

Cabinet	27 January 2015
Portfolio holder presenting: Cabinet Member for Planning and Infrastructure	

Subject:	Local Plan: Housing and Job Numbers
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Ward(s):	All
Key Decision:	Yes
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Report of:	Cllr Mark Ruffell – Portfolio Holder for Planning and Infrastructure
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Appendices:	<p>Appendix 1 – Letter from Planning Inspector (19 December 2014) http://www.basingstoke.gov.uk/browse/environment-and-planning/planning/emerging-local-plan/localplanexamination.htm</p> <p>Appendix 2 - Edge Analytics –Demographic Analysis and Forecasts (June 2013) and Addendum (March 2014) http://www.basingstoke.gov.uk/browse/environment-and-planning/planning/emerging-local-plan/evidencebase/demographic-research.htm</p>
Papers relied on to produce this report	<p>Basingstoke and Deane Local Plan – Submission – Regulation 22 (BDBC, October2014)</p> <p>Strategic Housing Market Assessment (BDBC, March 2014)</p> <p>Edge Analytics –Demographic Analysis and Forecasts (June 2013) and Addendum (March 2014)</p> <p>Employment Land Review (February 2014)</p> <p>Economic Master Plan for Basingstoke 2033</p> <p>Papers on housing number presented to Planning and Infrastructure Overview and Scrutiny Committee – 12 March 2013, 4 June 2013 and 5 March 2014</p> <p>Papers on housing numbers presented to Cabinet on 6 June 2013 and 18 February 2014</p> <p>“New estimates of housing demand and need in England</p>

	<p>2011 to 2031” Alan Holmans, Town and Country Planning Tomorrow Series Paper 16 (September 2013)</p> <p>Enterprise M3 Working for a Smarter Future: Strategic Economic Plan 2014-2020 (March 2014)</p>
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SUMMARY AND RECOMMENDATION

1 This Report

- 1.1 The Inspector appointed to examine the Local Plan held an Exploratory Meeting on 11 December 2014 to address initial concerns he had about the Submitted Local Plan. The Inspector wrote to the Council on 19 December 2014 setting out additional work required in order to progress the Local Plan. Although the Inspector raised a number of other concerns, this report considers the concerns that were raised in relation to levels of housing in the borough over the plan period and future job provision. As such, this report sets out a revised approach to setting the objectively assessed housing need (OAHN) as well as a provisional employment target range.
- 1.2 The report concludes that, given the Inspector’s concerns regarding the choice of forecast assumptions and scenarios, a figure of 850 should be identified as the “policy off” figure to use as the basis for further work on the Local Plan. This work will include additional assessment of the impact of any increase in the annual housing target on the environment, infrastructure, etc. and a review of the sources of housing supply in the light of known constraints. The report also includes a provisional timetable to take the Plan forward.

Recommendation

- 1.3 It is recommended that Cabinet:
- i. Agree to use 850 as the basis for further work on the Local Plan representing the objectively assessed housing need (“policy-off”) figure for the Borough: and,
 - ii. Agree to use a range of 450 – 600 as the starting point for further work to identify a jobs target range for the borough.

PRIORITIES, IMPACTS AND RISKS

Contribution to Council Priorities

This report accords with the council’s Budget and Policy Framework and directly supports the Council Plan priorities of;

- *Improving economic vitality*
- *Planning policies that safeguard local distinctiveness*
- *Creating neighbourhoods where people feel safe and want to live*

GLOSSARY OF TERMS

Term	Definition
DPA	Dwellings per Annum
EPH	Economic, Planning and Housing Committee (replaced P&I OSCOM in summer 2014)
HCC	Hampshire County Council
HRA	Habitats Regulation Assessment
LEP	Local Enterprise Partnership
NPPF	National Planning Policy Framework
OAHN	Objectively Assessed Housing Need
PPG	Planning Practice Guidance
Policy off	The objectively assessed housing need arising in the borough as a result of demographic and socio-economic changes.
Policy on	A constrained objectively assessed housing need figure, derived when policies are applied, for example as a result of environmental constraints.
SA	Sustainability Appraisal
SNNP	Sub National Projection

MAIN CONSIDERATIONS

2 Background

- 2.1 The Council submitted its Local Plan on 9 October 2014 for examination and Planning Inspector, Mike Fox was appointed by the Secretary of State to carry out an independent investigation into the soundness of the plan, under S20 of the Planning and Compulsory Purchase Act.
- 2.2 On 11 December, the Inspector held an Exploratory Meeting to address initial concerns he had about the potential soundness of the Submitted Local Plan. One of the main purposes of the meeting was to clarify the need for any additional work and establish a future programme for the Examination.
- 2.3 This report sets out a revised housing figure, which takes account of the comments made by the Inspector to date and a review of the relevant evidence base, including the Edge Analytics work. It also sets out the additional work required to address other concerns raised by the Inspector.

