needs to be proportionate and based only upon a consideration of future scenarios that could reasonably be expected to occur. However, it should also be based on facts and unbiased evidence and plan makers should not apply constraints to the overall assessment of need:

“The assessment of development needs is an objective assessment of need based on facts and unbiased evidence. Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under performance infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans.” (ID 2a-004-130729)

1.4 NLP does not consider that the evidence base to support the Council’s proposed housing requirement is consistent with national policy. It is neither adequate nor relevant in terms of demonstrating the objectively assessed, housing needs. Importantly, it fails to satisfy a number of requirements relating to the consistency of evidence, objective approach to the assessment of housing need and the duty-to-cooperate.

Employment-Led Strategy

1.5 Paragraph 10 of North Somerset Council’s Statement for Consultation states that *“the Core Strategy has a clear employment-led development emphasis”*.

The report goes on to explain the implications of this approach in terms of assisting in the achievement of the Council's ambitions for an improvement in self-containment and a reduction in out-commuting.

1.6 Policy CS20 of the Core Strategy made provision for at least 10,100 additional jobs in North Somerset between 2006 and 2026. Paragraph 11 of the Statement for Consultation states that *"this policy must be accorded substantial weight in the examination of the remitted policies"*. NLP agree that this is an important policy and that the employment target contained within Policy CS20 should form a basis for the identification of the Objective Assessment of Housing need. The employment target set out in Policy CS20 equates to an average of 505 additional jobs per annum between 2006 and 2026. Evidence from Experian Business Strategies shows that employment in the district increased by just 30 (net) between 2006 and 2011. This results in an increase in the annual employment target to at least 671 between 2011 and 2026. In seeking to apply "substantial weight" to this policy in the re-examination of the remitted policies, it would be appropriate to apply this residual employment requirement figure as a basis for an assessment of housing need.

1.7 Given the stated importance of Policy CS20 and the employment-led emphasis of the Plan, it is a matter of some concern that the jobs-led scenario that was prepared by Edge Analytics did not inform the recommended housing requirement figure. This omission serves to undermine the robustness and objectivity of the identified housing requirement figure and results in a failure to comply with the requirement in Paragraph 158 of the NPPF for authorities to ensure that their assessment of and strategies for housing, employment and other uses are integrated.

Housing Supply-led Analysis

1.8 In seeking to justify the proposed requirement for 17,130 dwellings between 2006 and 2026, paragraph 95 of the Council's Statement for Consultation states that this is *"a housing requirement that can be delivered by 2026"*. It goes on to state that:

"Even if a higher housing quantum could be justified, if it can't be physically constructed and marketed within the plan period, in step with essential infrastructure, then this is simply a paper exercise."

1.9 This effectively relates to a capacity-led position which fails to reflect Paragraph 47 of the NPPF which requires local planning authorities to identify and meet the full, objectively assessed needs for housing. It also fails to reflect the requirements of the duty to cooperate in terms of seeking to ensure that any housing requirements that cannot be satisfied within the local planning authority area might be satisfied in adjoining authority areas.

- 1.10 The Council’s position that a higher housing figure would be a “*paper exercise*” is unjustified and contrary to the NPPF. It cannot be used to justify the Objective Assessment of Housing need for North Somerset.

Duty to Cooperate

- 1.11 Whilst it remains unclear whether the statutory test of the ‘duty to cooperate’ is applicable in this instance, collaborative working with adjoining local authorities on planning issues that cross administrative boundaries is a key requirement of the NPPF (paragraphs 157 and 178) and the Inspector has rightly stated that it is to be addressed in the examination into remitted policies. To this end, it is a matter of considerable concern that no reference to the collaborative working or duty to cooperate has been made in the Council’s Statement for Consultation.
- 1.12 A failure to adequately address the NPPF requirement to co-operate with neighbouring authorities will undermine the robustness of the housing requirements and the soundness of the remitted policies. It would also undermine the delivery of much needed housing in the Bristol area. Clarification is clearly needed from North Somerset Council to demonstrate that this requirement has been satisfied.

