

NORTH SOMERSET CORE STRATEGY: EXAMINATION OF REMITTED POLICIES AGENDA 3: HOUSING REQUIREMENT

Q: Is the assessment made by the Core Strategy consistent with national policy?

1. We are concerned that the Council has allowed policy considerations to overly intrude into an objective assessment of need. The Council has allowed its strategic objective to reduce commuting to influence which of the housing scenarios it has selected. Paragraph 77 of the *Statement for Consultation* makes this apparent. This does not represent an 'objective' assessment of need. The PAS/LGA guidance entitled: *Ten key principles for owning your housing number* also advises that policy objectives should not intrude into the objective assessment (page 9).
2. The Council makes the error of assuming that the act of 'commuting' is unsustainable in itself and that a 'mismatch' between homes and jobs (paragraph of the *Statement for Consultation*) is a problem. But the NPPF does not support this reasoning as a valid argument to suppress supply. Paragraph 17 of the NPPF refers to the role of planning to:

"actively manage patterns of growth to make the fullest possible use of public transport, walking and cycling, and focus significant development in locations which are or can be made sustainable."

Paragraph 30 of the NPPF refers to the benefit of local plans supporting a pattern of development that "facilitates the use of sustainable modes of transport". From this it is clear that the purpose of planning is to ameliorate the effects of travel rather than blocking development per se.
3. It is apparent from the *Statement for Consultation* that the Council is reluctant to embrace one of the other higher scenarios since doing so would conflict with the current spatial strategy of the adopted plan and the Council does not want to revisit its plan (paragraph 96). In other words, the Council is confessing that the housing requirement in the plan may be unsound but altering the plan would result in a conflict with the policy of self-containment. The policy position, therefore, has exerted greater influence than the evidence of need.
4. A review of the demographic evidence, including the DCLG official projections, and the scenarios considered in the Edge Analytics Study, would all tend to suggest that the level of future need is likely to exceed the planned level of provision. The Council has selected the lowest of the demographic scenarios because it requires the least adjustment to its plan.
5. We fully accept that the Council is at liberty to try and alter trends through policy interventions. This, after all, is why we have a planning system.

However, it needs to have secured an agreement with its neighbours so that the implications arising from its strategy of self-containment will be compensated for by the other authorities in the West of England area increasing their own housing requirements above the trend level to provide for more than their own needs to accommodate the households who would otherwise have moved into North Somerset. Because the Council has not brokered any such agreement, the low migration-scenario that the Council has opted for cannot be considered to provide a sound projection of its future needs.

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

6. Not entirely. The work for the Council by Edge Analytics provides a robust assessment of the demographics and provides a range of scenarios that are helpful for plan-making purposes. The scenarios are helpful because they evaluate a number of possible eventualities based on migration trends but are also augmented by some other scenarios that consider what is necessary to support the employment objectives of the plan (jobs-led), or what might be delivered based on past delivery rates (dwelling-led).
7. However, while consideration of the household and population projections provide the basis for the assessment of need, they may not provide the full picture. We are not sure that the *Demographic Analysis and Forecasts* paper meets with the requirement of the NPPF to evaluate the need for market and affordable housing. The draft NPPG provides some further guidance on the other components of conducting an assessment of housing needs, and this will include taking account affordability, homelessness, those in temporary accommodation, constrained households, etc. Data on affordability (the ration of lower quartile earnings to lower quartile process for example) or the size of the housing waiting list, would have been useful to assess how successful the Council has been in the past in addressing the housing needs in the district and whether it might need to increase supply to rectify any failings. Evidence of deteriorating affordability and growing housing stress would signal the need to increase supply above the trend level forecast.
8. Similarly, the dNPPG also advises that local authorities may need to consider making an upward adjustment to the baseline demographic projections to account for the effect of past under-delivery against plan targets. This is necessary to counteract the effect this may have had on suppressing the rate of household formation – an issue that may be reflected in the latest 2011 Census results. The dNPPG advises that evidence of poor affordability may require a proportionate response to improve the supply of housing to improve affordability (ID 2a-020-130729). The *Demographic Analysis and Forecasts* paper does not provide an assessment along these lines. This would have been useful.
9. The RTPI Research Briefing No. 3, January 2014 entitled *Planning for Housing in England* makes a similar point, and cautions against relying too

heavily of the 2011-Interim Household Projections, which are based on the 2011 Census, as a definitive guide for future housing need.