3 The Inspector's findings from the Exploratory Meeting

- 3.1 Following the Exploratory Meeting the Inspector wrote to the Council setting out his finding from the meeting and a list of additional work which is required in order for the Local Plan examination to proceed (see Appendix 1). Including the housing need figure, which he considered the biggest and most sensitive concern, he raised the following issues where further information, statements or updates are required:

- (i) A revised OAHN for the Borough.

- (ii) Sustainability Appraisal (SA) – Addendum to demonstrate clearly the sustainability implications for both option 3 and option 4, and the soundness implications of the east/west housing balance in the Local Plan.
- (iii) An assessment whether the provision of around 850 dpa would be acceptable environmentally in relation to potential pollution on the Rivers Loddon and Test.
- (iv) An assessment on whether any of the changes to accord with the Inspector’s concerns would require major new SA/HRA work, an SA/HRA addendum, or no new SA/HRA work at this stage.
- (v) An assessment as to whether the existing and proposed infrastructure would be able to satisfactorily accommodate the proposed growth to the south-west of Basingstoke.
- (vi) Inclusion of the model policy on sustainable development in the Local Plan.
- (vii) Inclusion of the housing trajectory in the Local Plan.
- (viii) Inclusion of an employment target or range in the Local Plan.
- (ix) Strengthen the Local Plan policy on gypsies and travellers in line with Government policy, possibly along one of the three options discussed at the Exploratory Meeting.
- (x) Detail for Strategic Sites, i.e. the major housing sites and Basing View – all that is needed at this stage is a commitment to provide insets and the appropriate level of detail, which can be discussed at an informal session at the Hearings.
- (xi) Affordable housing re-let information for the last 5 years.
- (xii) An update of the viability of policy SS10 for the development of a new station at Chineham, including the LEP’s commitment and likely phasing.
- (xiii) Information on relevant housing market signals, as required by the PPG.

3.2 Items i) to vii) relate to the housing figure and will be considered further in this report. Other items (apart from ix) are points of information required for the examination, but not requiring council decisions or subject to further public consultation.

3.3 The Inspector states in his letter that the Council needs to consider how much time it requires to carry out the necessary work. He is not placing the Local Plan in formal suspension, but given the General Election cut-off/purdah dates, he recognises that there is likely to be some delay before the examination can begin.

3.4 It is considered that in order to complete the additional work required to meet the Inspector’s concerns, the following indicative timetable should be pursued.

The proposed timetable includes a further round of consultation to ensure that all relevant stakeholders have the opportunity to comment upon any ‘major’ changes made on the Plan in a suitable manner. It also reflects the need to update the relevant parts of the evidence base to inform future decisions.

January	EHP and Cabinet report (this report)
March	Reports on updated housing strategy and other proposed major changes to the plan (as necessary) to be considered by EPH, Cabinet and Council and agreed as the basis for public consultation
May- June	Six week period of focused public consultation
June/July	Collation of results of public consultation
July	Pre-Hearing meeting
September	Examination

4 Housing numbers: objectively assessment housing need

4.1 At the exploratory meeting, and in his subsequent letter, the Inspector made it clear that he considered the housing number in the submitted plan to be too low to meet the Government’s objective of significantly boosting the supply of housing. As stated in the notes of the meeting “He wished to be absolutely clear – in relation to the evidence so far submitted, the 748 dpa figure was not sound.” (para 9.10, page 10). He has therefore invited the Council to consider revising this figure at this stage.

4.2 The NPPF (para 47) states that local planning authorities should meet objectively assessed housing need as far as is consistent with the policies set out in the Framework. This report recommends a suitable “policy-off” figure for housing, to inform further work on the plan and satisfy the inspector that the figure has been fully justified.

4.3 The Edge Analytic Report (June 2013) (See Appendix 2) considered three forecast options as starting points based on assumptions about household formation rates:

- (A) CLG 2011-based headship rates, with the 2011-21 trend continued after 2021
- (B) CLG 2011-based headship rates, with the 2021 values fixed thereafter (discounted as unrealistic)
- (C) CLG 2008-based headship rates, scaled to be consistent with the 2011 Census but following the original trend thereafter.

4.4 A number of scenarios were tested based on these assumptions:

- ‘SNPP 2010’ - this trend scenario used the latest official projection from ONS, for which the indicative 2010 mid-year population estimate provided a base. The scenario was scaled to ensure consistency with the 2011 census population.