2.0 Does the selected approach amount to a SHMA as required by the NPPF?

- 2.1 Paragraph 159 of the NPPF requires local planning authorities to prepare a SHMA to assess their full housing needs. The SHMA document is required to identify the scale and mix of housing, the range of tenures that the local population is likely to need over the plan period and the need for all types of housing, “*including affordable housing and the needs of different groups in the community*”.
- 2.2 North Somerset was included within the West of England SHMA, which was produced in 2009 and identified an annual requirement for 1,400 dwellings in the district between 2006 and 2026. This equates to a housing requirement of 28,000 over the Core Strategy plan period.
- 2.3 Paragraph 24 of the Council’s Statement for Consultation states that the 2009 SHMA “remains the current SHMA for the purposes of the re-assessment of the remitted policies”. However, work has started on a review to the West of England SHMA although the findings from this review are not expected to be available until 2015 and will therefore not inform the current assessment of remitted policies.
- 2.4 No reference is made to the SHMA in the Demographic Analysis and Forecasts report and the dwelling requirement that is now proposed bears no clear relation to the evidence contained within the SHMA.

2.5 Whilst it is recognised that the affordable housing policy CS16 was not remitted for re-examination, no reference has been given to the housing requirements associated with different groups in the context of the revised housing requirement figure. In this respect, it would appear that the evidence and policy fails to comply with the requirements of the NPPF and the (draft) NPPG.

3.0 **Does the selected methodology provide a full, objective assessment of market and affordable housing in the housing market area as required by the NPPF?**

Demographic data

3.1 Whilst NLP recognise that there are shortcomings in the methodological approach underpinning the 2011-based interim SNPP, it does constitute the most recent official population projection and so should not be disregarded. It is peculiar that Edge Analytics criticises the 2011-based interim SNPP as being insufficiently robust to underpin any analysis of long-term housing requirements but provides no commentary upon the implications of rescaling the 2010-based SNPP upon its accuracy.

3.2 As a result of different numbers of women of child-bearing age and older people, the rebasing exercise that was undertaken by Edge Analytics is likely to have resulted in different projections of births and deaths compared to the 2010-based SNPP; it is also likely to have resulted in different migration estimates. However, it does not appear that the underlying fertility, mortality and migration rates have been amended by Edge Analytics.

3.3 The implication is that the rebased 2010-based SNPP are likely to suffer from the same weaknesses that affect the 2011-based interim SNPP. Edge Analytics is therefore asking the Inspector to favour flawed unofficial projections without explaining why they are preferable to, and more reliable than, the ONS data. In this regard, NLP considers that North Somerset has failed to comply with the NPPF requirement for Local Plans to be based upon adequate, up-to-date and relevant evidence.

Economic activity

3.4 The Edge report provides an overview of the assumptions that have been approved in relation to economic activity in Paragraphs 6.40 and 6.41 of its report. A series of adjustments to the economic activity rates are set out but the basis for these is not explained and the figures are not justified. The Inspector into the recent South Worcestershire Development Plan Examination described the *“lack of convincing evidence to support the assumed increases in older people’s economic participation rates”* as a fundamental shortcoming in the approach taken in the SHMA which resulted in the Plan being *“not justified in relying on the February 2012 SHMA”*.

3.5 Although the economic activity figures that have been proposed for North Somerset are different, there are clear parallels in respect of the lack of evidence to justify the approach that has been taken in relation to the assumed increase in economic activity amongst older people as a result of changes to the statutory pension age. As was the case in South Worcestershire, NLP consider that the robustness of the approach that has been taken by North Somerset Council and its advisors has been undermined by the failure to justify the approach that has been taken.

3.6 To be clear, there is a risk of harm if unsubstantiated assumptions are applied and thereby result in a shortage of housing.

