
Representations in Relation to the Examination of the Basingstoke and Deane Local Plan

Issue 3: Spatial Strategy & Housing Need

Prepared on behalf of SEGRO Properties Ltd

September 2015

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1.0 INTRODUCTION

1.1 Barton Willmore LLP is instructed by SEGRO Properties Ltd ('SEGRO') to provide representations in relation to the emerging Basingstoke and Deane Local Plan Examination. For clarity, these representations relate to Issue 3 Spatial Strategy & Housing Need. Separate representations have been submitted as part of the Examination in relation to Issue 7: Employment, Town Centre, Retail Development and Rural Economy and Issue 4: Other Housing Matters. These representations respond to a number of questions raised by the Inspector, which will form the basis of the Examination Hearings to commence in October 2015. These representations should be read in conjunction with our previous comments to the Mid Examination Consultation on Proposed Main Modifications and our supporting Reports that examined the demand for and supply of B8 Employment land and premises within the Borough.

1.2 In responding to the questions raised by the Inspector, reference will be made to paragraph 182 of the Framework which sets out the requirements for a plan to be regarded as "sound" – namely that it is:

- **“Positively prepared – the plan should be based on a strategy which seeks to meet objectively assessed development and infrastructure requirements, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development;**
- **Justified – the plan should be the most appropriate strategy, when considered against the reasonable alternatives, based on proportionate evidence;**
- **Effective – the plan should be deliverable over its period and based on effective joint working on cross-boundary strategic priorities; and**
- **Consistent with national policy – the plan should enable the delivery of sustainable development in accordance with the policies in the Framework.”**
(our emphasis)

1.3 SEGRO own and lease large employment sites within Basingstoke and Deane Borough and therefore have a thorough understanding of the market conditions locally and within the South East. SEGRO consider that the Basingstoke and Deane Borough is a key opportunity area for 'Class B8 Storage and Distribution', given the M3 corridor and strategic position between London and Southampton. As such, these representations seek to ensure that the Local Plan allows sufficient flexibility for B8 floorspace to come forward over the emerging Plan Period, allowing opportunities for strategic employment sites, with motorway access.

2.0 RESPONSE TO INSPECTOR'S QUESTIONS: ISSUE 3

2.1 For ease of reference, we have responded to each of the questions raised by the Inspector, in turn, below.

4.5 Are the forecast job growth figures for the Borough realistic? In particular do they predict reasonably strong growth in the last decade of the plan period?

2.2 BDBC published Employment Land Review (ELR) in May 2015, an update to the previous Employment Land Review published in February 2014 (ELR 2014). The update has three main purposes which are as follows;

- 1) Firstly it supports the amendments (Proposed Modification) to the Submission Local Plan in relation to the proposed housing target of 850 dwelling per annum, and the inclusion of an annual job growth range of 450 – 700.
- 2) Secondly, the update assesses a range of methods for jobs forecasting, and considers the impact of the findings on the economic policies contained within the Submission Local Plan.
- 3) Thirdly, the report includes consideration of market intelligence and market signals as required by the National Planning Practice Guide.

2.3 The 2015 ELR states that trends in employee jobs within BDBC increased from 58,280 in 1995 to 83,800 in 2011. This is an increase of approximately 44% in this period.

2.4 The 2015 ELR states that over a period of 18 years from 2011 to 2029 it is anticipated that there will be an increase in overall jobs of 21,040. This would represent an increase of approximately 21%.

Job Growth Estimations

2.5 Since the publication of the ELR 2014, in order to help identify a jobs growth target as suggested by the Inspector the report has considered 3 methods for estimating the job growth forecast:

- 1) Job growth based on sectoral and employment forecasts and projections (Cambridge Econometrics)
- 2) Past trends, based on consideration of past Business Register and Employment Survey (BRES) data
- 3) Labour supply

Cambridge Econometrics (CE) model

- 2.6 The CE Model predicts job growth of approximately 700 jobs per year (12,600 over the plan period), with the main growth sectors being financial and business services, construction, accommodation and food services and information/communications. The largest amount of job growth is predicted to be in the financial and business services sector, amounting to approximately 400 jobs per annum over the plan period.
- 2.7 We have expressed concern with this model, and in particular its conclusions in respect of B8 jobs and floorspace requirements, in our report entitled 'The Need for B8 Floorspace' that accompanied our Proposed Modifications Representations in 2015. Paragraph v. of that Report states:

"The ELR update published by BDBC in May 2015 casts some doubt on the level of demand identified in the original ELR, with alternative forecast data from Cambridge Econometrics (CE) anticipating a much lower level of growth in Transport and Distribution. However, given that the original ELR, an independent update and market intelligence all suggest strong growth in the sector, the CE forecast should be treated with some caution.