- 'Migration related scenarios- using a number of different assumptions to consider the effects of migration on the level of growth anticipated.
- 'Net-Nil' - in-migration, out-migration, immigration and emigration were maintained in this scenario, but the net migration balance was set at zero.
- 'Economic scenario- considered the effect of 600 jobs per annum on the final housing number.

4.5 The Addendum report (March 2014) amended the assumptions regarding economic activity rates arising from new 2011 census data not available at the time of the initial report. These are:

- **EA1:** 2011 Census economic activity rates, fixed throughout the forecast period.
- **EA2:** 2011 Census economic activity rates modified to take more explicit account of proposed changes to State Pension Age over the forecast period. These are relatively modest changes but result in the following modifications to the economic activity rates:
 - Women aged 60-64: 40% increase by 2020, fixed thereafter
 - Women aged 65-69: 20% increase by 2020, fixed thereafter
 - Men aged 60-64: 5% increase by 2020, fixed thereafter
 - Men aged 65-69: 10% increase by 2020, fixed thereafter

4.6 A further change was made to the unemployment rates to reflect economic recovery. In the initial report, unemployment rates had been fixed at 5.6% across the plan period but the addendum report reduced this to 4.6% by 2019, remaining fixed thereafter. These amendments are included in the table shown on page 9 of this report.

Inspector's Comments

4.7 The Inspector has invited the Council to reconsider the 748 figure in line with the "policy off" international migration projections, realistic economic considerations and household formation rates based on option C (CLG 2008-based headship rates) of the Edge Analytics report. He specifically referred to Table 9 of the Edge Analytics report which sets a figure of 853 dwellings per annum based on what the Inspector considers to be 'robust assumptions made by the authors of that report'.

4.8 The Inspector also drew attention to a paper by Alan Holmans which, he suggests, makes the case persuasively that a significant part (around half) of the lower, suppressed, rate of household formation in the 2011-based household projections is attributable to the state of the economy and the housing market, and that it would therefore be unwise to rely on these projections during the plan period when there is a very high chance that there will be a return to the higher rates of household formation which can be seen in the 2008-based household projections.

4.9 The Alan Holmans paper provides household projections to 2031 based on extending the 2011-based official projections and compares these with the 2008-based projections. The paper notes that the 2011 Census showed an abrupt break with the longer-term trends in household formation. Compared with projections, the Census showed household formation down by some 20%, reflecting the smaller number of one-person households and conversely the higher number of couple- plus-adult or multi-adult households. The paper

also apportions this growth to regional level and notes that almost a quarter of the required new housing is likely to be concentrated in London.

- 4.10 The central question is whether this change between the 2001 and 2011 Census is a structural break from a 40 year trend or was forced down by economic and housing market pressures which are likely to ease with time. The paper concludes that a large part of the difference between the forecast and actual increase in household formation between 2001 and 2011 is likely to be attributable to the state of the economy and the housing market. However, what remains unclear is whether affordability issues or lifestyle changes will continue to suppress household formation in the future.
- 4.11 The Inspector stressed that there must be no suggestion that the Plan was designed to constrain unduly development if housing needs might be higher, and this remains his primary soundness concern.
- 4.12 Some key outcomes in terms of the OAHN range are outlined below:
- The Inspector considered that the Netnil migration scenario was not a robust basis for future planning and therefore should not be used in any OAHN range.
 - The Inspector stressed the need to have a “policy-off” estimate for international migration and therefore the scenario Mig-led 1-yrs-5yrs80% should be removed from consideration.
 - The Inspector suggested that the 2008-based household formation rates, (scaled to be consistent with 2011 Census and following the original trend thereafter (Option C)) are based on the most robust assumptions.
 - The demographic-led scenarios are the best basis on which to plan for future housing growth and therefore the dwelling and jobs based scenarios are useful primarily in terms of comparison reference points only (shown *in italics in Table 1*).
 - The five year past trend internal migration is considered unrealistic as it reflects the higher than usual housing completion rates between 2007/8 and 2009/10 which was significantly higher than in neighbouring authorities over the same period and is likely to have led to an increase in internal migration over this period.

