

# BASINGSTOKE AND DEANE LOCAL PLAN EXAMINATION

ISSUE 3: SPATIAL STRATEGY & HOUSING NEED

7 OCTOBER 2015

FOR TAYLOR WIMPEY  
(REPRESENTOR REF: 909792)

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Statement body word count: 2,929

## 4.1 Spatial Strategy

- 4.1.1 The Local Plan with Proposed Modifications (“the LP”) housing requirement within Policy SS1 (850 dwellings per annum (“dpa”), which underpins the spatial strategy is unsound as it (amongst other things): (i) fails to properly identify the objectively assessed needs (“OAN”) for market and affordable housing (contrary to paragraph 47 of the National Planning Policy Framework (2012) (“NPPF”)); and (ii) identifies a housing requirement (850dpa) which is far too low to meet its OAN for market and affordable housing in full and support economic growth and regeneration.
- 4.1.2 As set out in detail within Taylor Wimpey’s June 2015 representations a reasonable interpretation of the Council’s evidence base is that OAN for market and affordable housing in full is 2,360dpa. It is noted that the Council has subsequently produced further affordable OAN evidence within Appendix 9 of the Housing Needs Statement, August 2015 (PS/02/47). This updated affordable OAN evidence is considered unsound as (amongst other things) it: (a) applies an unjustified and ‘policy-on’ affordability test to current unmet need; and (b) assesses newly arising affordable need using a household projection which: (i) is lower than the LP housing figure; (ii) is unjustifiably lower than the 2012-based household projection starting-point; and (iii) excludes aged 45+ households projected to form. The Council’s continued failure to identify OAN for market and affordable housing in full is fatal to the soundness of the LP.
- 4.1.3 The Council has not presented any evidence as to which of the constraints derived by reference to the policies of the NPPF as a whole restrict the LP from meeting OAN for affordable housing in full. To the contrary, the Council’s own evidence base demonstrates that there are no absolute land supply; infrastructure; environmental capacity; or deliverability constraints that justifiably limit the Council’s ability to proactively plan to meet OAN in full, or at least a significantly greater proportion of market and affordable OAN
- 4.1.4 A reasonable interpretation of the available evidence base is that an appropriate and justifiable ‘policy on’ Policy SS1 minimum housing figure, which takes account of demographic and socio-economic needs, environmental characteristics, existing and proposed infrastructure and relationships with neighbouring areas, is 1,100dpa.
- 4.1.5 The only rational course of action is for the Council to either: (a) seek a further suspension of the examination (between 6 to 12-months), to undertake the necessary work required to increase the Policy SS1 figure to at least a minimum of 1,100dpa and allocate additional strategic allocations, such as the Taylor Wimpey sites; or (b) withdraw the LP and prepare an entirely new evidence base and LP. An early review of the LP is not an appropriate option given this is a soundness failing that goes to the heart of the LP.

## **4.2 The most up-to-date and robust objective assessment of housing need (OAHN)**

4.2.1 Without prejudice to Taylor Wimpey's principal concern (as previously referred) that the LP is unsound as it fails to: (i) properly identify the OAN for market and affordable housing and (ii) identifies a housing requirement (850dpa) which is far too low to meet its OAN for market and affordable housing in full and support economic growth and regeneration, the proposed housing figure also fails to have proper regard to other important NPPF and National Planning Practice Guidance ("PPG") evidence base requirements:

### *(i) Demographic Assumptions*

- 4.2.2 The PPG is clear that the 2012-based household projections ("2012 HHP") should provide the starting point estimate of overall housing need, but may require adjustment to relevant factors affecting local demography and household formation rates not captured in past trends (ID:2a-015-20140306). However, the PPG is clear that where local assumptions are applied they need to be clearly explained and justified on the basis of established sources of robust evidence (ID:2a-017-20120306).
- 4.2.3 Despite the PPG and the 2012-HHP methodology guidance document both confirming that the 2012-HHP are based on past trends the Council's Strategic Housing Market Assessment Update (May 2015) ("SHMA 2015 Update") (HO01) has undertaken three alternative scenarios using differing migration trend assumptions: (a) 10-year average internal and international migration (834dpa); (b) 5-year average internal and international migration (886dpa); and (c) 10-year average internal and 5-year average international migration (813dpa).
- 4.2.4 Of fundamental concern is that neither the three alternative scenarios, nor the 2012-based household projection starting point (936dpa) form the basis of LP housing figure (850dpa).
- 4.2.5 Notwithstanding this, of equal concern is that contrary to the PPG, neither the SHMA 2015 Update nor the Housing Topic Paper (TP01) provide any justification for the alternative trend-based assumptions applied. No explanation of which specific local changes, or one-off events in the years underpinning the 2012-HHP necessitate revisions to either the internal or international migration trends informing the 2012-HHP starting-point. The 'recession and EU expansion in 2004', as cited within the SHMA 2015 Update (paragraph 6.11), are not specific to just Basingstoke.
- 4.2.6 Furthermore in critically reviewing the 2012-HHP the Council has failed to give any consideration to the appropriateness of the 2012-HHP household representative rates. Analysis of the 2012-HHP household representative rates for Basingstoke show the recession contributed to suppressing household formation, particularly for the cohort aged 25-34. This has not been considered or addressed within the SHMA 2015 Update.

(ii) Unmet housing needs

4.2.7 As set out in detail within Taylor Wimpey's June 2015 representations over the past 18-monitoring years (where monitoring data is available) the Council has under-delivered by 1,833 dwellings against planned supply. This represents a significant housing delivery shortfall which cannot and should not be ignored as it has suppressed household formation and in migration. The importance of this was summarised within the Bath and North East Somerset Inspector's initial conclusions (extracts appended to this Statement (**Appendix 1**)) which outlined that ignoring past shortfalls will progressively depress the housing requirement, creating a self-fulfilling justification for less housing growth to be planned than is required.

(iii) Sustainability

4.2.8 The Council has not presented any evidence as to which of the constraints derived by reference to the policies of the NPPF as a whole restrict the LP from meeting OAN for affordable housing in full. To the contrary, the Council's own evidence base demonstrates that there are no absolute land supply; infrastructure; environmental capacity; or deliverability constraints that justifiably limit the Council from proactively planning to meet market and affordable OAN in full. However, as set out in detail within Taylor Wimpey's June 2015 representations, a reasonable interpretation of the evidence base is that an appropriate and justifiable policy response is a minimum housing figure of at least 1,100dpa.

4.2.9 Without prejudice to Taylor Wimpey's principal concern that the housing requirement is not based on an OAN to meet affordable and market housing needs in full, the LP housing requirement, contrary to the PPG is: (i) based on unjustified local demographic assumptions; (ii) fails to address past under-supply; and (iii) fail to positively consider land supply, infrastructure; environmental and delivery factors. The LP is therefore unsound as it is has not been positively prepared, nor is it justified or consistent with national policy.

4.2.10 The only rational course of action is for the Council to either: (a) seek a further suspension of the examination (between 6 to 12-months), to undertake the necessary work required to increase the Policy SS1 housing figure to at least a minimum of 1,100dpa and allocate additional strategic housing allocations, such as the Taylor Wimpey sites; or (b) withdraw the LP and prepare an entirely new evidence base and LP. An early review of the LP is not an appropriate option given this is a soundness failing that goes to the heart of the LP.

### **4.3 2012 based household projections**

- 4.3.1 Without prejudice to Taylor Wimpey's view that the PPG 2012-HHP starting-point OAN is too low to meet market and affordable OAN in full, for the period covered by the LP, the 2012-HHP (with an appropriate 2.3% vacancy rate applied) provides a OAN starting-point of 936dpa. A starting-point, 86dpa higher than the LP figure (850dpa). A difference which is significant and would have strategic cross-administrative boundary implications.
- 4.3.2 As previously referred, the Council has failed to provide any credible explanation or local justification for adjusting downwards the PPG starting-point (936dpa) Notwithstanding Taylor Wimpey's view that the 2012-HHP OAN starting-point is significantly too low to meet market and affordable OAN in full, for the LP to be sound the Council must provide robust and credible evidence to justify the downward adjustments it has made.

#### 4.4 Housing Delivery

- 4.4.1 The NPPF is clear (paragraph 47) that where there is a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20%. Given, over the past 18-monitoring years (between 1996/97 and 2013/14) the Council has under delivered in 13-years (72%) (see Appendix 2 of Taylor Wimpey's June 2013 representations) the 20% buffer must therefore apply.
- 4.4.2 The NPPF (paragraph 47) is expressly clear that it is the Government's expectation that local planning authorities '*boost significantly the supply of housing*'. During the Exploratory Meeting in December 2014 the Inspector considered that the '*boost*' should be taken from the previously adopted provision (PS/01/07, paragraph 8.8). Given the former Local Plan/ Structure Plan target for Basingstoke was 804dpa an increase of only 6% to 850dpa is not considered to '*significantly boost*' supply over the LP period, particularly in the context of the Council's track-record in housing delivery and the NPPF buffers.
- 4.4.3 Without prejudice to Taylor Wimpey's other housing figure concerns and conclusions, the application of a 20% uplift on the former Local Plan/ Structure Plan requirement would result in housing figure of 965dpa. In the context of paragraph 47 of the NPPF and the former Local Plan/ Structure Plan requirement, this uplift could be considered to help '*boost significantly*' the supply of housing. Although this level of housing would still fail to: (a) fully support economic growth and regeneration; (b) help address affordability; and (c) meet market and affordable OAN in full.

## 4.5 Job Growth

4.5.1 No. Based on trends and projections, the job figures within the LP significantly under predict growth potential over the Plan period.

4.5.2 As set out in detail within Taylor Wimpey's June 2015 representations the Council's 2014 Employment Land Review ("2014-ELR") (ETC01) highlights that between 1995 and 2011 the Borough experienced employee job growth of 1,589 jobs per annum ("jpa"). The 2014-ELR also states (paragraph 8.8) that Experian employment change projections indicate job growth over the LP period to be 'in excess of 21,000 jobs'. This equates to 1,167jpa. The mid-point between trend and projection being 1,378jpa.

4.5.3 It is noted that the Council's 2009 ELR, prepared at the height of the recession, recommended the use of 800jpa. Indeed the Planning and Infrastructure Overview and Scrutiny Committee ("PIOSC") report dated 8 July 2010 (**Appendix 2**) outlines that this level of job growth is realistic over the medium/ long term covered by the Local Plan (paragraphs 6.2 to 6.3).

4.5.4 However, the LP job figures only support creation of 450 to 700jpa:

### 450jpa

4.5.5 The Council's Employment Land review Update (May 2015) ("2015-ELR") (DETC01) trend-based analysis appears wholly contradictory to the Council's previous trend-based analysis contained within the 2014-ELR.

### 600jpa

4.5.6 As outlined within Taylor Wimpey's representations the 600jpa figure is informed by a pessimistic, recession influenced economic outlook.

### 700jpa

4.5.7 The 700jpa figure is based on projections utilising Cambridge Econometrics ("CE") forecasts. It is unclear why, or how the CE forecast is significantly lower than the Council's previous projection produced by Experian (1,167jpa) given: (a) the Experian projection is only a year old; and (b) the CE projection has been produced at a more economically certain point in time.

4.5.8 Indeed, the 2015-ELR cites (paragraph 6.2.4) that the most notable sector difference between the Experian and CE projection is the storage and distribution sector. The Experian projection indicating an average of 82jpa, whereas the CE projection (according to Figure 11 of the 2015-ELR Update) indicates negative growth. The 2015-ELR Update states that the CE projection is more consistent with past trends. However, Table 4 and Figure 2 of the 2015-ELR Update indicate past annual trend of 60jpa between 2000 and 2011. The 2015-ELR therefore appears internally

inconsistent. The Experian projection, not the CE projection, appears to have greater alignment with past-trends.