The ELR [2014] estimated future demand for B8 floorspace of around 122,000 sqm, based on economic forecasts from Experian Economics (2013). The independent assessment set out in this [Barton Willmore] report indicates a slightly higher level of demand (around 147,000 sqm), based on more recent data from Experian Economics (June 2015)."

- 2.8 Therefore, whilst BDBC suggest that the CE model represents the upper level of their jobs range (of 450-700 jobs per annum), we are concerned, with regards to B8 jobs in particular, that the forecast is not realistic. Therefore, it stands to reason that if the B8 sector is under represented, then the jobs growth figure as a whole is questionable.

BRES data

- 2.9 The second method used by BDBC to forecast jobs growth, has been to analyse past trends in relation to job growth within the Borough. This uses BRES statistics. The BRES data stated that from 2003–2013 the actual job growth averaged 590 per annum in the Basingstoke and Deane Borough. The 2015 ELR states that if the significant fluctuations within the BRES data are regulated using a 3-year moving average (which levels out the fluctuations) then the jobs growth per annum reduces to 450.
- 2.10 We do not agree that using this data – which justifies the minimum end of the jobs growth range within the Plan (i.e. 450 from within the 450-700 range). This is because if the Plan seeks to project forwards, based on past, constrained economic trends, this will not

be robust. It will simply plan to replicate 'jobs growth' from a period that has included one of the deepest and drawn out period of recession, in recent times.

- 2.11 The Past Trends approach is useful to an extent as it is based on actual floorspace trends, rather than floorspace derived through an employment density ratio. However, given that consultation with local agents revealed a lack of available supply (particularly of larger, modern units), it is evident that demand has historically outstripped supply. As such, the past rate of development is not a reliable indicator of future demand for floorspace and thus jobs growth that will arise.

Labour Supply

- 2.12 Edge Analytics conducted the labour supply analysis. This indicates that 850 dwellings per annum will give rise to an increased resident labour supply of at least 460 jobs, however this could rise to reach 700 jobs per annum, if the current rate of net out-commuting is reduced. The Labour Supply approach, whilst useful in that it is integrated with the Borough's proposed housing provision strategy, is also considered to be flawed. This is because it is only possible to determine the likely size of the labour force arising from a given quantity of housing development – not which industries this labour force will be employed in and how many FTE or workforce jobs will be required. The approach is also predicated on the housing target being found sound, and the calculations made within the ELR are based on a target (748 dwellings per annum) that has been revised upwards in the Council's most recent Proposed Modifications.
- 2.1 We therefore cannot support the overall jobs growth figure as being realistic. Whilst each of the three approaches explored by the Council, (and ultimately used to provide the jobs range now proposed within the Plan), has its strengths and weaknesses, the Labour Demand projections approach is the generally accepted approach, and has been used in many ELRs across the country for many years. We explore within our previously submitted report entitled 'The Need for B8 Floorspace' that the Labour Demand calculation approach was incorrectly performed by BDBC (see paragraph 2.14 of that report). As a result, the figure for total floorspace required is likely to be inaccurate, and in turn this has resulted in the jobs growth figure not being correct. When calculated correctly, we advise that there is a need for 122,430 sqm of B8 floorspace, which translates to a land requirement of 30.6 ha.¹ Whilst the Council does not make a confident assertion of the amount of floorspace it needs to provide (doubting in the update its initial objective assessment in 2014 of the need for 122,430 sqm – equating to a land requirement of 30.4 ha), it does acknowledge the qualitative evidence of market demand gathered through its consultation with agents. Given the Borough's strong strategic location and the relatively weak office market,

¹ Land requirements have been calculated by Barton Willmore using the assumptions set out in the ELR (Plot ratio of 0.4 and net-to-gross uplift of 5% applied), due to B8 floorspace being merged with B2 floorspace to form an 'Industrial' group

developing B8 floorspace appears (based on the ELR 2014 and 2015 Update) to represent the strongest opportunity available to promote job creation through land allocation.

- 2.2 We consider that if the approach outlined within our earlier report were to be followed then an additional requirement for B8 floorspace in particular would be an outcome of the Council's work. This would of course have implications for the jobs growth target. We replicate Table 3.1 from our report, below for ease of reference.