10. Forecasting future housing needs, however, is inherently difficult. We accept it is impossible to be precise about these things. The dNPPG acknowledges the uncertainties surrounding identifying future needs and this is why it considers that the official household projections should provide the baseline indicator of need. The Government considers the official projections to be 'statistically robust and based on nationally consistent assumptions'. (ID 2a-017-130729). The HBF therefore, is often concerned when a local authority sets a housing requirement that is significantly lower than the baseline indicator. This is the case in North Somerset.
11. The pre-Census DCLG 2008-Based Household Projections indicate a need for circa 35,000 dwellings between 2006 and 2026 (this is the dataset that is used in by the *What Homes Where* toolkit).
12. The 2011 Interim Household Projections are based upon 2011 Census data so they can be considered more robust in some respects than the 2008-based household projection, except they only project up to 2021 so some allowance has to be made for plans that extend beyond 2021. The 2011 Interim Household Projections indicate that circa 15,000 households may form between 2011 and 2021 which indicates 1,500 households per year. If this figure of 1,500 is rolled forward for the last five years of the plan up to 2026, assuming that the pace of household formation will be consistent for each year of the plan, this would require adding a further 7,500 households. This indicates a need to plan for circa 22,500 households. This is a crude calculation, but it indicates that there may be something awry with the Council's assessment of need because it diverges so significantly from the Government's official projections.
13. We must also bear in mind that the 2011-Interim Household Projections may reflect the influence of the recession and a longer-term problem of housing undersupply on household formation rates and they may, therefore, represent an under-estimation of housing need. RTPI *Research Briefing No.3: Planning for Housing in England* recommends that the 2011 projection should be approached with caution. This would suggest the need to plan for a figure in excess of 22,500 homes in case the 2011 data is not indicative of future needs.
14. One advantage with the official projections, however, is that they do all 'add-up' because they use 'consistent assumptions'. The dNPPG reminds us of this (ID 2a-017-130729). This is important in the context of the Bristol City region, and accounting for outward migratory flows. If Bristol City uses a different methodology to North Somerset to calculate its needs, which it has done, then it makes it harder to assess whether North Somerset is making adequate provision of outward migration from Bristol. A consistent methodology would assist with this.

15. In view of the uncertainties associated with projection modelling, and to address the positive planning principles articulated by the NPPF, we consider that the Council is unjustified in considering a figure that is any lower than 22,500 baseline need for the period 2011-2026. A further upward adjustment to this figure would also be necessary to improve affordability in the district, and counter-act the possibility that poor past delivery has constrained household formation.
16. It is hard to judge what the unmet need might be because the Edge Analytics report does not assess what the need is over the period used in the plan which is 2006-26. We note that the Council claims that 4,950 completions have been achieved between 2006-11 (paragraph 71 of the *Statement for Consultation*). The Council then adds these completions to Edge Analytics scenarios. It is unclear why the Council considers this sound approach. One needs to assess the objective needs over the full plan period starting in 2006. Completions should not be confused with objective needs.
17. There is also an issue with the way the housing requirement in the plan is expressed. Because the plan only assesses the need for the period 2011-2026 any completions prior to 2011 should be discounted. The extent of the backlog, however, may need to be considered when establishing a new housing requirement.
18. DCLG Live Table 253 records the number of net completions by district. This shows the following completions for North Somerset:
- | | |
|---------|---------|
| 2006-07 | 920 |
| 2007-08 | 1,140 |
| 2008-09 | 680 |
| 2009-10 | No data |
| 2010-11 | 440 |
| 2011-12 | No data |
| 2012-13 | 400 |
19. There appears to be a mismatch between the Council's figures and those of the DCLG. The DCLG data shows that 3,180 dwellings have been completed prior to 2011. These should be deducted from the completions to arrive at the residual housing requirement for the plan period 2011-2026.