- 4.5.9 The 700jpa figure therefore appears significantly too low when considered against: (a) the 2014-ELR job creation trend analysis; (b) the Council's 2014 Experian projection; and (c) the GVA and job growth targets within the Enterprise M3 Strategic Economic Plan.
- 4.5.10 In accordance with paragraph 19 of the NPPF, a reasonable interpretation of the Council's evidence base is that an appropriate job growth range for the period covered by the LP is 800 to 1,378jpa. As an absolute minimum the LP job target should be 800jpa. For the LP to be sound it must contain a housing figure which supports this minimum job figure.
- 4.5.11 Unfortunately the Council's updated housing requirement evidence base (HO01) has not considered housing figure scenarios that support 800+jpa. The closest, being the 700jpa scenario, which indicated a housing figure of at least 1,004dpa. As set out in detail within Taylor Wimpey's June 2015 representations, the Council's 700jpa projections under SENS1, SENS2 and SENS3 are not based on robust, or evidenced economic activity rate, commuting ratio and unemployment rate assumptions and must therefore be discounted.
- 4.5.12 The only rational course of action is for the Council to either (a) seek a further suspension of the examination (between 6 to 12-months), to undertake the necessary work required to increase the job growth figure to at least 800jpa; and increase the Policy SS1 housing figure to support this minimum level of job creation (as previously referred Taylor Wimpey is of the view that 1,100dpa is an appropriate and justifiable minimum policy response housing figure); including allocating additional strategic housing allocations, such as the Taylor Wimpey sites; or (b) withdraw the LP and prepare an entirely new evidence base and LP. An early review of the LP is not an appropriate option given this is a soundness failing that goes to the heart of the LP.

## 4.6 Other Factors

- 4.6.1 As set out in detail within Taylor Wimpey's June 2015 representations, analysis of the market signals listed within the PPG (ID:2a-019-20140306) demonstrate that, in accordance with the PPG (ID:2a-020-20140306) to help address affordability and suppressed household formation, a 'reasonable' uplift from the household projection (2012-HHP) starting-point should be made.
- 4.6.2 Both the NPPF and PPG are silent on how to determine an appropriate and 'reasonable' uplift. It is noted that in some instances Local Plan Inspectors (Eastleigh; Uttlesfield; and Horsham Local Plan Inspectors conclusions) have applied a 10%, or 20% uplift to the household projection starting point.
- 4.6.3 Without prejudice to Taylor Wimpey's view on the extent to which 10% or 20% would be a sufficient uplift to represent a 'reasonable' response in the context of Basingstoke's local circumstances, based on the 2012-HHP OAN starting-point (936dpa) the housing figure under the 10% approach would be at least 1,030dpa and under the 20% approach 1,123dpa.
- 4.6.4 As previously referred, these levels broadly align with Taylor Wimpey's recommended 'policy-on' housing figure of 1,100dpa. A recommendation based on a reasonable interpretation of available evidence, which takes account of land supply, infrastructure, environmental capacity and delivery.
- 4.6.5 The only rational course of action is for the Council to either: (a) seek a further suspension of the examination (between 6 to 12-months), to undertake the necessary work required to increase the Policy SS1 housing figure to reasonably respond to market signals and meet affordable OAN creation (as previously referred Taylor Wimpey is of the view that 1,100dpa is an appropriate and justifiable minimum policy response housing figure); including allocating additional strategic housing allocations, such as the Taylor Wimpey sites; or (b) withdraw the LP and prepare an entirely new evidence base and LP. An early review of the LP is not an appropriate option given this is a soundness failing that goes to the heart of the LP.

## **4.7 Housing Market Area**

- 4.7.1 As confirmed within each iteration of the Council's Housing Market Area ("HMA") evidence (the Central Hampshire and New Forest SHMA, 2007; the SHMA 2014 (HO01); and the SHMA Update May 2015 (H001)); and within HMA analysis undertaken by the former South East England Regional Assembly and more recently the Department for Communities and Local Government, the Borough has clear and demonstrable housing and economic links with neighbouring and further afield authorities; the most notable being: West Berkshire; Hart; Reading; Wokingham; Test Valley; and Winchester.
- 4.7.2 Whilst it is accepted that the HMA geography is complex, which can present some joint-working practicality difficulties, it is not accepted, as asserted by the Council (PS/02/47), that the Borough is a highly contained HMA. The Council's evidence clearly contradicts this assertion. The Council have clearly therefore not assessed or prepared, as required by the NPPF (namely paragraphs 47 and 159), a Strategic Housing Market Assessment to assess the full OAN for market and affordable housing in the HMA.
- 4.7.3 As set out in detail within Taylor Wimpey's June 2014 and Statement to Matter 1 the LP has therefore not been prepared: (i) in accordance with national policy; and (ii) so as to demonstrate cross-boundary co-operation in relation to planning of sustainable development in accordance with section 33A of the Planning and Compulsory Purchase Act 2004 and is not generally sound (per the criteria set out in paragraph 182 of the National Planning Policy Framework ("NPPF")). This being so, we would invite the Inspector to recommend, pursuant to section 20(7A) of the Planning and Compulsory Purchase Act 2004, that it is not adopted

**BATH AND NORTH EAST SOMERSET CORE STRATEGY  
EXAMINATION****INSPECTOR'S PRELIMINARY CONCLUSIONS ON STRATEGIC  
MATTERS AND WAY FORWARD – JUNE 2012****Purpose of this Note**

1. This Note and its accompanying Annex sets out preliminary conclusions in the light of all the representations made, including those made in response to the publication of the National Planning Policy Framework (NPPF). In the light of these conclusions the Council will need to decide how it wishes to proceed. The conclusions are tentative because the Council has suggested changes to the Core Strategy which have not yet been the subject of full consultation. In addition, if and when I come to prepare a final report and contemplate recommending main modifications it is likely that relevant circumstances will have changed and I will need to take into account up-dated evidence.
2. My intention is to focus on the main matters that relate to the soundness of the overall strategy, rather than matters concerning the soundness of the topic (core) policies. Depending on how the Council wish to proceed, I could subsequently address detailed matters in another note so as to assist the Council with what changes need to be the subject of formal consultation. Nevertheless, this note has to be wide-ranging and go into some detail because of the inter-relationships between different matters.
3. In its response statement to the NPPF (BNES/38), the Council also produced an updated SHLAA trajectory (CD4/H18) which incorporates completions for 2011/12. This appears to include built and committed student cluster flats; the Council's newly calculated windfall allowance; and changes to the capacity or delivery of sites. Whilst the first 2 matters are discussed in the Council's paper (and earlier papers), the latter changes are not, and are not obvious. There has not yet been the opportunity for other parties to comment on any such changes. Accordingly, when discussing delivery of sites in this note I refer to the SHLAA that was available during the hearings (CD4/H13 and H14) and refer to the recent update only when necessary to address the new points made by Council.

**Preliminary main conclusions**

4. The reasoning for my main conclusions on strategic issues is set out in the attached Annex. My main conclusions at this stage are:
  - the lack of an NPPF compliant assessment of the housing requirement, given the unsuitability of the Council's methodology;
  - the need to make up the shortfall of 850 dwellings to 2006 under the existing Local Plan;
  - the need for a 20% buffer to the 5 year housing land supply;

accommodated beyond the City boundary. It notes that household growth may be greater than is being provided for and plans to review the housing requirement within 5 years. Bristol City Council is not seeking any additional housing provision within Bath and NES nor is it contesting the soundness of the plan in any respect. The North Somerset Core Strategy has been found sound on the basis of modifications which include a review of the overall housing requirement within 5 years and a potential review of the Green Belt with other West of England Authorities. The South Gloucestershire Core Strategy is still under Examination.

- 1.35 In the absence of a SHMA based on the HMA, there is no up-to-date and NPPF compliant evidence to indicate housing needs of the wider area and whether there may be needs from Bristol that should be accommodated, in part at least, within this district. A cross-border SHMA and the subsequent determination of the optimum spatial distribution of any such future needs around Bristol requires joint working between all the relevant authorities. This is what is intended to occur as part of the review envisaged in the Bristol and North Somerset Core Strategies. This leaves the evidence base for the Bath and NES Core Strategy in limbo. I recognise that the Council cannot undertake this task alone and those Council's with adopted Core Strategies may be in no rush to undertake the necessary joint work. But given the shortcomings in the Council's methodology there is currently an inadequate basis on which to allow this Plan to move forward, particularly given my other main concerns.
- 1.36 I have considered whether these deficiencies in the methodology and uncertainty about the appropriateness of the housing requirement could be set aside on the basis of the Council's suggested review of the Plan. The Plan could then be reviewed along with the adopted plans in adjoining authorities. In practice that would mean a review 4 years from now, as a year has already passed since the adoption of the Bristol Core Strategy. Such an approach is not contemplated in the NPPF. In addition, I am not persuaded that this Plan is so essential in its present form for achieving other positive planning outcomes as to outweigh this lack of compliance.

#### ***Local Plan shortfall***

- 1.37 The adopted Local Plan covers 1996-2011. Annual delivery was expected to be 457 dwellings per annum. At 2006, there was a shortfall on delivery of about 850 dwellings against the Local Plan requirement (excluding any reduction for the student flats built in that period) (BNES/32 and elsewhere.) The submitted Core Strategy has an annual average build rate of 550 per annum. Despite this intended increase over previous planned delivery, actual delivery has still lagged behind even the rate required by the Local Plan (BNES/32). In the context of the planned provision of 11,000 dwellings and given the continuing low levels of delivery to

date, this shortfall is not an insignificant matter. At 2011, the shortfall against the Local Plan requirement was 1,169 (excluding student housing).

- 1.38 Once the Core Strategy is adopted, delivery against the Local Plan's requirement would no longer be a consideration in matters of land supply. The Council has not included the shortfall to 2006 in its assessment of the housing requirement. It regards any needs such a shortfall once represented as having been dissipated within the sub-region. The new local assessment of the housing requirement is seen as a fresh start. In the past, Regional Strategies set the context for the plan period for lower order plans and often dealt with how any previous shortfall was to be addressed. With the intended abolition of RSs there will be no external direction for determining plan periods or the treatment of past shortfalls.
- 1.39 The Council proposes to a review of the Core Strategy within 5 years and this is likely to roll-forward the plan period. If it is accepted now that the past failure to deliver in the Local Plan period to 2006 can be ignored, this would justify ignoring in the future the failure to deliver which has already occurred between 2006-2011 against the Core Strategy's target. This approach could be repeated in all subsequent reviews. Ignoring past shortfalls will progressively depress the housing requirement, creating a self-fulfilling justification for less housing growth to be planned than is required. The recession does not explain the shortfall up to 2006. The Local Plan shortfall to 2006 should be added to the housing requirement.

## **2. Housing supply**

### *SHLAA Overview*

- 2.1 The SHLAA should be the key document to demonstrate the deliverability of the housing strategy in the Plan. The SHLAA that formed the main basis for discussion at the hearings was that of May 2011 (CD4/H13 & 14). The assessment of the suitability of sites has been strongly influenced by the emerging strategy rather than being an objective assessment of opportunities and capacity to inform the strategy. There appears to have been little or no direct contact with owner/developers about the achievability of sites. There is an absence of supporting evidence from developers about delivery on most of the largest sites. For larger sites within the 5 year supply reliance is placed on discussions with affordable housing providers rather than the main developer about delivery. But these sites are only a part of the overall mix of sites in the SHLAA.
- 2.2 Until the recent inclusion within years 1-10 of a contribution from windfalls, the Core Strategy was reliant on almost all the SHLAA sites being developed by 2026 to achieve the planned outcomes.

<b>Report To Planning and Infrastructure Overview and Scrutiny Committee</b>	<b>8 July 2010</b>
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<b>Subject:</b>	<b>Assessment of Locally Generated Housing Need in Relation to Future Demographic, Economic and Labour Market Changes: Economic Scenarios Report</b>
<b>Status:</b>	<b>Open</b>
<b>Report Ref:</b>	
<b>Ward(s):</b>	All
<b>Key Decision:</b>	No
<b>Key Decision Ref:</b>	
<b>Report Of:</b>	Nicky Linihan, Head of Planning and Transport: (01256) 844844 ext. 2489, email: <a href="mailto:nicky.linihan@basingstoke.gov.uk">nicky.linihan@basingstoke.gov.uk</a>
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<b>Appendices:</b>	17 December 2009 Planning and Infrastructure Overview and Scrutiny Committee report – ‘Assessment of locally generated housing need in relation to future demographic, economic and labour market changes’
<b>Papers relied on to produce this report</b>	<b>Economic Growth and Employment Land Requirements in North Hampshire Final Report, June 2008</b> <b>Basingstoke and Deane Employment Land Review Final Report, January 2009</b>

**SUMMARY**

**1 This Report**

- 1.1 This report is the second stage of work that was identified in the 17 December 2009 Planning and Infrastructure Overview and Scrutiny Committee report: ‘Assessment of locally generated housing need in relation to future demographic, economic and labour market changes’. The Committee made comments on the proposed methodology for understanding the economic and labour force needs to support the borough’s economic role and requested a further report be presented on the results of the analysis.