Table 1 Dwelling Requirement Forecasts

Forecast Assumption option	A (CLG 2011-based headship rates, with the 2011-21 trend continued after 2021)	C (CLG 2008-based headship rates, scaled to be consistent with the 2011 Census but following the original trend thereafter)	Average of scenario A and C	C (CLG 2008-based headship rates, scaled to be consistent with the 2011 Census but

				following the original trend thereafter)
Scenario	Annual Dwelling Requirement	Annual Dwelling Requirement	Annual Dwelling Requirement	Implied Job Growth resulting from Housing provision
Mig-led5Yrs	983	1,084	1,034	723
Mig-led10Yrs	819	915	867	545
SNPP-2010	792	882	837	409
Mig-led10Yrs-5Yrs	761	853	807	446
Mig-led10Yrs-5Yrs80%	748 (Figure in Submitted Plan)	835	791	406
<i>Employment600</i>	<i>890</i>	<i>990</i>	<i>986</i>	<i>600</i>
<i>Dwellings770</i>	<i>770</i>	<i>770</i>	<i>770</i>	<i>302</i>
<i>Dwellings735</i>	<i>735</i>	<i>735</i>	<i>735</i>	<i>255</i>
<i>NetNil</i>	<i>550</i>	<i>634</i>	<i>592</i>	<i>131</i>

Source: Edge Analytics (March 2014) extracted from Table 9 and 10

- 4.13 In light of the above, it is considered that the range of objectively assessed need (“policy-off”) could be narrowed to between 807 and 915 dwellings per annum, depending on the household formation assumptions used. Officers suggest that a figure towards the middle of this range, which reflects the views outlined above, should be used as the basis for further work on the Local Plan and therefore a figure of 850 dwellings per annum is recommended.
- 4.14 It is recognised that there is continuing uncertainty in relation to dwelling requirement forecasts. Revised household projects expected to be published towards the end of February 2015 will need to be considered against current assumptions, as the NPPF makes it clear that the most recently published projections should be the starting point for assessment of need.
- 4.15 An issue which will also have to be taken into account in due course is the publication of the Inspector’s report on the Further Alterations to the London Plan. This recommends an immediate review of the London Plan. To that end, a summit has been arranged in March 2015 to consider how additional growth can be accommodated. The council will clearly take part in this process and report any implications to Members.

5 Employment Target

- 5.1 The Inspector recommends the inclusion of an employment target or range in the Local Plan. National guidance does not require Local Plans to set a jobs target or range. However, it is useful in setting the context for the spatial strategy. The NPPF states that Local Plans should set out a clear economic vision and strategy for their area which positively and proactively encourages sustainable economic growth (para 21).
- 5.2 Policy EP1: Economic Growth and Investment, outlines how economic growth will be delivered and this policy could be amended to include an employment target. Policy SS8: Basing View, sets out the regeneration strategy for Basing View and the supporting text identifies that it is anticipated that the site would contribute up to a further 4,000 jobs during the plan period.
- 5.3 There is a relationship between housing provision and job growth, although this relationship is by no means straight forward and is affected by variables such as economic activity rates, unemployment rates, the level of in and out-commuting, the type of jobs available relative to skills in the resident workforce, etc. The work undertaken by Edge produced an implied jobs figure based on jobs that would be generated by the changing labour force.
- 5.4 The Economic Master Plan for Basingstoke sets out the economic growth aspirations for the borough. The vision includes an additional £233m GVA per annum as a result of economic growth and some 4,000 new jobs from the regeneration of Basing View.
- 5.5 The Enterprise M3 Local Enterprise Partnership Strategic Economic Plan 2014-2020 identifies a target of 52,000 new jobs by 2020 and provides context for a job target for the local plan. It sets an objective for the LEP area of increasing GVA per capita to 25% above the national average, adding 1,400 new businesses annually.
- 5.6 Any employment target would need to be based on the best available information and this is likely to be informed by the following sources which are considered in turn:
- Job forecasts (Experian as used in the Employment Land Review)
 - Past trends of net job growth (BRES data)
 - Demographic modelling data undertaken by Edge Analytics
- 5.7 The Employment Land Review shows the Experian job forecasts for the borough as some 21,000 additional jobs during the plan period, averaging out as 1,169 per annum. This is seen as the upper end of the forecasts as these forecasts are based on past trends, are top-down, and are less reliable at a local level.
- 5.8 Past trends of total jobs in the borough are quite volatile, but between 2001 and 2011 an average of 600 jobs per annum were created. This equates with the figure suggested in the Cabinet report of October 2012, based on work done in-house prior to the Edge work.
- 5.9 The third source for a job growth target is the demographic modelling undertaken by Edge Analytics. The dwelling requirement figure generated by

the migration-led scenario (10 year internal migration/5 year international migration) generates an annual job growth of some 446 as the size of the labour force is the same under each scenario.