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

20. The Edge Analytics report assesses the housing need over the period 2011-2026. This does not align with the period used in the plan which is 2006-2026 so it is hard to judge the objective needs over the full plan period and to what degree past delivery has met this need. For clarity we recommend that the

plan is re-based in 2011 and runs to 2026. Any completions achieved prior to 2011 should be discounted.

The lowest inward migration assumption

21. The Council's assessment of need provided by Edge Analytics provides a number of scenarios. The Council has alighted upon the lowest of the trend-based scenarios as the one it considers likely to be the most representative of the future housing needs of the district over the plan period (after rightly discounting the zero net migration scenario). This generates a figure of 812 dwellings per year for the period 2011-26. This is the Migration-led 5 years Option B. This is based on locally derived internal and international migration assumptions over the last 5 years. We would question whether the Council is right to rely upon trends in the last five years as a reliable indicator of future needs, when it is generally acknowledged by the DCLG in the dNPPG and by the RTPI in its *Research Briefing No.3: Planning for Housing in England* that the influence of the recession, as well as the declining affordability of housing over the last two decades (as a consequence of undersupply) that this may have suppressed the rate of household formation.
22. Alighting upon the Migration-led 5 years Option B as the most reliable scenario also appears unjustified when one considers the evidence in the Edge Analytics report in paragraph 3.20 which reveals that net inward migration has averaged at 2,130 persons per year over the last ten years, compared to the 1,171 net inward migrants that underpins the scenario. Figure 10 shows that Bristol accounts for 1,306 people out of this figure of 2,130. The figure of 1,171 is therefore only half the ten-year average. It seems highly unrealistic that inward migration will decline by such a marked degree, notwithstanding what the Council may wish to achieve through its strategy of self-containment. Unless other local authorities in the HMA are providing for more than their own needs – i.e. to accommodate those households who might otherwise have moved to North Somerset – then the Council cannot assume that this serves as a reliable scenario for what may happen in the future. What will happen in reality is that the households will still come but will out-bid lower income locals for access to the scarce housing stock. The consequence will be worsening affordability and hardship. The new employment objectives will not be achieved because the housing will be acquired by the non-economically active and commuters resulting in an insufficiency of stock necessary to allow the economy to grow.

Employment

23. The Council will also need to make an upward adjustment to be baseline demographic evidence to account for the policy objectives of the plan, such as the need to boost local employment.
24. The analysis by Edge Analytics shows that an annual housing requirement of 1,340 dwellings is needed to support the jobs target of 650 jobs per year. The

Edge Analytics report calculates that a 9% increase in population is necessary to maintain the workforce at current levels – the Zero Jobs Growth scenario (see paragraph 5.38). This would equate to a need for 708 dwellings per annum (paragraph 5.38). By comparison housing delivery in line with the Council's favoured scenario of 812 dwellings per year would only support the creation of 61 new jobs as table 5 on page 24 of the report shows. Table 8 shows an annual need for 1,400 dwellings per year as its jobs-led scenario. It is curious that the Council has not selected the jobs-led figure as the basis for its housing requirement.

25. The Council considers that its employment objectives can be achieved through a combination of changes in activity rates in older-age groups and with no change in the existing commuting balance (paragraph 6.16), but in the light of the evidence of past rates of inward migration this is a highly unrealistic assumption.