## 2 Recommendation

2.1 It is recommended that the Committee notes this report and comments on:

1. The methodology used in understanding the economic and labour force needs to support the borough's economic role
2. The outputs from the analysis

### PRIORITIES, IMPACTS AND RISKS

#### Contribution To Council Priorities

This report accords with the Council's Budget and Policy Framework

<a href="#">Council Plan Ref 2009-12:</a>	P2 A5
<a href="#">3-Year Action Plan:</a>	
Other References:	

#### Contribution To Community Strategy

<a href="#">Community Strategy 2006-16:</a>	
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#### Impacts

	Type	No significant impacts	Some impacts	Significant impacts
Impacts for BDBC	<a href="#">Financial</a>	✓		
	Personnel	✓		
	Legal	✓		
Impacts on Wellbeing	<a href="#">Equality and Diversity</a>	✓		
	Rural/Urban		✓	
	Crime and Disorder	✓		
	Health	✓		
	Environment and Climate Change			✓
	Economic			✓
Involving Others	<a href="#">Communication/Consultation</a>			✓
	Partners		✓	

#### Risk Assessment

Number of <a href="#">risks</a> identified:	0
Number of risks considered HIGH or	0

<b>Medium:</b>			
<b>Strategic:</b>	Already identified on Corporate Risk Register?	Yes	
		No	✓
<b>Operational:</b>	Already identified in Service Plans?	Yes	
		No	✓

### **GLOSSARY OF TERMS**

<b>Term</b>	<b>Definition</b>
BDBC	Basingstoke and Deane Borough Council
DPD	Development Plan Document
DPA	Dwellings Per Annum
EAP	Economically Active Population
ELR	Employment Land Review
GVA	Gross Value Added
HCC	Hampshire County Council
JSA	Job Seekers Allowance
LDF	Local Development Framework
MYE	Mid-Year Estimates
ONS	Office for National Statistics
P&I OSCOM	Planning and Infrastructure Overview and Scrutiny Committee
PPS	Planning Policy Statement
RSS	Regional Spatial Strategy – the South East Plan
SEEDA	South East England Development Agency
SNPP	Sub-National Population Projection
WAP	Working Age Population
ZNM	Zero-net migration

## **DETAIL / MAIN CONSIDERATIONS**

### **3. Background Information**

3.1 At its meeting of 17 December 2009, Planning and Infrastructure Overview and Scrutiny Committee considered and commented on a report on the 'Assessment of locally generated housing need in relation to future demographic, economic and labour market changes'. A three step methodology was proposed in the 17 December 2009 report (see Appendix) to understand the economic and labour force needs to support the borough's economic role up to 2026. This involved:

- Step 1 – using a Zero Net Migration (or locally generated housing need) population projection as the starting point for the analysis
- Step 2 – assessing the potential for an increase in the borough's Economically Active Population from the Zero Net Migration population projection by using two sets of assumptions regarding economic activity rates: 'mid' (which broadly assumes a continuation of current trends) and 'high' (which broadly assumes a much sharper increase in economic activity rates than suggested by current trends)
- Step 3 – comparing the potential for the growth in the Economically Active Population with the forecast for employment growth contained in the borough Employment Land Review, January 2009 (ELR)

3.2 The key comments made on the methodology can be summarised as:

- Include a range of scenarios, rather than just one, demonstrating what happens if certain assumptions are made
- Incorporate the latest figures on the labour market and economy including the impact of the recession

3.3 To take account of these comments, rather than a single forecast of economic/employment growth (i.e. the ELR forecast), a range of economic/employment growth scenarios have been used and then compared with the potential growth in the Economically Active Population. This allows the Committee to have a greater awareness of the likely situation on the basis of changes to key assumptions.

3.4 The context for the consideration of these issues can be summarised as follows:

- Zero Net Migration (ZNM) population projections are an attempt to identify the locally generated housing need for the borough and assume that the total number of people moving into the borough each year will equal the number of people moving out. However, both the age profile

and the household structure of those moving in may be quite different to those of people moving out. Population projections for the borough over the period 2006-2026 based on ZNM from 2008 onwards were prepared by Hampshire County Council (HCC) in 2008. These indicate overall population growth of **19,600** for 2006-2026 in addition to the base population in 2006 of c. 158,000. In terms of a housing figure, taking account of the net completions for 2006/07 and 2007/08, this would result in a need for some 750 dwellings per annum for the period 2008-26.

- The Working Age Population (WAP) is the proportion of the total population that is of working age. This has generally been defined as males of 16-64 years of age and females aged 16-59 reflecting the differences in the state pension age (though as discussed below, changes are being made to the state pension age). To reflect the fact that some of those who are of working age are not economically active e.g. have retired early, are looking after the home or family or are sick or disabled, the Economically Active Population (EAP) is the figure for those of working age who are either in or seeking work. The EAP is often expressed as a percentage of the WAP. Analysis of demographic data for the period 1991-2008 shows that the borough WAP has grown modestly (by 7,700 persons) compared to overall population growth such that it has declined as a percentage of the overall population from 64.9% in 1991 to 63.3% in 2008. However, during the shorter period 1999-2008, the borough EAP increased by 6,000 reflecting relatively high economic activity rates for the borough that have ranged from 84%-88%, compared to the national average of 78%-79% and the regional average of 82%-83%.

### 3.5 Updates to key information presented in the 17 December 2009 report, including the latest labour market and unemployment data, show that:

- Economic activity rates for the borough have remained above both the national and regional averages: the latest figures show that 85.5% of the borough's working age population were economically active over the period October 2008 – September 2009, compared with 78.9% for Great Britain and 82.3% for the South East (SE). However, the borough rate has declined from the very high levels of 88% and above experienced during the period 2005-2007.
- Unemployment has risen to an estimated 5,000 people within the borough over the period October 2008 – September 2009, which represents 5.6% of the economically active population. This compares with rates of 2.3% - 3.7% experienced locally over the entire decade to mid-2008, and is the first time for well over a decade that the borough rate has been as high as the SE regional average. However, over the past two years it has remained below the national rate (GB now at 7.4%) by about the same margin. In terms of Jobseeker's Allowance (JSA),

which is payable to people under pensionable age who are available for, and actively seeking, work of at least 40 hours a week, 2,800 borough residents were claiming JSA in April 2010. This represents 2.7% of the resident working age population, and compares with a SE regional average of 3.0%, and a national figure of 4.1%.

- The strong growth in the number of employee jobs in the borough (i.e. excluding self employment) during the period 1995 and 2007 continued in 2008. From a level of 58,300 in 1995, employee jobs increased by 22,400 to 80,700 in 2007, an increase of 38%. Since then an estimate of the number employee jobs in the borough for 2008 has been released which shows a further increase to 83,600. Although this figure predates the worst of the recession, it suggests strong employment growth in the early part of the 2006-26 period.

3.6 Throughout this report it should be remembered that economic and labour market data are constantly changing and most are based on small samples which produce relatively volatile results below sub-regional level. This is coupled with a high degree of uncertainty regarding economic prospects at the moment as the national economy emerges from recession. As a consequence, this analysis can only be a 'broad brush' snap-shot in time. The significant problems associated with data availability and forecasting at a local level mean that no attempt is made to represent growth in employment and EAP on an annual basis. Hence the charts included in this report represent the broad scale of growth in employment and the EAP forecast over the period 2006-26 as a whole, not the peaks and troughs over time. However, this does not mean that such peaks and troughs are not recognised. As described above, the period 2006-10 is likely to feature a combination of strong employment growth followed by an employment decline as a result of the recession followed by a recovery (although employment estimates for the borough are, as yet, only available up to 2008).

#### **4. Economically active population**

4.1 The scenarios referred to in this report have used the projected population information associated with the ZNM method as the base for assessing the potential growth in the EAP. Two scenarios ('mid' and 'high') have been used to identify the possible range in the growth in the EAP associated with this overall population figure, the scenarios reflecting different assumptions about economic activity rates and changes in state pension age. Both scenarios incorporate, to varying degrees, significant changes in these variables compared to ONS trend based projections of economic activity rates published in 2006. The mid and high scenarios have been used in this analysis (rather than the ONS trend based projections) to reflect the potential implications for growth in the borough's EAP of emerging societal and policy changes.

### Mid EAP scenario

- 4.2 In the mid scenario the borough's EAP over the period 2006-2026 increases by **9,000** workers. This is a significant increase in the borough's EAP in itself given that it is based on an overall population increase of just 19,600 people and is against the background of a population profile with increasing numbers of residents having recently reached (or will soon be reaching) retirement age. This increase would be dependent on a continuation of past trends of rising rates of economic activity in the local labour market that reflect regional and national trends.

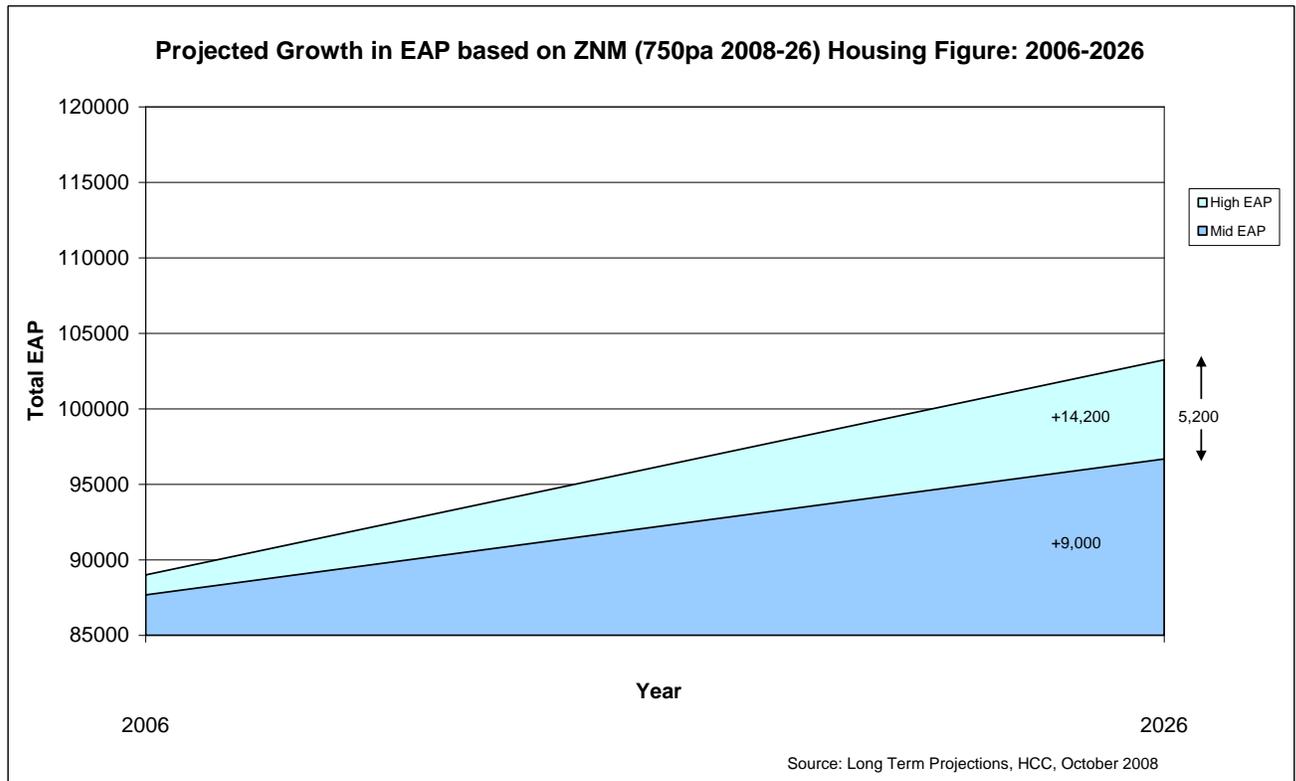
### High EAP scenario

- 4.3 The high scenario includes assumptions about future economic activity rates that go beyond those indicated by past trends. The key differences in assumptions between the mid and high scenarios are as follows:
- For the 16-64 age group as a whole, economic activity rates increase more sharply for the high scenario (from 78% to 84%) compared to the mid scenario (77% to 80%)
  - For both scenarios female economic activity rates increase more strongly than those for males, but this is particularly the case for the high scenario
  - For both scenarios an increase in the economic activity rates of older age groups is assumed but the increase is much stronger for the high scenario such that the upward shift in rates for those over 55 would be dependent on the state pension age having been raised to 70 by 2021.
- 4.4 The combined effect of these high scenario assumptions is that the borough's EAP would increase by approximately **14,200** workers over the period 2006-26, equivalent to **5,200** extra workers compared to the mid scenario.