- 5.10 Due to the uncertainty around the aging population and the economic activity rates, particularly of those over the age of 64 years, the Edge job figures can be regarded as the lower range of jobs likely to be supported by the future labour supply.
- 5.11 As outlined in the Council's response to the Inspector's concerns, when considering past housing completion rates against job growth, if the same ratio between housing completions and job growth was applied to the figure of 748 homes, this level of growth could support between 406 and 1197 jobs per annum.
- 5.12 In setting an employment target, the council should balance an optimistic outlook, with caution regarding longer-term growth rates. Moreover, the relationship between job growth and housing provision is dependent on a wide range of variables and there may be some potential to reduce out-commuting which would achieve sustainability objectives and reduce congestion. As set out in the Housing Topic Paper, in 2001 the borough experienced a net out commuting of 3% (Census 2001). However, in 2011 this had risen to 7.7% (Census 2011), an increase of 4.7%. If commuting patterns were rebalanced to 3% this would also result in an additional 3,075 people who would contribute to the borough's labour supply as they could remain in the borough to work and support local jobs. (para 4.61, page 23)
- 5.13 The Council's economic vision is likely to deliver at least an average of 600 jobs per annum based on past trends. At the lower end of the range, the Edge work suggests a housing provision figure of 850 will support at least 450 additional jobs per annum based on no changes to commuting patterns and conservative assumptions regarding economic activity rates. Therefore, officers suggest that, as a basis for further work, the jobs growth should be presented as a range between 450 and 600 per annum (8,100 to 10,800 for the plan period) which can be further explored in partnership with the Enterprise M3 LEP.

6 Next Steps

- 6.1 Following the meeting of this committee, the views expressed will be reported to Cabinet. In the meantime work is underway to reassess the housing supply position in the light of the Inspector's comments and to assess options for accommodating an increase in the annual housing target, including the consideration of new greenfield housing allocations.
- 6.2 Any increase in housing number and resulting changes to the plan will also need to be tested through relevant updates to the evidence base including the sustainability appraisal/SEA process, water cycle study, transport assessment and updates to the Infrastructure Delivery Plan. The outcome of this work is currently programmed to be reported to EPH committee, followed by Cabinet and Council in March 2015 and will involve close working with a number of outside bodies including Hampshire County Council and the Environment Agency.

- 6.3 When the proposed changes to the submitted plan are agreed by Council, public consultation on the changes are programmed to take place during May/June 2015.

7 Corporate Implications

Financial Implications

- 7.1 The estimated cost of the additional work required from consultants in order to address the Inspector's concerns is £30,000 in 2014/15. This can be funded from savings in the employee budget for the Planning Policy team. Funding for the examination process will be carried forward from 2014/15 into 2015/16 as part of the budget report which will be considered by Council in February.

Risk Issues

- 7.2 The main risks arising from this report relate to the ability of the Council to set a housing figure which will be found sound at examination. The Inspector has made it clear that he considered the figure of 748 dpa unsound. This report suggests a suitable higher figure which addresses a number of the Inspector's concerns.
- 7.3 The other main area of risk arises from the ability of the Council to undertake the additional work required and to make decisions regarding additional allocations required by the Inspector in time to enable timely public consultation.

7.4 HR Issues

None arising directly from this report.

Equalities

- 7.5 An Equalities Impact Assessment (April 2014) has been undertaken in respect of the Submission Local Plan. This identified no negative impacts on any of the groups considered.

Legal Implications

- 7.6 There are legal implications in that challenges can be made to any decision made by the Council if the decision is neither reasonable nor proportionate.

Any Other Implications

- 7.7 Depending upon the agreed housing number for the Borough, it will be important to ensure that the right level of deliverable housing sites are identified in the Local Plan.

8 Portfolio Holder comment

The Portfolio Holders comment will be included in an addendum report after hearing the views of the Economy, Housing and Planning Committee on 15 January 2015.

Communication and Consultation

7.9 When the proposed changes to the submitted plan are agreed by Council, public consultation on the changes are programmed to take place during May/June 2015.

9 Conclusion

9.1 This report has considered the dwelling requirement figure in the light of the Inspector's comments at the Exploratory Meeting and his subsequent letter. In light of the issues outlined in this report, it is considered that the range of objectively assessed need ("policy-off") could be narrowed to between 807 and 915 dwellings per annum, depending on the household formation assumptions used. Officers suggest that a figure towards the middle of this range, which reflects the views outlined above, should be used as the basis for further work on the Local Plan and therefore a figure of 850 dwellings per annum is recommended.

9.2 In relation to the requirement to include a jobs target range in the Local Plan, the report suggests that growth should be presented as a range between 450 and 600 per annum (8,100 to 10,800 for the plan period.)