26. The Council argues that the employment objectives will still be achieved with the selected housing requirement because "new job opportunities are likely to be taken up by existing out-commuters" (paragraph 89 of the *Statement for Consultation*). But the reliability of this assumption, as the Council says in paragraph 89, depends on "all things being equal". The Council, however, cannot assume that all things will remain 'equal' unless it has engaged in a joint strategy with the other authorities in the West of England area, utilising a common methodology for the evaluation of future employment needs and housing needs. If Bristol City experiences an increase in employment that exceeds the employment rates experienced in the last five years (the last five years providing the basis for North Somerset's assessment of migration rates) then even if current residents in North Somerset commuting to Bristol City did exchange their jobs in Bristol City for ones in North Somerset, then they may be replaced by new and probably even greater numbers of commuters. We must bear in mind that Bristol City is probably unlikely to be able to meet its future needs within its own boundary (see paragraph 48 of the Inspector's report for Bristol City) and that Bristol's housing requirement of 26,400 dwellings could "fall very substantially below the potential housing demands in Bristol over the plan period" as the Inspector observed at the time. Bristol City, South Gloucestershire and B&NES would all need to have made provision in their plans for the fact that outward migration from their respective districts will not reduce, and therefore have planned for the corollary of this – that housing need in their areas will increase.

The weakness of the jobs/homes calculation

27. Nevertheless, linking the assessment of housing needs to a calculation about the number of new jobs that might be created and filled by current commuters in North Somerset in the hope that this will reduce inward migration is a very fragile method of evaluation. Because the Council has no means of controlling who ultimately will occupy the new dwellings constructed it has no means of

measuring the effectiveness of its strategy. It would have no way of evaluating the success of its strategy when it came to review the plan.

28. The real measure of the success of planning strategy past and present is evidence of housing affordability in the district and the extent to which this has improved and the housing waiting list reduced. The Edge Analytics report does not provide a perspective on this, though this would have been valuable.

Definition of 'latest demand'

29. We also note the discussion in the Edge Analytics report providing its interpretation of the High Court ruling on the failure of the Council to account for 'latent demand' (paragraph 5.32-5.42). The Council agrees with its consultants and considers that latent demand relates to household formation that has been potentially suppressed by economic conditions. We consider that the Judgement was clearer than this. By latent demand it meant 'potential' demand "unrelated to the creation of new jobs", as paragraph 133 of the Judgement makes clear. It is very clear from this that the High Court was referring to demand from other sources including inward migrants living but not working in North Somerset and the non-economically active e.g. the elderly and retirees, the self-employed, the unemployed and the infirm (the latter two categories potentially being components of the Affordable Housing calculation). There is nothing ambiguous about the High Court Judgement, despite the claim by the Council's consultant in paragraph 5.33. In trying to restrict the definition of latent demand to financial and economic constraining factors, the Council is attempting to channel the debate along an avenue that suits its pre-determined policy position.
30. It is quite clear from the NPPF and the dNPPG that issues relating to 'effective demand' or policy should not intrude upon the 'objective' assessment of need. The objective needs of the district will be wider than those relating to employment creation in the district. Unfortunately the policy goal of reducing inward commuting has overly influenced the derivation of the housing requirement and has done so from the outset. As stated above, the Council's aim to reduce commuting may be a valid policy goal, but only after first objectively assessing its housing needs (free from policy bias), and secondly agreeing a plan with its neighbours who will have to bear the brunt of the Council's policy goal.

The reliability of the Council's assumptions

31. Even if the Council's trend assumption is well-founded, the Council is still obliged to consider whether it should make an upward adjustment to improve affordability.
32. Even if the Council's trend assumption is well-founded, there is a risk that it might be wrong. We are concerned that there is no flexibility built-into the planned housing requirement to respond to unforeseen events (paragraph 14)

or respond positively to wider opportunities for growth (paragraph 17). Indeed the strategy of self-containment would appear to at odds with the positive planning principles of national policy.

Recommendation

33. Under the circumstances it would seem prudent to adopt the jobs-led scenario of 1,400 dwellings a year as the basis for the housing requirement. This level of supply would be supported by the baseline indications of the official DCLG projections (2008-based and 2011-interim) while providing a level of supply that would best support the Council's employment ambitions.

**James Stevens
Strategic Planner**

Email: james.stevens@hbf.co.uk
Tel: 0207 960 1623