### Commentary on the EAP scenarios

- 4.5 Chart 1 (overleaf) shows the difference between the mid and high EAP scenarios described above and effectively defines a range in the potential for growth in the EAP from a ZNM housing figure.
- 4.6 If it is an objective to seek to maintain the current relatively balanced state of the local labour market, then (in broad terms) the growth in the number of economically active residents should match the growth in the number of jobs. On this basis **a ZNM housing figure provides scope for between 9,000 and 14,200 additional jobs over the period 2006-26.**

**Chart 1**



- 4.7 An excess of employment growth over the growth in the EAP has potential implications for the balanced state of the labour market and the level of commuting in/out of the borough. In particular, the more the growth in jobs in the borough exceeds the growth in resident workers, the greater the likelihood that the gap will be met by in-commuters travelling to and from the borough’s main centres of employment at peak times.
- 4.8 As to where within this range the actual growth in the EAP is likely to reach by 2026, it is relevant to note the following:
- The latest information on the economic activity rate for the borough (for the period (October 2008 – September 2009) shows it is already at a high level of 85.5% compared to the rates for HCC (84.9%) and the South East region (82.3%). When compared to the rates for other North Hampshire authorities, Hart (89.3%) and Rushmoor (90.6%), there would appear to be some scope for an increase in the borough rate, though it must be stressed that the sample data on which this analysis is based mean that the actual district figures lie within wide ranges.

- The assumptions about older age groups in the high scenario could be said to be extremely optimistic when compared to the current plans for changes to the state pension age. For women the age is scheduled to rise gradually from 60 to 65 over the ten year period from 2010 to 2020 and then, for both men and women, it will keep on rising in stages: to 66 in 2024, 67 in 2034 and 68 in 2044. However, there is some debate at the moment as to whether the plans to change the state pension age will need to be reviewed and the age raised sooner. In addition, the trend in workers continuing in employment to an older age seems likely to continue given the issues surrounding the worsening returns from pensions and the willingness and ability of older people to continue or resume working.

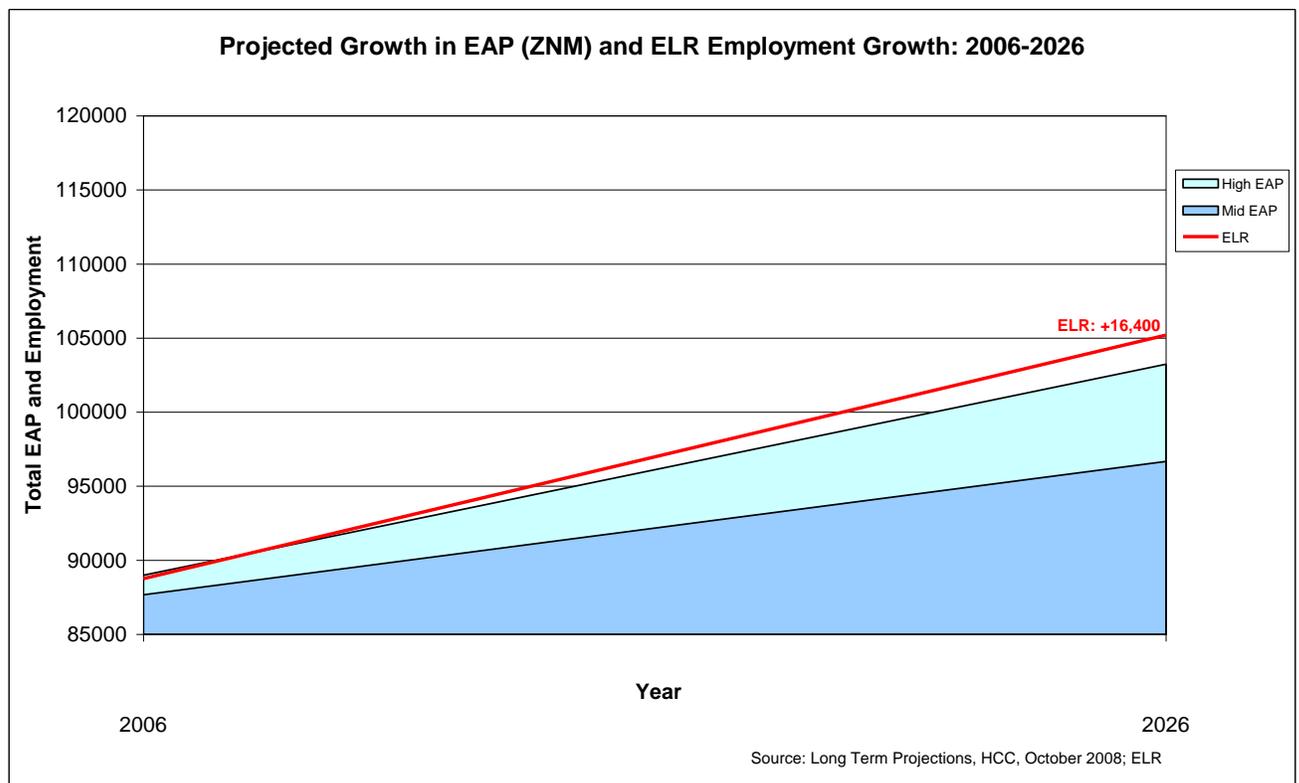
## **5 Economic scenarios**

- 5.1 The context for the economic scenarios element of the analysis is that during the 20 year period 1986-2006 the borough economy grew strongly, on average by c. 4.0% per annum (as measured by Gross Value Added (GVA)). This rate of growth was in line with North Hampshire as a whole, but significantly higher than that achieved in the South East region and UK. Even though the growth in the output of the economy was accompanied by strong growth in productivity (output per worker) this economic growth resulted in a significant increase in the number of jobs in the borough (+25,000). Nevertheless, the available data suggest that in 2006 the borough still had a relatively balanced local labour market in terms of broadly similar numbers of jobs and resident workers and a high level of 'self containment' i.e. a high proportion of borough residents both living and working in the borough.
- 5.2 Rather than testing a single set of economic, productivity and employment growth assumptions for the borough for 2006-26, a range of economic scenarios have been examined. The scenarios are as follows:
- The borough's Employment Land Review January 2009 forecast
  - A continuation of 1986-2006 trends
  - A 'lower growth' forecast based on the lowest economic growth scenario from past research on the North Hampshire economy
- 5.3 Using each of these scenarios, a figure for growth in the total level of employment (i.e. jobs) of the borough has been estimated. This is not just employment in the so-called 'B class uses' (offices, industry and storage/distribution) but all types of employment including in the retail, hotel/catering, health and education sectors. These figures can be described as 'labour demand' figures i.e. the number of workers that would be required by the local economy in order to achieve assumed rates of economic and productivity growth.

## Employment Land Review (ELR)

- 5.4 The ELR includes a set of employment forecasts for the borough provided by SEEDA based on regional forecasts. They are based on rates of economic (measured by GVA) and productivity growth for the borough of approximately 3.2% and 2.3% per annum respectively. These rates of economic and productivity growth are modest when compared to those achieved by the borough in the past, but were intended to reflect the assumptions for economic growth in the South East region as a whole (as set out in the South East Plan and the Regional Economic Strategy). It should be noted that the ELR forecasts were prepared prior to the recent recession and may now be considered optimistic.
- 5.5 Under these forecasts total employment in the borough would increase by **16,400** jobs over the period 2006-26, an increase of 19%. When this level of growth in jobs is compared to the EAP growth scenarios (Chart 2) it can be seen that it exceeds both the top of the mid EAP level (by 7,400 persons) and the high EAP level (by 2,200 persons).

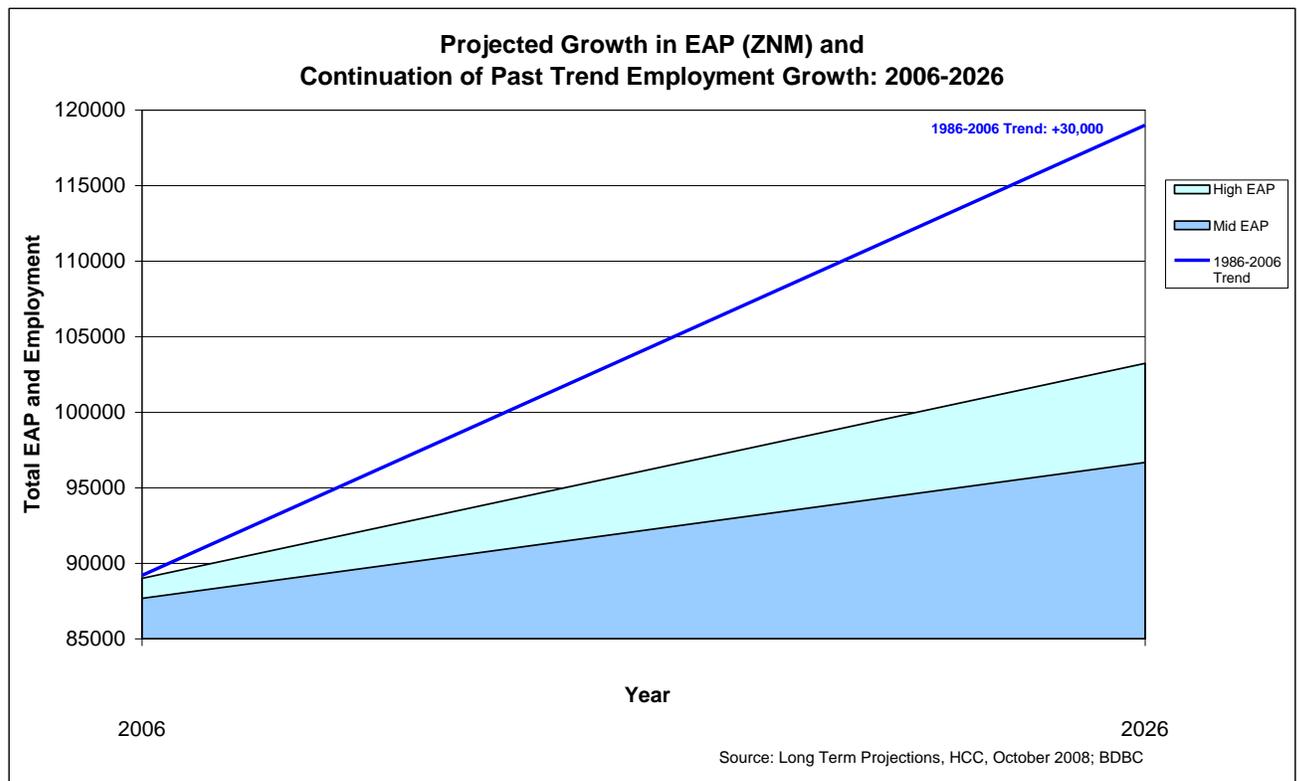
**Chart 2**



### Continuation of 1986-2006 trends

- 5.6 The ELR report includes an assessment of the past rates of economic growth achieved by the borough in order to provide a context for the SEEDA forecasts. Over the 20 year period 1986-2006 (which included a period of recession during the early 1990s), GVA and productivity per employee for the borough grew on average by approximately 4.0% and 2.5% per annum respectively. These high rates of past economic growth are reflected in the employment growth for the same period. Between 1986 and 2006 total employment (both employees and the self employed) is estimated to have grown by approximately **25,000** jobs, a 39% increase.
- 5.7 The rates of economic and employment growth experienced by the borough during 1986-2006 were significantly higher than those forecast for the 20 year period to 2026 in the ELR. In broad terms it is estimated that total employment in the borough would increase by approximately **30,000** jobs between 2006-26 if that past trend were continued into the future. Such an increase (almost double that contained in the ELR forecast) would greatly exceed even the high EAP scenario (see Chart 3).