Unemployment

3.7 Paragraph 6.43 of the Edge report states that an unemployment rate of 4.2% has been tested through the analysis and it has been assumed that this figure remains constant throughout the Plan period. However, this fails to reflect the fact that unemployment rates in North Somerset were 6.3% in 2011 and are currently 6.1%. NLP consider that it would be more appropriate to reflect the current unemployment rate as well as anticipated future reductions, rather than applying a consistent (lower) rate throughout the Plan period.

Commuting

3.8 Paragraph 6.44 of the Edge report refers to the application of a commuting ratio of 1.22 but erroneously comments that this *“indicates that there is a net inflow of commuters from surrounding districts”* when the opposite is actually true. The paragraph goes on to state that *“this value (1.22) remains constant throughout the forecast period”*.

3.9 The Edge report states that the derived ratio for commuting (1.22) has been held constant throughout the forecast period (Paragraphs 5.12 and 6.44). The figures set out in Tables 8 and 9 of the Edge report appear to have been prepared on this basis and therefore do not reflect the Council’s stated aspirations in relation to self-containment and reduced out-commuting. Edge Analytics also undertook sensitivity testing to understand the implications of changes to the commuting rate upon the housing requirement, although this does not appear to have informed the final housing requirement.

3.10 Paragraph 90 of the Council’s statement draws upon Edge Analytics’ sensitivity testing in order to justify its selection of the low growth scenario (812 p.a.). It refers to the number of dwellings that would be required to support 10,100 jobs over the Core Strategy period, assuming an reduction in the commuting ratio to 1.1 by 2026 (815). The similarity between this figure and the low growth (812 p.a.) figure is therefore used to justify setting the housing requirement for North Somerset at 17,130 dwellings over the Core Strategy period.

- 3.11 No evidence has been provided to show whether or how a reduction in the commuting ratio to 1.1 might be achieved over the Core Strategy period. Paragraph 154 of NPPF states that *“local plans should be aspirational, but realistic”*. Whilst NLP acknowledges the Council’s desire to reduce out-commuting, the scale of reduction that has been assumed could only be realised with the co-operation of neighbouring local authorities.
- 3.12 Figure 10 of the Edge report shows that an average of 2,454 people moved from Bristol to North Somerset each year between 2001/02 and 2010/11. Likewise, the 2001 Census shows that commuter flows from North Somerset to Bristol amount to 33% of the total workforce. It is therefore clear North Somerset and Bristol are closely linked and form part of the same Housing Market Area.
- 3.13 The Bristol Core Strategy was adopted in June 2011. Paragraph 24 of the Inspectors report *“The Council’s assessment of the appropriate level of housing provision for Bristol demonstrates little consideration for the potential implications for adjoining authorities, other than noting that those authorities do not currently support urban extensions in the Green Belt to the south east or south west of the City”*. At paragraph 44, the Inspector advises that:
“There are no other realistically available sources of housing land supply within the City to increase housing provision other than the Green Belt ...a cross-boundary approach would ensure that the size and form of any urban extension(s) was properly planned to maximise sustainability, rather than being determined by the rather”.
- 3.14 The Bristol Core Strategy was not prepared under the provisions of NPPF and therefore the housing requirement figure is not underpinned by an NPPF compliant assessment of housing need. The housing requirement figure reflects the unwillingness of North Somerset to support an urban extension in the Green Belt. The existing pattern of migration and commuting are most likely to continue into the future until the full objectively assessed housing needs of the housing market area are addressed in collaboration.
- 3.15 The Council has presented no evidence to show that agreement has been reached with adjoining neighbouring authorities to increase the delivery of housing in their respective areas to an extent that the aspiration for a 30% reduction in net out-commuting could be achieved. No explanation has been given to support the deviation from the published evidence base in respect of the alignment between jobs and houses. As a result, the Council’s assertion in Paragraph 96 of its statement that *“flexibility is provided by the anticipated adjustments to the commuting ratios which over time are likely to decrease the housing requirement”* cannot be assured.
- 3.16 NLP’s objective assessment of housing need indicates a range between 18,000 and 21,000 dwellings. This range represents the level of new housing that would be required if the Council’s commuting aspirations could be

achieved, as set out above NLP has significant reservations on this point. The NLP employment led scenario with commuter rates being maintained constant would result in a total housing requirement of **24,800** dwellings over the Plan period.