Table 3.1: Floorspace Requirement Calculation

	Land Transport, Storage & Post	Wholesale	Total
Total FTE Job growth 2011-29	970	1,370	2,340
Proportion of sector requiring B8	90%	80%	-
Total jobs requiring B8 floorspace	873	1,096	1,969
B8 Floorspace per FTE (sqm GEA)	75	75	75
B8 Floorspace needed (sqm GEA)	65,475	82,200	147,675
Plot Ratio	0.4	0.4	0.4
Land Requirement (HA) – net developable	16.4	20.6	36.9

Source: Experian Economics, BDBC (sector adjustments and plot ratio), HCA (employment density)

- 2.3 Given that the jobs growth range of 450-700 jobs per annum is not divided further into the Use Classes associated with those jobs, it is not possible for us to advise on the change to the jobs growth range that is exactly required and when (i.e. within which phase of the Plan). However, we can advise that an additional B8 strategic site of circa 37ha is required, and that this would support some 2,000 new jobs, that are not identified to our knowledge, within the jobs range proposed by BDBC.

- 2.4 To conclude, we do not consider that the jobs growth range of 450-700 jobs is sufficient enough to meet the aspirations of businesses seeking to operate within the Borough. The second part of the question set by the Inspector relates to whether the jobs growth predicted for the last decade of the Plan Period is 'reasonably strong'.

Growth Forecast on Supply of B8 Uses

- 2.5 The 2015 ELR report states that there is evidence of increased activity in relation to the storage and distribution sector, including the redevelopment of the Sainsbury's distribution depot at the Houndsmills Industrial Estate in Basingstoke.
- 2.6 There remains an undersupply of good quality B8 floorspace, which was the case in 2014

with Paragraphs 5.19-5.20 of the Employment Land Review stating the following:

“The industrial component of the boroughs commercial property market is functioning much more effectively than the office component. This was explored with the Commercial Agents Forum where it was highlighted that despite the economic downturn there has been consistent strong demand for high quality storage and distribution accommodation in the Borough, reflected by the fact that there is currently no available stock in excess of 50,000 sq ft (5,000 sqm) and that recent investments in modern B8 accommodation (i.e. Horizon at Kingsland Business Park) are fully occupied.”

- 2.7 Moderate growth is anticipated within the distribution sector with a predicted decline in manufacturing jobs. Sectors predicted to have a strong growth outside the B class sectors are health, education and retail sectors. This view is supported in paragraph 5.7.6 in the 2015 ELR which refers to the views of the Councils Economic Development Team and in conclusions suggests [our underlining]:

“The Economic Development Team note the strong potential of the storage and distribution sector in Basingstoke owing to the excellent location of the town in relation to the M3, and consider that there is strong market interest in terms of developing suitable sites around the town.”

- 2.8 The predicted increase in retail sectors is harder to quantify, because of internet shopping and this is having an impact on the need for B8 floorspace too. As a result of the changing retail habits, logistic companies are looking to expand and locate in strategically accessible locations such as the M3 corridor to meet the increasing demands of online customers. Online shopping and dedicated delivery services are generating demand for extensive modern distribution and warehousing facilities that operate on a 24 hour basis. It is therefore important that the supply of B8 employment land is not restricted in order that demand can be met. In location terms, sites require excellent motorway access, and the ability to operate freely across a 24 hour period. These sites are not usually within urban areas as a direct result of protecting neighbourhood amenity.
- 2.9 Independent consultants – Savills and Lambert Smith Hampton are reported at paragraphs 5.7.16 -18 in the 2015 ELR as identifying a strong demand for logistics use within the B8 sector and predict this as a strong demand, citing a national picture whereby B8 activity has seen an active increase over a 30 month period.
- 2.10 Given the above, we do not consider that the Plan responds positively to a growing trend in the B8 sector. The job growth is forecast to be higher in the 2021-2029 part of the

Plan Period. This is evidenced at Table 1 of the BDBC Economic Growth Forecast for Basingstoke and Deane. The jobs growth figures are forecast to be more than 25% higher than the previous period (2016-2021). The Plan should potentially consider a step change in the delivery of jobs to reflect increased job growth in the latter part of the Plan Period. This would also be reflected in the release of additional land too.

- 2.11 Paragraph 19 of the NPPF states that '*the Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth.*' The NPPF also states (paragraph 7) that the planning system should contribute to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and coordinating development requirements, including the provision of infrastructure.
- 2.12 One of the Core Planning Principles within the National Planning Policy Framework (paragraph 17) states that "**Local Authorities should plan to take account of market signals and set out a clear strategy for allocating sufficient land which is suitable for development, taking account of the needs of the residential and business communities**".
- 2.13 We consider that the BDBC Local Plan should take account of the Framework and plan more positively for jobs growth within the Borough, and the subsequent floorspace/land increases that this will give rise to.

Question 4.5 *What other factors should be taken into account in determining the overall housing provision for Basingstoke over the plan period? For example, what weight should be given to the National Planning Practice Guidance (PPG), covering aspects such as market signals, and historic suppression of household formation rates?*

2.14 We consider that the 'other factors' that should be taken into account in determining the overall housing provision for Basingstoke over the plan period are: land prices, house prices, rents, affordability, rate of development and overcrowding.