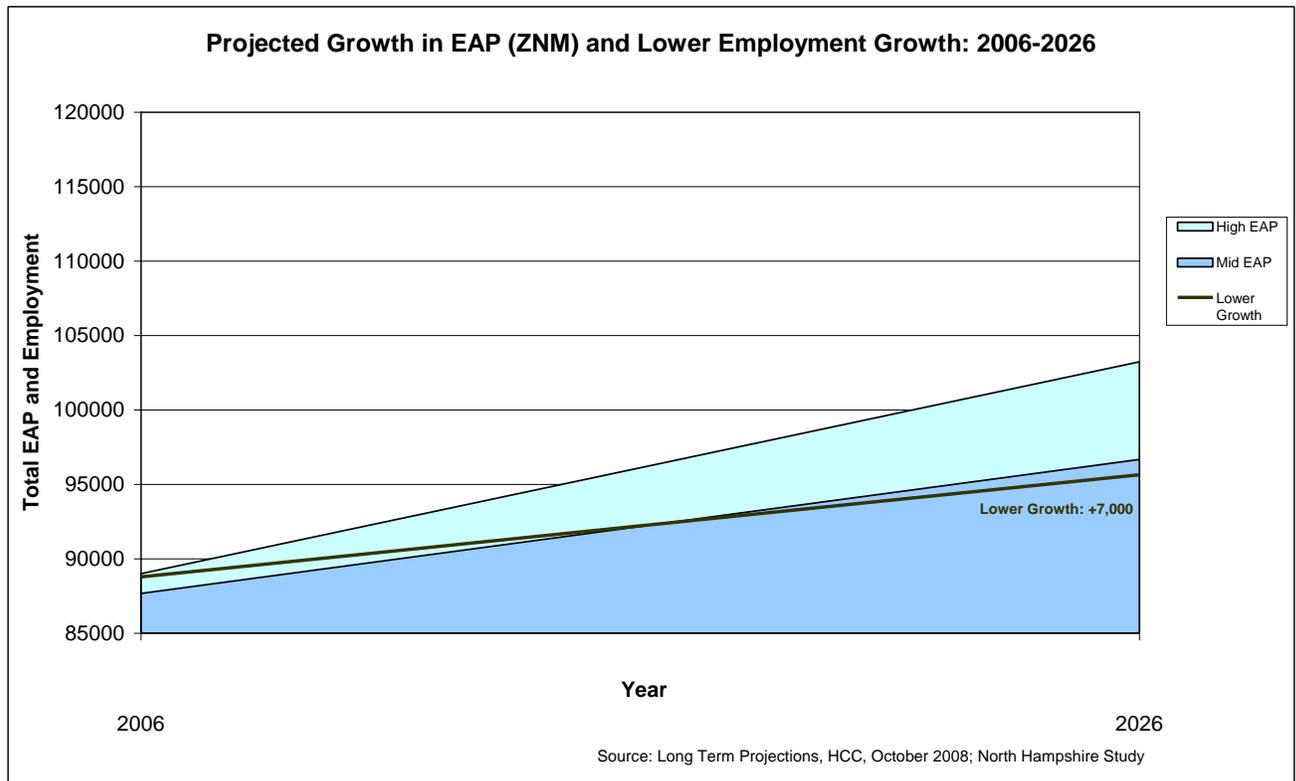
**Chart 3**



### Lower growth scenario

- 5.8 The UK economy entered recession in mid 2008 and emerged from it at the end of 2009. It is currently estimated that the output of the economy fell by 5% during 2009 – the largest annual decline on record. Although the national economy has emerged from recession, the recovery is weak and there is considerable uncertainty over the prospects for future economic growth.
- 5.9 As yet there is little information on how the recession has impacted on total employment in the borough. However, to try and illustrate the employment and labour market implications of a lower rate of economic growth, a figure for total employment growth in the borough over the period 2006-26 has been derived from past research on the North Hampshire economy that uses a scenario of 2.5% GVA and 2.0% productivity growth per annum. A 2.5% rate of economic growth is significantly below that assumed in the ELR forecast (3.2%) and almost half that achieved during 1986-2006 (4.0%).
- 5.10 On the basis of this lower growth scenario, total employment in the borough grows by approximately **7,000** jobs over the 20 year period, an 8% increase. Chart 4 illustrates that employment growth on this scale would fall within the mid scenario for growth in the EAP.

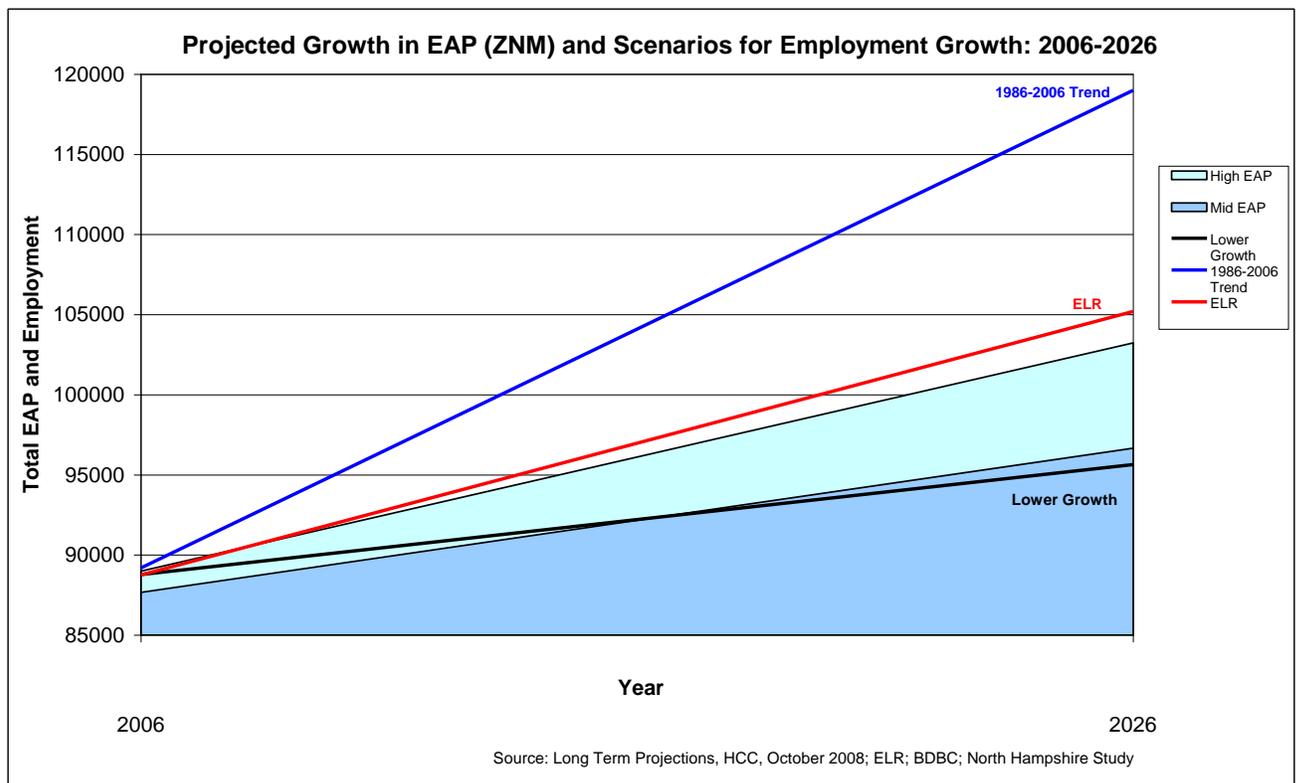
**Chart 4**



## 6 Implications of scenarios

6.1 Chart 5 summarises the projections for the growth in the EAP and the employment growth (or labour demand) implications of the three economic growth scenarios analysed and illustrates the potential implications for the borough labour market. The chart highlights that the forecasts in the ELR represent a significant slowing down in the rate of economic and employment growth in the borough compared to that experienced between 1986 and 2006. The lower growth scenario would be a similarly significant reduction in employment growth compared to the ELR forecast, amounting to less than 50% of the increase in employment forecast for 2006-26.

Chart 5



6.2 Forecasting a single figure for employment growth in the borough is far from straightforward in a stable economy but is even more demanding at present given the economic uncertainty. However, in considering the fact that the LDF covers the period up to 2026/27 a number of points need to be taken into account including:

- The record of strong rates of economic growth in the borough during 1986-2006 which were on average 50% higher than those of the UK economy as a whole.

- The significant employment growth experienced by the borough at the beginning of the 2006-26 period (i.e. during 2007 and 2008 before the recession hit).
- An employment growth figure of 7,000 jobs for the entire period 2006-26 (the lower growth scenario) is perhaps unlikely when it is considered that this figure is for all types of jobs in the borough economy, including for the health and the care sectors that will be driven by the demands of an ageing population. Furthermore, it is currently estimated that the regeneration of Basing View alone could result in the number of jobs at the business park rising from c. 4,500 to c. 10,000 over a 15-20 year period (i.e. an increase of 5,500 jobs), if the area reaches its full potential (based on figures contained in a report to Economic, Prosperity and Performance Overview and Scrutiny Committee on 2 March 2010).

6.3 Therefore, it is considered that even though it is now unlikely that the pre-recession forecast of employment growth in the ELR will be achieved, at least in the short to medium term, a level of employment growth closer to that of the ELR than that of the lower growth scenario seems more likely over the lifetime of the LDF.

6.4 When the scenarios for employment growth are compared to the potential growth in the EAP from a ZNM population, it can be seen that an employment growth figure close to that of the ELR runs the risk of generating a significant deterioration in the balance between the number of workers resident in the borough and the number of jobs in the borough. The scale of the imbalance depends on how close to the ELR level the actual growth in jobs reaches and where within the mid and high EAP range the growth in the number of workers reaches. If the borough experiences the ELR growth in jobs but achieves no more than mid EAP growth in workers then the shortfall in workers could be c. 7,400. The shortfall could be even greater if the growth in the EAP does not reach the full potential of the mid scenario.

6.5 If there were to be such a shortfall, the likely result would be a deterioration in the relatively balanced local labour market and a combination of the following could potentially occur:

- Increased in-commuting as more workers from outside the borough fill the 'surplus' jobs. Some of these commuters would be likely to travel by public transport (depending on the location of the jobs they are travelling to) but a significant proportion would be likely to travel by car, potentially adding to peak time congestion.
- The growth plans of certain existing businesses could be frustrated by an inability to recruit additional workers locally. It is likely the impact would be most keenly felt by those businesses looking to recruit lower paid workers (e.g. in the health/care and retail sectors) less able to bear

the costs of longer distance commuting to work. For some existing businesses the problems of recruiting may be so severe it may encourage them to look to relocate in order to continue to expand their businesses. A potential consequence of this is that some of the borough's employment sites would become vacant with little prospect of them being redeveloped for employment use. Whilst some of these sites may have potential for other uses there may be limiting factors for others such as their location within wider employment areas. Medium to long term vacant sites would adversely impact on the positive image of the borough that the council and its partners are seeking to create.

- Some potential inward investors may be deterred by the shortage of local workers.

6.6 The relative importance of these potential implications would depend on a number of factors, particularly the scale of the shortfall in workers, but also the nature of the business affected (and the type of workers required) and the extent to which resident workers who currently out-commute could be 'clawed back' to take jobs in the borough. However, it is likely that the overall risk would remain resulting in an adverse impact on the borough economy, its image and quality of urban environment and increased levels of congestion.