Household Headship Rates

- 3.17 Paragraphs 4.27 to 4.29 of the Edge report identifies two alternative sets of household headship rates which have been applied to the demographic data. Paragraph 6.9 of the Edge report recognises that the analysis of different scenarios is “*complicated*” by the “*choice*” of appropriate headship rates. The figures set out in Table 8 of the Edge report represent an “*indication of the level of housing growth that would result if an ‘average’ of the two extremes were applied*”. The figures contained within this table form the basis of the report’s recommendations and North Somerset’s proposed housing requirement figure.
- 3.18 The rationale behind the selection of this average approach has not been explained by Edge Analytics nor North Somerset Council. NLP do not believe that this approach is sufficiently robust to inform a sound housing requirement figure. It is considered that it will serve to overstate housing requirements in the initial years of the Plan period but understate longer term requirements. NLP is concerned that the approach that has been adopted in the preparation of the housing requirement for North Somerset is based upon an overly simplistic headship rate that fails to reflect the implications of economic conditions upon household formation both now and in the future.

Market Signals

- 3.19 The NPPF Core Principles at paragraph 16 confirms that Plans should take account of market signals. The draft NPPG confirms that housing need suggested by household projections should be adjusted to reflect appropriate market signals.
- 3.20 There is evidence of a sustained (and increasing) affordability constraint in North Somerset as underlined by the 90% increase in the ratio of lower quartile house prices to lower quartile earnings in North Somerset between 1997 and 2012. Additional provision of housing in North Somerset will help to improve relative affordability levels. Going forwards, the key challenge must be to ensure that the future supply of housing reflects demand such that the access to the market is not constrained by a further deterioration in affordability.
- 3.21 Between 2006/7 and 2010/11 the total requirement for new housing within North Somerset was 4,965. This target was set out within the Joint Structure Plan which covered the period from 1996 and 2011 and formed part of the statutory development plan over that period.

3.22 According to the Council's Annual Monitoring Reports, 4,950 units were delivered over this period, a shortfall against the identified requirements of 15 dwellings. However, The draft NPPG identifies past delivery as an important market signal that should be taken into account when setting new housing targets on the basis that it can have a significant impact upon affordability. Despite the overall shortfall in provision being just 15 units, a shortfall of 635 units has developed between 2008/9 and 2010/11, creating upward pressure for additional future housing development.

4.0 **Conclusions**

4.1 Despite the absence of a SHMA to assess the full housing needs and the Council's suggestion that economic factors have been addressed, the proposed dwelling requirement figure focuses solely upon a demographic-led assessment of future housing requirements. This draws upon data that has now been superseded and fails to reflect potential future changes in demographic and economic trends. NLP therefore consider that the Council's assessment does not reflect national planning guidance.

4.2 The Council's preferred methodology assumes a 30% reduction in net out-commuting. The Council has presented no evidence as to how such a substantial reduction in out-commuting can be achieved in the absence of any effective collaborative work with adjoining local authorities.

4.3 NLP consider that the emerging Plan should be based upon an economic-led approach and realistic assumptions regarding economic activity, unemployment and commuting. NLP consider that an increase in the identified housing requirement is necessary in order to provide the required flexibility to respond to rapid change (NPPF paragraph 14), respond to wider opportunities for growth (NPPF paragraph 17), 'boost significantly the supply of housing' (NPPF paragraph 47) and reflect the appropriate market signals (NPPF paragraph 16).