2.15 Planning Policy Guidance (PPG) Paragraph ID 2a-019-20140306 states that;
"A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections."

2.16 The factors above are based on the guidance within the National Planning Policy Framework (NPPF) and the Planning Policy Guidance (PPG). We review these below and comment on how the Plan takes account of these factors, and the weight that we consider should have been given. We relate this where possible, to the interests of Segro; i.e. seeking additional floorspace (B8) and the flexibility to deliver suitable sites for this Use Class, within the Local Plan.

2.17 The relevant section within the NPPF Paragraph 17 states Core Planning Principles for the planning system and those that are relevant to this matter, are listed below. Planning should;

- Proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs;
- Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth;
- Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities; and
- Take account of the different roles and character of different areas

2.18 A Core Planning Principle is to proactively drive and support sustainable economic development to deliver homes and business. As a Core Planning Principle, we consider this should carry significant weight. The presumption in favour of sustainable development is a key golden thread that runs throughout the Framework. Efforts should

be made, and therefore account taken of factors that enable the Plan to be proactive, and to drive and support the delivery of much needed housing and employment development. Given that the Borough has an identified absence of deliverable B8 land suitable for strategic employment development (based upon our conclusions within the Barton Willmore Report on B8 Supply, 2015), we fail to see that the Plan is being proactive in this regard. Land prices are high within the South East, and with development being constrained (i.e. an absence of employment land allocations for B8 Use) by restrictive policies and in terms of land itself, the situation is worsening. The approach of the Plan, to set a maximum jobs range for example, appears to run contrary to the theme of growth within the Framework and equally, will not assist in addressing the other factors that have a bearing on housing provision, especially affordability. There is a clear link between job availability and salaries and people's ability to access and move within the housing market. Ensuring that there are good opportunities for employment and a sufficient number of jobs within an area will also have a positive effect on the housing market in terms of housebuilding activity, because sales can be achieved.

- 2.19 Considering the second core planning principle that we have referenced above from the Framework, we would question the extent to which the Plan has made every effort objectively, to not only identify and meet the need for housing, but in particular, employment.
- 2.20 Reflecting first on the need for housing, the SHMA (May 2015) states that the housing market has gradually improved since the economic downturn in 2008. Sales and prices increased up to 2013/14, but have stabilised over the last 12 months. House prices in BDBC are lower than those elsewhere in the South East, and lower than those in many neighbouring authorities. Figure 5.1 on page 79 of the SMA shows a graph indicating the increase in house prices (simple average house prices at regional level with the overall median Basingstoke and Deane house price for the last decade. This may have an indirect effect on the rates of housebuilding activity, if it is more attractive for a developer to build in a neighbouring authority where land values are higher. BDBC can influence this by ensuring that there is clear commitment within the Plan to strive for growth, attract new investment and business, and therefore encourage development. However by not taking account of the needs of business, and proactively seeking to identify new strategic employment sites for example, to meet the shortfall suggested by local agents, then this investment will not come.
- 2.21 Overcrowding is another factor that has a direct influence on the quantity of housing to be provided within LPA administrative area. However in the case of BDBC 75.4% of dwellings in the Borough are under-occupied Table 6.5 on page 98 (Occupancy rating: households in Basingstoke and Deane, Source: Census 2011).

- 2.22 Overcrowding is therefore not considered to be a factor that needs to be given any significant weight in determining the provision of housing within the Borough. It also therefore has no direct or indirect relationship in this case, to employment.
- 2.23 The third core planning principle that we consider, relates to taking account of market signals and affordability. The plan has not taken account of market signals in our view, that suggest that there is an absence of suitably located, available employment land and premises, particularly those suited to B8 Use. As a core principle of the Framework, we consider that significant weight should be afforded to this.
- 2.24 Finally, the fourth core planning principle we cite, is that of taking account of the character or role of different areas. Given that one of the Borough's key assets is the M3 motorway, and the positioning of Basingstoke between the ports at London and Southampton, it is a failing of the Plan to not take account of this potential role and identify suitable, deliverable sites for B8 Use that could take advantage of this significant asset and then proactively drive economic growth within the Borough. Again, we consider that significant weight should be given to this, given that this is also one area within the employment forecasting where the 2014 ELR had recognised there being potential for growth, as opposed to the offices market that was showing signs of decline.
- 2.25 In conclusion, the Plan has not properly taken account of other factors that are relevant in determining the provision of housing and employment, and therefore underplays the role and potential of Basingstoke and Deane.