## APPENDIX

<b>Report To Planning and Infrastructure Overview and Scrutiny Committee</b>	<b>17 December 2009</b>
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<b>Subject:</b>	<b>Assessment of locally generated housing need in relation to future demographic, economic and labour market changes</b>
<b>Status:</b>	<b>Open</b>
<b>Report Ref:</b>	
<b>Ward(s):</b>	All
<b>Key Decision:</b>	No
<b>Key Decision Ref:</b>	
<b>Report Of:</b>	Nicky Linihan, Head of Planning and Transport: (01256) 844844 ext. 2489, email: <a href="mailto:nicky.linihan@basingstoke.gov.uk">nicky.linihan@basingstoke.gov.uk</a>
<b>Contact:</b>	Tim Richings: (01256) 844844 ext. 3518, email: <a href="mailto:tim.richings@basingstoke.gov.uk">tim.richings@basingstoke.gov.uk</a> ; Anthony Spruth: (01256) 844844 ext. 3573, email: <a href="mailto:anthony.spruth@basingstoke.gov.uk">anthony.spruth@basingstoke.gov.uk</a> ; and Geoff Gosling: (01256) 844844 ext. 2326, email: <a href="mailto:geoff.gosling@basingstoke.gov.uk">geoff.gosling@basingstoke.gov.uk</a> .
<b>Appendices:</b>	None
<b>Papers relied on to produce this report</b>	

## **SUMMARY**

### **3 This Report**

3.1 This report provides information and analysis of the past, current and future demographic characteristics of the borough and their relationship in assessing future levels of housing provision based on locally generated need.

### **4 Recommendation**

4.1 It is recommended that the Committee consider this report and comments on:

1. the methodology and assumptions used to identify the level of housing to support the locally-generated housing need (based on zero net-migration) for the borough

- the methodology to be used in understanding the economic and labour force needs to support the borough's economic role.

## **PRIORITIES, IMPACTS AND RISKS**

### **Contribution To Council Priorities**

This report accords with the Council's Budget and Policy Framework

<a href="#">Council Plan Ref 2009-12:</a>	P2 A5
<a href="#">3-Year Action Plan:</a>	
Other References:	

### **Contribution To Community Strategy**

<a href="#">Community Strategy 2006-16:</a>	
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### **Impacts**

	Type	No significant impacts	Some impacts	Significant impacts
Impacts for BDBC	<a href="#">Financial</a>	✓		
	Personnel	✓		
	Legal	✓		
Impacts on Wellbeing	<a href="#">Equality and Diversity</a>	✓		
	Rural/Urban	✓		
	Crime and Disorder	✓		
	Health	✓		
	Environment and Climate Change			✓
	Economic			✓
Involving Others	<a href="#">Communication/Consultation</a>			✓
	Partners		✓	

### **Risk Assessment**

Number of <b>risks</b> identified:		0	
Number of risks considered <b>HIGH</b> or <b>Medium</b> :		0	
<b>Strategic:</b>	Already identified on Corporate Risk Register?	Yes	
		No	✓
<b>Operational:</b>	Already identified in Service Plans?	Yes	
		No	✓

## **GLOSSARY OF TERMS**

<b>Term</b>	<b>Definition</b>
BDBC	Basingstoke and Deane Borough Council
DPD	Development Plan Document
dpa	Dwellings per annum
EAP	Economically Active Population
ELR	Employment Land Review
GVA	Gross Value Added
HCC	Hampshire County Council
JSA	Job Seekers Allowance
LDF	Local Development Framework
MYE	Mid-Year Estimates
ONS	Office for National Statistics
P&I OSCOM	Planning and Infrastructure Overview and Scrutiny Committee
PPS	Planning Policy Statement
RSS	Regional Spatial Strategy – the South East Plan
SNPP	Sub-National Population Projection
WAP	Working Age Population
ZNM	Zero-net migration

## **DETAIL / MAIN CONSIDERATIONS**

### **3. Background Information**

- 3.1 As part of the evidence to support the council's position in relation to housing numbers at the South East Plan Examination in Public an assessment was undertaken to better understand the locally generated need for housing – known as the 'Zero Net Migration' approach. This work, undertaken in early 2007, indicated that some 645 dwellings a year would be needed to support that locally generated housing need. No detailed assessment was undertaken at that time of the housing needed to support the borough's economic prosperity.
- 3.2 Members have expressed a desire to have a better understanding of locally generated housing need from a population and an economic perspective. This report sets out the work has been undertaken by officers including a more detailed assessment of the economic and labour force considerations and their links to potential levels of new housing.

### **4. Main Considerations**

- 4.1 In examining the 'housing numbers' issue it is important to take into account not just the demographic and housing need issues but also the implications for the local economy, and particularly the implications for growth in the local labour force, the economy and employment. This report presents information and analysis on:

- past changes in the local population and households
- the current population and number and structure of households
- future forecasts / projections for population and households
- what level of housing is necessary to meet the projections

The report also sets out a suggested methodology to be used to understand the economic and labour force needs to support the borough's economic role.

## **ASSESSMENT OF LOCALLY GENERATED HOUSING NEED**

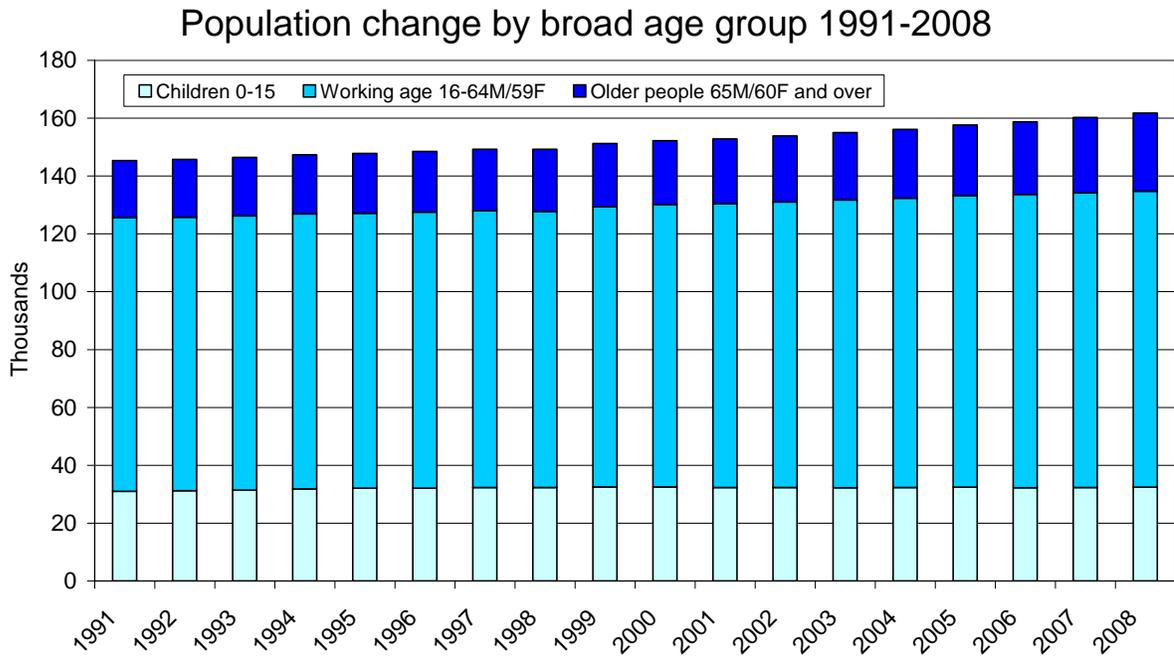
### **5 Past Population and Household Changes**

- 5.1 Successive Mid-Year Population Estimates (MYEs), produced by the Office for National Statistics (ONS) a year in arrears, provide the 'official' population profile for each local authority area. These MYEs show that the population of the borough increased by 16,400 people (11.3%) over the period 1991 - 2008.

## Absolute and Percentage Changes in Age Groups

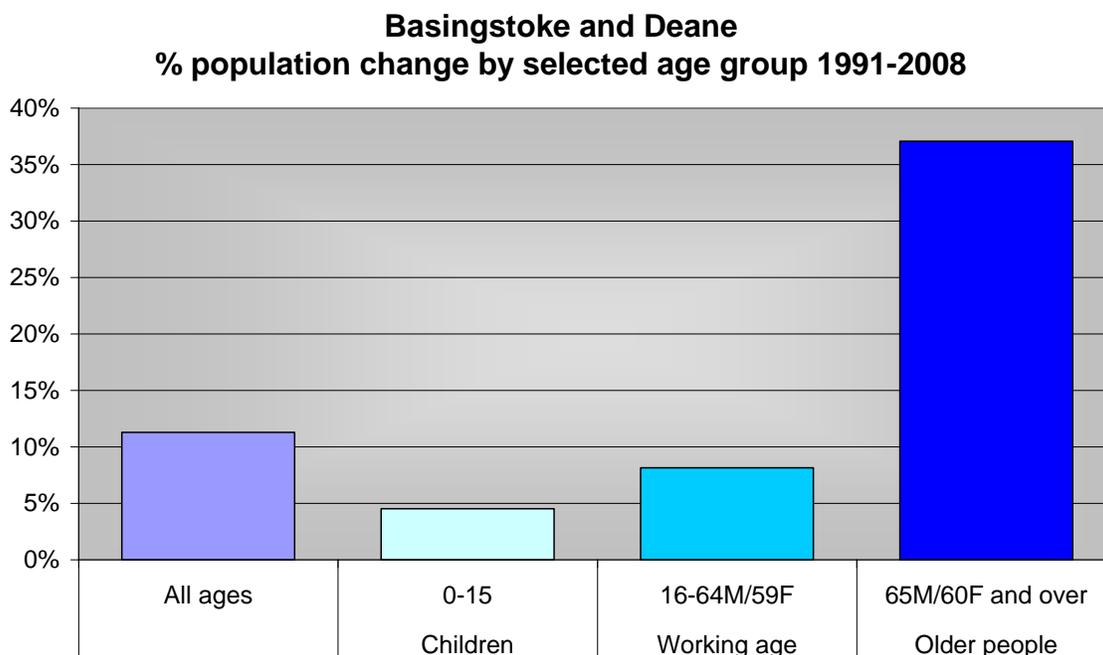
- 5.2 As can be seen from Figures 1(a) and 1(b) below, over the period 1991-2008, the relatively small post-retirement age group grew in absolute terms by almost as much (+7,300, 37.1%) as the significantly larger working-age population (+7,700, 8.1%). In percentage terms the working-age population has grown more slowly than the overall population (11.3%). The under-16 population grew even more slowly (+1,400, 4.5%).

**Figure 1 (a)**



Source: Mid Year Estimates 1991-2008, ONS

**Figure 1(b): Figure with Percentage change by age group**



### **Components of Population Change**

5.3 As well as providing an age profile of the population of each local authority area, MYEs also indicate the components of change each year. The principal components are:

- (i) 'natural change', which represents the difference between the numbers of live births and deaths registered in each area, and
- (ii) 'net migration', which represents the difference between the numbers of people moving into the area and those moving out.

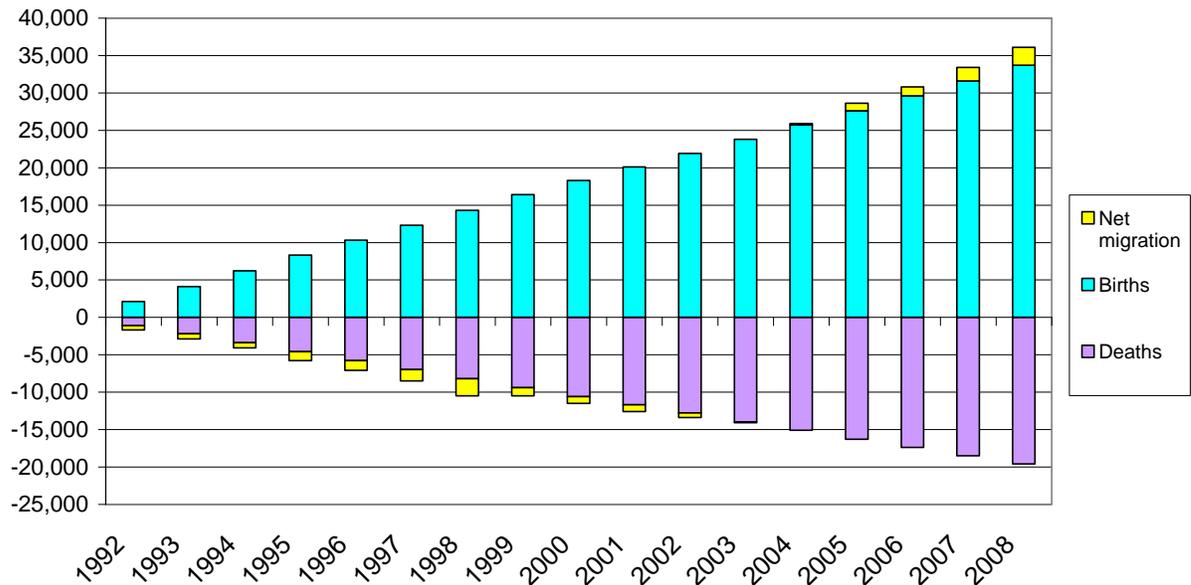
### **Natural Change**

5.4 Successive MYEs from 1991 to 2008 show that live births registered in the borough averaged approximately 2,000 per annum; over the same period, deaths registered in the borough averaged fewer than 1,200 per annum. The resultant natural change averaged more than 800 per annum, increasing the overall population of the borough by nearly 14,000 additional people over the 17 year period (1991-2008) and accounted for nearly 85% of the borough's population growth.

5.5 The extent to which natural change and net migration have influenced population change in the borough between 1991 and 2008 are highlighted in Figure Two. It indicates that in the mid-late 1990s there was net out-migration from the borough, whilst from around 2000 there has been net in-migration.

**Figure Two**

Basingstoke and Deane - Components of cumulative population change  
1991-2008



Source: 1991-2008 Mid Year Estimates, ONS

### Changes in Household Growth and Average Household Size

- 5.6 There has, however, been a much higher level of household growth than might be expected from just from changes in local population growth. This is due to changes in average household size.
- 5.7 Changes in average household size have had a considerable impact on the number of dwellings needed to support the borough's resident population. Average household size has been declining throughout the UK for many decades. Data from successive Censuses shows that the average household size within Hampshire declined from 3.23 persons per household in 1951 to 2.39 persons in 2001.
- 5.8 Data for Basingstoke and Deane is only available from 1981, when the average household size was just under 3.0 persons per household. Between 1981 and 2001 the average household size within the borough fell more steeply than in the county as a whole, to reach 2.45 persons.

## 6. Current Population and Household Profile

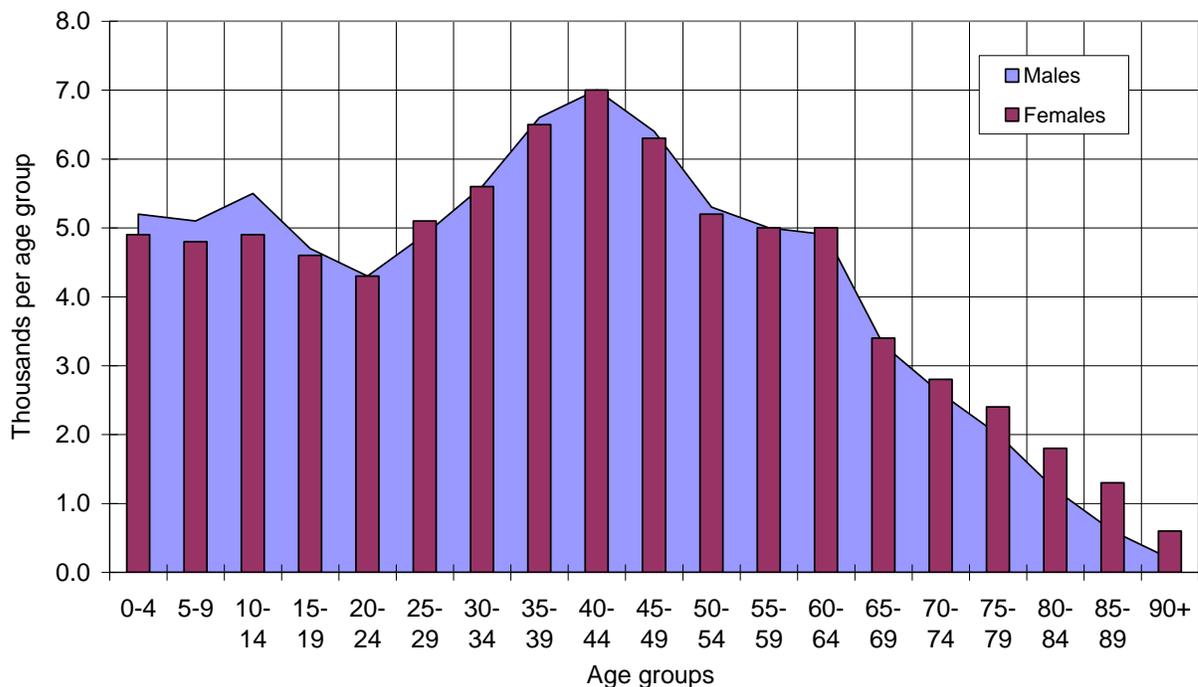
- 6.1 The latest published Mid-Year Population Estimates (MYEs) show that at mid-2008 the population of the borough had reached 167,100, of which:
- 20% were aged under 16;
  - 63.3% were of 'working age' (16-64 males / 16-59 females); and
  - 16.7% were past retirement age.

6.2 This represents a population profile with a higher percentage of children and working-age residents when compared with the national, regional and county averages and, therefore, a lower percentage of older residents. However, as can be seen from the detailed borough population profile in Figure Three, there is a sudden marked increase in the number of residents due to reach retirement age over the next four years – in 2008 there were 9,700 aged 60-64 years, compared to 6,600 people aged 65-69 years. In addition, there is also a very clear peak in the age group 40-44 (13,700), who will reach retirement age in about 20 years time.

**Figure Three**

**Basingstoke and Deane Population Profile**

Source: 2008 Mid-Year Estimates, ONS



6.3 The large numbers of local residents now approaching retirement age reflects a combination of the post-war and 1960s baby boom combined with the large number of people who relocated to the Basingstoke area as young adults during the Town Development Scheme of the 1960s-1970s who are now reaching retirement age. This results in a more exaggerated ‘bulge’ in terms of ageing population than those displayed in the national, regional and county profiles.

6.4 The rapidly increasing number of local residents who have recently reached, or who will shortly be reaching retirement age is starting to counter-balance the number of young people entering the borough workforce each year. Apart from the impact of the changes being

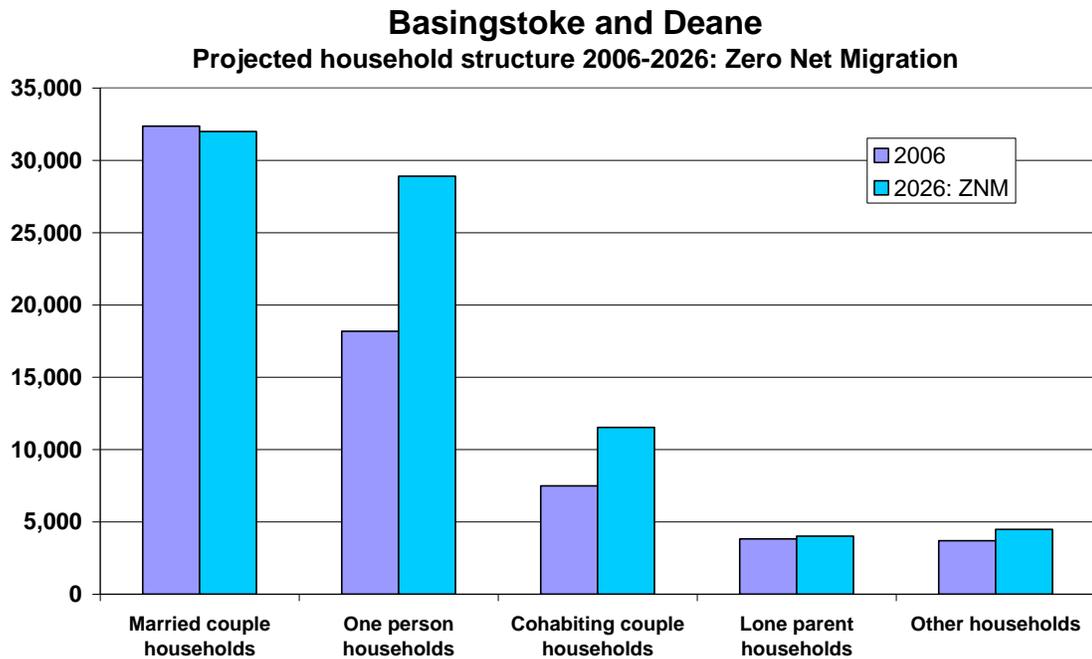
implemented in state retirement age over the coming years and the extent to which people choose to remain in work beyond retirement age (the level of which is uncertain), growth in the local labour supply is largely limited to that resulting from net in-migration within the working-age population.

## 7. Future Population and Household Structure

### Changing Household Structure

- 7.1 Based on the continuation of current trends in fertility and mortality rates of people in the borough (based on the age profile), and on the changing characteristics in relation to new households that are forming as a result of, for example, divorce and younger people living alone for longer, Figure Four below illustrates how the borough's household structure is projected to change over the period between 2006 and 2026. This analysis excludes inward and outward migration and is what could be described as the 'if you built a brick wall around the borough' scenario.

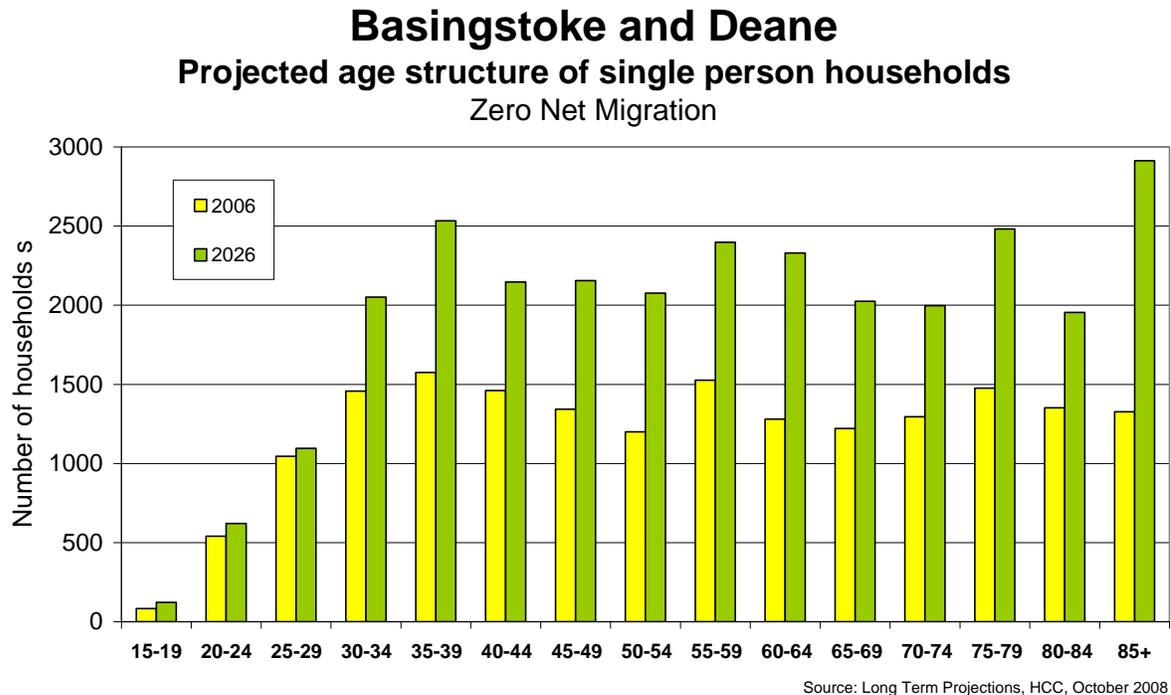
**Figure Four**



Source: Long Term Projections, HCC, October 2008

- 7.2 The very significant increase in one person households is projected to be spread relatively evenly across the age range 30-85+, as illustrated in Figure Five below.

**Figure Five**



- 7.3 This rapid increase in one-person households has a major impact on average household size, which is projected to continue its decline, albeit at a gradually diminishing rate, both nationally and within the borough, throughout the period to 2026.

**Locally Generated Need (Zero Net Migration) Population Projections**

- 7.4 The latest projections for Basingstoke and Deane based on zero net migration (after 2008) were prepared by Hampshire County Council (HCC) in September 2008, using the same assumptions as the 2006-based Sub-National Population Projections (SNPPs) regarding future fertility and mortality rates, but with borough level correction factors to reflect local variations from the national average. These projections indicate overall population growth within the borough of 19,600 people between 2006 and 2026, of which 2,000 is from net migration which has already taken place (2006 to 2008) and the remaining 17,600 is attributed to natural change (that is, live births less deaths).

## **8. What the Projections tell us about the Level of New Housing Required**

- 8.1 In considering the number of homes required to house a given population at any future point in time, it is important to understand the latest trends in how people form households and how those households generate the need for new dwellings.
- 8.2 As set out in paragraph 7.4 using the latest (September 2008) long-term projections based on zero net migration the borough's population is projected to increase by 19,600 over the 20-year period 2006-2026. We then relate this to average household size. Household size has been declining both nationally and locally over many years and there is no indication that this trend will change. By 2026 the average household size in the borough is predicted to be 2.18 persons. This is compared to 2.39 persons in 2006. If we then take the projected population increase at 2026 (based on ZNM) and apply the 2.18 household sizes this would result in the creation of 15,360 additional households in the borough as a result of natural change.
- 8.3 Having determined that zero net-migration from 2008 is expected to generate 15,360 additional households over the period 2006-2026, we are left with the task of converting households to dwellings. The traditional method of handling this conversion is to assume that the percentage of empty properties and second homes will remain unchanged, together with the proportion of shared homes. As set out in the report to Housing and Environment Overview Committee of 19 November 2009 as of March 2008, approximately 2.5% of the borough's dwelling stock was empty (the precise figure changes on a daily basis due to movements within the housing stock). A further 0.4% used as second homes, while a small proportion of homes will be shared by more than one household. Using these figures as a base this would result in a need for a total of 15,800 dwellings in the period 2006-26 to accommodate the additional households created through locally generated need.
- 8.4 Having taken into account levels of net completions between 2006/07 and 2008/09 (2146 dwellings) this would result in a need for some 750 dwellings per annum (dpa) for the period 2008-26 to support the borough's locally generated housing need. This calculation does not take into account any needs assessment from an affordable housing perspective.

## **9. THE ECONOMY OF BASINGSTOKE AND DEANE**

- 9.1 Analysis of the labour market accounts for 2001 shows that the borough has been relatively balanced in terms of the relationship between labour demand and supply, in that the number of jobs in the area was very similar to the borough's economically-active population.

- 9.2 At the 2001 Census, the borough enjoyed a very high level of 'self-containment' regarding the working population, especially given its proximity to the London labour market, with 67% of the local resident workforce working within the borough.
- 9.3 At the time of the 2001 Census, approximately 24,300 people commuted into the borough to work, while 27,300 people commuted out. This out-commuting figure, however, includes just over 3,000 people 'commuting' a short distance in to West Berkshire for work.
- 9.4 On a number of measures the local economy entered the current recession from a position of strength including having a relatively diverse economic structure. As at 2007 there were approximately 80,700 employee jobs located in the borough with 13% of those jobs in the manufacturing sector (significantly higher than the regional average of 8.5%) and a correspondingly lower dependency on services (79.8% for the borough compared to 85.3% for the South East). Furthermore, the manufacturing sector of the borough's economy includes a high proportion of 'knowledge-based manufacturing' such as the manufacture of electrical machinery and precision instruments.
- 9.5 A different measure of the strength and balance of the local economy, job density, represents the ratio of the total number of jobs (including self-employed) to the size of the working-age population. The 2007 job density for the borough was 0.89, higher than that of the South East (0.86) and Great Britain (0.83) highlighting a relatively close match between the number of jobs and the size of the working age population.
- 9.6 It is not yet possible to assess how the local economy is coping with the current recession due to the time-lag in the release of key local data. However, while the recession is undoubtedly having an impact on the borough's economy the limited data available (for example, on unemployment) suggest that it is performing better than the national and regional economies

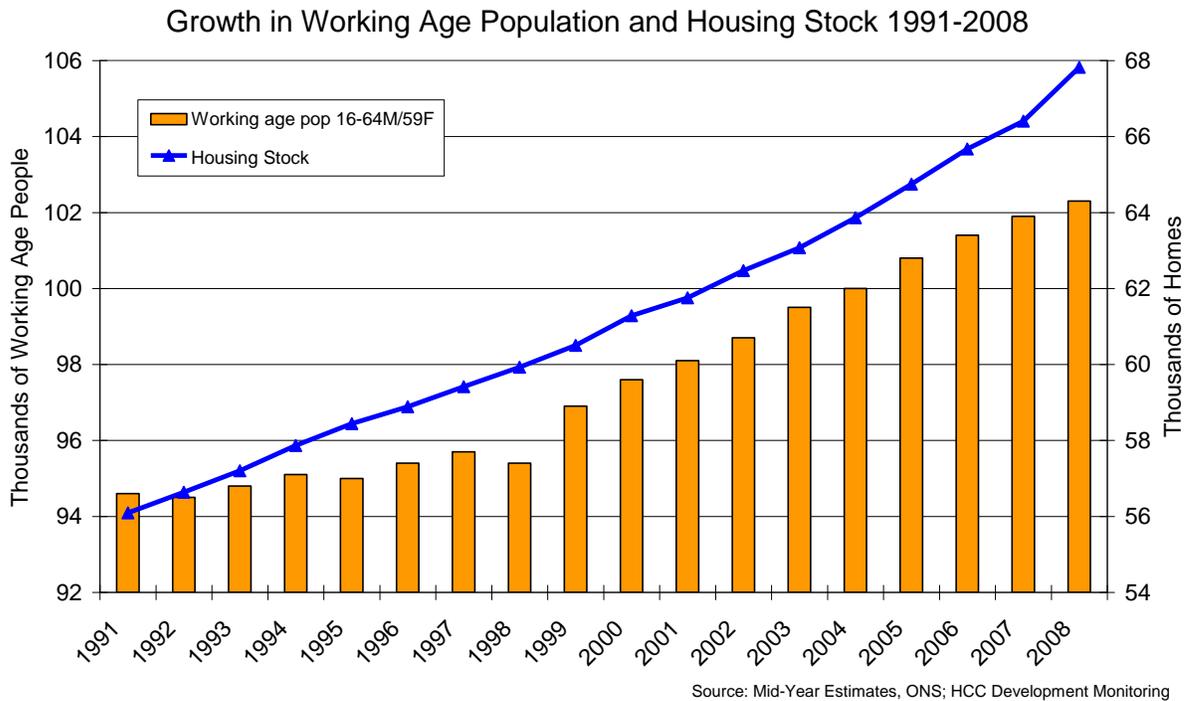
### **Labour Market**

- 9.7 The borough's working-age population has grown from 94,600 to 102,300 since 1991. This relatively modest level of growth in the working-age population has resulted in it declining as a percentage of overall population from 64.9% in 1991 to 63.3% in 2008. Although this percentage remains at a higher level than those of the South East England Region (61.1%) and Great Britain as a whole (62.0%), the regional percentage has remained stable since 1991, and the national percentage has increased from 61.2%.
- 9.8 The percentage of the population that is of working age is, however, only part of the equation. The percentage of this working-age population that is 'economically active' – that is, people who are either in employment or

seeking work – is equally important. Data from the Annual Population Survey, undertaken by ONS, indicates that the number of borough residents who were economically active increased from approximately 85,000 in 1999 to 91,000 in 2008. In percentage terms, this means that 84% - 88% of the borough's working-age population has been economically active during this period, consistently higher than the national average of between 78% and 79%, and the regional average of between 82% and 83%. The wider level of fluctuation in the borough figures is attributed to the relatively small sample in the survey at local level, but the data is sufficiently robust to show that a higher percentage of the borough's working-age population has been either in employment or seeking work throughout the past decade.

- 9.9 Likewise, relatively low unemployment levels in the borough have ensured that employment rates – the percentage of the working-age population who are either employees or self-employed – have also remained generally above 81% over the past decade – higher than those of the region (around 79%) or Britain as a whole (just over 74%).
- 9.10 Comparison of the growth in the borough's working-age population with housing growth between 1991 and 2008, see Figure Six below, shows that 11,700 additional dwellings (an increase of nearly 21%) have resulted in an increase of only 7,700 residents of working age (an increase of just over 8%).
- 9.11 Between 1991 and 1998 net housing completions averaged 550 dwellings per annum and the working-age population increased by less than 120 persons per annum.
- 9.12 Between 1999 and 2005 net housing completions averaged 710 dwellings per annum and the working-age population increased by 650 persons per annum, approaching one additional working-age resident for each additional dwelling.
- 9.13 Finally, between 2005 and 2008, net housing completions increased to over 1,020 dwellings per annum, while growth in the working-age population slowed to 500 persons per annum.
- 9.14 It can be concluded from this analysis that:
- the working-age population tends not to increase until a certain threshold level of net housing completions is reached; and
  - this threshold has become higher in recent years as the growth in the post-retirement population has started to have a bigger impact on overall population growth.

**Figure Six**



### **Local Economy**

9.15 Between 1995 and 2007 the total number of employee jobs in the borough grew from 58,300 to 80,700, an increase of 38%. By comparison the total of employee jobs in the South East region grew by 22% over the same period. This growth in employment is consistent with other data that highlights the strength of past economic growth in the borough. Gross Value Added (GVA) is a measure of economic growth based on the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used in production. The borough's GVA grew by an average of 4.0% pa during 1986-2006 (a period that included the recession of the early 1990s). This sustained growth in total GVA over 20 years was in line with North Hampshire as a whole but significantly higher than that achieved in the South East and UK.

9.16 The growth in the economy of the borough has been combined with strong growth in productivity. There are various measures of productivity but labour productivity is essentially a measure of output per worker. An increase in labour productivity can occur, for example, 'because of better or more capital equipment, new technology advances, organisational changes (such as, a new management structure) or increased efficiency' (ONS). In 2006 GVA per employee in the borough was higher than that in North Hampshire, the South East and UK. During the period 1986-2006 the average annual change in productivity per employee of +2.5% was significantly higher than in the same comparator areas.

## **10. Proposed methodology for understanding the economic and labour force needs to support the borough's economic role**

10.1 Understanding the changes in population in the borough between now and 2026 based on:

1. locally generated need (zero net migration) and
2. the change in the age structure

provides us with information in relation to the size of the economically-active population of the borough in the future. We would be able to use this information to see how this 'fits' with potential labour force needs in the future. The methodology proposed is set out below.

### Step 1:

Use the figure of 750 dwellings to assess the economically active population of the borough

### Step 2:

10.2 Assess the economically active population identified in Step 1 against two sets of assumptions regarding future economic activity rates:

- 'Mid' – which broadly assumes a continuation of the current trend of increasing economic-activity rates
- 'High' – which broadly assumes a sharper increase in economic-activity rates and a raising of the official retirement age sooner than is currently planned.

### Step 3:

Use forecasts of economic / productivity / employment growth for the borough 2006-2026 as identified in the council's 'Employment Land Review' (ELR) based on 3.23% pa Gross Value Added (GVA) growth and 2.27% pa productivity growth. (It should be noted that this growth forecast is lower than the growth achieved in the borough over the period 1986 to 2006 of approximately 4.0% GVA and 2.5% productivity).

10.3 This approach would provide us with an understanding of the potential labour force needs that would be created to support the borough's economic prosperity and how this relates to the number of economically active residents that would exist within the borough based on the 750 dwellings per annum figure. This work would be brought back to Members at a future meeting of this committee.